

**CITY OF CLAWSON  
Oakland County, Michigan**

**AUDITED FINANCIAL REPORT**

**For the Fiscal Year Ended  
June 30, 2011**



CITY OF CLAWSON  
For the Year Ended June 30, 2011

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CITY OF CLAWSON  
For the Year Ended June 30, 2011

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FINANCIAL SECTION



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## Independent Auditor's Report

November 30, 2011

To the Honorable Mayor and  
Members of the City Council  
City of Clawson, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Clawson, Michigan as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Clawson's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Clawson as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the defined benefit pension plans-trend information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally



Honorable Mayor and  
Members of the City Council  
City of Clawson, Michigan

accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on them.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Clawson's basic financial statements. The combining and individual fund financial statements and schedules, as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As discussed in Note I, during the year the City implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. As a result of this implementation, the fund balance classifications in the governmental fund financial statements have been changed to reflect the five new fund balance classifications under GASB Statement No. 54.

Respectfully,



Post, Smythe, Lutz and Ziel of Plymouth LLP  
Certified Public Accountants





# City of Clawson

425 North Main Street / Clawson, Michigan 48017  
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## Management's Discussion and Analysis

As management of the City of Clawson, we offer readers of the City of Clawson's financial statements this narrative overview and analysis of the financial activities of the City of Clawson for the fiscal year ended June 30, 2011.

### Financial Highlights

- The assets of the City of Clawson exceeded its liabilities at the close of the most recent fiscal year by \$17,851,703 (*net assets*). Of this amount, \$3,756,315 (*unrestricted net assets*) may be used to meet the City's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the City of Clawson's governmental funds reported combined ending fund balances of \$4,264,834, a decrease of \$4,178,433 in comparison with the prior year. Approximately 34 percent of this amount, \$1,470,295 is *available for spending* at the government's discretion (*uncommitted fund balance*).
- The City of Clawson's total contractual and bonded debt decreased by \$1,249,591 during the current fiscal year.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Clawson's basic financial statements. The City of Clawson's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Clawson's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City of Clawson's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Clawson is improving or deteriorating.

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned, but unused, leave time).

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Both of the government-wide financial statements distinguish functions of the City of Clawson that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Clawson include general government, public safety, highways and streets, sanitation, and culture and recreation. The business-type activities of the City of Clawson include the water and sewer system and senior citizen housing.

The government-wide financial statements include not only the City of Clawson itself (known as the *primary government*), but also a legally separate downtown development authority for which the City of Clawson is financially accountable. Financial information for this *component unit* is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 10-12 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Clawson, like other state and local governments, used fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Clawson can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Clawson maintains 11 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund, and the G.O. bond debt service fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the annual appropriated budget.

**Proprietary funds.** The City of Clawson maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Clawson used enterprise funds to account for its water and sewer system and for its senior citizen housing. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City of Clawson's various functions. The City of Clawson uses an internal service fund to account for its fleet of vehicles. Because both of these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer system and for senior citizen housing, the first of which is considered to be a major fund of the City of Clawson.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City of Clawson's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City of Clawson's progress in funding its obligation to provide pension benefits to its employees. This information can be found on pages 47-48 of this report.

The combining statements referred to earlier in connection with the nonmajor governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 51-56 of this report.

### Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Clawson, assets exceeded liabilities by \$17,851,703 at the close of the most recent fiscal year.

By far the largest portion of the City of Clawson's net assets (67 percent) reflects its investment in capital assets (e.g., land, buildings, vehicles, office equipment, furniture, and other equipment); less any related debt used to acquire those assets that are still outstanding. The City of Clawson used these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Clawson's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF CLAWSON Net Assets						
	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and Other Assets	\$ 5,313,369	\$ 9,764,873	\$ 2,552,896	\$ 2,106,042	\$ 7,866,265	\$ 11,870,915
Capital Assets	28,434,873	24,559,587	12,482,025	12,787,631	40,916,898	37,347,218
Total Assets	33,748,242	34,324,460	15,034,921	14,893,673	48,783,163	49,218,133
Long-term Liab Outstanding	23,125,758	23,686,910	6,808,154	7,275,789	29,933,912	30,962,699
Other Liabilities	746,955	863,906	250,593	201,187	997,548	1,065,093
Total Liabilities	23,872,713	24,550,816	7,058,747	7,476,976	30,931,460	32,027,792
Net Assets:						
Invested in Capital Assets, net of related debt	6,354,873	1,697,631	5,694,049	5,532,020	12,048,922	7,229,651
Restricted	2,046,466	5,766,643	-	-	2,046,466	5,766,643
Unrestricted	1,474,190	2,309,370	2,282,125	1,884,677	3,756,315	4,194,047
Total Net Assets	\$ 9,875,529	\$ 9,773,644	\$ 7,976,174	\$ 7,416,697	\$ 17,851,703	\$ 17,190,341

The remaining balance of *unrestricted net assets* (\$3,756,315) may be used to meet the City's ongoing obligations to citizens and creditors. A portion of net assets are restricted for specific purposes (\$2,046,466).

At the end of the current fiscal year, the City of Clawson is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

During the current fiscal year, net assets increased by \$661,362, as a result of operational surpluses in government and business activities.

**Governmental activities.** Governmental activities increased the City of Clawson's net assets by \$101,885. Revenues were up slightly as the "one time" grants received for capital expenditures offset declines in interest income, property taxes and state revenue sharing. Expenses increased only 1.2%.

### City of Clawson – Changes in Net Assets

	Governmental Activities		Business Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program Revenues:						
Charges for Services	\$ 1,092,286	\$ 1,005,766	\$ 3,689,970	\$ 3,725,177	\$ 4,782,256	\$ 4,730,943
Operating Grants & Contributions	692,162	718,944	173,560	-	865,722	718,944
Capital Grants & Contributions	533,421	67,345	-	-	533,421	67,345
General Revenues:						
Property Taxes	7,162,655	7,523,338	715,042	-	7,877,697	7,523,338
State Shared Revenues	953,919	996,723	-	-	953,919	996,723
Franchise Fees	182,713	164,863	-	-	182,713	164,863
Gain on Asset Sales	9,400	-	-	-	9,400	-
Unrestricted Investment Earnings	55,976	82,980	2,512	1,247	58,488	84,227
<b>Total Revenues</b>	<b>10,682,532</b>	<b>10,559,959</b>	<b>4,581,084</b>	<b>3,726,424</b>	<b>15,263,616</b>	<b>14,286,383</b>
Expenses:						
General Government	2,782,642	2,772,320	-	-	2,782,642	2,772,320
Public Safety	2,832,211	3,009,855	-	-	2,832,211	3,009,855
Public Works	2,030,628	1,870,600	-	-	2,030,628	1,870,600
Sanitation	884,098	885,382	-	-	884,098	885,382
Health and Welfare	221,294	210,288	-	-	221,294	210,288
Recreation and Cultural	1,086,022	1,141,011	-	-	1,086,022	1,141,011
Interest on Long-Term Debt	773,752	586,480	-	-	773,752	586,480
Water and Sewer	-	-	3,946,209	3,314,471	3,946,209	3,314,471
Senior Housing	-	-	45,398	42,227	45,398	42,227
<b>Total Expenses</b>	<b>10,610,647</b>	<b>10,475,936</b>	<b>3,991,607</b>	<b>3,356,698</b>	<b>14,602,254</b>	<b>13,832,634</b>
Change in Net Assets before Transfers	71,885	84,023	589,477	369,726	661,362	453,749
Transfers	30,000	30,000	(30,000)	(30,000)	-	-
<b>Change in Net Assets</b>	<b>\$ 101,885</b>	<b>\$ 114,023</b>	<b>\$ 559,477</b>	<b>\$ 339,726</b>	<b>\$ 661,362</b>	<b>\$ 453,749</b>

**Business-type activities.** Business-type activities increased the City of Clawson's net assets by \$559,477. Key elements of this increase are as follows:

- Voter approved tax levy of \$715,042 for debt service payments was received for the first time in fiscal year 2010-2011, was somewhat more than debt service charges collected through user fees.
- By moving the drain debt from water to taxes the water and sewer rate went down by 15% during the fiscal year. The voters approving this referendum will assist in federal tax deductions for those who itemize their deductions and can claim their property taxes on their return.
- Clawson continues to see modest increases in the water rate, but large increases in the sewer rate. The storm sewer rate passed through from Detroit via the Oakland County Water Resource Commissioner continues to be the largest rising pass-through cost of the entire water and sewer system. The increase in storm sewer rate was nearly 32% from last fiscal year. The overall increase in sewer rate was 21.2%.
- The average monthly charge for a water and sewer residential customer dropped from \$34.50 to \$29.33.

### **Financial Analysis of the Government's Funds**

As noted earlier, the City of Clawson used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the City of Clawson's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of Clawson's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Clawson's governmental funds reported combined ending fund balances of \$4,264,834, a decrease of \$4,178,433 in comparison with the prior year. Thirty four percent of this total amount \$1,470,295 constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The City implemented Governmental Accounting Standards Board (GASB) Statement 54, and restarted opening fund balances, where appropriate to comply with the new standard. Details of fund balance allocation are found in the notes to the financial statements.

The general fund is the chief operating fund of the City of Clawson. At the end of the current fiscal year, uncommitted fund balance of the general fund was \$1,470,295, while total fund balance is \$1,808,002. As a measure of the general fund's liquidity, it may be useful to compare both uncommitted fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 21 percent of total general fund expenditures, while total fund balance represents 26 percent of that same amount.

The fund balance of the City of Clawson's general fund decreased by \$270,168 during the current fiscal year. Key factors in this decrease are as follows:

- This marks the second consecutive year that the City needed to utilize fund balance to balance the budget. The City Council has a fund balance policy that keeps 10% of annual expenditures in an emergency-only reserve.
- The City defined benefit pension obligation increased by over \$200,000 from last fiscal year to this fiscal year. The defined benefit system is closed to new hires to eliminate legacy costs in the future.
- The City was able to avoid any full-time layoffs by utilizing fund balance reserve to balance the budget, but employment levels are currently at a minimum level in all departments.
- Capital expenditures projects were drastically reduced during the fiscal year. We purchased and replaced outdated Fire Department turn out gear and a hose dryer to

prolong the life of our fire hoses. Projects that began in the prior year with our aging buildings were completed during the year. Our four restrooms at City Hall are now ADA compliant and energy efficient and our DPW building is more energy efficient with new walls and windows in the front of the building.

- Although the City has reduced over \$600,000 from the expenditure side of the budget since 2008, our property tax revenues continue to suffer due to the tremendous drop in property values. The City has lost nearly \$80 million in taxable value through fiscal year budget for 2011-2012 and expects to lose another \$20 million for the fiscal year 2012-2013. Our projected cuts in expenditures for 2012-2013 will be over \$1 million.
- In order to help offset the revenue losses in the future, the City union and non-union employees agreed to 10% wage cuts for the 2011-2012 fiscal year and are also paying more towards health care coverage.

**Proprietary funds.** The City of Clawson's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets of the Water and Sewer Fund at the end of the year amounted to \$2,206,029 and \$76,096 for the Senior Housing Fund. The total growth in net assets for both funds was \$567,615 and \$(8,138) respectively. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City of Clawson's business-type activities.

### General Fund Budgetary Highlights

Differences between the original expenditure budget and the final amended expenditure budget were \$374,550 or 5.4 percent of original appropriation, mostly due to additional capital projects.

### Capital Asset and Debt Administration

**Capital assets.** The City of Clawson's investment in capital assets for its governmental and business type activities as of June 30, 2011, amounts to \$32,202,210 (net of accumulated depreciation and amortization). This investment in capital assets includes land, buildings and system improvements, vehicles, equipment, park facilities, intangible assets and streets. The total increase in the City of Clawson's investment in capital assets for the current fiscal year was 13 percent (a 16 percent increase for governmental activities and a 2 percent increase for business-type activities).

Major capital asset events during the current fiscal year included the following:

- |                       |             |
|-----------------------|-------------|
| • Street Improvements | \$2,964,440 |
| • Library Renovation  | \$1,305,600 |

**Long-term debt.** At the end of the current fiscal year, the City of Clawson had total bonded debt outstanding of \$27,435,244, and \$1,432,732 of contracts payable. All of the City of Clawson's debt represents general obligation debt backed by the full faith and credit of the City of Clawson. Additional information on the City of Clawson's long-term debt can be found in note III. E. on pages 36-38 of this report.

### Economic Factors and Next Year's Budgets and Rates

The good news for our long time residents is that the drop in property values has meant a reduction in taxes over the past four years. Our operating millage rate has remained at 12.6834 for six years now. Since 2008, Clawson's property tax values have declined each year. We seem to be about one year behind the decline curve when compared to surrounding communities. Our commercial losses are also starting to catch up to us. Employees have made significant concessions in order to maintain the level of services that Clawson currently delivers, but balancing the budget becomes

more difficult each year as taxable property values continue to decline. In order to address the enormous loss in tax revenue, Clawson will have a ballot proposal to override the Headlee reduced millage back to the Charter allowed 15 mills in February 2012. The increase would be 2.3166 mills over the current millage rate, if approved. Should that millage pass, Clawson would be able to continue the level of services we currently provide and maintain our full-time work force as it currently is. Should that millage fail we would be looking at significant cuts in our personnel and thus the services we now provide. The voters here in Clawson have always been very supportive of our proposals because we remain transparent about our needs and our operations and we deliver on what we promise. We currently have a \$1.4 uncommitted fund balance of which \$650,000 is set aside for our policy reserve and \$550,000 is set aside for capital expenditures and pending defined benefit retirement costs. The remaining \$200,000 is now designated to balancing our budget for the 2011-2012 fiscal year. We can no longer operate using fund balance reserve to balance our budget starting with the 2012-2013 budget. Employees have taken 10% pay cuts and are now paying more toward health insurance to help reduce our expenses. To date, we have been able to avoid full time employee layoffs through those employee concessions and operating expense reductions. Our ballot proposal will only replace a portion of the lost property tax revenue and we are only asking for the millage to maintain the level of services we currently provide.

Some good news is that we are starting to see some positive signs. Since 2007, Clawson has completed infrastructure improvement projects of more than \$30 million. We still have a very active and growing downtown area. We are experiencing many building expansions and upgrades in our downtown and commercial districts. Clawson continues to generate a great deal of interest from businesses and investors because of the commitment of the people in Clawson to support the capital infrastructure projects that we have completed over the past 5 years. Our Clawson Library completed a \$1.5 million expansion and renovation project that now better meets the needs of our residents. Our downtown completed a streetscape project that was partially funded by a \$760,000 grant and cost a total of \$2.5 million. We hear from many people coming into Clawson that the infrastructure improvements make our City a destination point for families, businesses, diners, and shoppers. Our residential housing market is also showing signs of recovery. Local realtors are reporting brisk sales of the listing price and higher for Clawson homes on the market. The homes are also now selling in a much shorter time frame from the date they are listed. We expect that the worst of the property market collapse is now behind us and we look forward to a bright future here in Clawson.

### **Requests for Information**

This financial report is designed to provide a general overview of the City of Clawson's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, City of Clawson, 425 N. Main Street, Clawson, Michigan 48017-1555.



BASIC FINANCIAL STATEMENTS



**CITY OF CLAWSON**  
**Statement of Net Assets**  
**June 30, 2011**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Dev Authority
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 4,853,456	\$ 1,156,007	\$ 6,009,463	\$ 108,444
Receivables (net of Allowance for Uncollectibles)	185,917	1,396,889	1,582,806	5,753
Due from Other Governmental Units	90,739	-	90,739	-
Due from Other Funds	3,758	-	3,758	-
Due from Primary Government	-	-	-	46,220
Advance to Component Unit	156,338	-	156,338	-
Prepaid Expenditures	23,161	-	23,161	-
Capital Assets (net of Accumulated Depreciation)	28,434,873	3,767,337	32,202,210	-
Intangible Assets (net of Accumulated Amortization)	-	8,714,688	8,714,688	-
Total Assets	<u>33,748,242</u>	<u>15,034,921</u>	<u>48,783,163</u>	<u>160,417</u>
<b>LIABILITIES</b>				
Accounts Payable	397,505	234,609	632,114	811
Accrued Liabilities	107,245	9,144	116,389	384
Due to Other Funds	1,062	3,758	4,820	-
Deposits	160,879	3,082	163,961	-
Due to Component Unit	46,220	-	46,220	-
Advance from Primary Government	-	-	-	156,338
Deferred Revenue	34,044	-	34,044	-
Noncurrent Liabilities:				
Other Post Employment Benefits (OPEB)	605,663	-	605,663	-
Compensated Absences	440,095	20,178	460,273	-
Due within One Year	835,000	479,888	1,314,888	-
Due in More than One Year	21,245,000	6,308,088	27,553,088	-
Total Liabilities	<u>23,872,713</u>	<u>7,058,747</u>	<u>30,931,460</u>	<u>157,533</u>
<b>NET ASSETS</b>				
Invested in Capital Assets, net of Related Debt	6,354,873	5,694,049	12,048,922	-
Restricted – Capital Projects	1,895,317	-	1,895,317	-
Restricted – Debt Service	151,149	-	151,149	-
Unrestricted	1,474,190	2,282,125	3,756,315	2,884
Total Net Assets	<u>\$ 9,875,529</u>	<u>\$ 7,976,174</u>	<u>\$ 17,851,703</u>	<u>\$ 2,884</u>

**CITY OF CLAWSON**  
**Statement of Activities**  
**For the Year Ended June 30, 2011**

<b>Functions/Programs</b>	<b>Program Revenues</b>			
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Primary Government:</b>				
Governmental Activities:				
General Government	\$ 2,782,642	\$ 452,232	\$ 15,386	\$ -
Public Safety	2,832,211	283,514	4,485	-
Public Works	2,030,628	140,486	664,367	461,947
Sanitation	884,098	19,999	-	-
Health and Welfare	221,294	-	-	-
Recreation and Cultural	1,086,022	196,055	7,924	71,474
Interest on Long-Term Debt	773,752	-	-	-
Total Governmental Activities	<u>10,610,647</u>	<u>1,092,286</u>	<u>692,162</u>	<u>533,421</u>
Business-type Activities:				
Water and Sewer	3,946,209	3,622,883	173,560	-
Senior Citizen Housing	45,398	67,087	-	-
Total Business-type Activities	<u>3,991,607</u>	<u>3,689,970</u>	<u>173,560</u>	<u>-</u>
Total Primary Government	<u>\$ 14,602,254</u>	<u>\$ 4,782,256</u>	<u>\$ 865,722</u>	<u>\$ 533,421</u>
<b>Component Unit:</b>				
Downtown Development Authority	<u>\$ 243,036</u>	<u>\$ 3,018</u>	<u>\$ 15,000</u>	<u>\$ -</u>

General Revenues:  
Property Taxes  
State Shared Revenue  
Cable Franchise  
Unrestricted Investment Earnings  
Gain on Sale of Assets  
Transfers  
Total General Revenues and Transfers

Change in Net Assets  
Net Assets (Deficit) – Beginning

Net Assets – Ending

**Net (Expense) Revenue and Changes in Net Assets**

<b>Primary Government</b>			
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Component Unit</b>
\$ (2,315,024)	\$ -	\$ (2,315,024)	\$ -
(2,544,212)	-	(2,544,212)	-
(763,828)	-	(763,828)	-
(864,099)	-	(864,099)	-
(221,294)	-	(221,294)	-
(810,569)	-	(810,569)	-
(773,752)	-	(773,752)	-
<u>(8,292,778)</u>	<u>-</u>	<u>(8,292,778)</u>	<u>-</u>
-	(149,766)	(149,766)	-
-	21,689	21,689	-
<u>-</u>	<u>(128,077)</u>	<u>(128,077)</u>	<u>-</u>
<u>(8,292,778)</u>	<u>(128,077)</u>	<u>(8,420,855)</u>	<u>-</u>
-	-	-	(225,018)
7,162,655	715,042	7,877,697	162,149
953,919	-	953,919	-
182,713	-	182,713	-
55,976	2,512	58,488	350
9,400	-	9,400	-
30,000	(30,000)	-	-
<u>8,394,663</u>	<u>687,554</u>	<u>9,082,217</u>	<u>162,499</u>
101,885	559,477	661,362	(62,519)
<u>9,773,644</u>	<u>7,416,697</u>	<u>17,190,341</u>	<u>65,403</u>
<u>\$ 9,875,529</u>	<u>\$ 7,976,174</u>	<u>\$ 17,851,703</u>	<u>\$ 2,884</u>

**CITY OF CLAWSON**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2011**

	<u>General</u>	<u>G.O. Bond Debt Fund</u>	<u>Other Gov't Funds</u>	<u>Total Gov't Funds</u>
<b><u>ASSETS</u></b>				
Cash and Cash Equivalents	\$ 1,981,824	\$ 80,990	\$ 2,483,540	\$ 4,546,354
Receivables (net of Allowance for Uncollectibles)	174,925	-	10,992	185,917
Due from Other Governmental Units	38,987	-	51,752	90,739
Due from Other Funds	3,908	1,598	65,841	71,347
Advance to Component Unit	156,338	-	-	156,338
Prepaid Expenditures	8,236	-	14,925	23,161
 Total Assets	 <u>\$ 2,364,218</u>	 <u>\$ 82,588</u>	 <u>\$ 2,627,050</u>	 <u>\$ 5,073,856</u>

**LIABILITIES AND FUND BALANCE**

Liabilities:				
Accounts Payable	\$ 198,415	\$ -	\$ 186,166	\$ 384,581
Deposits	160,879	-	-	160,879
Accrued and Other Liabilities	93,082	-	12,165	105,247
Due to Other Funds	23,576	-	54,475	78,051
Due to Component Units	46,220	-	-	46,220
Deferred Revenue	34,044	-	-	34,044
Total Liabilities	<u>556,216</u>	<u>-</u>	<u>252,806</u>	<u>809,022</u>

Fund Balance:

Non Spendable:

Prepaid Expenditures	8,236	-	14,925	23,161
Long-Term Advances	156,338	-	-	156,338

Restricted:

Insurance Reserve	111,983	-	-	111,983
Debt Service	48,123	82,588	20,438	151,149
Capital Projects	-	-	1,895,317	1,895,317
Drug Law Enforcement	13,027	-	-	13,027
Special Revenue Funds	-	-	443,564	443,564
Unassigned	<u>1,470,295</u>	<u>-</u>	<u>-</u>	<u>1,470,295</u>
Total Fund Balance	<u>1,808,002</u>	<u>82,588</u>	<u>2,374,244</u>	<u>4,264,834</u>

Total Liabilities and Fund Balance	<u>\$ 2,364,218</u>	<u>\$ 82,588</u>	<u>\$ 2,627,050</u>
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital Assets used in governmental activities are not financial resources and, therefore, not reported in the funds.	27,914,360
Other postemployment benefit obligations are not reported in the funds.	(605,663)
Internal Service Funds are used by management to charge the costs of motor pool to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	809,497
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(22,507,499)</u>
	<u>\$ 9,875,529</u>

**CITY OF CLAWSON**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2011**

<b>Revenues</b>	<b>General</b>	<b>G.O. Bond Debt Fund</b>	<b>Other Governm. Funds</b>	<b>Total Governm. Funds</b>
Property Taxes	\$ 4,364,145	\$ 1,316,660	\$ 1,264,646	\$ 6,945,451
Property Tax Administration Fee	175,509	-	-	175,509
Penalties and Interest	41,695	-	-	41,695
Licenses and Permits	135,847	-	-	135,847
Intergovernmental:				
Federal, State and Local	1,012,405	-	1,167,096	2,179,501
Charges for Services	250,817	-	-	250,817
Fines and Forfeitures	159,332	-	-	159,332
Franchise Fees	182,713	-	-	182,713
Interest	39,633	677	14,976	55,286
Other	397,532	-	148,759	546,291
Total Revenues	<u>6,759,628</u>	<u>1,317,337</u>	<u>2,595,477</u>	<u>10,672,442</u>
 <b>Expenditures</b>				
Current:				
General Government	1,095,719	-	-	1,095,719
Public Safety	2,739,671	-	-	2,739,671
Public Works	655,838	-	658,981	1,314,819
Sanitation	-	-	884,098	884,098
Health and Welfare	221,294	-	-	221,294
Recreation and Cultural	591,781	-	435,916	1,027,697
Other Functions	1,434,337	-	-	1,434,337
Debt Service:				
Principal	-	605,000	105,000	710,000
Interest and Other Charges	-	726,624	47,128	773,752
Capital Outlay	270,156	-	4,409,332	4,679,488
Total Expenditures	<u>7,008,796</u>	<u>1,331,624</u>	<u>6,540,455</u>	<u>14,880,875</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(249,168)</u>	<u>(14,287)</u>	<u>(3,944,978)</u>	<u>(4,208,433)</u>
 <b>Other Financing Sources (Uses)</b>				
Transfers In	30,000	-	106,000	136,000
Transfers Out	(51,000)	-	(55,000)	(106,000)
Total Other Financing Sources (Uses)	<u>(21,000)</u>	<u>-</u>	<u>51,000</u>	<u>30,000</u>
Net Change in Fund Balance	(270,168)	(14,287)	(3,893,978)	(4,178,433)
Fund Balance – Beginning	<u>2,078,170</u>	<u>96,875</u>	<u>6,268,222</u>	<u>8,443,267</u>
Fund Balance – Ending	<u>\$ 1,808,002</u>	<u>\$ 82,588</u>	<u>\$ 2,374,244</u>	<u>\$ 4,264,834</u>

**CITY OF CLAWSON**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2011**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balance - total governmental funds	\$	(4,178,433)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period:

Capital Outlay Expenditures	\$	4,679,488	
Depreciation Expense		<u>(747,493)</u>	
			3,931,995

The net increase in other post employment benefit obligations (OPEB) does not require current resources and are not included in governmental funds.	(210,530)
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:

Principal Payments on Long Term Bonds	\$	710,000	
Increase in Accumulated Sick and Vacation Pay		<u>(9,173)</u>	
			700,827

Internal service funds are used by management to charge the costs of fleet management and management information systems to individual funds. The net revenue(loss) of certain activities of internal service funds is reported with governmental activities.	<u>(141,974)</u>
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Change in net assets in governmental activities	\$	<u><u>101,885</u></u>
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**CITY OF CLAWSON**  
**Balance Sheet**  
**Proprietary Funds**  
**June 30, 2011**

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental Activities – Internal Service Fund</u>
	<u>Water &amp; Sewer</u>	<u>Other Nonmajor Senior Citizens Housing</u>	<u>Total</u>	
<b><u>ASSETS</u></b>				
Current Assets:				
Cash and Cash Equivalents	\$ 1,077,475	\$ 78,532	\$ 1,156,007	\$ 307,102
Due from Other Funds	-	-	-	9,400
Accounts Receivable	1,397,669	(780)	1,396,889	-
Total Current Assets	<u>2,475,144</u>	<u>77,752</u>	<u>2,552,896</u>	<u>316,502</u>
Property, Plant and Equipment:				
Land	-	54,028	54,028	-
Land Improvements	-	59,512	59,512	-
Buildings	47,782	425,572	473,354	-
Infrastructure	7,621,310	-	7,621,310	-
Machinery and Equipment	182,171	63,607	245,778	1,941,772
Accumulated Depreciation	(4,402,743)	(283,902)	(4,686,645)	(1,421,259)
Net Property, Plant and Equipment	<u>3,448,520</u>	<u>318,817</u>	<u>3,767,337</u>	<u>520,513</u>
Intangible Assets (net of Accumulated Amortization)	<u>8,714,688</u>	<u>-</u>	<u>8,714,688</u>	<u>-</u>
Total Assets	<u>\$ 14,638,352</u>	<u>\$ 396,569</u>	<u>\$ 15,034,921</u>	<u>\$ 837,015</u>
<b><u>LIABILITIES AND EQUITY</u></b>				
Current Liabilities:				
Accounts Payable	\$ 234,270	\$ 339	\$ 234,609	\$ 12,924
Accrued Liabilities	5,033	1,140	6,173	1,998
Due to Other Funds	3,758	-	3,758	-
Compensated Absences Payable	2,971	-	2,971	1,101
Deposits	2,905	177	3,082	-
Contracts Payable	129,865	-	129,865	-
Bonds Payable	350,023	-	350,023	-
Total Current Liabilities	<u>728,825</u>	<u>1,656</u>	<u>730,481</u>	<u>16,023</u>
Long-Term Liabilities:				
Compensated Absences Payable	20,178	-	20,178	11,495
Contracts Payable	1,302,867	-	1,302,867	-
Bonds Payable	5,005,221	-	5,005,221	-
Total Long-Term Liabilities	<u>6,328,266</u>	<u>-</u>	<u>6,328,266</u>	<u>11,495</u>
Equity:				
Invested in Capital Assets, Net of Related Debt	5,375,232	318,817	5,694,049	520,513
Unreserved	2,206,029	76,096	2,282,125	288,984
Total Equity	<u>7,581,261</u>	<u>394,913</u>	<u>7,976,174</u>	<u>809,497</u>
Total Liabilities and Equity	<u>\$ 14,638,352</u>	<u>\$ 396,569</u>	<u>\$ 15,034,921</u>	<u>\$ 837,015</u>

**CITY OF CLAWSON**  
**Statement of Revenues, Expenses and Changes in Fund Equity**  
**Proprietary Funds**  
**For the Year Ended June 30, 2011**

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental Activities – Internal Service Fund</u>
	<u>Water &amp; Sewer</u>	<u>Other Nonmajor Senior Citizens Housing</u>	<u>Total</u>	
<b><u>Operating Revenues:</u></b>				
Water Charges for Services	\$ 1,109,494	\$ -	\$ 1,109,494	\$ -
Water Treatment Charges for Services	2,510,377	-	2,510,377	-
Rental Income	-	66,310	66,310	327,035
Intergovernmental	173,560	-	173,560	-
Miscellaneous	3,012	777	3,789	-
Total Operating Revenues	<u>3,796,443</u>	<u>67,087</u>	<u>3,863,530</u>	<u>327,035</u>
<b><u>Operating Expenses:</u></b>				
Water Department	1,032,133	-	1,032,133	-
Sewer Department	2,411,613	-	2,411,613	-
Senior Citizens Housing	-	32,160	32,160	-
Motor Pool	-	-	-	384,281
Depreciation and Amortization	316,057	13,238	329,295	91,306
Total Operating Expenses	<u>3,759,803</u>	<u>45,398</u>	<u>3,805,201</u>	<u>475,587</u>
Operating Income (Loss)	<u>36,640</u>	<u>21,689</u>	<u>58,329</u>	<u>(148,552)</u>
<b><u>Non-Operating Revenues (Expenses):</u></b>				
Interest Earned	2,339	173	2,512	690
Property Taxes Levied for Debt Service	715,042	-	715,042	-
Gain(Loss) From Asset Sales	-	-	-	9,400
Interest Expense	(186,406)	-	(186,406)	(3,512)
Total Non-Operating Revenues (Expenses)	<u>530,975</u>	<u>173</u>	<u>531,148</u>	<u>6,578</u>
Income (Loss) before Operating Transfers	567,615	21,862	589,477	(141,974)
<b><u>Operating Transfers:</u></b>				
Operating Transfers Out	-	(30,000)	(30,000)	-
Net Income (Loss)	567,615	(8,138)	559,477	(141,974)
Fund Equity – Beginning	<u>7,013,646</u>	<u>403,051</u>	<u>7,416,697</u>	<u>951,471</u>
Fund Equity – Ending	<u>\$ 7,581,261</u>	<u>\$ 394,913</u>	<u>\$ 7,976,174</u>	<u>\$ 809,497</u>

**CITY OF CLAWSON**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2011**

	<u>Business-type Activities – Enterprise Funds</u>			<u>Governmental Activities – Internal Service Fund</u>
	<u>Water &amp; Sewer</u>	<u>Other Nonmajor Senior Citizens Housing</u>	<u>Total</u>	
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>				
Receipts from Customers and Users	\$ 3,872,763	\$ 73,267	\$ 3,946,030	\$ -
Receipts from Quasi-External Transactions	-	-	-	327,035
Payments to Suppliers	(2,815,571)	(32,246)	(2,847,817)	(178,961)
Payments to Employees	(578,683)	-	(578,683)	(204,045)
Net Cash Provided by Operating Activities	<u>478,509</u>	<u>41,021</u>	<u>519,530</u>	<u>(55,971)</u>
<b><u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u></b>				
Property Taxes Levied for Debt Service	715,042	-	715,042	-
Transfer to Other Funds	-	(30,000)	(30,000)	-
Net Cash Provided by Non-Capital Financing Financing Activities	<u>715,042</u>	<u>(30,000)</u>	<u>685,042</u>	<u>-</u>
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u></b>				
Purchases of Capital Assets	-	(23,689)	(23,689)	(34,597)
Principal Paid on Capital Debt	(467,635)	-	(467,635)	(71,956)
Interest Paid on Capital Debt	(186,406)	-	(186,406)	(3,512)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(654,041)</u>	<u>(23,689)</u>	<u>(677,730)</u>	<u>(110,065)</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>				
Interest Earned	2,339	173	2,512	690
Net Increase (Decrease) in Cash and Cash Equivalents	541,849	(12,495)	529,354	(165,346)
Cash and Cash Equivalents – Beginning	535,626	91,027	626,653	472,448
Cash and Cash Equivalents – Ending	<u>\$ 1,077,475</u>	<u>\$ 78,532</u>	<u>\$ 1,156,007</u>	<u>\$ 307,102</u>
<b><u>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</u></b>				
Operating Income (Loss)	\$ 36,640	\$ 21,689	\$ 58,329	\$ (148,552)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation and Amortization Expense	316,057	13,238	329,295	91,306
(Increase) Decrease in Receivables	76,320	6,180	82,500	-
(Increase) Decrease in Prepaids	-	-	-	-
Increase (Decrease) in Accounts Payable	45,663	339	46,002	798
Increase (Decrease) in Due to Other Funds	3,758	-	3,758	-
Increase (Decrease) in Accrued Liabilities	1,886	-	1,886	477
Increase (Decrease) in Deposits	(1,815)	(425)	(2,240)	-
Net Cash Provided (Used) by Operating Activities	<u>\$ 478,509</u>	<u>\$ 41,021</u>	<u>\$ 519,530</u>	<u>\$ (55,971)</u>

**CITY OF CLAWSON**  
**Statement of Net Assets**  
**Fiduciary Funds**  
**June 30, 2011**

<b><u>ASSETS</u></b>	<b><u>V.E.B.A. Healthcare Trust Fund</u></b>	<b><u>Fire Retirement System Trust Fund</u></b>	<b><u>Agency Funds</u></b>
Cash	\$ 289,948	\$ 9,089	\$ 2,053
Investments, at Fair Value:			
Bonds and Notes	-	935,795	-
Common Stock	-	1,962,195	-
Total Investments	<u>-</u>	<u>2,897,990</u>	<u>-</u>
Due from Other Funds	<u>-</u>	<u>-</u>	<u>1,062</u>
Total Assets	<u>289,948</u>	<u>2,907,079</u>	<u>3,115</u>
 <b><u>LIABILITIES</u></b>			
Due to Other Funds	-	-	-
Due to Other	-	16,406	3,115
Total Liabilities	<u>-</u>	<u>16,406</u>	<u>3,115</u>
 Net Assets Held in Trust For Employees' Retirement Benefits	 <u>\$ 289,948</u>	 <u>\$ 2,890,673</u>	 <u>\$ -</u>

**CITY OF CLAWSON**  
**Statement of Changes in Net Assets**  
**Fiduciary Funds**  
**For the Year Ended June 30, 2011**

	<u>V.E.B.A. Healthcare Trust Fund</u>	<u>Fire Retirement System Trust Fund</u>
<b><u>ADDITIONS</u></b>		
Investment Income:		
Earnings on Investments	\$ 6	\$ 41,645
Net Appreciation (Depreciation) in Fair Value of Investments	-	489,408
Contributions:		
Employer	<u>72,400</u>	<u>175,560</u>
Total Additions	<u>72,406</u>	<u>706,613</u>
 <b><u>DEDUCTIONS</u></b>		
Benefits Paid	43,868	117,261
Administrative Costs	-	36,654
Total Deductions	<u>43,868</u>	<u>153,915</u>
 Net Increase (Decrease)	 28,538	 552,698
 Net Assets Held in Trust For Employee's Retirement Benefits:		
Net Assets – Beginning	<u>261,410</u>	<u>2,337,975</u>
Net Assets – Ending	<u>\$ 289,948</u>	<u>\$ 2,890,673</u>



CITY OF CLAWSON  
Notes to Financial Statements  
June 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Clawson, Michigan, was established in 1940 and covers an area of approximately 2.4 square miles. The City operates under an elected Mayor and City Council, with a full-time City Manager appointed by this body to carry out the policies that it establishes. Services are provided to approximately 13,000 residents in the areas of police and fire protection, building code enforcement, refuse removal, parks and recreation, road construction, street lighting, maintenance, senior housing and water and sewer.

As required by generally accepted accounting principles, these financial statements present the City of Clawson and its component units, entities for which the government is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

*Discretely Presented Component Unit*

Downtown Development Authority

The City of Clawson Downtown Development Authority (DDA) was established to promote economic growth and revitalization of the City's business district. The DDA Board is appointed by the City Council and the annual operating budget and any modifications require the approval of the City Council. The DDA has a June 30 fiscal year end.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

CITY OF CLAWSON  
Notes to Financial Statements  
June 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

B. Government-Wide and Fund Financial Statements – Continued

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

Governmental Funds

The City reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Unlimited Tax General Obligation Debt Service Fund – used to account for taxes levied to pay Street Debt.

CITY OF CLAWSON  
Notes to Financial Statements  
June 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation – Continued

Governmental Funds – Continued

In addition, the City reports on the following fund types:

The Special Revenue Funds account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects).

The Debt Service Funds account for the resources that are legally restricted to expenditures for principal and interest payments on long-term debt of governmental funds.

Capital Project Funds are used to account for the proceeds of long-term borrowings used to fund various projects.

Proprietary Funds

Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Proprietary funds include the following fund types:

Enterprise Funds are used to account for those operations that are financed and operated in a manner similar to private business or where the City Council has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The City's enterprise funds include the Water and Sewer Fund, which is reported as a major fund, and the Senior Citizen Housing Fund, which is reported as a nonmajor fund.

Internal Service Funds account for operations that provide services to other departments or agencies of the City on a cost reimbursement basis. As these services predominantly benefit governmental rather than business-type functions, they have been included within the *governmental activities* in the government-wide financial statements.

CITY OF CLAWSON  
Notes to Financial Statements  
June 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation – Continued

Fiduciary Funds

Fiduciary Funds account for assets held by the government in a trustee capacity or as an agent on behalf of others. Fiduciary Funds include the following fund types:

The Pension Trust Fund accounts for the activities of the Fire Department Retirement System, which accumulates resources for pension, benefit payments to qualified fire department employees.

The V.E.B.A. Health Care Trust Fund was established to accumulate resources for certain post employment benefit payments to qualified employees.

The Agency Fund is used to account for assets that the government holds for others in an agency capacity. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as needed.

*Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CITY OF CLAWSON  
Notes to Financial Statements  
June 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. State statutes authorize the City to invest in obligations of the U.S. Treasury, commercial paper of certain investment grades, and deposits of Michigan commercial banks. Investments for the City, as well as for its component units, are recorded at fair value.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "due to/from other funds"

Advances between funds, as reported in the fund financial statements, are considered 'non spendable' allocation of fund balance in the applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources. All trade and property tax receivables are shown net of allowance for uncollectible accounts, which are recorded at \$-0- at June 30, 2011.

3. Inventory

Inventories are valued at cost using the first-in/first out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

CITY OF CLAWSON  
Notes to Financial Statements  
June 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

D. Assets, Liabilities, and Net Assets or Equity – Continued

4. Capital Assets – Continued

Interest incurred during the construction phase of capital assets of business-type activities is included as part of capitalized value of the assets constructed. Property, plant and equipment of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	31
Infrastructure	30-50
Equipment	5-20
Vehicles	5-7

5. Compensated Absences

In accordance with contracts negotiated with the various employee groups of the City, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in the contracts. All sick and vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured. The long-term portion of compensated absences related to the governmental funds is a liability recorded in the statement of net assets. This liability is composed of employees who retire who are paid for fifty to fifty-five percent of unused sick days upon termination of employment and any unused vacation paid upon termination of employment.

6. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

CITY OF CLAWSON  
Notes to Financial Statements  
June 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

D. Assets, Liabilities, and Net Assets or Equity – Continued

6. Long-Term Obligations – Continued

Long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the statement of net assets. Long-term liabilities expected to be financed from proprietary funds are reported as liabilities in those funds.

7. Fund Balance

In accordance with Generally Accepted Accounting Principles, the City's fund balance in governmental funds is classified as follows:

- Non-Spendable – Amounts classified as “non-spendable” include balances in prepaid insurance (\$23,161), which are deemed “non-spendable,” as they cannot be liquidated to spend in the following year, and the long term advance to the DDA (\$156,338).
- Restricted – Equity in Special Revenue Funds (spendable), Capital Projects and Debt Service Funds are restricted to those activities by State law or by resolutions of City Council.
- Committed Fund Balances – Amounts that have been formally set aside by City Council for use for a specific purpose. Commitments are made by resolution of the City Council.
- Assigned Fund balances are developed by City Administration and are generally reviewed and approved by City Council. Expenditures are first applied to “assigned” then to “unassigned” balances.

The City's fund balance policy states that the general fund must have at least 10% of prior year revenues in ‘unassigned’ fund balance. The City does not have a Budget Stabilization Fund.

CITY OF CLAWSON  
Notes to Financial Statements  
June 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

D. Assets, Liabilities, and Net Assets or Equity – Continued

7. Fund Balance – Continued

The City's General and Special Revenue funds have the following allocations:

General Fund

Non-Spendable:

Prepaid Insurance/Insurance	\$	120,219
Long-Term Advance		156,338

Restricted:

Debt Service		48,123
Drug Law Enforcement		13,027

Unassigned

		1,470,295
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Total	\$	<u>1,808,002</u>
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Special Revenue Funds

Non-Spendable:

Prepaid Insurance/Insurance	\$	14,925
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Restricted to Specific

Purposes		443,564
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Total	\$	<u>458,489</u>
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Debt Service Funds

Restricted to Debt

Service	\$	<u>103,026</u>
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Capital Project Funds

Restricted to Capital

Projects	\$	<u>1,895,317</u>
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II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The City is legally subject to the budgetary control requirements of the State of Michigan P.A. 621 of 1978 (Uniform Budgeting Act). The following is a summary of the requirements of this act:

- a. Budgets must be adopted for the General and Special Revenue Funds.
- b. Budgets must be balanced.
- c. Budgets must be amended as necessary.
- d. Public hearings must be held prior to adoption.
- e. Expenditures cannot exceed budget appropriations.
- f. Expenditures must be authorized by a budget appropriation prior to being incurred.

CITY OF CLAWSON  
Notes to Financial Statements  
June 30, 2011

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – Continued

A. Budgetary Information – Continued

The City follows these procedures in establishing the budgetary data reflected in these financial statements:

1. The City Charter requires two regular council meetings per month. By the second meeting in April, a proposed operating budget must be submitted to the City Council for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and means of financing them for the upcoming year.
2. A public hearing and adoption of the budget is required by the second meeting in May.
3. On or before June 15, the tax rate must be set and the budget is legally enacted through passage of a budget resolution (general appropriation act).
4. Formal budgetary integration is employed as a management control device for the General and Special Revenue Funds. Budgets for these funds are prepared and adopted on a basis consistent with generally accepted accounting principles (GAAP). The General Fund and Special Revenue Fund budgets are adopted at the activity level.
5. Budget appropriations lapse at year end.
6. The City Council may authorize supplemental appropriations (budget amendments) during the year. In 2011 several budget amendments were made and are reflected in the financial statements.

B. Compliance with P.A. 621 of 1978

Excess of Expenditures Over Appropriations in Budgetary Funds

The budgets for the General and Special Revenue Funds are adopted at the activity level; expenditures in excess of budget appropriations are as follows:

	<u>Final Budget</u>	<u>Actual</u>	Excess Expenditures Over Appropriations
<u>General Fund</u>			
Capital Outlay	\$ 233,500	\$ 270,156	\$ 36,656
 <u>Other Funds</u>			
Sidewalk	122,000	139,292	17,292

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – Continued

CITY OF CLAWSON  
Notes to Financial Statements  
June 30, 2011

C. Public Act 245 of 1999 Compliance

In accordance with the State Construction Code Act, Public Act 245 of 1999, the City must account for cumulative revenues over or under expenditures generated by the City's building department from January 1, 2000 and forward.

The cumulative amounts as of June 30, 2011 are as follows:

Cumulative Balance at June 30, 2010	\$(1,465,936)
Fees Collected in Fiscal Year 2011	135,847
Expenditures in Fiscal Year 2011	<u>(279,574)</u>
Revenues Over (Under) Expenditures	<u><u>\$(1,609,663)</u></u>

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Under State law, the City is permitted to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The City is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Pension Trust Fund and V.E.B.A. Health Care Trust Fund are also authorized by Michigan Public Act 55 of 1982 to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate, debt or equity of certain small businesses, certain state and local government obligations and certain other specified investment vehicles.

Custodial Credit Risk. In the event of a bank failure, the City's deposits may not be recovered. The City's investment policy requires the Finance Director to consider custodial credit risk by utilizing F.D.I.C. insurance coverage and collateralization of deposits. As of June 30, 2011, the City's book balance of its deposits was \$6,309,124; the total book balance was \$6,310,553, due to \$1,429 in cash on hand. The bank balance was \$6,365,523 which was exposed to custodial credit risk as follows:

	<u>Bank</u>
	<u>Balance</u>
Insured by F.D.I.C.	\$ 1,616,520
Collateralized in the City's Name	4,351,565
Uninsured and Uncollateralized	<u>397,498</u>
Total	<u><u>\$ 6,365,523</u></u>

CITY OF CLAWSON  
Notes to Financial Statements  
June 30, 2011

III. DETAILED NOTES ON ALL FUNDS – Continued

A. Deposits and Investments – Continued

A reconciliation of cash for the primary government follows:

Statement of Net Assets:

Cash and Cash Equivalents	\$ 6,009,463
Fiduciary Funds:	
V.E.B.A. Trust	289,948
Pension Trust	9,089
Agency Funds	<u>2,053</u>
Total	<u>\$ 6,310,553</u>

	<u>Carrying Amount</u>	<u>Bank Balance</u>	<u>Collateralized</u>
Downtown Development Authority	<u>\$108,444</u>	<u>\$108,444</u>	<u>\$ -</u>

Interest Rate Risk. The City's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. At year end, the average maturities of deposits are as follows:

<u>Deposits and Investments</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Primary Government:		
Certificates of Deposit	\$ 1,218,008	717 Days
Savings and Checking Accounts	4,667,539	Demand
Money Market	<u>479,976</u>	Demand
	<u>\$ 6,365,523</u>	
Trust Funds:		
Mutual Fund – Bonds	\$ 935,795	Not Available
Mutual Funds – Equity	<u>1,962,195</u>	N/A
	<u>\$ 2,897,990</u>	
Component Unit:		
Checking	<u>\$ 108,444</u>	Demand

CITY OF CLAWSON  
Notes to Financial Statements  
June 30, 2011

III. DETAILED NOTES ON ALL FUNDS – Continued

A. Deposits and Investments – Continued

Credit Risk. State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

<u>Deposits and Investments</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Primary Government:			
Cash and Certificates of Deposits	\$ 5,885,547	N/A	N/A
Money Market	<u>479,976</u>	Not Rated	
	<u>\$ 6,365,523</u>		
Trust Fund:			
Mutual Fund – Bonds	\$ 935,795	Not Rated	
Mutual Funds – Equity	<u>1,962,195</u>	N/A	N/A
	<u>\$ 2,897,990</u>		
Component Unit:			
Checking	<u>\$ 108,444</u>	N/A	N/A

Concentration of Credit Risk. The City places no limit on the amount the City may invest in any one issuer. The City has more than 5 percent of its investments in the following:

Primary Government:	None
Trust Fund:	
U.S. Treasury	12.71%
Federal Home Loan Mtg	8.7%
T.V.A.	5.6%
Component Units:	None

CITY OF CLAWSON  
Notes to Financial Statements  
June 30, 2011

III. DETAILED NOTES ON ALL FUNDS – Continued

B. Capital Assets

Capital asset activity for the year ended June 30, 2011 was as follows:

<u>Governmental Activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets, not Depreciated:				
Land	\$ 702,419	\$ -	\$ -	\$ 702,419
Capital Assets, being Depreciated:				
Building and Improvements	5,811,897	1,457,657	-	7,269,554
Machinery and Equipment	715,110	118,099	-	833,209
Vehicles	1,737,817	-	-	1,737,817
Infrastructure	21,309,890	3,103,732		24,413,622
Internal Service Fund	1,947,483	34,597	(40,308)	1,941,772
	<u>31,522,197</u>	<u>4,714,085</u>	<u>(40,308)</u>	<u>36,195,974</u>
Less: Accumulated Depreciation:				
Building and Improvements	(3,789,875)	(106,975)	-	(3,896,850)
Machinery and Equipment	(500,180)	(42,687)	-	(542,867)
Vehicles	(1,192,743)	(55,693)	-	(1,248,436)
Infrastructure	(811,970)	(542,138)	-	(1,354,108)
Internal Service Fund	(1,370,261)	(91,306)	40,308	(1,421,259)
	<u>(7,665,029)</u>	<u>(838,799)</u>	<u>40,308</u>	<u>(8,463,520)</u>
Governmental Activities Capital Assets, net	<u>\$ 24,559,587</u>	<u>\$ 3,875,286</u>	<u>\$ -</u>	<u>\$ 28,434,873</u>

CITY OF CLAWSON  
Notes to Financial Statements  
June 30, 2011

III. DETAILED NOTES ON ALL FUNDS – Continued

B. Capital Assets – Continued

<u>Business-type Activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets, not Depreciated:				
Land	\$ 54,028	\$ -	\$ -	\$ 54,028
Capital Assets, being Depreciated:				
Senior Citizens Housing:				
Land Improvements	59,512	-	-	59,512
Buildings-Senior Citizens	403,265	23,689	-	426,954
Equipment-Senior Citizens	62,225	-	-	62,225
	<u>525,002</u>	<u>23,689</u>	<u>-</u>	<u>548,691</u>
Water & Sewer Fund:				
Buildings-Water Sewer	47,782	-	-	47,782
Infrastructure	7,621,310	-	-	7,621,310
Equipment	182,171	-	-	182,171
	<u>7,851,263</u>	<u>-</u>	<u>-</u>	<u>7,851,263</u>
Less: Accumulated Depreciation:				
Senior Citizens Housing:				
Land Improvements	(32,047)	(1,623)	-	(33,670)
Buildings-Senior Citizens	(181,757)	(10,300)	-	(192,057)
Equipment-Senior Citizens	(56,860)	(1,315)	-	(58,175)
	<u>(270,664)</u>	<u>(13,238)</u>	<u>-</u>	<u>(283,902)</u>
Water & Sewer Fund:				
Buildings-Water Sewer	(47,782)	-	-	(47,782)
Infrastructure	(4,134,886)	(68,133)	-	(4,203,019)
Equipment	(148,418)	(3,524)	-	(151,942)
	<u>(4,331,086)</u>	<u>(71,657)</u>	<u>-</u>	<u>(4,402,743)</u>
Business Activities				
Capital Assets, net	<u>\$ 3,828,543</u>	<u>\$ (61,206)</u>	<u>\$ -</u>	<u>\$ 3,767,337</u>
Intangible Assets (Amortized over 40 years)				
Investment in Community:				
Sanitary/Storm Sewers:				
Cost	\$ 10,292,223	\$ -	\$ -	\$ 10,292,223
Accumulated Amortization	(1,333,135)	(244,400)	-	(1,577,535)
Intangible Assets, net	<u>\$ 8,959,088</u>	<u>\$ (244,400)</u>	<u>\$ -</u>	<u>\$ 8,714,688</u>
Depreciation expense was charged to functions of the primary government as follows:				
General Government	\$ 32,883			
Public Safety	92,540			
Public Works	563,745			
Recreation and Culture	58,325			
Charged though Internal Service Funds	91,306			
	<u>\$ 838,799</u>			
Business Type Activities:				
Water and Sewer	\$ 71,657			
Senior Citizen Housing	13,238			
Subtotal	<u>84,895</u>			
Amortization of Intangible	244,400			
Total per Financial Statement	<u>\$ 329,295</u>			

CITY OF CLAWSON  
Notes to Financial Statements  
June 30, 2011

III. DETAILED NOTES ON ALL FUNDS – Continued

C. Interfund Receivables, Payables and Transfers

The composition of interfund balances at June 30, 2011 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Library Debt Service Fund	\$ 150
General Fund	Water and Sewer Fund	<u>3,758</u>
		3,908
Major Street Fund	2010 Capital Projects	5,250
Local Street Fund	2010 Capital Projects	49,075
G.O. Debt Service Fund	General Fund	1,598
Library Capital Projects	General Fund	253
RZED Capital Projects	General Fund	<u>11,263</u>
		<u>\$ 71,347</u>

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	Senior Citizen Housing Fund	\$ 30,000
Library Fund	General Fund	51,000
Local Street Fund	Major Street Fund	<u>55,000</u>
Total		<u>\$ 136,000</u>

Note, interfund balance due amounts represent unsettled amounts due, at balance sheet date.

Transfers represent the following:

Senior Citizens Housing Transfer – amount budgeted by City Council.

Local Streets from Major – amounts allowable under Act 51 to finance local improvements.

General Fund – operating subsidy to Library Fund.

D. Intangible Assets

The Oakland County Drain Commission has assessed the City of Clawson for the benefit of utilizing the newly constructed North Arm Relief Drain and the George W. Kuhn Drain. The total cost of the North Arm Relief Drain is \$14,830,305 of which \$2,718,357 (18.34%) is the City of Clawson's portion. The total cost to date of the George W. Kuhn Drain is \$119,690,000 of which the City of Clawson's portion is \$6,883,424 (5.6249%). The drains are being amortized over a period of 40 years beginning July 1, 2004.

North Arm Relief Drain	\$ 2,718,357
George W. Kuhn Drain	<u>7,573,866</u>
Total	10,292,223
Less: Accumulated Amortization	<u>(1,577,535)</u>
Net Intangible Assets	<u>\$ 8,714,688</u>

CITY OF CLAWSON  
Notes to Financial Statements  
June 30, 2011

III. DETAILED NOTES ON ALL FUNDS – Continued

E. Long-Term Debt

The following is a summary of long-term debt transactions of the City for the year ended June 30, 2011:

	Balance July 1, 2010	Additions	Reductions	Balance June 30, 2011	Balance Within 1 Year
Gov. Activities:					
G.O. Bonds	\$ 22,790,000	\$ -	\$ 710,000	\$ 22,080,000	\$ 835,000
	<u>22,790,000</u>	<u>-</u>	<u>710,000</u>	<u>22,080,000</u>	<u>835,000</u>
Internal Service Fund:					
Act 99 Installment	71,956	-	71,956	-	-
	<u>22,861,956</u>	<u>-</u>	<u>781,956</u>	<u>22,080,000</u>	<u>835,000</u>
Compensated Absences	430,922	9,173	-	440,095	-
	<u>\$ 23,292,878</u>	<u>\$ 9,173</u>	<u>\$ 781,956</u>	<u>\$ 22,520,095</u>	<u>\$ 835,000</u>
Business-type Activities:					
G.O. Bonds	\$ 5,695,837	\$ -	\$ 340,593	\$ 5,355,244	\$ 350,023
Contract Debt	1,559,774	-	127,042	1,432,732	129,865
	<u>7,255,611</u>	<u>-</u>	<u>467,635</u>	<u>6,787,976</u>	<u>479,888</u>
Compensated Absences	20,178	-	-	20,178	-
	<u>\$ 7,275,789</u>	<u>\$ -</u>	<u>\$ 467,635</u>	<u>\$ 6,808,154</u>	<u>\$ 479,888</u>

The following is a summary of general obligation debt outstanding (excluding compensated absences) of the City as of June 30, 2011:

	Number of Issues	Interest Rate	Maturing Through	Principal Outstanding
Governmental Activities:				
General Obligation Bonds	5	3.50%-3.90% *	2031	\$ <u>22,080,000</u>
Business Type Activities:				
G.O. Bonds	7	4.375-4.70%	2031	\$ 5,355,244
Contract Debt	1	2.00%-5.00%	2022	1,432,732
Total Business Type Activities				\$ <u>6,787,976</u>

\*net of interest subsidies

CITY OF CLAWSON  
Notes to Financial Statements  
June 30, 2011

III. DETAILED NOTES ON ALL FUNDS – Continued

E. Long-Term Debt – Continued

The annual debt service requirements to maturity for general obligation bonds outstanding as of June 30, 2011 are as follows (net of interest subsidies discussed below):

<u>Year Ended</u>	<u>Governmental Activities</u>		<u>Business Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 835,000	\$ 806,659	\$ 481,326	\$ 171,688
2013	860,000	784,030	494,223	159,147
2014	925,000	759,692	505,966	146,322
2015	995,000	730,608	232	133,184
2016	1,080,000	698,214	532,052	119,728
2017-2021	5,825,000	2,896,134	2,867,269	383,467
2022-2026	6,160,000	1,806,421	1,296,311	64,123
2027-2031	5,400,000	540,315	610,597	552
	<u>\$ 22,080,000</u>	<u>\$ 9,022,073</u>	<u>\$ 6,787,976</u>	<u>\$ 1,178,211</u>

CITY OF CLAWSON  
Notes to Financial Statements  
June 30, 2011

III. DETAILED NOTES ON ALL FUNDS – Continued

E. Long-Term Debt – Continued

The City issued two obligations that are intended to qualify for Federal interest rate subsidies. The Capital Improvement Bonds, Series 2011, are anticipated to qualify for the 45% interest rate subsidies under IRC 1400-U2 (Recovery Zone Economic Development Bonds), while the 2011 Unlimited General Obligation Improvement bonds, are anticipated to qualify for the 35% interest rate subsidies under IRC 54AA (Build America Bonds). If the IRS rules that the City did not comply with the requirements of these code sections or the law is changed, the City would be responsible to pay all of the interest due on the obligations. Provided below is a summary of the stated interest, and the credits:

	<u>Principal Due</u>	<u>Interest Due</u>	<u>Federal Subsidy</u>	<u>Net Due</u>
Capital Improvement Series 2010				
2012	\$ 60,000	\$ 70,040	\$ 31,518	\$ 38,522
2013	60,000	69,065	31,079	37,986
2014	60,000	67,640	30,438	37,202
2015	60,000	65,840	29,628	36,212
2016	65,000	63,740	28,683	35,057
2017-2021	340,000	252,459	113,607	138,852
2022--2026	395,000	166,257	74,816	91,441
2027-2030	360,000	89,489	40,270	49,219
	<u>\$ 1,400,000</u>	<u>\$ 844,530</u>	<u>\$ 380,039</u>	<u>\$ 464,492</u>
2010 Unlimited General Obligation				
2012	\$ 160,000	\$ 335,042	\$ 117,265	\$ 217,777
2013	160,000	332,322	116,313	216,009
2014	165,000	328,362	114,927	213,435
2015	165,000	323,000	113,050	209,950
2016	165,000	316,977	110,942	206,035
2017-2021	875,000	1,462,735	511,957	950,778
2022--2026	1,040,000	1,184,084	414,429	769,655
2027-2030	3,270,000	606,332	212,216	394,116
	<u>\$ 6,000,000</u>	<u>\$ 4,888,854</u>	<u>\$ 1,711,099</u>	<u>\$ 3,177,755</u>

F. Long-Term Component Unit Advances

At June 30, 2011, the General Fund has an advance to the Downtown Development Authority in the amount of \$156,338. The advance is being repaid over the next 5 years with fixed rate of interest (1.72%), and scheduled principal repayments.

G. Property Taxes

Property taxes are assessed as of each December 31. The City tax levy is billed on July 1 of the following year, and payable in eight installments through February. Taxes are considered delinquent on March 1, at which time the applicable property is subject to lien and penalty and interest is assessed.

CITY OF CLAWSON  
Notes to Financial Statements  
June 30, 2011

III. DETAILED NOTES ON ALL FUNDS – Continued

G. Property Taxes – Continued

The maximum authorized operating levy for the City is 15 mills. The City's tax levy for the 2010 tax roll is as follows (tax rate per \$1,000 of assessed valuation):

General Operating	10.7602
Refuse	2.1518
Library	.9907
Voted Debt	6.1500
Voted Operating	<u>1.9232</u>
Total	<u>21.9759</u> mills

IV. OTHER INFORMATION

A. Employee Retirement Systems and Plans

1. Municipal Employees Retirement System Defined Benefit Plan

a. Plan Description

The City contributes to the Michigan Municipal Employees' Retirement System (MMERS), which is an agent multiple employer retirement system that covers all full time employees of the City hired before July 1999, except for employees that had opted out of the plan. The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, nonduty-connected death and postretirement adjustments to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by a certain percentage based on the benefit program in effect as of the date of termination of membership times the final average compensation (FAC). The most recent period for which actuarial data was available was for the actuarial valuation as of December 31, 2010.

MERS was organized pursuant to Section 12a of Act #156, Public Acts of the State of Michigan (MSA 5.333(a); MCLA 46.12(a)). MERS is regulated under Act No. 427 of the Public Acts of 1984, sections of which have been approved by the State Pension Council. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917 or by calling (800) 767-6377.

CITY OF CLAWSON  
Notes to Financial Statements  
June 30, 2011

IV. OTHER INFORMATION – Continued

A. Employee Retirement Systems and Plans – Continued

1. Municipal Employees Retirement System Defined Benefit Plan – Continued

b. Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the City's collective bargaining units and personnel policy. The City is required to contribute at an actuarially determined rate; the current rate was a percentage of annual compensation at December 31, 2009 as follows:

General – Union	*
General Non – Union	*
Police	*

\*Closed to new members – contributions expressed in fixed monthly dollar amounts

c. Annual Pension Cost

During the fiscal year ended June 30, 2011, the City's contributions totaling \$1,013,448 were made in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2009.

The employer contribution rate has been determined based on the entry age normal cost funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer's normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8% and annual salary increases of 4.5% based on an age-related scale to reflect merit, longevity, and promotional salary increases.

Fiscal Year Ended <u>June 30,</u>	<u>Trend Information</u>		Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
	Valuation Date <u>Dec. 31</u>				
2009	2007		795,988	100%	-0-
2010	2008		815,148	100%	-0-
2011	2009		1,013,448	100%	-0-

CITY OF CLAWSON  
Notes to Financial Statements  
June 30, 2011

IV. OTHER INFORMATION – Continued

A. Employee Retirement Systems and Plans – Continued

1. Municipal Employees Retirement System Defined Benefit Plan – Continued

c. Annual Pension Cost – Continued

The information presented above was determined as part of the actuarial valuations at the dates indicated.

2. Clawson Fire Department Defined Benefit Plan

a. Plan Description

The Clawson Fire Department maintains and administers a single-employer defined benefit pension plan to provide pension benefits for its volunteer firemen. The Clawson Fire Department Defined Benefit Plan (the Plan) is considered part of the City of Clawson financial reporting entity and is included in the City's financial reports as a Pension Trust Fund. At June 30, 2011, twenty-five volunteer firemen were covered by the Plan. Currently, there are five members receiving benefits.

The authority to establish or amend the plan benefits rests with the City Council. The Plan presently provides retirement as well as death benefits. Pension benefits vest after five years of total service, for employees hired before June 1, 2009, and ten years for all others. Employees who retire at age 55 are entitled to a monthly pension payable for life in an amount equal to \$45.00 multiplied by the years of service. Death benefits are based on the present value of accrued benefits per participant and are provided regardless of years of service. The City makes annual contributions to the Plan equal to the amount determined by an actuary. Employee contributions are not allowed. The Plan agreement does not allow post retirement benefit increases.

b. Summary of Significant Accounting Policies and Plan Asset Matters

The Plan's financial statements are prepared on the accrual basis of accounting. Contributions from the City are recognized as revenue in the period in which employees provide services to the City. Contributions include payments by the City for Plan insurance premiums, administrative costs and recommended contributions based upon actuarial determinations. Investment income is recognized as earned by the Plan. The net appreciation (depreciation) in the fair value of investments held by the Plan is recorded as an increase (decrease) of investment income based on the valuation of investments as of the date of the balance sheet. Benefits and refunds are expensed when paid.

CITY OF CLAWSON  
Notes to Financial Statements  
June 30, 2011

IV. OTHER INFORMATION – Continued

A. Employee Retirement Systems and Plans – Continued

2. Clawson Fire Department Defined Benefit Plan – Continued

b. Summary of Significant Accounting Policies and Plan Asset Matters – Continued

Investments consisting of mutual funds are held in a brokerage trust account in the name of the Clawson Fire Department Employee Pension Plan. The investments are reported at fair value. Securities traded on a national or international exchange are valued at the latest market price as of the period end. There are no investments in, loans to, or leases with parties related to the Plan.

c. Funding Progress and Annual Required Contributions

As of June 30, 2009 the actuarial accrued liability (AAL) was \$820,833 greater than the actuarial value of assets; the City did not prepare a valuation for the current year. Plan amendments adopted during 2000 by the Clawson City Council included: the plan's death benefit was changed from 100 times monthly benefit to the present value of the participant's accrued monthly benefit, and the monthly benefit accrual level was increased.

d. Contributions Required and Contributions Made

The City Council retains the authority to establish or amend the City's obligation to contribute to the plan. The City's policy is to annually fund plan contributions to cover administrative costs and the actuarial recommended contribution. The recommended contributions are determined on an actuarial basis using the modified aggregate actuarial cost method. Under this method, the excess of the actuarial present value of projected benefits of the group included in an actuarial valuation, over the actuarial value of assets is allocated on a level basis over the service of the group between the valuation date and the assumed exit. This allocation is performed for the group as a whole. That portion of the actuarial present value allocated to a valuation year is called the normal cost. Under this method, the actuarial gains (losses), as they occur, reduce (increase) future normal costs.

Total contributions to the Plan for the year ended June 30, 2011 amounted to \$175,560 which covered actuarial recommended contribution and administrative costs, and was based on an actuarial valuation as of July 1, 2008 determined as described above.

CITY OF CLAWSON  
Notes to Financial Statements  
June 30, 2011

IV. OTHER INFORMATION – Continued

A. Employee Retirement Systems and Plans – Continued

2. Clawson Fire Department Defined Benefit Plan – Continued

e. Long-Term Contracts and Reserves

There are no long-term contracts for contributions. In addition, there are no assets legally reserved for purposes other than the payment of plan member benefits.

<u>Schedule of Employer Contributions</u>				
<u>Fiscal Year</u> Ended <u>June 30</u>	<u>Valuation</u> Date <u>June 30</u>	<u>Annual</u> Pension <u>Cost (APC)</u>	<u>Percentage</u> of APC <u>Contributed</u>	<u>Net</u> Pension <u>Obligation</u>
2008	2006	245,669	100%	-0-
2009	2008	266,118	100%	-0-
2010	2008	258,115	100%	-0-
2011	2008	175,560	100%	-0-

3. City of Clawson Employees Defined Contribution Plan

a. Plan Description

In April 1999, the City established a defined contribution plan for employees hired after July 1, 1999. The plan is administered by the Michigan Municipal Employees' Retirement System (MMERS) who sponsors the prototype plan. Amendments are developed by MMERS and submitted to the City Council for approval. A defined contribution money purchase pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants' benefits that may be allocated to such participant's account. Contributions made by the City fully vest after 7 years.

b. Contributions Required and Contributions Made

The City is required to contribute an amount equal to 10% of the employee's gross earnings. Employee contributions on a pretax basis are permitted but not required. The City will match up to 3% of an employee's contribution. During the year, the City's required and actual contributions amounted to \$172,939; the employee contributions were \$42,928.

CITY OF CLAWSON  
Notes to Financial Statements  
June 30, 2011

IV. OTHER INFORMATION – Continued

B. Post Retirement Health Care Benefits

Plan Description – The City provides retiree healthcare benefits to eligible employees upon retirement in accordance with labor contracts. Currently, fifty-four retired employees receive this benefit. At the fund level, the expense is recognized by the City as the payments to the employees are made. During the year, this amounted to \$695,267.

Funding Policy – The City has no obligation to make contributions in advance of when the insurance premiums are due for payment (in other words, this may be financed on a “pay-as-you-go” basis). The City has made no contributions in advance.

Funding Progress – For the year ended June 30, 2011, the City has estimated the cost of providing retiree healthcare benefits through an actuarial study that complies with the requirements of GASB 45. The study computes an annual required contribution that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The computed contribution and actual funding are summarized as follows:

Annual required contribution (recommended)	\$ 905,797
Interest on the prior year's net OPEB obligation	-
Less: adjustment to the annual required contribution	-
Annual OPEB cost	<u>905,797</u>
Amounts contributed:	
Payments of current premiums	(695,267)
Advance funding	-
Increase in net OPEB obligation	<u>210,530</u>
OPEB obligation – Beginning of year	<u>395,133</u>
OPEB obligation – End of year	<u><u>\$ 605,663</u></u>

The OPEB obligation is recorded as follows:

Governmental activities	605,633
Business-type activities	-
Total	<u><u>\$ 605,633</u></u>

<u>Fiscal Year</u> <u>Ended</u>	<u>Actuarial</u> <u>Valuation</u> <u>Date</u>	<u>Annual</u> <u>Required</u> <u>Contribution</u>	<u>Annual</u> <u>OPEB Costs</u>	<u>Percentage</u> <u>of ARC</u> <u>Contributed</u>	<u>Net</u> <u>Obligation</u>
6/30/2009	6/30/2008	\$ 905,797	\$905,797	80.3%	\$(177,760)
6/30/2010	6/30/2008	\$ 904,656	\$904,656	75.9%	\$(395,133)
6/30/2011	6/30/2011	\$ 905,797	\$905,797	76.7%	\$(605,663)

CITY OF CLAWSON  
Notes to Financial Statements  
June 30, 2011

IV. OTHER INFORMATION – Continued

B. Post Retirement Health Care Benefits – Continued

Valuation as of:	<u>June 30, 2008</u>
Actuarial Value of Assets	\$ -
Actuarial Accrued Liability	9,554,862
Unfunded AAL	9,554,862
Funded Ratio	0.0%

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2008 calculation, the entry age actuarial cost method was used. The actuarial assumptions included a 5.0 percent investment rate of return. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2008 was 30 years.

C. Risk Management

The City of Clawson is a member of the Michigan Municipal Risk Management Authority for its general liability coverage and a member of the Michigan Municipal Workers Compensation Fund for its workers compensation coverage. The City pays annual premiums to the pools. The pools are self-sustaining through member premiums, and each carries reinsurance through commercial companies for claims in excess of the pool loss reserve fund.

CITY OF CLAWSON  
Notes to Financial Statements  
June 30, 2011

IV. OTHER INFORMATION – Continued

C. Risk Management – Continued

In the event that a single loss should exceed the amount of protection afforded by the pool loss reserve fund, reinsurance, or other insurance carried by the pools, or in the event that a series of losses should deplete or exhaust the loss reserve fund and reinsurance, the payment of valid losses shall be the obligation of the individual member or members of the respective pool against whom the claim was made.

No such event has occurred with the City of Clawson and the pools to which it belongs in any of the past three fiscal years.

D. Jointly Governed Organizations

1. Resource Recovery Authority

The City is a member of the Southeastern Oakland County Resource Recovery Authority (S.O.C.R.R.A.). The City appoints one member of the Authority's governing board, who then approves the annual budget. The board is made up of representatives from twelve member municipalities. These include Berkley, Beverly Hills, Birmingham, Clawson, Ferndale, Hazel Park, Huntington Woods, Lathrup Village, Oak Park, Pleasant Ridge, Royal Oak, and Troy. The City has a 4.54% participation in the Authority.

2. Water Authority

The City is a member of the Southeastern Oakland County Water Authority (S.O.C.W.A.). The City appoints one member to the Authority's governing board, who then approves the annual budget. The board is made up of representatives from eleven member municipalities. These include Berkley, Beverly Hills, Bingham Farms, Birmingham, Clawson, Huntington Woods, Lathrup Village, Pleasant Ridge, Royal Oak, Southfield and Southfield Township. The City has a 4.05% participation in the Authority. The debt of the Authority is being financed by water user fees.

E. Contingencies

The City entered into an agreement with the City of Royal Oak to improve Crooks Road. While the project was completed several years ago, the total cost and Clawson's share of the project cost is unknown and the City has received no request for payment. Additionally, in 1998, the City entered into an agreement with the Road Commission for improvements to Fourteen Mile Road. The total project cost was estimated to be \$1,075,870 of which Clawson's portion was budgeted at \$368,000. The project was completed as of June 30, 1999, but the total project cost, and the City's remaining obligations, if any is unknown.

REQUIRED SUPPLEMENTARY INFORMATION



CITY OF CLAWSON  
Required Supplementary Information – (Unaudited)  
Defined Benefit Pension Plans – Trend Information  
For the Year Ended June 30, 2011

Municipal Employees Retirement System  
Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percent of Covered Payroll</u>
12/31/98	9,758,621	12,601,413	2,842,792	77%	2,754,458	103%
12/31/99	11,017,651	14,022,504	3,004,853	79%	2,632,630	114%
12/31/00	11,669,456	15,143,452	3,473,996	77%	2,568,774	135%
12/31/01	12,139,773	15,651,784	3,512,011	78%	2,471,650	142%
12/31/02	11,778,630	17,093,129	5,314,499	69%	2,151,124	247%
12/31/03	11,759,058	18,472,108	6,713,050	64%	2,124,567	316%
12/31/04	11,689,112	19,615,059	7,925,947	60%	2,062,345	384%
12/31/05	11,645,611	20,764,383	9,118,772	56%	1,797,855	507%
12/31/06	11,685,908	21,083,175	9,397,267	55%	1,806,265	520%
12/31/07	11,863,343	21,384,036	9,520,693	55%	1,811,247	526%
12/31/08	11,535,295	22,526,522	10,991,227	51%	1,750,947	628%
12/31/09	11,294,978	22,220,273	10,925,295	51%	1,541,458	709%
12/31/10	11,127,900	22,541,775	11,413,875	49%	1,595,797	715%

Additional information as of December 31, 2010, the latest actual valuation, follows:

Actuarial cost method	Entry age normal cost
Amortization method	Level percent
Remaining amortization period	30 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return	8%
Projected salary increases	4.50%
Includes inflation at 2.0%	
Cost of living adjustments	None



CITY OF CLAWSON  
Required Supplementary Information – (Unaudited)  
Defined Benefit Pension Plans – Trend Information  
For the Year Ended June 30, 2011

Fire Department Defined Benefit Plan  
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Modified Aggregate (b)	Excess Assets Over (Under) AAL (b-a)	Funded Ratio (a/b)
7/1/98	\$ 333,943	\$ 475,081	\$ (141,138)	70%
7/1/99	334,760	496,481	(161,721)	67%
7/1/00	296,628	1,996,539	(1,699,911)	15%
7/1/01	476,761	1,300,528	(823,767)	37%
7/1/02	659,108	1,790,984	(1,131,876)	37%
7/1/03	939,097	1,935,950	(996,853)	49%
7/1/04	1,302,908	2,503,944	(1,201,036)	52%
7/1/05	1,695,905	3,023,387	(1,327,482)	56%
7/1/06	2,579,735	3,413,211	(833,476)	75%
7/1/08	2,589,045	3,812,660	(1,223,615)	68%
7/1/09	1,950,413	2,770,446	(820,033)	70%

Due to the part-time nature of volunteer firemen, all payroll based required disclosures are not deemed relevant.

Note: City did not perform an actuarial valuation in the current year.

Additional information as of July 1, 2009, the latest actual valuation, follows:

Actuarial cost method	Individual Entry Age
Amortization method	Level Dollar
Amortization period	10 years
Actuarial asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	5%
Projected salary increases	Not applicable
Post retirement benefit increases	None
Inflation	None

**CITY OF CLAWSON**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2011**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
Property Taxes	\$ 4,465,000	\$ 4,465,000	\$ 4,364,145	\$ (100,855)
Penalties and Interest	38,000	38,000	41,695	3,695
Property Tax Administration Fee	161,500	161,500	175,509	14,009
Licenses and Permits	149,350	126,600	135,847	9,247
Intergovernmental – State	984,000	984,000	958,404	(25,596)
Intergovernmental – Local	30,770	30,770	15,385	(15,385)
Intergovernmental – Federal	-	-	38,616	38,616
Charges for Services	224,300	245,300	250,817	5,517
Fines and Forfeitures	148,000	155,000	159,332	4,332
Franchise Fees	160,000	160,000	182,713	22,713
Interest Earnings	35,000	35,000	39,633	4,633
Other Revenues	293,300	345,775	397,532	51,757
Total Revenues	6,689,220	6,746,945	6,759,628	12,683
<b>Expenditures:</b>				
General Government:				
City Council	20,555	20,555	16,667	3,888
City Manager	204,310	204,310	171,127	33,183
Elections	20,925	25,225	22,945	2,280
Finance	59,410	59,410	54,146	5,264
Assessor	89,250	89,250	86,269	2,981
Attorney	130,000	131,000	130,692	308
Clerk	187,425	187,425	176,073	11,352
Treasurer	181,770	181,770	179,922	1,848
City Hall	254,680	258,380	257,878	502
Total General Government	1,148,325	1,157,325	1,095,719	61,606
Public Safety:				
Police	2,118,265	2,118,265	2,086,733	31,532
Fire	314,665	314,665	304,768	9,897
Inspection and Engineering	296,905	296,905	279,574	17,331
Planning Commission	81,000	81,000	68,596	12,404
Total Public Safety	2,810,835	2,810,835	2,739,671	71,164
Public Works:				
Department of Public Works	493,710	493,710	464,145	29,565
Street Lighting	180,000	192,000	191,693	307
Total Public Works	673,710	685,710	655,838	29,872
Health and Welfare:				
Senior Citizens	218,235	218,235	215,952	2,283
Youth Programs	5,525	5,525	5,342	183
Total Health and Welfare	223,760	223,760	221,294	2,466
Recreation and Cultural:				
Parks	236,875	236,875	230,203	6,672
Recreation	345,840	345,840	341,911	3,929
Historical	22,775	22,775	19,667	3,108
Total Recreation and Cultural	605,490	605,490	591,781	13,709

(Continued)

**CITY OF CLAWSON**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2011**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>Expenditures: (continued)</b>				
Other Functions:				
Unemployment	\$ 12,000	\$ 12,700	\$ 12,635	\$ 65
PTO Buyouts/General Insurance	-	119,350	88,153	31,197
Retiree Health Insurance	829,950	829,950	800,407	29,543
Retiree MERS Post Retirement Costs	511,815	511,815	511,812	3
Cable TV/Internet	26,460	26,460	21,330	5,130
Total Other Functions	<u>1,380,225</u>	<u>1,500,275</u>	<u>1,434,337</u>	<u>65,938</u>
Capital Outlay	-	233,500	270,156	(36,656)
Total Expenditures	<u>6,842,345</u>	<u>7,216,895</u>	<u>7,008,796</u>	<u>208,099</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(153,125)</u>	<u>(469,950)</u>	<u>(249,168)</u>	<u>220,782</u>
<b>Other Financing Sources (Uses):</b>				
Transfers Out	(71,630)	(71,630)	(51,000)	20,630
Transfers In	30,000	30,000	30,000	-
Total Other Financing Sources (Uses)	<u>(41,630)</u>	<u>(41,630)</u>	<u>(21,000)</u>	<u>20,630</u>
Net Change in Fund Balance	(194,755)	(511,580)	(270,168)	241,412
Fund Balance – Beginning	<u>2,078,170</u>	<u>2,078,170</u>	<u>2,078,170</u>	<u>-</u>
Fund Balance – Ending	<u>\$ 1,883,415</u>	<u>\$ 1,566,590</u>	<u>\$ 1,808,002</u>	<u>\$ 241,412</u>



OTHER SUPPLEMENTARY INFORMATION

**CITY OF CLAWSON**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2011**

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Library Unlim. G.O. Bonds Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<b><u>ASSETS</u></b>				
Cash and Cash Equivalents	\$ 401,008	\$ 2,061,944	\$ 20,588	\$ 2,483,540
Receivables (net of Allowance for Uncollectibles)	10,992	-	-	10,992
Due from Other Funds	54,325	11,516	-	65,841
Due from State	51,752	-	-	51,752
Prepaid Expenditures	14,925	-	-	14,925
Total Assets	<u>\$ 533,002</u>	<u>\$ 2,073,460</u>	<u>\$ 20,588</u>	<u>\$ 2,627,050</u>
 <b><u>LIABILITIES AND FUND BALANCE</u></b>				
Liabilities:				
Accounts Payable	\$ 62,348	\$ 123,818	\$ -	\$ 186,166
Due to Other Funds	-	54,325	150	54,475
Accrued and Other Liabilities	12,165	-	-	12,165
Total Liabilities	<u>74,513</u>	<u>178,143</u>	<u>150</u>	<u>252,806</u>
Fund Balance:				
Non Spendable:				
Prepaid Expenditures	14,925	-	-	14,925
Restricted:				
Special Revenue Funds	443,564	-	-	443,564
Debt Service	-	-	20,438	20,438
Capital Projects	-	1,895,317	-	1,895,317
Total Fund Balance	<u>458,489</u>	<u>1,895,317</u>	<u>20,438</u>	<u>2,374,244</u>
Total Liabilities and Fund Balance	<u>\$ 533,002</u>	<u>\$ 2,073,460</u>	<u>\$ 20,588</u>	<u>\$ 2,627,050</u>

**CITY OF CLAWSON**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2011**

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Library Unlim. G.O. Bonds Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<b>Revenues:</b>				
Property Taxes	\$ 1,105,528	\$ -	\$ 159,118	\$ 1,264,646
Intergovernmental	672,291	494,805	-	1,167,096
Interest	744	14,042	190	14,976
Other	148,759	-	-	148,759
Total Revenues	<u>1,927,322</u>	<u>508,847</u>	<u>159,308</u>	<u>2,595,477</u>
<b>Expenditures:</b>				
Highways, Streets, Sidewalks, and other Maintenance	658,981	-	-	658,981
Capital Outlay	139,292	4,270,040	-	4,409,332
Debt Service:				
Principal	-	-	105,000	105,000
Interest and Other Charges	-	-	47,128	47,128
Sanitation	884,098	-	-	884,098
Recreation and Culture	435,916	-	-	435,916
Total Expenditures	<u>2,118,287</u>	<u>4,270,040</u>	<u>152,128</u>	<u>6,540,455</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(190,965)</u>	<u>(3,761,193)</u>	<u>7,180</u>	<u>(3,944,978)</u>
<b>Other Financing Sources (Uses):</b>				
Operating Transfers In	106,000	-	-	106,000
Operating Transfers Out	(55,000)	-	-	(55,000)
Total Other Financing Sources (Uses)	<u>51,000</u>	<u>-</u>	<u>-</u>	<u>51,000</u>
Net Change in Fund Balances	(139,965)	(3,761,193)	7,180	(3,893,978)
Fund Balance – July 1	<u>598,454</u>	<u>5,656,510</u>	<u>13,258</u>	<u>6,268,222</u>
Fund Balance – June 30	<u>\$ 458,489</u>	<u>\$ 1,895,317</u>	<u>\$ 20,438</u>	<u>\$ 2,374,244</u>

**CITY OF CLAWSON**  
**Combining Balance Sheet**  
**Nonmajor Special Revenue Funds**  
**June 30, 2011**

	<u>Major Street</u>	<u>Local Street</u>	<u>Library</u>	<u>Refuse Collection</u>	<u>Sidewalk</u>	<u>Total Nonmajor Special Revenue Funds</u>
<b><u>ASSETS</u></b>						
Cash and Cash Equivalents	\$ 183,643	\$ 87,258	\$ 774	\$ 64,558	\$ 64,775	\$ 401,008
Receivables (net of Allowance for Uncollectibles)	-	-	10,992	-	-	10,992
Due from Other Funds	5,250	49,075	-	-	-	54,325
Due from State	34,927	14,303	2,522	-	-	51,752
Prepaid Expenditures	11,244	-	3,681	-	-	14,925
Total Assets	<u>\$ 235,064</u>	<u>\$ 150,636</u>	<u>\$ 17,969</u>	<u>\$ 64,558</u>	<u>\$ 64,775</u>	<u>\$ 533,002</u>
<b><u>LIABILITIES AND FUND BALANCE</u></b>						
Liabilities:						
Accounts Payable	\$ 995	\$ 27,749	\$ 2,875	\$ 29,666	\$ 1,063	\$ 62,348
Accrued Liabilities	1,907	1,859	8,399	-	-	12,165
Total Liabilities	<u>2,902</u>	<u>29,608</u>	<u>11,274</u>	<u>29,666</u>	<u>1,063</u>	<u>74,513</u>
Fund Balance:						
Non Spendable:						
Prepaid Expenditures	11,244	-	3,681	-	-	14,925
Restricted:						
Special Revenue Funds	<u>220,918</u>	<u>121,028</u>	<u>3,014</u>	<u>34,892</u>	<u>63,712</u>	<u>443,564</u>
Total Fund Balance	<u>232,162</u>	<u>121,028</u>	<u>6,695</u>	<u>34,892</u>	<u>63,712</u>	<u>458,489</u>
Total Liabilities and Fund Balance	<u>\$ 235,064</u>	<u>\$ 150,636</u>	<u>\$ 17,969</u>	<u>\$ 64,558</u>	<u>\$ 64,775</u>	<u>\$ 533,002</u>

**CITY OF CLAWSON**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Nonmajor Special Revenue Funds**  
**For the Year Ended June 30, 2011**

	<u>Major Street</u>	<u>Local Street</u>	<u>Library</u>	<u>Refuse Collection</u>	<u>Sidewalk</u>	<u>Total Nonmajor Special Revenue Funds</u>
<b>Revenues:</b>						
Taxes	\$ -	\$ -	\$ 350,674	\$ 754,854	\$ -	\$ 1,105,528
Intergovernmental	450,335	214,032	7,924	-	-	672,291
Interest Income	406	193	2	143	-	744
Other	4,300	-	32,355	54	112,050	148,759
Total Revenues	<u>455,041</u>	<u>214,225</u>	<u>390,955</u>	<u>755,051</u>	<u>112,050</u>	<u>1,927,322</u>
<b>Expenditures:</b>						
Highways, Streets, Sidewalks and Other Maintenance	360,492	298,489	-	-	-	658,981
Capital Outlay	-	-	-	-	139,292	139,292
Sanitation	-	-	-	884,098	-	884,098
Recreation and Culture	-	-	435,916	-	-	435,916
Total Expenditures	<u>360,492</u>	<u>298,489</u>	<u>435,916</u>	<u>884,098</u>	<u>139,292</u>	<u>2,118,287</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>94,549</u>	<u>(84,264)</u>	<u>(44,961)</u>	<u>(129,047)</u>	<u>(27,242)</u>	<u>(190,965)</u>
<b>Other Financing Sources (Uses):</b>						
Operating Transfers In	-	55,000	51,000	-	-	106,000
Operating Transfers Out	<u>(55,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(55,000)</u>
Total Other Financing Sources (Uses)	<u>(55,000)</u>	<u>55,000</u>	<u>51,000</u>	<u>-</u>	<u>-</u>	<u>51,000</u>
Net Change in Fund Balance	39,549	(29,264)	6,039	(129,047)	(27,242)	(139,965)
Fund Balance – July 1	<u>192,613</u>	<u>150,292</u>	<u>656</u>	<u>163,939</u>	<u>90,954</u>	<u>598,454</u>
Fund Balance – June 30	<u>\$ 232,162</u>	<u>\$ 121,028</u>	<u>\$ 6,695</u>	<u>\$ 34,892</u>	<u>\$ 63,712</u>	<u>\$ 458,489</u>

**CITY OF Clawson**  
**Non Major Capital Project Funds**  
**Combining Balance Sheet**  
**For the Year Ended June 30, 2011**

	<u>RZED Cap. Imp. Bonds</u>	<u>Library Impr. Capital Project</u>	<u>2010 Capital Impr. Capital Project</u>	<u>Total</u>
<b><u>ASSETS</u></b>				
Cash and Cash Equivalents	\$ 282,896	\$ 10,293	\$ 1,768,755	\$ 2,061,944
Due from Other Funds	<u>11,263</u>	<u>253</u>	<u>-</u>	<u>11,516</u>
Total Assets	<u>\$ 294,159</u>	<u>\$ 10,546</u>	<u>\$ 1,768,755</u>	<u>\$ 2,073,460</u>
 <b><u>LIABILITIES AND FUND BALANCE</u></b>				
Liabilities:				
Accounts Payable	\$ 1,916	\$ -	\$ 121,902	\$ 123,818
Due to Other Funds	<u>-</u>	<u>-</u>	<u>54,325</u>	<u>54,325</u>
Total Liabilities	<u>1,916</u>	<u>-</u>	<u>176,227</u>	<u>178,143</u>
Fund Balance:				
Restricted – Capital Projects	<u>292,243</u>	<u>10,546</u>	<u>1,592,528</u>	<u>1,895,317</u>
Total Liabilities and Fund Balance	<u>\$ 294,159</u>	<u>\$ 10,546</u>	<u>\$ 1,768,755</u>	<u>\$ 2,073,460</u>

**CITY OF CLAWSON**  
**Non Major Capital Project Funds**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balance**  
**For the Year Ended June 30, 2011**

	<u>RZED</u> <u>Cap. Imp.</u> <u>Bonds</u>	<u>Library</u> <u>Impr.</u> <u>Capital</u> <u>Project</u>	<u>2010</u> <u>Capital</u> <u>Impr.</u> <u>Capital</u> <u>Project</u>	<u>Total</u>
<b>Revenues:</b>				
Intergovernmental – State	\$ 329,258	\$ 71,474	\$ -	\$ 400,732
Intergovernmental – Local	-	-	94,073	94,073
Interest Income	2,229	2,824	8,989	14,042
	<u>331,487</u>	<u>74,298</u>	<u>103,062</u>	<u>508,847</u>
<b>Expenditures:</b>				
Construction	849,074	1,305,600	2,115,366	4,270,040
Total Expenditures	<u>849,074</u>	<u>1,305,600</u>	<u>2,115,366</u>	<u>4,270,040</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(517,587)</u>	<u>(1,231,302)</u>	<u>(2,012,304)</u>	<u>(3,761,193)</u>
Net Change in Fund Balance	(517,587)	(1,231,302)	(2,012,304)	(3,761,193)
Fund Balance – July 1	<u>809,830</u>	<u>1,241,848</u>	<u>3,604,832</u>	<u>5,656,510</u>
Fund Balance – June 30	<u>\$ 292,243</u>	<u>\$ 10,546</u>	<u>\$ 1,592,528</u>	<u>\$ 1,895,317</u>

