

**CITY OF CLAWSON
Oakland County, Michigan**

AUDITED FINANCIAL REPORT

**For the Fiscal Year Ended
June 30, 2018**

CITY OF CLAWSON
For the Year Ended June 30, 2018

Table of Contents

INTRODUCTORY SECTION

Table of Contents

FINANCIAL SECTION

Page

Independent Auditor's Report 1-2

Management's Discussion and Analysis..... 3-9

Basic Financial Statements:

 Government Wide Financial Statements:

 Statement of Net Position 10

 Statement of Activities 11-12

 Fund Financial Statements:

 Balance Sheet – Governmental Funds..... 13

 Statement of Revenues, Expenditures, and Changes in
 Fund Balance – Governmental Funds..... 14

 Reconciliation of the Statement of Revenues, Expenditures, and
 Changes in Fund Balance of Governmental Funds to the
 Statement of Activities 15

 Balance Sheet – Proprietary Funds 16

 Statement of Revenues, Expenses, and Changes in
 Fund Equity – Proprietary Funds 17

 Statement of Cash Flows – Proprietary Funds 18

 Statement of Net Position – Fiduciary Funds..... 19

 Statement of Changes in Net Position – Fiduciary Funds..... 20

Notes to Financial Statements 21-53

CITY OF CLAWSON
For the Year Ended June 30, 2018

Table of Contents

<u>FINANCIAL SECTION</u>	<u>Page</u>
Required Supplementary Information:	
Individual Fund Statements and Schedules:	
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	54-55
Schedule of Changes in Net Pension Liability & Related Ratios	56-57
Schedule of City Pension Contributions Last Ten Fiscal Years.....	58-59
Schedule of Changes in Net OPEB Liability & Related Ratios	60
Schedule of City OPEB Contributions Last Ten Fiscal Years.....	61
Other Supplementary Information:	
Combining Fund Statements and Schedules:	
Combining Balance Sheet – Nonmajor Governmental Funds.....	62
Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds	63
Combining Balance Sheet – Nonmajor Special Revenue Funds	64
Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Special Revenue Funds	65

FINANCIAL SECTION

PSLZ LLP

Certified Public Accountants

PLYMOUTH

1034 WEST ANN ARBOR TRAIL
P.O. BOX 5520
PLYMOUTH, MI 48170-1502
Telephone (734) 453-8770

Dennis M. Siegner, C.P.A., C.V.A.
Jane F. Wang, C.P.A.
Rana M. Emmons, C.P.A.
Jennifer A. Galofaro, C.P.A., C.V.A.
Susan H. Bertram, C.P.A.

BLOOMFIELD HILLS

3707 WEST MAPLE ROAD
SUITE 101
BLOOMFIELD HILLS, MI 48301-3212
Telephone (248) 644-9125

Deborah M. Gullledge, C.P.A.
Jing Yang, C.P.A.

Independent Auditor's Report

December 21, 2018

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Clawson, Michigan, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Clawson, Michigan, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in the footnotes to the basic financial statements, in fiscal year 2018, the City adopted the new accounting guidance of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*. As a result of implementing this pronouncement, the City's net OPEB liability has been recognized on the government-wide statements and as discussed in the notes, the 2017 financial statements have been restated. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the defined benefit pension plan information, and the budgetary comparison information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Clawson, Michigan's basic financial statements as a whole. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling information directly to underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Respectfully,



PSLZ LLP
Certified Public Accountants
Plymouth, Michigan



City of Clawson

425 North Main Street / Clawson, Michigan 48017
(248) 435-4500 FAX (248) 435-0515

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, 2018.

Financial Highlights

- The assets of the City of Clawson's Governmental Activities were exceeded by its liabilities at the close of the most recent fiscal year by \$28,196,131-deficit in net position-while Business Type Activities had net position of \$10,785,677.
- As of the close of the current fiscal year, the City of Clawson's governmental funds reported combined ending fund balances of \$4,370,382, an increase of \$1,767,883 in comparison with the prior year. Approximately 46 percent of this amount, \$1,855,153 is *available for spending* at the government's discretion (*unrestricted fund balance*).
- The City of Clawson's total contractual and bonded debt increased by \$14,718,674 during the current fiscal year, due to issuance of 3 new bonds, including \$14,340,000 of bonds for pension funding.

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 position* presents information on all of the City of Clawson's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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).

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, the G.O. bond debt service fund, and the Pension 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 non-major 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 56-61 of this report.

The combining statements referred to earlier in connection with the non-major governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 62-65 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Clawson, the combined net position was \$(17,410,454) at the close of the most recent fiscal year.

By far the largest portion of the City of Clawson's net position (\$18,996,978) 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 these debts must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Clawson's Net Position

	Governmental Activities		Business-type Activities		Total	
	2018	2017*	2018	2017*	2018	2017*
Current & other assets	\$ 5,853,411	\$ 3,934,171	\$ 3,005,913	\$ 2,840,239	\$ 8,859,324	\$ 6,774,410
Capital Assets	32,325,073	32,550,275	13,904,106	14,328,457	46,229,179	46,878,732
Total Assets	38,178,484	36,484,446	16,910,019	17,168,696	55,088,503	53,653,142
Deferred Outflows	2,400,406	1,862,175	-	-	2,400,406	1,862,175
Long-term liabilities	65,797,151	40,552,181	5,745,421	6,446,226	71,542,572	46,998,407
Other liabilities	1,819,600	1,256,167	378,921	381,089	2,198,521	1,637,256
Total Liabilities	67,616,751	41,808,348	6,124,342	6,827,315	73,741,093	48,635,663
Deferred Inflows	1,158,270	641,736	-	-	1,158,270	641,736
Net Position:						
Net Investment						
in capital assets	10,652,598	10,132,537	8,344,380	8,069,594	18,996,978	18,202,131
Restricted	2,023,035	673,599	665,330	527,130	2,688,365	1,200,729
Unrestricted (Deficit)	(40,871,764)	(14,909,599)	1,775,967	1,744,657	(39,095,797)	(13,164,942)
Total Net Position	\$ (28,196,131)	\$ (4,103,463)	\$ 10,785,677	\$ 10,341,381	\$ (17,410,454)	\$ 6,237,918

* GASB Statement No. 75 was implemented by the City in fiscal year 2018. Fiscal year 2017 amounts shown have not been modified to reflect the retroactive application of the change.

During the current fiscal year, net position decreased by \$13,351,405, which represents an increase of \$988,595 in net position less the pension bond debt of \$14,340,000 issued in the current year.

Governmental activities.

City of Clawson – Changes in Net Position

	Governmental Activities		Business-type Activities		Totals	
	2018	2017*	2018	2017*	2018	2017*
Program Revenues:						
Charges for Services	\$ 1,287,375	\$ 1,202,230	\$ 4,926,077	\$ 4,855,572	\$ 6,213,452	\$ 6,057,802
Operating Grants & Contrib.	1,130,474	909,935	-	-	1,130,474	909,935
Capital Grants & Contrib.	86,653	32,242	-	-	86,653	32,242
General Revenues:						
Property Taxes	8,295,928	8,288,673	643,104	646,423	8,939,032	8,935,096
State Shared Revenues	1,285,996	1,161,780	-	-	1,285,996	1,161,780
Franchise Fees	222,654	240,544	-	-	222,654	240,544
Investment Earnings	51,380	23,938	14,892	2,002	66,272	25,940
Gain(Loss) on Sale of Assets	-	-	-	-	-	-
Total Revenues	<u>12,360,460</u>	<u>11,859,342</u>	<u>5,584,073</u>	<u>5,503,997</u>	<u>17,944,533</u>	<u>17,363,339</u>
Program Expenses:						
General Government	16,804,322	3,784,932	-	-	16,804,322	3,784,932
Public Safety	3,284,755	2,540,603	-	-	3,284,755	2,540,603
Public Works	3,009,758	2,491,660	-	-	3,009,758	2,491,660
Sanitation	1,002,889	1,018,396	-	-	1,002,889	1,018,396
Health and Welfare	144,134	149,794	-	-	144,134	149,794
Recreation and Cultural	1,213,976	1,160,802	-	-	1,213,976	1,160,802
Interest on Long-Term Debt	801,327	702,075	-	-	801,327	702,075
Water and Sewer	-	-	5,028,555	4,883,293	5,028,555	4,883,293
Senior Housing	-	-	71,222	60,038	71,222	60,038
Total Expenses	<u>26,261,161</u>	<u>11,848,262</u>	<u>5,099,777</u>	<u>4,943,331</u>	<u>31,360,938</u>	<u>16,791,593</u>
Change in Net Position before Transfers	(13,900,701)	11,080	484,296	560,666	(13,416,405)	571,746
Transfers	40,000	30,000	(40,000)	(30,000)	-	-
Transfers-Component Unit	65,000	58,250	-	-	65,000	58,250
Change in Net Position	<u><u>\$(13,795,701)</u></u>	<u><u>\$ 99,330</u></u>	<u><u>\$ 444,296</u></u>	<u><u>\$ 530,666</u></u>	<u><u>\$(13,351,405)</u></u>	<u><u>\$ 629,996</u></u>

* GASB Statement No. 75 was implemented by the City in fiscal year 2018. Fiscal year 2017 amounts shown have not been modified to reflect the retroactive application of the change.

Business-type activities. Business-type activities increased the City of Clawson's net position by \$444,296, as compared to a \$530,666 increase in the prior year. Key elements of this increase include that the City increased the water and sewer consumption rate for the year and we had a slight increase in the combined fixed rate. The SRF sewer rehabilitation and repair charge is a fixed cost charged and repaid through the water and sewer system. The consumption rate for water went up slightly and the sewer rate also increased during the fiscal year. The fixed rate costs went up slightly due to an increase in fixed system costs.

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 \$4,370,382, an increase of \$1,767,883 over the prior year. The general fund is the chief operating fund of the City of Clawson. At the end of the current fiscal year, unrestricted fund balance of the general fund was \$1,855,153, while total fund balance is \$2,080,996. As a measure of the general fund's liquidity, it may be useful to compare both unrestricted fund balance and total fund balance to total fund expenditures. Unrestricted fund balance represents 22 percent of total general fund expenditures, while total fund balance represents 25 percent of that same amount.

The fund balance of the City of Clawson's general fund increased by \$61,917 during the current fiscal year.

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 position of the Water and Sewer Fund at the end of the year amounted to \$1,662,527 and \$113,440 for the Senior Housing Fund. The Water and Sewer Fund increased net position by \$472,285 and the Senior Housing Fund had a decrease in net position of \$27,989. 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

During fiscal year 2018, the General Fund original budgeted revenues were increased by \$28,000 for state shared revenue and \$15,000 for interest earnings. General Fund original budgeted expenditures were increased by \$76,000 for retiree health insurance and \$574,960 for fire capital outlay to purchase a new fire truck.

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, 2018, amounts to \$39,225,301 in tangible assets, and \$7,003,878 in intangible assets. (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.

Major capital asset events during the current fiscal year included the purchase of a new fire truck and front end loader. Also, park improvements and sidewalk construction.

Long-term debt. At the end of the current fiscal year, the City of Clawson had total bonded and contractual debt outstanding of \$42,903,340. During fiscal year 2018, the City issued bonds for street improvements (\$775,000), sidewalk construction (\$1,275,000), and pension obligation bonds (\$14,340,000). The City also paid down \$2,386,236 of debt principal during fiscal year 2018. 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 35-36 of this report.

Economic Factors and Next Year's Budgets and Rates

Our combined operating millage rates will allow us to continue to provide the services that our residents have grown accustomed to. The Headlee Amendment rolls back our millage rate to act as an inflationary barrier, while our assessments are limited by state law to inflationary gains. It is unfortunate that the gains in home values only allow for a minor increase in property tax revenue due to the low rate of inflation. As home values continue to rise, we continue to see small increases in property tax revenues. These small increases will only offset small increases in expenses.

Although our total debt burden remains high, we remain diligent in fixing the problems in Clawson that are long overdue for repair. We continue to get closer to the date that we will start to see some of this debt paid off beginning in the year 2020. The tremendous support of this community remains the catalyst to fixing the problems that need fixing.

Within a solid financial forecast, we have been able to make increases in wages near the rate of inflation each year. A higher cost year for health care will make it difficult to increase wages in future years beyond the rate of inflation. Our employees continue to take on additional costs for health care with high deductible plans and partial self-insurance. This has helped us tremendously in our annual budget while keeping the costs manageable to sustain us for the future. We will continue to adjust our health care plans to provide quality health care, while keeping the costs sustainable into the future for both our active and our eligible retired employees.

The pension obligation bonds are pivotal to our next ten year forecast. We will continue to look for cost-saving ideas wherever possible. A big part of our current savings is from a 10% wage reduction by all of our full-time employees in 2011. In order to continue those savings, we plan to maintain a 36-hour work week, which continues to provide significant cost savings as it has over the past six years.

We plan to continue in the 2018-2019 fiscal year our infrastructure improvements using both our annual receipts and some of our reserves. A Sidewalk Bond was approved by the voters in November of 2017. Bonds will be sold in two installments totaling \$2.125 million to complete the sidewalk replacement program throughout the entire City. The first installment was in 2018 in the amount of \$1,275,000.

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 should be addressed to the Office of the City Manager, City of Clawson, 425 N. Main Street, Clawson, Michigan 48017-1555.

BASIC FINANCIAL STATEMENTS

CITY OF CLAWSON
Statement of Net Position
June 30, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Dev Authority
ASSETS				
Cash and Cash Equivalents	\$ 5,325,598	\$ 514,104	\$ 5,839,702	\$ 58,804
Receivables (net of Allowance for Uncollectible)	291,222	1,233,054	1,524,276	5,557
Due from Other Governmental Units	87,359	-	87,359	-
Due from Component Unit	15,722	-	15,722	-
Advance to Other Funds	-	400,000	400,000	-
Advance to Component Unit	45,000	-	45,000	-
Prepaid Expenditures	88,510	11,460	99,970	-
Restricted Cash	-	847,295	847,295	-
Capital Assets (net of Accumulated Depreciation)	32,325,073	6,900,228	39,225,301	-
Intangible Assets (net of Accumulated Amortization)	-	7,003,878	7,003,878	-
Total Assets	<u>38,178,484</u>	<u>16,910,019</u>	<u>55,088,503</u>	<u>64,361</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferral related to Pension	<u>2,400,406</u>	<u>-</u>	<u>2,400,406</u>	<u>-</u>
LIABILITIES				
Accounts Payable	899,275	313,927	1,213,202	864
Accrued Liabilities	292,718	64,994	357,712	846
Due to Primary Government	-	-	-	15,722
Deposits	227,607	-	227,607	-
Advance from Other Funds	400,000	-	400,000	-
Advance from Primary Government	-	-	-	45,000
Noncurrent Liabilities:				
Other Post Employment Benefits (OPEB)	14,295,221	-	14,295,221	-
Net Pension Liability	13,873,313	-	13,873,313	-
Compensated Absences	439,514	45,695	485,209	-
Due within One Year	2,307,782	713,486	3,021,268	-
Due in More than One Year	34,881,321	4,986,240	39,867,561	-
Total Liabilities	<u>67,616,751</u>	<u>6,124,342</u>	<u>73,741,093</u>	<u>62,432</u>
DEFERRED INFLOW OF RESOURCES				
Unearned Revenue	9,801	-	9,801	-
Unamortized Bond Premium	579,629	-	579,629	-
Deferral related to Pension	568,840	-	568,840	-
Total Deferred Inflow of Resources	<u>1,158,270</u>	<u>-</u>	<u>1,158,270</u>	<u>-</u>
NET POSITION				
Net Investment in Capital Assets	10,652,598	8,344,380	18,996,978	-
Restricted – Capital Projects	1,104,067	-	1,104,067	-
Restricted – Special Revenue and Other	745,318	-	745,318	-
Restricted – Debt Service	173,650	665,330	838,980	-
Unrestricted (Deficit)	(40,871,764)	1,775,967	(39,095,797)	1,929
Total Net Position (Deficit)	<u>\$ (28,196,131)</u>	<u>\$ 10,785,677</u>	<u>\$ (17,410,454)</u>	<u>\$ 1,929</u>

CITY OF CLAWSON
Statement of Activities
For the Year Ended June 30, 2018

<u>Functions/Programs</u>	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Governmental Activities:				
General Government	\$ 16,804,322	\$ 470,559	\$ 28,909	\$ -
Public Safety	3,284,755	483,862	46,939	-
Public Works	3,009,758	137,685	983,525	54,411
Sanitation	1,002,889	15,169	31,985	-
Health and Welfare	144,134	-	15,200	-
Recreation and Cultural	1,213,976	180,100	23,916	32,242
Interest on Long-Term Debt	801,327	-	-	-
Total Governmental Activities	<u>26,261,161</u>	<u>1,287,375</u>	<u>1,130,474</u>	<u>86,653</u>
Business-type Activities:				
Water and Sewer	5,028,555	4,843,391	-	-
Senior Citizen Housing	71,222	82,686	-	-
Total Business-type Activities	<u>5,099,777</u>	<u>4,926,077</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 31,360,938</u>	<u>\$ 6,213,452</u>	<u>\$ 1,130,474</u>	<u>\$ 86,653</u>
Component Unit:				
Downtown Development Authority	<u>\$ 93,121</u>	<u>\$ -</u>	<u>\$ 8,632</u>	<u>\$ -</u>

General Revenues:
Property Taxes
State Shared Revenue
Cable Franchise
Unrestricted Investment Earnings
Transfers Component Unit
Transfers
Total General Revenues and Transfers

Change in Net Position
Net Position (Deficit) – Beginning, restated

Net Position (Deficit) – Ending

Net (Expense) Revenue and Changes in Net Position

Primary Government			
Governmental Activities	Business-type Activities	Total	Component Unit
\$ (16,304,854)	\$ -	\$ (16,304,854)	\$ -
(2,753,954)	-	(2,753,954)	-
(1,834,137)	-	(1,834,137)	-
(955,735)	-	(955,735)	-
(128,934)	-	(128,934)	-
(977,718)	-	(977,718)	-
(801,327)	-	(801,327)	-
<u>(23,756,659)</u>	<u>-</u>	<u>(23,756,659)</u>	<u>-</u>
-	(185,164)	(185,164)	-
-	11,464	11,464	-
<u>-</u>	<u>(173,700)</u>	<u>(173,700)</u>	<u>-</u>
<u>(23,756,659)</u>	<u>(173,700)</u>	<u>(23,930,359)</u>	<u>-</u>
-	-	-	(84,489)
8,295,928	643,104	8,939,032	146,254
1,285,996	-	1,285,996	4,265
222,654	-	222,654	-
51,380	14,892	66,272	573
65,000	-	65,000	(65,000)
40,000	(40,000)	-	-
<u>9,960,958</u>	<u>617,996</u>	<u>10,578,954</u>	<u>86,092</u>
(13,795,701)	444,296	(13,351,405)	1,603
<u>(14,400,430)</u>	<u>10,341,381</u>	<u>(4,059,049)</u>	<u>326</u>
<u>\$ (28,196,131)</u>	<u>\$ 10,785,677</u>	<u>\$ (17,410,454)</u>	<u>\$ 1,929</u>

CITY OF CLAWSON
Balance Sheet
Governmental Funds
June 30, 2018

	<u>General</u>	<u>G.O. Bond Debt Fund</u>	<u>Pension Bond Debt Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<u>ASSETS</u>					
Cash and Cash Equivalents	\$ 2,424,829	\$ 140,658	\$ 44,996	\$ 2,608,522	\$ 5,219,005
Receivables (net of Allowance for Uncollectible)	216,748	-	-	74,474	291,222
Due from Other Governmental Units	-	-	-	87,359	87,359
Due from Component Unit	15,722	-	-	-	15,722
Advance to Component Unit	45,000	-	-	-	45,000
Prepaid Expenditures	67,864	-	-	19,851	87,715
Total Assets	<u>\$ 2,770,163</u>	<u>\$ 140,658</u>	<u>\$ 44,996</u>	<u>\$ 2,790,206</u>	<u>\$ 5,746,023</u>

LIABILITIES AND FUND BALANCE

Liabilities:					
Accounts Payable	\$ 278,951	\$ -	\$ 37,500	\$ 576,292	\$ 892,743
Accrued and Other Liabilities	172,808	-	-	32,161	204,969
Deposits	227,607	-	-	-	227,607
Advance from Other Funds	-	-	-	400,000	400,000
Unearned Revenue	9,801	-	-	-	9,801
Total Liabilities	<u>689,167</u>	<u>-</u>	<u>37,500</u>	<u>1,008,453</u>	<u>1,735,120</u>

Fund Balance:

Non Spendable:					
Prepaid and Other	67,864	-	-	19,851	87,715
Long-Term Advances	45,000	-	-	-	45,000
Restricted:					
Debt Service	-	140,658	7,496	25,496	173,650
Capital Projects	111,042	-	-	993,025	1,104,067
Drug Law Enforcement	1,937	-	-	-	1,937
Special Revenue Funds	-	-	-	743,381	743,381
Unassigned	1,855,153	-	-	-	1,855,153
Total Fund Balance	<u>2,080,996</u>	<u>140,658</u>	<u>7,496</u>	<u>1,781,753</u>	<u>4,010,903</u>

Total Liabilities and Fund Balance \$ 2,770,163 \$ 140,658 \$ 44,996 \$ 2,790,206

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

Capital Assets used in governmental activities are not financial resources and, therefore, not reported in the funds.	31,374,200
Other postemployment benefit obligations are not reported in the funds.	(14,295,221)
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 position.	568,300
IBNR Liabilities are not reported in the funds.	(79,000)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:	
Bonded Debt and Act 99 Installment Notes Payable	(36,731,228)
Unamortized Bond Premium	(579,629)
Net Pension Liability:	
MERS Defined Benefit Plan	\$ (13,691,811)
Fire Department Defined Benefit Plan	<u>(181,502)</u>
Deferred Outflows of Resources-Pension	2,400,406
Deferred Inflows of Resources-Pension	(568,840)
Compensated Absences	<u>(422,709)</u>
	<u>\$ (28,196,131)</u>

CITY OF CLAWSON
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2018

	General	G.O. Bond Debt Fund	Pension Bond Debt Fund	Other Governmental Funds	Total
Revenues:					
Property Taxes	\$ 4,762,864	\$ 1,496,384	\$ -	\$ 1,843,680	\$ 8,102,928
Property Tax Administration Fee	193,000	-	-	-	193,000
Penalties and Interest	25,985	-	-	-	25,985
Licenses and Permits	235,244	-	-	-	235,244
Intergovernmental:					
Federal, State and Local	1,360,408	-	-	1,093,837	2,454,245
Charges for Services	501,722	-	-	-	501,722
Fines and Forfeitures	187,661	-	-	-	187,661
Franchise Fees	222,654	-	-	-	222,654
Interest	38,994	3,941	11	7,933	50,879
Other	218,712	-	-	166,929	385,641
Total Revenues	<u>7,747,244</u>	<u>1,500,325</u>	<u>11</u>	<u>3,112,379</u>	<u>12,359,959</u>
Expenditures:					
Current:					
General Government	1,075,505	-	14,289,495	-	15,365,000
Public Safety	2,655,249	-	-	-	2,655,249
Public Works	617,952	-	-	1,585,683	2,203,635
Sanitation	-	-	-	1,002,889	1,002,889
Health and Welfare	144,134	-	-	-	144,134
Recreation and Cultural	555,347	-	-	462,673	1,018,020
Other Functions	2,218,732	-	-	-	2,218,732
Debt Service:					
Principal	211,692	930,000	-	310,000	1,451,692
Interest and Other Charges	69,402	531,358	-	156,524	757,284
Capital Outlay	752,274	-	-	-	752,274
Total Expenditures	<u>8,300,287</u>	<u>1,461,358</u>	<u>14,289,495</u>	<u>3,517,769</u>	<u>27,568,909</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(553,043)</u>	<u>38,967</u>	<u>(14,289,484)</u>	<u>(405,390)</u>	<u>(15,208,950)</u>
Other Financing Sources (Uses)					
Proceeds from Long Term Debt	574,960	-	14,296,980	2,064,893	16,936,833
Transfers In	40,000	-	-	75,000	115,000
Transfers Out	-	-	-	(75,000)	(75,000)
Total Other Financing Sources (Uses)	<u>614,960</u>	<u>-</u>	<u>14,296,980</u>	<u>2,064,893</u>	<u>16,976,833</u>
Net Change in Fund Balance	61,917	38,967	7,496	1,659,503	1,767,883
Fund Balance – Beginning	<u>2,019,079</u>	<u>101,691</u>	<u>-</u>	<u>481,729</u>	<u>2,602,499</u>
Fund Balance – Ending	<u>\$ 2,080,996</u>	<u>\$ 140,658</u>	<u>\$ 7,496</u>	<u>\$ 2,141,232</u>	<u>\$ 4,370,382</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, 2018

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

Net change in fund balance - total governmental funds	\$	1,767,883
<p>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:</p>		
Capital Outlay Expenditures	\$	1,062,494
Depreciation Expense		<u>(1,361,766)</u>
		(299,272)
<p>The net increase in other post employment benefit obligations (OPEB) and IBNR does not require current resources and are not included in governmental funds.</p>		
		(493,100)
<p>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 position. 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:</p>		
Issuance of Long Term Debt	\$	(16,964,960)
Principal Payments on Long Term Bonds and Notes		1,386,689
Principal Payments on Long Term Bonds-DDA		65,000
Amortization of Bond Premium		52,306
Decrease (Increase) in Compensated Absences		<u>(40,954)</u>
		(15,501,919)
<p>Changes in Net Pension Liability Do Not Require Current Resources:</p>		
(Increase) Decrease in Net Pension Liability-MERS Defined Benefit Plan		530,337
(Increase) Decrease in Net Pension Liability-Fire Department Defined Benefit Plan		(158,243)
<p>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.</p>		
		<u>7,429</u>
Change in net position in governmental activities	\$	<u><u>(14,146,885)</u></u>

CITY OF CLAWSON
Balance Sheet
Proprietary Funds
June 30, 2018

	Business-type Activities - Enterprise Funds			Governmental Activities – Internal Service Fund
	Water & Sewer	Other Nonmajor Senior Citizens Housing	Total	
<u>ASSETS</u>				
Current Assets:				
Cash and Cash Equivalents	\$ 402,955	\$ 111,149	\$ 514,104	\$ 106,593
Accounts Receivable	1,230,264	2,790	1,233,054	-
Prepaid Expenses	11,460	-	11,460	795
Total Current Assets	<u>1,644,679</u>	<u>113,939</u>	<u>1,758,618</u>	<u>107,388</u>
Non Current Assets:				
Restricted Cash and Cash Equivalents				
Revenue Bond Covenant Accounts	847,295	-	847,295	-
Total Restricted Assets	<u>847,295</u>	<u>-</u>	<u>847,295</u>	<u>-</u>
Advance to Other Funds	400,000	-	400,000	-
Property, Plant and Equipment:				
Land	-	54,028	54,028	-
Land Improvements	-	59,512	59,512	-
Buildings	52,932	453,278	506,210	-
Infrastructure	11,432,331	-	11,432,331	-
Machinery and Equipment	358,075	73,365	431,440	2,789,937
Accumulated Depreciation	(5,196,687)	(386,606)	(5,583,293)	(1,839,064)
Net Property, Plant and Equipment	<u>6,646,651</u>	<u>253,577</u>	<u>6,900,228</u>	<u>950,873</u>
Intangible Assets (net of Accumulated Amortization)	7,003,878	-	7,003,878	-
Total Assets	<u>\$ 16,542,503</u>	<u>\$ 367,516</u>	<u>\$ 16,910,019</u>	<u>\$ 1,058,261</u>
<u>LIABILITIES AND NET POSITION</u>				
Current Liabilities:				
Accounts Payable	\$ 313,428	\$ 499	\$ 313,927	\$ 6,532
Accrued Liabilities	23,029	-	23,029	8,749
Contracts Payable	151,510	-	151,510	139,711
Bonds Payable	421,976	-	421,976	-
Total Current Liabilities	<u>909,943</u>	<u>499</u>	<u>910,442</u>	<u>154,992</u>
Current Liabilities Payable from Restricted Assets:				
Revenue Bonds Payable	140,000	-	140,000	-
Accrued Interest Payable	41,965	-	41,965	-
Total Current Liabilities Payable from Restricted Assets	<u>181,965</u>	<u>-</u>	<u>181,965</u>	<u>-</u>
Long-Term Liabilities:				
Compensated Absences Payable	45,695	-	45,695	16,805
Contracts Payable	310,055	-	310,055	318,164
Revenue Bonds payable	2,399,836	-	2,399,836	-
Bonds Payable	2,276,349	-	2,276,349	-
Total Long-Term Liabilities	<u>5,031,935</u>	<u>-</u>	<u>5,031,935</u>	<u>334,969</u>
Net Position:				
Net Investment in Capital Assets	8,090,803	253,577	8,344,380	492,998
Restricted for Debt Service	665,330	-	665,330	-
Unrestricted	1,662,527	113,440	1,775,967	75,302
Total Net Position	<u>10,418,660</u>	<u>367,017</u>	<u>10,785,677</u>	<u>568,300</u>
Total Liabilities and Net Position	<u>\$ 16,542,503</u>	<u>\$ 367,516</u>	<u>\$ 16,910,019</u>	<u>\$ 1,058,261</u>

CITY OF CLAWSON
Statement of Revenues, Expenses and Changes in Position
Proprietary Funds
For the Year Ended June 30, 2018

	Business-type Activities - Enterprise Funds			Governmental Activities – Internal Service Fund
	Water & Sewer	Other Nonmajor Senior Citizens Housing	Total	
<u>Operating Revenues:</u>				
Water Charges for Services	\$ 1,481,982	\$ -	\$ 1,481,982	\$ -
Water Treatment Charges for Services	3,361,409	-	3,361,409	-
Rental Income	-	81,700	81,700	411,512
Miscellaneous	-	986	986	1,125
Total Operating Revenues	<u>4,843,391</u>	<u>82,686</u>	<u>4,926,077</u>	<u>412,637</u>
<u>Operating Expenses:</u>				
Water Department	1,436,875	-	1,436,875	-
Sewer Department	3,019,971	-	3,019,971	-
Senior Citizens Housing	-	55,461	55,461	-
Motor Pool	-	-	-	291,017
Depreciation and Amortization	420,595	15,761	436,356	104,383
Total Operating Expenses	<u>4,877,441</u>	<u>71,222</u>	<u>4,948,663</u>	<u>395,400</u>
Operating Income (Loss)	<u>(34,050)</u>	<u>11,464</u>	<u>(22,586)</u>	<u>17,237</u>
<u>Non-Operating Revenues (Expenses):</u>				
Interest Earned	14,345	547	14,892	501
Property Taxes Levied for Debt Service	643,104	-	643,104	-
Interest Expense	(151,114)	-	(151,114)	(10,309)
Total Non-Operating Revenues (Expenses)	<u>506,335</u>	<u>547</u>	<u>506,882</u>	<u>(9,808)</u>
Income (Loss) before Operating Transfers	472,285	12,011	484,296	7,429
<u>Operating Transfers:</u>				
Operating Transfers Out	-	(40,000)	(40,000)	-
Net Income (Loss)	472,285	(27,989)	444,296	7,429
Net Position – Beginning	<u>9,946,375</u>	<u>395,006</u>	<u>10,341,381</u>	<u>560,871</u>
Net Position – Ending	<u>\$ 10,418,660</u>	<u>\$ 367,017</u>	<u>\$ 10,785,677</u>	<u>\$ 568,300</u>

CITY OF CLAWSON
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2018

	Business-type Activities – Enterprise Funds			Governmental Activities – Internal Service Fund
	Water & Sewer	Other Nonmajor Senior Citizens Housing	Total	
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>				
Receipts from Customers and Users	\$ 4,488,928	\$ 82,196	\$ 4,571,124	\$ 411,512
Payments to Suppliers	(3,501,683)	(58,094)	(3,559,777)	(176,719)
Payments to Employees	(961,326)	-	(961,326)	(117,660)
Net Cash Provided (Used) by Operating Activities	<u>25,919</u>	<u>24,102</u>	<u>50,021</u>	<u>117,133</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>				
Property Taxes Levied for Debt Service	643,104	-	643,104	-
Transfer to Other Funds	-	(40,000)	(40,000)	-
Net Cash Provided by (Used) Non-Capital Financing Activities	<u>643,104</u>	<u>(40,000)</u>	<u>603,104</u>	<u>-</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>				
Purchases of Capital Assets	(12,005)	-	(12,005)	(178,453)
Principal Paid on Capital Debt	(699,137)	-	(699,137)	(120,085)
Proceeds of Long Term Borrowing	-	-	-	140,040
Interest Paid on Capital Debt	(151,114)	-	(151,114)	(10,309)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(862,256)</u>	<u>-</u>	<u>(862,256)</u>	<u>(168,807)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>				
Interest Earned	14,345	547	14,892	501
Net Increase (Decrease) in Cash and Cash Equivalents	(178,888)	(15,351)	(194,239)	(51,173)
Cash and Cash Equivalents – Beginning	1,429,138	126,500	1,555,638	157,766
Cash and Cash Equivalents – Ending	<u>\$ 1,250,250</u>	<u>\$ 111,149</u>	<u>\$ 1,361,399</u>	<u>\$ 106,593</u>
Presented as:				
Unrestricted Cash	\$ 402,955	\$ 111,149	\$ 514,104	\$ 106,593
Restricted Cash	847,295	-	847,295	-
	<u>\$ 1,250,250</u>	<u>\$ 111,149</u>	<u>\$ 1,361,399</u>	<u>\$ 106,593</u>
<u>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</u>				
Operating Income (Loss)	\$ (34,050)	\$ 11,464	\$ (22,586)	\$ 17,237
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation and Amortization Expense	420,595	15,761	436,356	104,383
(Increase) Decrease in Receivables	45,537	(490)	45,047	-
(Increase) Decrease in Advance to Other Funds	(400,000)	-	(400,000)	-
(Increase) Decrease in Prepays	(4,960)	-	(4,960)	-
Increase (Decrease) in Accounts Payable	(1,555)	(2,633)	(4,188)	(6,031)
Increase (Decrease) in Accrued Liabilities	352	-	352	1,544
Net Cash Provided (Used) by Operating Activities	<u>\$ 25,919</u>	<u>\$ 24,102</u>	<u>\$ 50,021</u>	<u>\$ 117,133</u>

CITY OF CLAWSON
Statement of Net Position
Fiduciary Funds
June 30, 2018

<u>ASSETS</u>	<u>V.E.B.A. Healthcare Trust Fund</u>	<u>Fire Retirement System Trust Fund</u>	<u>Agency Funds</u>
Cash	\$ -	\$ -	\$ 3,269
Investments, at Fair Value:			
Accrued Income	-	6,676	-
Bonds and Notes	336,815	1,273,367	-
Common Stock	-	2,394,117	-
Total Investments	<u>336,815</u>	<u>3,674,160</u>	<u>-</u>
Total Assets	<u>336,815</u>	<u>3,674,160</u>	<u>3,269</u>
 <u>LIABILITIES</u>			
Due to Other	<u>-</u>	<u>-</u>	<u>3,269</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>3,269</u>
 Net Position Restricted for Pensions	 <u>\$ 336,815</u>	 <u>\$ 3,674,160</u>	 <u>\$ -</u>

CITY OF CLAWSON
Statement of Changes in Net Position
Fiduciary Funds
For the Year Ended June 30, 2018

<u>ADDITIONS</u>	<u>V.E.B.A. Healthcare Trust Fund</u>	<u>Fire Retirement System Trust Fund</u>
Investment Income:		
Earnings on Investments	\$ 648	\$ 51,722
Net Appreciation (Depreciation) in Fair Value of Investments	-	253,013
Contributions:		
Employer	<u>55,333</u>	<u>77,550</u>
Total Additions	<u>55,981</u>	<u>382,285</u>
 <u>DEDUCTIONS</u>		
Benefits Paid	48,380	217,189
Administrative Costs	-	39,140
Total Deductions	<u>48,380</u>	<u>256,329</u>
 Net Increase (Decrease)	7,601	125,956
 Net Position Restricted for Pensions		
Retirement Benefits:		
Beginning of Year	<u>329,214</u>	<u>3,548,204</u>
End of Year	<u>\$ 336,815</u>	<u>\$ 3,674,160</u>

CITY OF CLAWSON
Notes to Financial Statements
June 30, 2018

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 position and the statement of changes in net position) 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 is 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, 2018

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, 2018

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, 2018

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.

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, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

D. Assets, Liabilities, and Net Position 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 'nonspendable' 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, 2018.

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, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

D. Assets, Liabilities, and Net Position 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 position. 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 position. 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, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

D. Assets, Liabilities, and Net Position 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 position. 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 and retention (\$87,715), which are deemed “non-spendable,” as they cannot be liquidated to spend in the following year, and the long term advance to the DDA (\$45,000).
- 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.

CITY OF CLAWSON
Notes to Financial Statements
June 30, 2018

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.

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 fiscal year 2018, several budget amendments were made and are reflected in the financial statements.

CITY OF CLAWSON
Notes to Financial Statements
June 30, 2018

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – Continued

B. Compliance with P.A. 621 of 1978

1. Excess of Expenditures over Appropriations in Budgetary Funds

The budgets for the General and Special Revenue Funds are adopted at the activity level; there were no expenditures in excess of budget appropriations.

2. Deficit Fund Balance-There are no City funds in a deficit condition.

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, 2018 are as follows:

Cumulative Balance at June 30, 2017	\$ (2,192,320)
Fees Collected in Fiscal Year 2018	206,660
Expenditures in Fiscal Year 2018	<u>(317,304)</u>
Cumulative Balance at June 30, 2018	<u>\$ (2,302,964)</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.

CITY OF CLAWSON
Notes to Financial Statements
June 30, 2018

III. DETAILED NOTES ON ALL FUNDS – Continued

A. Deposits and Investments – Continued

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, 2018, the City’s book balance of its deposits was \$7,137,864. The bank balance was \$6,640,870, which was exposed to custodial credit risk as follows of which \$1,694,444 was insured by F.D.I.C. and \$4,946,426 is collateralized in the City’s name.

A reconciliation of cash for the primary government follows:

Statement of Net Position:

Cash and Cash Equivalents	\$ 6,287,300
Restricted Cash	847,295
Fiduciary Funds:	
Agency Funds	<u>3,269</u>
Total	<u>\$ 7,137,864</u>

	Carrying Amount	Bank Balance	Collateralized in DDA’s Name
Downtown Development Authority	<u>\$58,804</u>	<u>\$58,804</u>	<u>\$58,804</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:

Deposits and Investments	Fair Value	Weighted Average Maturity
U.S. Government Agencies and Securities:		
Federal Farm Credit Banks	\$ 170,541	N/A
Federal National Mortgage Assoc.	130,404	N/A
Federal Home Loan Mortgage	<u>122,788</u>	N/A
	\$ <u>423,733</u>	
Trust Funds:		
Mutual Fund – Bonds	\$ 1,266,219	Not Available
Mutual Funds – Equity	<u>2,407,941</u>	N/A
	<u>\$ 3,674,160</u>	
Component Unit:		
Checking	<u>\$ 58,804</u>	Demand

CITY OF CLAWSON
Notes to Financial Statements
June 30, 2018

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>
Trust Fund:			
Mutual Fund – Bonds	\$ 1,266,219	Not Rated	
Mutual Funds – Equity	<u>2,407,941</u>	N/A	N/A
	<u>\$ 3,674,160</u>		

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:

Trust Fund:

Equities:

Comerica Small Cap Index FD	10.15%
Comerica Medium Cap Index FD	9.64%
Comerica S&P Index FD	29.80%
Investment Manager Focused Int.	8.25%
Transamerica Int. Equity	7.41%

CITY OF CLAWSON
Notes to Financial Statements
June 30, 2018

III. DETAILED NOTES ON ALL FUNDS – Continued

B. Capital Assets

Capital asset activity for the year ended June 30, 2018 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	\$ 719,103	\$ -	\$ -	\$ 719,103
Capital Assets, being depreciated:				
Building and Improvements	10,864,682	54,279	-	10,918,961
Machinery and Equipment	1,282,834	76,689	-	1,359,523
Vehicles	2,256,085	621,306	-	2,877,391
Infrastructure	26,495,857	310,220	-	26,806,077
Construction in Progress	3,783,493	-	-	3,783,493
Internal Service Fund	2,611,484	178,453	-	2,789,937
	<u>47,294,435</u>	<u>1,240,947</u>	<u>-</u>	<u>48,535,382</u>
Less: Accumulated Depreciation:				
Building and Improvements	(5,742,378)	(444,551)	-	(6,186,929)
Machinery and Equipment	(859,042)	(66,239)	-	(925,281)
Vehicles	(1,410,952)	(61,434)	-	(1,472,386)
Infrastructure	(5,716,210)	(789,542)	-	(6,505,752)
Internal Service Fund	(1,734,681)	(104,383)	-	(1,839,064)
	<u>(15,463,263)</u>	<u>(1,466,149)</u>	<u>-</u>	<u>(16,929,412)</u>
Governmental Activities Capital Assets, net	<u>\$ 32,550,275</u>	<u>\$ (225,202)</u>	<u>\$ -</u>	<u>\$ 32,325,073</u>

Depreciation expense was charged to functions of the primary government as follows:

General Government	\$ 224,644
Public Safety	117,806
Public Works	823,360
Recreation and Culture	195,956
Charged through Internal Service Funds	104,383
	<u>\$ 1,466,149</u>

CITY OF CLAWSON
Notes to Financial Statements
June 30, 2018

III. DETAILED NOTES ON ALL FUNDS – Continued

B. Capital Asset - 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	453,278	-	-	453,278
Equipment-Senior Citizens	73,365	-	-	73,365
	<u>586,155</u>	<u>-</u>	<u>-</u>	<u>586,155</u>
Water & Sewer Fund:				
Buildings-Water Sewer	52,932	-	-	52,932
Infrastructure	11,432,331	-	-	11,432,331
Equipment	346,070	12,005	-	358,075
	<u>11,831,333</u>	<u>12,005</u>	<u>-</u>	<u>11,843,338</u>
Less: Accumulated Depreciation:				
Senior Citizens Housing:				
Land Improvements	(43,408)	(1,623)	-	(45,031)
Buildings-Senior Citizens	(263,937)	(12,916)	-	(276,853)
Equipment-Senior Citizens	(63,500)	(1,222)	-	(64,722)
	<u>(370,845)</u>	<u>(15,761)</u>	<u>-</u>	<u>(386,606)</u>
Water & Sewer Fund:				
Buildings-Water Sewer	(48,458)	(129)	-	(48,587)
Infrastructure	(4,800,039)	(161,893)	-	(4,961,932)
Equipment	(171,996)	(14,172)	-	(186,168)
	<u>(5,020,493)</u>	<u>(176,194)</u>	<u>-</u>	<u>(5,196,687)</u>
Business Activities				
Capital Assets, net	\$ <u>7,080,178</u>	\$ <u>(179,950)</u>	\$ <u>-</u>	\$ <u>6,900,228</u>
Intangible Assets (Amortized over 40 years)				
Investment in Community:				
Sanitary/Storm Sewers:				
Cost	\$ 10,292,223	\$ -	\$ -	\$ 10,292,223
Accumulated Amortization	(3,043,944)	(244,401)	-	(3,288,345)
Intangible Assets, net	<u>\$ 7,248,279</u>	<u>\$ (244,401)</u>	<u>\$ -</u>	<u>\$ 7,003,878</u>

CITY OF CLAWSON
Notes to Financial Statements
June 30, 2018

III. DETAILED NOTES ON ALL FUNDS – Continued

C. Interfund Receivables, Payables and Transfers

There were no interfund accounts receivables and payables at year end-transfers In and out:

Transfers In	Transfers Out	Amount
General Fund	Senior Citizen Housing Fund	\$ 40,000
Local Street Fund	Major Street Fund	75,000
		\$ 115,000

Transfers from Major Street Fund to Local Street Fund are amounts allowable under Act 51 to finance local improvements. Transfer from Senior Citizen Housing Fund represents the estimated reimbursements for staff and administrative time.

D. Intangible Assets

The Oakland County Drain Commission has assessed the City of Clawson for the benefit of utilizing the 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 (18.3%) 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 \$7,573,866 (6.32%). 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>3,288,345</u>
Net Intangible Assets	<u>\$ 7,003,878</u>

CITY OF CLAWSON
Notes to Financial Statements
June 30, 2018

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, 2018:

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Due Within One Year
Governmental Activities:					
G.O. Bonds	\$ 19,005,000	\$ 16,390,000	\$ (1,305,000)	\$ 34,090,000	\$ 1,930,000
Act 99 Installment Notes	2,780,803	715,000	(396,700)	3,099,103	377,782
	<u>21,785,803</u>	<u>17,105,000</u>	<u>(1,701,700)</u>	<u>37,189,103</u>	<u>2,307,782</u>
Compensated Absences	415,365	24,149	-	439,514	-
	<u>\$ 22,201,168</u>	<u>\$ 17,129,149</u>	<u>\$ (1,701,700)</u>	<u>\$ 37,628,617</u>	<u>\$ 2,307,782</u>
Business Type Activities:					
G.O. Bonds	\$ 3,109,716	\$ -	\$ (404,704)	\$ 2,705,012	\$ 421,976
SRF Revenue Bonds	2,679,836	-	(135,000)	2,544,836	140,000
Contract Debt	609,311	-	(144,922)	464,389	151,510
	<u>6,398,863</u>	<u>-</u>	<u>(684,626)</u>	<u>5,714,237</u>	<u>713,486</u>
Compensated Absences	47,363	-	(1,668)	45,695	-
	<u>\$ 6,446,226</u>	<u>\$ -</u>	<u>\$ (686,294)</u>	<u>\$ 5,759,932</u>	<u>\$ 713,486</u>

The following is a summary of general obligation debt outstanding (excluding compensated absences) of the City as of June 30, 2018:

	Number of Issues	Interest Rate	Maturing Through	Principal Outstanding
Governmental Activities:				
General Obligation Bonds	9	2.0%-4.10%	2034	\$ 34,090,000
Act 99 Installment Loan	5	1.91%-2.8%	2028	3,099,103
Total Governmental Activities				<u>\$ 37,189,103</u>
Business Type Activities:				
G.O. Bonds	6	2.00-4.70%	2029	\$ 2,705,012
SRF Revenue Bonds	1	2.50%	2033	2,544,836
Contract Debt	1	2.00%-5.00%	2022	464,389
Total Business Type Activities				<u>\$ 5,714,237</u>

CITY OF CLAWSON
Notes to Financial Statements
June 30, 2018

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, 2018 are as follows (net of interest subsidies discussed below):

Year Ended	Governmental Activities		Business Activities	
	Principal	Interest	Principal	Interest
2019	\$ 2,307,782	\$ 1,278,635	\$ 713,486	\$ 130,957
2020	2,379,344	1,288,767	733,186	113,750
2021	2,459,176	1,219,139	748,917	96,149
2022	2,533,943	1,147,601	611,225	79,925
2023	2,591,346	1,262,052	567,510	67,079
2024-2028	14,882,512	3,815,069	1,362,027	183,943
2029-2033	9,770,000	1,014,620	977,886	60,605
2034	265,000	9,606	-	-
	<u>\$ 37,189,103</u>	<u>\$ 11,035,489</u>	<u>\$ 5,714,237</u>	<u>\$ 732,408</u>

Interest Subsidies

The City issued two obligations that are intended to qualify for Federal interest rate subsidies. The Capital Improvement Bonds, Series 2010, are anticipated to qualify for the 45% interest rate subsidies under IRC 1400-U2 (Recovery Zone Economic Development Bonds), while the 2010 Unlimited General Obligation Improvement bonds, are anticipated to qualify for the 35% interest rate subsidies under IRC 54AA (Build America Bonds). The 2010 Capital Improvement Bonds were advanced refunded and are considered retired.

F. Long-Term Advances

At June 30, 2018, the General Fund has an advance to the Downtown Development Authority in the amount of \$45,000. The advance is being repaid over the next 3 years. Also, the Water & Sewer Fund advanced the Major Street Fund \$400,000 to be repaid over the next 5 years.

CITY OF CLAWSON
Notes to Financial Statements
June 30, 2018

III. DETAILED NOTES ON ALL FUNDS – Continued

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.

The maximum authorized operating levy for the City is 15 mills. The City's tax levy for the 2017 tax roll is as follows (tax rate per \$1,000 of assessed valuation):

General Operating	10.1982
Refuse	2.8431
Library	1.2546
Voted Debt	7.6500
Voted Operating	<u>4.0183</u>
Total	<u>25.9642</u> mills

IV. OTHER INFORMATION

A. Pension Plans

1. Municipal Employees Retirement System Defined Benefit Plan

a. Plan Description

The City participates in an agent multiple-employer defined benefit pension plan administered by the Municipal Employees Retirement System of Michigan (MERS) that covers all full-time employees of the City. MERS was established as a statewide public employee pension plan by the Michigan Legislature under PA 135 of 1945 and is administered by a nine-member Retirement Board. MERS issues a publicly available financial report, which includes the financial statements and required supplemental information of this defined benefit plan. This report can be obtained at www.mersofmichigan.com or in writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917.

Benefits Provided – The Plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. PA 427 of 1984, as amended established and amends the benefit provisions of the participants in MERS. There are three divisions, all closed to new hires.

CITY OF CLAWSON
Notes to Financial Statements
June 30, 2018

IV. OTHER INFORMATION – continued

A. Pension Plans – Continued

1. Municipal Employees Retirement System Defined Benefit Plan – Continued

a. Employees Covered by Benefit Terms

At the December 31, 2017 measurement date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently Receiving benefits	61
Inactive plan members entitled to but not yet receiving benefits	3
Active plan members	<u>12</u>
Total employees covered by MERS	<u><u>76</u></u>

b. Contributions

Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, MERS retains an independent actuary to determine the annual contribution. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS retirement board. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

Since the plan is closed to new members the city is required to make contributions in "flat amounts". During the year the City made required contributions of \$1,313,954. Employees contributed required contributions of \$1,572.

c. Net Pension Liability

The net pension liability reported at June 30, 2017 was determined using a measure of the total pension liability and the pension net position as of December 31, 2016. The December 31, 2016 total pension liability was determined by an actuarial valuation performed as of that date.

CITY OF CLAWSON
Notes to Financial Statements
June 30, 2018

IV. OTHER INFORMATION – Continued

A. Pension Plans – Continued

1. Municipal Employees Retirement System Defined Benefit Plan – Continued

d. Net Pension Liability - Continued

Changes in the net pension liability during the measurement year were as follows:

<u>Changes in Net Pension Liability</u>	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Net Position</u>	<u>Net Pension Liability</u>
Balance at December 31, 2016	\$ 24,393,064	\$ 9,975,949	\$ 14,417,115
Service Cost	104,190	-	104,190
Interest	1,879,102	-	1,879,102
Contributions-Employer	-	1,536,516	(1,536,516)
Contributions-Employee	-	19,333	(19,333)
Net Investment Income	-	1,290,629	(1,290,629)
Benefit Payments, including refunds	(1,912,789)	(1,912,789)	-
Other Changes	-	-	-
Difference Between exp. And Actual	117,426	-	117,426
Changes in Assumptions	-	-	-
Administrative Expenses	-	(20,456)	20,456
Net Changes	<u>187,929</u>	<u>913,233</u>	<u>(725,304)</u>
Balance at December 31, 2017	<u>\$ 24,580,993</u>	<u>\$ 10,889,182</u>	<u>\$ 13,691,811</u>

CITY OF CLAWSON
Notes to Financial Statements
June 30, 2018

IV. OTHER INFORMATION – continued

A. Pension Plans – Continued

1. Municipal Employees Retirement System Defined Benefit Plan – continued

d. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Source	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 940,799	\$ -
Differences in Assumptions	736,810	-
Differences in Experience	-	388,906
Employer contributions to the plan subsequent to the measurement date	656,977	-
Total	\$ 2,334,586	\$ 388,906

e. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – continued

Amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30	Amount
2019	\$ 423,061
2020	455,689
2021	211,024
2022	150,229
2023	48,700

CITY OF CLAWSON
Notes to Financial Statements
June 30, 2018

IV. OTHER INFORMATION – continued

A. Pension Plans – Continued

1. Municipal Employees Retirement System Defined Benefit Plan – continued

f. Actuarial Assumptions

The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.75%
Investment rate of return	7.75%

Mortality rates were based on the RP=2014 Healthy Annuitant Mortality Tables of a 50 percent male and 50 percent female blend with rates multiplied by 105%. For disabled retirees, the 50% Male and 50% Female blend of the RP- 2014 Disabled Retiree Mortality Tables.

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study in 2015.

g. Discount Rate

The discount rate used to measure the total pension liability was 8.00 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

CITY OF CLAWSON
Notes to Financial Statements
June 30, 2018

IV. OTHER INFORMATION – continued

A. Pension Plans – Continued

1. Municipal Employees Retirement System Defined Benefit Plan – Continued

h. Projected Cash Flows

Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a model in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return as of December 31, 2017, the measurement date, for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global equity	58%	5.0%
Global fixed income	20%	2.2%
Real assests	12%	4.2%
Diversifying strategies	10%	6.6%

CITY OF CLAWSON
Notes to Financial Statements
June 30, 2018

IV. OTHER INFORMATION – continued

A. Pension Plans – Continued

1. Municipal Employees Retirement System Defined Benefit Plan – Continued

i. Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City, calculated using the discount rate of 8.00 percent, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.00 percent) or one percentage point higher (9.00 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Net Pension Liability of the City	\$ 16,032,205	\$ 13,691,811	\$ 11,683,631

j. Pension Plan Fiduciary Net Position

Detailed information about the plan’s fiduciary net position is available in the separately issued financial report found at www.mersofmichigan.com. The plan’s fiduciary net position has been determined on the same basis used by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

CITY OF CLAWSON
Notes to Financial Statements
June 30, 2018

IV. OTHER INFORMATION – continued

A. Pension Plans – Continued

2. Clawson Fire Department Defined Benefit Plan

a. Summary of Significant Accounting Policies

Method used to value investments. Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

b. Plan Description.

Plan administration. The Clawson Fire Department Pension Board administers the Clawson Fire Department Defined Benefit Plan. – a single-employer defined benefit pension plan that provides pensions for all paid on call fire fighters. Management of the Clawson Fire Department Defined Benefit Plan is vested in the Clawson Fire Department Pension Board which consists of 5 members.

Plan Membership. At July 1, 2017, pension plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	15
Inactive plan members entitled to but not yet receiving benefits	5
Active plan members	<u>25</u>
	<u>45</u>

c. Contributions

The authority to amend contribution requirements rests with the Clawson Fire Department Pension Board. The board establishes rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimate amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of plan members. For the year ended June 30, 2018 the City contributed \$77,550.

CITY OF CLAWSON
Notes to Financial Statements
June 30, 2018

IV. OTHER INFORMATION – Continued

A. Defined Benefit Pension Plan - Fire Department – Continued

2. Clawson Fire Department Defined Benefit Plan – Continued

d. Investment Policy

The pension plans' policy in regard to the allocation of invested assets is established and may amended by the Clawson Fire Department Pension Board by a majority vote of its members. It is the policy of the Clawson Fire Department Pension Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Board's adopted asset allocation policy as of June 30, 2018.

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic equity	50%
International equity	15%
Fixed income	35%
Real estate	-0-
Cash	-0-
Total	<u>100%</u>

e. Projected Cash Flows

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term expected rate of return on pension plan investments was determined using a model in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of is 7.0%.

CITY OF CLAWSON
Notes to Financial Statements
June 30, 2018

IV. OTHER INFORMATION – Continued

A. Pension Plans – Continued

2. Clawson Fire Department Defined Benefit Plan – Continued

f. Net Pension Liability of the City

Changes in the net pension liability during the year were as follows:

<u>Changes in Net Pension Liability</u>	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Net Position</u>	<u>Net Pension Liability(Surplus)</u>
Balance at June 30, 2017	\$ 3,685,493	\$ 3,548,204	\$ 137,289
Service Cost	97,314	-	97,314
Interest	290,044	-	290,044
Contributions-Employer	-	77,550	(77,550)
Net Investment Income	-	304,735	(304,735)
Benefit Payments, including refunds	(217,189)	(217,189)	-
Administrative Expenses	-	(39,140)	39,140
Net Changes	<u>170,169</u>	<u>125,956</u>	<u>44,213</u>
Balance at June 30, 2018	<u>\$ 3,855,662</u>	<u>\$ 3,674,160</u>	<u>\$ 181,502</u>

g. Pension Expense and Deferred Outflows of Resources Related to Pensions

At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Source</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ 26,160	\$ -
Differences in Assumptions	39,660	
Differences in Experience	-	179,934
Total	<u>\$ 65,820</u>	<u>\$ 179,934</u>

CITY OF CLAWSON
Notes to Financial Statements
June 30, 2018

IV. OTHER INFORMATION – Continued

A. Pension Plans – Continued

2. Clawson Fire Department Defined Benefit Plan – Continued

g. Pension Expense and Deferred Outflows of Resources Related to Pensions

Amounts reported as deferred outflows and deferred inflows of resources to Pensions will be recognized in pension expense as follows:

Years Ending	Amount
<u>June 30</u>	<u>Amount</u>
2019	\$ 56,132
2020	20,360
2021	(29,315)
2022	7,836
2023	20,294
thereafter	38,807

h. Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	N/A
Salary increases	N/A
Investment rate of return	7.0 percent, net
Mortality rates	1994 Group Annuity Blended Table.

i. Discount Rate-rate used to measure the total pension liability 6.95%.

j. Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City, calculated using the discount rate of 6.95 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.95 percent) or one percentage point higher (7.95 percent) than the current rate:

	1% Decrease (5.95%)	Current Discount Rate (6.95%)	1% Increase (7.95%)
	<u> </u>	<u> </u>	<u> </u>
Net Pension Liability of the City	\$ 643,872	\$ 181,502	\$ (199,583)

CITY OF CLAWSON
Notes to Financial Statements
June 30, 2018

IV. OTHER INFORMATION – Continued

A. Pension Plans – Continued

2. Clawson Fire Department Defined Benefit Plan – Continued

k. Plan benefits

The plan presently provides retirement as well as death benefits. Pension benefits vest after five years of total service, for employees hired before July 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.

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 \$246,570; the employee contributions were \$71,522.

CITY OF CLAWSON
Notes to Financial Statements
June 30, 2018

IV. OTHER INFORMATION – Continued

B. Other Postemployment 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.

Benefits Provided

The City provides healthcare, including prescription drug benefits for retirees and their spouses. Benefits are provided by a third-party insurer.

Employees Covered by Benefit Terms

At the June 30, 2016 valuation date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	54
Inactive plan members entitled to but not yet receiving benefits	0
Active Plan Members	<u>20</u>
Total	<u>74</u>

Contributions

Active service members are not required to make contributions to the plan. The City has no obligation to make contributions in advance but are being financed on a “pay-as-you-go” basis. At the fund level, the expense is recognized by the City as the payments to the employees are made.

Summary of Significant Accounting Policies

For the purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB (if applicable), and OPEB expenses, have been determined on the same basis as they are reported for the City. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

CITY OF CLAWSON
Notes to Financial Statements
June 30, 2018

IV. OTHER INFORMATION – Continued

B. Other Postemployment Benefits – Continued

Changes in Net OPEB Liability

The components of the change in the net OPEB liability are summarized as follows:

<u>Changes in Net OPEB Liability</u>	<u>Increase (Decrease)</u>		
	<u>Total OPEB Liability</u>	<u>Plan Net Position</u>	<u>Net OPEB Liability</u>
Balance at July 1, 2016	\$ 14,093,576	\$ -	\$ 14,093,576
Service Cost	171,832	-	171,832
Interest on total OPEB liability	799,154	-	799,154
Benefit Payments, including refunds	(769,341)	-	(769,341)
Employer Contributions	-	-	-
Net Changes	<u>201,645</u>	<u>-</u>	<u>201,645</u>
Balance at June 30, 2017	<u>\$ 14,295,221</u>	<u>\$ -</u>	<u>\$ 14,295,221</u>

OPEB Expense and Deferred Outflows or Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the City recognized OPEB expense of \$201,645, and there were no related deferred outflows of resources or deferred inflows of resources related to OPEB reported.

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of July 1, 2016. The following actuarial assumptions were applied:

Actuarial Cost Method	Entry-age normal
Inflation	2.50%
Investment Rate of Return	n/a
Mortality	RP-2014 Mortality Tables

CITY OF CLAWSON
Notes to Financial Statements
June 30, 2018

IV. OTHER INFORMATION – Continued

B. Other Postemployment Benefits – Continued

Discount Rate

The discount rate used to measure the total OPEB liability was 7.00% based on the expected return of assets expected to be available to pay plan benefits.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the City, calculated using the discount rate of 7.00 percent, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
	<u> </u>	<u> </u>	<u> </u>
Net OPEB Liability	\$ <u>16,178,006</u>	\$ <u>14,295,221</u>	\$ <u>12,787,909</u>

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.

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.

CITY OF CLAWSON
Notes to Financial Statements
June 30, 2018

IV. OTHER INFORMATION – Continued

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. Upcoming Accounting Pronouncement

In January 2017, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 84, *Fiduciary Activities*, which establishes specific criteria for identifying activities that should be reported as fiduciary activities. The City is currently evaluating the impact of this standard on its financial statements. The Statement is effective beginning with the City's fiscal year ending June 30, 2020.

F. Restatement

The financial statements for the year ended June 30, 2017 have been restated to reflect the adoption of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*. The effect of this new accounting standard increased governmental net position as follows:

Net Position – June 30, 2017, as previously reported	\$ (4,103,463)
Adjustment for adoption of GASB No. 75	<u>(10,296,967)</u>
Net Position – June 30, 2017, as restated	<u><u>\$(14,400,430)</u></u>

CITY OF CLAWSON
Notes to Financial Statements
June 30, 2018

IV. OTHER INFORMATION – Continued

G. Self Insured Health Insurance

Effective January 1, 2014, the City terminated its traditional health and dental insurance coverage for substantially all of its employees and retirees, and implemented a self insured plan administered by Blue Cross and Blue Shield of Michigan. The plan has two levels of “stop loss” re-insurance coverage to help mitigate potential claims.

- \$40,000 maximum per employee per plan year
- \$95,820 per month

The following is a summary of the City’s liability for claims incurred but not reported.

Incurred claims expenses	\$ 598,470
Less payments	<u>519,470</u>
Claims incurred but not reported claims	<u><u>\$ 79,000</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CLAWSON
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Property Taxes	\$ 4,748,000	\$ 4,745,800	\$ 4,762,864	\$ 17,064
Penalties and Interest	36,000	26,000	25,985	(15)
Property Tax Administration Fee	188,000	193,000	193,000	-
Licenses and Permits	193,600	230,000	235,244	5,244
Intergovernmental – Federal	-	-	15,200	15,200
Intergovernmental – State	1,205,600	1,288,800	1,316,299	27,499
Intergovernmental – Local	24,000	24,000	28,909	4,909
Charges for Services	505,700	513,200	501,722	(11,478)
Fines and Forfeitures	188,000	189,000	187,661	(1,339)
Franchise Fees	245,000	245,000	222,654	(22,346)
Interest Earnings	22,000	37,000	38,994	1,994
Other Revenues	256,530	227,600	218,712	(8,888)
Total Revenues	7,612,430	7,719,400	7,747,244	27,844
Expenditures:				
General Government:				
City Council	21,660	26,280	21,672	4,608
City Manager	134,100	134,100	132,013	2,087
Elections	14,900	14,900	14,493	407
Finance	65,050	61,550	59,340	2,210
Assessor	89,650	89,650	88,151	1,499
Attorney	115,000	115,000	114,381	619
Clerk	153,650	160,870	152,776	8,094
Treasurer	160,600	159,300	157,228	2,072
City Hall	222,960	247,150	243,357	3,793
Planning Commission	97,200	99,980	92,094	7,886
Total General Government	1,074,770	1,108,780	1,075,505	33,275
Public Safety:				
Police	2,115,810	2,121,210	2,087,007	34,203
Fire	297,520	288,920	250,938	37,982
Inspection and Engineering	292,670	324,760	317,304	7,456
Total Public Safety	2,706,000	2,734,890	2,655,249	79,641
Public Works:				
Department of Public Works	476,830	463,330	442,407	20,923
Street Lighting	184,000	182,000	175,545	6,455
Total Public Works	660,830	645,330	617,952	27,378
Health and Welfare:				
Senior Citizens	138,600	149,400	137,934	11,466
Youth Programs	6,200	6,200	6,200	-
Total Health and Welfare	144,800	155,600	144,134	11,466
Recreation and Cultural:				
Parks	209,780	226,380	223,993	2,387
Recreation	311,270	314,060	306,264	7,796
Historical	30,230	29,780	25,090	4,690
Total Recreation and Cultural	551,280	570,220	555,347	14,873

(Continued)

CITY OF CLAWSON
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Expenditures: (continued)				
Other Functions:				
Unemployment	\$ 2,000	\$ 2,000	\$ -	\$ 2,000
Retiree Health Insurance	744,300	820,300	814,173	6,127
Retiree MERS Post Retirement Costs	870,160	870,160	873,534	(3,374)
Non Departmentalized Fringe Benefits	350,000	436,050	435,645	405
Cable TV/Internet	33,050	35,210	33,904	1,306
Other	53,830	53,830	61,476	(7,646)
Total Other Functions	<u>2,053,340</u>	<u>2,217,550</u>	<u>2,218,732</u>	<u>(1,182)</u>
Debt Service	<u>281,110</u>	<u>281,180</u>	<u>281,094</u>	<u>86</u>
Capital Outlay	<u>180,300</u>	<u>758,460</u>	<u>752,274</u>	<u>6,186</u>
Total Expenditures	<u>7,652,430</u>	<u>8,472,010</u>	<u>8,300,287</u>	<u>171,723</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(40,000)</u>	<u>(752,610)</u>	<u>(553,043)</u>	<u>199,567</u>
Other Financing Sources (Uses):				
Proceeds from Installment Loan	-	574,960	574,960	-
Transfers In	<u>40,000</u>	<u>40,000</u>	<u>40,000</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>40,000</u>	<u>614,960</u>	<u>614,960</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ (137,650)</u>	61,917	<u>\$ 199,567</u>
Fund Balance – Beginning			<u>2,019,079</u>	
Fund Balance – Ending			<u>\$ 2,080,996</u>	

CITY OF CLAWSON
Required Supplemental Information
Schedule of Changes in the Net Pension Liability and Related Ratios
MERS Defined Benefit Plan
Last Ten Fiscal Years (schedule is built prospectively upon implementation of GASB 68)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Pension Liability:				
Service Cost	\$ 104,190	\$ 109,001	\$ 107,479	\$ 106,523
Interest	1,879,102	1,873,467	1,891,026	1,003,855
Other Changes	117,426	(8,999)	389,584	878,835
Benefit payments, including refunds	<u>(1,912,789)</u>	<u>(1,888,485)</u>	<u>(1,895,586)</u>	<u>(1,881,714)</u>
Net Change in Total Pension Liability	187,929	84,984	492,503	107,499
Total Pension Liability, Beginning of year	<u>24,393,064</u>	<u>24,308,080</u>	<u>23,815,577</u>	<u>23,708,078</u>
Total Pension Liability, End of year	<u>\$ 24,580,993</u>	<u>\$ 24,393,064</u>	<u>\$ 24,308,080</u>	<u>\$ 23,815,577</u>
Plan Fiduciary Net Position:				
Contributions - Employer	\$ 1,536,516	\$ 1,389,816	\$ 1,288,242	\$ 1,213,709
Contributions - Employee	19,333	18,645	-	-
Net Investment Income	1,290,629	1,038,959	(145,734)	631,003
Administrative Expenses	(20,456)	(20,539)	(21,638)	(23,024)
Benefit payments, including refunds	<u>(1,912,789)</u>	<u>(1,888,485)</u>	<u>(1,895,586)</u>	<u>(1,881,714)</u>
Net Change in Plan Fiduciary Net Position	913,233	538,396	(774,716)	(60,026)
Plan Fiduciary Net Position, Beginning of year	<u>9,975,949</u>	<u>9,437,553</u>	<u>10,212,269</u>	<u>10,272,295</u>
Plan Fiduciary Net Position, End of year	<u>\$ 10,889,182</u>	<u>\$ 9,975,949</u>	<u>\$ 9,437,553</u>	<u>\$ 10,212,269</u>
City's Net Pension Liability - Ending	<u>\$ 13,691,811</u>	<u>\$ 14,417,115</u>	<u>\$ 14,870,527</u>	<u>\$ 13,603,308</u>
Plan Fiduciary Net Position as a Percent of Total Pension Liability	44.3%	40.9%	38.8%	42.9%
Covered Employee Payroll	\$ 862,154	\$ 918,970	\$ 903,385	\$ 894,050
City's Net Pension Liability as a Percent of Covered Employee Payroll	1588.1%	1568.8%	1646.1%	1521.5%

CITY OF CLAWSON
Required Supplemental Information
Schedule of Changes in the Net Pension Liability and Related Ratios
Fire Department Defined Benefit Plan
Last Fiscal Year (schedule is built prospectively upon implementation of GASB 68)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Pension Liability:				
Service Cost	\$ 97,314	\$ 96,847	\$ 96,847	\$ 60,620
Interest	290,044	278,140	466,697	431,009
Other Changes	-	-	(205,835)	-
Benefit payments, including refunds	<u>(217,189)</u>	<u>(235,629)</u>	<u>(222,103)</u>	<u>(184,899)</u>
Net Change in Total Pension Liability	170,169	139,358	135,606	306,730
Total Pension Liability, Beginning of year	<u>3,685,493</u>	<u>3,546,135</u>	<u>3,410,529</u>	<u>3,103,799</u>
Total Pension Liability, End of year	<u>\$ 3,855,662</u>	<u>\$ 3,685,493</u>	<u>\$ 3,546,135</u>	<u>\$ 3,410,529</u>
Plan Fiduciary Net Position:				
Contributions - Employer	\$ 77,550	\$ 73,000	\$ 15,000	\$ 12,612
Net Investment Income	304,735	413,814	(6,949)	71,847
Administrative Expenses	(39,140)	(56,311)	-	-
Benefit payments, including refunds	<u>(217,189)</u>	<u>(235,629)</u>	<u>(222,103)</u>	<u>(184,899)</u>
Net Change in Plan Fiduciary Net Position	125,956	194,874	(214,052)	(100,440)
Plan Fiduciary Net Position, Beginning of year	<u>3,548,204</u>	<u>3,353,330</u>	<u>3,567,382</u>	<u>3,667,822</u>
Plan Fiduciary Net Position, End of year	<u>\$ 3,674,160</u>	<u>\$ 3,548,204</u>	<u>\$ 3,353,330</u>	<u>\$ 3,567,382</u>
City's Net Pension Liability - Ending	<u>\$ 181,502</u>	<u>\$ 137,289</u>	<u>\$ 192,805</u>	<u>\$ (156,853)</u>
Plan Fiduciary Net Position as a Percent of Total Pension Liability	95.3%	96.3%	94.6%	104.6%
Covered Employee Payroll	N/A	N/A	N/A	N/A
City's Net Pension Liability as a Percent of Covered Employee Payroll	N/A	N/A	N/A	N/A

CITY OF CLAWSON
Required Supplemental Information
Schedule of City Pension Contributions-MERS
Last Ten Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contribution	\$ 1,579,716	\$ 1,493,316	\$ 1,288,242	\$ 1,213,709	\$ 1,133,436	\$ 1,109,388	\$ 1,018,356	\$ 1,013,448	\$ 815,148	\$ 795,988
Contributions in relation to the actuarially determined contribution	1,579,716	1,493,316	1,288,242	1,213,709	1,133,436	1,109,388	1,018,356	1,013,448	815,148	795,988
Contribution Deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll	\$ 862,154	\$ 903,385	\$ 903,385	\$ 894,050	\$ 964,678	\$ 1,087,486	\$ 1,392,751	\$ 1,595,797	\$ 1,541,458	\$ 1,750,947
Contributions as a Percentage of Covered Employee Payroll	183.2%	165.3%	142.6%	135.8%	117.5%	102.0%	73.1%	63.5%	52.9%	45.5%

Actuarial valuation information relative to the determination of contributions:
Actuarially determined contribution rates are calculated as of December 31 each year, which is 18 months prior to the beginning of the fiscal year in which the contributions are required.

Methods and assumptions used to determine contribution rates:
Actuarial Cost Method Entry age normal cost
Amortization Method Level percent
Remaining Amortization Period City of Clawson has elected option "B" - which allows "closed" plans to amortize the unfunded on an accelerated method - the expected amortization which commences in fiscal year 7/1/13, is 20 years
Asset Valuation Method 5-year smoothed market
Salary Increases 3.75%
Investment Rate of Return 7.75%
Cost of living adjustments None
Mortality Table 2014 Group Annuity

CITY OF CLAWSON
Required Supplemental Information
Schedule of City Pension Contributions-Fire Pension
Last Ten Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contribution	\$ 77,550	\$ 73,000	\$ 15,000	\$ 12,336	\$ -	\$ 55,884	\$ 187,849	\$ 175,560	\$ 258,115	\$ 266,118
Contributions in relation to the actuarially determined contribution	77,550	73,000	15,000	12,612	11,529	60,000	188,000	175,560	258,115	266,118
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ (276)	\$ (11,529)	\$ (4,116)	\$ (151)	\$ -	\$ -	\$ -
Covered Employee Payroll (due to nature of paid on call fire fighter status, covered payroll not deemed relevant)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a Percentage of Covered Employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Actuarial valuation information relative to the determination of contributions:

Valuation Date Actuarially determined contribution rates are calculated as of December 31 each year, which is 18 months prior to the beginning of the fiscal year in which the contributions are required.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Individual Entry Age
Amortization Method	Level Dollar
Amortization Period	10 years
Asset Valuation Method	Market value
Investment Rate of Return	7%
Projected Salary Increases	Not applicable
Post retirement benefit increases	None
Inflation	None
Mortality Table	1994 Group Annuity

CITY OF CLAWSON
Required Supplemental Information
Schedule of Changes in the Net OPEB Liability and Related Ratios
Last Ten Fiscal Years (schedule is built prospectively upon implementation of GASB 75)

	2018
Total OPEB Liability:	
Service Cost	\$ 171,832
Interest	799,154
Benefit payments, including refunds	(769,341)
Net Change in Total Pension Liability	201,645
Total OPEB Liability, Beginning of year	14,093,576
Total OPEB Liability, End of year	\$ 14,295,221
Plan Fiduciary Net Position:	
Contributions - Employer	\$ -
Net Investment Income	-
Benefit payments, including refunds	-
Net Change in Plan Fiduciary Net Position	-
Plan Fiduciary Net Position, Beginning of year	-
Plan Fiduciary Net Position, End of year	\$ -
City's Net OPEB Liability - Ending	\$ 14,295,221
Plan Fiduciary Net Position as a Percent of Total OPEB Liability	0.0%
Covered Employee Payroll	n/a
City's Net OPEB Liability as a Percent of Covered Employee Payroll	n/a

CITY OF CLAWSON
Required Supplemental Information
Schedule of City OPEB Contributions
Last Ten Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contribution	\$ 1,050,218	\$ 1,009,825	\$ 970,986	\$ 1,886,756	\$ 1,035,006	\$ 985,720	\$ 852,461	\$ 905,797	\$ 904,656	\$ 905,797
Contributions in relation to the actuarially determined contribution	814,173	522,725	391,810	411,132	435,221	479,311	509,609	695,267	687,283	728,037
Contribution Excess (Deficiency)	<u>\$ (236,045)</u>	<u>\$ (487,100)</u>	<u>\$ (579,176)</u>	<u>\$ (1,475,624)</u>	<u>\$ (599,785)</u>	<u>\$ (506,409)</u>	<u>\$ (342,852)</u>	<u>\$ (210,530)</u>	<u>\$ (217,373)</u>	<u>\$ (177,760)</u>
Covered Employee Payroll	n/a \$	n/a \$	n/a \$	n/a \$	n/a \$	n/a \$	n/a \$	n/a \$	n/a	n/a
Contributions as a Percentage of Covered Employee Payroll	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Actuarial valuation information relative to the determination of contributions:
Valuation Date Actuarially determined contribution rates are calculated as of July 1 each year.

Methods and assumptions used to determine contribution rates:
Actuarial Cost Method Entry-age normal
Inflation 2.50%
Investment Rate of Return n/a
Retirement Age Experience based tables of rates that are specific to the type of eligibility condition
Mortality RP-2014 Employee Mortality Tables

OTHER SUPPLEMENTARY INFORMATION

CITY OF CLAWSON
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2018

	Special Revenue	Debt Service Funds		2014 Capital Improvement Fund	Sidewalk Construction Fund	Total Nonmajor Governmental Funds
		Park Improv. G.O. Bonds Debt Fund	Library G.O. Bonds Debt Fund			
<u>ASSETS</u>						
Cash and Cash Equivalents	\$ 1,340,916	14,220	\$ 11,276	\$ -	\$ 1,242,110	\$ 2,608,522
Receivables (net of Allowance for Uncollectibles)	20,063	-	-	-	54,411	74,474
Due from State	87,359	-	-	-	-	87,359
Prepaid Expenditures	19,851	-	-	-	-	19,851
Total Assets	<u>\$ 1,468,189</u>	<u>\$ 14,220</u>	<u>\$ 11,276</u>	<u>\$ -</u>	<u>\$ 1,296,521</u>	<u>\$ 2,790,206</u>
<u>LIABILITIES AND FUND BALANCE</u>						
Liabilities:						
Accounts Payable	\$ 272,796	\$ -	\$ -	\$ -	\$ 303,496	\$ 576,292
Accrued and Other Liabilities	32,161	-	-	-	-	32,161
Advance from Other Funds	400,000	-	-	-	-	400,000
Total Liabilities	<u>704,957</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>303,496</u>	<u>1,008,453</u>
Fund Balance:						
Non Spendable:						
Prepaid Expenditures	19,851	-	-	-	-	19,851
Restricted:						
Special Revenue Funds	743,381	-	-	-	-	743,381
Debt Service	-	14,220	11,276	-	-	25,496
Capital Projects	-	-	-	-	993,025	993,025
Total Fund Balance	<u>763,232</u>	<u>14,220</u>	<u>11,276</u>	<u>-</u>	<u>993,025</u>	<u>1,781,753</u>
Total Liabilities and Fund Balance	<u>\$ 1,468,189</u>	<u>\$ 14,220</u>	<u>\$ 11,276</u>	<u>\$ -</u>	<u>\$ 1,296,521</u>	<u>\$ 2,790,206</u>

CITY OF CLAWSON
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2018

	Special Revenue	Debt Service Funds		2014 Capital Improvement Fund	Sidewalk Construction Fund	Total Nonmajor Governmental Funds
		Park Improv. G.O. Bonds Debt Fund	Library G.O. Bonds Debt Fund			
Revenues:						
Property Taxes	\$ 1,383,383	\$ 270,769	\$ 189,528	\$ -	\$ -	\$ 1,843,680
Intergovernmental-State	1,036,502	-	-	-	-	1,036,502
Intergovernmental-Federal	2,924	-	-	-	54,411	57,335
Interest	5,067	883	745	175	1,063	7,933
Other	166,929	-	-	-	-	166,929
Total Revenues	<u>2,594,805</u>	<u>271,652</u>	<u>190,273</u>	<u>175</u>	<u>55,474</u>	<u>3,112,379</u>
Expenditures:						
Highways, Streets, Sidewalks, and Other Maintenance	1,585,683	-	-	-	-	1,585,683
Sanitation	1,002,889	-	-	-	-	1,002,889
Recreation and Culture	462,673	-	-	-	-	462,673
Debt Service:						
Principal	-	140,000	170,000	-	-	310,000
Interest and Other Charges	-	134,494	22,030	-	-	156,524
Capital Outlay	-	-	-	7,693	351,786	359,479
Total Expenditures	<u>3,051,245</u>	<u>274,494</u>	<u>192,030</u>	<u>7,693</u>	<u>351,786</u>	<u>3,877,248</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(456,440)</u>	<u>(2,842)</u>	<u>(1,757)</u>	<u>(7,518)</u>	<u>(296,312)</u>	<u>(764,869)</u>
Other Financing Sources (Uses):						
Proceeds from Long Term Debt	775,556	-	-	-	1,289,337	2,064,893
Transfers In	75,000	-	-	-	-	75,000
Transfers Out	(75,000)	-	-	-	-	(75,000)
Total Other Financing Sources (Uses)	<u>775,556</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,289,337</u>	<u>2,064,893</u>
Net Change in Fund Balances	319,116	(2,842)	(1,757)	(7,518)	993,025	1,300,024
Fund Balance – July 1	<u>444,116</u>	<u>17,062</u>	<u>13,033</u>	<u>7,518</u>	<u>-</u>	<u>481,729</u>
Fund Balance – June 30	<u>\$ 763,232</u>	<u>\$ 14,220</u>	<u>\$ 11,276</u>	<u>\$ -</u>	<u>\$ 993,025</u>	<u>\$ 1,781,753</u>

CITY OF CLAWSON
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2018

	<u>Major Street</u>	<u>Local Street</u>	<u>Library</u>	<u>Refuse Collection</u>	<u>Total</u>
<u>ASSETS</u>					
Cash and Cash Equivalents	\$ 895,875	\$ 153,563	\$ 190,617	\$ 100,861	\$ 1,340,916
Receivables (net of Allowance for Uncollectibles)	19,646	-	-	417	20,063
Due from State	61,989	25,370	-	-	87,359
Prepaid Expenditures	<u>13,146</u>	<u>2,011</u>	<u>4,694</u>	<u>-</u>	<u>19,851</u>
Total Assets	<u>\$ 990,656</u>	<u>\$ 180,944</u>	<u>\$ 195,311</u>	<u>\$ 101,278</u>	<u>\$ 1,468,189</u>
<u>LIABILITIES AND FUND BALANCE</u>					
Liabilities:					
Accounts Payable	\$ 179,466	\$ 4,396	\$ 10,410	\$ 78,524	\$ 272,796
Accrued Liabilities	10,508	6,087	15,566	-	32,161
Advance from Other Funds	<u>400,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>400,000</u>
Total Liabilities	<u>589,974</u>	<u>10,483</u>	<u>25,976</u>	<u>78,524</u>	<u>704,957</u>
Fund Balance:					
Non Spendable:					
Prepaid Expenditures	13,146	2,011	4,694	-	19,851
Restricted:					
Special Revenue Funds	<u>387,536</u>	<u>168,450</u>	<u>164,641</u>	<u>22,754</u>	<u>743,381</u>
Total Fund Balance	<u>400,682</u>	<u>170,461</u>	<u>169,335</u>	<u>22,754</u>	<u>763,232</u>
Total Liabilities and Fund Balance	<u>\$ 990,656</u>	<u>\$ 180,944</u>	<u>\$ 195,311</u>	<u>\$ 101,278</u>	<u>\$ 1,468,189</u>

CITY OF CLAWSON
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2018

	<u>Major Street</u>	<u>Local Street</u>	<u>Library</u>	<u>Refuse Collection</u>	<u>Total</u>
<u>Revenues:</u>					
Taxes	\$ -	\$ -	\$ 428,064	\$ 955,319	\$ 1,383,383
Intergovernmental-State	697,863	285,662	20,992	31,985	1,036,502
Intergovernmental-Federal	-	-	2,924	-	2,924
Interest Income	1,213	601	1,476	1,777	5,067
Other	74,951	37,150	39,659	15,169	166,929
Total Revenues	<u>774,027</u>	<u>323,413</u>	<u>493,115</u>	<u>1,004,250</u>	<u>2,594,805</u>
<u>Expenditures:</u>					
Highways, Streets, Sidewalks and Other Maintenance	1,215,271	370,412	-	-	1,585,683
Sanitation	-	-	-	1,002,889	1,002,889
Recreation and Culture	-	-	462,673	-	462,673
Total Expenditures	<u>1,215,271</u>	<u>370,412</u>	<u>462,673</u>	<u>1,002,889</u>	<u>3,051,245</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(441,244)</u>	<u>(46,999)</u>	<u>30,442</u>	<u>1,361</u>	<u>(456,440)</u>
<u>Other Financing Sources (Uses):</u>					
Proceeds from Long Term Debt	775,556	-	-	-	775,556
Operating Transfers In	-	75,000	-	-	75,000
Operating Transfers Out	(75,000)	-	-	-	(75,000)
Total Other Financing Sources (Uses)	<u>700,556</u>	<u>75,000</u>	<u>-</u>	<u>-</u>	<u>775,556</u>
Net Change in Fund Balance	259,312	28,001	30,442	1,361	319,116
Fund Balance – July 1	<u>141,370</u>	<u>142,460</u>	<u>138,893</u>	<u>21,393</u>	<u>444,116</u>
Fund Balance – June 30	<u>\$ 400,682</u>	<u>\$ 170,461</u>	<u>\$ 169,335</u>	<u>\$ 22,754</u>	<u>\$ 763,232</u>

