

City of Clawson

Financial Statements

June 30, 2021



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City of Clawson
List of Elected and Appointed Officials
June 30, 2021

Council

Paula Millan – Mayor Pro Tem

Susan Moffitt

Kathy Phillips

Louis Samson

Other Officers and Officials

Reese Scripture – Mayor

August Gitschlag – Clerk

Stacey Hodges – Treasurer

Michael Smith – City Manager

Kelly Rau – Finance Director



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Independent Auditors' Report

Honorable Mayor and City Council
City of Clawson
Clawson, MI

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Clawson, as of and for the year ended June 30, 2021, 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.

Auditors' 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. 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 auditors' 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information, of the City of Clawson, as of June 30, 2021, 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.

Adoption of New Accounting Standards

As described in Note 1 to the financial statements, during the year ended June 30, 2021, the City adopted GASB Statement No. 84 *Fiduciary Activities*. Our opinions are not modified with respect to this matter.

Correction of Errors

As described in Note 15 to the financial statements, various prior period adjustments were required to restate beginning fund balance and net position. Our opinions are not modified with respect to this matter.

Deficit Fund Balance

The City has an accumulated unrestricted net position deficit in the Motor Pool Fund of \$290,674 as of June 30, 2021, which has resulted from operating deficits. The deficit and status of the City's Deficit Elimination Plan that is required by the Michigan Department of Treasury are disclosed in Note 2 to the financial statements. Our opinions are not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, municipal employees' retirement system schedules, fire department retirement system schedules and other post-employment benefit schedules, 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 Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Clawson's basic financial statements. The other supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information, as identified in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us. In our opinion, based on our audit, the procedures performed as described above, the other supplementary information, as identified in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Yeo & Yeo, P.C.

Auburn Hills, MI
February 22, 2022

City of Clawson
Management's Discussion and Analysis
June 30, 2021

As management of the **City of Clawson, Michigan**, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the accompanying basic financial statements.

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 \$11,405,960 -deficit in net position-while Business Type Activities had net position of \$10,898,115.
- As of the close of the current fiscal year, the City of Clawson's governmental funds reported combined ending fund balances of \$7,022,077, an increase of \$2,356,919 in comparison with the prior year. Approximately 57 percent of this amount, \$4,033,161 is available for spending at the government's discretion (unrestricted fund balance).
- The City of Clawson's total contractual and bonded debt decreased by \$2,304,328 during the current fiscal year, as a result of annual debt service payments.

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's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between the assets and deferred outflows compared to the liabilities and deferred inflows 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 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.

City of Clawson
Management's Discussion and Analysis
June 30, 2021

The government-wide financial statements can be found on beginning on page 4-1 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 governmentwide 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.

**City of Clawson
Management's Discussion and Analysis
June 30, 2021**

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 and other post-employment benefits to its employees. This information can be found beginning on page 5-6 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 beginning on page 6-1 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 \$(507,845) at the close of the most recent fiscal year.

By far the largest portion of the City of Clawson's net position \$20,296,820 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.

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current & other assets	\$ 8,352,981	\$ 5,826,162	\$ 9,744,794	\$ 3,104,448	\$ 18,097,775	\$ 8,930,610
Capital assets	28,577,919	30,177,989	6,449,875	13,142,757	35,027,794	43,320,746
Total assets	36,930,900	36,004,151	16,194,669	16,247,205	53,125,569	52,251,356
Deferred outflows of resources	300,836	869,620	-	-	300,836	869,620
Long-term liabilities	45,511,239	49,605,858	4,982,016	4,282,884	50,493,255	53,888,742
Other liabilities	932,091	1,122,510	314,538	330,863	1,246,629	1,453,373
Total liabilities	46,443,330	50,728,368	5,296,554	4,613,747	51,739,884	55,342,115
Deferred inflows of resources	2,194,366	912,133	-	-	2,194,366	912,133
Net position						
Net investment in capital assets	11,069,358	11,019,821	9,227,462	8,905,568	20,296,820	19,925,389
Restricted	1,537,082	1,994,015	-	522,825	1,537,082	2,516,840
Unrestricted (deficit)	(24,012,400)	(27,780,566)	1,670,653	2,205,065	(22,341,747)	(25,575,501)
Total net position	\$(11,405,960)	\$(14,766,730)	\$ 10,898,115	\$ 11,633,458	\$ (507,845)	\$ (3,133,272)

Prior year balances were not restated in the above presentation.

During the current fiscal year, net position decreased by \$2,625,427, as compared to an increase in net position of \$3,181,097 in the prior year.

City of Clawson
Management's Discussion and Analysis
June 30, 2021

Governmental Activities

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Program revenues:						
Charges for services	\$ 1,249,189	\$ 1,090,141	\$ 5,164,852	\$ 4,855,359	\$ 6,414,041	\$ 5,945,500
Operating grants and contributions	2,105,760	1,204,075	15,416	-	2,121,176	1,204,075
Capital grants and contributions	5,038	-	1,525	-	6,563	-
General revenues:						
Property taxes	8,866,382	8,679,903	657,423	645,053	9,523,805	9,324,956
State shared revenue	1,314,666	1,337,438	-	-	1,314,666	1,337,438
Investment earnings	-	101,577	12,541	16,023	12,541	117,600
Miscellaneous	73,201	-	21,491	-	94,692	-
Total revenues	13,614,236	12,413,134	5,873,248	5,516,435	19,487,484	17,929,569
Expenses						
General government	1,492,677	2,103,169	-	-	1,492,677	2,103,169
Public safety	3,597,146	2,274,380	-	-	3,597,146	2,274,380
Public works	4,082,883	3,483,411	-	-	4,082,883	3,483,411
Health and welfare	62,258	120,862	-	-	62,258	120,862
Community and economic development	145,071	-	-	-	145,071	-
Recreation and cultural	989,025	1,079,905	-	-	989,025	1,079,905
Interest on long-term debt:	1,213,539	1,188,110	-	-	1,213,539	1,188,110
Water and sewer	-	-	4,670,800	4,508,364	4,670,800	4,508,364
Senior housing	-	-	57,852	60,271	57,852	60,271
Total expenses	11,582,599	10,249,837	4,728,652	4,568,635	16,311,251	14,818,472
Change in net position before transfers	2,031,637	2,163,297	1,144,596	947,800	3,176,233	3,111,097
Transfers	345,300	384,780	(345,300)	(314,780)	-	70,000
Change in net position	2,376,937	2,548,077	799,296	633,020	3,176,233	3,181,097
Prior period adjustment	983,833	-	(1,534,639)	-	(550,806)	-
Net position - beginning	(14,766,730)	(17,314,807)	11,633,458	11,000,438	(3,133,272)	(6,314,369)
Total net position	\$(11,405,960)	\$(14,766,730)	\$ 10,898,115	\$ 11,633,458	\$ (507,845)	\$ (3,133,272)

Prior year balances were not restated in the above presentation.

Business-type Activities

Business-type activities decreased the City of Clawson's net position by \$735,343, as compared to a \$633,020 increase in the prior year.

Financial Analysis of Governments 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 \$7,022,077, an increase of \$2,356,919 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, unassigned fund balance of the general fund was \$4,033,161, while total fund balance is \$4,079,903. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 58 percent of total general fund expenditures, while total fund balance represents 58.8 percent of that same amount.

The fund balance of the City of Clawson's general fund increased by \$1,188,523 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 \$1,510,050 and \$160,603 for the Senior Housing Fund. The Water and Sewer Fund decreased net position by \$751,749 and the Senior Housing Fund had an increase in net position of \$16,406. 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 2021, the General Fund original budgeted revenues and expenditures remained unchanged in the final amended budgets. Only minor departmental adjustments were made during the fiscal year. Total expenditures in the General Fund came in under the total budgeted amount by \$590,601.

City of Clawson
Management's Discussion and Analysis
June 30, 2021

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, 2021, amounts to \$35,027,794 in tangible assets, and \$6,270,674 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 a new equipment on police vehicles and the ongoing sidewalk construction project.

Long-term debt. At the end of the current fiscal year, the City of Clawson had total bonded and contractual debt outstanding of \$34,245,810. During fiscal year 2021, the City paid down \$3,197,412 of debt principal. The City borrowed an additional \$835,000 in April 2021 based upon this bond approval in order to provide additional improvements to sidewalks within the City.

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 8, beginning on page 4-30 of this report.

State statutes (Article 7, Section II, Michigan Constitution of 1963) limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total state equalized valuation. The current debt limitation for the City is \$54,530,043 which is significantly higher than the City's outstanding general obligation debt.

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 which began in the fiscal 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 seven years.

We plan to continue in the 2021-2022 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.

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

**City of Clawson
Management's Discussion and Analysis
June 30, 2021**

the City Manager, City of Clawson, 425 N. Main Street, Clawson,
Michigan 48017-1555.

City of Clawson
Statement of Net Position
June 30, 2021

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 2,798,750	\$ 1,029,197	\$ 3,827,947	\$ 62,627
Investments	4,584,321	902,444	5,486,765	-
Receivables				
Customers	55,310	1,148,681	1,203,991	-
Special assessments	4,014	68,254	72,268	-
Accrued interest and other	-	5,145	5,145	-
Due from other units of government	440,424	-	440,424	-
Internal balances	(308,727)	308,727	-	-
Due from primary government	-	-	-	515
Inventories	11,244	-	11,244	-
Prepaid items	53,327	11,672	64,999	-
Intangible assets, net of accumulated amortization	-	6,270,674	6,270,674	-
Net pension asset - fire department	714,318	-	714,318	-
Capital assets not being depreciated	724,103	54,028	778,131	-
Capital assets, net of accumulated depreciation	27,853,816	6,395,847	34,249,663	-
Total assets	<u>36,930,900</u>	<u>16,194,669</u>	<u>53,125,569</u>	<u>63,142</u>
Deferred Outflows of Resources				
Deferred amount relating to net pension liability - MERS	41,550	-	41,550	-
Deferred amount relating to net pension asset - fire department	259,286	-	259,286	-
Total deferred outflows of resources	<u>300,836</u>	<u>-</u>	<u>300,836</u>	<u>-</u>

See Accompanying Notes to the Financial Statements

City of Clawson
Statement of Net Position
June 30, 2021

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Liabilities				
Accounts payable	\$ 217,796	\$ 279,672	\$ 497,468	\$ 1,067
Accrued and other liabilities	303,563	34,866	338,429	-
Due to component unit	515	-	515	-
Deposits	341,800	-	341,800	-
Unearned revenue	68,417	-	68,417	12,311
Noncurrent liabilities				
Compensated absences due within one year	200,000	25,000	225,000	-
Compensated absences due in more than one year	312,521	1,308	313,829	-
Debt due within one year	2,746,125	608,633	3,354,758	-
Debt due in more than one year	28,502,543	2,884,454	31,386,997	-
Net pension liability - MERS	1,143,852	-	1,143,852	-
Total OPEB liability	12,606,198	1,462,621	14,068,819	-
Total liabilities	<u>46,443,330</u>	<u>5,296,554</u>	<u>51,739,884</u>	<u>13,378</u>
Deferred Inflows of Resources				
Deferred amount relating to net pension liability - MERS	766,786	-	766,786	-
Deferred amount relating to net pension asset - fire department	1,427,580	-	1,427,580	-
Total deferred inflows of resources	<u>2,194,366</u>	<u>-</u>	<u>2,194,366</u>	<u>-</u>
Net Position				
Net investment in capital assets	11,069,358	9,227,462	20,296,820	-
Restricted for				
Streets	1,140,331	-	1,140,331	-
Library	387,809	-	387,809	-
Refuse collection	8,942	-	8,942	-
Unrestricted (deficit)	<u>(24,012,400)</u>	<u>1,670,653</u>	<u>(22,341,747)</u>	<u>49,764</u>
Total net position	<u>\$ (11,405,960)</u>	<u>\$ 10,898,115</u>	<u>\$ (507,845)</u>	<u>\$ 49,764</u>

See Accompanying Notes to the Financial Statements

City of Clawson
Statement of Activities
For the Year Ended June 30, 2021

	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Functions/Programs								
Primary government								
Governmental activities								
General government	\$ 1,492,677	\$ 655,461	\$ 311,579	\$ -	\$ (525,637)	\$ -	\$ (525,637)	\$ -
Public safety	3,597,146	536,976	431,213	5,038	(2,623,919)	-	(2,623,919)	-
Public works	4,082,883	15,144	1,231,444	-	(2,836,295)	-	(2,836,295)	-
Health and welfare	62,258	-	26,729	-	(35,529)	-	(35,529)	-
Community and economic development	145,071	-	69,071	-	(76,000)	-	(76,000)	-
Recreation and culture	989,025	41,608	35,724	-	(911,693)	-	(911,693)	-
Interest and fiscal charges on long-term debt	1,213,539	-	-	-	(1,213,539)	-	(1,213,539)	-
Total governmental activities	<u>11,582,599</u>	<u>1,249,189</u>	<u>2,105,760</u>	<u>5,038</u>	<u>(8,222,612)</u>	<u>-</u>	<u>(8,222,612)</u>	<u>-</u>
Business-type activities								
Water and Sewer	4,670,800	5,080,594	15,416	1,525	-	426,735	426,735	-
Senior Citizen Housing	57,852	84,258	-	-	-	26,406	26,406	-
Total business-type activities	<u>4,728,652</u>	<u>5,164,852</u>	<u>15,416</u>	<u>1,525</u>	<u>-</u>	<u>453,141</u>	<u>453,141</u>	<u>-</u>
Total primary government	<u>\$ 16,311,251</u>	<u>\$ 6,414,041</u>	<u>\$ 2,121,176</u>	<u>\$ 6,563</u>	<u>(8,222,612)</u>	<u>453,141</u>	<u>(7,769,471)</u>	<u>-</u>
Component unit								
Downtown Development Authority	<u>\$ 174,878</u>	<u>\$ -</u>	<u>\$ 5,000</u>	<u>\$ -</u>				<u>(169,878)</u>
General revenues								
Property taxes					8,866,382	657,423	9,523,805	172,580
Unrestricted state-shared revenue					1,314,666	-	1,314,666	-
Unrestricted investment earnings					-	12,541	12,541	40
Miscellaneous					73,201	21,491	94,692	22,769
Transfers					<u>345,300</u>	<u>(345,300)</u>	<u>-</u>	<u>-</u>
Total general revenues and transfers					<u>10,599,549</u>	<u>346,155</u>	<u>10,945,704</u>	<u>195,389</u>
Change in net position					<u>2,376,937</u>	<u>799,296</u>	<u>3,176,233</u>	<u>25,511</u>
Net position - beginning of year					(14,766,730)	11,633,458	(3,133,272)	24,253
Prior period adjustment					983,833	(1,534,639)	(550,806)	-
Net position - beginning of year, as restated					<u>(13,782,897)</u>	<u>10,098,819</u>	<u>(3,684,078)</u>	<u>24,253</u>
Net position - end of year					<u>\$ (11,405,960)</u>	<u>\$ 10,898,115</u>	<u>\$ (507,845)</u>	<u>\$ 49,764</u>

See Accompanying Notes to the Financial Statements

**City of Clawson
Governmental Funds
Balance Sheet
June 30, 2021**

	<u>General</u>	<u>Special Revenue Fund Major Street Fund</u>	<u>Debt Service Fund G.O. Bond Debt Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Cash and cash equivalents	\$ 592,562	\$ 395,269	\$ 139,929	\$ 1,670,990	\$ 2,798,750
Investments	3,681,877	902,444	-	-	4,584,321
Receivables					
Customers	53,734	-	-	1,576	55,310
Special assessments	3,938	-	-	76	4,014
Due from other units of government	242,742	140,295	-	57,387	440,424
Due from other funds	85,106	-	-	-	85,106
Inventories	-	11,244	-	-	11,244
Prepaid items	46,742	2,334	-	3,399	52,475
 Total assets	 <u>\$ 4,706,701</u>	 <u>\$ 1,451,586</u>	 <u>\$ 139,929</u>	 <u>\$ 1,733,428</u>	 <u>\$ 8,031,644</u>

See Accompanying Notes to the Financial Statements

**City of Clawson
Governmental Funds
Balance Sheet
June 30, 2021**

	General	Special Revenue Fund Major Street Fund	Debt Service Fund G.O. Bond Debt Fund	Nonmajor Governmental Funds	Total Governmental Funds
Liabilities					
Accounts payable	\$ 139,270	\$ 11,731	\$ -	\$ 57,119	\$ 208,120
Accrued and other liabilities	76,796	1,067	-	4,125	81,988
Due to component unit	515	-	-	-	515
Advance from other funds	-	308,727	-	-	308,727
Deposits	341,800	-	-	-	341,800
Unearned revenue	68,417	-	-	-	68,417
Total liabilities	626,798	321,525	-	61,244	1,009,567
Fund Balances					
Non-spendable					
Inventories	-	11,244	-	-	11,244
Prepaid items	46,742	2,334	-	3,399	52,475
Restricted for					
Streets	-	1,116,483	-	292,888	1,409,371
Library	-	-	-	387,096	387,096
Refuse collection	-	-	-	8,942	8,942
Debt service	-	-	139,929	48,182	188,111
Capital projects	-	-	-	931,677	931,677
Unassigned	4,033,161	-	-	-	4,033,161
Total fund balances	4,079,903	1,130,061	139,929	1,672,184	7,022,077
Total liabilities and fund balances	\$ 4,706,701	\$ 1,451,586	\$ 139,929	\$ 1,733,428	\$ 8,031,644

See Accompanying Notes to the Financial Statements

City of Clawson
Governmental Funds
Reconciliation of Fund Balances of Governmental Funds
to Net Position of Governmental Activities
June 30, 2021

Total fund balances for governmental funds	\$ 7,022,077
Total net position for governmental activities in the statement of net position is different because:	
Capital assets net of accumulated depreciation used in governmental activities are not financial resources and therefore are not reported in the funds.	27,050,110
Capital assets not being depreciated used in governmental activities are not financial resources and therefore are not reported in the funds.	724,103
Net pension asset for the fire department is not a financial resource and therefore is not recorded in the funds.	714,318
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(217,201)
Compensated absences	(494,418)
Claims and judgments	(68,430)
Deferred outflows (inflows) of resources.	
Deferred inflows of resources resulting from net pension liability - MERS	(766,786)
Deferred inflows of resources resulting from net pension asset - fire department	(1,427,580)
Deferred outflows of resources resulting from net pension liability - MERS	41,550
Deferred outflows of resources resulting from net pension asset - fire department	259,286
Long-term liabilities applicable to governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities.	
Long-term debt, net of premiums and discounts	(30,895,602)
Net pension liability - MERS	(1,143,852)
Total OPEB liability	(12,431,931)
Internal service funds are included as part of governmental activities.	<u>228,396</u>
Net position of governmental activities	<u>\$ (11,405,960)</u>

See Accompanying Notes to the Financial Statements

City of Clawson
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2021

	General	Special Revenue Fund Major Street Fund	Debt Service Fund G.O. Bond Debt Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 5,465,730	\$ -	\$ 1,411,961	\$ 1,947,582	\$ 8,825,273
Licenses and permits	736,744	-	-	-	736,744
Federal grants	401,028	-	-	54,274	455,302
State-shared revenue	1,314,666	856,818	-	350,474	2,521,958
Other state grants	176,260	-	32,692	118,432	327,384
Local contributions	160,128	28,229	-	9,853	198,210
Charges for services	279,505	-	-	15,829	295,334
Fines and forfeitures	150,448	-	-	1,296	151,744
Interest income	-	2,461	190	63	2,714
Rental income	29,086	-	-	-	29,086
Other revenue	62,147	-	-	8,340	70,487
Total revenues	8,775,742	887,508	1,444,843	2,506,143	13,614,236

See Accompanying Notes to the Financial Statements

City of Clawson
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2021

	General	Special Revenue Fund Major Street Fund	Debt Service Fund G.O. Bond Debt Fund	Nonmajor Governmental Funds	Total Governmental Funds
Expenditures					
Current					
General government	\$ 1,121,972	\$ -	\$ -	\$ -	\$ 1,121,972
Public safety	2,698,618	-	-	-	2,698,618
Public works	854,729	435,534	-	1,502,584	2,792,847
Health and welfare	57,389	-	-	-	57,389
Community and economic development	133,725	-	-	-	133,725
Recreation and culture	316,395	-	-	395,038	711,433
Other functions	1,173,447	-	-	-	1,173,447
Capital outlay	87,190	-	-	260,124	347,314
Debt service					
Principal retirement	384,324	70,000	960,000	930,000	2,344,324
Interest and fiscal charges	108,090	20,683	459,675	649,321	1,237,769
Bond issuance costs	-	-	-	25,152	25,152
Total expenditures	6,935,879	526,217	1,419,675	3,762,219	12,643,990
Excess (deficiency) of revenues over expenditures	1,839,863	361,291	25,168	(1,256,076)	970,246
Other financing sources (uses)					
Transfers in	10,000	-	12,599	1,259,650	1,282,249
Transfers out	(725,150)	(110,000)	-	(68,299)	(903,449)
Issuance of debt	-	-	-	835,000	835,000
Total other financing sources and uses	(715,150)	(110,000)	12,599	2,026,351	1,213,800
Net change in fund balance	1,124,713	251,291	37,767	770,275	2,184,046
Fund balance - beginning of year	2,891,380	815,495	102,162	856,121	4,665,158
Prior period adjustment	63,810	63,275	-	45,788	172,873
Fund balance - beginning of year (restated)	2,955,190	878,770	102,162	901,909	4,838,031
Fund balance - end of year	\$ 4,079,903	\$ 1,130,061	\$ 139,929	\$ 1,672,184	\$ 7,022,077

See Accompanying Notes to the Financial Statements

City of Clawson
Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2021

Net change in fund balances - total governmental funds	\$ 2,184,046
Total change in net position reported for governmental activities in the statement of activities is different because:	
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.	
Depreciation expense	(1,540,245)
Capital outlay	352,466
Expenses are recorded when incurred in the statement of activities.	
Accrued interest	13,739
Compensated absences	(76,178)
Claims and judgments	(28,110)
The statement of net position reports the net pension liability or asset and deferred outflows of resources and deferred inflows related to the net pension liability and pension expense. However, the amount recorded on the governmental funds equals actual pension contributions.	
Net change in net pension liability - MERS	123,147
Net change in the deferred inflow of resources related to the net pension liability - MERS	(766,786)
Net change in the deferred outflow of resources related to the net pension liability - MERS	(166,439)
Net change in net pension asset - fire department	1,485,795
Net change in the deferred inflow of resources related to the net pension liability - fire department	(1,181,797)
Net change in the deferred outflow of resources related to the net pension liability - fire department	(87,042)
The statement of net position reports the total OPEB liability and deferred outflows of resources and deferred inflows related to the total OPEB liability and pension expense. However, the amount recorded on the governmental funds equals actual OPEB contributions.	
Net change in total OPEB liability	611,949
Bond proceeds are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.	
Debt issued	(835,000)
Repayments of long-term debt	2,344,324
Amortization of premiums, discounts and similar items	47,502
Internal service funds are also included as governmental activities	(104,434)
Change in net position of governmental activities	<u>\$ 2,376,937</u>

See Accompanying Notes to the Financial Statements

City of Clawson
Proprietary Funds
Statement of Net Position
June 30, 2021

	Enterprise Funds			Internal Service Fund
	Water and Sewer Fund	Nonmajor Senior Citizens Housing	Total	
Assets				
Current assets				
Cash and cash equivalents	\$ 869,054	\$ 160,143	\$ 1,029,197	\$ -
Investments	902,444	-	902,444	-
Receivables				
Customers	1,147,271	1,410	1,148,681	-
Special assessments, current	68,254	-	68,254	-
Accrued interest and other	5,145	-	5,145	-
Prepaid items	11,672	-	11,672	852
Total current assets	<u>3,003,840</u>	<u>161,553</u>	<u>3,165,393</u>	<u>852</u>
Noncurrent assets				
Advances to other funds	308,727	-	308,727	-
Intangible assets, net of accumulated amortization	6,270,674	-	6,270,674	-
Capital assets, net of accumulated depreciation	6,226,815	169,032	6,395,847	803,706
Capital assets not being depreciated	-	54,028	54,028	-
Total noncurrent assets	<u>12,806,216</u>	<u>223,060</u>	<u>13,029,276</u>	<u>803,706</u>
Total assets	<u>15,810,056</u>	<u>384,613</u>	<u>16,194,669</u>	<u>804,558</u>

See Accompanying Notes to the Financial Statements

City of Clawson
Proprietary Funds
Statement of Net Position
June 30, 2021

	Enterprise Funds			
	Water and Sewer Fund	Nonmajor Senior Citizens Housing	Total	Internal Service Fund
Liabilities				
Current liabilities				
Accounts payable	\$ 279,672	\$ -	\$ 279,672	\$ 9,676
Accrued and other liabilities	33,166	-	33,166	4,374
Due to other funds	-	-	-	85,106
Current portion of noncurrent liabilities	633,633	-	633,633	112,044
Total current liabilities	946,471	-	946,471	211,200
Noncurrent liabilities				
Customer deposits payable	750	950	1,700	-
Compensated absences	1,308	-	1,308	18,103
Total OPEB liability	1,462,621	-	1,462,621	174,267
Long-term debt net of current portion	2,884,454	-	2,884,454	172,592
Total noncurrent liabilities	4,349,133	950	4,350,083	364,962
Total liabilities	5,295,604	950	5,296,554	576,162
Net Position				
Net investment in capital assets	9,004,402	223,060	9,227,462	519,070
Unrestricted (deficit)	1,510,050	160,603	1,670,653	(290,674)
Total net position	\$ 10,514,452	\$ 383,663	\$ 10,898,115	\$ 228,396

See Accompanying Notes to the Financial Statements

City of Clawson
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended June 30, 2021

	Enterprise Funds			
	Water and Sewer Fund	Nonmajor Senior Citizens Housing	Total	Internal Service Fund
Operating revenue				
Customer fees	\$ 5,078,594	\$ 958	\$ 5,079,552	\$ -
Billings to other funds	-	-	-	331,998
Rental income	2,000	83,300	85,300	-
Other revenue	21,491	-	21,491	-
	<u>5,102,085</u>	<u>84,258</u>	<u>5,186,343</u>	<u>331,998</u>
Operating expenses				
Water department	1,116,309	-	1,116,309	-
Sewer department	2,841,993	-	2,841,993	-
Senior citizens housing	-	42,712	42,712	-
Motor pool	-	-	-	270,847
Other expenses	187,500	-	187,500	-
Depreciation and amortization	423,690	15,140	438,830	120,226
	<u>4,569,492</u>	<u>57,852</u>	<u>4,627,344</u>	<u>391,073</u>
Operating income (loss)	<u>532,593</u>	<u>26,406</u>	<u>558,999</u>	<u>(59,075)</u>

See Accompanying Notes to the Financial Statements

City of Clawson
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended June 30, 2021

	Enterprise Funds			
	Water and Sewer Fund	Nonmajor Senior Citizens Housing	Total	Internal Service Fund
Nonoperating revenue (expenses)				
Property taxes	\$ 657,423	\$ -	\$ 657,423	\$ -
State grant	15,416	-	15,416	-
Interest income	12,541	-	12,541	-
Interest expense	(101,308)	-	(101,308)	(11,859)
 Total nonoperating revenues (expenses)	 <u>584,072</u>	 <u>-</u>	 <u>584,072</u>	 <u>(11,859)</u>
 Income (loss) before contributions and transfers out	 1,116,665	 26,406	 1,143,071	 (70,934)
Capital contributions	1,525	-	1,525	-
Transfers out	(335,300)	(10,000)	(345,300)	(33,500)
 Change in net position	 <u>782,890</u>	 <u>16,406</u>	 <u>799,296</u>	 <u>(104,434)</u>
Net position - beginning of year	11,266,201	367,257	11,633,458	515,615
Prior period adjustment	(1,534,639)	-	(1,534,639)	(182,785)
Net position - beginning of year (restated)	<u>9,731,562</u>	<u>367,257</u>	<u>10,098,819</u>	<u>332,830</u>
Net position - end of year	<u>\$ 10,514,452</u>	<u>\$ 383,663</u>	<u>\$ 10,898,115</u>	<u>\$ 228,396</u>

See Accompanying Notes to the Financial Statements

City of Clawson
Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2021

	Enterprise Funds			
	Water and Sewer Fund	Nonmajor Senior Citizens Housing	Total	Internal Service Fund
Cash flows from operating activities				
Receipts from customers	\$ 5,034,294	\$ 87,038	\$ 5,121,332	\$ -
Receipts from interfund users	-	-	-	481,998
Receipts from other funds	-	-	-	85,106
Payments to other funds	(150,000)	-	(150,000)	-
Payments to suppliers	(3,973,266)	(43,481)	(4,016,747)	(278,678)
Payments to employees	(447,349)	-	(447,349)	-
Net cash provided (used) by operating activities	<u>463,679</u>	<u>43,557</u>	<u>507,236</u>	<u>288,426</u>
Cash flows from noncapital financing activities				
Transfers to other funds	(30,525)	(10,000)	(40,525)	(33,500)
Advances from other funds	31,029	-	31,029	-
Property taxes	589,169	-	589,169	-
State grant	15,416	-	15,416	-
Net cash provided (used) by noncapital financing activities	<u>605,089</u>	<u>(10,000)</u>	<u>595,089</u>	<u>(33,500)</u>
Cash flows from capital and related financing activities				
Capital contributions	1,525	-	1,525	-
Purchases/construction of capital assets	(16,622)	-	(16,622)	(39,370)
Principal and interest paid on long-term debt	(845,410)	-	(845,410)	(120,847)
Net cash provided (used) by capital and related financing activities	<u>(860,507)</u>	<u>-</u>	<u>(860,507)</u>	<u>(160,217)</u>

See Accompanying Notes to the Financial Statements

City of Clawson
Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2021

	Enterprise Funds			
	Water and Sewer Fund	Nonmajor Senior Citizens Housing	Total	Internal Service Fund
Cash flows from investing activities				
Purchases of investments	\$ (902,444)	\$ -	\$ (902,444)	\$ -
Interest received	13,064	-	13,064	-
Net cash provided (used) by investing activities	(889,380)	-	(889,380)	-
Net increase (decrease) in cash and cash equivalents	(681,119)	33,557	(647,562)	94,709
Cash and cash equivalents - beginning of year	1,550,173	126,586	1,676,759	(94,709)
Cash and cash equivalents - end of year	<u>\$ 869,054</u>	<u>\$ 160,143</u>	<u>\$ 1,029,197</u>	<u>\$ -</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ 532,593	\$ 26,406	\$ 558,999	\$ (59,075)
Adjustments to reconcile operating income (loss) to net cash from operating activities				
Depreciation and amortization expense	423,690	15,140	438,830	120,226
Changes in assets and liabilities				
Receivables (net)	(67,791)	1,380	(66,411)	-
Due from other funds	-	-	-	150,000
Prepaid items	(11,672)	(769)	(12,441)	(852)
Accounts payable	(315)	-	(315)	3,313
Accrued and other liabilities	(16,639)	-	(16,639)	(19,877)
Due to other funds	(150,000)	-	(150,000)	85,106
Due to other units of government	(154,782)	-	(154,782)	-
Customer deposits payable	-	1,400	1,400	-
Total OPEB liability	(72,018)	-	(72,018)	(8,518)
Compensated absences	(19,387)	-	(19,387)	18,103
Net cash provided (used) by operating activities	<u>\$ 463,679</u>	<u>\$ 43,557</u>	<u>\$ 507,236</u>	<u>\$ 288,426</u>

See Accompanying Notes to the Financial Statements

City of Clawson
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2021

	<u>Pension Trust Fund</u>	<u>Custodial Fund</u>
Assets		
Cash and cash equivalents	\$ -	\$ 4,314
Investments		
Mutual funds	<u>4,657,183</u>	<u>-</u>
Total assets	<u>4,657,183</u>	<u>4,314</u>
Liabilities		
Accrued and other liabilities	<u>-</u>	<u>4,314</u>
Net Position		
Restricted for		
Pensions	<u>\$ 4,657,183</u>	<u>\$ -</u>

City of Clawson
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2021

	Pension Trust Fund	Custodial Fund
Additions		
Contributions		
Employer	\$ 135,672	\$ -
Investment earnings		
Interest, dividends and other	1,079,159	-
Other		
Property tax collections for other governments	-	12,209,876
Total additions	<u>1,214,831</u>	<u>12,209,876</u>
Deductions		
Benefits paid to participants or beneficiaries	217,538	-
Administrative expense	46,812	-
Payments of property tax to other governments	-	12,209,876
Total deductions	<u>264,350</u>	<u>12,209,876</u>
Change in net position	950,481	-
Net position - beginning of year	<u>3,706,702</u>	<u>-</u>
Net position - end of year	<u>\$ 4,657,183</u>	<u>\$ -</u>

See Accompanying Notes to the Financial Statements

City of Clawson
Notes to the Financial Statements
June 30, 2021

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

The City of Clawson 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. The accompanying financial statements present the government and its component unit, entities for which the government is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the government's operations. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the government (see discussion below for description).

Discretely Presented Component Unit – The component unit column in the government-wide financial statements include the financial data of the City's Downtown Development Authority (DDA). This unit is reported in a separate column to emphasize that it is legally separate from the City. The members of the DDA Board are appointed by the City Council. The budgets and expenditures of the DDA must be approved by the City Council. The City also has the ability to significantly influence operations of the DDA. The annual operating budget and any modifications require approval of the City Council. The DDA does not issue any other form of financial statements except as contained in the June 30, 2021 annual financial statements.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. *Government 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 segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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.

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* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures

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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, sales taxes, franchise taxes, 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 government.

The government 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.

The Major Street Fund accounts for the maintenance and improvement activities for streets designated as "major" within the City. Funding is primarily through state-shared gas and weight taxes.

The Unlimited Tax General Obligation Debt Service Fund (G.O. Bond Debt Fund) – used to account for taxes levied to pay street debt.

The government reports the following major proprietary funds:

The Water and Sewer Fund accounts for the activities of the water distribution and sewage collection systems.

Additionally, the government reports the following:

The Nonmajor Special Revenue Funds account for the proceeds of specific revenue sources requiring separate accounting because of legal or regulatory provisions or administrative requirements.

The Debt Service Funds account for the accumulation of resources for, and payment of governmental activities principal, interest and related costs.

The Nonmajor Enterprise Fund account for the rental payments of the Senior Citizens Housing Fund.

Internal Service Fund accounts for major machinery and equipment purchases and maintenance provided to other departments of the government on a cost reimbursement basis.

Pension Trust Fund accounts for the accumulation of resources to be used for retirement payments to eligible employees.

Custodial Funds account for property tax and other deposits collected on behalf of other units and individuals.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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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.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer Fund, Senior Citizens Housing Fund, and the internal service fund are charges to customers for sales and services. The government also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the Water and Sewer Fund, Senior Citizen Housing Fund, and the internal service fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Assets, Liabilities, and Net Position or Fund Balances

Deposits and investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value based on quoted market price or net asset value. Certificate of deposits are stated at cost which approximates fair value.

Receivables and payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of a lending/borrowing arrangement outstanding at the end of the fiscal year is referred to as “advances to/from other funds.” Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. The City considers all accounts receivable to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

The 2020 taxable valuation of the City totaled \$391,530,630, on which ad valorem taxes consisted of the following, exclusive of any Michigan Tax Tribunal or Board of Review adjustments:

	Millage		Amount of Levy
Operating	13.3407	\$	5,222,703
Refuse	2.6677		1,044,466
Library	1.1770		460,827
Voted Debt	4.8450		1,896,915
Drain/Sewer	1.7028		666,698

Inventories and prepaid items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when purchased rather than when consumed, although significant amounts of inventory are capitalized at year end.

Certain payments to vendors reflect costs applicable to future fiscal years. For such payments in governmental funds the City follows the consumption method, and they therefore are capitalized as prepaid items in both government-wide and fund financial statements.

Capital assets – Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in

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excess of two years. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed.

The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations, the City values these capital assets at the estimated acquisition value of the item at the date of its donation.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	31 years
Infrastructure	30 to 50 years
Equipment	5 to 20 years
Vehicles	5 to 7 years

Deferred outflows of resources – A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period. The City may report deferred outflows of resources as a result of pension earnings. This amount is the result of a difference between what the plan expected to earn from plan investments and what is actually earned. This amount will be amortized over the next four years and included in pension expense. Changes in assumptions and experience differences relating to the net pension and OPEB liability or asset are deferred and amortized over the expected remaining services lives of the employees and retirees in the plan. The City also reported deferred outflows of resources for pension contributions made after the measurement date. This amount will reduce net pension liability in the following year.

Compensated absences – It is the City’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. The City accumulates sick pay at 50-55% of unused sick days based on union contracts and policy. All vacation and sick pay is accrued when incurred in the government-wide and proprietary fund financial statements. A

liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

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 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.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Pensions – For purposes of measuring the net pension liability or asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position the retirement systems and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported to systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Postemployment Benefits (OPEB) – For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information has been determined on the same basis as they are reported by the

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system. For this purpose, the system recognizes benefit payments when due and payable in accordance with the benefit terms.

Deferred inflows of resources – A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period. For governmental funds this includes unavailable revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period. The City may report deferred inflows of resources as a result of pension earnings. This amount is the result of a difference between what the plan expected to earn from the plan investments and what the plan actually earned. This amount will be amortized over the next four years and included in pension expense. Changes in assumptions and experience differences relating to the net pension and OPEB liability or asset are deferred and amortized over the expected remaining services lives of the employees and retirees in the plan.

Fund Balances – In the fund financial statements, governmental funds report fund balance in the following categories:

Non-spendable – assets that are not available in a spendable form.

Restricted – amounts that are legally imposed or otherwise required by external parties to be used for a specific purpose.

Committed – amounts constrained on use imposed by the government's highest level of decision-making, its City Council. A fund balance commitment may be established, modified, or rescinded by a resolution of the City Council.

Assigned – amounts intended to be used for specific purposes, as determined by City Administration and are generally reviewed and approved by City Council. Residual amounts in governmental funds other than the general fund are automatically assigned by their nature.

Unassigned – all other resources; the remaining fund balances after non-spendable, restrictions, commitments and assignments.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the government's policy is to consider restricted funds spent first.

When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts could be used, the government's policy is to consider the funds to be spent in the following order: (1) committed, (2) assigned, (3) unassigned.

The City's fund balance policy states that the General Fund must have at least 10% of the General Fund budget as unassigned.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities, deferred inflows and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Adoption of New Accounting Standards

Statement No. 84, *Fiduciary Activities* improves the guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The criteria generally is on (1) is the government controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally will report fiduciary activities that are not held in a trust or similar arrangement that meets specific criteria.

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Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, (1) increases consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigates costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhances the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

Upcoming Accounting and Reporting Changes

Statement No. 87, *Leases* increases the usefulness of the financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. A lessee will be required to recognize a lease liability and an intangible right-to-use a lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about leasing activities. The requirements of this Statement are effective for the fiscal year ending June 30, 2022.

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. It requires that interest cost

incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reporting in a business-type activity or enterprise fund. Interest cost incurred before the end of a construction period should be recognized as an expenditure for financial statements prepared using the current financial resources measurement. The requirements of this Statement are effective for the fiscal year ending June 30, 2022.

Statement No. 91, *Conduit Debt Obligations* provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This statement is effective for the year ending June 30, 2023.

Statement No. 93, *Replacement of Interbank Offered Rates* establishes accounting and financial reporting requirements related to the replacement of IBORs in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of this Statement apply to the financial statements of all state and local governments. This statement is effective for the year ending June 30, 2022.

Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with

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an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. This statement is effective for the year ending June 30, 2023.

Statement No. 96, *Subscription-Based Information Technology Arrangements*, is based on the standards established in Statement No. 87 *Leases*. This statement (1) defines a SBITA as a contract that conveys control of the right to use a SBITA vendor's IT software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction (2) requires governments with SBITAs to recognize a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability, and (3) provides guidance related to outlays other than subscription payments, including implementation costs, and requirements for note disclosures related to a SBITA. This statement is effective for the year ending June 30, 2023.

The City is evaluating the impact that the above GASB statements will have on its financial reporting.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information

The government is subject to the budgetary control requirements of the Uniform Budgeting and Accounting Act (P.A. 2 of 1968, as amended by P.A. 621 of 1978).

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.

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Excess of Expenditures over Appropriations

	Appropriations	Actual	Budget Variance
General Fund			
General government	\$ 1,102,760	\$ 1,121,972	\$ 19,212
Public works	799,750	854,729	54,979
Community and economic development	86,900	133,725	46,825
Debt service	374,420	492,414	117,994
Transfers out	704,650	725,150	20,500

Fund Deficit

The City has an accumulated unrestricted net position deficit in the Motor Pool Fund in the amount of \$290,674 as of June 30, 2021. A deficit elimination plan has not been submitted to the Michigan Department of Treasury prior to the issuance of the audited financial statements.

Note 3 - Deposits and Investments

At year end the City's deposits and investments were reported in the financial statements in the following categories:

	Cash and Cash Equivalents	Investments	Total
Governmental activities	\$ 2,798,750	\$ 4,584,321	\$ 7,383,071
Business-type activities	1,029,197	902,444	1,931,641
Total	<u>3,827,947</u>	<u>5,486,765</u>	<u>9,314,712</u>
Fiduciary funds	4,314	4,657,183	4,661,497
Component unit	<u>62,627</u>	<u>-</u>	<u>62,627</u>
Total	<u>\$ 3,894,888</u>	<u>\$ 10,143,948</u>	<u>\$ 14,038,836</u>

The breakdown between deposits and investments is as follows:

	Primary Government	Fiduciary Funds	Component Unit	Total
Bank deposits (checking and savings accounts, money markets and certificates of deposit)	\$ 3,826,518	\$ 4,314	\$ 62,477	\$ 3,893,309
Investments in securities, mutual funds and similar vehicles	5,486,765	4,657,183	-	10,143,948
Petty cash and cash on hand	<u>1,429</u>	<u>-</u>	<u>150</u>	<u>1,579</u>
	<u>\$ 9,314,712</u>	<u>\$ 4,661,497</u>	<u>\$ 62,627</u>	<u>\$ 14,038,836</u>

City of Clawson
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As of year end, the government had the following investments:

Investment	Carrying Value	Maturities	Rating	Organization
U.S. Government Bonds	\$ 247,093	11/26/24	AA	S&P
U.S. Government Bonds	246,475	8/26/21	AA	S&P
U.S. Government Bonds	481,270	2/25/31	AA	S&P
Oakland County Investment Program	4,511,927	<1 year	N/A	N/A
Mutual funds	4,657,183	N/A	N/A	N/A
Total investments	<u>\$ 10,143,948</u>			

Interest rate risk – In accordance with its investment policy, the government manages its exposure to declines in fair values by generally limiting the maturities to one year, with exceptions.

Credit risk – State statutes and the government’s investment policy authorize the government to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other obligations of the United States, or any agency or instrumentality of the United States. United States government or federal agency obligations; repurchase agreements; bankers’ acceptance 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 any of 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.

Concentration of credit risk – The government has no policy that would limit the amount that may be issued in any one issuer.

Custodial credit risk - deposits – In the case of deposits, this is the risk that in the event of bank failure, the government’s deposits may not be returned to it. The government does not have a policy for custodial credit risk. As of year end, \$3,195,620 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk – investments – For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The following investment securities were uninsured and unregistered and held in the following manner:

Investment Type	Carrying Value	How Held
U.S. Government Bonds	\$ 974,838	By counterparty in the Government's name
Oakland County Investment Pool	4,511,927	By counterparty in the Government's name
Mutual funds	4,657,183	By counterparty in the Government's name
	<u>\$ 10,143,948</u>	

Note 4 - Fair Value Measurements

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

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The City has the following recurring fair value measurements as of June 30, 2021:

Investment Type	Level 1	Level 2	Level 3	Total
U.S. Government Bonds	\$ -	\$ 974,838	\$ -	\$ 974,838
Mutual funds	4,657,183	-	-	4,657,183
	<u>\$ 4,657,183</u>	<u>\$ 974,838</u>	<u>\$ -</u>	<u>5,632,021</u>

Investments carried at net asset value

Oakland County Investment Pool	<u>4,511,927</u>
Total investments	<u>\$ 10,143,948</u>

- Mutual funds of \$4,657,183 are valued using quoted market prices (Level 1 inputs)
- U.S Government Bonds of \$974,838 are valued based on the risk-free yield curve (Level 2 inputs).

Investments in Entities that Calculate Net Asset Value per Share

The City holds shares or interests in investment companies whereby the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

At year end, the net asset value of the City's investment in the Oakland County Local Government Investment Pool was \$4,511,927. The Oakland County Local Government Investment Pool is not registered with the SEC and does not issue a separate report. The fair value of the position in the pool is not the same as the value of the pool shares, since the pool does not meet the requirements under GASB 79 to report its value for financial reporting purposes at amortized cost. Financial statements for the Oakland County LGIP are included in Oakland County's financial statements and may be obtained from the website: www.oakgov.com.

Note 5 - Capital Assets

Capital assets activity of the primary government for the current year is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 719,103	\$ 5,000	\$ -	\$ 724,103
Capital assets being depreciated				
Land improvements	4,360,118	-	-	4,360,118
Infrastructure	27,484,669	260,124	-	27,744,793
Buildings, additions and improvements	10,342,337	-	-	10,342,337
Machinery and equipment	2,374,204	87,342	-	2,461,546
Vehicles	4,993,804	39,370	38,131	4,995,043
Total capital assets being depreciated	<u>49,555,132</u>	<u>386,836</u>	<u>38,131</u>	<u>49,903,837</u>
Less accumulated depreciation for				
Land improvements	885,422	194,542	-	1,079,964
Infrastructure	8,043,894	802,615	-	8,846,509
Buildings, additions and improvements	6,599,328	349,407	-	6,948,735
Machinery and equipment	1,710,752	116,528	-	1,827,280
Vehicles	3,188,285	197,379	38,131	3,347,533
Total accumulated depreciation	<u>20,427,681</u>	<u>1,660,471</u>	<u>38,131</u>	<u>22,050,021</u>
Net capital assets being depreciated	<u>29,127,451</u>	<u>(1,273,635)</u>	<u>-</u>	<u>27,853,816</u>
Governmental activities capital assets, net	<u>\$ 29,846,554</u>	<u>\$ (1,268,635)</u>	<u>\$ -</u>	<u>\$ 28,577,919</u>

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	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land	\$ 54,028	\$ -	\$ -	\$ 54,028
Capital assets being depreciated				
Land improvements	59,512	-	-	59,512
Infrastructure	11,527,766	-	-	11,527,766
Buildings, additions and improvements	522,585	-	-	522,585
Machinery and equipment	437,233	16,622	-	453,855
Total capital assets being depreciated	<u>12,547,096</u>	<u>16,622</u>	<u>-</u>	<u>12,563,718</u>
Less accumulated depreciation for				
Land improvements	48,277	1,624	-	49,901
Infrastructure	5,285,718	164,382	-	5,450,100
Buildings, additions and improvements	351,530	13,041	-	364,571
Machinery and equipment	287,912	15,387	-	303,299
Total accumulated depreciation	<u>5,973,437</u>	<u>194,434</u>	<u>-</u>	<u>6,167,871</u>
Net capital assets being depreciated	<u>6,573,659</u>	<u>(177,812)</u>	<u>-</u>	<u>6,395,847</u>
Business-type capital assets, net	<u>\$ 6,627,687</u>	<u>\$ (177,812)</u>	<u>\$ -</u>	<u>\$ 6,449,875</u>

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

Governmental activities

General government	\$ 252,405
Public safety	141,254
Public works	935,380
Recreation and culture	211,206
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>120,226</u>
Total governmental activities	<u>1,660,471</u>

Business-type activities

Water & Sewer	179,294
Senior Citizens Housing	<u>15,140</u>
Total business-type activities	<u>194,434</u>

Total primary government \$ 1,854,905

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Internal service fund	<u>\$ 85,106</u>

The outstanding balances between funds result mainly from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

City of Clawson
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Due to/from primary government and component units

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Downtown Development Authority	General Fund	<u>\$ 515</u>

Advances at year end are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Water and Sewer Fund	Major Street Fund	<u>\$ 308,727</u>

The details for interfund transfers are as follows:

<u>Funds Transferred From</u>	<u>Funds Transferred To</u>	<u>Amount</u>
Major Street Fund	Nonmajor governmental funds	\$ 110,000
Nonmajor governmental funds	Nonmajor governmental funds	55,700
Nonmajor governmental funds	G.O. Bond Debt Fund	12,599
Nonmajor enterprise funds	General Fund	10,000
Internal service funds	Nonmajor governmental funds	33,500
Water and Sewer Fund	Nonmajor governmental funds	335,300
General Fund	Nonmajor governmental funds	<u>725,150</u>
		<u>\$ 1,282,249</u>

Transfers are used to move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

Note 7 - Intangible Assets

The Oakland County Drain Commission has assessed the City 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's portion. The total cost to date of the George W. Kuhn Drain is \$119,690,000 of which the City's portion is \$7,573,866 (6.32%). The drains are 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>4,021,549</u>
Net intangible assets	<u>\$ 6,270,674</u>

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Note 8 - Long-Term Debt

The City issues bonds to provide for the acquisition and construction of major capital projects. General obligation bonds are direct obligations and pledge the full faith and credit of the City. Installment purchase agreements are also general obligations of the City. Other long-term obligations include compensated absences and claims. Compensated absences are typically liquidated with funds from the General Fund, Major Streets Fund, Local Streets Fund, Library Fund, and Water and Sewer Fund. Claims are generally liquidated with funds from the General Fund.

Long-term obligation activity is summarized as follows:

	Amount of Issue	Maturity Date	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities									
Bonds and notes payable									
General obligation bonds									
2010 Capital Improvement RZED	\$ 1,400,000	2030	3.16%	\$75,000 - \$95,000	\$ 825,000	\$ -	\$ 70,000	\$ 755,000	\$ 75,000
2014 Refunding Bond	4,770,000	2030	4-5%	\$185,000 - 1,120,000	3,970,000	-	175,000	3,795,000	185,000
2014 Park Improvement Bonds	3,535,000	2034	3.5-5%	\$160,000 - 265,000	2,855,000	-	155,000	2,700,000	160,000
2016 General Obligation Bond	4,985,000	2026	2-4%	\$540,000 - \$640,000	3,475,000	-	525,000	2,950,000	540,000
2017 Refunding Bond	4,075,000	2028	4%	\$265,000 - \$940,000	3,590,000	-	260,000	3,330,000	265,000
2018 Limited Tax Obligation Bonds	14,340,000	2028	3.05-4.1%	\$635,000 - \$1,765,000	13,355,000	-	615,000	12,740,000	635,000
2018 Transportation Bonds	775,000	2032	3%	\$75,000 - \$90,000	635,000	-	70,000	565,000	75,000
2018 Unlimited Tax General Obligation Sidewalks	1,275,000	2028	3%	\$160,000 - \$180,000	1,175,000	-	160,000	1,015,000	160,000
2021 Unlimited Tax General Obligation Sidewalks	835,000	2029	1.4%	\$100,000 - \$110,000	-	835,000	-	835,000	100,000
Total bonds					<u>29,880,000</u>	<u>835,000</u>	<u>2,030,000</u>	<u>28,685,000</u>	<u>2,195,000</u>
Notes from direct borrowings and direct placements									
2013 Installment Purchase Contract	2,659,819	2028	2.8%	\$180,995 - \$213,612	1,554,565	-	176,065	1,378,500	180,995
2018 Fire Pumper Truck	574,959	2025	3.29%	\$81,965 - \$90,324	423,752	-	79,354	344,398	81,965
2015 Installment Purchase	396,106	2022	2.18%	\$60,189	119,094	-	58,905	60,189	60,189
Internal service fund obligations									
Notes from direct borrowings and direct placements									
2017 Motor Pool - Cannon Aerial Truck	173,000	2022	2.75%	\$36,502	72,027	-	35,525	36,502	36,502
2020 Freightliner Dump Truck	186,888	2026	3.27%	\$25,052 - \$28,493	157,982	-	24,258	133,724	25,052
Installment Purchase Vactor Jet	200,894	2022	2.18%	\$30,526	60,401	-	29,875	30,526	30,526
2018 Motor Pool - Front Loader	140,041	2025	3.29%	\$19,964 - \$22,000	103,212	-	19,328	83,884	19,964
Total internal service fund					<u>393,622</u>	<u>-</u>	<u>108,986</u>	<u>284,636</u>	<u>112,044</u>
Total notes from direct borrowings and direct placements					<u>2,491,033</u>	<u>-</u>	<u>423,310</u>	<u>2,067,723</u>	<u>435,193</u>
Plus deferred amounts									
For issuance premiums					<u>475,017</u>	<u>-</u>	<u>47,502</u>	<u>427,515</u>	<u>47,502</u>
Total bonds and notes					<u>32,846,050</u>	<u>835,000</u>	<u>2,500,812</u>	<u>31,180,238</u>	<u>2,677,695</u>
Claims					<u>40,320</u>	<u>654,546</u>	<u>626,436</u>	<u>68,430</u>	<u>68,430</u>
Compensated absences					<u>435,045</u>	<u>278,972</u>	<u>201,496</u>	<u>512,521</u>	<u>200,000</u>
Total governmental activities					<u>\$ 33,321,415</u>	<u>\$ 1,768,518</u>	<u>\$ 3,328,744</u>	<u>\$ 31,761,189</u>	<u>\$ 2,946,125</u>

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	Amount of Issue	Maturity Date	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities									
Bonds and notes payable									
General obligation bonds									
George Kuhn Drain Debt	\$ 7,011,512	2028	1.63-2.5%	\$32,624 - \$453,633	\$ 1,827,571	\$ -	\$ 439,320	\$ 1,388,251	\$ 453,633
Notes from direct borrowings and direct placements									
2012 State Revolving	3,289,836	2033	2.5%	\$155,000 - \$199,836	2,254,836	-	150,000	2,104,836	155,000
Contract Debt	695,391	2021	N/A	N/A	154,782	-	154,782	-	-
Total					4,237,189	-	744,102	3,493,087	608,633
Compensated absences					45,695	4,689	24,076	26,308	25,000
Total business-type activities					<u>\$ 4,282,884</u>	<u>\$ 4,689</u>	<u>\$ 768,178</u>	<u>\$ 3,519,395</u>	<u>\$ 633,633</u>

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Annual debt service requirements to maturity for the above obligations are as follows:

Year Ending June 30,	Governmental Activities			
	Bonds		Notes from Direct Borrowings and Direct Placements	
	Principal	Interest	Principal	Interest
2022	\$ 2,195,000	\$ 1,121,578	\$ 435,193	\$ 60,042
2023	2,370,000	1,045,136	317,217	47,821
2024	2,570,000	957,872	326,736	38,302
2025	2,650,000	864,644	336,544	28,495
2026	2,840,000	767,548	230,627	18,391
2027-2031	13,535,000	2,112,888	421,406	36,171
2032-2034	2,525,000	127,884	-	-
	<u>\$ 28,685,000</u>	<u>\$ 6,997,550</u>	<u>\$ 2,067,723</u>	<u>\$ 229,222</u>

Year Ending June 30,	Business-type Activities			
	Bonds		Notes from Direct Borrowings and Direct Placements	
	Principal	Interest	Principal	Interest
2022	\$ 453,633	\$ 32,864	\$ 155,000	\$ 52,620
2023	367,951	21,928	155,000	48,746
2024	373,711	12,990	160,000	44,870
2025	36,422	3,894	165,000	40,870
2026	37,298	3,080	170,000	36,746
2027-2031	119,236	4,430	905,000	118,228
2032-2033	-	-	394,836	14,866
	<u>\$ 1,388,251</u>	<u>\$ 79,186</u>	<u>\$ 2,104,836</u>	<u>\$ 356,946</u>

Note 9 - Risk Management

The government is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The government has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 10 - Self-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 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.
- \$74,634 per month.

The following is a summary of the City's liabilities for claims incurred but not reported:

	Balance at Beginning of Year	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Year End
2020	\$ 46,835	355,180	\$ 361,695	\$ 40,320
2021	40,320	654,546	626,436	68,430

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Note 11 - Employee Retirement and Benefit Systems

Defined benefit pension plans

Summarized below is the aggregated amounts related to defined benefit plans:

Retirement System	Net Pension Liability (Asset)	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
MERS	\$ 1,143,852	\$ 41,550	\$ (766,786)	\$ 891,156
Fire Department	(714,318)	259,286	(1,427,580)	(82,998)
Total	<u>\$ 429,534</u>	<u>\$ 300,836</u>	<u>\$ (2,194,366)</u>	<u>\$ 808,158</u>

Municipal Employees' Retirement System

Plan description – The government participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer, statewide public employee defined benefit pension plan that covers all employees of the government. The plan was established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine-member Retirement Board. The system provides retirement, disability and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917 or on the web at <http://www.mersofmich.com>.

Benefits provided – Benefits provided include plans with multipliers ranging from 2.25-2.50%. The vesting period is 10 years. Normal retirement age is 60 with early retirement at 50 or 55 with 15 to 25 years of service. Final average compensation is calculated based on 3 years. Member contributions range from 0-3.5%.

Employees covered by benefit terms – At the December 31, 2020 valuation date, the following employees were covered by benefit terms:

Inactive employees or beneficiaries currently receiving benefits	62
Inactive employees entitled to, but not yet receiving benefits	3
Active employees	<u>7</u>
	<u>72</u>

Contributions – The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees 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. All divisions are closed to new employees and had an annual employer contribution amount of \$83,100.

Net pension liability – The employer's net pension liability was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of that date.

Actuarial assumptions – The total pension liability in the December 31, 2020 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement include: 1) Inflation 2.5%; 2) Salary increases 3.75% in the long-term; 3) Investment rate of return of 7.75%, net of investment expense, including inflation.

Although no specific price inflation assumptions are needed for the valuation, the 3.75% long-term wage inflation assumption would be consistent with a price inflation of 2.5%.

Mortality rates used were based on the Pub-2010 Mortality Tables using Scale MP-2019 with a 50% male and 50% female blend. For disabled retirees, the regular mortality table is used with a 10-year set

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forward in ages to reflect the higher expected mortality rates of disabled members.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses 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 or arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Target Allocation Gross Rate Of Return	Long-Term Expected Gross Rate of Return	Inflation Assumption	Long-term Expected Real Rate of Return
Global equity	60.00%	7.75%	4.65%	2.50%	3.15%
Global fixed income	20.00%	3.75%	0.75%	2.50%	0.25%
Private investments	20.00%	9.75%	1.95%	2.50%	1.45%
	<u>100.00%</u>		<u>7.35%</u>		<u>4.85%</u>

Discount rate – The discount rate used to measure the total pension liability is 7.6%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plans fiduciary net position was projected to be available to pay 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.

Changes in Net Pension Liability

Total Pension Liability

Service cost	\$ 72,926
Interest on the total pension liability	1,846,563
Experience differences	208,856
Changes in assumptions	631,005
Benefit payments and refunds	<u>(2,105,597)</u>
Net change in total pension liability	653,753
Total pension liability - beginning	<u>25,313,212</u>
Total pension liability - ending (a)	<u>\$ 25,966,965</u>

Plan Fiduciary Net Position

Employer contributions	\$ 81,078
Employee contributions	14,895
Pension plan net investment income (loss)	2,833,398
Benefit payments and refunds	<u>(2,105,597)</u>
Pension plan administrative expense	<u>(46,874)</u>
Net change in plan fiduciary net position	776,900
Plan fiduciary net position - beginning	<u>24,046,213</u>
Plan fiduciary net position - ending (b)	<u>\$ 24,823,113</u>

Net pension liability (a-b) \$ 1,143,852

Plan fiduciary net position as a percentage of total pension liability	95.59%
Covered payroll	\$ 554,210
Net pension liability as a percentage of covered payroll	206.39%

Sensitivity of the net pension liability to changes in the discount rate – The following presents the net pension liability of the employer, calculated using the discount rate of 7.6%, as well as what the

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employer's net pension liability would be using a discount rate that is 1% point lower (6.6%) or 1% higher (8.6%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
Total pension liability	\$ 28,509,850	\$ 25,966,965	\$ 23,807,626
Fiduciary net position	24,823,113	24,823,113	24,823,113
Net pension liability (asset)	<u>\$ 3,686,737</u>	<u>\$ 1,143,852</u>	<u>\$ (1,015,487)</u>

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions – For the year ended June 30, 2021 the employer recognized pension expense of \$891,156. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total to Amortize
Net difference between projected and actual earning on plan investments	\$ -	\$ (766,786)	\$ (766,786)
Contributions subsequent to the measurement date*	<u>41,550</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 41,550</u>	<u>\$ (766,786)</u>	<u>\$ (766,786)</u>

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending June 30, 2022.

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

<u>Year ended June 30,</u>	
2022	\$ (90,011)
2023	11,521
2024	(471,491)
2025	<u>(216,805)</u>
	<u>\$ (766,786)</u>

Clawson Fire Department Defined Benefit Plan

Plan description – The Clawson Fire Department Pension Board administers the Clawson Fire Department Defined Benefit Plan (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.

Benefits provided – Benefits provided included retirement as well as death benefits. Pension benefits vest after 5 years of total service, for employees hired before July 1, 2009, and 10 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 multiplied by years of service. Death benefits are based on the present value of accrued benefits per participant and are provided regardless of years of service.

Employees covered by benefit terms – At the July 1, 2021 valuation date, the following employees were covered by benefit terms:

Inactive employees or beneficiaries currently receiving benefits	17
Inactive employees entitled to, but not yet receiving benefits	6
Active employees	<u>26</u>
	<u>49</u>

Contributions – The authority to amend contribution requirements rests with the Clawson Fire Department Pension Board. The Board establishes rates based on an actuarially determined contribution

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recommended by an independent actuary. The actuarially determined contribution 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. For the year ended June 30, 2021 the City contributed \$133,957.

Net pension liability (asset) – The employer’s net pension liability (asset) was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of July 1, 2021.

Actuarial assumptions – The total pension liability in the July 1, 2021 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement include: 1) Inflation 2.5%; 2) Investment rate of return of 7%, net of investment expense, including inflation. Mortality rates used were based on the PubS-2010 Mortality Tables using Scale MP-2019.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study.

Investment policy – The Plan’s policy in regard to the allocation of invested assets is established and may be amended by the Clawson Fire Department Pension Board by a majority vote of its members. It is the policy of the Retirement System 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 Plans 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 adopted asset allocation policy as of June 30, 2021:

Asset Class	Target Allocation
Domestic equity	50%
International equity	15%
Fixed income	35%
Total	100%

Rate of return – For the year ended June 30, 2021, the annual money-weighted rate of return on investments, net of investment expense, was 28.7%. The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses 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 best estimates or arithmetic real rates of return is 7%.

Discount rate – The discount rate used to measure the total pension liability is 7%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plans fiduciary net position was projected to be available to pay 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.

City of Clawson
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Changes in Net Pension Liability (Asset)

Total Pension Liability

Service cost	\$ 134,478
Interest on the total pension liability	282,003
Experience differences	(549,396)
Changes in assumptions	(186,781)
Benefit payments and refunds	<u>(215,618)</u>
Net change in total pension liability	(535,314)
Total pension liability - beginning	<u>4,478,179</u>
Total pension liability - ending (a)	<u><u>\$ 3,942,865</u></u>

Plan Fiduciary Net Position

Employer contributions	\$ 133,957
Pension plan net investment income (loss)	1,049,747
Benefit payments and refunds	(215,618)
Pension plan administrative expense	<u>(17,605)</u>
Net change in plan fiduciary net position	950,481
Plan fiduciary net position - beginning	<u>3,706,702</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 4,657,183</u></u>

Net pension liability (asset)(a-b) \$ (714,318)

Plan fiduciary net position as a percentage of total pension liability	118.12%
Covered payroll	N/A
Net pension liability (asset) as a percentage of covered payroll	N/A

Sensitivity of the net pension liability (asset) to changes in the discount rate – The following presents the net pension liability (asset) of the employer, calculated using the discount rate of 7%, as well as what the

employer’s net pension liability (asset) would be using a discount rate that is 1% point lower (6%) or 1% higher (8%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
Total pension liability	\$ 4,470,431	\$ 3,942,865	\$ 3,512,659
Fiduciary net position	4,657,183	4,657,183	4,657,183
Net pension liability (asset)	<u><u>\$ (186,752)</u></u>	<u><u>\$ (714,318)</u></u>	<u><u>\$ (1,144,524)</u></u>

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions – For the year ended June 30, 2021 the employer recognized pension expense of \$(82,998). The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total to Amortize
Differences in experience	\$ -	\$ (691,669)	\$ (691,669)
Differences in assumptions	259,286	(166,024)	93,262
Net difference between projected and actual earning on plan investments	<u>-</u>	<u>(569,887)</u>	<u>(569,887)</u>
Total	<u><u>\$ 259,286</u></u>	<u><u>\$ (1,427,580)</u></u>	<u><u>\$ (1,168,294)</u></u>

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

<u>Year ended June 30,</u>	
2022	\$ (223,724)
2023	(211,200)
2024	(219,041)
2025	(237,905)
2026	(60,648)
Thereafter	<u>(215,776)</u>
	<u><u>\$ (1,168,294)</u></u>

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City of Clawson Employees Defined Contribution Plan

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 who sponsors the prototype plan. Amendments are developed by Michigan Municipal Employees' Retirement System 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.

The City is required to contribute an amount equal to 8% of the employee's gross earnings for the American Federation of State, County and Municipal Employees (AFSCME) union and 10% for all others. Employee contributions on a pretax basis are permitted but not required. The City will match up to 4% of the AFSCME union employee contributions and up to 3% for all others. During the year ending June 30, 2021 the City contributed \$304,277 and employees contributed \$117,090.

Note 12 - Other Postemployment Benefits

Plan description – The City of Clawson's Retiree Health Care Plan (OPEB Plan) is a single employer defined benefit postemployment health care plan that covers eligible retired employees of the City. The OPEB Plan, which is administered by the City, allows employees who retire and meet retirement eligibility requirements under one of the City's retirement plans to continue health insurance coverage as a participant in the City's plan.

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 June 30, 2021, the plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	59
Active employees	<u>9</u>
	<u>68</u>

The Plan is closed to new members.

Contributions – The City has no obligation to make contributions in advance but are being financed on a “pay-as-you-go” basis. Plan members are not required to contribute to the plan.

Total OPEB liability – The total OPEB liability was measured as of June 30, 2021, and the total OPEB liability was determined by an actuarial valuation as of that date.

Actuarial assumptions – The total OPEB liability was determined by an actuarial valuation as of June 30, 2021, using the following actuarial assumptions, applied to all periods included in the measurement.

Inflation	2.50%
Salary increases	3.00%
Healthcare cost trend rates	7.5% initial trend with an ultimate trend of 4.5%

Mortality rates were based on the PubG-2010 Mortality tables using Scale MP-2019.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of the most recent actuarial experience study for public sector employees.

City of Clawson
Notes to the Financial Statements
June 30, 2021

Discount rate – The discount rate used to measure the total OPEB liability was 2.18%. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. The plan has no dedicated assets. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in Total OPEB Liability

Total OPEB Liability	
Service cost	\$ 184,208
Interest	386,586
Experience differences	(1,863,639)
Changes in assumptions	1,430,207
Benefit payments	<u>(829,847)</u>
Net change in total OPEB liability	(692,485)
Total OPEB liability - beginning	<u>14,761,304</u>
Total OPEB liability - ending (a)	<u>\$ 14,068,819</u>

Sensitivity of the total OPEB liability to changes in the discount rate – The following presents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it were calculated using a discount rate that is 1% lower (1.18%) or 1% higher (3.18%) than the current discount rate.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Total OPEB liability	<u>\$ 16,430,117</u>	<u>\$ 14,068,819</u>	<u>\$ 12,203,608</u>

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates – The following presents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if were calculated using healthcare cost trend rates that are 1% lower (3.5-6.5%) or 1% higher (5.5-8.5%) than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Total OPEB liability	<u>\$ 12,184,914</u>	<u>\$ 14,068,819</u>	<u>\$ 16,435,854</u>

For the year ended June 30, 2021 the employer recognized OPEB expense of \$141,362.

Defined Contribution Other Postemployment Benefits

The City provides retiree health care benefits to employees ineligible for the defined benefit plan through the Retiree Health Savings Plan and Voluntary Employees’ Beneficiary Association (VEBA). MERS administers the Retiree Health Savings Plan and Total Administrative Services Corporation administers the VEBA plan. The City Council has authority over plan provisions and contribution requirements. The benefits are provided under labor contracts. The City contributed \$300 per quarter per full time employee for the Retiree Health Savings Plan and \$1,000 annually for the members of the VEBA. Employees can make voluntary contributions up to the limits set by the IRS.

During the year ended June 30, 2021 the City made contributions of \$152,667 and employees contributed \$162,707.

Note 13 - Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount,

City of Clawson
Notes to the Financial Statements
June 30, 2021

if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

Note 14 - Jointly Governed Organizations

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.

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.

Note 15 - Prior Period Adjustments

The beginning fund balances and net position was restated as the result of error corrections as follows:

	Fund Balances		
	/ Net Position,		Fund Balances
	As Previously	Prior Period	/ Net Position,
	Stated	Adjustment	Restated
Governmental activities	\$ (14,766,730)	\$ 983,833	\$ (13,782,897)
Business-type activities	11,633,458	(1,534,639)	10,098,819
General Fund	2,891,380	63,810	2,955,190
Major Street Fund	815,495	63,275	878,770
Water and Sewer Fund	11,266,201	(1,534,639)	9,731,562
Internal service fund	515,615	(182,785)	332,830
Nonmajor governmental funds	856,121	45,788	901,909

Note 16 - Change in Accounting Principle

As indicated in Note 1, Governmental Accounting Standards Board Statement No. 84 has been adopted. The standard requires this change be applied retroactively. The impact of this change is to eliminate the VEBA Trust Fund, previously reported as a fiduciary fund.

City of Clawson
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under)
				Final Budget
Revenues				
Taxes				
Property taxes	\$ 5,325,810	\$ 5,321,160	\$ 5,442,701	\$ 121,541
Penalties and interest	26,300	26,300	23,029	(3,271)
Licenses and permits	460,170	651,920	736,744	84,824
Federal grants	-	385,000	401,028	16,028
State-shared revenue	1,239,600	1,239,600	1,314,666	75,066
State grants	181,210	181,210	176,260	(4,950)
Local contributions	31,450	31,450	160,128	128,678
Charges for services	413,020	415,520	279,505	(136,015)
Fines and forfeitures	156,000	134,000	150,448	16,448
Interest income	75,000	25,000	-	(25,000)
Rental income	57,400	70,400	29,086	(41,314)
Other revenue	82,000	89,000	62,147	(26,853)
Transfers in	10,000	10,000	10,000	-
Total revenues	<u>8,057,960</u>	<u>8,580,560</u>	<u>8,785,742</u>	<u>205,182</u>

City of Clawson
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Expenditures				
General government				
City Council	\$ 21,140	\$ 21,140	\$ 17,067	\$ (4,073)
Manager	168,880	147,350	147,440	90
Accounting	104,450	125,450	119,718	(5,732)
Clerk	150,380	153,380	157,815	4,435
Treasurer	157,650	158,150	158,466	316
Assessor	90,550	90,550	89,883	(667)
Elections	21,170	26,420	25,986	(434)
Buildings and grounds	265,320	265,320	253,889	(11,431)
Attorney	115,000	115,000	151,708	36,708
Total general government	<u>1,094,540</u>	<u>1,102,760</u>	<u>1,121,972</u>	<u>19,212</u>
Public safety				
Police	2,152,170	2,152,170	1,994,407	(157,763)
Fire department	303,060	305,060	294,492	(10,568)
Building inspection department	317,780	462,530	409,719	(52,811)
Total public safety	<u>2,773,010</u>	<u>2,919,760</u>	<u>2,698,618</u>	<u>(221,142)</u>
Public works				
Department of public works	620,150	620,150	680,883	60,733
Street lighting	179,600	179,600	173,846	(5,754)
Total public works	<u>799,750</u>	<u>799,750</u>	<u>854,729</u>	<u>54,979</u>

City of Clawson
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
Health and welfare				
Senior citizens	\$ 135,010	\$ 82,760	\$ 51,189	\$ (31,571)
Youth programs	6,200	6,200	6,200	-
Total health and welfare	<u>141,210</u>	<u>88,960</u>	<u>57,389</u>	<u>(31,571)</u>
Community and economic development				
Planning	86,900	86,900	133,725	46,825
Recreation and culture				
Parks	235,230	235,230	158,052	(77,178)
Recreation	326,420	332,420	146,805	(185,615)
Historical	25,730	25,730	11,538	(14,192)
Total recreation and culture	<u>587,380</u>	<u>593,380</u>	<u>316,395</u>	<u>(276,985)</u>
Other functions				
Unallocated employee fringe benefits	1,328,500	1,341,500	1,124,005	(217,495)
Cable TV/internet	59,250	44,000	32,647	(11,353)
Other	94,450	94,450	16,795	(77,655)
Total other functions	<u>1,482,200</u>	<u>1,479,950</u>	<u>1,173,447</u>	<u>(306,503)</u>

City of Clawson
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Capital outlay	\$ 10,000	\$ 101,100	\$ 87,190	\$ (13,910)
Debt service				
Principal retirement	314,330	314,330	384,324	69,994
Interest and fiscal charges	60,090	60,090	108,090	48,000
Total debt service	374,420	374,420	492,414	117,994
Transfers out	704,650	704,650	725,150	20,500
Total expenditures	8,054,060	8,251,630	7,661,029	(590,601)
Excess (deficiency) of revenues over expenditures	3,900	328,930	1,124,713	795,783
Fund balance - beginning of year	2,955,190	2,955,190	2,891,380	(63,810)
Prior period adjustment	-	-	63,810	63,810
Fund balance - beginning of year (restated)	2,955,190	2,955,190	2,955,190	-
Fund balance - end of year	\$ 2,959,090	\$ 3,284,120	\$ 4,079,903	\$ 795,783

City of Clawson
Required Supplementary Information
Budgetary Comparison Schedule
Major Street Fund
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under)
				Final Budget
Revenues				
State-shared revenue	\$ 765,000	\$ 765,000	\$ 856,818	\$ 91,818
Local contributions	-	-	28,229	28,229
Interest income	200	200	2,461	2,261
Bond/note proceeds	153,000	153,000	-	(153,000)
 Total revenues	 918,200	 918,200	 887,508	 (30,692)
Expenditures				
Current				
Public works	700,150	700,150	435,534	(264,616)
Debt service				
Principal retirement	70,000	70,000	70,000	-
Interest and fiscal charges	19,560	19,560	20,683	1,123
Transfers out	110,000	110,000	110,000	-
 Total expenditures	 899,710	 899,710	 636,217	 (263,493)
 Excess of revenues (deficiency) over expenditures	 18,490	 18,490	 251,291	 232,801
 Fund balance - beginning of year	 878,770	 878,770	 815,495	 (63,275)
 Prior period adjustment	 -	 -	 63,275	 63,275
 Fund balance - beginning of year (restated)	 878,770	 878,770	 878,770	 -
 Fund balance - end of year	 \$ 897,260	 \$ 897,260	 \$ 1,130,061	 \$ 232,801

City of Clawson
Required Supplementary Information
Municipal Employees Retirement System of Michigan
Schedule of Changes in Net Pension Liability and Related Ratios
June 30, 2021

Fiscal year ended June 30,	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability							
Service cost	\$ 72,926	\$ 73,773	\$ 90,206	\$ 104,190	\$ 109,001	\$ 107,479	\$ 106,523
Interest on the total pension liability	1,846,563	1,866,209	1,893,357	1,879,102	1,873,467	1,891,026	1,003,855
Experience differences	208,856	-	-	-	-	-	-
Changes in assumptions	631,005	-	-	-	-	-	-
Other changes	-	1,085,384	(352,673)	117,426	(8,999)	389,584	878,835
Benefit payments and refunds	<u>(2,105,597)</u>	<u>(2,005,774)</u>	<u>(1,918,263)</u>	<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	653,753	1,019,592	(287,373)	187,929	84,984	492,503	107,499
Total pension liability - beginning	<u>25,313,212</u>	<u>24,293,620</u>	<u>24,580,993</u>	<u>24,393,064</u>	<u>24,308,080</u>	<u>23,815,577</u>	<u>23,708,078</u>
Total pension liability - ending (a)	<u>\$ 25,966,965</u>	<u>\$ 25,313,212</u>	<u>\$ 24,293,620</u>	<u>\$ 24,580,993</u>	<u>\$ 24,393,064</u>	<u>\$ 24,308,080</u>	<u>\$ 23,815,577</u>
Plan Fiduciary Net Position							
Employer contributions	\$ 81,078	\$ 82,013	\$ 15,036,005	\$ 1,536,516	\$ 1,389,816	\$ 1,288,242	\$ 1,213,709
Employee contributions	14,895	16,875	20,087	19,333	18,645	-	-
Pension plan net investment income (loss)	2,833,398	3,032,852	(1,019,795)	1,290,629	1,038,959	(145,734)	631,003
Benefit payments and refunds	(2,105,597)	(2,005,774)	(1,918,263)	(1,912,789)	(1,888,485)	(1,895,586)	(1,881,714)
Pension plan administrative expense	<u>(46,874)</u>	<u>(52,196)</u>	<u>(34,773)</u>	<u>(20,456)</u>	<u>(20,539)</u>	<u>(21,638)</u>	<u>(23,024)</u>
Net change in plan fiduciary net position	776,900	1,073,770	12,083,261	913,233	538,396	(774,716)	(60,026)
Plan fiduciary net position - beginning	<u>24,046,213</u>	<u>22,972,443</u>	<u>10,889,182</u>	<u>9,975,949</u>	<u>9,437,553</u>	<u>10,212,269</u>	<u>10,272,295</u>
Plan fiduciary net position - ending (b)	<u>\$ 24,823,113</u>	<u>\$ 24,046,213</u>	<u>\$ 22,972,443</u>	<u>\$ 10,889,182</u>	<u>\$ 9,975,949</u>	<u>\$ 9,437,553</u>	<u>\$ 10,212,269</u>
Net pension liability (a-b)	<u>\$ 1,143,852</u>	<u>\$ 1,266,999</u>	<u>\$ 1,321,177</u>	<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 percentage of total pension liability	95.59%	94.99%	94.56%	44.30%	40.90%	38.82%	42.88%
Covered payroll	\$ 554,210	\$ 605,344	\$ 743,002	\$ 862,154	\$ 918,970	\$ 903,385	\$ 894,050
Net pension liability as a percentage of covered payroll	206.39%	209.30%	177.82%	1,588.09%	1,568.83%	1,646.09%	1,521.54%

Note: GASB Statement No. 68 was implemented for the fiscal year ended June 30, 2015 and does not require retroactive implementation. Data will be added as information is available until 10 years of such data is available.

City of Clawson
Required Supplementary Information
Municipal Employees Retirement System of Michigan
Schedule of Employer Contributions
June 30, 2021

Fiscal Year Ending June 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2012	\$ 1,018,356	\$ 1,018,356	\$ -	\$ 1,392,751	73.12%
2013	1,109,388	1,109,388	-	1,087,486	102.01%
2014	1,133,436	1,133,436	-	964,678	117.49%
2015	1,213,709	1,213,709	-	894,050	135.75%
2016	1,288,242	1,288,242	-	903,385	142.60%
2017	1,493,316	1,493,316	-	908,930	164.29%
2018	1,579,716	1,579,716	-	862,154	183.23%
2019	84,960	84,960	-	918,970	9.25%
2020	83,100	83,100	-	743,002	11.18%
2021	83,100	83,100	-	98,486	84.38%

Notes: Actuarially determined contribution amounts are calculated as of December 31 each year, which is 18 months prior to the beginning of the fiscal year in which contributions are reported. The actuarially determined contribution (ADC) included in this schedule is calculated as the normal cost payment plus the amortized portion of the unfunded actuarial accrued liability.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Individual entry-age
Amortization method	Level percent
Remaining amortization period	20 years commencing July 1, 2013
Asset valuation method	5-year smoothed value of assets
Inflation	2.50%
Salary increases	3.75%
Investment rate of return	7.75%
Retirement age	60
Mortality	2014 Group annuity mortality table of 50% male and 50% female blend

City of Clawson
Required Supplementary Information
Fire Department Pension System
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
June 30, 2021

Fiscal year ended June 30,	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability							
Service cost	\$ 134,478	\$ 111,926	\$ 88,355	\$ 97,314	\$ 96,847	\$ 96,847	\$ 60,620
Interest on the total pension liability	282,003	334,401	312,024	290,044	278,140	466,697	431,009
Experience differences	(549,396)	-	-	-	-	-	-
Changes in assumptions	(186,781)	-	-	-	-	-	-
Other changes	-	-	198,807	-	-	(205,835)	-
Benefit payments and refunds	(215,618)	(205,807)	(217,189)	(217,189)	(235,629)	(222,103)	(184,899)
Net change in total pension liability	(535,314)	240,520	381,997	170,169	139,358	135,606	306,730
Total pension liability - beginning	4,478,179	4,237,659	3,855,662	3,685,493	3,546,135	3,410,529	3,103,799
Total pension liability - ending (a)	<u>\$ 3,942,865</u>	<u>\$ 4,478,179</u>	<u>\$ 4,237,659</u>	<u>\$ 3,855,662</u>	<u>\$ 3,685,493</u>	<u>\$ 3,546,135</u>	<u>\$ 3,410,529</u>
Plan Fiduciary Net Position							
Employer contributions	\$ 133,957	\$ 96,532	\$ 90,217	\$ 77,550	\$ 73,000	\$ 15,000	\$ 12,612
Pension plan net investment income (loss)	1,049,747	151,082	211,856	304,735	413,814	(6,949)	71,847
Benefit payments and refunds	(215,618)	(205,807)	(217,189)	(217,189)	(235,629)	(222,103)	(184,899)
Pension plan administrative expense	(17,605)	(45,921)	(48,228)	(39,140)	(56,311)	-	-
Net change in plan fiduciary net position	950,481	(4,114)	36,656	125,956	194,874	(214,052)	(100,440)
Plan fiduciary net position - beginning	3,706,702	3,710,816	3,674,160	3,548,204	3,353,330	3,567,382	3,667,822
Plan fiduciary net position - ending (b)	<u>\$ 4,657,183</u>	<u>\$ 3,706,702</u>	<u>\$ 3,710,816</u>	<u>\$ 3,674,160</u>	<u>\$ 3,548,204</u>	<u>\$ 3,353,330</u>	<u>\$ 3,567,382</u>
Net pension liability (asset) (a-b)	<u>\$ (714,318)</u>	<u>\$ 771,477</u>	<u>\$ 526,843</u>	<u>\$ 181,502</u>	<u>\$ 137,289</u>	<u>\$ 192,805</u>	<u>\$ (156,853)</u>
Plan fiduciary net position as a percentage of total pension liability	118.12%	82.77%	87.57%	95.29%	96.27%	94.56%	104.60%
Covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net pension liability as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Note: GASB Statement No. 68 was implemented for the fiscal year ended June 30, 2015 and does not require retroactive implementation. Data will be added as information is available until 10 years of such data is available. Contributions were not based on a measure of payroll, therefore per GASB Statement No. 85, covered payroll was not presented.

City of Clawson
Required Supplementary Information
Fire Department Pension System
Schedule of Employer Contributions
June 30, 2021

Fiscal Year Ending June 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2012	\$ 187,849	\$ 188,000	\$ (151)	N/A	N/A
2013	55,884	60,000	(4,116)	N/A	N/A
2014	11,529	11,529	-	N/A	N/A
2015	12,336	12,612	(276)	N/A	N/A
2016	15,000	15,000	-	N/A	N/A
2017	73,000	73,000	-	N/A	N/A
2018	77,550	77,550	-	N/A	N/A
2019	90,217	90,217	-	N/A	N/A
2020	96,532	96,532	-	N/A	N/A
2021	133,957	133,957	-	N/A	N/A

Notes: Actuarially determined contribution amounts are calculated as of July 1 biannually, which is 12 or 24 months prior to the beginning of the fiscal year in which contributions are reported. The actuarially determined contribution (ADC) included in this schedule is calculated as the normal cost payment plus the amortized portion of the unfunded actuarial accrued liability. Contributions were not based on a measure of payroll, therefore per GASB Statement No. 85, covered payroll was not presented.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Individual entry-age
Amortization method	Level-dollar open
Remaining amortization period	10 years
Asset valuation method	Market value
Inflation	2.50%
Investment rate of return	7.00%
Retirement age	55
Mortality	1994 Group Annuity

City of Clawson
Required Supplementary Information
Fire Department Pension System
Schedule of Investment Returns

Fiscal Year Ended June 30,	Annual Return % *
2015	Not available
2016	Not available
2017	Not available
2018	Not available
2019	Not available
2020	Not available
2021	28.70%

* Annual money-weighted rate of return, net of investment expenses

GASB Statement No. 67 was implemented for the fiscal year ended June 30, 2014 and does not require retroactive implementation. Data will be added as information is available until 10 years of such data is available.

City of Clawson
Required Supplementary Information
Other Post Employment Benefits
Schedule of Changes in Total OPEB Liability and Related Ratios
June 30, 2021

Fiscal year ended June 30,	2021	2020	2019	2018
Total OPEB Liability				
Service cost	\$ 184,208	\$ 178,843	\$ 175,268	\$ 171,832
Interest	386,586	819,579	810,024	799,154
Differences between expected and actual experience	(1,863,639)	-	-	-
Changes in assumptions	1,430,207	-	-	-
Benefit payments	<u>(829,847)</u>	<u>(768,377)</u>	<u>(749,254)</u>	<u>(769,341)</u>
Net change in total OPEB liability	(692,485)	230,045	236,038	201,645
Total OPEB liability - beginning	<u>14,761,304</u>	<u>14,531,259</u>	<u>14,295,221</u>	<u>14,093,576</u>
Total OPEB liability - ending (a)	<u>\$ 14,068,819</u>	<u>\$ 14,761,304</u>	<u>\$ 14,531,259</u>	<u>\$ 14,295,221</u>
Plan fiduciary net position as a percentage of total OPEB liability	- %	- %	- %	- %
Covered payroll	N/A	N/A	N/A	N/A
Net OPEB liability as a percentage of covered payroll	N/A	N/A	N/A	N/A

Note: GASB Statement No. 75 was implemented for the fiscal year ended June 30, 2018 and does not require retroactive implementation. Data will be added as information is available until 10 years of such data is available. Contributions were not based on a measure of payroll, therefore per GASB Statement No. 85, covered payroll was not presented.

City of Clawson
Required Supplementary Information
Other Post Employment Benefits
Schedule of Employer Contributions
June 30, 2021

Fiscal Year Ending June 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2012	\$ 852,461	\$ 509,609	\$ 342,852	N/A	N/A
2013	985,720	479,311	506,409	N/A	N/A
2014	1,035,006	435,221	599,785	N/A	N/A
2015	1,886,756	411,132	1,475,624	N/A	N/A
2016	970,986	391,810	579,176	N/A	N/A
2017	1,009,825	522,725	487,100	N/A	N/A
2018	1,050,218	814,173	236,045	N/A	N/A
2019	1,082,227	760,504	321,723	N/A	N/A
2020	1,093,049	777,377	315,672	N/A	N/A
2021	N/A	833,847	N/A	N/A	N/A

Notes to Schedule of Contributions

Valuation date: June 30, 2021

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Inflation	2.50%
Healthcare cost trend rates	7.5% initial, decreasing to an ultimate rate of 4.5%
Salary increases	3.00%
Investment rate of return	2.18%
Retirement age	50 to 60 years of age
Mortality	Pub-2010 mortality tables, with generational improvements using Scale MP-2019

City of Clawson
Other Supplementary Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2021

	Special Revenue Funds			Debt Service Funds				Capital Projects Funds	Total Nonmajor Governmental Funds
	Local Street Fund	Library Fund	Refuse Collection Fund	Pension Bond Debt Fund	Park Improvement G.O. Bonds Debt Fund	Library G.O. Bonds Debt Fund	Sidewalk G.O. Bonds Debt Fund	Sidewalk Construction Fund	
Assets									
Cash and cash equivalents	\$ 238,021	\$ 392,241	\$ 54,019	\$ 12,829	\$ 25,179	\$ -	\$ 10,174	\$ 938,527	\$ 1,670,990
Receivables									
Customers	1,500	-	76	-	-	-	-	-	1,576
Special assessments	-	-	76	-	-	-	-	-	76
Due from other units of government	57,387	-	-	-	-	-	-	-	57,387
Prepaid items	2,686	713	-	-	-	-	-	-	3,399
Total assets	\$ 299,594	\$ 392,954	\$ 54,171	\$ 12,829	\$ 25,179	\$ -	\$ 10,174	\$ 938,527	\$ 1,733,428

City of Clawson
Other Supplementary Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2021

	Special Revenue Funds			Debt Service Funds				Capital Projects Funds	Total Nonmajor Governmental Funds
	Local Street Fund	Library Fund	Refuse Collection Fund	Pension Bond Debt Fund	Park Improvement G.O. Bonds Debt Fund	Library G.O. Bonds Debt Fund	Sidewalk G.O. Bonds Debt Fund	Sidewalk Construction Fund	
Liabilities									
Accounts payable	\$ 3,431	\$ 1,609	\$ 45,229	\$ -	\$ -	\$ -	\$ -	\$ 6,850	\$ 57,119
Accrued and other liabilities	589	3,536	-	-	-	-	-	-	4,125
Total liabilities	4,020	5,145	45,229	-	-	-	-	6,850	61,244
Fund Balances									
Non-spendable									
Prepaid items	2,686	713	-	-	-	-	-	-	3,399
Restricted for									
Streets	292,888	-	-	-	-	-	-	-	292,888
Library	-	387,096	-	-	-	-	-	-	387,096
Refuse collection	-	-	8,942	-	-	-	-	-	8,942
Debt service	-	-	-	12,829	25,179	-	10,174	-	48,182
Capital projects	-	-	-	-	-	-	-	931,677	931,677
Total fund balances	295,574	387,809	8,942	12,829	25,179	-	10,174	931,677	1,672,184
Total liabilities and fund balances	\$ 299,594	\$ 392,954	\$ 54,171	\$ 12,829	\$ 25,179	\$ -	\$ 10,174	\$ 938,527	\$ 1,733,428

City of Clawson
Other Supplementary Information
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2021

	Special Revenue Funds			Debt Service Funds				Capital Projects Fund	Total Nonmajor Governmental Funds
	Local Street Fund	Library Fund	Refuse Collection Fund	Pension Bond Debt Fund	Park Improvement G.O. Bonds Debt Fund	Library G.O. Bonds Debt Fund	Sidewalk G.O. Bonds Debt Fund	Sidewalk Construction Fund	
Revenues									
Taxes	\$ -	\$ 457,836	\$ 1,020,687	\$ -	\$ 272,174	\$ -	\$ 196,885	\$ -	\$ 1,947,582
Federal grants	-	5,203	-	-	-	-	-	49,071	54,274
State-shared revenue	350,474	-	-	-	-	-	-	-	350,474
Other state grants	40,377	45,486	24,152	-	6,379	-	2,038	-	118,432
Local contributions	-	9,853	-	-	-	-	-	-	9,853
Charges for services	-	813	15,016	-	-	-	-	-	15,829
Fines and forfeitures	-	1,296	-	-	-	-	-	-	1,296
Interest income	-	-	-	-	35	2	26	-	63
Other revenue	8,340	-	-	-	-	-	-	-	8,340
Total revenues	399,191	520,487	1,059,855	-	278,588	2	198,949	49,071	2,506,143

City of Clawson
Other Supplementary Information
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2021

	Special Revenue Funds			Debt Service Funds				Capital Projects Fund	Total Nonmajor Governmental Funds
	Local Street Fund	Library Fund	Refuse Collection Fund	Pension Bond Debt Fund	Park Improvement G.O. Bonds Debt Fund	Library G.O. Bonds Debt Fund	Sidewalk G.O. Bonds Debt Fund	Sidewalk Construction Fund	
Expenditures									
Current									
Public works	\$ 408,387	\$ -	\$ 1,094,197	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,502,584
Recreation and culture	-	395,038	-	-	-	-	-	-	395,038
Capital outlay	-	-	-	-	-	-	-	260,124	260,124
Debt service									
Principal retirement	-	-	-	615,000	155,000	-	160,000	-	930,000
Interest and fiscal charges	-	-	-	496,378	117,193	-	35,750	-	649,321
Bond issuance costs	-	-	-	-	-	-	-	25,152	25,152
Total expenditures	408,387	395,038	1,094,197	1,111,378	272,193	-	195,750	285,276	3,762,219
Excess (deficiency) of revenues over expenditures	(9,196)	125,449	(34,342)	(1,111,378)	6,395	2	3,199	(236,205)	(1,256,076)
Other financing sources (uses)									
Transfers in	110,000	-	34,500	1,115,150	-	-	-	-	1,259,650
Transfers out	-	(55,700)	-	-	-	(12,599)	-	-	(68,299)
Issuance of debt	-	-	-	-	-	-	-	835,000	835,000
Total other financing sources and uses	110,000	(55,700)	34,500	1,115,150	-	(12,599)	-	835,000	2,026,351
Net change in fund balance	100,804	69,749	158	3,772	6,395	(12,597)	3,199	598,795	770,275
Fund balance - beginning of year	168,886	298,156	8,784	9,057	18,784	12,597	6,975	332,882	856,121
Prior period adjustment	25,884	19,904	-	-	-	-	-	-	45,788
Fund balance - beginning of year (restated)	194,770	318,060	8,784	9,057	18,784	12,597	6,975	332,882	901,909
Fund balance - end of year	\$ 295,574	\$ 387,809	\$ 8,942	\$ 12,829	\$ 25,179	\$ -	\$ 10,174	\$ 931,677	\$ 1,672,184