

**City of Clawson**

**Financial Statements**

**June 30, 2022**



## Table of Contents

<b>Section</b>		<b>Page</b>
1	<b>List of Elected and Appointed Officials</b>	1 – 1
2	<b>Independent Auditors' Report</b>	2 – 1
3	<b>Management's Discussion and Analysis</b>	3 – 1
4	<b>Basic Financial Statements</b>	
	Government-wide Financial Statements	
	Statement of Net Position	4 – 1
	Statement of Activities	4 – 3
	Fund Financial Statements	
	Governmental Funds	
	Balance Sheet	4 – 4
	Reconciliation of Fund Balances of Governmental Funds to Net Position of Governmental Activities	4 – 6
	Statement of Revenues, Expenditures and Changes in Fund Balances	4 – 7
	Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	4 – 9
	Proprietary Funds	
	Statement of Net Position	4 – 10
	Statement of Revenues, Expenses and Changes in Fund Net Position	4 – 12
	Statement of Cash Flows	4 – 14
	Fiduciary Funds	
	Statement of Fiduciary Net Position	4 – 16
	Statement of Changes in Fiduciary Net Position	4 – 17
	Notes to the Financial Statements	4 – 18

<b>Section</b>	<b>Page</b>	
<b>5</b>	<b>Required Supplementary Information</b>	
	Budgetary Comparison Schedule	
	General Fund	5 – 1
	Major Street Fund	5 – 5
	American Rescue Plan Act Fund	5 – 6
	Schedule of Changes in Net Pension Liability and Related Ratios - MERS	5 – 7
	Schedule of Employer Contributions - Pension - MERS	5 – 8
	Schedule of Changes in Net Pension Liability (Asset) and Related Ratios - Fire Department	5 – 9
	Schedule of Employer Contributions - Pension - Fire Department	5 – 10
	Schedule of Investment Returns - Pension - Fire Department	5 – 11
	Schedule of Changes in Total OPEB Liability and Related Ratios	5 – 12
	Schedule of Employer Contributions - OPEB	5 – 13
<b>6</b>	<b>Other Supplementary Information</b>	
	Nonmajor Governmental Funds	
	Combining Balance Sheet	6 – 1
	Combining Statement of Revenue, Expenditures and Changes in Fund Balances	6 – 3

**City of Clawson**  
**List of Elected and Appointed Officials**  
**June 30, 2022**

---

Council

Paula Millan – Mayor

Glenn Shepard

Bruce Anderson

Louis Samson

Other Officers and Officials

August Gitschlag – Clerk

Jennifer Tomlinson – Interim Treasurer

Joseph Rheker – City Manager

Kelly Rau – Finance Director



800.968.0010 | yeoandyeo.com

## Independent Auditors' Report

Honorable Mayor and City Council  
City of Clawson  
Clawson, MI

### Report on the Audit of the Financial Statements

#### Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate 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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Clawson as of June 30, 2022, 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.

#### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Clawson, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### Correction of an Error

As described in Note 16 to the financial statements, the beginning fund balance of the General Fund and beginning net position of the governmental activities was restated to correct an error. Our opinions are not modified with respect to this matter.

## **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Clawson's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness the City of Clawson's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Clawson's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules, municipal employee's retirement system schedules, fire department retirement system schedules and OPEB schedules, as identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

## 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. Such information 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 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 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  
December 14, 2022

**City of Clawson**  
**Management's Discussion and Analysis**  
**June 30, 2022**

---

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, 2022. 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 \$6,742,686 -deficit in net position-while Business Type Activities had net position of \$11,980,289.
- As of the close of the current fiscal year, the City of Clawson's governmental funds reported combined ending fund balances of \$7,538,052, an increase of \$515,975 in comparison with the prior year. Approximately 59 percent of this amount, \$4,466,922 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, 2022**

---

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

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

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

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

**City of Clawson**  
**Management's Discussion and Analysis**  
**June 30, 2022**

**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 5-7 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 \$5,237,603 at the close of the most recent fiscal year.

By far the largest portion of the City of Clawson's net position \$20,998,718 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	
	2022	2021	2022	2021	2022	2021
Current & other assets	\$ 9,916,620	\$ 8,352,981	\$ 9,999,107	\$ 9,744,794	\$ 19,915,727	\$ 18,097,775
Capital assets	27,301,649	28,577,919	6,265,657	6,449,875	33,567,306	35,027,794
Total assets	<u>37,218,269</u>	<u>36,930,900</u>	<u>16,264,764</u>	<u>16,194,669</u>	<u>53,483,033</u>	<u>53,125,569</u>
Deferred outflows of resources	680,982	300,836	-	-	680,982	300,836
Long-term liabilities	39,245,693	45,511,239	3,934,360	4,982,016	43,180,053	50,493,255
Other liabilities	2,502,578	932,091	350,115	314,538	2,852,693	1,246,629
Total liabilities	<u>41,748,271</u>	<u>46,443,330</u>	<u>4,284,475</u>	<u>5,296,554</u>	<u>46,032,746</u>	<u>51,739,884</u>
Deferred inflows of resources	2,893,665	2,194,366	-	-	2,893,665	2,194,366
Net position						
Net investment in capital assets	11,594,897	11,069,358	9,403,821	9,227,462	20,998,718	20,296,820
Restricted	1,908,733	1,537,082	-	-	1,908,733	1,537,082
Unrestricted (deficit)	<u>(20,246,315)</u>	<u>(24,012,400)</u>	<u>2,576,468</u>	<u>1,670,653</u>	<u>(17,669,847)</u>	<u>(22,341,747)</u>
Total net position	<u>\$ (6,742,685)</u>	<u>\$ (11,405,960)</u>	<u>\$ 11,980,289</u>	<u>\$ 10,898,115</u>	<u>\$ 5,237,604</u>	<u>\$ (507,845)</u>

Prior year balances were not restated in the above presentation.

During the current fiscal year, net position increased by \$5,745,449, as compared to an decrease in net position of \$2,625,427 in the prior year.

**City of Clawson**  
**Management's Discussion and Analysis**  
**June 30, 2022**

**Governmental Activities**

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
<b>Program revenues:</b>						
Charges for services	\$ 1,109,798	\$ 1,249,189	\$ 5,156,304	\$ 5,164,852	\$ 6,266,102	\$ 6,414,041
Operating grants and contributions	1,555,661	2,105,760	14,932	15,416	1,570,593	2,121,176
Capital grants and contributions	-	5,038	-	1,525	-	6,563
<b>General revenues:</b>						
Property taxes	9,356,114	8,866,382	411,288	657,423	9,767,402	9,523,805
State shared revenue	1,423,110	1,314,666	-	-	1,423,110	1,314,666
Investment earnings	-	-	6,975	12,541	6,975	12,541
Miscellaneous	42,284	73,201	20,390	21,491	62,674	94,692
<b>Total revenues</b>	<b>13,486,967</b>	<b>13,614,236</b>	<b>5,609,889</b>	<b>5,873,248</b>	<b>19,096,856</b>	<b>19,487,484</b>
<b>Expenses</b>						
General government	1,368,672	1,492,677	-	-	1,368,672	1,492,677
Public safety	2,836,411	3,597,146	-	-	2,836,411	3,597,146
Public works	2,877,660	4,082,883	-	-	2,877,660	4,082,883
Health and welfare	63,674	62,258	-	-	63,674	62,258
Community and economic development	139,031	145,071	-	-	139,031	145,071
Recreation and cultural	1,054,701	989,025	-	-	1,054,701	989,025
Interest on long-term debt:	1,107,216	1,213,539	-	-	1,107,216	1,213,539
Water and sewer	-	-	4,134,251	4,670,800	4,134,251	4,670,800
Senior housing	-	-	48,652	57,852	48,652	57,852
<b>Total expenses</b>	<b>9,447,365</b>	<b>11,582,599</b>	<b>4,182,903</b>	<b>4,728,652</b>	<b>13,630,268</b>	<b>16,311,251</b>
Change in net position before transfers	4,039,602	2,031,637	1,426,986	1,144,596	5,466,588	3,176,233
Transfers	344,812	345,300	(344,812)	(345,300)	-	-
Change in net position	4,384,414	2,376,937	1,082,174	799,296	5,466,588	3,176,233
Prior period adjustment	263,261	983,833	-	(1,534,639)	263,261	(550,806)
Net position - beginning	(11,405,960)	(14,766,730)	10,898,115	11,633,458	(507,845)	(3,133,272)
<b>Total net position</b>	<b>\$ (6,758,285)</b>	<b>\$ (11,405,960)</b>	<b>\$ 10,980,289</b>	<b>\$ 10,898,115</b>	<b>\$ 5,222,004</b>	<b>\$ (507,845)</b>

Prior year balances were not restated in the above presentation.

**Business-type Activities**

Business-type activities increased the City of Clawson's net position by \$1,082,174, as compared to a \$735,343 decrease 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 \$7,538,052, an increase of \$515,975 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 \$4,466,922, while total fund balance is \$4,490,780. 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 58.6 percent of that same amount.

The fund balance of the City of Clawson's general fund increased by \$410,877 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 \$2,373,078 and \$203,390 for the Senior Housing Fund. The Water and Sewer Fund increased net position by \$1,048,931 and the Senior Housing Fund had an increase in net position of \$33,243. 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 2022, 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 over the total budgeted amount by \$47,668.

**City of Clawson**  
**Management's Discussion and Analysis**  
**June 30, 2022**

---

**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, 2022, amounts to \$33,567,306 in tangible assets, and \$6,026,273 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 \$31,014,501. During fiscal year 2022, the City paid down \$3,231,309 of debt principal.

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 annual 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 current state of the economy, which is higher inflation and the threat of a recession, will provide even more of a challenge in managing these costs.

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 2022-2023 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. The increased cost of services and supplies will drive the infrastructure repairs.

**City of Clawson  
Management's Discussion and Analysis  
June 30, 2022**

---

**Requests for Information**

This financial report is designed to provide a general overview of the City of Clawson's finances for all those with an interest in the government's finances. Questions should be addressed to the Office of the City Manager, City of Clawson, 425 N. Main Street, Clawson, Michigan 48017-1555.

**City of Clawson**  
**Statement of Net Position**  
**June 30, 2022**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and cash equivalents	\$ 4,263,817	\$ 1,082,677	\$ 5,346,494	\$ 47,911
Investments	5,304,914	1,107,991	6,412,905	-
Receivables				
Customers	124,769	1,315,326	1,440,095	-
Special assessments	4,014	185,491	189,505	-
Due from other units of government	452,325	-	452,325	-
Internal balances	(277,078)	277,078	-	-
Inventories	11,244	-	11,244	-
Prepaid items	32,615	4,271	36,886	-
Intangible assets, net of accumulated amortization	-	6,026,273	6,026,273	-
Capital assets not being depreciated	724,103	54,028	778,131	-
Capital assets, net of accumulated depreciation	<u>26,577,546</u>	<u>6,211,629</u>	<u>32,789,175</u>	-
Total assets	<u>37,218,269</u>	<u>16,264,764</u>	<u>53,483,033</u>	<u>47,911</u>
<b>Deferred Outflows of Resources</b>				
Deferred amount relating to net pension liability - MERS	134,898	-	134,898	-
Deferred amount relating to net pension liability - fire department	<u>546,084</u>	<u>-</u>	<u>546,084</u>	<u>-</u>
Total deferred outflows of resources	<u>680,982</u>	<u>-</u>	<u>680,982</u>	<u>-</u>

See Accompanying Notes to the Financial Statements

**City of Clawson**  
**Statement of Net Position**  
**June 30, 2022**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
<b>Liabilities</b>				
Accounts payable	\$ 537,128	\$ 308,304	\$ 845,432	\$ 549
Accrued and other liabilities	211,182	41,617	252,799	527
Due to other units of government	6,265	-	6,265	-
Due to fiduciary fund	-	194	194	-
Deposits	448,070	-	448,070	-
Unearned revenue	1,299,933	-	1,299,933	-
Noncurrent liabilities				
Compensated absences due within one year	200,000	20,505	220,505	-
Compensated absences due in more than one year	193,585	-	193,585	-
Debt due within one year	2,885,315	522,951	3,408,266	-
Debt due in more than one year	25,771,686	2,365,158	28,136,844	-
Net pension liability - MERS	244,727	-	244,727	-
Net pension liability - fire department	178,632	-	178,632	-
Total OPEB liability	9,771,748	1,025,746	10,797,494	-
Total liabilities	<u>41,748,271</u>	<u>4,284,475</u>	<u>46,032,746</u>	<u>1,076</u>
<b>Deferred Inflows of Resources</b>				
Deferred amount relating to net pension liability - MERS	2,160,235	-	2,160,235	-
Deferred amount relating to net pension liability - fire department	733,430	-	733,430	-
Total deferred inflows of resources	<u>2,893,665</u>	<u>-</u>	<u>2,893,665</u>	<u>-</u>
<b>Net Position</b>				
Net investment in capital assets	11,594,897	9,403,821	20,998,718	-
Restricted for				
Streets	1,374,347	-	1,374,347	-
Library	420,120	-	420,120	-
Refuse collection	33,648	-	33,648	-
Debt service	80,618	-	80,618	-
Unrestricted (deficit)	<u>(20,246,315)</u>	<u>2,576,468</u>	<u>(17,669,847)</u>	<u>46,835</u>
Total net position	<u>\$ (6,742,685)</u>	<u>\$ 11,980,289</u>	<u>\$ 5,237,604</u>	<u>\$ 46,835</u>

See Accompanying Notes to the Financial Statements

**City of Clawson**  
**Statement of Activities**  
**For the Year Ended June 30, 2022**

Functions/Programs	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	
<b>Primary government</b>								
Governmental activities								
General government	\$ 1,368,672	\$ 763,747	\$ 239,697	\$ -	\$ (365,228)	\$ -	\$ (365,228)	\$ -
Public safety	2,836,411	272,745	2,018	-	(2,561,648)	-	(2,561,648)	-
Public works	2,877,660	18,704	1,287,633	-	(1,571,323)	-	(1,571,323)	-
Health and welfare	63,674	-	-	-	(63,674)	-	(63,674)	-
Community and economic development	139,031	-	-	-	(139,031)	-	(139,031)	-
Recreation and culture	1,054,701	54,602	26,313	-	(973,786)	-	(973,786)	-
Interest and fiscal charges on long-term debt	1,107,216	-	-	-	(1,107,216)	-	(1,107,216)	-
Total governmental activities	<u>9,447,365</u>	<u>1,109,798</u>	<u>1,555,661</u>	<u>-</u>	<u>(6,781,906)</u>	<u>-</u>	<u>(6,781,906)</u>	<u>-</u>
Business-type activities								
Water and Sewer	4,134,251	5,064,409	14,932	-	-	945,090	945,090	-
Senior Citizen Housing	48,652	91,895	-	-	-	43,243	43,243	-
Total business-type activities	<u>4,182,903</u>	<u>5,156,304</u>	<u>14,932</u>	<u>-</u>	<u>-</u>	<u>988,333</u>	<u>988,333</u>	<u>-</u>
Total primary government	<u>\$ 13,630,268</u>	<u>\$ 6,266,102</u>	<u>\$ 1,570,593</u>	<u>\$ -</u>	<u>(6,781,906)</u>	<u>988,333</u>	<u>(5,793,573)</u>	<u>-</u>
<b>Component unit</b>								
Downtown Development Authority	\$ 202,534	\$ -	\$ 32,200	\$ -				(170,334)
General revenues								
Property taxes					9,356,114	411,288	9,767,402	151,579
Unrestricted state-shared revenue					1,423,110	-	1,423,110	-
Unrestricted investment earnings					-	6,975	6,975	41
Gain on sale of capital assets					15,600	-	15,600	-
Miscellaneous					42,284	20,390	62,674	15,785
Transfers					344,812	(344,812)	-	-
Total general revenues and transfers					<u>11,181,920</u>	<u>93,841</u>	<u>11,275,761</u>	<u>167,405</u>
Change in net position					<u>4,400,014</u>	<u>1,082,174</u>	<u>5,482,188</u>	<u>(2,929)</u>
Net position - beginning of year					(11,405,960)	10,898,115	(507,845)	49,764
Prior period adjustment					263,261	-	263,261	-
Net position - beginning of year, as restated					<u>(11,142,699)</u>	<u>10,898,115</u>	<u>(244,584)</u>	<u>49,764</u>
Net position - end of year					<u>\$ (6,742,685)</u>	<u>\$ 11,980,289</u>	<u>\$ 5,237,604</u>	<u>\$ 46,835</u>

See Accompanying Notes to the Financial Statements



**City of Clawson  
Governmental Funds  
Balance Sheet  
June 30, 2022**

	General	Special Revenue Funds		Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
		Major Street Fund	American Rescue Plan Act Fund	Fund G.O. Bond Debt Fund		
<b>Assets</b>						
Cash and cash equivalents	\$ 769,616	\$ 356,819	\$ 1,244,776	\$ 189,778	\$ 1,613,887	\$ 4,174,876
Investments	4,196,923	1,107,991	-	-	-	5,304,914
Receivables						
Customers	122,219	-	-	-	2,550	124,769
Special assessments	3,938	-	-	-	76	4,014
Due from other units of government	260,539	135,909	-	-	55,877	452,325
Inventories	-	11,244	-	-	-	11,244
Prepaid items	23,858	5,126	-	-	1,999	30,983
<b>Total assets</b>	<b>\$ 5,377,093</b>	<b>\$ 1,617,089</b>	<b>\$ 1,244,776</b>	<b>\$ 189,778</b>	<b>\$ 1,674,389</b>	<b>\$ 10,103,125</b>

See Accompanying Notes to the Financial Statements

**City of Clawson  
Governmental Funds  
Balance Sheet  
June 30, 2022**

	General	Special Revenue Funds		Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
		Major Street Fund	American Rescue Plan Act Fund	Fund G.O. Bond Debt Fund		
<b>Liabilities</b>						
Accounts payable	\$ 376,821	\$ 43,078	\$ -	\$ -	\$ 108,381	\$ 528,280
Accrued and other liabilities	-	-	-	-	5,447	5,447
Due to other units of government	6,265	-	-	-	-	6,265
Advance from other funds	-	277,078	-	-	-	277,078
Deposits	448,070	-	-	-	-	448,070
Unearned revenue	55,157	-	1,244,776	-	-	1,299,933
Total liabilities	<u>886,313</u>	<u>320,156</u>	<u>1,244,776</u>	<u>-</u>	<u>113,828</u>	<u>2,565,073</u>
<b>Fund Balances</b>						
Non-spendable						
Inventories	-	11,244	-	-	-	11,244
Prepaid items	23,858	5,126	-	-	1,999	30,983
Restricted for						
Streets	-	1,280,563	-	-	321,002	1,601,565
Library	-	-	-	-	419,830	419,830
Refuse collection	-	-	-	-	33,648	33,648
Debt service	-	-	-	189,778	89,429	279,207
Capital projects	-	-	-	-	694,653	694,653
Unassigned	4,466,922	-	-	-	-	4,466,922
Total fund balances	<u>4,490,780</u>	<u>1,296,933</u>	<u>-</u>	<u>189,778</u>	<u>1,560,561</u>	<u>7,538,052</u>
Total liabilities and fund balances	<u>\$ 5,377,093</u>	<u>\$ 1,617,089</u>	<u>\$ 1,244,776</u>	<u>\$ 189,778</u>	<u>\$ 1,674,389</u>	<u>\$ 10,103,125</u>

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, 2022**

---

<b>Total fund balances for governmental funds</b>	<b>\$ 7,538,052</b>
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.	25,878,240
Capital assets not being depreciated used in governmental activities are not financial resources and therefore are not reported in the funds.	724,103
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(198,589)
Compensated absences	(375,482)
Claims and judgments	(150,596)
Deferred outflows (inflows) of resources.	
Deferred inflows of resources resulting from net pension liability - MERS	(2,160,235)
Deferred inflows of resources resulting from net pension liability - fire department	(733,430)
Deferred outflows of resources resulting from net pension liability - MERS	134,898
Deferred outflows of resources resulting from net pension liability - fire department	546,084
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	(28,332,562)
Net pension liability - MERS	(244,727)
Net pension liability - fire department	(178,632)
Total OPEB liability	(9,634,345)
Internal service funds are included as part of governmental activities.	444,536
<b>Net position of governmental activities</b>	<b>\$ (6,742,685)</b>

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, 2022**

	Special Revenue Funds			Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
	General	Major Street Fund	American Rescue Plan Act Fund	G.O. Bond Debt Fund		
<b>Revenues</b>						
Taxes	\$ 5,746,417	\$ -	\$ -	\$ 1,439,838	\$ 2,127,373	\$ 9,313,628
Licenses and permits	471,303	-	-	-	-	471,303
Federal grants	-	-	-	-	2,797	2,797
State-shared revenue	1,423,110	887,506	-	-	376,734	2,687,350
Other state grants	119,496	-	-	31,832	116,333	267,661
Local contributions	97,088	-	-	-	5,263	102,351
Charges for services	315,436	-	-	-	18,763	334,199
Fines and forfeitures	215,141	-	-	-	1,696	216,837
Investment income (loss)	(70,523)	5,947	-	60	75	(64,441)
Rental income	48,557	-	-	-	-	48,557
Other revenue	106,710	-	-	-	15	106,725
<b>Total revenues</b>	<b>8,472,735</b>	<b>893,453</b>	<b>-</b>	<b>1,471,730</b>	<b>2,649,049</b>	<b>13,486,967</b>

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, 2022**

	Special Revenue Funds			Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
	General	Major Street Fund	American Rescue Plan Act Fund	Fund G.O. Bond Debt Fund		
<b>Expenditures</b>						
Current						
General government	\$ 1,357,714	\$ -	\$ -	\$ -	\$ -	\$ 1,357,714
Public safety	3,022,482	-	-	-	-	3,022,482
Public works	793,196	453,102	-	-	1,637,231	2,883,529
Health and welfare	80,788	-	-	-	-	80,788
Community and economic development	176,399	-	-	-	-	176,399
Recreation and culture	541,525	-	-	-	438,462	979,987
Other functions	1,115,690	-	-	-	-	1,115,690
Capital outlay	-	-	-	-	237,024	237,024
Debt service						
Principal retirement	395,538	75,000	-	990,000	1,055,000	2,515,538
Interest and fiscal charges	75,940	18,479	-	431,881	633,195	1,159,495
Total expenditures	<u>7,559,272</u>	<u>546,581</u>	<u>-</u>	<u>1,421,881</u>	<u>4,000,912</u>	<u>13,528,646</u>
Excess (deficiency) of revenues over expenditures	<u>913,463</u>	<u>346,872</u>	<u>-</u>	<u>49,849</u>	<u>(1,351,863)</u>	<u>(41,679)</u>
<b>Other financing sources (uses)</b>						
Transfers in	10,000	-	-	-	1,296,042	1,306,042
Transfers out	(791,447)	(180,000)	-	-	(55,802)	(1,027,249)
Sale of capital assets	15,600	-	-	-	-	15,600
Total other financing sources and uses	<u>(765,847)</u>	<u>(180,000)</u>	<u>-</u>	<u>-</u>	<u>1,240,240</u>	<u>294,393</u>
Net change in fund balances	<u>147,616</u>	<u>166,872</u>	<u>-</u>	<u>49,849</u>	<u>(111,623)</u>	<u>252,714</u>
Fund balances - beginning of year	4,079,903	1,130,061	-	139,929	1,672,184	7,022,077
Prior period adjustment	263,261	-	-	-	-	263,261
Fund balances - beginning of year (restated)	<u>4,343,164</u>	<u>1,130,061</u>	<u>-</u>	<u>139,929</u>	<u>1,672,184</u>	<u>7,285,338</u>
Fund balances - end of year	<u>\$ 4,490,780</u>	<u>\$ 1,296,933</u>	<u>\$ -</u>	<u>\$ 189,778</u>	<u>\$ 1,560,561</u>	<u>\$ 7,538,052</u>

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, 2022**

<b>Net change in fund balances - total governmental funds</b>	\$ 252,714
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	(1,523,950)
Capital outlay	352,080
Expenses are recorded when incurred in the statement of activities.	
Accrued interest	18,612
Compensated absences	118,936
Claims and judgments	(82,166)
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	899,125
Net change in the deferred inflow of resources related to the net pension liability - MERS	(1,393,449)
Net change in the deferred outflow of resources related to the net pension liability - MERS	93,348
Net change in net pension liability - fire department	(892,950)
Net change in the deferred inflow of resources related to the net pension liability - fire department	694,150
Net change in the deferred outflow of resources related to the net pension liability - fire department	286,798
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	2,797,586
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.	
Repayments of long-term debt	2,515,538
Amortization of premiums, discounts and similar items	47,502
Internal service funds are also included as governmental activities	216,140
<b>Change in net position of governmental activities</b>	<b>\$ 4,400,014</b>

See Accompanying Notes to the Financial Statements

**City of Clawson**  
**Proprietary Funds**  
**Statement of Net Position**  
**June 30, 2022**

	Enterprise Funds			Internal Service Fund
	Water and Sewer Fund	Nonmajor Senior Citizens Housing	Total	
<b>Assets</b>				
Current assets				
Cash and cash equivalents	\$ 888,122	\$ 194,555	\$ 1,082,677	\$ 88,941
Investments	1,107,991	-	1,107,991	-
Receivables				
Customers	1,305,016	10,310	1,315,326	-
Special assessments, current	185,491	-	185,491	-
Prepaid items	4,271	-	4,271	1,632
Total current assets	3,490,891	204,865	3,695,756	90,573
Noncurrent assets				
Advances to other funds	277,078	-	277,078	-
Intangible assets, net of accumulated amortization	6,026,273	-	6,026,273	-
Capital assets, net of accumulated depreciation	6,052,141	159,488	6,211,629	699,306
Capital assets not being depreciated	-	54,028	54,028	-
Total noncurrent assets	12,355,492	213,516	12,569,008	699,306
Total assets	15,846,383	418,381	16,264,764	789,879

See Accompanying Notes to the Financial Statements

**City of Clawson**  
**Proprietary Funds**  
**Statement of Net Position**  
**June 30, 2022**

	Enterprise Funds			
	Water and Sewer Fund	Nonmajor Senior Citizens Housing	Total	Internal Service Fund
<b>Liabilities</b>				
Current liabilities				
Accounts payable	\$ 307,579	\$ 725	\$ 308,304	\$ 8,848
Accrued and other liabilities	40,117	-	40,117	7,146
Due to fiduciary fund	194	-	194	-
Current portion of noncurrent liabilities	543,456	-	543,456	46,492
Total current liabilities	891,346	725	892,071	62,486
Noncurrent liabilities				
Customer deposits payable	750	750	1,500	-
Compensated absences	-	-	-	18,103
Total OPEB liability	1,025,746	-	1,025,746	137,403
Long-term debt net of current portion	2,365,158	-	2,365,158	127,351
Total noncurrent liabilities	3,391,654	750	3,392,404	282,857
Total liabilities	4,283,000	1,475	4,284,475	345,343
<b>Net Position</b>				
Net investment in capital assets	9,190,305	213,516	9,403,821	525,463
Unrestricted (deficit)	2,373,078	203,390	2,576,468	(80,927)
Total net position	\$ 11,563,383	\$ 416,906	\$ 11,980,289	\$ 444,536

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, 2022**

	Enterprise Funds			Internal Service Fund
	Water and Sewer Fund	Nonmajor Senior Citizens Housing	Total	
<b>Operating revenue</b>				
Customer fees	\$ 5,064,409	\$ 1,075	\$ 5,065,484	\$ -
Billings to other funds	-	-	-	564,218
Rental income	-	90,820	90,820	-
Other revenue	20,390	-	20,390	4,647
<b>Total operating revenue</b>	<b>5,084,799</b>	<b>91,895</b>	<b>5,176,694</b>	<b>568,865</b>
<b>Operating expenses</b>				
Water department	1,010,368	-	1,010,368	-
Sewer department	2,614,116	-	2,614,116	-
Senior citizens housing	-	31,708	31,708	-
Motor pool	-	-	-	286,429
Depreciation and amortization	424,537	16,944	441,481	118,480
<b>Total operating expenses</b>	<b>4,049,021</b>	<b>48,652</b>	<b>4,097,673</b>	<b>404,909</b>
<b>Operating income</b>	<b>1,035,778</b>	<b>43,243</b>	<b>1,079,021</b>	<b>163,956</b>

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, 2022**

	Enterprise Funds			Internal Service Fund
	Water and Sewer Fund	Nonmajor Senior Citizens Housing	Total	
<b>Nonoperating revenue (expenses)</b>				
Property taxes	\$ 411,288	\$ -	\$ 411,288	\$ -
State grant	14,932	-	14,932	-
Interest income	6,975	-	6,975	-
Interest expense	(85,230)	-	(85,230)	(13,835)
 Total nonoperating revenues (expenses)	 347,965	 -	 347,965	 (13,835)
 Income before transfers	 1,383,743	 43,243	 1,426,986	 150,121
Transfers in	-	-	-	99,500
Transfers out	(334,812)	(10,000)	(344,812)	(33,481)
 Change in net position	 1,048,931	 33,243	 1,082,174	 216,140
Net position - beginning of year	10,514,452	383,663	10,898,115	228,396
Net position - end of year	\$ 11,563,383	\$ 416,906	\$ 11,980,289	\$ 444,536

See Accompanying Notes to the Financial Statements

**City of Clawson**  
**Proprietary Funds**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2022**

	Enterprise Funds			
	Water and Sewer Fund	Nonmajor Senior Citizens Housing	Total	Internal Service Fund
<b>Cash flows from operating activities</b>				
Receipts from customers	\$ 4,927,054	\$ 82,795	\$ 5,009,849	\$ 4,647
Receipts from interfund users	-	-	-	564,218
Receipts from other funds	194	-	194	-
Payments to other funds	-	-	-	(85,106)
Payments to suppliers	(3,209,887)	(30,983)	(3,240,870)	(322,129)
Payments to employees	(815,016)	-	(815,016)	-
Net cash provided (used) by operating activities	<u>902,345</u>	<u>51,812</u>	<u>954,157</u>	<u>161,630</u>
<b>Cash flows from noncapital financing activities</b>				
Transfer from other funds	-	-	-	99,500
Transfers to other funds	(334,812)	(10,000)	(344,812)	(33,481)
Advances from other funds	31,649	-	31,649	-
Property taxes	294,050	-	294,050	-
State grant	14,932	-	14,932	-
Net cash provided (used) by noncapital financing activities	<u>5,819</u>	<u>(10,000)</u>	<u>(4,181)</u>	<u>66,019</u>
<b>Cash flows from capital and related financing activities</b>				
Purchases/construction of capital assets	(5,462)	(7,400)	(12,862)	(14,080)
Principal and interest paid on long-term debt	(690,208)	-	(690,208)	(124,628)
Net cash provided (used) by capital and related financing activities	<u>(695,670)</u>	<u>(7,400)</u>	<u>(703,070)</u>	<u>(138,708)</u>

See Accompanying Notes to the Financial Statements

**City of Clawson**  
**Proprietary Funds**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2022**

	Enterprise Funds			
	Water and Sewer Fund	Nonmajor Senior Citizens Housing	Total	Internal Service Fund
<b>Cash flows from investing activities</b>				
Purchases of investments	\$ (205,546)	\$ -	\$ (205,546)	\$ -
Interest received	12,120	-	12,120	-
Net cash provided (used) by investing activities	<u>(193,426)</u>	<u>-</u>	<u>(193,426)</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	19,068	34,412	53,480	88,941
Cash and cash equivalents - beginning of year	<u>869,054</u>	<u>160,143</u>	<u>1,029,197</u>	<u>-</u>
Cash and cash equivalents - end of year	<u>\$ 888,122</u>	<u>\$ 194,555</u>	<u>\$ 1,082,677</u>	<u>\$ 88,941</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>				
Operating income (loss)	\$ 1,035,778	\$ 43,243	\$ 1,079,021	\$ 163,956
Adjustments to reconcile operating income (loss) to net cash from operating activities				
Depreciation and amortization expense	424,537	16,944	441,481	118,480
Changes in assets and liabilities				
Receivables (net)	(157,745)	(8,900)	(166,645)	-
Prepaid items	7,401	725	8,126	(780)
Accounts payable	27,907	-	27,907	(828)
Accrued and other liabilities	6,951	-	6,951	(15,331)
Due to other funds	-	-	-	(85,106)
Due to fiduciary fund	194	-	194	-
Customer deposits payable	-	(200)	(200)	-
Total OPEB liability	(436,875)	-	(436,875)	(36,864)
Compensated absences	<u>(5,803)</u>	<u>-</u>	<u>(5,803)</u>	<u>18,103</u>
Net cash provided (used) by operating activities	<u>\$ 902,345</u>	<u>\$ 51,812</u>	<u>\$ 954,157</u>	<u>\$ 161,630</u>

See Accompanying Notes to the Financial Statements

**City of Clawson**  
**Fiduciary Funds**  
**Statement of Fiduciary Net Position**  
**June 30, 2022**

	Pension Trust Fund	Custodial Fund
<b>Assets</b>		
Cash and cash equivalents	\$ -	\$ 18,337
Investments		
Mutual funds	3,925,809	-
Due from other funds	-	194
Total assets	3,925,809	18,531
<b>Liabilities</b>		
Accounts payable	-	92
Due to other units of government	-	18,439
Total liabilities	-	18,531
<b>Net Position</b>		
Restricted for pensions	\$ 3,925,809	\$ -

See Accompanying Notes to the Financial Statements

**City of Clawson**  
**Fiduciary Funds**  
**Statement of Changes in Fiduciary Net Position**  
**For the Year Ended June 30, 2022**

	Pension Trust Fund	Custodial Fund
<b>Additions</b>		
Contributions		
Employer	\$ 129,710	\$ -
<b>Investment earnings</b>		
Interest, dividends and other	(560,255)	-
<b>Other</b>		
Property tax collections for other governments	-	12,258,910
Total additions	(430,545)	12,258,910
<b>Deductions</b>		
Benefits paid to participants or beneficiaries	240,525	-
Administrative expense	60,304	-
Payments of property tax to other governments	-	12,258,910
Total deductions	300,829	12,258,910
Change in net position	(731,374)	-
Net position - beginning of year	4,657,183	-
Net position - end of year	\$ 3,925,809	\$ -

See Accompanying Notes to the Financial Statements

**City of Clawson**  
**Notes to the Financial Statements**  
**June 30, 2022**

---

**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, 2022 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

**City of Clawson**  
**Notes to the Financial Statements**  
**June 30, 2022**

---

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 American Rescue Plan Act Grant Fund accounts for the federal revenues and expenditures of the grant.

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 fund:

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.



**City of Clawson**  
**Notes to the Financial Statements**  
**June 30, 2022**

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 1<sup>st</sup> on the taxable valuation of property as of the preceding December 31<sup>st</sup>. Taxes are considered delinquent on March 1<sup>st</sup> of the following year, at which time penalties and interest are assessed.

The 2021 taxable valuation of the City totaled \$408,033,310, 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	13.0524	\$	5,325,237
Refuse	2.6100		1,064,947
Library	1.1515		469,846
Voted Debt	4.9900		2,036,034
Drain/Sewer	1.0100		412,114

**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

**City of Clawson**  
**Notes to the Financial Statements**  
**June 30, 2022**

---

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 assets 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

**City of Clawson**  
**Notes to the Financial Statements**  
**June 30, 2022**

---

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 assets 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.

**Upcoming Accounting and Reporting Changes**

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 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

**City of Clawson**  
**Notes to the Financial Statements**  
**June 30, 2022**

---

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.

Statement No. 100, *Accounting Changes and Error Corrections*, improves the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. More understandable, reliable, relevant, consistent and comparable information will be provided to financial statement users for making decisions or assessing accountability. Additionally, the display and note

disclosure requirements will result in more consistent, decision useful, understandable and comprehensive information for users about accounting changes and error corrections. This statement is effective for the year ending June 30, 2024.

Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This statement is effective for the year ending June 30, 2025.

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).

**City of Clawson**  
**Notes to the Financial Statements**  
**June 30, 2022**

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.

**Excess of Expenditures over Appropriations**

	<u>Appropriations</u>	<u>Actual</u>	<u>Budget Variance</u>
General Fund			
Public works	\$ 766,778	\$ 793,196	\$ 26,418
Community and economic development	165,575	176,399	10,824
Capital outlay			
Debt service	366,790	471,478	104,688

**Fund Deficit**

The City has an accumulated unrestricted net position deficit in the Motor Pool Fund in the amount of \$80,927 as of June 30, 2022. A deficit elimination plan is not required because current assets exceed current liabilities.

**Note 3 - Deposits and Investments**

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

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>	<u>Total</u>
Governmental activities	\$ 4,263,817	\$ 5,304,914	\$ 9,568,731
Business-type activities	1,082,677	1,107,991	2,190,668
Total	<u>5,346,494</u>	<u>6,412,905</u>	<u>11,759,399</u>
Fiduciary funds	18,337	3,925,809	3,944,146
Component unit	<u>47,911</u>	<u>-</u>	<u>47,911</u>
Total	<u>\$ 5,412,742</u>	<u>\$ 10,338,714</u>	<u>\$ 15,751,456</u>

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Unit</u>	<u>Total</u>
Bank deposits (checking and savings accounts, money markets and certificates of deposit)	\$ 5,345,330	\$ 18,337	\$ 47,761	\$ 5,411,428
Investments in securities, mutual funds and similar vehicles	6,412,905	3,925,809	-	10,338,714
Petty cash and cash on hand	<u>1,164</u>	<u>-</u>	<u>150</u>	<u>1,314</u>
	<u>\$ 11,759,399</u>	<u>\$ 3,944,146</u>	<u>\$ 47,911</u>	<u>\$ 15,751,456</u>

**City of Clawson**  
**Notes to the Financial Statements**  
**June 30, 2022**

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

Investment	Carrying Value	Maturities	Rating	Rating Organization
U.S. Government Bonds	\$ 234,060	11/26/24	AA	S&P
U.S. Government Bonds	230,092	2/26/2026	AA	S&P
U.S. Government Bonds	409,090	2/25/31	AA	S&P
Oakland County Investment Program	5,539,663	<1 year	N/A	N/A
Mutual funds	<u>3,925,809</u>	N/A	N/A	N/A
Total investments	<u>\$ 10,338,714</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, \$4,193,468 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	\$ 873,242	By counterparty in the Government's name
Oakland County Investment Pool	5,539,663	By counterparty in the Government's name
Mutual funds	<u>3,925,809</u>	By counterparty in the Government's name
	<u>\$ 10,338,714</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.

**City of Clawson**  
**Notes to the Financial Statements**  
**June 30, 2022**

The City has the following recurring fair value measurements as of June 30, 2022:

Investment Type	Level 1	Level 2	Level 3	Total
U.S. Government Bonds	\$ -	\$ 873,242	\$ -	\$ 873,242
Mutual funds	3,925,809	-	-	3,925,809
	<u>\$ 3,925,809</u>	<u>\$ 873,242</u>	<u>\$ -</u>	<u>\$ 4,799,051</u>

**Investments carried at net asset value**

Oakland County Investment Pool	<u>5,539,663</u>
<b>Total investments</b>	<u><b>\$ 10,338,714</b></u>

- Mutual funds of \$3,925,809 are valued using quoted market prices (Level 1 inputs)
- U.S Government Bonds of \$873,242 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 \$5,539,663. 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](http://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
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 724,103	\$ -	\$ -	\$ 724,103
Capital assets being depreciated				
Land improvements	4,360,118	326,790	-	4,686,908
Infrastructure	27,744,793	-	-	27,744,793
Buildings, additions and improvements	10,342,337	-	-	10,342,337
Machinery and equipment	2,461,546	8,936	-	2,470,482
Vehicles	4,995,043	30,434	455,173	4,570,304
Total capital assets being depreciated	<u>49,903,837</u>	<u>366,160</u>	<u>455,173</u>	<u>49,814,824</u>
Less accumulated depreciation for				
Land improvements	1,079,964	205,880	-	1,285,844
Infrastructure	8,846,509	795,867	-	9,642,376
Buildings, additions and improvements	6,948,735	344,931	-	7,293,666
Machinery and equipment	1,827,280	108,393	-	1,935,673
Vehicles	3,347,533	187,359	455,173	3,079,719
Total accumulated depreciation	<u>22,050,021</u>	<u>1,642,430</u>	<u>455,173</u>	<u>23,237,278</u>
Net capital assets being depreciated	<u>27,853,816</u>	<u>(1,276,270)</u>	<u>-</u>	<u>26,577,546</u>
Governmental activities capital assets, net	<u>\$ 28,577,919</u>	<u>\$ (1,276,270)</u>	<u>\$ -</u>	<u>\$ 27,301,649</u>

**City of Clawson**  
**Notes to the Financial Statements**  
**June 30, 2022**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities</b>				
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	7,400	-	529,985
Machinery and equipment	453,855	5,462	-	459,317
Total capital assets being depreciated	<u>12,563,718</u>	<u>12,862</u>	<u>-</u>	<u>12,576,580</u>
Less accumulated depreciation for				
Land improvements	49,901	1,623	-	51,524
Infrastructure	5,450,100	163,087	-	5,613,187
Buildings, additions and improvements	364,571	14,430	-	379,001
Machinery and equipment	303,299	17,940	-	321,239
Total accumulated depreciation	<u>6,167,871</u>	<u>197,080</u>	<u>-</u>	<u>6,364,951</u>
Net capital assets being depreciated	<u>6,395,847</u>	<u>(184,218)</u>	<u>-</u>	<u>6,211,629</u>
Business-type capital assets, net	<u>\$ 6,449,875</u>	<u>\$ (184,218)</u>	<u>\$ -</u>	<u>\$ 6,265,657</u>

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

**Governmental activities**

General government	\$ 216,411
Public safety	166,525
Public works	841,975
Recreation and culture	299,039
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>118,480</u>
Total governmental activities	<u>1,642,430</u>

**Business-type activities**

Water & Sewer	180,136
Senior Citizens Housing	<u>16,944</u>
Total business-type activities	<u>197,080</u>
Total primary government	<u>\$ 1,839,510</u>

**Note 6 - Interfund Receivables, Payables, and Transfers**

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
Tax Collection Fund	Water & Sewer Fund	<u>\$ 194</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**  
**Notes to the Financial Statements**  
**June 30, 2022**

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>\$ 277,078</u>

The advance has an annual payment of \$37,824 through September 2029, which includes interest at 2 percent.

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	\$ 180,000
Nonmajor governmental funds	Nonmajor governmental funds	55,802
Nonmajor enterprise funds	General Fund	10,000
Internal service funds	Nonmajor governmental funds	33,481
Water and Sewer Fund	Nonmajor governmental funds	334,812
General Fund	Nonmajor governmental funds	691,947
General Fund	Internal service funds	<u>99,500</u>
		<u>\$ 1,405,542</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. Major Street Fund transfers to nonmajor governmental funds to assist with costs related to local streets. Other transfers are to cover administrative costs or to cover a specific fund's share of the pension debt service.

**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>4,265,950</u>
Net intangible assets	<u>\$ 6,026,273</u>

**City of Clawson**  
**Notes to the Financial Statements**  
**June 30, 2022**

**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
<b>Governmental activities</b>									
Bonds and notes payable									
General obligation bonds									
2010 Capital Improvement RZED	\$ 1,400,000	2030	3.16%	\$75,000 - \$95,000	\$ 755,000	\$ -	\$ 75,000	\$ 680,000	\$ 75,000
2014 Refunding Bond	4,770,000	2030	4-5%	\$190,000 - \$1,120,000	3,795,000	-	185,000	3,610,000	190,000
2014 Park Improvement Bonds	3,535,000	2034	3.5-5%	\$165,000 - \$265,000	2,700,000	-	160,000	2,540,000	165,000
2016 General Obligation Bond	4,985,000	2026	4%	\$565,000 - \$640,000	2,950,000	-	540,000	2,410,000	565,000
2017 Refunding Bond	4,075,000	2028	4%	\$280,000 - \$940,000	3,330,000	-	265,000	3,065,000	280,000
2018 Limited Tax Obligation Bonds	14,340,000	2028	3.25-4.1%	\$755,000 - \$1,765,000	12,740,000	-	635,000	12,105,000	755,000
2018 Transportation Bonds	775,000	2032	3%	\$75,000 - \$90,000	565,000	-	75,000	490,000	75,000
2018 Unlimited Tax General Obligation Sidewalks	1,275,000	2028	3%	\$165,000 - \$180,000	1,015,000	-	160,000	855,000	165,000
2021 Unlimited Tax General Obligation Sidewalks	835,000	2029	1.4%	\$100,000 - \$110,000	835,000	-	100,000	735,000	100,000
Total bonds					<u>28,685,000</u>	<u>-</u>	<u>2,195,000</u>	<u>26,490,000</u>	<u>2,370,000</u>
Notes from direct borrowings and direct placements									
2013 Installment Purchase Contract	2,659,819	2028	2.8%	\$186,063 - \$213,612	1,378,500	-	180,995	1,197,505	186,063
2018 Fire Pumper Truck	574,959	2025	3.29%	\$84,662 - \$92,935	344,398	-	79,354	265,044	84,662
2015 Installment Purchase	396,106	2022	0.00%	\$0	60,189	-	60,189	-	-
Internal service fund obligations									
Notes from direct borrowings and direct placements									
2017 Motor Pool - Cannon Aerial Truck	173,000	2022	0.00%	\$0	36,502	-	36,502	-	-
2020 Freightliner Dump Truck	186,888	2026	3.27%	\$25,871 - \$28,493	133,724	-	25,052	108,672	25,871
Installment Purchase Vector Jet	200,894	2022	0.00%	\$0	30,526	-	30,526	-	-
2018 Motor Pool - Front Loader	140,041	2025	3.29%	\$20,621 - \$23,251	83,884	-	18,713	65,171	20,621
Total internal service fund					<u>284,636</u>	<u>-</u>	<u>110,793</u>	<u>173,843</u>	<u>46,492</u>
Total notes from direct borrowings and direct placements					<u>2,067,723</u>	<u>-</u>	<u>431,331</u>	<u>1,636,392</u>	<u>317,217</u>
Plus deferred amounts									
For issuance premiums					427,515	-	47,502	380,013	47,502
Total bonds and notes					<u>31,180,238</u>	<u>-</u>	<u>2,673,833</u>	<u>28,506,405</u>	<u>2,734,719</u>
Claims					68,430	1,368,299	1,286,133	150,596	150,596
Compensated absences					512,521	4,741	123,677	393,585	200,000
Total governmental activities					<u>\$ 31,761,189</u>	<u>\$ 1,373,040</u>	<u>\$ 4,083,643</u>	<u>\$ 29,050,586</u>	<u>\$ 3,085,315</u>

**City of Clawson**  
**Notes to the Financial Statements**  
**June 30, 2022**

---

	Amount of Issue	Maturity Date	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Business-type activities</b>									
Bonds and notes payable									
General obligation bonds									
George Kuhn Drain Debt	\$ 7,011,512	2028	1.63-2.5%	\$5,258 - \$295,891	\$ 1,388,251	\$ -	\$ 449,978	\$ 938,273	\$ 367,951
Notes from direct borrowings and direct placements									
2012 State Revolving	3,289,836	2033	2.5%	\$155,000 - \$199,836	<u>2,104,836</u>	<u>-</u>	<u>155,000</u>	<u>1,949,836</u>	<u>155,000</u>
Total					3,493,087	-	604,978	2,888,109	522,951
Compensated absences					<u>26,308</u>	<u>29,463</u>	<u>35,266</u>	<u>20,505</u>	<u>20,505</u>
Total business-type activities					<u>\$ 3,519,395</u>	<u>\$ 29,463</u>	<u>\$ 640,244</u>	<u>\$ 2,908,614</u>	<u>\$ 543,456</u>

**City of Clawson**  
**Notes to the Financial Statements**  
**June 30, 2022**

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
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	340,406	28,495
2026	2,840,000	767,548	230,627	18,391
2027	2,945,000	660,008	207,794	11,799
2028-2032	12,600,000	1,552,490	213,612	5,981
2033-2034	515,000	28,274	-	-
	<u>\$ 26,490,000</u>	<u>\$ 5,875,972</u>	<u>\$ 1,636,392</u>	<u>\$ 150,789</u>

Year Ending June 30,	Business-type Activities			
	Bonds		Notes from Direct Borrowings and Direct Placements	
	Principal	Interest	Principal	Interest
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	32,624	2,246	175,000	32,496
2028-2032	90,267	2,184	925,000	95,602
2033	-	-	199,836	4,996
	<u>\$ 938,273</u>	<u>\$ 46,322</u>	<u>\$ 1,949,836</u>	<u>\$ 304,326</u>

**Note 9 - Net Investment in Capital Assets**

The composition of net investment in capital assets as of June 30, 2022, was as follows:

	Governmental Activities	Business-type Activities
Capital assets		
Capital assets not being depreciated	\$ 724,103	\$ 54,028
Capital assets, net of accumulated depreciation	<u>26,577,546</u>	<u>6,211,629</u>
Total capital assets	<u>27,301,649</u>	<u>6,265,657</u>
Intangible assets	-	6,026,273
Unspent bond proceeds	<u>694,653</u>	-
Less related debt		
General obligation bonds	14,385,000	938,273
Notes from direct borrowing and direct placements	1,636,392	1,949,836
Unamortized bond premiums	380,013	-
Total related debt	<u>16,401,405</u>	<u>2,888,109</u>
Net investment in capital assets	<u>\$ 11,594,897</u>	<u>\$ 9,403,821</u>

**Note 10 - 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.

**City of Clawson**  
**Notes to the Financial Statements**  
**June 30, 2022**

**Note 11 - 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.
- \$77,061 per month.

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

	Balance at	Current Year		Balance at
	Beginning of	Claims and	Claim	Year End
	Year	Changes in	Payments	
		Estimates		
2021	\$ 40,320	654,546	\$ 626,436	\$ 68,430
2022	68,430	1,368,299	1,286,133	150,596

**Note 12 - Employee Retirement and Benefit Systems**

**Defined benefit pension plans**

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

Retirement System	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
MERS	\$ 244,727	\$ 134,898	\$ (2,160,235)	\$ 670,772
Fire Department	178,632	546,084	(733,430)	41,712
Total	<u>\$ 423,359</u>	<u>\$ 680,982</u>	<u>\$ (2,893,665)</u>	<u>\$ 712,484</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%.

**City of Clawson**  
**Notes to the Financial Statements**  
**June 30, 2022**

Employees covered by benefit terms – At the December 31, 2021 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	6
Active employees	<u>5</u>
	<u><u>73</u></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 \$269,796.

Net pension liability – The employer’s net pension liability was measured as of December 31, 2021, 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, 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) Salary increases 3% in the long-term; 3) Investment rate of return of 7%, net of investment expense, including inflation.

Although no specific price inflation assumptions are needed for the valuation, the 3% long-term wage inflation assumption would be consistent with a price inflation of 2.5%.

Mortality rates used were based on the Pub-2010, PubG-2010, and PubNS-2010 Mortality Tables using scale MP-2019 from the Pub-2010 base year of 2010.

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 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	<u>20.00%</u>	9.75%	<u>1.95%</u>	2.50%	<u>1.45%</u>
	<u>100.00%</u>		<u>7.35%</u>		<u><u>4.85%</u></u>

Discount rate – The discount rate used to measure the total pension liability is 7.25%. 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**  
**Notes to the Financial Statements**  
**June 30, 2022**

**Changes in Net Pension Liability**

**Total Pension Liability**

Service cost	\$ 65,733
Interest on the total pension liability	1,808,195
Experience differences	33,911
Changes in assumptions	841,431
Other changes	87,292
Benefit payments and refunds	<u>(2,118,428)</u>
Net change in total pension liability	718,134
Total pension liability - beginning	<u>25,966,965</u>
Total pension liability - ending (a)	<u>\$ 26,685,099</u>

**Plan Fiduciary Net Position**

Employer contributions	\$ 176,448
Employee contributions	15,432
Pension plan net investment income (loss)	3,582,752
Benefit payments and refunds	(2,118,428)
Pension plan administrative expense	<u>(38,945)</u>
Net change in plan fiduciary net position	1,617,259
Plan fiduciary net position - beginning	<u>24,823,113</u>
Plan fiduciary net position - ending (b)	<u>\$ 26,440,372</u>

Net pension liability (a-b) \$ 244,727

Plan fiduciary net position as a percentage of total pension liability	99.08%
Covered payroll	\$ 449,174
Net pension liability as a percentage of covered payroll	54.48%

calculated using the discount rate of 7.25%, as well as what the employer's net pension liability would be using a discount rate that is 1% point lower (6.25%) or 1% higher (8.25%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
Total pension liability	\$ 29,388,856	\$ 26,685,099	\$ 24,404,430
Fiduciary net position	<u>26,440,372</u>	<u>26,440,372</u>	<u>26,440,372</u>
Net pension liability (asset)	<u>\$ 2,948,484</u>	<u>\$ 244,727</u>	<u>\$ (2,035,942)</u>

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions – For the year ended June 30, 2022 the employer recognized pension expense of \$670,772. 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	\$ -	\$ (2,160,235)	\$ (2,160,235)
Contributions subsequent to the measurement date*	<u>134,898</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 134,898</u>	<u>\$ (2,160,235)</u>	<u>\$ (2,160,235)</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, 2023.

Sensitivity of the net pension liability to changes in the discount rate – The following presents the net pension liability of the employer,

**City of Clawson**  
**Notes to the Financial Statements**  
**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>	
2023	\$ (359,344)
2024	(842,356)
2025	(587,670)
2026	(370,865)
	<u>\$ (2,160,235)</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

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, 2022 the City contributed \$129,710.

Net pension liability – The employer’s net pension liability was measured as of June 30, 2022, 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.



**City of Clawson**  
**Notes to the Financial Statements**  
**June 30, 2022**

---

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, 2022:

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

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.

Rate of return – For the year ended June 30, 2022, 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

**City of Clawson**  
**Notes to the Financial Statements**  
**June 30, 2022**

**Changes in Net Pension Liability (Asset)**

**Total Pension Liability**

Service cost	\$ 70,224
Interest on the total pension liability	272,498
Changes in assumptions	59,379
Benefit payments and refunds	<u>(240,525)</u>
Net change in total pension liability	161,576
Total pension liability - beginning	<u>3,942,865</u>
Total pension liability - ending (a)	<u>\$ 4,104,441</u>

**Plan Fiduciary Net Position**

Employer contributions	\$ 129,710
Pension plan net investment income (loss)	(560,526)
Benefit payments and refunds	(240,525)
Pension plan administrative expense	<u>(60,033)</u>
Net change in plan fiduciary net position	(731,374)
Plan fiduciary net position - beginning	<u>4,657,183</u>
Plan fiduciary net position - ending (b)	<u>\$ 3,925,809</u>

Net pension liability (asset)(a-b) \$ 178,632

Plan fiduciary net position as a percentage of total pension liability 95.65%

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 6.88%, as well as what the employer’s net pension liability (asset) would be using a discount

rate that is 1% point lower (5.88%) or 1% higher (7.88%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
Total pension liability	\$ 4,661,682	\$ 4,104,441	\$ 3,650,656
Fiduciary net position	<u>3,925,809</u>	<u>3,925,809</u>	<u>3,925,809</u>
Net pension liability (asset)	<u>\$ 735,873</u>	<u>\$ 178,632</u>	<u>\$ (275,153)</u>

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions – For the year ended June 30, 2022 the employer recognized pension expense of \$41,712. 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	\$ -	\$ (588,159)	\$ (588,159)
Differences in assumptions	268,749	(145,271)	123,478
Net difference between projected and actual earning on plan investments	<u>277,335</u>	<u>-</u>	<u>277,335</u>
Total	<u>\$ 546,084</u>	<u>\$ (733,430)</u>	<u>\$ (187,346)</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>	
2023	\$ (28,492)
2024	(36,333)
2025	(55,197)
2026	122,060
2027	(54,050)
Thereafter	<u>(135,334)</u>
	<u>\$ (187,346)</u>

**City of Clawson**  
**Notes to the Financial Statements**  
**June 30, 2022**

---

**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, 2022 the City contributed \$311,385 and employees contributed \$82,580.

**Note 13 - 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, 2022, and the total OPEB liability was determined by an actuarial valuation as of June 30, 2021.

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, 2022**

Discount rate – The discount rate used to measure the total OPEB liability was 4.09%. 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**

<b>Total OPEB Liability</b>	
Service cost	\$ 159,191
Interest	304,094
Changes in assumptions	(3,174,162)
Benefit payments	<u>(560,448)</u>
Net change in total OPEB liability	(3,271,325)
Total OPEB liability - beginning	<u>14,068,819</u>
Total OPEB liability - ending (a)	<u>\$ 10,797,494</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 (3.09%) or 1% higher (5.09%) than the current discount rate.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Total OPEB liability	<u>\$ 12,292,388</u>	<u>\$ 10,797,494</u>	<u>\$ 9,584,032</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>\$ 9,479,577</u>	<u>\$ 10,797,494</u>	<u>\$ 12,416,104</u>

For the year ended June 30, 2022 the employer recognized OPEB expense of (\$2,707,877).

**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, 2022 the City made contributions of \$85,250 and employees contributed \$80,059.

**Note 14 - 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, 2022**

---

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 15 - 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 16 - Correction of an Error**

The beginning fund balance of the General Fund and net position of the governmental activities was increased by \$263,261 as the result of the correction of an error, restating them from \$4,079,903 to \$4,343,164 and \$(11,405,960) to \$(11,142,699), respectively.

**City of Clawson**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2022**

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under)
				Final Budget
<b>Revenues</b>				
Taxes				
Property taxes	\$ 5,577,330	\$ 5,527,330	\$ 5,733,977	\$ 206,647
Penalties and interest	26,000	13,000	12,440	(560)
Licenses and permits	649,000	486,200	471,303	(14,897)
Federal grants	1,169,560	-	-	-
State-shared revenue	1,198,220	1,460,326	1,423,110	(37,216)
State grants	178,760	123,760	119,496	(4,264)
Local contributions	15,000	5,000	97,088	92,088
Charges for services	369,000	348,900	315,436	(33,464)
Fines and forfeitures	135,500	139,820	215,141	75,321
Investment income (loss)	15,000	27,000	(70,523)	(97,523)
Rental income	57,400	46,450	48,557	2,107
Other revenue	17,700	112,782	106,710	(6,072)
Sale of capital assets	-	15,600	15,600	-
Transfers in	10,000	10,000	10,000	-
Total revenues	<u>9,418,470</u>	<u>8,316,168</u>	<u>8,498,335</u>	<u>182,167</u>

**City of Clawson**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2022**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Actual Over (Under)
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
<b>Expenditures</b>				
General government				
City Council	\$ 26,320	\$ 73,352	\$ 49,613	\$ (23,739)
Manager	1,355,370	240,515	241,781	1,266
Accounting	169,620	181,620	183,381	1,761
Clerk	199,530	232,442	227,236	(5,206)
Treasurer	160,390	203,345	192,046	(11,299)
Assessor	91,170	91,170	90,540	(630)
Elections	20,400	41,455	34,773	(6,682)
Buildings and grounds	243,500	248,300	182,541	(65,759)
Attorney	<u>126,500</u>	<u>144,000</u>	<u>155,803</u>	<u>11,803</u>
Total general government	<u>2,392,800</u>	<u>1,456,199</u>	<u>1,357,714</u>	<u>(98,485)</u>
Public safety				
Police	2,216,050	2,308,119	2,282,312	(25,807)
Fire department	334,040	346,290	330,264	(16,026)
Code enforcement	38,910	32,895	25,854	(7,041)
Building inspection department	<u>494,560</u>	<u>399,760</u>	<u>384,052</u>	<u>(15,708)</u>
Total public safety	<u>3,083,560</u>	<u>3,087,064</u>	<u>3,022,482</u>	<u>(64,582)</u>
Public works				
Department of public works	492,990	586,778	598,341	11,563
Street lighting	<u>180,000</u>	<u>180,000</u>	<u>194,855</u>	<u>14,855</u>
Total public works	<u>672,990</u>	<u>766,778</u>	<u>793,196</u>	<u>26,418</u>

**City of Clawson**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2022**

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
Health and welfare				
Senior citizens	\$ 94,840	\$ 92,040	\$ 80,788	\$ (11,252)
Youth programs	6,200	6,200	-	(6,200)
Total health and welfare	<u>101,040</u>	<u>98,240</u>	<u>80,788</u>	<u>(17,452)</u>
Community and economic development				
Planning	<u>102,750</u>	<u>165,575</u>	<u>176,399</u>	<u>10,824</u>
Recreation and culture				
Parks	200,110	285,362	315,329	29,967
Recreation	283,080	233,080	194,508	(38,572)
Historical	<u>29,520</u>	<u>32,675</u>	<u>31,688</u>	<u>(987)</u>
Total recreation and culture	<u>512,710</u>	<u>551,117</u>	<u>541,525</u>	<u>(9,592)</u>
Other functions				
Unallocated employee fringe benefits	1,346,900	1,067,075	1,091,831	24,756
Cable TV/internet	60,000	23,500	21,182	(2,318)
Other	<u>74,450</u>	<u>37,450</u>	<u>2,677</u>	<u>(34,773)</u>
Total other functions	<u>1,481,350</u>	<u>1,128,025</u>	<u>1,115,690</u>	<u>(12,335)</u>



**City of Clawson**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2022**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Debt service				
Principal retirement	\$ 313,440	\$ 313,440	\$ 395,538	\$ 82,098
Interest and fiscal charges	53,350	53,350	75,940	22,590
Total debt service	<u>366,790</u>	<u>366,790</u>	<u>471,478</u>	<u>104,688</u>
Transfers out	<u>704,400</u>	<u>791,447</u>	<u>791,447</u>	<u>-</u>
Total expenditures	<u>9,418,390</u>	<u>8,411,235</u>	<u>8,350,719</u>	<u>(60,516)</u>
Excess (deficiency) of revenues over expenditures	<u>80</u>	<u>(95,067)</u>	<u>147,616</u>	<u>242,683</u>
Fund balance - beginning of year	4,343,164	4,343,164	4,079,903	(263,261)
Prior period adjustment	<u>-</u>	<u>-</u>	<u>263,261</u>	<u>263,261</u>
Fund balance - beginning of year (restated)	<u>4,343,164</u>	<u>4,343,164</u>	<u>4,343,164</u>	<u>-</u>
Fund balance - end of year	<u>\$ 4,343,244</u>	<u>\$ 4,248,097</u>	<u>\$ 4,490,780</u>	<u>\$ 242,683</u>

**City of Clawson**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**Major Street Fund**  
**For the Year Ended June 30, 2022**

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
<b>Revenues</b>				
State-shared revenue	\$ 898,790	\$ 898,790	\$ 887,506	\$ (11,284)
Interest income	1,000	1,000	5,947	4,947
Total revenues	<u>899,790</u>	<u>899,790</u>	<u>893,453</u>	<u>(6,337)</u>
<b>Expenditures</b>				
Current				
Public works	609,990	608,961	453,102	(155,859)
Debt service				
Principal retirement	75,000	75,000	75,000	-
Interest and fiscal charges	17,450	18,479	18,479	-
Transfers out	<u>180,000</u>	<u>180,000</u>	<u>180,000</u>	<u>-</u>
Total expenditures	<u>882,440</u>	<u>882,440</u>	<u>726,581</u>	<u>(155,859)</u>
Excess of revenues (deficiency) over expenditures	17,350	17,350	166,872	149,522
Fund balance - beginning of year	<u>1,130,061</u>	<u>1,130,061</u>	<u>1,130,061</u>	<u>-</u>
Fund balance - end of year	<u>\$ 1,147,411</u>	<u>\$ 1,147,411</u>	<u>\$ 1,296,933</u>	<u>\$ 149,522</u>

**City of Clawson**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**American Rescue Plan Act Fund**  
**For the Year Ended June 30, 2022**

---

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
Federal grants	\$ -	\$ 619,900	\$ -	\$ (619,900)
<b>Expenditures</b>	-	-	-	-
Excess of revenues (deficiency) over expenditures	-	619,900	-	(619,900)
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	\$ -	\$ 619,900	\$ -	\$ (619,900)

**City of Clawson**  
**Required Supplementary Information**  
**Municipal Employees Retirement System of Michigan**  
**Schedule of Changes in Net Pension Liability and Related Ratios**  
**June 30, 2022**

Fiscal year ended June 30,	2022	2021	2020	2019	2018	2017	2016	2015
<b>Total Pension Liability</b>								
Service cost	\$ 65,733	\$ 72,926	\$ 73,773	\$ 90,206	\$ 104,190	\$ 109,001	\$ 107,479	\$ 106,523
Interest on the total pension liability	1,808,195	1,846,563	1,866,209	1,893,357	1,879,102	1,873,467	1,891,026	1,003,855
Experience differences	33,911	208,856	-	-	-	-	-	-
Changes in assumptions	841,431	631,005	-	-	-	-	-	-
Other changes	87,292	-	1,085,384	(352,673)	117,426	(8,999)	389,584	878,835
Benefit payments and refunds	<u>(2,118,428)</u>	<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	718,134	653,753	1,019,592	(287,373)	187,929	84,984	492,503	107,499
Total pension liability - beginning	<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>	<u>23,708,078</u>
Total pension liability - ending (a)	<u>\$ 26,685,099</u>	<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>
<b>Plan Fiduciary Net Position</b>								
Employer contributions	\$ 176,448	\$ 81,078	\$ 82,013	\$ 15,036,005	\$ 1,536,516	\$ 1,389,816	\$ 1,288,242	\$ 1,213,709
Employee contributions	15,432	14,895	16,875	20,087	19,333	18,645	-	-
Pension plan net investment income (loss)	3,582,752	2,833,398	3,032,852	(1,019,795)	1,290,629	1,038,959	(145,734)	631,003
Benefit payments and refunds	(2,118,428)	(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>(38,945)</u>	<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	1,617,259	776,900	1,073,770	12,083,261	913,233	538,396	(774,716)	(60,026)
Plan fiduciary net position - beginning	<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>	<u>10,272,295</u>
Plan fiduciary net position - ending (b)	<u>\$ 26,440,372</u>	<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>\$ 244,727</u>	<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	99.08%	95.59%	94.99%	94.56%	44.30%	40.90%	38.82%	42.88%
Covered payroll	\$ 449,174	\$ 554,210	\$ 605,344	\$ 743,002	\$ 862,154	\$ 918,970	\$ 903,385	\$ 894,050
Net pension liability as a percentage of covered payroll	54.48%	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, 2022**

Fiscal Year Ending June 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
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%
2022	269,796	269,796	-	284,946	94.68%

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	7.35%
Retirement age	60
Mortality	RP-2014 Mortality Tables with a 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, 2022**

Fiscal year ended June 30,	2022	2021	2020	2019	2018	2017	2016	2015
<b>Total Pension Liability</b>								
Service cost	\$ 70,224	\$ 134,478	\$ 111,926	\$ 88,355	\$ 97,314	\$ 96,847	\$ 96,847	\$ 60,620
Interest on the total pension liability	272,498	282,003	334,401	312,024	290,044	278,140	466,697	431,009
Experience differences	-	(549,396)	-	-	-	-	-	-
Changes in assumptions	59,379	(186,781)	-	-	-	-	-	-
Other changes	-	-	-	198,807	-	-	(205,835)	-
Benefit payments and refunds	(240,525)	(215,618)	(205,807)	(217,189)	(217,189)	(235,629)	(222,103)	(184,899)
Net change in total pension liability	161,576	(535,314)	240,520	381,997	170,169	139,358	135,606	306,730
Total pension liability - beginning	3,942,865	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>\$ 4,104,441</u>	<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>
<b>Plan Fiduciary Net Position</b>								
Employer contributions	\$ 129,710	\$ 133,957	\$ 96,532	\$ 90,217	\$ 77,550	\$ 73,000	\$ 15,000	\$ 12,612
Pension plan net investment income (loss)	(560,526)	1,049,747	151,082	211,856	304,735	413,814	(6,949)	71,847
Benefit payments and refunds	(240,525)	(215,618)	(205,807)	(217,189)	(217,189)	(235,629)	(222,103)	(184,899)
Pension plan administrative expense	(60,033)	(17,605)	(45,921)	(48,228)	(39,140)	(56,311)	-	-
Net change in plan fiduciary net position	(731,374)	950,481	(4,114)	36,656	125,956	194,874	(214,052)	(100,440)
Plan fiduciary net position - beginning	4,657,183	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>\$ 3,925,809</u>	<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>\$ 178,632</u>	<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	95.65%	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	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	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, 2022**

Fiscal Year Ending June 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
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
2022	129,710	129,710	-	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	PublicS-2010 Tables with generational improvements using Scale MP-2019

**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%
2022	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, 2022**

Fiscal year ended June 30,	2022	2021	2020	2019	2018
<b>Total OPEB Liability</b>					
Service cost	\$ 159,191	\$ 184,208	\$ 178,843	\$ 175,268	\$ 171,832
Interest	304,094	386,586	819,579	810,024	799,154
Differences between expected and actual experience	-	(1,863,639)	-	-	-
Changes in assumptions	(3,174,162)	1,430,207	-	-	-
Benefit payments	<u>(560,448)</u>	<u>(829,847)</u>	<u>(768,377)</u>	<u>(749,254)</u>	<u>(769,341)</u>
Net change in total OPEB liability	(3,271,325)	(692,485)	230,045	236,038	201,645
Total OPEB liability - beginning	<u>14,068,819</u>	<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>\$ 10,797,494</u>	<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	N/A
Net OPEB liability as a percentage of covered payroll	N/A	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, 2022**

Fiscal Year Ending June 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
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
2022	N/A	563,448	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	4.09%
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, 2022**

	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	Sidewalk G.O. Bonds Debt Fund	Sidewalk Construction Fund	
<b>Assets</b>								
Cash and cash equivalents	\$ 271,925	\$ 432,337	\$ 120,543	\$ 15,829	\$ 36,779	\$ 36,821	\$ 699,653	\$ 1,613,887
Receivables								
Customers	1,500	-	1,050	-	-	-	-	2,550
Special assessments	-	-	76	-	-	-	-	76
Due from other units of government	55,877	-	-	-	-	-	-	55,877
Prepaid items	1,709	290	-	-	-	-	-	1,999
<b>Total assets</b>	<b>\$ 331,011</b>	<b>\$ 432,627</b>	<b>\$ 121,669</b>	<b>\$ 15,829</b>	<b>\$ 36,779</b>	<b>\$ 36,821</b>	<b>\$ 699,653</b>	<b>\$ 1,674,389</b>

**City of Clawson**  
**Other Supplementary Information**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2022**

	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	Sidewalk G.O. Bonds Debt Fund	Sidewalk Construction Fund	
<b>Liabilities</b>								
Accounts payable	\$ 7,032	\$ 8,328	\$ 88,021	\$ -	\$ -	\$ -	\$ 5,000	\$ 108,381
Accrued and other liabilities	<u>1,268</u>	<u>4,179</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,447</u>
Total liabilities	<u>8,300</u>	<u>12,507</u>	<u>88,021</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,000</u>	<u>113,828</u>
<b>Fund Balances</b>								
Non-spendable								
Prepaid items	1,709	290	-	-	-	-	-	1,999
Restricted for								
Streets	321,002	-	-	-	-	-	-	321,002
Library	-	419,830	-	-	-	-	-	419,830
Refuse collection	-	-	33,648	-	-	-	-	33,648
Debt service	-	-	-	15,829	36,779	36,821	-	89,429
Capital projects	-	-	-	-	-	-	694,653	694,653
Total fund balances	<u>322,711</u>	<u>420,120</u>	<u>33,648</u>	<u>15,829</u>	<u>36,779</u>	<u>36,821</u>	<u>694,653</u>	<u>1,560,561</u>
Total liabilities and fund balances	<u>\$ 331,011</u>	<u>\$ 432,627</u>	<u>\$ 121,669</u>	<u>\$ 15,829</u>	<u>\$ 36,779</u>	<u>\$ 36,821</u>	<u>\$ 699,653</u>	<u>\$ 1,674,389</u>

**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, 2022**

	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	Sidewalk G.O. Bonds Debt Fund	Sidewalk Construction Fund	
<b>Revenues</b>								
Taxes	\$ -	\$ 471,692	\$ 1,053,010	\$ -	\$ 276,899	\$ 325,772	\$ -	\$ 2,127,373
Federal grants	-	2,797	-	-	-	-	-	2,797
State-shared revenue	376,734	-	-	-	-	-	-	376,734
Other state grants	40,356	41,930	23,393	-	6,182	4,472	-	116,333
Local contributions	-	5,263	-	-	-	-	-	5,263
Charges for services	-	3,182	15,581	-	-	-	-	18,763
Fines and forfeitures	-	1,696	-	-	-	-	-	1,696
Investment income	-	-	-	-	12	63	-	75
Other revenue	-	15	-	-	-	-	-	15
<b>Total revenues</b>	<b>417,090</b>	<b>526,575</b>	<b>1,091,984</b>	<b>-</b>	<b>283,093</b>	<b>330,307</b>	<b>-</b>	<b>2,649,049</b>

**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, 2022**

	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	Sidewalk G.O. Bonds Debt Fund	Sidewalk Construction Fund	
<b>Expenditures</b>								
Current								
Public works	\$ 569,953	\$ -	\$ 1,067,278	\$ -	\$ -	\$ -	\$ -	\$ 1,637,231
Recreation and culture	-	438,462	-	-	-	-	-	438,462
Capital outlay	-	-	-	-	-	-	237,024	237,024
Debt service								
Principal retirement	-	-	-	635,000	160,000	260,000	-	1,055,000
Interest and fiscal charges	-	-	-	478,042	111,493	43,660	-	633,195
Total expenditures	<u>569,953</u>	<u>438,462</u>	<u>1,067,278</u>	<u>1,113,042</u>	<u>271,493</u>	<u>303,660</u>	<u>237,024</u>	<u>4,000,912</u>
Excess (deficiency) of revenues over expenditures	<u>(152,863)</u>	<u>88,113</u>	<u>24,706</u>	<u>(1,113,042)</u>	<u>11,600</u>	<u>26,647</u>	<u>(237,024)</u>	<u>(1,351,863)</u>
<b>Other financing sources (uses)</b>								
Transfers in	180,000	-	-	1,116,042	-	-	-	1,296,042
Transfers out	-	(55,802)	-	-	-	-	-	(55,802)
Total other financing sources and uses	<u>180,000</u>	<u>(55,802)</u>	<u>-</u>	<u>1,116,042</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,240,240</u>
Net change in fund balances	27,137	32,311	24,706	3,000	11,600	26,647	(237,024)	(111,623)
Fund balances - beginning of year	<u>295,574</u>	<u>387,809</u>	<u>8,942</u>	<u>12,829</u>	<u>25,179</u>	<u>10,174</u>	<u>931,677</u>	<u>1,672,184</u>
Fund balances - end of year	<u>\$ 322,711</u>	<u>\$ 420,120</u>	<u>\$ 33,648</u>	<u>\$ 15,829</u>	<u>\$ 36,779</u>	<u>\$ 36,821</u>	<u>\$ 694,653</u>	<u>\$ 1,560,561</u>