Michigan Deptartment of Treasury
496 (2-04)

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type	Local Government Name	County
[X] City [ ] Township [ ] Village [ ] Other	CITY OF THE VILLAGE OF CLARKSTON	OAKLAND

Audit Date	Opinion Date	Date Accountant Report Submitted to State:
JUNE 30, 2005	OCTOBER 27, 2005	DECEMBER 30, 2005

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.

2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

DEPT. OF TREASURY

You must check the applicable box for each item below.

[ ] Yes [X] No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.

[X] Yes [ ] No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).

[X] Yes [ ] No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).

[ ] Yes [X] No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.

[ ] Yes [X] No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).

[ ] Yes [X] No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.

[ ] Yes [X] No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).

[ ] Yes [X] No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).

[ ] Yes [X] No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name)			
JANZ & KNIGHT, PLC			
Street Address	City	State	ZIP
300 EAST LONG LAKE ROAD, SUITE 360	BLOOMFIELD HILLS	MI	48304-2377
Accountant Signature		Date	
John M. Fuller		12/23/05	

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

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50 YEARS
1954-2004

MEMBERS
AMERICAN INSTITUTE OF
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INDEPENDENT AUDITOR'S REPORT

Members of the Council
City of the Village of Clarkston, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of the Village of Clarkston, Michigan, as of and for the year ended June 30, 2005, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of the Village of Clarkston, Michigan, management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of the Village of Clarkston, Michigan, as of June 30, 2005 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of the Village of Clarkston, Michigan basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Very truly yours,

Janz & Knight, PLC

Certified Public Accountants

Bloomfield Hills, Michigan

October 27, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of the Village of Clarkston's (the City) management's discussion and analysis is designed to assist the reader in focusing on significant financial issues, provide an overview of the City's financial activity, identify changes in the City's financial position (its ability to address the next and subsequent years' challenges), identify significant variances from the approved budget, and identify individual fund issues or concerns.

Using this Annual Report

The City's annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than government-wide financial statements.

Government-Wide Financial Statements

The government-wide financial statements consist of the Statement of Net Assets and Statement of Activities. They are designed to be corporate-like in that all governmental and business-type funds are consolidated into columns which add to a total for the primary government. These statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are also taken into account regardless of timing of cash being paid or received.

The City as a Whole

Net Assets - The City's combined net assets were $3,499,866 at the close of the year ended June 30, 2005. This represents a decrease of $183,414 or a 5% decrease from a year ago. As we look at governmental activities separately from the business-type activities, we can see that the governmental activities net assets decreased $164,271. This decrease was primarily the result of assets being capitalized that have been expensed as depreciation over their useful lives and the removal of debt proceeds. The business-type activity had a decrease of $19,197 in net assets. A large part of this decrease was from depreciation of sewer capital assets.

The following table reflects the condensed Statement of Net Assets for the years ended June 30, 2005 and 2004:

Table 1
Statement of Net Assets

	Governmental Activities 2005	Governmental Activities 2004	Business-Type Activity 2005	Business-Type Activity 2004	Total 2005	Total 2004
ASSETS						
Current and other assets	$ 1,885,066	$ 2,121,303	$ 139,510	$ 175,928	$2,024,576	$2,297,231
Capital assets	5,969,392	6,119,399	281,986	311,737	6,251,378	6,431,136
Total assets	$ 7,854,458	$ 8,240,702	$ 421,496	$ 487,665	$8,275,954	$8,728,367
LIABILITIES AND NET ASSETS						
Current and other liabilities	$ 281,749	$ 317,209	$ (62,961)	$ (15,989)	$ 218,788	$ 301,220
Long term debt outstanding	4,557,300	4,743,867			4,557,300	4,743,867
Total liabilities	$ 4,839,049	$ 5,061,076	$ (62,961)	$ (15,989)	$4,776,088	$5,045,087
Net assets:						
Invested in capital assets, net of related debt	1,412,092	1,375,532	281,986	311,737	1,694,078	1,687,269
Restricted	1,603,289	1,728,594			1,603,289	1,728,594
Unrestricted	28	75,500	202,471	191,917	202,499	267,417
Total net assets	$ 3,015,409	$ 3,179,626	$ 484,457	$ 503,654	$3,499,866	$3,683,280
Total liabilities and net assets	$ 7,854,458	$ 8,240,702	$ 421,496	$ 487,665	$8,275,954	$8,728,367

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Unrestricted net assets are net assets that can be used to finance day to day operations. Restricted net assets of the City totaled $1,554,443. These net assets have limitations on their use that were imposed by restrictions such as enabling legislation, grant or bond covenants. The investment in capital assets represents the City's capital assets that provide services to citizens; accordingly, these assets are not available for future spending.

The following table shows the changes in net assets for the years ended June 30, 2005 and 2004:

Table 2
Changes in Net Assets

	Governmental Activities 2005	Governmental Activities 2004	Business-Type Activity 2005	Business-Type Activity 2004	Total 2005	Total 2004
Program revenue:						
Charges for services	$ 131,398	$ 91,548	$ 101,656	$ 103,118	$ 233,054	$ 194,666
Operating grants and contributions	66,498	76,483			66,498	76,483
Capital grants and contributions	4,999	290,050			4,999	290,050
General revenue:						
Property taxes	770,388	756,105			770,388	756,105
State shared revenue	84,583	85,487			84,583	85,487
Interest income	84,838	90,573	2,825	2,878	87,663	93,451
Franchise fees	10,061	9,432			10,061	9,432
Sale of fixed assets		10,029				10,029
Miscellaneous	14,280	31,338			14,280	31,338
Total revenue	$ 1,167,045	$ 1,441,045	$ 104,481	$ 105,996	$1,271,526	$1,547,041
Program expenses:						
General government	209,314	199,889			209,314	199,889
Public safety	439,102	420,153			439,102	420,153
Public works	418,127	143,749			418,127	143,749
Community and economic development	976	440			976	440
Recreation and culture	45,648	38,274			45,648	38,274
Interest on long term debt	218,095	222,466			218,095	222,466
Sewer			123,678	125,357	123,678	125,357
Total program expenses	$ 1,331,262	$ 1,024,971	$ 123,678	$ 125,357	$1,454,940	$1,150,328
Increase (decrease) in net assets	$ (164,217)	$ 416,074	$ (19,197)	$ (19,361)	$ (183,414)	$ 396,713
Net assets - beginning of year	3,179,626	2,763,552	503,654	523,015	3,683,280	3,286,567
Net assets - end of year	$ 3,015,409	$ 3,179,626	$ 484,457	$ 503,654	$3,499,866	$3,683,280

As shown in the above table total revenues were approximately $1.27 million, of which 61% was obtained from property taxes, 18% for fees charged for services and 7% for state shared revenues. Total expenses were approximately $1.45 million, of which 30% was for public safety, 29% for public works and 9% for sewer.

Business Type Activities

The City's business-type activity consists of the Sewer Fund. The City provides sewer service to the entire City.

The City Funds

The analysis of the City's major funds begins on page 9, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the City as a whole. The City Council creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The City's major funds for 2005 include the General Fund, Major Road Fund, Local Road Fund, Water Debt Fund, SAD 1, 2 and 4 2002 Bond Retirement Fund and SAD 3 2003 Bond Retirement Fund.

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The City Funds (continued)

The General Fund is the main operating fund of the City. Total revenues for the year were approximately $800,200. Of this revenue, 71% was from property taxes, and 11% was from state shared revenues. Total expenditures for the year were approximately $812,000. Of these expenditures, 50% was for public safety, 7% was for public works, and 23% was for general government. At June 30, 2005 the unreserved fund balance of $1,731 represented less than 1% of the total General Fund expenditures for the year.

The Major Road Fund accounts for the repairs, maintenance and construction of all City major streets. The fund balance of this fund at June 30, 2005 was $4.

The Local Road Fund accounts for repairs, maintenance and construction of all City local streets. The fund balance of this fund at June 30, 2005 was $40.

The Water Debt Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. The fund balance of this fund at June 30, 2005 was $46,297.

The SAD 1, 2 and 4 2002 Bond Retirement Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. The fund balance of this fund at June 30, 2005 was $203,576.

The SAD 3 2003 Bond Retirement Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. The fund balance of this fund at June 30, 2005 was $209,715.

General Fund Budgetary Highlights

Over the course of the year, the City Council amended the budget to take into account events during the year. Building permit revenue and related expenditures were amended to reflect additional activity during the year. Community Development Block Grant revenue and expenditures were amended to reflect reduced activity. Fines and forfeitures, contributions and miscellaneous revenue were amended to reflect additional collections. City Hall wages, building maintenance, audit, legal, fire protection, vehicle maintenance, sub-watershed and police equipment were amended to reflect additional costs. Police wages and tree trimming were amended to reflect less than anticipated costs.

Capital outlay expenditures were $39,396 above budgeted amounts. This was primarily the result of the City acquiring a man lift during the year at a cost of $45,395. Only the monthly finance payments were budgeted. Most other departments were in line with budgeted amounts. Actual revenues exceeded budgeted amount by $30,651.

Capital Asset and Debt Administration

At the end of June 30, 2005, the City had $6,251,378 invested in a broad range of capital assets (net of accumulated depreciation), including buildings, equipment, roads, and sewer and water lines.

Major expenditures for capital assets during the year included the following:

1. Man Lift - $45,395

2. Water system and repaving roads - $54,909.

Long-Term Debt

The City's total indebtedness at June 30, 2005 was $4,557,300. During the year the City borrowed $45,395 to finance the purchase of a man lift. The City maintains an "AA" rating from Standard & Poor's. Additional information on the City's long-term debt can be found in Note F.

Economic Factors and Next Year's Budgets and Rates

The City's 2006 budget was prepared using various economic factors as follows:

Revenues:

Property tax rates for 2006 are as follows:

	2006 Mills Levied	2005 Mills Levied
General operations	13.3232	13.3633
Debt service	4.6727	4.7079

Property tax revenues are expected to increase slightly. This is the result of expected increases in taxable value within the City. Other revenues are expected to be consistent with the prior year amounts.

Expenditures

The 2006 General Fund budget expects a surplus of approximately $4,300. The projected unreserved General Fund's fund balance at June 30, 2006 is approximately $6,000 which represents less than 1% of the General Fund expenditures for the year.

Request for Information

This financial report is intended to provide citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions or concerns about this report or need additional information, contact the City Office, at the City of the Village of Clarkston, 375 Depot Road, Clarkston, Michigan 48346.

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CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

STATEMENT OF NET ASSETS

JUNE 30, 2005

	Governmental Activities	Business-type Activity	Total
ASSETS			
Cash and cash equivalents	$ 614,616	$ 105,573	$ 720,189
Receivables:			
Taxes	7,748		7,748
Customers		17,183	17,183
Special assessments	1,177,454	16,161	1,193,615
Agency funds	934		934
Other	21,109		21,109
Due from other governments	38,822		38,822
Prepaid expenses	24,383	593	24,976
Capital assets, net	5,969,392	281,986	6,251,378
Total assets	$ 7,854,458	$ 421,496	$ 8,275,954
LIABILITIES AND NET ASSETS			
Liabilities:			
Accounts payable and other liabilities	$ 28,583	$ 21,385	$ 49,968
Accrued wages	10,529		10,529
Accrued interest	55,400		55,400
Internal balances	84,346	(84,346)	-
Due to other governments	102,891		102,891
Noncurrent liabilities:			
Due within one year	238,352		238,352
Due in more than one year	4,318,948		4,318,948
Total liabilities	$ 4,839,049	$ (62,961)	$ 4,776,088
Net assets:			
Invested in capital assets, net of related debt	1,412,092	281,986	1,694,078
Restricted for:			
Major and local roads	44		44
Debt service	1,590,249		1,590,249
Building code enforcement	12,996		
Unrestricted	28	202,471	202,499
Total net assets	$ 3,015,409	$ 484,457	$ 3,499,866
Total liabilities and net assets	$ 7,854,458	$ 421,496	$ 8,275,954

The attached notes are an integral part of the financial statements.

JANZ & KNIGHT, P.L.C. · CERTIFIED PUBLIC ACCOUNTANTS

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary government				
Governmental activities:				
General government	$ 209,314	$ 2,144	$ 6,097	$
Public safety	439,102	78,024	317	
Public works	418,127	47,300	60,084	4,999
Community and economic development	976			
Recreation and culture	45,648	3,930		
Interest on long term debt	218,095			
Total governmental activities	$ 1,331,262	$ 131,398	$ 66,498	$ 4,999
Business-type activity:				
Sewer	123,678	101,656		
Total primary government	$ 1,454,940	$ 233,054	$ 66,498	$ 4,999

General revenues:
- Property taxes
- State shared revenues
- Unrestricted investment income
- Franchise fees
- Miscellaneous

Total general revenues and special items

Changes in net assets

Net assets - July 1, 2004

Net assets - June 30, 2005

The attached notes are an integral part of the financial statements.

JANZ & KNIGHT, P.L.C. CERTIFIED PUBLIC ACCOUNTANTS

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-type Activity	Total
$ (201,073)	$ -	$ (201,073)
(360,761)		(360,761)
(305,744)		(305,744)
(976)		(976)
(41,718)		(41,718)
(218,095)		(218,095)
$ (1,128,367)	$ -	$ (1,128,367)
	(22,022)	(22,022)
$ (1,128,367)	$ (22,022)	$ (1,150,389)
770,388		770,388
84,583		84,583
84,838	2,825	87,663
10,061		10,061
14,280		14,280
$ 964,150	$ 2,825	$ 966,975
$ (164,217)	$ (19,197)	$ (183,414)
3,179,626	503,654	3,683,280
$ 3,015,409	$ 484,457	$ 3,499,866

The attached notes are an integral part of the financial statements.

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2005

	General	Major Road Fund	Local Road Fund	Water Debt Fund
ASSETS				
Cash and cash equivalents	$ 44,168	$ 18,089	$ 6,437	$ 46,297
Receivables:				
Taxes	7,748			
Special assessments				252,291
Other	21,109			
Due from other funds	56,945			
Due from other governments	29,628	6,778	2,416	
Prepaid expenses	24,383			
Total assets	$ 183,981	$ 24,867	$ 8,853	$ 298,588
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 27,118	$	$	$
Deposits	10,529			252,291
Deferred revenue				
Due to other funds	4,333	24,863	8,813	
Due to other governments	102,891			
Total liabilities	$ 144,871	$ 24,863	$ 8,813	$ 252,291
Fund balances:				
Reserved for:				
Debt service				46,297
Prepaid expenses	24,383			
Building code enforcement	12,996			
Unreserved, reported in:				
General Fund	1,731			
Special Revenue Funds		4	40	
Capital Project Funds				
Total fund balances	$ 39,110	$ 4	$ 40	$ 46,297
Total liabilities and fund balances	$ 183,981	$ 24,867	$ 8,853	$ 298,588

The attached notes are an integral part of the financial statements.

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

SAD 1,2 &4 2002 Bond Retirement Fund	SAD 3 2003 Bond Retirement Fund	Non-Major Governmental Funds	Total Governmental Funds
$ 199,701	$ 206,783	$ 93,141	$ 614,616
			7,748
471,010	454,153		1,177,454
			21,109
4,416	2,932	60,504	124,797
			38,822
			24,383
$ 675,127	$ 663,868	$ 153,645	$ 2,008,929
$	$	$ 1,465	$ 28,583
			10,529
471,010	454,153		1,177,454
541		169,659	208,209
			102,891
$ 471,551	$ 454,153	$ 171,124	$ 1,527,666
203,576	209,715	8,607	468,195
			24,383
			12,996
			1,731
		22,760	22,804
		(48,846)	(48,846)
$ 203,576	$ 209,715	$ (17,479)	$ 481,263
$ 675,127	$ 663,868	$ 153,645	$ 2,008,929

The attached notes are an integral part of the financial statements.

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

JUNE 30, 2005

Total governmental fund balances		$ 481,263
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources, and are not reported in the governmental funds:		
Governmental capital assets	$6,508,842	
Less accumulated depreciation	(539,450)	5,969,392
Special assessments are expected to be collected over several years, and are not available to pay for current year expenditures		1,177,454
Long-term liabilities are not due and payable in the current period and are not reported in the funds including related accrued interest		(4,612,700)
Net assets of governmental activities		$ 3,015,409

The attached notes are an integral part of the financial statements.

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CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the Year Ended June 30, 2005

	General	Major Road Fund	Local Road Fund	Water Debt Fund
Revenues:				
Taxes	$ 567,946	$	$	$
Licenses and permits	44,526			
Federal sources	6,097			
State sources	87,677	42,371	14,936	
Local sources	2,144			
Charges for services	49,183			
Fines and forfeitures	23,229			
Interest and rents	5,135	293	94	18,524
Other	14,280			25,569
Total revenues	$ 800,217	$ 42,664	$ 15,030	$ 44,093
Expenditures:				
Current:				
General government	189,764			
Public safety	405,890			
Public works	57,135	77,516	39,477	
Community and economic development	976			
Recreation and culture	36,292			
Other	38,114			
Capital outlay	52,996			
Debt service:				
Principal payments	26,962			30,000
Interest and fiscal charges	3,916			16,141
Total expenditures	$ 812,045	$ 77,516	$ 39,477	$ 46,141
Excess of revenues over (under) expenditures	$ (11,828)	$ (34,852)	$ (24,447)	$ (2,048)
Other financing sources (uses):				
Proceeds from borrowings	45,395			
Operating transfers in		34,850	24,450	
Operating transfers out	(59,300)			
Total other financing sources (uses)	$ (13,905)	$ 34,850	$ 24,450	$ -
Excess of revenues and other sources over (under) expenditures and other uses	$ (25,733)	$ (2)	$ 3	$ (2,048)
Fund balance - July 1, 2004	64,843	6	37	48,345
Fund balance - June 30, 2005	$ 39,110	$ 4	$ 40	$ 46,297

The attached notes are an integral part of the financial statements.

JANZ & KNIGHT, P.L.C. · CERTIFIED PUBLIC ACCOUNTANTS

SAD 1,2 &4 2002 Bond Retirement Fund	SAD 3 2003 Bond Retirement Fund	Non-Major Governmental Funds	Total Governmental Funds
$	$	$ 202,442	$ 770,388
			44,526
			6,097
			144,984
			2,144
			49,183
			23,229
31,998	31,100	1,624	88,768
75,606	98,437	23,448	237,340
$ 107,604	$ 129,537	$ 227,514	$ 1,366,659
			189,764
			405,890
		10,091	184,219
			976
			36,292
			38,114
		54,909	107,905
60,000	60,000	55,000	231,962
25,956	27,110	143,072	216,195
$ 85,956	$ 87,110	$ 263,072	$ 1,411,317
$ 21,648	$ 42,427	$ (35,558)	$ (44,658)
			45,395
		11,901	71,201
		(11,901)	(71,201)
$ -	$ -	$ -	$ 45,395
$ 21,648	$ 42,427	$ (35,558)	$ 737
181,928	167,288	18,079	480,526
$ 203,576	$ 209,715	$ (17,479)	$ 481,263

The attached notes are an integral part of the financial statements.

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

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, 2005

Net change in fund balances - total governmental fund.		$ 737
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:		
Expenditures for capital assets	$112,150	
Less current year depreciation	(262,157)	(150,007)
Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year end.		(199,614)
Proceeds from borrowings is not reported as financing sources on the statement of activities.		(45,395)
Accrued interest is recorded in the statement of activities.		(1,900)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt).		231,962
Change in net assets of governmental activities.		$ (164,217)

The attached notes are an integral part of the financial statements.

JANZ & KNIGHT, P.L.C. · CERTIFIED PUBLIC ACCOUNTANTS

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

STATEMENT OF NET ASSETS
PROPRIETARY FUND TYPE - ENTERPRISE FUND

June 30, 2005

	Business-type Activity Sewer Fund
ASSETS	
Current assets:	
Cash and cash equivalents	$ 105,573
Receivables:	
Customers	17,183
Special assessments	8,081
Due from other funds	84,346
Prepaid expenses	593
Total current assets	$ 215,776
Noncurrent assets:	
Receivable - special assessment	8,080
Capital assets, net	281,986
Total noncurrent assets	$ 290,066
Total assets	$ 505,842
LIABILITIES AND NET ASSETS	
Current liabilities:	
Accounts payable	$ 21,385
Net assets:	
Invested in capital assets	281,986
Unrestricted	202,471
Total net assets	$ 484,457
Total liabilities and net assets	$ 505,842

The attached notes are an integral part of the financial statements.

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUND TYPE - ENTERPRISE FUND

For the Year Ended June 30, 2005

	Business-type Activity Sewer Fund
Operating revenue:	
Sewer usage charges	$ 102,776
Late fees and miscellaneous	(1,120)
Total operating revenue	$ 101,656
Operating expenses:	
Contractual services	89,662
Administrative salaries	3,023
Postage and supplies	742
Insurance	244
Miscellaneous	256
Depreciation	29,751
Total operating expenses	$ 123,678
Operating income (loss)	$ (22,022)
Nonoperating revenues:	
Interest income	2,825
Total nonoperating revenues	$ 2,825
Change in net assets	$ (19,197)
Net assets - July 1, 2004	503,654
Net assets - June 30, 2005	$ 484,457

The attached notes are an integral part of the financial statements.

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE - ENTERPRISE FUND

For the Year Ended June 30, 2005

	Business-type Activity Sewer Fund
Cash flows from operating activities:	
Receipts from customers	$ 108,903
Payments to suppliers	(98,248)
Payments to interfund activity	(43,000)
Net cash provided (used) by operating activities	$ (32,345)
Cash flows from investing activities:	
Interest income	2,825
Net increase (decrease) in cash and cash equivalents	$ (29,520)
Cash and cash equivalents - July 1, 2004	135,093
Cash and cash equivalents - June 30, 2005	$ 105,573

Reconciliation of operating income (loss) to net cash provide (used) by operating activities:

Operating income (loss)	$ (22,022)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:	
Depreciation and amortization	29,751
Changes in assets and liabilities:	
(Increase) decrease in receivables	7,247
(Increase) decrease in due from other funds	(43,000)
(Increase) decrease in prepaids	(349)
Increase (decrease) in accounts payable	(355)
Increase (decrease) in due to other funds	(3,617)
	$ (40,074)
Net cash provided (used) by operating activities	$ (32,345)

The attached notes are an integral part of the financial statements.

JANZ & KNIGHT, P.L.C. · CERTIFIED PUBLIC ACCOUNTANTS

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS

June 30, 2005

	Agency Funds
ASSETS	
Cash and cash equivalents	$ 1,425
Total assets	$ 1,425
LIABILITIES	
Accounts payable and other liabilities	$ 491
Due to other funds	934
Total liabilities	$ 1,425

The attached notes are an integral part of the financial statements.

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

NOTE A - Summary of Significant Accounting Policies

The accounting policies of the City of the Village of Clarkston (the "City") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of the Village of Clarkston.

Reporting Entity

The City of the Village of Clarkston is governed by an elected seven-member Council. The accompanying financial statements present the Village and its component units, entities for which the City is considered to be financially accountable.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally 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.

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

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. Revenue is 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 revenue 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 provided have been met.

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

Revenues are recognized in the accounting period in which they become susceptible to accrual--that is, when they become both measurable and available to finance expenditures of the period. Property taxes, state-shared revenue, interest, reimbursement grants, and charges for services are considered to be susceptible to accrual and so have been recognized as revenue of the current period. All other revenue items are considered to be available only when cash is received by the government.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

Amounts reported as program revenue 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 revenue rather than as program revenue. Likewise, general revenue includes all taxes.

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

NOTE A - Summary of Significant Accounting Policies (continued)

Governmental Funds:

The City reports the following major governmental funds:

General Fund

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 account for in another fund.

Major Road Fund

The Major Road Fund accounts for the construction, maintenance, and repairs of all streets classified as "major roads" within the City. Financing is provided primarily by State-shared gas and weight taxes and local contributions. The fund is operated under the provisions of Michigan's Act 51 of the Public Acts of 1951, as amended.

Local Road Fund

The Local Road Fund accounts for the construction, maintenance, and repairs of all streets classified as "local roads" within the City. Financing is provided primarily by State-shared gas and weight taxes and local contributions. The fund is operated under the provisions of Michigan's Act 51 of the Public Acts of 1951, as amended.

Water Debt Fund

The Water Debt fund is a debt service fund used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs associated with the City's water system.

SAD 1, 2 and 4 2002 Bond Retirement Fund

The SAD 1, 2 and 4 2002 Bond Retirement Fund is a debt service fund used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs associated with the City's water system.

SAD 3 2003 Bond Retirement Fund

The SAD 3 2003 Bond Retirement Fund is a debt service fund used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs associated with the City's water system.

Additionally, the City reports the following fund types:

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Funds

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by the Proprietary Funds and Trust Funds).

JANZ & KNIGHT, P.L.C., CERTIFIED PUBLIC ACCOUNTANTS

NOTE A - Summary of Significant Accounting Policies (continued)

Propriety Fund

The City reports the following major proprietary fund:

Sewer Fund

The Sewer Fund accounts for the operation, maintenance and distribution of the sewage system.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Sewer Fund relates to charges to customers for sales and services. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Property Taxes

Property taxes are levied on each July 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on September 1, at which time penalties and interest are assessed.

The 2004 taxable valuation of the City, assessed as of December 31, 2003, totaled $43,000,204, and is used for the July 1, 2004 tax bills; this resulted in property tax revenue as follows:

	Mills Levied	Property Taxes
General operations	13.3633	$574,625
Debt service	4.7079	$202,441

Assets, Liabilities, and Net Assets or Equity

Cash and Investments

Deposits are carried at cost and consist of cash on hand, checking accounts, and investments in mutual funds.

For purposes of the Statement of Cash Flows, the City considered cash deposits and certificates of deposits with a maturity of three months or less when purchased to be cash equivalents.

Interfund Receivables and Payables

In general, outstanding balances between funds are reported as "due to/from other funds" on the balance sheet. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances".

Receivables

All trade and property tax receivables are considered fully collectible by the City. No provision has been made in the financial statements for noncollection.

Prepaid Items

Certain payments to vendors reflect costs applicable to future years and are recorded as prepaid items in both government-wide and fund financial statements.

JANZ & KNIGHT, P.L.C. · CERTIFIED PUBLIC ACCOUNTANTS

NOTE A - Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets, which include land, buildings, building improvements, vehicles, furniture, machinery and equipment and infrastructure 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 $1,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Infrastructure assets are long-lived capital assets that normally can be preserved for a significantly greater number of year than most capital assets. The City has elected not to retroactively report infrastructure assets.

Capital assets that are being depreciated are reported net of accumulated depreciation in the statement of net assets. Capital assets that are not being depreciated, such as land, are reported separately.

Capital assets are depreciated over their estimated useful lives. Depreciation expense is reported in the statement of activities by allocating the net cost over the estimated useful life of the assets.

Depreciation of all exhaustible fixed assets used by propriety fund types is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund type balance sheets. Depreciation has been provided over the estimated useful lives.

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

	Years
Land Improvements	15-30
Sewer System	40
Buildings and Improvements	30-50
Vehicles	6
Machinery and Equipment, Furniture	5-25
Water System	30
Roads	20

Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the Statement of Net Assets. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds. For proprietary fund types, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and net of any deferred charges on bond refundings. Issuance costs are reported as deferred charges.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance present tentative management plans that are subject to change.

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 and liabilities 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.

JANZ & KNIGHT, P.L.C. · CERTIFIED PUBLIC ACCOUNTANTS

NOTE B - Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General and Special Revenue Funds. All annual appropriations lapse at year end. The City's appropriation resolution is generally passed during the May preceding the year in which the planned expenditures relate. Subsequent amendments are made to avoid unfavorable variances from the original budget. Related resolutions are made to state the purpose and amount of the changes. The City Clerk has the responsibility to enforce the budget. Unused appropriations do not carry forward to the next year.

The budget document presents information by fund, function, department and line items. The legal level (the level at which expenditures may not legally exceed appropriations) of budgetary control adopted by the board is at the department (activity) level.

The City Council must approve budget amendments at the activity level and supplemental appropriations, which affect total fund expenditures. The Clerk can transfer appropriations between line items within a department or activity without governing body approval.

Supplemental appropriations were necessary during the year, which increased total expenditures.

Amounts encumbered for purchase orders, contracts, etc., are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

P.A. 2 of 1968 as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated in budget resolutions of the governing body.

Excess of Expenditures Over Appropriations in Budgeted Funds

During the year, the City of the Village of Clarkston incurred expenditures in certain budgeted funds which were significantly in excess of the amounts appropriated, as follows:

Fund	Activity	Budget Appropriation	Actual Expenditure	Budget Variance
General	Audit expense	$ 13,500	$ 18,000	$ 4,500
General	Capital outlay	13,600	52,996	39,396
General	Debt service	24,065	30,878	6,813
General	Operating transfers out	29,148	59,300	30,152
Major Road	Equipment rental		10,749	10,749
Major Road	Winter maintenance	4,905	16,302	11,397
Local Road	Equipment rental		3,456	3,456
Local Road	Winter maintenance	2,500	9,345	6,845

Fund Deficit

The City's financial statements include a cumulative fund deficit in the 2002C GO Debt Retirement Fund and 2003 Special Assessment Construction Funds at June 30, 2005.

The fund deficit in the 2003 Special Assessment Construction Fund of $48,846 is a result of construction done on the water system and roads and is expected to be removed through a reimbursement from the State of Michigan.

The fund deficit in the 2002C GO Debt Retirement Fund of $4,665 is a result of not assessment enough taxes and is expected to be removed in the following year with increasing the millage appropriately. This debt is an unlimited tax levy debt.

The City will be filing a deficit elimination plan with the State Department of Treasury detailing their plans to finance the fund deficit in these funds.

JANZ & KNIGHT, P.L.C. · CERTIFIED PUBLIC ACCOUNTANTS

NOTE C - Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the City 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 City is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; 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 its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The City has designated various banks for the deposit of City funds. The treasurer keeps a list of approved banks. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government, bank accounts and CDs, repurchase agreements, investment pools organized under the local government investment pool act, commercial paper rated within the two highest classifications, and bankers' acceptance of United States banks, but not the remainder of State statutory authority as listed above.

The City's deposits and investments are in accordance with statutory authority and the investment policy of the City. At the end of the year, the carrying amount of the City's deposits were $696,979 (reconciled), the unreconciled bank balance was $737,567, of the deposits $404,180 was covered by federal depository insurance. Cash deposits are not collateralized.

The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the City evaluates each financial institution with which it deposits City funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

During the period of tax collection (July-February), cash deposits held by the City may significantly exceed the amounts as of the balance sheet date.

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

	Governmental Activities	Business-Type Activities	Fiduciary Funds	Total Primary Government
Cash and cash equivalents	$ 614,616	$ 105,573	$ 1,425	$ 721,614

The breakdown between deposits and investments is as follows:

	Primary Government
Bank Deposits (checking and savings accounts, certificates of deposit)	$ 696,979
Investments in Securities, Mutual Funds and Similar Vehicles	24,525
Petty Cash and Cash on Hand	110
Total	$ 721,614

The City's investments are categorized to give an indication of the level of risk assumed by the City at year end. Investments are categorized into these categories of credit risk:

1. Insured or registered, or securities held by the Village or its agent in the City's name;

2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name; and

3. Uninsured and unregistered, with securities held by the counterparty or by its trust department of agent but not in the City's name.

JANZ & KNIGHT, P.L.C. · CERTIFIED PUBLIC ACCOUNTANTS

NOTE C - Deposits and Investments (continued)

At year-end, the government's investment balances were categorized as follows:

	Category 1	Category 2	Category 3	Reported Amount (Fair Value)
Primary Government:				
U.S. Government Securities	$	$	$	$
Commercial Paper				
Repurchase Agreements				
Subtotal	$	$	$	$
Investment Not Subject to Categorization:				
Mutual Funds - Governmental Cash Investment Fund				24,525
Total Primary Government				$ 24,525

The mutual funds are not categorized because they are not evidenced by securities that are in physical or book entry form. Management believes that the investments of the City comply with the investment authority as noted above, and the investment policy of the City.

JANZ & KNIGHT, P.L.C. · CERTIFIED PUBLIC ACCOUNTANTS

NOTE D - Capital Assets

Capital asset activity of the primary government for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Construction in progress	$5,804,824	$ 54,909	$5,859,733	$
Capital assets being depreciated:				
Building and improvements	74,204			74,204
Land improvements	89,068			89,068
Vehicles	61,346	3,600		64,946
Machinery and equipment	330,617	53,641	1,995	382,263
Furniture and fixtures	37,759	1,995	1,126	38,628
Roads		1,581,593		1,581,593
Water system		4,278,140		4,278,140
Subtotal	$ 592,994	$5,918,969	$ 3,121	$6,508,842
Less accumulated depreciation for:				
Building and improvements	38,016	1,509		39,525
Land improvements	67,153	2,386		69,539
Vehicles	36,902	7,317		44,219
Machinery and equipment	111,443	81,114	1,995	190,562
Furniture and fixtures	24,905	5,562	1,126	29,341
Roads		59,310		59,310
Water system		106,954		106,954
Subtotal	$ 278,419	$ 264,152	$ 3,121	$ 539,450
Net capital assets being depreciated	$ 314,575	$5,654,817	$	$5,969,392
Net capital assets - governmental activities	$6,119,399	$5,709,726	$5,859,733	$5,969,392

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets being depreciated:				
Sewer system	$1,177,272	$	$	$1,177,272
Machinery and equipment	5,365		3,770	1,595
Subtotal	$1,182,637	$	$ 3,770	$1,178,867
Less accumulated depreciation for:				
Sewer system	867,103	29,432		896,535
Machinery and equipment	3,797	319	3,770	346
Subtotal	$ 870,900	$ 29,751	$ 3,770	$ 896,881
Net capital assets - governmental activities	$ 311,737	$ (29,751)	$	$ 281,986

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

Governmental activities:	
General government	$ 5,436
Public safety	9,212
Public works	238,153
Recreation and culture	9,356
Total governmental activities	$262,157
Business-type activities:	
Sewer	$ 29,751

JANZ & KNIGHT, P.L.C. · CERTIFIED PUBLIC ACCOUNTANTS

NOTE F - Interfund Receivables, Payables and Transfers

The following are the interfund receivables at June 30, 2005:

Receivable Fund	Payable Fund	Amount
General Fund	Major Street Fund	$ 24,863
	Local Street Fund	9,813
	2003 Special Assessment	19,303
	Debt Service Fund	3,032
	Tax Fund	934
	Total General Fund	$ 56,945
Debt Service Funds:		
SAD 1, 2 & 4 2002 Bond Retirement Fund	2003 Special Assessment Construction Fund	4,416
Debt Service Fund	2002C GO Debt Retirement Fund	500
	2002A GO Debt Retirement Fund	1,259
	2002B GO Debt Retirement Fund	2,161
SAD 3 2003 Bond Retirement Fund	2003 Special Assessment Construction Fund	2,391
	SAD 1, 2 and 4 2002 Bond Retirement Fund	541
2002A GO Debt Retirement Fund	General Fund	1,627
2002B GO Debt Retirement Fund	General Fund	2,613
2002C GO Debt Retirement Fund	General Fund	93
	Total Debt Service Funds	$ 15,601
Capital Project Funds:		
2003 Special Assessment Construction Fund	2002C GO Debt Retirement Fund	4,554
	Water construction Fund	46,867
	2002 GO Unlimited Bond Construction Fund	583
	SAD 1, 2 & 4 Construction Fund	247
		$ 52,251
Enterprise Fund	2003 Special Assessment Construction Fund	84,346
	Total interfund receivable	$209,143

These balances resulted from the time lag between the date 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.

Interfund Transfers

	Transfers (Out)						
	General Fund	Water Construction Fund	SAD 1, 2 & 4 Bond Construction Fund	2002 GO Unlimited Bond Construction Fund	2002 A & B Bond Construction Fund	2003 Special Assessment Construction Fund	Total
Transfers in							
Major Road Fund	$34,850	$	$	$	$	$	$34,850
Local Road Fund	24,450						24,450
2002 A & B Construction Fund						492	492
2002 GO Unlimited Bond					5,500		5,500
2003 Special Assessment Construction Fund		44	282	5,583			5,909
	$59,300	$ 44	$ 282	$ 5,583	$ 5,500	$ 492	$71,201

Transfers from the General Fund to the Major Road and Local Road Funds is to subsidize the cost of road expenditures.

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

NOTE F - Long-Term Debt:

The following is a summary of general long-term debt transactions of the City for the year ended June 30, 2005:

	General Long-Term Debt			
	Total	General Obligation	Special Assessment	Equipment Contract
Long-term debt at July 1, 2004	$4,743,867	$2,885,000	$1,750,000	$ 108,867
Long-term debt initiated during the year	45,395			45,395
Payments made during the year	(231,962)	(55,000)	(150,000)	(26,962)
Long-term debt at June 30, 2005	$4,557,300	$2,830,000	$1,600,000	$ 127,300

Bonds - On July 14, 2000 the City sold $800,000 Unlimited Tax General Obligation Bonds for the purpose of constructing a water supply system. The bonds bear interest at a rate of 4.75% to 6.00%. Schedule of required principal and interest payments is as follows:

Year ended June 30,	Annual Interest	Annual Principal
2006	$ 42,304	$ 15,000
2007	41,415	20,000
2008	40,390	20,000
2009	39,355	20,000
2010	38,310	20,000
2011	37,255	20,000
2012	36,056	25,000
2013	34,706	25,000
2014	32,776	45,000
2015	30,115	50,000
2016	27,135	55,000
2017	23,555	70,000
2018	19,513	70,000
2019	15,435	70,000
2020	11,175	75,000
2021	6,731	75,000
2022	2,250	75,000
	$478,476	$ 750,000

On October 17, 2000 the City sold $400,000 Special Assessments Limited Tax Bonds for the construction of water improvements. The bonds bear interest at a rate of 4.60% to 7.60%. Schedule of required principal and interest payments is as follows:

Year ended June 30,	Annual Interest	Annual Principal
2006	$ 14,442	$ 30,000
2007	13,040	30,000
2008	11,623	30,000
2009	10,190	30,000
2010	8,735	30,000
2011	7,250	30,000
2012	5,862	25,000
2013	4,581	25,000
2014	3,288	25,000
2015	1,981	25,000
2016	662	25,000
	$ 81,654	$ 305,000

JAMES E. KNIGHT, P.L.C. · CERTIFIED PUBLIC ACCOUNTANTS

NOTE F - (Continued):

On March 18, 2002 the City sold $995,000 of 2002 General Obligation Unlimited Tax Bonds, Series A, for the construction of water improvements. The bonds bear interest of 4.00% to 7.00%. Schedule of required principal and interest payments is as follows:

Year ended June 30,	Annual Interest	Annual Principal
2006	$ 45,095	$ 15,000
2007	44,270	15,000
2008	43,265	30,000
2009	42,065	30,000
2010	40,865	30,000
2011	39,556	35,000
2012	38,018	40,000
2013	36,231	45,000
2014	34,175	50,000
2015	31,838	55,000
2016	29,335	55,000
2017	26,660	60,000
2018	23,625	65,000
2019	20,250	70,000
2020	16,750	70,000
2021	13,125	75,000
2022	9,375	75,000
2023	5,625	75,000
2024	1,875	75,000
	$541,998	$ 965,000

On June 3, 2002 the City sold $995,000 of 2002 General Obligation Unlimited Tax Bonds, Series B, for the construction of water improvements. The bonds bear interest of 4.00% to 7.00%. Schedule of required principal and interest payments is as follows:

Year ended June 30,	Annual Interest	Annual Principal
2006	$ 42,935	$ 25,000
2007	41,835	30,000
2008	40,635	30,000
2009	39,435	30,000
2010	38,135	35,000
2011	36,709	35,000
2012	35,123	40,000
2013	33,382	40,000
2014	31,490	45,000
2015	29,443	45,000
2016	27,232	50,000
2017	24,845	50,000
2018	22,258	55,000
2019	19,507	55,000
2020	16,633	60,000
2021	13,475	65,000
2022	9,997	70,000
2023	6,209	75,000
2024	2,120	80,000
	$511,398	$ 915,000

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

NOTE F - (Continued):

On October 9, 2002 the City sold $210,000 of 2002C General Obligation Unlimited Tax Bonds for the purpose of funding construction of phase II of the water supply system. The bonds bear interest at a rate of 3.75% to 6.75%. Schedule of required principal and interest payments is as follows:

Year ended June 30,	Annual Interest	Annual Principal
2006	$ 8,689	$ 5,000
2007	8,351	5,000
2008	8,089	5,000
2009	7,901	5,000
2010	7,617	10,000
2011	7,238	10,000
2012	6,852	10,000
2013	6,463	10,000
2014	6,073	10,000
2015	5,678	10,000
2016	5,270	10,000
2017	4,850	10,000
2018	4,420	10,000
2019	3,980	10,000
2020	3,416	15,000
2021	2,726	15,000
2022	2,025	15,000
2023	1,316	15,000
2024	480	20,000
	$101,434	$ 200,000

On October 9, 2002 the City sold $815,000 of Special Assessment Limited Tax Bonds, for the purpose of funding construction of phase II of the water supply system. The bonds bear interest at a rate of 3.00% to 4.25%. Schedule of required principal and interest payments is as follows:

Year ended June 30,	Annual Interest	Annual Principal
2006	$ 23,725	$ 60,000
2007	21,925	60,000
2008	20,125	60,000
2009	18,235	60,000
2010	16,255	60,000
2011	14,185	60,000
2012	12,025	50,000
2013	10,150	50,000
2014	8,200	50,000
2015	6,200	50,000
2016	4,200	50,000
2017	2,125	50,000
	$157,350	$ 660,000

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

NOTE F - (Continued):

On January 6, 2002 the City sold $725,000 of Special Assessment Limited Tax Bonds, for the purpose of funding construction of phase II of the water supply system. The bonds bear interest at a rate of 3.00% to 4.65%. Schedule of required principal and interest payments is as follows:

Year ended June 30,	Annual Interest	Annual Principal
2006	$ 25,010	$ 60,000
2007	23,060	60,000
2008	21,020	55,000
2009	19,095	55,000
2010	17,315	55,000
2011	15,025	50,000
2012	13,075	50,000
2013	11,075	50,000
2014	8,950	50,000
2015	6,825	50,000
2016	4,575	50,000
2017	2,325	50,000
	$167,350	$ 635,000

On April 5, 2004 the City entered into a purchase agreement for a wheel loader for $108,867. The purchase is being financed over a five year period. Annual payment of $24,066 including interest is required beginning November 5, 2004. Interest is being charged at 4%. Schedule of required principal and interest payments is as follows:

Year ended June 30,	Annual Interest	Annual Principal
2006	$ 3,494	$ 20,572
2007	2,672	21,394
2008	1,816	22,250
2009	928	23,138
	$ 8,910	$ 87,354

On November 15, 2004 the City entered into a purchase agreement for a man lift for $45,395. The purchase is being financed over a five year period. Monthly payments of $851.46 including interest are required beginning December 15, 2004. Interest is being charged at 4.75%. Schedule of required principal and interest payments is as follows:

Year ended June 30,	Annual Interest	Annual Principal
2006	$ 1,586	$ 7,780
2007	1,337	8,881
2008	906	9,312
2009	453	9,765
2010	49	4,208
	$ 4,331	$ 39,946

The annual requirements to amortize all debt outstanding as of June 30, 2005, including interest payments are as follows:

Year ended June 30,	Annual Interest	Annual Principal
2006	$ 207,280	$ 238,352
2007	197,905	250,275
2008	187,869	261,562
2009	177,657	262,903
2010	167,281	244,208
2011-2015	677,849	1,285,000
2016-2020	359,731	1,210,000
2021-2024	77,329	805,000
	$2,052,901	$4,557,300

NOTE G - Lease Obligation:

Effective January 1, 2001, the City entered into an agreement to lease facilities in Clarkston, Michigan at a total monthly rental of $2,000.00, exclusive of maintenance and increases in taxes and insurance, which are also payable by the City as leasee. This is a five year lease set to expire December 31, 2005. For the year ended June 30, 2005, the City paid $24,000 on this lease.

The future minimum rental payments required are as follows:

June 30,	Amount
2006	$ 12,000

NOTE H - Pending Litigation:

Litigation is currently pending against the City involving various issues. The outcome of these cases cannot be presently determined, however, it is not expected that an adverse decision would exceed insurance coverage. Accordingly, no provision has been made for any potential liability with regard to these lawsuits.

NOTE I - The City is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees. The City has purchased commercial insurance for storage tank and health care. The City participates in the Michigan Municipal Liability and Property Pool for general, auto, professional, public official, employee dishonesty and errors and omissions liabilities. The City also participates in the Michigan Municipal Workers Compensation Fund for workers compensation. The City is uninsured for acts of God and environmental cleanup losses. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal Liability and Property Pool risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts.

NOTE J - Building Code Enforcement:

Public Act 245 of 1999 requires that fees generated from regulation of the construction code may only be used for that purpose. Current year revenues and expenditures are as follows:

Accumulated revenues over (under) expenditures - July 1, 2004			$ 3,436
Revenue - fees		$34,334	
Expenditures:			
Inspector fees	$23,311		
Supplies	1,463		
Total expenditures		24,774	
Excess of revenues over expenditures			9,560
Accumulated revenues over expenditures - June 30, 2005			$12,996

Accumulated revenues over expenditures at June 30, 2005 have been recorded as reserved fund balance.

NOTE K - Segment Information for Enterprise Fund:

The City maintains one Enterprise Fund which provides sewer services. Segment information for the year ended June 30, 2005 was as follows:

	Sewer Fund
Operating revenue	$101,656
Operating income (loss)	(22,022)
Nonoperating revenue	2,825
Net income (loss)	(19,197)
Land, building, equipment:	
Depreciation	29,751
Net working capital	194,391
Total assets	505,842
Total equity	484,457

JANZ & KNIGHT, P.L.C. · CERTIFIED PUBLIC ACCOUNTANTS

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2005

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues:				
Taxes:				
Current tax	$ 575,434	$ 575,434	$ 567,589	$ (7,845)
Interest and penalty	1,000	1,192	357	(835)
	$ 576,434	$ 576,626	$ 567,946	$ (8,680)
Licenses and permits:				
Building	15,250	33,640	34,465	825
Cable T.V. franchise	8,000	9,000	10,061	1,061
	$ 23,250	$ 42,640	$ 44,526	$ 1,886
Federal sources:				
Community development block grant	8,000	6,100	6,097	(3)
State sources:				
State revenue sharing	84,612	84,612	83,027	(1,585)
Metro Authority	2,500	-	2,777	2,777
Liquor licenses	1,525	1,555	1,556	1
Other		316	317	1
	$ 88,637	$ 86,483	$ 87,677	$ 1,194
Local sources:				
Other	2,050	2,052	2,144	92
Charges for services:				
Reimbursement of expenses from other funds:				
Equipment rental - Major and Local Road Funds			28,853	28,853
Police charges	16,000	18,750	20,330	1,580
	$ 16,000	$ 18,750	$ 49,183	$ 30,433
Fines and forfeitures - ordinance fines	21,500	24,150	23,229	(921)
Interest and rents:				
Interest earnings	500	400	1,205	805
Rents	3,600	3,800	3,930	130
	$ 4,100	$ 4,200	$ 5,135	$ 935
Other:				
Contributions		2,430	3,766	1,336
Miscellaneous	2,300	6,135	10,514	4,379
	$ 2,300	$ 8,565	$ 14,280	$ 5,715
Total revenues	$ 742,271	$ 769,566	$ 800,217	$ 30,651

JANZ & KNIGHT, P.L.C. CERTIFIED PUBLIC ACCOUNTANTS

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)
For the Year Ended June 30, 2005

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Expenditures:				
General government:				
Legislative:				
City council:				
Council salaries	$ 7,000	$ 6,850	$ 6,800	$ 50
Dues	2,500	2,565	2,564	-
Other	7,705	9,385	9,386	(1)
	$ 17,205	$ 18,800	$ 18,750	$ 50
Elections:				
Fees	1,000	1,700	1,700	-
Supplies	1,000	690	848	(158)
Legal notices	500	410	409	1
	$ 2,500	$ 2,800	$ 2,957	$ (157)
Assessing	8,200	8,030	8,029	1
Board of review	300	375	375	
Clerk:				
Salary	2,500	2,500	2,519	(19)
Other	2,400	2,650	2,565	85
	$ 4,900	$ 5,150	$ 5,084	$ 66
Treasurer:				
Salary	11,500	11,500	11,588	(88)
Supplies	500	460	665	(205)
Tax roll	1,000	615	442	173
Bonds and insurance	250			
	$ 13,250	$ 12,575	$ 12,695	$ (120)
City Hall and grounds:				
Wages	61,500	64,150	64,734	(584)
Office supplies	5,000	4,800	4,685	115
Supplies	7,000	7,425	8,336	(911)
Equipment	1,000	1,850	1,683	167
Parking lot	3,000	3,000	3,143	(143)
Engineering	1,000	260	251	9
Telephone	2,700	2,200	2,018	182
Insurance	15,725	13,530	13,526	4
Utilities	4,700	4,155	4,479	(324)
Building maintenance	750	3,080	3,079	1
Equipment maintenance	300	500	122	378
Sidewalk maintenance	50	25	52	(27)
Miscellaneous	452	632	631	1
	$ 103,177	$ 105,607	$ 106,739	$ (1,132)
Community development block grant	8,000	4,500	4,497	3

JANZ & KNIGHT, P.L.C. CERTIFIED PUBLIC ACCOUNTANTS

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)
For the Year Ended June 30, 2005

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Other general services administration activities:				
Audit expense	$ 8,000	$ 13,500	$ 18,000	$ (4,500)
Legal fees	15,000	13,000	12,516	484
Miscellaneous	200	32	122	(90)
	$ 23,200	$ 26,532	$ 30,638	$ (4,106)
Total general government	$ 180,732	$ 184,369	$ 189,764	$ (5,395)
Public safety:				
Police department:				
Salaries and wages	138,436	130,736	130,692	44
Payroll taxes	11,800	11,800	11,604	196
Insurance and medical	2,775	3,300	3,443	(143)
Supplies	2,000	1,800	1,812	(12)
Telephone	8,000	5,600	5,630	(30)
Legal fees	10,000	15,000	14,891	109
Vehicle and equipment maintenance	4,500	4,450	4,707	(257)
Contractual services	28,870	28,830	29,272	(442)
Gas and oil	5,000	4,000	4,162	(162)
Insurance	14,725	15,190	15,188	2
Dispatch	4,200	4,200	4,200	-
Equipment rental	3,350	3,625	6,382	(2,757)
Miscellaneous	2,745	3,515	1,534	1,981
	$ 236,401	$ 232,046	$ 233,517	$ (1,471)
Fire protection	142,100	146,630	147,599	(969)
Building inspector	15,000	33,500	24,774	8,726
Total public safety	$ 393,501	$ 412,176	$ 405,890	$ 6,286
Public works:				
Highway and streets:				
Gas and oil	3,200	4,000	3,904	96
Maintenance and repair - vehicles	6,000	15,900	16,467	(567)
Insurance - vehicles	3,750	3,545	3,544	1
	$ 12,950	$ 23,445	$ 23,915	$ (470)
Street lighting	16,000	22,075	18,273	3,802
Refuse collection	500	675	675	-
Tree trimming, tree planting and leaf pickup	5,250	875	875	-
Other public works activities:				
Sub-watershed expense		4,000	3,973	27
Telephone	1,500	1,500	1,290	210
Utilities	4,500	4,350	4,388	(38)
Building supplies	1,700	1,950	1,992	(42)
Building maintenance	1,500	1,750	1,754	(4)
	$ 9,200	$ 13,550	$ 13,397	$ 153
Total public works	$ 43,900	$ 60,620	$ 57,135	$ 3,485

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)
For the Year Ended June 30, 2005

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Community and economic development:				
Planning	$ 1,500	$ 980	$ 976	$ 4
Recreation and culture:				
Contractual services - Library	35,525	35,475	36,292	(817)
Other functions:				
Lease	24,000	24,000	24,000	-
Payroll taxes	7,500	8,100	8,711	(611)
Workers compensation insurance	3,325	4,095	4,403	(308)
Youth assistance	1,000	1,000	1,000	-
Total other	$ 35,825	$ 37,195	$ 38,114	$ (919)
Capital outlay:				
Police equipment		7,400	7,401	(1)
Highways and streets	12,032	6,200	45,595	(39,395)
Total capital outlay	$ 12,032	$ 13,600	$ 52,996	$ (39,396)
Debt service:				
Principal payments	24,065	24,065	26,962	(2,897)
Interest			3,916	(3,916)
Total debt service	$ 24,065	$ 24,065	$ 30,878	$ (6,813)
Total expenditures	$ 727,080	$ 768,480	$ 812,045	$ (43,565)
Excess of revenues over (under) expenditures	$ 15,191	$ 1,086	$ (11,828)	$ (12,914)
Other financing sources (uses):				
Proceeds from borrowings			45,395	45,395
Transfer to Major Street Fund		(22,028)	(34,850)	(12,822)
Transfer to Local Street Fund		(7,120)	(24,450)	(17,330)
Total other financing sources (uses)	$	$ (29,148)	$ (13,905)	$ 15,243
Excess of revenues and other sources over (under) expenditures and other uses	$ 15,191	$ (28,062)	$ (25,733)	$ 2,329
Fund balance - July 1, 2004	64,843	64,843	64,843	
Fund balance - June 30, 2005	$ 80,034	$ 36,781	$ 39,110	$ 2,329

JANZ & KNIGHT, P.L.C. · CERTIFIED PUBLIC ACCOUNTANTS

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
MAJOR ROAD FUND

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
MAJOR ROAD FUND

For the Year Ended June 30, 2005

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues:				
State source	$ 42,500	$ 42,500	$ 42,371	$ (129)
Interest	100	235	293	58
Total revenues	$ 42,600	$ 42,735	$ 42,664	$ (71)
Expenditures:				
Salaries	20,000	36,500	37,193	(693)
Payroll taxes	1,600	2,800	2,846	(46)
Insurance	2,000	308	326	(18)
Tools and miscellaneous	2,000	3,800	2,868	932
Supplies	3,500	4,800	3,918	882
Traffic services	2,000	3,150	3,314	(164)
Equipment rental			10,749	(10,749)
Winter maintenance	3,250	4,905	16,302	(11,397)
Total expenditures	$ 34,350	$ 56,263	$ 77,516	$ (21,253)
Excess of revenues over (under) expenditures	$ 8,250	$ (13,528)	$ (34,852)	$ (21,324)
Other financing sources (uses):				
Operating transfers in		22,028	34,850	12,822
Operating transfer out	(8,500)	(8,500)		8,500
Total other financing sources (uses)	$ (8,500)	$ 13,528	$ 34,850	$ 21,322
Excess of revenues and other sources over (under) expenditures and other uses	$ (250)	$ -	$ (2)	$ (2)
Fund balance - July 1, 2004	6	6	6	
Fund balance - June 30, 2005	$ (244)	$ 6	$ 4	$ (2)

JANZ & KNIGHT, P.L.C. CERTIFIED PUBLIC ACCOUNTANTS

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
LOCAL ROAD FUND

For the Year Ended June 30, 2005

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues:				
State sources	$ 15,000	$ 15,000	$ 14,936	$ (64)
Interest	50	80	94	14
Total revenues	$ 15,050	$ 15,080	$ 15,030	$ (50)
Expenditures:				
Salaries	12,000	20,000	19,377	623
Payroll taxes	1,000	1,550	1,532	18
Insurance	1,500	170	175	(5
Tools and miscellaneous	1,600	2,205	1,697	508
Supplies	2,500	2,600	2,110	490
Traffic service	1,500	1,675	1,785	(110)
Equipment rental			3,456	(3,456)
Winter maintenance	2,000	2,500	9,345	(6,845)
Total expenditures	$ 22,100	$ 30,700	$ 39,477	$ (8,777)
Excess of revenues over (under) expenditures	$ (7,050)	$ (15,620)	$ (24,447)	$ (8,827)
Other financing sources:				
Operating transfers in	8,500	15,620	24,450	8,830
Excess of revenues and other sources over expenditures	$ 1,450	$ -	$ 3	$ 3
Fund balance - July 1, 2004	37	37	37	
Fund balance - June 30, 2005	$ 1,487	$ 37	$ 40	$ 3

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

OTHER SUPPLEMENTAL INFORMATION

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS

June 30, 2005

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Total Non-Major Governmental Funds
ASSETS				
Cash and cash equivalents	$ 24,225	$ 11,860	$ 57,056	$ 93,141
Due from other funds		8,253	52,251	60,504
Total assets	$ 24,225	$ 20,113	$ 109,307	$ 153,645
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 1,465	$	$	$ 1,465
Due to other funds		11,506	158,153	169,659
Total liabilities	$ 1,465	$ 11,506	$ 158,153	$ 171,124
Fund balances:				
Reserved for:				
Debt service		8,607		8,607
Unreserved	22,760		(48,846)	(26,086)
Total fund balances	$ 22,760	$ 8,607	$ (48,846)	$ (17,479)
Total liabilities and fund balances	$ 24,225	$ 20,113	$ 109,307	$ 153,645

The attached notes are an integral part of the financial statements.

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
June 30, 2005

	Mill Pond Lake Improvement Board	Total
ASSETS		
Cash and cash equivalents	$ 24,225	$ 24,225
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	$ 1,465	$ 1,465
Fund balances - unreserved	22,760	22,760
Total liabilities and fund balances	$ 24,225	$ 24,225

The attached notes are an integral part of the financial statements.

JANZ & KNIGHT, P.L.C. · CERTIFIED PUBLIC ACCOUNTANTS

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
DEBT SERVICE FUNDS
June 30, 2005

	Debt Service Fund	2002A GO Debt Retirement Fund	2002B GO Debt Retirement Fund	2002C GO Debt Retirement Fund	Total
ASSETS					
Cash and cash equivalents	$ 4,863	$ 3,916	$ 2,785	$ 296	$ 11,860
Due from other funds	3,920	1,627	2,613	93	8,253
Total assets	$ 8,783	$ 5,543	$ 5,398	$ 389	$ 20,113
LIABILITIES AND FUND BALANCES					
Liabilities:					
Due to other funds	$ 3,032	$ 1,259	$ 2,161	$ 5,054	$ 11,506
Fund balances:					
Reserved for debt service	5,751	4,284	3,237	(4,665)	8,607
Total liabilities and fund balances	$ 8,783	$ 5,543	$ 5,398	$ 389	$ 20,113

The attached notes are an integral part of the financial statements.

JANZ & KNIGHT, P.L.C. · CERTIFIED PUBLIC ACCOUNTANTS

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECT FUNDS
June 30, 2005

	Water Construction Fund	2002A&B Bond Construction Fund	2002 GO Unlimited Bond Construction Fund
ASSETS			
Cash and cash equivalents	$ 46,867	$ -	$ 583
Due from other funds			
Total assets	$ 46,867	$ -	$ 583
LIABILITIES AND FUND BALANCES			
Liabilities:			
Due to other funds	$ 46,867	$ -	$ 583
Fund balances:			
Reserved for capital improvements	-	-	-
Total liabilities and fund balances	$ 46,867	$ -	$ 583

The attached notes are an integral part of the financial statements.

JANZ & KNIGHT, P.L.C. · CERTIFIED PUBLIC ACCOUNTANTS

SAD 1,2 & 4 Construction Fund	2003 Special Assessment Construction Fund	Total
$ 247	$ 9,359	$ 57,056
	52,251	52,251
$ 247	$ 61,610	$ 109,307
$ 247	$ 110,456	$ 158,153
-	(48,846)	(48,846)
$ 247	$ 61,610	$ 109,307

The attached notes are an integral part of the financial statements.

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS

For the Year Ended June 30, 2005

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Total Non-Major Governmental Funds
Revenues:				
Taxes	$	$ 202,442	$	$ 202,442
Interest	311	1,008	305	1,624
Other	18,447		5,001	23,448
Total revenues	$ 18,758	$ 203,450	$ 5,306	$ 227,514
Expenditures:				
Current:				
Public works	10,091			10,091
Capital outlay			54,909	54,909
Debt service:				
Principal payments		55,000		55,000
Interest and fiscal charges		143,072		143,072
Total expenditures	$ 10,091	$ 198,072	$ 54,909	$ 263,072
Excess of revenues over (under) expenditures	$ 8,667	$ 5,378	$ (49,603)	$ (35,558)
Other financing sources (uses):				
Operating transfers in			11,901	11,901
Operating transfers out			(11,901)	(11,901)
Total other financing sources (uses)	$	$	$ -	$ -
Excess of revenues and other sources over (under) expenditures and other uses	$ 8,667	$ 5,378	$ (49,603)	$ (35,558)
Fund balance - July 1, 2004	14,093	3,229	757	18,079
Fund balance - June 30, 2005	$ 22,760	$ 8,607	$ (48,846)	$ (17,479)

The attached notes are an integral part of the financial statements.

JANZ & KNIGHT, P.L.C. · CERTIFIED PUBLIC ACCOUNTANTS

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS
NON-MAJOR GOVERNMENTAL FUNDS

For the Year Ended June 30, 2005

	Mill Pond Lake Improvement Board	Total
Revenues:		
Interest	$ 311	$ 311
Other - special assessments	18,447	18,447
Total revenues	$ 18,758	$ 18,758
Expenditures:		
Current:		
Public works	10,091	10,091
Total expenditures	$ 10,091	$ 10,091
Excess of revenues over expenditures	$ 8,667	$ 8,667
Fund balance - July 1, 2004	14,093	14,093
Fund balance - June 30, 2005	$ 22,760	$ 22,760

JANZ & KNIGHT, P.L.C. · CERTIFIED PUBLIC ACCOUNTANTS

The attached notes are an integral part of the financial statements.

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
DEBT SERVICE FUNDS
NON-MAJOR GOVERNMENTAL FUNDS

For the Year Ended June 30, 2005

	Debt Service Fund	2002A GO Debt Retirement Fund	2002B GO Debt Retirement Fund	2002C GO Debt Retirement Fund	Total
Revenues:					
Taxes	$ 59,719	$ 57,397	$ 70,899	$ 14,427	$ 202,442
Interest and penalties	431	232	287	58	1,008
Total revenues	$ 60,150	$ 57,629	$ 71,186	$ 14,485	$ 203,450
Expenditures:					
Debt service:					
Principal payments	15,000	10,000	25,000	5,000	55,000
Interest and fiscal charges	43,333	46,116	44,246	9,377	143,072
Total expenditures	$ 58,333	$ 56,116	$ 69,246	$ 14,377	$ 198,072
Excess of revenues over expenditures	$ 1,817	$ 1,513	$ 1,940	$ 108	$ 5,378
Fund balance - July 1, 2004	3,934	2,771	1,297	(4,773)	3,229
Fund balance - June 30, 2005	$ 5,751	$ 4,284	$ 3,237	$ (4,665)	$ 8,607

The attached notes are an integral part of the financial statements.

JANZ & KNIGHT, P.L.C. · CERTIFIED PUBLIC ACCOUNTANTS

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
CAPITAL PROJECT FUNDS
NON-MAJOR GOVERNMENTAL FUNDS

For the Year Ended June 30, 2005

	Water Construction Fund	2002A&B Bond Construction Fund	2002 GO Unlimited Bond Construction Fund
Revenues:			
Interest	$ -	$ -	$ -
Other - reimbursements		5,000	
Total revenues	$	$ 5,000	$
Expenditures:			
Capital outlay		50	
Excess of revenues over (under) expenditures	$	$ 4,950	$
Other financing sources (uses):			
Operating transfers in		492	5,500
Operating transfers out	(44)	(5,500)	(5,583)
Total other financing sources (uses)	$ (44)	$ (5,008)	$ (83)
Excess of revenues and other sources over (under) expenditures and other uses	$ (44)	$ (58)	$ (83)
Fund balance - July 1, 2004	44	58	83
Fund balance - June 30, 2005	$ -	$ -	$ -

The attached notes are an integral part of the financial statements.

JANZ & KNIGHT, P.L.C. · CERTIFIED PUBLIC ACCOUNTANTS

SAD 1,2 & 4 Construction Fund	2003 Special Assessment Construction Fund	Total
$ -	$ 305	$ 305
	1	5,001
$	$ 306	$ 5,306
	54,859	54,909
$	$ (54,553)	$ (49,603)
	5,909	11,901
(282)	(492)	(11,901)
$ (282)	$ 5,417	$ -
$ (282)	$ (49,136)	$ (49,603)
282	290	757
$ -	$ (48,846)	$ (48,846)

The attached notes are an integral part of the financial statements.

FREDERICK C. JANZ
ROBERT I. KNIGHT
KENNETH E. ZINK
JOHN M. FOSTER

JOHN W. MACKEY
MICHAEL V. HIGGINS
JOHN E. MIELKE, JR.
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MICHIGAN ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

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DEC 28 2005
LOCAL AUDIT & FINANCE DIV.

October 27, 2005

To the City Council and Management of the
City of the Village of Clarkston

In planning and performing our audit of the general purpose financial statements of City of the Village of Clarkston for the year ended June 30, 2005, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control structure. However, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect City of the Village of Clarkston's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements.

1. Budgets: The adoption of the Michigan Uniform Local Budgeting Act (Act N. 621, Public Acts of 1978), effective for fiscal years beginning after December 31, 1980, has made it mandatory that balanced budgets be adopted and that those budgets be amended before expenditures exceed the budgeted amount. Expenditures exceeded budgeted amounts in the following areas:

Fund	Activity	Total Appropriations	Amount of Expenditures	Budget Variances
General	Audit expense	$ 13,500	$ 18,000	$ 4,500
General	Capital outlay	13,600	52,996	39,396
General	Debt service	24,065	30,878	6,813
General	Operating transfers out	29,148	59,300	30,152
Major Road	Equipment rental		10,749	10,749
Major Road	Winter maintenance	4,905	16,302	11,397
Local Road	Equipment rental		3,456	3,456
Local Road	Winter maintenance	2,500	9,345	6,845

We urge the Council to continue to periodically compare budget and actual expenditures and to amend the budget prior to approval of expenditures which will exceed the budget, as required by the Budgeting Act.

Other General Comments and Recommendations:

1. Currently, the Sewer Department assesses a 5% penalty on sewer billings that are delinquent. No additional penalty is assessed. The current penalty structure does not provide an incentive for residents to pay their delinquent sewer bills after the 5% penalty has been assessed. We recommend that all penalty provisions of the city be reviewed to insure that they are structured to encourage timely payments to the City.

2. During the year ended June 30, 2005 the General Fund transferred $59,300 to the road funds (Major and Local) to subsidize operating expenses. This amount is significantly higher than prior year ($21,900 for 2004). Currently, the General Fund does not have sufficient resources to continue funding at this level. We recommend that the City monitor Major and Local Road Fund expenditures to insure that they stay within budget.

This report is intended solely for the information and use of the City Council, management, and others within the administration. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Very truly yours,

Jamy & Knight PLC

Certified Public Accountants

J&K/lw