

VILLAGE OF CLINTON, MICHIGAN
FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2012
WITH
INDEPENDENT AUDITORS' REPORT

VILLAGE OF CLINTON, MICHIGAN
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED MARCH 31, 2012

TABLE OF CONTENTS

	<u>PAGE NUMBER</u>
Management's Discussion and Analysis	i – vi
Independent Auditors' Report	1 – 2
Basic Financial Statements:	
<i>Government-wide Financial Statements</i>	
Statement of Net Assets	3
Statement of Activities	4
<i>Fund Financial Statements</i>	
Balance Sheet – Governmental Funds	5
Statement of Revenues, Expenditures & Changes in Fund Balance Governmental Funds	6
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	7
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	8
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Fire Fund	9
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual- Major Street	10
Statement of Net Assets – Proprietary Funds	11
Statement of Revenues, Expenditures and Changes in Net Assets – Proprietary Funds	12
Statement of Cash Flows – Proprietary Funds	13
Statement of Cash Flows – Proprietary Fund Reconciliation of Net Operating Loss to Net Cash Used in Operating Activities	14
Notes to Financial Statements	15 - 35
Schedule of Funding Progress	36
Combining and Individual Fund Statements and Schedules:	
<i>Nonmajor Governmental Funds</i>	
Combining Balance Sheet	37
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	38
<i>Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual:</i>	
Debt Service Fund	39
Local Street	40
Community Center Fund	41

VILLAGE OF CLINTON, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended March 31, 2012

As management of the Village of Clinton, Michigan, we offer readers of the Village of Clinton, Michigan's financial statements this narrative overview and analysis of the financial activities of the Village of Clinton, Michigan for the fiscal year ended March 31, 2012. We encourage readers to consider the information presented here.

Financial Highlights

- ◆ The assets of the Village of Clinton, Michigan exceeded its liabilities at the close of the most recent fiscal year \$14,665,927 (*net assets*). Of this amount, \$1,756,573 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- ◆ The government's total net assets decreased \$(128,809).
- ◆ As of the close of the current year, the Village of Clinton, Michigan's governmental funds reported combined ending fund balances of \$4,489,646, an increase of \$81,492 in comparison with the prior year.
- ◆ At the end of the current year, unreserved fund balance for the general fund was \$649,841, or 72% percent of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Village of Clinton, Michigan's basic financial statements. The Village of Clinton, Michigan's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also 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 Village of Clinton, Michigan's finances, in a manner similar to a private-sector business.

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

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

Both of the government-wide financial statements distinguish functions of the Village of Clinton, Michigan 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 Village of Clinton, Michigan include general government, public safety, highways and streets, sanitation, and culture and recreation. The business-type activities of the Village of Clinton, Michigan include the utility systems.

The government-wide financial statements include not only the Village of Clinton, Michigan itself (known as the *primary government*), but also a legally separate Downtown Development Authority (DDA) for which the Village of Clinton, Michigan is financially accountable. Financial information for this *component unit* is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 3 – 4 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 Village of Clinton, Michigan, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village of Clinton, Michigan can be divided into two categories: governmental funds and proprietary 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 balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Village of Clinton, Michigan maintains ten 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 balances for the general fund, capital projects fund, and permanent funds, which are considered to be major funds. Data from the other six governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The Village of Clinton, Michigan adopts an annual appropriated budget for all funds. A budgetary comparison statement has been provided for all governmental funds (except the permanent funds) to demonstrate compliance with budget.

The basic governmental fund financial statements can be found on pages 5 - 10 of this report.

Proprietary funds. The Village of Clinton, Michigan 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 Village of Clinton, Michigan uses enterprise funds to account for its electric, water, and sewer funds. The *Internal service fund* is an accounting device used to accumulate and allocate costs internally among the Village of Clinton, Michigan's various functions. The Village of Clinton, Michigan uses an internal service fund to account for equipment and charge out expense (Equipment Fund). Because this service predominantly benefits governmental rather than a business-type function it has 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 Electric, Water, and Sewer Funds, which are considered to be major funds of the Village of Clinton, Michigan. The internal service fund (Equipment Fund) is in the proprietary fund financial statements.

The basic proprietary fund financial statements can be found on pages 11 - 14 of this report.

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. The notes to the financial statements can be found on pages 15 - 35 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following notes to the financing statements. Combining statements and individual fund schedules can be found on pages 37 - 41 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Village of Clinton, Michigan, assets exceeded liabilities by \$14,665,927 at the close of the most recent fiscal year.

By far the largest portion of the Village of Clinton, Michigan's net assets (43 percent) reflects its investment in capital assets (e.g., land, buildings, equipment, infrastructure), less any related debt used to acquire those assets that is still outstanding. The Village of Clinton, Michigan uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Village of Clinton, Michigan's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

VILLAGE OF CLINTON, MICHIGAN'S NET ASSETS

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>2012</u>	<u>2011</u>
Assets:				
Current and other assets	\$ 4,590,228	\$ 4,057,949	\$ 8,648,177	\$ 8,464,885
Capital Assets	3,158,253	6,403,361	9,561,614	10,075,968
Total Assets	<u>7,748,481</u>	<u>10,461,310</u>	<u>18,209,791</u>	<u>18,540,853</u>
Liabilities:				
Long term liabilities outstanding	349,230	3,041,946	3,391,176	3,602,694
Other liabilities	73,641	79,047	152,688	143,423
Total Liabilities	<u>422,871</u>	<u>3,120,993</u>	<u>3,543,864</u>	<u>3,746,117</u>
Net Assets:				
Invested in capital assets, net of	2,866,253	3,468,361	6,334,614	6,641,023
Restricted	3,826,517	2,748,223	6,574,740	6,575,703
Unrestricted	632,840	1,123,733	1,756,573	1,658,010
Total Net Assets	<u>\$ 7,325,610</u>	<u>\$ 7,340,317</u>	<u>\$ 14,665,927</u>	<u>\$ 14,874,736</u>

An additional portion of the Village of Clinton, Michigan's net assets (45 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$1,756,573) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Village of Clinton, Michigan is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Financial Analysis of the Government's Funds

As noted earlier, the Village of Clinton, Michigan uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Village of Clinton, Michigan's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Village of Clinton, Michigan'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 this fiscal year.

As of the end of the current fiscal year, the Village of Clinton, Michigan's governmental funds reported combined ending fund balances of \$4,489,646, an increase of \$81,492 in comparison with the prior year. Restricted fund balance (\$3,815,580) is not available for new spending since it already is committed. Permanent (Trusts) fund money (\$3,594,916) represents most of the restricted fund balance. Committed Funds have \$3,122 available for their special uses.

The general fund is the chief operating fund of the Village of Clinton, Michigan. At the end of the current fiscal year, unreserved fund balance of the general fund was \$649,841.

The fund balance of the Village of Clinton, Michigan's general fund increased by \$66,916 during the current fiscal year.

Proprietary fund - The Village of Clinton, Michigan's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the utility funds at the end of the year amounted to \$1,123,733. The total increase in net assets for the funds was \$11,079.

Budgetary Highlights

Amendments were made to the final General Fund budget to cover anticipated additional expenditures. Some of those expenditures included \$36,000 for closing out the Tate Park Grant Project.

There was a budget amendment of \$6,000 in the Smith-Kimball Community Center Fund to pay for increased repairs.

The Electric Fund revenue was \$100,000 higher than budgeted from increased sales and accordingly the power costs were \$95,000 higher.

The Sewer Fund was reimbursed \$46,000 from the Robison Trust for repairs to sump pump. The Collection System costs were up \$8,000 because of a failure in the Tecumseh Road collection main.

The Water Fund used \$44,000 from fund balance to pay for the replacement of the water control units that unexpectedly failed.

The Equipment Fund spent an additional \$80,000 to purchase a new dump truck and \$10,000 for additional equipment repairs.

Capital Asset and Debt Administration

Capital assets. The Village of Clinton, Michigan's investment in capital assets for its governmental and business-type activities as of March 31, 2012, amounts to \$9,561,614 (net of accumulated depreciation). This investment in capital assets includes land, buildings and utility systems, machinery and equipment, roads, and other infrastructure. The net decrease in the Village of Clinton, Michigan's investment in capital assets for the current fiscal year was \$(514,354).

Major capital assets purchased during the current fiscal year were:

▪ Water System	\$ 36,425
▪ Park Improvement	\$ 58,630
▪ Light Plant Improvements	\$ 28,854

VILLAGE OF CLINTON, MICHIGAN'S CAPITAL ASSETS

	Governmental Activities	Business-type Activities	Total
Capital Assets:			
Land	\$ 285,152	\$ 30,644	\$ 315,796
Land Improvements	281,011	-	281,011
Buildings	479,200	-	479,200
Equipment and furnishings	391,357	-	391,357
Infrastructure	1,721,533	6,372,717	8,094,250
Total	<u>\$ 3,158,253</u>	<u>\$ 6,403,361</u>	<u>\$ 9,561,614</u>

Additional information on the Village of Clinton's capital assets can be found in Note 3. C. on pages 25-27.

Long-term debt. At the end of the current fiscal year, the Village of Clinton, Michigan had total bonded and note debt outstanding of \$3,227,000.

VILLAGE OF CLINTON, MICHIGAN'S OUTSTANDING DEBT GENERAL OBLIGATION BONDS

	Governmental Activities	Business-type Activities	Total
General Obligation Bonds	\$ 250,000	\$ -	\$ 250,000
Revenue Bonds	-	2,935,000	2,935,000
Installment Purchase Loans	42,000	-	42,000
Total	<u>\$ 292,000</u>	<u>\$ 2,935,000</u>	<u>\$ 3,227,000</u>

Additional information on the Village of Clinton, Michigan's long-term debt can be found in Note 3. E. on pages 27 - 29 of this report.

Economic Factors and Next Year's Budgets and Rates

The Village is still concerned about the poor economic environment in the State of Michigan and the possible negative ramifications on the 2012-13 budget. Preliminary indications are the Village will see another three to five percent drop in taxable value. A four percent reduction would be a cut of \$19,000. To compound matters the State is discussing legislation to eliminate personal property taxes. That could reduce tax revenue by up to \$42,000 or 8 percent.

Requests for Information

This financial report is designed to provide a general overview of the Village of Clinton, Michigan's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Village of Clinton, 119 East Michigan Avenue, P.O. Box Drawer E, Clinton, Michigan 49236.

July 3, 2012

INDEPENDENT AUDITORS' REPORT

Village Council
Village of Clinton
Clinton, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Clinton, Michigan, as of and for the year ended March 31, 2012, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Clinton, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Clinton, Michigan, as of March 31, 2012, 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 on pages i through vi is a required part of the basic financial statements but is 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 supplementary information. However, we did not audit the information and express no opinion on it.

July 3, 2012

Village Council
Village of Clinton
Clinton, Michigan

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

Robertson, Eaton & Owen, P.C.

VILLAGE OF CLINTON, MICHIGAN
STATEMENT OF NET ASSETS
MARCH 31, 2012
WITH COMPARATIVE TOTALS FOR MARCH 31, 2011

	Governmental Activities	Business-Type Activities	Total		Component Unit
			2012	2011	Downtown Development Authority
ASSETS:					
Cash	\$ 598,725	\$ 277,075	\$ 875,800	\$ 840,453	\$ 144,518
Investments	3,586,496	1,009,465	4,595,961	4,524,962	
Receivables (net of allowance for uncollectibles)					
Accounts	31,259	231,268	262,527	283,580	17
Prepaid expenses	21,103	19,841	40,944	37,765	-
Internal balances	304,930	(304,930)	-	-	-
Internal balances - advances	35,000	(35,000)	-	-	-
Due from component unit	(1,588)	-	(1,588)	(1,588)	1,588
Due from governmental units	14,303	-	14,303	-	-
Prepaid supplies	-	66,681	66,681	55,595	-
Restricted assets:					
Cash	-	45,326	45,326	40,356	-
Investments in joint venture	-	2,748,223	2,748,223	2,683,762	-
Capital assets:					
Land	285,152	30,645	315,797	315,797	-
Land improvements	599,997	-	599,997	599,997	456,815
Machinery, equipment; and furnishings	2,016,904	1,311,736	3,328,640	3,259,671	-
Buildings	1,369,558	6,432,590	7,802,148	7,773,294	-
Infrastructure	5,207,221	3,540,581	8,747,802	8,711,377	-
Less: accumulated depreciation	(6,320,579)	(4,912,191)	(11,232,770)	(10,584,168)	(170,262)
Total assets	\$ 7,748,481	\$ 10,461,310	\$ 18,209,791	\$ 18,540,853	\$ 432,676
Accounts payable	15,528	8,626	24,154	26,882	1,212
Accrued liabilities	18,470	25,095	43,565	37,719	-
Liabilities payable from restricted assets	-	45,326	45,326	40,356	-
Interest payable	6,625	-	6,625	7,133	-
Accrued sick and vacation pay - current	33,018	-	33,018	31,333	-
Noncurrent liabilities:					
Due within one year	35,000	190,000	225,000	220,000	-
Due in more than one year	314,230	2,851,946	3,166,176	3,382,694	-
Total liabilities	422,871	3,120,993	3,543,864	3,746,117	1,212
NET ASSETS:					
Invested in capital assets, net of related debt	2,866,253	3,468,361	6,334,614	6,641,023	286,553
Restricted for:					
Investment in joint venture (note 7)	\$ -	\$ 2,748,223	\$ 2,748,223	\$ 2,683,762	\$ -
Highways and streets	40,585	-	40,585	108,809	-
Public safety	138,069	-	138,069	102,601	-
Culture and recreation	52,376	-	52,376	49,736	-
Debt service	571	-	571	253	-
Permanent funds:					
Expendable	68,670	-	68,670	42,102	-
Nonexpendable:					
Unrestricted	3,526,246	-	3,526,246	3,508,440	-
Total net assets	7,325,610	7,340,317	14,665,927	14,794,736	431,464

The notes to the financial statements are an integral part of this statement.

VILLAGE OF CLINTON, MICHIGAN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2012
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED MARCH 31, 2011

Functions/programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets				Component Unit
	Expenses	Charges for Services	Operating Grants	Capital Grants	Governmental Activities	Business-Type Activities	Total	2011	
Governmental activities:									
General government	\$ 293,521	\$ -	\$ -	\$ -	\$ (293,521)	\$ -	\$ (293,521)	\$ (267,283)	\$ -
Public safety	646,512	214,403	-	-	(432,109)	-	(432,109)	(448,063)	-
Culture and recreation	157,530	9,585	-	-	(147,945)	-	(147,945)	(111,087)	-
Sanitation	102,918	106,132	-	-	3,214	-	3,214	3,886	-
Highways and streets	418,789	-	-	-	(418,789)	-	(418,789)	(358,672)	-
Interest on long term debt	14,036	-	-	-	(14,036)	-	(14,036)	(16,534)	-
Total governmental activities	1,633,306	330,120	-	-	(1,303,186)	-	(1,303,186)	(1,197,753)	-
Business-type activities:									
Electric Fund	2,704,750	2,740,363	-	-	-	35,613	35,613	(20,874)	-
Water Fund	167,504	150,554	-	-	-	(16,950)	(16,950)	(14,590)	-
Sewer Fund	641,696	516,841	-	-	-	(124,855)	(124,855)	(171,268)	-
Total business-type activities	3,513,950	3,407,758	-	-	-	(106,192)	(106,192)	(206,732)	-
Total government	\$ 5,147,256	\$ 3,737,878	\$ -	\$ -	\$ (1,303,186)	\$ (106,192)	\$ (1,409,378)	\$ (1,404,485)	\$ -
Component Unit:									
Downtown development authority	35,458	-	-	-	-	-	-	-	(35,458)
Total component unit	\$ 35,458	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	(35,458)
General revenues:									
Property taxes					\$ 598,151	\$ -	\$ 598,151	\$ 659,049	\$ 54,302
Intergovernmental					319,955	-	319,955	312,371	-
Licenses, fees, and fines					40,516	-	40,516	32,996	-
Contributions					-	-	-	-	-
Investment earnings					142,989	6,095	149,084	184,051	180
Miscellaneous revenues					72,402	64,461	136,863	483,684	250
Transfers from component unit					36,000	-	36,000	36,580	(36,000)
Transfers					(46,715)	46,715	-	-	-
Total general revenues and transfers					1,163,298	117,271	1,280,569	1,708,731	18,732
Change in net assets					(139,888)	11,079	(128,809)	304,246	(16,726)
Total net assets - beginning of year					7,465,498	7,329,238	14,794,736	14,490,490	448,190
Total net assets - end of year					\$ 7,325,610	\$ 7,340,317	\$ 14,665,927	\$ 14,794,736	\$ 431,464

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF CLINTON, MICHIGAN
BALANCE SHEET
GOVERNMENTAL FUNDS
MARCH 31, 2012
WITH COMPARATIVE TOTALS FOR MARCH 31, 2011**

				Permanent Funds		Other Governmental Funds	Total Governmental Funds	
	General	Fire Fund	Major Street	Robison Trust	Capital Improvement Tate Park		2012	2011
ASSETS:								
Cash	\$ 407,234	\$ 99,167	\$ 7,816	\$ -	\$ -	\$ 47,866	\$ 562,083	\$ 524,380
Investments	292,455	34,255	-	1,717,026	1,542,760	-	3,586,496	3,511,114
Receivables:								
Accounts	28,701	296	15	-	-	2,242	31,254	57,682
Due from other funds	-	-	301,322	-	-	21,177	322,499	322,499
Due from other governmental units	-	-	10,483	-	-	3,820	14,303	-
Due from component unit	1,375	-	-	-	-	-	1,375	1,375
Advance to other funds	-	-	-	41,000	294,130	-	335,130	364,130
Prepaid expense	13,288	5,801	126	-	-	1,888	21,103	19,950
Total assets	\$ 743,053	\$ 139,519	\$ 319,762	\$ 1,758,026	\$ 1,836,890	\$ 76,993	\$ 4,874,243	\$ 4,801,130
LIABILITIES:								
Accounts payable	\$ 10,740	\$ 1,450	\$ -	\$ -	\$ -	\$ 364	\$ 12,554	\$ 14,355
Accrued expenditures	15,826	-	1,052	-	-	1,485	18,363	14,626
Due to other funds	17,377	-	-	-	-	192	17,569	17,569
Due to component unit	2,963	-	-	-	-	-	2,963	2,963
Advance from other funds	-	-	294,130	-	-	6,000	300,130	312,130
Accrued sick and vacation pay	33,018	-	-	-	-	-	33,018	31,333
Total liabilities	\$ 79,924	\$ 1,450	\$ 295,182	\$ -	\$ -	\$ 8,041	\$ 384,597	\$ 392,976
FUND BALANCES:								
Nonspendable	\$ 13,288	\$ 5,801	\$ 126	\$ -	\$ -	\$ 1,888	\$ 21,103	\$ 19,950
Restricted	-	132,268	24,454	1,758,026	1,836,890	63,942	3,815,580	3,801,004
Committed	-	-	-	-	-	3,122	3,122	3,122
Unassigned	649,841	-	-	-	-	-	649,841	584,078
Total fund balance	663,129	138,069	24,580	1,758,026	1,838,890	68,952	4,489,646	4,408,154
Total liabilities & fund balance	\$ 743,053	\$ 139,519	\$ 319,762	\$ 1,758,026	\$ 1,836,890	\$ 76,993	\$ 4,874,243	\$ 4,801,130

	2012	2011
Total governmental fund balances	\$ 4,489,646	\$ 4,408,154
Capital assets used in the governmental activities are not financial resources and, therefore, are not reported in the governmental funds:	3,158,253	3,415,745
Accrued interest payable on long term debt is recognized in governmental funds when paid and not when accrued.	(6,625)	(7,133)
Long-term portion of accrued sick and vacation pay liability are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(53,844)	(50,714)
Loan indebtedness are recognized in the governmental funds when paid and not when accrued.	(292,000)	(327,000)
Internal Service Fund (Equipment Fund) is used by the Village to charge for equipment rental to individual funds. The assets and liabilities of the Equipment Fund are included in governmental activities in the statement of net assets. Note: The net capital assets (\$93,184) of the Equipment fund are included in the capital asset figure above (\$3,158,253), and not in this adjustment.	30,180	26,446
Net differences	2,835,964	3,057,344
Total net assets of governmental activities	<u>\$ 7,325,610</u>	<u>\$ 7,465,498</u>

The notes to the financial statements are integral part of this statement.

VILLAGE OF CLINTON, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2012
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED MARCH 31, 2011

	Permanent Funds							Total Governmental Funds 2011
	General	Fire Fund	Major Street	Robison Trust	Tate Park Capital Improvement	Other Governmental Funds	Governmental Funds 2012	
REVENUES:								
Property taxes	\$ 549,454	\$ -	\$ -	\$ -	\$ -	\$ 48,697	\$ 598,151	\$ 659,049
Intergovernmental revenues	183,438	-	99,936	-	-	36,581	319,955	394,752
Licenses, fees and charges for services	156,233	-	-	-	-	-	156,233	144,379
Rentals	14,069	-	-	-	-	6,276	20,345	18,260
Interest	1,880	662	64	42,051	44,925	86	89,668	145,368
Other	50,450	727	880	-	-	-	52,057	58,365
Townships	-	214,403	-	-	-	-	214,403	236,422
Realized gain (loss) on investment	-	-	-	1,771	2,501	-	4,272	20,994
Unrealized gain (loss) on investment	-	-	-	18,707	30,342	-	49,049	5,613
Total revenues	955,524	215,792	100,880	62,529	77,768	91,640	1,504,133	1,683,202
EXPENDITURES:								
Current:								
General government	258,460	-	-	4,283	4,413	-	267,156	247,447
Public safety	414,894	180,324	-	-	-	-	595,218	641,386
Culture and recreation	118,676	-	-	-	-	51,729	170,405	265,678
Sanitation	102,918	-	-	-	-	-	102,918	98,752
Highways and streets	-	-	174,521	-	-	52,164	226,685	770,120
Debt service:								
Principle	10,000	-	-	-	-	25,000	35,000	34,000
Interest	3,172	-	-	-	-	11,372	14,544	16,534
Total expenditures	908,120	180,324	174,521	4,283	4,413	140,265	1,411,926	2,073,917
Excess (deficiency) of revenues over (under) expenditures	47,404	35,468	(73,641)	58,246	73,355	(48,625)	92,207	(390,715)
Other financing sources (uses):								
Transfers in	72,512	-	5,000	-	-	52,000	129,512	786,473
Transfers out	(53,000)	-	-	(46,715)	(40,512)	-	(140,227)	(473,763)
Total other financing sources (uses)	19,512	-	5,000	(46,715)	(40,512)	52,000	(10,715)	312,710
Change in fund balances	66,916	35,468	(68,641)	11,531	32,843	3,375	81,492	(78,005)
Total fund balances - beginning of year	596,213	102,601	93,221	1,746,495	1,804,047	65,577	4,408,154	4,486,159
Total fund balances - end of year	\$ 663,129	\$ 138,069	\$ 24,580	\$ 1,758,026	\$ 1,836,890	\$ 68,952	\$ 4,489,646	\$ 4,408,154

The notes to the financial statements are integral part of this statement.

**VILLAGE OF CLINTON, 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 MARCH 31, 2012**

Change in fund balances total governmental funds \$ 81,492

Amounts reported for governmental activities in the statement of activities are 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. This amount by depreciation is less than capital outlay in the current period. (Total capital outlay \$58,630 less total depreciation \$(316,122)). (257,492)

This issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principle of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these assets. This amount is the net effect of these differences in the treatment of long-term debt.

Debt incurred during current year	-	
Less: principal repayment	<u>35,000</u>	35,000

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds-

Accrued interest - net		508
Accrued long-term sick and vacation pay - net effect		(3,130)

Internal Service Fund (Equipment Fund) is used by the Village to charge equipment rental to individual funds. The net loss of this activity is reported with governmental activities, adjusted for capital outlay and depreciation.

Change in net assets of governmental activities		<u>3,734</u>
		<u>\$ (139,888)</u>

The notes to the financial statements are integral part of this statement.

**VILLAGE OF CLINTON, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE-BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2012**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Property taxes	\$ 543,000	\$ 551,000	\$ 549,454	\$ (1,546)
Intergovernmental revenue	153,500	177,500	183,438	5,938
Michigan Natural Resource trust grant	43,000	53,000	-	(53,000)
Licenses, fees and charges for services	142,500	152,500	156,233	3,733
Rentals	12,500	12,500	14,069	1,569
Interest	10,000	10,000	1,880	(8,120)
Other	32,000	38,000	50,450	12,450
Total revenues	<u>936,500</u>	<u>994,500</u>	<u>955,524</u>	<u>(38,976)</u>
EXPENDITURES:				
General government:				
Council	15,150	15,150	8,648	6,502
Administration	67,920	67,920	62,496	5,424
Buildings and grounds	147,650	147,650	120,099	27,551
Planning Commission	2,220	2,220	2,666	(446)
Professional service	41,200	55,200	51,084	4,116
Insurance	16,000	16,000	13,467	2,533
Total general government	<u>290,140</u>	<u>304,140</u>	<u>258,460</u>	<u>45,680</u>
Public safety:				
Police department	434,600	434,600	411,267	23,333
Building and zoning inspection	3,170	3,170	3,627	(457)
Total public safety	<u>437,770</u>	<u>437,770</u>	<u>414,894</u>	<u>22,876</u>
Highways and Streets:				
Street lighting	-	-	-	-
Sanitation:				
Waste collection and disposal	102,000	102,000	102,918	(918)
Culture - recreation				
Parks	95,150	125,150	118,676	6,474
Debt Service:				
Principal	10,000	10,000	10,000	-
Interest	3,200	3,200	3,172	28
Total debt service	<u>13,200</u>	<u>13,200</u>	<u>13,172</u>	<u>28</u>
Total expenditures	<u>938,260</u>	<u>982,260</u>	<u>908,120</u>	<u>74,140</u>
Excess (deficiency) of revenues (under) expenditures	<u>(1,760)</u>	<u>12,240</u>	<u>47,404</u>	<u>35,164</u>
Other financing sources (uses):				
Transfers in	45,000	72,000	72,512	512
Transfers out	(94,930)	(174,930)	(53,000)	121,930
Total other financing sources (uses)	<u>(49,930)</u>	<u>(102,930)</u>	<u>19,512</u>	<u>122,442</u>
Change in fund balance	(51,690)	(90,690)	66,916	157,606
Total fund balances - beginning of year			<u>596,213</u>	
Total fund balances - end of year			<u>\$ 663,129</u>	

The notes to the financial statements are an integral part of this statement.

VILLAGE OF CLINTON, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE-BUDGET AND ACTUAL
FIRE FUND SPECIAL REVENUE FUND
FOR THE YEAR ENDED MARCH 31, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Miscellaneous	\$ 100	\$ 100	\$ 727	\$ 627
Township contributions	210,820	210,820	214,403	3,583
Interest	1,500	1,500	662	(838)
Total revenues	212,420	212,420	215,792	3,372
EXPENDITURES:				
Wages	80,000	80,000	80,926	(926)
Benefits	11,820	11,820	12,293	(473)
Supplies	19,500	19,500	12,090	7,410
Professional fees	600	600	600	-
Communications	6,000	6,000	4,298	1,702
Workshops	9,000	9,000	10,231	(1,231)
Gas and oil	3,500	3,500	4,390	(890)
Insurance	11,500	11,500	11,587	(87)
Utilities	6,000	6,000	7,854	(1,854)
Equipment maintenance	6,000	6,000	6,684	(684)
Truck maintenance	13,000	13,000	11,168	1,832
Building maintenance	4,000	4,000	3,895	105
Capital outlay	16,000	16,000	14,308	1,692
Debt Service	13,200	13,200	-	13,200
Total expenditures	200,120	200,120	180,324	19,796
Excess (deficiency) of revenues (under) expenditures	12,300	12,300	35,468	23,168
Total fund balances - beginning of year			102,601	
Total fund balances - end of year			\$ 138,069	

The notes to the financial statements are an integral part of this statement.

VILLAGE OF CLINTON, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
MAJOR STREET SPECIAL REVENUE FUND
FOR THE YEAR ENDED MARCH 31, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:				
Intergovernmental				
State gas weight tax	\$ 81,000	\$ 81,000	\$ 99,936	\$ 18,936
Grant	-	-	-	-
Interest	500	500	64	(436)
Miscellaneous	-	-	880	880
	<u>81,500</u>	<u>81,500</u>	<u>100,880</u>	<u>19,380</u>
Total revenues				
EXPENDITURES:				
Construction projects	101,000	101,000	98,618	2,382
Routine maintenance	71,630	71,630	51,709	19,921
Traffic service	5,360	5,360	4,185	1,175
Winter maintenance	12,450	12,450	12,424	26
Administrative	5,690	5,690	6,885	(1,195)
Professional services	700	700	700	-
	<u>196,830</u>	<u>196,830</u>	<u>174,521</u>	<u>22,309</u>
Total expenditures				
Excess (deficiency) of revenues over (under) expenditures	(115,330)	(115,330)	(73,641)	41,689
Other financing sources:				
Bond proceeds	-	-	-	-
Transfers out	-	-	-	-
Transfers in	85,000	85,000	5,000	(80,000)
	<u>(30,330)</u>	<u>(30,330)</u>	<u>(68,641)</u>	<u>(38,311)</u>
Net change in fund balance				
Total fund balances - beginning of year			<u>93,221</u>	
Total fund balances - end of year			<u>\$ 24,580</u>	

The notes to the financial statements are an integral part of this statement.

VILLAGE OF CLINTON, MICHIGAN
STATEMENT OF NET ASSETS
PROPRIETARY FUND
MARCH 31, 2012
WITH COMPARATIVE TOTALS FOR MARCH 31, 2011

	Business-type Activities - Enterprise Funds			Total Proprietary Funds		Governmental Activities
	Electric Fund	Water Fund	Sewer Fund	2012	2011	Internal Service Fund
ASSETS:						
Current assets:						
Cash and cash equivalents	\$ 231,889	\$ 7,123	\$ 38,063	\$ 277,075	\$ 282,854	\$ 36,642
Investments	795,110	66,157	148,198	1,009,465	1,013,848	-
Receivables						
Accounts	180,377	9,759	40,202	230,338	224,965	-
Due from state				-	-	
Accrued interest	569	39	322	930	930	3
Prepaid expenses and other assets	12,130	3,370	4,341	19,841	17,815	-
Prepaid supplies	66,681	-	-	66,681	55,595	-
Total current assets	<u>1,286,756</u>	<u>86,448</u>	<u>231,126</u>	<u>1,604,329</u>	<u>1,596,007</u>	<u>36,645</u>
Noncurrent assets:						
Restricted assets:						
Cash	\$ 45,326	-	-	\$ 45,326	\$ 40,356	-
Investment in joint venture	2,748,223	-	-	2,748,223	2,683,762	-
Capital assets:						
Land	17,496	3,000	10,149	30,645	30,645	-
Buildings	518,967	73,715	5,839,908	6,432,590	6,403,736	-
Utility systems	1,718,129	1,065,350	757,102	3,540,581	3,504,156	-
Equipment/trucks	1,064,492	127,276	119,968	1,311,736	1,301,397	769,312
Less: accumulated depreciation	<u>(2,684,509)</u>	<u>(632,719)</u>	<u>(1,594,963)</u>	<u>(4,912,191)</u>	<u>(4,579,711)</u>	<u>(676,128)</u>
Total capital assets - net	<u>634,575</u>	<u>636,622</u>	<u>5,132,164</u>	<u>6,403,361</u>	<u>6,660,223</u>	<u>93,184</u>
Total, noncurrent assets	<u>3,428,124</u>	<u>636,622</u>	<u>5,132,164</u>	<u>9,196,910</u>	<u>9,384,341</u>	<u>93,184</u>
Total assets	<u>\$ 4,714,879</u>	<u>\$ 723,070</u>	<u>\$ 5,363,290</u>	<u>\$ 10,801,239</u>	<u>\$ 10,980,348</u>	<u>\$ 129,829</u>
LIABILITIES:						
Current Liabilities:						
Accounts payable	\$ 6,709	\$ 292	\$ 1,625	\$ 8,626	\$ 9,244	\$ 2,972
Accrued expenses	19,578	1,366	4,150	25,094	22,986	107
Due to other funds	299,530	5,400	-	304,930	304,930	-
Advance payable to other funds	-	11,200	23,800	35,000	52,000	-
SRF loan payable	-	-	190,000	190,000	185,000	-
Total current liabilities	<u>325,817</u>	<u>18,258</u>	<u>219,575</u>	<u>563,650</u>	<u>574,160</u>	<u>3,079</u>
Current liabilities payable from restricted						
Customer deposits	45,326	-	-	45,326	40,356	-
Noncurrent liabilities:						
Accrued leave	52,580	10,389	43,977	106,946	101,594	3,386
SRF loan payable	-	-	2,745,000	2,745,000	2,935,000	-
Total liabilities	<u>423,723</u>	<u>28,647</u>	<u>3,008,552</u>	<u>3,460,922</u>	<u>3,651,110</u>	<u>6,465</u>
NET ASSETS:						
Invested in capital assets, net of related debt	634,575	636,622	2,197,164	3,468,361	3,552,278	93,184
Restricted in joint venture	2,748,223	-	-	2,748,223	2,683,762	-
Unrestricted	<u>908,358</u>	<u>57,801</u>	<u>157,574</u>	<u>1,123,733</u>	<u>1,093,198</u>	<u>30,180</u>
Total net assets	<u>\$ 4,291,156</u>	<u>\$ 694,423</u>	<u>\$ 2,354,738</u>	<u>\$ 7,340,317</u>	<u>\$ 7,329,238</u>	<u>\$ 123,364</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF CLINTON, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED MARCH 31, 2012
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED MARCH 31, 2011

	Business-type Activities - Enterprise Funds			Total Proprietary Funds		Governmental Activities Internal Service Fund
	Electric Fund	Water Fund	Sewer Fund	2012	2011	
Operating revenue:						
Metered sales	\$ 2,685,483	\$ 142,661	\$ 496,999	\$ 3,325,143	\$ 3,325,613	\$ -
Penalties and service charges	34,578	6,207	16,914	57,699	56,477	-
Miscellaneous	14,525	1,686	2,928	19,139	3,914	575
Rentals	5,777	-	-	5,777	5,671	68,513
Total operating revenues	2,740,363	150,554	516,841	3,407,758	3,391,675	69,088
Operating expenses:						
Light plant	79,067	-	-	79,067	83,499	-
Purchased power	1,949,962	-	-	1,949,962	2,013,147	-
Administrative	287,287	40,682	25,540	353,509	367,118	-
Electric distribution system	308,661	-	-	308,661	259,656	-
Water distribution	-	106,630	-	106,630	105,709	-
Collection system	-	-	28,497	28,497	17,937	-
Sewer treatment plant	-	-	271,062	271,062	333,667	-
Depreciation	61,428	9,710	261,342	332,480	335,211	38,461
Professional services	18,345	10,482	2,963	31,790	27,858	-
Equipment operation and maintenance	-	-	-	-	-	65,391
Total operating expenses	2,704,750	167,504	589,404	3,461,658	3,543,802	103,852
Operating income (loss)	35,612	(16,950)	(72,562)	(53,900)	(152,127)	(34,764)
Nonoperating revenues (expenses):						
Income from joint venture	64,461	-	-	64,461	333,940	-
Interest income	4,329	464	1,302	6,095	12,013	37
Interest expense	-	-	(52,292)	(52,292)	(54,605)	-
Total nonoperating revenues (expenses)	68,790	464	(50,990)	18,264	291,348	37
Net income (loss) before transfers	104,402	(16,486)	(123,552)	(35,636)	139,221	(34,727)
Transfers out	(32,000)	-	-	(32,000)	(326,130)	-
Transfers in	-	-	78,715	78,715	50,000	-
Change in net assets	72,402	(16,486)	(44,837)	11,079	(136,909)	(34,727)
Total net assets - beginning of year	4,218,754	710,909	2,399,575	7,329,238	7,466,147	158,091
Total net assets - end of year	\$ 4,291,156	\$ 694,423	\$ 2,354,738	\$ 7,340,317	\$ 7,329,238	\$ 123,364

The notes to the financial statements are an integral part of this statement.

VILLAGE OF CLINTON, MICHIGAN
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS
FOR THE YEAR ENDED MARCH 31, 2012
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED MARCH 31, 2011

	<u>Business-type Activities - Enterprise Funds</u>			<u>Total</u>		<u>Governmental</u>
	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	<u>Proprietary Funds</u>	<u>2011</u>	<u>Internal</u>
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>2012</u>	<u>2011</u>	<u>Service Fund</u>
Cash flows from operating activities:						
Cash received from customers	\$ 2,727,016	\$ 150,663	\$ 516,554	\$ 3,394,233	\$ 3,542,218	\$ -
Cash paid to suppliers and employees	(2,633,034)	(167,301)	(339,001)	(3,139,336)	(2,909,525)	-
Net cash provided by (used in) operating activities	93,982	(16,638)	177,553	254,897	632,693	3,386
Cash flows from noncapital financing activities:						
SRF loan proceeds (payment)	-	-	(185,000)	(185,000)	(180,000)	-
Transfer from/to Other Funds	(32,000)	-	78,715	46,715	(276,130)	-
Payment on advances	-	-	-	-	(16,000)	-
Advance Received	-	-	-	-	-	-
Net cash provided by (used in) noncapital financing activities	(32,000)	-	(106,285)	(138,285)	(472,130)	-
Cash flows from investing activities:						
Capital expenditures	(39,182)	(36,425)	-	(75,607)	(5,325)	-
Interest received	4,329	464	1,302	6,095	12,013	37
Interest expense	-	-	(52,292)	(52,292)	(54,605)	-
Net cash provided by (used in) investing activities	(34,853)	(35,961)	(50,990)	(121,804)	(47,917)	37
Net increase (decrease) in cash and cash equivalents	27,129	(52,599)	20,278	(5,192)	112,646	3,423
Cash and cash equivalents at beginning of year	1,045,196	125,879	165,983	1,337,058	1,224,412	33,219
Cash and cash equivalents at end of year	<u>\$ 1,072,325</u>	<u>\$ 73,280</u>	<u>\$ 186,261</u>	<u>\$ 1,331,866</u>	<u>\$ 1,337,058</u>	<u>\$ 36,642</u>

Change in investment in joint venture (\$ 64,461) is a noncash transaction and does not effect cash flow in Electric Fund.

The notes to the financial statements are an integral part of this statement.

VILLAGE OF CLINTON, MICHIGAN
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2012
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED MARCH 31, 2011

	Business-type Activities - Enterprise Funds			Total		Governmental
	Electric Fund	Water Fund	Sewer Fund	Proprietary Funds		Internal Service Fund
				2012	2011	
Net operating (loss) income	\$ 35,612	\$ (16,950)	\$ (72,562)	\$ (53,900)	\$ (152,127)	\$ (34,764)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities						
Depreciation	61,428	9,710	261,342	332,480	335,211	38,461
(Increase) decrease in:						
Receivables	(5,195)	109	(287)	(5,373)	141,192	-
Prepaid expenses	(2,026)	-	-	(2,026)	-	-
Prepaid supplies	(11,086)	-	-	(11,086)	-	-
Increase (decrease) in:						
Accrued expenses and other liabilities	6,756	(4,326)	(940)	1,490	(3,752)	(311)
Accrued leave	3,533	259	1,560	5,352	8,688	-
Customer deposits	4,960	-	-	4,960	9,351	-
Due to other funds	-	(5,440)	(11,560)	(17,000)	294,130	-
Net cash provided by (used in) operating activities	\$ 93,982	\$ (16,638)	\$ 177,553	\$ 254,897	\$ 632,693	\$ 3,386

The notes to the financial statements are an integral part of this statement.

VILLAGE OF CLINTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
March 31, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Village of Clinton, Michigan (Village) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units

Effective April 1, 2004, the Village of Clinton, Michigan implemented the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. Significant changes in the statement include the following:

- ◆ A Management’s Discussion and Analysis (MD&A) section providing an analysis of the Village’s overall financial position and results of operations has been included with the financial statements.
- ◆ Financial statements prepared using full accrual accounting for all of the Village’s activities.
- ◆ A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). The Village of Clinton, Michigan has elected to implement the general provisions of the statement.

A. Reporting Entity

The Village of Clinton is a Michigan Municipal Corporation governed by the Village Council. The accompanying financial statements present the government and its component unit, entities for which the government is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

Discretely presented component unit.

Downtown Development Authority (DDA) was created as a separate legal entity under Public Act 197 of 1975 of the State of Michigan. The purpose of the DDA is to plan and develop the downtown area of the Village and to attract new businesses and residents. The governing body of DDA is appointed by the Village Council for a fixed term. The Village approves the annual budget and any capital projects of DDA. Prior approval by the Village is needed on any taxation by DDA. And, the Village’s approval is needed for any borrowing done by DDA. The Downtown Development Authority is presented as a governmental fund type.

Separate financial statements for the component unit are not available.

VILLAGE OF CLINTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
March 31, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and fund financial statements

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

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

Separate financial statements are provided for governmental funds, proprietary funds, and permanent funds. Major individual governmental funds and major individual utility funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting and financial statement presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* 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 generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Amounts due from other governments and services provided 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. All other revenue items are considered to be measurable and available only when cash is received by the government.

VILLAGE OF CLINTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
March 31, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Special Revenue- The Fire Fund & Major Street Fund are used to account for specific revenue that are legally restricted to expenditures for particular purposes.

Permanent Funds – The *Village of Clinton Robison Trust Fund* is a Nonexpendable Trust Fund in which the principal may not be expended. The *John f. Robison Tate Park Trust Fund* is a Trust Fund in which the principal may not be expended and interest, may only be expended for Park Improvement. See Notes 8 and 9 for further details on these Trusts.

The government reports the following major proprietary funds:

The *Electric Fund* accounts for the activities of the Village's electric distribution operations.

The *Water Fund* accounts for the acquisition, operation, and maintenance of the Village's water system.

The *Sewer Fund* accounts for the acquisition, operation, and maintenance of the Village's sewer system.

Additionally, the government reports the following fund types:

The *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of the governmental funds.

Special Revenue Funds (Local Street, Community Center Fund, and Softball Program) are again used to account for specific revenues that are legally restricted to expenditures for particular purposes.

The *Internal Service Fund* (Equipment Fund) is used to account for equipment acquisition, maintenance and operation, and provides equipment rental to other funds or departments of the Village.

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 of utility charges between the Village'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 function concerned.

VILLAGE OF CLINTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

March 31, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Amounts reported as *program revenues* included 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 utility funds are charges to customers for sales and services. Operating expenses for the funds 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.

When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

D. 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 assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

E. Assets, liabilities, and net assets or equity.

1. Cash and investments

Cash includes amounts in cash on hand, demand deposits, except those deposits noted as investments (see below), as well as short-term investments with a maturity date within three months of the date acquired by the government.

Investments include money market and certificates of deposit where the intent is to hold funds long-term, as well as investments with maturity dates over three months of the date acquired by the government.

State statutes authorize the government to invest in Obligations of the U.S. Treasury, Federal Agencies, commercial paper, corporate bonds, repurchase agreements, and State approved Investment Pools.

Investments are stated at cost or amortized cost. The Village Council will use amortized cost only when it reflects fair value of the investment. Currently, no investments are stated at amortized cost.

VILLAGE OF CLINTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
March 31, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Receivables and payables

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

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources. The Village had advances from the Village of Clinton Robison Trust to the Water and Sewer Funds and to the Community Center Fund. The Tate Park Capital Improvement Fund advanced money to Major Street Fund.

Personal property taxes receivable is shown net of an allowance for uncollectibles.

Property taxes are levied as of July 1 on property values assessed as of the prior December 1. The billing is mailed on July 1 and is considered due upon receipt by the taxpayer; however, the actual due date is September 14. A lien on property occurs when property taxes are levied (July 1). On September 14, the bill becomes delinquent and penalties and interest may be assessed by the government.

The Village had a general tax millage of 8.800 for 2011. The Village's maximum allowable millage is 12.5 mills. It also levied .780 mills for the Smith-Kimball Community Center.

Delinquent real property taxes are turned over to the County and reimbursed through a revolving fund. Therefore, property taxes receivable are not accounted for under the 60 day rule.

3. Inventories and prepaid items

All inventories are valued at cost using the first-in/first-out (FIFO) method.

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

4. Capital Assets

Capital assets, which include property, building, equipment, and infrastructure assets (e.g., road, storm sewers and utility systems) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

VILLAGE OF CLINTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
March 31, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, buildings, and equipment of the primary government, as well as the component unit, is depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Land improvements	30
Buildings	15 – 16
Machinery, equipment, and furnishings	10 – 20
Utility systems	20 – 60
Infrastructure	20 – 30

5. Compensated absences

The current portion of the liability for accumulated sick, personal, vacation, and compensated time vested is shown in the relative governmental funds. The total (current and long-term portions) are shown in the Proprietary Funds and in the government-wide statements.

6. Long-term obligations

In the governmental-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

In the fund financial statements, governmental fund types recognize any 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.

VILLAGE OF CLINTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
March 31, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

7. Fund Balance Classification Policies and Procedures

Fund balance classifications shown in the governmental fund financial statements are nonspendable, restricted, committed, assigned and unassigned.

The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

The committed fund balance classification includes amounts that can be used only for the specific purpose determined by a formal action of the Village Council.

Amounts in the assigned fund balance classification are constrained by the Village Council's intent to be used for specific purposes, but are neither restricted nor committed. Intent should be expressed by (a) the Village itself or a delegated body (for example a budget or finance committee) or an official to which the Village Council has delegated the authority to assign accounts to be used for specific purposes.

Unassigned fund balance is the residual classification usually for the Village's General Fund and includes all spendable amounts not contained in the other classifications.

Under Village policy, when both restricted and unrestricted (committed, assigned or unassigned) amounts are available for a purpose, the Village considers using the restricted funds first and then the unrestricted when an expenditure is incurred. Within the unrestricted fund balance amounts, the Village considers the committed first used, then unassigned for an applicable expenditure.

For determination of classification the Village first determines the nonspendable then the restricted, committed, assigned, and unassigned, in that order. If a deficit occurs for a certain purpose in a fund, assigned amounts for other purposes would be used to offset the deficit if possible.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary information

The accounting basis used by the Village for budgeting is in accordance with accounting principles generally accepted in the United States of America (GAAP).

The Village follows the budgetary procedures outlined by the State of Michigan including public hearings and proper adoption. All funds of the Village have a budget. All annual appropriations lapse at fiscal year end. The budgets are amended during the year as needed.

VILLAGE OF CLINTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
March 31, 2012

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

B. Excess of expenditures over appropriations in budgetary funds

P.A. 621 of 1978, Section 18(1), as amended, of the State of Michigan provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Village's actual expenditures and budgeted expenditures for the budgetary funds have been shown on an activity basis. The approved budgets of the Village for these budgetary funds were adopted to the activity level.

During the year ended March 31, 2012, the Village incurred expenditures in the governmental funds which were in excess of the amounts appropriated, as follows:

	Variance
General Fund	
Planning Commission	\$ 446
Building and zoning inspection	457
Waste collection and disposal	918

These additional expenditures were funded by greater than anticipated revenues.

NOTE 3. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

The Village limits its exposure to interest rate risk keeping certificate of deposits at short term maturation, as noted below. However, in the managed accounts at United Bank and Trust 68% of the investments are fixed income securities, which are subject to interest rate risk.

The Village is subject to credit risk having a large portion of cash and investments which are uninsured.

The Village is also subject to custodial credit risk having 86% of investments with United Bank & Trust, 6% of investments with TLC Community Credit Union, and 6% with First Federal Bank of Midwest. All demand deposits are with Comerica Bank.

Primary Government

At year end, bank deposits amounted to \$1,085,867. Of this amount \$250,000 was covered by Federal Depository Insurance and \$835,867 was uninsured and uncollateralized. At certain times of the year, especially when property taxes are being collected, the Village's uncollateralized deposits increase significantly; as a result, the amounts of uncollateralized deposits at those times were higher. All deposits are with banks located in Michigan as required by statutes.

VILLAGE OF CLINTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
March 31, 2012

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and investments

At year end, bank balances, net of checks written but not cleared, as recorded in the financial statements were \$921,126. Of that amount, \$71,571 was in cash and checking and money market accounts; and \$849,555 in the 'J Fund' account. Such accounts are authorized by statutes.

Component Unit

Deposits. The component unit had deposits with a carrying value and bank balance of \$144,518 at year end. This account is part of the J Fund with Comerica Bank with balance of \$94,412 and a money market account of \$50,106.

Primary Government

The Village had investments with carrying value and bank balance of \$4,595,961 at year end of which \$1,400,315 is covered by Federal Depository Insurance. Investments consist of:

<u>Certificates of Deposit</u>	<u>Interest Rate</u>	<u>Balance</u> <u>MARCH 31, 2012</u>
General Fund	0.70	\$ 142,140
Electric Fund	0.80	97,105
Electric Fund	1.00	255,873
Fire Fund	1.17	34,255
Sewer Fund	0.70	122,453
Sewer Fund	0.80	25,745
Water Fund	0.80	66,157
Electric Fund	0.14	209,340
Electric Fund		232,792
General Fund		150,315
<u>Managed Accounts at United Bank & Trust</u>		<u>Current Yield</u>
Village of Clinton Robison Trust	3.21	1,717,026
John F. Robison Tate Park	3.21	1,542,760
		<u>\$ 4,595,961</u>

B. Receivables

Receivables as of year end for the government's individual major and nonmajor funds, including the applicable allowances for uncollectible accounts, are as follows:

	General	Major Streets	Local Streets	Community Center	Fire Fund	Electric Fund	Water Fund	Sewer Fund	Equipment Fund	Total
Receivables:	\$ 24,591	\$ -	\$ -	\$ 2,145	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26,736
Taxes	3,718	-	-	-	-	180,377	9,759	40,202	-	234,056
Accounts	-	10,483	3,820	-	-	-	-	-	-	14,303
Intergovernmental	392	15	-	97	296	569	39	322	3	1,733
Accrued Interest	28,701	10,498	3,820	2,242	296	180,946	9,798	40,524	3	276,828
Gross receivables	-	-	-	-	-	-	-	-	-	-
Less: allowance for uncollectibles	-	-	-	-	-	-	-	-	-	-
Net total receivables	<u>\$ 28,701</u>	<u>\$ 10,498</u>	<u>\$ 3,820</u>	<u>\$ 2,242</u>	<u>\$ 296</u>	<u>\$ 180,946</u>	<u>\$ 9,798</u>	<u>\$ 40,524</u>	<u>\$ 3</u>	<u>\$ 276,828</u>

VILLAGE OF CLINTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
March 31, 2012

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital assets

Capital asset activity for the year ended March 31, 2012 was as follows:

Primary Government

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Governmental activities:				
Assets not being depreciated-land	\$ 285,152	\$ -	\$ -	\$ 285,152
Capital assets, being depreciated:				
Land improvements	599,997	-	-	599,997
Buildings	1,369,558	-	-	1,369,558
Equipment, machinery and furnishings	1,958,274	58,630	-	2,016,904
Infrastructure	5,207,221	-	-	5,207,221
Depreciable capital assets	<u>9,135,050</u>	<u>58,630</u>	<u>-</u>	<u>9,193,680</u>
Less accumulated depreciation for:				
Land improvements	(298,987)	(19,999)	-	(318,986)
Buildings	(862,968)	(27,390)	-	(890,358)
Equipment, machinery and furnishings	(1,524,702)	(100,845)	-	(1,625,547)
Infrastructure	(3,317,800)	(167,888)	-	(3,485,688)
Total accumulated depreciation	<u>(6,004,457)</u>	<u>(316,122)</u>	<u>-</u>	<u>(6,320,579)</u>
Total net capital assets being depreciated	<u>3,130,593</u>	<u>(257,492)</u>	<u>-</u>	<u>2,873,101</u>
Governmental activities net capital assets	<u>\$ 3,415,745</u>	<u>\$ (257,492)</u>	<u>\$ -</u>	<u>\$ 3,158,253</u>

VILLAGE OF CLINTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
March 31, 2012

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Business-type activities:				
Assets not being depreciated-land	\$ 30,644	\$ -	\$ -	\$ 30,644
Total capital assets, not being depreciated	<u>30,644</u>	<u>-</u>	<u>-</u>	<u>30,644</u>
Capital assets, being depreciated:				
Utility systems	<u>11,209,289</u>	<u>75,618</u>		<u>11,284,907</u>
Depreciable capital assets	<u>11,209,289</u>	<u>75,618</u>	<u>-</u>	<u>11,284,907</u>
Less accumulated depreciation for:				
Utility systems	<u>(4,579,710)</u>	<u>(332,480)</u>	<u>-</u>	<u>(4,912,190)</u>
Total accumulated depreciation	<u>(4,579,710)</u>	<u>(332,480)</u>	<u>-</u>	<u>(4,912,190)</u>
Total net capital assets being depreciated	<u>6,629,579</u>	<u>(256,862)</u>	<u>-</u>	<u>6,372,717</u>
Business-type activities net capital assets	<u>\$ 6,660,223</u>	<u>\$ (256,862)</u>	<u>\$ -</u>	<u>\$ 6,403,361</u>

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

Governmental activities:	
General government	\$ 23,235
Public safety	51,294
Culture and recreation	45,755
Highways and streets	<u>195,838</u>
Total depreciation - governmental activities	<u>\$ 316,122</u>
Business-type activities:	
Utility	<u>\$ 332,480</u>
Total depreciation - business-type activities	<u>\$ 332,480</u>

VILLAGE OF CLINTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

March 31, 2012

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

Discretely presented component unit:

Capital asset activity for the Downtown Development Authority (DDA) for the year ended March 31, 2012 was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets, being depreciated:				
Land improvements	\$ 456,815	\$ -	\$ -	\$ 456,815
Less accumulated depreciation for:				
Land improvements	(155,035)	(15,227)	-	(170,262)
DDA net capital assets	\$ 301,780	\$ (15,227)	\$ -	\$ 286,553

D. Interfund receivables, payables, and transfers

Primary Government

Fund	Interfund Receivable	Fund	Interfund Payable
Local Street	\$ 2,377	General	\$ 2,377
Community Center	11,000	General	11,000
Major Street	4,000	General	4,000
Major Street	1,500	Water	1,500
Major Street	295,630	Electric	295,630
Local Street	3,900	Water	3,900
Local Street	3,900	Electric	3,900
Major Street	192	Local Street	192
Total	\$ 322,499	Total	\$ 322,499

Advance to/from other funds:

Robison Trust	\$ 11,200	Water Fund	\$ 11,200
Robison Trust	23,800	Sewer Fund	23,800
Robison Trust	6,000	Community Center Fund	6,000
Tate Park Trust	294,130	Major Street	294,130
Total	\$ 335,130	Total	\$ 335,130

VILLAGE OF CLINTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
March 31, 2012

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

Due to/from Primary Government and Component Unit:

Receivable Entity	Payable Entity
Downtown Development Authority (Component Unit) <u>\$ 1,588</u>	General Fund (Primary Government) <u>\$ 1,588</u>

Interfund transfers:

Transfers out:	Transfers In					Total
	General	Local Street	Debt Service	Sewer Fund	Major Street	
General	\$ -	\$ 16,000	\$ -	\$ 32,000	\$ 5,000	\$ 53,000
Downtown Development Authority	-	-	36,000	-	-	36,000
Tate Park Capital Investment	40,512	-	-	-	-	40,512
Robison Trust	-	-	-	46,715	-	46,715
Electric	32,000	-	-	-	-	32,000
Total	<u>\$ 72,512</u>	<u>\$ 16,000</u>	<u>\$ 36,000</u>	<u>\$ 78,715</u>	<u>\$ 5,000</u>	<u>\$ 208,227</u>

Due to and due from are for cash flow needs between funds or to meet payable or receivable obligations between funds.

E. Long-term debt

Debt related to governmental activities

The Village has a general obligation debt (2003 General Obligation Limited Bond issue) which funded capital improvements. The original bond issue was \$410,000 with an interest rate at 7% and final maturity at May 1, 2019. Outstanding balance at March 31, 2012 was \$250,000.

Also the Village has an installment purchase loan of \$95,000 to provide funds for the purchase property at 114 Jackson St., Clinton for future expansion of the Fire Department. This loan has an interest rate of 6.025% and final maturity is November 1, 2015. Outstanding balance at March 31, 2012 was \$42,000.

VILLAGE OF CLINTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
March 31, 2012

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

Annual debt service requirements to maturity for these debt obligations are as follows.

Government Activities		
Year Ending March 31,	Principal	Interest
2013	35,000	12,299
2014	40,000	10,664
2015	41,000	8,908
2016	41,000	7,060
2017-2019	135,000	12,139
	\$ 292,000	\$ 51,070

E. Long term debt

Debt related to business-type activities

The Village of Clinton has issued bonds (Village of Clinton Sewage Disposal System Revenue Bond, Series 2008) for the purpose of funding a new sewer plant. The amount of the issue is \$4,000,000 at an interest rate of 1.625%. Under a purchase contract, the Michigan Municipal Bond Authority has acquired all the bonds, and is paying the bond proceeds through the State Water Pollution Control Revolving Fund, commonly known as State Revolving Fund (SRF). Funds are disbursed from the State on a construction cost reimbursement basis. The outstanding debt balance at March 31, 2012 was \$2,935,000.

Annual Debt Service requirements to maturity are projected as follows:

Business-type Activities	
Year Ending March 31,	Principal
2013	190,000
2014	190,000
2015	195,000
2016	200,000
2017-2021	1,035,000
2022 - 2026	1,125,000
	\$ 2,935,000

VILLAGE OF CLINTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

March 31, 2012

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

E. Long Term Debt

The following is a summary of long-term debt transactions of the Village for the year ended March 31, 2012:

	Governmental Activities		Business-type Activity	Accrued Employee Benefits	Total
	Installment Purchase	Primary Government Bond Issue	Bond Issue		
Long-term debt at March 31, 2011	\$ 52,000	\$ 275,000	\$ 3,120,000	\$ 187,042	\$ 3,634,042
Principal payment	(10,000)	(25,000)	(185,000)	-	(220,000)
Increase in accrued employee benefits	-	-	-	10,329	10,329
Long-term debt at March 31, 2012	<u>\$ 42,000</u>	<u>\$ 250,000</u>	<u>\$ 2,935,000</u>	<u>\$ 197,371</u>	<u>\$ 3,424,371</u>

VILLAGE OF CLINTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

March 31, 2012

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

F. Advance (loan) to other funds

The Village of Clinton Robison Trust has loaned money to the Water Fund (\$40,000) and Sewer Fund (\$85,000). The promissory note with the Village states annual payments on principal will be made by November 1, and interest at 4.5% will be paid each May 1 and November 1. The final payment on the note is due January 15, 2014. Also the Trust has loaned \$60,000 to the Community Center at 4.6% interest and due May 1, 2012. Payments on this loan will also be paid May 1 and November 1.

Annual debt service requirements to maturity for this loan are as follows:

Year Ending March 31,	Business-Type Activities				Governmental - Type Activities	
	Water Fund		Sewer Fund		Community Center	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	5,440	504	11,560	1,076	6,000	138
2014	5,760	260	12,240	550	-	-
	<u>\$ 11,200</u>	<u>\$ 764</u>	<u>\$ 23,800</u>	<u>\$ 1,626</u>	<u>\$ 6,000</u>	<u>\$ 138</u>

The Capital Improvement Tate Park Fund has loaned money to the Major Street Fund of \$294,130 for road construction. This loan is to be paid back over ten years, due 11/1/2022 at an interest rate of 4.75%. The annual debt service requirements are as follows:

Year Ending March 31, 2012	Principal	Interest
2013	-	25,540
2014	-	13,971
2015	26,338	13,662
2016	27,604	12,396
2017	28,931	11,069
2018	30,321	9,679
2019	31,778	8,222
2020	33,306	6,694
2021	34,907	5,093
2022	36,584	3,415
2023	44,361	1,658
	<u>294,130</u>	<u>111,399</u>

NOTE 4. PROPERTY LIABILITY, UNEMPLOYMENT, AND WORKMEN'S COMPENSATION INSURANCE COVERAGE

The Village is a member of the Michigan Municipal League Property and Liability Pool for insuring its properties and for general liability.

The Village is a member of the Municipal Unemployment Compensation Group Account under the Michigan Municipal League for unemployment coverage.

Workers' Compensation coverage is under the Michigan Municipal League Workers' Compensation Fund.

Any contingent liabilities under these arrangements are not known.

VILLAGE OF CLINTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
March 31, 2012

NOTE 5. OTHER INFORMATION

Retirement Plan

A. Plan Description

The Village contributes to the Michigan Municipal Employees' Retirement System (MERS), an agent multi-employer defined benefit pension plan, which provides retirement benefits to all full-time employees of the Village. MERS is administered by its Board of Trustees. The actuary for the System is Gabriel, Roeder, Smith & Company. The Municipal Employees' Retirement Act of 1984, as amended by 1996 Public Act 220 of the State of Michigan, assigns the authority to establish and amend the benefit provisions of the plans that participate in MERS to the respective employer entities; for the Village of Clinton, that authority rests with the Village. The Municipal Employees' Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to Municipal Employees Retirement System of Michigan, 447 North Canal Road, Lansing, Michigan 48917.

B. Funding Policy

Employees make contributions under the plan. The Village is required to contribute the actuarially determined amount each year.

C. Annual Pension Cost

For the year ended March 31, 2012, the Village's required annual pension contribution was \$47,407. The required contribution was determined as part of the December 31, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included -

[a] 8.0% investment rate of return,

[b] projected salary increases of 4.5% per year compounded annually,

VILLAGE OF CLINTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

March 31, 2012

NOTE 5. OTHER INFORMATION (Continued)

The actuarial value of MERS' assets was determined using techniques that smooth the effects of short term volatility in the market value of investments over a five year period.

Actuarial Accrued Liability (as of 12/31/10)

Retirees and beneficiaries currently receiving benefits	\$	931,392
Terminated employees not yet receiving benefits		296,040
Non-vested terminated employees (pending refunds of accumulated member contributions)		5,682
Current employees --		
Accumulated employee contributions including allocated investment income		269,323
Employer financed		<u>2,099,193</u>
 Total actuarial accrued liability		 3,601,630
 Net assets available for benefits at actuarial value		 <u>4,343,588</u>
 (Market value is \$3,735,067)		
 Unfunded (overfunded) actuarial accrued liability		 <u><u>\$ (741,958)</u></u>

Three Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
March 31, 2010	121,795	100%	0
March 31, 2011	122,916	100%	0
March 31, 2012	47,407	100%	0

VILLAGE OF CLINTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

March 31, 2012

NOTE 5. DEFERRED COMPENSATION PLAN

The Village provides its employees a Deferred Compensation Plan, created in accordance with the Internal Revenue Code Section 457 that is administered by the ITT Hartford Insurance Group. The Plan, available to all employees, permits them to defer a portion of their current salary until future years. The deferred compensation is not available to the employees until termination, retirement, death, or unforeseeable emergency.

Under the deferred compensation plan, all assets and income of the plan are held in trust for the exclusive benefit of participants and their beneficiaries.

NOTE 6. JOINT VENTURE – MICHIGAN SOUTH CENTRAL POWER AGENCY

The Village is a member municipality of the Michigan South Central Power Agency. The Michigan South Central Power Agency (the "Agency") is a public body politic and corporate of the State of Michigan organized on March 21, 1978, under the authority of Michigan Public Act 448 of 1976 (the "Act"), to supply electricity to member municipalities in South Central Michigan. The Act provides that the Agency will establish rates and charges so as to produce revenues sufficient to cover its costs (excluding depreciation and amortization expense) including debt service, but it may not operate its projects for profit, except insofar as any such profit will inure to the benefit of the public. Each member municipality appoints one member to the Board of the Agency. The member municipalities and their percentage shares are as follows:

<u>Municipality</u>	<u>Percentage Share</u>
Clinton	6.5
Coldwater	40.0
Hillsdale	25.5
Marshall	24.0
Union City	<u>4.0</u>
	<u>100.0</u>

Each member is a municipal corporation, organized under the laws of the State of Michigan, which owns and operates a municipal electric system. The member municipalities presently supply their customers with power and energy generated from the Agency's Project I and from the municipalities' existing generating facilities and also with power purchased from other utility companies.

Each of the member municipalities entered into (a) a Power Sales Contract with the Agency for the supply of power and energy from the Agency, and (b) a Substation Agreement with the Agency for services provided by the Agency to the member municipality with respect to substation facilities. Each member municipality also entered into an Economic Dispatch Agreement with the Agency providing for the dispatch by the Agency of power and energy from certain existing generating facilities of the member municipalities on an economic basis. The Power Sales Contracts between the Agency and the member municipalities require the Agency to provide, and the member municipalities to purchase from the Agency, all of the members' bulk power supply, as defined in the contracts. Each member is obligated to pay its share of the Agency's operating and debt service costs of Project I.

VILLAGE OF CLINTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
March 31, 2011

NOTE 6. JOINT VENTURE – MICHIGAN SOUTH CENTRAL POWER AGENCY (Continued)

The Substation Agreements require the Agency to provide, and the municipalities to purchase, services of the municipalities' substation facilities for transmission, transformation, and delivery of electric power and energy from the Agency to the municipalities. Under the Economic Dispatch Agreement, the member municipalities are required to sell to the Agency power generated by their facilities, defined as dedicated capacity.

In March of 2011, the Agency used redemption and reserve funds on hand to defease the remaining \$5,010,000 of outstanding 2000 bonds and the remaining \$8,305,000 of outstanding 2004 bonds. The net resources of \$14,055,799 were used to purchase U.S. government securities. Those securities were deposited in irrevocable trust with an escrow agent to provide for all future debt service on the 2000 and 2004 bonds. As a result the bonds are considered to be defeased and the liabilities for the bonds have been removed from the statement on net assets. The cash flow requirements on the bonds prior to the defeasance were \$14,073,925 through 2012.

As a result, Michigan South Central Power Agency has no long term bond debt at June 30, 2011.

A summary of financial information on Michigan South Central Power Agency at June 30, 2011 and 2010 follows:

	<u>2011</u>	<u>2010</u>
Total assets	\$ 49,351,850	\$ 68,401,608
Total liabilities	7,071,502	27,112,961
Net assets	42,280,348	41,288,647
Operating revenues	43,501,777	47,647,783
Operating expenses	40,748,520	39,554,687
Income from operations	2,753,257	8,093,096
Investment and miscellaneous income	202,714	177,920
Interest and amortization expense	(927,119)	(1,645,026)
Member Equity Refund	(247,384)	(1,532,989)
Other expense	(760,769)	(2,498)
Realized and unrealized gain (loss) on investments	(28,998)	47,033
Change in net assets	991,701	5,137,536

VILLAGE OF CLINTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
March 31, 2012

NOTE 7. JOINT VENTURE – AMERICAN MUNICIPAL POWER

The Village of Clinton as a means of obtaining supplemental electric power to the Village in addition to agreement with Michigan South Central Power Agency, has contracted with American Municipal Power.

The Village has agreed to be a participant in the purchase of electrical power from the Fremont (Ohio) Energy Center owned by American Municipal Power.

Michigan South Central Power Agency will act as agent for the Village under this agreement.

As a participant, the Village is required to obtain a certain percentage of the energy produced at the Fremont Energy Center to cover the Center's costs. The current percentage for the Village of Clinton is approximately 2%.

NOTE 8. VILLAGE OF CLINTON – ROBISON TRUST

The Village has created a trust funded by unrestricted gifts from the Estate of John F. Robison (\$1,758,026). It is the intent of the Village that all gifts to this trust will be held as endowments with the principal invested permanently and the investment income to be used for the benefit of the Village of Clinton.

NOTE 9. JOHN R. ROBISON TATE PARK TRUST

This trust has been created by the Village to provide a legal entity for handling the restricted gifts from the Estate of John F. Robison (\$1,768,220). The donor has restricted the use of these gifts to the operation, improvement, and maintenance of Tate Park. It is the intent of the Village that all gifts to the trust will be held as endowments with the principal invested permanently and the investment income to be used for Tate Park.

**VILLAGE OF CLINTON, MICHIGAN
MERS RETIREMENT PLAN
SCHEDULE OF FUNDING PROGRESS
MARCH 31, 2012**

Actuarial Valuation Date	Actuarial Value of Assets [a]	Actuarial Accrued Liability (AAL) Entry Age [b]	Unfunded AAL (UAAL) [b-a]	Funded Ratio [a/b]	Covered Payroll [c]	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/01	\$ 1,874,502	\$ 1,684,799	\$ (189,703)	111	\$ 621,918	-0-
12/31/02	1,976,140	1,836,659	(139,481)	108	698,097	-0-
12/31/03	2,200,887	2,280,159	79,272	97	727,524	11
12/31/04	2,444,704	2,491,190	46,486	98	751,753	6
12/31/05	2,701,214	2,717,445	16,231	99	802,735	2
12/31/06	3,045,405	2,855,725	(189,680)	107	835,228	-0-
12/31/07	3,424,992	3,229,550	(195,442)	106	899,771	-0-
12/31/08	3,688,290	3,395,948	(292,342)	109	775,062	-0-
12/31/09	4,008,693	3,485,024	(523,669)	115	752,395	-0-
12/31/10	4,343,588	3,601,630	(741,958)	121	720,502	-0-

VILLAGE OF CLINTON, MICHIGAN
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED MARCH 31, 2012
 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED MARCH 31, 2011

	Debt Service	Local Street Fund	Community Center Fund	Softball Program	Total Nonmajor Governmental Funds	
					2012	2011
ASSETS						
Cash and cash equivalents	\$ 571	\$ 2,621	\$ 41,552	\$ 3,122	\$ 47,866	\$ 55,948
Receivables (net of allowance for uncollectibles)	-	-	2,145	-	2,145	2,659
Property taxes	-	3,820	-	-	3,820	3,486
Due from other governmental units	-	-	97	-	97	97
Accrued interest	-	10,177	11,000	-	21,177	21,177
Due from other funds	-	126	1,762	-	1,888	1,887
Prepaid expenses and other assets	-	-	-	-	-	-
Total assets	\$ 571	\$ 16,744	\$ 56,556	\$ 3,122	\$ 76,993	\$ 85,254
LIABILITIES & FUND BALANCES						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ 364	\$ -	\$ 364	\$ -
Accrued expenses	-	547	938	-	1,485	1,485
Due to other funds	-	192	-	-	192	192
Advance from other funds	-	-	6,000	-	6,000	18,000
Total liabilities	\$ -	\$ 739	\$ 7,302	\$ -	\$ 8,041	\$ 19,677
Fund balances:						
Nonspendable	\$ -	\$ 126	\$ 1,762	\$ -	\$ 1,888	\$ -
Restricted	571	15,879	47,492	-	63,942	253
Committed	-	-	-	3,122	3,122	65,324
Total fund balances	571	16,005	49,254	3,122	68,952	65,577
Total liabilities & fund balances	\$ 571	\$ 16,744	\$ 56,556	\$ 3,122	\$ 76,993	\$ 85,254

The notes to the financial statements are an integral part of this statement.

VILLAGE OF CLINTON, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED MARCH 31, 2012
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED MARCH 31, 2011

	<u>Debt Service</u>	<u>Local Street Fund</u>	<u>Community Center Fund</u>	<u>Softball Program</u>	<u>Total Nonmajor Governmental Funds</u>	
					2012	2011
REVENUES:						
Property taxes	\$ -	\$ -	\$ 48,697	\$ -	\$ 48,697	\$ 52,506
Intergovernmental revenues:						
State gas weight tax	-	36,581	-	-	36,581	35,188
County revenue sharing	-	-	-	-	-	-
Interest	-	-	86	-	86	365
Licenses, fees & charges for services						
Fee revenue	-	-	-	-	-	2,200
Rentals	-	-	6,276	-	6,276	6,570
Miscellaneous	-	-	-	-	-	1,206
Total revenues	<u>\$ -</u>	<u>\$ 36,581</u>	<u>\$ 55,059</u>	<u>\$ -</u>	<u>\$ 91,640</u>	<u>\$ 98,035</u>
EXPENDITURES:						
Highways and streets	\$ -	\$ 52,164	\$ -	\$ -	\$ 52,164	\$ 56,533
Debt service:						
Principal	25,000	-	-	-	25,000	25,000
Interest	10,682	-	690	-	11,372	12,812
Culture and recreation:						
Softball program	-	-	-	-	-	2,859
Community center	-	-	51,729	-	51,729	39,584
Total expenditures	<u>\$ 35,682</u>	<u>\$ 52,164</u>	<u>\$ 52,419</u>	<u>\$ -</u>	<u>\$ 140,265</u>	<u>\$ 136,788</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (35,682)</u>	<u>\$ (15,583)</u>	<u>\$ 2,640</u>	<u>\$ -</u>	<u>\$ (48,625)</u>	<u>\$ (38,753)</u>
Other financing sources (uses):						
Transfers in	36,000	16,000	-	-	52,000	59,440
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>36,000</u>	<u>16,000</u>	<u>-</u>	<u>-</u>	<u>52,000</u>	<u>59,440</u>
Net change in fund balances	318	417	2,640	-	3,375	20,687
Fund balances - beginning of year	253	15,588	46,614	3,122	65,577	44,890
Fund balances - end of year	<u>\$ 571</u>	<u>\$ 16,005</u>	<u>\$ 49,254</u>	<u>\$ 3,122</u>	<u>\$ 68,952</u>	<u>\$ 65,577</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF CLINTON, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
DEBT SERVICE FUND
FOR THE YEAR ENDED MARCH 31, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:				
Interest	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES:				
Debt service:				
Principal	25,000	25,000	25,000	-
Interest	11,000	11,000	10,682	318
Total expenditures	<u>36,000</u>	<u>36,000</u>	<u>35,682</u>	<u>318</u>
Deficiency of revenues under expenditures	(36,000)	(36,000)	(35,682)	318
Other financing sources:				
Transfers in	36,000	36,000	36,000	-
Net change in fund balance	-	-	318	318
Total fund balances - beginning of year			<u>253</u>	
Total fund balances - end of year			<u><u>\$ 571</u></u>	

The notes to the financial statements are an integral part of this statement.

VILLAGE OF CLINTON, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
LOCAL STREET SPECIAL REVENUE FUND
FOR THE YEAR ENDED MARCH 31, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental				
State gas weight tax	\$ 29,000	\$ 29,000	\$ 36,581	\$ 7,581
Interest	50	50	-	(50)
Miscellaneous	-	-	-	-
Total revenues	<u>29,050</u>	<u>29,050</u>	<u>36,581</u>	<u>7,531</u>
EXPENDITURES:				
Routine maintenance	34,440	34,440	32,573	1,867
Traffic service	3,860	3,860	3,087	773
Winter maintenance	12,150	12,150	12,983	(833)
Administrative	2,600	2,600	3,521	(921)
Total expenditures	<u>53,050</u>	<u>53,050</u>	<u>52,164</u>	<u>886</u>
Excess (deficiency) of revenues over (under) expenditures	(24,000)	(24,000)	(15,583)	8,417
Other financing sources:				
Transfers in	<u>24,000</u>	<u>24,000</u>	<u>16,000</u>	<u>(8,000)</u>
Net change in fund balance	-	-	417	417
Total fund balances - beginning of year			<u>15,588</u>	
Total fund balances - end of year			<u>\$ 16,005</u>	

The notes to the financial statements are an integral part of this statement.

VILLAGE OF CLINTON, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
COMMUNITY CENTER FUND SPECIAL REVENUE FUND
FOR THE YEAR ENDED MARCH 31, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:				
Property taxes	\$ 47,750	\$ 47,750	\$ 48,697	\$ 947
Miscellaneous	500	500	-	(500)
Rentals	6,400	6,400	6,276	(124)
Interest	350	350	86	(264)
Total revenues	<u>55,000</u>	<u>55,000</u>	<u>55,059</u>	<u>59</u>
EXPENDITURES:				
Debt service	12,690	12,690	690	12,000
Community Center expenses	47,720	53,720	51,729	1,991
Total expenditures	<u>60,410</u>	<u>66,410</u>	<u>52,419</u>	<u>13,991</u>
Excess (deficiency) of revenues over (under) expenditures	(5,410)	(11,410)	2,640	14,050
Total fund balances - beginning of year			<u>46,614</u>	
Total fund balances - end of year			<u>\$ 49,254</u>	

The notes to the financial statements are an integral part of this statement.

Village Council
Village of Clinton
Clinton, Michigan

In planning and performing our audit of the financial statements of the governmental activities and business-type activity, the major funds, of Village of Clinton as of and for the year ended March 31, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered Village of Clinton's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of Clinton's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village of Clinton's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified a certain deficiency in internal control that we consider to be significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider one deficiency in Village of Clinton's internal control to be significant deficiency. See the following page that describes the deficiency.

This communication is intended solely for the information and use of management, Village Council, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Robertson, Eaton & Owen P.C.

July 3, 2012

VILLAGE OF CLINTON
SCHEDULE OF FINDINGS AND RESPONSES
MARCH 31, 2012

Finding considered a significant deficiency

Criteria:

In accordance with Statement on Auditing Standards No. #115 titled *Communicating Internal Control Related Matters Identified in an Audit* (issued May 2006), we are required to communicate in writing when a client needs assistance to prepare the footnotes in the annual audit report in accordance with accounting principles generally accepted in the United States of America.

Condition

Currently, the Village staff prepares the interim financial reports and assists the external auditor in the preparation of the annual audit report.

Cause

The staff of the Village does understand all information included in the annual financial statements; however, assistance of the external auditor was utilized in preparing the footnotes to the financial statements.

Effect

Utilization of the external auditor in preparing the footnotes to the financial statements assists management with the external financial reporting responsibility, to ensure their financial statements are accurate. However, there is no oversight of the auditor's work in this area.

Recommendation

At this time, we recommend no changes to this situation and communicate this as required by professional standards. The current process meets the definition of a significant deficiency as defined in Statement on Auditing Standards #115.

Client Response

We are aware of this deficiency and believe it is not cost beneficial in our situation to develop this expertise. We will continue to use our external auditors for this technical assistance. We would expect this situation to be ongoing in future years.