

# FINANCIAL REPORT MESSAGE

We are pleased to present the Village of Clinton's Citizen's Guide to Local Finances, and the Performance Dashboard for the fiscal year ended March 31, 2011. The intent of this report is to summarize and report the Village's General Fund financial condition in a concise and user friendly manner.

The information in this report is derived primarily from the Village's Annual Financial Statements. The financial information was prepared in accordance with generally accepted accounting principles (GAAP) and was independently audited by Robertson Eaton & Owen, Certified Public Accountants.

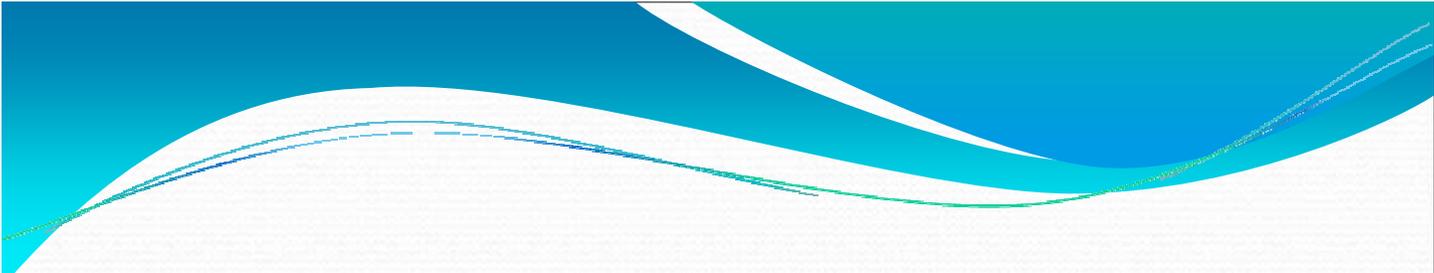
Unlike the Annual Financial Statements, these reports are unaudited and are not prepared in accordance with GAAP. These state required guides focus on the General Fund and related funds. They do not show the water, sewer, and electric utility funds. All Village funds are shown in the Village's Financial Statements which are available at the Village Office.

Thank you for your interest in the Village of Clinton. We welcome any questions, comments or suggestions regarding the information included in this report.

Sincerely,

Kevin Cornish,  
Village Manager

Karen Faust,  
Treasurer



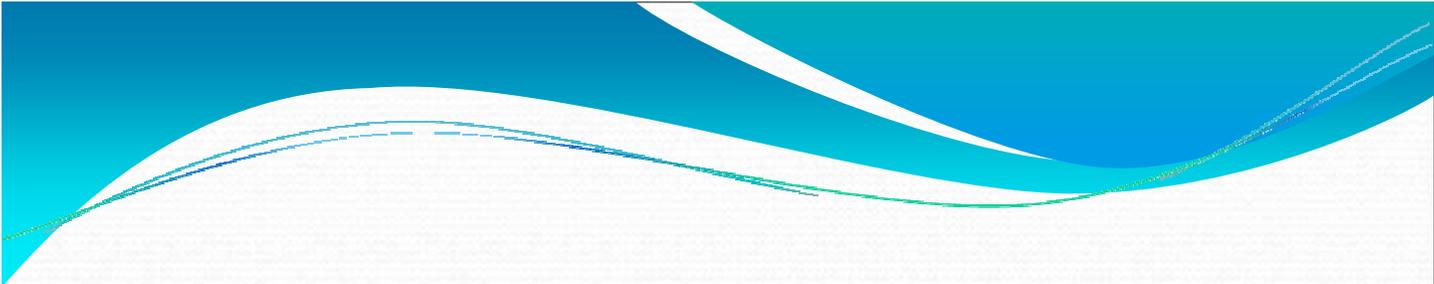
## GENERAL FUND FINANCIAL HIGHLIGHTS

The Village has been able to remain financially sound despite the serious economic challenges in the country and especially in Michigan. Municipalities and schools have had a hard time trying to provide services with the reduced state revenue and declining property values. In order to balance the budget the Village has systematically reevaluated the delivery of services to provide them more cost effectively and to operate with fewer employees.

Over the last three years the assessed values have been reduced by just under 29 percent. Those reduced property values have started to decrease the amount of property taxes the Village collects. To compound matters the preliminary indications are the assessed property values for 2012 will decline another six to ten percent.

The Village's share of state revenue sharing was cut from \$276,332 in 2000 to \$172,950 in 2010. That was a loss of \$103,382 or 37 percent. The drastic reduction of revenue was a challenge for the Village, but it will be even more difficult the next few years because of the compounded problem of reductions in property taxes, the loss of three prominent industries, and declining utility sales.

Despite the significant revenue challenges the Village has been able to proactively reduce its operating costs to help maintain adequate fund balances. If the revenues continue to decline the Village will have to take a serious look at reducing the services it provides or increasing rates to generate adequate revenue to fund those services and needed capital improvements for streets, water, and sewer systems.



## WATER, SEWER, AND ELECTRIC FUND HIGHLIGHTS

The Water and Sewer Funds are struggling financially because of the significant decrease in sales the last several years. The annual sales were 83 million gallons in 2005 and were only 72 million in 2010. That is a decrease of 11 million gallons or 13 percent. To help offset some of those losses the Village has systematically reduced the cost of delivering water and sewer services.

The Village performed some costly capital improvements on the water system the last few years. They include painting the water tower, installing cathodic protection inside the tower to help reduce corrosion, performing major maintenance on well one and its aquifer, and replacing some water mains on Tecumseh Road. Fortunately the Water Fund was able to maintain an adequate fund balance despite making those capital improvements.

The Sewer Fund's most significant costs are the operation of the new plant and the debt service. The Village will likely have to increase sewer rates in the near future if sales do not increase. The Sewer Fund needs to generate adequate funds to cover the annual operating costs, sewer plant equipment replacement costs, and needed capital improvements for the sewer collection system.

The Village's Electric Fund is in a good financial position with adequate revenues to meet operating costs and set funds aside for anticipated capital improvements. The most significant financial challenge will be from costly regulatory requirements. The Village recently had to make a significant investment in electric capacity to replace the Village's generator that will not be allowed to operate in 2013.