

VILLAGE OF CLINTON, MICHIGAN
FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2011
WITH
INDEPENDENT AUDITORS' REPORT

VILLAGE OF CLINTON, MICHIGAN
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED MARCH 31, 2011

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VILLAGE OF CLINTON, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended March 31, 2011

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, 2011. 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 \$14,794,736 (*net assets*). Of this amount, \$1,658,010 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- ◆ The government's total net assets increased \$304,246.
- ◆ As of the close of the current year, the Village of Clinton, Michigan's governmental funds reported combined ending fund balances of \$4,408,154, a decrease of \$(78,005) in comparison with the prior year.
- ◆ At the end of the current year, unreserved fund balance for the general fund was \$596,213, or 58% 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 - 36 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 38 - 43 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 \$14,794,736 at the close of the most recent fiscal year.

By far the largest portion of the Village of Clinton, Michigan's net assets (45 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>2011</u>	<u>2010</u>
Assets:				
Current and other assets	\$ 4,501,690	\$ 3,963,195	\$ 8,464,885	\$ 8,533,098
Capital Assets	<u>3,415,745</u>	<u>6,660,223</u>	<u>10,075,968</u>	<u>9,911,910</u>
Total Assets	<u>7,917,435</u>	<u>10,623,418</u>	<u>18,540,853</u>	<u>18,445,008</u>
Liabilities:				
Long term liabilities outstanding	381,100	3,221,594	3,602,694	3,765,075
Other liabilities	<u>70,837</u>	<u>72,586</u>	<u>143,423</u>	<u>190,343</u>
Total Liabilities	<u>451,937</u>	<u>3,294,180</u>	<u>3,746,117</u>	<u>3,955,418</u>
Net Assets:				
Invested in capital assets, net of related debt	3,088,745	3,552,278	6,641,023	6,250,910
Restricted	3,891,941	2,683,762	6,575,703	6,309,927
Unrestricted	<u>564,812</u>	<u>1,093,198</u>	<u>1,658,010</u>	<u>1,929,653</u>
Total Net Assets	<u>\$ 7,465,498</u>	<u>\$ 7,329,238</u>	<u>\$ 14,794,736</u>	<u>\$ 14,490,490</u>

An additional portion of the Village of Clinton, Michigan's net assets (44 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$1,658,010) 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 \$4,408,154, a decrease of \$(78,005) in comparison with the prior year. Reserved fund balance (\$3,584,552) is not available for new spending since it already is committed. Permanent (Trusts) fund money (\$3,550,542) represents most of the reserved fund balance. Special Revenue Funds have \$227,389 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 \$596,213.

The fund balance of the Village of Clinton, Michigan's general fund increased by \$70,159 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 \$1,093,198. The total decrease in net assets for the fund was \$(136,909).

Budgetary Highlights

- Amendments were made to the final General Fund budget to cover anticipated additional expenditures. Some of those expenditures included \$2,000 for the Woolen Mill case, \$12,000 to Local Streets for preventative maintenance, \$32,000 to the Sewer Fund to help fund debt service payments.
- There was a budget amendment in the Major Roads Fund of \$2,000 to pay for increased snow plowing costs.
- There was a budget amendment in the Local Streets Fund of \$10,000 to pay for preventative maintenance.
- The Electric Fund revenue was \$76,000 higher than budgeted from increased sales and the power costs were \$40,000 over budget.
- The Water Fund repairs and maintenance costs were \$17,000 higher from the well one aquifer maintenance.
- The Tate Park Trust transferred an additional \$96,000 to the General Fund to reimburse for expenses related to the Tate Park Grant Project.

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, 2011, amounts to \$10,075,968 (net of accumulated depreciation). This investment in capital assets includes land, buildings and utility systems, machinery and equipment, roads, and other infrastructure. The net increase in the Village of Clinton, Michigan's investment in capital assets for the current fiscal year was \$164,058.

Major capital assets purchased during the current fiscal year were:

▪ Road Construction	\$645,441
▪ Park Improvement	\$125,115

VILLAGE OF CLINTON, MICHIGAN'S CAPITAL ASSETS

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Capital Assets:			
Land	\$ 285,152	\$ 30,644	\$ 315,796
Land Improvements	301,010	-	301,010
Buildings	506,590	-	506,590
Equipment and furnishings	433,572	-	433,572
Infrastructure	1,889,421	6,629,579	8,519,000
Total	<u>\$ 3,415,745</u>	<u>\$ 6,660,223</u>	<u>\$ 10,075,968</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 \$3,447,000.

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

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
General Obligation Bonds	\$ 275,000	\$ -	\$ 275,000
Revenue Bonds	-	3,120,000	3,120,000
Installment Purchase Loans	52,000	-	52,000
Total	<u>\$ 327,000</u>	<u>\$ 3,120,000</u>	<u>\$ 3,447,000</u>

Additional information on the Village of Clinton, Michigan's long-term debt can be found in Note 3. E. on pages 29 - 31 of this report.

Economic Factors and Next Year's Budgets and Rates

The Village is very concerned about the poor economic environment in the State of Michigan and the possible negative ramifications on the 2011-12 budget. As a result the Village took a conservative position with projected revenues and expenditures. Property taxes were budgeted 6 percent lower, with State Revenue Sharing budgeted 9 percent lower.

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.

June 22, 2011

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, 2011, 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, 2011, 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 vii are 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.

June 22, 2011

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 non-major 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 non-major 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, 2011
WITH COMPARATIVE TOTALS FOR MARCH 31, 2010

	Governmental Activities	Business-Type Activities	Total		Component Unit
			2011	2010	Downtown Development Authority
ASSETS:					
Cash	\$ 557,599	\$ 282,854	\$ 840,453	\$ 791,119	\$ 144,805
Investments	3,511,114	1,013,848	4,524,962	4,851,083	
Receivables (net of allowance for uncollectibles)					
Accounts	57,685	225,895	283,580	419,198	17
Prepaid expenses	19,950	17,815	37,765	37,764	
Internal balances	304,930	(304,930)	-	-	
Internal balances - advances	52,000	(52,000)	-	-	
Due from component unit	(1,588)	-	(1,588)	(1,588)	1,588
Prepaid supplies	-	55,595	55,595	55,595	
Restricted assets:					
Cash	-	40,356	40,356	31,005	
Investments in joint venture	-	2,683,762	2,683,762	2,349,822	
Capital assets:					
Land	285,152	30,645	315,797	315,796	
Land improvements	599,997	-	599,997	569,864	456,815
Machinery; equipment; and furnishings	1,958,274	1,301,397	3,259,671	3,147,488	
Buildings	1,369,558	6,403,736	7,773,294	7,719,759	
Infrastructure	5,207,221	3,504,156	8,711,377	8,056,936	
Less: accumulated depreciation	(6,004,457)	(4,579,711)	(10,584,168)	(9,897,933)	(155,035)
Total assets	\$ 7,917,435	\$ 10,623,418	\$ 18,540,853	\$ 18,445,908	\$ 448,190
Accounts payable	17,638	9,244	26,882	39,368	-
Accrued liabilities	14,733	22,986	37,719	33,805	
Liabilities payable from restricted assets	-	40,356	40,356	31,005	
Interest payable	7,133	-	7,133	7,623	
Accrued sick and vacation pay - current	31,333	-	31,333	78,542	
Noncurrent liabilities:					
Due within one year	35,000	185,000	220,000	260,098	
Due in more than one year	346,100	3,036,594	3,382,694	3,504,977	
Total liabilities	451,937	3,294,180	3,746,117	3,930,610	-
NET ASSETS:					
Invested in capital assets, net of related debt	3,088,745	3,552,278	6,641,023	6,250,910	301,780
Restricted for:					
Investment in joint venture (note 7)	\$ -	\$ 2,683,762	\$ 2,683,762	\$ 2,349,822	
Highways and streets	108,809	-	108,809	78,418	
Public safety	102,601	-	102,601	55,618	
Culture and recreation	49,736	-	49,736	30,575	
Debt service	253	-	253	243	
Permanent funds:					
Expendable	42,102	-	42,102	258,811	
Nonexpendable:	3,508,440	-	3,508,440	3,536,440	
Unrestricted	564,812	1,093,198	1,658,010	1,929,653	146,410
Total net assets	7,465,498	7,329,238	14,794,736	14,490,490	448,190

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, 2011
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED MARCH 31, 2010

	Net (Expense) Revenue and Changes in Net Assets							Component Unit
	Program Revenues			Primary Government			Downtown	
	Charges for Services	Operating Grants	Capital Grants	Governmental Activities	Business-Type Activities	Total 2011		
Functions/programs	Expenses							
Governmental activities:								
General government	\$ 267,283	\$ -	\$ -	\$ (267,283)	\$ -	\$ (267,283)	\$ (368,936)	\$ -
Public safety	684,485	236,422	-	(448,063)	-	(448,063)	(461,074)	-
Culture and recreation	202,213	8,745	82,381	(111,087)	-	(111,087)	(3,024)	-
Sanitation	98,752	102,638	-	3,886	-	3,886	(52,250)	-
Highways and streets	358,672	-	-	(358,672)	-	(358,672)	(338,356)	-
Total governmental activities	1,627,939	347,805	82,381	(1,197,753)	-	(1,197,753)	(1,240,348)	-
Business-type activities:								
Electric Fund	2,733,775	2,712,901	-	(20,874)	(20,874)	(20,874)	(60,649)	-
Water Fund	167,395	152,805	-	(14,590)	(14,590)	(14,590)	(29,817)	-
Sewer Fund	697,237	525,969	-	(171,268)	(171,268)	(171,268)	(90,406)	-
Total business-type activities	3,598,407	3,391,675	-	(206,732)	(206,732)	(206,732)	(180,872)	-
Total government	\$ 5,226,346	\$ 3,739,480	\$ 82,381	\$ (1,197,753)	\$ (206,732)	\$ (1,404,485)	\$ (1,421,220)	\$ -
Component Unit:								
Downtown development authority	22,716	-	-	-	-	-	-	(22,716)
Total component unit	\$ 22,716	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (22,716)
General revenues:								
Property taxes			\$ 659,049	\$ -	\$ -	\$ 659,049	\$ 678,245	\$ 58,928
Intergovernmental			312,371	-	-	312,371	312,313	2,241
Licenses, fees, and fines			32,996	-	-	32,996	33,960	-
Contributions			-	-	-	-	38,000	-
Investment earnings			172,038	12,013	184,051	184,051	128,666	134
Miscellaneous revenues			149,744	333,940	483,684	483,684	595,373	300
Transfers from component unit			36,580	-	36,580	36,580	37,500	(36,580)
Transfers			276,130	(276,130)	-	-	-	-
Total general revenues and transfers			1,638,908	69,823	1,708,731	1,708,731	1,824,057	25,023
Change in net assets			441,155	(136,909)	304,246	304,246	402,837	2,307
Total net assets - beginning of year			7,024,343	7,466,147	14,490,490	14,490,490	14,087,653	445,883
Total net assets - end of year			\$ 7,465,498	\$ 7,329,238	\$ 14,794,736	\$ 14,794,736	\$ 14,490,490	\$ 448,190

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

**VILLAGE OF CLINTON, MICHIGAN
BALANCE SHEET
GOVERNMENTAL FUNDS
MARCH 31, 2011
WITH COMPARATIVE TOTALS FOR MARCH 31, 2010**

	Permanent Funds					Other Governmental Funds	Total Governmental Funds	
	General	Fire Fund	Major Street	Robison Trust	Capital Improvement Tate Park		2011	2010
ASSETS:								
Cash	\$ 327,287	\$ 64,052	\$ 77,093	\$ -	\$ -	\$ 55,948	\$ 524,380	\$ 540,529
Investments	290,945	33,757		1,676,495	1,509,917	-	3,511,114	3,864,868
Receivables:								
Accounts	41,650	296	9,494	-	-	6,242	57,682	52,108
Due from other funds	-	-	301,322	-	-	21,177	322,499	28,369
Due from component unit	1,375	-	-	-	-	-	1,375	-
Advance to other funds	-	-	-	70,000	294,130	-	364,130	98,000
Prepaid expense	12,135	5,802	126	-	-	1,887	19,950	19,949
Total assets	\$ 673,392	\$ 103,907	\$ 388,035	\$ 1,746,495	\$ 1,804,047	\$ 85,254	\$ 4,801,130	\$ 4,603,823
LIABILITIES:								
Accounts payable	\$ 13,049	\$ 1,306		\$ -	\$ -	\$ -	\$ 14,355	\$ 21,886
Accrued expenditures	12,457	-	684	-	-	1,485	14,626	13,273
Due to other funds	17,377	-	-	-	-	192	17,569	17,569
Due to component unit	2,963	-	-	-	-	-	2,963	1,588
Advance from other funds	-	-	294,130	-	-	18,000	312,130	30,000
Accrued sick and vacation pay	31,333	-	-	-	-	-	31,333	33,348
Total liabilities	\$ 77,179	\$ 1,306	\$ 294,814	\$ -	\$ -	\$ 19,677	\$ 392,976	\$ 117,664
FUND BALANCES:								
Reserved for:								
Debt service	\$ -	\$ -		\$ -	\$ -	\$ 253	\$ 253	\$ 243
Advances	-	-		70,000	294,130	-	364,130	98,000
Endowment	-	-		1,676,495	1,474,090	-	3,150,585	3,438,440
Tate park	-	-		-	35,827	-	35,827	7,567
Fire department vehicles	-	33,757		-	-	-	33,757	32,093
Unreserved, reported in:								
General fund	596,213	-		-	-	-	596,213	526,054
Special revenue funds	-	68,844	93,221	-	-	65,324	227,389	132,518
Total fund balance	596,213	102,601	93,221	1,746,495	1,804,047	65,577	4,408,154	4,486,159
Total liabilities & fund balance	\$ 673,392	\$ 103,907	\$ 388,035	\$ 1,746,495	\$ 1,804,047	\$ 85,254	\$ 4,801,130	\$ 4,603,823
						2011	2010	
Total governmental fund balances						\$ 4,408,154	\$ 4,486,159	
Capital assets used in the governmental activities are not financial resources and, therefore, are not reported in the governmental funds:						3,415,745	2,921,801	
Accrued interest payable on long term debt is recognized in governmental funds when paid and not when accrued.						(7,133)	(7,623)	
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.						(50,714)	(52,977)	
Loan indebtedness are recognized in the governmental funds when paid and not when accrued.						(327,000)	(361,000)	
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 (\$131,645) of the Equipment fund are included in the capital asset figure above (\$3,415,745), and not in this adjustment.						26,446	37,983	
Net differences						3,057,344	2,538,184	
Total net assets of governmental activities						\$ 7,465,498	\$ 7,024,343	

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, 2011
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED MARCH 31, 2010

	Permanent Funds						Total Governmental Funds 2011	Total Governmental Funds 2010
	General	Fire Fund	Major Street	Robison Trust	Tate Park Capital Improvement	Other Governmental Funds		
REVENUES:								
Property taxes	\$ 606,543	\$ -	\$ -	\$ -	\$ -	\$ 52,506	\$ 678,245	
Intergovernmental revenues	263,445	-	96,119	-	-	35,188	472,464	
Licenses, fees and charges for services	142,179	-	-	-	-	2,200	140,588	
Rentals	11,690	-	-	-	-	6,570	20,973	
Interest	4,860	1,088	102	71,952	67,001	365	153,382	
Other	56,409	750	-	-	-	1,206	80,632	
Townships	-	236,422	-	-	-	-	225,852	
Contributions	-	-	-	-	-	-	38,000	
Realized gain (loss) on investment	-	-	-	12,454	8,540	-	20,994	
Unrealized gain (loss) on investment	-	-	-	2,463	3,150	-	(53,796)	
Total revenues	1,085,126	238,260	96,221	86,869	78,691	98,035	1,766,344	
EXPENDITURES:								
Current:								
General government	238,080	-	-	4,832	4,535	-	247,447	
Public safety	450,109	191,277	-	-	-	-	710,002	
Culture and recreation	223,235	-	-	-	-	42,443	393,967	
Sanitation	98,752	-	-	-	-	-	150,843	
Highways and streets	(2,894)	-	716,481	-	-	56,533	218,770	
Debt service:								
Principle	9,000	-	-	-	-	25,000	34,000	
Interest	3,722	-	-	-	-	12,812	16,708	
Total expenditures	1,020,004	191,277	716,481	4,832	4,535	136,788	1,823,782	
Excess (deficiency) of revenues over (under) expenditures	65,122	46,983	(620,260)	82,037	74,156	(38,753)	(57,438)	
Other financing sources (uses):								
Transfers in	77,897	-	649,136	-	-	59,440	185,969	
Transfers out	(72,860)	-	(355,006)	(45,897)	-	-	(167,205)	
Total other financing sources (uses)	5,037	-	649,136	(355,006)	(45,897)	59,440	18,764	
Change in fund balances	70,159	46,983	28,876	(272,969)	28,259	20,687	(38,674)	
Total fund balances - beginning of year	526,054	55,618	64,345	2,019,464	1,775,788	44,890	4,524,833	
Total fund balances - end of year	\$ 596,213	\$ 102,601	\$ 93,221	\$ 1,746,495	\$ 1,804,047	\$ 65,577	\$ 4,486,159	

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, 2011**

Change in fund balances total governmental funds \$ (78,005)

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 \$844,967 less total depreciation \$(351,023). 493,944

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	34,000	34,000

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		490
Accrued long-term sick and vacation pay - net effect		2,263

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.

		(11,537)
Change in net assets of governmental activities	\$	441,155

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, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Property taxes	\$ 569,000	\$ 590,000	\$ 606,543	\$ 16,543
Intergovernmental revenue	152,800	152,800	181,064	28,264
Michigan Natural Resource trust grant	114,200	114,200	82,381	(31,819)
Licenses, fees and charges for services	136,800	136,800	142,179	5,379
Rentals	12,700	12,700	11,690	(1,010)
Interest	10,000	10,000	4,860	(5,140)
Other	27,000	27,000	56,409	29,409
Total revenues	<u>1,022,500</u>	<u>1,043,500</u>	<u>1,085,126</u>	<u>41,626</u>
EXPENDITURES:				
General government:				
Council	15,150	15,150	10,110	5,040
Administration	71,720	73,720	69,784	3,936
Buildings and grounds	156,420	156,420	129,612	26,808
Planning Commission	3,080	3,080	3,484	(404)
Professional service	12,300	14,300	10,264	4,036
Insurance	16,000	16,000	14,826	1,174
Total general government	<u>274,670</u>	<u>278,670</u>	<u>238,080</u>	<u>40,590</u>
Public safety:				
Police department	454,900	459,900	435,046	24,854
Building and zoning inspection	16,120	16,120	15,063	1,057
Total public safety	<u>471,020</u>	<u>476,020</u>	<u>450,109</u>	<u>25,911</u>
Highways and Streets:				
Street lighting	4,000	4,000	(2,894)	6,894
Sanitation:				
Waste collection and disposal	99,000	99,000	98,752	248
Culture - recreation				
Parks	273,200	273,200	223,235	49,965
Debt Service:				
Principal	9,000	9,000	9,000	-
Interest	3,680	3,680	3,722	(42)
Total debt service	<u>12,680</u>	<u>12,680</u>	<u>12,722</u>	<u>(42)</u>
Total expenditures	<u>1,134,570</u>	<u>1,143,570</u>	<u>1,020,004</u>	<u>123,566</u>
Excess (deficiency) of revenues (under) expenditures	<u>(112,070)</u>	<u>(100,070)</u>	<u>65,122</u>	<u>165,192</u>
Other financing sources (uses):				
Transfers in	51,000	83,000	77,897	(5,103)
Transfers out	(40,860)	(84,860)	(72,860)	12,000
Total other financing sources (uses)	<u>10,140</u>	<u>(1,860)</u>	<u>5,037</u>	<u>6,897</u>
Change in fund balance	(101,930)	(101,930)	70,159	172,089
Total fund balances - beginning of year			<u>526,054</u>	
Total fund balances - end of year			<u>\$ 596,213</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, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:				
Miscellaneous	\$ 100	\$ 100	\$ 750	\$ 650
Township contributions	208,820	208,820	236,422	27,602
Interest	500	500	1,088	588
	<u>209,420</u>	<u>209,420</u>	<u>238,260</u>	<u>28,840</u>
Total revenues				
EXPENDITURES:				
Wages	88,000	88,000	88,470	(470)
Benefits	11,430	11,430	12,135	(705)
Supplies	19,200	19,200	16,130	3,070
Professional fees	600	600	600	-
Communications	6,000	6,000	10,043	(4,043)
Workshops	6,000	6,000	5,326	674
Gas and oil	3,000	3,000	3,409	(409)
Insurance	12,000	12,000	11,116	884
Utilities	7,000	7,000	6,552	448
Equipment maintenance	5,000	5,000	7,229	(2,229)
Truck maintenance	11,000	11,000	13,876	(2,876)
Building maintenance	6,000	6,000	3,735	2,265
Capital outlay	12,000	12,000	12,656	(656)
Debt Service	9,600	9,600	-	9,600
	<u>196,830</u>	<u>196,830</u>	<u>191,277</u>	<u>5,553</u>
Total expenditures				
Excess (deficiency) of revenues (under) expenditures	12,590	12,590	46,983	34,393
Total fund balances - beginning of year			<u>55,618</u>	
Total fund balances - end of year			<u>\$ 102,601</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
MAJOR STREET SPECIAL REVENUE FUND
FOR THE YEAR ENDED MARCH 31, 2011

	<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	\$ 76,260	\$ 76,260	\$ 96,119	\$ 19,859
Grant	1,350,000	1,350,000	-	(1,350,000)
Interest	1,000	1,000	102	(898)
Miscellaneous	50	50	-	(50)
	<u>1,427,310</u>	<u>1,427,310</u>	<u>96,221</u>	<u>(1,331,089)</u>
Total revenues				
EXPENDITURES:				
Construction projects	2,110,000	2,110,000	654,441	1,455,559
Routine maintenance	51,010	51,010	34,620	16,390
Traffic service	5,670	5,670	4,089	1,581
Winter maintenance	13,530	15,530	14,025	1,505
Administrative	10,200	10,200	8,606	1,594
Professional services	700	700	700	-
	<u>2,191,110</u>	<u>2,193,110</u>	<u>716,481</u>	<u>1,476,629</u>
Total expenditures				
Excess (deficiency) of revenues over (under) expenditures	(763,800)	(765,800)	(620,260)	145,540
Other financing sources:				
Bond proceeds	460,000	460,000	-	(460,000)
Transfers out	-	-	-	-
Transfers in	300,800	300,800	649,136	348,336
	<u>760,800</u>	<u>760,800</u>	<u>649,136</u>	<u>348,336</u>
Net change in fund balance	(3,000)	(5,000)	28,876	33,876
Total fund balances - beginning of year			<u>64,345</u>	
Total fund balances - end of year			<u>\$ 93,221</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, 2011
WITH COMPARATIVE TOTALS FOR MARCH 31, 2010

	Business-type Activities - Enterprise Funds			Total Proprietary Funds		Governmental Activities
	Electric Fund	Water Fund	Sewer Fund	2011	2010	Internal Service Fund
ASSETS:						
Current assets:						
Cash and cash equivalents	\$ 213,756	\$ 50,120	\$ 18,978	\$ 282,854	\$ 207,192	\$ 33,219
Investments	791,084	75,759	147,005	1,013,848	986,215	-
Receivables						
Accounts	175,182	9,868	39,915	224,965	359,995	-
Accrued interest	569	39	322	930	7,092	3
Prepaid expenses and other assets	10,104	3,370	4,341	17,815	17,815	-
Prepaid supplies	55,595	-	-	55,595	55,595	-
Total current assets	<u>1,246,290</u>	<u>139,156</u>	<u>210,561</u>	<u>1,596,007</u>	<u>1,633,904</u>	<u>33,222</u>
Noncurrent assets:						
Restricted assets:						
Cash	\$ 40,356	-	-	\$ 40,356	\$ 31,005	-
Investment in joint venture	2,683,762	-	-	2,683,762	2,349,822	-
Capital assets:						
Land	17,496	3,000	10,149	30,645	30,644	-
Buildings	490,113	73,715	5,839,908	6,403,736	6,403,736	-
Utility systems	1,718,129	1,028,925	757,102	3,504,156	3,504,156	-
Equipment/trucks	1,054,153	127,276	119,968	1,301,397	1,296,072	769,312
Less: accumulated depreciation	<u>(2,623,081)</u>	<u>(623,009)</u>	<u>(1,333,621)</u>	<u>(4,579,711)</u>	<u>(4,244,499)</u>	<u>(637,667)</u>
Total capital assets - net	<u>656,810</u>	<u>609,907</u>	<u>5,393,506</u>	<u>6,660,223</u>	<u>6,990,109</u>	<u>131,645</u>
Total, noncurrent assets	<u>3,380,928</u>	<u>609,907</u>	<u>5,393,506</u>	<u>9,384,341</u>	<u>9,370,936</u>	<u>131,645</u>
Total assets	<u>\$ 4,627,218</u>	<u>\$ 749,063</u>	<u>\$ 5,604,067</u>	<u>\$ 10,980,348</u>	<u>\$ 11,004,840</u>	<u>\$ 164,867</u>
LIABILITIES:						
Current Liabilities:						
Accounts payable	\$ 1,666	\$ 4,618	\$ 2,960	\$ 9,244	\$ 15,556	\$ 3,283
Accrued expenses	17,865	1,366	3,755	22,986	20,426	107
Due to other funds	299,530	5,400	-	304,930	10,800	-
Advance payable to other funds	-	16,640	35,360	52,000	68,000	-
SRF loan payable	-	-	185,000	185,000	180,000	-
Total current liabilities	<u>319,061</u>	<u>28,024</u>	<u>227,075</u>	<u>574,160</u>	<u>294,782</u>	<u>3,390</u>
Current liabilities payable from restricted assets:						
Customer deposits	40,356	-	-	40,356	31,005	-
Noncurrent liabilities:						
Accrued leave	49,047	10,130	42,417	101,594	92,906	3,386
SRF loan payable	-	-	2,935,000	2,935,000	3,120,000	-
Total liabilities	<u>408,464</u>	<u>38,154</u>	<u>3,204,492</u>	<u>3,651,110</u>	<u>3,538,693</u>	<u>6,776</u>
NET ASSETS:						
Invested in capital assets, net of related debt	656,810	621,962	2,273,506	3,552,278	3,690,109	131,645
Restricted in joint venture	2,683,762	-	-	2,683,762	2,349,822	-
Unrestricted	<u>878,182</u>	<u>88,947</u>	<u>126,069</u>	<u>1,093,198</u>	<u>1,426,216</u>	<u>26,446</u>
Total net assets	<u>\$ 4,218,754</u>	<u>\$ 710,909</u>	<u>\$ 2,399,575</u>	<u>\$ 7,329,238</u>	<u>\$ 7,466,147</u>	<u>\$ 158,091</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, 2011
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED MARCH 31, 2010

	Business-type Activities - Enterprise Funds			Total Proprietary Funds		Governmental Activities
	Electric Fund	Water Fund	Sewer Fund	2011	2010	Internal Service Fund
Operating revenue:						
Metered sales	\$ 2,674,863	\$ 144,083	\$ 506,667	\$ 3,325,613	\$ 3,481,575	\$ -
Penalties and service charges	28,996	8,224	19,257	56,477	89,035	-
Miscellaneous	3,371	498	45	3,914	8,410	624
Rentals	5,671	-	-	5,671	6,662	72,495
Total operating revenues	2,712,901	152,805	525,969	3,391,675	3,585,682	73,119
Operating expenses:						
Light plant	83,499	-	-	83,499	74,514	-
Purchased power	2,013,147	-	-	2,013,147	2,228,067	-
Administrative	296,218	44,180	26,720	367,118	400,645	-
Electric distribution system	259,656	-	-	259,656	218,462	-
Water distribution	-	105,709	-	105,709	121,968	-
Collection system	-	-	17,937	17,937	20,286	-
Sewer treatment plant	-	-	333,667	333,667	284,937	-
Depreciation	60,672	12,055	262,484	335,211	345,542	39,206
Professional services	20,583	4,471	2,804	27,858	15,583	-
Equipment operation and maintenance	-	-	-	-	-	57,256
Total operating expenses	2,733,775	166,415	643,612	3,543,802	3,710,004	96,462
Operating income (loss)	(20,874)	(13,610)	(117,643)	(152,127)	(124,322)	(23,343)
Nonoperating revenues (expenses):						
Income from joint venture	333,940	-	-	333,940	412,946	-
Interest income	7,128	895	3,990	12,013	19,028	63
Interest expense	-	(980)	(53,625)	(54,605)	(56,550)	-
Total nonoperating revenues (expenses)	341,068	(85)	(49,635)	291,348	375,424	63
Net income (loss) before transfers	320,194	(13,695)	(167,278)	139,221	251,102	(23,280)
Transfers out	(326,130)	-	-	(326,130)	-	-
Transfers in	-	-	50,000	50,000	18,736	-
Change in net assets	(5,936)	(13,695)	(117,278)	(136,909)	269,838	(23,280)
Total net assets - beginning of year	4,224,690	724,604	2,516,853	7,466,147	7,196,309	181,371
Total net assets - end of year	\$ 4,218,754	\$ 710,909	\$ 2,399,575	\$ 7,329,238	\$ 7,466,147	\$ 158,091

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, 2011
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED MARCH 31, 2010

	Business-type Activities - Enterprise Funds			Total		Governmental
	Electric Fund	Water Fund	Sewer Fund	Proprietary Funds 2011	2010	Internal Service Fund
Cash flows from operating activities:						
Cash received from customers	\$ 2,843,076	\$ 156,788	\$ 542,354	\$ 3,542,218	\$ 3,613,032	\$ -
Cash paid to suppliers and employees	(2,373,174)	(153,923)	(382,428)	(2,909,525)	(3,356,481)	-
Net cash provided by (used in) operating activities	469,902	2,865	159,926	632,693	256,551	17,221
Cash flows from noncapital financing activities:						
SRF loan proceeds (payment)	-	-	(180,000)	(180,000)	(180,000)	-
Transfer from/to Other Funds	(326,130)	-	50,000	(276,130)	18,736	-
Payment on advances	-	(5,120)	(10,880)	(16,000)	(10,200)	-
Advance Received	-	-	-	-	6,000	-
Net cash provided by (used in) noncapital financing activities	(326,130)	(5,120)	(140,880)	(472,130)	(165,464)	-
Cash flows from investing activities:						
Capital expenditures	(5,325)	-	-	(5,325)	(3,020)	(27,463)
Interest received	7,128	895	3,990	12,013	19,028	63
Interest expense	-	(980)	(53,625)	(54,605)	(56,550)	-
Net cash provided by (used in) investing activities	1,803	(85)	(49,635)	(47,917)	(40,542)	(27,400)
Net increase (decrease) in cash and cash equivalents	145,575	(2,340)	(30,589)	112,646	50,545	(10,179)
Cash and cash equivalents at beginning of year	899,621	128,219	196,572	1,224,412	1,173,867	43,398
Cash and cash equivalents at end of year	\$ 1,045,196	\$ 125,879	\$ 165,983	\$ 1,337,058	\$ 1,224,412	\$ 33,219

Change in investment in joint venture (\$333,940) 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, 2011
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED MARCH 31, 2010

	<u>Business-type Activities - Enterprise Funds</u>			<u>Total</u>		<u>Governmental</u>
	<u>Electric Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Proprietary Funds 2011</u>	<u>2010</u>	<u>Internal Service Fund</u>
Net operating (loss) income	\$ (20,874)	\$ (13,610)	\$ (117,643)	\$ (152,127)	\$ (124,322)	\$ (23,343)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities						
Depreciation	60,672	12,055	262,484	335,211	345,542	39,206
(Increase) decrease in:						
Receivables	120,824	3,983	16,385	141,192	23,849	-
Prepaid expenses	-	-	-	-	723	-
Prepaid supplies	-	-	-	-	(3,891)	-
Increase (decrease) in:						
Accrued expenses and other liabilities	2,868	1,560	(8,180)	(3,752)	14,212	1,358
Accrued leave	2,931	(1,123)	6,880	8,688	(3,063)	-
Customer deposits	9,351	-	-	9,351	3,501	-
Due to other funds	294,130	-	-	294,130	-	-
Net cash provided by (used in) operating activities	<u>\$ 469,902</u>	<u>\$ 2,865</u>	<u>\$ 159,926</u>	<u>\$ 632,693</u>	<u>\$ 256,551</u>	<u>\$ 17,221</u>

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

VILLAGE OF CLINTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

March 31, 2011

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, 2011

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, 2011

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, 2011

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, 2011

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 2010. 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, 2011

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, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

7. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

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.

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, 2011, the Village incurred expenditures in the governmental funds which were in excess of the amounts appropriated, as follows:

	Budgeted Amount		Actual		Variance
General Fund					
Planning Commission	\$ 3,080	\$	3,484	\$	404
Interest Expense	3,680		3,722		42

These additional expenditures were funded by greater than anticipated revenues.

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

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 \$1,025,688. Of this amount \$250,000 was covered by Federal Depository Insurance and \$775,688 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.

At year end, bank balances, net of checks written but not cleared, as recorded in the financial statements were \$880,809. Of that amount, \$139,476 was in cash and checking and money market accounts; and \$741,333 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 \$144,805 at year end. This account is part of the J Fund with Comerica Bank with balance of \$94,805 and a money market account of \$50,000.

Primary Government

The Village had investments with carrying value and bank balance of \$4,524,962 at year end of which \$1,142,313 is covered by Federal Depository Insurance. Investments consist of:

VILLAGE OF CLINTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

March 31, 2011

NOTE 3. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

<u>Certificates of Deposit/ Money Markets</u>	<u>Interest Rate</u>	<u>Balance</u> <u>MARCH 31, 2011</u>
Electric Fund	1.00	\$ 253,342
Electric Fund	0.50	96,561
Electric Fund	0.20	208,494
Electric Fund	0.25	232,313
Fire Fund	0.20	33,757
Sewer Fund	0.50	25,601
Sewer Fund	1.00	121,456
Water Fund	0.50	65,733
General Fund	1.00	141,293
General Fund	0.20	150,000
Water Fund	0.20	10,000
<u>Managed Accounts at United Bank & Trust</u>	<u>Current Yield</u>	
Village of Clinton Robison Trust	3.68	1,676,495
John F. Robison Tate Park	3.96	1,509,917
		<u>\$ 4,524,962</u>

VILLAGE OF CLINTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

March 31, 2011

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

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:										
Taxes	\$ 30,138	\$ -	\$ -	\$ 2,659	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 32,797
Accounts	11,121	-	-	-	-	175,182	9,868	39,915	-	236,086
Intergovernmental	-	9,479	3,486	-	-	-	-	-	-	12,965
Accrued Interest	391	15	-	97	296	569	39	322	3	1,732
Gross receivables	41,650	9,494	3,486	2,756	296	175,751	9,907	40,237	3	283,580
Less: allowance for uncollectibles	-	-	-	-	-	-	-	-	-	-
Net total receivables	\$ 41,650	\$ 9,494	\$ 3,486	\$ 2,756	\$ 296	\$ 175,751	\$ 9,907	\$ 40,237	\$ 3	\$ 283,580

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

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital assets

Capital asset activity for the year ended March 31, 2011 was as follows:

Primary Government

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental activities:				
Assets not being depreciated-land	\$ 285,152	\$ -	\$ -	\$ 285,152
Capital assets, being depreciated:				
Land improvements	569,864	30,133	-	599,997
Buildings	1,316,023	53,535	-	1,369,558
Equipment, machinery and furnishings	1,851,416	106,858	-	1,958,274
Infrastructure	4,552,780	654,441	-	5,207,221
Depreciable capital assets	8,290,083	844,967	-	9,135,050
Less accumulated depreciation for:				
Land improvements	(278,988)	(19,999)	-	(298,987)
Buildings	(835,578)	(27,390)	-	(862,968)
Equipment, machinery and furnishings	(1,388,956)	(135,746)	-	(1,524,702)
Infrastructure	(3,149,912)	(167,888)	-	(3,317,800)
Total accumulated depreciation	(5,653,434)	(351,023)	-	(6,004,457)
Total net capital assets being depreciated	2,636,649	493,944	-	3,130,593
Governmental activities net capital assets	<u>\$ 2,921,801</u>	<u>\$ 493,944</u>	<u>\$ -</u>	<u>\$ 3,415,745</u>

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

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	11,203,964	5,325		11,209,289
Depreciable capital assets	<u>11,203,964</u>	<u>5,325</u>	<u>-</u>	<u>11,209,289</u>
Less accumulated depreciation for:				
Utility systems	<u>(4,244,499)</u>	<u>(335,211)</u>	<u>-</u>	<u>(4,579,710)</u>
Total accumulated depreciation	<u>(4,244,499)</u>	<u>(335,211)</u>	<u>-</u>	<u>(4,579,710)</u>
Total net capital assets being depreciated	<u>6,959,465</u>	<u>(329,886)</u>	<u>-</u>	<u>6,629,579</u>
Business-type activities net capital assets	<u>\$ 6,990,109</u>	<u>\$ (329,886)</u>	<u>\$ -</u>	<u>\$ 6,660,223</u>

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

Governmental activities:	
General government	\$ 22,589
Public safety	49,572
Culture and recreation	44,894
Highways and streets	<u>194,762</u>
Total depreciation - governmental activities	<u>\$ 311,817</u>
Business-type activities:	
Utility	<u>\$ 335,211</u>
Total depreciation - business-type activities	<u>\$ 335,211</u>

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

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, 2011 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Capital assets, being depreciated:				
Land improvements	\$ 456,815	\$ -	\$ -	\$ 456,815
Less accumulated depreciation for:				
Land improvements	<u>(139,808)</u>	<u>(15,227)</u>	<u>-</u>	<u>(155,035)</u>
DDA net capital assets	<u>\$ 317,007</u>	<u>\$ (15,227)</u>	<u>\$ -</u>	<u>\$ 301,780</u>

D. Interfund receivables, payables, and transfers

Primary Government

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
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	<u>192</u>	Local Street	<u>192</u>
Total	<u>\$ 322,499</u>	Total	<u>\$ 322,499</u>

Advance to/from other funds:

Robison Trust	\$ 16,640	Water Fund	\$ 16,640
Robison Trust	35,360	Sewer Fund	35,360
Robison Trust	18,000	Community Center Fund	18,000
Tate Park Trust	<u>294,130</u>	Major Street	<u>294,130</u>
Total	<u>\$ 364,130</u>	Total	<u>\$ 364,130</u>

VILLAGE OF CLINTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

March 31, 2011

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)	\$ 1,588	General Fund (Primary Government)	\$ 1,588

Interfund transfers:

	Transfers In					
Transfers out:	General	Local Street	Debt Service	Sewer Fund	Major Street	Total
General	\$ -	\$ 22,860	\$ -	\$ 50,000	\$ -	\$ 72,860
Downtown Development Authority	-	-	36,580	-	-	36,580
Tate Park Capital Investment	45,897	-	-	-	-	45,897
Robison Trust	-	-	-	-	355,006	355,006
Electric	32,000	-	-	-	294,130	326,130
Total	\$ 77,897	\$ 22,860	\$ 36,580	\$ 50,000	\$ 649,136	\$ 836,473

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, 2011 was \$275,000.

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, 2011 was \$52,000.

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

Government Activities		
Year Ending March 31,	Principal	Interest
2012	\$ 35,000	\$ 13,814
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
	\$ 327,000	\$ 64,884

VILLAGE OF CLINTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

March 31, 2011

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

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, 2011 was \$3,120,000.

Annual Debt Service requirements to maturity are projected as follows:

<u>Business-type Activities</u>	
<u>Year Ending March 31,</u>	<u>Principal</u>
2012	185,000
2013	190,000
2014	190,000
2015	195,000
2016	200,000
2017-2021	1,035,000
2022 - 2026	1,125,000
	<u><u>\$ 3,120,000</u></u>

VILLAGE OF CLINTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

March 31, 2011

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, 2011:

	Governmental Activities		Business-type	Accrued Employee Benefits	Total
	Installment Purchase	Primary Government Bond Issue	Activity Bond Issue		
Long-term debt at March 31, 2010	\$ 61,000	\$ 300,000	\$ 3,300,000	\$ 182,525	\$ 3,843,525
Principal payment	(9,000)	(25,000)	(180,000)	-	(214,000)
Increase in accrued employee benefits	-	-	-	4,517	4,517
Long-term debt at March 31, 2011	<u>\$ 52,000</u>	<u>\$ 275,000</u>	<u>\$ 3,120,000</u>	<u>\$ 187,042</u>	<u>\$ 3,634,042</u>

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

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	Business-Type Activities				Governmental - Type Activities	
	Water Fund		Sewer Fund		Community Center	
	Principal	Interest	Principal	Interest	Principal	Interest
March 31,						
2012	\$ 5,440	\$ 748	\$ 11,560	\$ 1,592	\$ 12,000	\$ 690
2013	5,440	504	11,560	1,076	6,000	138
2014	5,760	260	12,240	550	-	-
	<u>\$ 16,640</u>	<u>\$ 1,512</u>	<u>\$ 35,360</u>	<u>\$ 3,218</u>	<u>\$ 18,000</u>	<u>\$ 828</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 11/1/2020 at an interest rate of 4.75%. As of March 31, 2011, payment schedule has not been created.

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, 2011

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, 2011, the Village's required annual pension contribution was \$122,916. The required contribution was determined as part of the December 31, 2005 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, 2011

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 12/31/09)

Retirees and beneficiaries currently receiving benefits	\$ 948,400
Terminated employees not yet receiving benefits	223,533
Non-vested terminated employees (pending refunds of accumulated member contributions)	5,666
Current employees --	
Accumulated employee contributions including allocated investment income	248,841
Employer financed	<u>2,058,584</u>
 Total actuarial accrued liability	 3,485,024
 Net assets available for benefits at actuarial value	 <u>4,008,693</u>
(Market value is \$3,202,681)	
 Unfunded (overfunded) actuarial accrued liability	 <u><u>\$ (523,669)</u></u>

Three Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
March 31, 2009	108,652	100%	0
March 31, 2010	121,795	100%	0
March 31, 2011	122,916	100%	0

VILLAGE OF CLINTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

March 31, 2011

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; both of these agreements will remain in effect as long as the Power Supply System Revenue Refunding Bonds, 1994, 1992, 1991, and 1986 Series are outstanding. 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. 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.

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

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

Michigan South Central Power Agency's revenue bonds outstanding as of June 30, 2010 and 2009 are as follows:

	June 30	
	2010	2009
2000 Series - 6.00% Serial Bonds, maturing annually on May 1, 2010 to 2012	\$ 5,010,000	\$ 6,000,000
2002 Series - 5.00% Serial Bonds, maturing annually on November 21, 2008 to 2011	7,470,000	15,760,000
2003 Series - 3.957% Bonds, maturing annually on November 1, 2004 to 2010	178,776	526,005
2004 Series - 4.5% Term bonds, due November 1, 2011	8,530,000	8,705,000
Total outstanding debt	\$ 21,188,776	\$ 30,991,005

These are revenue bonds secured by pledges of revenues earned, as well as assets in funds established by bond resolution

A summary of financial information on Michigan South Central Power Agency at June 30, 2010 and 2009 follows:

	2010	2009
Total assets	\$ 68,401,608	\$ 72,193,810
Total liabilities	27,112,961	36,042,699
Net assets	41,288,647	36,151,111
Operating revenues	47,647,783	47,987,421
Operating expenses	39,554,687	40,251,493
Income from operations	8,093,096	7,735,928
Investment and miscellaneous income	177,920	666,152
Interest and amortization expense	(1,645,026)	(2,084,987)
Member Equity Refund	(1,532,989)	-
Other expense	(2,498)	-
Realized and unrealized gain (loss) on investments	47,033	35,925
Change in net assets	5,137,536	6,353,018

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

NOTE 7. VILLAGE OF CLINTON – ROBISON TRUST

The Village has created a trust funded by unrestricted gifts from the Estate of John F. Robison (\$1,768,220). 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 8. 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.

NOTE 9. TECUMSEH CLINTON ROAD – FEDERAL AND STATE FUNDING

All phases of the road construction project on Tecumseh Clinton Road was handled by the Michigan Department of Transportation (MDOT). From the bid process through construction, MDOT took full responsibility. All Federal and State grant funding was received by MDOT and all grant related costs of the project were paid by MDOT. The Village of Clinton never received any grant funds or disbursed any grant funds on this project. As such, no single audit work performed on the Village for this project.

Per reports from MDOT, the amount of federal and state grant money spent of the Tecumseh Clinton Road project as of March 31, 2011 was:

<u>Grants</u>	<u>Amount Spent</u>
ARRA	\$ 555,159
CMAQ	133,650
TED Funds	472,233

NOTE 10. FAIR VALUE OF CAPITAL ASSETS

All assets and liabilities on the Village's Statement of Net Assets at March 31, 2011 are at approximate fair value except for capital assets. Using unobservable inputs (level 3), the estimated fair value of the Village's capital assets at March 31, 2011 is \$18,507,000, which is an appreciated increase of \$8,431,032 over book value.

**VILLAGE OF CLINTON, MICHIGAN
MERS RETIREMENT PLAN
SCHEDULE OF FUNDING PROGRESS
MARCH 31, 2011**

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-

VILLAGE OF CLINTON, MICHIGAN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2011
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED MARCH 31, 2010

	Debt Service	Local Street Fund	Community Center Fund	Softball Program	Total Nonmajor Governmental Funds	
					2011	2010
ASSETS						
Cash and cash equivalents	\$ 253	\$ 2,539	\$ 50,034	\$ 3,122	\$ 55,948	\$ 96,757
Receivables (net of allowance for uncollectibles)						
Property taxes	-	-	2,659	-	2,659	2,402
Due from other governmental units	-	3,486	-	-	3,486	12,572
Accrued interest	-	-	97	-	97	112
Due from other funds	-	10,177	11,000	-	21,177	28,369
Prepaid expenses and other assets	-	125	1,762	-	1,887	2,013
Total assets	\$ 253	\$ 16,327	\$ 65,552	\$ 3,122	\$ 85,254	\$ 142,225
LIABILITIES & FUND BALANCES						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 695
Accrued expenses	-	547	938	-	1,485	2,102
Due to other funds	-	192	18,000	-	18,192	192
Advance from other funds	-	-	-	-	-	30,000
Total liabilities	\$ -	\$ 739	\$ 18,938	\$ -	\$ 19,677	\$ 32,989
Fund balances:						
Reserved for:						
Debt service	\$ 253	\$ -	\$ -	\$ -	\$ 253	\$ 243
Unreserved, undesignated	-	15,588	46,614	3,122	65,324	108,993
Total fund balances	253	15,588	46,614	3,122	65,577	109,236
Total liabilities & fund balances	\$ 253	\$ 16,327	\$ 65,552	\$ 3,122	\$ 85,254	\$ 142,225

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, 2011
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED MARCH 31, 2010

	<u>Debt Service</u>	<u>Local Street Fund</u>	<u>Community Center Fund</u>	<u>Softball Program</u>	<u>Total Nonmajor Governmental Funds</u>	
					2011	2010
REVENUES:						
Property taxes	\$ -	\$ -	\$ 52,506	\$ -	\$ 52,506	\$ 55,219
Intergovernmental revenues:						
State gas weight tax	-	35,188	-	-	35,188	130,052
County revenue sharing	-	-	-	-	-	-
Interest	-	-	365	-	365	566
Licenses, fees & charges for services						
Fee revenue	-	-	-	2,200	2,200	2,202
Rentals	-	-	6,570	-	6,570	6,895
Miscellaneous	-	-	1,206	-	1,206	148
Total revenues	<u>\$ -</u>	<u>\$ 35,188</u>	<u>\$ 60,647</u>	<u>\$ 2,200</u>	<u>\$ 98,035</u>	<u>\$ 195,082</u>
EXPENDITURES:						
Highways and streets	\$ -	\$ 56,533	\$ -	\$ -	\$ 56,533	\$ 174,814
Debt service:						
Principal	25,000	-	-	-	25,000	25,000
Interest	11,570	-	1,242	-	12,812	12,433
Culture and recreation:						
Softball program	-	-	-	2,859	2,859	3,277
Community center	-	-	39,584	-	39,584	51,318
Total expenditures	<u>\$ 36,570</u>	<u>\$ 56,533</u>	<u>\$ 40,826</u>	<u>\$ 2,859</u>	<u>\$ 136,788</u>	<u>\$ 266,842</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (36,570)</u>	<u>\$ (21,345)</u>	<u>\$ 19,821</u>	<u>\$ (659)</u>	<u>\$ (38,753)</u>	<u>\$ (71,760)</u>
Other financing sources (uses):						
Transfers in	36,580	22,860	-	-	59,440	66,500
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>36,580</u>	<u>22,860</u>	<u>-</u>	<u>-</u>	<u>59,440</u>	<u>66,500</u>
Net change in fund balances	10	1,515	19,821	(659)	20,687	(5,260)
Fund balances - beginning of year	243	14,073	26,793	3,781	44,890	114,496
Fund balances - end of year	<u>\$ 253</u>	<u>\$ 15,588</u>	<u>\$ 46,614</u>	<u>\$ 3,122</u>	<u>\$ 65,577</u>	<u>\$ 109,236</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, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:				
Interest	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
EXPENDITURES:				
Debt service:				
Principal	25,000	25,000	25,000	-
Interest	11,580	11,580	11,570	10
Total expenditures	36,580	36,580	36,570	10
Deficiency of revenues under expenditures	(36,580)	(36,580)	(36,570)	10
Other financing sources:				
Transfers in	36,580	36,580	36,580	-
Net change in fund balance	-	-	10	10
Total fund balances - beginning of year			243	
Total fund balances - end of year			<u>\$ 253</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, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental				
State gas weight tax	\$ 28,160	\$ 28,160	\$ 35,188	\$ 7,028
Interest	50	50	-	(50)
Miscellaneous	-	-	-	-
Total revenues	28,210	28,210	35,188	6,978
EXPENDITURES:				
Routine maintenance	30,670	40,670	36,359	4,311
Traffic service	4,170	4,170	3,312	858
Winter maintenance	12,730	14,730	13,367	1,363
Administrative	3,500	3,500	3,495	5
Total expenditures	51,070	63,070	56,533	6,537
Excess (deficiency) of revenues over (under) expenditures	(22,860)	(34,860)	(21,345)	13,515
Other financing sources:				
Transfers in	22,860	34,860	22,860	(12,000)
Net change in fund balance	-	-	1,515	1,515
Total fund balances - beginning of year			14,073	
Total fund balances - end of year			\$ 15,588	

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, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:				
Property taxes	\$ 49,700	\$ 49,700	\$ 52,506	\$ 2,806
Miscellaneous	-	-	1,206	1,206
Rentals	6,400	6,400	6,570	170
Interest	350	350	365	15
Total revenues	<u>56,450</u>	<u>56,450</u>	<u>60,647</u>	<u>4,197</u>
EXPENDITURES:				
Debt service	13,250	13,250	1,242	12,008
Community Center expenses	45,000	45,000	39,584	5,416
Total expenditures	<u>58,250</u>	<u>58,250</u>	<u>40,826</u>	<u>17,424</u>
Excess (deficiency) of revenues over (under) expenditures	(1,800)	(1,800)	19,821	21,621
Other financing sources:				
Transfers in	-	-	-	-
Net change in fund balance	(1,800)	(1,800)	19,821	21,621
Total fund balances - beginning of year			<u>26,793</u>	
Total fund balances - end of year			<u>\$ 46,614</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
SOFTBALL PROGRAM SPECIAL REVENUE FUND
FOR THE YEAR ENDED MARCH 31, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Fee revenue	\$ 2,200	\$ 2,200	\$ 2,200	\$ -
Rentals	-	-	-	-
Interest	-	-	-	-
Total revenues	<u>2,200</u>	<u>2,200</u>	<u>2,200</u>	<u>-</u>
EXPENDITURES:				
Softball program expenses	<u>2,200</u>	<u>3,200</u>	<u>2,859</u>	<u>341</u>
Total expenditures	<u>2,200</u>	<u>3,200</u>	<u>2,859</u>	<u>341</u>
Excess (deficiency) of revenues over (under) expenditures	-	(1,000)	(659)	341
Total fund balances - beginning of year			<u>3,781</u>	
Total fund balances - end of year			<u><u>\$ 3,122</u></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, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Village of Clinton as of and for the year ended March 31, 2011, 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.

June 22, 2011

Village of Clinton
Schedule of Findings and Responses
March 31, 2011

Finding considered a significant deficiency

Criteria:

Statement on Auditing Standards No. 115 titled *Communicating Internal Control Related Matters Identified in an Audit* requires us to communicate in writing, to management and those charged with governance, significant deficiencies and material weaknesses identified in an audit.

Condition

Currently, the Village staff prepares the interim financial reports and assists the external auditors in preparation of the annual audit report. However, the Village lacks an adequate design of internal control over the preparation of the financial statements footnotes being audited.

Cause

The Village does not have a staff person with the level of expertise necessary to prepare its footnotes.

Effect

The Village's design of control over financial statement footnotes, does not allow management to prevent or detect and correct misstatements on a timely basis.

Recommendation

Consider whether this is a risk that the Village is willing to accept.

Client Response

We are aware of this deficiency and believe it is not cost beneficial 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.