

VILLAGE OF CLINTON, MICHIGAN
FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2013
WITH
INDEPENDENT AUDITORS' REPORT

VILLAGE OF CLINTON, MICHIGAN
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED MARCH 31, 2013
TABLE OF CONTENTS

	<u>PAGE NUMBER</u>
Management's Discussion and Analysis	i – vi
Independent Auditors' Report	1 – 2
Basic Financial Statements:	
<i>Government-wide Financial Statements</i>	
Statement of Net Position	3
Statement of Activities	4
<i>Fund Financial Statements</i>	
Balance Sheet – Governmental Funds	5
Statement of Revenues, Expenditures & Changes in Fund Balance Governmental Funds	6
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	7
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	8
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Fire Fund	9
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual- Major Street	10
Statement of Net Position – Proprietary Funds	11
Statement of Revenues, Expenditures and Changes in Net Position – Proprietary Funds	12
Statement of Cash Flows – Proprietary Funds	13
Statement of Cash Flows – Proprietary Fund Reconciliation of Net Operating Loss to Net Cash Used in Operating Activities	14
Notes to Financial Statements	15 - 35
Schedule of Funding Progress	36
Combining and Individual Fund Statements and Schedules:	
<i>Nonmajor Governmental Funds</i>	
Combining Balance Sheet	37
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	38
<i>Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual:</i>	
Debt Service Fund	39
Local Street	40
Community Center Fund	41
Softball Program	42

VILLAGE OF CLINTON, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended March 31, 2013

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, 2013. 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 \$14,721,962 (*net position*). Of this amount, \$1,903,390 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- ◆ The government's total net position increased \$56,035.
- ◆ As of the close of the current year, the Village of Clinton, Michigan's governmental funds reported combined ending fund balances of \$4,609,232, an increase of \$119,586 in comparison with the prior year.
- ◆ At the end of the current year, unassigned fund balance for the general fund was \$652,710, or 77% 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 position* presents information on all of the Village of Clinton, Michigan's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Village of Clinton, Michigan is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the Village of Clinton, Michigan that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Village of Clinton, Michigan include general government, public safety, highways and streets, sanitation, and culture and recreation. The business-type activities of the Village of Clinton, Michigan include the utility systems.

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

The government-wide financial statements can be found on pages 3 – 4 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village of Clinton, Michigan, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village of Clinton, Michigan can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

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

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

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

Proprietary funds. The Village of Clinton, Michigan maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Village of Clinton, Michigan uses enterprise funds to account for its electric, water, and sewer funds. The *Internal service fund* is an accounting device used to accumulate and allocate costs internally among the Village of Clinton, Michigan's various functions. The Village of Clinton, Michigan uses an internal service fund to account for equipment and charge out expense (Equipment Fund). Because this service predominantly benefits governmental rather than a business-type function it has been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Electric, Water, and Sewer Funds, which are considered to be major funds of the Village of Clinton, Michigan. The internal service fund (Equipment Fund) is in the proprietary fund financial statements.

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15 - 35 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following notes to the financing statements. Combining statements and individual fund schedules can be found on pages 37 - 42 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Village of Clinton, Michigan, assets exceeded liabilities by \$14,721,962 at the close of the most recent fiscal year.

By far the largest portion of the Village of Clinton, Michigan's net position (42 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 POSITION

	Governmental Activities	Business-type Activities	2013	2012
Assets:				
Current and other assets	\$ 4,690,697	\$ 3,913,803	\$ 8,604,500	\$ 8,648,177
Capital Assets	3,011,679	6,412,424	9,424,103	9,561,614
Total Assets	<u>7,702,376</u>	<u>10,326,227</u>	<u>18,028,603</u>	<u>18,209,791</u>
Liabilities:				
Long term liabilities outstanding	312,723	2,839,865	3,152,588	3,391,176
Other liabilities	74,668	79,385	154,053	152,688
Total Liabilities	<u>387,391</u>	<u>2,919,250</u>	<u>3,306,641</u>	<u>3,543,864</u>
Net Position:				
Invested in capital assets, net of rel	2,754,679	3,357,535	6,112,214	6,334,614
Restricted	3,944,273	2,762,085	6,706,358	6,574,740
Unrestricted	616,033	1,287,357	1,903,390	1,756,573
Total Net Position	<u>\$ 7,314,985</u>	<u>\$ 7,406,977</u>	<u>\$ 14,721,962</u>	<u>\$ 14,665,927</u>

An additional portion of the Village of Clinton, Michigan's net position (46 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$1,903,390) 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 \$4,609,232, an increase of \$119,586 in comparison with the prior year. Restricted fund balance (\$3,936,457) is not available for new spending since it already is committed. Permanent (Trusts) fund money (\$3,630,315) represents most of the restricted fund balance.

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 \$652,710.

The fund balance of the Village of Clinton, Michigan's general fund increased by \$1,830 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 position of the utility funds at the end of the year amounted to \$1,287,357. The total increase in net position for the funds was \$66,660.

Budgetary Highlights

- Amendments were made to the final General Fund budget to cover anticipated additional expenditures. Some of those expenditures included \$105,000 for a new dump truck and \$4,000 for compost site grading.
- There was an amendment of \$9,000 in Major Roads for Tecumseh Road repairs.
- There was an amendment of \$42,000 for the Jackson Road parking lot improvement project.
- The Electric Fund revenues and expenditures were \$355,000 higher because of increased sales and power costs.
- The Sewer Fund Collection System costs were up \$9,000 because of an unexpected manhole repair and \$23,000 for some unexpected repairs at the sewer plant.
- The Water Fund spent an additional \$30,000 for construction and \$50,000 for professional services related to well five construction.
- The Equipment Fund spent an additional \$123,000 in this fiscal year to purchase a new dump truck because the invoice was not submitted in a timely manner at the end of the previous fiscal year.

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, 2013, amounts to \$9,424,103 (net of accumulated depreciation). This investment in capital assets includes land, buildings and utility systems, machinery and equipment, roads, and other infrastructure. The net decrease in the Village of Clinton, Michigan's investment in capital assets for the current fiscal year was \$(137,512).

Major capital assets purchased during the current fiscal year were:

Water Well	\$ 318,396
Police Improvements	\$ 3,082
Office Improvements -	
Electric Fund	\$ 18,761
Vehicle & Equipment	\$ 175,294

VILLAGE OF CLINTON, MICHIGAN'S CAPITAL ASSETS

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Capital Assets:			
Land	\$ 285,152	\$ 30,645	\$ 315,797
Land Improvements	261,011	-	261,011
Buildings	454,829	-	454,829
Equipment and furnishings	457,041	-	457,041
Infrastructure	1,553,646	6,381,779	7,935,425
Total	<u>\$ 3,011,679</u>	<u>\$ 6,412,424</u>	<u>\$ 9,424,103</u>

Additional information on the Village of Clinton's capital assets can be found in Note 3. C.on pages 24-26.

Long-term debt. At the end of the current fiscal year, the Village of Clinton, Michigan had total bonded and note debt outstanding of \$3,002,000.

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	\$ 225,000	\$ -	\$ 225,000
Revenue Bonds	-	2,745,000	2,745,000
Installment Purchase Loans	32,000	-	32,000
Total	<u>\$ 257,000</u>	<u>\$ 2,745,000</u>	<u>\$ 3,002,000</u>

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

Economic Factors and Next Year's Budgets and Rates

The Village is still concerned about the poor economic environment in the State of Michigan and the possible negative ramifications on the 2013-2014 budget. Preliminary indications are the Village will see another one percent drop in taxable value. To compound matters the state adopted legislation to systemically eliminate personal property taxes. Over time that could reduce tax revenue by up to \$42,000.

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 12, 2013

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, 2013, 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, 2013, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

June 12, 2013

Village Council
Village of Clinton
Clinton, Michigan

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

Robertson, Eaton & Owen, P.C.

VILLAGE OF CLINTON, MICHIGAN
STATEMENT OF NET POSITION
MARCH 31, 2013
WITH COMPARATIVE TOTALS FOR MARCH 31, 2012

	Governmental Activities	Business-Type Activities	Total		Component Unit Downtown Development Authority
			2013	2012	
ASSETS:					
Cash	\$ 619,522	\$ 336,181	\$ 955,703	\$ 875,800	\$ 52,305
Investments	3,378,486	1,016,315	4,394,801	4,595,961	
Receivables (net of allowance for uncollectibles)					
Accounts	32,248	286,723	318,971	262,527	15,112
Prepaid expenses	20,065	18,437	38,502	40,944	-
Internal balances	304,930	(304,930)	-	-	-
Internal balances - advances	322,129	(322,129)	-	-	-
Due from component unit	(1,588)	-	(1,588)	(1,588)	1,588
Due from governmental units	14,905	-	14,905	14,303	-
Prepaid supplies	-	77,760	77,760	66,681	-
Restricted assets:					
Cash	-	43,361	43,361	45,326	-
Investments in joint venture	-	2,762,085	2,762,085	2,748,223	-
Capital assets:					
Land	285,152	30,645	315,797	315,797	-
Land improvements	599,997	-	599,997	599,997	503,365
Machinery; equipment; and furnishings	2,192,198	1,330,496	3,522,694	3,328,640	-
Buildings	1,372,640	6,432,590	7,805,230	7,802,148	-
Infrastructure	5,207,221	3,858,978	9,066,199	8,747,802	-
Less: accumulated depreciation	(6,645,529)	(5,240,285)	(11,885,814)	(11,232,770)	(187,041)
Total assets	\$ 7,702,376	\$ 10,326,227	\$ 18,028,603	\$ 18,209,791	\$ 385,329
LIABILITIES:					
Accounts payable	\$ 16,235	\$ 11,402	\$ 27,637	\$ 24,154	\$ 496
Accrued liabilities	17,688	24,622	42,310	43,565	-
Liabilities payable from restricted assets	-	43,361	43,361	45,326	-
Interest payable	6,920	-	6,920	6,625	-
Accrued sick and vacation pay - current	33,825	-	33,825	33,018	-
Noncurrent liabilities:					
Due within one year	40,000	190,000	230,000	225,000	-
Due in more than one year	272,723	2,649,865	2,922,588	3,166,176	-
Total liabilities	387,391	2,919,250	3,306,641	3,543,864	496
NET POSITION:					
Invested in capital assets, net of related debt	2,754,679	3,357,535	6,112,214	6,334,614	316,324
Restricted for:					
Investment in joint venture (note 7)	-	2,762,085	2,762,085	2,748,223	-
Highways and streets	73,092	-	73,092	40,585	-
Public safety	180,707	-	180,707	138,069	-
Culture and recreation	59,358	-	59,358	52,376	-
Debt service	801	-	801	571	-
Permanent funds:					
Expendable	104,069	-	104,069	68,670	-
Nonexpendable	3,526,246	-	3,526,246	3,526,246	-
Unrestricted	616,033	1,287,357	1,903,390	1,756,573	68,509
Total net position	7,314,985	7,406,977	14,721,962	14,665,927	384,833

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, 2013
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED MARCH 31, 2012

Functions/programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position				Component Unit
	Expenses	Charges for Services	Operating Grants	Capital Grants	Primary Government				Downtown
					Governmental Activities	Business-Type Activities	Total	Total	
							2013	2012	Development Authority
Governmental activities:									
General government	\$ 321,777	\$ -	\$ -	\$ -	\$ (321,777)	\$ -	\$ (321,777)	\$ (293,521)	\$ -
Public safety	639,333	205,980	-	-	(433,353)	-	(433,353)	(432,109)	-
Culture and recreation	150,872	8,445	-	-	(142,427)	-	(142,427)	(147,945)	-
Sanitation	108,002	109,781	-	-	1,779	-	1,779	3,214	-
Highways and streets	362,731	-	-	-	(362,731)	-	(362,731)	(418,789)	-
Interest on long term debt	12,769	-	-	-	(12,769)	-	(12,769)	(14,036)	-
Total governmental activities	1,595,484	324,206	-	-	(1,271,278)	-	(1,271,278)	(1,303,186)	-
Business-type activities:									
Electric Fund	2,970,810	3,062,070	-	-	-	91,260	91,260	35,613	-
Water Fund	145,786	182,592	-	-	-	36,806	36,806	(16,950)	-
Sewer Fund	675,578	556,597	-	-	-	(118,981)	(118,981)	(124,855)	-
Total business-type activities	3,792,174	3,801,259	-	-	-	9,085	9,085	(106,192)	-
Total government	\$ 5,387,658	\$ 4,125,465	\$ -	\$ -	\$ (1,271,278)	\$ 9,085	\$ (1,262,193)	\$ (1,409,378)	\$ -
Component Unit:									
Downtown development authority	-	-	-	-	-	-	-	-	(61,397)
Total component unit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (61,397)
General revenues:									
Property taxes					\$ 570,574	\$ -	\$ 570,574	\$ 598,151	\$ 49,526
Intergovernmental					406,321	-	406,321	319,955	-
Licenses, fees, and fines					55,982	-	55,982	40,516	-
Contributions					-	-	-	-	-
Investment earnings					114,500	6,713	121,213	149,084	140
Miscellaneous revenues					115,276	13,862	129,138	136,863	100
Transfers from component unit					35,000	-	35,000	36,000	(35,000)
Transfers					(37,000)	37,000	-	-	-
Total general revenues and transfers					1,260,653	57,575	1,318,228	1,280,569	14,766
Change in net position					(10,625)	66,660	56,035	(128,809)	(46,631)
Total net position - beginning of year					7,325,610	7,340,317	14,665,927	14,794,736	431,464
Total net position - end of year					\$ 7,314,985	\$ 7,406,977	\$ 14,721,962	\$ 14,665,927	\$ 384,833

**VILLAGE OF CLINTON, MICHIGAN
BALANCE SHEET
GOVERNMENTAL FUNDS
MARCH 31, 2013
WITH COMPARATIVE TOTALS FOR MARCH 31, 2012**

	Permanent Funds						Total	
	General	Fire Fund	Major Street	Robison Trust	Capital Improvement Tate Park	Other Governmental Funds	Governmental Funds 2013	2012
ASSETS:								
Cash	\$ 409,748	\$ 104,923	\$ 29,899	\$ -	\$ -	\$ 58,556	\$ 603,126	\$ 562,083
Investments	293,862	70,568	-	1,453,780	1,560,276	-	3,378,486	3,586,496
Receivables:								
Accounts	29,567	-	-	-	-	2,241	31,808	31,254
Due from other funds	-	-	301,322	-	-	21,177	322,499	322,499
Due from other governmental units	-	-	10,923	-	-	3,982	14,905	14,303
Due from component unit	1,375	-	-	-	-	-	1,375	1,375
Advance to other funds	-	-	-	322,129	294,130	-	616,259	335,130
Accrued interest	29	296	15	-	-	97	437	-
Prepaid expense	12,249	5,802	126	-	-	1,888	20,065	21,103
Total assets	<u>\$ 746,830</u>	<u>\$ 181,589</u>	<u>\$ 342,285</u>	<u>\$ 1,775,909</u>	<u>\$ 1,854,406</u>	<u>\$ 87,941</u>	<u>\$ 4,988,960</u>	<u>\$ 4,874,243</u>
LIABILITIES:								
Accounts payable	\$ 12,536	\$ 882	\$ -	\$ -	\$ -	\$ 241	\$ 13,659	\$ 12,554
Accrued expenditures	15,170	-	1,052	-	-	1,360	17,582	18,363
Due to other funds	17,377	-	-	-	-	192	17,569	17,569
Due to component unit	2,963	-	-	-	-	-	2,963	2,963
Advance from other funds	-	-	294,130	-	-	-	294,130	300,130
Accrued sick and vacation pay	33,825	-	-	-	-	-	33,825	33,018
Total liabilities	<u>\$ 81,871</u>	<u>\$ 882</u>	<u>\$ 295,182</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,793</u>	<u>\$ 379,728</u>	<u>\$ 384,597</u>
FUND BALANCES:								
Nonspendable	\$ 12,249	\$ 5,802	\$ 126	\$ -	\$ -	\$ 1,888	\$ 20,065	\$ 21,103
Restricted	-	174,905	46,977	1,775,909	1,854,406	84,260	3,936,457	3,815,580
Committed	-	-	-	-	-	-	-	3,122
Unassigned	652,710	-	-	-	-	-	652,710	649,841
Total fund balance	<u>664,959</u>	<u>180,707</u>	<u>47,103</u>	<u>1,775,909</u>	<u>1,854,406</u>	<u>86,148</u>	<u>4,609,232</u>	<u>4,489,646</u>
Total liabilities & fund balance	<u>\$ 746,830</u>	<u>\$ 181,589</u>	<u>\$ 342,285</u>	<u>\$ 1,775,909</u>	<u>\$ 1,854,406</u>	<u>\$ 87,941</u>	<u>\$ 4,988,960</u>	<u>\$ 4,874,243</u>
							2013	2012
Total governmental fund balances							<u>\$ 4,609,232</u>	<u>\$ 4,489,646</u>
Capital assets used in the governmental activities are not financial resources and, therefore, are not reported in the governmental funds:							3,011,679	3,158,253
Accrued interest payable on long term debt is recognized in governmental funds when paid and not when accrued.							(6,920)	(6,625)
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.							(52,337)	(53,844)
Loan indebtedness are recognized in the governmental funds when paid and not when accrued.							(257,000)	(292,000)
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 position. Note: The net capital assets (\$214,215) of the Equipment fund are included in the capital asset figure above (\$3,011,679), and not in this adjustment.							10,331	30,180
Net differences							<u>2,705,753</u>	<u>2,835,964</u>
Total net position of governmental activities							<u>\$ 7,314,985</u>	<u>\$ 7,325,610</u>

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

VILLAGE OF CLINTON, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2013
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED MARCH 31, 2012

			<u>Permanent Funds</u>				<u>Total</u>	
	<u>General</u>	<u>Fire Fund</u>	<u>Major Street</u>	<u>Robison Trust</u>	<u>Tate Park Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Governmental Funds 2013</u>	<u>2012</u>
REVENUES:								
Property taxes	\$ 524,370	\$ -	\$ -	\$ -	\$ -	\$ 46,204	\$ 570,574	\$ 598,151
Intergovernmental revenues	252,080	-	103,709	-	-	37,799	393,588	319,955
Licenses, fees and charges for services	186,941	-	-	-	-	-	186,941	156,233
Rentals	11,743	-	-	-	-	5,800	17,543	20,345
Interest	1,329	449	10	41,926	64,559	81	108,354	89,668
Other	19,135	2,098	-	-	-	(225)	21,008	52,057
Townships	-	205,980	-	-	-	-	205,980	214,403
Realized gain (loss) on investment	-	-	-	3,784	4,473	-	8,257	4,272
Unrealized gain (loss) on investment	-	-	-	2,328	(4,469)	-	(2,141)	49,049
Total revenues	995,598	208,527	103,719	48,038	64,563	89,659	1,510,104	1,504,133
EXPENDITURES:								
Current:								
General government	233,057	-	-	4,615	4,850	-	242,522	267,156
Public safety	433,578	165,889	-	-	-	-	599,467	595,218
Culture and recreation	61,729	-	-	-	-	41,613	103,342	170,405
Sanitation	108,002	-	-	-	-	-	108,002	102,918
Highways and streets	-	-	106,736	-	-	57,960	164,696	226,685
Debt service:								
Principal	10,000	-	-	-	-	25,000	35,000	35,000
Interest	2,566	-	-	-	-	9,908	12,474	14,544
Total expenditures	848,932	165,889	106,736	4,615	4,850	134,481	1,265,503	1,411,926
Excess (deficiency) of revenues over (under) expenditures	146,666	42,638	(3,017)	43,423	59,713	(44,822)	244,601	92,207
Other financing sources (uses):								
Transfers in	45,319	-	25,540	-	-	65,140	135,999	129,512
Transfers out	(190,155)	-	-	(25,540)	(42,197)	(3,122)	(261,014)	(140,227)
Total other financing sources (uses)	(144,836)	-	25,540	(25,540)	(42,197)	62,018	(125,015)	(10,715)
Change in fund balances	1,830	42,638	22,523	17,883	17,516	17,196	119,586	81,492
Total fund balances - beginning of year	663,129	138,069	24,580	1,758,026	1,836,890	68,952	4,489,646	4,408,154
Total fund balances - end of year	\$ 664,959	\$ 180,707	\$ 47,103	\$ 1,775,909	\$ 1,854,406	\$ 86,148	\$ 4,609,232	\$ 4,489,646

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, 2013
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED MARCH 31, 2012**

	<u>2013</u>	<u>2012</u>
Change in fund balances total governmental funds	\$ 119,586	\$ 81,492
Amounts reported for governmental activities in the statement of activities are different because Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This amount of depreciation is more than capital outlay in the current period. (Total capital outlay \$178,376 less total depreciation \$(324,950)).	(146,574)	(257,492)
This issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principle of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these assets. This amount is the net effect of these differences in the treatment of long-term debt.		
Debt incurred during current year	-	
Less: principal repayment	<u>35,000</u>	<u>35,000</u>
	35,000	35,000
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in		
Accrued interest - net	(295)	508
Accrued long-term sick and vacation pay - net effect	1,507	(3,130)
Internal Service Fund (Equipment Fund) is used by the Village to charge equipment rental to individual funds. The net income (loss) of this activity is reported with governmental activities, adjusted for depreciation.	<u>(19,849)</u>	<u>3,734</u>
Change in net position of governmental activities	<u>\$ (10,625)</u>	<u>\$ (139,888)</u>

VILLAGE OF CLINTON, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE-BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Property taxes	\$ 526,000	\$ 526,000	\$ 524,370	\$ (1,630)
Intergovernmental revenue	175,500	179,700	197,012	17,312
Michigan Natural Resource trust grant	-	55,000	55,068	68
Licenses, fees and charges for services	172,500	184,500	186,941	2,441
Rentals	10,000	10,000	11,743	1,743
Interest	6,000	6,000	1,329	(4,671)
Other	11,000	11,000	19,135	8,135
Total revenues	901,000	972,200	995,598	23,398
EXPENDITURES:				
General government:				
Council	15,150	15,150	11,398	3,752
Administration	64,820	64,820	60,319	4,501
Buildings and grounds	136,600	136,600	136,790	(190)
Planning Commission	4,220	4,220	2,991	1,229
Professional service	16,400	16,400	7,194	9,206
Insurance	16,000	16,000	14,365	1,635
Total general government	253,190	253,190	233,057	20,133
Public safety:				
Police department	436,900	436,900	421,444	15,456
Building and zoning inspection	18,170	18,170	12,134	6,036
Total public safety	455,070	455,070	433,578	21,492
Highways and Streets:				
Street lighting	-	-	-	-
Sanitation:				
Waste collection and disposal	104,500	108,500	108,002	498
Culture - recreation				
Parks	62,200	62,300	61,729	571
Debt Service:				
Principal	10,000	10,000	10,000	-
Interest	2,600	2,600	2,566	34
Total debt service	12,600	12,600	12,566	34
Total expenditures	887,560	891,660	848,932	42,728
Excess (deficiency) of revenues (under) expenditures	13,440	80,540	146,666	66,126
Other financing sources (uses):				
Transfers in	32,000	74,000	45,319	(28,681)
Transfers out	(81,140)	(190,240)	(190,155)	85
Total other financing sources (uses)	(49,140)	(116,240)	(144,836)	(28,596)
Change in fund balance	(35,700)	(35,700)	1,830	37,530
Total fund balances - beginning of year			663,129	
Total fund balances - end of year			<u>\$ 664,959</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, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Miscellaneous	\$ 100	\$ 100	\$ 2,098	\$ 1,998
Township contributions	202,820	202,820	205,980	3,160
Interest	1,000	1,000	449	(551)
Total revenues	203,920	203,920	208,527	4,607
EXPENDITURES:				
Wages	80,000	80,000	65,189	14,811
Benefits	12,520	12,520	10,511	2,009
Supplies	19,500	19,500	14,320	5,180
Professional fees	650	650	635	15
Communications	6,000	6,000	4,538	1,462
Workshops	9,000	9,000	10,765	(1,765)
Gas and oil	3,800	3,800	3,608	192
Insurance	12,000	12,000	11,422	578
Utilities	6,000	6,000	7,356	(1,356)
Equipment maintenance	6,000	6,000	4,441	1,559
Truck maintenance	13,000	13,000	18,300	(5,300)
Building maintenance	4,000	4,000	3,939	61
Capital outlay	16,000	16,000	10,865	5,135
Total expenditures	188,470	188,470	165,889	22,581
Excess (deficiency) of revenues (under) expenditures	15,450	15,450	42,638	27,188
Total fund balances - beginning of year			<u>138,069</u>	
Total fund balances - end of year			<u><u>\$ 180,707</u></u>	

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

VILLAGE OF CLINTON, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
MAJOR STREET SPECIAL REVENUE FUND
FOR THE YEAR ENDED MARCH 31, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:				
Intergovernmental				
State gas weight tax	\$ 81,000	\$ 81,000	\$ 103,709	\$ 22,709
Grant	-	-	-	-
Interest	300	300	10	(290)
Miscellaneous	-	-	-	-
Total revenues	<u>81,300</u>	<u>81,300</u>	<u>103,719</u>	<u>22,419</u>
EXPENDITURES:				
Construction projects	-	9,000	-	9,000
Routine maintenance	57,750	57,750	62,745	(4,995)
Traffic service	5,370	5,370	3,851	1,519
Winter maintenance	12,520	12,520	8,962	3,558
Administrative	4,960	5,960	4,903	1,057
Professional services	700	700	735	(35)
Total expenditures	<u>81,300</u>	<u>91,300</u>	<u>81,196</u>	<u>10,104</u>
Excess (deficiency) of revenues over (under) expenditures	-	(10,000)	22,523	32,523
Other financing sources:				
Debt service	(25,600)	(25,600)	(25,540)	60
Transfers in	25,600	25,600	25,540	(60)
Transfers out	-	-	-	-
Net change in fund balance	-	(10,000)	22,523	32,523
Total fund balances - beginning of year			<u>24,580</u>	
Total fund balances - end of year			<u>\$ 47,103</u>	

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

VILLAGE OF CLINTON, MICHIGAN
STATEMENT OF NET POSITION
PROPRIETARY FUND
MARCH 31, 2013
WITH COMPARATIVE TOTALS FOR MARCH 31, 2012

	Business-type Activities - Enterprise Funds			Total Proprietary Funds		Governmental Activities
	Electric Fund	Water Fund	Sewer Fund	2013	2012	Internal Service Fund
ASSETS:						
Current assets:						
Cash and cash equivalents	\$ 300,955	\$ 33,306	\$ 1,920	\$ 336,181	\$ 277,075	\$ 16,396
Investments	800,422	66,688	149,205	1,016,315	1,009,465	-
Receivables						
Accounts	229,727	14,073	42,451	286,251	230,338	-
Due from state	-	-	-	-	-	-
Accrued interest	111	39	322	472	930	3
Prepaid expenses and other assets	10,726	3,370	4,341	18,437	19,841	-
Prepaid supplies	77,760	-	-	77,760	66,681	-
Total current assets	1,419,701	117,476	198,239	1,735,416	1,604,330	16,399
Noncurrent assets:						
Restricted assets:						
Cash	\$ 43,361	-	-	\$ 43,361	\$ 45,326	-
Investment in joint venture	2,762,085	-	-	2,762,085	2,748,223	-
Capital assets:						
Land	17,496	3,000	10,149	30,645	30,645	-
Buildings	518,967	73,715	5,839,908	6,432,590	6,432,590	-
Utility systems	1,718,129	1,383,747	757,102	3,858,978	3,540,581	-
Equipment/trucks	1,083,252	127,276	119,968	1,330,496	1,311,736	934,237
Less: accumulated depreciation	(2,745,735)	(641,137)	(1,853,413)	(5,240,285)	(4,912,191)	(720,022)
Total capital assets - net	592,109	946,601	4,873,714	6,412,424	6,403,361	214,215
Total, noncurrent assets	3,397,555	946,601	4,873,714	9,217,870	9,196,910	214,215
Total assets	<u>\$ 4,817,256</u>	<u>\$ 1,064,077</u>	<u>\$ 5,071,953</u>	<u>\$ 10,953,286</u>	<u>\$ 10,801,240</u>	<u>\$ 230,614</u>
LIABILITIES:						
Current Liabilities:						
Accounts payable	\$ 3,254	\$ 5,981	\$ 2,167	\$ 11,402	\$ 8,626	\$ 2,576
Accrued expenses	19,106	1,366	4,150	24,622	25,094	106
Due to other funds	299,530	5,400	-	304,930	304,930	-
Advance payable to other funds	-	309,889	12,240	322,129	35,000	-
SRF loan payable	-	-	190,000	190,000	190,000	-
Total current liabilities	321,890	322,636	208,557	853,083	563,650	2,682
Current liabilities payable from restricted						
Customer deposits	43,361	-	-	43,361	45,326	-
Noncurrent liabilities:						
Accrued leave	50,654	9,656	34,555	94,865	106,946	3,386
SRF loan payable	-	-	2,555,000	2,555,000	2,745,000	-
Total liabilities	415,905	332,292	2,798,112	3,546,309	3,460,922	6,068
NET POSITION:						
Invested in capital assets, net of related debt	592,109	636,712	2,128,714	3,357,535	3,468,361	214,015
Restricted in joint venture	2,762,085	-	-	2,762,085	2,748,223	-
Unrestricted	1,047,157	95,073	145,127	1,287,357	1,123,733	10,531
Total net position	<u>\$ 4,401,351</u>	<u>\$ 731,785</u>	<u>\$ 2,273,841</u>	<u>\$ 7,406,977</u>	<u>\$ 7,340,317</u>	<u>\$ 224,546</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 POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED MARCH 31, 2013
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED MARCH 31, 2012

	Business-type Activities - Enterprise Funds			Total Proprietary Funds		Governmental Activities Internal Service Fund
	Electric Fund	Water Fund	Sewer Fund	2013	2012	
Operating revenue:						
Metered sales	\$ 3,011,326	\$ 165,604	\$ 527,321	\$ 3,704,251	\$ 3,325,143	\$ -
Penalties and service charges	38,328	10,885	24,964	74,177	57,699	-
Miscellaneous	6,481	6,103	4,312	16,896	19,139	12,603
Rentals	5,935	-	-	5,935	5,777	64,122
Total operating revenues	3,062,070	182,592	556,597	3,801,259	3,407,758	76,725
Operating expenses:						
Light plant	70,962	-	-	70,962	79,067	-
Purchased power	2,253,893	-	-	2,253,893	1,949,962	-
Administrative	260,400	39,138	25,439	324,977	353,509	-
Electric distribution system	313,030	-	-	313,030	308,661	-
Water distribution	-	94,522	-	94,522	106,630	-
Collection system	-	-	25,349	25,349	28,497	-
Sewer treatment plant	-	-	314,589	314,589	271,062	-
Depreciation	61,227	8,418	258,451	328,096	332,480	43,894
Professional services	11,298	3,708	4,056	19,062	31,790	-
Equipment operation and maintenance	-	-	-	-	-	54,694
Total operating expenses	2,970,810	145,786	627,884	3,744,480	3,461,658	98,588
Operating income (loss)	91,260	36,806	(71,287)	56,779	(53,900)	(21,863)
Nonoperating revenues (expenses):						
Income from joint venture	13,862	-	-	13,862	64,461	-
Interest income	5,073	556	1,084	6,713	6,095	30
Interest expense	-	-	(47,694)	(47,694)	(52,292)	-
Total nonoperating revenues (expenses)	18,935	556	(46,610)	(27,119)	18,264	30
Net income (loss) before transfers	110,195	37,362	(117,897)	29,660	(35,636)	(21,833)
Transfers out	-	-	-	-	(32,000)	-
Transfers in	-	-	37,000	37,000	78,715	123,015
Change in net position	110,195	37,362	(80,897)	66,660	11,079	101,182
Total net position - beginning of year	4,291,156	694,423	2,354,738	7,340,317	7,329,238	123,364
Total net position - end of year	\$ 4,401,351	\$ 731,785	\$ 2,273,841	\$ 7,406,977	\$ 7,340,317	\$ 224,546

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, 2013
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED MARCH 31, 2012

	Business-type Activities - Enterprise Funds			Total Proprietary Funds		Governmental Activities
	Electric Fund	Water Fund	Sewer Fund	2013	2012	Internal Service Fund
Cash flows from operating activities:						
Cash received from customers	\$ 3,013,178	\$ 178,278	\$ 554,347	\$ 3,745,803	\$ 3,394,233	\$ 76,725
Cash paid to suppliers and employees	(2,927,076)	(132,412)	(378,313)	(3,437,801)	(3,139,336)	(55,091)
Net cash provided by (used in) operating activities	86,102	45,866	176,034	308,002	254,897	21,634
Cash flows from noncapital financing activities:						
SRF loan proceeds (payment)	-	-	(190,000)	(190,000)	(185,000)	-
Transfer from/to Other Funds	-	-	37,000	37,000	46,715	123,015
Payment on advances	-	(11,200)	(11,560)	(22,760)	-	-
Advance Received	-	309,889	-	309,889	-	-
Net cash provided by (used in) noncapital financing activities	-	298,689	(164,560)	134,129	(138,285)	123,015
Cash flows from investing activities:						
Capital expenditures	(18,762)	(318,397)	-	(337,159)	(75,607)	(164,925)
Interest received	5,073	556	1,084	6,713	6,095	30
Interest expense	-	-	(47,694)	(47,694)	(52,292)	-
Net cash provided by (used in) investing activities	(13,689)	(317,841)	(46,610)	(378,140)	(121,804)	(164,895)
Net increase (decrease) in cash and cash equivalents	72,413	26,714	(35,136)	63,991	(5,192)	(20,246)
Cash and cash equivalents at beginning of year	1,072,325	73,280	186,261	1,331,866	1,337,058	36,642
Cash and cash equivalents at end of year	\$ 1,144,738	\$ 99,994	\$ 151,125	\$ 1,395,857	\$ 1,331,866	\$ 16,396

Change in investment in joint venture (\$13,862) 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, 2013
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED MARCH 31, 2012

	Business-type Activities - Enterprise Funds			Total		Governmental
	Electric	Water	Sewer	Proprietary Funds		Activities
	Fund	Fund	Fund	2013	2012	Internal
						Service Fund
Net operating (loss) income	\$ 91,260	\$ 36,806	\$ (71,287)	\$ 56,779	\$ (53,900)	\$ (21,863)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities						
Depreciation	61,227	8,418	258,451	328,096	332,480	43,894
(Increase) decrease in:						
Receivables	(48,892)	(4,314)	(2,250)	(55,456)	(5,373)	-
Prepaid expenses	1,404	-	-	1,404	(2,026)	-
Prepaid supplies	(11,079)	-	-	(11,079)	(11,086)	-
Increase (decrease) in:						
Accrued expenses and other liabilities	(3,927)	5,689	542	2,304	1,490	(397)
Accrued leave	(1,926)	(733)	(9,422)	(12,081)	5,352	-
Customer deposits	(1,965)	-	-	(1,965)	4,960	-
Due to other funds	-	-	-	-	(17,000)	-
Net cash provided by (used in) operating activities	<u>\$ 86,102</u>	<u>\$ 45,866</u>	<u>\$ 176,034</u>	<u>\$ 308,002</u>	<u>\$ 254,897</u>	<u>\$ 21,634</u>

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

VILLAGE OF CLINTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
March 31, 2013

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, 2013

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 position and the statement of changes in net position) 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, 2013

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, 2013

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, 2013

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 2012. 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.

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, 2013

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, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

7. Fund Balance Classification Policies and Procedures

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

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

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

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

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

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

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

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

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary information

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

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

VILLAGE OF CLINTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

March 31, 2013

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

B. Excess of expenditures over appropriations in budgetary funds

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

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

During the year ended March 31, 2013, the Village incurred expenditures in the governmental funds which were in excess of the amounts appropriated, as follows:

	<u>Variance</u>
General Fund	
Building and grounds	\$ 190
Fire	
Workshops	1,765
Utilities	1,356
Truck maintenance	5,300
Major Street	
Routine maintenance	4,995
Professional services	35

These additional expenditures were funded by greater than anticipated revenues.

NOTE 3. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

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

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

The Village is also subject to custodial credit risk having 78% of investments with United Bank & Trust, 7% 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 \$1,034,583. Of this amount \$250,000 was covered by Federal Depository Insurance and \$784,583 was uninsured and uncollateralized. At certain times of the year, especially when property taxes are being collected, the Village's uncollateralized deposits increase significantly; as a result, the amounts of uncollateralized deposits at those times were higher. All deposits are with banks located in Michigan as required by statutes.

VILLAGE OF CLINTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

March 31, 2013

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and investments

At year end, bank balances, net of checks written but not cleared, as recorded in the financial statements were \$999,064. Of that amount, \$175,500 was in cash and checking and money market accounts; and \$823,564 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 \$52,305 at year end. This account is part of the J Fund with Comerica Bank with balance of \$2,100 and a money market account of \$50,205.

Primary Government

The Village had investments with carrying value and bank balance of \$4,394,801 at year end of which \$1,000,000 is covered by Federal Depository Insurance. Investments consist of:

<u>Certificates of Deposit</u>	<u>Balance</u> <u>MARCH 31, 2013</u>
General Fund	\$ 143,247
Electric Fund	209,563
Electric Fund	233,282
Fire Fund	36,073
Sewer Fund	123,253
Sewer Fund	25,952
Water Fund	66,688
Electric Fund	259,693
Electric Fund	97,884
General Fund	150,615
Fire Fund	34,495
<u>Managed Accounts at United Bank & Trust</u>	<u>Current Yield</u> <u>Balance</u> <u>March 31, 2013</u>
Village of Clinton Robison Trust	2.76 1,453,780
John F. Robison Tate Park	2.83 1,560,276
	\$ 4,394,801

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	\$ 25,018	\$ -	\$ -	\$ 2,241	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,259
Accounts	4,549	-	-	-	-	229,727	14,073	42,451	-	290,800
Intergovernmental	-	10,923	3,982	-	-	-	-	-	-	14,905
Accrued Interest	29	15	-	97	296	111	36	322	3	912
Gross receivables	29,596	10,938	3,982	2,338	296	229,838	14,112	42,773	3	333,876
Less: allowance for uncollectibles	-	-	-	-	-	-	-	-	-	-
Net total receivables	<u>\$ 29,596</u>	<u>\$ 10,938</u>	<u>\$ 3,982</u>	<u>\$ 2,338</u>	<u>\$ 296</u>	<u>\$ 229,838</u>	<u>\$ 14,112</u>	<u>\$ 42,773</u>	<u>\$ 3</u>	<u>\$ 333,876</u>

VILLAGE OF CLINTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
March 31, 2013

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital assets

Capital asset activity for the year ended March 31, 2013 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	599,997	-	-	599,997
Buildings	1,369,558	3,082	-	1,372,640
Equipment, machinery and furnishings	2,016,904	175,294	-	2,192,198
Infrastructure	5,207,221	-	-	5,207,221
Depreciable capital assets	9,193,680	178,376	-	9,372,056
Less accumulated depreciation for:				
Land improvements	(318,986)	(20,000)	-	(338,986)
Buildings	(890,358)	(27,453)	-	(917,811)
Equipment, machinery and furnishings	(1,625,547)	(109,610)	-	(1,735,157)
Infrastructure	(3,485,688)	(167,887)	-	(3,653,575)
Total accumulated depreciation	(6,320,579)	(324,950)	-	(6,645,529)
Total net capital assets being depreciated	2,873,101	(146,574)	-	2,726,527
Governmental activities net capital assets	\$ 3,158,253	\$ (146,574)	\$ -	\$ 3,011,679

VILLAGE OF CLINTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
March 31, 2013

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

	Beginning Balance	Additions	Disposals	Ending Balance
Business-type activities:				
Assets not being depreciated-land	\$ 30,645	\$ -	\$ -	\$ 30,645
Total capital assets, not being depreciated	30,645	-	-	30,645
Capital assets, being depreciated:				
Utility systems	11,284,907	337,157		11,622,064
Depreciable capital assets	11,284,907	337,157	-	11,622,064
Less accumulated depreciation for:				
Utility systems	(4,912,190)	(328,095)	-	(5,240,285)
Total accumulated depreciation	(4,912,190)	(328,095)	-	(5,240,285)
Total net capital assets being depreciated	6,372,717	9,062	-	6,381,779
Business-type activities net capital assets	\$ 6,403,362	\$ 9,062	\$ -	\$ 6,412,424

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

Governmental activities:	
General government	\$ 24,559
Public safety	54,825
Culture and recreation	47,530
Highways and streets	198,035
Total depreciation - governmental activities	\$ 324,949
Business-type activities:	
Utility	\$ 328,095
Total depreciation - business-type activities	\$ 328,095

VILLAGE OF CLINTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
March 31, 2013

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, 2013 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	\$ 46,550	\$ -	\$ 503,365
Less accumulated depreciation for:				
Land improvements	<u>(170,262)</u>	<u>(16,779)</u>	<u>-</u>	<u>(187,041)</u>
DDA net capital assets	<u>\$ 286,553</u>	<u>\$ 29,771</u>	<u>\$ -</u>	<u>\$ 316,324</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	\$ 309,889	Water Fund	\$ 309,889
Robison Trust	12,240	Sewer Fund	12,240
Tate Park Trust	<u>294,130</u>	Major Street	<u>294,130</u>
Total	<u>\$ 616,259</u>	Total	<u>\$ 616,259</u>

VILLAGE OF CLINTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
March 31, 2013

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

Due to/from Primary Government and Component Unit:

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

Interfund transfers:

	<u>Transfers In</u>						
	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Sewer Fund</u>	<u>Equipment Fund</u>	<u>Debt Retirement</u>	
Transfers out:							
General	\$ -	\$ -	\$ 30,140	\$ 37,000	\$ 123,015	\$ -	\$ 190,155
Downtown Development Authority	-	-	-	-	-	35,000	35,000
Tate Park Capital Investment	42,197	-	-	-	-	-	42,197
Robison Trust	-	25,540	-	-	-	-	25,540
Softball	3,122	-	-	-	-	-	3,122
Electric	-	-	-	-	-	-	-
Total	<u>\$ 45,319</u>	<u>\$ 25,540</u>	<u>\$ 30,140</u>	<u>\$ 37,000</u>	<u>\$ 123,015</u>	<u>\$ 35,000</u>	<u>\$ 296,014</u>

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

E. Long-term debt

Debt related to governmental activities

The Village has a general obligation debt (2003 General Obligation Limited Bond issue) which funded capital improvements. The original bond issue was \$410,000 with an interest rate at 7% and final maturity at May 1, 2019. Outstanding balance at March 31, 2013 was \$225,000.

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, 2013 was \$32,000.

VILLAGE OF CLINTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
March 31, 2013

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

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

Government Activities		
Year Ending March 31,	Principal	Interest
2014	40,000	10,664
2015	41,000	8,908
2016	41,000	7,060
2017	30,000	5,183
2018	35,000	3,832
2019-2020	70,000	3,124
	<u>\$ 257,000</u>	<u>\$ 38,771</u>

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, 2013 was \$2,745,000.

Annual Debt Service requirements to maturity are projected as follows:

Business-type Activities	
Year Ending March 31,	Principal
2014	190,000
2015	195,000
2016	200,000
2017	200,000
2018	205,000
2019 - 2023	1,070,000
2024 - 2026	685,000
	<u>\$ 2,745,000</u>

VILLAGE OF CLINTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

March 31, 2013

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, 2013:

	Governmental Activities		Business-type	Accrued Employee Benefits	Total
	Installment Purchase	Primary Government Bond Issue	Activity Bond Issue		
Long-term debt at March 31, 2012	\$ 42,000	\$ 250,000	\$ 2,935,000	\$ 197,371	\$ 3,424,371
Principal payment	(10,000)	(25,000)	(190,000)	(12,661)	(237,661)
Increase in accrued employee benefits	-	-	-	-	-
Long-term debt at March 31, 2013	<u>\$ 32,000</u>	<u>\$ 225,000</u>	<u>\$ 2,745,000</u>	<u>\$ 184,710</u>	<u>\$ 3,186,710</u>

VILLAGE OF CLINTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
March 31, 2013

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.

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

Year Ending March 31,	Business-Type Activities			
	Water Fund		Sewer Fund	
	Principal	Interest	Principal	Interest
2014	5,760	260	12,240	550
	\$ 5,760	\$ 260	\$ 12,240	\$ 550

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

Year Ending March 31, 2013	Principal	Interest
2014	-	13,971
2015	26,338	13,662
2016	27,604	12,396
2017	28,931	11,069
2018	30,321	9,679
2019	31,778	8,222
2020	33,306	6,694
2021	34,907	5,093
2022	36,584	3,415
2023	44,361	1,658
	294,130	85,859

The Village is in the process of constructing a new well (Well No. 5) to be financed from an advance from the Village of Clinton Robison Trust. As of March 31, 2013, the advance balance was \$304,129 and construction in progress was \$318,397.

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, 2013

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 MERS. 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, 1134 Municipal Way, 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, 2013, the Village's required annual pension contribution was \$42,817. The required contribution was determined as part of the December 31, 2010 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, 2013

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 12/31/11)

Retirees and beneficiaries currently receiving benefits	\$ 915,101
Terminated employees not yet receiving benefits	320,783
Non-vested terminated employees (pending refunds of accumulated member contributions)	5,687
Current employees	<u>2,606,392</u>
Total actuarial accrued liability	3,847,963
net position available for benefits at actuarial value	<u>4,601,814</u>
(Market value is \$3,816,352)	
Unfunded (overfunded) actuarial accrued liability	<u>\$ (753,851)</u>

Three Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
March 31, 2011	122,916	100%	0
March 31, 2012	47,407	100%	0
March 31, 2013	42,817	100%	0

VILLAGE OF CLINTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
March 31, 2013

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 CPI Qualified Plan Consultants. 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:

MUNICIPALITY	PERCENTAGE SHARE
CLINTON	6.5%
COLDWATER	40.0%
HILLSDALE	25.5%
MARSHALL	24.0%
UNION CITY	4.0%
	100.00%

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

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

VILLAGE OF CLINTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
March 31, 2013

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

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

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

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

A summary of financial information on Michigan South Central Power Agency at June 30, 2012 and 2011 follows:

	<u>2012</u>	<u>2011</u>
Total assets	\$ 51,612,086	\$ 49,351,850
Total liabilities	9,118,477	7,071,502
Net Position	42,493,609	42,280,348
Operating revenues	45,776,324	43,501,777
Operating expenses	45,347,738	40,748,520
Income from operations	428,586	2,753,257
Investment and miscellaneous income	209,442	202,714
Interest and amortization expense	-	(927,119)
Member Equity Refund	-	(247,384)
Other expense	(405,569)	(760,769)
Realized and unrealized gain (loss) on investments	(19,198)	(28,998)
Change in net position	213,261	991,701

VILLAGE OF CLINTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
March 31, 2013

NOTE 7. JOINT VENTURE – AMERICAN MUNICIPAL POWER

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

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

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

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

NOTE 8. VILLAGE OF CLINTON – ROBISON TRUST

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

NOTE 9. JOHN R. ROBISON TATE PARK TRUST

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

**VILLAGE OF CLINTON, MICHIGAN
MERS RETIREMENT PLAN
SCHEDULE OF FUNDING PROGRESS
MARCH 31, 2013**

Actuarial Valuation Date	Actuarial Value of Assets [a]	Actuarial Accrued Liability (AAL) Entry Age [b]	Unfunded AAL (UAAL) [b-a]	Funded Ratio [a/b]	Covered Payroll [c]	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/01	\$ 1,874,502	\$ 1,684,799	\$ (189,703)	111	\$ 621,918	-0-
12/31/02	1,976,140	1,836,659	(139,481)	108	698,097	-0-
12/31/03	2,200,887	2,280,159	79,272	97	727,524	11
12/31/04	2,444,704	2,491,190	46,486	98	751,753	6
12/31/05	2,701,214	2,717,445	16,231	99	802,735	2
12/31/06	3,045,405	2,855,725	(189,680)	107	835,228	-0-
12/31/07	3,424,992	3,229,550	(195,442)	106	899,771	-0-
12/31/08	3,688,290	3,395,948	(292,342)	109	775,062	-0-
12/31/09	4,008,693	3,485,024	(523,669)	115	752,395	-0-
12/31/10	4,343,588	3,601,630	(741,958)	121	720,502	-0-
12/31/11	4,601,814	3,847,963	(753,851)	120	766,179	-0-

**VILLAGE OF CLINTON, MICHIGAN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2013
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED MARCH 31, 2012**

	Debt Service	Local Street Fund	Community Center Fund	Softball Program	Total Nonmajor Governmental Funds 2013	2012
ASSETS						
Cash and cash equivalents	\$ 801	\$ 12,443	\$ 45,312	\$ -	\$ 58,556	\$ 47,866
Receivables (net of allowance for uncollectibles)						
Property taxes	-	-	2,241	-	2,241	2,145
Due from other governmental units	-	3,982	-	-	3,982	3,820
Accrued interest	-	-	97	-	97	97
Due from other funds	-	10,177	11,000	-	21,177	21,177
Prepaid expenses and other assets	-	126	1,762	-	1,888	1,888
Total assets	\$ 801	\$ 26,728	\$ 60,412	\$ -	\$ 87,941	\$ 76,993
LIABILITIES & FUND BALANCES						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ 31	\$ -	\$ 31	\$ 364
Accrued expenses	-	547	813	-	1,360	1,485
Consumer deposits	-	-	210	-	210	-
Due to other funds	-	192	-	-	192	192
Advance from other funds	-	-	-	-	-	6,000
Total liabilities	\$ -	\$ 739	\$ 1,054	\$ -	\$ 1,793	\$ 8,041
Fund balances:						
Nonspendable	\$ -	\$ 126	\$ 1,762	\$ -	\$ 1,888	\$ 1,888
Restricted	801	25,863	57,596	-	84,260	63,942
Committed	-	-	-	-	-	3,122
Total fund balances	801	25,989	59,358	-	86,148	68,952
Total liabilities & fund balances	\$ 801	\$ 26,728	\$ 60,412	\$ -	\$ 87,941	\$ 76,993

VILLAGE OF CLINTON, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED MARCH 31, 2013
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED MARCH 31, 2012

	Debt Service	Local Street Fund	Community Center Fund	Softball Program	Total Nonmajor Governmental Funds 2013	2012
REVENUES:						
Property taxes	\$ -	\$ -	\$ 46,204	\$ -	\$ 46,204	\$ 48,697
Intergovernmental revenues:						
State gas weight tax	-	37,799	-	-	37,799	36,581
Interest	-	5	76	-	81	86
Licenses, fees & charges for services						
Rentals	-	-	5,800	-	5,800	6,276
Miscellaneous	-	-	(225)	-	(225)	-
Total revenues	\$ -	\$ 37,804	\$ 51,855	\$ -	\$ 89,659	\$ 91,640
EXPENDITURES:						
Highways and streets	\$ -	\$ 57,960	\$ -	\$ -	\$ 57,960	\$ 52,164
Debt service:						
Principal	25,000	-	-	-	25,000	25,000
Interest	9,770	-	138	-	9,908	11,372
Culture and recreation:						
Community center	-	-	41,613	-	41,613	51,729
Total expenditures	\$ 34,770	\$ 57,960	\$ 41,751	\$ -	\$ 134,481	\$ 140,265
Excess (deficiency) of revenues over (under) expenditures	\$ (34,770)	\$ (20,156)	\$ 10,104	\$ -	\$ (44,822)	\$ (48,625)
Other financing sources (uses):						
Transfers in	35,000	30,140	-	-	65,140	52,000
Transfers out	-	-	-	(3,122)	(3,122)	-
Total other financing sources (uses)	35,000	30,140	-	(3,122)	62,018	52,000
Net change in fund balances	230	9,984	10,104	(3,122)	17,196	3,375
Fund balances - beginning of year	571	16,005	49,254	3,122	68,952	65,577
Fund balances - end of year	\$ 801	\$ 25,989	\$ 59,358	\$ -	\$ 86,148	\$ 68,952

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, 2013

	<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	10,000	10,000	9,770	230
Total expenditures	35,000	35,000	34,770	230
Deficiency of revenues under expenditures	(35,000)	(35,000)	(34,770)	230
Other financing sources:				
Transfers in	35,000	35,000	35,000	-
Net change in fund balance	-	-	230	230
Total fund balances - beginning of year			571	
Total fund balances - end of year			<u>\$ 801</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, 2013

	<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	\$ 29,000	\$ 29,900	\$ 37,799	\$ 7,899
Interest	50	50	5	(45)
Total revenues	<u>29,050</u>	<u>29,950</u>	<u>37,804</u>	<u>7,854</u>
EXPENDITURES:				
Routine maintenance	40,600	40,600	38,664	1,936
Traffic service	3,870	3,870	2,978	892
Winter maintenance	12,220	13,120	13,099	21
Administrative	<u>2,500</u>	<u>4,100</u>	<u>3,219</u>	<u>881</u>
Total expenditures	<u>59,190</u>	<u>61,690</u>	<u>57,960</u>	<u>3,730</u>
Excess (deficiency) of revenues over (under) expenditures	(30,140)	(31,740)	(20,156)	11,584
Other financing sources:				
Transfers in	<u>30,140</u>	<u>30,140</u>	<u>30,140</u>	<u>-</u>
Net change in fund balance	-	(1,600)	9,984	11,584
Total fund balances - beginning of year			<u>16,005</u>	
Total fund balances - end of year			<u>\$ 25,989</u>	

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

VILLAGE OF CLINTON, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
COMMUNITY CENTER FUND SPECIAL REVENUE FUND
FOR THE YEAR ENDED MARCH 31, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Property taxes	\$ 47,000	\$ 47,000	\$ 46,204	\$ (796)
Miscellaneous	500	500	(225)	(725)
Rentals	6,400	6,400	5,800	(600)
Interest	350	350	76	(274)
Total revenues	<u>54,250</u>	<u>54,250</u>	<u>51,855</u>	<u>(2,395)</u>
EXPENDITURES:				
Debt service	6,140	6,140	138	6,002
Community Center expenses	<u>50,110</u>	<u>50,110</u>	<u>41,613</u>	<u>8,497</u>
Total expenditures	<u>56,250</u>	<u>56,250</u>	<u>41,751</u>	<u>14,499</u>
Excess (deficiency) of revenues over (under) expenditures	(2,000)	(2,000)	10,104	12,104
Total fund balances - beginning of year			<u>49,254</u>	
Total fund balances - end of year			<u>\$ 59,358</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, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Fee revenue	\$ -	\$ -	\$ -	\$ -
Rentals	-	-	-	-
Interest	-	-	-	-
Total revenues	-	-	-	-
EXPENDITURES:				
Construction	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-
Other financing sources (uses):				
Transfers out	(3,200)	(3,200)	(3,122)	78
Total fund balances - beginning of year			3,122	
Total fund balances - end of year			\$ -	

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

Village Council
Village of Clinton
Clinton, Michigan

In planning and performing our audit of the financial statements of the governmental activities and business-type activity, the major funds, of Village of Clinton as of and for the year ended March 31, 2013, 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 12, 2013

VILLAGE OF CLINTON
SCHEDULE OF FINDINGS AND RESPONSES
MARCH 31, 2013

Finding considered a significant deficiency

Criteria:

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

Condition

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

Cause

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

Effect

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

Recommendation

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

Client Response

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