

**City of Corunna
Shiawassee County, Michigan**

FINANCIAL STATEMENTS

June 30, 2003

City of Corunna

Shiawassee County, Michigan

June 30, 2003

CITY COUNCIL AND ADMINISTRATION

Steve Corey	Mayor
Dan Wagner	Council Member
Donald Mehigh	Council Member
Arnie Jessen	Council Member
Dawn Johnson	Council Member
Gene Sanderson	Council Member
Larry Runyan	Council Member
Joseph Sawyer	City Manager
Nichole Cowdrey	Treasurer
Yvonne Long	City Clerk

City of Corunna

TABLE OF CONTENTS

June 30, 2003

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1
GENERAL PURPOSE FINANCIAL STATEMENTS	
Combined Balance Sheet - All Fund Types and Account Groups	2-5
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental and Expendable Trust Fund Types	6-7
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General and Special Revenue Fund Types	8-9
Combined Statement of Revenues, Expenses/Expenditures, and Changes in Retained Earnings/Fund Balance - Proprietary Fund Types and Similar Trust Fund	10
Combined Statement of Cash Flows - Proprietary Fund Types and Similar Trust Fund	11
Notes to General Purpose Financial Statements	12-30
SUPPLEMENTAL FINANCIAL INFORMATION	
GENERAL FUND	
Statement of Revenues and Other Financing Sources - Budget and Actual	31-32
Statement of Expenditures by Activity and Other Financing Uses - Budget and Actual	33-34
SPECIAL REVENUE FUNDS	
Combining Balance Sheet	35-38
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	39-42
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	43-60
DEBT SERVICE FUNDS	
Combining Balance Sheet	61-62
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	63-64
CAPITAL PROJECTS FUNDS	
Combining Balance Sheet	65
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	66

City of Corunna

TABLE OF CONTENTS - CONTINUED

June 30, 2003

	<u>PAGE</u>
ENTERPRISE FUNDS	
Combining Balance Sheet	67-68
Combining Statement of Revenues, Expenses, and Changes in Retained Earnings	69
Combining Statement of Cash Flows	70
Comparative Balance Sheet - Sewer System	71-72
Comparative Statement of Revenues, Expenses, and Changes in Retained Earnings - Sewer System	73
Comparative Statement of Cash Flows - Sewer System	74
TRUST AND AGENCY FUNDS	
Combining Balance Sheet	75
Statement of Changes in Assets and Liabilities - Agency Funds	76
COMPONENT UNIT FUNDS	
Combining Balance Sheet - All Fund Types and Account Groups - Downtown Development Authority	77
SCHEDULE OF DEBT OUTSTANDING	
1996 County of Shiawassee, City of Corunna G.O. Public Improvement Bonds	78
1992 Shiawassee County, City of Corunna Water Supply System Improvement Bonds	79
1996 Wastewater Treatment System Revenue Bonds	80
USDA - FmHA Sewer Revenue Bonds	81
2001 G.O. Public Improvement Bonds	82
2000 G.O. Public Improvement Bonds	83
1998 Michigan Transportation Bonds	84
Backhoe Lease	85
1999 Water Tower Installment Purchase Agreement	86
City of Owosso - Contract Payable	87
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	88-89

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Corunna
Corunna, Michigan

We have audited the accompanying general purpose financial statements of the City of Corunna, Michigan as of and for the year ended June 30, 2003, as listed in the Table of Contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion 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 and Government Auditing Standards, issued by the Comptroller General of the United States. 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 opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Corunna, Michigan as of June 30, 2003, and the results of its operations and cash flows of its proprietary fund types and similar trust fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated August 29, 2003 on our consideration of the City of Corunna's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining, individual fund, and individual account group financial statements and schedules listed in the Table of Contents under Supplemental Financial Information are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the City of Corunna, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.


ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

August 29, 2003

GENERAL PURPOSE FINANCIAL STATEMENTS

City of Corunna

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS

June 30, 2003

	Primary				
	Governmental Fund Types				Proprietary
	General	Special Revenue	Debt Service	Capital Projects	Enterprise
ASSETS					
Cash and cash equivalents	\$ 46,042	\$ 501,455	\$22,370	\$ 329,169	\$ 92,408
Cash and cash equivalents - restricted	-	-	-	-	6,539
Investments	317,437	327,516	15,000	-	255,000
Receivables					
Taxes	4,723	-	-	-	-
Accounts	-	2,856	-	-	248,954
Contracts	-	152,257	-	-	-
Accrued interest	3,837	5,571	936	-	2,398
Special assessments	68,411	-	-	-	-
Due from other funds	26,975	16,699	-	-	15,505
Due from other governmental units					
State	53,792	72,250	-	-	-
Federal	9,146	-	-	-	-
Local	19,868	1,521	-	-	-
Due from others	-	-	-	-	-
Treatment rights (net of accumulated amortization)	-	-	-	-	107,067
Advances to other funds	5,000	-	-	-	-
Fixed assets (net of accumulated depreciation)	-	-	-	-	3,541,050
Amount available for retirement of general long-term debt	-	-	-	-	-
Amount to be provided for retirement of general long-term debt	-	-	-	-	-
TOTAL ASSETS	\$ 555,231	\$ 1,080,125	\$ 38,306	\$ 329,169	\$ 4,268,921

See accompanying notes to general purpose financial statements.

Fund Types	Government				Totals (Memorandum Only)	Component Unit	Reporting Entity Totals (Memorandum Only)
	Fiduciary Fund Types	Account Groups		Downtown Development Authority			
Internal Service (Motor Pool)	Trust and Agency	General Fixed Assets	General Long-Term Debt				
\$ 67,760	\$ 57,016	\$ -	\$ -	\$ 1,116,220	\$ 84,877	\$ 1,201,097	
-	-	-	-	6,539	-	6,539	
-	35,587	-	-	950,540	-	950,540	
-	-	-	-	4,723	-	4,723	
-	-	-	-	251,810	14,147	265,957	
-	-	-	-	152,257	-	152,257	
-	1,074	-	-	13,816	-	13,816	
-	-	-	-	68,411	-	68,411	
-	-	-	-	59,179	-	59,179	
-	-	-	-	126,042	-	126,042	
-	-	-	-	9,146	-	9,146	
-	-	-	-	21,389	-	21,389	
-	15,000	-	-	15,000	-	15,000	
-	-	-	-	107,067	-	107,067	
-	-	-	-	5,000	-	5,000	
180,211	-	3,707,810	-	7,429,071	777,917	8,206,988	
-	-	-	14,102	14,102	-	14,102	
-	-	-	1,877,332	1,877,332	282,873	2,160,205	
<u>\$ 247,971</u>	<u>\$ 108,677</u>	<u>\$ 3,707,810</u>	<u>\$ 1,891,434</u>	<u>\$ 12,227,644</u>	<u>\$ 1,159,814</u>	<u>\$ 13,387,458</u>	

City of Corunna

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS - CONTINUED

June 30, 2003

	Primary				
	Governmental Fund Types				Proprietary
	General	Special Revenue	Debt Service	Capital Projects	Enterprise
LIABILITIES					
Payables					
Accounts	\$ 38,043	\$ 7,644	\$ -	\$ -	\$ 23,276
Wages	22,924	3,135	-	-	1,903
Other accrued liabilities	1,611	166	-	-	14,705
Due to other funds	4,897	21,988	-	-	5,064
Due to other governmental units	-	-	-	-	-
Due to individuals and agencies	-	-	-	-	-
Deferred revenue	68,411	152,257	-	-	-
Bonds payable	-	-	-	-	1,117,358
Capital lease payable	-	-	-	-	-
Loans and contracts payable	-	-	-	-	206,419
Advances from other funds	-	5,000	-	-	-
TOTAL LIABILITIES	135,886	190,190	-0-	-0-	1,368,725
FUND EQUITY (DEFICITS)					
Contributed capital	-	-	-	-	2,239,282
Investment in general fixed assets	-	-	-	-	-
Retained earnings					
Reserved for bonds	-	-	-	-	72,188
Reserved for debt service	-	-	-	-	14,469
Reserved for replacement	-	-	-	-	106,409
Unreserved	-	-	-	-	467,848
Fund balance (deficits)					
Reserved for					
Debt service	-	-	14,102	-	-
Advances to other funds	5,000	-	-	-	-
Trust activities	-	-	-	-	-
Unreserved - undesignated	414,345	889,935	24,204	329,169	-
TOTAL FUND EQUITY	419,345	889,935	38,306	329,169	2,900,196
TOTAL LIABILITIES AND FUND EQUITY	\$ 555,231	\$ 1,080,125	\$ 38,306	\$ 329,169	\$ 4,268,921

See accompanying notes to general purpose financial statements.

Government				Component Unit		
Fund Types	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)	Downtown Development Authority	Reporting Entity Totals (Memorandum Only)
Internal Service (Motor Pool)	Trust and Agency	General Fixed Assets	General Long-Term Debt			
\$ 1,985	\$ 1,390	\$ -	\$ -	\$ 72,338	\$ 59	\$ 72,397
385	-	-	-	28,347	-	28,347
371	-	-	36,586	53,439	-	53,439
-	27,230	-	-	59,179	-	59,179
-	11,995	-	-	11,995	8,766	20,761
-	(7,788)	-	-	(7,788)	3,589	(4,199)
-	-	-	-	220,668	-	220,668
-	-	-	1,835,000	2,952,358	-	2,952,358
14,949	-	-	-	14,949	-	14,949
-	-	-	19,848	226,267	282,873	509,140
-	-	-	-	5,000	-	5,000
17,690	32,827	-0-	1,891,434	3,636,752	295,287	3,932,039
-	-	-	-	2,239,282	-	2,239,282
-	-	3,707,810	-	3,707,810	777,917	4,485,727
-	-	-	-	72,188	-	72,188
-	-	-	-	14,469	-	14,469
-	-	-	-	106,409	-	106,409
230,281	-	-	-	698,129	-	698,129
-	-	-	-	14,102	-	14,102
-	-	-	-	5,000	-	5,000
-	75,850	-	-	75,850	-	75,850
-	-	-	-	1,657,653	86,610	1,744,263
230,281	75,850	3,707,810	-0-	8,590,892	864,527	9,455,419
\$ 247,971	\$ 108,677	\$ 3,707,810	\$ 1,891,434	\$ 12,227,644	\$ 1,159,814	\$ 13,387,458

City of Corunna

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
ALL GOVERNMENTAL AND EXPENDABLE TRUST FUND TYPES

Year Ended June 30, 2003

	<u>Primary</u>	
	<u>Governmental</u>	
	<u>General</u>	<u>Special Revenue</u>
REVENUES		
Taxes	\$ 717,957	\$ 266,338
Licenses and permits	32,050	-
Intergovernmental	416,908	279,048
Charges for services	289,226	14,795
Fines and forfeits	13,276	21,009
Interest and rents	62,430	23,448
Special assessments	17,195	-
Other	76,691	122,067
	<u>1,625,733</u>	<u>726,705</u>
TOTAL REVENUES		
EXPENDITURES		
General government	474,537	216,143
Public safety	496,594	-
Highways and streets	-	377,578
Public works	263,852	-
Health and welfare	-	30,666
Community and economic development	19,724	-
Recreation and cultural	120,606	269,464
Other	48,275	5,230
Debt service	-	-
	<u>1,423,588</u>	<u>899,081</u>
TOTAL EXPENDITURES		
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	202,145	(172,376)
OTHER FINANCING SOURCES (USES)		
Operating transfers in	7,728	371,396
Operating transfers out	(310,396)	(435,972)
	<u>(302,668)</u>	<u>(64,576)</u>
TOTAL OTHER FINANCING SOURCES (USES)		
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(100,523)	(236,952)
Fund balances, beginning of year	519,868	1,095,949
Prior period adjustments	-	30,938
	<u>-</u>	<u>30,938</u>
Fund balances, end of year	<u>\$ 419,345</u>	<u>\$ 889,935</u>

See accompanying notes to general purpose financial statements.

Government			Component Unit	
Fund Types				Reporting Entity
Debt Service	Capital Projects	Totals (Memorandum Only)	Downtown Development Authority	Totals (Memorandum Only)
\$ -	\$ -	984,295	\$ 59,737	\$ 1,044,032
-	-	32,050	-	32,050
-	-	695,956	-	695,956
-	-	304,021	-	304,021
-	-	34,285	-	34,285
632	1,064	87,574	68,996	156,570
-	-	17,195	-	17,195
-	15,496	214,254	-	214,254
632	16,560	2,369,630	128,733	2,498,363
-	-	690,680	-	690,680
-	-	496,594	-	496,594
-	-	377,578	-	377,578
-	121,046	384,898	-	384,898
-	-	30,666	-	30,666
-	-	19,724	-	19,724
-	-	390,070	-	390,070
294	-	53,799	48,719	102,518
266,022	-	266,022	43,385	309,407
266,316	121,046	2,710,031	92,104	2,802,135
(265,684)	(104,486)	(340,401)	36,629	(303,772)
265,972	214,201	859,297	-	859,297
(28,728)	(84,201)	(859,297)	-	(859,297)
237,244	130,000	-	-0-	-
(28,440)	25,514	(340,401)	36,629	(303,772)
66,746	303,655	1,986,218	67,968	2,054,186
-	-	30,938	(17,987)	12,951
\$ 38,306	\$ 329,169	\$ 1,676,755	\$ 86,610	\$ 1,763,365

City of Corunna

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUND TYPES

Year Ended June 30, 2003

	General Fund		
	Amended Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Taxes	\$ 716,723	\$ 717,957	\$ 1,234
Licenses and permits	28,500	32,050	3,550
Intergovernmental	429,765	416,908	(12,857)
Charges for services	282,517	289,226	6,709
Fines and forfeits	22,000	13,276	(8,724)
Interest and rents	62,220	62,430	210
Special assessments	18,000	17,195	(805)
Other	48,141	76,691	28,550
TOTAL REVENUES	1,607,866	1,625,733	17,867
EXPENDITURES			
General government	505,036	474,537	30,499
Public safety	518,379	496,594	21,785
Highways and streets	-	-	-0-
Public works	301,113	263,852	37,261
Health and welfare	-	-	-0-
Community and economic development	22,900	19,724	3,176
Recreation and cultural	128,830	120,606	8,224
Other	49,477	48,275	1,202
TOTAL EXPENDITURES	1,525,735	1,423,588	102,147
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	82,131	202,145	120,014
OTHER FINANCING SOURCES (USES)			
Operating transfers in	7,728	7,728	-0-
Operating transfers out	(309,896)	(310,396)	(500)
TOTAL OTHER FINANCING SOURCES (USES)	(302,168)	(302,668)	(500)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(220,037)	(100,523)	119,514
Fund balances, beginning of year	519,868	519,868	-0-
Prior period adjustments	-	-	-0-
Fund balances, end of year	\$ 299,831	\$ 419,345	\$ 119,514

See accompanying notes to general purpose financial statements.

Special Revenue Funds

<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 538,917	\$ 266,338	\$ (272,579)
-	-	-0-
137,872	279,048	141,176
10,500	14,795	4,295
17,700	21,009	3,309
22,300	23,448	1,148
-	-	-0-
106,310	122,067	15,757
<u>833,599</u>	<u>726,705</u>	<u>(106,894)</u>
20,000	216,143	(196,143)
-	-	-0-
421,870	377,578	44,292
-	-	-0-
30,000	30,666	(666)
-	-	-0-
306,319	269,464	36,855
227,000	5,230	221,770
<u>1,005,189</u>	<u>899,081</u>	<u>106,108</u>
(171,590)	(172,376)	(786)
353,896	371,396	17,500
<u>(435,972)</u>	<u>(435,972)</u>	<u>-0-</u>
<u>(82,076)</u>	<u>(64,576)</u>	<u>17,500</u>
(253,666)	(236,952)	16,714
1,095,949	1,095,949	-0-
-0-	30,938	(30,938)
<u>\$ 842,283</u>	<u>\$ 889,935</u>	<u>\$ (14,224)</u>

City of Corunna

COMBINED STATEMENT OF REVENUES, EXPENSES/EXPENDITURES, AND
CHANGES IN RETAINED EARNINGS/FUND BALANCE - PROPRIETARY
FUND TYPES AND SIMILAR TRUST FUND

Year Ended June 30, 2003

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Internal Service (Motor Pool)	Nonexpendable Trust Fund (Cemetery Perpetual Care)	
OPERATING REVENUES				
Charges for services	\$ 782,719	\$ 124,326	\$ 2,152	\$ 909,197
Capital charges	138,246	-	-	138,246
Other	45	35	-	80
TOTAL OPERATING REVENUES	921,010	124,361	2,152	1,047,523
OPERATING EXPENSES				
Salaries and wages	125,845	13,930	-	139,775
Fringe benefits	57,565	6,112	-	63,677
Contractual services	134,806	4,720	1,390	140,916
Supplies	21,657	26,711	-	48,368
Utilities	10,543	6,963	-	17,506
Treatment costs	319,684	-	-	319,684
Administration charges	-	6,036	-	6,036
Equipment rental	14,571	-	-	14,571
Other	3,700	-	-	3,700
Depreciation and amortization	176,454	51,570	-	228,024
TOTAL OPERATING EXPENSES	864,825	116,042	1,390	982,257
OPERATING INCOME	56,185	8,319	762	65,266
NONOPERATING REVENUES (EXPENSES)				
Interest revenue	6,347	-	1,147	7,494
Rent revenue	8,018	-	-	8,018
Interest expense and fees	(72,279)	(995)	-	(73,274)
TOTAL NONOPERATING REVENUES (EXPENSES)	(57,914)	(995)	1,147	(57,762)
NET INCOME (LOSS)	(1,729)	7,324	1,909	7,504
Retained earnings, beginning of year	662,643	222,957	73,941	959,541
Retained earnings, end of year	\$ 660,914	\$ 230,281	\$ 75,850	\$ 967,045

See accompanying notes to general purpose financial statements.

City of Corunna

COMBINED STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPES
AND SIMILAR TRUST FUND

Year Ended June 30, 2003

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Internal Service (Motor Pool)	Nonexpendable Trust Funds (Cemetery Perpetual Care)	
CASH FLOWS FROM OPERATING ACTIVITIES				
Operating income	\$ 56,185	\$ 8,319	\$ 762	\$ 65,266
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation and amortization	176,454	51,570	-	228,024
(Increase) decrease in receivables	2,235	-	(914)	1,321
Increase (decrease) in accounts payable	(5,660)	755	1,390	(3,515)
Increase (decrease) in accrued liabilities	134	(821)	-	(687)
(Decrease) in accrued interest payable	(1,017)	-	-	(1,017)
NET CASH PROVIDED BY OPERATING ACTIVITIES	228,331	59,823	1,238	289,392
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Rent revenue	8,018	-	-	8,018
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Interest expense	(72,279)	(995)	-	(73,274)
Capital purchases	(48,497)	(49,022)	-	(97,519)
Payment of borrowing	(117,393)	(9,310)	-	(126,703)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(238,169)	(59,327)	-0-	(297,496)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest revenue	6,347	-	1,147	7,494
Purchase of investments	(255,000)	-	(35,587)	(290,587)
Maturity of investments	250,000	-	35,354	285,354
NET CASH PROVIDED BY INVESTING ACTIVITIES	1,347	-0-	914	2,261
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING YEAR	(473)	496	2,152	2,175
Cash and cash equivalents, beginning of year	99,420	67,264	38,427	205,111
Cash and cash equivalents, end of year	<u>\$ 98,947</u>	<u>\$ 67,760</u>	<u>\$ 40,579</u>	<u>\$ 207,286</u>

See accompanying notes to general purpose financial statements.

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2003

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Corunna is located in Shiawassee County, Michigan and has a population of approximately 3,381. The City of Corunna operates with a City Manager/Council form of government and provides services to its residents in many areas including general government, law enforcement, highways and streets, human services, and utilities services.

The City has six (6) City Council members who are elected at large for overlapping four (4) year terms and a Mayor elected at large for a two (2) year term. The Council appoints the City Manager, Finance Director/Treasurer, and Assessor.

The financial statements of the City have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to City governments. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City's more significant accounting policies are described below.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement 14, The Financial Reporting Entity; and Statement on Michigan Governmental Accounting and Auditing No. 5, these financial statements present the financial activities of the City of Corunna (primary government), and its component units. Blended component units, although legally separate entities, are, in substance, part of the governments operations and so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the general purpose financial statements to emphasize that they are legally separate from the primary government.

Based upon the application of these criteria, the general purpose financial statements of the City of Corunna contain all the funds and account groups controlled by the City Council.

2. Discretely Presented Component Unit

The component unit columns in the general purpose financial statements include the financial data of the City's component unit (Downtown Development Authority). It is reported in a separate column to emphasize that it is legally separate from the City.

The governing body of the Downtown Development Authority is appointed by the City Council, the Authority's budget is subject to the approval of the City Council, the City temporarily relinquishes part of its tax base to the Authority (tax increment revenues), and the City has pledged its full faith and credit toward payment of the Authority's debt.

3. Blended Component Units

Corunna-Caledonia Fire Department - The City of Corunna, in conjunction with Caledonia Charter Township, has entered into an agreement that created the Corunna-Caledonia Fire Department. The Fire Department is governed by a five (5) member board. The City and the Township each appoint two individuals to the governing board. The appointed board members select an additional individual to serve on the Board as an at-large member. The Board's majority alternates between the City and the Township every four years based on the appointment of the at-large member.

Based on the agreement creating the Fire Department, the Township is responsible for 58% of the annual expenditures of the Department, while the City of Corunna's share is 42%. The City of Corunna acts as the fiscal agent to the Fire Department and is reimbursed by the Township for the City's share of operating expenditures. The Special Revenue Fire Capital Acquisition Fund accounts for the City's share of revenue generated from fire runs and the City's portion of the repayment of loan proceeds borrowed to finance the acquisition of a fire truck.

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2003

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Blended Component Units - continued

The financial statements of the City of Corunna Building Authority have been blended with the City's Debt Service Funds and General Long-Term Debt Account Group. The financial statements of the Corunna Historical Commission, Softball Commission, and Corunna Fourth of July Commission have been blended with the City's Special Revenue Funds.

The Corunna Softball Commission activities are reported on the fiscal year end of October 31, 2002. The Corunna-Caledonia Fire Department activities are reported on the fiscal year end of December 31, 2002.

4. Joint Venture

The City participates in the following activity which is considered to be a joint venture in relation to the City, due to there being ongoing financial interest or responsibility:

Owosso Community Airport Board - The City of Corunna along with the City of Owosso, Shiawassee County, and Owosso and Caledonia Townships have entered into an agreement, which created the Owosso Community Airport Board. The Airport Board is composed of one (1) member from each of the member municipalities. The Airport has been reported as a fund in the December 31, 2002 financial statements of Shiawassee County. The Airport is expected to be self-sufficient but based on a "10 Year Funding Model" approved by the Board each participating municipality shall make a direct appropriation to cover operations and development costs. The percentage share for the funding model for each municipality is Shiawassee County and the City of Owosso 33%, Owosso and Caledonia Townships 13%, and the City of Corunna 8%. The City paid \$1,093 to the Board for the year ended June 30, 2003.

5. Jointly Governed Organizations

The City participates in the following activities which are considered to be jointly governed organizations in relation to the City, due to there being no ongoing financial interest or responsibility:

Corunna Area Ambulance Service, Inc. - The City of Corunna along with the Townships of New Haven and Caledonia have entered into a service agreement with Corunna Area Ambulance Service, Inc., a Michigan nonprofit Corporation. The Corporation's board is composed of seven (7) members appointed by the corporation and one each from the City of Corunna, and New Haven and Caledonia Townships. The City is responsible to pay a per dwelling or equivalent unit charge for all dwellings in the City limits which is assessed to all residents on their summer tax bills. The City paid \$40,875 in per dwelling charges to Corunna Area Ambulance Service, Inc. for the year ended June 30, 2003.

6. Basis of Presentation

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. City resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds and account groups reported in the financial statements are categorized and described as follows:

GOVERNMENTAL FUNDS

a. General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2003

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Basis of Presentation - continued

- b. Special Revenue Funds - The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.
- c. Debt Service Funds - The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.
- d. Capital Projects Funds - The Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital projects (other than those financed by Proprietary Funds and Trust Funds).

PROPRIETARY FUNDS

- a. Enterprise Funds - The Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.
- b. Internal Service Fund - The Internal Service Fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis.

FIDUCIARY FUNDS

- a. Trust Funds - The Trust Funds are used to account for assets held by the City in a trustee capacity. Nonexpendable trust funds are reported similar to proprietary funds.
- b. Agency Funds - The Agency Funds are used to account for assets held by the City in a trustee capacity as an agent for individuals, other organizations, other governments, and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

ACCOUNT GROUPS

- a. General Fixed Assets Account Group - The General Fixed Assets Account Group is a self-balancing group of accounts used to establish accounting control over the fixed assets of the City.
- b. General Long-Term Debt Account Group - The General Long-Term Debt Account Group is used to record the outstanding long-term obligations not otherwise recorded in the Proprietary Funds.

COMPONENT UNIT FUNDS

The City of Corunna Downtown Development Authority component unit funds and account groups have been aggregated for presentation within the City General Purpose Financial Statements as one column on the Combined Balance Sheet and Combined Statement of Revenues, Expenditures, and Changes in Fund Balances. The detailed Annual Financial Statements of the City of Corunna Downtown Development Authority are available for public inspection at the Corunna City Hall.

- a. Special Revenue Fund - The Component Unit Special Revenue Fund is used to account for the proceeds of specific revenue and rent sources (tax increment financing and rent revenues) that are legally restricted to expenditures for specified purposes.

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2003

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Basis of Presentation - continued

- b. General Fixed Assets Account Group - The Component Unit General Fixed Assets Account Group is a self-balancing group of accounts used to establish accounting control over the fixed assets of the component unit.
- c. General Long-Term Debt Account Group - The Component Unit General Long-Term Debt Account Group is used to establish accounting control and accountability for the unmatured principal on the unit's long-term debt.

7. Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental, component unit, and similar trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the Balance Sheet, except for the component unit funds, which with discrete presentation includes an amount available and an amount payable related to a commercial loan. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current and long-term assets.

All proprietary and similar trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the Balance Sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

There is no measurement focus for the agency fund since assets equal liabilities.

8. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental, agency, and component unit funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). Revenues, which are considered measurable, but not available, are recorded as a receivable and deferred revenue. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

The proprietary and similar trust funds are accounted for using the accrual basis of accounting. The revenues are recognized when they are earned, and the expenses are recognized when they are incurred.

9. Budgets and Budgetary Accounting

The General and Special Revenue Funds budgets shown in the financial statements were prepared on a basis consistent with the modified accrual basis used to reflect actual results. The City employs the following procedures in establishing the budgetary data reflected in the financial statements.

- a. On the council meeting nearest but no later than the third Monday in May, the City Manager submits to City Council the proposed operating budgets for the fiscal year commencing the following July 1. The operating budgets include proposed expenditures and resources to finance them.

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2003

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

9. Budgets and Budgetary Accounting - continued

- b. A Public Hearing is conducted to obtain taxpayers' comments.
- c. Prior to July 1, the budget is legally adopted with passage by Council vote.
- d. The budget is legally adopted at the activity level for the General Fund and total expenditure level for the Special Revenue Funds; however, they are maintained at the account level for control purposes.
- e. The City does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds. Appropriations unused at June 30 are not carried forward to the following fiscal year.
- f. Budgeted amounts are reported as originally adopted or amended by the City Council during the year. Individual amendments were appropriately approved by the City Council as required.

10. Cash, Cash Equivalents, and Investments

The City pools cash resources of various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balances in the pooled cash accounts are available to meet current operating requirements. Cash in excess of current requirements is invested in various interest bearing securities and disclosed as part of the City's investments. Cash equivalents consist of temporary investments in mutual funds and certificates of deposit with original maturities of 90 days or less.

Investments include certificates of deposit with an original maturity of greater than 90 days from the date of purchase. All certificates of deposit are stated at market value.

11. Property Tax

The City of Corunna bills and collects its own property taxes and also taxes for other governmental units. The City's property tax revenue recognition policy and related tax calendar disclosures are highlighted in the following paragraph.

Property taxes are levied by the City of Corunna on July 1 and December 1 and are payable without penalty through September 15 and February 14, respectively. The July 1 levy is composed of the City's millage, special assessments, and the school taxes. The December 1 levy is composed of county and schools taxes. All real property taxes not paid to the City by March 1 are turned over to the Shiawassee County Treasurer for collection. The Shiawassee County Treasurer purchases the receivables of all taxing districts on any delinquent real property taxes. Delinquent personal property taxes are retained by the City for subsequent collection. Collections and remittances of all taxes are accounted for in the Current Tax Collections Agency Fund. City property tax revenues are recognized as revenues in the fiscal year levied.

The City is permitted to levy taxes up to 15 mills (\$15 per \$1,000 of taxable valuation) for general governmental services other than the payment of Debt Service Fund expenses and up to an additional five (5) mills (\$5 per \$1,000 of taxable valuation) for City Public Improvements. For the year ended June 30, 2003, the City levied 13.6830 mills per \$1,000 of assessed valuation for general governmental services and 4.9720 mills for City Public Improvements. The total Taxable Value for the 2002 levy for property within the City was \$52,603,550.

12. Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers.

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2003

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

12. Interfund Transactions - continued

The Internal Service Fund (Motor Pool) records charges for equipment rental to various City departments and funds as operating revenue. All City funds record these payments as operating expenditures/expenses.

13. Compensated Absences

City employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is paid for accumulated vacation days. Employees are not paid for accumulated sick leave. All employees with accumulated unused vacation pay at June 30, 2003 were vested and the total due to them, along with the related payroll taxes, is recorded entirely in the General Long-Term Debt Account Group.

14. Fixed Assets and Long-Term Liabilities

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources".

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in a General Fixed Assets Account Group, rather than in the governmental funds. The general fixed assets are recorded as expenditures at the time of purchase in the governmental fund types. Fixed assets with a unit cost of \$1,500 or greater are capitalized in the General Fixed Asset Account Group.

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group, not in the governmental funds.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components.

Long-term liabilities expected to be financed from component unit funds are accounted for within the respective component unit fund to show proper primary government and component unit segregation of debt.

Fixed assets are recorded at cost, or if donated, at fair market value at the date of donation. Expenditures, which materially extend the useful life of existing assets, are capitalized. Public domain (infrastructure) general fixed assets, which include roads, bridges, curbs and gutters, sidewalks, and drains, are not capitalized.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation is computed on the straight-line method over the estimated useful lives of the related assets.

The estimated useful lives are:

Sewer and Water systems and improvements	10 - 40 years
Equipment	5 - 15 years

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2003

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

15. Treatment Rights

The City of Corunna has contracted with the Owosso Township - Caledonia Township Utility Authority for the right to distribute wastewater through authority pipe to the City of Owosso for the treatment rights to treat its wastewater.

These rights are being amortized over the period of the related contract's liability.

16. Comparative Data

Comparative data for the prior year has been presented in some of the accompanying financial statements in order to provide an understanding of changes in financial position and operations.

17. Total Columns on Combined Statements

Total columns on the combined statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations, or changes in financial position in conformity with accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS

The City utilizes various pooled cash accounts and investments for approximately thirty funds. The City's pooled cash accounts consist of a common checking account, savings accounts, certificates of deposit, and investment trust funds.

The City's pooled cash accounts and investments are utilized by the General Fund, Special Revenue Funds, Debt Service Funds, Capital Project Funds, Enterprise Funds, Internal Service Fund, and the Trust and Agency Funds. Each fund's portion of these pooled accounts is included in the cash and cash equivalents and investments captions on the combined balance sheet.

The other funds of the City utilize separate savings and interest bearing checking accounts. In addition, certificates of deposit are held separately by several of the City's funds.

In accordance with Michigan Compiled Laws, the City is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of the State or the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible to be a depository of surplus funds belong to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2003

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

4. The United States government or federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National mortgage Association, or Government National Mortgage Association.

Deposits

As of June 30, 2003, the carrying amounts and bank balances for each type of bank account are as follows:

<u>Account Type</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
Regular checking	\$ 1,102,276	\$ 1,109,811
Savings and certificates of deposit	<u>952,060</u>	<u>952,584</u>
	<u>\$ 2,054,336</u>	<u>\$ 2,062,395</u>

Deposits of the City are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the City. As of June 30, 2003, the City accounts were insured by the FDIC for \$1,019,266, and the amount of \$1,043,129 was uninsured and uncollateralized.

Investments

As of June 30, 2003, the carrying amounts and market values for the investment is as follows:

<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Market Value</u>
Uncategorized pooled investment funds	<u>\$ 103,840</u>	<u>\$ 103,840</u>

Due to significantly higher cash flow at certain periods during the year, the amount the City held as cash and cash equivalents increased significantly. As a result, the amount of uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year-end.

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the combined balance sheet, based upon criteria disclosed in Note A. The following summarizes the categorization of these amounts as of June 30, 2003:

Cash and cash equivalents	\$ 1,201,097
Cash and cash equivalents - restricted	6,539
Investments	<u>950,540</u>
	<u>\$ 2,158,176</u>

The amounts identified above include Enterprise (Sewer System) Fund restricted cash of \$6,539 as of June 30, 2003 to be used to fund Sewer System improvements.

City of Corunna

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2003

NOTE C: INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at June 30, 2003, are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General		General	
Water System	\$ 295	City Improvements	\$ 4,897
Tax	<u>26,680</u>		
	26,975	Special Revenue	
		Major Street	
		Local Street	6,483
Special Revenue		Local Street	
Local Street		Sewer System	<u>15,505</u>
Major Street	6,483		
H.U.D. Grant			21,988
Sewer	4,769	Enterprise	
City Improvements		Water System	
Tax	550	General Fund	295
General	<u>4,897</u>	Sewer	
	16,699	H.U.D. Grant	<u>4,769</u>
			5,064
Enterprise		Trust and Agency	
Sewer System		Current Tax Collections	
Local Street	<u>15,505</u>	General Fund	26,680
		City Improvements	<u>550</u>
			<u>27,230</u>
	<u>\$ 59,179</u>		<u>\$ 59,179</u>

NOTE D: ADVANCES RECEIVABLE AND PAYABLE

On July 7, 1997, the City General Fund loaned the Historical Commission (Special Revenue) Fund \$30,000, which was used to move a home into the historical village. The amount is due with no interest. During the current year the commission repaid \$5,000 in principal.

The following summarizes the outstanding balances of advances receivable and payable to other funds at June 30, 2003:

<u>Fund</u>	<u>Advance To</u>	<u>Fund</u>	<u>Advance From</u>
General Fund		Special Revenue Funds	
Special Revenue Funds		Historical Commission Fund	
Historical Commission Fund	<u>\$ 5,000</u>	General Fund	<u>\$ 5,000</u>

City of Corunna

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2003

NOTE E: LONG-TERM CONTRACTS RECEIVABLE

The City has several loans to individuals and businesses made through the Economic Development Fund. The amounts attributable to these long-term contracts receivable have been recorded in the Economic Development (Special Revenue) Fund as contracts receivable and deferred revenue. The following is a summary of future annual revenue from debtors that currently have signed promissory notes with the City:

<u>Years ending June 30,</u>	
2004	\$ 27,234
2005	27,234
2006	27,234
2007	23,767
2008	18,000
2009-2013	<u>87,359</u>
	210,828
Less: interest	<u>(58,571)</u>
	<u>\$ 152,257</u>

NOTE F: FIXED ASSETS

A summary of Proprietary Fund Type fixed assets at June 30, 2003, follows:

PRIMARY GOVERNMENT

	<u>Enterprise</u>	<u>Internal Service (Motor Pool)</u>
Land	\$ 127	\$ -
System and improvements	5,793,123	-
Equipment	<u>88,995</u>	<u>595,374</u>
Total	5,882,245	595,374
Less: accumulated depreciation	<u>(2,341,195)</u>	<u>(415,163)</u>
Net fixed assets	<u>\$ 3,541,050</u>	<u>\$ 180,211</u>

The following schedule summarizes the changes in components of the General Fixed Assets Account Group:

PRIMARY GOVERNMENT

	<u>Restated Balance July 1, 2002</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2003</u>
Land, buildings, and improvements	\$ 2,345,319	\$ 475,000	\$ 12,620	\$ 2,807,699
Vehicles and equipment	<u>1,044,655</u>	<u>15,715</u>	<u>160,259</u>	<u>900,111</u>
	<u>\$ 3,389,974</u>	<u>\$ 490,715</u>	<u>\$ 172,879</u>	<u>\$ 3,707,810</u>

City of Corunna

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2003

NOTE F: FIXED ASSETS - CONTINUED

COMPONENT UNIT - DOWNTOWN DEVELOPMENT AUTHORITY

	Balance <u>July 1, 2002</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2003</u>
Land	\$ 27,000	\$ -	\$ -	\$ 27,000
Parking lot	42,171	-	-	42,171
Building	696,363	-	-	696,363
Improvements	<u>12,383</u>	<u>-</u>	<u>-</u>	<u>12,383</u>
	<u>\$ 777,917</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 777,917</u>

NOTE G: LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portion) of the City for the year ended June 30, 2003:

	Balance <u>July 1, 2002</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2003</u>
PRIMARY GOVERNMENT				
General Long-Term Debt				
1998 Transportation Bonds	\$ 180,000	\$ -	\$ 10,000	\$ 170,000
1996 G.O. Public Improvement Bonds	500,000	-	90,000	410,000
2000 G.O. Public Improvement Bonds	855,000	-	40,000	815,000
2001 G.O. Public Improvement Bonds	470,000	-	30,000	440,000
Installment Purchase Agreement	24,340	-	4,492	19,848
Accumulated Vacation	<u>30,697</u>	<u>5,889</u>	<u>-</u>	<u>36,586</u>
	2,060,037	5,889	174,492	1,891,434
Enterprise Funds				
Sewer System Fund				
Improvement Bonds - 1980	275,000	-	10,000	265,000
Improvement Bonds - 1996	445,000	-	20,000	425,000
Contracts payable	92,000	-	17,480	74,520
Water Fund				
General Obligation Bonds	450,000	-	50,000	400,000
Water Tower IPA - 1999	<u>179,170</u>	<u>-</u>	<u>19,913</u>	<u>159,257</u>
	1,441,170	-0-	117,393	1,323,777
Internal Service Fund				
Capital Lease - Backhoe	<u>24,259</u>	<u>-</u>	<u>9,310</u>	<u>14,949</u>
TOTAL PRIMARY GOVERNMENT	3,525,466	5,889	301,195	3,230,160
COMPONENT UNIT FUND				
Downtown Development Authority				
Loan payable	<u>311,039</u>	<u>-</u>	<u>28,166</u>	<u>282,873</u>
	<u>\$ 3,836,505</u>	<u>\$ 5,889</u>	<u>\$ 329,361</u>	<u>\$ 3,513,033</u>

City of Corunna

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2003

NOTE G: LONG-TERM DEBT - CONTINUED

Significant details regarding outstanding long-term debt (including current portion) are presented below:

PRIMARY GOVERNMENT

Contracts Payable

\$107,180 City of Owosso contract payable dated July 18, 2001, due in annual installments ranging from \$17,020 to \$20,240 through October 1, 2006, with no interest. \$ 74,520

General Obligation Bonds

\$220,000 1998 County of Shiawassee, City of Corunna Transportation Bonds dated April 1, 1998, due in annual installments ranging from \$15,000 to \$20,000 through August 1, 2012, with interest ranging from 4.70 to 5.05 percent, payable annually. 170,000

\$870,000 1996 County of Shiawassee, City of Corunna Public Improvement Bonds dated September 1, 1996, due in annual installments ranging from \$95,000 to \$110,000 through September 1, 2006, with interest ranging from 5.00 to 5.30 percent, payable semi-annually. 410,000

\$895,000 2000 County of Shiawassee, City of Corunna Public Improvement Bonds dated October 11, 2000, due in annual installments ranging from \$45,000 to \$85,000 through November 1, 2015, with interest ranging from 4.75 to 5.30 percent payable annually. 815,000

\$700,000 1992 Shiawassee County, City of Corunna Water Supply System Improvement Bonds dated May 1, 1991, due in annual installments of \$50,000 through May 1, 2011, with interest ranging from 5.80 to 6.25 percent, payable annually. 400,000

\$490,000 2001 County of Shiawassee, City of Corunna Public Improvement Bonds dated June 1, 2001, due in annual installments ranging from \$30,000 to \$90,000 through May 1, 2011, with interest ranging from 3.70 to 4.75 percent, payable semi-annually. 440,000

Revenue Bonds

\$550,000 1996 Wastewater Treatment System Revenue Bonds dated February 1, 1998, due in annual installments ranging from \$20,000 to \$40,000 through November 1, 2015, with interest ranging from 4.60 to 5.35 percent, payable annually. 425,000

\$420,000 USDA-FMHA Sewer Revenue Bonds dated August 15, 1980, due in annual installments ranging from \$15,000 to \$20,000 through August 1, 2019, with interest at 5.0 percent, payable annually. 265,000

Installment Purchase Agreement - Enterprise (Water) Fund

\$224,200 1999 Installment Purchase Agreement dated September 20, 1999, due in semi-annual installments ranging from \$10,338 to \$14,366 through November 1, 2009, with interest at 5.56 percent. 159,257

TOTAL PRIMARY GOVERNMENT 3,158,777

City of Corunna

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2003

NOTE G: LONG-TERM DEBT - CONTINUED

COMPONENT UNIT

\$346,227 Downtown Development Authority bank promissory note dated September 27, 2000, due in monthly payments of \$4,243 the first of each month including monthly interest on the unpaid balance at .5 percent below the prime rate.

\$ 282,873

\$ 3,441,650

Capital Leases - Primary Government

The City has entered into a lease purchase agreement to finance the acquisition of a backhoe, for which the liability is recorded in the Motor Vehicle Fund. The lease agreement qualifies as a capital lease for accounting purposes (title transfers at end of lease term at bargain price) and, therefore, has been recorded at the present value of future minimum lease payments as of the date of inception. The cost of equipment acquired under the lease purchase agreement amounted to \$50,700.

Commitments under this lease agreement provide for minimum annual payments as follows:

<u>Years Ending June 30,</u>	
2004	\$ 10,519
2005	<u>5,260</u>
	15,779
Less: amount representing interest	<u>(830)</u>
Present value of minimum lease payments	<u>\$ 14,949</u>

Installment Purchase Agreement - Primary Government - Blended Component Unit

The City of Corunna and the Caledonia Charter Township have entered into a joint installment purchase agreement for the purpose of purchasing a fire truck. The installment loan, dated December 3, 1998 is due in monthly installments of \$1,381 including monthly interest on the unpaid balance at 4.30 percent per annum. The City of Corunna is obligated to repay 42% and the Township is obligated to repay 58%. At December 31, 2002, the outstanding principal balance was \$47,255. The City's original share of the principal was \$42,000 and its share of the outstanding principal balance was \$19,848.

The annual requirements to pay the debt principal and interest outstanding for the installment purchase agreement are as follows:

<u>Year Ending December 31,</u>	<u>Total</u>	<u>City Share</u>
2003	\$ 16,572	\$ 6,960
2004	16,572	6,960
2005	16,572	6,960
2006	<u>1,403</u>	<u>589</u>
	51,119	21,469
Less: interest	<u>(3,864)</u>	<u>(1,621)</u>
	<u>\$ 47,255</u>	<u>\$ 19,848</u>

This installment loan is reported as of December 31, 2002, to be consistent with other financial information presented for the Corunna-Caledonia Fire Department.

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2003

NOTE G: LONG-TERM DEBT - CONTINUEDAccrued Vacation

Individual employees have vested rights upon termination of employment to receive payments for unused vacation. The dollar amount of these vested rights including related payroll taxes, which have been accrued on the financial statements in the General Long-Term Debt Account Group, amounted to approximately \$36,586 at June 30, 2003.

The annual requirements to pay the debt principal and interest outstanding for the bonds and contracts are as follows:

<u>Years Ending June 30,</u>	<u>Contracts Payable</u>	<u>General Obligation Bonds</u>	<u>Revenue Improvements Bonds</u>	<u>Installment Purchase Agreement</u>	<u>Total</u>
2004	\$ 17,020	\$ 345,784	\$ 69,800	\$ 29,530	\$ 462,134
2005	18,860	338,946	73,130	29,530	460,466
2006	18,400	346,273	70,705	29,530	464,908
2007	20,240	342,650	68,755	29,530	461,175
2008	-	236,146	72,280	29,530	337,956
2009-2013	-	972,758	355,220	44,295	1,372,273
2014-2018	-	259,611	227,215	-	486,826
2019-2020	-	-	42,000	-	42,000
	74,520	2,842,168	979,105	191,945	4,087,738
Less: interest	(-)	(607,168)	(289,105)	(32,688)	(928,961)
	<u>\$ 74,520</u>	<u>\$ 2,235,000</u>	<u>\$ 690,000</u>	<u>\$ 159,257</u>	<u>\$ 3,158,777</u>

It is not possible to project a payment schedule for the Downtown Development Authority bank promissory note due to the varying interest rates based on the prime rate at time of repayment. As a result, it is not included in the schedule above.

NOTE H: RETIREMENT PLANPlan Description

The City participates in the Michigan Municipal Employees Retirement System, an agent multiple-employer defined benefit pension plan that covers all eligible full-time employees of the City. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by the City Commission and by negotiation with the City's collective bargaining units. The plan requires no contribution from the employees.

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2003

NOTE H: RETIREMENT PLAN - CONTINUEDAnnual Pension Cost

For year ended June 30, 2003 the City's annual pension cost of \$96,242 for the plan was equal to the City's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2002, using the entry age normal cost method. Significant actuarial assumptions used include (a) a 8.00 percent investment rate of return (b) projected salary increases of 4.5 percent per year compounded annually, attributable to inflation (c) additional salary increases ranging from 0% to 4.2% per year depending on age, seniority and merit, and (d) assumption benefits will not increase after retirement. The actuarial value of assets was determined using techniques that smooth the effects of short term volatility over a four (4) year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is ten (10) years.

Three (3) year trend information

	Year Ended December 31,		
	<u>2000</u>	<u>2001</u>	<u>2002</u>
Actuarial value of assets	\$ 2,126,444	\$ 2,305,321	\$ 2,329,389
Actuarial accrued liability (AAL) (entry age)	2,857,551	2,927,511	3,142,582
Unfunded AAL	731,107	622,190	813,193
Funded ratio	74 %	78 %	74 %
Covered payroll	\$ 490,035	\$ 515,046	\$ 554,545
UAAL as a percentage of covered payroll	149%	121 %	147 %

	Year Ended June 30,		
	<u>2001</u>	<u>2002</u>	<u>2003</u>
Annual pension cost	\$ 95,823	\$ 112,585	\$ 96,242
Percentage of APC contributed	100 %	100 %	100 %
Net pension obligation	-	-	-

This trend information was obtained from the most recently issued actuarial reports.

NOTE I: SEGMENT INFORMATION

The City operates the Sewer System and Water System utilities providing services to the various City residents. Segment information for the fiscal year ending June 30, 2003, is as follows:

	<u>Sewer System</u>	<u>Water System</u>	<u>Total</u>
Operating revenues	\$ 473,710	\$ 447,300	\$ 921,010
Operating expenses			
Depreciation and amortization	117,593	58,861	176,454
Other	334,853	353,518	688,371
Operating income	21,264	34,921	56,185
Net income (loss)	(3,981)	2,252	(1,729)
Contributed capital	2,075,344	163,938	2,239,282
Net working capital	196,796	11,702	208,498
Total assets	2,992,206	1,276,715	4,268,921
Long-term liabilities			
Contracts payable	57,500	148,919	206,419
General obligation bonds payable	-	350,000	350,000
Revenue improvement bonds payable	655,000	-	655,000
Total equity	2,206,048	694,148	2,900,196

City of Corunna

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2003

NOTE J: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Michigan Public Act 621 of 1978, Sections 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amounts appropriated.

In the body of the combined financial statements, the City's budgeted expenditures in the General, Special Revenue, and Debt Service Funds have been shown at the functional classification level. The approved budgets of the City have been adopted at the activity level for the General Fund and the total expenditure level for the Special Revenue and Debt Service Funds.

During the year ended June 30, 2003, the City incurred expenditures in the General Fund and one (1) Special Revenue Fund in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
Recreation and Cultural			
Summer recreation	\$ 18,261	\$ 19,760	\$ 1,499
Operating transfer out			
Fourth of July Commission	1,500	2,000	500
Special Revenue Funds			
Cemetery	30,000	30,666	666
Historical Commission	23,600	40,409	16,809
Softball Commission	28,710	32,797	4,087
Municipal Building	20,000	216,143	196,143
Fire Capital Acquisition Fund	-	5,220	5,220

NOTE K: FUND EQUITY RESERVES AND DESIGNATIONS

Reserved fund balance and retained earnings are used to earmark a portion of fund equity to indicate that it is not appropriate for expenditures or has been legally segregated for a specific future use. Designated fund balance indicates that portion of the fund balance that the City has set aside for specific purposes.

The following are the various fund balance and retained earnings reserves as of June 30, 2003:

Fund Balance

General Fund		
Reserved for advances to other funds		\$ 5,000
Debt Service Funds		
1998 MTF Bonds		
Reserved for debt service		1
1996 G.O. Limited Tax Bonds		
Reserved for debt service		4,619
2000 G.O. Limited Tax Bonds		
Reserved for debt service		5,478
2001 G.O. Limited Tax Bonds		
Reserved for debt service		<u>4,004</u>
		14,102

City of Corunna

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2003

NOTE K: FUND EQUITY RESERVES AND DESIGNATIONS - CONTINUED

Fund Balance

Fiduciary Funds

Cemetery Perpetual Care
Reserved for perpetual care

\$ 75,850

\$ 94,952

Retained Earnings

Enterprise Funds

Sewer System Fund
Reserved for bonds
Reserved for debt service
Reserved for replacement

\$ 72,188

14,469

106,409

\$ 193,066

NOTE L: FUND DEFICIT

The following fund had a fund equity deficit at June 30, 2003:

Special Revenue Funds
Historical Commission

Deficit

\$ 172

NOTE M: COMPONENT UNIT LONG-TERM OPERATING LEASES

The component unit Downtown Development Authority (lessor) owns the Corunna City Center and has long-term lease contracts with various tenants.

The following is a summary of future annual rental revenue from the tenants that currently have non-cancelable lease agreements.

<u>Years Ending June 30,</u>	
2004	\$ 56,925
2005	37,311
2006	23,810
2007	<u>630</u>
	<u>\$ 118,676</u>

NOTE N: POST-RETIREMENT HEALTH CARE BENEFITS

In addition to providing pension benefits, the City provides certain health care benefits for employees who retire under the City's pension plan. All City employees may become eligible for those benefits if they reach the normal retirement age 50 with 25 years of credited service or age 55 with 15 years of credited service or after age 60 with 10 years of credited service with the City.

City of Corunna

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2003

NOTE N: POST-RETIREMENT HEALTH CARE BENEFITS - CONTINUED

The cost of retiree health care benefits is recognized as an expenditure as insurance premiums are paid.

For the year ended June 30, 2003, three retirees received benefits. The costs for the year ended June 30, 2003 totaled \$36,816 and were paid from the General Fund.

NOTE O: RISK MANAGEMENT

The City participates in a pool, the Michigan Municipal Liability and Property Pool, with other municipalities for auto, property, liability, in-land marine, electronic data processing, crime and bonds, and boiler and machinery losses. The pool is organized under Public Act 138 of 1982, as amended. The City has no liability for additional assessments based on the claims filed against the pool nor do they have rights to dividends.

The City also participates in a pool, the Michigan Municipal Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. The City has no liability for additional assessments based on the claims filed against the pool nor do they have any rights to dividends.

NOTE P: PRIOR PERIOD ADJUSTMENTS

The following prior period adjustments were made during the year, which were the result of corrections of accounting errors. These adjustments were reported as changes to beginning retained earnings. The effect of operations and other affected balances for the current and prior year are as follows:

	June 30,		
	<u>2003</u>	<u>2002</u>	<u>Description</u>
Special Revenue			
Parks Improvement			
Accounts receivable	\$ -	\$(11,110)	Correct overstated accounts receivable
Revenues over/(under) expenditures	-	(11,110)	
Fund balance - beginning	(11,110)	-	
Fire Capital Acquisition			
Revenues over/(under) expenditures	-	42,048	To record new fund
Fund balance - beginning	42,048	-	
Component Unit			
Downtown Development Authority			
Special Revenue Fund			
Accounts receivable	-	(17,987)	To adjust for write off of receivable by board
Revenues over/under expenditures	-	(17,987)	
Fund balance - beginning	(17,987)	-	

City of Corunna

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2003

NOTE Q: BUILDING AND ZONING FINANCIAL INFORMATION

The City elected to report the financial activities of the building and zoning department in the general fund. The following is the required information as it relates to this department for the year ended June 30, 2003:

REVENUES	
Building Permits	\$ 9,851
EXPENDITURES	
Salaries	19,796
Supplies	150
Administrative charges	<u>5,549</u>
TOTAL EXPENDITURES	<u>25,495</u>
EXCESS OF REVENUES UNDER EXPENDITURES	<u>\$(15,644)</u>

NOTE R: CONTINGENT LIABILITIES

There are various legal actions pending against the City. Due to the inconclusive nature of many of the actions, it is not possible for Corporation Counsel to determine the probable outcome or a reasonable estimate of the potential liability, if any. These actions for which a reasonable estimate can be determined of the potential liability, if any, are considered by City and/or component unit management and legal council to be immaterial.

NOTE S: GASB STATEMENT NO. 34

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments (Statement). Certain of the significant changes in the Statement include the following:

For the first time the financial statements will include:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the City's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the City's activities, including reporting infrastructure assets (roads, bridges, etc.).
- A change in the fund financial statements to focus on the major funds.

The general provisions of GASB Statement No. 34 must be implemented by the City of Corunna no later than the fiscal year ending June 30, 2004; the retroactive reporting of infrastructures is optional. If the City elects to retroactively report infrastructure, it must be implemented no later than the year ending June 30, 2008.

SUPPLEMENTAL FINANCIAL INFORMATION

City of Corunna

General Fund

STATEMENT OF REVENUES AND OTHER FINANCING SOURCES -
BUDGET AND ACTUAL

Year Ended June 30, 2003

With Actual Amounts for Year Ended June 30, 2002

	Amended Budget	2003 Actual	Variance Favorable (Unfavorable)	2002 Actual
REVENUES				
Taxes				
Property taxes	\$ 694,723	\$ 698,316	\$ 3,593	\$ 722,207
Industrial and commercial facilities	22,000	19,641	(2,359)	21,439
Total taxes	716,723	717,957	1,234	743,646
Licenses and permits				
Cable television license	15,500	19,969	4,469	19,922
City licenses and permits	13,000	12,081	(919)	9,323
Total licenses and permits	28,500	32,050	3,550	29,245
Intergovernmental				
State				
Sales tax	410,265	398,750	(11,515)	422,487
Michigan justice training	1,500	1,222	(278)	1,279
Traffic grant	-	292	292	2,356
Equipment grant	-	5,000	5,000	-
Federal				
COPS grant	18,000	11,644	(6,356)	13,542
Total intergovernmental	429,765	416,908	(12,857)	439,664
Charges for services				
Fire protection - Townships	61,917	59,048	(2,869)	52,572
Tax collection fees	33,000	37,284	4,284	32,615
Recreational fees	16,500	18,320	1,820	16,380
Administration charges	171,100	174,574	3,474	153,941
Total charges for services	282,517	289,226	6,709	255,508

City of Corunna

General Fund

STATEMENT OF REVENUES AND OTHER FINANCING SOURCES -
BUDGET AND ACTUAL - CONTINUED

Year Ended June 30, 2003
With Actual Amounts for Year Ended June 30, 2002

	Amended Budget	2003 Actual	Variance Favorable (Unfavorable)	2002 Actual
REVENUES - CONTINUED				
Fines and forfeits				
Parking	\$ 2,000	\$ 1,213	\$ (787)	\$ 1,215
Ordinance	20,000	12,063	(7,937)	16,228
Total fines and forfeits	22,000	13,276	(8,724)	17,443
Interest and rents				
Interest	25,000	31,754	6,754	50,410
Rents	37,220	30,676	(6,544)	32,772
Total interest and rents	62,220	62,430	210	83,182
Special assessments				
Sidewalk and other	18,000	17,195	(805)	34,736
Other				
Reimbursements	22,891	65,669	42,778	46,020
Contributions	17,650	9,306	(8,344)	5,142
Other	7,600	1,716	(5,884)	2,570
Total other	48,141	76,691	28,550	53,732
TOTAL REVENUES	1,607,866	1,625,733	17,867	1,657,156
OTHER FINANCING SOURCES				
Operating transfers in	7,728	7,728	-0-	5,000
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$ 1,615,594	\$ 1,633,461	\$ 17,867	\$ 1,662,156

City of Corunna

General Fund

STATEMENT OF EXPENDITURES BY ACTIVITY AND OTHER FINANCING USES -
BUDGET AND ACTUAL

Year Ended June 30, 2003
With Actual Amounts for Year Ended June 30, 2002

	Amended Budget	2003 Actual	Variance Favorable (Unfavorable)	2002 Actual
EXPENDITURES				
General government				
Legislative	26,710	25,579	1,131	29,029
City Manager	92,188	90,081	2,107	95,534
Clerk	83,873	78,009	5,864	79,257
Treasurer/Assessor	124,220	112,113	12,107	77,418
Elections	8,800	7,491	1,309	7,494
Legal services	15,500	10,833	4,667	22,293
City hall and grounds	57,778	56,065	1,713	48,608
Internal services	75,674	75,420	254	67,558
City services	20,293	18,946	1,347	24,293
Total general government	505,036	474,537	30,499	451,484
Public safety				
Police department	409,592	396,537	13,055	406,262
Crossing guard	2,034	1,920	114	1,969
Fire department	106,753	98,137	8,616	92,413
Total public safety	518,379	496,594	21,785	500,644
Public Works				
General services	256,563	230,638	25,925	294,445
Sidewalk construction	11,500	550	10,950	898
Public utilities	33,050	32,664	386	27,950
Total public works	301,113	263,852	37,261	323,293
Community and economic development				
Zoning	20,800	18,345	2,455	17,289
Planning commission	2,100	1,379	721	1,554
Total community and economic development	22,900	19,724	3,176	18,843
Recreation and cultural				
Parks maintenance	88,359	80,478	7,881	94,267
Summer recreation	18,261	19,760	(1,499)	17,174
Historical village	1,968	1,384	584	1,421
Community center	20,242	18,984	1,258	18,347
Total recreation and cultural	128,830	120,606	8,224	131,209

City of Corunna

General Fund

STATEMENT OF EXPENDITURES BY ACTIVITY AND OTHER FINANCING USES -
BUDGET AND ACTUAL - CONTINUED

Year Ended June 30, 2003
With Actual Amounts for Year Ended June 30, 2002

	Amended Budget	2003 Actual	Variance Favorable (Unfavorable)	2002 Actual
EXPENDITURES - CONTINUED				
Other				
Insurance	\$ 12,570	\$ 11,459	\$ 1,111	\$ 10,058
Fringe benefits	36,907	36,816	91	22,927
Total other	<u>49,477</u>	<u>48,275</u>	<u>1,202</u>	<u>32,985</u>
TOTAL EXPENDITURES	1,525,735	1,423,588	102,147	1,458,458
OTHER FINANCING USES				
Operating transfers out				
Local Street	40,000	40,000	-0-	80,000
Library Fund	26,000	26,000	-0-	27,000
Fourth of July Commission	1,500	2,000	(500)	3,000
Historical Commission	12,500	12,500	-0-	7,000
Municipal Building	170,000	170,000	-0-	20,000
Heritage Park	500	500	-0-	1,000
Park Improvements	25,000	25,000	-0-	7,000
Cemetery Fund	29,396	29,396	-0-	13,500
North Shiawassee Construction	-	-	-0-	20,000
Stu Coutts Recreation	2,000	2,000	-0-	-
Library Building Fund	3,000	3,000	-0-	-
TOTAL OTHER FINANCING USES	<u>309,896</u>	<u>310,396</u>	<u>(500)</u>	<u>178,500</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 1,835,631</u>	<u>\$ 1,733,984</u>	<u>\$ 101,647</u>	<u>\$ 1,636,958</u>

City of Corunna

Special Revenue Funds

COMBINING BALANCE SHEET

June 30, 2003

	Major Street	Local Street	Cemetery	Library
ASSETS				
Cash and cash equivalents	\$ 40,983	\$ 9,788	\$ 3,365	\$ 10,105
Investments	30,000	-	-	14,999
Receivables				
Accounts	-	-	-	-
Contracts	-	-	-	-
Interest	1,874	-	-	937
Due from other funds	-	6,483	-	-
Due from other governmental units				
State	23,384	8,737	-	929
TOTAL ASSETS	\$ 96,241	\$ 25,008	\$ 3,365	\$ 26,970
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 61	\$ 1,853	\$ 1	\$ 1,112
Accrued wages	-	959	481	1,659
Other accrued liabilities	-	-	37	127
Due to other funds	6,483	15,505	-	-
Deferred revenue	-	-	-	-
Advance from other funds	-	-	-	-
TOTAL LIABILITIES	6,544	18,317	519	2,898
FUND BALANCES (DEFICITS)				
Unreserved - undesignated	89,697	6,691	2,846	24,072
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	\$ 96,241	\$ 25,008	\$ 3,365	\$ 26,970

Historical Commission	Softball Commission	Fourth of July Commission	Stu Coutts Recreation	Asset Seizure	Economic Development
\$ 5,265	\$ 12,814	\$ 16,784	\$ 6,224	\$ 346	\$ 244,153
-	9,884	-	30,000	-	25,000
-	-	-	-	-	-
-	-	-	-	-	152,257
-	-	-	1,874	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 5,265</u>	<u>\$ 22,698</u>	<u>\$ 16,784</u>	<u>\$ 38,098</u>	<u>\$ 346</u>	<u>\$ 421,410</u>
\$ 437	\$ -	\$ -	\$ 108	\$ -	\$ -
-	-	-	36	-	-
-	-	-	2	-	-
-	-	-	-	-	-
-	-	-	-	-	152,257
5,000	-	-	-	-	-
5,437	-0-	-0-	146	-0-	152,257
(172)	22,698	16,784	37,952	346	269,153
<u>\$ 5,265</u>	<u>\$ 22,698</u>	<u>\$ 16,784</u>	<u>\$ 38,098</u>	<u>\$ 346</u>	<u>\$ 421,410</u>

City of Corunna

Special Revenue Funds

COMBINING BALANCE SHEET - CONTINUED

June 30, 2003

	H.U.D. Grant	Heritage Park	Library Building	City Improvements
ASSETS				
Cash and cash equivalents	\$ 1	\$ 1,693	\$ 27,249	\$ 100,359
Investments	-	-	-	177,500
Receivables				
Account	-	-	-	-
Contracts	-	-	-	-
Interest	-	-	-	776
Due from other funds	4,769	-	-	5,447
Due from other governmental units				
State	-	-	-	-
Local	-	-	-	-
TOTAL ASSETS	\$ 4,770	\$ 1,693	\$ 27,249	\$ 284,082
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ 47	\$ -
Accrued wages	-	-	-	-
Other accrued liabilities	-	-	-	-
Due to other funds	-	-	-	-
Deferred revenue	-	-	-	-
Advance from other funds	-	-	-	-
TOTAL LIABILITIES	-0-	-0-	47	-0-
FUND BALANCES (DEFICITS)				
Unreserved - undesignated	4,770	1,693	27,202	284,082
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	\$ 4,770	\$ 1,693	\$ 27,249	\$ 284,082

Library Technology	Municipal Building	Fire Capital Acquisition	Parks Improvements	Total
\$ 17,082	\$ 13,262	\$ 1,433	\$ (9,451)	\$ 501,455
-	-	37,421	2,712	327,516
-	-	2,856	-	2,856
-	-	-	-	152,257
-	-	-	110	5,571
-	-	-	-	16,699
-	-	-	39,200	72,250
-	-	1,521	-	1,521
<u>\$ 17,082</u>	<u>\$ 13,262</u>	<u>\$ 43,231</u>	<u>\$ 32,571</u>	<u>\$ 1,080,125</u>
\$ 3,120	\$ 905	\$ -	\$ -	\$ 7,644
-	-	-	-	3,135
-	-	-	-	166
-	-	-	-	21,988
-	-	-	-	152,257
-	-	-	-	5,000
3,120	905	-0-	-0-	190,190
<u>13,962</u>	<u>12,357</u>	<u>43,231</u>	<u>32,571</u>	<u>889,935</u>
<u>\$ 17,082</u>	<u>\$ 13,262</u>	<u>\$ 43,231</u>	<u>\$ 32,571</u>	<u>\$ 1,080,125</u>

City of Corunna

Special Revenue Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE

Year ended June 30, 2003

	Major Street	Local Street	Cemetery	Library
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	156,924	61,010	-	21,914
Charges for services	-	-	8,512	332
Fines and forfeits	-	-	-	21,009
Interest and rents	1,200	-	-	600
Other	-	1,450	-	-
TOTAL REVENUES	158,124	62,460	8,512	43,855
EXPENDITURES				
General government	-	-	-	-
Highways and streets	182,592	194,986	-	-
Health and welfare	-	-	30,666	-
Recreation and cultural	-	-	-	70,321
Other	-	-	-	-
TOTAL EXPENDITURES	182,592	194,986	30,666	70,321
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(24,468)	(132,526)	(22,154)	(26,466)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	80,000	29,396	26,000
Operating transfers out	(70,000)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(70,000)	80,000	29,396	26,000
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(94,468)	(52,526)	7,242	(466)
Fund balances (deficits), beginning of year	184,165	59,217	(4,396)	24,538
Prior period adjustment	-	-	-	-
Fund balances (deficits), end of year	\$ 89,697	\$ 6,691	\$ 2,846	\$ 24,072

<u>Historical Commission</u>	<u>Softball Commission</u>	<u>Fourth of July Commission</u>	<u>Stu Coutts Recreation</u>	<u>Asset Seizure</u>	<u>Economic Development</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
5,908	-	60	2,638	-	7,708
<u>13,786</u>	<u>43,316</u>	<u>22,660</u>	<u>-</u>	<u>-</u>	<u>27,234</u>
19,694	43,316	22,720	2,638	-0-	34,942
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
40,409	32,797	24,889	10,821	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10</u>
<u>40,409</u>	<u>32,797</u>	<u>24,889</u>	<u>10,821</u>	<u>-0-</u>	<u>10</u>
(20,715)	10,519	(2,169)	(8,183)	-	34,932
12,500	-	2,000	2,000	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>12,500</u>	<u>-0-</u>	<u>2,000</u>	<u>2,000</u>	<u>-0-</u>	<u>-0-</u>
(8,215)	10,519	(169)	(6,183)	-0-	34,932
8,043	12,179	16,953	44,135	346	234,221
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ (172)</u>	<u>\$ 22,698</u>	<u>\$ 16,784</u>	<u>\$ 37,952</u>	<u>\$ 346</u>	<u>\$ 269,153</u>

City of Corunna

Special Revenue Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - CONTINUED

Year ended June 30, 2003

	H.U.D. Grant	Heritage Park	Library Building	City Improvements
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ 266,338
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Interest and rents	-	-	142	4,676
Other	-	-	9,435	-
TOTAL REVENUES	-0-	-0-	9,577	271,014
EXPENDITURES				
General government	-	-	-	-
Highways and streets	-	-	-	-
Health and welfare	-	-	-	-
Recreation and cultural	-	531	21,119	-
Other	-	-	-	-
TOTAL EXPENDITURES	-0-	531	21,119	-0-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-0-	(531)	(11,542)	271,014
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	500	3,000	-
Operating transfers out	-	-	-	(365,972)
TOTAL OTHER FINANCING SOURCES (USES)	-0-	500	3,000	(365,972)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	-0-	(31)	(8,542)	(94,958)
Fund balances (deficits), beginning of year	4,770	1,724	35,744	379,040
Prior period adjustment	-	-	-	-
Fund balances (deficits), end of year	<u>\$ 4,770</u>	<u>\$ 1,693</u>	<u>\$ 27,202</u>	<u>\$ 284,082</u>

<u>Library Technology</u>	<u>Municipal Building</u>	<u>Fire Capital Acquisition</u>	<u>Parks Improvements</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ 266,338
-	-	-	39,200	279,048
-	-	5,951	-	14,795
-	-	-	-	21,009
64	-	452	-	23,448
-	-	-	4,186	122,067
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
64	-0-	6,403	43,386	726,705
-	216,143	-	-	216,143
-	-	-	-	377,578
-	-	-	-	30,666
4,808	-	-	63,769	269,464
-	-	5,220	-	5,230
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
4,808	216,143	5,220	63,769	899,081
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
(4,744)	(216,143)	1,183	(20,383)	(172,376)
-	191,000	-	25,000	371,396
-	-	-	-	(435,972)
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
-0-	191,000	-0-	25,000	(64,576)
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
(4,744)	(25,143)	1,183	4,617	(236,952)
18,706	37,500	-	39,064	1,095,949
-	-	42,048	(11,110)	30,938
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$ 13,962	\$ 12,357	\$ 43,231	\$ 32,571	\$ 889,935

City of Corunna

Special Revenue Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

Year Ended June 30, 2003
With Actual Amounts for Year Ended June 30, 2002

Major Street

	Amended Budget	2003 Actual	Variance Favorable (Unfavorable)	2002 Actual
REVENUES				
Intergovernmental - State				
Gas and weight tax	\$ 139,500	\$ 156,924	\$ 17,424	\$ 158,964
Interest	1,000	1,200	200	1,363
TOTAL REVENUES	140,500	158,124	17,624	160,327
EXPENDITURES				
Highways and streets				
Construction				
Contracted services	150,000	135,065	14,935	141
Routine maintenance				
Salaries and wages	23,600	16,583	7,017	12,025
Fringe benefits	6,625	7,035	(410)	4,922
Contractual services	1,250	-	1,250	-
Supplies	3,500	-	3,500	-
Equipment rental	4,000	4,887	(887)	3,845
Capital outlay	2,000	1,060	940	-
Total routine maintenance	40,975	29,565	11,410	20,792
Traffic services				
Salaries and wages	750	1,041	(291)	463
Fringe benefits	57	80	(23)	35
Contractual services	4,000	3,771	229	9,256
Supplies	2,000	153	1,847	1,590
Utilities	-	842	(842)	70
Equipment rental	750	110	640	157
Total traffic services	7,557	5,997	1,560	11,571
Winter maintenance				
Salaries and wages	6,000	3,171	2,829	2,263
Fringe benefits	421	243	178	174
Contractual services	500	-	500	245
Supplies	-	-	-0-	-
Equipment rental	8,000	5,287	2,713	2,958
Capital outlay	7,000	3,264	3,736	-
Total winter maintenance	21,921	11,965	9,956	5,640

City of Corunna

Special Revenue Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - CONTINUED

Year Ended June 30, 2003
With Actual Amounts for Year Ended June 30, 2002

Major Street

	Amended Budget	2003 Actual	Variance Favorable (Unfavorable)	2002 Actual
EXPENDITURES - continued				
TOTAL EXPENDITURES	220,453	182,592	37,861	38,144
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(79,953)	(24,468)	55,485	122,183
OTHER FINANCING USES				
Operating transfers out	(70,000)	(70,000)	-0-	(170,000)
EXCESS OF REVENUES (UNDER) EXPENDITURES AND OTHER FINANCING USES	(149,953)	(94,468)	55,485	(47,817)
Fund balance, beginning of year	184,165	184,165	-0-	231,982
Fund balance, end of year	\$ 34,212	\$ 89,697	\$ 55,485	\$ 184,165

City of Corunna

Special Revenue Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - CONTINUED

Year Ended June 30, 2003

With Actual Amounts for Year Ended June 30, 2002

	<u>Local Street</u>			
	Amended Budget	2003 Actual	Variance Favorable (Unfavorable)	2002 Actual
REVENUES				
Intergovernmental - State				
Gas and weight tax	\$ 131,417	\$ 61,010	\$ (70,407)	\$ 59,408
Other				
Contributions	-	1,450	1,450	-
TOTAL REVENUES	131,417	62,460	(68,957)	59,408
EXPENDITURES				
Highway and streets				
Construction	130,000	133,364	(3,364)	7,800
Routine maintenance				
Salaries and wages	22,750	22,440	310	19,162
Fringe benefits	8,243	9,823	(1,580)	7,617
Contractual services	1,000	-	1,000	-
Supplies	3,750	100	3,650	506
Equipment rental	12,000	13,248	(1,248)	13,537
Capital outlay	1,000	2,869	(1,869)	-
Total routine maintenance	48,743	48,480	263	40,822
Traffic services				
Salaries and wages	1,000	576	424	595
Fringe benefits	77	44	33	48
Contractual services	100	-	100	50
Supplies	500	154	346	15
Equipment rental	1,500	543	957	306
Total traffic services	3,177	1,317	1,860	1,014
Winter maintenance				
Salaries and wages	6,500	2,558	3,942	2,262
Fringe benefits	497	196	301	173
Equipment rental	8,000	8,036	(36)	6,040
Capital outlay	4,500	1,035	3,465	-
Total winter maintenance	19,497	11,825	7,672	8,475
TOTAL EXPENDITURES	201,417	194,986	6,431	58,111
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(70,000)	(132,526)	(75,388)	1,297

City of Corunna

Special Revenue Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - CONTINUED

Year Ended June 30, 2003

With Actual Amounts for Year Ended June 30, 2002

	<u>Local Street</u>			
	Amended Budget	2003 Actual	Variance Favorable (Unfavorable)	2002 Actual
OTHER FINANCING SOURCES (USES)				
Operating transfers in	\$ 70,000	\$ 80,000	\$ 10,000	\$ 90,000
Operating transfers out	-	-	-0-	(50,926)
 TOTAL OTHER FINANCING (USES) SOURCES	 70,000	 80,000	 10,000	 39,074
 EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	 -0-	 (52,526)	 (65,388)	 40,371
 Fund balance, beginning of year	 59,217	 59,217	 -0-	 18,846
 Fund balance, end of year	 <u>\$ 59,217</u>	 <u>\$ 6,691</u>	 <u>\$ (65,388)</u>	 <u>\$ 59,217</u>

City of Corunna

Special Revenue Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - CONTINUED

Year Ended June 30, 2003
With Actual Amounts for Year Ended June 30, 2002

	<u>Cemetery</u>			
	Amended Budget	2003 Actual	Variance Favorable (Unfavorable)	2002 Actual
REVENUES				
Charges for services	\$ 10,000	\$ 8,512	\$ (1,488)	\$ 8,496
EXPENDITURES				
Health and welfare				
Salaries and wages	11,000	10,478	522	10,162
Fringe benefits	1,045	1,205	(160)	4,091
Supplies	1,999	850	1,149	1,547
Contractual services	750	-	750	660
Utilities	206	149	57	188
Administration charges	6,000	5,250	750	-
Equipment rental	9,000	12,734	(3,734)	15,364
TOTAL EXPENDITURES	<u>30,000</u>	<u>30,666</u>	<u>(666)</u>	<u>32,012</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	(20,000)	(22,154)	(2,154)	(23,516)
OTHER FINANCING SOURCES				
Operating transfers in	<u>24,396</u>	<u>29,396</u>	<u>5,000</u>	<u>13,500</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	4,396	7,242	2,846	(10,016)
Fund balance (deficit), beginning of year	<u>(4,396)</u>	<u>(4,396)</u>	<u>-0-</u>	<u>5,620</u>
Fund balance (deficit), end of year	<u>\$ -0-</u>	<u>\$ 2,846</u>	<u>\$ 2,846</u>	<u>\$ (4,396)</u>

City of Corunna

Special Revenue Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - CONTINUED

Year Ended June 30, 2003
With Actual Amounts for Year Ended June 30, 2002

Library

	Amended Budget	2003 Actual	Variance Favorable (Unfavorable)	2002 Actual
REVENUES				
Intergovernmental				
State	\$ 6,144	\$ 5,930	\$ (214)	\$ 6,262
Local	14,000	15,984	1,984	14,016
Charges for services	500	332	(168)	456
Fines and forfeits	17,700	21,009	3,309	21,947
Interest	600	600	-	666
TOTAL REVENUES	38,944	43,855	4,911	43,347
EXPENDITURES				
Recreation and cultural				
Salaries and wages	45,170	44,263	907	42,456
Fringe benefits	8,728	9,180	(452)	8,054
Contractual services	3,872	3,701	171	3,435
Supplies	11,000	8,249	2,751	11,385
Repairs and maintenance	500	255	245	579
Utilities	2,500	2,481	19	2,697
Communication	1,000	1,666	(666)	1,432
Equipment rental	200	235	(35)	163
Miscellaneous	1,450	291	1,159	153
TOTAL EXPENDITURES	74,420	70,321	4,099	70,354
EXCESS OF REVENUES (UNDER) EXPENDITURES	(35,476)	(26,466)	9,010	(27,007)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	30,000	26,000	(4,000)	27,000
Operating transfers out	-	-	-0-	(10,602)
TOTAL OTHER FINANCING SOURCES (USES)	30,000	26,000	(4,000)	16,398
EXCESS OF REVENUES AND OTHER FINANCING SOURCES (UNDER) EXPENDITURES AND OTHER FINANCING USES	(5,476)	(466)	5,010	(10,609)
Fund balance, beginning of year	24,538	24,538	-0-	35,147
Fund balance, end of year	<u>\$ 19,062</u>	<u>\$ 24,072</u>	<u>\$ 5,010</u>	<u>\$ 24,538</u>

City of Corunna

Special Revenue Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - CONTINUED

Year Ended June 30, 2003
With Actual Amounts for Year Ended June 30, 2002

	<u>Historical Commission</u>			
	<u>Amended Budget</u>	<u>2003 Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>2002 Actual</u>
REVENUES				
Interest and rents	\$ 9,600	\$ 5,908	\$ (3,692)	\$ 7,953
Other				
Contributions	<u>11,500</u>	<u>13,786</u>	<u>2,286</u>	<u>9,310</u>
TOTAL REVENUES	21,100	19,694	(1,406)	17,263
EXPENDITURES				
Recreation and cultural				
Office supplies	2,000	2,480	(480)	3,565
Repairs and maintenance	13,600	30,961	(17,361)	4,969
Janitorial services	3,000	2,626	374	1,900
Utilities	5,000	4,301	699	2,493
Miscellaneous	<u>-</u>	<u>41</u>	<u>(41)</u>	<u>-</u>
TOTAL EXPENDITURES	<u>23,600</u>	<u>40,409</u>	<u>(16,809)</u>	<u>12,927</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,500)	(20,715)	(18,215)	4,336
OTHER FINANCING SOURCES				
Operating transfers in	<u>7,500</u>	<u>12,500</u>	<u>5,000</u>	<u>7,000</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	5,000	(8,215)	(13,215)	11,336
Fund balance (deficit), beginning of year	<u>8,043</u>	<u>8,043</u>	<u>-0-</u>	<u>(3,293)</u>
Fund balance (deficit), end of year	<u><u>\$ 13,043</u></u>	<u><u>\$ (172)</u></u>	<u><u>\$ (13,215)</u></u>	<u><u>\$ 8,043</u></u>

City of Corunna

Special Revenue Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - CONTINUED

Year Ended June 30, 2003
With Actual Amounts for Year Ended June 30, 2002

Softball Commission

	<u>Amended Budget</u>	<u>2003 Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>2002 Actual</u>
REVENUES				
Other				
Fees	\$ 27,060	\$ 28,850	\$ 1,790	\$ 23,040
Concessions	5,000	7,695	2,695	5,003
Donations	4,500	6,238	1,738	4,500
Miscellaneous	1,000	533	(467)	1,077
	<u>37,560</u>	<u>43,316</u>	<u>5,756</u>	<u>33,620</u>
EXPENDITURES				
Recreation and cultural				
Contractual services	19,410	20,497	(1,087)	18,422
Registration and fees	2,000	750	1,250	1,997
Field improvements	-	-	-0-	2,745
Supplies	2,350	1,549	801	1,027
Concession supplies	2,500	3,309	(809)	700
Awards	1,200	2,401	(1,201)	2,040
Refunds	-	-	-0-	324
Miscellaneous	1,250	4,291	(3,041)	400
	<u>28,710</u>	<u>32,797</u>	<u>(4,087)</u>	<u>27,655</u>
EXCESS OF REVENUES OVER EXPENDITURES	8,850	10,519	1,669	5,965
Fund balance, beginning of year	<u>12,179</u>	<u>12,179</u>	<u>-0-</u>	<u>6,214</u>
Fund balance, end of year	<u><u>\$ 21,029</u></u>	<u><u>\$ 22,698</u></u>	<u><u>\$ 1,669</u></u>	<u><u>\$ 12,179</u></u>

City of Corunna

Special Revenue Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - CONTINUED

Year Ended June 30, 2003
With Actual Amounts for Year Ended June 30, 2002

Fourth of July Commission

	Amended Budget	2003 Actual	Variance Favorable (Unfavorable)	2002 Actual
REVENUES				
Interest	\$ -	\$ 60	\$ 60	\$ 105
Other				
Festivities	20,375	17,565	(2,810)	17,967
Contributions	2,375	5,095	2,720	2,824
TOTAL REVENUES	22,750	22,720	(30)	20,896
EXPENDITURES				
Recreation and cultural				
Festivities	22,500	22,214	286	24,074
Seminars and dues	-	250	(250)	523
Office supplies	750	1,425	(675)	1,794
Fundraising	2,500	1,000	1,500	120
TOTAL EXPENDITURES	25,750	24,889	861	26,511
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(3,000)	(2,169)	831	(5,615)
OTHER FINANCING SOURCES				
Operating transfers in	1,500	2,000	500	3,000
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	(1,500)	(169)	1,331	(2,615)
Fund balance, beginning of year	16,953	16,953	-0-	19,568
Fund balance, end of year	\$ 15,453	\$ 16,784	\$ 1,331	\$ 16,953

City of Corunna

Special Revenue Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - CONTINUED

Year Ended June 30, 2003
With Actual Amounts for Year Ended June 30, 2002

	Amended Budget	2003 Actual	Variance Favorable (Unfavorable)	2002 Actual
<u>Stu Coutts Recreation</u>				
REVENUES				
Interest and rents	\$ 3,600	\$ 2,638	\$ (962)	\$ 3,437
EXPENDITURES				
Recreation and cultural				
Salaries and wages	1,000	380	620	1,334
Fringe benefits	133	94	39	466
Contractual services	250	70	180	75
Supplies	500	12	488	385
Utilities	1,129	1,237	(108)	1,076
Administration charges	500	100	400	
Equipment rental	500	-	500	234
Capital outlay	15,000	8,928	6,072	-
TOTAL EXPENDITURES	19,012	10,821	8,191	3,570
EXCESS OF REVENUES (UNDER) EXPENDITURES	(15,412)	(8,183)	(9,153)	(133)
OTHER FINANCING SOURCES				
Operating transfers in	-0-	2,000	2,000	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES (UNDER) EXPENDITURES	(15,412)	(6,183)	(7,153)	(133)
Fund balance, beginning of year	44,135	44,135	-0-	44,268
Fund balance, end of year	\$ 28,723	\$ 37,952	\$ (7,153)	\$ 44,135

Asset Seizure

REVENUES	\$ -	\$ -	\$ -0-	\$ -
EXPENDITURES	-	-	-0-	-
EXCESS OF REVENUES OVER EXPENDITURES	-0-	-0-	-0-	-0-
Fund balance, beginning of year	346	346	-0-	346
Fund balance, end of year	\$ 346	\$ 346	\$ -0-	\$ 346

City of Corunna

Special Revenue Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - CONTINUED

Year Ended June 30, 2003
With Actual Amounts for Year Ended June 30, 2002

	Amended Budget	2003 Actual	Variance Favorable (Unfavorable)	2002 Actual
<u>Economic Development</u>				
REVENUES				
Interest	\$ 4,000	\$ 7,708	\$ 3,708	\$ 1,899
Other				
Loan repayment	23,000	27,234	4,234	29,897
TOTAL REVENUES	27,000	34,942	7,942	31,796
EXPENDITURES				
Other				
Loans and other	227,000	10	226,990	41,031
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(200,000)	34,932	234,932	(9,235)
Fund balance, beginning of year	234,221	234,221	-0-	243,456
Fund balance, end of year	\$ 34,221	\$ 269,153	\$ 234,932	\$ 234,221
<u>H.U.D. GRANT</u>				
REVENUES	\$ -	\$ -	\$ -0-	\$ -
EXPENDITURES	-	-	-0-	-
EXCESS OF REVENUES OVER EXPENDITURES	-0-	-0-	-0-	-0-
Fund balance, beginning of year	4,770	4,770	-0-	4,770
Fund balance, end of year	\$ 4,770	\$ 4,770	\$ -0-	\$ 4,770

City of Corunna

Special Revenue Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - CONTINUED

Year Ended June 30, 2003
With Actual Amounts for Year Ended June 30, 2002

	<u>Heritage Park</u>			
	Amended Budget	2003 Actual	Variance Favorable (Unfavorable)	2002 Actual
REVENUES	\$ -	\$ -	\$ -0-	\$ -
EXPENDITURES				
Recreation and cultural				
Salaries and wages	350	31	319	139
Fringe benefits	27	2	25	10
Supplies	250	498	(248)	12
Contracted services	1,000	-	1,000	13
TOTAL EXPENDITURES	1,627	531	1,096	161
EXCESS OF REVENUES (UNDER) EXPENDITURES	(1,627)	(531)	1,096	(161)
OTHER FINANCING SOURCES				
Operating transfers in	500	500	-0-	1,000
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	(1,127)	(31)	1,096	839
Fund balance, beginning of year	1,724	1,724	-0-	885
Fund balance, end of year	\$ 597	\$ 1,693	\$ 1,096	\$ 1,724

City of Corunna

Special Revenue Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - CONTINUED

Year Ended June 30, 2003
With Actual Amounts for Year Ended June 30, 2002

	<u>Library Building</u>		Variance	
	Amended Budget	2003 Actual	Favorable (Unfavorable)	2002 Actual
REVENUES				
Interest	\$ 1,000	\$ 142	\$ (858)	\$ 1,043
Other				
Contributions	6,500	9,435	(2,935)	-
TOTAL REVENUES	7,500	9,577	(3,793)	1,043
EXPENDITURES				
Recreation and culture	45,000	21,119	23,881	-
EXCESS OF REVENUES OVER EXPENDITURES	(37,500)	(11,542)	(27,674)	1,043
OTHER FINANCING SOURCES				
Operating transfers in	3,500	3,000	(500)	5,301
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	(34,000)	(8,542)	(28,174)	6,344
Fund balance, beginning of year	35,744	35,744	-0-	29,400
Fund balance, end of year	\$ 1,744	\$ 27,202	\$ (28,174)	\$ 35,744

City of Corunna

Special Revenue Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - CONTINUED

Year Ended June 30, 2003
With Actual Amounts for Year Ended June 30, 2002

City Improvements

	Amended Budget	2003 Actual	Variance Favorable (Unfavorable)	2002 Actual
REVENUES				
Taxes	\$ 268,000	\$ 266,338	\$ (1,662)	\$ 273,217
Interest	2,000	4,676	2,676	12,958
TOTAL REVENUES	270,000	271,014	1,014	286,175
EXPENDITURES	-	-	-0-	-
EXCESS OF REVENUES OVER EXPENDITURES	270,000	271,014	1,014	286,175
OTHER FINANCING (USES)				
Operating transfers out	(365,972)	(365,972)	-0-	(259,285)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(95,972)	(94,958)	1,014	26,890
Fund balance, beginning of year	379,040	379,040	-0-	352,150
Fund balance, end of year	\$ 283,068	\$ 284,082	\$ 1,014	\$ 379,040

City of Corunna

Special Revenue Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - CONTINUED

Year Ended June 30, 2003
With Actual Amounts for Year Ended June 30, 2002

Library Technology

	Amended Budget	2003 Actual	Variance Favorable (Unfavorable)	2002 Actual
REVENUES				
Interest	\$ 500	\$ 64	\$ (436)	\$ 115
Other Contributions	-	-	-0-	-
TOTAL REVENUES	500	64	(436)	115
EXPENDITURES				
Recreational and cultural	10,200	4,808	5,392	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(9,700)	(4,744)	4,956	115
OTHER FINANCING SOURCES				
Operating transfers in	500	-	-0-	5,301
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	(9,200)	(4,744)	4,956	5,416
Fund balance, beginning of year	18,706	18,706	-0-	13,290
Fund balance, end of year	\$ 9,506	\$ 13,962	\$ 4,956	\$ 18,706

City of Corunna

Special Revenue Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - CONTINUED

Year Ended June 30, 2003
With Actual Amounts for Year Ended June 30, 2002

	<u>Municipal Building</u>			
	Amended Budget	2003 Actual	Variance Favorable (Unfavorable)	2002 Actual
REVENUES	\$ -	\$ -	\$ -0-	\$ -
EXPENDITURES				
General Government	20,000	216,143	(196,143)	-
EXCESS OF REVENUES OVER EXPENDITURES	-0-	-0-	-0-	-0-
OTHER FINANCING SOURCES				
Operating transfers in	191,000	191,000	-0-	20,000
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	171,000	(25,143)	196,143	20,000
Fund balance, beginning of year	37,500	37,500	-0-	17,500
Fund balance, end of year	<u>\$ 208,500</u>	<u>\$ 12,357</u>	<u>\$ 196,143</u>	<u>\$ 37,500</u>

City of Corunna

Special Revenue Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - CONTINUED

Year Ended June 30, 2003
With Actual Amounts for Year Ended June 30, 2002

Fire Capital Acquisition Fund

	Amended Budget	2003 Actual	Variance Favorable (Unfavorable)	2002 Actual
REVENUES				
Charges for services	\$ -	\$ 5,951	\$ 5,951	\$ -
Interest	-	452	452	-
TOTAL REVENUES	-0-	6,403	6,403	-0-
EXPENDITURES				
Interest	-	728	(728)	-
Principal	-	4,492	(4,492)	-
TOTAL EXPENDITURES	-0-	5,220	(5,220)	-0-
EXCESS OF REVENUES OVER EXPENDITURES	-0-	1,183	1,183	-0-
Fund balance, beginning of year	-	-	-0-	-
Prior period adjustment	-	42,048	42,048	-
Fund balance, end of year	\$ -0-	\$ 43,231	\$ 43,231	\$ -0-

City of Corunna

Special Revenue Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - CONTINUED

Year Ended June 30, 2003
With Actual Amounts for Year Ended June 30, 2002

Parks Improvement

	Amended Budget	2003 Actual	Variance Favorable (Unfavorable)	2002 Actual
REVENUES				
Intergovernmental - State	\$ 117,728	\$ 39,200	\$ (78,528)	\$ 82,972
Interest	-	-	-0-	385
Other				
Donations	5,000	4,186	(814)	10,026
Other	-	-	-0-	18,271
TOTAL REVENUES	122,728	43,386	(79,342)	111,654
EXPENDITURES				
Recreational and cultural	78,000	63,769	14,231	118,130
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	44,728	(20,383)	(65,111)	(6,476)
OTHER FINANCING SOURCES SOURCES (USES)				
Operating transfers in	25,000	25,000	-0-	7,000
Operating transfers out	-	-	-0-	(5,000)
TOTAL OTHER FINANCING SOURCES (USES)	25,000	25,000	-0-	2,000
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	69,728	4,617	(65,111)	(4,476)
Fund balance, beginning of year	39,064	39,064	-0-	43,540
Prior period adjustment	-	(11,110)	(11,110)	-
Fund balance, end of year	\$ 108,792	\$ 32,571	\$ (76,221)	\$ 39,064

City of Corunna

Debt Service Funds

COMBINING BALANCE SHEET

June 30, 2003

	Fire Truck Loan	2000 G.O Limited Tax Bonds	1996 G.O. Limited Tax Bonds	Building Authority
ASSETS				
Cash and cash equivalents	\$ 272	\$ 5,478	\$ 4,619	\$ 7,996
Investments	15,000	-	-	-
Interest receivable	936	-	-	-
TOTAL ASSETS	<u>\$ 16,208</u>	<u>\$ 5,478</u>	<u>\$ 4,619</u>	<u>\$ 7,996</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES	\$ -	\$ -	\$ -	\$ -
FUND BALANCES				
Reserved for debt service	-	5,478	4,619	-
Unreserved-undesignated	16,208	-	-	7,996
TOTAL FUND BALANCES	<u>16,208</u>	<u>5,478</u>	<u>4,619</u>	<u>7,996</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 16,208</u>	<u>\$ 5,478</u>	<u>\$ 4,619</u>	<u>\$ 7,996</u>

<u>1998 MTF Bonds</u>	<u>2001 G.O. Limited Tax Bonds</u>	<u>Total</u>
\$ 1	\$ 4,004	\$ 22,370
-	-	15,000
-	-	936
<u>\$ 1</u>	<u>\$ 4,004</u>	<u>\$ 38,306</u>
\$ -	\$ -	\$ -0-
1	4,004	14,102
-	-	24,204
<u>1</u>	<u>4,004</u>	<u>38,306</u>
<u>\$ 1</u>	<u>\$ 4,004</u>	<u>\$ 38,306</u>

City of Corunna

Debt Service Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

Year Ended June 30, 2003

	Fire Truck Loan	2000 G.O. Limited Tax Bonds	1996 G.O. Limited Tax Bonds	Building Authority
REVENUES				
Interest	\$ 420	\$ -	\$ 41	\$ 171
EXPENDITURES				
Other	-	-	-	294
Debt service				
Principal redemption	-	40,000	90,000	-
Interest and fiscal charges	-	42,978	23,983	-
TOTAL EXPENDITURES	-0-	82,978	113,983	294
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	420	(82,978)	(113,942)	(123)
OTHER FINANCING SOURCES				
Operating transfers in	-	83,115	113,770	-
Operating transfers out	(7,728)	-	-	(21,000)
TOTAL OTHER FINANCING SOURCES (USES)	(7,728)	83,115	113,770	(21,000)
EXCESS OF REVENUES AND AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING (USES)	(7,308)	137	(172)	(21,123)
Fund balances, beginning of year	23,516	5,341	4,791	29,119
Fund balances, end of year	<u>\$ 16,208</u>	<u>\$ 5,478</u>	<u>\$ 4,619</u>	<u>\$ 7,996</u>

<u>1998 MTF Bonds</u>	<u>2001 G.O. Limited Tax Bonds</u>	<u>Total</u>
\$ -	\$ -	\$ 632
-	-	294
10,000	30,000	170,000
<u>8,776</u>	<u>20,285</u>	<u>96,022</u>
<u>18,776</u>	<u>50,285</u>	<u>266,316</u>
(18,776)	(50,285)	(265,684)
18,777	50,310	265,972
<u>-</u>	<u>-</u>	<u>(28,728)</u>
<u>18,777</u>	<u>50,310</u>	<u>237,244</u>
1	25	(28,440)
<u>-</u>	<u>3,979</u>	<u>66,746</u>
<u>\$ 1</u>	<u>\$ 4,004</u>	<u>\$ 38,306</u>

City of Corunna

Capital Projects Funds

COMBINING BALANCE SHEET

June 30, 2003

	Streetscape Construction Fund	Bridge Construction Fund	King/Kingsley/ McArthur Construction	North Shiawassee Construction Fund	Total
ASSETS					
Cash and cash equivalents	\$ 43,869	\$ 239,158	\$ 2,202	\$ 43,940	\$329,169
LIABILITIES AND FUND BALANCES					
LIABILITIES	\$ -	\$ -	\$ -	\$ -	\$ -0-
FUND BALANCES					
Unreserved - undesignated	43,869	239,158	2,202	43,940	329,169
TOTAL LIABILITIES AND FUND BALANCES	\$ 43,869	\$ 239,158	\$ 2,202	\$ 43,940	\$ 329,169

City of Corunna

Capital Projects Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES

Year Ended June 30, 2003

	Streetscape Construction Fund	Bridge Construction Fund	King/Kingsley/ McArthur Construction	North Shiawassee Construction Fund	Total
REVENUES					
LOCAL SOURCES					
Contributions	\$ 15,496	\$ -	\$ -	\$ -	\$ 15,496
Interest	1,064	-	-	-	1,064
TOTAL REVENUES	16,560	-0-	-0-	-0-	16,560
EXPENDITURES					
Public Works	-	-	-	-	-
Engineering	-	24,542	-	46,669	71,211
Capital outlay	-	-	690	49,145	49,835
TOTAL EXPENDITURES	-0-	24,542	690	95,814	121,046
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	16,560	(24,542)	(690)	(95,814)	(104,486)
OTHER FINANCING SOURCES (USES)					
Transfers from other funds	-	84,201	-	130,000	214,201
Transfers to other funds	(84,201)	-	-	-	(84,201)
TOTAL OTHER FINANCING SOURCES (USES)	(84,201)	84,201	-0-	130,000	130,000
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(67,641)	59,659	(690)	34,186	25,514
Fund balances, beginning of year	111,510	179,499	2,892	9,754	303,655
Fund balances, end of year	<u>\$ 43,869</u>	<u>\$ 239,158</u>	<u>\$ 2,202</u>	<u>\$ 43,940</u>	<u>\$ 329,169</u>

City of Corunna

Enterprise Funds

COMBINING BALANCE SHEET

June 30, 2003

	Sewer System	Water System	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 59,655	\$ 32,753	\$ 92,408
Cash and cash equivalents-restricted	6,539	-	6,539
Accounts receivable	187,924	61,030	248,954
Accrued interest receivable	831	1,567	2,398
Due from other funds	15,505	-	15,505
Total current assets	270,454	95,350	365,804
Other assets			
Treatment rights	662,344	-	662,344
Accumulated amortization	(555,277)	-	(555,277)
Net treatment rights	107,067	-0-	107,067
Investments	77,500	177,500	255,000
Total other assets	184,567	177,500	362,067
Fixed assets			
Equipment	88,995	-	88,995
Land	1	126	127
System and improvements	4,101,763	1,691,360	5,793,123
Accumulated depreciation	(1,653,574)	(687,621)	(2,341,195)
Total fixed assets, net of accumulated depreciation	2,537,185	1,003,865	3,541,050
TOTAL ASSETS	\$ 2,992,206	\$ 1,276,715	\$ 4,268,921

City of Corunna

Enterprise Funds

COMBINING BALANCE SHEET - CONTINUED

June 30, 2003

	Sewer System	Water System	Total
	<u> </u>	<u> </u>	<u> </u>
LIABILITIES AND FUND EQUITY			
LIABILITIES			
Current liabilities			
Accounts payable	\$ 7,375	\$ 15,901	\$ 23,276
Accrued wages	319	1,584	1,903
Due to other funds	4,769	295	5,064
Accrued interest payable	9,175	5,530	14,705
Current portion of long-term debt	52,020	60,338	112,358
	<u> </u>	<u> </u>	<u> </u>
Total current liabilities	73,658	83,648	157,306
Other liabilities			
Contract payable	57,500	148,919	206,419
General obligation bond payable	-	350,000	350,000
Revenue improvement bond payable	655,000	-	655,000
	<u> </u>	<u> </u>	<u> </u>
Total other liabilities	712,500	498,919	1,211,419
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	786,158	582,567	1,368,725
FUND EQUITY			
Contribution in aid of construction			
Other governmental units	292,308	-	292,308
Other funds	54,134	-	54,134
Taxpayers	1,728,902	163,938	1,892,840
Retained earnings			
Reserved for bonds	72,188	-	72,188
Reserved for debt service	14,469	-	14,469
Reserved for replacement	106,409	-	106,409
Unreserved	(62,362)	530,210	467,848
	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND EQUITY	2,206,048	694,148	2,900,196
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES AND FUND EQUITY	\$ 2,992,206	\$ 1,276,715	\$ 4,268,921
	<u> </u>	<u> </u>	<u> </u>

City of Corunna

Enterprise Funds

COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS

Year Ended June 30, 2003

	Sewer System	Water System	Total
OPERATING REVENUES			
Charges for services			
User charges	\$ 399,184	\$ 379,135	\$ 778,319
Tap in fees	1,880	2,520	4,400
Capital charges	72,646	65,600	138,246
Other	-	45	45
	<u>473,710</u>	<u>447,300</u>	<u>921,010</u>
OPERATING EXPENSES			
Salaries and wages	50,022	75,823	125,845
Fringe benefits	27,893	29,672	57,565
Contractual service	101,565	33,241	134,806
Supplies	3,860	17,797	21,657
Utilities	3,865	6,678	10,543
Treatment costs	142,971	176,713	319,684
Equipment rental	3,498	11,073	14,571
Other	1,179	2,521	3,700
Depreciation and amortization	117,593	58,861	176,454
	<u>452,446</u>	<u>412,379</u>	<u>864,825</u>
OPERATING INCOME	21,264	34,921	56,185
NONOPERATING REVENUES (EXPENSES)			
Interest revenue	2,483	3,864	6,347
Rent revenue	8,018	-	8,018
Interest expense and fees	(35,746)	(36,533)	(72,279)
	<u>(25,245)</u>	<u>(32,669)</u>	<u>(57,914)</u>
NET INCOME (LOSS)	(3,981)	2,252	(1,729)
Retained earnings, beginning of year	<u>134,685</u>	<u>527,958</u>	<u>662,643</u>
Retained earnings, end of year	<u>\$ 130,704</u>	<u>\$ 530,210</u>	<u>\$ 660,914</u>

City of Corunna

Enterprise Funds

COMBINING STATEMENT OF CASH FLOWS

Year Ended June 30, 2003

	Sewer System	Water System	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating income	\$ 21,264	\$ 34,921	\$ 56,185
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation and amortization	117,593	58,861	176,454
Decrease in receivables	752	1,483	2,235
(Decrease) in accounts payable	(3,007)	(2,653)	(5,660)
Increase (decrease) in accrued liabilities	(264)	398	134
(Decrease) in accrued interest payable	(358)	(659)	(1,017)
NET CASH PROVIDED BY OPERATING ACTIVITIES	135,980	92,351	228,331
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Rent revenue	8,018	-	8,018
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Interest expense and fees	(35,746)	(36,533)	(72,279)
Capital purchases	(43,018)	(5,479)	(48,497)
Payment of borrowing	(47,480)	(69,913)	(117,393)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(126,244)	(111,925)	(238,169)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest revenue	2,483	3,864	6,347
Purchase of investments	(77,500)	(177,500)	(255,000)
Maturity of investments	75,000	175,000	250,000
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(17)	1,364	1,347
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING YEAR	17,737	(18,210)	(473)
Cash and cash equivalents, beginning of year	48,457	50,963	99,420
Cash and cash equivalents, end of year	<u>\$ 66,194</u>	<u>\$ 32,753</u>	<u>\$ 98,947</u>

City of Corunna

Enterprise Funds

COMPARATIVE BALANCE SHEET - SEWER SYSTEM

June 30, 2003 and 2002

	<u>2003</u>	<u>2002</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 59,655	\$ 41,952
Cash and cash equivalents - restricted	6,539	6,505
Accounts receivable	187,924	188,676
Accrued interest receivable	831	831
Due from other funds	<u>15,505</u>	<u>15,505</u>
Total current assets	270,454	253,469
Other assets		
Treatment rights	662,344	662,344
Accumulated amortization	<u>(555,277)</u>	<u>(535,316)</u>
Net treatment rights	107,067	127,028
Investments	<u>77,500</u>	<u>75,000</u>
Total other assets	184,567	202,028
Fixed assets		
Equipment	88,995	88,995
Land	1	1
System and improvements	4,101,763	4,058,745
Accumulated depreciation	<u>(1,653,574)</u>	<u>(1,555,942)</u>
Total fixed assets, net of accumulated depreciation	<u>2,537,185</u>	<u>2,591,799</u>
TOTAL ASSETS	<u><u>\$ 2,992,206</u></u>	<u><u>\$ 3,047,296</u></u>

City of Corunna

Enterprise Funds

COMPARATIVE BALANCE SHEET - SEWER SYSTEM - CONTINUED

June 30, 2003 and 2002

	<u>2003</u>	<u>2002</u>
LIABILITIES AND FUND EQUITY		
LIABILITIES		
Current liabilities		
Accounts payable	\$ 7,375	\$ 10,382
Accrued wages	319	583
Due to other funds	4,769	4,769
Accrued interest payable	9,175	9,533
Current portion of long-term debt	<u>52,020</u>	<u>47,480</u>
Total current liabilities	73,658	72,747
Other liabilities		
Contracts payable	57,500	74,520
Revenue improvement bond payable	<u>655,000</u>	<u>690,000</u>
Total other liabilities	<u>712,500</u>	<u>764,520</u>
TOTAL LIABILITIES	786,158	837,267
FUND EQUITY		
Contribution in aid of construction		
Other governmental units	292,308	292,308
Other funds	54,134	54,134
Taxpayers	1,728,902	1,728,902
Retained earnings		
Reserved for bonds	72,188	72,188
Reserved for debt service	14,469	10,875
Reserved for replacement	106,409	76,781
Unreserved	<u>(62,362)</u>	<u>(25,159)</u>
TOTAL FUND EQUITY	<u>2,206,048</u>	<u>2,210,029</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 2,992,206</u>	<u>\$ 3,047,296</u>

City of Corunna

Enterprise Funds

COMPARATIVE STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS - SEWER SYSTEM

Years Ended June 30, 2003 and 2002

	<u>2003</u>	<u>2002</u>
OPERATING REVENUES		
Charges for services		
User charges	\$ 399,184	\$ 395,124
Tap in fees	1,880	9,525
Capital charges	<u>72,646</u>	<u>73,714</u>
TOTAL OPERATING REVENUES	473,710	478,363
OPERATING EXPENSES		
Salaries and wages	50,022	41,087
Fringe benefits	27,893	22,246
Contractual service	101,565	160,788
Supplies	3,860	4,776
Utilities	3,865	5,290
Treatment costs	142,971	164,428
Repairs and maintenance	-	3,523
Equipment rental	3,498	3,145
Other	1,179	212
Depreciation and amortization	<u>117,593</u>	<u>107,350</u>
TOTAL OPERATING EXPENSES	<u>452,446</u>	<u>512,845</u>
OPERATING INCOME (LOSS)	21,264	(34,482)
NONOPERATING REVENUES (EXPENSES)		
Interest revenue	2,483	1,894
Rent revenue	8,018	3,612
Interest expense and fees	<u>(35,746)</u>	<u>(36,910)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(25,245)</u>	<u>(31,404)</u>
NET (LOSS)	(3,981)	(65,886)
Retained earnings, beginning of year	<u>134,685</u>	<u>200,571</u>
Retained earnings, end of year	<u>\$ 130,704</u>	<u>\$ 134,685</u>

City of Corunna

Enterprise Funds

COMPARATIVE STATEMENT OF CASH FLOWS - SEWER SYSTEM

Years Ended June 30, 2003 and 2002

	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income (loss)	\$ 21,264	\$ (34,482)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation and amortization	117,593	107,350
(Increase) decrease in receivables	752	(23,597)
(Decrease) in accounts payable	(3,007)	(216)
Increase (decrease) in accrued liabilities	(264)	489
(Decrease) in accrued interest payable	(358)	(355)
	<u>135,980</u>	<u>49,189</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Rent revenue	8,018	3,612
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Interest expense	(35,746)	(36,910)
Capital purchases	(43,018)	(155,799)
Payment of borrowing	(47,480)	(45,180)
Contracts payable proceeds	-	107,180
	<u>(126,244)</u>	<u>(130,709)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest revenue	2,483	1,894
Purchase of investments	(77,500)	(75,000)
Maturity of investments	75,000	75,824
	<u>(17)</u>	<u>2,718</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING YEAR	17,737	(75,190)
Cash and cash equivalents, beginning of year	<u>48,457</u>	<u>123,647</u>
Cash and cash equivalents, end of year	<u>\$ 66,194</u>	<u>\$ 48,457</u>

City of Corunna

Trust and Agency Funds

COMBINING BALANCE SHEET

June 30, 2003

	<u>Trust Funds</u>	<u>Agency Funds</u>		
	<u>Nonexpendable</u>			
	Cemetery Perpetual Care	Current Tax Collection	Payroll Clearing	Total
ASSETS				
Cash and cash equivalents	\$ 40,579	\$ 12,230	\$ 4,207	\$ 57,016
Investments	35,587	-	-	35,587
Due from others	-	15,000	-	15,000
Accrued interest receivable	1,074	-	-	1,074
TOTAL ASSETS	<u>\$ 77,240</u>	<u>\$ 27,230</u>	<u>\$ 4,207</u>	<u>\$ 108,677</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 1,390	\$ -	\$ -	\$ 1,390
Due to other funds	-	27,230	-	27,230
Due to other governmental units				
State	-	-	9,840	9,840
Federal	-	-	2,155	2,155
Due to individuals and agencies	-	-	(7,788)	(7,788)
TOTAL LIABILITIES	1,390	27,230	4,207	32,827
FUND BALANCES				
Reserved for Perpetual care	75,850	-	-	75,850
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 77,240</u>	<u>\$ 27,230</u>	<u>\$ 4,207</u>	<u>\$ 108,677</u>

City of Corunna

Agency Funds

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

Year Ended June 30, 2003

	Balance July 1, 2002	Additions	Deductions	Balance June 30, 2003
<u>Current Tax Collections Fund</u>				
ASSETS				
Cash	\$ 57,428	\$ 2,619,845	\$ 2,665,043	\$ 12,230
Due from others	-	15,000	-	15,000
	<u>\$ 57,428</u>	<u>\$ 2,634,845</u>	<u>\$ 2,665,043</u>	<u>\$ 27,230</u>
LIABILITIES				
Due to other funds				
General	\$ 20,896	\$ 766,269	\$ 760,485	\$ 26,680
Water	-	7,251	7,251	-0-
City Improvement	550	265,946	265,946	550
Due to component unit				
Downtown Development Authority	6,133	59,737	65,870	-0-
Due to other governmental units				
State	-	48,594	48,594	-0-
County				
State Education Tax	2,818	291,332	294,150	-0-
Other	5,525	367,306	372,831	-0-
Schools	16,979	768,333	785,312	-0-
Other local governments	-	3,675	3,675	-0-
Due to individuals and agencies	4,527	56,402	60,929	-0-
	<u>\$ 57,428</u>	<u>\$ 2,634,845</u>	<u>\$ 2,665,043</u>	<u>\$ 27,230</u>
<u>Payroll Clearing</u>				
ASSETS				
Cash	\$ 3,790	\$ 797,551	\$ 797,134	\$ 4,207
LIABILITIES				
Due to other governmental units				
State	\$ 11,796	\$ 28,536	\$ 30,492	\$ 9,840
Federal	1,938	148,062	147,845	2,155
Due to individuals and agencies	(9,944)	716,939	714,783	(7,788)
	<u>\$ 3,790</u>	<u>\$ 893,537</u>	<u>\$ 893,120</u>	<u>\$ 4,207</u>

City of Corunna

Component Unit Funds

COMBINING BALANCE SHEET - ALL FUND TYPES AND ACCOUNT
GROUPS - DOWNTOWN DEVELOPMENT AUTHORITY

June 30, 2003

	Governmental Fund Type		Account Groups		Total
	Special Revenue	General Fixed Assets	General Long- Term Debt		
ASSETS					
Cash	\$ 84,877	\$ -	\$ -		\$ 84,877
Accounts receivable	14,147	-	-		14,147
Fixed assets	-	777,917	-		777,917
Amount to be provided for retirement of general long-term debt	-	-	282,873		282,873
TOTAL ASSETS	\$ 99,024	\$ 777,917	\$ 282,873		\$ 1,159,814
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 59	\$ -	\$ -		\$ 59
Due to individuals	3,589	-	-		3,589
Due to other governmental units					
State	8,766	-	-		8,766
Loans payable	-	-	282,873		282,873
TOTAL LIABILITIES	12,414	-0-	282,873		295,287
FUND EQUITY					
Investment in general fixed assets	-	777,917	-		777,917
Unreserved - undesignated	86,610	-	-		86,610
TOTAL FUND EQUITY	86,610	777,917	-0-		864,527
TOTAL LIABILITIES AND FUND EQUITY	\$ 99,024	\$ 777,917	\$ 282,873		\$ 1,159,814

City of Corunna

SCHEDULE OF DEBT OUTSTANDING

June 30, 2003

1996 County of Shiawassee, City of Corunna G.O. Public Improvement Bonds

Purpose: To defray the costs of acquiring and constructing additions and improvements to the City of Corunna's Water supply, sanitary sewer, and storm sewer system.

Issue: \$ 870,000

Dated: September 1, 1996

<u>Due Date</u>	<u>Interest Rate (%)</u>	<u>Bonds Maturing</u>	<u>Actual Interest Due</u>	<u>Total Amount Due</u>
9/1/03	5.00	\$ 95,000	\$ 18,765	\$ 113,765
9/1/04	5.10	100,000	13,840	113,840
9/1/05	5.20	105,000	8,560	113,560
9/1/06	5.30	110,000	2,915	112,915
		<u>\$ 410,000</u>	<u>\$ 44,080</u>	<u>\$ 454,080</u>

City of Corunna

SCHEDULE OF DEBT OUTSTANDING

June 30, 2003

1992 Shiawassee County, City of Corunna Water Supply System Improvement Bonds

Purpose: To defray the cost of acquiring and constructing additions and improvements to the water system of the City of Corunna.

Issue: \$ 700,000

Dated: May 1, 1991

<u>Due Date</u>	<u>Interest Rate (%)</u>	<u>Bonds Maturing</u>	<u>Actual Interest Due</u>	<u>Total Amount Due</u>
5/1/04	5.80	\$ 50,000	\$ 24,325	\$ 74,325
5/1/05	5.90	50,000	21,425	71,425
5/1/06	6.00	50,000	18,475	68,475
5/1/07	6.10	50,000	15,475	65,475
5/1/08	6.15	50,000	12,425	62,425
5/1/09	6.20	50,000	9,350	59,350
5/1/10	6.25	50,000	6,250	56,250
5/1/11	6.25	50,000	3,125	53,125
		<u>\$ 400,000</u>	<u>\$ 110,850</u>	<u>\$ 510,850</u>

City of Corunna

SCHEDULE OF DEBT OUTSTANDING

June 30, 2003

1996 Wastewater Treatment System Revenue Bonds

Purpose: To defray the cost of acquiring and constructing improvements to the wastewater treatment system of the City of Corunna.

Issue: \$ 550,000

Dated: February 1, 1996

<u>Due Date</u>	<u>Interest Rate (%)</u>	<u>Bonds Maturing</u>	<u>Actual Interest Due</u>	<u>Total Amount Due</u>
11/1/03	4.60	\$ 20,000	\$ 21,925	\$ 41,925
11/1/04	4.70	25,000	21,005	46,005
11/1/05	4.80	25,000	19,830	44,830
11/1/06	4.90	25,000	18,630	43,630
11/1/07	5.00	30,000	17,405	47,405
11/1/08	5.10	30,000	15,905	45,905
11/1/09	5.20	35,000	14,375	49,375
11/1/10	5.30	35,000	12,555	47,555
11/1/11	5.35	40,000	10,700	50,700
11/1/12	5.35	40,000	8,560	48,560
11/1/13	5.35	40,000	6,420	46,420
11/1/14	5.35	40,000	4,280	44,280
11/1/15	5.35	40,000	2,140	42,140
		<u>\$ 425,000</u>	<u>\$ 173,730</u>	<u>\$ 598,730</u>

City of Corunna

SCHEDULE OF DEBT OUTSTANDING

June 30, 2003

USDA - FMHA Sewer Revenue Bonds

Purpose: To defray the cost of acquiring and constructing additions and improvements to the sanitary sewer system of the City of Corunna.

Issue: \$ 420,000

Dated: August 15, 1980

<u>Due Date</u>	<u>Interest Rate (%)</u>	<u>Bonds Maturing</u>	<u>Actual Interest Due</u>	<u>Total Amount Due</u>
8/1/03	5.00	\$ 15,000	\$ 12,875	\$ 27,875
8/1/04	5.00	15,000	12,125	27,125
8/1/05	5.00	15,000	10,875	25,875
8/1/06	5.00	15,000	10,125	25,125
8/1/07	5.00	15,000	9,875	24,875
8/1/08	5.00	15,000	9,125	24,125
8/1/09	5.00	15,000	8,375	23,375
8/1/10	5.00	15,000	7,625	22,625
8/1/11	5.00	15,000	6,875	21,875
8/1/12	5.00	15,000	6,125	21,125
8/1/13	5.00	15,000	5,375	20,375
8/1/14	5.00	15,000	4,625	19,625
8/1/15	5.00	15,000	3,875	18,875
8/1/16	5.00	15,000	3,125	18,125
8/1/17	5.00	15,000	2,375	17,375
8/1/18	5.00	20,000	1,500	21,500
8/1/19	5.00	20,000	500	20,500
		<u>\$ 265,000</u>	<u>\$ 115,375</u>	<u>\$ 380,375</u>

City of Corunna

SCHEDULE OF DEBT OUTSTANDING

June 30, 2003

2001 G.O. Public Improvement Bonds

Purpose: To finance the cost to purchase, acquire and construct public improvements.

Issue: \$ 490,000

Dated: June 1, 2001

<u>Due Date</u>	<u>Interest Rate (%)</u>	<u>Bonds Maturing</u>	<u>Actual Interest Due</u>	<u>Total Amount Due</u>
5/1/04	3.70	\$ 30,000	\$ 18,963	\$ 48,963
5/1/05	3.95	30,000	17,815	47,815
5/1/06	4.15	40,000	16,393	56,393
5/1/07	4.30	45,000	14,595	59,595
5/1/08	4.45	55,000	12,404	67,404
5/1/09	4.55	70,000	9,588	79,588
5/1/10	4.65	80,000	6,135	86,135
5/1/11	4.75	90,000	2,138	92,138
		<u>\$ 440,000</u>	<u>\$ 98,031</u>	<u>\$ 538,031</u>

City of Corunna

SCHEDULE OF DEBT OUTSTANDING

June 30, 2003

2000 G.O. Public Improvement Bonds

Purpose: To finance the cost to purchase, acquire and construct public improvements.

Issue: \$ 895,000

Dated: September 1, 2000

<u>Due Date</u>	<u>Interest Rate (%)</u>	<u>Bonds Maturing</u>	<u>Actual Interest Due</u>	<u>Total Amount Due</u>
5/1/04	4.75	\$ 45,000	\$ 40,841	\$ 85,841
5/1/05	4.85	45,000	38,681	83,681
5/1/06	4.90	50,000	36,365	86,365
5/1/07	5.00	50,000	33,890	83,890
5/1/08	5.05	55,000	31,251	86,251
5/1/09	5.10	60,000	28,333	88,333
5/1/10	5.15	60,000	25,257	85,257
5/1/11	5.20	65,000	22,023	87,023
5/1/12	5.25	70,000	18,495	88,495
5/1/13	5.25	75,000	14,689	89,689
5/1/14	5.30	75,000	10,733	85,733
5/1/15	5.30	80,000	6,625	86,625
5/1/16	5.30	85,000	2,253	87,253
		<u>\$ 815,000</u>	<u>\$ 309,436</u>	<u>\$ 1,124,436</u>

City of Corunna

SCHEDULE OF DEBT OUTSTANDING

June 30, 2003

1998 Michigan Transportation Bonds

Purpose: To help defray a portion of the costs of improvements and additions to the major and local streets in the City.

Issue: \$ 220,000

Dated: April 1, 1998

<u>Due Date</u>	<u>Interest Rate (%)</u>	<u>Bonds Maturing</u>	<u>Actual Interest Due</u>	<u>Total Amount Due</u>
8/1/2003	4.70	\$ 15,000	\$ 7,890	\$ 22,890
8/1/2004	4.70	15,000	7,185	22,185
8/1/2005	4.70	15,000	6,480	21,480
8/1/2006	4.70	15,000	5,775	20,775
8/1/2007	4.70	15,000	5,066	20,066
8/1/2008	4.80	15,000	4,350	19,350
8/1/2009	4.90	20,000	3,500	23,500
8/1/2010	5.00	20,000	2,510	22,510
8/1/2011	5.00	20,000	1,510	21,510
8/1/2012	5.05	20,000	505	20,505
		<u>\$ 170,000</u>	<u>\$ 44,771</u>	<u>\$ 214,771</u>

City of Corunna

SCHEDULE OF DEBT OUTSTANDING

June 30, 2003

Backhoe Lease

Purpose: To finance costs of acquiring a backhoe to be used as part of the motor pool. Payments on the lease are due in semi-annual installments.

Issue: \$ 50,700

Dated: July 30, 1999

Due Date	Interest Rate (%)	Principal Maturing	Actual Interest Due	Total Amount Due
07/31/03	5.5	\$ 4,848	\$ 411	\$ 5,259
01/31/04	5.5	4,982	278	5,260
07/31/04	5.5	5,119	141	5,260
		<u>\$ 14,949</u>	<u>\$ 830</u>	<u>\$ 15,779</u>

City of Corunna

SCHEDULE OF DEBT OUTSTANDING

June 30, 2003

1999 Water Tower Installment Purchase Agreement

Purpose: To finance payments for the Installment Purchase Agreement with Old Kent Bank-Central for water tower improvements.

Issue: \$ 224,200

Dated: November 1, 1999

<u>Due Date</u>	<u>Interest Rate (%)</u>	<u>Principal Maturing</u>	<u>Actual Interest Due</u>	<u>Total Amount Due</u>
11/1/03	5.56	\$ 10,338	\$ 4,427	\$ 14,765
5/1/04	5.56	10,625	4,140	14,765
11/1/04	5.56	10,920	3,845	14,765
5/1/05	5.56	11,224	3,541	14,765
11/1/05	5.56	11,536	3,229	14,765
5/1/06	5.56	11,857	2,908	14,765
11/1/06	5.56	12,186	2,579	14,765
5/1/07	5.56	12,525	2,240	14,765
11/1/07	5.56	12,873	1,892	14,765
5/1/08	5.56	13,231	1,534	14,765
11/1/08	5.56	13,599	1,166	14,765
5/1/09	5.56	13,977	788	14,765
11/1/09	5.56	14,366	399	14,765
		<u>\$ 159,257</u>	<u>\$ 32,688</u>	<u>\$ 191,945</u>

City of Corunna

SCHEDULE OF DEBT OUTSTANDING

June 30, 2003

City of Owosso - Contract Payable

Purpose: To finance payments for the City of Owosso wastewater treatment plant capital charges agreement of July 18, 2001

Issue: \$ 107,180

Dated: July 18, 2001

<u>Due Date</u>	<u>Interest Rate (%)</u>	<u>Principal Maturing</u>	<u>Actual Interest Due</u>	<u>Total Amount Due</u>
10/1/03	0.00	\$ 17,020	\$ -	\$ 17,020
10/1/04	0.00	18,860	-	18,860
10/1/05	0.00	18,400	-	18,400
10/1/06	0.00	20,240	-	20,240
		<u>\$ 74,520</u>	<u>\$ -0-</u>	<u>\$ 74,520</u>

Principals

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Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and
Members of City Council
City of Corunna
Corunna, Michigan

We have audited the general purpose financial statements of the City of Corunna as of and for the year ended June 30, 2003, and have issued our report thereon dated August 29, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Corunna's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Corunna's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to material weaknesses.

We noted other matters involving the internal control over financial reporting that we have reported to the management of the City of Corunna in a separate letter dated August 29, 2003.

This report is intended for the information and use of management and City Council and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which, upon acceptance by the City Council, is a matter of public record.



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

August 29, 2003

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MANAGEMENT LETTER

To the Honorable Mayor and
Members of the City Council
City of Corunna
Corunna, Michigan

As you know, we have recently completed our audit of the records of the City of Corunna, Michigan as of and for the year ended June 30, 2003. In connection with the audit, we feel that certain changes in your accounting and administrative procedures would be helpful in improving management's control and the operational efficiency of the accounting and administrative functions. These suggestions are a result of our evaluation of the internal control structure and our discussions with management.

1. The City should review the status of individual fund balances (deficits) near year-end.

As noted in the general purpose financial statements, the City has one (1) fund that ended the year in a deficit financial position. As a result, the City will be required to submit a deficit reduction plan to the State of Michigan for this fund.

We suggest the City review the status of individual funds near year-end and make appropriate adjustments when possible to eliminate deficits.

2. The City should monitor and amend budgets for applicable funds as necessary.

During the course of our audit, we noted instances where expenditures had been incurred in excess of amounts appropriated. These were noted in the General and Special Revenue Funds.

Michigan Public Act 621 of 1978, as amended, provides that the Board shall adopt formal budgets for the General and all Special Revenue funds and shall not incur expenditures in excess of the amounts appropriated. The budget must include all anticipated expenditures and the related revenue and fund equity to fund these expenditures.

We suggest that the City adopt and amend its budgets through Council resolution and monitor budgeted against actual expenditures.

3. The City should evaluate the financial condition of the Corunna Area Ambulance Service.

During the course of our audit, we noted that the City had made cash advances to the Corunna Area Ambulance Service on amounts to be collected with the Summer 2003 tax levy from the Current Tax Fund. We are also aware that the Ambulance Service has not been audited in recent years.

We suggest the City evaluate the financial condition of the Corunna Area Ambulance Service and take steps that it considers appropriate to ensure that amounts owed are repaid and no undue financial burden is placed on the City. We also suggest that, as part of the evaluation process, the City encourage the Corunna Area Ambulance Service to have an annual audit. Also, in the future, if the City decides to advance funds to another entity this transaction should be reported in the General Fund and not from the Current Tax Fund.

4. The City should modify the current chart of accounts to be in compliance with the Michigan Uniform Chart of Accounts.

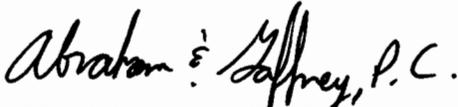
During the course of our audit, we noted instances of non-compliance with the Michigan Uniform Chart of Accounts. The General Government categories "Legal Services", "City Services", and "Internal Services" do not appear to be valid activities as listed by the Michigan Department of Treasury.

We suggest that the City make the necessary modifications to its General Fund chart of accounts to be in compliance with the Michigan Uniform Chart of Accounts.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the general purpose financial statements, and this report does not affect our report on the general purpose financial statements dated August 29, 2003.

This report is intended solely for the information of management and the Mayor and Members of the City Council of the City of Corunna and is not intended to be, and should not be, used by anyone other than these specified parties.

We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss any or all of these suggestions with you and to provide assistance in the implementation of improvements.



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

August 29, 2003