

**City of Corunna  
Shiawassee County, Michigan**

**FINANCIAL STATEMENTS**

**June 30, 2004**

City of Corunna

Shiawassee County, Michigan

June 30, 2004

CITY COUNCIL AND ADMINISTRATION

Steve Corey	Mayor
Dan Wagner	Council Member
Donald Mehigh	Council Member
Amy Lantis	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

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City of Corunna, Michigan

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Principals

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

Karen A. Roka, CPA  
James A. Huguelet, CPA  
Alan D. Panter, CPA  
William I. Tucker IV, CPA  
Kurt M. Lemmen, CPA



ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

Member:  
American Institute of  
Certified  
Public Accountants  
and  
Michigan Association of  
Certified Public  
Accountants

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of the City of Corunna as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of the City of Corunna as of June 30, 2004, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

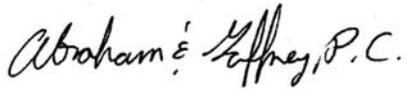
As described in Note A, the City has implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, as of July 1, 2003, along with all related statements and interpretations.

In accordance with Government Auditing Standards, we have also issued our report dated September 2, 2004 on our consideration of City of Corunna's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. 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.

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

The management's discussion and analysis and budgetary comparison information, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Corunna's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Abraham & Gaffney, P.C.".

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

September 2, 2004

**City of Corunna**  
**Management's Discussion and Analysis**

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following is a discussion and analysis of City of Corunna's (the City's) financial performance and position, providing an overview of the activities for the year ended June 30, 2004. This analysis should be read in conjunction with the *Independent Auditors Report* and with the City's financial statements, which follow this section. 2003/2004 represents the first year the City implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as amended by GASB Statement No. 37 *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments - Omnibus* and Statement No. 38 *Certain Financial Statement Note Disclosures*. Therefore, this discussion and analysis provides few comparisons with the previous year. Future reports will include financial comparisons to the prior as required by GASB.

**FINANCIAL HIGHLIGHTS**

**Government-wide:**

- Total net assets were \$5,255,373 (excluding component units).
- Governmental activities net assets were \$2,086,424.
- Business-type activity net assets were \$3,168,949.
- Component Unit net assets were \$377,844.

**Fund Level:**

- At the close of the fiscal year, the City's governmental funds reported a combined ending fund balance of \$1,449,186 with \$83,222 being reserved, designated, or otherwise earmarked for specific purposes.
- The General Fund realized \$105,500 more in revenues and other financing sources than anticipated for the fiscal year. However, General Fund operations also expended \$83,856 more than appropriated.
- Overall, the General Fund balance decreased by \$33,356 to \$385,989 - all undesignated and available for general purposes.

**Capital and Long-term Debt Activities:**

- The primary government issued two (2) new debt issues for the fiscal year in the form of Installment Purchase Agreements in the amount of \$78,875 and \$200,000.
- The total long-term debt for the primary government was \$3,158,103 with a net reduction of \$72,057 from the prior year.
- The City remains well below its authorized legal debt limit.
- The total additions to the capital asset schedule for the primary government was \$1,291,689 and included a donated parcel of land, a donated building, additions to the water and sewer systems, 2 new computers and a dump truck with a plow.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City's annual financial report. The annual financial report of the City consists of the following components: 1) *Independent Auditors Report*; 2) *Management's Discussion and Analysis* and 3) the *Basic Financial Statements* (government-wide financial statements, fund financial statements, notes to the financial statements), *Required Supplementary Information* such as budget to actual comparisons for the General Fund and major Special Revenue Funds, and *Other Supplementary Information* including combining financial statements for all non-major governmental funds and other funds and other financial data.

## City of Corunna Management's Discussion and Analysis

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### Government-wide Financial Statements (Reporting the City as a Whole)

The set of government-wide financial statements are made up of the Statement of Net Assets and the Statement of Activities, which report information about the City as a whole, and about its activities. Their purpose is to assist in answering the question, is the City, in its entirety, better or worse off as a result of this fiscal year's activities? These statements, which include all non-fiduciary assets and liabilities, are reported on the *accrual basis of accounting*, similar to a private business. This means revenues are accounted for when they are *earned* and expenses are accounted for when *incurred*, regardless of when the actual cash is received or disbursed.

The Statement of Net Assets (page 1) presents all of the City's assets and liabilities, recording the difference between the two as "net assets". Over time, increases or decreases in net assets measure whether the City's financial position is improving or deteriorating.

The Statement of Activities (page 2) presents information showing how the City's net assets changed during 2003/2004. All changes in net assets are reported based on the period for which the underlying events giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenue and expenses are reported in these statements for some items that will only result in cash flows in future financial periods, such as uncollected taxes and earned but unused employee annual leave.

Both statements report the following activities:

- ***Governmental Activities*** - Most of the City's basic services are reported under this category. Taxes, charges for services and intergovernmental revenue primarily fund these services. Most of the City's general government departments, law enforcement, economic development, city improvements, street improvements, recreation activities, and other City wide elected official operations and blended component units are reported under these activities.
- ***Business-type Activities*** - These activities operate like private businesses. The City charges fees to recover the cost of the services provided. The Water System Fund and the Sewer System Fund are examples of these activities.
- ***Discretely Presented Component Units*** - Discretely Presented Component units are legally separate organizations for which the City Council and Administration appoints a majority of the organization's policy board and there is a degree of financial accountability to the City. One organization is included as a discretely presented component unit: the Downtown Development Authority. The remaining component units are blended into the primary government governmental activities as required.

As stated previously, the government-wide statements report on an *accrual* basis of accounting. However, the governmental funds report on a *modified accrual* basis. Under modified accrual accounting, revenues are recognized when they are measurable and available to pay obligations of the fiscal period, expenditures are recognized when they are due to be paid from available resources.

Because of the different basis of accounting between the fund statements (described below) and the government-wide statements, pages 5 and 8 present reconciliations between the two statement types. The following summarizes the impact of transitioning from modified accrual to full accrual accounting:

- Capital assets used in governmental activities (depreciation) are not reported on the fund financial statements of the governmental fund. Capital assets and depreciation expense are reported on the government-wide statements.
- Capital outlay spending results in capital assets on the government-wide statements, but is reported as expenditures on the fund financial statements of the governmental funds.

## City of Corunna Management's Discussion and Analysis

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- Internal service funds are reported as governmental activities on the government-wide statements, but are reported as proprietary funds on the fund financial statements.
- Long-term liabilities, such as amounts accrued for sick and annual leave (compensated absences), etc. appear as liabilities on the government-wide statements; however they will not appear on the fund financial statements unless current resources are used to pay a specific obligation.
- Long-term debt proceeds are reported as liabilities on the government-wide statements, but are recorded as other financing sources on the fund financial statements.

In addition, it should be noted that the government-wide financial statements include the net value of the City's general capital assets such as buildings, land, cars, computer equipment, etc. These values are not included in the fund financial statements.

### Fund Financial Statements (Reporting the City's Major Funds)

The fund financial statements, which begin on page 3, provide information on the City's significant (major) funds, and aggregated non-major funds. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the City uses to keep track of specific sources of funding and spending for a particular purpose. Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar.

The *basic financial statements* report major funds as defined by the Government Accounting Standards Board (GASB) in separate columns. Statement 34 defines a "major fund" as the General Fund, and any governmental or enterprise fund which has either total assets, total liabilities, total revenues or total expenditures/expenses that equal at least ten (10) percent of those categories for either the governmental funds or the enterprise funds *and* where the individual fund total also exceeds five (5) percent of those categories for governmental and enterprise funds combined. The major funds for City of Corunna include the General Fund, the Economic Development Fund, the City Improvement Fund, the Sewer System Fund, and the Water System Fund. All other funds are classified as non-major funds and are reported in aggregate by the applicable fund type. The City includes detailed information on its non-major funds in the other supplementary information section of this report.

The City's funds are divided into three categories - governmental, proprietary, and fiduciary - and use different accounting approaches:

- **Governmental Funds** - Most of the City's basic services are reported in the governmental funds. The focus of these funds is how cash and other financial assets that can be readily converted to cash, flow in and out during the course of the fiscal year and how the balances left at year-end are available for spending on future services. Consequently, the governmental fund financial statements provide a detailed *short-term* view that helps determine whether there are more or fewer financial resources that may be expended in the near future to finance the City's programs. Governmental funds include the *General Fund*, as well as *Special Revenue Funds* (use of fund balance is restricted), *Capital Projects Funds* (used to report major capital acquisitions and construction), and *Debt Service Funds* (accounts for resources used to pay long-term debt principal and interest).
- **Proprietary Funds** - Services for which the City charges customers (whether outside the City structure or a City department) a fee are generally reported in proprietary funds. Proprietary funds use the same *accrual* basis of accounting used in the government-wide statements and by private business. There are two types of proprietary funds. *Enterprise funds* report activities that provide supplies and/or services to the general public. An example is the Sewer System Fund. *Internal Service funds* report activities that provide supplies or service to the City's other operations, such as the Motor Pool Fund. Internal Service funds are reported as governmental activities on the government-wide statements.

## **City of Corunna**

### **Management's Discussion and Analysis**

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- ***Fiduciary Funds*** - The City acts as a trustee or fiduciary in certain instances. It is also responsible for other assets that, because of trust arrangements, can only be used for the trust beneficiaries. The City's fiduciary activities are reported in the separate Statement of Net Assets on page 13. These funds, which include trust and agency funds, are reported using the accrual basis of accounting. The government-wide statements *exclude* the fiduciary fund activities and balances because these assets are not available to the City to fund its operations.

#### **Notes to the Financial Statements**

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the detail provided in the government-wide and fund financial statements. The Notes can be found beginning on page 14 of this report.

#### **Required Supplementary Information**

Following the Basic Financial Statements is additional Required Supplementary Information (RSI), which further explains and supports the information in the financial statements. RSI includes a budgetary comparison schedules for the General Fund and the major special revenue funds.

#### **Other Supplementary Information**

Other Supplementary Information includes combining financial statements for non-major governmental, proprietary, and fiduciary funds. These funds, except for the fiduciary funds, are added together, by fund type, and are presented in aggregate single columns in the appropriate basic financial statements.

**City of Corunna**  
**Management's Discussion and Analysis**

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**FINANCIAL ANALYSIS OF THE CITY AS A WHOLE**

As previously stated, City of Corunna's combined net assets were \$5,255,373 at the end of this fiscal year's operations. The net assets of the governmental activities were \$2,086,424; the business type activities were \$3,168,949.

**Net Assets as of June 30, 2004**

	<b><u>Governmental Activities</u></b>	<b><u>Business Type Activities</u></b>	<b><u>Total Primary Government</u></b>
Current Assets	\$ 1,448,504	\$ 608,352	\$ 2,056,856
Noncurrent Assets	<u>2,666,417</u>	<u>3,789,073</u>	<u>6,455,490</u>
<b>Total Assets</b>	<b><u>\$ 4,114,921</u></b>	<b><u>\$ 4,397,425</u></b>	<b><u>\$ 8,512,346</u></b>
Current Liabilities	343,103	158,686	501,789
Noncurrent Liabilities	<u>1,685,394</u>	<u>1,069,790</u>	<u>2,755,184</u>
<b>Total Liabilities</b>	<b><u>\$ 2,028,497</u></b>	<b><u>\$ 1,228,476</u></b>	<b><u>\$ 3,256,973</u></b>
Net Assets			
Invested in Capital Assets (Net of related debt)	425,865	2,439,616	2,865,481
Restricted	267,020	313,949	580,969
Unrestricted	<u>1,393,539</u>	<u>415,384</u>	<u>1,808,923</u>
<b>Total Net Assets</b>	<b><u>\$ 2,086,424</u></b>	<b><u>\$ 3,168,949</u></b>	<b><u>\$ 5,255,373</u></b>

The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the City's primary government net assets changed during the fiscal year:

**Changes in Net Assets for the Fiscal Year Ending June 30, 2004**

	<b><u>Governmental Activities</u></b>	<b><u>Business Type Activities</u></b>	<b><u>Total</u></b>
<b>Revenues</b>			
Program Revenues			
Charges for Services	\$ 636,979	\$ 1,152,116	\$ 1,789,095
Grants and Contributions	1,050,946	-	1,050,946
General Revenues			
Property Taxes	995,448	-	995,448
State Shared Revenue	390,977	-	390,977
Investment Earnings	28,623	7,382	36,005
Miscellaneous	<u>83,983</u>	<u>7,579</u>	<u>91,562</u>
<b>Total Revenues</b>	<b>3,186,956</b>	<b>1,167,077</b>	<b>4,354,033</b>

**City of Corunna**  
**Management's Discussion and Analysis**

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	<b><u>Governmental Activities</u></b>	<b><u>Business Type Activities</u></b>	<b><u>Total</u></b>
<b>Expenses</b>			
General Government	\$ 513,390	\$ -	\$ 513,390
Public Safety	546,713	-	546,713
Public Works	925,611	-	925,611
Health and Welfare	44,641	-	44,641
Community and Econ. Dev.	135,448	-	135,448
Recreation and Cultural	348,578	-	348,578
Other	<u>137,908</u>	<u>898,324</u>	<u>1,036,232</u>
<b>Total Expenses</b>	<b><u>2,652,289</u></b>	<b><u>898,324</u></b>	<b><u>3,550,613</u></b>
<b>Increase in Net Assets</b>	<b>534,667</b>	<b>268,753</b>	<b>803,420</b>
Net Assets - Beginning	<u>1,551,757</u>	<u>2,900,196</u>	<u>4,451,953</u>
<b>Net Assets - Ending</b>	<b><u>\$ 2,086,424</u></b>	<b><u>\$ 3,168,949</u></b>	<b><u>\$ 5,255,373</u></b>

**Governmental Activities:**

The result of 2003/2004 governmental activity was an increase of \$534,667 in net assets to \$2,086,424. Of the total governmental activities' net assets, \$425,865 is invested in capital assets less related debt, \$267,020 is reported as restricted, meaning these assets are legally committed for a specific purpose through statute, or by another authority outside the City government. The balance of \$1,393,539 is listed as unrestricted, having no legal commitment.

**Revenues:**

The three largest revenue categories were grants and contributions at 33%, property taxes at 31%, and charges for services at 20%. Grants and contributions are the largest source of governmental activity revenue and include items such as donated property and State operating assistance. The City levied two property tax millages for the year ended June 30, 2004, one being for general government operations at 13.4372 mills, which is not assigned to any particular activity, and one for City Public Improvements at 4.8826 mills. Charges for services, which reimburse the City for specific activities, are the third largest source of governmental activity revenue. Examples include rentals, recreation fees, fire protection, and permits.

**Expenses:**

Public works is the largest governmental activity, expending approximately 35% of the governmental activities total and includes the Public Works department as well as public street maintenance and improvement activities. Public Safety is the second largest area, expending approximately 21% of the governmental activities total on police and fire protection.

**Business-type Activities:**

Net assets in business-type activities increased by \$268,753 during 2003/2004. Of the business-type activities' net assets, \$2,439,616 is invested in capital assets less related debt, \$313,949 is reported as restricted, meaning these assets are legally committed for a specific purpose through statute, or by another authority outside the City government. The balance of \$415,384 is listed as unrestricted, having no legal commitment.

**City of Corunna  
Management's Discussion and Analysis**

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**FINANCIAL ANALYSIS OF THE CITY'S MAJOR AND NON MAJOR FUNDS**

As the City completed 2003/2004, its governmental funds reported *combined* fund balances of \$1,449,186. This is a net decrease of \$302,184. The net changes are summarized in the following chart:

	<b>General Fund</b>	<b>Economic Development</b>	<b>City Improvement</b>	<b>Other Non Major Governmental Funds</b>
<b>Fund Balance 06/30/03</b>	\$ 419,345	\$ 269,153	\$ 284,082	\$ 778,790
<b>Fund Balance 06/30/04</b>	\$ 385,989	\$ 181,521	\$ 293,854	\$ 587,822
<b>Net Change</b>	\$ ( 33,356 )	\$ ( 87,632 )	\$ 9,772	\$ (190,968 )

**General Fund:**

The General Fund is the chief operating fund of the City. Unless otherwise required by statute, contractual agreement or Board policy, all City revenues and expenditures are recorded in the General Fund. As of June 30, 2004, the General Fund reported a fund balance of \$385,989. This amount is a decrease of \$33,356 from the fund balance of \$419,345 reported as of June 30, 2003. The 2003/2004 original budget called for a \$50,000 use of fund balance. The entire fund balance is reported as undesignated.

The General Fund 2003/2004 expenditures exceeded 2003/2004 revenues by \$34,656, however, the General Fund also supports the operations of other funds including the Industrial Development, Municipal Building, Cemetery, and Library funds. These particular funds collectively received \$188,500 in support from the General Fund.

**General Fund Budgetary Highlights:**

The City of Corunna's budget is a dynamic document. Although adopted in June (prior to the start of the year), the budget is routinely amended during the course of the year to reflect changing operational demands.

Actual General Fund revenue and other financing sources totaled \$1,807,850, \$105,500 above the final amended budget. General Fund revenues were increased by \$200,000 (other financing sources) due to recording of the installment loan revenue for the purpose of acquiring approximately 60 acres of land for the purpose of Industrial Park Development. Absent this adjustment, General Fund revenues were \$1,607,850, \$94,500 below the final amended budget. There were some wide variations in individual revenue accounts reflecting the tightening national and local economy.

The \$94,500 shortfall in budgeted General Fund Revenue was due to \$150,000 in planned revenue from the sale of a parcel of property owned by the City of Corunna (the old City Library Building) not occurring in the budget year. Disregarding this shortfall, other General Fund Revenue was \$65,500 above the final amended budget credited to two primary sources. State Revenue Sharing was approximately \$31,000 above budgeted due to state cuts less drastic than anticipated. Administrative Transfers were approximately \$34,000 above budgeted do to administrative staff and department of public works emphasis on projects outside of the General Fund.

## **City of Corunna**

### **Management's Discussion and Analysis**

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The City's expenditure budget was increased by \$209,050 (14% above the original budget) during 2003/2004. The majority of this increase (\$140,000; 90%) was for the establishment of the Industrial Development Fund, and to provide funding for the Building Department and Forest Management Commission. The balance on the increase was for rising health insurance premiums, hazard/liability insurance premiums, public utilities, and technology related items.

Actual City expenditures for 2003/2004 were \$83,856 over budget. General Fund expenditures were increased by \$200,000 due to the recognition of the expenditure for the acquisition of approximately 60 acres of land for the purpose of Industrial Park Development. Absent this adjustment, General Fund expenditures were \$116,144 below the final amended budget. This is due to several reasons including:

- \$12,000 less than planned expenditures in the Parks and Recreation Department.
- \$25,000 less than planned expenditures in the Department of Public Works.
- \$20,000 less than planned expenditures in the Police Department.
- \$12,000 contingency funds not expended.
- \$14,000 less than planned expenditures in the Municipal Building Department.
- \$4,000 less than planned expenditures in the Internal Services Department.
- \$6,000 less than planned expenditures in the City Manager Department.

#### **Economic Development Fund:**

As of June 30, 2004, the Economic Development Fund reported a fund balance of \$181,521, a decrease of \$87,632 from the prior year. The total fund balance is undesignated/unreserved. As a result of the City of Corunna being classified as a Low/Moderate Income Community in the 2000 Census, the Economic Development Fund was allowed to provide grants for issues determined to be in the interest of the community. Two grants totaling up to \$282,500 were awarded to the City of Corunna for Sanitary Sewer Inspection Program and for Industrial Park Utilities Engineering and Site Plan Development. These projects are ongoing.

#### **City Improvement Fund:**

As of June 30, 2004, the City Improvement Fund reported a fund balance \$293,854, which is an increase of \$9,772 from the prior year. The total fund balance is undesignated/unreserved.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

Capital Assets - At the end of Fiscal Year 2003/2004, the City had invested \$5,989,123, and \$500,402 for the component units, net of accumulated depreciation, in a broad range of capital assets (see table below). Accumulated depreciation was \$5,441,047 for the primary government. Depreciation charges for the fiscal year totaled \$310,147 for the primary government and \$20,661 for the component units. Additional information related to capital assets is detailed in Note G of the Financial Statements. Net Book value of capital assets at June 30, 2004 was as follows:

**City of Corunna  
Management's Discussion and Analysis**

	<b>Governmental Activities</b>	<b>Business- type Activities</b>	<b>Component Unit DDA</b>	<b>Total</b>
<b>Land</b>	\$ 200,000	\$ 127	\$ -	\$ 200,127
<b>Buildings, net</b>	1,702,446	-	490,304	2,192,750
<b>Vehicles and equipment, net</b>	446,267	75,039	6,343	527,649
<b>Sewer system, net</b>	-	2,555,458	-	2,555,458
<b>Water system, net</b>	-	1,009,786	-	1,009,786
<b>Improvements, net</b>	-	-	3,755	3,755
<b>Capital assets, net</b>	<b>\$ 2,348,713</b>	<b>\$3,640,410</b>	<b>\$ 500,402</b>	<b>\$ 6,489,525</b>

Long-term Debt - As of June 30, 2004, the City had \$3,158,103 in loans outstanding for the primary government. This level of net obligation is \$72,057 less than the obligation recorded as of June 30, 2003.

**Outstanding Debt as of June 30, 2004:**

	<b><u>July 1, 2003</u></b>	<b><u>Additions</u></b>	<b><u>Deletions</u></b>	<b><u>June 30, 2004</u></b>
<b>Primary Government</b>				
Governmental Activities				
General Obligation Bonds	\$1,665,000	\$ -	\$ 170,000	\$1,495,000
Transportation Bonds	170,000	-	15,000	155,000
Installment Purchases	19,848	278,875	30,994	267,729
Capital Lease	14,949	-	9,830	5,119
Compensated absences	36,586	-	2,125	34,461
Business-type Activities				
General Obligation Bonds	400,000	-	50,000	350,000
Improvement Bonds	690,000	-	35,000	655,000
Installment Purchases	159,257	-	20,963	138,294
Contract payable	<u>74,520</u>	<u>-</u>	<u>17,020</u>	<u>57,500</u>
<b>Total Primary Government</b>	<b>3,230,160</b>	<b>278,875</b>	<b>350,932</b>	<b>3,158,103</b>
Component Unit				
Installment Loan	<u>282,873</u>	<u>-</u>	<u>30,591</u>	<u>252,282</u>
<b>Total Reporting Entity</b>	<b><u>\$3,513,033</u></b>	<b><u>\$ 278,875</u></b>	<b><u>\$ 381,523</u></b>	<b><u>\$3,410,385</u></b>

Activity for the Component Unit during 2003/2004 included the payment of \$30,591 for the installment loan.

A more detailed discussion of the City's long-term debt obligations is presented in Note H to the financial statements.

**City of Corunna**  
**Management's Discussion and Analysis**

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**CITY OF CORUNNA GOVERNMENT ECONOMIC OUTLOOK:**

- State revenue sharing has declined nearly \$60,000 over the past two years (nearly \$100,000 of adjusted for inflation), and may face additional cuts due to state budget problems.
- Other General Fund state and federal revenues and/or grants have seen reductions of nearly 95% over the past four years.
- Property tax revenue has not kept pace with inflation.
- Investment earnings are at historically low levels due to low market interest rates, decreasing by nearly 80% over the past four years.
- Health and dental insurance premiums are rising much faster than the rate of inflation.
- Retirement costs are increasing due to poor stock market performance over the last several years.
- Utility costs are rising faster than the rate of inflation.
- Hazard/Liability Insurance costs are rising faster than the rate of inflation.

These factors were considered in adopting the Budget for 2004/2005. A usage of \$85,000 of the City's fund balance was included to balance the General Fund Budget, although it is estimated that the deficit will be significantly higher. The City continues to look for ways to increase efficiencies and reduce the cost of doing business.

**CONTACTING THE CITY**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If there are questions about this report, or a need for additional information, contact the City of Corunna's Treasurer's Office at (989) 743-3650.

## **BASIC FINANCIAL STATEMENTS**

City of Corunna

STATEMENT OF NET ASSETS

June 30, 2004

	Primary Government			Component Unit (DDA)
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 972,350	\$ 313,263	\$ 1,285,613	\$ 119,915
Investments	113,036	-	113,036	-
Receivables	203,590	284,648	488,238	18,633
Due from other governmental units	145,348	-	145,348	-
Due from fiduciary funds	24,621	-	24,621	-
Internal balances	(10,441)	10,441	-0-	-
Total current assets	1,448,504	608,352	2,056,856	138,548
Noncurrent assets				
Cash and cash equivalents - restricted	-	6,558	6,558	4,530
Investments	317,704	55,000	372,704	-
Treatment rights, net	-	87,105	87,105	-
Capital assets, net	2,348,713	3,640,410	5,989,123	500,402
Total noncurrent assets	2,666,417	3,789,073	6,455,490	504,932
<b>TOTAL ASSETS</b>	<b>4,114,921</b>	<b>4,397,425</b>	<b>8,512,346</b>	<b>643,480</b>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	31,865	13,145	45,010	-
Accrued liabilities	12,649	975	13,624	-
Accrued interest payable	26,674	13,562	40,236	58
Due to other governmental units	-	-	-0-	8,766
Rental deposits	-	-	-0-	4,530
Current portion of compensated absences	27,569	-	27,569	-
Current portion of long-term debt	244,346	131,004	375,350	19,883
Total current liabilities	343,103	158,686	501,789	33,237
Noncurrent liabilities				
Compensated absences	6,892	-	6,892	-
Noncurrent portion of long-term debt	1,678,502	1,069,790	2,748,292	232,399
Total noncurrent liabilities	1,685,394	1,069,790	2,755,184	232,399
<b>TOTAL LIABILITIES</b>	<b>2,028,497</b>	<b>1,228,476</b>	<b>3,256,973</b>	<b>265,636</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	425,865	2,439,616	2,865,481	248,120
Restricted for:				
Debt service	-	86,469	86,469	-
Other purposes	267,020	227,480	494,500	-
Unrestricted	1,393,539	415,384	1,808,923	129,724
<b>TOTAL NET ASSETS</b>	<b>\$ 2,086,424</b>	<b>\$ 3,168,949</b>	<b>\$ 5,255,373</b>	<b>\$ 377,844</b>

See accompanying notes to financial statements.

City of Corunna

STATEMENT OF ACTIVITIES

Year Ended June 30, 2004

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental activities								
General government	\$ 513,390	\$ 76,643	\$ -	\$ -	\$ (436,747)	\$ -	\$ (436,747)	\$ -
Public safety	546,713	82,865	6,178	-	(457,670)	-	(457,670)	-
Public works	925,611	271,009	259,729	16,011	(378,862)	-	(378,862)	-
Health and welfare	44,641	19,441	-	-	(25,200)	-	(25,200)	-
Community and economic development	135,448	55,594	-	750,000	670,146	-	670,146	-
Recreation and cultural	348,578	131,427	19,028	-	(198,123)	-	(198,123)	-
Other	50,018	-	-	-	(50,018)	-	(50,018)	-
Interest on long-term debt	87,890	-	-	-	(87,890)	-	(87,890)	-
Total governmental activities	2,652,289	636,979	284,935	766,011	(964,364)	-0-	(964,364)	-0-
Business-type activities								
Sewer system	478,933	567,216	-	-	-	88,283	88,283	-
Water system	419,391	584,900	-	-	-	165,509	165,509	-
Total business-type activities	898,324	1,152,116	-0-	-0-	-0-	253,792	253,792	-0-
Total primary government	\$ 3,550,613	\$ 1,789,095	\$ 284,935	\$ 766,011	(964,364)	253,792	(710,572)	-0-
Component unit								
Downtown development authority (DDA)	\$ 74,524	\$ 69,917	\$ -0-	\$ -0-	-	-	-0-	(4,607)
General revenues								
Property taxes					995,448	-	995,448	57,286
State shared revenue					390,977	-	390,977	-
Investment earnings					28,623	7,382	36,005	427
Miscellaneous					83,983	7,579	91,562	-
Total general revenues					1,499,031	14,961	1,513,992	57,713
Change in net assets								
					534,667	268,753	803,420	53,106
Net assets, beginning of the year								
					1,551,757	2,900,196	4,451,953	324,738
Net assets, end of the year								
					\$ 2,086,424	\$ 3,168,949	\$ 5,255,373	\$ 377,844

See accompanying notes to financial statements.

City of Corunna

GOVERNMENTAL FUNDS BALANCE SHEET

June 30, 2004

	General	Economic Development	City Improvement
<b>ASSETS</b>			
Cash and cash equivalents	\$ 26,928	\$ 155,544	\$ 209,435
Investments	277,500	25,000	77,500
Accounts receivable	-	-	-
Contracts receivable	-	130,274	-
Special assessment receivable	53,747	-	-
Taxes receivable	4,723	-	-
Interest receivable	8,647	977	1,472
Due from other governmental units			
State	50,830	-	-
Local	35,959	-	-
Due from other funds	24,366	-	5,447
	<u>482,700</u>	<u>311,795</u>	<u>293,854</u>
<b>TOTAL ASSETS</b>	<b>\$ 482,700</b>	<b>\$ 311,795</b>	<b>\$ 293,854</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 25,512	\$ -	\$ -
Accrued liabilities	12,555	-	-
Deferred revenue	53,747	130,274	-
Due to other funds	4,897	-	-
	<u>96,711</u>	<u>130,274</u>	<u>-0-</u>
<b>TOTAL LIABILITIES</b>	<b>96,711</b>	<b>130,274</b>	<b>-0-</b>
<b>FUND BALANCES</b>			
Reserved for:			
Perpetual care	-	-	-
Debt service	-	-	-
Unreserved			
Undesignated, reported in:			
General fund	385,989	-	-
Special revenue funds	-	181,521	293,854
Debt service funds	-	-	-
Capital projects	-	-	-
	<u>385,989</u>	<u>181,521</u>	<u>293,854</u>
<b>TOTAL FUND BALANCES</b>	<b>385,989</b>	<b>181,521</b>	<b>293,854</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 482,700</b>	<b>\$ 311,795</b>	<b>\$ 293,854</b>

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 491,651	\$ 883,558
50,740	430,740
3,750	3,750
-	130,274
-	53,747
-	4,723
-	11,096
58,559	109,389
-	35,959
11,252	41,065
<u>\$ 615,952</u>	<u>\$ 1,704,301</u>
\$ 6,090	\$ 31,602
52	12,607
-	184,021
21,988	26,885
<u>28,130</u>	<u>255,115</u>
78,077	78,077
5,145	5,145
-	385,989
351,867	827,242
7,857	7,857
144,876	144,876
<u>587,822</u>	<u>1,449,186</u>
<u>\$ 615,952</u>	<u>\$ 1,704,301</u>

City of Corunna

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS

June 30, 2004

**Total fund balance - governmental funds** \$ 1,449,186

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 5,288,039	
Accumulated depreciation is	<u>(2,939,326)</u>	
Capital assets, net		2,348,713

Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the Internal Service Funds are included in the governmental activities in the Government-wide Statement of Net Assets

Net assets of governmental activities accounted for in Internal Service Funds	237,366	
Net capital assets of Internal Service Funds included in total capital assets above	(210,033)	
Long-term liabilities of Internal Service Fund included in total long-term liabilities below	<u>58,994</u>	
		86,327

Long-term receivables are not available to pay for current period expenditures and are therefore deferred in the funds. These consist of:

Deferred revenue		184,021
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds Balance Sheet. Long-term liabilities at year-end consist of:

Bonds, loans, and leases payable	1,922,848	
Accrued interest payable	24,514	
Compensated absences	<u>34,461</u>	
		<u>(1,981,823)</u>

**Net assets of governmental activities** \$ 2,086,424

See accompanying notes to financial statements.

City of Corunna

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2004

	General	Economic Development	City Improvement
<b>REVENUES</b>			
Taxes	\$ 725,222	\$ -	\$ 270,226
Licenses and permits	45,740	-	-
Intergovernmental	397,155	-	-
Charges for services	299,115	-	-
Fines and forfeits	11,561	-	-
Interest and rents	65,361	3,012	3,280
Other	63,696	27,233	-
<b>TOTAL REVENUES</b>	<b>1,607,850</b>	<b>30,245</b>	<b>273,506</b>
<b>EXPENDITURES</b>			
Current			
General government	471,346	-	-
Public safety	498,218	-	-
Public works	293,204	-	-
Health and welfare	-	-	-
Community and economic development	17,571	117,877	-
Recreation and cultural	116,184	-	-
Other	45,983	-	-
Debt service	-	-	-
Capital outlay	200,000	-	-
<b>TOTAL EXPENDITURES</b>	<b>1,642,506</b>	<b>117,877</b>	<b>-0-</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(34,656)</b>	<b>(87,632)</b>	<b>273,506</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers in	-	-	-
Operating transfers out	(198,700)	-	(263,734)
Installment loan proceeds	200,000	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>1,300</b>	<b>-0-</b>	<b>(263,734)</b>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<b>(33,356)</b>	<b>(87,632)</b>	<b>9,772</b>
Fund balances, beginning of year	419,345	269,153	284,082
Fund balances, end of year	<u>\$ 385,989</u>	<u>\$ 181,521</u>	<u>\$ 293,854</u>

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 995,448
-	45,740
285,926	683,081
54,420	353,535
27,320	38,881
98,151	169,804
59,536	150,465
<hr/>	<hr/>
525,353	2,436,954
30,105	501,451
-	498,218
615,907	909,111
44,641	44,641
-	135,448
202,273	318,457
6,160	52,143
279,669	279,669
-	200,000
<hr/>	<hr/>
1,178,755	2,939,138
(653,402)	(502,184)
593,972	593,972
(131,538)	(593,972)
-	200,000
<hr/>	<hr/>
462,434	200,000
(190,968)	(302,184)
778,790	1,751,370
<hr/>	<hr/>
\$ 587,822	\$ 1,449,186
<hr/> <hr/>	<hr/> <hr/>

City of Corunna

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2004

**Net change in fund balances - total governmental funds** \$ (302,184)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Depreciation expense	\$ (149,621)	
Capital outlay	<u>281,803</u>	
Excess of capital outlay over depreciation expense		132,182

Donated capital assets held for resale are recorded as capital grants and not depreciated in the statement of activities but are not revenues in governmental funds 750,000

Internal service funds are used by management to charge the costs of certain activities to individual funds.

Increase in Net Assets of Internal Service Funds	7,085	
Capital asset additions of Internal Service Funds included in the total above	(78,875)	
Depreciation expense of Internal Service Funds included in the total above	49,053	
Loan principal retirement of Internal Service Funds included in the total below	<u>(34,830)</u>	
		(57,567)

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Loan principal retirement	225,824	
Loan proceeds	<u>(200,000)</u>	
		25,824

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in accrued interest payable	785	
Decrease in accrued compensated absences	<u>2,125</u>	
		<u>2,910</u>

**Change in net assets of governmental activities** \$ 551,165

See accompanying notes to financial statements.

City of Corunna

Proprietary Funds

STATEMENT OF NET ASSETS

June 30, 2004

	Business-type Activities			Governmental Activities
	Sewer System	Water System	Total	Internal Service (Motor Pool)
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 82,214	\$ 231,049	\$ 313,263	\$ 88,792
Receivables				
Accounts	199,086	83,620	282,706	-
Interest	970	972	1,942	-
Due from other funds	15,505	-	15,505	-
<b>Total current assets</b>	<b>297,775</b>	<b>315,641</b>	<b>613,416</b>	<b>88,792</b>
Noncurrent assets				
Cash and cash equivalents - restricted	6,558	-	6,558	-
Investments	27,500	27,500	55,000	-
Treatment rights, net	87,105	-	87,105	-
Capital assets, net	2,623,205	1,017,205	3,640,410	210,033
<b>Total noncurrent assets</b>	<b>2,744,368</b>	<b>1,044,705</b>	<b>3,789,073</b>	<b>210,033</b>
<b>TOTAL ASSETS</b>	<b>3,042,143</b>	<b>1,360,346</b>	<b>4,402,489</b>	<b>298,825</b>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	12,918	227	13,145	263
Accrued interest payable	8,709	4,853	13,562	2,160
Due to other funds	4,769	295	5,064	-
Current portion of long-term debt	58,860	72,144	131,004	17,703
Accrued liabilities	25	950	975	42
<b>Total current liabilities</b>	<b>85,281</b>	<b>78,469</b>	<b>163,750</b>	<b>20,168</b>
Noncurrent liabilities				
Installment loans payable	-	-	-0-	41,291
Contract payable	38,640	116,150	154,790	-
Revenue bonds payable	615,000	300,000	915,000	-
<b>Total noncurrent liabilities</b>	<b>653,640</b>	<b>416,150</b>	<b>1,069,790</b>	<b>41,291</b>
<b>TOTAL LIABILITIES</b>	<b>738,921</b>	<b>494,619</b>	<b>1,233,540</b>	<b>61,459</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	1,910,705	528,911	2,439,616	151,039
Restricted for:				
Debt service	86,469	-	86,469	-
Other purposes	227,480	-	227,480	-
Unrestricted	78,568	336,816	415,384	86,327
<b>TOTAL NET ASSETS</b>	<b>\$ 2,303,222</b>	<b>\$ 865,727</b>	<b>\$ 3,168,949</b>	<b>\$ 237,366</b>

See accompanying notes to financial statements.

City of Corunna

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

Year Ended June 30, 2004

	Business-type Activities			Governmental Activities
	Sewer System	Water System	Total	Internal Service (Motor Pool)
<b>OPERATING REVENUES</b>				
Charges for services	\$ 446,145	\$ 494,571	\$ 940,716	\$ 136,696
Capital charges	121,071	90,239	211,310	-
Other revenue	-	90	90	-
<b>TOTAL OPERATING REVENUES</b>	<b>567,216</b>	<b>584,900</b>	<b>1,152,116</b>	<b>136,696</b>
<b>OPERATING EXPENSES</b>				
Personal services	58,060	81,539	139,599	17,693
Employee benefits	26,533	32,507	59,040	6,128
Other operating costs	239,595	212,705	452,300	54,230
Depreciation and amortization	120,464	60,024	180,488	49,053
<b>TOTAL OPERATING EXPENSES</b>	<b>444,652</b>	<b>386,775</b>	<b>831,427</b>	<b>127,104</b>
<b>OPERATING INCOME</b>	<b>122,564</b>	<b>198,125</b>	<b>320,689</b>	<b>9,592</b>
<b>NONOPERATING REVENUES AND EXPENSES</b>				
Interest expense and fees	(34,281)	(32,616)	(66,897)	(2,732)
Rent earned	7,579	-	7,579	-
Interest earned	1,312	6,070	7,382	225
<b>TOTAL NONOPERATING (EXPENSES)</b>	<b>(25,390)</b>	<b>(26,546)</b>	<b>(51,936)</b>	<b>(2,507)</b>
<b>CHANGE IN NET ASSETS</b>	<b>97,174</b>	<b>171,579</b>	<b>268,753</b>	<b>7,085</b>
Net assets, beginning of year	2,206,048	694,148	2,900,196	230,281
Net assets, end of year	<u>\$ 2,303,222</u>	<u>\$ 865,727</u>	<u>\$ 3,168,949</u>	<u>\$ 237,366</u>

See accompanying notes to financial statements.

City of Corunna

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended June 30, 2004

	Business-type Activities			Governmental Activities
	Sewer System	Water System	Total	Internal Service (Motor Pool)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash receipts from customers	\$ 555,915	\$ 562,905	\$1,118,820	\$ 136,696
Cash paid to suppliers	(234,518)	(229,056)	(463,574)	(53,792)
Cash paid for employee benefits	(26,827)	(33,141)	(59,968)	(6,842)
Cash paid to employees	(58,060)	(81,539)	(139,599)	(17,693)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>236,510</b>	<b>219,169</b>	<b>455,679</b>	<b>58,369</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Rent earned	7,579	-	7,579	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Capital purchases	(186,522)	(73,364)	(259,886)	(78,875)
Note proceeds	-	-	-0-	78,875
Interest expense and fees	(34,281)	(32,616)	(66,897)	(2,732)
Payments on borrowings	(52,020)	(70,963)	(122,983)	(34,830)
<b>NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(272,823)</b>	<b>(176,943)</b>	<b>(449,766)</b>	<b>(37,562)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of investments	(27,500)	(27,500)	(55,000)	-
Maturity of investments	77,500	177,500	255,000	-
Interest earned	1,312	6,070	7,382	225
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>51,312</b>	<b>156,070</b>	<b>207,382</b>	<b>225</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>22,578</b>	<b>198,296</b>	<b>220,874</b>	<b>21,032</b>
Cash and cash equivalents, beginning of year	66,194	32,753	98,947	67,760
Cash and cash equivalents, end of year	<u>\$ 88,772</u>	<u>\$ 231,049</u>	<u>\$ 319,821</u>	<u>\$ 88,792</u>

See accompanying notes to financial statements.

City of Corunna

Proprietary Funds

STATEMENT OF CASH FLOWS - CONTINUED

Year Ended June 30, 2004

	Business-type Activities			Governmental Activities
	Sewer System	Water System	Total	Internal Service (Motor Pool)
Reconciliation of operating income to net cash provided by operating activities				
Operating income	\$ 122,564	\$ 198,125	\$ 320,689	\$ 9,592
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation and amortization	120,464	60,024	180,488	49,053
(Increase) in accounts receivable	(11,162)	(22,590)	(33,752)	-
(increase) decrease in accrued interest receivable	(139)	595	456	-
Increase (decrease) in accounts payable	5,543	(15,674)	(10,131)	(1,722)
(Decrease) in accrued liabilities	(294)	(634)	(928)	(714)
Increase (decrease) in accrued interest payable	(466)	(677)	(1,143)	2,160
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 236,510</u>	<u>\$ 219,169</u>	<u>\$ 455,679</u>	<u>\$ 58,369</u>

City of Corunna  
Fiduciary Funds  
STATEMENT OF NET ASSETS  
June 30, 2004

	<u>Agency Funds</u>
ASSETS	
Cash	<u>\$ 43,913</u>
LIABILITIES	
Due to other funds	\$ 24,621
Due to other governmental units	
Federal/State	5,793
Due to individuals and agencies	<u>13,499</u>
TOTAL LIABILITIES	<u>\$ 43,913</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

**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 City's 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 government-wide financial statements to emphasize that they are legally separate from the City.

2. Discretely Presented Component Unit

The component unit columns in the government-wide 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 (DDA) 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.

The Corunna-Caledonia Fire Department activities are reported on the fiscal year end of December 31, 2003.

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

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

3. Blended Component Units - continued

The financial activities of the City of Corunna Building Authority have been blended with the City's Debt Service Funds. The financial activities of the Corunna Historical Commission, Softball Commission, Corunna Fourth of July Commission, and Corunna Softball Commission have been blended with the City's Special Revenue Funds.

The Softball Commission activities are reported for the eight (8) month period ended June 30, 2004 due to the Commission changing their fiscal year end from October 31 to June 30.

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, 2003 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 \$3,064 to the Board for the year ended June 30, 2004.

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 \$40,900 in per dwelling charges to Corunna Area Ambulance Service, Inc. for the year ended June 30, 2004.

6. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the primary government and its component units as a whole. All non-fiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide statements). For the most part, interfund activity has been eliminated in the preparation of these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

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

6. Basis of Presentation - continued

GOVERNMENT-WIDE FINANCIAL STATEMENTS - CONTINUED

The statement of activities presents the direct functional expenses of the primary government and its component units and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the City's individual major funds and aggregated nonmajor funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the major individual enterprise fund are reported as separate columns in the fund financial statements.

The major funds of the City are:

- a. The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The Economic Development Fund is used to account for financial resources to be used to further develop the economic growth of the City.
- c. The City Improvement Fund is used to account for financial resources to be used for the betterment of the City and its properties.
- d. The Sewer System Fund is used to account for the operations required to provide sewer services to the general public, the costs (expenses, including depreciation) are financed or recovered primarily through user charges.
- e. The Water System Fund is used to account for the operations required to provide water services to the general public, the costs (expenses, including depreciation) are financed or recovered primarily through user charges.

7. Measurement Focus

The government-wide, proprietary, and fiduciary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. 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 assets.

There is no measurement focus for Agency Funds since assets equal liabilities.

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

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

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 measurement made, regardless of the measurement focus applied.

All governmental and similar trust 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 that are considered measurable but not available are recorded as a receivable and deferred revenue. Significant revenues susceptible to accrual are special assessments and certain intergovernmental revenues. 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.

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

Private-sector standards of accounting and financial reporting issued to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. If/when both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

9. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with the modified accrual basis used to reflect actual results in the Fund financial statements. This basis is consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for all required governmental fund types. The City employs the following procedures in establishing budgets:

- 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.
- 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

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

9. Budgets and Budgetary Accounting - continued

- 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 and Cash Equivalents

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.

11. Restricted Cash

Restricted cash for the primary government consists of amounts to be used to fund Sewer System improvements. Restricted cash for the component unit is related to rental deposits being held.

12. Investments

Investments during the year consisted of certificates of deposit with original maturities of greater than 90 days. Investments are recorded at market value in accordance with GASB 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools. In the government-wide and proprietary fund financial statements, investments are shown as current and noncurrent based on maturities within the next fiscal year.

13. Receivables

Receivables consist of amounts due from governmental units for various financial assistance programs and charges for services, and accounts receivable related to charges for services, interest receivable and other amounts owed to the City at year-end.

14. 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, 2004, the City levied 13.4372 mills per \$1,000 of assessed valuation for general governmental services and 4.8826 mills for City Public Improvements. The total Taxable Value for the 2003 levy for property within the City was \$53,850,147.

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

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

15. 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. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

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.

16. 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, 2004 were vested and the total due to them, along with the related payroll taxes, is recorded entirely in the government-wide financial statements.

17. Capital Assets

PRIMARY GOVERNMENT AND COMPONENT UNIT

Capital assets include land, buildings, equipment, and vehicles and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities and component unit columns. Capital assets are those with an initial individual cost of \$1,500 or more and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Buildings and improvements	20 - 40 years
Equipment and fixtures	5 - 40 years
Water and sewer systems	10 - 40 years

18. Deferred Revenue

Deferred revenue recorded in the General Fund consists of amounts related to special assessments receivable in future periods. Deferred revenue recorded in the Economic Development Fund consists of amounts related to contracts receivable for future periods. Neither of these amounts are deferred in the government-wide financial statements.

19. Long-Term Obligations

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year are reported as current liability with the remaining amounts shown as long-term.

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

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

19. Long-Term Obligations - continued

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in a Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

20. 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.

21. 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.

22. Accounting Change

As of July 1, 2003, the City implemented the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments (Statement) along with all related statements and interpretations. Some of the significant changes in the Statement include the following:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the City's overall financial position and results of operations has been included.
- Government-wide financial statements (statement of net assets and statement of activities) prepared using full accrual accounting for all of the City's activities have been provided. Reconciliations are presented between the governmental fund level (modified accrual) and government-wide (full accrual) statements since their measurement focus is not the same.
- Capital assets reported on the statement of net assets include assets in the amount of \$3,707,810, which was previously reported in the General Fixed Assets Account Group. The government-wide statement of activities reflects depreciation expenses on the County's applicable capital assets.
- Long-term obligations reported on the statement of net assets include \$1,891,434, which was previously reported in the General Long-term Debt Account Group.
- The fund financial statements focus on major funds rather than fund types.

This implementation has also required certain disclosures to be made in the notes to the financial statements concurrent with the implementation of Statement No. 34 based on GASB Statement No. 38. Certain note disclosures have been added and/or amended, including descriptions of activities of major funds and interfund balances and transactions, and various other disclosures.

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

**NOTE B: POOLING OF CASH AND CASH OVERDRAFT**

<u>Fund</u>	<u>Pooled Cash Overdraft</u>	<u>Nonpooled Cash &amp; Cash Equivalents</u>	<u>Financial Statements</u>
<b>PRIMARY GOVERNMENT</b>			
General Fund	\$( 32,547 )	\$ 59,475	\$ 26,928
Special Revenue Funds			
Cemetery Fund	( 2,129 )	-	( 2,129 )
Library Building	( 169 )	-	( 169 )
Shiawassee County Library	( 3,198 )	-	( 3,198 )
Debt Service Funds			
1996 G.O. Limited Tax Bonds	( 3,999 )	4,636	637
Capital Project Funds			
Industrial Development	<u>( 967 )</u>	<u>-</u>	<u>( 967 )</u>
<b>TOTAL REPORTING ENTITY</b>	<b><u>\$( 43,009 )</u></b>	<b><u>\$ 64,111</u></b>	<b><u>\$ 21,102</u></b>

**NOTE C: 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.
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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

**NOTE C: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED**

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, 2004, 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>
PRIMARY GOVERNMENT		
Regular checking	\$ 1,174,995	\$ 1,284,509
Savings and certificates of deposit	<u>498,335</u>	<u>498,335</u>
Total Primary Government	1,673,330	1,782,844
COMPONENT UNITS		
Regular checking	124,445	124,670
FIDUCIARY FUNDS		
Regular checking	<u>43,913</u>	<u>45,512</u>
TOTAL REPORTING ENTITY	<u>\$ 1,841,688</u>	<u>\$ 1,953,026</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, 2004, the City accounts were insured by the FDIC for \$692,979, and the amount of \$1,260,047 was uninsured and uncollateralized.

Investments

As of June 30, 2004, the carrying amount and market value for the investment is as follows:

<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Market Value</u>
Primary Government		
Uncategorized pooled investment funds	<u>\$ 104,581</u>	<u>\$ 104,581</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.

City of Corunna

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

**NOTE C: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED**

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, 2004:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Fiduciary Funds</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$ 1,285,613	\$ 119,915	\$ 43,913	\$ 1,449,441
Cash and cash equivalents - restricted	6,558	4,530	-	11,088
Investments	<u>485,740</u>	<u>-</u>	<u>-</u>	<u>485,740</u>
	<u>\$ 1,777,911</u>	<u>\$ 124,445</u>	<u>\$ 43,913</u>	<u>\$ 1,946,269</u>

**NOTE D: INTERFUND RECEIVABLES AND PAYABLES**

The following schedule details primary government interfund receivables and payables at June 30, 2004:

Due to general fund from:	
Tax collection fund	\$ 24,071
Water system fund	<u>295</u>
	24,366
Due to City improvement fund from:	
General fund	4,897
Tax collection fund	<u>550</u>
	5,447
Due to nonmajor governmental funds from:	
Nonmajor governmental funds	6,483
Enterprise funds	<u>4,769</u>
	11,252
Due to sewer system fund from:	
Nonmajor governmental funds	<u>15,505</u>
Total interfund receivable and payables	<u>\$ 56,570</u>

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

City of Corunna

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

**NOTE E: INTERFUND TRANSFERS**

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds, business type funds, and component units have been eliminated.

Transfers to nonmajor governmental funds from:	
General fund	\$ 198,700
City improvement fund	263,734
Nonmajor governmental funds	<u>131,538</u>
	<u>\$ 593,972</u>

**NOTE F: 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>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 23,037	\$ 4,197	\$ 27,234
2006	23,861	3,373	27,234
2007	19,393	2,570	21,963
2008	16,106	1,984	18,090
2009	16,585	1,415	18,000
2010-2011	<u>31,292</u>	<u>1,044</u>	<u>32,336</u>
	<u>\$ 130,274</u>	<u>\$ 14,583</u>	<u>\$ 144,857</u>

**NOTE G: CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2004 was as follows:

**Primary Government**

	<u>Restated Balance July 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2004</u>
<b>Governmental activities</b>				
Land	\$ -	\$ 200,000	\$ -	\$ 200,000
Buildings and additions	2,807,699	750,000	( 45,912 )	3,511,787
Vehicles and equipment	<u>1,497,484</u>	<u>81,803</u>	<u>( 3,035 )</u>	<u>1,576,252</u>
Totals at historical cost	4,305,183	1,031,803	( 48,947 )	5,288,039
Less accumulated depreciation for:				
Buildings and additions	( 1,806,468 )	( 45,197 )	42,324	( 1,809,341 )
Vehicles and equipment	<u>( 1,027,686 )</u>	<u>( 104,424 )</u>	<u>2,125</u>	<u>( 1,129,985 )</u>
Total accumulated depreciation	<u>( 2,834,154 )</u>	<u>( 149,621 )</u>	<u>44,449</u>	<u>( 2,939,326 )</u>
Capital assets, net	<u>\$ 1,471,029</u>	<u>\$ 882,182</u>	<u>\$( 4,498 )</u>	<u>\$ 2,348,713</u>

City of Corunna

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

**NOTE G: CAPITAL ASSETS - CONTINUED**

In the fiscal year ended June 30, 2004, the City received a donation of a building that was held for resale. A contract for that sale was executed subsequent to year-end in the amount of \$750,000. Because non-financial assets are not recorded in governmental funds, this activity is not recorded in the governmental funds. The asset and related capital contribution are recorded in the government-wide financial statements at net realizable value of the property. No depreciation expense was taken on this building for the year ended June 30, 2004.

Depreciation expense was charged to the following governmental activities:

General government	\$ 71,005
Public safety	48,495
Recreation and cultural	<u>30,121</u>
Total depreciation expense	<u>\$ 149,621</u>

	Restated Balance <u>July 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2004</u>
<b>Business-type activities</b>				
<b>(Sewer system)</b>				
Land	\$ 1	\$ -	\$ -	\$ 1
Sewer system	4,101,763	186,522	-	4,288,285
Equipment	<u>88,995</u>	<u>-</u>	<u>-</u>	<u>88,995</u>
Totals at historical cost	4,190,759	186,522	-0-	4,377,281
Less accumulated depreciation for:				
Sewer system	( 1,635,225 )	( 97,602 )	-	( 1,732,827 )
Equipment	<u>( 18,349 )</u>	<u>( 2,900 )</u>	<u>-</u>	<u>( 21,249 )</u>
Total accumulated depreciation	<u>( 1,653,574 )</u>	<u>( 100,502 )</u>	<u>-0-</u>	<u>( 1,754,076 )</u>
Capital assets, net	<u>\$ 2,537,185</u>	<u>\$ 86,020</u>	<u>\$ -0-</u>	<u>\$ 2,623,205</u>
<b>Business-type activities</b>				
<b>(Water system)</b>				
Land	\$ 126	\$ -	\$ -	\$ 126
Water system	1,652,949	73,364	-	1,726,313
Equipment	<u>38,411</u>	<u>-</u>	<u>-</u>	<u>38,411</u>
Totals at historical cost	1,691,486	73,364	-0-	1,764,850
Less accumulated depreciation for:				
Water system	( 657,361 )	( 59,166 )	-	( 716,527 )
Equipment	<u>( 30,260 )</u>	<u>( 858 )</u>	<u>-</u>	<u>( 31,118 )</u>
Total accumulated depreciation	<u>( 687,621 )</u>	<u>( 60,024 )</u>	<u>-0-</u>	<u>( 747,645 )</u>
Capital assets, net	<u>\$ 1,003,865</u>	<u>\$ 13,340</u>	<u>\$ -0-</u>	<u>\$ 1,017,205</u>

City of Corunna

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

**NOTE G: CAPITAL ASSETS - CONTINUED**

Component Unit (DDA)	Restated Balance <u>July 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2004</u>
Buildings	\$ 691,670	\$ -	\$ -	\$ 691,670
Equipment and fixtures	18,952	-	-	18,952
Improvements	<u>44,166</u>	<u>-</u>	<u>-</u>	<u>44,166</u>
Totals at historical cost	754,788	-0-	-0-	754,788
Less accumulated depreciation for:				
Buildings	( 183,855 )	( 17,511 )	-	( 201,366 )
Equipment and fixtures	( 9,901 )	( 2,708 )	-	( 12,609 )
Improvements	<u>( 39,969 )</u>	<u>( 442 )</u>	<u>-</u>	<u>( 40,411 )</u>
Total accumulated depreciation	<u>( 233,725 )</u>	<u>( 20,661 )</u>	<u>-0-</u>	<u>( 254,386 )</u>
Capital assets, net	<u>\$ 521,063</u>	<u>\$( 20,661 )</u>	<u>\$ -0-</u>	<u>\$ 500,402</u>

**NOTE H: 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, 2004.

	Balance <u>July 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2004</u>	Amounts Due Within <u>One Year</u>
<b>PRIMARY GOVERNMENT</b>					
Governmental Activities					
1996 General Obligation Improvement Bonds	\$ 410,000	\$ -	\$ 95,000	\$ 315,000	\$ 100,000
1998 Transportation Bonds	170,000	-	15,000	155,000	15,000
2000 General Obligation Improvement Bonds	815,000	-	45,000	770,000	45,000
2001 General Obligation Improvement Bonds	440,000	-	30,000	410,000	30,000
Installment Purchase Agreement	19,848	-	5,994	13,854	6,491
2003 Installment Purchase Agreement	-	78,875	25,000	53,875	12,584
Capital Lease	14,949	-	9,830	5,119	5,119
2003 Installment Purchase Agreement	-	200,000	-	200,000	30,152
Compensated absences	<u>36,586</u>	<u>-</u>	<u>2,125</u>	<u>34,461</u>	<u>27,569</u>
	1,906,383	278,875	227,949	1,957,309	271,915
Business-type Activities					
Water Supply and Sewage					
Improvement Bonds - 1996	425,000	-	20,000	405,000	25,000
Improvement Bonds - 1980	265,000	-	15,000	250,000	15,000
General Obligation Bonds	400,000	-	50,000	350,000	50,000
Water Tower IPA - 1999	159,257	-	20,963	138,294	22,144
Contract Payable	<u>74,520</u>	<u>-</u>	<u>17,020</u>	<u>57,500</u>	<u>18,860</u>
	<u>1,323,777</u>	<u>-0-</u>	<u>122,983</u>	<u>1,200,794</u>	<u>131,004</u>
TOTAL PRIMARY GOVERNMENT	3,230,160	278,875	350,932	3,158,103	402,919
<b>COMPONENT UNIT FUNDS</b>					
Downtown Development Authority					
Installment loan	<u>282,873</u>	<u>-0-</u>	<u>30,591</u>	<u>252,282</u>	<u>19,883</u>
	<u>\$ 3,513,033</u>	<u>\$ 278,875</u>	<u>\$ 381,523</u>	<u>\$ 3,410,385</u>	<u>\$ 422,802</u>

City of Corunna

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

**NOTE H: LONG-TERM DEBT - CONTINUED**

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

**PRIMARY GOVERNMENT AND BLENDED COMPONENT UNIT**

General Obligation Bonds (Payable from Debt Service Funds)

\$870,000 1996 County of Shiawassee, City of Corunna Public Improvement Bonds dated September 1, 1996, due in annual installments ranging from \$100,000 to \$110,000 through September 1, 2006, with interest ranging from 5.10 to 5.30 percent, payable semi-annually.	\$ 315,000
\$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.	155,000
\$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 4.85 to 5.30 percent payable annually.	770,000
\$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 3.95 to 4.75 percent, payable semi-annually.	<u>410,000</u>
	<u>\$ 1,650,000</u>

Installment Purchase Agreement (payable from Internal Service Fund)

\$78,875 2003 Installment Purchase Agreement dated September 5, 2003, due in annual installments of \$15,035 through September 5, 2007, with interest at 4.55 percent. The Agreement is for the purchase of a truck with snowplow costing \$78,875.	<u>\$ 53,875</u>
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Capital Lease (payable from Internal Service Fund)

The City has entered into a lease purchase agreement to finance the acquisition of a backhoe. 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.	<u>\$ 5,119</u>
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Installment Purchase Agreement (Payable from General Fund)

\$200,000 2003 Installment Purchase Agreement dated November 6, 2003, due in annual installments of \$38,152 through November 6, 2009, with interest at 4.00 percent. The Agreement is for the purchase of land costing \$200,000.	<u>\$ 200,000</u>
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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, 2003, the outstanding principal balance was \$32,987. The City's original share of the principal was \$42,000 and its share of the outstanding principal balance was \$13,854.

City of Corunna

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

**NOTE H: LONG-TERM DEBT - CONTINUED**

Installment Purchase Agreement - Primary Government - Blended Component Unit - continued

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

<u>Year Ending</u> <u>June 30,</u>	<u>Total</u>		<u>City Share</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2004	\$ 15,456	\$ 1,116	\$ 6,491	\$ 469
2005	16,134	438	6,776	184
2006	<u>1,398</u>	<u>5</u>	<u>587</u>	<u>2</u>
	<u>\$ 32,988</u>	<u>\$ 1,559</u>	<u>\$ 13,854</u>	<u>\$ 655</u>

This installment loan is reported as of December 31, 2003, to be consistent with other financial information presented for the Corunna-Caledonia Fire Department.

Compensated Absences - accrued vacation, sick leave, and longevity

Individual employees have vested rights upon termination of employment to receive payments for unused vacation and sick leave, and also receive an annual longevity payment. The dollar amounts of these vested rights have been recorded in the government-wide financial statements. They amount to approximately \$34,461 at June 30, 2004.

Water Supply and Sewage Disposal System Bonds

\$550,000 1996 Wastewater Treatment System Revenue Bonds dated February 1, 1998, due in annual installments ranging from \$25,000 to \$40,000 through November 1, 2015, with interest ranging from 4.70 to 5.35 percent, payable annually.	\$ 405,000
\$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.	250,000
\$700,000 1992 Shiawassee County, City of Corunna Water Supply System (General Obligation) Improvement Bonds dated May 1, 1991, due in annual installments of \$50,000 through May 1, 2011, with interest ranging from 5.90 to 6.25 percent, payable annually.	<u>350,000</u>
	<u>\$ 1,005,000</u>

Installment Purchase Agreement - Enterprise (Water) Fund

\$224,200 1999 Installment Purchase Agreement dated September 20, 1999, due in semi-annual installments ranging from \$10,920 to \$14,366 through November 1, 2009, with interest at 5.56 percent.	<u>\$ 138,294</u>
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Contract Payable

\$107,180 City of Owosso contract payable dated July 18, 2001, due in annual installments ranging from \$18,860 to \$20,240 through October 1, 2006, with no interest.	<u>\$ 57,500</u>
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City of Corunna

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

**NOTE H: LONG-TERM DEBT - CONTINUED**

**COMPONENT UNIT - DISCRETELY PRESENTED**

\$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.

\$ 252,282

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

**Primary Government**

Year Ending June 30,	General Obligation Bonds		Revenue Bonds		Installment Purchases and Capital Leases		Contract Payable	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 240,000	\$ 90,751	\$ 40,000	\$ 32,543	\$ 76,490	\$ 18,444	\$ 18,860	\$ 3,135
2006	260,000	83,358	40,000	30,105	74,683	14,944	18,400	1,934
2007	270,000	72,650	40,000	28,143	71,666	11,643	20,240	668
2008	175,000	61,146	45,000	26,530	74,402	8,315	-	-
2009	195,000	51,620	45,000	24,265	62,850	4,832	-	-
2010-2014	695,000	115,306	265,000	81,938	51,051	1,867	-	-
2015-2019	165,000	8,878	160,000	19,780	-	-	-	-
2020-2024	-	-	20,000	500	-	-	-	-
	<u>\$ 2,000,000</u>	<u>\$ 483,709</u>	<u>\$ 655,000</u>	<u>\$ 243,804</u>	<u>\$ 411,142</u>	<u>\$ 60,045</u>	<u>\$ 57,500</u>	<u>\$ 5,737</u>

**Component Unit**

Year Ending June 30,	Installment Loan	
	Principal	Interest
2005	\$ 19,883	\$ 16,225
2006	21,110	14,998
2007	22,412	13,696
2008	23,794	12,314
2009	25,261	10,847
2010-2014	124,545	28,848
2015-2019	<u>15,277</u>	<u>234</u>
	<u>\$ 252,282</u>	<u>\$ 97,162</u>

**NOTE I: RETIREMENT PLAN**

Plan 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 FINANCIAL STATEMENTS

June 30, 2004

**NOTE I: RETIREMENT PLAN - CONTINUED**

Annual Pension Cost

For year ended June 30, 2004 the City's annual pension cost of \$96,282 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, 2003, 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>2001</u>	<u>2002</u>	<u>2003</u>
Actuarial value of assets	\$ 2,305,321	\$ 2,329,389	\$ 2,435,989
Actuarial accrued liability (AAL) (entry age)	2,927,511	3,142,582	3,391,065
Unfunded AAL	622,190	813,193	955,076
Funded ratio	78 %	74 %	72 %
Covered payroll	\$ 515,046	\$ 554,545	\$ 598,806
UAAL as a percentage of covered payroll	121 %	147 %	159 %

	Year Ended June 30,		
	<u>2002</u>	<u>2003</u>	<u>2004</u>
Annual pension cost	\$ 112,585	\$ 96,242	\$ 96,282
Percentage of APC contributed	100 %	100 %	100 %
Net pension obligation	-	-	-

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

**NOTE J: 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, 2004, is as follows:

	<u>Sewer System</u>	<u>Water System</u>	<u>Total</u>
Operating revenues	\$ 567,216	\$ 584,900	\$ 1,152,116
Operating expenses			
Depreciation and amortization	120,464	60,024	180,488
Other	324,188	326,751	650,939
Operating income	122,564	198,125	320,689
Net income	97,174	171,579	268,753
Net working capital	212,494	237,172	449,666
Total assets	3,042,143	1,360,346	4,402,489
Long-term liabilities			
Contracts payable	38,640	116,150	154,790
General obligation bonds payable	-	300,000	300,000
Revenue bonds payable	615,000	-	615,000
Total net assets	2,303,222	865,727	3,168,949

City of Corunna

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

**NOTE K: 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 required supplementary information, the City's budgeted expenditures in the General and Special Revenue 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 Funds.

During the year ended June 30, 2004, the City incurred expenditures in the General Fund and two (2) Special Revenue Funds in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
General government			
City services	\$ 21,964	\$ 24,780	\$ 2,816
Capital outlay	-	200,000	200,000
Operating transfers out			
Heritage Park	-	2,700	2,700
Special Revenue Funds			
Cemetery Fund	40,735	43,846	3,111
Fourth of July Commission	24,300	28,215	3,915

**NOTE L: FUND BALANCE RESERVES AND DESIGNATIONS**

Reserved fund balance is used to earmark a portion of fund balance 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 reserves as of June 30, 2004:

Fund Balance

Debt Service Funds	
1998 MTF Bonds	
Reserved for debt service	\$ 1
1996 G.O. Limited Tax Bonds	
Reserved for debt service	637
2000 G.O. Limited Tax Bonds	
Reserved for debt service	478
2001 G.O. Limited Tax Bonds	
Reserved for debt service	<u>4,029</u>
	5,145
Permanent Fund	
Cemetery Perpetual Care	
Reserved for perpetual care	<u>78,077</u>
	<u>\$ 83,152</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

**NOTE M: RESTRICTED NET ASSETS**

Restrictions of net assets shown in the government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes. The following are the various net asset restrictions as of June 30, 2004:

PRIMARY GOVERNMENT	
Other Purposes	
Major Street	\$ 95,197
Local Street	52,077
Cemetery Perpetual Care	78,077
HUD Grant	4,770
Fire Capital Acquisition	<u>36,899</u>
	<u>\$ 267,020</u>
Business-type Activities	
Restricted for debt service	
Sewer system	<u>\$ 86,469</u>
Restricted for other purposes	
Sewer system	<u>\$ 227,480</u>

**NOTE N: FUND DEFICITS**

The following funds had fund balance deficits at June 30, 2004:

	<u>Deficit</u>
Special Revenue Funds	
Cemetery Fund	\$ 2,177
Library Building	169
Shiawassee County Library	<u>3,198</u>
	5,544
Capital Project Funds	
Industrial Development	<u>967</u>
	<u>\$ 6,511</u>

**NOTE O: 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.

Years Ending	
<u>June 30,</u>	
2005	\$ 47,144
2006	20,226
2007	20,758
2008	<u>21,290</u>
	<u>\$ 109,418</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

**NOTE P: 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.

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

For the year ended June 30, 2004, three retirees received benefits. The costs for the year ended June 30, 2004 totaled \$29,578 and were paid from the General Fund.

**NOTE Q: 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 R: 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, 2004:

REVENUES		
Building Permits	\$	23,975
EXPENDITURES		
Salaries		15,090
Supplies		55
Miscellaneous		<u>4,252</u>
TOTAL EXPENDITURES		<u>19,397</u>
EXCESS OF REVENUES OVER EXPENDITURES	\$	<u>4,578</u>

**NOTE S: 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.

**REQUIRED SUPPLEMENTARY INFORMATION**

City of Corunna

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES AND  
OTHER FINANCING SOURCES

Year Ended June 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes				
Property taxes	\$ 708,560	\$ 708,560	\$ 707,362	\$ (1,198)
Industrial and commercial facilities	18,100	18,100	17,860	(240)
Total taxes	726,660	726,660	725,222	(1,438)
Licenses and permits				
City licenses and permits	7,085	24,796	26,173	1,377
Franchise fee	20,000	20,000	19,567	(433)
Total licenses and permits	27,085	44,796	45,740	944
Intergovernmental				
State				
Sales tax	341,505	359,076	390,977	31,901
Michigan justice training	1,500	1,500	1,106	(394)
Federal				
COPS grant	18,000	18,000	5,072	(12,928)
Total intergovernmental	361,005	378,576	397,155	18,579
Charges for services				
Fire protection - Townships	60,000	54,000	52,465	(1,535)
Tax collection fees	32,500	32,500	31,403	(1,097)
Recreational fees	14,500	14,500	19,100	4,600
Administration charges	162,000	162,000	196,147	34,147
Total charges for services	269,000	263,000	299,115	36,115
Fines and forfeits				
Parking	1,200	1,200	785	(415)
Ordinance	12,750	12,750	10,776	(1,974)
Total fines and forfeits	13,950	13,950	11,561	(2,389)
Interest and rents				
Interest on investments	20,000	20,000	18,926	(1,074)
Rental fees	18,400	42,668	46,435	3,767
Total interest and rents	38,400	62,668	65,361	2,693

City of Corunna

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES AND  
OTHER FINANCING SOURCES - CONTINUED

Year Ended June 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Other				
Sidewalk and other	\$ 11,300	\$ 11,300	\$ 18,701	\$ 7,401
Private donations	10,250	11,150	6,837	(4,313)
Contributions from other governmental units	9,600	9,200	9,396	196
Other	31,050	31,050	28,762	(2,288)
Total other	62,200	62,700	63,696	996
TOTAL REVENUES	1,498,300	1,552,350	1,607,850	55,500
OTHER FINANCING SOURCES				
Operating transfers in	-	150,000	-	(150,000)
Installment loan proceeds	-	-	200,000	200,000
TOTAL OTHER FINANCING SOURCES	-0-	150,000	200,000	50,000
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$ 1,498,300	\$ 1,702,350	\$ 1,807,850	\$ 105,500

City of Corunna

General Fund

BUDGETARY COMPARISON SCHEDULE - EXPENDITURES AND  
OTHER FINANCING USES BY ACTIVITY

Year Ended June 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
General government				
Legislative	\$ 77,694	\$ 43,868	\$ 31,853	\$ 12,015
City Manager	89,039	94,039	88,291	5,748
Clerk	70,600	81,339	80,824	515
Treasurer/Assessor	124,840	134,767	131,859	2,908
Elections	7,500	7,500	3,661	3,839
Legal services	17,750	-	-	-0-
City hall and grounds	60,036	60,036	46,339	13,697
Internal services	64,145	68,067	63,739	4,328
City services	19,964	21,964	24,780	(2,816)
Total general government	531,568	511,580	471,346	40,234
Public safety				
Police department	402,454	412,954	393,030	19,924
Crossing guard	2,035	2,135	1,987	148
Fire department	115,680	105,033	103,201	1,832
Total public safety	520,169	520,122	498,218	21,904
Public works				
General services	246,548	283,048	256,733	26,315
Sidewalk construction	5,000	5,000	3,868	1,132
Public utilities	32,671	32,671	32,603	68
Total public works	284,219	320,719	293,204	27,515
Community economic and development				
Zoning	2,125	22,475	16,267	6,208
Planning commission	1,700	1,700	1,304	396
Total community economic and development	3,825	24,175	17,571	6,604
Recreation and cultural				
Parks maintenance	62,732	83,416	71,013	12,403
Summer recreation	21,397	28,297	24,122	4,175
Historical village	602	928	687	241
Community center	20,192	22,192	20,362	1,830
Total recreation and cultural	104,923	134,833	116,184	18,649

City of Corunna

General Fund

BUDGETARY COMPARISON SCHEDULE - EXPENDITURES AND  
OTHER FINANCING USES BY ACTIVITY - CONTINUED

Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Other				
Insurance	\$ 12,989	\$ 16,721	\$ 16,405	\$ 316
Fringe benefits	29,607	33,200	29,578	3,622
Total other	42,596	49,921	45,983	3,938
Capital outlay	-	-	200,000	(200,000)
TOTAL EXPENDITURES	1,487,300	1,561,350	1,642,506	(81,156)
OTHER FINANCING USES				
Operating transfers out				
Cemetery	22,500	27,500	27,500	-0-
Forest Fund	-	5,000	5,000	-0-
Library Fund	26,000	26,000	26,000	-0-
Historical commission	2,500	2,500	2,500	-0-
Industrial Development Fund	-	125,000	125,000	-0-
Municipal Building	10,000	10,000	10,000	-0-
Heritage Park	-	-	2,700	(2,700)
TOTAL OTHER FINANCING USES	61,000	196,000	198,700	(2,700)
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 1,548,300</u>	<u>\$ 1,757,350</u>	<u>\$ 1,841,206</u>	<u>\$ (83,856)</u>

City of Corunna

Economic Development Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest and rents	\$ 4,000	\$ 4,000	\$ 3,012	\$ (988)
Other				
Loan repayment	<u>27,233</u>	<u>27,233</u>	<u>27,233</u>	<u>-0-</u>
TOTAL REVENUES	31,233	31,233	30,245	(988)
EXPENDITURES				
Current				
Community and economic development	<u>292,158</u>	<u>292,158</u>	<u>117,877</u>	<u>174,281</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	(260,925)	(260,925)	(87,632)	173,293
Fund balance, beginning of year	<u>269,153</u>	<u>269,153</u>	<u>269,153</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 8,228</u>	<u>\$ 8,228</u>	<u>\$ 181,521</u>	<u>\$ 173,293</u>

City of Corunna

City Improvement Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 266,600	\$ 266,600	\$ 270,226	\$ 3,626
Interest and rents	6,000	6,000	3,280	(2,720)
TOTAL REVENUES	272,600	272,600	273,506	906
EXPENDITURES	-	-	-	-0-
EXCESS OF REVENUES OVER EXPENDITURES	272,600	272,600	273,506	906
OTHER FINANCING (USES)				
Operating transfer out	(263,734)	(263,734)	(263,734)	-0-
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES	8,866	8,866	9,772	906
Fund balance, beginning of year	284,082	284,082	284,082	-0-
Fund balance, end of year	\$ 292,948	\$ 292,948	\$ 293,854	\$ 906

## **OTHER SUPPLEMENTARY INFORMATION**

City of Corunna

Nonmajor Governmental Funds

COMBINING BALANCE SHEET

June 30, 2004

	Special		
	Major Street	Local Street	Parks Improvement Fund
<b>ASSETS</b>			
Cash and cash equivalents	\$ 71,256	\$ 50,242	\$ 18,268
Investments	-	-	2,712
Accounts receivable	-	-	-
Due from other governmental units			
State	30,428	10,857	17,274
Due from other funds	-	6,483	-
<b>TOTAL ASSETS</b>	<b>\$ 101,684</b>	<b>\$ 67,582</b>	<b>\$ 38,254</b>
<b>LIABILITIES AND FUND BALANCES (DEFICITS)</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ -	\$ -
Accrued liabilities	4	-	-
Due to other funds	6,483	15,505	-
<b>TOTAL LIABILITIES</b>	<b>6,487</b>	<b>15,505</b>	<b>-0-</b>
<b>FUND BALANCES (DEFICITS)</b>			
Reserved for			
Perpetual care	-	-	-
Debt service	-	-	-
Unreserved			
Undesignated, reported in:			
Special revenue funds	95,197	52,077	38,254
Debt service funds	-	-	-
Capital projects	-	-	-
<b>TOTAL FUND BALANCES (DEFICITS)</b>	<b>95,197</b>	<b>52,077</b>	<b>38,254</b>
<b>TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)</b>	<b>\$ 101,684</b>	<b>\$ 67,582</b>	<b>\$ 38,254</b>

Revenue

Cemetery Fund	Asset Seizures	Municipal Building	Stu Coutts Recreation Fund	Forest Fund
\$ (2,129)	\$ 346	\$ 8,790	\$ 30,311	\$ 5,000
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>\$ (2,129)</u>	<u>\$ 346</u>	<u>\$ 8,790</u>	<u>\$ 30,311</u>	<u>\$ 5,000</u>
\$ -	\$ -	\$ -	\$ 22	\$ -
48	-	-	-	-
-	-	-	-	-
48	-0-	-0-	22	-0-
-	-	-	-	-
-	-	-	-	-
(2,177)	346	8,790	30,289	5,000
-	-	-	-	-
-	-	-	-	-
<u>(2,177)</u>	<u>346</u>	<u>8,790</u>	<u>30,289</u>	<u>5,000</u>
<u>\$ (2,129)</u>	<u>\$ 346</u>	<u>\$ 8,790</u>	<u>\$ 30,311</u>	<u>\$ 5,000</u>

City of Corunna

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

June 30, 2004

	Special		
	Heritage Park Memorial	Library Building	Library Technology
<b>ASSETS</b>			
Cash and cash equivalents	\$ 4,213	\$ (169)	\$ 5,685
Investments	-	-	-
Accounts receivable	-	-	-
Due from other governmental units			
State	-	-	-
Due from other funds	-	-	-
	<u>4,213</u>	<u>(169)</u>	<u>5,685</u>
<b>TOTAL ASSETS</b>	<u><b>\$ 4,213</b></u>	<u><b>\$ (169)</b></u>	<u><b>\$ 5,685</b></u>
<b>LIABILITIES AND FUND BALANCES (DEFICITS)</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-
Due to other funds	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>
<b>FUND BALANCES (DEFICITS)</b>			
<b>Reserved for</b>			
Perpetual care	-	-	-
Debt service	-	-	-
<b>Unreserved</b>			
<b>Undesignated, reported in:</b>			
Special revenue funds	4,213	(169)	5,685
Debt service funds	-	-	-
Capital projects	-	-	-
	<u>4,213</u>	<u>(169)</u>	<u>5,685</u>
<b>TOTAL FUND BALANCES (DEFICITS)</b>	<u><b>4,213</b></u>	<u><b>(169)</b></u>	<u><b>5,685</b></u>
<b>TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)</b>	<u><b>\$ 4,213</b></u>	<u><b>\$ (169)</b></u>	<u><b>\$ 5,685</b></u>

Revenue

Fourth of July Commission	Library Fund	H.U.D Grant	Shiawassee County Library	Softball Commission
\$ 13,781	\$ 27,455	\$ 1	\$ (3,198)	\$ 17,396
-	-	-	-	10,324
-	-	-	-	-
-	-	4,769	-	-
<u>\$ 13,781</u>	<u>\$ 27,455</u>	<u>\$ 4,770</u>	<u>\$ (3,198)</u>	<u>\$ 27,720</u>
\$ -	\$ 102	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-0-	102	-0-	-0-	-0-
-	-	-	-	-
-	-	-	-	-
13,781	27,353	4,770	(3,198)	27,720
-	-	-	-	-
-	-	-	-	-
<u>13,781</u>	<u>27,353</u>	<u>4,770</u>	<u>(3,198)</u>	<u>27,720</u>
<u>\$ 13,781</u>	<u>\$ 27,455</u>	<u>\$ 4,770</u>	<u>\$ (3,198)</u>	<u>\$ 27,720</u>

City of Corunna

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

June 30, 2004

	Special Revenue		Debt
	Historical Commission	Fire Capital Acquisition	Fire Truck
<b>ASSETS</b>			
Cash and cash equivalents	\$ 7,037	\$ 39,115	\$ -
Investments	-	-	-
Accounts receivable	-	3,750	-
Due from other governmental units			
State	-	-	-
Due from other funds	-	-	-
TOTAL ASSETS	\$ 7,037	\$ 42,865	\$ -0-
<b>LIABILITIES AND FUND BALANCES (DEFICITS)</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ 5,966	\$ -
Accrued liabilities	-	-	-
Due to other funds	-	-	-
TOTAL LIABILITIES	-0-	5,966	-0-
<b>FUND BALANCES (DEFICITS)</b>			
Reserved for			
Perpetual care	-	-	-
Debt service	-	-	-
Unreserved			
Undesignated, reported in:			
Special revenue funds	7,037	36,899	-
Debt service funds	-	-	-
Capital projects	-	-	-
TOTAL FUND BALANCES (DEFICITS)	7,037	36,899	-0-
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	\$ 7,037	\$ 42,865	\$ -0-

Service

1996 G.O. Limited Tax Bonds	1998 MTF Bonds Payable	2000 G.O. Limited Tax Bonds	2001 G.O. Limited Tax Bonds	Building Authority
\$ 637	\$ 1	\$ 478	\$ 4,029	\$ 7,857
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>\$ 637</u>	<u>\$ 1</u>	<u>\$ 478</u>	<u>\$ 4,029</u>	<u>\$ 7,857</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-0-	-0-	-0-	-0-	-0-
-	-	-	-	-
637	1	478	4,029	-
-	-	-	-	-
-	-	-	-	7,857
-	-	-	-	-
<u>637</u>	<u>1</u>	<u>478</u>	<u>4,029</u>	<u>7,857</u>
<u>\$ 637</u>	<u>\$ 1</u>	<u>\$ 478</u>	<u>\$ 4,029</u>	<u>\$ 7,857</u>

City of Corunna

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

June 30, 2004

	Capital		
	Streetscape Construction Fund	Bridge Construction Fund	North Shiawassee Construction Fund
<b>ASSETS</b>			
Cash and cash equivalents	\$ 18,111	\$ 54,340	\$ 4,440
Investments	-	-	-
Accounts receivable	-	-	-
Due from other governmental units			
State	-	-	-
Due from other funds	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 18,111</b>	<b>\$ 54,340</b>	<b>\$ 4,440</b>
<b>LIABILITIES AND FUND BALANCES (DEFICITS)</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-
Due to other funds	-	-	-
<b>TOTAL LIABILITIES</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>
<b>FUND BALANCES (DEFICITS)</b>			
Reserved for			
Perpetual care	-	-	-
Debt service	-	-	-
Unreserved			
Undesignated, reported in:			
Special revenue funds	-	-	-
Debt service funds	-	-	-
Capital projects	18,111	54,340	4,440
<b>TOTAL FUND BALANCES (DEFICITS)</b>	<b>18,111</b>	<b>54,340</b>	<b>4,440</b>
<b>TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)</b>	<b>\$ 18,111</b>	<b>\$ 54,340</b>	<b>\$ 4,440</b>

Projects		Permanent	Total
King/ Kingsley/ McArthur Construction	Industrial Development	Cemetery Perpetual Care	Nonmajor Governmental Funds
\$ 68,952	\$ (967)	\$ 40,373	\$ 491,651
-	-	37,704	50,740
-	-	-	3,750
-	-	-	58,559
-	-	-	11,252
<u>\$ 68,952</u>	<u>\$ (967)</u>	<u>\$ 78,077</u>	<u>\$ 615,952</u>
\$ -	\$ -	\$ -	\$ 6,090
-	-	-	52
-	-	-	21,988
-0-	-0-	-0-	28,130
-	-	78,077	78,077
-	-	-	5,145
-	-	-	351,867
-	-	-	7,857
68,952	(967)	-	144,876
<u>68,952</u>	<u>(967)</u>	<u>78,077</u>	<u>587,822</u>
<u>\$ 68,952</u>	<u>\$ (967)</u>	<u>\$ 78,077</u>	<u>\$ 615,952</u>

City of Corunna

Nonmajor Governmental Funds

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

Year Ended June 30, 2004

	Special		
	Major Street	Local Street	Parks Improvement Fund
<b>REVENUES</b>			
Intergovernmental			
State	\$ 183,731	\$ 75,998	\$ 6,058
Local	-	-	-
Charges for services	-	-	-
Fines and forfeits	-	-	-
Interest and rents	429	-	-
Other	-	-	-
<b>TOTAL REVENUES</b>	<b>184,160</b>	<b>75,998</b>	<b>6,058</b>
<b>EXPENDITURES</b>			
Current			
General government	-	-	-
Public works	98,660	70,612	-
Health and welfare	-	-	-
Recreation and cultural	-	-	375
Other	-	-	-
Debt service			
Principal	-	-	-
Interest and fiscal agent fees	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>98,660</b>	<b>70,612</b>	<b>375</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>85,500</b>	<b>5,386</b>	<b>5,683</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers in	-	40,000	-
Operating transfers out	(80,000)	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(80,000)</b>	<b>40,000</b>	<b>-0-</b>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<b>5,500</b>	<b>45,386</b>	<b>5,683</b>
Fund balances (deficits), beginning of year	89,697	6,691	32,571
Fund balances (deficits), end of year	\$ 95,197	\$ 52,077	\$ 38,254

Revenue

Cemetery Fund	Asset Seizures	Municipal Building	Stu Coutts Recreation Fund	Forest Fund
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
9,378	-	-	-	-
-	-	-	-	-
-	-	-	3,028	-
1,945	-	-	-	-
<u>11,323</u>	<u>-0-</u>	<u>-0-</u>	<u>3,028</u>	<u>-0-</u>
-	-	30,105	-	-
-	-	-	-	-
43,846	-	-	-	-
-	-	-	10,691	-
-	-	-	-	-
-	-	-	-	-
<u>43,846</u>	<u>-0-</u>	<u>30,105</u>	<u>10,691</u>	<u>-0-</u>
(32,523)	-0-	(30,105)	(7,663)	-0-
27,500	-	26,538	-	5,000
-	-	-	-	-
<u>27,500</u>	<u>-0-</u>	<u>26,538</u>	<u>-0-</u>	<u>5,000</u>
(5,023)	-0-	(3,567)	(7,663)	5,000
<u>2,846</u>	<u>346</u>	<u>12,357</u>	<u>37,952</u>	<u>-</u>
<u>\$ (2,177)</u>	<u>\$ 346</u>	<u>\$ 8,790</u>	<u>\$ 30,289</u>	<u>\$ 5,000</u>

City of Corunna

Nonmajor Governmental Funds

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

Year Ended June 30, 2004

	Special		
	Heritage Park Memorial	Library Building	Library Technology
<b>REVENUES</b>			
Intergovernmental			
State	\$ -	\$ -	\$ -
Local	-	-	-
Charges for services	-	-	-
Fines and forfeits	-	-	-
Interest and rents	-	3	1
Other	-	6,746	-
<b>TOTAL REVENUES</b>	<b>-0-</b>	<b>6,749</b>	<b>1</b>
<b>EXPENDITURES</b>			
Current			
General government	-	-	-
Public works	-	-	-
Health and welfare	-	-	-
Recreation and cultural	180	34,120	8,278
Other	-	-	-
Debt service			
Principal	-	-	-
Interest and fiscal agent fees	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>180</b>	<b>34,120</b>	<b>8,278</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(180)</b>	<b>(27,371)</b>	<b>(8,277)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers in	2,700	-	-
Operating transfers out	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>2,700</b>	<b>-0-</b>	<b>-0-</b>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<b>2,520</b>	<b>(27,371)</b>	<b>(8,277)</b>
Fund balances (deficits), beginning of year	1,693	27,202	13,962
Fund balances (deficits), end of year	<u>\$ 4,213</u>	<u>\$ (169)</u>	<u>\$ 5,685</u>

Revenue

Fourth of July Commission	Library Fund	H.U.D Grant	Shiawassee County Library	Softball Commission
\$ -	\$ 6,224	\$ -	\$ -	\$ -
-	13,915	-	-	-
-	2,118	-	12,000	23,138
-	27,320	-	-	-
32	330	-	-	195
25,180	995	-	-	101
25,212	50,902	-0-	12,000	23,434
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
28,215	73,621	-	15,198	17,177
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
28,215	73,621	-0-	15,198	17,177
(3,003)	(22,719)	-0-	(3,198)	6,257
-	26,000	-	-	-
-	-	-	-	-
-0-	26,000	-0-	-0-	-0-
(3,003)	3,281	-0-	(3,198)	6,257
16,784	24,072	4,770	-	21,463
<u>\$ 13,781</u>	<u>\$ 27,353</u>	<u>\$ 4,770</u>	<u>\$ (3,198)</u>	<u>\$ 27,720</u>

City of Corunna

Nonmajor Governmental Funds

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

Year Ended June 30, 2004

	Special Revenue		Debt
	Historical Commission	Fire Capital Acquisition	Fire Truck
<b>REVENUES</b>			
Intergovernmental -			
State	\$ -	\$ -	\$ -
Local	-	-	-
Charges for services	-	5,807	-
Fines and forfeits	-	-	-
Interest and rents	4,397	786	330
Other	14,730	-	-
<b>TOTAL REVENUES</b>	<b>19,127</b>	<b>6,593</b>	<b>330</b>
<b>EXPENDITURES</b>			
Current			
General government	-	-	-
Public works	-	-	-
Health and welfare	-	-	-
Recreation and cultural	14,418	-	-
Other	-	5,965	-
Debt service			
Principal	-	5,994	-
Interest and fiscal agent fees	-	966	-
<b>TOTAL EXPENDITURES</b>	<b>14,418</b>	<b>12,925</b>	<b>-0-</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>4,709</b>	<b>(6,332)</b>	<b>330</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers in	2,500	-	-
Operating transfers out	-	-	(16,538)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>2,500</b>	<b>-</b>	<b>(16,538)</b>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<b>7,209</b>	<b>(6,332)</b>	<b>(16,208)</b>
Fund balances (deficits), beginning of year	(172)	43,231	16,208
Fund balances (deficits), end of year	\$ 7,037	\$ 36,899	\$ -0-

Service

1996 G.O. Limited Tax Bonds	1998 MTF Bonds Payable	2000 G.O. Limited Tax Bonds	2001 G.O. Limited Tax Bonds	Building Authority
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
18	-	-	-	56
-	-	-	-	-
18	-0-	-0-	-0-	56
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	195
95,000	15,000	45,000	30,000	-
19,190	8,190	41,116	19,213	-
114,190	23,190	86,116	49,213	195
(114,172)	(23,190)	(86,116)	(49,213)	(139)
110,190	23,190	81,116	49,238	-
-	-	-	-	-
110,190	23,190	81,116	49,238	-0-
(3,982)	-0-	(5,000)	25	(139)
4,619	1	5,478	4,004	7,996
<u>\$ 637</u>	<u>\$ 1</u>	<u>\$ 478</u>	<u>\$ 4,029</u>	<u>\$ 7,857</u>

City of Corunna

Nonmajor Governmental Funds

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

Year Ended June 30, 2004

	Capital		
	Streetscape Construction Fund	Bridge Construction Fund	North Shiawassee Construction Fund
<b>REVENUES</b>			
Intergovernmental -			
State	\$ -	\$ -	\$ -
Local	-	-	-
Charges for services	-	-	-
Fines and forfeits	-	-	-
Interest and rents	44	-	-
Other	-	-	-
<b>TOTAL REVENUES</b>	<b>44</b>	<b>-0-</b>	<b>-0-</b>
<b>EXPENDITURES</b>			
Current			
General government	-	-	-
Public works	25,802	184,818	4,500
Health and welfare	-	-	-
Recreation and cultural	-	-	-
Other	-	-	-
Debt service			
Principal	-	-	-
Interest and fiscal agent fees	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>25,802</b>	<b>184,818</b>	<b>4,500</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(25,758)</b>	<b>(184,818)</b>	<b>(4,500)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers in	-	-	-
Operating transfers out	-	-	(35,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-0-</b>	<b>-0-</b>	<b>(35,000)</b>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<b>(25,758)</b>	<b>(184,818)</b>	<b>(39,500)</b>
Fund balances (deficits), beginning of year	43,869	239,158	43,940
Fund balances (deficits), end of year	\$ 18,111	\$ 54,340	\$ 4,440

Projects		Permanent	Total
King/ Kingsley/ McArthur Construction	Industrial Development	Cemetery Perpetual Care	Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 272,011
-	-	-	13,915
-	-	1,979	54,420
-	-	-	27,320
-	87,459	1,043	98,151
-	9,839	-	59,536
-0-	97,298	3,022	525,353
-	-	-	30,105
8,250	223,265	-	615,907
-	-	795	44,641
-	-	-	202,273
-	-	-	6,160
-	-	-	190,994
-	-	-	88,675
8,250	223,265	795	1,178,755
(8,250)	(125,967)	2,227	(653,402)
75,000	125,000	-	593,972
-	-	-	(131,538)
75,000	125,000	-0-	462,434
66,750	(967)	2,227	(190,968)
2,202	-	75,850	778,790
<u>\$ 68,952</u>	<u>\$ (967)</u>	<u>\$ 78,077</u>	<u>\$ 587,822</u>

City of Corunna

Agency Funds

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

June 30, 2004

	Tax Collections	Payroll	Total
ASSETS			
Cash and cash equivalents	\$ 24,621	\$ 19,292	\$ 43,913
LIABILITIES			
Due to other funds	\$ 24,621	\$ -	\$ 24,621
Due to other governmental units			
Federal/State	-	5,793	5,793
Due to individuals and agencies	-	13,499	13,499
TOTAL LIABILITIES	\$ 24,621	\$ 19,292	\$ 43,913

City of Corunna

Sewer System

COMPARATIVE STATEMENT OF NET ASSETS

June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 82,214	\$ 59,655
Accounts receivable	199,086	187,924
Accrued interest receivable	970	831
Due from other funds	<u>15,505</u>	<u>15,505</u>
Total current assets	297,775	263,915
Noncurrent assets		
Cash and cash equivalents - restricted	6,558	6,539
Investments	27,500	77,500
Treatment rights, net	87,105	107,067
Capital assets, net	<u>2,623,205</u>	<u>2,537,185</u>
Total noncurrent assets	<u>2,744,368</u>	<u>2,728,291</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 3,042,143</u></u>	<u><u>\$ 2,992,206</u></u>

## City of Corunna

## Sewer System

## COMPARATIVE STATEMENT OF NET ASSETS - CONTINUED

June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	\$ 12,918	\$ 7,375
Accrued liabilities	25	319
Due to other funds	4,769	4,769
Accrued interest payable	8,709	9,175
Current portion of long-term debt	<u>58,860</u>	<u>52,020</u>
Total current liabilities	85,281	73,658
Other liabilities		
Contract payable	38,640	57,500
Revenue bonds payable	<u>615,000</u>	<u>655,000</u>
Total other liabilities	<u>653,640</u>	<u>712,500</u>
<b>TOTAL LIABILITIES</b>	<u>738,921</u>	<u>786,158</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	1,910,705	1,830,165
Restricted for:		
Debt service	86,469	86,657
Other puposes	227,480	106,409
Unrestricted	<u>78,568</u>	<u>182,817</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 2,303,222</u>	<u>\$ 2,206,048</u>

City of Corunna

Sewer System

COMPARATIVE STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND NET ASSETS

Years Ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
OPERATING REVENUES		
Charges for services	\$ 446,145	\$ 401,064
Capital charges	<u>121,071</u>	<u>72,646</u>
TOTAL OPERATING REVENUES	567,216	473,710
OPERATING EXPENSES		
Personnel services	58,060	50,022
Fringe benefits	26,533	27,893
Other operating costs	239,595	256,938
Depreciation and amortization	<u>120,464</u>	<u>117,593</u>
TOTAL OPERATING EXPENSES	<u>444,652</u>	<u>452,446</u>
OPERATING INCOME	122,564	21,264
NONOPERATING REVENUES (EXPENSES)		
Interest revenue	1,312	2,483
Rent revenue	7,579	8,018
Interest expense and fees	<u>(34,281)</u>	<u>(35,746)</u>
TOTAL NONOPERATING (EXPENSES)	<u>(25,390)</u>	<u>(25,245)</u>
NET INCOME (LOSS)	97,174	(3,981)
Net assets, beginning of year	<u>2,206,048</u>	<u>2,210,029</u>
Net assets, end of year	<u><u>\$ 2,303,222</u></u>	<u><u>\$ 2,206,048</u></u>

## City of Corunna

## Sewer System

## COMPARATIVE STATEMENT OF CASH FLOWS

Years Ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating income	\$ 122,564	\$ 21,264
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	120,464	117,593
(Increase) decrease in receivables	(11,301)	752
Increase (decrease) in accounts payable	5,543	(3,007)
(Decrease) in accrued liabilities	(294)	(264)
(Decrease) in accrued interest payable	(466)	(358)
	<u>236,510</u>	<u>135,980</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Rent revenue	7,579	8,018
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Interest expense	(34,281)	(35,746)
Capital purchases	(186,522)	(43,018)
Payment of borrowing	(52,020)	(47,480)
	<u>(272,823)</u>	<u>(126,244)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest revenue	1,312	2,483
Purchase of investments	(27,500)	(77,500)
Maturity of investments	77,500	75,000
	<u>51,312</u>	<u>(17)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS DURING YEAR</b>	<u>22,578</u>	<u>17,737</u>
Cash and cash equivalents, beginning of year	<u>66,194</u>	<u>48,457</u>
Cash and cash equivalents, end of year	<u>\$ 88,772</u>	<u>\$ 66,194</u>

City of Corunna

Component Unit Funds

BALANCE SHEET - DOWNTOWN DEVELOPMENT AUTHORITY

June 30, 2004

	<u>Special Revenue</u>
ASSETS	
Cash and cash equivalents	\$ 119,915
Cash and cash equivalents - restricted	4,530
Rental receivable	<u>18,633</u>
TOTAL ASSETS	<u>\$ 143,078</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Due to other governmental units	\$ 8,766
Rental deposits	<u>4,530</u>
TOTAL LIABILITIES	13,296
FUND BALANCE	
Unreserved	
Undesignated	<u>129,782</u>
	<u>\$ 143,078</u>

City of Corunna

Component Unit Funds

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT  
OF NET ASSETS - DOWNTOWN DEVELOPMENT AUTHORITY

June 30, 2004

**Total fund balance - governmental funds** **\$ 129,782**

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources  
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 754,788	
Accumulated depreciation is	<u>(254,386)</u>	
Capital assets, net		500,402

Long-term liabilities are not due and payable in the current period  
and therefore are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of:

Accrued interest payable	58	
Loans payable	<u>252,282</u>	
		<u>(252,340)</u>

**Net assets of governmental activities** **\$ 377,844**

City of Corunna

Component Unit Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - DOWNTOWN DEVELOPMENT AUTHORITY

Year Ended June 30, 2004

	<u>Special Revenue</u>
REVENUES	
Taxes	\$ 57,286
Interest and rents	<u>70,344</u>
TOTAL REVENUES	127,630
EXPENDITURES	
Community and economic development	
Taxes	16,805
Contracted services	2,512
Insurance	2,597
Supplies	6,586
Repairs and maintenance	2,793
Utilities	4,639
Miscellaneous	5,141
Debt service	
Principal	30,591
Interest and fiscal charges	<u>12,794</u>
TOTAL EXPENDITURES	<u>84,458</u>
EXCESS OF REVENUES OVER EXPENDITURES	43,172
Fund balance, beginning of year	<u>86,610</u>
Fund balance, end of year	<u><u>\$ 129,782</u></u>

City of Corunna

RECONCILIATION OF THE STATEMENT OF REVENUES  
EXPENDITURES, AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL  
FUND TO THE STATEMENT OF ACTIVITIES - DOWNTOWN DEVELOPMENT AUTHORITY

Year Ended June 30, 2004

**Net change in fund balances - total governmental funds** \$ 43,172

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Depreciation expense (20,661)

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Bond principal retirements 30,591

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in accrued interest payable 4

**Change in net assets of governmental activities** \$ 53,106

Principals

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

Karen A. Roka, CPA  
James A. Huguelet, CPA  
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Kurt M. Lemmen, CPA



ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

Member:  
American Institute of  
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and  
Michigan Association of  
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF 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 basic financial statements of the City of Corunna as of and for the year ended June 30, 2004, and have issued our report thereon dated September 2, 2004. 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 of 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 September 2, 2004.

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.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

September 2, 2004

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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, 2004. 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 financial statements, the City has four (4) funds 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 escheat unclaimed property to the State of Michigan.

During our audit, it was noted that the City had several outstanding checks listed on the common bank reconciliation that were more than one (1) year old. The Michigan Public Act 29 of 1995 provides that the City report and escheat unclaimed property to the State of Michigan.

We suggest the City attempt to contact the payees in an effort to clear old outstanding checks. In the event that the rightful property owners cannot be located, we suggest the City review their unclaimed property and escheat funds to the State of Michigan as necessary.

4. The City should encourage the Corunna Area Ambulance Service to make its records available for audit.

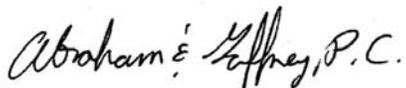
During the course of our audit, we noted that independent accountants have not audited the Corunna Area Ambulance Service in recent years. This is a concern because the financial condition of the Ambulance Service has caused them to seek advances of tax dollars from the City in years past. These advances have been repaid as of June 30, 2004, but because no audit has been done the City cannot assess the financial condition of the Ambulance Service. Should the future of the Ambulance Service be in doubt, the City may be forced to take over this essential service for its residents.

We suggest the City and the other municipalities involved require the Corunna Area Ambulance Service to have an annual audit.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the basic financial statements, and this report does not affect our report on the basic financial statements dated September 2, 2004.

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.

Handwritten signature in cursive script that reads "Abraham & Gaffney, P.C."

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

September 2, 2004