City of Corunna
Shiawassee County, Michigan

FINANCIAL STATEMENTS

June 30, 2007

City of Corunna

Shiawassee County, Michigan

June 30, 2007

CITY COUNCIL AND ADMINISTRATION

Steve Corey	Mayor
Dan Wagner	Council Member
Donald Mehigh	Council Member
Chuck Spring	Council Member
Dawn Johnson	Council Member
Nina Hall	Council Member
Arnie Jessen	Council Member
Joseph Sawyer	City Manager
Nichole Cowdrey	Clerk/Treasurer

City of Corunna

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying 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, Michigan, as of and for the year ended June 30, 2007, 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 of Corunna, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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, Michigan as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2007 on our consideration of the City of Corunna, Michigan'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 considered in assessing the results of our audit.

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 accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the 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 the City of Corunna, Michigan'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.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

November 1, 2007

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, 2007. This analysis should be read in conjunction with the *Independent Auditors Report* and with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

Government-wide:

- Total net assets were $13,182,134 (excluding component units).
- Governmental activities net assets were $8,335,984.
- Business-type activity net assets were $4,846,150.
- Component Unit net assets were $1,399,884.

Fund Level:

- At the close of the fiscal year, the City's governmental funds reported a combined ending fund balance of $2,244,088 with $61,464 being reserved, designated, or otherwise earmarked for specific purposes.
- The General Fund realized $152 more in revenues and other financing sources than anticipated for the fiscal year. General Fund operations expended $62,352 less than appropriated.
- Overall, the General Fund balance decreased by $8,246 to $506,993 - all undesignated and available for general purposes.
- Net Assets in the Sewer and Water funds ended the year at $3,689,137 and $1,157,013, respectively.

Capital and Long-term Debt Activities:

- The primary government issued one (1) new debt issue for the fiscal year in the form of a General Obligation bond for sewer improvements in the amount of $685,000.
- The total long-term debt for the primary government was $3,839,067 with a net increase of $179,923 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 $2,294,099 and included water, sewer, and street improvements, as well as various equipment and building improvements.

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: I) *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 nonmajor governmental funds and other funds and other financial data.

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 2006/2007. 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.
- 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 nonmajor 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) Statement No. 34 in separate columns. Statement No. 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 Industrial Development Fund, the DDA Custodial Fund, the Sewer System Fund, and the Water System Fund. All other funds are classified as nonmajor funds and are reported in aggregate by the applicable fund type. The City includes detailed information on its nonmajor 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) and Permanent Funds.

- ***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.

- ***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 nonmajor 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.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

As previously stated, City of Corunna's combined net assets were $13,182,134 at the end of this fiscal year's operations. The net assets of the governmental activities were $8,335,984; the business type activities were $4,846,150.

Net Assets as of June 30, 2007 and 2006

	Governmental Activities		Business-type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
Current and Other Assets	$ 2,920,791	$ 3,157,083	$ 1,288,303	$ 1,233,363	$ 4,209,094	$ 4,390,446
Capital Assets	7,281,952	6,989,315	5,699,515	4,372,910	12,981,467	11,362,225
Total Assets	**$10,202,743**	**$10,146,398**	**$ 6,987,818**	**$ 5,606,273**	**$17,190,561**	**$15,752,671**
Current Liabilities	$ 341,896	$ 430,435	$ 329,726	$ 343,953	$ 671,622	$ 774,388
Noncurrent Liabilities	1,524,863	1,754,911	1,811,942	1,368,046	3,336,805	3,122,957
Total Liabilities	**$ 1,866,759**	**$ 2,185,346**	**$ 2,141,668**	**$ 1,711,999**	**$ 4,008,427**	**$ 3,897,345**
Net Assets						
Invested in Capital Assets (Net of related debt)	$ 5,962,945	$ 5,385,190	$ 3,646,469	$ 2,830,153	$ 9,609,414	$ 8,215,343
Restricted	1,388,549	1,544,810	100,063	86,282	1,488,612	1,631,092
Unrestricted	984,490	1,031,052	1,099,618	977,839	2,084,108	2,008,891
Total Net Assets	**$ 8,335,984**	**$ 7,961,052**	**$ 4,846,150**	**$ 3,894,274**	**$13,182,134**	**$11,855,326**

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, 2007 and 2006

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues						
Program Revenues						
Charges for Services	$ 606,897	$ 655,249	$ 1,202,156	$ 1,152,910	$ 1,809,053	$ 1,808,159
Grants and Contributions	301,834	362,411	709,727	483,522	1,011,561	845,933
General Revenues						
Property Taxes	1,064,390	1,015,251	-	-	1,064,390	1,015,251
State Shared Revenue	363,744	367,519	-	-	363,744	367,519
Investment Earnings	137,610	94,385	79,191	972	216,801	95,357
Miscellaneous	56,550	129,421	6,213	7,182	62,763	136,603
Total Revenues	**2,531,025**	**2,624,236**	**1,997,287**	**1,644,586**	**4,528,312**	**4,268,822**
Expenses						
General Government	432,149	$ 612,459	-	-	432,149	612,459
Public Safety	586,962	463,158	-	-	586,962	463,158
Public Works	709,664	548,726	-	-	709,664	548,726
Health and Welfare	39,870	48,120	-	-	39,870	48,120
Community and Economic Develop.	139,599	40,184	-	-	139,599	40,184
Recreation & Cultural	295,638	239,802	-	-	295,638	239,802
Other	202,211	208,831	1,045,411	1,026,711	1,247,622	1,235,542
Total Expenses	**2,406,093**	**2,161,280**	**1,045,411**	**1,026,711**	**3,451,504**	**3,187,991**
Increase in Net Assets	**124,932**	**462,956**	**951,876**	**617,875**	**1,076,808**	**1,080,831**
Restated Net Assets - Beginning	8,211,052	7,498,096	3,894,274	3,276,399	12,105,326	10,774,495
Net Assets - Ending	**$ 8,335,984**	**$ 7,961,052**	**$ 4,846,150**	**$ 3,894,274**	**$13,182,134**	**$11,855,326**

Governmental Activities:

The result of 2006/2007 governmental activity was a net increase of $124,932 in net assets to $8,335,984. Of the total governmental activities' net assets, $5,962,945 is invested in capital assets less related debt, $1,388,549 is reported as restricted, meaning these assets are legally committed for a specific purpose through statue, or by another authority outside the City government. The balance of $984,490 is listed as unrestricted, having no legal commitment.

Revenues:

The three largest revenue categories were state shared revenue at 14%, property taxes at 42%, and charges for services at 24%. The City levied two property tax millages for the year ended June 30, 2007, one being for general government operations at 13.3044 mills, which is not assigned to any particular activity, and one for City Public Improvements at 4.8342 mills. Charges for services, which reimburse the City for specific activities, are the second 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 29% of the governmental activities total on public street maintenance and improvement activities. Public Safety is the second largest area, expending approximately 24% of the governmental activities total.

Business-type Activities:

Net assets in business-type activities increased by $951,876 during 2006/2007. Of the business-type activities' net assets, $3,646,469 is invested in capital assets less related debt, $100,063 is reported as restricted, meaning these assets are legally committed for a specific purpose through statue, or by another authority outside the City government. The balance of $1,099,618 is listed as unrestricted, having no legal commitment.

FINANCIAL ANALYSIS OF THE CITY'S MAJOR AND NONMAJOR FUNDS

As the City completed 2006/2007, its governmental funds reported *combined* fund balances of $2,244,088. This is a net decrease of $416,836. The net changes are summarized in the following chart:

	General Fund	Economic Development	City Improvement	Industrial Development	DDA Custodial	Nonmajor Governmental Funds
Fund Balance 06/30/06	$ 515,239	$ 80,231	$ 235,557	$ 645,582	$ 150,000	$ 934,315
Fund Balance 06/30/07	$ 506,993	$ 107,028	$ 136,521	$ 669,067	$ 250,000	$ 674,479
Net Change	$(8,246)	$ 26,797	$(99,036)	$ 23,485	$(100,000)	$(259,836)

General Fund:

The General Fund is the chief operating fund of the City. Unless otherwise required by statue, contractual agreement or Board policy, all City revenues and expenditures are recorded in the General Fund. As of June 30, 2007, the General Fund reported a fund balance of $506,993. This amount is a decrease of $8,246 from the fund balance of $515,239 reported as of June 30, 2006. The 2006/2007 original budget called for a $40,750 use of fund balance.

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 $1,590,351, $152 above the final amended budget.

The City's expenditure budget was increased by $39,000 (2% change from the original budget) during 2006/2007.

Actual City operational expenditures for 2006/2007 were $62,352 (3.8%) under budget. This is due to several reasons including:

- $14,903 less than planned expenditures in the Fire Department.
- $21,447 less in the Public Works and Municipal Building Departments.
- $7,040 less than planned expenditures in the Police and Crossing Guards Departments.
- $3,238 less in the Parks & Recreation, Activities & Events and related programs and facilities departments.
- $13,157 less in the City Manager, Clerk/Treasurer, Internal Services, Assessor and related departments.

Economic Development Fund:

As of June 30, 2007, the Economic Development Fund reported a fund balance of $107,028, an increase of $26,797 from the prior year. The total fund balance is unreserved/undesignated.

City Improvement Fund:

As of June 30, 2007, the City Improvement Fund reported a fund balance $136,521, which is a decrease of $99,036 from the prior year. The total fund balance is unreserved/undesignated.

Industrial Development Fund:

As of June 30, 2007, the Industrial Development Fund reported a fund balance of $669,067, which is an increase of $23,485 from the prior year. The total fund balance is unreserved/undesignated.

DDA Custodial Fund:

As of June 30, 2007, the DDA Custodial Fund reported a fund balance of $150,000, which is a decrease of $100,000 from the prior year. The total fund balance is unreserved/undesignated.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - At the end of Fiscal Year 2006/2007, the City had invested $12,981,467, and $1,210,978 for the component unit, net of accumulated depreciation, in a broad range of capital assets (see table below). Accumulated depreciation was $7,740,505 for the primary government. Depreciation charges for the fiscal year totaled $518,660 for the primary government and $19,096 for the component unit. Additional information related to capital assets is detailed in Note F of the Financial Statements. Net Book value of capital assets at June 30, 2007 was as follows:

	Governmental Activities	Business-type Activities	Component Unit - DDA	Total
Land	$ 200,000	$ 127	$ -	**$ 200,127**
Buildings, net	890,109	-	457,772	**1,347,881**
Vehicles and equipment, net	630,744	63,845	571	**695,160**
Construction in progress	45,755	937,462	9,030	**992,247**
Infrastructure, net	5,515,344	-	-	**5,515,344**
Sewer system, net	-	3,681,569	-	**3,681,569**
Water system, net	-	1,016,512	-	**1,016,512**
Improvements, net	-	-	743,605	**743,605**
Capital assets, net	**$ 7,281,952**	**$ 5,699,515**	**$ 1,210,978**	**$ 14,192,445**

Long-term Debt - As of June 30, 2007, the City had $3,839,067 in loans outstanding for the primary government. This level of net obligation is $179,923 more than the obligation recorded as of June 30, 2006.

Outstanding Debt as of June 30, 2007:

Primary Government	July 1, 2006	Additions	Deletions	June 30, 2007
Governmental Activities				
General Obligation Bonds	$ 1,125,000	$ -	$ 205,000	$ 920,000
Transportation Bonds	125,000	-	15,000	110,000
Installment Purchases	354,125	-	65,118	289,007
MEDC Loan	450,000	-	22,500	427,500
Compensated absences	42,022	42,166	44,674	39,514
Business-type Activities				
General Obligation Bonds	875,000	685,000	110,000	1,450,000
Improvement Bonds	575,000	-	40,000	535,000
Installment Purchase	92,757	-	24,711	68,046
Contract payable	20,240	-	20,240	-0-
Total Primary Government	**3,659,144**	**727,166**	**547,243**	**3,839,067**
Component Unit				
Installment Loan	199,521	-	35,339	164,182
Land Contract Payable	100,000	-	20,000	80,000
Total Reporting Entity	**$ 3,958,665**	**$ 727,166**	**$ 602,582**	**$ 4,083,249**

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

CITY OF CORUNNA GOVERNMENT ECONOMIC OUTLOOK:

- State revenue sharing has remained frozen for the past three years, after having received reductions in previous years. Restoration of these reductions does not appear likely and additional cuts may occur in future years due to state budget problems.
- Other General Fund state and federal revenues and/or grants have seen reductions or elimination over the past five years.
- Property tax revenue has stabilized (4.11% growth) from previous years in which it did not kept pace with inflation.
- Investment earnings rose this year from historically low levels due to higher market interest rates.
- Health and dental insurance premiums continue rising much faster than the rate of inflation.
- Retirement costs are increasing due to additional retirees and market factors.
- Utility and fuel costs continue rising faster than the rate of inflation.

These factors were considered in adopting the Budget for 2006/2007. A usage of $40,000 of the City's fund balance was included to balance the General Fund Budget. Given these current trends, the City has made a firm commitment to operate within current revenues while at the same time investing in economic development opportunities of the City and maintaining a healthy fund balance. 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, 2007

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Unit (DDA)
ASSETS				
Current assets				
Cash and cash equivalents	$ 982,754	$ 306,146	$ 1,288,900	$ 152,091
Investments	584,865	-	584,865	-
Receivables	196,384	310,313	506,697	872,326
Prepaids	-	74,430	74,430	-
Due from other governmental units	316,788	513,550	830,338	-
Total current assets	2,080,791	1,204,439	3,285,230	1,024,417
Noncurrent assets				
Cash and cash equivalents - restricted	-	6,644	6,644	4,670
Investments	450,000	50,000	500,000	-
Treatment rights, net	-	27,220	27,220	-
Due from other governmental units	390,000	-	390,000	-
Capital assets not being depreciated	245,755	937,589	1,183,344	9,030
Capital assets being depreciated, net	7,036,197	4,761,926	11,798,123	1,201,948
Total noncurrent assets	8,121,952	5,783,379	13,905,331	1,215,648
TOTAL ASSETS	10,202,743	6,987,818	17,190,561	2,240,065
LIABILITIES				
Current liabilities				
Accounts payable	40,682	59,173	99,855	6,064
Accrued liabilities	25,223	1,630	26,853	-
Accrued interest payable	14,833	27,819	42,652	-
Due to other governmental units	-	-	-0-	195,265
Rental deposits	-	-	-0-	4,670
Current portion of compensated absences	31,611	-	31,611	-
Current portion of long-term debt	229,547	241,104	470,651	51,510
Total current liabilities	341,896	329,726	671,622	257,509
Noncurrent liabilities				
Due to other governmental units	-	-	-0-	390,000
Noncurrent portion of compensated absences	7,903	-	7,903	-
Noncurrent portion of long-term debt	1,516,960	1,811,942	3,328,902	192,672
Total noncurrent liabilities	1,524,863	1,811,942	3,336,805	582,672
TOTAL LIABILITIES	1,866,759	2,141,668	4,008,427	840,181
NET ASSETS				
Invested in capital assets, net of related debt	5,962,945	3,646,469	9,609,414	966,796
Restricted for				
Debt service	-	100,063	100,063	-
Other purposes	1,388,549	-	1,388,549	-
Unrestricted	984,490	1,099,618	2,084,108	433,088
TOTAL NET ASSETS	$ 8,335,984	$ 4,846,150	$ 13,182,134	$ 1,399,884

See accompanying notes to financial statements.

City of Corunna

STATEMENT OF ACTIVITIES

Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets — Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total	Component Unit
Primary government								
Governmental activities								
General government	$ 432,149	$ 69,590	$ -	$ -	$ (362,559)	$ -	$ (362,559)	$ -
Public safety	586,962	137,002	3,451	20,075	(426,434)	-	(426,434)	-
Public works	709,664	219,406	242,160	1,300	(246,798)	-	(246,798)	-
Health and welfare	39,870	17,631	-	-	(22,239)	-	(22,239)	-
Community and economic development	139,599	39,863	-	-	(99,736)	-	(99,736)	-
Recreation and cultural	295,638	123,405	34,848	-	(137,385)	-	(137,385)	-
Other	114,828	-	-	-	(114,828)	-	(114,828)	-
Interest and fees on long-term debt	87,383	-	-	-	(87,383)	-	(87,383)	-
Total governmental activities	2,406,093	606,897	280,459	21,375	(1,497,362)	-0-	(1,497,362)	-0-
Business-type activities								
Sewer system	603,843	629,157	-	709,727	-	735,041	735,041	-
Water system	441,568	572,999	-	-	-	131,431	131,431	-
Total business-type activities	1,045,411	1,202,156	-0-	709,727	-0-	866,472	866,472	-0-
Total primary government	$ 3,451,504	$ 1,809,053	$ 280,459	$ 731,102	(1,497,362)	866,472	(630,890)	-0-
Component unit								
Downtown development authority (DDA)	$ 133,812	$ 229,129	$ -0-	$ 236,671	-	-	-0-	331,988
General revenues								
Property taxes					1,064,390	-	1,064,390	69,567
State shared revenue					363,744	-	363,744	-
Investment earnings					137,610	79,191	216,801	12,684
Miscellaneous					56,550	6,213	62,763	13,901
Sale of property					-	-	-0-	787,622
Total general revenues					1,622,294	85,404	1,707,698	883,774
Change in net assets					124,932	951,876	1,076,808	1,215,762
Restated net assets, beginning of the year					8,211,052	3,894,274	12,105,326	184,122
Net assets, end of the year					$ 8,335,984	$ 4,846,150	$ 13,182,134	$ 1,399,884

See accompanying notes to financial statements.

City of Corunna

GOVERNMENTAL FUNDS BALANCE SHEET

June 30, 2007

	General	Economic Development	City Improvement
ASSETS			
Cash and cash equivalents	$ 184,896	$ 81,713	$ 61,147
Investments	275,000	25,000	75,000
Accounts receivable	5,000	-	-
Accrued interest receivable	-	315	374
Contracts receivable	-	148,621	-
Special assessment receivable	18,848	-	16,226
Due from other funds	15,849	-	-
Due from other governmental units			
State	48,386	-	-
Local	14,095	-	-
TOTAL ASSETS	$ 562,074	$ 255,649	$ 152,747
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ 22,975	$ -	$ -
Accrued liabilities	13,258	-	-
Due to other funds	-	-	-
Deferred revenue	18,848	148,621	16,226
TOTAL LIABILITIES	55,081	148,621	16,226
FUND BALANCES			
Reserved for			
Perpetual care	-	-	-
Debt service	-	-	-
Unreserved			
Undesignated, reported in			
General fund	506,993	-	-
Special revenue funds	-	107,028	136,521
Debt service funds	-	-	-
Capital projects	-	-	-
TOTAL FUND BALANCES	506,993	107,028	136,521
TOTAL LIABILITIES AND FUND BALANCES	$ 562,074	$ 255,649	$ 152,747

See accompanying notes to financial statements.

Industrial Development	DDA Custodial	Nonmajor Governmental Funds	Total Governmental Funds
$ 62,316	$ 1	$ 590,749	$ 980,822
605,658	-	54,207	1,034,865
-	-	-	5,000
7,000	-	-	7,689
-	-	-	148,621
-	-	-	35,074
-	-	-	15,849
-	-	37,684	86,070
-	577,499	29,124	620,718
$ 674,974	$ 577,500	$ 711,764	$ 2,934,708
$ 5,907	$ -	$ 9,843	$ 38,725
-	-	11,593	24,851
-	-	15,849	15,849
-	427,500	-	611,195
5,907	427,500	37,285	690,620
-	-	56,186	56,186
-	-	5,278	5,278
-	-	-	506,993
-	150,000	584,894	978,443
-	-	1,664	1,664
669,067	-	26,457	695,524
669,067	150,000	674,479	2,244,088
$ 674,974	$ 577,500	$ 711,764	$ 2,934,708

City of Corunna

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

June 30, 2007

Total fund balance - governmental funds		$ 2,244,088
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	$ 12,015,893	
Accumulated depreciation is	(4,733,941)	
Capital assets, net		7,281,952
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	160,834	
Net capital assets of Internal Service Funds included in total capital assets above	(176,156)	
Long-term liabilities of Internal Service Fund included in total long-term liabilities below	14,380	
		(942)
Long-term assets are not available to pay for current period expenditures and are therefore deferred in the funds.		611,195
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	1,746,507	
Accrued interest payable (governmental funds portion)	14,288	
Compensated absences	39,514	
		(1,800,309)
Net assets of governmental activities		$ 8,335,984

See accompanying notes to financial statements.

City of Corunna

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2007

	General	Economic Development	City Improvement
REVENUES			
Taxes	$ 775,881	$ -	$ 288,508
Licenses and permits	27,100	-	-
Intergovernmental	365,721	-	-
Charges for services	257,555	-	-
Fines and forfeits	7,795	-	-
Interest and rents	107,141	2,074	9,678
Other	49,158	32,425	8,338
TOTAL REVENUES	1,590,351	34,499	306,524
EXPENDITURES			
Current			
General government	429,267	-	-
Public safety	413,441	-	-
Public works	310,988	-	-
Health and welfare	-	-	-
Community and economic development	420	7,702	24,064
Recreation and cultural	133,414	-	-
Other	115,671	-	-
Debt service	-	-	-
Capital outlay	-	-	-
TOTAL EXPENDITURES	1,403,201	7,702	24,064
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	187,150	26,797	282,460
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	6,954
Transfers out	(195,396)	-	(388,450)
TOTAL OTHER FINANCING SOURCES (USES)	(195,396)	-0-	(381,496)
NET CHANGE IN FUND BALANCES	(8,246)	26,797	(99,036)
Fund balances, beginning of year	515,239	80,231	235,557
Fund balances, end of year	$ 506,993	$ 107,028	$ 136,521

See accompanying notes to financial statements.

Industrial Development	DDA Custodial	Nonmajor Governmental Funds	Total Governmental Funds
$ -	$ -	$ -	$ 1,064,389
-	-	17,308	44,408
-	-	240,547	606,268
-	-	177,498	435,053
-	-	-	7,795
34,351	4,550	24,232	182,026
-	22,500	78,665	191,086
34,351	27,050	538,250	2,531,025
-	-	10,674	439,941
-	-	115,250	528,691
13,372	-	148,417	472,777
-	-	39,870	39,870
-	80,000	-	112,186
-	-	136,070	269,484
-	-	1,665	117,336
38,152	47,050	305,614	390,816
7,495	-	563,601	571,096
59,019	127,050	1,321,161	2,942,197
(24,668)	(100,000)	(782,911)	(411,172)
48,153	-	682,146	737,253
-	-	(159,071)	(742,917)
48,153	-0-	523,075	(5,664)
23,485	(100,000)	(259,836)	(416,836)
645,582	250,000	934,315	2,660,924
$ 669,067	$ 150,000	$ 674,479	$ 2,244,088

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, 2007

Net change in fund balances - total governmental funds		$ (416,836)
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:		
Capital outlay	$ 631,070	
Depreciation expense	(338,433)	
Excess of capital outlay over depreciation expense		292,637
Internal service funds are used by management to charge the costs of certain activities to individual funds.		
(Decrease) in Net Assets of Internal Service Funds	(26,669)	
Capital outlay of Internal Service Funds included in the total above	(59,974)	
Depreciation expense of Internal Service Funds included in the total above	57,246	
Loan principal retirement of Internal Service Funds included in the total below	(13,755)	
		(43,152)
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		307,618
Some items reported in the statement of activities do not result in the use of or provide current financial resources and therefore are reported differently than in the governmental funds. These activities consist of:		
Decrease in accrued interest payable (governmental funds portion)	9,570	
Decrease in accrued compensated absences	2,508	
(Decrease) in deferred revenue	(27,413)	
		(15,335)
Change in net assets of governmental activities		$ 124,932

See accompanying notes to financial statements.

City of Corunna

Proprietary Funds

STATEMENT OF NET ASSETS

June 30, 2007

	Business-type Activities			Governmental Activities
	Sewer System	Water System	Total	Internal Service (Motor Pool)
ASSETS				
Current assets				
Cash and cash equivalents	$ 10,642	$ 295,504	$ 306,146	$ 1,932
Accounts receivable	215,992	94,321	310,313	-
Prepaids	74,430	-	74,430	-
Due from other governmental units	513,550	-	513,550	-
Total current assets	814,614	389,825	1,204,439	1,932
Noncurrent assets				
Cash and cash equivalents - restricted	6,644	-	6,644	-
Investments	25,000	25,000	50,000	-
Treatment rights, net	27,220	-	27,220	-
Capital assets not being depreciated	926,845	10,744	937,589	-
Capital assets being depreciated, net	3,740,617	1,021,309	4,761,926	176,156
Total noncurrent assets	4,726,326	1,057,053	5,783,379	176,156
TOTAL ASSETS	5,540,940	1,446,878	6,987,818	178,088
LIABILITIES				
Current liabilities				
Accounts payable	41,416	17,757	59,173	1,957
Accrued interest payable	25,118	2,701	27,819	545
Other accrued liabilities	269	1,361	1,630	372
Current portion of long-term debt	165,000	76,104	241,104	14,380
Total current liabilities	231,803	97,923	329,726	17,254
Noncurrent liabilities				
Revenue bonds payable	1,620,000	191,942	1,811,942	-
TOTAL LIABILITIES	1,851,803	289,865	2,141,668	17,254
NET ASSETS				
Invested in capital assets, net of related debt	2,882,462	764,007	3,646,469	160,834
Restricted for				
Debt service	100,063	-	100,063	-
Unrestricted	706,612	393,006	1,099,618	-
TOTAL NET ASSETS	$ 3,689,137	$ 1,157,013	$ 4,846,150	$ 160,834

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, 2007

	Business-type Activities			Governmental Activities
	Sewer System	Water System	Total	Internal Service (Motor Pool)
OPERATING REVENUES				
Charges for services	$ 383,844	$ 367,649	$ 751,493	$ 106,271
Capital charges	245,313	193,841	439,154	-
Meter charges	-	11,509	11,509	-
Other revenue	2,540	1,819	4,359	-
TOTAL OPERATING REVENUES	631,697	574,818	1,206,515	106,271
OPERATING EXPENSES				
Personnel services	68,655	87,945	156,600	19,278
Employee benefits	25,747	32,065	57,812	6,241
Other operating costs	304,108	241,950	546,058	55,076
Depreciation and amortization	140,540	59,649	200,189	57,246
TOTAL OPERATING EXPENSES	539,050	421,609	960,659	137,841
OPERATING INCOME (LOSS)	92,647	153,209	245,856	(31,570)
NONOPERATING REVENUES (EXPENSES)				
Interest expense and fees	(64,793)	(19,959)	(84,752)	(763)
Rent earned	1,854	-	1,854	-
Construction grant - Federal	543,341	-	543,341	-
Interest earned	75,415	3,776	79,191	-
TOTAL NONOPERATING (EXPENSES)	555,817	(16,183)	539,634	(763)
INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS	648,464	137,026	785,490	(32,333)
TRANSFERS AND CONTRIBUTIONS				
Capital contributions	166,386	-	166,386	-
Transfer in	-	-	-0-	19,000
Transfer out	-	-	-0-	(13,336)
CHANGE IN NET ASSETS	814,850	137,026	951,876	(26,669)
Net assets, beginning of year	2,874,287	1,019,987	3,894,274	187,503
Net assets, end of year	$ 3,689,137	$ 1,157,013	$ 4,846,150	$ 160,834

See accompanying notes to financial statements.

City of Corunna

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended June 30, 2007

	Business-type Activities			Governmental Activities
	Sewer System	Water System	Total	Internal Service (Motor Pool)
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from customers	$ 596,683	$ 556,466	$ 1,153,149	$ 106,271
Cash paid to suppliers	(439,815)	(242,978)	(682,793)	(55,338)
Cash paid for employee benefits	(25,478)	(32,065)	(57,543)	(5,869)
Cash paid to employees	(68,655)	(86,584)	(155,239)	(19,278)
NET CASH PROVIDED BY OPERATING ACTIVITIES	62,735	194,839	257,574	25,786
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Rent earned	1,854	-	1,854	-
Transfers in	-	-	-0-	19,000
Transfers out	-	-	-0-	(13,336)
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	1,854	-0-	1,854	5,664
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital purchases	(1,340,017)	(166,815)	(1,506,832)	(59,974)
Note proceeds	685,000	-	685,000	-
Construction grant - Federal	543,341	-	543,341	-
Capital contributions	166,386	-	166,386	-
Interest expense and fees	(64,793)	(19,959)	(84,752)	(763)
Payments on borrowings	(120,240)	(74,711)	(194,951)	(13,755)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(130,323)	(261,485)	(391,808)	(74,492)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest earned	75,415	3,776	79,191	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	9,681	(62,870)	(53,189)	(43,042)
Cash and cash equivalents, beginning of year	7,605	358,374	365,979	44,974
Cash and cash equivalents, end of year	$ 17,286	$ 295,504	$ 312,790	$ 1,932

See accompanying notes to financial statements.

City of Corunna

Proprietary Funds

STATEMENT OF CASH FLOWS - CONTINUED

Year Ended June 30, 2007

	Business-type Activities			Governmental Activities
	Sewer System	Water System	Total	Internal Service (Motor Pool)
Reconciliation of operating income (loss) to net cash provided by operating activities				
Operating income (loss)	$ 92,647	$ 153,209	$ 245,856	$ (31,570)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation and amortization	140,540	59,649	200,189	57,246
(Increase) in accounts receivable	(20,491)	(18,352)	(38,843)	-
(Increase) in prepaids	(74,430)	-	(74,430)	-
(Increase) in due from other governmental units	(30,028)	-	(30,028)	-
Decrease in due from other funds	15,505	-	15,505	-
Increase (decrease) in accounts payable	(74,921)	2	(74,919)	256
Increase in accrued liabilities	269	1,361	1,630	372
Increase (Decrease) in accrued interest payable	13,644	(735)	12,909	(518)
(Decrease) in due to other funds	-	(295)	(295)	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 62,735	$ 194,839	$ 257,574	$ 25,786

City of Corunna

Fiduciary Funds

STATEMENT OF NET ASSETS

June 30, 2007

	Agency Funds
ASSETS	
Cash and cash equivalents	$ 50,192
Investments	12,500
TOTAL ASSETS	$ 62,692
LIABILITIES	
Due to individuals and agencies	$ 62,692

See accompanying notes to financial statements.

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* (as amended by GASB Statement No. 39); 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 and the City are each responsible for 50% of the annual expenditures of the Department. The City of Corunna acts as the fiscal agent to the Fire Department and is reimbursed by the Township for the Township'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 Agency Fire Capital Acquisition Fund accounts for the Township's portion of the same.

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.

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

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, 2006 financial statements of Shiawassee County. The Airport is expected to be self-sufficient but based on a "10 Year Funding Model" approved by the Board each participating municipality shall make a direct appropriation to cover operations and development costs. The percentage share for the funding model for each municipality is Shiawassee County and the City of Owosso 33%, Owosso and Caledonia Townships 13%, and the City of Corunna 8%. The City paid $1,737 to the Board for the year ended June 30, 2007.

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 $41,648 in per dwelling charges to Corunna Area Ambulance Service, Inc. for the year ended June 30, 2007.

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.

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.

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

6. Basis of Presentation - continued

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 a Special Revenue Fund used to account for financial resources to be used to further develop the economic growth of the City.

c. The City Improvement Fund is a Special Revenue Fund used to account for financial resources to be used for the betterment of the City and its properties.

d. The Industrial Development Fund is a Capital Projects Fund used to account for the financial resources to be used to promote industrial growth in the City.

e. The DDA Custodial Fund is a Special Revenue Fund used to account for financial resources held by the primary government on behalf of the Corunna Downtown Development Authority.

f. 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.

g. 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.

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.

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

8. Basis of Accounting - continued

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 nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the 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 nonoperating 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.

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.

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

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 other 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. The Due From Other Governmental Units reported in the Sewer System Fund is for reimbursement based Federal grants the City has received to do sewer related projects and is expected to be collected shortly after 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 5 mills ($5 per $1,000 of taxable valuation) for City Public Improvements. For the year ended June 30, 2007, the City levied 13.3044 mills per $1,000 of assessed valuation for general governmental services and 4.8342 mills for City Public Improvements. The total Taxable Value for the 2006 levy for property within the City was $58,622,467.

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, 2007 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
Infrastructure	40 years

18. Deferred Revenue

Deferred revenue recorded in the General Fund consists of amounts related to special assessments receivable and amounts owed from other governmental units which will be received in future periods. Deferred revenue recorded in the Economic Development Fund consists of amounts related to contracts receivable for future periods. Deferred revenue recorded in the Downtown Development Authority fund consists of amounts related to a long-term lease receivable for future periods. None of these amounts are deferred in the government-wide financial statements.

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

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.

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.

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS

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

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

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.

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

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.

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, 2007, the carrying amounts and bank balances for each type of bank account are as follows:

Account Type	Carrying Amount	Bank Balance
PRIMARY GOVERNMENT		
Regular checking	$ 1,112,391	$ 1,141,894
Savings and certificates of deposit	1,151,206	1,151,206
Total Primary Government	2,263,597	2,293,100
COMPONENT UNITS		
Regular checking	156,761	160,403
FIDUCIARY FUNDS		
Regular checking	46,192	59,009
Savings and certificates of deposit	12,500	12,500
Total Fiduciary Funds	62,692	71,509
TOTAL REPORTING ENTITY	2,483,050	2,525,012

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, 2007, the City accounts were insured by the FDIC for $1,333,048, and the amount of $1,191,964 was uninsured and uncollateralized.

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.

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

Investments

As of June 30, 2007, the carrying amount and market value for the investment is as follows:

INVESTMENT TYPE	Carrying Amount	Market Value	Weighted Average Maturity
Primary Government			
Uncategorized pooled investment funds			
MBIA - Michigan Class	$ 116,812	$ 116,812	N/A

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of June 30, 2007, the MBIA - Michigan Class investment is not rated.

Interest rate risk

The City will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates by:

- Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity
- Investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools and limiting the average maturity of the portfolio

Concentration of credit risk

The City will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the City's investment in a single issuer by:

- Limiting investments to the types of securities as listed in the Investment Policy
- Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the City will do business
- Diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized

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, 2007:

Concentration of credit risk - continued

	Primary Government	Component Units	Fiduciary Funds	Reporting Entity
Cash and cash equivalents	$ 1,288,900	$ 152,091	$ 50,192	$ 1,491,183
Cash and cash equivalents - restricted	6,644	4,670	-	11,314
Investments	1,084,865	-	12,500	1,097,365
	$ 2,380,409	$ 156,761	$ 62,692	$ 2,599,862

NOTE C: INTERFUND RECEIVABLES AND PAYABLES

The following schedule details primary government interfund receivables and payables at June 30, 2007:

Due to General Fund from:	
Nonmajor governmental funds	$ 15,849
Due to Component Unit Funds from:	
Component Unit Funds	$ 4,030

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.

NOTE D: 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	$ 128,243
City Improvement Fund	388,450
Nonmajor governmental funds	152,117
Internal service fund	13,336
	$ 682,146
Transfers to City Improvement Fund from:	
Nonmajor governmental funds	$ 6,954
Transfers to Industrial Development Fund from:	
General Fund	$ 48,153
Transfer to Internal Service Fund from:	
General Fund	$ 19,000

NOTE E: LONG-TERM CONTRACTS RECEIVABLE

Primary Government

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:

Year Ending June 30,	Principal	Interest	Total
2008	$ 27,554	$ 8,446	$ 36,000
2009	28,363	7,637	36,000
2010	30,399	5,601	36,000
2011	54,431	6,404	60,835
2012	7,874	48	7,922
	$ 148,621	$ 28,136	$ 176,757

NOTE E: LONG-TERM CONTRACTS RECEIVABLE - CONTINUED

Component Units

The DDA has sold certain properties to the County of Shiawassee under a long-term contract. The amounts attributable to this long-term contract receivable has been recorded in the Component Unit Fund as contracts receivable and the portion that is receivable greater than a year from June 30, 2007 is reported as deferred revenue. The following is a summary of the future annual revenue (i.e. deferred):

Years ending June 30,	Total
2008	$ 79,958
2009	80,458
2010	80,958
2011	81,458
2012	81,958
2013-2017	382,832
	$ 787,622

The payment for 06/07 ($79,458) was not received until after year end so that amount is included as receivable and revenue at June 30, 2007 along with $5,246 in other contracts receivable for a total of $872,326.

NOTE F: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2007 was as follows:

Primary Government

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
Governmental activities				
Capital assets not being depreciated				
Land	$ 200,000	$ -	$ -	$ 200,000
Construction in progress	-	45,755	-	45,755
Subtotal	200,000	45,755	-0-	245,755
Capital assets being depreciated				
Buildings and additions	2,783,234	52,848	(6,012)	2,830,070
Vehicles and equipment	1,711,424	257,473	(26,420)	1,942,477
Infrastructure	6,722,597	274,994	-	6,997,591
Subtotal	11,217,255	585,315	(32,432)	11,770,138
Less accumulated depreciation for				
Buildings and additions	(1,899,665)	(46,308)	6,012	(1,939,961)
Vehicles and equipment	(1,217,530)	(119,229)	25,026	(1,311,733)
Infrastructure	(1,310,745)	(171,502)	-	(1,482,247)
Subtotal	(4,427,940)	(337,039)	31,038	(4,733,941)
Net capital assets being depreciated	6,789,315	248,276	(1,394)	7,036,197
Capital assets, net	$ 6,989,315	$ 294,031	$(1,394)	$ 7,281,952

NOTE F: CAPITAL ASSETS - CONTINUED

Primary Government - continued

The current year depreciation expense of $337,039 has been adjusted by $1,394 for the disposal of capital assets during the year, in accordance with GASB Statement No. 34 implementation guide which states that immaterial losses may be handled as an adjustment to the current period's depreciation expense.

Depreciation expense was charged to the following governmental activities:

General government	$ 17,121
Public safety	58,271
Public works	236,887
Recreation and cultural	26,154
Total depreciation expense	$ 338,433

	Balance July 1, 2006	Additions/ Reclassifications	Additions/ Reclassifications	Balance June 30, 2007
Business-type activities (Sewer system)				
Capital assets not being depreciated				
Land	$ 1	$ -	$ -	$ 1
Construction in progress	1,030,482	1,340,017	(1,443,655)	926,844
Subtotal	1,030,483	1,340,017	(1,443,655)	926,845
Capital assets being depreciated				
Sewer system	4,288,285	1,443,655	-	5,731,940
Equipment	88,995	-	-	88,995
Subtotal	4,377,280	1,443,655	-0-	5,820,935
Less accumulated depreciation for				
Sewer system	(1,932,692)	(117,679)	-	(2,050,371)
Equipment	(27,048)	(2,899)	-	(29,947)
Subtotal	(1,959,740)	(120,578)	-0-	(2,080,318)
Net capital assets being depreciated	2,417,540	1,323,077	-0-	3,740,617
Capital assets, net	$ 3,448,023	$ 2,663,094	$(1,443,655)	$ 4,667,462
Business-type activities (Water system)				
Capital assets not being depreciated				
Land	$ 126	$ -	$ -	$ 126
Construction in progress	-	166,815	(156,197)	10,618
Subtotal	126	166,815	(156,197)	10,744
Capital assets being depreciated				
Water system	1,752,947	156,197	-	1,909,144
Equipment	38,411	-	-	38,411
Subtotal	1,791,358	156,197	-0-	1,947,555

NOTE F: CAPITAL ASSETS - CONTINUED

Primary Government - continued

	Balance July 1, 2006	Additions/ Reclassifications	Additions/ Reclassifications	Balance June 30, 2007
Business-type activities (Water system) - continued				
Less accumulated depreciation for				
Water system	$(833,815)	$(58,817)	$ -	$(892,632)
Equipment	(32,782)	(832)	-	(33,614)
Subtotal	(866,597)	(59,649)	-0-	(926,246)
Net capital assets being depreciated	924,761	96,548	-0-	1,021,309
Capital assets, net	$ 924,887	$ 263,363	$(156,198)	$ 1,032,053
Component Unit (DDA)				
Capital assets not being depreciated				
Construction in progress	$ 16,521	$ 733,685	$(741,176)	$ 9,030
Assets held for resale	300,000	-	(300,000)	-0-
Subtotal	316,521	733,685	(1,041,176)	9,030
Capital assets being depreciated				
Buildings	711,670	-	-	711,670
Equipment and fixtures	18,952	-	-	18,952
Improvements	44,166	741,176	-	785,342
Subtotal	774,788	741,176	-0-	1,515,964
Less accumulated depreciation for:				
Buildings	(236,387)	(17,511)	-	(253,898)
Equipment and fixtures	(17,238)	(1,143)	-	(18,381)
Improvements	(41,295)	(442)	-	(41,737)
Subtotal	(294,920)	(19,096)	-0-	(314,016)
Net capital assets being depreciated	479,868	722,080	-0-	1,201,948
Capital assets, net	$ 796,389	$ 1,455,765	$(1,041,176)	$ 1,210,978

NOTE G: LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portion) of the City for the year ended June 30, 2007.

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007	Amounts Due Within One Year
PRIMARY GOVERNMENT					
Governmental Activities					
1996 General Obligation Improvement Bonds	$ 110,000	$ -	$ 110,000	$ -0-	$ -
1998 Transportation Bonds	125,000	-	15,000	110,000	15,000
2000 General Obligation Improvement Bonds	675,000	-	50,000	625,000	55,000
2001 General Obligation Improvement Bonds	340,000	-	45,000	295,000	55,000
2003 Installment Purchase Agreement (IPA)	28,135	-	13,755	14,380	14,380
2003 Installment Purchase Agreement	138,490	-	32,613	105,877	33,917
Installment Note - fire truck	187,500	-	18,750	168,750	18,750
MEDC Loan	450,000	-	22,500	427,500	37,500
Compensated absences	42,022	42,166	44,674	39,514	31,611
	2,096,147	42,166	352,292	1,786,021	261,158
Business-type Activities					
Water Supply and Sewage					
Improvement Bonds - 1996 (sewer)	355,000	-	25,000	330,000	30,000
Improvement Bonds - 1980 (sewer)	220,000	-	15,000	205,000	15,000
General Obligation Bonds (water)	250,000	-	50,000	200,000	50,000
2005 General Obligation Improvement Bonds (sewer)	625,000	-	60,000	565,000	60,000
2006 General Obligation Improvement Bonds (sewer)	-	685,000	-	685,000	60,000
Water Tower IPA - 1999 (water)	92,757	-	24,711	68,046	26,104
Contract Payable (sewer)	20,240	-	20,240	-0-	-
	1,562,997	685,000	194,951	2,053,046	241,104
TOTAL PRIMARY GOVERNMENT	3,659,144	727,166	547,243	3,839,067	502,262
COMPONENT UNIT FUNDS					
Downtown Development Authority					
Installment loan	199,521	-	35,339	164,182	31,510
Land contract payable	100,000	-	20,000	80,000	20,000
TOTAL COMPONENT UNIT	299,521	-0-	55,339	244,182	51,510
	$ 3,958,665	$ 727,166	$ 602,582	$ 4,083,249	$ 553,772

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)

$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.	$ 110,000
$895,000 2000 County of Shiawassee, City of Corunna Public Improvement Bonds dated October 11, 2000, due in annual installments ranging from $55,000 to $85,000 through November 1, 2015, with interest ranging from 5.05 to 5.30 percent payable annually.	625,000

NOTE G: LONG-TERM DEBT - CONTINUED

General Obligation Bonds (Payable from Debt Service Funds) - continued

$490,000 2001 County of Shiawassee, City of Corunna Public Improvement Bonds dated June 1, 2001, due in annual installments ranging from $55,000 to $90,000 through May 1, 2011, with interest ranging from 4.45 to 4.75 percent, payable semi-annually.	$ 295,000
	$ 1,030,000

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 4.00 percent. The Agreement is for the purchase of a truck with snowplow costing $78,875.	$ 14,380

Installment Purchase Agreement (Payable from Industrial Development Fund)

$200,000 2003 Installment Purchase Agreement dated November 6, 2003, due in annual installments of $38,153 through November 6, 2009, with interest at 4.00 percent. The Agreement is for the purchase of land costing $200,000.	$ 105,877

Installment Note - Fire Truck (Payable from Fire Capital Acquisition Fund)

$187,500 2007 Installment Note for fire truck dated May 15, 2007, due in annual installments of $18,750 through May 15, 2016, with interest at 4.50 percent payable annually.	$ 168,750

MEDC Loan (Payable from General Fund)

$450,000 2005 MEDC Loan Agreement dated September 1, 2005, due in annual installments ranging from $32,500 to $62,500 through December 13, 2015, with no interest.	$ 427,500

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, including related payroll taxes, of these vested rights have been recorded in the government-wide financial statements. They amount to approximately $39,514 at June 30, 2007.

Water Supply and Sewage Disposal System Bonds

$550,000 1996 Wastewater Treatment System Revenue Bonds dated February 1, 1996, due in annual installments ranging from $30,000 to $40,000 through November 1, 2015, with interest ranging from 5.00 to 5.35 percent, payable annually.	$ 330,000
$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, 2020, with interest at 5.0 percent, payable annually.	205,000
$700,000 1992 Shiawassee County, City of Corunna Water Supply System (General Obligation) Improvement Bonds dated August 1, 1992, due in annual installments of $50,000 through May 1, 2011, with interest ranging from 6.10 to 6.25 percent, payable annually.	200,000

NOTE G: LONG-TERM DEBT - CONTINUED

Water Supply and Sewage Disposal System Bonds - continued

$685,000 2005 County of Shiawassee, City of Corunna Capital Improvement Bonds dated April 1, 2005, due in annual installments ranging from $60,000 to $80,000, with interest ranging from 3.10 to 4.20 percent, payable semi-annually.	$ 565,000
$685,000 2006 County of Shiawassee, City of Corunna Capital Improvement Bonds dated July 6, 2006, due in annual installments ranging from $60,000 to $80,000, with interest ranging from 3.90 to 4.45 percent, payable semi-annually.	685,000
	$ 1,985,000

Installment Purchase Agreement - Enterprise (Water) Fund

$224,200 1999 Installment Purchase Agreement dated September 20, 1999, due in semi-annual installments ranging from $12,873 to $14,366 through November 1, 2009, with interest at 5.56 percent.	$ 68,046

COMPONENT UNIT - DISCRETELY PRESENTED

$346,227 Downtown Development Authority bank promissory note dated September 27, 2000, due in monthly payments of $3,615 the first of each month including monthly interest on the unpaid balance at .5 percent below the prime rate.	$ 164,182
$300,000 Land Contract dated December 31, 2005, due in annual installments of $20,000 through January 5, 2011, with no interest.	$ 80,000

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

Primary Government

	General Obligation Bonds		Water Supply & Sewage Disposal System Bonds		Installment Agreements and Notes		MEDC Loan Payable
Year Ending June 30,	Principal	Interest	Principal	Interest	Principal	Interest	Principal
2008	$ 125,000	$ 48,721	$ 215,000	$ 86,813	$ 93,151	$ 15,909	$ 37,500
2009	145,000	42,270	220,000	77,100	81,601	11,582	32,500
2010	160,000	34,893	225,000	66,950	69,801	7,773	37,500
2011	175,000	26,670	235,000	54,713	18,750	5,063	42,500
2012	90,000	20,005	190,000	45,114	18,750	4,219	47,500
2013-2017	335,000	34,804	845,000	100,544	75,000	8,437	230,000
2018-2020	-	-	55,000	4,375	-	-	-
	$ 1,030,000	$ 207,363	$ 1,985,000	$ 435,609	$ 357,053	$ 52,983	$ 427,500 *

*This is an interest-free loan.

NOTE G: LONG-TERM DEBT - CONTINUED

Component Unit

Year Ending June 30,	Installment Loan Principal	Installment Loan Interest	Land Contract Principal
2008	$ 31,510	$ 11,875	$ 20,000
2009	34,404	8,981	20,000
2010	37,059	6,329	20,000
2011	61,209	1,226	20,000
	$ 164,182	$ 28,411	$ 80,000 *

*This is an interest-free loan.

NOTE H: 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.

Annual Pension Cost

For the year ended June 30, 2007 the City's annual pension cost of $111,106 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, 2004, 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, 2004	2005	2006
Actuarial value of assets	$ 2,535,490	$ 2,616,590	$ 2,726,295
Actuarial accrued liability (AAL) (entry age)	3,361,549	3,579,958	3,777,769
Unfunded AAL	826,059	963,368	1,051,475
Funded ratio	75 %	73 %	72 %
Covered payroll	660,599	525,159	573,985
UAAL as a percentage of covered payroll	125 %	183 %	183 %

NOTE H: RETIREMENT PLAN - CONTINUED

Three (3) year trend information - continued

	Year Ended June 30,		
	2005	2006	2007
Annual pension cost	$ 117,034	$ 89,413	$ 111,106
Percentage of APC contributed	100 %	100 %	100 %
Net pension obligation	-	-	-

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

NOTE I: 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, 2007:

Nonmajor governmental funds	
Debt service	$ 5,278
Perpetual care	56,186
	$ 61,464

NOTE J: 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, 2007:

Governmental Activities	
Other purposes	
City Improvements	$ 246,521
Major street	182,354
Local street	35,654
Cemetery perpetual care	56,186
Downtown development	150,000
Fire capital acquisition	48,767
Industrial development	669,067
	$ 1,388,549
Business-type Activities	
Restricted for debt service	
Sewer System Fund	$ 100,063

NOTE K: 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 June 30,	
2008	$ 23,955

The remainder of the tenants in the Center are operating on month-to-month lease arrangements.

NOTE L: 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, 2007, six retirees received benefits. The costs for the year ended June 30, 2007 totaled $95,936 and were paid from the General Fund.

UPCOMING REPORTING CHANGE

The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions.* The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending June 30, 2010.

NOTE M: RISK MANAGEMENT

The City participates in a pool, the Michigan Municipal Liability and Property Pool, with other municipalities for property, liability, and crime losses. The pool is organized under Public Act 138 of 1982, as amended as a governmental group property and casualty self insurance pool. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The City has not been informed of any special assessments being required.

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. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The City has not been informed of any special assessments being required.

NOTE N: 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.

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, 2007, the City incurred certain expenditures in the General Fund and in four (4) Special Revenue funds in excess of the amounts appropriated as follows:

	Amounts Appropriated	Amounts Expended	Variance
General Fund			
Assessor	$ 70,988	$ 71,050	$ 62
Parks maintenance	78,943	80,140	1,197
Special Revenue Funds			
City Improvement Fund	311,496	405,560	94,064
Parks Improvement Fund	36,500	39,659	3,159
Stu Coutts Recreation Fund	7,000	8,264	1,264
Fourth of July Commission	24,300	34,038	9,738

NOTE O: SUBSEQUENT EVENT

On September 18, 2007, the City was ordered by a mediator to pay $25,000 in resolution of a lawsuit that had been brought by an employee.

NOTE P: RESTATEMENT OF NET ASSETS

Beginning net assets for the Component Unit (DDA) and the Governmental Activities were restated by $250,000 to reflect the reclassification of the DDA Custodial Fund from being included in the Component Unit Funds to being included as a Special Revenue Fund in the Primary Government.

REQUIRED SUPPLEMENTARY INFORMATION

City of Corunna

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES AND OTHER FINANCING SOURCES

Year Ended June 30, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes				
Property taxes	$ 755,630	$ 755,630	$ 755,429	$ (201)
Industrial and commercial facilities	20,388	20,388	20,452	64
Total taxes	776,018	776,018	775,881	(137)
Licenses and permits				
City licenses and permits	2,381	2,381	5,805	3,424
Franchise fee	20,500	20,500	21,295	795
Total licenses and permits	22,881	22,881	27,100	4,219
Intergovernmental				
State				
Sales tax	374,389	359,389	363,744	4,355
Other	1,500	1,500	1,977	477
Total intergovernmental	375,889	360,889	365,721	4,832
Charges for services				
Tax collection fees	28,160	28,160	35,381	7,221
Recreational fees	19,500	19,500	22,248	2,748
Administration charges	216,030	216,030	199,926	(16,104)
Total charges for services	263,690	263,690	257,555	(6,135)
Fines and forfeits				
Parking	750	750	670	(80)
Ordinance	9,750	9,750	7,125	(2,625)
Total fines and forfeits	10,500	10,500	7,795	(2,705)
Interest and rents				
Interest on investments	50,000	70,000	65,074	(4,926)
Rental fees	32,021	36,021	42,067	6,046
Total interest and rents	82,021	106,021	107,141	1,120

City of Corunna

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES AND OTHER FINANCING SOURCES - CONTINUED

Year Ended June 30, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Other				
Sidewalk and other	$ 5,200	$ 5,200	$ 12,022	$ 6,822
Fireworks proceeds	10,000	10,000	10,000	-0-
Private donations	11,800	11,800	11,357	(443)
Contributions from other governmental units	2,200	2,200	2,200	-0-
Other	21,000	21,000	13,579	(7,421)
Total other	50,200	50,200	49,158	(1,042)
TOTAL REVENUES	$ 1,581,199	$ 1,590,199	$ 1,590,351	$ 152

City of Corunna

General Fund

BUDGETARY COMPARISON SCHEDULE - EXPENDITURES AND OTHER FINANCING USES BY ACTIVITY

Year Ended June 30, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
General government				
Legislative	$ 37,206	$ 33,706	$ 29,673	$ 4,033
City Manager	102,921	107,985	106,563	1,422
Clerk/Treasurer	96,346	95,196	91,600	3,596
Assessor	71,248	70,988	71,050	(62)
Elections	7,500	4,250	3,258	992
Municipal building	52,493	52,493	50,965	1,528
Internal services	73,615	75,615	74,094	1,521
Other	31,394	2,191	2,064	127
Total general government	472,723	442,424	429,267	13,157
Public safety				
Police department	364,595	364,595	358,538	6,057
Crossing guard	2,547	2,547	1,564	983
Fire department	74,485	68,242	53,339	14,903
Total public safety	441,627	435,384	413,441	21,943
Public works				
General services	333,935	331,435	310,663	20,772
Drain at large	1,000	1,000	325	675
Total public works	334,935	332,435	310,988	21,447
Community and economic development				
Planning commission	1,400	1,400	420	980
Recreation and cultural				
Parks maintenance	77,943	78,943	80,140	(1,197)
Summer recreation	21,000	21,000	18,809	2,191
Mitchell Fields	2,593	2,593	2,085	508
Activities and events	5,650	5,650	4,414	1,236
Historical village	927	927	540	387
Community center	27,539	27,539	27,426	113
Total recreation and cultural	135,652	136,652	133,414	3,238

City of Corunna

General Fund

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

Year Ended June 30, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Other				
Insurance	$ 19,752	$ 19,752	$ 19,735	$ 17
Retiree health benefits	90,964	97,506	95,936	1,570
Total other	110,716	117,258	115,671	1,587
TOTAL EXPENDITURES	1,497,053	1,465,553	1,403,201	62,352
OTHER FINANCING USES				
Transfers out				
Local street	25,000	25,000	25,000	-0-
Parks improvement fund	3,071	9,571	9,571	-0-
Cemetery	21,500	26,500	26,500	-0-
Forest fund	10,000	10,000	10,000	-0-
Heritage park fund	500	500	500	-0-
Industrial development fund	38,153	48,153	48,153	-0-
Dam construction fund	-	30,000	30,000	-0-
Municipal Building	26,672	26,672	26,672	-0-
Motor Pool fund	-	19,000	19,000	-0-
TOTAL OTHER FINANCING USES	124,896	195,396	195,396	-0-
TOTAL EXPENDITURES AND OTHER FINANCING USES	$ 1,621,949	$ 1,660,949	$ 1,598,597	$ 62,352

City of Corunna

Economic Development Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Interest and rents	$ 1,000	$ 1,000	$ 2,074	$ 1,074
Other				
Loan repayment	33,000	33,000	32,425	(575)
TOTAL REVENUES	34,000	34,000	34,499	499
EXPENDITURES				
Current				
Community and economic development	115,020	115,020	7,702	107,318
NET CHANGE IN FUND BALANCE	(81,020)	(81,020)	26,797	107,817
Fund balance, beginning of year	80,231	80,231	80,231	-0-
Fund balance (deficit), end of year	$ (789)	$ (789)	$ 107,028	$ 107,817

City of Corunna

City Improvement Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	$ 289,430	$ 289,430	$ 288,508	$ (922)
Interest and rents	5,000	5,000	9,678	4,678
Other	12,000	12,000	8,338	(3,662)
TOTAL REVENUES	306,430	306,430	306,524	94
EXPENDITURES				
Current				
Community and economic development	40,000	40,000	24,064	15,936
EXCESS OF REVENUES OVER EXPENDITURES	266,430	266,430	282,460	16,030
OTHER FINANCING SOURCES (USES)				
Transfers in	-	6,954	6,954	-0-
Transfers out	(278,450)	(278,450)	(388,450)	(110,000)
TOTAL OTHER FINANCING (USES)	(278,450)	(271,496)	(381,496)	(110,000)
NET CHANGE IN FUND BALANCE	(12,020)	(5,066)	(99,036)	(93,970)
Fund balance, beginning of year	235,557	235,557	235,557	-0-
Fund balance, end of year	$ 223,537	$ 230,491	$ 136,521	$ (93,970)

City of Corunna

DDA Custodial Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Interest and rents	$ -	$ 4,550	$ 4,550	$ -0-
Other				
Loan repayment	22,500	22,500	22,500	-0-
TOTAL REVENUES	22,500	27,050	27,050	-0-
EXPENDITURES				
Current				
Community and economic development	-	80,000	80,000	-0-
Debt service				
Principal	122,500	42,500	42,500	-0-
Interest	-	4,550	4,550	-0-
TOTAL EXPENDITURES	122,500	127,050	127,050	-0-
NET CHANGE IN FUND BALANCE	(100,000)	(100,000)	(100,000)	-0-
Fund balance, beginning of year	250,000	250,000	250,000	-0-
Fund balance, end of year	$ 150,000	$ 150,000	$ 150,000	$ -0-

OTHER SUPPLEMENTARY INFORMATION

City of Corunna

Nonmajor Governmental Funds

COMBINING BALANCE SHEET

June 30, 2007

	Special		
	Major Street	Local Street	Fire Capital Acquisition
ASSETS			
Cash and cash equivalents	$ 253,264	$ 37,863	$ 36,267
Investments	-	-	12,500
Due from other governmental units			
State	27,873	9,811	-
Local	-	-	-
TOTAL ASSETS	$ 281,137	$ 47,674	$ 48,767
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ 300	$ -	$ -
Accrued liabilities	254	249	-
Due to other funds	-	-	-
TOTAL LIABILITIES	554	249	-0-
FUND BALANCES			
Reserved for			
Perpetual care	-	-	-
Debt service	-	-	-
Unreserved			
Undesignated, reported in			
Special revenue funds	280,583	47,425	48,767
Debt service funds	-	-	-
Capital projects	-	-	-
TOTAL FUND BALANCES	280,583	47,425	48,767
TOTAL LIABILITIES AND FUND BALANCES	$ 281,137	$ 47,674	$ 48,767

Revenue				
Fire Operations Fund	Parks Improvement Fund	Cemetery Fund	Municipal Building	Stu Coutts Recreation Fund
$ -	$ 33,737	$ 7,315	$ 80,787	$ 15,360
-	-	-	-	-
-	-	-	-	-
29,124	-	-	-	-
$ 29,124	$ 33,737	$ 7,315	$ 80,787	$ 15,360
1,132	$ 1,440	$ -	$ -	$ 388
10,641	-	411	-	38
15,849	-	-	-	-
27,622	1,440	411	-0-	426
-	-	-	-	-
-	-	-	-	-
1,502	32,297	6,904	80,787	14,934
-	-	-	-	-
-	-	-	-	-
1,502	32,297	6,904	80,787	14,934
$ 29,124	$ 33,737	$ 7,315	$ 80,787	$ 15,360

City of Corunna

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

June 30, 2007

	Special		
	Forest Fund	Heritage Park Memorial	Fourth of July Commission
ASSETS			
Cash and cash equivalents	$ 6,975	$ 4,331	$ 13,879
Investments	-	-	-
Due from other governmental units			
State	-	-	-
Local	-	-	-
TOTAL ASSETS	$ 6,975	$ 4,331	$ 13,879
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ -	$ -	$ -
Accrued liabilities	-	-	-
Due to other funds	-	-	-
TOTAL LIABILITIES	-0-	-0-	-0-
FUND BALANCES			
Reserved for			
Perpetual care	-	-	-
Debt service	-	-	-
Unreserved			
Undesignated, reported in			
Special revenue funds	6,975	4,331	13,879
Debt service funds	-	-	-
Capital projects	-	-	-
TOTAL FUND BALANCES	6,975	4,331	13,879
TOTAL LIABILITIES AND FUND BALANCES	$ 6,975	$ 4,331	$ 13,879

Revenue				Debt Service
Softball Commission	Historical Commission	Building Department	Library	1996 G.O. Limited Tax Bonds
$ 21,567	$ 16,652	$ 8,291	$ -	$ 694
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
$ 21,567	$ 16,652	$ 8,291	$ -0-	$ 694
$ -	$ -	$ -	$ -	$ -
-	-	-	-	-
-	-	-	-	-
-0-	-0-	-0-	-0-	-0-
-	-	-	-	-
-	-	-	-	694
21,567	16,652	8,291	-	-
-	-	-	-	-
-	-	-	-	-
21,567	16,652	8,291	-0-	694
$ 21,567	$ 16,652	$ 8,291	$ -0-	$ 694

City of Corunna

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

June 30, 2007

	Debt		
	1998 MTF Bonds Payable	2000 G.O. Limited Tax Bonds	2001 G.O. Limited Tax Bonds
ASSETS			
Cash and cash equivalents	$ 1	$ 478	$ 4,105
Investments	-	-	-
Due from other governmental units			
State	-	-	-
Local	-	-	-
TOTAL ASSETS	$ 1	$ 478	$ 4,105
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ -	$ -	$ -
Accrued liabilities	-	-	-
Due to other funds	-	-	-
TOTAL LIABILITIES	-0-	-0-	-0-
FUND BALANCES			
Reserved for			
Perpetual care	-	-	-
Debt service	1	478	4,105
Unreserved			
Undesignated, reported in			
Special revenue funds	-	-	-
Debt service funds	-	-	-
Capital projects	-	-	-
TOTAL FUND BALANCES	1	478	4,105
TOTAL LIABILITIES AND FUND BALANCES	$ 1	$ 478	$ 4,105

Service	Capital Projects			
Building Authority	Streetscape Construction Fund	Bridge Construction Fund	North Shiawassee Construction Fund	King/ Kingsley/ McArthur Construction
$ 1,664	$ -	$ -	$ -	$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
$ 1,664	$ -0-	$ -0-	$ -0-	$ -0-
$ -	$ -	$ -	$ -	$ -
-	-	-	-	-
-	-	-	-	-
-0-	-0-	-0-	-0-	-0-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
1,664	-	-	-	-
-	-	-	-	-
1,664	-0-	-0-	-0-	-0-
$ 1,664	$ -0-	$ -0-	$ -0-	$ -0-

City of Corunna

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

June 30, 2007

	Capital Projects		Permanent
	East Corunna Construction Fund	Dam Construction Fund	Cemetery Perpetual Care
ASSETS			
Cash and cash equivalents	$ 29,583	$ 3,457	$ 14,479
Investments	-	-	41,707
Due from other governmental units			
State	-	-	-
Local	-	-	-
TOTAL ASSETS	$ 29,583	$ 3,457	$ 56,186
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ 6,583	$ -	$ -
Accrued liabilities	-	-	-
Due to other funds	-	-	-
TOTAL LIABILITIES	6,583	-0-	-0-
FUND BALANCES			
Reserved for			
Perpetual care	-	-	56,186
Debt service	-	-	-
Unreserved			
Undesignated, reported in			
Special revenue funds	-	-	-
Debt service funds	-	-	-
Capital projects	23,000	3,457	-
TOTAL FUND BALANCES	23,000	3,457	56,186
TOTAL LIABILITIES AND FUND BALANCES	$ 29,583	$ 3,457	$ 56,186

Total Nonmajor Governmental Funds
$ 590,749
54,207
37,684
29,124
$ 711,764
$ 9,843
11,593
15,849
37,285
56,186
5,278
584,894
1,664
26,457
674,479
$ 711,764

City of Corunna

Nonmajor Governmental Funds

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

Year Ended June 30, 2007

	Special		
	Major Street	Local Street	Fire Capital Acquisition
REVENUES			
Intergovernmental - State	$ 169,763	$ 70,784	$ -
Charges for services	-	-	25,957
Licenses and permits	-	-	-
Interest and rents	7,358	6,873	-
Other	-	-	20,075
TOTAL REVENUES	177,121	77,657	46,032
EXPENDITURES			
Current			
General government	-	-	-
Public safety	-	-	9,640
Public works	62,790	63,661	-
Health and welfare	-	-	-
Recreation and cultural	-	-	-
Other	-	-	-
Debt service			
Principal	-	-	18,750
Interest and fiscal agent fees	-	-	8,438
Capital outlay	69,562	205,431	197,500
TOTAL EXPENDITURES	132,352	269,092	234,328
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	44,769	(191,435)	(188,296)
OTHER FINANCING SOURCES (USES)			
Transfers in	110,000	135,000	-
Transfers out	-	(110,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	110,000	25,000	-0-
NET CHANGE IN FUND BALANCES	154,769	(166,435)	(188,296)
Fund balances, beginning of year	125,814	213,860	237,063
Fund balances, end of year	$ 280,583	$ 47,425	$ 48,767

Revenue				
Fire Operation Fund	Parks Improvement Fund	Cemetery Fund	Municipal Building	Stu Coutts Recreation Fund
$ -	$ -	$ -	$ -	$ -
87,150	-	11,353	13,670	-
-	-	-	-	-
-	241	-	-	1,150
-	12,336	27	-	-
87,150	12,577	11,380	13,670	1,150
-	-	-	10,674	-
87,150	-	-	-	-
-	-	-	-	-
-	-	39,869	-	-
-	39,659	-	-	8,264
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	14,098	-
87,150	39,659	39,869	24,772	8,264
-0-	(27,082)	(28,489)	(11,102)	(7,114)
-	9,571	26,500	45,440	-
-	-	-	-	-
-0-	9,571	26,500	45,440	-0-
-0-	(17,511)	(1,989)	34,338	(7,114)
1,502	49,808	8,893	46,449	22,048
$ 1,502	$ 32,297	$ 6,904	$ 80,787	$ 14,934

City of Corunna

Nonmajor Governmental Funds

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

Year Ended June 30, 2007

	Special		
	Forest Fund	Heritage Park Memorial	Fourth of July Commission
REVENUES			
Intergovernmental - State	$ -	$ -	$ -
Charges for services	-	-	-
Licenses and permits	-	-	-
Interest and rents	-	-	57
Other	-	3,905	33,382
TOTAL REVENUES	-0-	3,905	33,439
EXPENDITURES			
Current			
General government	-	-	-
Public safety	-	-	-
Public works	-	-	-
Health and welfare	-	-	-
Recreation and cultural	4,907	3,815	34,038
Other	-	-	-
Debt service			
Principal	-	-	-
Interest and fiscal agent fees	-	-	-
Capital outlay	-	-	-
TOTAL EXPENDITURES	4,907	3,815	34,038
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(4,907)	90	(599)
OTHER FINANCING SOURCES (USES)			
Transfers in	10,000	500	-
Transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	10,000	500	-0-
NET CHANGE IN FUND BALANCES	5,093	590	(599)
Fund balances, beginning of year	1,882	3,741	14,478
Fund balances, end of year	$ 6,975	$ 4,331	$ 13,879

Revenue				Debt Service
Softball Commission	Historical Commission	Building Department	Library	1996 G.O. Limited Tax Bonds
$ -	$ -	$ -	$ -	$ -
33,090	-	-	-	-
-	-	17,308	-	-
-	6,761	-	-	19
180	8,658	-	102	-
33,270	15,419	17,308	102	19
-	-	-	-	-
-	-	18,460	-	-
-	-	-	-	-
-	-	-	-	-
31,411	13,976	-	-	-
-	-	-	-	-
-	-	-	-	110,000
-	-	-	-	3,340
-	-	-	-	-
31,411	13,976	18,460	-0-	113,340
1,859	1,443	(1,152)	102	(113,321)
-	-	-	-	113,340
-	-	-	(5,431)	-
-0-	-0-	-0-	(5,431)	113,340
1,859	1,443	(1,152)	(5,329)	19
19,708	15,209	9,443	5,329	675
$ 21,567	$ 16,652	$ 8,291	$ -0-	$ 694

City of Corunna

Nonmajor Governmental Funds

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

Year Ended June 30, 2007

	Debt		
	1998 MTF Bonds Payable	2000 G.O. Limited Tax Bonds	2001 G.O. Limited Tax Bonds
REVENUES			
Intergovernmental - State	$ -	$ -	$ -
Charges for services	-	-	-
Licenses and permits	-	-	-
Interest and rents	-	-	-
Other	-	-	-
TOTAL REVENUES	-0-	-0-	-0-
EXPENDITURES			
Current			
General government	-	-	-
Public safety	-	-	-
Public works	-	-	-
Health and welfare	-	-	-
Recreation and cultural	-	-	-
Other	-	-	-
Debt service			
Principal	15,000	50,000	45,000
Interest and fiscal agent fees	6,075	34,165	14,846
Capital outlay	-	-	-
TOTAL EXPENDITURES	21,075	84,165	59,846
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(21,075)	(84,165)	(59,846)
OTHER FINANCING SOURCES (USES)			
Transfers in	21,075	84,165	59,872
Transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	21,075	84,165	59,872
NET CHANGE IN FUND BALANCES	-0-	-0-	26
Fund balances, beginning of year	1	478	4,079
Fund balances, end of year	$ 1	$ 478	$ 4,105

Service	Capital Projects			
Building Authority	Streetscape Construction Fund	Bridge Construction Fund	North Shiawassee Construction Fund	King/ Kingsley/ McArthur Construction
$ -	$ -	$ -	$ -	$ -
-	-	-	-	-
-	-	-	-	-
43	5	-	-	-
-	-	-	-	-
43	5	-0-	-0-	-0-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
1,665	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
1,665	-0-	-0-	-0-	-0-
(1,622)	5	-0-	-0-	-0-
-	-	-	-	-
-	(6,956)	(24,919)	(6,659)	(5,106)
-0-	(6,956)	(24,919)	(6,659)	(5,106)
(1,622)	(6,951)	(24,919)	(6,659)	(5,106)
3,286	6,951	24,919	6,659	5,106
$ 1,664	$ -0-	$ -0-	$ -0-	$ -0-

City of Corunna

Nonmajor Governmental Funds

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

Year Ended June 30, 2007

	Capital Projects		Permanent
	East Corunna Construction Fund	Dam Construction Fund	Cemetery Perpetual Care
REVENUES			
Intergovernmental - State	$ -	$ -	$ -
Charges for services	-	-	6,278
Licenses and permits	-	-	-
Interest and rents	-	-	1,725
Other	-	-	-
TOTAL REVENUES	-0-	-0-	8,003
EXPENDITURES			
Current			
General government	-	-	-
Public safety	-	-	-
Public works	-	21,966	-
Health and welfare	-	-	1
Recreation and cultural	-	-	-
Other	-	-	-
Debt service			
Principal	-	-	-
Interest and fiscal agent fees	-	-	-
Capital outlay	13,683	24,577	38,750
TOTAL EXPENDITURES	13,683	46,543	38,751
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(13,683)	(46,543)	(30,748)
OTHER FINANCING SOURCES (USES)			
Transfers in	36,683	30,000	-
Transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	36,683	30,000	-0-
NET CHANGE IN FUND BALANCES	23,000	(16,543)	(30,748)
Fund balances, beginning of year	-	20,000	86,934
Fund balances, end of year	$ 23,000	$ 3,457	$ 56,186

Total Nonmajor Governmental Funds
$ 240,547
177,498
17,308
24,232
78,665
538,250
10,674
115,250
148,417
39,870
136,070
1,665
238,750
66,864
563,601
1,321,161
(782,911)
682,146
(159,071)
523,075
(259,836)
934,315
$ 674,479

City of Corunna

Agency Funds

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

June 30, 2007

	Tax Collections	Fire Capital Acquisition	Payroll	Total
ASSETS				
Cash and cash equivalents	$ 4,103	$ 36,267	$ 9,822	$ 50,192
Investments	-	12,500	-	12,500
TOTAL ASSETS	$ 4,103	$ 48,767	$ 9,822	$ 62,692
LIABILITIES				
Due to individuals and agencies	$ 4,103	$ 48,767	$ 9,822	$ 62,692

City of Corunna

Sewer System

COMPARATIVE STATEMENT OF NET ASSETS

June 30, 2007 and 2006

	2007	2006
ASSETS		
Current assets		
Cash and cash equivalents	$ 10,642	$ 987
Accounts receivable	215,992	195,501
Prepaids	74,430	-
Due from other governmental units	513,550	483,522
Due from other funds	-	15,505
Total current assets	814,614	695,515
Noncurrent assets		
Cash and cash equivalents - restricted	6,644	6,618
Investments	25,000	25,000
Treatment rights, net	27,220	47,182
Capital assets not being depreciated	926,845	1,030,483
Capital assets being depreciated, net	3,740,617	2,417,540
Total noncurrent assets	4,726,326	3,526,823
TOTAL ASSETS	5,540,940	4,222,338
LIABILITIES		
Current liabilities		
Accounts payable	41,416	116,337
Accrued liabilities	269	-
Accrued interest payable	25,118	11,474
Contract payable	-	20,240
Current portion of long-term debt	165,000	100,000
Total current liabilities	231,803	248,051
Noncurrent liabilities		
Revenue bonds payable	1,620,000	1,100,000
TOTAL LIABILITIES	1,851,803	1,348,051
NET ASSETS		
Invested in capital assets, net of related debt	2,882,462	2,248,023
Restricted for		
Debt service	100,063	86,282
Unrestricted	706,612	539,982
TOTAL NET ASSETS	$ 3,689,137	$ 2,874,287

City of Corunna

Sewer System

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

Years Ended June 30, 2007 and 2006

	2007	2006
OPERATING REVENUES		
Charges for services	$ 383,844	$ 381,791
Capital charges	245,313	225,683
Other revenue	2,540	746
TOTAL OPERATING REVENUES	631,697	608,220
OPERATING EXPENSES		
Personnel services	68,655	65,087
Employee benefits	25,747	23,972
Other operating costs	304,108	288,403
Depreciation and amortization	140,540	122,793
TOTAL OPERATING EXPENSES	539,050	500,255
OPERATING INCOME	92,647	107,965
NONOPERATING REVENUES (EXPENSES)		
Interest revenue	75,415	505
Rent revenue	1,854	7,182
Construction grant - Federal	543,341	483,522
Interest expense and fees	(64,793)	(56,228)
TOTAL NONOPERATING (EXPENSES)	555,817	434,981
INCOME BEFORE CONTRIBUTIONS	648,464	542,946
CAPITAL CONTRIBUTIONS		
Local	166,386	-
CHANGE IN NET ASSETS	814,850	542,946
Net assets, beginning of year	2,874,287	2,331,341
Net assets, end of year	$ 3,689,137	$ 2,874,287

City of Corunna

Sewer System

COMPARATIVE STATEMENT OF CASH FLOWS

Years Ended June 30, 2007 and 2006

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	$ 92,647	$ 107,965
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	140,540	122,793
Decrease (increase) in receivables	(20,491)	10,978
(Increase) in prepaids	(74,430)	-
(Increase) in due from other governmental units	(30,028)	(483,522)
Decrease in due from other funds	15,505	-
Increase (decrease) in accounts payable	(74,921)	102,347
Increase (decrease) in accrued liabilities	269	(67)
Increase (decrease) in accrued interest payable	13,644	(538)
NET CASH PROVIDED BY OPERATING ACTIVITIES	62,735	(140,044)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Rent earned	1,854	7,182
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Interest expense	(64,793)	(56,228)
Construction grant - Federal	543,341	483,522
Capital contributions	166,386	-
Note proceeds	685,000	-
Capital purchases	(1,340,017)	(1,006,317)
Payments on borrowing	(120,240)	(118,400)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(130,323)	(697,423)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	-	4,200
Interest revenue	75,415	505
NET CASH PROVIDED BY INVESTING ACTIVITIES	75,415	4,705
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING YEAR	9,681	(825,580)
Cash and cash equivalents, beginning of year	7,605	833,185
Cash and cash equivalents, end of year	$ 17,286	$ 7,605

City of Corunna

Component Unit Funds

COMBINING BALANCE SHEET - DOWNTOWN DEVELOPMENT AUTHORITY

June 30, 2007

	General Fund	Parking Fund	Joint Lot Fund	Total
ASSETS				
Cash and cash equivalents	$ 151,452	$ -	$ 639	$ 152,091
Cash and cash equivalents - restricted	4,670	-	-	4,670
Due from other funds	-	-	4,030	4,030
Contracts receivable	872,326	-	-	872,326
TOTAL ASSETS	$ 1,028,448	$ -0-	$ 4,669	$ 1,033,117
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 6,000	$ -	$ 64	$ 6,064
Due to other governmental units	157,765	-	-	157,765
Due to other funds	4,030			4,030
Deferred revenue	787,622	-	-	787,622
Rental deposits	4,670	-	-	4,670
TOTAL LIABILITIES	960,087	-0-	64	960,151
FUND BALANCES				
Unreserved				
Undesignated	68,361	-	4,605	72,966
	$ 1,028,448	$ -0-	$ 4,669	$ 1,033,117

City of Corunna

Component Unit Funds

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

June 30, 2007

Total fund balances - governmental funds		$ 72,966
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	$ 1,524,994	
Accumulated depreciation is	(314,016)	
Capital assets, net		1,210,978
Long-term assets are not available to pay for current period expenditures and are therefore deferred in the funds.		787,622
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.		(671,682)
Net assets of governmental activities		$ 1,399,884

City of Corunna

Component Unit Funds

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

Year Ended June 30, 2007

	General Fund	Parking Fund	Joint Lot Fund	Total
REVENUES				
Taxes	$ 69,567	$ -	$ -	$ 69,567
Interest and rents	82,355	-	-	82,355
Intergovernmental				
Federal	-	236,671	-	236,671
Local	159,458	-	-	159,458
Reimbursements	13,901	-	-	13,901
TOTAL REVENUES	325,281	236,671	-0-	561,952
EXPENDITURES				
Community and economic development				
Taxes	30,955	-	-	30,955
Employee benefits	2,025	-	-	2,025
Contracted services	3,124	-	-	3,124
Insurance	3,563	-	-	3,563
Supplies	5,791	-	-	5,791
Repairs and maintenance	20,926	-	-	20,926
Utilities	8,745	-	395	9,140
Miscellaneous	18,677	-	-	18,677
Debt service				
Principal	57,839	-	-	57,839
Interest and fiscal charges	8,045	-	-	8,045
Capital outlay	113,906	352,249	-	466,155
TOTAL EXPENDITURES	273,596	352,249	395	626,240
EXCESS OF REVENUES (UNDER) EXPENDITURES	51,685	(115,578)	(395)	(64,288)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	112,249	5,000	117,249
Transfers out	(117,249)	-	-	(117,249)
TOTAL OTHER FINANCING SOURCES (USES)	(117,249)	112,249	5,000	-0-
NET CHANGE IN FUND BALANCES	(65,564)	(3,329)	4,605	(64,288)
Fund balances, beginning of year	133,925	3,329	-	137,254
Fund balances, end of year	$ 68,361	$ -0-	$ 4,605	$ 72,966

City of Corunna

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

Year Ended June 30, 2007

Net change in fund balances - total governmental funds		$ (64,288)
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:		
Capital outlay and related items (net)	$ 733,685	
Net effect of sale of capital asset	(300,000)	
Depreciation expense	(19,096)	
Excess of capital outlay over depreciation expense and other items		414,589
Some items reported in the statement of activities do not result in the use of or provide current financial resources and therefore are reported differently than in the governmental funds. These activities consist of:		
Increase in deferred revenue		787,622
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:		
Payments on long-term obligations		77,839
Change in net assets of governmental activities		$ 1,215,762

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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, business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of the City of Corunna, Michigan, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 1, 2007. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Corunna's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies described below to be significant deficiencies in internal control over financial reporting.

2007-1 PREPARATION OF FINANCIAL STATEMENTS IN ACCORDANCE WITH GAAP

Criteria: Effective for all audits occurring after the year ended December 31, 2006, Statement on Auditing Standards #112 titled *"Communicating Internal Control Related Matters Identified in an Audit,"* obligates us to communicate when we assist a client in the preparation of annual financial statements, related footnotes, and the Schedule of Expenditures of Federal Awards in accordance with accounting principles generally accepted in the United States of America (GAAP) and the nature of such assistance is more than simply a matter of convenience for the client.

2007-1 PREPARATION OF FINANCIAL STATEMENTS IN ACCORDANCE WITH GAAP - CONTINUED

Condition: It has historically been common for many governments to rely on the independent auditors to assist in the preparation of the government-wide and fund financial statements, as well as the related notes to the financial statements, as part of its external financial reporting process. As a result, a government's ability to prepare financial statements in accordance with GAAP has typically been based, in part, on its reliance on the independent auditors. By definition, independent auditors cannot be part of the government's internal controls.

The condition noted in the preceding paragraph exists at the City of Corunna. The cause for this condition is simply because it is more cost effective to outsource the preparation of its annual financial statements to the independent auditors than to incur the time and expense of having the employees and/or management perform this task internally.

Effect: The staff at the City appears to be capable of preparing their fund level financial statements, but for convenience purposes seek our assistance in making the necessary adjustments for the preparation of the government-wide financial statements. The staff at the City does understand the information included in the financial statements, and as such is able to take responsibility for a majority of the content.

Recommendation: We recommend the City consider obtaining additional training for the appropriate members of the City's administration to assure that they are able to gain a full understanding of all of the requirements of preparing the annual GAAP financial statements. This understanding is essential for the City's management to be able to accept responsibility for the amounts and disclosures included in the City's annual financial statements.

Corrective Action Response: Management of the City is aware of this situation and will continue to look for opportunities to increase our understanding of the requirements of understanding and taking responsibility for the annual GAAP financial statements.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We do not believe that the significant deficiency described above as 2007-1 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described below.

2007-2 BUDGET PROCEDURES

Criteria: The Uniform Budgeting and Accounting Act requires the City to amend the original adopted budget "as soon as it becomes apparent that a deviation from the original general appropriations act is necessary and the amount of the deviation can be determined". The Act also states that "an administrative officer of the local unit shall not incur expenditures against an appropriation account in excess of the amount appropriated by the legislative body". The Act further requires the City to only budget expenditures up to the amount of available resources that a fund has to cover said expenditures.

Condition: During our review of the City's compliance with the budgeting act, we noted that expenditures had exceeded the amounts appropriated for various activities in the General Fund and four (4) Special Revenue funds. We also noted one (1) Special Revenue fund that was budgeted to end the year in a deficit.

Effect: The City adopted the budget for the General Fund at the activity level and the total expenditure level for Special Revenue funds. Having unfavorable budget variances and budgeting for a fund deficit as described above, the City is not in compliance with Public Act 621 of 1978, as amended.

2007-2 BUDGET PROCEDURES - CONTINUED

Recommendation: We recommend the City monitor expenditures against adopted budgets in all applicable funds and make appropriate budget amendments as needed.

Corrective Action Response: Management of the City is currently reviewing procedures related to budgetary compliance in accordance with State law.

The City of Corunna's responses to the findings identified in our audit are described above. We did not audit the City of Corunna's responses and, accordingly, we express no opinion on them.

We noted a certain matter that we reported to management of the City of Corunna, Michigan in a separate letter dated November 1, 2007

This report is intended solely for the information and use of management, the Mayor, and the City Council of the City of Corunna, federal awarding agencies and pass-through entities, and applicable departments of the State of Michigan 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

November 1, 2007