

**City of Corunna
Shiawassee County, Michigan**

FINANCIAL STATEMENTS

June 30, 2008

City of Corunna

Shiawassee County, Michigan

June 30, 2008

CITY COUNCIL AND ADMINISTRATION

Charles Kerridge	Mayor
Doug Haskins	Council Member
Chuck Spring	Council Member
Donald Mehigh	Council Member
Nina Hall	Council Member
Dawn Johnson	Council Member
Arnie Jessen	Council Member
Joseph Sawyer	City Manager
Nichole Cowdrey	Clerk/Treasurer

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City of Corunna, Michigan

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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 as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of the City of Corunna as of June 30, 2008, 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 October 31, 2008 on our consideration of the City of Corunna's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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'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

October 31, 2008

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, 2008. 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 \$13,507,830 (excluding component units).
- Governmental activities net assets were \$8,377,668.
- Business-type activity net assets were \$5,130,162.
- Component Unit net assets were \$1,374,384.

Fund Level:

- At the close of the fiscal year, the City's governmental funds reported a combined ending fund balance of \$1,971,379 with \$67,898 being reserved, designated, or otherwise earmarked for specific purposes.
- The General Fund realized \$4,143 less in revenues and other financing sources than anticipated for the fiscal year. General Fund operations expended \$42,382 less than appropriated.
- Overall, the General Fund balance decreased by \$72,761 to \$434,232 - all undesignated and available for general purposes.
- Net Assets in the Sewer and Water funds ended the year at \$3,928,213 and \$1,196,380, respectively.

Capital and Long-term Debt Activities:

- The total long-term debt for the primary government was \$3,416,603 with a net decrease of \$422,464 from the prior year.
- The City remains well below its authorized legal debt limit.
- The total net additions to the capital asset schedule for the primary government was \$1,336,061 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: 1) *Independent Auditors Report*; 2) *Management's Discussion and Analysis* and 3) the *Basic Financial Statements* (government-wide financial statements, fund financial statements, notes to the financial statements), *Required Supplementary Information* such as budget to actual comparisons for the General Fund and major Special Revenue Funds, and *Other Supplementary Information* including combining financial statements for all nonmajor governmental funds and other funds and other financial data.

City of Corunna

Management's Discussion and Analysis

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 2007/2008. 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.

City of Corunna

Management's Discussion and Analysis

- 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 17. 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.

City of Corunna
Management's Discussion and Analysis

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 18 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 \$13,507,830 at the end of this fiscal year's operations. The net assets of the governmental activities were \$8,377,668; the business type activities were \$5,130,162.

Net Assets as of June 30, 2008 and 2007

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Current and Other Assets	\$ 2,719,866	\$ 2,920,791	\$ 599,766	\$ 1,288,303	\$ 3,319,632	\$ 4,209,094
Capital Assets	<u>7,350,752</u>	<u>7,281,952</u>	<u>6,411,580</u>	<u>5,699,515</u>	<u>13,762,332</u>	<u>12,981,467</u>
Total Assets	<u>\$10,070,618</u>	<u>\$10,202,743</u>	<u>\$ 7,011,346</u>	<u>\$ 6,987,818</u>	<u>\$17,081,964</u>	<u>\$17,190,561</u>
Current Liabilities	\$ 376,491	\$ 341,896	\$ 316,732	\$ 329,726	\$ 693,223	\$ 671,622
Noncurrent Liabilities	<u>1,316,459</u>	<u>1,524,863</u>	<u>1,564,452</u>	<u>1,811,942</u>	<u>2,880,911</u>	<u>3,336,805</u>
Total Liabilities	<u>\$ 1,692,950</u>	<u>\$ 1,866,759</u>	<u>\$ 1,881,184</u>	<u>\$ 2,141,668</u>	<u>\$ 3,574,134</u>	<u>\$ 4,008,427</u>
Net Assets						
Invested in Capital Assets (Net of related debt)	\$ 6,178,792	\$ 5,962,945	\$ 4,599,552	\$ 3,646,469	\$10,778,344	\$ 9,609,414
Restricted	1,297,590	1,388,549	66,125	100,063	1,363,715	1,488,612
Unrestricted	<u>901,286</u>	<u>984,490</u>	<u>464,485</u>	<u>1,099,618</u>	<u>1,365,771</u>	<u>2,084,108</u>
Total Net Assets	<u>\$ 8,377,668</u>	<u>\$ 8,335,984</u>	<u>\$ 5,130,162</u>	<u>\$ 4,846,150</u>	<u>\$13,507,830</u>	<u>\$13,182,134</u>

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

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, 2008 and 2007

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Revenues						
Program Revenues						
Charges for Services\$	687,495	\$ 606,897	\$ 1,184,967	\$ 1,202,156	\$ 1,872,462	\$ 1,809,053
Grants and Contributions	341,486	301,834	337,396	709,727	631,882	1,011,561
General Revenues						
Property Taxes	1,116,631	1,064,390	-	-	1,116,631	1,064,390
State Shared Revenue	352,470	363,744	-	-	352,470	363,744
Investment Earnings	85,193	137,610	3,359	79,191	88,552	216,801
Other	(28,806)	56,550	121,539	6,213	139,733	62,763
Total Revenues	2,554,469	2,531,025	1,647,261	1,997,287	4,201,730	4,528,312
Expenses						
General Government	415,146	432,149	-	-	415,146	432,149
Public Safety	640,644	586,962	-	-	640,644	586,962
Public Works	774,800	709,664	-	-	774,800	709,664
Health and Welfare	41,884	39,870	-	-	41,884	39,870
Community and Economic Develop.	176,828	139,599	-	-	176,828	139,599
Recreation & Cultural	280,621	295,638	-	-	280,621	295,638
Other	182,862	202,211	1,363,249	1,045,411	1,546,111	1,247,622
Total Expenses	2,512,785	2,406,093	1,363,249	1,045,411	3,876,034	3,451,504
Increase in Net Assets	41,684	124,932	284,012	951,876	325,696	1,076,808
Net Assets -Beginning	8,335,984	8,211,052	4,846,150	3,894,274	13,182,134	12,105,326
Net Assets - Ending	\$ 8,377,668	\$ 8,335,984	\$ 5,130,162	\$ 4,846,150	\$13,507,830	\$13,182,134

Governmental Activities:

The result of 2007/2008 governmental activity was a net increase of \$41,684 in net assets to \$8,377,668. Of the total governmental activities' net assets, \$6,178,792 is invested in capital assets less related debt, \$1,297,590 is reported as restricted, meaning these assets are legally committed for a specific purpose through statute, or by another authority outside the City government. The balance of \$901,286 is listed as unrestricted, having no legal commitment.

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

Revenues:

The three largest revenue categories were state shared revenue at 14%, property taxes at 44%, and charges for services at 27%. The City levied two property tax millages for the year ended June 30, 2008, 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 31% of the governmental activities total on public street maintenance and improvement activities. Public Safety is the second largest area, expending approximately 25% of the governmental activities total.

Business-type Activities:

Net assets in business-type activities increased by \$284,012 during 2007/2008. Of the business-type activities' net assets, \$4,599,552 is invested in capital assets less related debt, \$66,125 is reported as restricted, meaning these assets are legally committed for a specific purpose through statute, or by another authority outside the City government. The balance of \$464,485 is listed as unrestricted, having no legal commitment.

FINANCIAL ANALYSIS OF THE CITY'S MAJOR AND NONMAJOR FUNDS

As the City completed 2007/2008, its governmental funds reported *combined* fund balances of \$1,971,379. This is a net decrease of \$272,209. The net changes are summarized in the following chart:

	General Fund	Economic Development	City Improvement	Industrial Development	DDA Custodial	Nonmajor Governmental Funds
Fund Balance 06/30/07	\$ 506,993	\$ 107,028	\$ 136,521	\$ 669,067	\$ 150,000	\$ 674,479
Fund Balance 06/30/08	\$ 434,232	\$ 32,455	\$ 56,980	\$ 660,550	\$ 150,000	\$ 637,162
Net Change	\$(72,761)	\$(74,573)	\$(79,541)	\$(8,517)	\$ -	\$(37,317)

General Fund:

The General Fund is the chief operating fund of the City. Unless otherwise required by statute, contractual agreement or Board policy, all City revenues and expenditures are recorded in the General Fund. As of June 30, 2008, the General Fund reported a fund balance of \$434,232. This amount is a decrease of \$72,761 from the fund balance of \$506,993 reported as of June 30, 2007. The 2007/2008 original budget called for a \$60,000 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 \$1,705,404, \$4,143 under the final amended budget.

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

The City's expenditure budget was increased by \$172,672 (10% change from the original budget) during 2007/2008.

Actual City operational expenditures for 2007/2008 were \$42,382 (2.3%) under budget. This is due to several reasons including:

- \$9,616 less than planned expenditures in the Fire Department.
- \$3,534 less in the Public Works Department.
- \$11,574 less than planned expenditures in the Public Safety activity.
- \$7,915 less in the Recreation and Cultural activities.
- \$16,210 less in the City Manager, Clerk/Treasurer, Internal Services, Assessor and related departments.

Economic Development Fund:

As of June 30, 2008, the Economic Development Fund reported a fund balance of \$32,455, a decrease of \$74,573 from the prior year. The total fund balance is unreserved/undesignated.

City Improvement Fund:

As of June 30, 2008, the City Improvement Fund reported a fund balance \$56,980, which is a decrease of \$79,541 from the prior year. The total fund balance is unreserved/undesignated.

Industrial Development Fund:

As of June 30, 2008, the Industrial Development Fund reported a fund balance of \$660,550, which is a decrease of \$8,517 from the prior year. The total fund balance is unreserved/undesignated.

DDA Custodial Fund:

As of June 30, 2008, the DDA Custodial Fund reported a fund balance of \$150,000, which is the same as the prior year. The total fund balance is unreserved/undesignated.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - At the end of Fiscal Year 2007/2008, the City had invested \$13,762,332, and \$1,223,038 for the component unit, net of accumulated depreciation, in a broad range of capital assets (see table below). Accumulated depreciation was \$8,295,701 for the primary government. Depreciation charges for the fiscal year totaled \$558,196 for the primary government and \$99,680 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, 2008 was as follows:

	Governmental Activities	Business-type Activities	Component Unit - DDA	Total
Land	\$ 279,000	\$ 127	\$ -	\$ 279,127
Buildings, net	872,580	-	420,261	1,292,841
Vehicles and equipment, net	531,913	67,767	-	599,680
Construction in progress	197,891	32,033	-	229,924
Infrastructure, net	5,469,368	-	-	5,469,368
Sewer system, net	-	5,210,355	-	5,210,355
Water system, net	-	1,101,298	-	1,101,298
Improvements, net	-	-	802,777	802,777
Capital assets, net	\$ 7,350,752	\$ 6,411,580	\$ 1,223,038	\$ 14,985,370

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

Long-term Debt - As of June 30, 2008, the City had \$3,416,603 in debt outstanding for the primary government. This level of net obligation is \$422,464 less than the obligation recorded as of June 30, 2007.

Outstanding Debt as of June 30, 2008:

Primary Government	<u>July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2008</u>
Governmental Activities				
General Obligation Bonds	\$ 920,000	\$ -	\$ 110,000	\$ 810,000
Transportation Bonds	110,000	-	15,000	95,000
Installment Purchases	289,007	67,500	89,547	266,960
MEDC Loan	427,500	-	37,500	390,000
Compensated absences	39,514	45,833	42,732	42,615
Business-type Activities				
General Obligation Bonds	1,450,000	-	170,000	1,280,000
Improvement Bonds	535,000	-	45,000	490,000
Installment Purchase	<u>68,046</u>	<u>-</u>	<u>26,018</u>	<u>42,028</u>
Total Primary Government	3,839,067	113,333	535,797	3,416,603
Component Unit				
Installment Loan	164,182	-	33,808	130,374
Land Contract Payable	<u>80,000</u>	<u>-</u>	<u>20,000</u>	<u>60,000</u>
Total Reporting Entity	<u>\$ 4,083,249</u>	<u>\$ 113,333</u>	<u>\$ 589,605</u>	<u>\$ 3,606,977</u>

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 (3.2% growth) from previous years in which it did not kept pace with inflation.
- Investment earnings decreased this year due to lower 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 2008/2009. A usage of \$111,000 of the City's fund balance was included to fund several capital projects and 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, 2008

	Primary Government			Component Unit (DDA)
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 741,029	\$ 103,561	\$ 844,590	\$ 167,420
Investments	466,790	-	466,790	-
Receivables	284,804	290,729	575,533	712,910
Due from other governmental units	262,243	139,259	401,502	9,208
Total current assets	1,754,866	533,549	2,288,415	889,538
Noncurrent assets				
Cash and cash equivalents - restricted	-	27	27	4,320
Investments	575,000	50,000	625,000	-
Treatment rights, net	-	16,190	16,190	-
Due from other governmental units	390,000	-	390,000	-
Capital assets not being depreciated	476,891	32,160	509,051	-
Capital assets being depreciated, net	6,873,861	6,379,420	13,253,281	1,223,038
Total noncurrent assets	8,315,752	6,477,797	14,793,549	1,227,358
TOTAL ASSETS	10,070,618	7,011,346	17,081,964	2,116,896
LIABILITIES				
Current liabilities				
Accounts payable	37,470	42,160	79,630	54
Other accrued liabilities	29,059	1,974	31,033	-
Accrued interest payable	12,638	25,022	37,660	-
Due to other governmental units	9,208	-	9,208	190,264
Rental deposits	-	-	-0-	4,320
Current portion of compensated absences	34,092	-	34,092	-
Current portion of long-term debt	254,024	247,576	501,600	54,404
Total current liabilities	376,491	316,732	693,223	249,042
Noncurrent liabilities				
Due to other governmental units	-	-	-0-	357,500
Noncurrent portion of compensated absences	8,523	-	8,523	-
Noncurrent portion of long-term debt	1,307,936	1,564,452	2,872,388	135,970
Total noncurrent liabilities	1,316,459	1,564,452	2,880,911	493,470
TOTAL LIABILITIES	1,692,950	1,881,184	3,574,134	742,512
NET ASSETS				
Invested in capital assets, net of related debt	6,178,792	4,599,552	10,778,344	1,032,664
Restricted for				
Debt service	-	66,125	66,125	-
Other purposes	1,297,590	-	1,297,590	-
Unrestricted	901,286	464,485	1,365,771	341,720
TOTAL NET ASSETS	\$ 8,377,668	\$ 5,130,162	\$ 13,507,830	\$ 1,374,384

See accompanying notes to financial statements.

City of Corunna

STATEMENT OF ACTIVITIES

Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-type Activities		
Primary government								
Governmental activities								
General government	\$ 415,146	\$ 56,499	\$ -	\$ -	\$ (358,647)	\$ -	\$ (358,647)	\$ -
Public safety	640,644	162,832	2,847	22,039	(452,926)	-	(452,926)	-
Public works	774,800	283,300	295,676	2,290	(193,534)	-	(193,534)	-
Health and welfare	41,884	18,214	-	-	(23,670)	-	(23,670)	-
Community and economic development	176,828	31,866	-	-	(144,962)	-	(144,962)	-
Recreation and cultural	280,621	134,784	18,634	-	(127,203)	-	(127,203)	-
Other	123,138	-	-	-	(123,138)	-	(123,138)	-
Interest and fees on long-term debt	59,724	-	-	-	(59,724)	-	(59,724)	-
Total governmental activities	2,512,785	687,495	317,157	24,329	(1,483,804)	-0-	(1,483,804)	-0-
Business-type activities								
Sewer system	870,615	594,146	-	337,396	-	60,927	60,927	-
Water system	464,208	561,826	-	-	-	97,618	97,618	-
Rubbish collection	28,426	28,995	-	-	-	569	569	-
Total business-type activities	1,363,249	1,184,967	-0-	337,396	-0-	159,114	159,114	-0-
Total primary government	\$ 3,876,034	\$ 1,872,462	\$ 317,157	\$ 361,725	(1,483,804)	159,114	(1,324,690)	-0-
Component unit								
Downtown development authority (DDA)	\$ 368,810	\$ 252,004	\$ -	\$ -	-	-	-0-	(116,806)
General revenues								
Property taxes					1,116,631	-	1,116,631	82,948
State shared revenue					352,470	-	352,470	-
Investment earnings					85,193	3,359	88,552	4,358
Miscellaneous					91,194	1,539	92,733	4,000
Transfers					(120,000)	120,000	-0-	-
Total general revenues and transfers					1,525,488	124,898	1,650,386	91,306
Change in net assets					41,684	284,012	325,696	(25,500)
Net assets, beginning of the year					8,335,984	4,846,150	13,182,134	1,399,884
Net assets, end of the year					\$ 8,377,668	\$ 5,130,162	\$ 13,507,830	\$ 1,374,384

See accompanying notes to financial statements.

City of Corunna

GOVERNMENTAL FUNDS BALANCE SHEET

June 30, 2008

	<u>General</u>	<u>Economic Development</u>	<u>City Improvement</u>
ASSETS			
Cash and cash equivalents	\$ 146,015	\$ 7,455	\$ (18,020)
Investments	275,000	25,000	75,000
Accounts receivable	2,511	-	-
Contracts receivable	-	209,730	-
Special assessment receivable	14,261	-	58,302
Due from other governmental units			
State	44,557	-	-
Local	1,776	-	-
	<u>484,120</u>	<u>242,185</u>	<u>115,282</u>
TOTAL ASSETS	\$ 484,120	\$ 242,185	\$ 115,282
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 10,411	\$ -	\$ -
Other accrued liabilities	16,008	-	-
Due to other governmental units - Local	9,208	-	-
Deferred revenue	14,261	209,730	58,302
	<u>49,888</u>	<u>209,730</u>	<u>58,302</u>
TOTAL LIABILITIES	49,888	209,730	58,302
FUND BALANCES			
Reserved for			
Perpetual care	-	-	-
Debt service	-	-	-
Unreserved			
Undesignated, reported in			
General fund	434,232	-	-
Special revenue funds	-	32,455	56,980
Capital projects	-	-	-
	<u>434,232</u>	<u>32,455</u>	<u>56,980</u>
TOTAL FUND BALANCES	434,232	32,455	56,980
TOTAL LIABILITIES AND FUND BALANCES	\$ 484,120	\$ 242,185	\$ 115,282

See accompanying notes to financial statements.

Industrial Development	DDA Custodial	Nonmajor Governmental Funds	Total Governmental Funds
\$ 50,668	\$ 1	\$ 549,454	\$ 735,573
609,890	-	56,900	1,041,790
-	-	-	2,511
-	-	-	209,730
-	-	-	72,563
-	-	36,877	81,434
-	539,999	29,034	570,809
<u>\$ 660,558</u>	<u>\$ 540,000</u>	<u>\$ 672,265</u>	<u>\$ 2,714,410</u>
\$ 8	\$ -	\$ 22,311	\$ 32,730
-	-	12,792	28,800
-	-	-	9,208
-	390,000	-	672,293
8	390,000	35,103	743,031
-	-	62,601	62,601
-	-	5,297	5,297
-	-	-	434,232
-	150,000	550,770	790,205
660,550	-	18,494	679,044
660,550	150,000	637,162	1,971,379
<u>\$ 660,558</u>	<u>\$ 540,000</u>	<u>\$ 672,265</u>	<u>\$ 2,714,410</u>

City of Corunna

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

June 30, 2008

Total fund balance - governmental funds **\$ 1,971,379**

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	\$ 12,416,579	
Accumulated depreciation is	<u>(5,065,827)</u>	
Capital assets, net		7,350,752

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	144,960	
Net capital assets of Internal Service Funds included in total capital assets above	<u>(144,503)</u>	
		457

Long-term assets are not available to pay for current period expenditures and are therefore deferred in the funds. 672,293

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	1,561,960	
Accrued interest payable (governmental funds portion)	12,638	
Compensated absences	<u>42,615</u>	
		<u>(1,617,213)</u>

Net assets of governmental activities **\$ 8,377,668**

See accompanying notes to financial statements.

City of Corunna

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2008

	General	Economic Development	City Improvement
REVENUES			
Taxes	\$ 812,432	\$ -	\$ 304,199
Licenses and permits	24,748	-	-
Intergovernmental	400,754	-	-
Charges for services	332,882	-	-
Fines and forfeits	7,640	-	-
Interest and rents	70,563	1,555	8,871
Other	56,385	18,000	22,974
TOTAL REVENUES	1,705,404	19,555	336,044
EXPENDITURES			
Current			
General government	481,303	-	-
Public safety	444,084	-	-
Public works	336,977	-	-
Health and welfare	-	-	-
Community and economic development	259	94,128	143,539
Recreation and cultural	140,287	-	-
Other	120,037	-	-
Debt service	-	-	-
Capital outlay	-	-	-
TOTAL EXPENDITURES	1,522,947	94,128	143,539
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	182,457	(74,573)	192,505
OTHER FINANCING SOURCES (USES)			
Loan proceeds	-	-	-
Transfers in	-	-	-
Transfers out	(255,218)	-	(272,046)
TOTAL OTHER FINANCING SOURCES (USES)	(255,218)	-0-	(272,046)
NET CHANGE IN FUND BALANCES	(72,761)	(74,573)	(79,541)
Fund balances, beginning of year	506,993	107,028	136,521
Fund balances, end of year	<u>\$ 434,232</u>	<u>\$ 32,455</u>	<u>\$ 56,980</u>

See accompanying notes to financial statements.

Industrial Development	DDA Custodial	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 1,116,631
-	-	14,290	39,038
-	37,500	235,786	674,040
-	-	181,547	514,429
-	-	-	7,640
25,143	-	20,594	126,726
-	-	98,606	195,965
<u>25,143</u>	<u>37,500</u>	<u>550,823</u>	<u>2,674,469</u>
-	-	91,004	572,307
-	-	132,050	576,134
34,660	-	176,718	548,355
-	-	41,884	41,884
-	-	-	237,926
-	-	141,680	281,967
-	-	-	120,037
38,152	37,500	223,389	299,041
4,000	-	186,697	190,697
<u>76,812</u>	<u>37,500</u>	<u>993,422</u>	<u>2,868,348</u>
(51,669)	-	(442,599)	(193,879)
-	-	67,500	67,500
43,152	-	440,282	483,434
-	-	(102,500)	(629,764)
<u>43,152</u>	<u>-0-</u>	<u>405,282</u>	<u>(78,830)</u>
(8,517)	-0-	(37,317)	(272,709)
<u>669,067</u>	<u>150,000</u>	<u>674,479</u>	<u>2,244,088</u>
<u>\$ 660,550</u>	<u>\$ 150,000</u>	<u>\$ 637,162</u>	<u>\$ 1,971,379</u>

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, 2008

Net change in fund balances - total governmental funds **\$ (272,709)**

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	\$ 403,686	
Depreciation expense	<u>(334,886)</u>	
Excess of capital outlay over depreciation expense		68,800

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	(15,874)	
Capital outlay of Internal Service Funds included in the total above	(11,474)	
Depreciation expense of Internal Service Funds included in the total above	43,127	
Loan principal retirement of Internal Service Funds included in the total below	<u>(14,380)</u>	
		1,399

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	252,047	
Loan proceeds	<u>(67,500)</u>	
		184,547

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)	1,650	
(Increase) in accrued compensated absences	(3,101)	
Increase in deferred revenue	<u>61,098</u>	
		<u>59,647</u>

Change in net assets of governmental activities **\$ 41,684**

See accompanying notes to financial statements.

City of Corunna

Proprietary Funds

STATEMENT OF NET ASSETS

June 30, 2008

	Sewer System	Water System	Nonmajor (Rubbish Collection)
ASSETS			
Current assets			
Cash and cash equivalents	\$ (59,453)	\$ 155,725	\$ 7,289
Accounts receivable	201,036	82,184	7,509
Due from other governmental units	139,259	-	-
Total current assets	280,842	237,909	14,798
Noncurrent assets			
Cash and cash equivalents - restricted	27	-	-
Investments	25,000	25,000	-
Treatment rights, net	16,190	-	-
Capital assets not being depreciated	1	32,159	-
Capital assets being depreciated, net	5,266,503	1,112,917	-
Total noncurrent assets	5,307,721	1,170,076	-0-
TOTAL ASSETS	5,588,563	1,407,985	14,798
LIABILITIES			
Current liabilities			
Accounts payable	16,897	16,034	9,229
Accrued interest payable	23,075	1,947	-
Other accrued liabilities	378	1,596	-
Current portion of long-term debt	170,000	77,576	-
Total current liabilities	210,350	97,153	9,229
Noncurrent liabilities			
Revenue bonds payable	1,450,000	114,452	-
TOTAL LIABILITIES	1,660,350	211,605	9,229
NET ASSETS			
Invested in capital assets, net of related debt	3,646,504	953,048	-
Restricted for			
Debt service	66,125	-	-
Unrestricted	215,584	243,332	5,569
TOTAL NET ASSETS	\$ 3,928,213	\$ 1,196,380	\$ 5,569

See accompanying notes to financial statements.

Business- Type Activities	Governmental Activities Internal Service (Motor Pool)
Total	
\$ 103,561	\$ 5,456
290,729	-
139,259	-
533,549	5,456
27	-
50,000	-
16,190	-
32,160	-
6,379,420	144,503
6,477,797	144,503
7,011,346	149,959
42,160	4,740
25,022	-
1,974	259
247,576	-
316,732	4,999
1,564,452	-
1,881,184	4,999
4,599,552	144,503
66,125	-
464,485	457
\$ 5,130,162	\$ 144,960

City of Corunna

Proprietary Funds

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

Year Ended June 30, 2008

	Sewer System	Water System	Nonmajor (Rubbish Collection)
OPERATING REVENUES			
Charges for services	\$ 356,580	\$ 337,864	\$ 28,995
Capital charges	237,566	212,783	-
Meter charges	-	11,179	-
Other	-	200	-
TOTAL OPERATING REVENUES	594,146	562,026	28,995
OPERATING EXPENSES			
Personnel services	99,626	101,930	-
Employee benefits	36,492	42,188	-
Other operating costs	490,462	240,893	28,426
Depreciation and amortization	170,725	63,615	-
TOTAL OPERATING EXPENSES	797,305	448,626	28,426
OPERATING INCOME (LOSS)	(203,159)	113,400	569
NONOPERATING REVENUES (EXPENSES)			
Interest expense and fees	(73,310)	(15,582)	-
Rent earned	1,339	-	-
Construction grant - Federal	337,396	-	-
Interest earned	1,810	1,549	-
TOTAL NONOPERATING (EXPENSES)	267,235	(14,033)	-0-
INCOME (LOSS) BEFORE TRANSFERS	64,076	99,367	569
TRANSFERS			
Transfer in	175,000	-	5,000
Transfer out	-	(60,000)	-
TOTAL TRANSFERS	175,000	(60,000)	5,000
CHANGE IN NET ASSETS	239,076	39,367	5,569
Net assets, beginning of year	3,689,137	1,157,013	-
Net assets, end of year	\$ 3,928,213	\$ 1,196,380	\$ 5,569

See accompanying notes to financial statements.

Business- Type Activities	Governmental Activities
Total	Internal Service (Motor Pool)
\$ 723,439	\$ 114,740
450,349	-
11,179	-
200	-
1,185,167	114,740
201,556	26,952
78,680	9,894
759,781	76,843
234,340	43,127
1,274,357	156,816
(89,190)	(42,076)
(88,892)	(128)
1,339	-
337,396	-
3,359	-
253,202	(128)
164,012	(42,204)
180,000	40,000
(60,000)	(13,670)
120,000	26,330
284,012	(15,874)
4,846,150	160,834
<u>\$ 5,130,162</u>	<u>\$ 144,960</u>

City of Corunna

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended June 30, 2008

	Sewer System	Water System	Nonmajor (Rubbish Collection)
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers and grants	\$ 983,393	\$ 574,163	\$ 21,486
Cash paid to suppliers	(442,594)	(243,370)	(19,197)
Cash paid for employee benefits	(36,383)	(42,188)	-
Cash paid to employees	(99,626)	(101,695)	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	404,790	186,910	2,289
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Rent earned	1,339	-	-
Transfers in	175,000	-	5,000
Transfers out	-	(60,000)	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	176,339	(60,000)	5,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital purchases	(758,737)	(176,638)	-
Construction grant - Federal	337,396	-	-
Interest expense and fees	(73,310)	(15,582)	-
Payments on borrowings	(165,000)	(76,018)	-
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(659,651)	(268,238)	-0-
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest earned	1,810	1,549	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(76,712)	(139,779)	7,289
Cash and cash equivalents, beginning of year	17,286	295,504	-
Cash and cash equivalents, end of year	<u>\$ (59,426)</u>	<u>\$ 155,725</u>	<u>\$ 7,289</u>

See accompanying notes to financial statements.

Business- Type Activities	Governmental Activities Internal Service (Motor Pool)
Total	
\$ 1,579,042	\$ 114,740
(705,161)	(74,605)
(78,571)	(10,007)
(201,321)	(26,952)
593,989	3,176
1,339	-
180,000	40,000
(60,000)	(13,670)
121,339	26,330
(935,375)	(11,474)
337,396	-
(88,892)	(128)
(241,018)	(14,380)
(927,889)	(25,982)
3,359	-
(209,202)	3,524
312,790	1,932
<u>\$ 103,588</u>	<u>\$ 5,456</u>

City of Corunna

Proprietary Funds

STATEMENT OF CASH FLOWS - CONTINUED

Year Ended June 30, 2008

	Sewer System	Water System	Nonmajor (Rubbish Collection)
Reconciliation of operating income (loss) to net cash provided by operating activities			
Operating income (loss)	\$ (203,159)	\$ 113,400	\$ 569
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Depreciation and amortization	170,725	63,615	-
Decrease (increase) in accounts receivable	14,956	12,137	(7,509)
Decrease in prepaids	74,430	-	-
Decrease in due from other governmental units	374,291	-	-
Increase (decrease) in accounts payable	(24,519)	(1,723)	9,229
Increase (decrease) in accrued liabilities	109	235	-
(Decrease) in accrued interest payable	(2,043)	(754)	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 404,790</u>	<u>\$ 186,910</u>	<u>\$ 2,289</u>

<u>Business- Type Activities</u>	<u>Governmental Activities Internal Service (Motor Pool)</u>
<u>Total</u>	
\$ (89,190)	\$ (42,076)
234,340	43,127
19,584	-
74,430	-
374,291	-
(17,013)	2,783
344	(113)
<u>(2,797)</u>	<u>(545)</u>
<u>\$ 593,989</u>	<u>\$ 3,176</u>

City of Corunna

Fiduciary Funds

STATEMENT OF NET ASSETS

June 30, 2008

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 61,547
Investments	<u>13,215</u>
TOTAL ASSETS	<u>\$ 74,762</u>
LIABILITIES	
Due to individuals and agencies	<u>\$ 74,762</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

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 3,300. 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

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, 2007 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 \$1,692 to the Board for the year ended June 30, 2008.

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 \$41,650 in per dwelling charges to Corunna Area Ambulance Service, Inc. for the year ended June 30, 2008.

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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

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

6. Basis of Presentation - continued

FUND FINANCIAL STATEMENTS - CONTINUED

Major individual governmental funds and major individual enterprise funds 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

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.

City of Corunna

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

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.

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, 2008, 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 2007 levy for property within the City was \$61,594,857.

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

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, 2008 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

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: POOLING OF CASH AND CASH EQUIVALENTS AND CASH OVERDRAFT

The City utilizes pooled cash accounts for approximately thirty funds. Cash overdrafts of individual funds as of June 30, 2008, are as follows:

<u>Fund</u>	<u>Pooled Cash Overdraft</u>	<u>Non-pooled Cash and Cash Equivalents</u>	<u>Financial Statements</u>
City Improvement	\$(140,355)	\$ 122,335	\$(18,020)
Sewer System	(74,665)	15,212	(59,453)
Nonmajor governmental funds			
Special revenue funds			
Fire Operations	(14,610)	-	(14,610)
1996 G.O. Limited Tax Bonds	(3,999)	4,711	712
	<u>\$(233,629)</u>	<u>\$ 142,258</u>	<u>\$(91,371)</u>

NOTE C: CASH, CASH EQUIVALENTS, AND INVESTMENTS

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

City of Corunna

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

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

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.
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, 2008, the carrying amounts and bank balances for each type of bank account are as follows:

<u>Account Type</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
PRIMARY GOVERNMENT		
Regular checking	\$ 632,063	\$ 788,357
Savings and certificates of deposit	<u>1,182,559</u>	<u>1,182,559</u>
Total Primary Government	1,814,622	1,970,916

City of Corunna

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

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

Deposits - continued

<u>Account Type</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
COMPONENT UNITS		
Regular checking	\$ 171,740	\$ 172,200
FIDUCIARY FUNDS		
Regular checking	61,547	63,266
Savings and certificates of deposit	<u>13,215</u>	<u>13,215</u>
Total Fiduciary Funds	<u>74,762</u>	<u>76,481</u>
TOTAL REPORTING ENTITY	<u>\$ 2,061,124</u>	<u>\$ 2,219,597</u>

Deposits of the City are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the City. As of June 30, 2008, the City accounts were insured by the FDIC for \$1,214,680, and the amount of \$1,004,917 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.

Investments

As of June 30, 2008, the carrying amount and market value for the investment is as follows:

<u>INVESTMENT TYPE</u>	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Weighted Average Maturity</u>
Primary Government			
Uncategorized pooled investment funds			
MBIA - Michigan Class	<u>\$ 121,785</u>	<u>\$ 121,785</u>	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, 2008, the MBIA - Michigan Class investment is rated AAA/V1 by Fitch Ratings.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE C: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED**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, 2008:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Fiduciary Funds</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$ 844,590	\$ 167,420	\$ 61,547	\$ 1,073,557
Cash and cash equivalents - restricted	27	4,320	-	4,347
Investments - current	466,790	-	13,215	480,005
Investments - noncurrent	<u>625,000</u>	<u>-</u>	<u>-</u>	<u>625,000</u>
	<u>\$ 1,936,407</u>	<u>\$ 171,740</u>	<u>\$ 74,762</u>	<u>\$ 2,182,909</u>

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 Industrial Development Fund from:	
General Fund	<u>\$ 43,152</u>
Transfers to Sewer System Fund from:	
City Improvement Fund	\$ 22,500
Water System Fund	60,000
Nonmajor governmental funds	<u>92,500</u>
	<u>\$ 175,000</u>
Transfers to nonmajor governmental funds from:	
General Fund	\$ 167,066
City Improvement Fund	249,546
Internal service fund	13,670
Nonmajor governmental funds	<u>10,000</u>
	<u>\$ 440,282</u>

City of Corunna

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE D: INTERFUND TRANSFERS - CONTINUED

Transfers to nonmajor business-type funds from:	
General Fund	<u>\$ 5,000</u>
Transfers to internal service fund from:	
General Fund	<u>\$ 40,000</u>

NOTE E: LONG-TERM CONTRACTS RECEIVABLE

Primary Government

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 82,984	\$ 10,241	\$ 93,225
2010	21,594	9,726	31,320
2011	24,546	7,854	32,400
2012	<u>80,606</u>	<u>748</u>	<u>81,354</u>
	<u>\$ 209,730</u>	<u>\$ 28,569</u>	<u>\$ 238,299</u>

Subsequent to year end the City loaned an additional \$10,000 to one of the debtors on a currently outstanding promissory note.

One of the loans receivable included in the above schedule was in default as of June 30, 2008. The entire outstanding principal related to this loan was included in the year ending June 30, 2009. No interest was included for this loan because of the uncertainty of that amount and the collectibility of amounts outstanding at year end.

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, 2008 is reported as deferred revenue. The following is a summary of the future annual revenue (i.e. deferred):

<u>Years ending June 30,</u>	<u>Total</u>
2009	\$ 80,458
2010	80,958
2011	81,458
2012	81,958
2013	82,458
2014-2017	<u>300,374</u>
	<u>\$ 707,664</u>

There is an additional \$5,246 in other contracts receivable in the DDA Fund for a total of \$712,910.

City of Corunna

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE F: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2008 was as follows:

Primary Government

	<u>Balance</u> <u>July 1, 2007</u>	<u>Additions/</u> <u>Reclassifications</u>	<u>Additions/</u> <u>Reclassifications</u>	<u>Balance</u> <u>June 30, 2008</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 200,000	\$ 79,000	\$ -	\$ 279,000
Construction in progress	<u>45,755</u>	<u>186,183</u>	<u>(34,047)</u>	<u>197,891</u>
Subtotal	245,755	265,183	(34,047)	476,891
Capital assets being depreciated				
Buildings and additions	2,830,070	30,480	-	2,860,550
Vehicles and equipment	1,942,477	11,474	(3,000)	1,950,951
Infrastructure	<u>6,997,591</u>	<u>130,596</u>	<u>-</u>	<u>7,128,187</u>
Subtotal	11,770,138	172,550	(3,000)	11,939,688
Less accumulated depreciation for				
Buildings and additions	(1,939,961)	(48,009)	-	(1,987,970)
Vehicles and equipment	(1,311,733)	(110,305)	3,000	(1,419,038)
Infrastructure	<u>(1,482,247)</u>	<u>(176,572)</u>	<u>-</u>	<u>(1,658,819)</u>
Subtotal	<u>(4,733,941)</u>	<u>(334,886)</u>	<u>3,000</u>	<u>(5,065,827)</u>
Net capital assets being depreciated	<u>7,036,197</u>	<u>(162,336)</u>	<u>-0-</u>	<u>6,873,861</u>
Capital assets, net	<u>\$ 7,281,952</u>	<u>\$ 102,847</u>	<u>\$(34,047)</u>	<u>\$ 7,350,752</u>

Depreciation expense was charged to the following governmental activities:

General government	\$ 17,265
Public safety	64,510
Public works	226,445
Recreation and cultural	<u>26,666</u>
Total depreciation expense	<u>\$ 334,886</u>

	<u>Balance</u> <u>July 1, 2007</u>	<u>Additions/</u> <u>Reclassifications</u>	<u>Additions/</u> <u>Reclassifications</u>	<u>Balance</u> <u>June 30, 2008</u>
Business-type activities				
(Sewer system)				
Capital assets not being depreciated				
Land	\$ 1	\$ -	\$ -	\$ 1
Construction in progress	<u>926,844</u>	<u>40,731</u>	<u>(967,575)</u>	<u>-0-</u>
Subtotal	926,845	40,731	(967,575)	1

City of Corunna

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE F: CAPITAL ASSETS - CONTINUED**Primary Government - continued**

	Balance July 1, 2007	Additions/ Reclassifications	Additions/ Reclassifications	Balance June 30, 2008
Business-type activities				
(Sewer system) - continued				
Capital assets being depreciated				
Sewer system	\$ 5,731,940	\$ 1,685,581	\$ -	\$ 7,417,521
Equipment	<u>88,995</u>	<u>-</u>	<u>-</u>	<u>88,995</u>
Subtotal	5,820,935	1,685,581	-0-	7,506,516
Less accumulated depreciation for				
Sewer system	(2,050,371)	(156,795)	-	(2,207,166)
Equipment	<u>(29,947)</u>	<u>(2,900)</u>	<u>-</u>	<u>(32,847)</u>
Subtotal	<u>(2,080,318)</u>	<u>(159,695)</u>	<u>-0-</u>	<u>(2,240,013)</u>
Net capital assets being depreciated	<u>3,740,617</u>	<u>1,525,886</u>	<u>-0-</u>	<u>5,266,503</u>
Capital assets, net	<u>\$ 4,667,462</u>	<u>\$ 1,566,617</u>	<u>\$(967,575)</u>	<u>\$ 5,266,504</u>
Business-type activities				
(Water system)				
Capital assets not being depreciated				
Land	\$ 126	\$ -	\$ -	\$ 126
Construction in progress	<u>10,618</u>	<u>168,788</u>	<u>(147,373)</u>	<u>32,033</u>
Subtotal	10,744	168,788	(147,373)	32,159
Capital assets being depreciated				
Water system	1,909,144	147,373	-	2,056,517
Equipment	<u>38,411</u>	<u>7,850</u>	<u>-</u>	<u>46,261</u>
Subtotal	1,947,555	155,223	-0-	2,102,778
Less accumulated depreciation for				
Water system	(892,632)	(62,587)	-	(955,219)
Equipment	<u>(33,614)</u>	<u>(1,028)</u>	<u>-</u>	<u>(34,642)</u>
Subtotal	<u>(926,246)</u>	<u>(63,615)</u>	<u>-0-</u>	<u>(989,861)</u>
Net capital assets being depreciated	<u>1,021,309</u>	<u>91,608</u>	<u>-0-</u>	<u>1,112,917</u>
Capital assets, net	<u>\$ 1,032,053</u>	<u>\$ 260,396</u>	<u>\$(147,373)</u>	<u>\$ 1,145,076</u>

City of Corunna

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE F: CAPITAL ASSETS - CONTINUED

	Balance <u>July 1, 2007</u>	Additions/ <u>Reclassifications</u>	Additions/ <u>Reclassifications</u>	Balance <u>June 30, 2008</u>
Component Unit (DDA)				
Capital assets not being depreciated				
Construction in progress	\$ 9,030	\$ -	\$(9,030)	\$ -0-
Capital assets being depreciated				
Buildings	711,670	-	(20,000)	691,670
Equipment and fixtures	18,952	-	-	18,952
Improvements	<u>785,342</u>	<u>140,770</u>	<u>-</u>	<u>926,112</u>
Subtotal	1,515,964	140,770	(20,000)	1,636,734
Less accumulated depreciation for:				
Buildings	(253,898)	(17,511)	-	(271,409)
Equipment and fixtures	(18,381)	(571)	-	(18,952)
Improvements	<u>(41,737)</u>	<u>(81,598)</u>	<u>-</u>	<u>(123,335)</u>
Subtotal	<u>(314,016)</u>	<u>(99,680)</u>	<u>-0-</u>	<u>(413,696)</u>
Net capital assets being depreciated	<u>1,201,948</u>	<u>41,090</u>	<u>(20,000)</u>	<u>1,223,038</u>
Capital assets, net	<u>\$ 1,210,978</u>	<u>\$ 41,090</u>	<u>\$(29,030)</u>	<u>\$ 1,223,038</u>

NOTE G: LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portion) of the City for the year ended June 30, 2008.

	Balance <u>July 1, 2007</u>	Additions	Deletions	Balance <u>June 30, 2008</u>	Amounts Due Within <u>One Year</u>
PRIMARY GOVERNMENT					
Governmental Activities					
1998 Transportation Bonds	\$ 110,000	\$ -	\$ 15,000	\$ 95,000	\$ 15,000
2000 General Obligation Improvement Bonds	625,000	-	55,000	570,000	60,000
2001 General Obligation Improvement Bonds	295,000	-	55,000	240,000	70,000
2003 Installment Purchase Agreement (IPA)	14,380	-	14,380	-0-	-
2003 Installment Purchase Agreement	105,877	-	33,917	71,960	35,274
Installment Note - fire truck	168,750	-	18,750	150,000	18,750
2007 Installment Purchase Agreement	-	67,500	22,500	45,000	22,500
MEDC Loan	427,500	-	37,500	390,000	32,500
Compensated absences	<u>39,514</u>	<u>45,833</u>	<u>42,732</u>	<u>42,615</u>	<u>34,092</u>
	1,786,021	113,333	294,779	1,604,575	288,116

City of Corunna

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE G: LONG-TERM DEBT

	Balance <u>July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2008</u>	Amounts Due Within <u>One Year</u>
PRIMARY GOVERNMENT - continued					
Business-type Activities					
Water Supply and Sewage					
Improvement Bonds - 1996 (sewer)	\$ 330,000	\$ -	\$ 30,000	\$ 300,000	\$ 30,000
Improvement Bonds - 1980 (sewer)	205,000	-	15,000	190,000	15,000
General Obligation Bonds (water)	200,000	-	50,000	150,000	50,000
2005 General Obligation Improvement Bonds (sewer)	565,000	-	60,000	505,000	65,000
2006 General Obligation Improvement Bonds (sewer)	685,000	-	60,000	625,000	60,000
Water Tower IPA - 1999 (water)	<u>68,046</u>	-	<u>26,018</u>	<u>42,028</u>	<u>27,576</u>
	<u>2,053,046</u>	<u>-0-</u>	<u>241,018</u>	<u>1,812,028</u>	<u>247,576</u>
TOTAL PRIMARY GOVERNMENT	3,839,067	113,333	535,797	3,416,603	535,692
COMPONENT UNIT FUNDS					
Downtown Development Authority					
Installment loan	164,182	-	33,808	130,374	34,404
Land contract payable	<u>80,000</u>	-	<u>20,000</u>	<u>60,000</u>	<u>20,000</u>
TOTAL COMPONENT UNIT	<u>244,182</u>	<u>-0-</u>	<u>53,808</u>	<u>190,374</u>	<u>54,404</u>
	<u>\$ 4,083,249</u>	<u>\$ 113,333</u>	<u>\$ 589,605</u>	<u>\$ 3,606,977</u>	<u>\$ 590,096</u>

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 4.80 to 5.05 percent, payable annually. \$ 95,000

\$895,000 2000 County of Shiawassee, City of Corunna Public Improvement Bonds dated October 11, 2000, due in annual installments ranging from \$60,000 to \$85,000 through November 1, 2015, with interest ranging from 5.10 to 5.30 percent payable annually. 570,000

\$490,000 2001 County of Shiawassee, City of Corunna Public Improvement Bonds dated June 1, 2001, due in annual installments ranging from \$70,000 to \$90,000 through May 1, 2011, with interest ranging from 4.50 to 4.75 percent, payable semi-annually. 240,000

\$ 905,000

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. \$ 71,960

City of Corunna

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE G: LONG-TERM DEBT - CONTINUED

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. \$ 150,000

Installment Purchase Agreement (Payable from Municipal Building Fund)

\$67,500 2007 Installment Purchase Agreement dated December 28, 2007, due in annual installments of \$22,500 through January 7, 2010, with interest at 5.00 percent. The Agreement is for the purchase of real estate costing \$67,500. \$ 45,000

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. \$ 390,000

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 \$42,615 at June 30, 2008.

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 5.10 to 5.35 percent, payable annually. \$ 300,000

\$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. 190,000

\$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 6.20 to 6.25 percent, payable annually. 150,000

\$685,000 2005 County of Shiawassee, City of Corunna Capital Improvement Bonds dated April 1, 2005, due in annual installments ranging from \$65,000 to \$80,000, with interest ranging from 3.30 to 4.20 percent, payable semi-annually. 505,000

\$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 4.00 to 4.45 percent, payable semi-annually. 625,000

\$ 1,770,000

City of Corunna

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE G: LONG-TERM DEBT - CONTINUED

Installment Purchase Agreement - Enterprise (Water) Fund

\$224,200 1999 Installment Purchase Agreement dated September 20, 1999, due in semi-annual installments ranging from \$13,599 to \$14,366 through November 1, 2009, with interest at 5.56 percent. \$ 42,028

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. \$ 130,374

\$300,000 Land Contract dated December 31, 2005, due in annual installments of \$20,000 through January 5, 2011, with no interest. \$ 60,000

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

Primary Government

Year Ending June 30.	<u>General Obligation Bonds</u>		<u>Water Supply & Sewage Disposal System Bonds</u>		<u>Installment Agreements and Notes</u>		<u>MEDC Loan Payable</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>
2009	\$ 145,000	\$ 42,270	\$ 220,000	\$ 77,100	\$ 104,100	\$ 13,832	\$ 32,500
2010	160,000	34,893	225,000	66,950	92,301	8,898	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	95,000	15,194	200,000	36,576	18,750	3,375	52,500
2014-2018	240,000	19,610	660,000	63,344	56,337	5,063	177,500
2019-2020	-	-	40,000	2,000	-	-	-
	<u>\$ 905,000</u>	<u>\$ 158,642</u>	<u>\$ 1,770,000</u>	<u>\$ 345,797</u>	<u>\$ 308,988</u>	<u>\$ 40,450</u>	<u>\$ 427,500 *</u>

*This is an interest-free loan.

Component Unit

Year Ending June 30.	<u>Installment Loan</u>		<u>Land Contract</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>
2009	\$ 34,404	\$ 8,981	\$ 20,000
2010	37,059	6,329	20,000
2011	<u>58,911</u>	<u>3,524</u>	<u>20,000</u>
	<u>\$ 130,374</u>	<u>\$ 18,834</u>	<u>\$ 60,000 *</u>

*This is an interest-free loan.

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

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, 2008 the City's annual pension cost of \$125,125 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, 2005, using the entry age normal cost method. Significant actuarial assumptions used include (a) a 8.00 percent investment rate of return (b) projected salary increases of 4.5 percent per year compounded annually, attributable to inflation (c) additional salary increases ranging from 0% to 4.2% per year depending on age, seniority and merit, and (d) assumption benefits will not increase after retirement. The actuarial value of assets was determined using techniques that smooth the effects of short term volatility over a four (4) year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is ten (10) years.

Three (3) year trend information

	Year Ended December 31,		
	<u>2005</u>	<u>2006</u>	<u>2007</u>
Actuarial value of assets	\$ 2,616,590	\$ 2,726,295	\$ 2,858,180
Actuarial accrued liability (AAL) (entry age)	3,579,958	3,777,769	4,002,017
Unfunded AAL	963,368	1,051,475	1,143,837
Funded ratio	73 %	72 %	71 %
Covered payroll	525,159	573,985	611,254
UAAL as a percentage of covered payroll	183 %	183 %	187 %

	Year Ended June 30,		
	<u>2006</u>	<u>2007</u>	<u>2008</u>
Annual pension cost	\$ 89,413	\$ 111,106	\$ 125,125
Percentage of APC contributed	100 %	100 %	100 %
Net pension obligation	-	-	-

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

City of Corunna

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE I: FUND BALANCE RESERVES

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.

The following are the various fund balance reserves as of June 30, 2008:

Nonmajor governmental funds	
Debt service	\$ 5,297
Perpetual care	<u>62,601</u>
	<u>\$ 67,898</u>

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, 2008:

Governmental Activities	
Other purposes	
City Improvements	\$ 56,980
Major street	293,502
Local street	14,241
Cemetery perpetual care	62,601
Downtown development	150,000
Fire capital acquisition	59,716
Industrial development	<u>660,550</u>
	<u>\$ 1,297,590</u>
Business-type Activities	
Restricted for debt service	
Sewer System Fund	<u>\$ 66,125</u>

NOTE K: 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, 2008, six retirees received benefits. The costs for the year ended June 30, 2008 totaled \$101,096 and were paid from the General Fund.

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE K: POST-RETIREMENT HEALTH CARE BENEFITS - CONTINUED

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 L: RISK MANAGEMENT

The City participates in a pool, the Michigan Municipal Liability and Property Pool, with other municipalities for property, auto, 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 League 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 M: 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, 2008, the City incurred certain expenditures in the General Fund and one (1) Special Revenue fund in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
Public works			
Drains at large	\$ 500	\$ 836	\$ 336
Recreation and cultural			
Parks maintenance	90,277	91,802	1,525
Special Revenue Funds			
Local Street Fund	135,924	138,051	2,127

REQUIRED SUPPLEMENTARY INFORMATION

City of Corunna

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES AND
OTHER FINANCING SOURCES

Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Property taxes	\$ 796,468	\$ 796,468	\$ 792,876	\$ (3,592)
Industrial and commercial facilities	19,556	19,556	19,556	-0-
Total taxes	816,024	816,024	812,432	(3,592)
Licenses and permits				
City licenses and permits	4,810	4,810	4,177	(633)
Franchise fee	21,500	21,500	20,571	(929)
Total licenses and permits	26,310	26,310	24,748	(1,562)
Intergovernmental				
State				
Sales tax	309,778	355,000	352,470	(2,530)
Other	2,500	62,450	48,284	(14,166)
Total intergovernmental	312,278	417,450	400,754	(16,696)
Charges for services				
Tax collection fees	34,000	34,000	36,065	2,065
Recreational fees	19,700	24,200	23,844	(356)
Administration charges	227,893	227,893	272,973	45,080
Total charges for services	281,593	286,093	332,882	46,789
Fines and forfeits				
Parking	750	750	450	(300)
Ordinance	9,450	9,450	7,190	(2,260)
Total fines and forfeits	10,200	10,200	7,640	(2,560)
Interest and rents				
Interest on investments	65,000	65,000	41,016	(23,984)
Rental fees	30,670	30,670	29,547	(1,123)
Total interest and rents	95,670	95,670	70,563	(25,107)

City of Corunna

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES AND
OTHER FINANCING SOURCES - CONTINUED

Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES - Continued				
Other				
Sidewalk and other	\$ 8,750	\$ 8,750	\$ 6,877	\$ (1,873)
Fireworks proceeds	10,000	10,000	10,000	-0-
Private donations	8,850	8,850	8,485	(365)
Contributions from other governmental units	2,200	2,200	2,200	-0-
Other	16,000	28,000	28,823	823
Total other	45,800	57,800	56,385	(1,415)
TOTAL REVENUES	\$ 1,587,875	\$ 1,709,547	\$ 1,705,404	\$ (4,143)

City of Corunna

General Fund

BUDGETARY COMPARISON SCHEDULE - EXPENDITURES AND
OTHER FINANCING USES BY ACTIVITY

Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES				
Current				
General government				
Legislative	\$ 31,806	\$ 34,106	\$ 33,743	\$ 363
City Manager	105,018	117,195	114,668	2,527
Clerk/Treasurer	97,144	102,144	96,543	5,601
Assessor	76,092	77,642	77,218	424
Elections	6,500	4,500	3,503	997
Municipal building	52,740	61,940	60,242	1,698
Internal services	81,115	97,115	93,532	3,583
Other	25,926	2,871	1,854	1,017
Total general government	476,341	497,513	481,303	16,210
Public safety				
Police department	373,167	377,667	376,209	1,458
Crossing guard	1,984	1,984	1,484	500
Fire department	71,007	76,007	66,391	9,616
Total public safety	446,158	455,658	444,084	11,574
Public works				
General services	325,511	340,011	336,141	3,870
Drain at large	500	500	836	(336)
Total public works	326,011	340,511	336,977	3,534
Community and economic development				
Planning commission	1,000	1,000	259	741
Recreation and cultural				
Parks maintenance	73,477	90,277	91,802	(1,525)
Summer recreation	21,000	27,700	22,531	5,169
Mitchell Fields	2,168	2,168	1,724	444
Activities and events	5,650	5,650	4,986	664
Historical village	895	895	355	540
Community center	23,512	21,512	18,889	2,623
Total recreation and cultural	126,702	148,202	140,287	7,915
Other				
Insurance	20,241	20,241	18,941	1,300
Retiree health benefits	96,204	102,204	101,096	1,108
Total other	116,445	122,445	120,037	2,408
TOTAL EXPENDITURES	1,492,657	1,565,329	1,522,947	42,382

City of Corunna

General Fund

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

Year Ended June 30, 2008

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
OTHER FINANCING USES				
Transfers out				
Local street	\$ 20,000	\$ 25,000	\$ 25,000	\$ -0-
Parks improvement fund	19,227	19,227	19,227	-0-
Cemetery	30,000	25,000	25,000	-0-
Forest fund	5,000	5,000	5,000	-0-
Heritage park fund	500	500	500	-0-
Industrial development fund	43,152	43,152	43,152	-0-
Dam construction fund	10,000	10,000	10,000	-0-
Municipal Building	27,339	82,339	82,339	-0-
Rubbish collection	-	5,000	5,000	-0-
Motor Pool fund	-	40,000	40,000	-0-
TOTAL OTHER FINANCING USES	<u>155,218</u>	<u>255,218</u>	<u>255,218</u>	<u>-0-</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 1,647,875</u>	<u>\$ 1,820,547</u>	<u>\$ 1,778,165</u>	<u>\$ 42,382</u>

City of Corunna

Economic Development Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2008

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Interest and rents	\$ 1,500	\$ 1,500	\$ 1,555	\$ 55
Other				
Loan repayment	<u>18,000</u>	<u>38,000</u>	<u>18,000</u>	<u>(20,000)</u>
TOTAL REVENUES	19,500	39,500	19,555	(19,945)
EXPENDITURES				
Current				
Community and economic development	<u>40,000</u>	<u>115,000</u>	<u>94,128</u>	<u>20,872</u>
NET CHANGE IN FUND BALANCE	(20,500)	(75,500)	(74,573)	927
Fund balance, beginning of year	<u>107,028</u>	<u>107,028</u>	<u>107,028</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 86,528</u>	<u>\$ 31,528</u>	<u>\$ 32,455</u>	<u>\$ 927</u>

City of Corunna

City Improvement Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2008

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes	\$ 305,197	\$ 305,197	\$ 304,199	\$ (998)
Interest and rents	10,000	10,000	8,871	(1,129)
Other	<u>12,731</u>	<u>12,731</u>	<u>22,974</u>	<u>10,243</u>
TOTAL REVENUES	327,928	327,928	336,044	8,116
EXPENDITURES				
Current				
Community and economic development	<u>112,339</u>	<u>153,272</u>	<u>143,539</u>	<u>9,733</u>
EXCESS OF REVENUES OVER EXPENDITURES	215,589	174,656	192,505	17,849
OTHER FINANCING (USES)				
Transfers out	<u>(174,546)</u>	<u>(272,046)</u>	<u>(272,046)</u>	<u>-0-</u>
NET CHANGE IN FUND BALANCE	41,043	(97,390)	(79,541)	17,849
Fund balance, beginning of year	<u>136,521</u>	<u>136,521</u>	<u>136,521</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 177,564</u>	<u>\$ 39,131</u>	<u>\$ 56,980</u>	<u>\$ 17,849</u>

City of Corunna

DDA Custodial Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2008

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Intergovernmental - Local	\$ 57,500	\$ 57,500	\$ 37,500	\$ (20,000)
EXPENDITURES				
Debt service				
Principal	52,950	52,950	32,950	20,000
Interest	4,550	4,550	4,550	-0-
TOTAL EXPENDITURES	57,500	57,500	37,500	20,000
NET CHANGE IN FUND BALANCE	-0-	-0-	-0-	-0-
Fund balance, beginning of year	150,000	150,000	150,000	-0-
Fund balance, end of year	<u>\$ 150,000</u>	<u>\$ 150,000</u>	<u>\$ 150,000</u>	<u>\$ -0-</u>

OTHER SUPPLEMENTARY INFORMATION

City of Corunna

Nonmajor Governmental Funds

COMBINING BALANCE SHEET

June 30, 2008

	Special		
	Major Street	Local Street	Fire Capital Acquisition
ASSETS			
Cash and cash equivalents	\$ 267,487	\$ 4,719	\$ 46,501
Investments	-	-	13,215
Due from other governmental units			
State	27,246	9,631	-
Local	-	-	-
TOTAL ASSETS	\$ 294,733	\$ 14,350	\$ 59,716
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 1,003	\$ -	\$ -
Accrued liabilities	228	109	-
TOTAL LIABILITIES	1,231	109	-0-
FUND BALANCES			
Reserved for			
Perpetual care	-	-	-
Debt service	-	-	-
Unreserved			
Undesignated, reported in			
Special revenue funds	293,502	14,241	59,716
Capital projects	-	-	-
TOTAL FUND BALANCES	293,502	14,241	59,716
TOTAL LIABILITIES AND FUND BALANCES	\$ 294,733	\$ 14,350	\$ 59,716

Revenue

Fire Operations Fund	Parks Improvement Fund	Cemetery Fund	Municipal Building	Stu Coutts Recreation Fund	Forest Fund
\$ (14,610)	\$ 23,949	\$ 4,496	\$ 82,336	\$ 10,874	\$ 4,984
-	-	-	-	-	-
-	-	-	-	-	-
29,034	-	-	-	-	-
<u>\$ 14,424</u>	<u>\$ 23,949</u>	<u>\$ 4,496</u>	<u>\$ 82,336</u>	<u>\$ 10,874</u>	<u>\$ 4,984</u>
\$ 971	\$ -	\$ 1	\$ 8,619	\$ 198	\$ -
11,951	-	478	-	26	-
12,922	-0-	479	8,619	224	-0-
-	-	-	-	-	-
-	-	-	-	-	-
1,502	23,949	4,017	73,717	10,650	4,984
-	-	-	-	-	-
<u>1,502</u>	<u>23,949</u>	<u>4,017</u>	<u>73,717</u>	<u>10,650</u>	<u>4,984</u>
<u>\$ 14,424</u>	<u>\$ 23,949</u>	<u>\$ 4,496</u>	<u>\$ 82,336</u>	<u>\$ 10,874</u>	<u>\$ 4,984</u>

City of Corunna

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

June 30, 2008

	Special		
	Heritage Park Memorial	Fourth of July Commission	Softball Commission
ASSETS			
Cash and cash equivalents	\$ 5,181	\$ 17,777	\$ 16,581
Investments	-	-	-
Due from other governmental units			
State	-	-	-
Local	-	-	-
TOTAL ASSETS	\$ 5,181	\$ 17,777	\$ 16,581
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-
TOTAL LIABILITIES	-0-	-0-	-0-
FUND BALANCES			
Reserved for			
Perpetual care	-	-	-
Debt service	-	-	-
Unreserved			
Undesignated, reported in			
Special revenue funds	5,181	17,777	16,581
Capital projects	-	-	-
TOTAL FUND BALANCES	5,181	17,777	16,581
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,181	\$ 17,777	\$ 16,581

Revenue			Debt Service		
Historical Commission	Building Department	Centennial	1996 G.O. Limited Tax Bonds	1998 MTF Bonds Payable	2000 G.O. Limited Tax Bonds
\$ 18,824	\$ 5,914	\$ 550	\$ 712	\$ 1	\$ 478
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 18,824</u>	<u>\$ 5,914</u>	<u>\$ 550</u>	<u>\$ 712</u>	<u>\$ 1</u>	<u>\$ 478</u>
\$ -	\$ 335	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-0-	335	-0-	-0-	-0-	-0-
-	-	-	-	-	-
-	-	-	712	1	478
18,824	5,579	550	-	-	-
-	-	-	-	-	-
<u>18,824</u>	<u>5,579</u>	<u>550</u>	<u>712</u>	<u>1</u>	<u>478</u>
<u>\$ 18,824</u>	<u>\$ 5,914</u>	<u>\$ 550</u>	<u>\$ 712</u>	<u>\$ 1</u>	<u>\$ 478</u>

City of Corunna

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

June 30, 2008

	Debt Service		Capital
	2001 G.O. Limited Tax Bonds	Building Authority	East Corunna Construction Fund
ASSETS			
Cash and cash equivalents	\$ 4,106	\$ -	\$ 15,012
Investments	-	-	-
Due from other governmental units			
State	-	-	-
Local	-	-	-
TOTAL ASSETS	<u>\$ 4,106</u>	<u>\$ -0-</u>	<u>\$ 15,012</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ 11,184
Accrued liabilities	-	-	-
TOTAL LIABILITIES	-0-	-0-	11,184
FUND BALANCES			
Reserved for			
Perpetual care	-	-	-
Debt service	4,106	-	-
Unreserved			
Undesignated, reported in			
Special revenue funds	-	-	-
Capital projects	-	-	3,828
TOTAL FUND BALANCES	<u>4,106</u>	<u>-0-</u>	<u>3,828</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 4,106</u>	<u>\$ -0-</u>	<u>\$ 15,012</u>

Projects		Permanent	Total Nonmajor Governmental Funds
Dam Construction Fund	W. Corunna Avenue Enhancement	Cemetery Perpetual Care	
\$ 13,457	\$ 1,209	\$ 18,916	\$ 549,454
-	-	43,685	56,900
-	-	-	36,877
-	-	-	29,034
<u>\$ 13,457</u>	<u>\$ 1,209</u>	<u>\$ 62,601</u>	<u>\$ 672,265</u>
\$ -	\$ -	\$ -	\$ 22,311
-	-	-	12,792
-0-	-0-	-0-	35,103
-	-	62,601	62,601
-	-	-	5,297
-	-	-	550,770
13,457	1,209	-	18,494
<u>13,457</u>	<u>1,209</u>	<u>62,601</u>	<u>637,162</u>
<u>\$ 13,457</u>	<u>\$ 1,209</u>	<u>\$ 62,601</u>	<u>\$ 672,265</u>

City of Corunna

Nonmajor Governmental Funds

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

Year Ended June 30, 2008

	Special		
	Major Street	Local Street	Fire Capital Acquisition
REVENUES			
Intergovernmental - State	\$ 166,376	\$ 69,410	\$ -
Charges for services	-	-	16,895
Licenses and permits	-	-	-
Interest and rents	3,721	457	1,931
Other	-	-	22,040
TOTAL REVENUES	170,097	69,867	40,866
EXPENDITURES			
Current			
General government	-	-	-
Public safety	-	-	850
Public works	68,913	107,805	-
Health and welfare	-	-	-
Recreation and cultural	-	-	-
Debt service			
Principal	-	-	18,750
Interest and fiscal agent fees	-	-	7,594
Capital outlay	8,265	7,746	2,723
TOTAL EXPENDITURES	77,178	115,551	29,917
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	92,919	(45,684)	10,949
OTHER FINANCING SOURCES (USES)			
Loan proceeds	-	-	-
Transfers in	-	35,000	-
Transfers out	(80,000)	(22,500)	-
TOTAL OTHER FINANCING SOURCES (USES)	(80,000)	12,500	-0-
NET CHANGE IN FUND BALANCES	12,919	(33,184)	10,949
Fund balances, beginning of year	280,583	47,425	48,767
Fund balances, end of year	<u>\$ 293,502</u>	<u>\$ 14,241</u>	<u>\$ 59,716</u>

Revenue

Fire Operation Fund	Parks Improvement Fund	Cemetery Fund	Municipal Building	Stu Coutts Recreation Fund	Forest Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
114,198	-	12,564	5,824	-	-
-	-	-	-	-	-
-	-	-	2,250	1,213	-
-	9,590	-	8,187	-	270
114,198	9,590	12,564	16,261	1,213	270
-	-	-	89,340	-	-
114,198	-	-	-	-	-
-	-	-	-	-	-
-	-	40,451	-	-	-
-	37,165	-	-	5,497	7,261
-	-	-	22,500	-	-
-	-	-	-	-	-
-	-	-	75,000	-	-
114,198	37,165	40,451	186,840	5,497	7,261
-0-	(27,575)	(27,887)	(170,579)	(4,284)	(6,991)
-	-	-	67,500	-	-
-	19,227	25,000	96,009	-	5,000
-	-	-	-	-	-
-0-	19,227	25,000	163,509	-0-	5,000
-0-	(8,348)	(2,887)	(7,070)	(4,284)	(1,991)
1,502	32,297	6,904	80,787	14,934	6,975
<u>\$ 1,502</u>	<u>\$ 23,949</u>	<u>\$ 4,017</u>	<u>\$ 73,717</u>	<u>\$ 10,650</u>	<u>\$ 4,984</u>

City of Corunna

Nonmajor Governmental Funds

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

Year Ended June 30, 2008

	Special		
	Heritage Park Memorial	Fourth of July Commission	Softball Commission
REVENUES			
Intergovernmental - State	\$ -	\$ -	\$ -
Charges for services	-	-	26,416
Licenses and permits	-	-	-
Interest and rents	-	120	-
Other	350	49,748	30
TOTAL REVENUES	350	49,868	26,446
EXPENDITURES			
Current			
General government	-	-	-
Public safety	-	-	-
Public works	-	-	-
Health and welfare	-	-	-
Recreation and cultural	-	45,970	31,432
Debt service			
Principal	-	-	-
Interest and fiscal agent fees	-	-	-
Capital outlay	-	-	-
TOTAL EXPENDITURES	-0-	45,970	31,432
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	350	3,898	(4,986)
OTHER FINANCING SOURCES (USES)			
Loan proceeds	-	-	-
Transfers in	500	-	-
Transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	500	-0-	-0-
NET CHANGE IN FUND BALANCES	850	3,898	(4,986)
Fund balances, beginning of year	4,331	13,879	21,567
Fund balances, end of year	<u>\$ 5,181</u>	<u>\$ 17,777</u>	<u>\$ 16,581</u>

Revenue			Debt Service		
Historical Commission	Building Department	Centennial	1996 G.O. Limited Tax Bonds	1998 MTF Bonds Payable	2000 G.O. Limited Tax Bonds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	14,290	-	-	-	-
8,906	-	-	18	-	-
7,621	-	550	-	-	-
16,527	14,290	550	18	-0-	-0-
-	-	-	-	-	-
-	17,002	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
14,355	-	-	-	-	-
-	-	-	-	15,000	55,000
-	-	-	-	5,366	31,526
-	-	-	-	-	-
14,355	17,002	-0-	-0-	20,366	86,526
2,172	(2,712)	550	18	(20,366)	(86,526)
-	-	-	-	-	-
-	-	-	-	20,366	86,526
-	-	-	-	-	-
-0-	-0-	-0-	-0-	20,366	86,526
2,172	(2,712)	550	18	-0-	-0-
16,652	8,291	-	694	1	478
\$ 18,824	\$ 5,579	\$ 550	\$ 712	\$ 1	\$ 478

City of Corunna

Nonmajor Governmental Funds

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

Year Ended June 30, 2008

	Debt Service		Capital
	2001 G.O. Limited Tax Bonds	Building Authority	East Corunna Construction Fund
REVENUES			
Intergovernmental - State	\$ -	\$ -	\$ -
Charges for services	-	-	-
Licenses and permits	-	-	-
Interest and rents	-	-	-
Other	-	-	-
TOTAL REVENUES	-0-	-0-	-0-
EXPENDITURES			
Current			
General government	-	1,664	-
Public safety	-	-	-
Public works	-	-	-
Health and welfare	-	-	-
Recreation and cultural	-	-	-
Debt service			
Principal	55,000	-	-
Interest and fiscal agent fees	12,653	-	-
Capital outlay	-	-	19,172
TOTAL EXPENDITURES	67,653	1,664	19,172
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(67,653)	(1,664)	(19,172)
OTHER FINANCING SOURCES (USES)			
Loan proceeds	-	-	-
Transfers in	67,654	-	-
Transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	67,654	-0-	-0-
NET CHANGE IN FUND BALANCES	1	(1,664)	(19,172)
Fund balances, beginning of year	4,105	1,664	23,000
Fund balances, end of year	\$ 4,106	\$ -0-	\$ 3,828

Projects		Permanent	Total
Dam Construction Fund	W. Corunna Avenue Enhancement	Cemetery Perpetual Care	Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 235,786
-	-	5,650	181,547
-	-	-	14,290
-	-	1,978	20,594
-	-	220	98,606
-0-	-0-	7,848	550,823
-	-	-	91,004
-	-	-	132,050
-	-	-	176,718
-	-	1,433	41,884
-	-	-	141,680
-	-	-	166,250
-	-	-	57,139
-	73,791	-	186,697
-0-	73,791	1,433	993,422
-0-	(73,791)	6,415	(442,599)
-	-	-	67,500
10,000	75,000	-	440,282
-	-	-	(102,500)
10,000	75,000	-0-	405,282
10,000	1,209	6,415	(37,317)
3,457	-	56,186	674,479
\$ 13,457	\$ 1,209	\$ 62,601	\$ 637,162

City of Corunna

Agency Funds

COMBINING STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2008

	<u>Fire Capital Acquisition</u>	<u>Payroll</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 46,501	\$ 15,046	\$ 61,547
Investments	<u>13,215</u>	<u>-</u>	<u>13,215</u>
TOTAL ASSETS	<u>\$ 59,716</u>	<u>\$ 15,046</u>	<u>\$ 74,762</u>
LIABILITIES			
Due to individuals and agencies	<u>\$ 59,716</u>	<u>\$ 15,046</u>	<u>\$ 74,762</u>

City of Corunna

Sewer System

COMPARATIVE STATEMENT OF NET ASSETS

Years Ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ (59,453)	\$ 10,642
Accounts receivable	201,036	215,992
Prepays	-	74,430
Due from other governmental units	<u>139,259</u>	<u>513,550</u>
Total current assets	280,842	814,614
Noncurrent assets		
Cash and cash equivalents - restricted	27	6,644
Investments	25,000	25,000
Treatment rights, net	16,190	27,220
Capital assets not being depreciated	1	926,845
Capital assets being depreciated, net	<u>5,266,503</u>	<u>3,740,617</u>
Total noncurrent assets	<u>5,307,721</u>	<u>4,726,326</u>
TOTAL ASSETS	5,588,563	5,540,940
LIABILITIES		
Current liabilities		
Accounts payable	16,897	41,416
Other accrued liabilities	378	269
Accrued interest payable	23,075	25,118
Current portion of long-term debt	<u>170,000</u>	<u>165,000</u>
Total current liabilities	210,350	231,803
Noncurrent liabilities		
Revenue bonds payable	<u>1,450,000</u>	<u>1,620,000</u>
TOTAL LIABILITIES	<u>1,660,350</u>	<u>1,851,803</u>
NET ASSETS		
Invested in capital assets, net of related debt	3,646,504	2,882,462
Restricted for		
Debt service	66,125	100,063
Unrestricted	<u>215,584</u>	<u>706,612</u>
TOTAL NET ASSETS	<u>\$ 3,928,213</u>	<u>\$ 3,689,137</u>

City of Corunna

Sewer System

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

Years Ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
OPERATING REVENUES		
Charges for services	\$ 356,580	\$ 383,844
Capital charges	237,566	245,313
Other	<u>-</u>	<u>2,540</u>
TOTAL OPERATING REVENUES	594,146	631,697
OPERATING EXPENSES		
Personnel services	99,626	68,655
Employee benefits	36,492	25,747
Other operating costs	490,462	304,108
Depreciation and amortization	<u>170,725</u>	<u>140,540</u>
TOTAL OPERATING EXPENSES	<u>797,305</u>	<u>539,050</u>
OPERATING INCOME (LOSS)	(203,159)	92,647
NONOPERATING REVENUES (EXPENSES)		
Interest revenue	1,810	75,415
Rent revenue	1,339	1,854
Construction grant - Federal	337,396	543,341
Interest expense and fees	<u>(73,310)</u>	<u>(64,793)</u>
TOTAL NONOPERATING (EXPENSES)	<u>267,235</u>	<u>555,817</u>
INCOME BEFORE TRANSFERS AND CONTRIBUTIONS	64,076	648,464
TRANSFERS AND CONTRIBUTIONS		
Capital contributions	-	166,386
Transfers in	<u>175,000</u>	<u>-</u>
TOTAL TRANSFERS AND CONTRIBUTIONS	<u>175,000</u>	<u>166,386</u>
CHANGE IN NET ASSETS	239,076	814,850
Net assets, beginning of year	<u>3,689,137</u>	<u>2,874,287</u>
Net assets, end of year	<u>\$ 3,928,213</u>	<u>\$ 3,689,137</u>

City of Corunna

Sewer System

COMPARATIVE STATEMENT OF CASH FLOWS

Years Ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income (loss)	\$ (203,159)	\$ 92,647
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation and amortization	170,725	140,540
Decrease (increase) in receivables	14,956	(20,491)
(Increase) decrease in prepaids	74,430	(74,430)
(Increase) decrease in due from other governmental units	374,291	(30,028)
Decrease in due from other funds	-	15,505
(Decrease) in accounts payable	(24,519)	(74,921)
Increase in accrued liabilities	109	269
Increase (decrease) in accrued interest payable	<u>(2,043)</u>	<u>13,644</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	404,790	62,735
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Rent earned	1,339	1,854
Transfers in	<u>175,000</u>	<u>-</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	176,339	1,854
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Interest expense	(73,310)	(64,793)
Construction grant - Federal	337,396	543,341
Capital contributions	-	166,386
Note proceeds	-	685,000
Capital purchases	(758,737)	(1,340,017)
Payments on borrowing	<u>(165,000)</u>	<u>(120,240)</u>
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(659,651)	(130,323)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest revenue	<u>1,810</u>	<u>75,415</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING YEAR	(76,712)	9,681
Cash and cash equivalents, beginning of year	<u>17,286</u>	<u>7,605</u>
Cash and cash equivalents, end of year	<u><u>\$ (59,426)</u></u>	<u><u>\$ 17,286</u></u>

City of Corunna

Component Unit Funds

COMBINING BALANCE SHEET - DOWNTOWN DEVELOPMENT AUTHORITY

June 30, 2008

	General Fund	Parking Fund	Joint Lot Fund	Parking Lot	Total
ASSETS					
Cash and cash equivalents	\$ 143,310	\$ 2,780	\$ 13,830	\$ 7,500	\$ 167,420
Cash and cash equivalents - restricted	4,320	-	-	-	4,320
Due from other governmental units	9,208	-	-	-	9,208
Contracts receivable	712,910	-	-	-	712,910
TOTAL ASSETS	\$ 869,748	\$ 2,780	\$ 13,830	\$ 7,500	\$ 893,858
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ 54	\$ -	\$ 54
Due to other governmental units - local	157,764	-	-	-	157,764
Deferred revenue	707,664	-	-	-	707,664
Rental deposits	4,320	-	-	-	4,320
TOTAL LIABILITIES	869,748	-0-	54	-0-	869,802
FUND BALANCES					
Unreserved					
Undesignated	-	2,780	13,776	7,500	24,056
TOTAL LIABILITIES AND FUND BALANCES	\$ 869,748	\$ 2,780	\$ 13,830	\$ 7,500	\$ 893,858

City of Corunna

Component Unit Funds

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

June 30, 2008

Total fund balances - governmental funds \$ 24,056

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	\$ 1,636,734	
Accumulated depreciation is	<u>(413,696)</u>	
Capital assets, net		1,223,038

Long-term assets are not available to pay for current period expenditures
and are therefore deferred in the funds. 707,664

Long-term liabilities are not due and payable in the current period
and therefore are not reported as liabilities in the funds. (580,374)

Net assets of governmental activities \$ 1,374,384

City of Corunna

Component Unit Funds

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

Year Ended June 30, 2008

	General Fund	Parking Fund	Joint Lot Fund	Parking Lot	Total
REVENUES					
Taxes	\$ 82,948	\$ -	\$ -	\$ -	\$ 82,948
Interest and rents	73,924	-	-	-	73,924
Intergovernmental					
Local	89,166	88,272	5,000	-	182,438
Reimbursements	1,500	-	-	-	1,500
Other	-	-	-	2,500	2,500
TOTAL REVENUES	247,538	88,272	5,000	2,500	343,310
EXPENDITURES					
Community and economic development					
Taxes	28,162	-	-	-	28,162
Employee benefits	2,025	-	-	-	2,025
Contracted services	5,672	-	-	-	5,672
Insurance	3,251	-	-	-	3,251
Supplies	6,509	-	-	-	6,509
Repairs and maintenance	57,764	-	-	-	57,764
Utilities	2,858	-	829	-	3,687
Miscellaneous	22,396	-	-	-	22,396
Debt service					
Principal	53,808	-	-	-	53,808
Other debt related payments	37,500	-	-	-	37,500
Interest and fiscal charges	11,977	-	-	-	11,977
Capital outlay	14,779	144,690	-	-	159,469
TOTAL EXPENDITURES	246,701	144,690	829	-0-	392,220
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	837	(56,418)	4,171	2,500	(48,910)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	59,198	5,000	5,000	69,198
Transfers out	(69,198)	-	-	-	(69,198)
TOTAL OTHER FINANCING SOURCES (USES)	(69,198)	59,198	5,000	5,000	-0-
NET CHANGE IN FUND BALANCES	(68,361)	2,780	9,171	7,500	(48,910)
Fund balances, beginning of year	68,361	-	4,605	-	72,966
Fund balances, end of year	\$ -0-	\$ 2,780	\$ 13,776	\$ 7,500	\$ 24,056

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, 2008

Net change in fund balances - total governmental funds **\$ (48,910)**

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)	\$ 131,740	
Net effect of disposal of capital asset	(20,000)	
Depreciation expense	<u>(99,680)</u>	
Excess of capital outlay over depreciation expense and other items		12,060

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 deferred revenue	(79,958)
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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	<u>91,308</u>
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Change in net assets of governmental activities **\$ (25,500)**

Principals

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



ABRAHAM & GAFFNEY, P.C.

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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, 2008, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 31, 2008. 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 (internal control).

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 entity'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 City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

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 might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 no material instances of noncompliance or other matters that would be required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to the City in a separate letter dated October 31, 2008.

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 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

October 31, 2008

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MANAGEMENT LETTER

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

As you know, we have recently completed our audit of the records of the City of Corunna, Michigan as of and for the year ended June 30, 2008. In connection with the audit, we feel that certain issues related to your accounting and administrative procedures should be considered to help improve the operational efficiency of the accounting and administrative functions. These suggestions are a result of our evaluation of the internal control structure and our discussions with management.

1. The City should prepare for implementation of GASB Statement No. 45.

The Governmental Accounting Standards Board has recently issued Statement No. 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 new employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the City of Corunna the year ended June 30, 2010. This issue was noted and reported in our prior year audit comments.

The City is subject to this new standard in that it pays for health care benefits for employees who retire under the City's pension plan.

We would like the Council to be aware of this upcoming change and also suggest that the City begin to discuss options for implementing this new standard. The Council has the option of contracting with an actuary to determine the total liability and required contribution amount or calculating the liability and required contribution amount using the alternate method described in GASB Statement No. 45. This alternate method is available to employers, such as the City of Corunna, with plans serving less than 100 participants.

2. Transfers between Major and Local Street Funds

Public Act 9 of 2004 allows an entity to transfer surplus Major Street system funds for the preservation of the Local Street system. This authorization will end December 31, 2008. Effective January 1, 2009, Major Street funds may not be transferred to Local Streets except to the extent matched by local revenues expended on the Major Street system of State Trunkline highways.

We suggest the City consider this when they plan for the budgeting process for 2009.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the financial statements, and this report does not affect our report on the financial statements dated October 31, 2008.

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

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

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

October 31, 2008