

**City of Corunna
Shiawassee County, Michigan**

FINANCIAL STATEMENTS

June 30, 2009

City of Corunna

Shiawassee County, Michigan

June 30, 2009

CITY COUNCIL AND ADMINISTRATION

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

City of Corunna

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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*

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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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Corunna as of and for the year ended June 30, 2009, 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Corunna as of June 30, 2009, 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 27, 2009 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 27, 2009

City of Corunna
Management's Discussion and Analysis

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, 2009. 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 \$13,753,643 (excluding component units).
- Governmental activities net assets were \$8,937,037.
- Business-type activity net assets were \$4,816,606.
- Component Unit net assets were \$1,311,413.

Fund Level:

- At the close of the fiscal year, the City's governmental funds reported a combined ending fund balance of \$2,126,976 with \$77,015 being reserved, designated, or otherwise earmarked for specific purposes.
- The General Fund realized \$7,641 more in revenues and other financing sources than anticipated for the fiscal year. General Fund operations expended \$79,354 less than appropriated.
- Overall, the General Fund balance increased by \$14,246 to \$448,478 - all undesignated and available for general purposes.
- Net Assets in the Sewer and Water funds ended the year at \$3,665,658 and \$1,146,803, respectively.

Capital and Long-term Debt Activities:

- The total long-term debt for the primary government was \$2,907,642 with a net decrease of \$508,961 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 \$610,350 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.

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.

City of Corunna Management's Discussion and Analysis

The Statement of Activities (page 2) presents information showing how the City's net assets changed during 2008/2009. All changes in net assets are reported based on the period for which the underlying events giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenue and expenses are reported in these statements for some items that will only result in cash flows in future financial periods, such as uncollected taxes and earned but unused employee annual leave.

Both statements report the following activities:

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

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

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

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

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

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

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

City of Corunna Management's Discussion and Analysis

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.

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.

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

As previously stated, City of Corunna's combined net assets were \$13,753,643 at the end of this fiscal year's operations. The net assets of the governmental activities were \$8,937,037; the business type activities were \$4,816,606.

Net Assets as of June 30, 2008 and 2009

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>
Current and Other Assets	\$ 2,719,866	\$ 2,765,128	\$ 599,766	\$ 174,687	\$ 3,319,632	\$ 2,939,815
Capital Assets	<u>7,350,752</u>	<u>7,607,990</u>	<u>6,411,580</u>	<u>6,270,153</u>	<u>13,762,332</u>	<u>13,878,143</u>
Total Assets	<u>\$10,070,618</u>	<u>\$10,373,118</u>	<u>\$ 7,011,346</u>	<u>\$ 6,444,840</u>	<u>\$17,081,964</u>	<u>\$16,817,958</u>
Current Liabilities	\$ 376,491	\$ 396,530	\$ 316,732	\$ 303,234	\$ 693,223	\$ 699,764
Noncurrent Liabilities	<u>1,316,459</u>	<u>1,039,551</u>	<u>1,564,452</u>	<u>1,325,000</u>	<u>2,880,911</u>	<u>2,364,551</u>
Total Liabilities	<u>\$ 1,692,950</u>	<u>\$ 1,436,081</u>	<u>\$ 1,881,184</u>	<u>\$ 1,628,234</u>	<u>\$ 3,574,134</u>	<u>\$ 3,064,315</u>
Net Assets						
Invested in Capital Assets (Net of related debt)	\$ 6,178,792	\$ 6,300,055	\$ 4,599,552	\$ 4,705,701	\$10,778,344	\$11,005,756
Restricted	1,297,590	1,242,369	66,125	70,938	1,363,715	1,313,307
Unrestricted	<u>901,286</u>	<u>1,394,613</u>	<u>464,485</u>	<u>39,967</u>	<u>1,365,771</u>	<u>1,434,580</u>
Total Net Assets	<u>\$ 8,377,668</u>	<u>\$ 8,937,037</u>	<u>\$ 5,130,162</u>	<u>\$ 4,816,606</u>	<u>\$13,507,830</u>	<u>\$13,753,643</u>

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 2009

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>
Revenues						
Program Revenues						
Charges for Services	\$ 687,495	\$ 724,835	\$ 1,184,967	\$ 1,062,821	\$ 1,872,462	\$ 1,787,656
Grants and Contributions	341,486	333,917	337,396	157,729	678,882	491,646
General Revenues						
Property Taxes	1,116,631	1,115,708	-	-	1,116,631	1,115,708
State Shared Revenue	352,470	357,319	-	-	352,470	357,319
Investment Earnings	85,193	56,836	3,359	2,406	88,552	59,242
Other	<u>(28,806)</u>	<u>170,442</u>	<u>121,539</u>	<u>(53,207)</u>	<u>92,733</u>	<u>117,235</u>
Total Revenues	2,554,469	2,759,057	1,647,261	1,169,749	4,201,730	3,928,806

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

Changes in Net Assets for the Fiscal Year Ending June 30, 2008 and 2009 - continued

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>
Expenses						
General Government\$	415,146	\$ 563,017	\$ -	\$ -	\$ 415,146	\$ 563,017
Public Safety	640,644	619,526	-	-	640,644	619,526
Public Works	774,800	533,916	-	-	774,800	533,916
Health and Welfare	41,884	41,073	-	-	41,884	41,073
Community and Economic Develop.	176,828	51,223	-	-	176,828	51,223
Recreation & Cultural	280,621	192,544	-	-	280,621	192,544
Other	182,862	198,389	1,363,249	1,483,305	1,546,111	1,681,694
Total Expenses	<u>2,512,785</u>	<u>2,199,688</u>	<u>1,363,249</u>	<u>1,483,305</u>	<u>3,876,034</u>	<u>3,682,993</u>
Increase (decrease) in net assets	41,684	559,369	284,012	(313,556)	325,696	245,813
Net Assets - Beginning	<u>8,335,984</u>	<u>8,377,668</u>	<u>4,846,150</u>	<u>5,130,162</u>	<u>13,182,134</u>	<u>13,507,830</u>
Net Assets - Ending	<u>\$ 8,377,668</u>	<u>\$ 8,937,037</u>	<u>\$ 5,130,162</u>	<u>\$ 4,816,606</u>	<u>\$13,507,830</u>	<u>\$13,753,643</u>

Governmental Activities:

The result of 2008/2009 governmental activity was a net increase of \$559,369 in net assets to \$8,937,037. Of the total governmental activities' net assets, \$6,300,055 is invested in capital assets less related debt, \$1,242,369 is reported as restricted, meaning these assets are legally committed for a specific purpose through statute, or by another authority outside the City government. The balance of \$1,394,613 is listed as unrestricted, having no legal commitment.

Revenues:

The three largest revenue categories were state shared revenue at 13%, property taxes at 40%, and charges for services at 26%. The City levied three (3) property tax millages for the year ended June 30, 2009, one being for general government operations at 13.3044 mills, which is not assigned to any particular activity, one for City Public Improvements at 4.8342 mills, and one for transportation of .25 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 Safety is the largest governmental activity, expending approximately 28% of the governmental activities total. General Government is the second largest area, expending approximately 26% of the governmental activities total.

Business-type Activities:

Net assets in business-type activities decreased by \$313,556 during 2008/2009. Of the business-type activities' net assets, \$4,705,701 is invested in capital assets less related debt, \$70,938 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 \$39,967 is listed as unrestricted, having no legal commitment.

City of Corunna
Management's Discussion and Analysis

FINANCIAL ANALYSIS OF THE CITY'S MAJOR AND NONMAJOR FUNDS

As the City completed 2008/2009, its governmental funds reported *combined* fund balances of \$2,126,976. This is a net increase of \$155,597. The net changes are summarized in the following chart:

	General Fund	Economic Development	City Improvement	Industrial Development	DDA Custodial	Nonmajor Governmental Funds
Fund Balance 06/30/08	\$ 434,232	\$ 32,455	\$ 56,980	\$ 660,550	\$ 150,000	\$ 637,162
Fund Balance 06/30/09	\$ 448,478	\$ 60,363	\$ 77,117	\$ 683,010	\$ 150,000	\$ 708,008
Net Change	\$ 14,246	\$ 27,908	\$ 20,137	\$ 22,460	\$ -0-	\$ 70,846

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, 2009, the General Fund reported a fund balance of \$448,478. This amount is an increase of \$14,246 from the fund balance of \$434,232 reported as of June 30, 2008. The 2008/2009 original budget called for a \$74,074 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 revenues and other financing sources totaled \$1,637,606, \$7,641 above the final amended budget.

The City's expenditure budget was decreased by \$45,726 (2.6% change from the original budget) during 2008/2009.

Actual City operational expenditures for 2008/2009 were \$1,383,272 (5.4%) under budget. This is due to several reasons including:

- \$10,982 less than planned expenditures in the Fire Department.
- \$10,721 less in the Public Works Department.
- \$12,972 less than planned expenditures in the other Public Safety activities.
- \$40,935 less in the City Manager, Clerk/Treasurer, Internal Services, Assessor and related departments.

Economic Development Fund:

As of June 30, 2009, the Economic Development Fund reported a fund balance of \$60,363, an increase of \$27,908 from the prior year. The total fund balance is unreserved/undesignated.

City Improvement Fund:

As of June 30, 2009, the City Improvement Fund reported a fund balance \$77,177, which is an increase of \$20,137 from the prior year. The total fund balance is unreserved/undesignated.

Industrial Development Fund:

As of June 30, 2009, the Industrial Development Fund reported a fund balance of \$683,010, which is an increase of \$22,460 from the prior year. The total fund balance is unreserved/undesignated.

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

DDA Custodial Fund:

As of June 30, 2009, 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 2008/2009, the City had invested \$13,878,143, and \$1,116,891 for the component unit, net of accumulated depreciation, in a broad range of capital assets (see table below). Accumulated depreciation was \$8,790,240 for the primary government. Depreciation charges for the fiscal year totaled \$636,417 for the primary government and \$106,147 for the component unit. Additional information related to capital assets is detailed in Note G of the Financial Statements. Net Book value of capital assets at June 30, 2009 was as follows:

	Governmental Activities	Business-type Activities	Component Unit - DDA	Total
Land	\$ 279,000	\$ 127	\$ -	\$ 279,127
Buildings, net	1,055,052	-	402,750	1,457,802
Vehicles and equipment, net	681,396	12,643	-	694,039
Construction in progress	79,929	9,750	-	89,679
Infrastructure, net	5,512,613	-	-	5,512,613
Sewer system, net	-	5,040,092	-	5,040,092
Water system, net	-	1,207,541	-	1,207,541
Improvements, net	-	-	714,141	714,141
Capital assets, net	\$ 7,607,990	\$ 6,270,153	\$ 1,116,891	\$ 14,995,034

Long-term Debt - As of June 30, 2009, the City had \$2,872,389 in debt outstanding for the primary government. This level of net obligation is \$544,216 less than the obligation recorded as of June 30, 2008.

Outstanding Debt as of June 30, 2009:

	<u>July 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2009</u>
Primary Government				
Governmental Activities				
General Obligation Bonds	\$ 810,000	\$ -	\$ 130,000	\$ 680,000
Transportation Bonds	95,000	-	15,000	80,000
Installment Purchases	266,960	-	76,525	190,435
MEDC Loan	390,000	-	32,500	357,500
Compensated absences	42,615	45,891	53,251	35,255
Business-type Activities				
General Obligation Bonds	1,280,000	-	175,000	1,105,000
Improvement Bonds	490,000	-	45,000	445,000
Installment Purchase	42,028	-	27,576	14,452
Total Primary Government	3,416,603	45,891	554,852	2,907,642
Component Unit				
Installment Loan	130,374	-	38,024	92,350
Land Contract Payable	60,000	-	31,000	29,000
Total Reporting Entity	\$ 3,606,977	\$ 45,891	\$ 623,876	\$ 3,028,992

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

City of Corunna
Management's Discussion and Analysis

CITY OF CORUNNA GOVERNMENT ECONOMIC OUTLOOK:

- State revenue sharing has remained stagnant for the past four years, after having received substantial reductions years previous. Restoration of these funds does not appear likely due to state budget problems and additional cuts are anticipated in the current and future years.
- Property tax revenue is flat. Growth from new real and personal tax base remains low. Inflationary increases to Taxable Values are being offset by reductions in State Equalize Value as a result of decreases in property values.
- 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 continue increasing due to market factors and funding of retiree health obligations.
- Utility and fuel costs continue rising faster than the rate of inflation.

These factors were considered in adopting the Budget for 2009/2010. Expenditure reductions have been implemented to offset revenue losses and rising costs. A usage of \$25,500 of the City's fund balance was included for the purpose of funding the final installment purchase option on a property purchase as committed to several years previous. No usage of fund balance was allocated for purpose of meeting operational needs in an effort to preserve fund equity during these uncertain times. 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 while 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, 2009

	Primary Government			Component Unit (DDA)
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 1,169,749	\$ (76,605)	\$ 1,093,144	\$ 66,022
Investments	158,610	-	158,610	-
Receivables	140,012	99,844	239,856	86,170
Due from other governmental units	276,605	87,356	363,961	-
Total current assets	1,744,976	110,595	1,855,571	152,192
Noncurrent assets				
Cash and cash equivalents - restricted	-	-	-	4,320
Investments	575,000	50,000	625,000	125,000
Treatment rights, net	-	14,092	14,092	-
Due from other governmental units	320,000	-	320,000	-
Noncurrent portion of contracts receivable	125,152	-	125,152	546,248
Capital assets not being depreciated	358,929	9,877	368,806	-
Capital assets being depreciated, net	7,249,061	6,260,276	13,509,337	1,116,891
Total noncurrent assets	8,628,142	6,334,245	14,962,387	1,792,459
TOTAL ASSETS	10,373,118	6,444,840	16,817,958	1,944,651
LIABILITIES				
Current liabilities				
Accounts payable	41,896	40,489	82,385	69
Other accrued liabilities	41,254	1,167	42,421	-
Accrued interest payable	9,741	22,126	31,867	-
Due to other governmental units	-	-	-0-	187,499
Rental deposits	-	-	-0-	4,320
Current portion of compensated absences	28,204	-	28,204	-
Current portion of long-term debt	275,435	239,452	514,887	57,059
Total current liabilities	396,530	303,234	699,764	248,947
Noncurrent liabilities				
Due to other governmental units	-	-	-0-	320,000
Noncurrent portion of compensated absences	7,051	-	7,051	-
Noncurrent portion of long-term debt	1,032,500	1,325,000	2,357,500	64,291
Total noncurrent liabilities	1,039,551	1,325,000	2,364,551	384,291
TOTAL LIABILITIES	1,436,081	1,628,234	3,064,315	633,238
NET ASSETS				
invested in capital assets, net of related debt	6,300,055	4,705,701	11,005,756	995,541
Restricted for				
Debt service	-	70,938	70,938	-
Other purposes	1,242,369	-	1,242,369	-
Unrestricted	1,394,613	39,967	1,434,580	315,872
TOTAL NET ASSETS	\$ 8,937,037	\$ 4,816,606	\$ 13,753,643	\$ 1,311,413

See accompanying notes to financial statements.

City of Corunna

STATEMENT OF ACTIVITIES

Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental activities								
General government	\$ 563,017	\$ 188,203	\$ -	\$ -	\$ (374,814)	\$ -	\$ (374,814)	\$ -
Public safety	619,526	168,631	2,734	36,400	(409,761)	-	(409,761)	-
Public works	533,916	160,414	246,070	2,574	(124,858)	-	(124,858)	-
Health and welfare	41,073	25,765	-	-	(15,308)	-	(15,308)	-
Community and economic development	51,223	55,411	-	-	4,188	-	4,188	-
Recreation and cultural	192,544	126,411	7,062	37,077	(21,994)	-	(21,994)	-
Other	146,311	-	-	-	(146,311)	-	(146,311)	-
Interest and fees on long-term debt	52,078	-	-	-	(52,078)	-	(52,078)	-
Total governmental activities	2,199,688	724,835	255,866	78,051	(1,140,936)	-0-	(1,140,936)	-0-
Business-type activities								
Sewer system	941,619	457,565	-	157,729	-	(326,325)	(326,325)	-
Water system	483,597	551,091	-	-	-	67,494	67,494	-
Rubbish collection	58,089	54,165	-	-	-	(3,924)	(3,924)	-
Total business-type activities	1,483,305	1,062,821	-0-	157,729	-0-	(262,755)	(262,755)	-0-
Total primary government	\$3,682,993	\$ 1,787,656	\$ 255,866	\$ 235,780	(1,140,936)	(262,755)	(1,403,691)	-0-
Component unit								
Downtown development authority (DDA)	\$ 220,170	\$ 63,803	\$ -0-	\$ -0-	-0-	-0-	-0-	(156,367)
General revenues								
Property taxes					1,115,708	-	1,115,708	84,955
State shared revenue					357,319	-	357,319	-
Investment earnings					56,836	2,406	59,242	709
Rental revenue					15,083	-	15,083	-
Miscellaneous					88,359	13,793	102,152	7,732
Transfers					67,000	(67,000)	-0-	-
Total general revenues and transfers					1,700,305	(50,801)	1,649,504	93,396
Change in net assets					559,369	(313,556)	245,813	(62,971)
Net assets, beginning of the year					8,377,668	5,130,162	13,507,830	1,374,384
Net assets, end of the year					\$ 8,937,037	\$ 4,816,606	\$ 13,753,643	\$ 1,311,413

See accompanying notes to financial statements.

City of Corunna

GOVERNMENTAL FUNDS BALANCE SHEET

June 30, 2009

	General	Economic Development	City Improvement
ASSETS			
Cash and cash equivalents	\$ 219,685	\$ 35,363	\$ 78,942
Investments	250,000	25,000	-
Accounts receivable	3,435	-	-
Contracts receivable	-	221,593	-
Special assessment receivable	9,173	-	30,810
Due from other funds	-	-	-
Due from other governmental units			
State	-	-	-
Local	10,425	-	-
	<u>492,718</u>	<u>281,956</u>	<u>109,752</u>
TOTAL ASSETS	\$ 492,718	\$ 281,956	\$ 109,752
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 19,035	\$ -	\$ 1,825
Other accrued liabilities	16,032	-	-
Deferred revenue	9,173	221,593	30,810
	<u>44,240</u>	<u>221,593</u>	<u>32,635</u>
TOTAL LIABILITIES	44,240	221,593	32,635
FUND BALANCES			
Reserved for			
Perpetual care	-	-	-
Debt service	-	-	-
Unreserved			
Undesignated, reported in			
General fund	448,478	-	-
Special revenue funds	-	60,363	77,117
Capital projects	-	-	-
	<u>448,478</u>	<u>60,363</u>	<u>77,117</u>
TOTAL FUND BALANCES	448,478	60,363	77,117
TOTAL LIABILITIES AND FUND BALANCES	\$ 492,718	\$ 281,956	\$ 109,752

See accompanying notes to financial statements.

DDA Custodial	Industrial Development	Nonmajor Governmental Funds	Total
\$ 1	\$ 183,026	\$ 615,195	\$ 1,132,212
-	400,000	58,610	733,610
-	-	153	3,588
-	-	-	221,593
-	-	-	39,983
-	100,000	-	100,000
-	-	34,987	34,987
507,499	-	43,694	561,618
<u>\$ 507,500</u>	<u>\$ 683,026</u>	<u>\$ 752,639</u>	<u>\$ 2,827,591</u>
\$ -	\$ 16	\$ 19,450	\$ 40,326
-	-	25,181	41,213
357,500	-	-	619,076
357,500	16	44,631	700,615
-	-	71,700	71,700
-	-	5,315	5,315
-	-	-	448,478
150,000	-	410,838	698,318
-	683,010	220,155	903,165
150,000	683,010	708,008	2,126,976
<u>\$ 507,500</u>	<u>\$ 683,026</u>	<u>\$ 752,639</u>	<u>\$ 2,827,591</u>

City of Corunna

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

June 30, 2009

Total fund balances - governmental funds **\$ 2,126,976**

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	\$ 12,949,565	
Accumulated depreciation is	<u>(5,341,575)</u>	
Capital assets, net		7,607,990

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	253,231	
Net capital assets of Internal Service Funds included in total capital assets above	<u>(317,305)</u>	
		(64,074)

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

Deferred revenue		619,076
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds Balance Sheet. Long-term liabilities at year-end consist of:

Bonds, loans, and leases payable	1,307,935	
Accrued interest payable	9,741	
Compensated absences	<u>35,255</u>	
		<u>(1,362,931)</u>

Net assets of governmental activities **\$ 8,937,037**

See accompanying notes to financial statements.

City of Corunna

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2009

	General	Economic Development	City Improvement
REVENUES			
Taxes	\$ 849,121	\$ -	\$ 303,824
Licenses and permits	25,943	-	-
Intergovernmental	358,390	-	-
Charges for services	272,596	-	-
Fines and forfeits	12,537	-	-
Interest and rents	45,076	1,360	8,344
Other	73,943	46,582	51,828
TOTAL REVENUES	1,637,606	47,942	363,996
EXPENDITURES			
Current			
General government	467,492	-	-
Public safety	455,485	-	-
Public works	319,673	-	-
Health and welfare	-	-	-
Community and economic development	425	20,034	30,764
Recreation and cultural	-	-	-
Other	140,197	-	-
Debt service	-	-	-
Capital outlay	-	-	-
TOTAL EXPENDITURES	1,383,272	20,034	30,764
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	254,334	27,908	333,232
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	(240,088)	-	(313,095)
TOTAL OTHER FINANCING SOURCES (USES)	(240,088)	-0-	(313,095)
NET CHANGE IN FUND BALANCES	14,246	27,908	20,137
Fund balances, beginning of year	434,232	32,455	56,980
Fund balances, end of year	<u>\$ 448,478</u>	<u>\$ 60,363</u>	<u>\$ 77,117</u>

See accompanying notes to financial statements.

DDA Custodial	Industrial Development	Nonmajor Governmental Funds	Total
\$ -	\$ -	\$ -	\$ 1,152,945
-	-	16,604	42,547
32,500	-	287,219	678,109
-	-	221,551	494,147
-	-	-	12,537
-	22,255	28,565	105,600
-	-	68,636	240,989
<u>32,500</u>	<u>22,255</u>	<u>622,575</u>	<u>2,726,874</u>
-	-	88,753	556,245
-	-	145,595	601,080
-	9,795	209,131	538,599
-	-	41,073	41,073
-	-	-	51,223
-	-	216,030	216,030
-	-	13,474	153,671
32,500	38,152	238,348	309,000
-	-	185,367	185,367
<u>32,500</u>	<u>47,947</u>	<u>1,137,771</u>	<u>2,652,288</u>
-0-	(25,692)	(515,196)	74,586
-	48,152	752,805	800,957
-	-	(166,763)	(719,946)
<u>-0-</u>	<u>48,152</u>	<u>586,042</u>	<u>81,011</u>
-0-	22,460	70,846	155,597
<u>150,000</u>	<u>660,550</u>	<u>637,162</u>	<u>1,971,379</u>
<u>\$ 150,000</u>	<u>\$ 683,010</u>	<u>\$ 708,008</u>	<u>\$ 2,126,976</u>

City of Corunna

RECONCILIATION OF THE CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2009

Net change in fund balances - total governmental funds **\$ 155,597**

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	\$ 576,464	
Depreciation expense	<u>(337,626)</u>	
Excess of capital outlay over depreciation expense		238,838

Some items reported in the statement of activities are not available to finance expenditures of the fiscal period and therefore are not reported as revenues in the governmental funds. These activities consist of:

Capital contribution		18,400
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Internal service funds are used by management to charge the costs of certain activities to individual funds.

Increase in Net Assets of Internal Service Funds	108,271	
Capital outlay of Internal Service Funds included in the total above	(213,421)	
Depreciation expense of Internal Service Funds included in the total above	<u>40,619</u>	(64,531)

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		254,025
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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	2,897	
Decrease in accrued compensated absences	7,360	
Decrease in deferred revenue	<u>(53,217)</u>	<u>(42,960)</u>

Change in net assets of governmental activities **\$ 559,369**

See accompanying notes to financial statements.

City of Corunna

Proprietary Funds

STATEMENT OF NET ASSETS

June 30, 2009

	Sewer System	Water System	Nonmajor (Rubbish Collection)
ASSETS			
Current assets			
Cash and cash equivalents	\$ (49,295)	\$ (29,669)	\$ 2,359
Accounts receivable	48,491	44,719	6,634
Due from other governmental units	73,590	13,766	-
Total current assets	72,786	28,816	8,993
Noncurrent assets			
Investments	25,000	25,000	-
Treatment rights, net	14,092	-	-
Capital assets not being depreciated	1	9,876	-
Capital assets being depreciated, net	5,042,340	1,217,936	-
Total noncurrent assets	5,081,433	1,252,812	-0-
TOTAL ASSETS	5,154,219	1,281,628	8,993
LIABILITIES			
Current liabilities			
Accounts payable	17,114	18,527	4,848
Accrued interest payable	20,951	1,175	-
Other accrued liabilities	496	671	-
Due to other funds	-	-	-
Current portion of long-term debt	175,000	64,452	-
Total current liabilities	213,561	84,825	4,848
Noncurrent liabilities			
Noncurrent portion of long-term debt	1,275,000	50,000	-
TOTAL LIABILITIES	1,488,561	134,825	4,848
NET ASSETS			
Invested in capital assets, net of related debt	3,592,341	1,113,360	-
Restricted for			
Debt service	70,938	-	-
Unrestricted	2,379	33,443	4,145
TOTAL NET ASSETS	\$ 3,665,658	\$ 1,146,803	\$ 4,145

See accompanying notes to financial statements.

Business- Type Activities	Governmental Activities Internal Service Funds
Total	
\$ (76,605)	\$ 37,537
99,844	-
87,356	-
110,595	37,537
50,000	-
14,092	-
9,877	-
6,260,276	317,305
6,334,245	317,305
6,444,840	354,842
40,489	1,570
22,126	-
1,167	41
-0-	100,000
239,452	-
303,234	101,611
1,325,000	-
1,628,234	101,611
4,705,701	317,305
70,938	-
39,967	(64,074)
<u>\$ 4,816,606</u>	<u>\$ 253,231</u>

City of Corunna

Proprietary Funds

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

Year Ended June 30, 2009

	Sewer System	Water System	Nonmajor (Rubbish Collection)
OPERATING REVENUES			
Charges for services	\$ 230,110	\$ 315,005	\$ 54,165
Capital charges	227,455	224,671	-
Meter charges	-	11,415	-
Other	27	13,766	-
TOTAL OPERATING REVENUES	457,592	564,857	54,165
OPERATING EXPENSES			
Personnel services	115,715	137,204	-
Employee benefits	12,153	16,082	-
Other operating costs	513,204	252,447	58,089
Depreciation and amortization	233,956	66,933	-
TOTAL OPERATING EXPENSES	875,028	472,666	58,089
OPERATING INCOME (LOSS)	(417,436)	92,191	(3,924)
NONOPERATING REVENUES (EXPENSES)			
Interest expense and fees	(66,591)	(10,931)	-
Construction grant - Federal	157,729	-	-
Interest earned	1,243	1,163	-
Proceeds from sale of asset	-	-	-
TOTAL NONOPERATING (EXPENSES)	92,381	(9,768)	-0-
INCOME (LOSS) BEFORE TRANSFERS	(325,055)	82,423	(3,924)
TRANSFERS			
Transfer in	62,500	-	2,500
Transfer out	-	(132,000)	-
TOTAL TRANSFERS	62,500	(132,000)	2,500
CHANGE IN NET ASSETS	(262,555)	(49,577)	(1,424)
Net assets, beginning of year	3,928,213	1,196,380	5,569
Net assets, end of year	\$ 3,665,658	\$ 1,146,803	\$ 4,145

See accompanying notes to financial statements.

Business- Type Activities	Governmental Activities Internal Service Funds
Total	
\$ 599,280	\$ 368,811
452,126	-
11,415	-
13,793	-
<u>1,076,614</u>	<u>368,811</u>
252,919	33,307
28,235	117,751
823,740	61,682
300,889	40,619
<u>1,405,783</u>	<u>253,359</u>
(329,169)	115,452
(77,522)	-
157,729	-
2,406	-
-0-	6,830
<u>82,613</u>	<u>6,830</u>
(246,556)	122,282
65,000	-
<u>(132,000)</u>	<u>(14,011)</u>
<u>(67,000)</u>	<u>(14,011)</u>
(313,556)	108,271
<u>5,130,162</u>	<u>144,960</u>
<u>\$ 4,816,606</u>	<u>\$ 253,231</u>

City of Corunna

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended June 30, 2009

	Sewer System	Water System	Nonmajor (Rubbish Collection)
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers and grants	\$ 675,806	\$ 588,556	\$ 55,040
Cash paid to suppliers	(515,111)	(250,726)	(62,470)
Cash paid for employee benefits	(12,035)	(17,007)	-
Cash paid to employees	(115,715)	(137,204)	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	32,945	183,619	(7,430)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in	62,500	-	2,500
Transfers out	-	(132,000)	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	62,500	(132,000)	2,500
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital purchases	(7,695)	(149,669)	-
Construction grant - Federal	157,729	-	-
Interest expense and fees	(66,591)	(10,931)	-
Proceeds from sale of assets	-	-	-
Payments on borrowings	(170,000)	(77,576)	-
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(86,557)	(238,176)	-0-
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest earned	1,243	1,163	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	10,131	(185,394)	(4,930)
Cash and cash equivalents, beginning of year	(59,426)	155,725	7,289
Cash and cash equivalents, end of year	<u>\$ (49,295)</u>	<u>\$ (29,669)</u>	<u>\$ 2,359</u>

See accompanying notes to financial statements.

Business- Type Activities	Governmental Activities
Total	Internal Service Funds
\$ 1,319,402	\$ 468,811
(828,307)	(64,852)
(29,042)	(117,969)
<u>(252,919)</u>	<u>(33,307)</u>
209,134	252,683
65,000	-
<u>(132,000)</u>	<u>(14,011)</u>
(67,000)	(14,011)
(157,364)	(213,421)
157,729	-
(77,522)	-
-0-	6,830
<u>(247,576)</u>	<u>-</u>
(324,733)	(206,591)
2,406	-
(180,193)	32,081
<u>103,588</u>	<u>5,456</u>
<u>\$ (76,605)</u>	<u>\$ 37,537</u>

City of Corunna

Proprietary Funds

STATEMENT OF CASH FLOWS - CONTINUED

Year Ended June 30, 2009

	Sewer System	Water System	Nonmajor (Rubbish Collection)
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ (417,436)	\$ 92,191	\$ (3,924)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation and amortization	233,956	66,933	-
Decrease in accounts receivable	152,545	37,465	875
Decrease (increase) in due from other governmental units	65,669	(13,766)	-
Increase (decrease) in accounts payable	217	2,493	(4,381)
Increase (decrease) in accrued liabilities	118	(925)	-
Increase in due to other funds	-	-	-
(Decrease) in accrued interest payable	(2,124)	(772)	-
 NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	 <u>\$ 32,945</u>	 <u>\$ 183,619</u>	 <u>\$ (7,430)</u>

Business- Type Activities	Governmental Activities
Total	Internal Service Funds
\$ (329,169)	\$ 115,452
300,889	40,619
190,885	-
51,903	-
(1,671)	(3,170)
(807)	(218)
-0-	100,000
<u>(2,896)</u>	<u>-</u>
<u>\$ 209,134</u>	<u>\$ 252,683</u>

City of Corunna

Fiduciary Funds

STATEMENT OF ASSETS AND LIABILITIES

June 30, 2009

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 54,049
Investments	<u>13,921</u>
TOTAL ASSETS	<u>\$ 67,970</u>
LIABILITIES	
Due to individuals and agencies	<u>\$ 67,970</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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 (GASB) 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 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, 2009

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, 2008 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, 2009.

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 \$41,525 in per dwelling charges to Corunna Area Ambulance Service, Inc. for the year ended June 30, 2009.

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, 2009

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 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.
- e. 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.
- 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.

Additionally, the City reports internal service funds to account for the management of retirees' benefits and motor vehicles pool services provided to other departments on a cost reimbursement basis.

The City also reports agency funds to account for assets held by the City as the trustee or as the agent for others. Agency Funds are, by nature, custodial; therefore, operation results are not measured.

7. Measurement Focus

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

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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

8. Basis of Accounting

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from 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

The General and Special Revenue Fund budgets shown as required supplementary information were prepared on the same modified accrual basis used to reflect actual results. This basis is consistent with accounting principles generally accepted in the United States of America. The City employs the following procedures in establishing the budgetary data reflected in the financial statements.

- a. On the council meeting nearest but no later than the third Monday in May, the City Manager submits to City Council the proposed operating budgets for the fiscal year commencing the following July 1. The operating budgets include proposed expenditures and resources to finance them.
- b. A Public Hearing is conducted to obtain taxpayers' comments.
- c. Prior to July 1, the budget is legally adopted with passage by Council vote.
- d. The budget is legally adopted at the activity level for the General Fund and total expenditure level for the Special Revenue Funds; however, they are maintained at the account level for control purposes.
- e. The City does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds. Appropriations unused at June 30 are not carried forward to the following fiscal year.

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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

9. Budgets and Budgetary Accounting - continued

f. Budgeted amounts are reported as originally adopted or amended by the City Council during the year. Individual amendments were appropriately approved by the City Council as required.

10. Cash and Cash Equivalents

The City pools cash resources of various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balances in the pooled cash accounts are available to meet current operating requirements. Cash and cash equivalents consist of checking, savings, and uncategorized pooled investment accounts with a maturity from date of purchase of 90 days or less. The cash equivalents are recorded at market value.

11. Restricted Cash

Restricted cash for the component unit is related to rental deposits being held.

12. Investments

Investments consist 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, up to an additional 5 mills (\$5 per \$1,000 of taxable valuation) for City Public Improvements, and up to an additional .25 mills (.25 per \$1,000 of taxable valuation) for transportation. For the year ended June 30, 2009, the City levied 13.3044 mills per \$1,000 of assessed valuation for general governmental services, 4.8342 mills for City Public Improvements and .25 mills for transportation. The total Taxable Value for the 2008 levy for property within the City was \$61,698,382.

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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 funds record charges for services 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, 2009 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 and additions, vehicles and equipment, water and sewer systems, and infrastructure 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 additions	20 - 40 years
Vehicles and equipment	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 DDA Custodial Fund and the Downtown Development Authority (component unit) consist of amounts related to a long-term lease receivable for future periods. None of these amounts are deferred in the government-wide financial statements.

City of Corunna

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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. The City's balance sheet reflects cash in various funds with negative balances. These amounts do not represent an actual bank overdraft; rather, it merely reflects that certain funds have disbursed amounts from the City's common checking account in excess of the amount recorded as an asset. In total, the bank account has a positive balance.

Cash disbursed in excess of amounts recorded as assets as of June 30, 2009, are as follows:

<u>Fund</u>	<u>Pooled Cash Overdraft</u>	<u>Nonpooled Cash and Cash Equivalents</u>	<u>Financial Statements</u>
Major proprietary funds			
Water System	\$(29,669)	\$ -	\$(29,669)
Sewer System	(64,640)	15,345	(49,295)
Nonmajor governmental funds			
Special revenue funds			
Fire Operations	(8,048)	-	(8,048)
1996 G.O. Limited Tax Bonds	<u>(3,999)</u>	<u>4,730</u>	<u>731</u>
	<u>\$(106,356)</u>	<u>\$ 20,075</u>	<u>\$(86,281)</u>

City of Corunna

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE C: CASH, CASH EQUIVALENTS, AND INVESTMENTS

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

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 where appropriate.

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.

The United States Congress has temporarily increased Federal Deposit Insurance Corporation (FDIC) deposit insurance from \$100,000 to \$250,000 per depositor through December 31, 2013. FDIC regulations provide that deposits of governmental units are to be separately insured for the amount of \$250,000 for deposits in an insured bank for interest-bearing savings deposits and \$250,000 for interest-bearing demand deposits. FDIC insurance coverage through its Transaction Account Insurance Program provides unlimited insurance on non-interest bearing transaction accounts and low-interest bearing (i.e., no higher than 0.50 percent) NOW accounts, this program is scheduled to end December 31, 2009. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$250,000. For the purpose of these rules, the term "savings deposits" includes NOW accounts, money market deposit accounts, and other interest-bearing checking accounts.

Deposits

As of June 30, 2009, the carrying amounts and bank balances for each type of bank account are as follows:

City of Corunna

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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

Deposits - continued

<u>Account Type</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
PRIMARY GOVERNMENT		
Checking and savings	\$ 969,764	\$ 987,509
Certificates of deposit	<u>783,610</u>	<u>783,610</u>
Total Primary Government	1,753,374	1,771,119
COMPONENT UNITS		
Regular checking	70,342	70,342
Certificates of deposit	<u>125,000</u>	<u>125,000</u>
Total Component Units	195,342	195,342
FIDUCIARY FUNDS		
Checking and savings	54,049	53,851
Certificates of deposit	<u>13,921</u>	<u>13,921</u>
Total Fiduciary Funds	<u>67,970</u>	<u>67,772</u>
TOTAL REPORTING ENTITY	<u>\$ 2,016,686</u>	<u>\$ 2,034,233</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, 2009, the City accounts were insured by the FDIC for \$1,309,645, and the amount of \$724,588 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, 2009, 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>\$ 123,380</u>	<u>\$ 123,380</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, 2009, the MBIA - Michigan Class investment is rated AAAV1 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:

City of Corunna

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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

Interest rate risk - continued

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

Concentration of credit risk

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

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

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the combined balance sheet, based upon criteria disclosed in Note A. The following summarizes the categorization of these amounts as of June 30, 2009:

	<u>Primary Government</u>	<u>Component Unit</u>	<u>Fiduciary Funds</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$ 1,093,144	\$ 66,022	\$ 54,049	\$ 1,213,215
Cash and cash equivalents - restricted	-	4,320	-	4,320
Investments - current	158,610	-	13,921	172,531
Investments - noncurrent	<u>625,000</u>	<u>125,000</u>	<u>-</u>	<u>750,000</u>
	<u>\$ 1,876,754</u>	<u>\$ 195,342</u>	<u>\$ 67,970</u>	<u>\$ 2,140,066</u>

NOTE D: INTERFUND RECEIVABLES AND PAYABLES

The following schedule details interfund receivables and payables related to the primary government at June 30, 2009:

Due to Industrial Development Fund from:	
Internal service funds	<u>\$ 100,000</u>

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

NOTE E: INTERFUND TRANSFERS

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

City of Corunna

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE E: INTERFUND TRANSFERS - CONTINUED

Transfers to Industrial Development Fund from:	
General Fund	<u>\$ 48,152</u>
Transfers to Sewer System Fund from:	
City Improvement Fund	<u>\$ 62,500</u>
Transfers to nonmajor business-type funds from:	
General Fund	<u>\$ 2,500</u>
Transfers to nonmajor governmental funds from:	
General Fund	\$ 189,436
City Improvement Fund	250,595
Water System Fund	132,000
Internal service funds	14,011
Nonmajor governmental funds	<u>166,763</u>
	<u>\$ 752,805</u>

The transfers made during the year to various funds were for the purposes of funding specific projects within certain funds or to cover operational costs reflected in a particular fund.

NOTE F: 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>
2010	\$ 96,441	\$ 9,726	\$ 99,128
2011	24,546	7,854	32,400
2012	<u>100,606</u>	<u>748</u>	<u>101,354</u>
	<u>\$ 221,593</u>	<u>\$ 18,328</u>	<u>\$ 232,882</u>

One of the loans receivable included in the above schedule was in default as of June 30, 2009. The entire outstanding principal related to this loan was included in the year ending June 30, 2010. No interest was included for this loan because of the uncertainty of that amount and the collectability of amounts outstanding at year end.

Component Unit

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 not current at June 30, 2009 is reported as deferred revenue. The following is a summary of the future annual revenue (i.e. deferred):

City of Corunna

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE F: LONG-TERM CONTRACTS RECEIVABLE - CONTINUED

Component Unit - continued

Years Ending June 30, _	<u>Total</u>
2010	\$ 80,958
2011	81,458
2012	81,958
2013	82,458
2014	82,958
2015-2017	<u>217,416</u>
	<u>\$ 627,206</u>

There is an additional \$5,212 in other contracts receivable in the DDA Fund for a total of \$632,418.

NOTE G: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009 was as follows:

Primary Government

	<u>Balance July 1, 2008</u>	<u>Additions/ Reclassifications</u>	<u>Additions/ Reclassifications</u>	<u>Balance June 30, 2009</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 279,000	\$ -	\$ -	\$ 279,000
Construction in progress	<u>197,891</u>	<u>197,803</u>	<u>(315,765)</u>	<u>79,929</u>
Subtotal	476,891	197,803	(315,765)	358,929
Capital assets being depreciated				
Buildings and additions	2,860,550	234,707	-	3,095,257
Vehicles and equipment	1,950,951	254,976	(61,878)	2,144,049
Infrastructure	<u>7,128,187</u>	<u>223,143</u>	<u>-</u>	<u>7,351,330</u>
Subtotal	11,939,688	712,826	(61,878)	12,590,636
Less accumulated depreciation for				
Buildings and additions	(1,987,970)	(52,235)	-	(2,040,205)
Vehicles and equipment	(1,419,038)	(105,493)	61,878	(1,462,653)
Infrastructure	<u>(1,658,819)</u>	<u>(179,898)</u>	<u>-</u>	<u>(1,838,717)</u>
Subtotal	<u>(5,065,827)</u>	<u>(337,626)</u>	<u>61,878</u>	<u>(5,341,575)</u>
Net capital assets being depreciated	<u>6,873,861</u>	<u>375,200</u>	<u>-0-</u>	<u>7,249,061</u>
Capital assets, net	<u>\$ 7,350,752</u>	<u>\$ 573,003</u>	<u>\$(315,765)</u>	<u>\$ 7,607,990</u>

City of Corunna

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE G: CAPITAL ASSETS - CONTINUED

Primary Government - continued

Depreciation expense was charged to the following governmental activities:

General government	\$ 18,222
Public safety	70,289
Public works	221,465
Recreation and cultural	<u>27,650</u>
Total depreciation expense	<u>\$ 337,626</u>

	<u>Balance July 1, 2008</u>	<u>Additions/ Reclassifications</u>	<u>Additions/ Reclassifications</u>	<u>Balance June 30, 2009</u>
Business-type activities				
(Sewer system)				
Capital assets not being depreciated				
Land	\$ 1	\$ -	\$ -	\$ 1
Capital assets being depreciated				
Sewer system	7,417,521	7,695	-	7,425,216
Equipment	<u>88,995</u>	<u>-</u>	<u>(80,000)</u>	<u>8,995</u>
Subtotal	7,506,516	7,695	(80,000)	7,434,211
Less accumulated depreciation for:				
Sewer system	(2,207,166)	(177,958)	-	(2,385,124)
Equipment	<u>(32,847)</u>	<u>(53,900)</u>	<u>80,000</u>	<u>(6,747)</u>
Subtotal	<u>(2,240,013)</u>	<u>(231,858)</u>	<u>80,000</u>	<u>(2,391,871)</u>
Net capital assets being depreciated	<u>5,266,503</u>	<u>(224,163)</u>	<u>-0-</u>	<u>5,042,340</u>
Capital assets, net	<u>\$ 5,266,504</u>	<u>\$(224,163)</u>	<u>\$ -0-</u>	<u>\$ 5,042,341</u>
Business-type activities				
(Water system)				
Capital assets not being depreciated				
Land	\$ 126	\$ -	\$ -	\$ 126
Construction in progress	<u>32,033</u>	<u>149,669</u>	<u>(171,952)</u>	<u>9,750</u>
Subtotal	32,159	149,669	(171,952)	9,876
Capital assets being depreciated				
Water system	2,056,517	171,952	-	2,228,469
Equipment	<u>46,261</u>	<u>-</u>	<u>-</u>	<u>46,261</u>
Subtotal	2,102,778	171,952	-0-	2,274,730

City of Corunna

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE G: CAPITAL ASSETS - CONTINUED

Primary Government - continued

	Balance July 1, 2008	Additions/ Reclassifications	Deletions/ Reclassifications	Balance June 30, 2009
Business-type activities				
(Water system) - continued				
Less accumulated depreciation for:				
Water system	\$(955,219)	\$(65,709)	\$ -	\$(1,020,928)
Equipment	(34,642)	(1,224)	-	(35,866)
Subtotal	(989,861)	(66,933)	-0-	(1,056,794)
Net capital assets being depreciated	1,112,917	105,019	-0-	1,217,936
Capital assets, net	<u>\$ 1,145,076</u>	<u>\$ 254,688</u>	<u>\$ (171,952)</u>	<u>\$ 1,227,812</u>
Component Unit (DDA)				
Capital assets being depreciated				
Buildings	\$ 691,670	\$ -	\$ -	\$ 691,670
Equipment and fixtures	18,952	-	-	18,952
Improvements	926,112	-	-	926,112
Subtotal	1,636,734	-0-	-0-	1,636,734
Less accumulated depreciation for:				
Buildings	(271,409)	(17,511)	-	(288,920)
Equipment and fixtures	(18,952)	-	-	(18,952)
Improvements	(123,335)	(88,636)	-	(211,971)
Subtotal	(413,696)	(106,147)	-0-	(519,843)
Net capital assets being depreciated	1,223,038	(106,147)	-0-	1,116,891
Capital assets, net	<u>\$ 1,223,038</u>	<u>\$ (106,147)</u>	<u>\$ -0-</u>	<u>\$ 1,116,891</u>

NOTE H: LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portion) of the City for the year ended June 30, 2009.

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009	Amounts Due Within One Year
PRIMARY GOVERNMENT					
Governmental Activities					
1998 Transportation Bonds	\$ 95,000	\$ -	\$ 15,000	\$ 80,000	\$ 20,000
2000 General Obligation Improvement Bonds	570,000	-	60,000	510,000	60,000
2001 General Obligation Improvement Bonds	240,000	-	70,000	170,000	80,000
2003 Installment Purchase Agreement	71,960	-	35,275	36,685	36,685
Installment Note - fire truck	150,000	-	18,750	131,250	18,750
2007 Installment Purchase Agreement	45,000	-	22,500	22,500	22,500
MEDC Loan	390,000	-	32,500	357,500	37,500
Compensated absences	42,615	45,891	53,251	35,255	28,204
	1,604,575	45,891	307,276	1,343,190	303,639

City of Corunna

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE H: LONG-TERM DEBT - CONTINUED

	Balance <u>July 1, 2008</u>	Additions	Deletions	Balance <u>June 30, 2009</u>	Amounts Due Within <u>One Year</u>
PRIMARY GOVERNMENT - CONTINUED					
Business-type Activities					
Water Supply and Sewage					
Improvement Bonds - 1996 (sewer)	\$ 300,000	\$ -	\$ 30,000	\$ 270,000	\$ 35,000
Improvement Bonds - 1980 (sewer)	190,000	-	15,000	175,000	15,000
General Obligation Bonds (water)	150,000	-	50,000	100,000	50,000
2005 General Obligation					
Improvement Bonds (sewer)	505,000	-	65,000	440,000	65,000
2006 General Obligation					
Improvement Bonds (sewer)	625,000	-	60,000	565,000	60,000
Water Tower IPA - 1999 (water)	<u>42,028</u>	-	<u>27,576</u>	<u>14,452</u>	<u>14,452</u>
	<u>1,812,028</u>	<u>-0-</u>	<u>247,576</u>	<u>1,564,452</u>	<u>239,452</u>
TOTAL PRIMARY GOVERNMENT	3,416,603	45,891	554,852	2,907,642	543,091
COMPONENT UNIT FUNDS					
Downtown Development Authority					
Installment loan	130,374	-	38,024	92,350	37,059
Land contract payable	<u>60,000</u>	-	<u>31,000</u>	<u>29,000</u>	<u>20,000</u>
TOTAL COMPONENT UNIT	<u>190,374</u>	<u>-0-</u>	<u>69,024</u>	<u>121,350</u>	<u>57,059</u>
	<u>\$ 3,606,977</u>	<u>\$ 45,891</u>	<u>\$ 623,875</u>	<u>\$ 3,028,993</u>	<u>\$ 600,150</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 of \$20,000 through August 1, 2012, with interest ranging from 4.90 to 5.05 percent.	\$ 80,000
\$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 5.15 to 5.30 percent payable semi-annually.	510,000
\$490,000 2001 County of Shiawassee, City of Corunna Public Improvement Bonds dated June 1, 2001, due in annual installments ranging from \$80,000 to \$90,000 through May 1, 2011, with interest ranging from 4.65 to 4.75 percent, payable semi-annually.	<u>170,000</u>
	<u>\$ 760,000</u>

City of Corunna

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE H: LONG-TERM DEBT - CONTINUED

Installment Purchase Agreement (Payable from Industrial Development Fund)

\$200,000 2003 Installment Purchase Agreement dated November 6, 2003, due in one installment of \$36,685 on November 6, 2009, with interest at 4.00 percent. The Agreement is for the purchase of land costing \$200,000. \$ 36,685

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. \$ 131,250

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. \$ 22,500

MEDC Loan (Payable from General Fund)

\$450,000 2005 MEDC Loan Agreement dated September 1, 2005, due in annual installments ranging from \$37,500 to \$62,500 through December 13, 2015, with no interest. \$ 357,500

Compensated Absences - accrued vacation, sick leave, and longevity

Individual employees have vested rights upon termination of employment to receive payments for unused vacation and sick leave, and also receive an annual longevity payment. The dollar amounts, including related payroll taxes, of these vested rights have been recorded in the government-wide financial statements. They amount to approximately \$35,255 at June 30, 2009.

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 \$35,000 to \$40,000 through November 1, 2015, with interest ranging from 5.20 to 5.35 percent. \$ 270,000

\$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 semi-annually. 175,000

\$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 at 6.25 percent, payable semi-annually. 100,000

\$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 3.50 to 4.20 percent, payable semi-annually. 440,000

\$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 4.05 to 4.45 percent, payable semi-annually. 565,000

\$ 1,550,000

City of Corunna

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE H: LONG-TERM DEBT - CONTINUED

Installment Purchase Agreement - Enterprise (Water) Fund

\$224,200 1999 Installment Purchase Agreement dated September 20, 1999, due in one installment of \$14,452 on November 1, 2009, with interest at 5.56 percent. \$ 14,452

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. \$ 92,350

\$300,000 Land Contract dated December 31, 2005, due in annual installments of \$20,000 through January 5, 2011, with no interest. \$ 29,000

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,	General Obligation Bonds		Water Supply & Sewage Disposal System Bonds		Installment Agreements and Notes		MEDC Loan Payable
	Principal	Interest	Principal	Interest	Principal	Interest	Principal
2010	\$ 160,000	\$ 34,893	\$ 225,000	\$ 66,950	\$ 92,387	\$ 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	75,000	10,733	205,000	27,573	18,750	2,531	57,500
2015-2019	165,000	8,877	475,000	37,271	37,501	2,531	120,000
2020	-	-	20,000	500	-	-	-
	<u>\$ 760,000</u>	<u>\$ 116,372</u>	<u>\$ 1,550,000</u>	<u>\$ 268,697</u>	<u>\$ 204,888</u>	<u>\$ 26,617</u>	<u>\$ 357,500 *</u>

*This is an interest-free loan.

Component Unit

Year Ending June 30,	Installment Loan		Land Contract
	Principal	Interest	Principal
2010	\$ 37,059	\$ 6,329	\$ 20,000
2011	<u>55,291</u>	<u>3,524</u>	<u>9,000</u>
	<u>\$ 92,350</u>	<u>\$ 9,853</u>	<u>\$ 29,000 *</u>

*This is an interest-free loan.

City of Corunna

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE I: RETIREMENT PLAN

Plan Description

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

Funding Policy

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

Annual Pension Cost

For the year ended June 30, 2009 the City's annual pension cost of \$125,090 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, 2006, 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>2006</u>	<u>2007</u>	<u>2008</u>
Actuarial value of assets	\$ 2,726,295	\$ 2,858,180	\$ 2,881,375
Actuarial accrued liability (AAL) (entry age)	3,777,769	4,002,017	4,293,014
Unfunded AAL	1,051,475	1,143,837	1,411,639
Funded ratio	72 %	71 %	67 %
Covered payroll	573,985	611,254	590,302
UAAL as a percentage of covered payroll	183 %	187 %	239 %

	Year Ended June 30,		
	<u>2007</u>	<u>2008</u>	<u>2009</u>
Annual pension cost	\$ 111,106	\$ 125,125	\$ 125,090
Percentage of APC contributed	100 %	100 %	100 %
Net pension obligation	-	-	-

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

NOTE J: 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.

City of Corunna

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE J: FUND BALANCE RESERVES - CONTINUED

The following are the various fund balance reserves as of June 30, 2009:

Nonmajor governmental funds	
Debt service	\$ 5,315
Perpetual care	<u>71,700</u>
	<u>\$ 77,015</u>

NOTE K: 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, 2009:

Governmental Activities	
Other purposes	
City improvements	\$ 77,117
Major street	164,289
Local street	38,769
Cemetery perpetual care	71,700
Downtown development	150,000
Fire capital acquisition	57,484
Industrial development	<u>683,010</u>
	<u>\$ 1,242,369</u>
Business-type Activities	
Restricted for debt service	
Sewer System Fund	<u>\$ 70,938</u>

NOTE L: POST-EMPLOYMENT 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, 2009, six retirees received benefits. The costs for the year ended June 30, 2009 totaled \$114,289 and were paid from the General Fund.

UPCOMING REPORTING CHANGE

The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The 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 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 pronouncement is effective for the year ending June 30, 2010.

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE M: 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 N: CONTINGENT LIABILITIES

There are legal actions pending with the City. Due to the inconclusive nature of many of the actions, it is not possible for Legal Counsel to determine the probable outcome or a reasonable estimate of the City's potential liability, if any. Those actions for which a reasonable estimate can be determined of the City's potential liability and that would not be covered by insurance and reserves, if any, are considered by City Management and Legal Counsel to be immaterial.

NOTE O: 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, 2009, 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			
General Government			
Clerk/Treasurer	\$ 97,805	\$ 99,286	\$ 1,481
Special Revenue Funds			
City Improvement Fund	343,095	343,859	764

NOTE P: SUBSEQUENT EVENTS

On July 30, 2009, the City entered into a lease agreement with the Community District Library. The City will lease the Olmsted Room of 210 East Corunna Ave. to the Library for the Libraries' office and activities/meeting room. The lease is for three (3) years beginning September 1, 2009 at a cost of \$800 per month. After the three (3) years, the lease will continue on a month to month basis until it cancelled by either party.

REQUIRED SUPPLEMENTARY INFORMATION

City of Corunna

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES

Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Property taxes	\$ 796,096	\$ 796,096	\$ 794,459	\$ (1,637)
Industrial and commercial facilities	17,425	17,425	17,425	-0-
Tax collection fees	34,000	34,000	37,237	3,237
Total taxes	847,521	847,521	849,121	1,600
Licenses and permits				
City licenses and permits	4,360	4,360	4,828	468
Franchise fee	21,500	21,500	21,115	(385)
Total licenses and permits	25,860	25,860	25,943	83
Intergovernmental				
State				
Sales tax	365,127	365,127	357,319	(7,808)
Other	2,500	2,500	1,071	(1,429)
Total intergovernmental	367,627	367,627	358,390	(9,237)
Charges for services				
Recreational fees	23,200	1,200	1,481	281
Administration charges	247,458	247,458	271,115	23,657
Total charges for services	270,658	248,658	272,596	23,938
Fines and forfeits				
Parking	750	750	785	35
Ordinance	7,350	7,350	11,752	4,402
Total fines and forfeits	8,100	8,100	12,537	4,437
Interest and rents				
Interest on investments	45,000	45,000	20,714	(24,286)
Rental fees	34,212	21,862	24,362	2,500
Total interest and rents	79,212	66,862	45,076	(21,786)

City of Corunna

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES - CONTINUED

Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES - Continued				
Other				
Sidewalk and other	\$ 7,360	\$ 7,360	\$ 7,553	\$ 193
Fireworks proceeds	14,000	14,000	13,000	(1,000)
Private donations	8,100	250	105	(145)
Contributions from other governmental units	2,200	-	-	-0-
Other	43,728	43,727	53,285	9,558
Total other	75,388	65,337	73,943	8,606
TOTAL REVENUES	\$ 1,674,366	\$ 1,629,965	\$ 1,637,606	\$ 7,641

City of Corunna

General Fund

BUDGETARY COMPARISON SCHEDULE - EXPENDITURES AND
OTHER FINANCING USES BY ACTIVITY

Year Ended June 30, 2009

EXPENDITURES	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Current				
General government				
Legislative	\$ 50,356	\$ 50,356	\$ 32,662	\$ 17,694
City Manager	121,566	123,566	120,097	3,469
Clerk/Treasurer	97,805	97,805	99,286	(1,481)
Assessor	79,611	79,611	76,906	2,705
Elections	5,500	5,500	4,402	1,098
Municipal building	45,940	55,440	52,319	3,121
Internal services	85,484	85,484	79,969	5,515
Other	34,581	10,665	1,851	8,814
Total general government	520,843	508,427	467,492	40,935
Public safety				
Police department	407,586	405,794	393,387	12,407
Crossing guard	2,228	2,228	1,663	565
Fire department	71,417	71,417	60,435	10,982
Total public safety	481,231	479,439	455,485	23,954
Public works				
General services	332,894	329,894	319,084	10,810
Drains at large	500	500	589	(89)
Total public works	333,394	330,394	319,673	10,721
Community and economic development				
Planning commission	550	550	425	125
Recreation and cultural				
Parks maintenance	79,248	-	-	-0-
Summer recreation	27,200	-	-	-0-
Mitchell Fields	1,614	-	-	-0-
Activities and events	5,500	-	-	-0-
Historical village	354	-	-	-0-
Community center	22,042	-	-	-0-
Total recreation and cultural	135,958	-0-	-0-	-0-

City of Corunna

General Fund

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

Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES - CONTINUED				
Current - Continued				
Other				
Insurance	\$ 21,700	\$ 21,700	\$ 18,081	\$ 3,619
Retiree benefits	109,627	122,116	122,116	-0-
Total other	131,327	143,816	140,197	3,619
TOTAL EXPENDITURES	1,603,303	1,462,626	1,383,272	79,354
OTHER FINANCING USES				
Transfers out				
Local street fund	10,000	10,000	10,000	-0-
Parks improvement fund	2,462	2,962	2,962	-0-
Parks and recreation fund	-	90,231	90,231	-0-
Cemetery fund	25,000	25,000	25,000	-0-
Forest fund	2,000	2,000	2,000	-0-
Heritage park fund	500	-	-	-0-
Industrial development fund	48,152	48,152	48,152	-0-
Dam construction fund	2,500	2,500	2,500	-0-
Municipal Building fund	50,523	50,523	50,523	-0-
Centennial fund	1,500	6,220	6,220	-0-
Rubbish collection fund	2,500	2,500	2,500	-0-
TOTAL OTHER FINANCING USES	145,137	240,088	240,088	-0-
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$ 1,748,440	\$ 1,702,714	\$ 1,623,360	\$ 79,354

City of Corunna

Economic Development Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2009

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Interest and rents	\$ 1,300	\$ 1,300	\$ 1,360	\$ 60
Other				
Loan repayment	18,000	45,981	46,582	601
TOTAL REVENUES	19,300	47,281	47,942	661
EXPENDITURES				
Current				
Community and economic development	2,000	22,000	20,034	1,966
NET CHANGE IN FUND BALANCE	17,300	25,281	27,908	2,627
Fund balance, beginning of year	32,455	32,455	32,455	-0-
Fund balance, end of year	<u>\$ 49,755</u>	<u>\$ 57,736</u>	<u>\$ 60,363</u>	<u>\$ 2,627</u>

City of Corunna

City Improvement Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2009

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes	\$ 304,599	\$ 304,599	\$ 303,824	\$ (775)
Interest and rents	8,000	8,000	8,344	344
Other	<u>12,731</u>	<u>12,731</u>	<u>51,828</u>	<u>39,097</u>
TOTAL REVENUES	325,330	325,330	363,996	38,666
EXPENDITURES				
Current				
Community and economic development	<u>20,000</u>	<u>30,000</u>	<u>30,764</u>	<u>(764)</u>
EXCESS OF REVENUES OVER EXPENDITURES	305,330	295,330	333,232	37,902
OTHER FINANCING (USES)				
Transfers out	<u>(313,095)</u>	<u>(313,095)</u>	<u>(313,095)</u>	<u>-0-</u>
NET CHANGE IN FUND BALANCE	(7,765)	(17,765)	20,137	37,902
Fund balance, beginning of year	<u>56,980</u>	<u>56,980</u>	<u>56,980</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 49,215</u>	<u>\$ 39,215</u>	<u>\$ 77,117</u>	<u>\$ 37,902</u>

City of Corunna

DDA Custodial Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental - Local	\$ 52,500	\$ 52,500	\$ 32,500	\$ (20,000)
EXPENDITURES				
Debt service				
Principal	52,500	52,500	32,500	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, 2009

	Special		
	Major Street	Local Street	Fire Capital
ASSETS			
Cash and cash equivalents	\$ 139,667	\$ 29,789	\$ 43,563
Investments	-	-	13,921
Accounts receivable	-	-	-
Due from other governmental units			
State	25,845	9,142	-
Local	-	-	-
TOTAL ASSETS	\$ 165,512	\$ 38,931	\$ 57,484
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 1,223	\$ -	\$ -
Accrued liabilities	-	162	-
TOTAL LIABILITIES	1,223	162	-0-
FUND BALANCES			
Reserved for			
Perpetual care	-	-	-
Debt service	-	-	-
Unreserved			
Undesignated, reported in			
Special revenue funds	164,289	38,769	57,484
Capital projects	-	-	-
TOTAL FUND BALANCES	164,289	38,769	57,484
TOTAL LIABILITIES AND FUND BALANCES	\$ 165,512	\$ 38,931	\$ 57,484

Revenue

Fire Operations Fund	Parks and Recreation Fund	Cemetery Fund	Parks Improvement Fund	Municipal Building	Stu Coufts Recreation Fund
\$ (8,048)	\$ 26,524	\$ 5,172	\$ 20,362	\$ 45,008	\$ -
-	-	-	-	-	-
-	153	-	-	-	-
-	-	-	-	-	-
43,694	-	-	-	-	-
<u>\$ 35,646</u>	<u>\$ 26,677</u>	<u>\$ 5,172</u>	<u>\$ 20,362</u>	<u>\$ 45,008</u>	<u>\$ -0-</u>
\$ 11,954	\$ 3,652	\$ 40	\$ 448	\$ 498	\$ -
22,190	2,260	569	-	-	-
34,144	5,912	609	448	498	-0-
-	-	-	-	-	-
-	-	-	-	-	-
1,502	20,765	4,563	19,914	44,510	-
-	-	-	-	-	-
1,502	20,765	4,563	19,914	44,510	-0-
<u>\$ 35,646</u>	<u>\$ 26,677</u>	<u>\$ 5,172</u>	<u>\$ 20,362</u>	<u>\$ 45,008</u>	<u>\$ -0-</u>

City of Corunna

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

June 30, 2009

	Special		
	Forest Fund	Heritage Park Memorial	Fourth of July Commission
ASSETS			
Cash and cash equivalents	\$ 4,624	\$ -	\$ 17,430
Investments	-	-	-
Accounts receivable	-	-	-
Due from other governmental units			
State	-	-	-
Local	-	-	-
TOTAL ASSETS	<u>\$ 4,624</u>	<u>\$ -0-</u>	<u>\$ 17,430</u>
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	4,624	-	17,430
Capital projects	-	-	-
TOTAL FUND BALANCES	<u>4,624</u>	<u>-0-</u>	<u>17,430</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 4,624</u>	<u>\$ -0-</u>	<u>\$ 17,430</u>

Revenue				Debt Service	
Softball Commission	Historical Commission	Building Department	Centennial	1996 G.O. Limited Tax Bonds	1998 MTF Bonds Payable
\$ 16,578	\$ 15,736	\$ 4,131	\$ 2,178	\$ 731	\$ 1
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 16,578</u>	<u>\$ 15,736</u>	<u>\$ 4,131</u>	<u>\$ 2,178</u>	<u>\$ 731</u>	<u>\$ 1</u>
\$ -	\$ -	\$ 1,635	\$ -	\$ -	\$ -
-	-	-	-	-	-
-0-	-0-	1,635	-0-	-0-	-0-
-	-	-	-	-	-
-	-	-	-	731	1
16,578	15,736	2,496	2,178	-	-
-	-	-	-	-	-
<u>16,578</u>	<u>15,736</u>	<u>2,496</u>	<u>2,178</u>	<u>731</u>	<u>1</u>
<u>\$ 16,578</u>	<u>\$ 15,736</u>	<u>\$ 4,131</u>	<u>\$ 2,178</u>	<u>\$ 731</u>	<u>\$ 1</u>

City of Corunna

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

June 30, 2009

	<u>Debt Service</u>		<u>Capital</u>
	<u>2000 G.O. Limited Tax Bonds</u>	<u>2001 G.O. Limited Tax Bonds</u>	<u>East Corunna Construction Fund</u>
ASSETS			
Cash and cash equivalents	\$ 477	\$ 4,106	\$ 28,409
Investments	-	-	-
Accounts receivable	-	-	-
Due from other governmental units			
State	-	-	-
Local	-	-	-
TOTAL ASSETS	<u>\$ 477</u>	<u>\$ 4,106</u>	<u>\$ 28,409</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-
TOTAL LIABILITIES	-0-	-0-	-0-
FUND BALANCES			
Reserved for			
Perpetual care	-	-	-
Debt service	477	4,106	-
Unreserved			
Undesignated, reported in			
Special revenue funds	-	-	-
Capital projects	-	-	28,409
TOTAL FUND BALANCES	<u>477</u>	<u>4,106</u>	<u>28,409</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 477</u>	<u>\$ 4,106</u>	<u>\$ 28,409</u>

Projects		Permanent		
Dam Construction Fund	W. Corunna Avenue Enhancement	Cemetery Perpetual Care		Total
\$ 15,957	\$ 175,789	\$ 27,011	\$ 615,195	
-	-	44,689	58,610	
-	-	-	153	
-	-	-	34,987	
-	-	-	43,694	
<u>\$ 15,957</u>	<u>\$ 175,789</u>	<u>\$ 71,700</u>	<u>\$ 752,639</u>	
\$ -	\$ -	\$ -	\$ 19,450	
-	-	-	25,181	
-0-	-0-	-0-	44,631	
-	-	71,700	71,700	
-	-	-	5,315	
-	-	-	410,838	
15,957	175,789	-	220,155	
15,957	175,789	71,700	708,008	
<u>\$ 15,957</u>	<u>\$ 175,789</u>	<u>\$ 71,700</u>	<u>\$ 752,639</u>	

City of Corunna

Nonmajor Governmental Funds

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

Year Ended June 30, 2009

	Special		
	Major Street	Local Street	Fire Capital
REVENUES			
Intergovernmental - State	\$ 160,077	\$ 67,317	\$ -
Intergovernmental - local	-	-	20,000
Charges for services	-	-	12,798
Licenses and permits	-	-	-
Interest and rents	1,593	177	-
Other	-	-	-
TOTAL REVENUES	161,670	67,494	32,798
EXPENDITURES			
Current			
General government	-	-	-
Public safety	-	-	9,528
Public works	146,165	62,966	-
Health and welfare	-	-	-
Recreation and cultural	-	-	-
Other	-	-	-
Debt service			
Principal	-	-	18,750
Interest and fiscal agent fees	-	-	6,752
Capital outlay	-	-	-
TOTAL EXPENDITURES	146,165	62,966	35,030
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	15,505	4,528	(2,232)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	20,000	-
Transfers out	(144,718)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(144,718)	20,000	-0-
NET CHANGE IN FUND BALANCES	(129,213)	24,528	(2,232)
Fund balances, beginning of year	293,502	14,241	59,716
Fund balances, end of year	<u>\$ 164,289</u>	<u>\$ 38,769</u>	<u>\$ 57,484</u>

Revenue

Fire Operations Fund	Parks and Recreation Fund	Cemetery Fund	Parks Improvement Fund	Municipal Building	Stu Coutts Recreation Fund
\$ -	\$ -	\$ -	\$ 29,233	\$ -	\$ -
-	2,200	-	-	8,392	-
116,702	25,234	17,670	-	5,970	-
-	-	-	-	-	-
-	13,704	-	1,500	5,400	-
-	7,388	-	7,844	-	-
116,702	48,526	17,670	38,577	19,762	-0-
-	-	-	-	88,753	-
116,702	-	-	-	-	-
-	-	-	-	-	-
-	-	41,073	-	-	-
-	120,087	-	-	-	-
-	-	1,051	4,000	-	-
-	-	-	-	22,500	-
-	-	-	-	2,250	-
-	2,340	-	52,970	-	-
116,702	122,427	42,124	56,970	113,503	-0-
-0-	(73,901)	(24,454)	(18,393)	(93,741)	-0-
-	100,880	25,000	14,358	64,534	-
-	(6,214)	-	-	-	(10,650)
-0-	94,666	25,000	14,358	64,534	(10,650)
-0-	20,765	546	(4,035)	(29,207)	(10,650)
1,502	-	4,017	23,949	73,717	10,650
<u>\$ 1,502</u>	<u>\$ 20,765</u>	<u>\$ 4,563</u>	<u>\$ 19,914</u>	<u>\$ 44,510</u>	<u>\$ -0-</u>

City of Corunna

Nonmajor Governmental Funds

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

Year Ended June 30, 2009

	Special		
	Forest Fund	Heritage Park Memorial	Fourth of July Commission
REVENUES			
Intergovernmental - State	\$ -	\$ -	\$ -
Intergovernmental - local	-	-	-
Charges for services	-	-	-
Licenses and permits	-	-	-
Interest and rents	-	-	128
Other	-	-	44,081
TOTAL REVENUES	-0-	-0-	44,209
EXPENDITURES			
Current			
General government	-	-	-
Public safety	-	-	-
Public works	-	-	-
Health and welfare	-	-	-
Recreation and cultural	2,360	-	44,556
Other	-	-	-
Debt service			
Principal	-	-	-
Interest and fiscal agent fees	-	-	-
Capital outlay	-	-	-
TOTAL EXPENDITURES	2,360	-0-	44,556
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,360)	-0-	(347)
OTHER FINANCING SOURCES (USES)			
Transfers in	2,000	-	-
Transfers out	-	(5,181)	-
TOTAL OTHER FINANCING SOURCES (USES)	2,000	(5,181)	-0-
NET CHANGE IN FUND BALANCES	(360)	(5,181)	(347)
Fund balances, beginning of year	4,984	5,181	17,777
Fund balances, end of year	<u>\$ 4,624</u>	<u>\$ -0-</u>	<u>\$ 17,430</u>

Revenue				Debt Service	
Softball Commission	Historical Commission	Building Department	Centennial	1996 G.O. Limited Tax Bonds	1998 MTF Bonds Payable
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
35,082	-	-	-	-	-
-	-	16,604	-	-	-
-	5,040	-	-	19	-
75	5,814	-	3,434	-	-
35,157	10,854	16,604	3,434	19	-0-
-	-	-	-	-	-
-	-	19,365	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
35,160	13,867	-	-	-	-
-	75	322	8,026	-	-
-	-	-	-	-	15,000
-	-	-	-	-	4,650
-	-	-	-	-	-
35,160	13,942	19,687	8,026	-0-	19,650
(3)	(3,088)	(3,083)	(4,592)	19	(19,650)
-	-	-	6,220	-	19,650
-	-	-	-	-	-
-0-	-0-	-0-	6,220	-0-	19,650
(3)	(3,088)	(3,083)	1,628	19	-0-
16,581	18,824	5,579	550	712	1
\$ 16,578	\$ 15,736	\$ 2,496	\$ 2,178	\$ 731	\$ 1

City of Corunna

Nonmajor Governmental Funds

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

Year Ended June 30, 2009

	Debt Service		Capital
	2000 G.O. Limited Tax Bonds	2001 G.O. Limited Tax Bonds	East Corunna Construction Fund
REVENUES			
Intergovernmental - State	\$ -	\$ -	\$ -
Intergovernmental - local	-	-	-
Charges for services	-	-	-
Licenses and permits	-	-	-
Interest and rents	-	-	-
Other	-	-	-
TOTAL REVENUES	-0-	-0-	-0-
EXPENDITURES			
Current			
General government	-	-	-
Public safety	-	-	-
Public works	-	-	-
Health and welfare	-	-	-
Recreation and cultural	-	-	-
Other	-	-	-
Debt service			
Principal	60,000	70,000	-
Interest and fiscal agent fees	28,608	9,838	-
Capital outlay	-	-	123,919
TOTAL EXPENDITURES	88,608	79,838	123,919
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(88,608)	(79,838)	(123,919)
OTHER FINANCING SOURCES (USES)			
Transfers in	88,607	79,838	148,500
Transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	88,607	79,838	148,500
NET CHANGE IN FUND BALANCES	(1)	-0-	24,581
Fund balances, beginning of year	478	4,106	3,828
Fund balances, end of year	\$ 477	\$ 4,106	\$ 28,409

Projects		Permanent		
Dam Construction Fund	W. Corunna Avenue Enhancement	Cemetery Perpetual Care		Total
\$ -	\$ -	\$ -	\$	256,627
-	-	-	-	30,592
-	-	8,095	-	221,551
-	-	-	-	16,604
-	-	1,004	-	28,565
-	-	-	-	68,636
-0-	-0-	9,099		622,575
-	-	-		88,753
-	-	-		145,595
-	-	-		209,131
-	-	-		41,073
-	-	-		216,030
-	-	-		13,474
-	-	-		186,250
-	-	-		52,098
-	6,138	-		185,367
-0-	6,138	-0-		1,137,771
-0-	(6,138)	9,099		(515,196)
2,500	180,718	-		752,805
-	-	-		(166,763)
2,500	180,718	-0-		586,042
2,500	174,580	9,099		70,846
13,457	1,209	62,601		637,162
\$ 15,957	\$ 175,789	\$ 71,700	\$	708,008

City of Corunna

Internal Service Funds

COMBINING STATEMENT OF NET ASSETS

June 30, 2009

	Motor Pool	Retiree Benefits	Total
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 5,545	\$ 31,992	\$ 37,537
Noncurrent assets			
Capital assets being depreciated, net	<u>317,305</u>	<u>-</u>	<u>317,305</u>
TOTAL ASSETS	322,850	31,992	354,842
LIABILITIES			
Current liabilities			
Accounts payable	1,570	-	1,570
Other accrued liabilities	41	-	41
Due to other funds	<u>100,000</u>	<u>-</u>	<u>100,000</u>
TOTAL LIABILITIES	<u>101,611</u>	<u>-0-</u>	<u>101,611</u>
NET ASSETS			
Invested in capital assets	317,305	-	317,305
Unrestricted	<u>(96,066)</u>	<u>31,992</u>	<u>(64,074)</u>
TOTAL NET ASSETS	<u>\$ 221,239</u>	<u>\$ 31,992</u>	<u>\$ 253,231</u>

City of Corunna

Internal Service Funds

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

Year Ended June 30, 2009

	Motor Pool	Retiree Benefits	Total
OPERATING REVENUES			
Charges for services	\$ 221,360	\$ 147,451	\$ 368,811
OPERATING EXPENSES			
Personnel services	33,307	-	33,307
Employee benefits	2,292	115,459	117,751
Other operating costs	61,682	-	61,682
Depreciation and amortization	40,619	-	40,619
TOTAL OPERATING EXPENSES	<u>137,900</u>	<u>115,459</u>	<u>253,359</u>
OPERATING INCOME	83,460	31,992	115,452
NONOPERATING REVENUES			
Proceeds on sale of asset	<u>6,830</u>	<u>-</u>	<u>6,830</u>
INCOME BEFORE TRANSFERS	90,290	31,992	122,282
TRANSFERS			
Transfer out	<u>(14,011)</u>	<u>-</u>	<u>(14,011)</u>
CHANGE IN NET ASSETS	76,279	31,992	108,271
Net assets, beginning of year	<u>144,960</u>	<u>-</u>	<u>144,960</u>
Net assets, end of year	<u>\$ 221,239</u>	<u>\$ 31,992</u>	<u>\$ 253,231</u>

City of Corunna

Internal Service Funds

COMBINING STATEMENT OF CASH FLOWS

Year Ended June 30, 2009

	Motor Pool	Retiree Benefits	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 321,360	\$ 147,451	\$ 468,811
Cash paid to suppliers	(64,852)	-	(64,852)
Cash paid for employee benefits	(2,510)	(115,459)	(117,969)
Cash paid to employees	(33,307)	-	(33,307)
NET CASH PROVIDED BY OPERATING ACTIVITIES	220,691	31,992	252,683
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers out	(14,011)	-	(14,011)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital purchases	(213,421)	-	(213,421)
Proceeds from sale of assets	6,830	-	6,830
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(206,591)	-0-	(206,591)
NET INCREASE IN CASH AND CASH EQUIVALENTS	89	31,992	32,081
Cash and cash equivalents, beginning of year	5,456	-	5,456
Cash and cash equivalents, end of year	<u>\$ 5,545</u>	<u>\$ 31,992</u>	<u>\$ 37,537</u>
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 83,460	\$ 31,992	\$ 115,452
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation and amortization	40,619	-	40,619
(Decrease) in accounts payable	(3,170)	-	(3,170)
(Decrease) in accrued liabilities	(218)	-	(218)
Increase in due to other funds	100,000	-	100,000
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 220,691</u>	<u>\$ 31,992</u>	<u>\$ 252,683</u>

City of Corunna

Agency Funds

COMBINING STATEMENT OF ASSETS AND LIABILITIES

June 30, 2008

	Fire Capital Acquisitions Fund	Transportation Fund	Total
ASSETS			
Cash and cash equivalents	\$ 43,563	\$ 10,486	\$ 54,049
Investments	13,921	-	13,921
TOTAL ASSETS	<u>\$ 57,484</u>	<u>\$ 10,486</u>	<u>\$ 67,970</u>
LIABILITIES			
Due to individuals and agencies	<u>\$ 57,484</u>	<u>\$ 10,486</u>	<u>\$ 67,970</u>

City of Corunna

Sewer System

COMPARATIVE STATEMENT OF NET ASSETS

Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ (49,295)	\$ (59,453)
Accounts receivable	48,491	201,036
Due from other governmental units	<u>73,590</u>	<u>139,259</u>
Total current assets	72,786	280,842
Noncurrent assets		
Cash and cash equivalents - restricted	-	27
Investments	25,000	25,000
Treatment rights, net	14,092	16,190
Capital assets not being depreciated	1	1
Capital assets being depreciated, net	<u>5,042,340</u>	<u>5,266,503</u>
Total noncurrent assets	<u>5,081,433</u>	<u>5,307,721</u>
TOTAL ASSETS	5,154,219	5,588,563
LIABILITIES		
Current liabilities		
Accounts payable	17,114	16,897
Other accrued liabilities	496	378
Accrued interest payable	20,951	23,075
Current portion of long-term debt	<u>175,000</u>	<u>170,000</u>
Total current liabilities	213,561	210,350
Noncurrent liabilities		
Noncurrent portion of long-term debt	<u>1,275,000</u>	<u>1,450,000</u>
TOTAL LIABILITIES	<u>1,488,561</u>	<u>1,660,350</u>
NET ASSETS		
Invested in capital assets, net of related debt	3,592,341	3,646,504
Restricted for		
Debt service	70,938	66,125
Unrestricted	<u>2,379</u>	<u>215,584</u>
TOTAL NET ASSETS	<u>\$ 3,665,658</u>	<u>\$ 3,928,213</u>

City of Corunna

Sewer System

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

Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
OPERATING REVENUES		
Charges for services	\$ 230,110	\$ 356,580
Capital charges	227,455	237,566
Other	<u>27</u>	<u>-</u>
TOTAL OPERATING REVENUES	457,592	594,146
OPERATING EXPENSES		
Personnel services	115,715	99,626
Employee benefits	12,153	36,492
Other operating costs	513,204	490,462
Depreciation and amortization	<u>233,956</u>	<u>170,725</u>
TOTAL OPERATING EXPENSES	<u>875,028</u>	<u>797,305</u>
OPERATING (LOSS)	(417,436)	(203,159)
NONOPERATING REVENUES (EXPENSES)		
Interest expense and fees	(66,591)	(73,310)
Rent revenue	-	1,339
Construction grant - Federal	157,729	337,396
Interest earned	<u>1,243</u>	<u>1,810</u>
TOTAL NONOPERATING (EXPENSES)	<u>92,381</u>	<u>267,235</u>
INCOME (LOSS) BEFORE TRANSFERS	(325,055)	64,076
TRANSFERS		
Transfers in	<u>62,500</u>	<u>175,000</u>
CHANGE IN NET ASSETS	(262,555)	239,076
Net assets, beginning of year	<u>3,928,213</u>	<u>3,689,137</u>
Net assets, end of year	<u>\$ 3,665,658</u>	<u>\$ 3,928,213</u>

City of Corunna

Sewer System

COMPARATIVE STATEMENT OF CASH FLOWS

Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating (loss)	\$ (417,436)	\$ (203,159)
Adjustments to reconcile operating (loss) to net cash provided by operating activities		
Depreciation and amortization	233,956	170,725
Decrease in receivables	152,545	14,956
Decrease in prepaids	-	74,430
Decrease in due from other governmental units	65,669	374,291
Increase (decrease) in accounts payable	217	(24,519)
Increase in accrued liabilities	118	109
(Decrease) in accrued interest payable	<u>(2,124)</u>	<u>(2,043)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	32,945	404,790
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Rent earned	-	1,339
Transfers in	<u>62,500</u>	<u>175,000</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	62,500	176,339
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Interest expense	(66,591)	(73,310)
Construction grant - Federal	157,729	337,396
Capital purchases	(7,695)	(758,737)
Payments on borrowing	<u>(170,000)</u>	<u>(165,000)</u>
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(86,557)	(659,651)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest revenue	<u>1,243</u>	<u>1,810</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING YEAR	10,131	(76,712)
Cash and cash equivalents, beginning of year	<u>(59,426)</u>	<u>17,286</u>
Cash and cash equivalents, end of year	<u>\$ (49,295)</u>	<u>\$ (59,426)</u>

City of Corunna

Component Unit Funds

COMBINING BALANCE SHEET - DOWNTOWN DEVELOPMENT AUTHORITY

June 30, 2009

	General Fund	Parking Fund	Joint Lot Fund	Parking Lot	Total
ASSETS					
Cash and cash equivalents	\$ 28,028	\$ 2,605	\$ 22,889	\$ 12,500	\$ 66,022
Cash and cash equivalents - restricted	4,320	-	-	-	4,320
Investments	125,000	-	-	-	125,000
Contracts receivable	632,418	-	-	-	632,418
TOTAL ASSETS	\$ 789,766	\$ 2,605	\$ 22,889	\$ 12,500	\$ 827,760
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ 69	\$ -	\$ 69
Due to other governments - local	149,999	-	-	-	149,999
Deferred revenue	627,206	-	-	-	627,206
Rental deposits	4,320	-	-	-	4,320
TOTAL LIABILITIES	781,525	-0-	69	-0-	781,594
FUND BALANCES					
Unreserved					
Undesignated	8,241	2,605	22,820	12,500	46,166
TOTAL LIABILITIES AND FUND BALANCES	\$ 789,766	\$ 2,605	\$ 22,889	\$ 12,500	\$ 827,760

City of Corunna

Component Unit Funds

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

June 30, 2009

Total fund balances - governmental funds **\$ 46,166**

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>(519,843)</u>	
Capital assets, net		1,116,891

Long-term assets are not available to pay for current period expenditures and are therefore deferred in the funds. 627,206

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

Loans and contracts payable	121,350	
Due to other governmental units	<u>357,500</u>	
		<u>(478,850)</u>

Net assets of governmental activities **\$ 1,311,413**

City of Corunna

Component Unit Funds

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

Year Ended June 30, 2009

	General Fund	Parking Fund	Joint Lot Fund	Parking Lot	Total
REVENUES					
Taxes	\$ 84,955	\$ -	\$ -	\$ -	\$ 84,955
Interest and rents	59,512	-	-	-	59,512
Intergovernmental					
Local	80,458	-	5,000	-	85,458
Other	7,732	-	-	-	7,732
TOTAL REVENUES	232,657	-0-	5,000	-0-	237,657
EXPENDITURES					
Current					
Community and economic development					
Taxes	29,673	-	-	-	29,673
Employee benefits	2,700	-	-	-	2,700
Contracted services	2,749	-	-	-	2,749
Insurance	4,781	-	-	-	4,781
Supplies	6,158	-	-	-	6,158
Repairs and maintenance	22,174	-	-	-	22,174
Utilities	3,408	-	956	-	4,364
Miscellaneous	16,940	-	-	-	16,940
Debt service					
Principal	69,024	-	-	-	69,024
Other debt related payments	32,500	-	-	-	32,500
Interest and fiscal charges	6,547	-	-	-	6,547
Capital outlay	17,762	175	-	-	17,937
TOTAL EXPENDITURES	214,416	175	956	-0-	215,547
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	18,241	(175)	4,044	-0-	22,110
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	5,000	5,000	10,000
Transfers out	(10,000)	-	-	-	(10,000)
TOTAL OTHER FINANCING SOURCES (USES)	(10,000)	-0-	5,000	5,000	-0-
NET CHANGE IN FUND BALANCES	8,241	(175)	9,044	5,000	22,110
Fund balances, beginning of year	-	2,780	13,776	7,500	24,056
Fund balances, end of year	\$ 8,241	\$ 2,605	\$ 22,820	\$ 12,500	\$ 46,166

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, 2009

Net change in fund balances - total governmental funds **\$ 22,110**

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

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

Depreciation expense	(106,147)
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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	(80,458)
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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	101,524
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Change in net assets of governmental activities	\$ (62,971)
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Principals

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



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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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Corunna, Michigan, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 27, 2009. 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.

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 over financial reporting.

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 over financial reporting.

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 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 are be required to be reported under *Government Auditing Standards*.

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 27, 2009