

**City of Corunna
Shiawassee County, Michigan**

FINANCIAL STATEMENTS

June 30, 2010

City of Corunna

Shiawassee County, Michigan

June 30, 2010

CITY COUNCIL AND ADMINISTRATION

Charles Kerridge	Mayor
Doug Haskins	Council Member
Brad Reichert	Council Member
Donald Mehigh	Council Member
Mike Sarrazin	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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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, Michigan, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Corunna'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 the 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, 2010, 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 15, 2010 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 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 required parts 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 15, 2010

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, 2010. 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 \$14,172,334 (excluding component units).
- Governmental activities net assets were \$8,927,275.
- Business-type activity net assets were \$5,245,059.
- Component Unit net assets were \$1,776,467.

Fund Level:

- At the close of the fiscal year, the City's governmental funds reported a combined ending fund balance of \$1,939,547 with \$87,627 being reserved, designated, or otherwise earmarked for specific purposes.
- The General Fund realized \$12,496 less in revenues and other financing sources than anticipated for the fiscal year. General Fund operations expended \$38,908 less than appropriated.
- Overall, the General Fund balance increased by \$912 to \$449,390 - all undesignated and available for general purposes.
- Net Assets in the Sewer and Water funds ended the year at \$3,895,725 and \$1,337,191, respectively.

Capital and Long-term Debt Activities:

- The total long-term debt for the primary government was \$2,413,610 with a net decrease of \$494,032 from the prior year.
- The City remains well below its authorized legal debt limit.
- The total net change in the capital asset schedule for the primary government was \$220,165 and included water 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 2009/2010. 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 Fiduciary Net Assets and Statement of Changes in Fiduciary Net Assets on pages 17 and 18, respectively. These funds, which include a private purpose fund and 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 19 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 for the primary government were \$14,172,334 at the end of this fiscal year's operations. The net assets of the governmental activities were \$8,927,275; the business type activities were \$5,245,059.

Net Assets as of June 30, 2009 and 2010

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>
Current and Other Assets	\$ 2,765,128	\$ 2,588,194	\$ 174,687	\$ 591,836	\$ 2,939,815	\$ 3,180,030
Capital Assets	<u>7,607,990</u>	<u>7,627,501</u>	<u>6,270,153</u>	<u>6,030,477</u>	<u>13,878,143</u>	<u>13,657,978</u>
Total Assets	<u>\$10,373,118</u>	<u>\$10,215,695</u>	<u>\$ 6,444,840</u>	<u>\$ 6,622,313</u>	<u>\$16,817,958</u>	<u>\$16,838,008</u>
Current Liabilities	\$ 396,530	\$ 357,666	\$ 303,234	\$ 287,254	\$ 699,764	\$ 644,920
Noncurrent Liabilities	<u>1,039,551</u>	<u>930,754</u>	<u>1,325,000</u>	<u>1,090,000</u>	<u>2,364,551</u>	<u>2,020,754</u>
Total Liabilities	<u>\$ 1,436,081</u>	<u>\$ 1,288,420</u>	<u>\$ 1,628,234</u>	<u>\$ 1,377,254</u>	<u>\$ 3,064,315</u>	<u>\$ 2,665,674</u>
Net Assets						
Invested in Capital Assets (Net of related debt)	\$ 6,300,055	\$ 6,579,676	\$ 4,705,701	\$ 4,705,477	\$11,005,756	\$11,285,153
Restricted	1,242,369	1,136,489	70,938	177,408	1,313,307	1,313,897
Unrestricted	<u>1,394,613</u>	<u>1,211,110</u>	<u>39,967</u>	<u>362,174</u>	<u>1,434,580</u>	<u>1,573,284</u>
Total Net Assets	<u>\$ 8,937,037</u>	<u>\$ 8,927,275</u>	<u>\$ 4,816,606</u>	<u>\$ 5,245,059</u>	<u>\$13,753,643</u>	<u>\$14,172,334</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, 2009 and 2010

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>
Revenues						
Program Revenues						
Charges for Services	\$ 724,835	\$ 687,873	\$ 1,062,821	\$ 1,526,126	\$ 1,787,656	\$ 2,213,999
Grants and Contributions	333,917	354,362	157,729	27,812	491,646	382,174
General Revenues						
Property Taxes	1,115,708	1,124,988	-	-	1,115,708	1,124,988
State Shared Revenue	357,319	304,229	-	-	357,319	304,229
Investment Earnings	56,836	34,993	2,406	4,837	59,242	39,830
Other	<u>170,442</u>	<u>85,381</u>	<u>(53,207)</u>	<u>193,181</u>	<u>117,235</u>	<u>278,562</u>
Total Revenues	2,759,057	2,591,826	1,169,749	1,751,956	3,928,806	4,343,782

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

Changes in Net Assets for the Fiscal Year Ending June 30, 2009 and 2010 - continued

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>
Expenses						
General Government	\$ 563,017	\$ 314,199	\$ -	\$ -	\$ 563,017	\$ 314,199
Public Safety	619,526	690,694	-	-	619,526	690,694
Public Works	533,916	686,748	-	-	533,916	686,748
Health and Welfare	41,073	31,670	-	-	41,073	31,670
Community and Economic Develop.	51,223	51,357	-	-	51,223	51,357
Recreation & Culture	192,544	293,876	-	-	192,544	293,876
Other	198,389	533,044	1,483,305	1,323,503	1,681,694	1,856,547
Total Expenses	<u>2,199,688</u>	<u>2,601,588</u>	<u>1,483,305</u>	<u>1,323,503</u>	<u>3,682,993</u>	<u>3,925,091</u>
Increase (decrease) in net assets	559,369	(9,762)	(313,556)	428,453	245,813	418,691
Net Assets - Beginning	<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>
Net Assets - Ending	<u>\$ 8,937,037</u>	<u>\$ 8,927,275</u>	<u>\$ 4,816,606</u>	<u>\$ 5,245,059</u>	<u>\$13,753,643</u>	<u>\$14,172,334</u>

Governmental Activities:

The result of 2009/2010 governmental activity was a decrease of \$9,762 in net assets to \$8,927,275. Of the total governmental activities' net assets, \$6,579,676 is invested in capital assets less related debt, \$1,136,489 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 \$1,211,110 is listed as unrestricted, having no legal commitment.

Revenues:

The three largest revenue categories were state shared revenue at 12%, property taxes at 44%, and charges for services at 27%. The City levied three (3) property tax millages for the year ended June 30, 2010, 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 27% of the governmental activities total. Public Works is the second largest area, expending approximately 26% of the governmental activities total.

Business-type Activities:

Net assets in business-type activities increased by \$428,453 during 2009/2010. Of the business-type activities' net assets, \$4,705,477 is invested in capital assets less related debt, \$177,408 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 \$362,174 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 2009/2010, its governmental funds reported *combined* fund balances of \$1,939,547. This is a net decrease of \$187,429. The net changes are summarized in the following chart:

	General Fund	Economic Development	City Improvement	DDA Custodial	Industrial Development	Nonmajor Governmental Funds
Fund Balance 06/30/09	\$ 448,478	\$ 60,363	\$ 77,117	\$ 150,000	\$ 683,010	\$ 708,008
Fund Balance 06/30/10	\$ 449,390	\$ 31,239	\$ 20,097	\$ -0-	\$ 786,698	\$ 652,123
Net Change	\$ 912	\$ (29,124)	\$ (57,020)	\$ (150,000)	\$ 103,688	\$ (55,885)

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, 2010, the General Fund reported a fund balance of \$449,390. This amount is an increase of \$912 from the fund balance of \$448,478 reported as of June 30, 2009. The 2009/2010 original budget called for a \$25,500 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 \$1,578,984, \$12,496 less than the final amended budget.

The City's expenditure budget was decreased by \$97,063 (5.7% change from the original budget) during 2009/2010.

Actual City operational expenditures for 2009/2010 were \$1,578,072 (2.4%) under budget. This is due to several reasons including:

- \$5,143 less than planned expenditures in the Fire Department.
- \$18,480 less than planned expenditures in the Public Works.
- \$9,150 less than planned expenditures in the other Public Safety activities.
- \$24,788 less than planned in the City Manager, Clerk/Treasurer, Internal Services, Assessor and related departments.

Economic Development Fund:

As of June 30, 2010, the Economic Development Fund reported a fund balance of \$31,239, a decrease of \$29,124 from the prior year. The total fund balance is unreserved/undesignated.

City Improvement Fund:

As of June 30, 2010, the City Improvement Fund reported a fund balance of \$20,097, which is a decrease of \$57,097 from the prior year. The total fund balance is unreserved/undesignated.

Industrial Development Fund:

As of June 30, 2010, the Industrial Development Fund reported a fund balance of \$786,698, which is an increase of \$103,688 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, 2010, the DDA Custodial Fund reported \$-0- fund balance, which was a usage of the entire beginning fund balance amount.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - At the end of Fiscal Year 2009/2010, the City had invested \$13,657,978, and \$1,113,511 for the component unit, net of accumulated depreciation, in a broad range of capital assets (see table below). Accumulated depreciation was \$9,376,652 for the primary government. Depreciation charges for the fiscal year totaled \$586,412 for the primary government and \$110,614 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, 2010 was as follows:

	Governmental Activities	Business-type Activities	Component Unit - DDA	Total
Land	\$ 279,000	\$ 127	\$ -	\$ 279,127
Buildings, net	1,083,382	-	488,006	1,571,388
Vehicles and equipment, net	596,557	10,632	-	607,189
Construction in progress	96,185	-	-	96,185
Infrastructure, net	5,572,377	-	-	5,572,377
Sewer system, net	-	4,870,107	-	4,870,107
Water system, net	-	1,149,611	-	1,149,611
Improvements, net	-	-	625,505	625,505
Capital assets, net	\$ 7,627,501	\$ 6,030,477	\$ 1,113,511	\$ 14,771,489

Long-term Debt - As of June 30, 2010, the City had \$2,413,610 in debt outstanding for the primary government. This level of net obligation is \$494,032 less than the obligation recorded as of June 30, 2009.

Outstanding Debt as of June 30, 2010:

	<u>July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2010</u>
Primary Government				
Governmental Activities				
General Obligation Bonds	\$ 680,000	\$ -	\$ 140,000	\$ 540,000
Transportation Bonds	80,000	-	20,000	60,000
Installment Purchases	190,435	15,325	77,935	127,825
MEDC Loan	357,500	-	37,500	320,000
Compensated absences	35,255	52,876	47,346	40,785
Business-type Activities				
General Obligation Bonds	1,105,000	-	175,000	930,000
Improvement Bonds	445,000	-	50,000	395,000
Installment Purchase	14,452	-	14,452	-0-
Total Primary Government	2,907,642	68,201	562,233	2,413,610
Component Unit				
Installment Loan	92,350	-	39,871	52,479
Land Contract Payable	29,000	-	29,000	-0-
Total Reporting Entity	\$ 3,028,992	\$ 68,201	\$ 631,104	\$ 2,466,089

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 2010/2011. Expenditure reductions have been implemented to offset revenue losses and rising costs. No significant usages of fund balances were 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, 2010

	Primary Government			Component Unit (DDA)
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 1,240,803	\$ 448,001	\$ 1,688,804	\$ 75,708
Investments	145,967	-	145,967	-
Receivables	162,464	131,842	294,306	92,318
Due from other governmental units	118,619	-	118,619	-
Total current assets	1,667,853	579,843	2,247,696	168,026
Noncurrent assets				
Cash and cash equivalents - restricted	-	-	-0-	4,110
Investments	525,000	-	525,000	50,000
Treatment rights, net	-	11,993	11,993	-
Due from other governmental units	277,500	-	277,500	-
Noncurrent portion of contracts receivable	117,841	-	117,841	817,690
Capital assets not being depreciated	375,185	127	375,312	-
Capital assets being depreciated, net	7,252,316	6,030,350	13,282,666	1,113,511
Total noncurrent assets	8,547,842	6,042,470	14,590,312	1,985,311
TOTAL ASSETS	10,215,695	6,622,313	16,838,008	2,153,337
LIABILITIES				
Current liabilities				
Accounts payable	35,992	31,608	67,600	281
Accrued liabilities	38,581	1,384	39,965	-
Accrued interest payable	6,552	19,262	25,814	-
Due to other governmental units	-	-	-0-	42,500
Rental deposits	-	-	-0-	4,110
Current portion of compensated absences	32,628	-	32,628	-
Current portion of long-term debt	243,913	235,000	478,913	52,479
Total current liabilities	357,666	287,254	644,920	99,370
Noncurrent liabilities				
Due to other governmental units	-	-	-0-	277,500
Noncurrent portion of compensated absences	8,157	-	8,157	-
Net other post-employment benefit obligation	118,685	-	118,685	-
Noncurrent portion of long-term debt	803,912	1,090,000	1,893,912	-
Total noncurrent liabilities	930,754	1,090,000	2,020,754	277,500
TOTAL LIABILITIES	1,288,420	1,377,254	2,665,674	376,870
NET ASSETS				
Invested in capital assets, net of related debt	6,579,676	4,705,477	11,285,153	1,061,032
Restricted for:				
Perpetual care	83,007	-	83,007	-
Other purposes	1,053,482	177,408	1,230,890	-
Unrestricted	1,211,110	362,174	1,573,284	715,435
TOTAL NET ASSETS	\$ 8,927,275	\$ 5,245,059	\$ 14,172,334	\$ 1,776,467

See accompanying notes to financial statements.

City of Corunna

STATEMENT OF ACTIVITIES

Year Ended June 30, 2010

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	\$ 314,199	\$ 207,660	\$ -	\$ -	\$ (106,539)	\$ -	\$ (106,539)	\$ -
Public safety	690,694	170,664	2,499	20,000	(497,531)	-	(497,531)	-
Public works	686,748	126,673	231,808	1,693	(326,574)	-	(326,574)	-
Health and welfare	31,670	29,625	-	-	(2,045)	-	(2,045)	-
Community and economic development	51,357	33,166	-	-	(18,191)	-	(18,191)	-
Recreation and culture	293,876	120,085	19,594	78,768	(75,429)	-	(75,429)	-
Other	305,273	-	-	-	(305,273)	-	(305,273)	-
Interest and fees on long-term debt	41,771	-	-	-	(41,771)	-	(41,771)	-
Total governmental activities	2,415,588	687,873	253,901	100,461	(1,373,353)	-0-	(1,373,353)	-0-
Business-type activities								
Sewer system	779,155	787,735	-	27,812	-	36,392	36,392	-
Water system	484,527	671,590	-	-	-	187,063	187,063	-
Rubbish collection	59,821	66,801	-	-	-	6,980	6,980	-
Total business-type activities	1,323,503	1,526,126	-0-	27,812	-0-	230,435	230,435	-0-
Total primary government	\$3,739,091	\$ 2,213,999	\$ 253,901	\$ 128,273	(1,373,353)	230,435	(1,142,918)	-0-
Component unit								
Downtown development authority (DDA)	\$ 204,244	\$ 585,174	\$ -0-	\$ -0-	-0-	-0-	-0-	380,930
General revenues								
Property taxes					1,124,988	-	1,124,988	82,992
State shared revenue					304,229	-	304,229	-
Investment earnings					34,993	4,837	39,830	192
Rental revenue					13,666	-	13,666	-
Miscellaneous					71,715	7,181	78,896	940
Transfers					(186,000)	186,000	-0-	-
Total general revenues and transfers					1,363,591	198,018	1,561,609	84,124
Change in net assets					(9,762)	428,453	418,691	465,054
Net assets, beginning of the year					8,937,037	4,816,606	13,753,643	1,311,413
Net assets, end of the year					\$ 8,927,275	\$ 5,245,059	\$14,172,334	\$ 1,776,467

See accompanying notes to financial statements.

City of Corunna
 Governmental Funds
 BALANCE SHEET

June 30, 2010

	General	Economic Development	City Improvement
ASSETS			
Cash and cash equivalents	\$ 265,219	\$ 30,889	\$ 20,097
Investments	200,000	-	-
Accounts receivable	13,939	350	-
Contracts receivable	20,800	204,507	-
Special assessment receivable	5,074	-	31,716
Due from other funds	-	-	-
Due from other governmental units			
State	-	-	-
Local	5,211	-	-
	\$ 510,243	\$ 235,746	\$ 51,813
TOTAL ASSETS			
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 17,371	\$ -	\$ -
Accrued liabilities	17,608	-	-
Deferred revenue	25,874	204,507	31,716
	60,853	204,507	31,716
TOTAL LIABILITIES			
FUND BALANCES			
Reserved for:			
Perpetual care	-	-	-
Debt service	-	-	-
Unreserved			
Undesignated, reported in:			
General fund	449,390	-	-
Special revenue funds	-	31,239	20,097
Capital projects funds	-	-	-
	449,390	31,239	20,097
TOTAL FUND BALANCES			
TOTAL LIABILITIES AND FUND BALANCES			
	\$ 510,243	\$ 235,746	\$ 51,813

DDA Custodial	Industrial Development	Nonmajor Governmental Funds	Total
\$ -	\$ 261,718	\$ 569,385	\$ 1,147,308
-	425,000	45,967	670,967
-	-	3,919	18,208
-	-	-	225,307
-	-	-	36,790
-	100,000	-	100,000
-	-	35,662	35,662
320,000	-	35,246	360,457
<u>\$ 320,000</u>	<u>\$ 786,718</u>	<u>\$ 690,179</u>	<u>\$ 2,594,699</u>
\$ -	\$ 20	\$ 17,166	\$ 34,557
-	-	20,890	38,498
320,000	-	-	582,097
320,000	20	38,056	655,152
-	-	83,007	83,007
-	-	4,620	4,620
-	-	-	449,390
-	-	452,603	503,939
-	786,698	111,893	898,591
-0-	786,698	652,123	1,939,547
<u>\$ 320,000</u>	<u>\$ 786,718</u>	<u>\$ 690,179</u>	<u>\$ 2,594,699</u>

City of Corunna

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

June 30, 2010

Total fund balances - governmental funds \$ 1,939,547

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	\$ 13,315,812	
Accumulated depreciation is	<u>(5,688,311)</u>	
Capital assets, net		7,627,501

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	263,352	
Net capital assets of Internal Service Funds included in total capital assets above	<u>(271,375)</u>	
		(8,023)

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

Deferred revenue		582,097
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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	1,047,825	
Accrued interest payable	6,552	
Net other post-employment benefits obligation	118,685	
Compensated absences	<u>40,785</u>	
		<u>(1,213,847)</u>

Net assets of governmental activities \$ 8,927,275

City of Corunna

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2010

	General	Economic Development	City Improvement
REVENUES			
Taxes	\$ 857,495	\$ -	\$ 306,391
Licenses and permits	27,119	-	-
Intergovernmental	305,147	-	-
Charges for services	274,338	-	-
Fines and forfeits	20,662	-	-
Interest and rents	37,874	108	2,179
Other	41,024	20,815	15,339
TOTAL REVENUES	1,563,659	20,923	323,909
EXPENDITURES			
Current			
General government	444,612	-	-
Public safety	441,974	-	-
Public works	286,839	-	-
Health and welfare	-	-	-
Community and economic development	350	50,047	960
Recreation and culture	-	-	-
Other	136,037	-	-
Debt service	-	-	-
Capital outlay	15,325	-	-
TOTAL EXPENDITURES	1,325,137	50,047	960
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	238,522	(29,124)	322,949
OTHER FINANCING SOURCES (USES)			
Installment purchase agreement proceeds	15,325	-	-
Transfers in	-	-	-
Transfers out	(252,935)	-	(379,969)
TOTAL OTHER FINANCING SOURCES (USES)	(237,610)	-0-	(379,969)
NET CHANGE IN FUND BALANCES	912	(29,124)	(57,020)
Fund balances, beginning of year	448,478	60,363	77,117
Fund balances, end of year	<u>\$ 449,390</u>	<u>\$ 31,239</u>	<u>\$ 20,097</u>

See accompanying notes to financial statements.

DDA Custodial	Industrial Development	Nonmajor Governmental Funds	Total
\$ -	\$ -	\$ -	\$ 1,163,886
-	-	5,955	33,074
37,500	-	276,503	619,150
-	-	217,424	491,762
-	-	-	20,662
-	13,349	27,701	81,211
-	-	141,882	219,060
<u>37,500</u>	<u>13,349</u>	<u>669,465</u>	<u>2,628,805</u>
-	-	15,883	460,495
-	-	126,016	567,990
-	14,660	120,086	421,585
-	-	31,670	31,670
-	-	-	51,357
-	-	263,703	263,703
150,000	-	13,706	299,743
37,500	38,152	244,743	320,395
-	-	327,307	342,632
<u>187,500</u>	<u>52,812</u>	<u>1,143,114</u>	<u>2,759,570</u>
(150,000)	(39,463)	(473,649)	(130,765)
-	-	-	15,325
-	143,151	564,719	707,870
-	-	(146,955)	(779,859)
<u>-0-</u>	<u>143,151</u>	<u>417,764</u>	<u>(56,664)</u>
(150,000)	103,688	(55,885)	(187,429)
<u>150,000</u>	<u>683,010</u>	<u>708,008</u>	<u>2,126,976</u>
<u>-0-</u>	<u>\$ 786,698</u>	<u>\$ 652,123</u>	<u>\$ 1,939,547</u>

City of Corunna

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

Year Ended June 30, 2010

Net change in fund balances - total governmental funds **\$ (187,429)**

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	\$ 366,247	
Depreciation expense	<u>(346,736)</u>	
Excess of capital outlay over depreciation expense		19,511

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	10,121	
Capital outlay of Internal Service Funds included in the total above	(5,495)	
Depreciation expense of Internal Service Funds included in the total above	<u>51,425</u>	
		56,051

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 period, these amounts consist of:

Debt principal retirements	275,435	
Installment purchase agreement proceeds	<u>(15,325)</u>	
		260,110

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	3,189	
(Increase) in accrued compensated absences	(5,530)	
(Increase) in net other post-employment benefits obligation	(118,685)	
(Decrease) in deferred revenue	<u>(36,979)</u>	
		<u>(158,005)</u>

Change in net assets of governmental activities **\$ (9,762)**

City of Corunna

Proprietary Funds

STATEMENT OF NET ASSETS

June 30, 2010

	Sewer System	Water System	Nonmajor (Rubbish Collection)
ASSETS			
Current assets			
Cash and cash equivalents	\$ 247,149	\$ 193,625	\$ 7,227
Accounts receivable	69,716	52,470	9,656
Total current assets	316,865	246,095	16,883
Noncurrent assets			
Treatment rights, net	11,993	-	-
Capital assets not being depreciated	1	126	-
Capital assets being depreciated, net	4,871,456	1,158,894	-
Total noncurrent assets	4,883,450	1,159,020	-0-
TOTAL ASSETS	5,200,315	1,405,115	16,883
LIABILITIES			
Current liabilities			
Accounts payable	10,453	16,415	4,740
Accrued liabilities	396	988	-
Accrued interest payable	18,741	521	-
Due to other funds	-	-	-
Current portion of long-term debt	185,000	50,000	-
Total current liabilities	214,590	67,924	4,740
Noncurrent liabilities			
Noncurrent portion of long-term debt	1,090,000	-	-
TOTAL LIABILITIES	1,304,590	67,924	4,740
NET ASSETS			
Invested in capital assets, net of related debt	3,596,457	1,109,020	-
Restricted for:			
Other purposes	177,408	-	-
Unrestricted	121,860	228,171	12,143
TOTAL NET ASSETS	\$ 3,895,725	\$ 1,337,191	\$ 12,143

See accompanying notes to financial statements.

Business-Type Activities	Governmental Activities
Total	Internal Service Funds
\$ 448,001	\$ 93,495
131,842	-
579,843	93,495
11,993	-
127	-
6,030,350	271,375
6,042,470	271,375
6,622,313	364,870
31,608	1,435
1,384	83
19,262	-
-0-	100,000
235,000	-
287,254	101,518
1,090,000	-
1,377,254	101,518
4,705,477	271,375
177,408	-
362,174	(8,023)
\$ 5,245,059	\$ 263,352

City of Corunna

Proprietary Funds

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

Year Ended June 30, 2010

	Sewer System	Water System	Nonmajor (Rubbish Collection)
OPERATING REVENUES			
Charges for services	\$ 493,675	\$ 427,601	\$ 66,801
Capital charges	294,060	232,047	-
Meter charges	-	11,942	-
Other	6,237	944	-
TOTAL OPERATING REVENUES	793,972	672,534	66,801
OPERATING EXPENSES			
Personnel services	105,458	124,227	-
Employee benefits	25,729	38,654	-
Other operating costs	430,529	246,457	59,821
Depreciation and amortization	172,983	68,792	-
TOTAL OPERATING EXPENSES	734,699	478,130	59,821
OPERATING INCOME	59,273	194,404	6,980
NONOPERATING REVENUES (EXPENSES)			
Interest expense and fees	(44,456)	(6,397)	-
Construction grant - Federal	27,812	-	-
Interest earned	2,438	2,381	18
Proceeds from sale of assets	-	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	(14,206)	(4,016)	18
INCOME BEFORE TRANSFERS	45,067	190,388	6,998
TRANSFERS			
Transfer in	185,000	-	1,000
Transfer out	-	-	-
TOTAL TRANSFERS	185,000	-0-	1,000
CHANGE IN NET ASSETS	230,067	190,388	7,998
Net assets, beginning of year	3,665,658	1,146,803	4,145
Net assets, end of year	<u>\$ 3,895,725</u>	<u>\$ 1,337,191</u>	<u>\$ 12,143</u>

See accompanying notes to financial statements.

Business-Type Activities	Governmental Activities
Total	Internal Service Funds
\$ 988,077	\$ 401,952
526,107	-
11,942	-
7,181	-
1,533,307	401,952
229,685	17,225
64,383	157,769
736,807	55,209
241,775	51,425
1,272,650	281,628
260,657	120,324
(50,853)	-
27,812	-
4,837	145
-0-	3,663
(18,204)	3,808
242,453	124,132
186,000	-
-0-	(114,011)
186,000	(114,011)
428,453	10,121
4,816,606	253,231
\$ 5,245,059	\$ 263,352

City of Corunna

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended June 30, 2010

	Sewer System	Water System	Nonmajor (Rubbish Collection)
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers and grants	\$ 846,337	\$ 678,549	\$ 63,779
Cash paid to suppliers	(437,190)	(248,569)	(59,929)
Cash paid for employee benefits	(25,829)	(38,337)	-
Cash paid to employees	(105,458)	(124,227)	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	277,860	267,416	3,850
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in	185,000	-	1,000
Transfers out	-	-	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	185,000	-0-	1,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital purchases	-	-	-
Construction grant - Federal	27,812	-	-
Interest expense and fees	(46,666)	(7,051)	-
Proceeds from sale of assets	-	-	-
Payments on borrowings	(175,000)	(64,452)	-
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(193,854)	(71,503)	-0-
CASH FLOWS FROM INVESTING ACTIVITIES			
Maturity of investments	25,000	25,000	-
Interest revenue	2,438	2,381	18
NET CASH PROVIDED BY INVESTING ACTIVITIES	27,438	27,381	18
NET INCREASE IN CASH AND CASH EQUIVALENTS	296,444	223,294	4,868
Cash and cash equivalents, beginning of year	(49,295)	(29,669)	2,359
Cash and cash equivalents, end of year	<u>\$ 247,149</u>	<u>\$ 193,625</u>	<u>\$ 7,227</u>

Business-Type Activities	Governmental Activities Internal Service Funds
Total	
\$ 1,588,665	\$ 401,952
(745,688)	(55,344)
(64,166)	(157,727)
(229,685)	(17,225)
549,126	171,656
186,000	-
-0-	(114,011)
186,000	(114,011)
-0-	(5,495)
27,812	-
(53,717)	-
-0-	3,663
(239,452)	-
(265,357)	(1,832)
50,000	-
4,837	145
54,837	145
524,606	55,958
(76,605)	37,537
\$ 448,001	\$ 93,495

City of Corunna

Proprietary Funds

STATEMENT OF CASH FLOWS - CONTINUED

Year Ended June 30, 2010

	Sewer System	Water System	Nonmajor (Rubbish Collection)
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 59,273	\$ 194,404	\$ 6,980
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation and amortization	172,983	68,792	-
(Increase) in accounts receivable	(21,225)	(7,751)	(3,022)
Decrease in due from other governmental units	73,590	13,766	-
(Decrease) in accounts payable	(6,661)	(2,112)	(108)
Increase (decrease) in accrued liabilities	(100)	317	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 277,860</u>	<u>\$ 267,416</u>	<u>\$ 3,850</u>

<u>Business-Type Activities</u>	<u>Governmental Activities</u>
<u>Total</u>	<u>Internal Service Funds</u>
\$ 260,657	\$ 120,324
241,775	51,425
(31,998)	-
87,356	-
(8,881)	(135)
<u>217</u>	<u>42</u>
<u>\$ 549,126</u>	<u>\$ 171,656</u>

City of Corunna

Fiduciary Funds

STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2010

	<u>Private Purpose Trust Fund</u>	<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents	\$ 1,000	<u>\$ 84,642</u>
LIABILITIES		
Due to individuals and agencies	<u>-</u>	<u>\$ 84,642</u>
NET ASSETS		
Held in trust for employee benefits	<u>\$ 1,000</u>	

City of Corunna

Fiduciary Funds

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

Year Ended June 30, 2010

	<u>Private Purpose Trust Fund</u>
ADDITIONS	
Contributions	
Employer	\$ 1,000
DEDUCTIONS	
	<u>-</u>
CHANGE IN NET ASSETS	1,000
Net assets, beginning of year	<u>-</u>
Net assets, end of year	<u><u>\$ 1,000</u></u>

City of Corunna

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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, recreation and culture, 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, Clerk/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 No. 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 column in the government-wide financial statements includes 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, 2010

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, 2009 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 \$846 to the Board for the year ended June 30, 2010.

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 \$41,500 in per dwelling charges to Corunna Area Ambulance Service, Inc. for the year ended June 30, 2010.

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, 2010

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 City reports the following major governmental funds:

- 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.

The City reports the following major enterprise funds:

- a. 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.
- b. 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 fiduciary funds to account for assets held by the City as the trustee or as the agent for others. Fiduciary Funds are not included in the government-wide financial statements.

7. Measurement Focus

The government-wide, proprietary, and fiduciary private purpose trust 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 fiduciary agency funds since assets equal liabilities.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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 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. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current period. 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 prior 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 function 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, 2010

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 Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. In the government-wide 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, up to an additional .25 mills (\$.25 per \$1,000 of taxable valuation) for transportation, and up to an additional .5 mills (\$.05 per \$1,000 of taxable valuation) for library. For the year ended June 30, 2010, the City levied 13.3044 mills per \$1,000 of assessed valuation for general governmental services, 4.8342 mills for City Public Improvements, and .2500 mills for transportation. The total Taxable Value for the 2009 levy for property within the City was \$61,774,563.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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, 2010 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 are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities, business-type 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 and City Improvement 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.

19. Long-Term Obligations

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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

19. Long-Term Obligations - continued

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

20. Treatment Rights

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

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

21. Reserved and Designated Fund Balance

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

22. Restriction of Net Assets

Restrictions of net assets shown in the government-wide financial statement indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes.

23. 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

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 actual bank overdrafts; 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, 2010, 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			
Sewer System	\$(5,537)	\$ 252,686	\$ 247,149
Nonmajor governmental funds			
Special revenue funds			
Fire Operations	<u>(15,347)</u>	-	<u>(15,347)</u>
	<u>\$(20,884)</u>	<u>\$ 252,686</u>	<u>\$ 231,802</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured up to \$250,000 for interest-bearing savings deposits in an insured bank and up to \$250,000 for interest-bearing demand deposits at participating FDIC-insured institutions. FDIC insurance coverage through its Transaction Account Guarantee (TAG) Program provides unlimited insurance on non-interest bearing transaction accounts and low-interest bearing (i.e., no higher than 0.50 percent through June 30, 2010 and 0.25 percent after July 1, 2010) NOW accounts. This program is scheduled to end December 31, 2010, unless extended by the FDIC. Furthermore, if specific deposits are regulated by statute or bond indenture, these deposits are to be separately insured up to \$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. Beginning December 31, 2010 through December 31, 2012, deposits held in noninterest-bearing transaction accounts will have unlimited coverage at all FDIC-insured institutions.

City of Corunna

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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

Deposits

As of June 30, 2010, the carrying amounts and bank balances for each type of bank account are as follows:

<u>Account Type</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
PRIMARY GOVERNMENT		
Checking and savings	\$ 1,565,135	\$ 1,589,748
Certificates of deposit	<u>570,967</u>	<u>570,967</u>
Total Primary Government	2,136,102	2,160,715
COMPONENT UNITS		
Regular checking	79,818	100,518
Certificates of deposit	<u>50,000</u>	<u>50,000</u>
Total Component Units	129,818	150,518
FIDUCIARY FUNDS		
Checking and savings	<u>85,642</u>	<u>85,642</u>
TOTAL REPORTING ENTITY	<u>\$ 2,351,562</u>	<u>\$ 2,396,875</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, 2010, the City accounts were collectively and fully insured by the FDIC for \$2,396,875.

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, 2010, 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	\$ 123,669	\$ 123,669	N/A
Federal Home Loan Mortgage Bonds	<u>100,000</u>	<u>100,000</u>	4.79 yrs
	<u>\$ 223,669</u>	<u>\$ 223,669</u>	

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, 2010, the MBIA - Michigan Class investment is rated AAA/V1 by Fitch Ratings. The Federal Home Loan investment is rated AAA by Moody and S&P Ratings

City of Corunna

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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

Interest rate risk

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

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

Concentration of credit risk

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

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

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the combined balance sheet, based upon criteria disclosed in Note A. The following summarizes the categorization of these amounts as of June 30, 2010:

	<u>Primary Government</u>	<u>Component Unit</u>	<u>Fiduciary Funds</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$ 1,688,804	\$ 75,708	\$ 85,642	\$ 1,850,154
Cash and cash equivalents - restricted	-	4,110	-	4,110
Investments - current	145,967	-	-	145,967
Investments - noncurrent	<u>525,000</u>	<u>50,000</u>	<u>-</u>	<u>575,000</u>
	<u>\$ 2,359,771</u>	<u>\$ 129,818</u>	<u>\$ 85,642</u>	<u>\$ 2,575,231</u>

NOTE D: INTERFUND RECEIVABLES AND PAYABLES

The following schedule details interfund receivables and payables related to the primary government at June 30, 2010:

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.

City of Corunna

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE E: INTERFUND TRANSFERS

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

Transfers to Industrial Development Fund from:		
General Fund		\$ 43,151
Internal service funds		<u>100,000</u>
		<u>\$ 143,151</u>
Transfers to Sewer System Fund from:		
City Improvement Fund		\$ 50,000
Nonmajor governmental funds		<u>135,000</u>
		<u>\$ 185,000</u>
Transfers to nonmajor governmental funds from:		
General Fund		\$ 208,784
City Improvements Fund		329,969
Other nonmajor governmental funds		11,955
Internal service funds		<u>14,011</u>
		<u>\$ 564,719</u>
Transfers to nonmajor enterprise funds from:		
General Fund		<u>\$ 1,000</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>Years Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 97,866	\$ 7,854	\$ 105,720
2012	<u>106,641</u>	<u>748</u>	<u>107,389</u>
	<u>\$ 204,507</u>	<u>\$ 8,602</u>	<u>\$ 213,109</u>

One of the loans receivable included in the above schedule was in default as of June 30, 2010. The entire outstanding principal related to this loan was included in the year ending June 30, 2011. No interest was included for this loan because of the uncertainty of that amount and the collectability of amounts outstanding at year end.

City of Corunna

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE F: LONG-TERM CONTRACTS RECEIVABLE - CONTINUED

Primary Government - continued

The City has entered into an agreement with Community District Library to lease the Olmstead Room for activities and meetings. The amounts attributable to this long-term contract receivable have been recorded in the General Fund as contracts receivable and deferred revenue. The following is a summary of future annual revenue from Community District Library (i.e. receivable/deferral):

<u>Years Ending June 30,</u>	<u>Total</u>
2011	\$ 9,600
2012	9,600
2013	<u>1,600</u>
	<u>\$ 20,800</u>

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, 2010 is reported as deferred revenue. The following is a summary of the future annual revenue under this contract (i.e. receivable/deferral):

<u>Years Ending June 30,</u>	<u>Total</u>
2011	\$ 81,458
2012	81,958
2013	82,458
2014	82,958
2015	83,458
2016-2017	<u>133,958</u>
	<u>\$ 546,248</u>

The DDA has agreed to lease property owned by the DDA under a long-term contract to a private corporation. The amounts attributable to this long-term contract receivable have been recorded in the Downtown Development Authority's General Fund as contracts receivable and deferred revenue. The following is a summary of future annual revenue under this contract (i.e. receivable/deferral):

<u>Years Ending June 30,</u>	<u>Total</u>
2011	\$ 7,800
2012	7,800
2013	7,800
2014	18,800
2015	21,000
2016-2020	105,000
2021-2025	105,000
2026-2030	<u>87,500</u>
	<u>\$ 360,700</u>

There is an additional \$3,060 in other contracts receivable in the DDA Fund for a total of \$910,008.

City of Corunna

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE G: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010 was as follows:

Primary Government

	<u>Balance July 1, 2009</u>	<u>Additions/ Reclassifications</u>	<u>Deletions/ Reclassifications</u>	<u>Balance June 30, 2010</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 279,000	\$ -	\$ -	\$ 279,000
Construction in progress	<u>79,929</u>	<u>258,338</u>	<u>(242,082)</u>	<u>96,185</u>
Subtotal	358,929	258,338	(242,082)	375,185
Capital assets being depreciated				
Buildings and additions	3,095,257	73,063	-	3,168,320
Vehicles and equipment	2,144,049	32,834	-	2,176,883
Infrastructure	<u>7,351,330</u>	<u>244,094</u>	<u>-</u>	<u>7,595,424</u>
Subtotal	12,590,636	349,991	-0-	12,940,627
Less accumulated depreciation for:				
Buildings and additions	(2,040,205)	(44,733)	-	(2,084,938)
Vehicles and equipment	(1,462,653)	(117,673)	-	(1,580,326)
Infrastructure	<u>(1,838,717)</u>	<u>(184,330)</u>	<u>-</u>	<u>(2,023,047)</u>
Subtotal	<u>(5,341,575)</u>	<u>(346,736)</u>	<u>-0-</u>	<u>(5,688,311)</u>
Net capital assets being depreciated	<u>7,249,061</u>	<u>3,255</u>	<u>-0-</u>	<u>7,252,316</u>
Capital assets, net	<u>\$ 7,607,990</u>	<u>\$ 261,593</u>	<u>\$(242,082)</u>	<u>\$ 7,627,501</u>

Depreciation expense was charged to the following governmental activities:

General government	\$ 9,691
Public safety	76,215
Public works	230,657
Recreation and culture	<u>30,173</u>
Total depreciation expense	<u>\$ 346,736</u>

	<u>Balance July 1, 2009</u>	<u>Additions/ Reclassifications</u>	<u>Deletions/ Reclassifications</u>	<u>Balance June 30, 2010</u>
Business-type activities				
(Sewer system)				
Capital assets not being depreciated				
Land	\$ 1	\$ -	\$ -	\$ 1
Capital assets being depreciated				
Sewer system	7,425,216	-	-	7,425,216
Equipment	<u>8,995</u>	<u>-</u>	<u>-</u>	<u>8,995</u>
Subtotal	7,434,211	-0-	-0-	7,434,211

City of Corunna

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE G: CAPITAL ASSETS - CONTINUED

Primary Government - continued

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions/</u> <u>Reclassifications</u>	<u>Deletions/</u> <u>Reclassifications</u>	<u>Balance</u> <u>June 30, 2010</u>
Business-type activities - continued				
(Sewer system) - continued				
Less accumulated depreciation for:				
Sewer system	\$(2,385,124)	\$(169,985)	\$ -	\$(2,555,109)
Equipment	<u>(6,747)</u>	<u>(899)</u>	<u>-</u>	<u>(7,646)</u>
Subtotal	<u>(2,391,871)</u>	<u>(170,884)</u>	<u>-0-</u>	<u>(2,562,755)</u>
Net capital assets being depreciated	<u>5,042,340</u>	<u>(170,884)</u>	<u>-0-</u>	<u>4,871,456</u>
Capital assets, net	<u>\$ 5,042,341</u>	<u>\$(170,884)</u>	<u>\$ -0-</u>	<u>\$ 4,871,457</u>
Business-type activities				
(Water system)				
Capital assets not being depreciated				
Land	\$ 126	\$ -	\$ -	\$ 126
Construction in progress	<u>9,750</u>	<u>-</u>	<u>(9,750)</u>	<u>-0-</u>
Subtotal	9,876	-0-	(9,750)	126
Capital assets being depreciated				
Water system	2,228,469	9,750	-	2,238,219
Equipment	<u>46,261</u>	<u>-</u>	<u>-</u>	<u>46,261</u>
Subtotal	2,274,730	9,750	-0-	2,284,480
Less accumulated depreciation for:				
Water system	(1,020,928)	(67,680)	-	(1,088,608)
Equipment	<u>(35,866)</u>	<u>(1,112)</u>	<u>-</u>	<u>(36,978)</u>
Subtotal	<u>(1,056,794)</u>	<u>(68,792)</u>	<u>-0-</u>	<u>(1,125,586)</u>
Net capital assets being depreciated	<u>1,217,936</u>	<u>(59,042)</u>	<u>-0-</u>	<u>1,158,894</u>
Capital assets, net	<u>\$ 1,227,812</u>	<u>\$(59,042)</u>	<u>\$(9,750)</u>	<u>\$ 1,159,020</u>
Component Unit (DDA)				
Capital assets being depreciated				
Buildings	\$ 691,670	\$ 107,234	\$ -	\$ 798,904
Equipment and fixtures	18,952	-	-	18,952
Improvements	<u>926,112</u>	<u>-</u>	<u>-</u>	<u>926,112</u>
Subtotal	1,636,734	107,234	-0-	1,743,968

City of Corunna

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE G: CAPITAL ASSETS - CONTINUED

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions/</u> <u>Reclassifications</u>	<u>Deletions/</u> <u>Reclassifications</u>	<u>Balance</u> <u>June 30, 2010</u>
Component Unit (DDA) - continued				
Less accumulated depreciation for:				
Buildings	\$(288,920)	\$(21,978)	\$ -	\$(310,898)
Equipment and fixtures	(18,952)	-	-	(18,952)
Improvements	<u>(211,971)</u>	<u>(88,636)</u>	<u>-</u>	<u>(300,607)</u>
Subtotal	<u>(519,843)</u>	<u>(110,614)</u>	<u>-0-</u>	<u>(630,457)</u>
Net capital assets being depreciated	<u>1,116,891</u>	<u>(3,380)</u>	<u>-0-</u>	<u>1,113,511</u>
Capital assets, net	<u>\$ 1,116,891</u>	<u>\$(3,380)</u>	<u>\$ -0-</u>	<u>\$ 1,113,511</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, 2010.

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2010</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
PRIMARY GOVERNMENT					
Governmental Activities					
1998 Transportation Bonds	\$ 80,000	\$ -	\$ 20,000	\$ 60,000	\$ 20,000
2000 General Obligation Improvement Bonds	510,000	-	60,000	450,000	65,000
2001 General Obligation Improvement Bonds	170,000	-	80,000	90,000	90,000
2003 Installment Purchase Agreement	36,685	-	36,685	-0-	-
Installment Note - fire truck	131,250	-	18,750	112,500	18,750
2007 Installment Purchase Agreement	22,500	-	22,500	-0-	-
2010 Installment Purchase Agreement	-	15,325	-	15,325	7,663
MEDC Loan	357,500	-	37,500	320,000	42,500
Compensated absences	<u>35,255</u>	<u>52,876</u>	<u>47,346</u>	<u>40,785</u>	<u>32,628</u>
	1,343,190	68,201	322,781	1,088,610	276,541
Business-type Activities					
Water Supply and Sewage					
Improvement Bonds - 1996 (sewer)	270,000	-	35,000	235,000	35,000
Improvement Bonds - 1980 (sewer)	175,000	-	15,000	160,000	15,000
General Obligation Bonds (water)	100,000	-	50,000	50,000	50,000
2005 General Obligation Improvement Bonds (sewer)	440,000	-	65,000	375,000	70,000
2006 General Obligation Improvement Bonds (sewer)	565,000	-	60,000	505,000	65,000
Water Tower IPA - 1999 (water)	<u>14,452</u>	<u>-</u>	<u>14,452</u>	<u>-0-</u>	<u>-</u>
	<u>1,564,452</u>	<u>-0-</u>	<u>239,452</u>	<u>1,325,000</u>	<u>235,000</u>
TOTAL PRIMARY GOVERNMENT	2,907,642	68,201	562,233	2,413,610	511,541

City of Corunna

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE H: LONG-TERM DEBT - CONTINUED

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2010</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
COMPONENT UNIT					
Downtown Development Authority					
Installment loan	\$ 92,350	\$ -	\$ 39,871	\$ 52,479	\$ 52,479
Land contract payable	<u>29,000</u>	<u>-</u>	<u>29,000</u>	<u>-0-</u>	<u>-</u>
TOTAL COMPONENT UNIT	<u>121,350</u>	<u>-0-</u>	<u>68,871</u>	<u>52,479</u>	<u>52,479</u>
	<u>\$ 3,028,992</u>	<u>\$ 68,201</u>	<u>\$ 631,104</u>	<u>\$ 2,466,089</u>	<u>\$ 564,020</u>

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

PRIMARY GOVERNMENT

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 5.00 to 5.05 percent. \$ 60,000

\$895,000 2000 County of Shiawassee, City of Corunna Public Improvement Bonds dated October 11, 2000, due in annual installments ranging from \$65,000 to \$85,000 through November 1, 2015, with interest ranging from 5.20 to 5.30 percent, payable semi-annually. 450,000

\$490,000 2001 County of Shiawassee, City of Corunna Public Improvement Bonds dated June 1, 2001, due in an annual installment of \$90,000 on November 1, 2010, with interest of 4.75 percent, payable semi-annually. 90,000

\$ 600,000

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. \$ 112,500

Installment Purchase Agreement - Software

\$15,325 2010 Installment Purchase Agreement for BS&A Software dated December 1, 2009, due in annual installments of \$7,663 through July 1, 2011. \$ 15,325

MEDC Loan (Payable from General Fund)

\$450,000 2005 MEDC Loan Agreement dated September 1, 2005, due in annual installments ranging from \$42,500 to \$62,500 through December 1, 2015, with no interest. \$ 320,000

Compensated Absences - accrued vacation, sick leave, and longevity

Individual employees have vested rights upon termination of employment to receive payments for unused vacation and sick leave, and also receive an annual longevity payment. The dollar amounts, including related payroll taxes, of these vested rights have been recorded in the government-wide financial statements. They amount to approximately \$40,785 at June 30, 2010.

City of Corunna

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE H: LONG-TERM DEBT - CONTINUED

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 5.30 to 5.35 percent, payable semi-annually.	\$ 235,000
\$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.	160,000
\$700,000 1992 Shiawassee County, City of Corunna Water Supply System (General Obligation) Improvement Bonds dated August 1, 1992, due in an installment of \$50,000 on May 1, 2011, with interest at 6.25 percent.	50,000
\$685,000 2005 County of Shiawassee, City of Corunna Capital Improvement Bonds dated April 1, 2005, due in annual installments ranging from \$70,000 to \$80,000 through November 1, 2014, with interest ranging from 3.65 to 4.20 percent, payable semi-annually.	375,000
\$685,000 2006 County of Shiawassee, City of Corunna Capital Improvement Bonds dated July 6, 2006, due in annual installments ranging from \$65,000 to \$80,000 through July 1, 2016, with interest ranging from 4.10 to 4.45 percent, payable semi-annually.	<u>505,000</u>
	<u>\$ 1,325,000</u>

COMPONENT UNIT - DISCRETELY PRESENTED

\$346,227 Downtown Development Authority bank promissory note dated September 27, 2000, due in monthly payments of \$3,615 and a final principal installment of \$45,651 due September 27, 2010 with interest on the unpaid balance at 4.75 percent.	<u>\$ 52,479</u>
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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
2011	\$ 175,000	\$ 26,670	\$ 235,000	\$ 54,713	\$ 26,413	\$ 5,063	\$ 42,500
2012	90,000	20,005	190,000	45,114	26,412	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	80,000	6,625	475,000	37,271	18,750	1,688	62,500
2016-2020	<u>85,000</u>	<u>2,253</u>	<u>20,000</u>	<u>500</u>	<u>18,750</u>	<u>843</u>	<u>57,500</u>
	<u>\$ 600,000</u>	<u>\$ 81,480</u>	<u>\$ 1,325,000</u>	<u>\$ 201,747</u>	<u>\$ 127,825</u>	<u>\$ 17,719</u>	<u>\$ 320,000 *</u>

*This is an interest-free loan.

City of Corunna

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE H: LONG-TERM DEBT - CONTINUED

Component Unit

<u>Year Ending June 30,</u>	<u>Installment Loan</u>	
	<u>Principal</u>	<u>Interest</u>
2011	\$ <u>52,479</u>	\$ <u>583</u>

NOTE I: RETIREMENT PLAN

Plan Description

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

Funding Policy

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

Annual Pension Cost

For the year ended June 30, 2010 the City's annual pension cost of \$149,213 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, 2007, 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>2007</u>	<u>2008</u>	<u>2009</u>
Actuarial value of assets	\$ 2,858,180	\$ 2,881,375	\$ 2,883,688
Actuarial accrued liability (AAL) (entry age)	4,002,017	4,293,014	4,385,113
Unfunded AAL	1,143,837	1,411,639	1,501,425
Funded ratio	71 %	67 %	66 %
Covered payroll	611,254	590,302	561,797
UAAL as a percentage of covered payroll	187 %	239 %	267 %

	Year Ended June 30,		
	<u>2008</u>	<u>2009</u>	<u>2010</u>
Annual pension cost	\$ 125,125	\$ 125,090	\$ 149,213
Percentage of APC contributed	100 %	100 %	100 %
Net pension obligation	-	-	-

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

City of Corunna

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE J: RESTRICTED NET ASSETS

Restrictions of net assets shown in the government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes. The following are the various net asset restrictions as of June 30, 2010:

Governmental Activities	
Perpetual Care	<u>\$ 83,007</u>
Other purposes	
City improvements	\$ 20,097
Major street	112,452
Local street	71,728
Fire capital acquisition	62,507
Industrial development	<u>786,698</u>
	<u>\$ 1,053,482</u>
Business-type Activities	
Restricted for debt service	
Sewer System Fund	\$ 53,500
Restricted for capital improvements	
Sewer System Fund	<u>123,908</u>
	<u>\$ 177,408</u>

NOTE K: POST-EMPLOYMENT HEALTH CARE BENEFITS

PRIMARY GOVERNMENT

Plan Description

The City will provide certain retiree health care benefits as other post-employment benefits (OPEB) to certain employees upon retirement. The following are the Governmental Accounting Standards Board Statement No. 45 (GASB Statement No. 45) required disclosures and these disclosures have been implemented prospectively by the City. Upon retirement the applicable employees will be eligible for certain health insurance benefits with a portion of the premium paid by the City. The retiree will be responsible for paying a portion of their premium according to their class:

Classes 1 and 2	
Under age 65	10%
Age 65 and older	50%
Classes 4 and 5	
Under age 65 and if hired before 7/1/01	10%
Under age 65 and if hired after 7/1/01	10%
Age 65 and older and hired after 7/1/01	20%
Classes 8 and 9 with at least 20 years of service at retirement	
Under age 65	10%
Age 65 and older	50%

For the year ended June 30, 2010, the City made payments for the post-employment health benefit premiums of \$63,485.

The plan does not issue a separate stand-alone financial statement.

City of Corunna

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE K: POST-EMPLOYMENT HEALTH CARE BENEFITS - CONTINUED

Funding Policy

The City's annual other post-employment benefit (OPEB) cost is calculated based on the *annual required contribution of the employer* (ARC). The City has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The City has no obligation to make contributions in advance of when the premiums are due for payment (i.e., may be financed on a "pay-as-you-go" basis). The only current contributions being made are to pay the actual current premiums of the retirees and an additional \$1,000 to begin funding the liability. That amount was less than the annual required contribution and is reflected in the schedule that follows. Administrative costs of the plan are paid for by the City.

Funding Progress

For the year ended June 30, 2010, the City has determined an estimated cost of providing post-employment benefits through the alternative measurement method of calculation as of December 31, 2008. At the time of this reporting the City had twelve (12) active plan members and seven (7) retirees and beneficiaries receiving benefits. Active members are not obligated to make contributions to the Plan at this time. The calculation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to cover the amortization of any unfunded actuarial liabilities from the past, over a period not to exceed 30 years.

The City's computed contribution and actual funding is summarized as follows:

Annual required contribution/Annual OPEB cost (ARC)	\$ 183,170
Amounts contributed	
Payments of current premiums (gross of employee reimbursement)	<u>64,485</u>
Net OPEB obligation	118,685
OPEB obligation - Beginning of year	<u>-</u>
OPEB obligation - End of year	<u>\$ 118,685</u>

Because this is the first year of the calculation, the above OPEB cost has no interest on the OPEB obligation or adjustment to the ARC within the calculation.

The annual OPEB costs, the percentage contributed to the plan, and the net OPEB obligation for the fiscal year ended June 30, 2010, were as follows:

Annual OPEB costs	\$ 183,170
Percentage contributed	35.2 %
Net OPEB obligation	118,685

The current funding progress of the plan as of September 30, 2008, the most recent valuation date, is as follows:

Actuarial value of assets	\$ -
Actuarial accrued liability (AAL)	1,639,187
Unfunded AAL (UAAL)	1,639,187
Funded ratio	0 %

The year ended June 30, 2010 was the first year that the alternative measurement method of calculation was completed, so no information is available for years prior to that. Also, information related to funding progress with multiyear trend information indicating whether the actuarial value of plan assets is increasing or decreasing over time relative to the AAL for benefits is not presented.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE K: POST-EMPLOYMENT HEALTH CARE BENEFITS - CONTINUED

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of potential occurrences of certain events in the future. Examples include assumption about future employment, mortality, healthcare costs trends, inflation, etc. Amounts determined regarding the funded status of the plan and the annual required contributions of the City are subject to constant changes and modifications as actual results are compared with past expectations and new estimates and assumptions are made about the future.

Projections of retiree benefits for financial reporting purposes are based on current plan activities as it is handled by the City and the benefits are received by the eligible plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the City and plan members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2008, OPEB alternative measurement method calculation, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. Based on the historical and expected returns of the City's short-term investment portfolio, a discount rate of 4.8 percent was used. The actuarial assumptions include a 7 percent a year rate of investment return, compounded annually net after investment expense, which is the expected long-term investment returns on plan assets, a base payroll growth rate of 3 percent, and a 7 percent interest rate on the beginning of the year OPEB obligation. The remaining amortization period at December 31, 2008, was thirty years.

NOTE L: RISK MANAGEMENT

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

The City also participates in a pool, the Michigan Municipal League Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The City has not been informed of any special assessments being required.

NOTE M: 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.

The City participates in various Federal and State assisted programs that are subject to compliance audits. The periodic program compliance audits of many of the programs have not yet been conducted, completed, or resolved. Accordingly, the City's compliance with applicable requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the agencies or noncompliance issues that may arise cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

City of Corunna

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE N: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

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

The approved budgets of the City have been adopted at the function level for the General Fund and the total expenditure level for the Special Revenue Funds.

During the year ended June 30, 2010, the City incurred certain expenditures in the General Fund and certain Special Revenue Funds in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
Public works			
Capital outlay	\$ -	\$ 15,325	\$ 15,325
Special Revenue Funds			
DDA Custodial	37,500	187,500	150,000
Parks Improvement	80,700	82,254	1,554
Fourth of July Commission	29,800	33,367	3,567
Softball Commission	32,500	40,232	7,732

NOTE O: SUBSEQUENT EVENTS

On July 9, 2010 the City entered into an agreement to purchase on installment a vacant piece of property for \$21,300. On July 16, 2010 the City entered into an installment purchase agreement to purchase another vacant property for \$100,000. Existing fund balance and future anticipated operating revenues are expected to be sufficient to finance these installment purchase agreements.

On August 18, 2010 the City issued a \$340,000 Capital Improvement Bonds for storm sewers. Existing fund balance and future anticipated operating revenues are expected to be sufficient to finance these bonds.

NOTE P: GASB PRONOUNCEMENTS

In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated and unreserved will be replaced with five new classifications: nonspendable, restricted, committed, assigned and unassigned.

The City is currently evaluating the impact this standard will have on the financial statements when adopted. The City will implement Statement No. 54 beginning with the fiscal year ending June 30, 2011.

REQUIRED SUPPLEMENTARY INFORMATION

City of Corunna

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES AND OTHER FINANCING SOURCES

Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Property taxes	\$ 798,502	\$ 798,502	\$ 796,282	\$ (2,220)
Industrial and commercial facilities	22,315	22,315	22,315	-0-
Tax collection fees	33,500	33,500	38,898	5,398
Total taxes	854,317	854,317	857,495	3,178
Licenses and permits				
City licenses and permits	4,410	4,410	4,491	81
Franchise fee	21,500	21,500	22,628	1,128
Total licenses and permits	25,910	25,910	27,119	1,209
Intergovernmental				
State				
Sales tax	340,235	301,555	304,229	2,674
Other	2,000	2,000	918	(1,082)
Total intergovernmental	342,235	303,555	305,147	1,592
Charges for services				
Recreational fees	1,200	1,200	1,135	(65)
Administration charges	301,287	306,570	273,203	(33,367)
Total charges for services	302,487	307,770	274,338	(33,432)
Fines and forfeits				
Parking	750	750	560	(190)
Ordinance	7,850	18,350	20,102	1,752
Total fines and forfeits	8,600	19,100	20,662	1,562
Interest and rents				
Interest on investments	17,000	15,000	15,153	153
Rental fees	20,721	24,321	22,721	(1,600)
Total interest and rents	37,721	39,321	37,874	(1,447)
Other				
Sidewalk and other	6,750	6,750	5,788	(962)
Fireworks proceeds	10,000	10,500	10,500	-0-
Private donations	150	150	76	(74)
Contributions from other governmental units	73,273	-	-0-	-0-
Other	27,100	24,107	24,660	553
Total other	117,273	41,507	41,024	(483)
TOTAL REVENUES	1,688,543	1,591,480	1,563,659	(27,821)
OTHER FINANCING SOURCES				
Installment purchase agreement proceeds	-	-	15,325	15,325
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$ 1,688,543	\$ 1,591,480	\$ 1,578,984	\$ (12,496)

City of Corunna

General Fund

BUDGETARY COMPARISON SCHEDULE - EXPENDITURES AND
OTHER FINANCING USES BY ACTIVITY

Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES				
Current				
General government				
Legislative	\$ 38,608	\$ 30,208	\$ 28,881	\$ 1,327
City Manager	113,297	113,297	109,192	4,105
Clerk/Treasurer	95,384	97,384	97,373	11
Assessor	79,354	76,354	73,119	3,235
Elections	3,050	3,050	1,858	1,192
Municipal building	35,664	46,445	44,096	2,349
Internal services	95,406	95,406	89,085	6,321
Other	43,617	7,256	1,008	6,248
Total general government	504,380	469,400	444,612	24,788
Public safety				
Police department	419,849	385,007	381,166	3,841
Crossing guard	1,690	1,690	1,524	166
Fire department	69,427	64,427	59,284	5,143
Total public safety	490,966	451,124	441,974	9,150
Public works				
General services	329,569	304,569	285,154	19,415
Drains at large	750	750	1,685	(935)
Total public works	330,319	305,319	286,839	18,480
Community and economic development				
Planning commission	450	450	350	100
Other				
Insurance	19,848	19,848	17,133	2,715
Retiree benefits	119,205	117,904	118,904	(1,000)
Total other	139,053	137,752	136,037	1,715
Capital outlay	-	-	15,325	(15,325)
TOTAL EXPENDITURES	1,465,168	1,364,045	1,325,137	38,908

City of Corunna

General Fund

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

Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
OTHER FINANCING USES				
Transfers out				
Local street fund	\$ 15,000	\$ 10,000	\$ 10,000	\$ -0-
Parks improvement fund	5,000	5,000	5,000	-0-
Parks and recreation fund	97,000	109,060	109,060	-0-
Cemetery fund	30,000	22,500	22,500	-0-
Forest fund	2,000	-	-	-0-
Building department	-	7,500	7,500	-0-
Industrial development fund	43,152	43,152	43,152	-0-
Dam construction fund	2,500	2,500	2,500	-0-
Municipal Building fund	51,223	51,223	51,223	-0-
Centennial fund	1,000	1,000	1,000	-0-
Rubbish collection fund	2,000	1,000	1,000	-0-
TOTAL OTHER FINANCING USES	<u>248,875</u>	<u>252,935</u>	<u>252,935</u>	<u>-0-</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 1,714,043</u>	<u>\$ 1,616,980</u>	<u>\$ 1,578,072</u>	<u>\$ 38,908</u>

City of Corunna

Economic Development Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest and rents	\$ 1,300	\$ 1,300	\$ 108	\$ (1,192)
Other				
Loan repayment	<u>31,320</u>	<u>31,320</u>	<u>20,815</u>	<u>(10,505)</u>
TOTAL REVENUES	32,620	32,620	20,923	(11,697)
EXPENDITURES				
Current				
Community and economic development	<u>80,000</u>	<u>80,000</u>	<u>50,047</u>	<u>29,953</u>
NET CHANGE IN FUND BALANCE	(47,380)	(47,380)	(29,124)	18,256
Fund balance, beginning of year	<u>60,363</u>	<u>60,363</u>	<u>60,363</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 12,983</u>	<u>\$ 12,983</u>	<u>\$ 31,239</u>	<u>\$ 18,256</u>

City of Corunna

City Improvement Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2010

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes	\$ 307,623	\$ 307,623	\$ 306,391	\$ (1,232)
Interest and rents	1,000	1,000	2,179	1,179
Other	13,923	13,923	15,339	1,416
TOTAL REVENUES	322,546	322,546	323,909	1,363
EXPENDITURES				
Current				
Community and economic development	10,000	1,000	960	40
EXCESS OF REVENUES OVER EXPENDITURES	312,546	321,546	322,949	1,403
OTHER FINANCING (USES)				
Transfers out	(308,219)	(379,969)	(379,969)	-0-
NET CHANGE IN FUND BALANCE	4,327	(58,423)	(57,020)	1,403
Fund balance, beginning of year	77,117	77,117	77,117	-0-
Fund balance, end of year	<u>\$ 81,444</u>	<u>\$ 18,694</u>	<u>\$ 20,097</u>	<u>\$ 1,403</u>

City of Corunna

DDA Custodial Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental - Local	\$ 37,500	\$ 37,500	\$ 37,500	\$ -0-
EXPENDITURES				
Current				
Other	-	-	150,000	(150,000)
Debt service				
Principal	37,500	37,500	37,500	-0-
TOTAL EXPENDITURES	<u>37,500</u>	<u>37,500</u>	<u>187,500</u>	<u>(150,000)</u>
NET CHANGE IN FUND BALANCE	-0-	-0-	(150,000)	150,000
Fund balance, beginning of year	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 150,000</u>	<u>\$ 150,000</u>	<u>\$ -0-</u>	<u>\$ 150,000</u>

OTHER SUPPLEMENTARY INFORMATION

City of Corunna

Nonmajor Governmental Funds

COMBINING BALANCE SHEET

June 30, 2010

	Special		
	Major Street	Local Street	Fire Capital
ASSETS			
Cash and cash equivalents	\$ 87,452	\$ 62,789	\$ 66,856
Investments	-	-	-
Accounts receivable	-	-	-
Due from other governmental units			
State	26,551	9,111	-
Local	-	-	-
TOTAL ASSETS	\$ 114,003	\$ 71,900	\$ 66,856
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 1,384	\$ -	\$ 4,349
Accrued liabilities	167	172	-
TOTAL LIABILITIES	1,551	172	4,349
FUND BALANCES			
Reserved for:			
Perpetual care	-	-	-
Debt service	-	-	-
Unreserved			
Undesignated, reported in:			
Special revenue funds	112,452	71,728	62,507
Capital projects funds	-	-	-
TOTAL FUND BALANCES	112,452	71,728	62,507
TOTAL LIABILITIES AND FUND BALANCES	\$ 114,003	\$ 71,900	\$ 66,856

Revenue

Fire Operations Fund	Parks and Recreation Fund	Cemetery Fund	Parks Improvement Fund	Municipal Building	Forest Fund
\$ (15,347)	\$ 16,294	\$ 11,308	\$ 31,110	\$ 107,294	\$ 3,339
-	-	-	-	-	-
-	3,919	-	-	-	-
-	-	-	-	-	-
35,246	-	-	-	-	-
<u>\$ 19,899</u>	<u>\$ 20,213</u>	<u>\$ 11,308</u>	<u>\$ 31,110</u>	<u>\$ 107,294</u>	<u>\$ 3,339</u>
\$ 193	\$ 4,271	\$ 42	\$ 1,185	\$ 5,602	\$ -
18,125	1,695	334	-	-	-
18,318	5,966	376	1,185	5,602	-0-
-	-	-	-	-	-
-	-	-	-	-	-
1,581	14,247	10,932	29,925	101,692	3,339
-	-	-	-	-	-
<u>1,581</u>	<u>14,247</u>	<u>10,932</u>	<u>29,925</u>	<u>101,692</u>	<u>3,339</u>
<u>\$ 19,899</u>	<u>\$ 20,213</u>	<u>\$ 11,308</u>	<u>\$ 31,110</u>	<u>\$ 107,294</u>	<u>\$ 3,339</u>

City of Corunna

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

June 30, 2010

	Special		
	Fourth of July Commission	Softball Commission	Historical Commission
ASSETS			
Cash and cash equivalents	\$ 12,873	\$ 13,805	\$ 11,720
Investments	-	-	-
Accounts receivable	-	-	-
Due from other governmental units			
State	-	-	-
Local	-	-	-
TOTAL ASSETS	<u>\$ 12,873</u>	<u>\$ 13,805</u>	<u>\$ 11,720</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	12,873	13,805	11,720
Capital projects funds	-	-	-
TOTAL FUND BALANCES	<u>12,873</u>	<u>13,805</u>	<u>11,720</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 12,873</u>	<u>\$ 13,805</u>	<u>\$ 11,720</u>

Revenue		Debt Service			
Building/ Zoning	Centennial	1996 G.O. Limited Tax Bonds	1998 MTF Bonds Payable	2000 G.O. Limited Tax Bonds	2001 G.O. Limited Tax Bonds
\$ 3,054	\$ 3,285	\$ -	\$ 3	\$ 497	\$ 4,120
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 3,054</u>	<u>\$ 3,285</u>	<u>\$ -0-</u>	<u>\$ 3</u>	<u>\$ 497</u>	<u>\$ 4,120</u>
\$ 140	\$ -	\$ -	\$ -	\$ -	\$ -
397	-	-	-	-	-
537	-0-	-0-	-0-	-0-	-0-
-	-	-	-	-	-
-	-	-	3	497	4,120
2,517	3,285	-	-	-	-
-	-	-	-	-	-
<u>2,517</u>	<u>3,285</u>	<u>-0-</u>	<u>3</u>	<u>497</u>	<u>4,120</u>
<u>\$ 3,054</u>	<u>\$ 3,285</u>	<u>\$ -0-</u>	<u>\$ 3</u>	<u>\$ 497</u>	<u>\$ 4,120</u>

City of Corunna

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

June 30, 2010

	Capital		
	East Corunna Construction Fund	Dam Construction Fund	W. Corunna Avenue Enhancement
ASSETS			
Cash and cash equivalents	\$ 26,455	\$ 8,389	\$ 75,649
Investments	-	-	-
Accounts receivable	-	-	-
Due from other governmental units			
State	-	-	-
Local	-	-	-
TOTAL ASSETS	<u>\$ 26,455</u>	<u>\$ 8,389</u>	<u>\$ 75,649</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	-	-	-
Capital projects funds	26,455	8,389	75,649
TOTAL FUND BALANCES	<u>26,455</u>	<u>8,389</u>	<u>75,649</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 26,455</u>	<u>\$ 8,389</u>	<u>\$ 75,649</u>

<u>Projects</u>	<u>Permanent</u>	
<u>Storm</u>	<u>Cemetery</u>	
<u>Sewer</u>	<u>Perpetual</u>	
<u>Construction</u>	<u>Care</u>	<u>Total</u>
\$ 1,400	\$ 37,040	\$ 569,385
-	45,967	45,967
-	-	3,919
-	-	35,662
-	-	35,246
<u>\$ 1,400</u>	<u>\$ 83,007</u>	<u>\$ 690,179</u>
\$ -	\$ -	\$ 17,166
-	-	20,890
-0-	-0-	38,056
-	83,007	83,007
-	-	4,620
-	-	452,603
1,400	-	111,893
<u>1,400</u>	<u>83,007</u>	<u>652,123</u>
<u>\$ 1,400</u>	<u>\$ 83,007</u>	<u>\$ 690,179</u>

City of Corunna

Nonmajor Governmental Funds

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

Year Ended June 30, 2010

	Special		
	Major Street	Local Street	Fire Capital
REVENUES			
Intergovernmental - State	\$ 158,863	\$ 66,839	\$ -
Intergovernmental - Local	-	-	20,000
Charges for services	-	-	18,816
Licenses and permits	-	-	-
Interest and rents	342	164	-
Other	-	-	-
TOTAL REVENUES	159,205	67,003	38,816
EXPENDITURES			
Current			
General government	-	-	-
Public safety	-	-	9,137
Public works	71,042	49,044	-
Health and welfare	-	-	-
Recreation and culture	-	-	-
Other	-	-	-
Debt service			
Principal	-	-	18,750
Interest and fiscal agent fees	-	-	5,906
Capital outlay	-	-	-
TOTAL EXPENDITURES	71,042	49,044	33,793
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	88,163	17,959	5,023
OTHER FINANCING SOURCES (USES)			
Transfers in	-	15,000	-
Transfers out	(140,000)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(140,000)	15,000	-0-
NET CHANGE IN FUND BALANCES	(51,837)	32,959	5,023
Fund balances, beginning of year	164,289	38,769	57,484
Fund balances, end of year	\$ 112,452	\$ 71,728	\$ 62,507

Revenue

Fire Operations Fund	Parks and Recreation Fund	Cemetery Fund	Parks Improvement Fund	Municipal Building	Forest Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	2,200	-	20,000	8,601	-
103,246	23,278	19,670	-	6,119	-
-	-	-	-	-	-
-	12,195	33	1,542	6,744	9
78	36,210	-	58,768	12,690	-
103,324	73,883	19,703	80,310	34,154	9
-	-	-	-	15,883	-
103,245	-	-	-	-	-
-	-	-	-	-	-
-	-	31,670	-	-	-
-	176,165	-	-	-	1,294
-	-	4,164	9,287	-	-
-	-	-	-	22,500	-
-	-	-	-	1,125	-
-	6,341	-	72,967	2,699	-
103,245	182,506	35,834	82,254	42,207	1,294
79	(108,623)	(16,131)	(1,944)	(8,053)	(1,285)
-	109,060	22,500	11,955	65,235	-
-	(6,955)	-	-	-	-
-0-	102,105	22,500	11,955	65,235	-0-
79	(6,518)	6,369	10,011	57,182	(1,285)
1,502	20,765	4,563	19,914	44,510	4,624
\$ 1,581	\$ 14,247	\$ 10,932	\$ 29,925	\$ 101,692	\$ 3,339

City of Corunna

Nonmajor Governmental Funds

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

Year Ended June 30, 2010

	Special		
	Fourth of July Commission	Softball Commission	Historical Commission
REVENUES			
Intergovernmental - State	\$ -	\$ -	\$ -
Intergovernmental - Local	-	-	-
Charges for services	-	36,340	-
Licenses and permits	-	-	-
Interest and rents	84	19	4,874
Other	28,726	1,100	4,010
TOTAL REVENUES	28,810	37,459	8,884
EXPENDITURES			
Current			
General government	-	-	-
Public safety	-	-	-
Public works	-	-	-
Health and welfare	-	-	-
Recreation and culture	33,367	40,232	12,645
Other	-	-	255
Debt service			
Principal	-	-	-
Interest, fiscal agent, and other fees	-	-	-
Capital outlay	-	-	-
TOTAL EXPENDITURES	33,367	40,232	12,900
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(4,557)	(2,773)	(4,016)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-0-	-0-	-0-
NET CHANGE IN FUND BALANCES	(4,557)	(2,773)	(4,016)
Fund balances, beginning of year	17,430	16,578	15,736
Fund balances, end of year	\$ 12,873	\$ 13,805	\$ 11,720

Revenue		Debt Service			
Building/ Zoning	Centennial	1996 G.O. Limited Tax Bonds	1998 MTF Bonds Payable	2000 G.O. Limited Tax Bonds	2001 G.O. Limited Tax Bonds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
5,955	-	-	-	-	-
-	7	14	2	19	13
200	100	-	-	-	-
6,155	107	14	2	19	13
-	-	-	-	-	-
13,634	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	20,000	60,000	80,000
-	-	745	3,800	25,532	6,385
-	-	-	-	-	-
13,634	-0-	745	23,800	85,532	86,385
(7,479)	107	(731)	(23,798)	(85,513)	(86,372)
7,500	1,000	-	23,800	85,533	86,386
-	-	-	-	-	-
7,500	1,000	-0-	23,800	85,533	86,386
21	1,107	(731)	2	20	14
2,496	2,178	731	1	477	4,106
\$ 2,517	\$ 3,285	\$ -0-	\$ 3	\$ 497	\$ 4,120

City of Corunna

Nonmajor Governmental Funds

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

Year Ended June 30, 2010

	Capital		
	East Corunna Construction Fund	Dam Construction Fund	W. Corunna Avenue Enhancement
REVENUES			
Intergovernmental - State	\$ -	\$ -	\$ -
Intergovernmental - Local	-	-	-
Charges for services	-	-	-
Licenses and permits	-	-	-
Interest and rents	58	35	195
Other	-	-	-
TOTAL REVENUES	58	35	195
EXPENDITURES			
Current			
General government	-	-	-
Public safety	-	-	-
Public works	-	-	-
Health and welfare	-	-	-
Recreation and culture	-	-	-
Other	-	-	-
Debt service			
Principal	-	-	-
Interest and fiscal agent fees	-	-	-
Capital outlay	2,012	10,103	162,835
TOTAL EXPENDITURES	2,012	10,103	162,835
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,954)	(10,068)	(162,640)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	2,500	62,500
Transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-0-	2,500	62,500
NET CHANGE IN FUND BALANCES	(1,954)	(7,568)	(100,140)
Fund balances, beginning of year	28,409	15,957	175,789
Fund balances, end of year	<u>\$ 26,455</u>	<u>\$ 8,389</u>	<u>\$ 75,649</u>

<u>Projects</u>	<u>Permanent</u>	
<u>Storm</u>	<u>Cemetery</u>	
<u>Sewer</u>	<u>Perpetual</u>	
<u>Construction</u>	<u>Care</u>	<u>Total</u>
\$ -	\$ -	\$ 225,702
-	-	50,801
-	9,955	217,424
-	-	5,955
-	1,352	27,701
-	-	141,882
-0-	11,307	669,465
-	-	15,883
-	-	126,016
-	-	120,086
-	-	31,670
-	-	263,703
-	-	13,706
-	-	201,250
-	-	43,493
70,350	-	327,307
70,350	-0-	1,143,114
(70,350)	11,307	(473,649)
71,750	-	564,719
-	-	(146,955)
71,750	-0-	417,764
1,400	11,307	(55,885)
-	71,700	708,008
<u>\$ 1,400</u>	<u>\$ 83,007</u>	<u>\$ 652,123</u>

City of Corunna

Internal Service Funds

COMBINING STATEMENT OF NET ASSETS

June 30, 2010

	<u>Motor Pool</u>	<u>Retiree Benefits</u>	<u>Total</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 15,589	\$ 77,906	\$ 93,495
Noncurrent assets			
Capital assets being depreciated, net	<u>271,375</u>	<u>-</u>	<u>271,375</u>
TOTAL ASSETS	286,964	77,906	364,870
LIABILITIES			
Current liabilities			
Accounts payable	1,435	-	1,435
Accrued liabilities	83	-	83
Due to other funds	<u>100,000</u>	<u>-</u>	<u>100,000</u>
TOTAL LIABILITIES	<u>101,518</u>	<u>-0-</u>	<u>101,518</u>
NET ASSETS			
Invested in capital assets	271,375	-	271,375
Unrestricted	<u>(85,929)</u>	<u>77,906</u>	<u>(8,023)</u>
TOTAL NET ASSETS	<u><u>\$ 185,446</u></u>	<u><u>\$ 77,906</u></u>	<u><u>\$ 263,352</u></u>

City of Corunna

Internal Service Funds

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

Year Ended June 30, 2010

	Motor Pool	Retiree Benefits	Total
OPERATING REVENUES			
Charges for services	\$ 203,842	\$ 198,110	\$ 401,952
OPERATING EXPENSES			
Personnel services	17,225	-	17,225
Employee benefits	5,489	152,280	157,769
Other operating costs	55,209	-	55,209
Depreciation	51,425	-	51,425
TOTAL OPERATING EXPENSES	129,348	152,280	281,628
OPERATING INCOME	74,494	45,830	120,324
NONOPERATING REVENUES			
Interest earned	61	84	145
Proceeds from sale of assets	3,663	-	3,663
TOTAL NONOPERATING REVENUES	3,724	84	3,808
INCOME BEFORE TRANSFERS	78,218	45,914	124,132
TRANSFERS			
Transfer out	(114,011)	-	(114,011)
CHANGE IN NET ASSETS	(35,793)	45,914	10,121
Net assets, beginning of year	221,239	31,992	253,231
Net assets, end of year	<u>\$ 185,446</u>	<u>\$ 77,906</u>	<u>\$ 263,352</u>

City of Corunna

Internal Service Funds

COMBINING STATEMENT OF CASH FLOWS

Year Ended June 30, 2010

	Motor Pool	Retiree Benefits	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 203,842	\$ 198,110	\$ 401,952
Cash paid to suppliers	(55,344)	-	(55,344)
Cash paid for employee benefits	(5,447)	(152,280)	(157,727)
Cash paid to employees	(17,225)	-	(17,225)
NET CASH PROVIDED BY OPERATING ACTIVITIES	125,826	45,830	171,656
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers out	(114,011)	-	(114,011)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital purchases	(5,495)	-	(5,495)
Proceeds from sale of assets	3,663	-	3,663
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(1,832)	-0-	(1,832)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest earned	61	84	145
NET INCREASE IN CASH AND CASH EQUIVALENTS	10,044	45,914	55,958
Cash and cash equivalents, beginning of year	5,545	31,992	37,537
Cash and cash equivalents, end of year	<u>\$ 15,589</u>	<u>\$ 77,906</u>	<u>\$ 93,495</u>
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 74,494	\$ 45,830	\$ 120,324
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	51,425	-	51,425
(Decrease) in accounts payable	(135)	-	(135)
Increase in accrued liabilities	42	-	42
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 125,826</u>	<u>\$ 45,830</u>	<u>\$ 171,656</u>

City of Corunna

Agency Funds

COMBINING STATEMENT OF ASSETS AND LIABILITIES

June 30, 2010

	<u>Fire Capital Acquisitions Fund</u>	<u>Transportation Fund</u>	<u>Payroll Clearing</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	<u>\$ 66,856</u>	<u>\$ 17,419</u>	<u>\$ 367</u>	<u>\$ 84,642</u>
LIABILITIES				
Due to individuals and agencies	<u>\$ 66,856</u>	<u>\$ 17,419</u>	<u>\$ 367</u>	<u>\$ 84,642</u>

City of Corunna

Sewer System

COMPARATIVE STATEMENT OF NET ASSETS

June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 247,149	\$ (49,295)
Accounts receivable	69,716	48,491
Due from other governmental units	-	73,590
Total current assets	<u>316,865</u>	<u>72,786</u>
Noncurrent assets		
Investments	-	25,000
Treatment rights, net	11,993	14,092
Capital assets not being depreciated	1	1
Capital assets being depreciated, net	<u>4,871,456</u>	<u>5,042,340</u>
Total noncurrent assets	<u>4,883,450</u>	<u>5,081,433</u>
TOTAL ASSETS	<u>5,200,315</u>	<u>5,154,219</u>
LIABILITIES		
Current liabilities		
Accounts payable	10,453	17,114
Accrued liabilities	396	496
Accrued interest payable	18,741	20,951
Current portion of long-term debt	<u>185,000</u>	<u>175,000</u>
Total current liabilities	<u>214,590</u>	<u>213,561</u>
Noncurrent liabilities		
Noncurrent portion of long-term debt	<u>1,090,000</u>	<u>1,275,000</u>
TOTAL LIABILITIES	<u>1,304,590</u>	<u>1,488,561</u>
NET ASSETS		
Invested in capital assets, net of related debt	3,596,457	3,592,341
Restricted for		
Other purposes	177,408	70,938
Unrestricted	<u>121,860</u>	<u>2,379</u>
TOTAL NET ASSETS	<u>\$ 3,895,725</u>	<u>\$ 3,665,658</u>

City of Corunna

Sewer System

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

Years Ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
OPERATING REVENUES		
Charges for services	\$ 493,675	\$ 230,110
Capital charges	294,060	227,455
Other	<u>6,237</u>	<u>27</u>
TOTAL OPERATING REVENUES	793,972	457,592
OPERATING EXPENSES		
Personnel services	105,458	115,715
Employee benefits	25,729	12,153
Other operating costs	430,529	513,204
Depreciation and amortization	<u>172,983</u>	<u>233,956</u>
TOTAL OPERATING EXPENSES	<u>734,699</u>	<u>875,028</u>
OPERATING INCOME (LOSS)	59,273	(417,436)
NONOPERATING REVENUES (EXPENSES)		
Interest expense and fees	(44,456)	(66,591)
Construction grant - Federal	27,812	157,729
Interest earned	<u>2,438</u>	<u>1,243</u>
TOTAL NONOPERATING REVENUE (EXPENSES)	<u>(14,206)</u>	<u>92,381</u>
INCOME (LOSS) BEFORE TRANSFERS	45,067	(325,055)
TRANSFERS		
Transfers in	<u>185,000</u>	<u>62,500</u>
CHANGE IN NET ASSETS	230,067	(262,555)
Net assets, beginning of year	<u>3,665,658</u>	<u>3,928,213</u>
Net assets, end of year	<u>\$ 3,895,725</u>	<u>\$ 3,665,658</u>

City of Corunna

Sewer System

COMPARATIVE STATEMENT OF CASH FLOWS

Years Ended June 30, 2010 and 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income (loss)	\$ 59,273	\$ (417,436)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation and amortization	172,983	233,956
Decrease (increase) in accounts receivable	(21,225)	152,545
Decrease in due from other governmental units	73,590	65,669
Increase (decrease) in accounts payable	(6,661)	217
Increase (decrease) in accrued liabilities	(100)	118
(Decrease) in accrued interest payable	-	(2,124)
	<u>277,860</u>	<u>32,945</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers in	185,000	62,500
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Construction grant - Federal	27,812	157,729
Interest expense	(46,666)	(66,591)
Capital purchases	-	(7,695)
Payments on borrowing	(175,000)	(170,000)
	<u>(193,854)</u>	<u>(86,557)</u>
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Maturity of investments	25,000	-
Interest revenue	2,438	1,243
	<u>27,438</u>	<u>1,243</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES		
NET INCREASE IN CASH AND CASH EQUIVALENTS DURING YEAR	296,444	10,131
Cash and cash equivalents, beginning of year	<u>(49,295)</u>	<u>(59,426)</u>
Cash and cash equivalents, end of year	<u>\$ 247,149</u>	<u>\$ (49,295)</u>

City of Corunna

Component Unit Funds

COMBINING BALANCE SHEET - DOWNTOWN DEVELOPMENT AUTHORITY

June 30, 2010

	General Fund	Parking Fund	Joint Lot Fund	Parking Lot	Total
ASSETS					
Cash and cash equivalents	\$ 26,341	\$ -	\$ 31,834	\$ 17,533	\$ 75,708
Cash and cash equivalents - restricted	4,110	-	-	-	4,110
Investments	50,000	-	-	-	50,000
Contracts receivable	910,008	-	-	-	910,008
TOTAL ASSETS	\$ 990,459	\$ -0-	\$ 31,834	\$ 17,533	\$ 1,039,826
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 206	\$ -	\$ 75	\$ -	\$ 281
Deferred revenue	906,948	-	-	-	906,948
Rental deposits	4,110	-	-	-	4,110
TOTAL LIABILITIES	911,264	-0-	75	-0-	911,339
FUND BALANCES					
Unreserved					
Undesignated	79,195	-	31,759	17,533	128,487
TOTAL LIABILITIES AND FUND BALANCES	\$ 990,459	\$ -0-	\$ 31,834	\$ 17,533	\$ 1,039,826

City of Corunna

Component Unit Funds

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

June 30, 2010

Total fund balances - governmental funds \$ 128,487

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	\$ 1,743,968	
Accumulated depreciation is	<u>(630,457)</u>	
Capital assets, net		1,113,511

Long-term assets are not available to pay for current period expenditures
and are therefore deferred in the funds. 906,948

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	52,479	
Due to other governmental units	<u>320,000</u>	
		<u>(372,479)</u>

Net assets of governmental activities \$ 1,776,467

City of Corunna

Component Unit Funds

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

Year Ended June 30, 2010

	General Fund	Parking Fund	Joint Lot Fund	Parking Lot	Total
REVENUES					
Taxes	\$ 82,992	\$ -	\$ -	\$ -	\$ 82,992
Interest and rents	69,569	5	60	33	69,667
Intergovernmental					
Local	230,957	-	5,000	-	235,957
Other	940	-	-	-	940
TOTAL REVENUES	384,458	5	5,060	33	389,556
EXPENDITURES					
Current					
Community and economic development					
Taxes	28,119	-	-	-	28,119
Employee benefits	1,840	-	-	-	1,840
Contracted services	3,703	-	-	-	3,703
Insurance	4,582	-	-	-	4,582
Supplies	3,249	-	-	-	3,249
Repairs and maintenance	6,459	-	-	-	6,459
Utilities	5,048	-	1,121	-	6,169
Miscellaneous	28,708	2,610	-	-	31,318
Debt service					
Principal	39,871	-	-	-	39,871
Other debt related payments	37,500	-	-	-	37,500
Interest and fiscal charges	4,893	-	-	-	4,893
Capital outlay	139,532	-	-	-	139,532
TOTAL EXPENDITURES	303,504	2,610	1,121	-0-	307,235
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	80,954	(2,605)	3,939	33	82,321
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	70,954	(2,605)	8,939	5,033	82,321
Fund balances, beginning of year	8,241	2,605	22,820	12,500	46,166
Fund balances, end of year	\$ 79,195	\$ -0-	\$ 31,759	\$ 17,533	\$ 128,487

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, 2010

Net change in fund balances - total governmental funds **\$ 82,321**

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	107,234	
Depreciation expense	<u>(110,614)</u>	
Excess of depreciation expense over capital outlay		(3,380)

Some items reported in the statement of activities do not result in the use of or provide current financial resources and therefore are reported differently than in the governmental funds. These activities consist of:

Increase in deferred revenue		279,742
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Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Payments on long-term obligations		<u>106,371</u>
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Change in net assets of governmental activities **\$ 465,054**

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, 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 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, Michigan, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 15, 2010. 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Corunna's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Corunna's internal control over financial reporting.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. 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 an instance of noncompliance that could have a direct and material effect on the determination of financial statement amounts that is required to be reported under *Governmental Auditing Standards* as follows:

UNFAVORABLE BUDGET VARIANCES

Condition: During our review of the City's compliance with the budgeting act, we noted that expenditures had exceeded the amounts appropriated in one (1) function in the General Fund and in several Special Revenue Funds.

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

Effect: The City has not maintained adequate control over budgetary compliance in accordance with State law in the certain areas where the overages occurred.

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

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

The City's response to the finding identified in our audit is noted above. We did not audit the City's response and, accordingly, we express no opinion on it.

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

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

October 15, 2010