

**City of Corunna
Shiawassee County, Michigan**

FINANCIAL STATEMENTS

June 30, 2011

City of Corunna
Shiawassee County, Michigan

June 30, 2011

CITY COUNCIL AND ADMINISTRATION

Charles Kerridge	Mayor
Doug Haskins	Council Member
Brad Reichert	Council Member
Shane Perdue	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

TABLE OF CONTENTS

June 30, 2011

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	i-ii
MANAGEMENT'S DISCUSSION AND ANALYSIS	iii-x
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Assets	1
Statement of Activities	2
Fund Financial Statements	
Balance Sheet - Governmental Funds	3-4
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	5
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	6-7
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities	8
Statement of Net Assets - Proprietary Funds	9-10
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	11-12
Statement of Cash Flows - Proprietary Funds	13-16
Statement of Fiduciary Net Assets - Fiduciary Funds	17
Statement of Changes in Fiduciary Net Assets - Fiduciary Funds	18
Notes to Financial Statements	19-42
REQUIRED SUPPLEMENTARY INFORMATION	
General Fund	
Budgetary Comparison Schedule - Revenues and Other Financing Sources	43
Budgetary Comparison Schedule - Expenditures and Other Financing Uses By Activity	44-45
DDA Custodial Fund	
Budgetary Comparison Schedule	46
Note to Required Supplementary Information	47
OTHER SUPPLEMENTARY INFORMATION	
Combining Balance Sheet - Nonmajor Governmental Funds	48-53
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	54-59
Combining Statement of Net Assets - Internal Service Funds	60
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets - Internal Service Funds	61
Combining Statement of Cash Flows - Internal Service Funds	62
Combining Statement of Assets and Liabilities - Agency Funds	63
Comparative Statement of Net Assets - Sewer System	64
Comparative Statement of Revenues, Expenses, and Changes in Fund Net Assets - Sewer System	65
Comparative Statement of Cash Flows - Sewer System	66
Comparative Statement of Net Assets - Water System	67
Comparative Statement of Revenues, Expenses, and Changes in Fund Net Assets - Water System	68
Comparative Statement of Cash Flows - Water System	69

City of Corunna

TABLE OF CONTENTS - CONTINUED

June 30, 2011

Page

OTHER SUPPLEMENTARY INFORMATION - CONTINUED

COMPONENT UNIT FUNDS

DOWNTOWN DEVELOPMENT AUTHORITY

Combining Balance Sheet	70
Reconciliation of the Combining Balance Sheet to the Statement of Net Assets	71
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	72
Reconciliation of the Combining Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities	73

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Corunna
Shiawassee County, 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, 2011, 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, 2011, 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 21, 2011, 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.

As discussed in Note M, during the year the City of Corunna implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. As a result of this implementation, fund balance classifications in the governmental fund financial statements have been changed to reflect the new classifications under GASB Statement No. 54, as applicable.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

October 21, 2011

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, 2011. 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 \$15,043,100 (excluding component units).
- Governmental activities net assets were \$9,482,734.
- Business-type activity net assets were \$5,560,366.
- Component Unit net assets were \$1,713,213.

Fund Level:

- At the close of the fiscal year, the City's governmental funds reported a combined ending fund balance of \$2,173,499 with \$1,715,257 being restricted or assigned for specific purposes.
- The General Fund realized \$38,359 more in revenues and other financing sources than anticipated for the fiscal year. General Fund operations expended \$83,331 less than appropriated.
- Overall, the General Fund balance increased by \$8,852 to \$458,242 - all unassigned and available for general purposes.
- Net Assets in the Sewer and Water funds ended the year at \$4,170,546 and \$1,368,908, respectively.

Capital and Long-term Debt Activities:

- The total long-term debt for the primary government was \$3,589,522 with a net increase of \$1,175,912 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 \$1,696,859 and included land, sewer system, water system, 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 2010/2011. 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 DDA Custodial Fund, the Industrial Development Fund, the Storm Sewer Construction 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 \$15,043,100 at the end of this fiscal year's operations. The net assets of the governmental activities were \$9,482,734; the business type activities were \$5,560,366.

Net Assets as of June 30, 2011 and 2010

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Current and Other Assets	\$ 2,954,687	\$ 2,588,194	\$ 1,599,734	\$ 591,836	\$ 4,554,421	\$ 3,180,030
Capital Assets	<u>8,041,623</u>	<u>7,627,501</u>	<u>7,313,214</u>	<u>6,030,477</u>	<u>15,354,837</u>	<u>13,657,978</u>
Total Assets	<u>\$10,996,310</u>	<u>\$10,215,695</u>	<u>\$ 8,912,948</u>	<u>\$ 6,622,313</u>	<u>\$19,909,258</u>	<u>\$16,838,008</u>
Current Liabilities	\$ 319,099	\$ 357,666	\$ 1,164,038	\$ 287,254	\$ 1,483,137	\$ 644,920
Noncurrent Liabilities	<u>1,194,477</u>	<u>930,754</u>	<u>2,188,544</u>	<u>1,090,000</u>	<u>3,383,021</u>	<u>2,020,754</u>
Total Liabilities	<u>\$ 1,513,576</u>	<u>\$ 1,288,420</u>	<u>\$ 3,352,582</u>	<u>\$ 1,377,254</u>	<u>\$ 4,866,158</u>	<u>\$ 2,665,674</u>
Net Assets						
Invested in Capital Assets (Net of related debt)	\$ 6,897,711	\$ 6,579,676	\$ 4,904,361	\$ 4,705,477	\$11,802,072	\$11,285,153
Restricted	1,298,920	1,136,489	327,496	177,408	1,626,416	1,313,897
Unrestricted	<u>1,286,103</u>	<u>1,211,110</u>	<u>328,509</u>	<u>362,174</u>	<u>1,614,612</u>	<u>1,573,284</u>
Total Net Assets	<u>\$ 9,482,734</u>	<u>\$ 8,927,275</u>	<u>\$ 5,560,366</u>	<u>\$ 5,245,059</u>	<u>\$15,043,100</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, 2011 and 2010

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenues						
Program Revenues						
Charges for Services	\$ 760,617	\$ 687,873	\$ 1,657,096	\$ 1,526,126	\$ 2,417,713	\$ 2,213,999
Grants and Contributions	728,065	354,362	-	27,812	728,065	382,174
General Revenues						
Property Taxes	1,065,090	1,124,988	-	-	1,065,090	1,124,988
State Shared Revenue	313,346	304,229	-	-	313,346	304,229
Investment Earnings	28,600	34,993	821	4,837	29,421	39,830
Other	<u>66,439</u>	<u>85,381</u>	<u>(2,665)</u>	<u>193,181</u>	<u>63,774</u>	<u>278,562</u>
Total Revenues	2,962,157	2,591,826	1,655,252	1,751,956	4,617,409	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>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Expenses						
General Government\$	383,882	\$ 314,199	\$ -	\$ -	\$ 383,882	\$ 314,199
Public Safety	696,846	690,694	-	-	696,846	690,694
Public Works	799,822	686,748	-	-	799,822	686,748
Health and Welfare	27,453	31,670	-	-	27,453	31,670
Community and Economic Develop.	791	51,357	-	-	791	51,357
Recreation & Culture	286,212	293,876	-	-	286,212	293,876
Other	<u>211,692</u>	<u>533,044</u>	<u>1,339,945</u>	<u>1,323,503</u>	<u>1,551,637</u>	<u>1,856,547</u>
Total Expenses	<u>2,406,698</u>	<u>2,601,588</u>	<u>1,339,945</u>	<u>1,323,503</u>	<u>3,746,643</u>	<u>3,925,091</u>
Increase (decrease) in net assets	555,459	(9,762)	315,307	428,453	870,766	418,691
Net Assets - Beginning	<u>8,927,275</u>	<u>8,937,037</u>	<u>5,245,059</u>	<u>4,816,606</u>	<u>14,172,334</u>	<u>13,753,643</u>
Net Assets - Ending	<u>\$ 9,482,734</u>	<u>\$ 8,927,275</u>	<u>\$ 5,560,366</u>	<u>\$ 5,245,059</u>	<u>\$15,043,100</u>	<u>\$14,172,334</u>

Governmental Activities:

The result of 2010/2011 governmental activity was an increase of \$555,459 in net assets to \$9,482,734. Of the total governmental activities' net assets, \$6,897,711 is invested in capital assets less related debt, \$1,298,920 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 \$1,286,103 is listed as unrestricted, having no legal commitment.

Revenues:

The three largest revenue categories were property taxes at 36%, charges for services at 26%, and grants and contributions at 25%. The City levied two (2) property tax millages for the year ended June 30, 2011, one being for general government operations at 13.3044 mills, which is not assigned to any particular activity, and one for City Public Improvements at 4.8342 mills. Charges for services, which reimburse the City for specific activities, are the second largest source of governmental activity revenue. Examples include rentals, recreation fees, fire protection, and permits.

Expenses:

Public Works is the largest governmental activity, expending approximately 33% of the governmental activities total. Public Safety is the second largest area, expending approximately 29% of the governmental activities total.

Business-type Activities:

Net assets in business-type activities increased by \$315,307 during 2010/2011. Of the business-type activities' net assets, \$4,904,361 is invested in capital assets less related debt, \$327,496 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 \$328,509 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 2010/2011, its governmental funds reported *combined* fund balances of \$2,173,499. This is a net increase of \$233,952. The net changes are summarized in the following chart:

	General Fund	DDA Custodial	Industrial Development	Storm Sewer Construction	Nonmajor Governmental Funds
Fund Balance 06/30/11	\$ 458,242	\$ -0-	\$ 688,315	\$ 94,663	\$ 932,279
Fund Balance 06/30/10	\$ 449,390	\$ -0-	\$ 786,698	\$ 1,400	\$ 702,059
Net Change	\$ 8,852	\$ -0-	\$ (98,383)	\$ 93,263	\$ 230,220

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, 2011, the General Fund reported a fund balance of \$458,242. This amount is an increase of \$8,852 from the fund balance of \$449,390 reported as of June 30, 2010. The 2010/2011 original budget called for a \$75,338 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 \$1,638,080, \$38,359 more than the final amended budget.

The City's expenditure budget was increased by \$100,000 (6.2% change from the original budget) during 2010/2011.

Actual City operational expenditures for 2010/2011 were \$1,629,228, 83,331 less than the final amended budget. This is due to several reasons including:

- \$27,093 less than planned expenditures in the Public Works activities.
- \$14,167 less than planned expenditures in the Public Safety activities.
- \$37,788 less than planned in the City Manager, Clerk/Treasurer, Internal Services, Assessor and related departments.

DDA Custodial Fund:

As of June 30, 2011, the DDA Custodial Fund reported \$-0- fund balance, there no change in fund balance during the year.

Industrial Development Fund:

As of June 30, 2011, the Industrial Development Fund reported a fund balance of \$688,315, which is a decrease of \$98,383 from the prior year. The total fund balance is restricted.

Storm Sewer Construction Fund:

As of June 30, 2011, the Storm Sewer Construction Fund reported a fund balance of \$94,663, which is an increase of \$93,263 from the prior year. The total fund balance is restricted.

City of Corunna
Management's Discussion and Analysis

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - At the end of Fiscal Year 2010/2011, the City had invested \$15,354,837, and \$1,002,002 for the component unit, net of accumulated depreciation, in a broad range of capital assets (see table below). Accumulated depreciation was \$9,933,331 for the primary government and \$741,966 for the component unit. Depreciation charges for the fiscal year totaled \$591,301 for the primary government and \$111,509 for the component unit. Additional information related to capital assets is detailed in Note F of the Financial Statements. Net Book value of capital assets at June 30, 2011 was as follows:

	Governmental Activities	Business-type Activities	Component Unit - DDA	Total
Land	\$ 279,000	\$ 120,927	\$ -	\$ 399,927
Buildings, net	1,162,129	-	465,134	1,627,263
Vehicles and equipment, net	499,501	8,677	-	508,178
Construction in progress	575,127	1,401,562	-	1,976,689
Infrastructure, net	5,525,866	-	-	5,525,866
Sewer system, net	-	4,700,114	-	4,700,114
Water system, net	-	1,081,934	-	1,081,934
Improvements, net	-	-	536,868	536,868
Capital assets, net	\$ 8,041,623	\$ 7,313,214	\$ 1,002,002	\$ 16,356,839

Long-term Debt - As of June 30, 2011, the City had \$3,589,522 in debt outstanding for the primary government. This level of net obligation is \$1,175,912 more than the obligation recorded as of June 30, 2010.

Outstanding Debt as of June 30, 2010:

	<u>June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2011</u>
Primary Government				
Governmental Activities				
General Obligation Bonds	\$ 540,000	\$ 340,000	\$ 155,000	\$ 725,000
Transportation Bonds	60,000	-	20,000	40,000
Installment Purchases	127,825	-	26,413	101,412
MEDC Loan	320,000	-	42,500	277,500
Compensated absences	40,785	72,987	77,015	36,757
Business-type Activities				
General Obligation Bonds	930,000	1,227,928	185,000	1,972,928
Improvement Bonds	395,000	-	50,000	345,000
Installment Purchases	-0-	120,800	29,875	90,925
Total Primary Government	2,413,610	1,761,715	585,803	3,589,522
Component Unit				
Installment Loan	52,479	-	13,853	38,626
Total Reporting Entity	\$ 2,466,089	\$ 1,761,715	\$ 599,656	\$ 3,628,148

A more detailed discussion of the City's long-term debt obligations is presented in Note G 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 five years, after having received substantial reductions years previous. With the elimination of Statutory Revenue Sharing in 2012, the City will experience an additional decrease of approximately 9% (assuming the City receives our maximum EVIP payment).
- Property tax revenues declined 5% in the 2010/2011 year and are expected to decline further in the 2011/2012 budget year. Inflationary increases to Taxable Values and growth from new real and personal tax base remains low. Reductions in State Equalize Value continue as a result of decreases in property values.
- Investment earnings decreased again 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 2011/2012. 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, 2011

	Primary Government			Component Unit (DDA)
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 1,795,057	\$ 363,512	\$ 2,158,569	\$ 170,484
Cash and cash equivalents - restricted	-	-	-0-	4,110
Investments	371,590	-	371,590	-
Receivables	235,461	381,360	616,821	93,077
Due from other governmental units	120,979	844,967	965,946	-
Total current assets	2,523,087	1,589,839	4,112,926	267,671
Noncurrent assets				
Investments	200,000	-	200,000	57,080
Treatment rights, net	-	9,895	9,895	-
Due from other governmental units	230,000	-	230,000	-
Noncurrent portion of contracts receivable	1,600	-	1,600	727,932
Capital assets not being depreciated	854,127	1,522,489	2,376,616	-
Capital assets being depreciated, net	7,187,496	5,790,725	12,978,221	1,002,002
Total noncurrent assets	8,473,223	7,323,109	15,796,332	1,787,014
TOTAL ASSETS	10,996,310	8,912,948	19,909,258	2,054,685
LIABILITIES				
Current liabilities				
Accounts payable	39,351	900,237	939,588	21,236
Accrued liabilities	47,232	2,048	49,280	-
Accrued interest payable	9,198	41,444	50,642	-
Due to other governmental units	-	-	-0-	47,500
Rental deposits	-	-	-0-	4,110
Current portion of compensated absences	29,406	-	29,406	-
Current portion of long-term debt	193,912	220,309	414,221	38,626
Total current liabilities	319,099	1,164,038	1,483,137	111,472
Noncurrent liabilities				
Due to other governmental units	-	-	-0-	230,000
Noncurrent portion of compensated absences	7,351	-	7,351	-
Net other post-employment benefit obligation	237,126	-	237,126	-
Noncurrent portion of long-term debt	950,000	2,188,544	3,138,544	-
Total noncurrent liabilities	1,194,477	2,188,544	3,383,021	230,000
TOTAL LIABILITIES	1,513,576	3,352,582	4,866,158	341,472
NET ASSETS				
Invested in capital assets, net of related debt	6,897,711	4,904,361	11,802,072	963,376
Restricted for:				
Perpetual care	90,950	-	90,950	-
Other purposes	1,207,970	327,496	1,535,466	-
Unrestricted	1,286,103	328,509	1,614,612	749,837
TOTAL NET ASSETS	\$ 9,482,734	\$ 5,560,366	\$ 15,043,100	\$ 1,713,213

See accompanying notes to financial statements.

City of Corunna

STATEMENT OF ACTIVITIES

Year Ended June 30, 2011

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	Governmental Activities	Primary Government Business-type Activities		
						Total	Total	
Primary government								
General government	\$ 383,882	\$ 205,876	\$ -	\$ -	\$ (178,006)	\$ -	\$ (178,006)	\$ -
Public safety	696,846	188,452	2,461	20,000	(485,933)	-	(485,933)	-
Public works	799,822	164,100	249,609	393,333	7,220	-	7,220	-
Health and welfare	27,453	22,560	-	-	(4,893)	-	(4,893)	-
Community and economic development	791	22,346	-	-	21,555	-	21,555	-
Recreation and culture	286,212	157,283	13,281	49,381	(66,267)	-	(66,267)	-
Other	171,885	-	-	-	(171,885)	-	(171,885)	-
Interest and fees on long-term debt	39,807	-	-	-	(39,807)	-	(39,807)	-
Total governmental activities	2,406,698	760,617	265,351	462,714	(918,016)	-0-	(918,016)	-0-
Business-type activities								
Sewer system	716,424	883,488	-	-	-	167,064	167,064	-
Water system	564,437	705,773	-	-	-	141,336	141,336	-
Rubbish collection	59,084	67,835	-	-	-	8,751	8,751	-
Total business-type activities	1,339,945	1,657,096	-0-	-0-	-0-	317,151	317,151	-0-
Total primary government	\$ 3,746,643	\$ 2,417,713	\$ 265,351	\$ 462,714	(918,016)	317,151	(600,865)	-0-
Component unit								
Downtown development authority (DDA)	\$ 244,882	\$ 55,476	\$ -	\$ -	-0-	-0-	-0-	(189,406)
General revenues								
Property taxes					1,065,090	-	1,065,090	117,227
State shared revenue					313,346	-	313,346	-
Investment earnings					28,600	821	29,421	7,273
Rental revenue					14,513	-	14,513	-
Miscellaneous					48,894	367	49,261	1,652
Transfers					3,032	(3,032)	-0-	-
Total general revenues and transfers					1,473,475	(1,844)	1,471,631	126,152
Change in net assets					555,459	315,307	870,766	(63,254)
Net assets, beginning of the year					8,927,275	5,245,059	14,172,334	1,776,467
Net assets, end of the year					\$ 9,482,734	\$ 5,560,366	\$ 15,043,100	\$ 1,713,213

See accompanying notes to financial statements.

City of Corunna
Governmental Funds
BALANCE SHEET

June 30, 2011

	General	DDA Custodial	Industrial Development
ASSETS			
Cash and cash equivalents	\$ 286,617	\$ -	\$ 363,482
Investments	200,000	-	325,000
Accounts receivable	9,077	-	-
Contracts receivable	11,200	-	-
Special assessments receivable	1,440	-	-
Due from other governmental units			
State	-	-	-
Local	213	277,500	-
TOTAL ASSETS	\$ 508,547	\$ 277,500	\$ 688,482
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 18,192	\$ -	\$ 167
Accrued liabilities	19,473	-	-
Deferred revenue	12,640	277,500	-
TOTAL LIABILITIES	50,305	277,500	167
FUND BALANCES			
Restricted	-	-	688,315
Assigned	-	-	-
Unassigned	458,242	-	-
TOTAL FUND BALANCES	458,242	-0-	688,315
TOTAL LIABILITIES AND FUND BALANCES	\$ 508,547	\$ 277,500	\$ 688,482

<u>Storm Sewer Construction</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
\$ 94,663	\$ 858,766	\$ 1,603,528
-	46,590	571,590
-	156	9,233
-	193,392	204,592
-	21,796	23,236
-	34,845	34,845
-	38,421	316,134
<u>\$ 94,663</u>	<u>\$ 1,193,966</u>	<u>\$ 2,763,158</u>
\$ -	\$ 18,892	\$ 37,251
-	27,607	47,080
-	215,188	505,328
-0-	261,687	589,659
94,663	521,074	1,304,052
-	411,205	411,205
-	-	458,242
<u>94,663</u>	<u>932,279</u>	<u>2,173,499</u>
<u>\$ 94,663</u>	<u>\$ 1,193,966</u>	<u>\$ 2,763,158</u>

City of Corunna

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

June 30, 2011

Total fund balances - governmental funds \$ 2,173,499

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	\$ 14,046,988	
Accumulated depreciation is	<u>(6,005,365)</u>	
Capital assets, net		8,041,623

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	417,406	
Net capital assets of Internal Service Funds included in total capital assets above	<u>(228,129)</u>	
		189,277

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

Deferred revenue		505,328
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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	(1,143,912)	
Accrued interest payable	(9,198)	
Net other post-employment benefits obligation	(237,126)	
Compensated absences	<u>(36,757)</u>	
		<u>(1,426,993)</u>

Net assets of governmental activities \$ 9,482,734

City of Corunna

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2011

	<u>General</u>	<u>DDA Custodial</u>	<u>Industrial Development</u>
REVENUES			
Taxes	\$ 811,883	\$ -	\$ -
Licenses and permits	27,391	-	-
Intergovernmental	364,216	42,500	-
Charges for services	294,242	-	-
Fines and forfeits	21,245	-	-
Interest and rents	35,790	-	17,585
Other	70,813	-	-
TOTAL REVENUES	1,625,580	42,500	17,585
EXPENDITURES			
Current			
General government	437,825	-	-
Public safety	446,171	-	-
Public works	359,636	-	15,968
Health and welfare	-	-	-
Community and economic development	630	-	-
Recreation and culture	-	-	-
Other	160,080	-	-
Debt service	7,663	42,500	-
Capital outlay	-	-	-
TOTAL EXPENDITURES	1,412,005	42,500	15,968
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	213,575	-0-	1,617
OTHER FINANCING SOURCES (USES)			
Debt proceeds	-	-	-
Transfers in	12,500	-	-
Transfers out	(217,223)	-	(100,000)
TOTAL OTHER FINANCING SOURCES (USES)	(204,723)	-0-	(100,000)
NET CHANGE IN FUND BALANCES	8,852	-0-	(98,383)
Fund balances, beginning of year	449,390	-	786,698
Fund balances, end of year	<u>\$ 458,242</u>	<u>-0-</u>	<u>\$ 688,315</u>

Storm Sewer Construction	Nonmajor Governmental Funds	Total
\$ -	\$ 289,734	\$ 1,101,617
-	17,970	45,361
340,000	277,454	1,024,170
-	227,764	522,006
-	-	21,245
323	29,609	83,307
-	167,375	238,188
<u>340,323</u>	<u>1,009,906</u>	<u>3,035,894</u>
-	44,302	482,127
-	136,833	583,004
-	144,973	520,577
-	27,453	27,453
-	161	791
-	255,686	255,686
-	15,833	175,913
-	230,911	281,074
<u>515,310</u>	<u>217,401</u>	<u>732,711</u>
<u>515,310</u>	<u>1,073,553</u>	<u>3,059,336</u>
(174,987)	(63,647)	(23,442)
340,000	-	340,000
-	651,082	663,582
<u>(71,750)</u>	<u>(357,215)</u>	<u>(746,188)</u>
<u>268,250</u>	<u>293,867</u>	<u>257,394</u>
93,263	230,220	233,952
<u>1,400</u>	<u>702,059</u>	<u>1,939,547</u>
<u>\$ 94,663</u>	<u>\$ 932,279</u>	<u>\$ 2,173,499</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, 2011

Net change in fund balances - total governmental funds **\$ 233,952**

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	\$ 765,798	
Depreciation expense	<u>(351,676)</u>	
Excess of capital outlay over depreciation expense		414,122

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	154,054	
Capital outlay in Internal Service Funds included in the total above	(5,688)	
Depreciation expense of Internal Service Funds included in the total above	<u>48,934</u>	
		197,300

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	243,913	
Debt proceeds	<u>(340,000)</u>	
		(96,087)

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 accrued interest payable	(2,646)	
Decrease in accrued compensated absences	4,028	
(Increase) in net other post-employment benefits obligation	(118,441)	
(Decrease) in deferred revenue	<u>(76,769)</u>	
		<u>(193,828)</u>

Change in net assets of governmental activities **\$ 555,459**

City of Corunna

Proprietary Funds

STATEMENT OF NET ASSETS

June 30, 2011

	Sewer System	Water System	Nonmajor (Rubbish Collection)
ASSETS			
Current assets			
Cash and cash equivalents	\$ 181,659	\$ 170,986	\$ 10,867
Due from other governmental units	304,972	539,995	-
Accounts receivable	227,705	133,848	19,807
Total current assets	714,336	844,829	30,674
Noncurrent assets			
Treatment rights, net	9,895	-	-
Capital assets not being depreciated	788,638	733,851	-
Capital assets being depreciated, net	4,700,564	1,090,161	-
Total noncurrent assets	5,499,097	1,824,012	-0-
TOTAL ASSETS	6,213,433	2,668,841	30,674
LIABILITIES			
Current liabilities			
Accounts payable	329,988	560,487	9,762
Accrued liabilities	553	1,495	-
Accrued interest payable	37,449	3,995	-
Current portion of long-term debt	220,309	-	-
Total current liabilities	588,299	565,977	9,762
Noncurrent liabilities			
Noncurrent portion of long-term debt	1,454,588	733,956	-
TOTAL LIABILITIES	2,042,887	1,299,933	9,762
NET ASSETS			
Invested in capital assets, net of related debt	3,814,305	1,090,056	-
Restricted for:			
Other purposes	327,496	-	-
Unrestricted	28,745	278,852	20,912
TOTAL NET ASSETS	\$ 4,170,546	\$ 1,368,908	\$ 20,912

<u>Business-Type Activities</u>	<u>Governmental Activities</u>
<u>Total</u>	<u>Internal Service Funds</u>
\$ 363,512	\$ 191,529
844,967	-
381,360	-
<u>1,589,839</u>	<u>191,529</u>
9,895	-
1,522,489	-
5,790,725	228,129
<u>7,323,109</u>	<u>228,129</u>
8,912,948	419,658
900,237	2,100
2,048	152
41,444	-
220,309	-
<u>1,164,038</u>	<u>2,252</u>
2,188,544	-
<u>3,352,582</u>	<u>2,252</u>
4,904,361	228,129
327,496	-
328,509	189,277
<u>\$ 5,560,366</u>	<u>\$ 417,406</u>

City of Corunna

Proprietary Funds

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

Year Ended June 30, 2011

	Sewer System	Water System	Nonmajor (Rubbish Collection)
OPERATING REVENUES			
Charges for services	\$ 531,856	\$ 475,694	\$ 67,835
Capital charges	351,632	217,798	-
Meter charges	-	12,281	-
Other	-	367	-
TOTAL OPERATING REVENUES	883,488	706,140	67,835
OPERATING EXPENSES			
Personnel services	105,341	143,751	-
Employee benefits	23,078	35,818	-
Other operating costs	330,191	295,136	59,084
Depreciation and amortization	172,990	68,733	-
TOTAL OPERATING EXPENSES	631,600	543,438	59,084
OPERATING INCOME	251,888	162,702	8,751
NONOPERATING REVENUES (EXPENSES)			
Interest expense and fees	(84,824)	(20,999)	-
Interest earned	289	514	18
TOTAL NONOPERATING REVENUES (EXPENSES)	(84,535)	(20,485)	18
INCOME BEFORE TRANSFERS	167,353	142,217	8,769
TRANSFERS			
Transfer in	110,000	-	-
Transfer out	(2,532)	(110,500)	-
TOTAL TRANSFERS	107,468	(110,500)	-
CHANGE IN NET ASSETS	274,821	31,717	8,769
Net assets, beginning of year	3,895,725	1,337,191	12,143
Net assets, end of year	<u>\$ 4,170,546</u>	<u>\$ 1,368,908</u>	<u>\$ 20,912</u>

See accompanying notes to financial statements.

Business-Type Activities	Governmental Activities
Total	Internal Service Funds
\$ 1,075,385	\$ 362,175
569,430	-
12,281	-
367	-
1,657,463	362,175
249,092	18,636
58,896	175,056
684,411	51,471
241,723	48,934
1,234,122	294,097
423,341	68,078
(105,823)	-
821	338
(105,002)	338
318,339	68,416
110,000	100,000
(113,032)	(14,362)
(3,032)	85,638
315,307	154,054
5,245,059	263,352
<u>\$ 5,560,366</u>	<u>\$ 417,406</u>

City of Corunna

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended June 30, 2011

	Sewer System	Water System	Nonmajor (Rubbish Collection)
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 420,527	\$ 624,762	\$ 57,684
Cash paid to suppliers	(10,656)	(291,059)	(54,062)
Cash paid for employee benefits	(22,921)	(35,311)	-
Cash paid to employees	(105,341)	(143,751)	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	281,609	154,641	3,622
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in	110,000	-	-
Transfers out	(2,532)	(110,500)	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	107,468	(110,500)	-0-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital purchases	(788,637)	(733,725)	-
Interest and fees paid	(66,116)	(17,525)	-
Proceeds from issuance of debt	614,772	733,956	-
Payments on borrowings	(214,875)	(50,000)	-
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(454,856)	(67,294)	-0-
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	289	514	18
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(65,490)	(22,639)	3,640
Cash and cash equivalents, beginning of year	247,149	193,625	7,227
Cash and cash equivalents, end of year	<u>\$ 181,659</u>	<u>\$ 170,986</u>	<u>\$ 10,867</u>

See accompanying notes to financial statements.

Business-Type Activities	Governmental Activities
Total	Internal Service Funds
\$ 1,102,973	\$ 362,175
(355,777)	(150,806)
(58,232)	(174,987)
(249,092)	(18,636)
439,872	17,746
110,000	100,000
(113,032)	(14,362)
(3,032)	85,638
(1,522,362)	(5,688)
(83,641)	-
1,348,728	-
(264,875)	-
(522,150)	(5,688)
821	338
(84,489)	98,034
448,001	93,495
<u>\$ 363,512</u>	<u>\$ 191,529</u>

City of Corunna

Proprietary Funds

STATEMENT OF CASH FLOWS - CONTINUED

Year Ended June 30, 2011

	Sewer System	Water System	Nonmajor (Rubbish Collection)
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 251,888	\$ 162,702	\$ 8,751
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation and amortization	172,990	68,733	-
Changes in assets and liabilities			
Accounts receivable	(157,989)	(81,378)	(10,151)
Due from other governmental units	(304,972)	(539,995)	-
Accounts payable	319,535	544,072	5,022
Due to other funds	-	-	-
Accrued liabilities	157	507	-
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>\$ 281,609</u>	 <u>\$ 154,641</u>	 <u>\$ 3,622</u>

<u>Business-Type Activities</u>	<u>Governmental Activities</u>
<u>Total</u>	<u>Internal Service Funds</u>
\$ 423,341	\$ 68,078
241,723	48,934
(249,518)	-
(844,967)	-
868,629	665
-0-	(100,000)
<u>664</u>	<u>69</u>
<u>\$ 439,872</u>	<u>\$ 17,746</u>

City of Corunna

Fiduciary Funds

STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2011

	<u>Private Purpose Trust Fund</u>	<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents	\$ 5,000	\$ 94,297
Cash and cash equivalents - restricted	<u>1,170</u>	<u>-</u>
TOTAL ASSETS	6,170	<u><u>\$ 94,297</u></u>
LIABILITIES		
Due to individuals and agencies	<u>-</u>	<u><u>\$ 94,297</u></u>
NET ASSETS		
Held in trust for employee benefits	<u><u>\$ 6,170</u></u>	

City of Corunna

Fiduciary Funds

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

Year Ended June 30, 2011

	<u>Private Purpose Trust Fund</u>
ADDITIONS	
Contributions	
Employer	\$ 5,000
Interest	170
	<hr/>
TOTAL ADDITIONS	5,170
DEDUCTIONS	
	<hr/>
CHANGE IN NET ASSETS	-
	<hr/>
Net assets, beginning of year	5,170
	<hr/>
Net assets, end of year	\$ 1,000
	<hr/> <hr/>
	\$ 6,170

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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 3,500. 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. 4*, 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 one of the City's component units (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.

Various Commissions have been established as a result of City ordinances being approved by City Council. The financial activities of the Corunna Historical Commission, Corunna Fourth of July Commission, and Corunna Softball Commission are such commissions and their financial information has been blended with the City's Special Revenue Funds.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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, 2010 financial statements of Shiawassee County. The Airport is expected to be self-sufficient but based on a "10 Year Funding Model" approved by the Board each participating municipality shall make a direct appropriation to cover operations and development costs. The percentage share for the funding model for each municipality is Shiawassee County and the City of Owosso 33%, Owosso and Caledonia Townships 13%, and the City of Corunna 8%. The City paid \$1,692 to the Board for the year ended June 30, 2011.

5. Jointly Governed Organizations

The City participates in the following activity which is considered to be a jointly governed organization in relation to the City, due to there being no ongoing financial interest or responsibility:

Corunna Area Ambulance Service, Inc. - The City of Corunna along with the Townships of New Haven and Caledonia have entered into a service agreement with Corunna Area Ambulance Service, Inc., a Michigan nonprofit Corporation. The Corporation's board is composed of seven (7) members appointed by the corporation and one each from the City of Corunna, and New Haven and Caledonia Townships. The City is responsible to pay a per dwelling or equivalent unit charge for all dwellings in the City limits which is assessed to all residents on their summer tax bills. The City paid \$40,975 in per dwelling charges to Corunna Area Ambulance Service, Inc. for the year ended June 30, 2011.

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, 2011

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 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.
- c. 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.
- d. The Storm Sewer Construction Fund is a Capital Projects Fund used to account for financial resources to be used for storm sewer construction, maintenance, and repair.

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, 2011

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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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

9. Budgets and Budgetary Accounting - continued

- e. The City does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds. Appropriations unused at June 30 are not carried forward to the following fiscal year.
- f. Budgeted amounts are reported as originally adopted or amended by the City Council during the year. Individual amendments were appropriately approved by the City Council as required.

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 and Cash Equivalents

Restricted cash equivalents for the primary government fiduciary funds is related to an uncategorized pooled investment held in a Section 115 Trust for future employee benefits. 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 cost which approximates 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.

City of Corunna

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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

14. Property Tax - continued

The City is permitted to levy taxes up to 15 mills (\$15 per \$1,000 of taxable valuation) for general governmental services other than the payment of Debt Service Fund expenses, and up to an additional 5 mills (\$5 per \$1,000 of taxable valuation) for City Public Improvements. For the year ended June 30, 2011, the City levied 13.3044 mills per \$1,000 of assessed valuation for general governmental services, and 4.8342 mills for City Public Improvements. These levies generated \$749,631 and \$289,734 in property tax revenue for the General Fund and City Improvement Fund, respectively. The total Taxable Value for the 2010 levy for property within the City was \$58,005,508.

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, 2011 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

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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

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) consists of amounts related to a long-term lease receivable for future periods. None of these amounts are deferred in the government-wide financial statements.

19. Long-Term Obligations

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

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

20. Treatment Rights

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

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

21. 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.

22. 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.

City of Corunna

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE B: POOLING OF CASH AND CASH EQUIVALENTS - CONTINUED

Cash disbursed in excess of amounts recorded as assets as of June 30, 2011, 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	\$(154,667)	\$ 336,326	\$ 181,659
Water System	<u>(68,341)</u>	<u>239,327</u>	<u>170,986</u>
	<u>\$(223,008)</u>	<u>\$ 575,653</u>	<u>\$ 352,645</u>

NOTE C: CASH, CASH EQUIVALENTS, AND INVESTMENTS

The City utilizes various pooled cash accounts and investments for approximately thirty funds. The City's pooled 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.

City of Corunna

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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

Deposits

As of June 30, 2011, 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	\$ 2,034,745	\$ 2,065,370
Certificates of deposit	<u>571,590</u>	<u>571,590</u>
Total Primary Government	2,606,335	2,636,960
COMPONENT UNITS		
Regular checking	174,594	175,029
Certificates of deposit	<u>57,080</u>	<u>57,080</u>
Total Component Units	231,674	232,109
FIDUCIARY FUNDS		
Checking and savings	<u>99,297</u>	<u>102,957</u>
TOTAL REPORTING ENTITY	<u>\$ 2,937,306</u>	<u>\$ 2,972,026</u>

Deposits of the City are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the City. As of June 30, 2011, the City accounts were insured by the FDIC for \$1,083,852, and the amount of \$1,888,174 was uninsured and uncollateralized.

Due to significantly higher cash flow at certain periods during the year, the amount the City held as cash and cash equivalents increased significantly. As a result, the amount of uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year-end.

Investments

As of June 30, 2011, 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	\$ 123,824	\$ 123,824	53 days
FIDUCIARY FUNDS			
Uncategorized pooled investment funds			
Section 115 Trust	<u>1,170</u>	<u>1,170</u>	N/A
	<u>\$ 124,994</u>	<u>\$ 124,994</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, 2011, the MBIA - Michigan Class investment is rated AAAM by Standard and Poor's Rating Services. The Section 115 Trust CLS Investments is not rated.

City of Corunna

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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, 2011:

	<u>Primary Government</u>	<u>Component Unit</u>	<u>Fiduciary Funds</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$ 2,158,569	\$ 170,484	\$ 99,297	\$ 2,428,350
Cash and cash equivalents - restricted	-	4,110	1,170	5,280
Investments - current	371,590	-	-	371,590
Investments - noncurrent	<u>200,000</u>	<u>57,080</u>	-	<u>257,080</u>
	<u>\$ 2,730,159</u>	<u>\$ 231,674</u>	<u>\$ 100,467</u>	<u>\$ 3,062,300</u>

NOTE D: INTERFUND TRANSFERS

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

Transfers to General Fund from:	
Nonmajor governmental funds	<u>\$ 12,500</u>
Transfers to Sewer System Fund from:	
Water System Fund	\$ 30,000
Nonmajor governmental funds	<u>80,000</u>
	<u>\$ 110,000</u>

City of Corunna

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE D: INTERFUND TRANSFERS - CONTINUED

Transfers to nonmajor governmental funds from:	
General Fund	\$ 217,223
Storm Sewer Construction Fund	71,750
Sewer System Fund	2,532
Water System Fund	80,500
Other nonmajor governmental funds	264,715
Internal service funds	<u>14,362</u>
	<u>\$ 651,082</u>
Transfers to internal service funds from:	
Industrial Development Fund	<u>\$ 100,000</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 E: LONG-TERM CONTRACTS RECEIVABLE

Primary Government

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

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	<u>\$ 193,392</u>	<u>\$ 748</u>	<u>\$ 194,140</u>

Two of the loans receivable included in the above schedule were in default as of June 30, 2011. The entire outstanding principal related to these loans were included in the year ending June 30, 2012. No interest was included for these loans because of the uncertainty of that amount and the collectability of amounts outstanding at year end.

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>
2012	\$ 9,600
2013	<u>1,600</u>
	<u>\$ 11,200</u>

City of Corunna

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE E: LONG-TERM CONTRACTS RECEIVABLE - CONTINUED

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, 2011 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>
2012	\$ 81,958
2013	82,458
2014	82,958
2015	83,458
2016	83,958
2017	<u>50,000</u>
	<u>\$ 464,790</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>
2012	\$ 7,800
2013	7,800
2014	18,800
2015	21,000
2016	21,000
2017-2021	105,000
2022-2026	105,000
2027-2030	<u>66,500</u>
	<u>\$ 352,900</u>

There is an additional \$3,319 in other contracts receivable in the DDA Fund for a total of \$821,009.

NOTE F: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011 was as follows:

Primary Government

	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2011</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 279,000	\$ -	\$ -	\$ 279,000
Construction in progress	<u>96,185</u>	<u>478,942</u>	<u>-</u>	<u>575,127</u>
Subtotal	375,185	478,942	-0-	854,127

City of Corunna

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE F: CAPITAL ASSETS - CONTINUED

Primary Government - continued

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>
Governmental activities - continued				
Capital assets being depreciated				
Buildings and additions	\$ 3,168,320	\$ 127,734	\$ -	\$ 3,296,054
Vehicles and equipment	2,176,883	13,008	(34,622)	2,155,269
Infrastructure	<u>7,595,424</u>	<u>146,114</u>	<u>-</u>	<u>7,741,538</u>
Subtotal	12,940,627	286,856	(34,622)	13,192,861
Less accumulated depreciation for:				
Buildings and additions	(2,084,938)	(48,987)	-	(2,133,925)
Vehicles and equipment	(1,580,326)	(110,064)	34,622	(1,655,768)
Infrastructure	<u>(2,023,047)</u>	<u>(192,625)</u>	<u>-</u>	<u>(2,215,672)</u>
Subtotal	<u>(5,688,311)</u>	<u>(351,676)</u>	<u>34,622</u>	<u>(6,005,365)</u>
Net capital assets being depreciated	<u>7,252,316</u>	<u>(64,820)</u>	<u>-0-</u>	<u>7,187,496</u>
Capital assets, net	<u>\$ 7,627,501</u>	<u>\$ 414,122</u>	<u>\$ -0-</u>	<u>\$ 8,041,623</u>

Depreciation expense was charged to the following governmental activities:

General government	\$ 10,492
Public safety	70,296
Public works	240,362
Recreation and culture	<u>30,526</u>
Total depreciation expense	<u>\$ 351,676</u>

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>
Business-type activities (Sewer system)				
Capital assets not being depreciated				
Land	\$ 1	\$ 120,800	\$ -	\$ 120,801
Construction in progress	<u>-</u>	<u>667,837</u>	<u>-</u>	<u>667,837</u>
Subtotal	1	788,637	-0-	788,638
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
Less accumulated depreciation for:				
Sewer system	(2,555,109)	(169,993)	-	(2,725,102)
Equipment	<u>(7,646)</u>	<u>(899)</u>	<u>-</u>	<u>(8,545)</u>
Subtotal	<u>(2,562,755)</u>	<u>(170,892)</u>	<u>-0-</u>	<u>(2,733,647)</u>
Net capital assets being depreciated	<u>4,871,456</u>	<u>(170,892)</u>	<u>-0-</u>	<u>4,700,564</u>
Capital assets, net	<u>\$ 4,871,457</u>	<u>\$ 617,745</u>	<u>\$ -0-</u>	<u>\$ 5,489,202</u>

City of Corunna

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE F: CAPITAL ASSETS - CONTINUED

Primary Government - continued

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
Business-type activities (Water system)				
Capital assets not being depreciated				
Land	\$ 126	\$ -	\$ -	\$ 126
Construction in progress	<u>-</u>	<u>733,725</u>	<u>-</u>	<u>733,725</u>
Subtotal	126	733,725	-0-	733,851
Capital assets being depreciated				
Water system	2,238,219	-	-	2,238,219
Equipment	<u>46,261</u>	<u>-</u>	<u>-</u>	<u>46,261</u>
Subtotal	2,284,480	-0-	-0-	2,284,480
Less accumulated depreciation for:				
Water system	(1,088,608)	(67,677)	-	(1,156,285)
Equipment	<u>(36,978)</u>	<u>(1,056)</u>	<u>-</u>	<u>(38,034)</u>
Subtotal	<u>(1,125,586)</u>	<u>(68,733)</u>	<u>-0-</u>	<u>(1,194,319)</u>
Net capital assets being depreciated	<u>1,158,894</u>	<u>(68,733)</u>	<u>-0-</u>	<u>1,090,161</u>
Capital assets, net	<u>\$ 1,159,020</u>	<u>\$ 664,992</u>	<u>\$ -0-</u>	<u>\$ 1,824,012</u>
Component Unit (DDA)				
Capital assets being depreciated				
Buildings	\$ 798,904	\$ -	\$ -	\$ 798,904
Equipment and fixtures	18,952	-	-	18,952
Improvements	<u>926,112</u>	<u>-</u>	<u>-</u>	<u>926,112</u>
Subtotal	1,743,968	-0-	-0-	1,743,968
Less accumulated depreciation for:				
Buildings	(310,898)	(22,872)	-	(333,770)
Equipment and fixtures	(18,952)	-	-	(18,952)
Improvements	<u>(300,607)</u>	<u>(88,637)</u>	<u>-</u>	<u>(389,244)</u>
Subtotal	<u>(630,457)</u>	<u>(111,509)</u>	<u>-0-</u>	<u>(741,966)</u>
Net capital assets being depreciated	<u>1,113,511</u>	<u>(111,509)</u>	<u>-0-</u>	<u>1,002,002</u>
Capital assets, net	<u>\$ 1,113,511</u>	<u>\$ (111,509)</u>	<u>\$ -0-</u>	<u>\$ 1,002,002</u>

City of Corunna

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE G: LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portion) of the City for the year ended June 30, 2011.

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011	Amounts Due Within One Year
PRIMARY GOVERNMENT					
Governmental Activities					
1998 Transportation Bonds	\$ 60,000	\$ -	\$ 20,000	\$ 40,000	\$ 20,000
2000 General Obligation Improvement Bonds	450,000	-	65,000	385,000	70,000
2001 General Obligation Improvement Bonds	90,000	-	90,000	-0-	-
2010 Capital Improvement Bonds	-	340,000	-	340,000	30,000
Installment Note - fire truck	112,500	-	18,750	93,750	18,750
2010 Installment Purchase Agreement	15,325	-	7,663	7,662	7,662
MEDC Loan	320,000	-	42,500	277,500	47,500
Compensated absences	40,785	72,987	77,015	36,757	29,406
	1,088,610	412,987	320,928	1,180,669	223,318
Business-type Activities					
Water Supply and Sewage					
Improvement Bonds - 1996 (sewer)	235,000	-	35,000	200,000	40,000
Improvement Bonds - 1980 (sewer)	160,000	-	15,000	145,000	15,000
General Obligation Bonds (water)	50,000	-	50,000	-0-	-
2005 General Obligation Improvement Bonds (sewer)	375,000	-	70,000	305,000	70,000
2006 General Obligation Improvement Bonds (sewer)	505,000	-	65,000	440,000	65,000
2011 Sanitary Sewer Revenue Bond Series A (sewer)	-	485,742	-	485,742	-
2011 Sanitary Sewer Revenue Bond Series B (sewer)	-	5,000	-	5,000	-
2011 Sanitary Sewer System Junior Lien Revenue Bonds (sewer)	-	3,230	-	3,230	-
2011 Water Supply System Revenue Bonds (water)	-	733,956	-	733,956	-
Installment Note (sewer)	-	99,500	24,875	74,625	24,875
Installment Note (sewer)	-	21,300	5,000	16,300	5,434
	1,325,000	1,348,728	264,875	2,408,853	220,309
TOTAL PRIMARY GOVERNMENT	2,413,610	1,761,715	585,803	3,589,522	443,627
COMPONENT UNIT					
Downtown Development Authority					
Installment loan	52,479	-	13,853	38,626	38,626
	<u>\$ 2,466,089</u>	<u>\$ 1,761,715</u>	<u>\$ 599,656</u>	<u>\$ 3,628,148</u>	<u>\$ 482,253</u>

City of Corunna

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE G: LONG-TERM DEBT - CONTINUED

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. \$ 40,000

\$895,000 2000 County of Shiawassee, City of Corunna Public Improvement Bonds dated October 11, 2000, due in annual installments ranging from \$70,000 to \$85,000 through November 1, 2015, with interest ranging from 5.25 to 5.30 percent, payable semi-annually. 385,000

\$340,000 2010 County of Shiawassee, City of Corunna Capital Improvement Bonds dated August 18, 2010 due in an annual installment ranging from \$30,000 to \$40,000 through August 1, 2020, with interest of 2.99 percent. 340,000

\$ 765,000

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. \$ 93,750

Installment Purchase Agreement - Software (Payable from General Fund)

\$15,325 2010 Installment Purchase Agreement for BS&A Software dated December 1, 2009, due in an annual installment of \$7,662 on July 1, 2011. \$ 7,662

MEDC Loan (Payable from DDA Custodial Fund)

\$450,000 2005 MEDC Loan Agreement dated September 1, 2005, due in annual installments ranging from \$47,500 to \$62,500 through December 1, 2015, with no interest. \$ 277,500

Compensated Absences - accrued vacation, sick leave, and longevity

Individual employees have vested rights upon termination of employment to receive payments for unused vacation and sick leave, and also receive an annual longevity payment. The dollar amounts, including related payroll taxes, of these vested rights have been recorded in the government-wide financial statements. They amount to approximately \$36,757 at June 30, 2011.

Water Supply and Sewage Disposal System Bonds

\$550,000 1996 Wastewater Treatment System Revenue Bonds dated February 1, 1996, due in annual installments of \$40,000 through November 1, 2015, with interest of 5.35 percent, payable semi-annually. \$ 200,000

City of Corunna

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE G: LONG-TERM DEBT - CONTINUED

PRIMARY GOVERNMENT - CONTINUED

Water Supply and Sewage Disposal System Bonds - continued

\$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. \$ 145,000

\$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 3.80 to 4.20 percent, payable semi-annually. 305,000

\$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 4.15 to 4.45 percent, payable semi-annually. 440,000

\$1,270,000 2011 Sanitary Sewer System Revenue Bonds, Series A, dated March 30, 2011. The official maturities of these bonds are not yet known due to it still being drawn upon. The City draws on the bonds as project expenditures are submitted. At project completion a maturity schedule will officially be set. Due to no formal maturity schedule in place at year-end, it is not possible to anticipate the amount of principal and interest that will be due each year. 485,742

\$100,000 2011 Sanitary Sewer System Revenue Bonds, Series B, dated March 30, 2011. The official maturities of these bonds are not yet known due to it still being drawn upon. The City draws on the bonds as project expenditures are submitted. At project completion a maturity schedule will officially be set. Due to no formal maturity schedule in place at year-end, it is not possible to anticipate the amount of principal and interest that will be due each year. 5,000

\$1,475,000 2011 Water Supply System Revenue Bonds dated March 30, 2011. The official maturities of these bonds are not yet known due to it still being drawn upon. The City draws on the bonds as project expenditures are submitted. At project completion a maturity schedule will officially be set. Due to no formal maturity schedule in place at year-end, it is not possible to anticipate the amount of principal and interest that will be due each year. 733,956

\$615,000 2011 Sanitary Sewer System Junior Lien Bonds, dated April 8, 2011. The official maturities of these bonds are not yet known due to it still being drawn upon. The City draws on the bonds as project expenditures are submitted. At project completion a maturity schedule will officially be set. Due to no formal maturity schedule in place at year-end, it is not possible to anticipate the amount of principal and interest that will be due each year. 3,230

\$ 2,317,928

Installment Notes - Enterprise (Sewer System) Fund

\$99,500 2010 Installment Note for land purchase dated July 16, 2010, due in annual installments of \$24,875 through July 16, 2013, with interest at 5.0 percent. \$ 74,625

\$21,300 2010 Installment Note for land purchase dated July 9, 2010, due in annual installments ranging from \$5,000 to \$5,433 through July 9, 2013, with interest at 5.0 percent. 16,300

\$ 90,925

City of Corunna

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE G: LONG-TERM DEBT - CONTINUED

COMPONENT UNIT - DISCRETELY PRESENTED

\$346,227 Downtown Development Authority bank promissory note dated September 27, 2000, due in monthly payments of \$1,046 and a final principal installment of \$36,837 due September 27, 2011, with interest on the unpaid balance at 4.75 percent. \$ 38,626

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
2012	\$ 120,000	\$ 16,759	\$ 190,000	\$ 45,114	\$ 56,721	\$ 8,765	\$ 47,500
2013	125,000	13,468	200,000	36,576	49,058	6,405	52,500
2014	105,000	10,546	205,000	27,573	49,058	4,046	57,500
2015	110,000	8,110	210,000	18,226	18,750	1,688	62,500
2016	120,000	5,542	135,000	10,265	18,750	844	57,500
2017-2020	<u>185,000</u>	<u>14,277</u>	<u>150,000</u>	<u>9,280</u>	-	-	-
	<u>\$ 765,000</u>	<u>\$ 68,702</u>	<u>\$ 1,090,000</u>	<u>\$ 147,034</u>	<u>\$ 192,337</u>	<u>\$ 21,747</u>	<u>\$ 277,500</u> *

*This is an interest-free loan.

The \$485,742 in bonds outstanding related to the 2011 Sanitary Sewer System Revenue Bonds, Series A; \$5,000 in bonds outstanding related to the 2011 Sanitary Sewer System Revenue Bonds, Series B; \$3,230 in bonds outstanding related to the 2011 Sanitary Sewer System Junior Lien Revenue Bonds; and the \$733,956 in bonds outstanding related to the 2011 Water Supply System Revenue Bonds are not included in the above schedules because the bonds have not been fully drawn down and as a result the maturity schedules were not finalized as of June 30, 2011.

Component Unit

Year Ending June 30,	Installment Loan	
	Principal	Interest
2012	<u>\$ 38,626</u>	<u>\$ 448</u>

NOTE H: RETIREMENT PLAN

Plan Description

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

City of Corunna

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE H: RETIREMENT PLAN - CONTINUED

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, 2011 the City's annual pension cost of \$166,173 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, 2008, using the entry age normal cost method. Significant actuarial assumptions used include (a) an 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>2008</u>	<u>2009</u>	<u>2010</u>
Actuarial value of assets	\$ 2,881,375	\$ 2,883,688	\$ 2,940,369
Actuarial accrued liability (AAL) (entry age)	4,293,014	4,385,113	4,506,012
Unfunded AAL	1,411,639	1,501,425	1,565,643
Funded ratio	67 %	66 %	65 %
Covered payroll	590,302	561,797	559,681
UAAL as a percentage of covered payroll	239 %	267 %	280 %

	Year Ended June 30,		
	<u>2009</u>	<u>2010</u>	<u>2011</u>
Annual pension cost	\$ 125,090	\$ 149,213	\$ 166,173
Percentage of APC contributed	100 %	100 %	100 %
Net pension obligation	-	-	-

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

NOTE I: 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, 2011:

Governmental Activities	
Perpetual Care	<u>\$ 90,950</u>

City of Corunna

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE I: RESTRICTED NET ASSETS - CONTINUED

Governmental Activities - continued	
Other purposes	
Storm sewer construction	\$ 94,663
City improvements	84,184
Major street	154,342
Local street	112,111
Fire capital acquisition	74,355
Industrial development	<u>688,315</u>
	<u>\$ 1,207,970</u>
Business-type Activities	
Sewer System	
Restricted for other purposes	
Debt service	\$ 50,000
Capital improvements	<u>277,496</u>
	<u>\$ 327,496</u>

NOTE J: 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, 2011, the City made payments for the post-employment health benefit premiums of \$66,721.

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

City of Corunna

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE J: 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. 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, 2011, 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
Interest on net OPEB obligation	8,308
Adjustment to annual required contribution	<u>(6,316)</u>
Adjusted ARC	185,162
Amounts contributed	
Payments of current requirements (gross of employee reimbursements)	<u>66,721</u>
Increase in net OPEB obligation	118,441
Net OPEB obligation - Beginning of year	<u>118,685</u>
Net OPEB obligation - End of year	<u>\$ 237,126</u>

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

	<u>2010</u>	<u>2011</u>
Annual OPEB costs	\$ 183,170	\$ 185,162
Percentage contributed	35.2 %	36.0 %
Net OPEB obligation	118,685	237,126

The current funding progress of the plan as of December 31, 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 %

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE J: POST-EMPLOYMENT HEALTH CARE BENEFITS - CONTINUED

Funding Progress - continued

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.

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 K: 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE L: 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.

NOTE M: DETAILS OF FUND BALANCE CATEGORIES AND CLASSIFICATIONS

In February 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 have been replaced with five new classifications: nonspendable, restricted, committed, assigned and unassigned.

Nonspendable - assets that are not available in a spendable form such as inventory, prepaid expenditures, and long-term receivables not expected to be converted to cash in the near term. It also includes funds that are legally or contractually required to be maintained intact such as the corpus of a permanent fund or foundation.

Restricted - amounts that are required by external parties to be used for a specific purpose. Constraints are externally imposed by creditors, grantors, contributors or laws, regulations or enabling legislation.

Committed - amounts constrained on use imposed by formal action of the government's highest level of decision making authority (i.e., Board, Council, etc.).

Assigned - amounts intended to be used for specific purposes. This is determined by the governing body, the budget or finance committee or a delegated municipality official.

Unassigned - all other resources; the remaining fund balance after non-spendable, restrictions, commitments, and assignments. This class only occurs in the General Fund, except for cases of negative fund balances. Negative Fund Balances are always reported as Unassigned, no matter which fund the deficit occurs in.

Fund Balance Classification Policies and Procedures

For committed fund balance, the City's highest level of decision-making authority is the City Council. The formal action that is required to be taken to establish a fund balance commitment is a council resolution.

For assigned fund balance, the City Council is authorized to assign amounts to a specific purpose. Currently, assigned fund balance is determined through the budget and any residual amounts of fund balance in governmental funds other than the General Fund.

City of Corunna

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE M: DETAILS OF FUND BALANCE CATEGORIES AND CLASSIFICATIONS - CONTINUED

Fund Balance Classification Policies and Procedures - continued

For the classification of fund balances, the City considers restricted amounts to have been spent when an expenditure is incurred for the purposes for which both restricted and unrestricted fund balance is available. Also for the classification of fund balances, the City considers committed, assigned, or unassigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

	<u>General Fund</u>	<u>Industrial Development</u>	<u>Storm Sewer Construction</u>	<u>Nonmajor Governmental Funds</u>	<u>Nonmajor Governmental Funds</u>
Fund Balances					
Restricted for:					
Debt service	\$ -	\$ -	\$ -	\$ 5,132	\$ 5,132
Perpetual care	-	-	-	90,950	90,950
Industrial development	-	688,315	-	-	688,315
Capital projects	-	-	94,663	-	94,663
Streets and highways	-	-	-	266,453	266,453
Fire capital outlay	-	-	-	74,355	74,355
City improvements	-	-	-	84,184	84,184
Assigned for:					
Parks and recreation	-	-	-	82,276	82,276
Economic development	-	-	-	45,690	45,690
Capital projects	-	-	-	66,480	66,480
Other purposes	-	-	-	216,759	216,759
Unassigned	<u>458,242</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>458,242</u>
Total Fund Balances	<u>\$ 458,242</u>	<u>\$ 688,315</u>	<u>\$ 94,663</u>	<u>\$ 932,279</u>	<u>\$ 2,173,499</u>

REQUIRED SUPPLEMENTARY INFORMATION

City of Corunna

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES AND OTHER FINANCING SOURCES

Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Property taxes	\$ 749,207	\$ 749,207	\$ 749,631	\$ 424
Industrial and commercial facilities	25,726	25,726	25,724	(2)
Tax collection fees	33,942	33,942	36,528	2,586
Total taxes	808,875	808,875	811,883	3,008
Licenses and permits				
City licenses and permits	5,250	5,250	3,736	(1,514)
Franchise fee	21,500	21,500	23,655	2,155
Total licenses and permits	26,750	26,750	27,391	641
Intergovernmental				
Federal	-	50,000	50,000	-0-
State				
Sales tax	271,400	271,400	313,346	41,946
Other	1,750	1,750	870	(880)
Total intergovernmental	273,150	323,150	364,216	41,066
Charges for services				
Recreational fees	1,200	1,200	-	(1,200)
Administration charges	304,661	304,661	294,242	(10,419)
Total charges for services	305,861	305,861	294,242	(11,619)
Fines and forfeits				
Parking	750	750	500	(250)
Ordinance	15,500	15,500	20,745	5,245
Total fines and forfeits	16,250	16,250	21,245	4,995
Interest and rents				
Interest on investments	15,000	15,000	11,076	(3,924)
Rental fees	24,321	24,321	24,714	393
Total interest and rents	39,321	39,321	35,790	(3,531)
Other				
Sidewalk and other	6,750	6,750	6,967	217
Fireworks proceeds	10,000	10,000	10,000	-0-
Private donations	150	150	72	(78)
Contributions from other governmental units	-	-	-0-	-0-
Other	50,114	50,114	53,774	3,660
Total other	67,014	67,014	70,813	3,799
TOTAL REVENUES	1,537,221	1,587,221	1,625,580	38,359
OTHER FINANCING SOURCES				
Transfers in	-	12,500	12,500	-0-
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$ 1,537,221	\$ 1,599,721	\$ 1,638,080	\$ 38,359

City of Corunna

General Fund

BUDGETARY COMPARISON SCHEDULE - EXPENDITURES AND
OTHER FINANCING USES BY ACTIVITY

Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES				
Current				
General government				
Legislative	\$ 23,043	\$ 23,043	\$ 20,105	\$ 2,938
City Manager	114,458	118,710	116,980	1,730
Clerk/Treasurer	102,639	98,234	97,082	1,152
Assessor	79,063	79,063	72,752	6,311
Elections	5,000	5,000	4,180	820
Municipal building	46,536	49,536	50,147	(611)
Internal services	100,486	87,228	74,672	12,556
Other	26,892	14,799	1,907	12,892
Total general government	498,117	475,613	437,825	37,788
Public safety				
Police department	408,513	395,513	377,449	18,064
Crossing guard	1,772	1,772	1,592	180
Fire department	63,053	63,053	67,130	(4,077)
Total public safety	473,338	460,338	446,171	14,167
Public works				
General services	309,638	385,729	359,636	26,093
Drains at large	1,000	1,000	-	1,000
Total public works	310,638	386,729	359,636	27,093
Community and economic development				
Planning commission	450	700	630	70
Other				
Insurance	18,661	18,661	14,448	4,213
Retiree benefits	145,632	145,632	145,632	-0-
Total other	164,293	164,293	160,080	4,213
Debt service	-	7,663	7,663	-0-
TOTAL EXPENDITURES	1,446,836	1,495,336	1,412,005	83,331

City of Corunna

General Fund

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

Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
OTHER FINANCING USES				
Transfers out				
Parks improvement fund	\$ 1,500	\$ 53,000	\$ 53,000	\$ -0-
Parks and recreation fund	115,000	115,000	115,000	-0-
Cemetery fund	15,000	15,000	15,000	-0-
Building department fund	2,500	2,500	2,500	-0-
Dam construction fund	2,000	2,000	2,000	-0-
Municipal Building fund	28,723	28,723	28,723	-0-
Centennial fund	1,000	1,000	1,000	-0-
TOTAL OTHER FINANCING USES	<u>165,723</u>	<u>217,223</u>	<u>217,223</u>	<u>-0-</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 1,612,559</u>	<u>\$ 1,712,559</u>	<u>\$ 1,629,228</u>	<u>\$ 83,331</u>

City of Corunna

DDA Custodial Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2011

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Intergovernmental - Local	\$ 42,500	\$ 42,500	\$ 42,500	\$ -0-
EXPENDITURES				
Debt service				
Principal	<u>42,500</u>	<u>42,500</u>	<u>42,500</u>	<u>-0-</u>
TOTAL EXPENDITURES	<u>42,500</u>	<u>42,500</u>	<u>42,500</u>	<u>-0-</u>
NET CHANGE IN FUND BALANCE	-0-	-0-	-0-	-0-
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-0-</u>
Fund balance, end of year	<u><u>\$ -0-</u></u>	<u><u>\$ -0-</u></u>	<u><u>\$ -0-</u></u>	<u><u>\$ -0-</u></u>

City of Corunna

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30, 2011

NOTE A: 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, 2011, the City incurred expenditures in certain Special Revenue Funds in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
Special Revenue Funds			
Fire Operations	\$ 110,547	\$ 115,025	\$ 4,478
Softball Commission	31,000	40,700	9,700

OTHER SUPPLEMENTARY INFORMATION

City of Corunna

Nonmajor Governmental Funds

COMBINING BALANCE SHEET

June 30, 2011

	Special		
	Major Street	Local Street	Fire Capital
ASSETS			
Cash and cash equivalents	\$ 129,932	\$ 104,059	\$ 74,355
Investments	-	-	-
Accounts receivable	-	-	-
Contracts receivable	-	-	-
Special assessment receivable	-	-	-
Due from other governmental units			
State	25,736	9,109	-
Local	-	-	-
TOTAL ASSETS	<u>\$ 155,668</u>	<u>\$ 113,168</u>	<u>\$ 74,355</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 934	\$ -	\$ -
Accrued liabilities	392	1,057	-
Deferred revenue	-	-	-
TOTAL LIABILITIES	1,326	1,057	-0-
FUND BALANCES			
Restricted	154,342	112,111	74,355
Assigned	-	-	-
TOTAL FUND BALANCES	<u>154,342</u>	<u>112,111</u>	<u>74,355</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 155,668</u>	<u>\$ 113,168</u>	<u>\$ 74,355</u>

Revenue

Fire Operations Fund	Parks and Recreation Fund	Cemetery Fund	Parks Improvement Fund	Municipal Building	Forest Fund
\$ 10,227	\$ 38,062	\$ 9,913	\$ 31,138	\$ 138,360	\$ 3,347
-	-	-	-	-	-
-	156	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
18,421	-	-	20,000	-	-
<u>\$ 28,648</u>	<u>\$ 38,218</u>	<u>\$ 9,913</u>	<u>\$ 51,138</u>	<u>\$ 138,360</u>	<u>\$ 3,347</u>
\$ 2,935	\$ 5,573	\$ 126	\$ -	\$ 4,445	\$ -
24,133	1,507	71	-	-	-
-	-	-	-	-	-
27,068	7,080	197	-0-	4,445	-0-
-	-	-	-	-	-
1,580	31,138	9,716	51,138	133,915	3,347
1,580	31,138	9,716	51,138	133,915	3,347
<u>\$ 28,648</u>	<u>\$ 38,218</u>	<u>\$ 9,913</u>	<u>\$ 51,138</u>	<u>\$ 138,360</u>	<u>\$ 3,347</u>

City of Corunna

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

June 30, 2011

	Special		
	Fourth of July Commission	Softball Commission	Historical Commission
ASSETS			
Cash and cash equivalents	\$ 28,767	\$ 7,061	\$ 20,535
Investments	-	-	-
Accounts receivable	-	-	-
Contracts receivable	-	-	-
Special assessment receivable	-	-	-
Due from other governmental units			
State	-	-	-
Local	-	-	-
TOTAL ASSETS	\$ 28,767	\$ 7,061	\$ 20,535
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-
Deferred revenue	-	-	-
TOTAL LIABILITIES	-0-	-0-	-0-
FUND BALANCES			
Restricted	-	-	-
Assigned	28,767	7,061	20,535
TOTAL FUND BALANCES	28,767	7,061	20,535
TOTAL LIABILITIES AND FUND BALANCES	\$ 28,767	\$ 7,061	\$ 20,535

Revenue				Debt Service	
Building/ Zoning	Centennial	Economic Development	City Improvement	1998 MTF Bonds Payable	2000 G.O. Limited Tax Bonds
\$ 8,197	\$ 4,364	\$ 45,690	\$ 84,184	\$ 4	\$ 522
-	-	-	-	-	-
-	-	-	-	-	-
-	-	193,392	-	-	-
-	-	-	21,796	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 8,197</u>	<u>\$ 4,364</u>	<u>\$ 239,082</u>	<u>\$ 105,980</u>	<u>\$ 4</u>	<u>\$ 522</u>
\$ 276	\$ -	\$ -	\$ -	\$ -	\$ -
447	-	-	-	-	-
-	-	193,392	21,796	-	-
723	-0-	193,392	21,796	-0-	-0-
-	-	-	84,184	4	522
<u>7,474</u>	<u>4,364</u>	<u>45,690</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>7,474</u>	<u>4,364</u>	<u>45,690</u>	<u>84,184</u>	<u>4</u>	<u>522</u>
<u>\$ 8,197</u>	<u>\$ 4,364</u>	<u>\$ 239,082</u>	<u>\$ 105,980</u>	<u>\$ 4</u>	<u>\$ 522</u>

City of Corunna

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

June 30, 2011

	Debt Service		Capital
	2011 G.O. Limited Tax Bonds	2010 G.O. Limited Tax Bonds	East Corunna Construction Fund
ASSETS			
Cash and cash equivalents	\$ 4,146	\$ 5,063	\$ 48,734
Investments	-	-	-
Accounts receivable	-	-	-
Contracts receivable	-	-	-
Special assessment receivable	-	-	-
Due from other governmental units			
State	-	-	-
Local	-	-	-
TOTAL ASSETS	\$ 4,146	\$ 5,063	\$ 48,734
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ 4,603	\$ -
Accrued liabilities	-	-	-
Deferred revenue	-	-	-
TOTAL LIABILITIES	-0-	4,603	-0-
FUND BALANCES			
Restricted	4,146	460	-
Assigned	-	-	48,734
TOTAL FUND BALANCES	4,146	460	48,734
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,146	\$ 5,063	\$ 48,734

Projects		Permanent	
Dam Construction Fund	W. Corunna Avenue Enhancement	Cemetery Perpetual Care	Total
\$ 5,472	\$ 12,274	\$ 44,360	\$ 858,766
-	-	46,590	46,590
-	-	-	156
-	-	-	193,392
-	-	-	21,796
-	-	-	34,845
-	-	-	38,421
<u>\$ 5,472</u>	<u>\$ 12,274</u>	<u>\$ 90,950</u>	<u>\$ 1,193,966</u>
\$ -	\$ -	\$ -	\$ 18,892
-	-	-	27,607
-	-	-	215,188
-0-	-0-	-0-	261,687
-	-	90,950	521,074
5,472	12,274	-	411,205
<u>5,472</u>	<u>12,274</u>	<u>90,950</u>	<u>932,279</u>
<u>\$ 5,472</u>	<u>\$ 12,274</u>	<u>\$ 90,950</u>	<u>\$ 1,193,966</u>

City of Corunna

Nonmajor Governmental Funds

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

Year Ended June 30, 2011

	Special		
	Major Street	Local Street	Fire Capital
REVENUES			
Taxes	\$ -	\$ -	\$ -
Intergovernmental - State	159,513	66,540	-
Intergovernmental - Local	-	-	20,000
Charges for services	-	-	22,733
Licenses and permits	-	-	-
Interest and rents	157	208	-
Other	-	-	-
TOTAL REVENUES	159,670	66,748	42,733
EXPENDITURES			
Current			
General government	-	-	-
Public safety	-	-	7,074
Public works	86,514	56,365	-
Health and welfare	-	-	-
Community and economic development	-	-	-
Recreation and culture	-	-	-
Other	-	-	-
Debt service			
Principal	-	-	18,750
Interest and fiscal agent fees	-	-	5,061
Capital outlay	-	-	-
TOTAL EXPENDITURES	86,514	56,365	30,885
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	73,156	10,383	11,848
OTHER FINANCING SOURCES (USES)			
Transfers in	-	30,000	-
Transfers out	(31,266)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(31,266)	30,000	-0-
NET CHANGE IN FUND BALANCES	41,890	40,383	11,848
Fund balances, beginning of year	112,452	71,728	62,507
Fund balances, end of year	<u>\$ 154,342</u>	<u>\$ 112,111</u>	<u>\$ 74,355</u>

Revenue

Fire Operations Fund	Parks and Recreation Fund	Cemetery Fund	Parks Improvement Fund	Municipal Building	Forest Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	2,585	-	20,000	8,816	-
115,024	27,610	15,330	-	6,272	-
-	-	-	-	-	-
-	13,071	22	1,548	6,846	8
-	32,296	-	29,381	11,506	-
115,024	75,562	15,352	50,929	33,440	8
-	-	-	-	44,302	-
115,025	-	-	-	-	-
-	-	-	-	-	-
-	-	27,453	-	-	-
-	-	-	-	-	-
-	166,728	-	-	-	-
-	-	4,115	10,499	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	3,455	-	64,405	-	-
115,025	170,183	31,568	74,904	44,302	-0-
(1)	(94,621)	(16,216)	(23,975)	(10,862)	8
-	115,000	15,000	57,688	43,085	-
-	(3,488)	-	(12,500)	-	-
-0-	111,512	15,000	45,188	43,085	-0-
(1)	16,891	(1,216)	21,213	32,223	8
1,581	14,247	10,932	29,925	101,692	3,339
<u>\$ 1,580</u>	<u>\$ 31,138</u>	<u>\$ 9,716</u>	<u>\$ 51,138</u>	<u>\$ 133,915</u>	<u>\$ 3,347</u>

City of Corunna

Nonmajor Governmental Funds

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

Year Ended June 30, 2011

	Special		
	Fourth of July Commission	Softball Commission	Historical Commission
REVENUES			
Taxes	\$ -	\$ -	\$ -
Intergovernmental - State/Federal	-	-	-
Intergovernmental - Local	-	-	-
Charges for services	-	33,565	-
Licenses and permits	-	-	-
Interest and rents	71	11	4,523
Other	52,815	380	17,198
TOTAL REVENUES	52,886	33,956	21,721
EXPENDITURES			
Current			
General government	-	-	-
Public safety	-	-	-
Public works	-	-	-
Health and welfare	-	-	-
Community and economic development	-	-	-
Recreation and culture	35,792	40,700	12,466
Other	-	-	440
Debt service			
Principal	-	-	-
Interest, fiscal agent, and other fees	-	-	-
Capital outlay	-	-	-
TOTAL EXPENDITURES	35,792	40,700	12,906
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	17,094	(6,744)	8,815
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	(1,200)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(1,200)	-0-	-0-
NET CHANGE IN FUND BALANCES	15,894	(6,744)	8,815
Fund balances, beginning of year	12,873	13,805	11,720
Fund balances, end of year	<u>\$ 28,767</u>	<u>\$ 7,061</u>	<u>\$ 20,535</u>

Building/ Zoning	Revenue			Debt Service	
	Centennial	Economic Development	City Improvement	1998 MTF Bonds Payable	2000 G.O. Limited Tax Bonds
\$ -	\$ -	\$ -	\$ 289,734	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
17,970	-	-	-	-	-
-	9	101	2,146	1	25
-	70	14,350	9,379	-	-
17,970	79	14,451	301,259	1	25
-	-	-	-	-	-
14,734	-	-	-	-	-
-	-	-	-	-	-
-	-	-	161	-	-
-	-	-	-	-	-
779	-	-	-	-	-
-	-	-	-	20,000	65,000
-	-	-	-	2,810	22,298
-	-	-	-	-	-
15,513	-0-	-0-	161	22,810	87,298
2,457	79	14,451	301,098	(22,809)	(87,273)
2,500	1,000	-	71,750	22,810	87,298
-	-	-	(308,761)	-	-
2,500	1,000	-0-	(237,011)	22,810	87,298
4,957	1,079	14,451	64,087	1	25
2,517	3,285	31,239	20,097	3	497
\$ 7,474	\$ 4,364	\$ 45,690	\$ 84,184	\$ 4	\$ 522

City of Corunna

Nonmajor Governmental Funds

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

Year Ended June 30, 2011

	Debt Service		Capital
	2011 G.O. Limited Tax Bonds	2010 G.O. Limited Tax Bonds	East Corunna Construction Fund
REVENUES			
Taxes	\$ -	\$ -	\$ -
Intergovernmental - State/Federal	-	-	-
Intergovernmental - Local	-	-	-
Charges for services	-	-	-
Licenses and permits	-	-	-
Interest and rents	27	-	66
Other	-	-	-
TOTAL REVENUES	27	-0-	66
EXPENDITURES			
Current			
General government	-	-	-
Public safety	-	-	-
Public works	-	-	-
Health and welfare	-	-	-
Community and economic development	-	-	-
Recreation and culture	-	-	-
Other	-	-	-
Debt service			
Principal	90,000	-	-
Interest and fiscal agent fees	2,389	4,603	-
Capital outlay	-	-	23,037
TOTAL EXPENDITURES	92,389	4,603	23,037
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(92,362)	(4,603)	(22,971)
OTHER FINANCING SOURCES (USES)			
Transfers in	92,388	5,063	45,250
Transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	92,388	5,063	45,250
NET CHANGE IN FUND BALANCES	26	460	22,279
Fund balances, beginning of year	4,120	-	26,455
Fund balances, end of year	<u>\$ 4,146</u>	<u>\$ 460</u>	<u>\$ 48,734</u>

Projects		Permanent	
Dam Construction Fund	W. Corunna Avenue Enhancement	Cemetery Perpetual Care	Total
\$ -	\$ -	\$ -	\$ 289,734
-	-	-	226,053
-	-	-	51,401
-	-	7,230	227,764
-	-	-	17,970
16	40	713	29,609
-	-	-	167,375
16	40	7,943	1,009,906
-	-	-	44,302
-	-	-	136,833
2,094	-	-	144,973
-	-	-	27,453
-	-	-	161
-	-	-	255,686
-	-	-	15,833
-	-	-	193,750
-	-	-	37,161
2,839	123,665	-	217,401
4,933	123,665	-0-	1,073,553
(4,917)	(123,625)	7,943	(63,647)
2,000	60,250	-	651,082
-	-	-	(357,215)
2,000	60,250	-0-	293,867
(2,917)	(63,375)	7,943	230,220
8,389	75,649	83,007	702,059
<u>\$ 5,472</u>	<u>\$ 12,274</u>	<u>\$ 90,950</u>	<u>\$ 932,279</u>

City of Corunna

Internal Service Funds

COMBINING STATEMENT OF NET ASSETS

June 30, 2011

	<u>Motor Pool</u>	<u>Retiree Benefits</u>	<u>Total</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 50,633	\$ 140,896	\$ 191,529
Noncurrent assets			
Capital assets being depreciated, net	<u>228,129</u>	<u>-</u>	<u>228,129</u>
TOTAL ASSETS	278,762	140,896	419,658
LIABILITIES			
Current liabilities			
Accounts payable	2,070	30	2,100
Accrued liabilities	<u>152</u>	<u>-</u>	<u>152</u>
TOTAL LIABILITIES	<u>2,222</u>	<u>30</u>	<u>2,252</u>
NET ASSETS			
Invested in capital assets	228,129	-	228,129
Unrestricted	<u>48,411</u>	<u>140,866</u>	<u>189,277</u>
TOTAL NET ASSETS	<u><u>\$ 276,540</u></u>	<u><u>\$ 140,866</u></u>	<u><u>\$ 417,406</u></u>

City of Corunna

Internal Service Funds

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

Year Ended June 30, 2011

	Motor Pool	Retiree Benefits	Total
OPERATING REVENUES			
Charges for services	\$ 129,536	\$ 232,639	\$ 362,175
OPERATING EXPENSES			
Personnel services	18,636	-	18,636
Employee benefits	5,156	169,900	175,056
Other operating costs	51,471	-	51,471
Depreciation	48,934	-	48,934
TOTAL OPERATING EXPENSES	<u>124,197</u>	<u>169,900</u>	<u>294,097</u>
OPERATING INCOME	5,339	62,739	68,078
NONOPERATING REVENUES			
Interest earned	<u>117</u>	<u>221</u>	<u>338</u>
INCOME BEFORE TRANSFERS	5,456	62,960	68,416
TRANSFERS			
Transfer in	100,000	-	100,000
Transfer out	<u>(14,362)</u>	<u>-</u>	<u>(14,362)</u>
TOTAL TRANSFERS	<u>85,638</u>	<u>-0-</u>	<u>85,638</u>
CHANGE IN NET ASSETS	91,094	62,960	54,054
Net assets, beginning of year	<u>185,446</u>	<u>77,906</u>	<u>263,352</u>
Net assets, end of year	<u>\$ 276,540</u>	<u>\$ 140,866</u>	<u>\$ 417,406</u>

City of Corunna

Internal Service Funds

COMBINING STATEMENT OF CASH FLOWS

Year Ended June 30, 2011

	Motor Pool	Retiree Benefits	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 129,536	\$ 232,639	\$ 362,175
Cash paid to suppliers	(150,836)	30	(150,806)
Cash paid for employee benefits	(5,087)	(169,900)	(174,987)
Cash paid to employees	(18,636)	-	(18,636)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(45,023)	62,769	17,746
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in	100,000	-	100,000
Transfers out	(14,362)	-	(14,362)
NET CASH PROVIDED BY NONCAPITAL AND RELATED FINANCING ACTIVITIES	85,638	-0-	85,638
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital purchases	(5,688)	-	(5,688)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	117	221	338
NET INCREASE IN CASH AND CASH EQUIVALENTS	35,044	62,990	98,034
Cash and cash equivalents, beginning of year	15,589	77,906	93,495
Cash and cash equivalents, end of year	<u>\$ 50,633</u>	<u>\$ 140,896</u>	<u>\$ 191,529</u>
Reconciliation of operating income to net cash provided (used) by operating activities			
Operating income	\$ 5,339	\$ 62,739	\$ 68,078
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Depreciation	48,934	-	48,934
Changes in assets and liabilities			
Accounts payable	635	30	665
Due to other funds	(100,000)	-	(100,000)
Accrued liabilities	69	-	69
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (45,023)</u>	<u>\$ 62,769</u>	<u>\$ 17,746</u>

City of Corunna

Agency Funds

COMBINING STATEMENT OF ASSETS AND LIABILITIES

June 30, 2011

	Fire Capital Acquisitions Fund	Transportation Fund	Total
ASSETS			
Cash and cash equivalents	<u>\$ 74,355</u>	<u>\$ 19,942</u>	<u>\$ 94,297</u>
LIABILITIES			
Due to individuals and agencies	<u>\$ 74,355</u>	<u>\$ 19,942</u>	<u>\$ 94,297</u>

City of Corunna

Sewer System

COMPARATIVE STATEMENT OF NET ASSETS

June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 181,659	\$ 247,149
Due from other governmental units	304,972	-
Accounts receivable	<u>227,705</u>	<u>69,716</u>
Total current assets	714,336	316,865
Noncurrent assets		
Treatment rights, net	9,895	11,993
Capital assets not being depreciated	788,638	1
Capital assets being depreciated, net	<u>4,700,564</u>	<u>4,871,456</u>
Total noncurrent assets	<u>5,499,097</u>	<u>4,883,450</u>
TOTAL ASSETS	6,213,433	5,200,315
LIABILITIES		
Current liabilities		
Accounts payable	329,988	10,453
Accrued liabilities	553	396
Accrued interest payable	37,449	18,741
Current portion of long-term debt	<u>220,309</u>	<u>185,000</u>
Total current liabilities	588,299	214,590
Noncurrent liabilities		
Noncurrent portion of long-term debt	<u>1,454,588</u>	<u>1,090,000</u>
TOTAL LIABILITIES	<u>2,042,887</u>	<u>1,304,590</u>
NET ASSETS		
Invested in capital assets, net of related debt	3,814,305	3,596,457
Restricted for		
Other purposes	327,496	177,408
Unrestricted	<u>28,745</u>	<u>121,860</u>
TOTAL NET ASSETS	<u>\$ 4,170,546</u>	<u>\$ 3,895,725</u>

City of Corunna

Sewer System

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

Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
OPERATING REVENUES		
Charges for services	\$ 531,856	\$ 493,675
Capital charges	351,632	294,060
Other	-	6,237
	<u>883,488</u>	<u>793,972</u>
TOTAL OPERATING REVENUES		
OPERATING EXPENSES		
Personnel services	105,341	105,458
Employee benefits	23,078	25,729
Other operating costs	330,191	430,529
Depreciation and amortization	172,990	172,983
	<u>631,600</u>	<u>734,699</u>
TOTAL OPERATING EXPENSES		
OPERATING INCOME	251,888	59,273
NONOPERATING REVENUES (EXPENSES)		
Interest expense and fees	(84,824)	(44,456)
Construction grant - Federal	-	27,812
Interest earned	289	2,438
	<u>(84,535)</u>	<u>(14,206)</u>
TOTAL NONOPERATING REVENUE (EXPENSES)		
INCOME BEFORE TRANSFERS	167,353	45,067
TRANSFERS		
Transfers in	110,000	185,000
Transfers out	(2,532)	-
	<u>107,468</u>	<u>185,000</u>
TOTAL TRANSFERS		
CHANGE IN NET ASSETS	274,821	230,067
Net assets, beginning of year	<u>3,895,725</u>	<u>3,665,658</u>
Net assets, end of year	<u>\$ 4,170,546</u>	<u>\$ 3,895,725</u>

City of Corunna

Sewer System

COMPARATIVE STATEMENT OF CASH FLOWS

Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	\$ 251,888	\$ 59,273
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	172,990	172,983
(Increase) in accounts receivable	(157,989)	(21,225)
(Increase) decrease in due from other governmental units	(304,972)	73,590
Increase (decrease) in accounts payable	319,535	(6,661)
Increase (decrease) in accrued liabilities	<u>157</u>	<u>(100)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	281,609	277,860
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers in	110,000	185,000
Transfers out	<u>(2,532)</u>	<u>-</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	107,468	185,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Construction grant - Federal	-	27,812
Interest and fees paid	(66,116)	(46,666)
Capital purchases	(788,637)	-
Proceeds from issuance of debt	614,772	-
Payments on borrowings	<u>(214,875)</u>	<u>(175,000)</u>
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(454,856)	(193,854)
CASH FLOWS FROM INVESTING ACTIVITIES		
Maturity of investments	-	25,000
Interest received	<u>289</u>	<u>2,438</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	289	27,438
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING YEAR	(65,490)	296,444
Cash and cash equivalents, beginning of year	<u>247,149</u>	<u>(49,295)</u>
Cash and cash equivalents, end of year	<u><u>\$ 181,659</u></u>	<u><u>\$ 247,149</u></u>

City of Corunna

Water System

COMPARATIVE STATEMENT OF NET ASSETS

June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 170,986	\$ 193,625
Due from other governmental units	539,995	-
Accounts receivable	<u>133,848</u>	<u>52,470</u>
Total current assets	844,829	246,095
Noncurrent assets		
Capital assets not being depreciated	733,851	126
Capital assets being depreciated, net	<u>1,090,161</u>	<u>1,158,894</u>
Total noncurrent assets	<u>1,824,012</u>	<u>1,159,020</u>
TOTAL ASSETS	2,668,841	1,405,115
LIABILITIES		
Current liabilities		
Accounts payable	560,487	16,415
Accrued liabilities	1,495	988
Accrued interest payable	3,995	521
Current portion of long-term debt	<u>-</u>	<u>50,000</u>
Total current liabilities	565,977	67,924
Noncurrent liabilities		
Noncurrent portion of long-term debt	<u>733,956</u>	<u>-</u>
TOTAL LIABILITIES	<u>1,299,933</u>	<u>67,924</u>
NET ASSETS		
Invested in capital assets, net of related debt	1,090,056	1,109,020
Unrestricted	<u>278,852</u>	<u>228,171</u>
TOTAL NET ASSETS	<u><u>\$ 1,368,908</u></u>	<u><u>\$ 1,337,191</u></u>

City of Corunna

Water System

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

Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
OPERATING REVENUES		
Charges for services	\$ 475,694	\$ 427,601
Capital charges	217,798	232,047
Meter charges	12,281	11,942
Other	367	944
	<u>706,140</u>	<u>672,534</u>
TOTAL OPERATING REVENUES		
OPERATING EXPENSES		
Personnel services	143,751	124,227
Employee benefits	35,818	38,654
Other operating costs	295,136	246,457
Depreciation and amortization	68,733	68,792
	<u>543,438</u>	<u>478,130</u>
TOTAL OPERATING EXPENSES		
OPERATING INCOME	162,702	194,404
NONOPERATING REVENUES (EXPENSES)		
Interest expense and fees	(20,999)	(6,397)
Interest earned	514	2,381
	<u>(20,485)</u>	<u>(4,016)</u>
TOTAL NONOPERATING REVENUE (EXPENSES)		
INCOME BEFORE TRANSFERS	142,217	190,388
TRANSFERS		
Transfers out	(110,500)	-
	<u>31,717</u>	<u>190,388</u>
CHANGE IN NET ASSETS		
Net assets, beginning of year	<u>1,337,191</u>	<u>1,146,803</u>
Net assets, end of year	<u>\$ 1,368,908</u>	<u>\$ 1,337,191</u>

City of Corunna

Water System

COMPARATIVE STATEMENT OF CASH FLOWS

Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	\$ 162,702	\$ 194,404
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	68,733	68,792
(Increase) in accounts receivable	(81,378)	(7,751)
(Increase) decrease in due from other governmental units	(539,995)	13,766
Increase (decrease) in accounts payable	544,072	(2,112)
Increase in accrued liabilities	507	317
	<u>154,641</u>	<u>267,416</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers out	(110,500)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Interest and fees paid	(17,525)	(7,051)
Capital purchases	(733,725)	-
Proceeds from issuance of debt	733,956	-
Payments on borrowings	(50,000)	(64,452)
	<u>(67,294)</u>	<u>(71,503)</u>
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Maturity of investments	-	25,000
Interest received	514	2,381
	<u>514</u>	<u>27,381</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES		
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING YEAR	(22,639)	223,294
Cash and cash equivalents, beginning of year	<u>193,625</u>	<u>(29,669)</u>
Cash and cash equivalents, end of year	<u>\$ 170,986</u>	<u>\$ 193,625</u>

City of Corunna

Component Unit Funds

COMBINING BALANCE SHEET - DOWNTOWN DEVELOPMENT AUTHORITY

June 30, 2011

	General Fund	Joint Lot Fund	Parking Lot	Total
ASSETS				
Cash and cash equivalents	\$ 106,890	\$ 41,017	\$ 22,577	\$ 170,484
Cash and cash equivalents - restricted	4,110	-	-	4,110
Investments	57,080	-	-	57,080
Contracts receivable	821,009	-	-	821,009
TOTAL ASSETS	\$ 989,089	\$ 41,017	\$ 22,577	\$ 1,052,683
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 21,140	\$ 96	\$ -	\$ 21,236
Deferred revenue	817,690	-	-	817,690
Rental deposits	4,110	-	-	4,110
TOTAL LIABILITIES	842,940	96	-0-	843,036
FUND BALANCES				
Assigned	-	40,921	22,577	63,498
Unassigned	146,149	-	-	146,149
TOTAL FUND BALANCES	146,149	40,921	22,577	209,647
TOTAL LIABILITIES AND FUND BALANCES	\$ 989,089	\$ 41,017	\$ 22,577	\$ 1,052,683

City of Corunna

Component Unit Funds

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

June 30, 2011

Total fund balances - governmental funds \$ 209,647

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>(741,966)</u>	
Capital assets, net		1,002,002

Long-term assets are not available to pay for current period expenditures
and are therefore deferred in the funds. 817,690

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

Loans payable	38,626	
Due to other governmental units	<u>277,500</u>	
		<u>(316,126)</u>

Net assets of governmental activities \$ 1,713,213

City of Corunna

Component Unit Funds

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

Year Ended June 30, 2011

	General Fund	Joint Lot Fund	Parking Lot	Total
REVENUES				
Taxes	\$ 117,227	\$ -	\$ -	\$ 117,227
Interest and rents	62,627	78	44	62,749
Intergovernmental				
Local	81,458	5,000	-	86,458
Other	4,452	-	-	4,452
TOTAL REVENUES	265,764	5,078	44	270,886
EXPENDITURES				
Current				
Community and economic development				
Taxes	27,272	-	-	27,272
Employee benefits	550	-	-	550
Contracted services	3,899	53	-	3,952
Insurance	4,082	-	-	4,082
Supplies	9,281	-	-	9,281
Repairs and maintenance	7,545	-	-	7,545
Utilities	5,114	863	-	5,977
Miscellaneous	68,804	-	-	68,804
Debt service				
Principal	13,853	-	-	13,853
Other debt related payments	42,500	-	-	42,500
Interest and fiscal charges	2,368	-	-	2,368
Capital outlay	3,542	-	-	3,542
TOTAL EXPENDITURES	188,810	916	-0-	189,726
EXCESS OF REVENUES OVER EXPENDITURES	76,954	4,162	44	81,160
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)	5,000	5,000	-0-
NET CHANGE IN FUND BALANCES	66,954	9,162	5,044	81,160
Fund balances, beginning of year	79,195	31,759	17,533	128,487
Fund balances, end of year	\$ 146,149	\$ 40,921	\$ 22,577	\$ 209,647

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, 2011

Net change in fund balances - total governmental funds \$ 81,160

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

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

Depreciation expense (111,509)

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

(Decrease) in deferred revenue (89,258)

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 56,353

Change in net assets of governmental activities \$ (63,254)