

**City of Corunna
Shiawassee County**

**Annual Financial Statements
and
Auditors' Report
June 30, 2012**

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City of Corunna
List of Elected and Appointed Officials
June 30, 2012

City Council

Charles Kerridge	Mayor
Shelly Sliwa	Council Member
Brad Reichert	Council Member
Judy Horton	Council Member
Mike Sarrazin	Council Member
Dawn Johnson	Council Member
Homer Bennett	Council Member

Other Officers and Officials

Joseph Sawyer	City Manager
Nichole Cowdrey	Clerk/Treasurer

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Corunna as of and for the year ended June 30, 2012, 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 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Corunna as of June 30, 2012 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 11, 2012, on our consideration of the City of Corunna's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information identified in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Corunna's financial statements as a whole. The accompanying other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Yeo & Yeo, P.C.
Saginaw, Michigan
October 11, 2012

City of Corunna
Management's Discussion and Analysis
June 30, 2012

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, 2012. 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 \$15,519,915 (excluding component units).
- Governmental activities net assets were \$9,622,579.
- Business-type activity net assets were \$5,897,336.
- Component Unit net assets were \$1,237,097.

Fund Level:

- At the close of the fiscal year, the City's governmental funds reported a combined ending fund balance of \$2,320,266 with \$1,799,926 being restricted or assigned for specific purposes.
- The General Fund realized \$4,906 more in revenues and other financing sources than anticipated for the fiscal year. General Fund operations expended \$57,192 less than appropriated.
- Overall, the General Fund balance increased by \$62,098 to \$520,340 - all unassigned and available for general purposes.
- Net Assets in the Sewer and Water funds ended the year at \$4,351,671 and \$1,520,149, respectively.

Capital and Long-term Debt Activities:

- The total long-term debt for the primary government was \$4,753,522 with a net increase of \$1,164,000 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 \$1,011,774 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*

City of Corunna
Management's Discussion and Analysis
June 30, 2012

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 4-1) presents all of the City's assets and liabilities, recording the difference between the two as "net assets". Over time, increases or decreases in net assets measure whether the City's financial position is improving or deteriorating.

The Statement of Activities (page 4-3) presents information showing how the City's net assets changed during 2011/2012. 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.

City of Corunna
Management's Discussion and Analysis
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Because of the different basis of accounting between the fund statements (described below) and the government-wide statements, pages 4-6 and 4-9 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 4-4, provide information on the City's significant (major) funds, and aggregated nonmajor funds. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the City uses to keep track of specific sources of funding and spending for a particular purpose. Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar.

The *basic financial statements* report major funds as defined by the Government Accounting Standards Board (GASB) Statement No. 34 in separate columns. Statement No. 34 defines a "major fund" as the General Fund, and any governmental or enterprise fund which has either total assets, total liabilities, total revenues or total expenditures/expenses that equal at least ten (10) percent of those categories for either the governmental funds or the enterprise funds *and* where the individual fund total also exceeds five (5) percent of those categories for governmental and enterprise funds combined. The major funds for City of Corunna include the General Fund, the 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.

City of Corunna

Management's Discussion and Analysis

June 30, 2012

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 4-16 and 4-17, 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 4-18 of this report.

Required Supplementary Information

Following the Basic Financial Statements is additional Required Supplementary Information (RSI), which further explains and supports the information in the financial statements. RSI includes a budgetary comparison schedules for the General Fund and the major special revenue funds.

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Other Supplementary Information

Other Supplementary Information includes combining financial statements for nonmajor governmental, proprietary, and fiduciary funds. These funds, except for the fiduciary funds, are added together, by fund type, and are presented in aggregate single columns in the appropriate basic financial statements.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

As previously stated, City of Corunna's combined net assets for the primary government were \$15,519,915 at the end of this fiscal year's operations. The net assets of the governmental activities were \$9,622,579; the business type activities were \$5,897,336.

Net Assets as of June 30, 2012 and 2011

	Governmental		Business-type		Primary	
	<u>Activities</u>		<u>Activities</u>		<u>Government</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Current and Other Assets	\$ 3,000,909	\$ 2,954,687	\$ 1,223,544	\$ 1,599,734	\$ 4,224,453	\$ 4,554,421
Capital Assets	<u>7,893,909</u>	<u>8,041,623</u>	<u>8,563,627</u>	<u>7,313,214</u>	<u>16,457,536</u>	<u>15,354,837</u>
Total Assets	<u>\$10,894,818</u>	<u>\$10,996,310</u>	<u>\$ 9,787,171</u>	<u>\$ 8,912,948</u>	<u>\$20,681,989</u>	<u>\$19,909,258</u>
Current Liabilities	83,227	319,099	191,231	1,164,038	274,458	1,483,137
Noncurrent Liabilities	<u>1,189,012</u>	<u>1,194,477</u>	<u>3,698,604</u>	<u>2,188,544</u>	<u>4,887,616</u>	<u>3,383,021</u>
Total Liabilities	<u>\$ 1,272,239</u>	<u>\$ 1,513,576</u>	<u>\$ 3,889,835</u>	<u>\$ 3,352,582</u>	<u>\$ 5,162,074</u>	<u>\$ 4,866,158</u>
Net Assets Invested in Capital Assets (Net of related debt)	\$ 6,883,293	\$ 6,897,711	\$ 4,865,023	\$ 4,904,361	\$11,748,316	\$11,802,072
Restricted	1,449,722	1,298,920	30,000	327,496	1,479,722	1,626,416
Unrestricted	<u>1,289,564</u>	<u>1,286,103</u>	<u>1,002,313</u>	<u>328,509</u>	<u>2,291,877</u>	<u>1,614,612</u>
Total Net Assets	<u>\$ 9,622,579</u>	<u>\$ 9,482,734</u>	<u>\$ 5,897,336</u>	<u>\$ 5,560,366</u>	<u>\$15,519,915</u>	<u>\$15,043,100</u>

City of Corunna
Management's Discussion and Analysis
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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, 2012 and 2011

	Governmental		Business-type		Total	
	<u>Activities</u>		<u>Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Revenues						
Program Revenues						
Charges for Services	\$ 637,659	\$ 760,617	\$ 1,684,989	\$ 1,657,096	\$ 2,322,648	\$ 2,417,713
Grants and Contributions	315,302	728,065	-	-	315,302	728,065
General Revenues						
Property Taxes	1,035,871	1,065,090	-	-	1,035,871	1,065,090
State Shared Revenue	310,134	313,346	-	-	310,134	313,346
Investment Earnings	20,785	28,600	840	821	21,625	29,421
Other	745	66,439	122,265	(2,665)	123,010	63,774
	<u>2,320,496</u>	<u>2,962,157</u>	<u>1,808,094</u>	<u>1,655,252</u>	<u>4,128,590</u>	<u>4,617,409</u>
Total Revenues						

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Management's Discussion and Analysis
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Changes in Net Assets for the Fiscal Year Ending June 30, 2012 and 2011 – continued

	Governmental Activities		Business-type Activities		Total	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Expenses						
General Government	\$ 550,134	\$ 383,882	\$ -	\$ -	\$ 550,134	\$ 383,882
Public Safety	585,408	696,846	-	-	585,408	696,846
Public Works	624,468	799,822	-	-	624,468	799,822
Health and Welfare	-	27,453	-	-	-	27,453
Community and Economic Development	10,516	791	-	-	10,516	791
Recreation and Culture	375,213	286,212	-	-	375,213	286,212
Interest on long-term Debt	34,912	211,692	-	-	34,912	211,692
Other	-	-	1,471,124	1,339,945	1,471,124	1,339,945
Total Expenses	<u>2,180,651</u>	<u>2,406,698</u>	<u>1,471,124</u>	<u>1,339,945</u>	<u>3,651,775</u>	<u>3,746,643</u>
Increase in net assets	<u>139,845</u>	<u>555,459</u>	<u>336,970</u>	<u>315,307</u>	<u>476,815</u>	<u>870,766</u>
Net Assets - Beginning	9,482,734	8,927,275	5,560,366	5,245,059	15,043,100	14,172,334
Net Assets - Ending	<u>\$ 9,622,579</u>	<u>\$ 9,482,734</u>	<u>\$ 5,897,336</u>	<u>\$ 5,560,366</u>	<u>\$ 15,519,915</u>	<u>\$ 15,043,100</u>

Governmental Activities:

The result of 2011/2012 governmental activity was an increase of \$139,845 in net assets to \$9,622,579. Of the total governmental activities' net assets, \$6,883,293 is invested in capital assets less related debt, \$1,449,722 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 \$1,289,564 is listed as unrestricted, having no legal commitment.

Revenues:

The three largest revenue categories were property taxes at 45%, charges for services at 27%, and grants and contributions at 14%. The City levied two (2) property tax millages for the year ended June 30, 2012, one being for general government operations at 13.3044 mills, which is not

**City of Corunna
Management's Discussion and Analysis
June 30, 2012**

assigned to any particular activity, and one for City Public Improvements at 4.8342 mills. Charges for services, which reimburse the City for specific activities, are the second largest source of governmental activity revenue. Examples include rentals, recreation fees, fire protection, and permits.

Expenses:

Public Works is the largest governmental activity, expending approximately 29% of the governmental activities total. Public Safety is the second largest area, expending approximately 27% of the governmental activities total.

Business-type Activities:

Net assets in business-type activities increased by \$336,970 during 2011/2012. Of the business-type activities' net assets, \$4,865,023 is invested in capital assets less related debt, \$30,000 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 \$1,002,313 is listed as unrestricted, having no legal commitment.

FINANCIAL ANALYSIS OF THE CITY'S MAJOR AND NONMAJOR FUNDS

As the City completed 2011/2012, its governmental funds reported *combined* fund balances of \$2,320,266. This is a net increase of \$146,767. The net changes are summarized in the following chart:

<u>Fund Balance</u>	<u>General Fund</u>	<u>DDA Custodial</u>	<u>Industrial Development</u>	<u>City Improvement</u>	<u>Non-major Governmental Funds</u>
6/30/2012	\$ 520,340	\$ -	\$ 664,595	\$ 219,766	\$ 915,565
6/30/2011	458,242	-	688,315	84,184	942,758
Net Change	<u>\$ 62,098</u>	<u>\$ -</u>	<u>\$ (23,720)</u>	<u>\$ 135,582</u>	<u>\$ (27,193)</u>

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, 2012, the General Fund reported a fund balance of \$520,340. This amount is an increase of \$62,098 from the fund balance of \$458,242 reported as of June 30, 2011. The 2011/2012 original budget called for a \$66,518 use of fund balance.

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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 \$1,602,971, \$4,906 more than the final amended budget.

The City's expenditure original budget was decreased by \$50,387 (3.1% change from the original budget) during 2011/2012.

Actual City operational expenditures for 2011/2012 were \$1,540,873, \$57,192 less than the final amended budget. This is due to several reasons including:

- \$35,366 less than planned expenditures in the Public Safety activities.
- \$21,506 less than planned in the General Government Activities.

DDA Custodial Fund:

As of June 30, 2012, the DDA Custodial Fund reported \$-0- fund balance, there was no change in fund balance during the year.

Industrial Development Fund:

As of June 30, 2012, the Industrial Development Fund reported a fund balance of \$664,595, which is a decrease of \$23,720 from the prior year. The total fund balance is restricted.

City Improvement Fund:

As of June 30, 2012, the City Improvement Fund reported a fund balance of \$219,766, which is an increase of \$135,582 from the prior year. The total fund balance is restricted.

City of Corunna
Management's Discussion and Analysis
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CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - At the end of Fiscal Year 2011/2012, the City had invested \$16,457,536 for governmental and business-type activities, and \$896,874 for the component unit, net of accumulated depreciation, in a broad range of capital assets (see table below). Accumulated depreciation was \$10,556,572 for the primary government and \$853,638 for the component unit. Depreciation charges for the fiscal year totaled \$625,737 for the primary government and \$111,672 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, 2012 was as follows:

	Governmental Activities	Business-type Activities	Component Unit - DDA	Total
Land	\$ 371,945	\$ 30,002	\$ -	\$ 401,947
Buildings, net	1,191,624	-	-	1,191,624
Vehicles and equipment, net	411,543	7,171	-	418,714
Construction in progress	575,127	-	-	575,127
Infrastructure, net	5,343,670	-	-	5,343,670
Sewer system, net	-	6,376,449	-	6,376,449
Water system, net	-	2,150,005	-	2,150,005
Improvements, net	-	-	896,874	896,874
Capital assets, net	<u>\$ 7,893,909</u>	<u>\$ 8,563,627</u>	<u>\$ 896,874</u>	<u>\$ 17,354,410</u>

Long-term Debt - As of June 30, 2012, the City had \$4,753,522 in debt outstanding for the primary government. This level of net obligation is \$1,164,000 more than the obligation recorded as of June 30, 2011.

City of Corunna
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Outstanding Debt as of June 30, 2012:

Primary Government	<u>June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2012</u>
Governmental Activities				
General Obligation Bonds	\$ 725,000	\$ -	\$ 100,000	\$ 625,000
Transportation Bonds	40,000	-	20,000	20,000
Installment Purchases	192,337	-	56,721	135,616
MEDC Loan	277,500	-	47,500	230,000
Compensated Absences	36,757	72,444	64,899	44,302
Business-Type Activities				
General Obligation Bonds	2,317,928	1,293,236	231,230	3,379,934
Sewer Loan	<u>-</u>	<u>318,670</u>	<u>-</u>	<u>318,670</u>
Total Primary Government	<u>3,589,522</u>	<u>1,684,350</u>	<u>520,350</u>	<u>4,753,522</u>
Component Unit				
Installment Loan	<u>38,626</u>	<u>-</u>	<u>10,020</u>	<u>28,606</u>
Total Reporting Entity	<u>\$ 3,628,148</u>	<u>\$ 1,684,350</u>	<u>\$ 530,370</u>	<u>\$ 4,782,128</u>

A more detailed discussion of the City's long-term debt obligations is presented in Note 7 to the financial statements.

CITY OF CORUNNA GOVERNMENT ECONOMIC OUTLOOK:

- Despite elimination of Statutory State Revenue Sharing, increases to Constitutional State Revenue Sharing and the Economic Vitality incentive Program (EVIP) resulted in only a slight loss of revenue. State revenue sharing has remained stagnant for the past six years, after having received substantial reductions in years prior.
- Property tax revenues declined approximately 4% from 2011/2012, after a 5% decline the 2010/2011 year. Although additional reductions to existing base for the 2012/2013 year, building activity and new construction projects have increased, offsetting additional reduction.
- The future of Personal Property Tax in Michigan remains uncertain. Elimination without replacement revenues would require service reductions.
- Investment earnings continue to be stagnant, due to lower market interest rates.
- Although the City did not experience an increase to Health and Dental Insurance Premiums on our 2012 renewal, the 2013 renewal will exceed a 16% increase.

City of Corunna
Management's Discussion and Analysis
June 30, 2012

- Retirement costs continue increasing due to market factors and actuarial changes. In the 2011/2012 budget year the city contributed approximately \$40,000 (25%) more than the required minimum/billed contribution. Additional payments are programmed for the 2012/2013 year.
- Elimination of Future Retiree Healthcare in all but the Police Department have contributed to substantial operational savings and reduction to long term obligations.
- Utility and fuel costs continue rising faster than the rate of inflation.

These factors were considered in adopting the Budget for 2012/2013. 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 decrease inefficiencies 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.

City of Corunna
Statement of Net Assets
June 30, 2012

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 1,966,539	\$ 490,835	\$ 2,457,374	\$ 158,032
Investments	591,761	-	591,761	57,080
Receivables				
Customers	10,286	389,194	399,480	-
Special assessments	133,734	38,346	172,080	-
Accrued interest and other	-	-	-	390,704
Due from other units of government	298,589	128,873	427,462	-
Restricted assets				
Cash and cash equivalents	-	168,500	168,500	-
Other assets	-	7,796	7,796	-
Capital assets not being depreciated	947,072	30,002	977,074	896,874
Capital assets, net of accumulated depreciation	<u>6,946,837</u>	<u>8,533,625</u>	<u>15,480,462</u>	<u>-</u>
Total assets	<u>10,894,818</u>	<u>9,787,171</u>	<u>20,681,989</u>	<u>1,502,690</u>

See Accompanying Notes to Financial Statements

City of Corunna
Statement of Net Assets
June 30, 2012

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Liabilities				
Accounts payable	\$ 36,619	\$ 157,088	\$ 193,707	\$ 2,877
Accrued and other liabilities	46,608	34,143	80,751	4,110
Due to other units of government	-	-	-	230,000
Noncurrent liabilities				
Due within one year	226,558	558,670	785,228	12,000
Due in more than one year	828,360	3,139,934	3,968,294	16,606
Other postemployment benefit obligation	134,094	-	134,094	-
Total liabilities	<u>1,272,239</u>	<u>3,889,835</u>	<u>5,162,074</u>	<u>265,593</u>
Net Assets				
Invested in capital assets, net of related debt	6,883,293	4,865,023	11,748,316	868,268
Restricted for:				
Industrial development	664,595	30,000	694,595	-
City improvement	219,766	-	219,766	-
Debt service	1,245	-	1,245	-
Cemetery perpetual care	92,988	-	92,988	-
Other special revenue funds	471,128	-	471,128	-
Downtown Development	-	-	-	368,829
Unrestricted	<u>1,289,564</u>	<u>1,002,313</u>	<u>2,291,877</u>	<u>-</u>
Total net assets	<u>\$ 9,622,579</u>	<u>\$ 5,897,336</u>	<u>\$ 15,519,915</u>	<u>\$ 1,237,097</u>

See Accompanying Notes to Financial Statements

City of Corunna
Statement of Activities
For the Year Ended June 30, 2012

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental activities								
General government	\$ 550,134	\$ 188,396	\$ -	\$ -	\$ (361,738)	\$ -	\$ (361,738)	\$ -
Public safety	585,408	152,967	2,454	20,100	(409,887)	-	(409,887)	-
Public works	624,468	105,951	257,703	5,441	(255,373)	-	(255,373)	-
Health and welfare	-	14,876	6,000	-	20,876	-	20,876	-
Community and economic development	10,516	10,504	-	-	(12)	-	(12)	-
Recreation and culture	375,213	164,965	23,604	-	(186,644)	-	(186,644)	-
Interest on long-term debt	34,912	-	-	-	(34,912)	-	(34,912)	-
Total governmental activities	<u>2,180,651</u>	<u>637,659</u>	<u>289,761</u>	<u>25,541</u>	<u>(1,227,690)</u>	<u>-</u>	<u>(1,227,690)</u>	<u>-</u>
Business-type activities								
Sewer	839,070	945,281	-	-	-	106,211	106,211	-
Water	552,993	676,060	-	-	-	123,067	123,067	-
Rubbish collection	61,537	63,648	-	-	-	2,111	2,111	-
PA 298 collection	17,524	-	-	-	-	(17,524)	(17,524)	-
Total business-type activities	<u>1,471,124</u>	<u>1,684,989</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>213,865</u>	<u>213,865</u>	<u>-</u>
Total primary government	<u>\$ 3,651,775</u>	<u>\$ 2,322,648</u>	<u>\$ 289,761</u>	<u>\$ 25,541</u>	<u>(1,227,690)</u>	<u>213,865</u>	<u>(1,013,825)</u>	<u>-</u>
Component unit								
Downtown Development Authority	<u>\$ 199,703</u>	<u>\$ (322,645)</u>	<u>\$ 60</u>	<u>\$ -</u>				<u>(522,288)</u>
General revenues								
Property taxes					1,035,871	-	1,035,871	45,897
State shared revenue					310,134	-	310,134	-
Unrestricted investment earnings					20,785	-	20,785	267
Gain on sale of capital assets					-	840	840	-
Miscellaneous					123,010	-	123,010	8
Transfers					(122,265)	122,265	-	-
Total general revenues and transfers					<u>1,367,535</u>	<u>123,105</u>	<u>1,490,640</u>	<u>46,172</u>
Change in net assets					139,845	336,970	476,815	(476,116)
Net assets - beginning of year					<u>9,482,734</u>	<u>5,560,366</u>	<u>15,043,100</u>	<u>1,713,213</u>
Net assets - end of year					<u>\$ 9,622,579</u>	<u>\$ 5,897,336</u>	<u>\$ 15,519,915</u>	<u>\$ 1,237,097</u>

See Accompanying Notes to Financial Statements

City of Corunna
Governmental Funds
Balance Sheet
June 30, 2012

	<u>Special Revenue Funds</u>				Nonmajor Governmental Funds	Total Governmental Funds
	<u>General</u>	DDA <u>Custodial</u>	Industrial <u>Development</u>	City <u>Improvement</u>		
Assets						
Cash and cash equivalents	\$ 342,081	\$ -	\$ 339,629	\$ 219,766	\$ 820,040	\$ 1,721,516
Investments	200,000	-	325,000	-	66,761	591,761
Receivables						
Customers	10,146	-	-	-	140	10,286
Special assessments	1,600	-	-	13,984	118,150	133,734
Due from other units of government	6,244	230,000	-	-	62,345	298,589
Total assets	<u>\$ 560,071</u>	<u>\$ 230,000</u>	<u>\$ 664,629</u>	<u>\$ 233,750</u>	<u>\$ 1,067,436</u>	<u>\$ 2,755,886</u>

See Accompanying Notes to Financial Statements

**City of Corunna
Governmental Funds
Balance Sheet
June 30, 2012**

	Special Revenue Funds				Nonmajor Governmental Funds	Total Governmental Funds
	General	DDA Custodial	Industrial Development	City Improvement		
Liabilities						
Accounts payable	\$ 15,918	\$ -	\$ 34	\$ -	\$ 18,898	\$ 34,850
Accrued and other liabilities	22,213	-	-	-	14,823	37,036
Deferred revenue	1,600	230,000	-	13,984	118,150	363,734
Total liabilities	<u>39,731</u>	<u>230,000</u>	<u>34</u>	<u>13,984</u>	<u>151,871</u>	<u>435,620</u>
Fund Balances						
Restricted for:						
Industrial development fund	-	-	664,595	-	-	664,595
City improvement fund	-	-	-	219,766	-	219,766
Other special revenue funds	-	-	-	-	471,128	471,128
Debt service	-	-	-	-	1,245	1,245
Cemetery perpetual care	-	-	-	-	92,988	92,988
Assigned for other special revenue funds	-	-	-	-	350,204	350,204
Unassigned	520,340	-	-	-	-	520,340
Total fund balances	<u>520,340</u>	<u>-</u>	<u>664,595</u>	<u>219,766</u>	<u>915,565</u>	<u>2,320,266</u>
Total liabilities and fund balances	<u>\$ 560,071</u>	<u>\$ 230,000</u>	<u>\$ 664,629</u>	<u>\$ 233,750</u>	<u>\$ 1,067,436</u>	<u>\$ 2,755,886</u>

See Accompanying Notes to Financial Statements

City of Corunna
Governmental Funds
Reconciliation of Fund Balances of Governmental Funds
to Net Assets of Governmental Activities
June 30, 2012

Total fund balances for governmental funds	\$ 2,320,266
Total net assets for governmental activities in the statement of net assets is different because:	
Capital assets net of accumulated depreciation used in governmental activities are not financial resources and therefore are not reported in the funds.	6,755,482
Capital assets not being depreciated used in governmental activities are not financial resources and therefore are not reported in the funds.	947,072
Certain receivables are not available to pay for current period expenditures and, therefore are deferred in the funds.	363,734
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(9,267)
Compensated absences	(44,302)
Other post employment obligation	(134,094)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	(1,010,616)
Internal service funds are included as part of governmental activities.	<u>434,304</u>
Net assets of governmental activities	<u>\$ 9,622,579</u>

See Accompanying Notes to Financial Statements

City of Corunna
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2012

	Special Revenue Funds				Nonmajor Governmental Funds	Total Governmental Funds
	General	DDA Custodial	Industrial Development	City Improvement		
Revenues						
Taxes	\$ 792,195	\$ -	\$ -	\$ 281,339	\$ -	\$ 1,073,534
Licenses and permits	6,547	-	-	-	-	6,547
State revenue sharing	310,134	-	-	-	-	310,134
Other state grants	35,657	-	-	-	241,710	277,367
Local contributions	-	47,500	-	-	26,691	74,191
Charges for services	341,397	-	-	-	268,712	610,109
Fines and forfeitures	9,113	-	-	-	-	9,113
Interest income	9,049	-	12,831	2,124	8,381	32,385
Rental income	34,013	-	-	-	38,927	72,940
Other revenue	52,366	-	-	7,677	57,992	118,035
Total revenues	<u>1,590,471</u>	<u>47,500</u>	<u>12,831</u>	<u>291,140</u>	<u>642,413</u>	<u>2,584,355</u>

See Accompanying Notes to Financial Statements

City of Corunna
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2012

	Special Revenue Funds			Nonmajor Governmental Funds	Total Governmental Funds	
	General	DDA Custodial	Industrial Development			City Improvement
Expenditures						
Current						
General government	\$ 404,205	\$ -	\$ -	\$ -	\$ 87,822	\$ 492,027
Public safety	408,905	-	-	-	127,855	536,760
Public works	275,232	-	14,665	-	202,730	492,627
Community and economic development	309	-	-	7,984	-	8,293
Recreation and culture	-	-	-	-	364,058	364,058
Other functions	153,511	-	-	-	-	153,511
Capital outlay	-	-	2,020	6,150	15,175	23,345
Debt service						
Principal retirement	7,662	47,500	-	-	169,059	224,221
Interest and fiscal charges	-	-	-	-	34,843	34,843
Total expenditures	<u>1,249,824</u>	<u>47,500</u>	<u>16,685</u>	<u>14,134</u>	<u>1,001,542</u>	<u>2,329,685</u>
Excess (deficiency) of revenues over expenditures	<u>340,647</u>	<u>-</u>	<u>(3,854)</u>	<u>277,006</u>	<u>(359,129)</u>	<u>254,670</u>
Other financing sources (uses)						
Transfers in	12,500	-	-	4,146	449,232	465,878
Transfers out	<u>(291,049)</u>	<u>-</u>	<u>(19,866)</u>	<u>(145,570)</u>	<u>(117,296)</u>	<u>(573,781)</u>
Total other financing sources and uses	<u>(278,549)</u>	<u>-</u>	<u>(19,866)</u>	<u>(141,424)</u>	<u>331,936</u>	<u>(107,903)</u>
Net change in fund balance	62,098	-	(23,720)	135,582	(27,193)	146,767
Fund balance - beginning of year	<u>458,242</u>	<u>-</u>	<u>688,315</u>	<u>84,184</u>	<u>942,758</u>	<u>2,173,499</u>
Fund balance - end of year	<u>\$ 520,340</u>	<u>\$ -</u>	<u>\$ 664,595</u>	<u>\$ 219,766</u>	<u>\$ 915,565</u>	<u>\$ 2,320,266</u>

See Accompanying Notes to Financial Statements

City of Corunna
Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2012

Net change in fund balances - Total governmental funds	\$ 146,767
Total change in net assets reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(304,896)
Capital outlay	103,031
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	
Special assessments	(83,054)
Other revenue	(58,540)
Expenses are recorded when incurred in the statement of activities.	
Accrued interest	(69)
Compensated absences	(7,545)
Other post employment obligation	103,032
Bond proceeds are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.	
Repayments of long-term debt	224,221
Internal service funds are also included as governmental activities.	16,898
Change in net assets of governmental activities	\$ 139,845

See Accompanying Notes to Financial Statements

**City of Corunna
Proprietary Funds
Statement of Net Assets
June 30, 2012**

	Enterprise Funds					Governmental Activities
	Sewer	Water	Nonmajor Rubbish	PA298 Collection	Total	Internal Service Funds
Assets						
Current assets						
Cash and cash equivalents	\$ 145,965	\$ 331,263	\$ 10,270	\$ 3,337	\$ 490,835	\$ 245,023
Receivables						
Customers	244,121	127,131	17,942	-	389,194	-
Special assessments, current	38,346	-	-	-	38,346	-
Due from other units of government	79,125	49,748	-	-	128,873	-
Total current assets	<u>507,557</u>	<u>508,142</u>	<u>28,212</u>	<u>3,337</u>	<u>1,047,248</u>	<u>245,023</u>
Noncurrent assets						
Restricted assets						
Cash and cash equivalents	101,500	67,000	-	-	168,500	-
Other assets	7,796	-	-	-	7,796	-
Capital assets not being depreciated	29,876	126	-	-	30,002	-
Capital assets, net of accumulated depreciation	<u>6,376,449</u>	<u>2,157,176</u>	<u>-</u>	<u>-</u>	<u>8,533,625</u>	<u>191,355</u>
Total noncurrent assets	<u>6,515,621</u>	<u>2,224,302</u>	<u>-</u>	<u>-</u>	<u>8,739,923</u>	<u>191,355</u>
Total assets	<u>7,023,178</u>	<u>2,732,444</u>	<u>28,212</u>	<u>3,337</u>	<u>9,787,171</u>	<u>436,378</u>

See Accompanying Notes to Financial Statements

**City of Corunna
Proprietary Funds
Statement of Net Assets
June 30, 2012**

	Enterprise Funds				Governmental Activities	
	Sewer	Water	Nonmajor Rubbish	PA298 Collection	Total	Internal Service Funds
Liabilities						
Current liabilities						
Accounts payable	\$ 86,041	\$ 65,578	\$ 5,172	\$ 297	\$ 157,088	\$ 1,769
Accrued and other liabilities	16,796	16,783	-	564	34,143	305
Current portion of noncurrent liabilities	<u>539,670</u>	<u>19,000</u>	<u>-</u>	<u>-</u>	<u>558,670</u>	<u>-</u>
Total current liabilities	<u>642,507</u>	<u>101,361</u>	<u>5,172</u>	<u>861</u>	<u>749,901</u>	<u>2,074</u>
Noncurrent liabilities						
Long-term debt net of current portion	<u>2,029,000</u>	<u>1,110,934</u>	<u>-</u>	<u>-</u>	<u>3,139,934</u>	<u>-</u>
Total liabilities	<u>2,671,507</u>	<u>1,212,295</u>	<u>5,172</u>	<u>861</u>	<u>3,889,835</u>	<u>2,074</u>
Net Assets						
Invested in capital assets, net of related debt	3,837,655	1,027,368	-	-	4,865,023	191,355
Restricted for:						
Debt service	30,000	-	-	-	30,000	-
Unrestricted	<u>484,016</u>	<u>492,781</u>	<u>23,040</u>	<u>2,476</u>	<u>1,002,313</u>	<u>242,949</u>
Total net assets	<u>\$ 4,351,671</u>	<u>\$ 1,520,149</u>	<u>\$ 23,040</u>	<u>\$ 2,476</u>	<u>\$ 5,897,336</u>	<u>\$ 434,304</u>

See Accompanying Notes to Financial Statements

City of Corunna
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Assets
For the Year Ended June 30, 2012

	Enterprise Funds					Governmental
	Major Funds		Nonmajor Funds			Activities
	Sewer	Water	Rubbish	PA 298 Collection	Total	Internal Service Funds
Operating revenue						
Customer fees	\$ 894,164	\$ 468,154	\$ 62,809	\$ -	\$ 1,425,127	\$ -
Billings to other funds	-	-	-	-	-	348,816
Capital charges	-	204,867	-	-	204,867	-
Other revenue	51,117	3,039	839	-	54,995	-
Total operating revenue	<u>945,281</u>	<u>676,060</u>	<u>63,648</u>	<u>-</u>	<u>1,684,989</u>	<u>348,816</u>
Operating expenses						
Personnel services	46,586	134,340	-	9,613	190,539	203,626
Supplies	-	10,310	-	-	10,310	1,448
Operating costs	433,647	217,147	-	7,911	658,705	19,434
Utilities	64,864	8,572	-	-	73,436	34,462
Repairs and maintenance	38,819	69,992	-	-	108,811	8,614
Other expenses	1,127	791	61,537	-	63,455	-
Depreciation and amortization	191,979	80,688	-	-	272,667	50,273
Total operating expenses	<u>777,022</u>	<u>521,840</u>	<u>61,537</u>	<u>17,524</u>	<u>1,377,923</u>	<u>317,857</u>
Operating income (loss)	<u>168,259</u>	<u>154,220</u>	<u>2,111</u>	<u>(17,524)</u>	<u>307,066</u>	<u>30,959</u>

See Accompanying Notes to Financial Statements

City of Corunna
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Assets
For the Year Ended June 30, 2012

	Enterprise Funds					Governmental Activities Internal Service Funds
	Major Funds		Nonmajor Funds			
	Sewer	Water	Rubbish	PA 298 Collection	Total	
Nonoperating revenue (expenses)						
Interest income	\$ 345	\$ 478	\$ 17	\$ -	\$ 840	\$ 301
Interest expense	(62,048)	(31,153)	-	-	(93,201)	-
Total nonoperating revenues (expenses)	(61,703)	(30,675)	17	-	(92,361)	301
Income (loss) before transfers	106,556	123,545	2,128	(17,524)	214,705	31,260
Transfers in	94,548	27,696	-	20,000	142,244	-
Transfers out	(19,979)	-	-	-	(19,979)	(14,362)
Change in net assets	181,125	151,241	2,128	2,476	336,970	16,898
Net assets - beginning of year	4,170,546	1,368,908	20,912	-	5,560,366	417,406
Net assets - end of year	<u>\$ 4,351,671</u>	<u>\$ 1,520,149</u>	<u>\$ 23,040</u>	<u>\$ 2,476</u>	<u>\$ 5,897,336</u>	<u>\$ 434,304</u>

See Accompanying Notes to Financial Statements

City of Corunna
Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2012

	Business-type Activities - Enterprise Funds					Governmental Activities
	Sewer	Water	Rubbish	PA 298 Collection	Total	Internal Service Funds
Cash flows from operating activities						
Receipts from customers	\$ 1,116,365	\$ 1,173,024	\$ 65,513	\$ -	\$ 2,354,902	\$ 348,816
Payments to suppliers	(803,609)	(790,428)	(66,127)	(7,050)	(1,667,214)	(64,136)
Payments to employees	(46,586)	(134,340)	-	(9,613)	(190,539)	(203,626)
Net cash provided (used) by operating activities	<u>266,170</u>	<u>248,256</u>	<u>(614)</u>	<u>(16,663)</u>	<u>497,149</u>	<u>81,054</u>
Cash flows from noncapital financing activities						
Transfer from other funds	94,548	27,696	-	20,000	142,244	-
Transfers to other funds	(19,979)	-	-	-	(19,979)	(14,362)
Net cash provided (used) by noncapital financing activities	<u>74,569</u>	<u>27,696</u>	<u>-</u>	<u>20,000</u>	<u>122,265</u>	<u>(14,362)</u>
Cash flows from capital and related financing activities						
Proceeds from capital debt	1,197,928	413,978	-	-	1,611,906	-
Purchases/construction of capital assets	(1,197,928)	(413,978)	-	-	(1,611,906)	(13,499)
Principal and interest paid on long-term debt	(275,278)	(49,153)	-	-	(324,431)	-
Net cash used by capital and related financing activities	<u>(275,278)</u>	<u>(49,153)</u>	<u>-</u>	<u>-</u>	<u>(324,431)</u>	<u>(13,499)</u>
Cash flows from investing activities						
Interest received	345	478	17	-	840	301
Net increase (decrease) in cash and cash equivalents	65,806	227,277	(597)	3,337	295,823	53,494
Cash and cash equivalents - beginning of year	<u>181,659</u>	<u>170,986</u>	<u>10,867</u>	<u>-</u>	<u>363,512</u>	<u>191,529</u>
Cash and cash equivalents - end of year	<u>\$ 247,465</u>	<u>\$ 398,263</u>	<u>\$ 10,270</u>	<u>\$ 3,337</u>	<u>\$ 659,335</u>	<u>\$ 245,023</u>

See Accompanying Notes to Financial Statements

City of Corunna
Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2012

	Business-type Activities - Enterprise Funds					Governmental Activities
	Sewer	Water	Rubbish	PA 298 Collection	Total	Internal Service Funds
Reconciliation of operating income (loss) to net cash provided (used) by operating activities						
Operating income (loss)	\$ 168,259	\$ 154,220	\$ 2,111	\$ (17,524)	\$ 307,066	\$ 30,959
Adjustments to reconcile operating income to net cash from operating activities						
Depreciation and amortization expense	191,979	80,688	-	-	272,667	50,273
Changes in assets and liabilities						
Receivables (net)	(54,763)	6,717	1,865	-	(46,181)	-
Due from other units of government	225,847	490,247	-	-	716,094	-
Accounts payable	(243,947)	(494,909)	(4,590)	297	(743,149)	(331)
Accrued and other liabilities	(21,205)	11,293	-	564	(9,348)	153
 Net cash provided (used) by operating activities	 <u>\$ 266,170</u>	 <u>\$ 248,256</u>	 <u>\$ (614)</u>	 <u>\$ (16,663)</u>	 <u>\$ 497,149</u>	 <u>\$ 81,054</u>

See Accompanying Notes to Financial Statements

City of Corunna
Fiduciary Funds
Statement of Fiduciary Net Assets
June 30, 2012

	Private Purpose Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 5,000	\$ 106,147
Cash and cash equivalents - restricted	6,616	-
Total assets	11,616	106,147
Liabilities		
Due to individuals and agencies	-	\$ 106,147
Net Assets		
Held in trust for employee benefits and other purposes	\$ 11,616	

See Accompanying Notes to Financial Statements

City of Corunna
Fiduciary Funds
Statement of Changes in Fiduciary Net Assets
For the Year Ended June 30, 2012

	<u>Private Purpose Trust Funds</u>
Additions	
Contributions	
Employer	\$ 5,000
Investment earnings	
Interest	<u>446</u>
Total additions	<u>5,446</u>
Change in net assets	<u>5,446</u>
Net assets - beginning of year	<u>6,170</u>
Net assets - end of year	<u>\$ 11,616</u>

See Accompanying Notes to Financial Statements

City of Corunna
Notes to Financial Statements
June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

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.

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.

Discretely Presented Component Units – 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.

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 commissions and their financial information has been blended with the City's Special Revenue Funds.

City of Corunna
Notes to Financial Statements
June 30, 2012

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, 2011 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 of 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, 2012.

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 \$41,025 in per dwelling charges to Corunna Area Ambulance Service, Inc. for the year ended June 30, 2012.

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. *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. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

City of Corunna
Notes to Financial Statements
June 30, 2012

Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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.

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

The City Improvement Fund is a Special Revenue Fund used to account for financial resources to be used for acquiring and construction additions and improvements to the city's water supply system, sanitary sewer system, storm sewer system and street system.

The government reports the following major proprietary funds:

The Sewer 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.

The Water 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.

City of Corunna
Notes to Financial Statements
June 30, 2012

Additionally, the government reports the following:

Internal Service Funds accounts for 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.

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 government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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 sewer and water funds and the internal service funds are charges to customers for sales and services. The government also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for sewer and water funds and the internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Assets, liabilities, and net assets or equity

Deposits and investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value based on quoted market price. Certificate of deposits are stated at cost which approximates fair value.

Receivables and payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangement outstanding at the end of the fiscal year is referred to as “advances to/from other funds.” Any residual balances outstanding

City of Corunna
Notes to Financial Statements
June 30, 2012

between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

Property taxes - The City of Corunna bills and collects its own property taxes and also taxes for other governmental units. The City's property tax revenue recognition policy and related tax calendar disclosures are highlighted in the following paragraph.

Property taxes are levied by the City of Corunna on July 1 and December 1 and are payable without penalty through September 15 and February 14, respectively. The July 1 levy is composed of the City's millage, special assessments, and the school taxes. The December 1 levy is composed of county and schools taxes. All real property taxes not paid to the City by March 1 are turned over to the Shiawassee County Treasurer for collection. The Shiawassee County Treasurer purchases the receivables of all taxing districts on any delinquent real property taxes. Delinquent personal property taxes are retained by the City for subsequent collection. Collections and remittances of all taxes are accounted for in the Current Tax Collections Agency Fund. City property tax revenues are recognized as revenues in the fiscal year levied.

The City is permitted to levy taxes up to 15 mills (\$15 per \$1,000 of taxable valuation) for general governmental services other than the payment of Debt Service Fund expenses, and up to an additional 5 mills (\$5 per \$1,000 of taxable valuation) for City Public Improvements. For the year ended June 30, 2012, 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 \$729,514 and \$272,249 in property tax revenue for the General Fund and City Improvement Fund, respectively. The total Taxable Value for the 2011 levy for property within the City was \$56,423,174.

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. The City considers all accounts receivable to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

Restricted assets – Certain revenue bonds of the Enterprise Funds require amounts to be set aside for a bond reserve. These amounts have been classified as restricted cash and cash equivalents.

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.

Capital assets – Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed.

The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the government values these capital assets at the estimated fair value of the item at the date of its donation.

City of Corunna
Notes to Financial Statements
June 30, 2012

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	20 to 40 years
Building improvements	20 to 40 years
Water and sewer lines	10 to 40 years
Infrastructure	40 years
Machinery and equipment	5 to 40 years

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.

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.

Long-term obligations – In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds

payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity – In the fund financial statements, governmental funds report fund balance in the following categories:

Non-spendable - assets that are not available in a spendable form.

Restricted – amounts that are legally imposed or otherwise required by external parties to be used for a specific purpose.

Committed – amounts constrained on use imposed by the government's highest level of decision-making, it's City Council. A fund balance commitment may be established, modified, or rescinded by a resolution of the City Council.

Assigned – amounts intended to be used for specific purposes, as determined City Council. Residual amounts in governmental funds other than the general fund are automatically assigned by their nature.

Unassigned – all other resources; the remaining fund balances after non-spendable, restrictions, commitments and assignments.

City of Corunna
Notes to Financial Statements
June 30, 2012

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the government's policy is to consider restricted funds spent first.

When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts could be used, the government's policy is to consider the funds to be spent in the following order: (1) committed, (2) assigned, (3) unassigned.

Comparative data

Comparative data is not included in the government's financial statements.

Upcoming Accounting and Reporting Changes

The Government Accounting Standards Board has issued Statements 63 and 65, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position and Items Previously Reported as Assets and Liabilities*. The new standards provide guidance for reporting deferred outflows of resources, deferred inflows of resources and net position in a statement of financial position and related disclosures. These statements will be adopted for the fiscal year ending June 30, 2013.

The Government Accounting Standards Board has issued Statements 67, *Financial Reporting for Pension Plans* and 68 *Accounting and Financial Reporting for Pensions*. Statement 67 changes how public employee pension plans calculate and report their total pension liability. Statement 68 requires governments participating in public employee pension plans to recognize their portion of the long-term obligation for the pension benefits as a liability and to measure the annual costs of the pension benefits. The effect of these changes has not been determined. Statement 67 is effective for the year ending June 30, 2014 and Statement 68 is effective for the year ending June 30, 2015.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary information

The government is subject to the budgetary control requirements of the Uniform Budgeting Act (P.A. 621 of 1978, as amended). Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds. All annual appropriations lapse at fiscal year end.

On the council meeting nearest but no later than the third Monday in May, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. Public hearings are obtained to obtain taxpayer comments and the budget is legally enacted through passage of an ordinance prior to July 1.

The budget document presents information by fund, activity, department, and line items. The legal level of budgetary control adopted by the governing body is the activity level. The City Manager as Chief Administrative Officer is allowed to exceed any line item within any specific department or fund including both revenues and expenditures providing that the total end of the year expenditures titled "Total" or "Grand Total" for the department or fund at issue does not exceed the original appropriation, and if the total department or fund appropriation should exceed either of the above prior to such exceeding, the City Council must make a supplemental adjustment to the appropriation.

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.

City of Corunna
Notes to Financial Statements
June 30, 2012

Excess of expenditures over appropriations

During the year, the City incurred expenditures in certain budgetary funds, which were in excess of the amounts appropriated as follows:

Function	Final Budget	Amount of Expenditures	Budget Variances
General Fund			
Public works	\$ 272,479	\$ 275,232	\$ 2,753

NOTE 3 - DEPOSITS AND INVESTMENTS

At year end the government's deposits and investments were reported in the financial statements in the following categories:

	Cash and Cash Equivalents	Investments	Restricted Cash and Cash Equivalents	Total
Governmental activities	\$ 1,966,539	\$ 591,761	\$ -	\$ 2,558,300
Business-type activities	490,835	-	168,500	659,335
Total primary government	2,457,374	591,761	168,500	3,217,635
Fiduciary funds	111,147	6,616	-	117,763
Component unit	158,032	57,080	-	215,112
Total	<u>\$ 2,726,553</u>	<u>\$ 655,457</u>	<u>\$ 168,500</u>	<u>\$ 3,550,510</u>

The breakdown between deposits and investments is as follows:

	Primary Government	Fiduciary Funds	Component Unit	Total
Bank deposits (checking and savings accounts, money markets and certificates of deposit)	\$ 3,093,696	\$ 111,147	\$ 215,112	\$ 3,419,955
Investments in securities, mutual funds and similar vehicles	123,939	6,616	-	130,555
	<u>\$ 3,217,635</u>	<u>\$ 117,763</u>	<u>\$ 215,112</u>	<u>\$ 3,550,510</u>

As of year end, the government had the following investments:

Investment	Fair Value	Maturities	Rating	Rating Organization
MBIA - Michigan Class	\$ 123,939	53 days	AAAm	Standard and Poors
Section 115 Trust	6,616	N/A	N/A	
	<u>\$ 130,555</u>			

Interest rate risk – The government does not have a formal investment policy to manage its exposure to fair value losses from changes in interest rates.

Credit risk – State statutes authorize the government to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other obligations of the United States, or any agency or instrumentality of the United States. United States government or federal agency obligations; repurchase agreements; bankers

City of Corunna
Notes to Financial Statements
June 30, 2012

acceptance of United States Banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. The investment policy adopted by the government authorizes investment in bonds and securities of the United States government and bank accounts and certificates of deposit, but not the remainder of State statutory authority as listed above.

Concentration of credit risk – The government has no policy that would limit the amount that may be issued in any one issuer.

Custodial credit risk - deposits – In the case of deposits, this is the risk that in the event of bank failure, the government’s deposits may not be returned to it. The government does not have a policy for custodial credit risk. As of year end, \$ 2,613,400 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk - investments – For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of year end, none of the district’s investments were exposed to custodial credit risk. The government does not have a policy for custodial credit risk.

NOTE 4 - RECEIVABLES AND DEFERRED REVENUE

The only receivables not expected to be collected within one year are as follows:

Component unit	
Customers	\$ <u>300,374</u> DDA - general

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>
Primary government	
Special assessments	\$ 132,134
Long-term contracts receivable	230,000
Other revenue	<u>1,600</u>
	<u>\$ 363,734</u>
Component unit	
Long-term lease	<u>\$ 382,832</u>

City of Corunna
Notes to Financial Statements
June 30, 2012

NOTE 5 - CAPITAL ASSETS

Capital assets activity of the primary government for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 369,925	\$ 2,020	\$ -	\$ 371,945
Construction in progress	575,127	-	-	575,127
Total capital assets not being depreciated	945,052	2,020	-	947,072
Capital assets being depreciated				
Infrastructure	7,741,538	11,804	-	7,753,342
Buildings, additions and improvements	3,296,054	82,153	-	3,378,207
Machinery and equipment	2,155,269	20,553	2,496	2,173,326
Total capital assets being depreciated	13,192,861	114,510	2,496	13,304,875
Less accumulated depreciation for				
Infrastructure	2,215,672	194,000	-	2,409,672
Buildings, additions and improvements	2,133,925	52,658	-	2,186,583
Machinery and equipment	1,655,768	108,511	2,496	1,761,783
Total accumulated depreciation	6,005,365	355,169	2,496	6,358,038
Net capital assets being depreciated	7,187,496	(240,659)	-	6,946,837
Governmental activities capital assets, net	\$ 8,132,548	\$ (238,639)	\$ -	\$ 7,893,909

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land	\$ 120,927	\$ -	\$ 90,925	\$ 30,002
Construction in progress	1,401,562	-	1,401,562	-
Total capital assets not being depreciated	1,522,489	-	1,492,487	30,002
Capital assets being depreciated				
Machinery and equipment	55,256	-	-	55,256
Water system	2,238,219	1,147,703	-	3,385,922
Sewer system	7,425,216	1,865,765	-	9,290,981
Total capital assets being depreciated	9,718,691	3,013,468	-	12,732,159
Less accumulated depreciation for				
Machinery and equipment	46,579	1,506	-	48,085
Water system	1,156,285	79,632	-	1,235,917
Sewer system	2,725,102	189,430	-	2,914,532
Total accumulated depreciation	3,927,966	270,568	-	4,198,534
Net capital assets being depreciated	5,790,725	2,742,900	-	8,533,625
Business-type capital assets, net	\$ 7,313,214	\$ 2,742,900	\$ 1,492,487	\$ 8,563,627

Capital assets activity of the component unit for the current year was as follows:

Capital assets being depreciated				
Buildings, additions and improvements	\$ 1,725,016	\$ 6,544	\$ -	\$ 1,731,560
Machinery and equipment	18,952	-	-	18,952
Total capital assets being depreciated	1,743,968	6,544	-	1,750,512
Less accumulated depreciation for				
Buildings, additions and improvements	723,014	111,672	-	834,686
Machinery and equipment	18,952	-	-	18,952
Total accumulated depreciation	741,966	111,672	-	853,638
Net capital assets being depreciated	1,002,002	(105,128)	-	896,874
Component unit capital assets, net	\$ 1,002,002	\$ (105,128)	\$ -	\$ 896,874

City of Corunna
Notes to Financial Statements
June 30, 2012

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities	
General government	\$ 98,604
Public safety	107,568
Public works	98,724
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>50,273</u>
Total governmental activities	<u>355,169</u>
Business-type activities	
Sewer	189,880
Water	<u>80,688</u>
Total business-type activities	<u>270,568</u>
Total primary government	<u>\$ 625,737</u>

Depreciation expense was charged to programs of the component units as follows:

Component Unit	
Downtown Development Authority	<u>\$ 111,672</u>

NOTE 6 - TRANSFERS

The details for interfund transfers are as follows:

Funds Transferred From	Funds Transferred To	Amount
General Fund	Parks and recreation	\$ 130,000
General Fund	Cemetery	20,000
General Fund	Park improvement	20,000
General Fund	Municipal Building	64,441
General Fund	Forest	2,308
General Fund	Centennial	2,500
General Fund	Dam	15,000
General Fund	Water	16,800
General Fund	Rubbish	20,000
Major Street	2010 GO debt	9,990
Major Street	Sewer	25,000
Major Street	Local Street	5,000
Parks and Recreation	Park improvement	82
Park Improvement	General Fund	12,500
City Improvement	Local Street	25,000
City Improvement	98 MTF debt	21,810
City Improvement	2000 GO debt	88,770
City Improvement	2010 GO debt	9,990
2010 GO debt	City improvement	4,146
East Corunna	Sewer	48,799
West Corunna	Sewer	11,779
Industrial development	Sewer	8,970
Industrial development	Water	10,896
Sewer	2010 GO debt	19,979
Motor Pool	Municipal Building	<u>14,362</u>
		<u>\$ 608,122</u>

Transfers are used to move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs. The remaining transfers are for operating activities, debt service requirements and administrative costs.

City of Corunna
Notes to Financial Statements
June 30, 2012

NOTE 7 - LONG-TERM DEBT

The government issues bonds to provide for the acquisition and construction of major capital projects. General obligation bonds are direct obligations and pledge the full faith and credit of the government. Installment purchase agreements are also general obligations of the government. Other long-term obligations include compensated absences. Compensated absences are typically liquidated with funds from the General Fund, Sewer Fund and Water Fund.

Long-term obligation activity is summarized as follows:

	Amount of Issue	Maturity Date	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities									
Bonds and notes payable									
General obligation bonds									
1998 Transportation bonds	\$ 220,000	8/1/12	5.00 - 5.05%	\$20,000	\$ 40,000	\$ -	\$ 20,000	\$ 20,000	\$ 20,000
2000 Improvement bonds	895,000	11/1/15	5.25 - 5.30%	75,000 - 85,000	385,000	-	70,000	315,000	75,000
2010 Improvement bonds	340,000	8/1/20	2.99%	30,000 - 40,000	340,000	-	30,000	310,000	30,000
Installment purchase agreements									
Software - BS&A	15,325	7/1/11	0.00%	\$7,662	7,662	-	7,662	-	-
Installment Notes									
Fire truck	187,500	5/5/16	4.50%	\$37,500	93,750	-	18,750	75,000	18,750
Land - Van Agen property	74,625	7/16/13	5.00%	\$24,875	74,625	-	24,875	49,750	24,875
Land - H&S property	16,300	7/9/13	5.00%	\$5,433	16,300	-	5,434	10,866	5,433
MEDC Loan	450,000	12/1/15	0.00%	52,500 - 62,500	277,500	-	47,500	230,000	52,500
Total bonds payable					1,234,837	-	224,221	1,010,616	226,558
Compensated absences					36,757	72,444	64,899	44,302	-
Total governmental activities					\$ 1,271,594	\$ 72,444	\$ 289,120	\$ 1,054,918	\$ 226,558

City of Corunna
Notes to Financial Statements
June 30, 2012

	Amount of Issue	Maturity Date	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities									
Bonds and notes payable									
General obligation bonds									
1996 Wastewater Treatment System Revenue bonds	\$ 550,000	11/1/15	5.35%	\$40,000	\$ 200,000	\$ -	\$ 40,000	\$ 160,000	\$ 40,000
USDA-FHMA Sewer Revenue bonds	420,000	8/1/20	5.00%	15,000 - 20,000	145,000	-	15,000	130,000	15,000
2005 Capital Improvement bonds	685,000	11/1/14	3.95 - 4.20%	75,000 - 80,000	305,000	-	70,000	235,000	75,000
2006 Capital Improvement bonds	685,000	7/1/16	4.25 - 4.45%	70,000 - 80,000	440,000	-	65,000	375,000	70,000
2011 Sanitary Sewer Revenue Bonds, series A	1,270,000	9/1/51	2.50%	19,000 - 49,000	485,742	784,258	19,000	1,251,000	19,000
2011 Sanitary Sewer Revenue Bonds, series B	100,000	9/1/51	2.50%	1,000 - 4,000	5,000	95,000	1,000	99,000	2,000
2011 Water Supply Revenue Bonds	1,475,000	9/1/51	3.25%	19,000 - 66,000	733,956	413,978	18,000	1,129,934	19,000
2011 Sanitary Sewer Junior Lien Revenue Bonds	615,000	N/A	N/A	N/A	3,230	-	3,230	-	-
Total bonds payable					2,317,928	1,293,236	231,230	3,379,934	240,000
2011 Sewer Loan - unsecured	355,000	TBD*	TBD*	TBD*	-	318,670	-	318,670	318,670
Total business-type activities					<u>\$ 2,317,928</u>	<u>\$ 1,611,906</u>	<u>\$ 231,230</u>	<u>\$ 3,698,604</u>	<u>\$ 558,670</u>
Component units									
General obligation bonds									
Downtown Development Authority bank promissory note	\$ 346,227	9/27/14	4.75%	\$1,046 monthly	\$ 38,626	\$ -	\$ 10,020	\$ 28,606	\$ 12,000

* Final terms will be calculated when all of the loan proceeds are received.

City of Corunna
Notes to Financial Statements
June 30, 2012

Annual debt service requirements to maturity for the above obligations are as follows:

Year Ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2013	\$ 226,558	\$ 30,420	\$ 558,670	\$ 102,837
2014	211,558	22,702	247,000	95,683
2015	191,250	15,339	252,000	88,274
2016	196,250	9,151	179,000	82,504
2017	35,000	5,008	140,000	79,427
2018 - 2022	150,000	9,268	299,000	365,859
2023 - 2027	-	-	270,000	299,223
2028 - 2032	-	-	312,000	281,773
2033 - 2037	-	-	374,000	232,436
2038 - 2042	-	-	431,000	175,220
2043 - 2047	-	-	435,934	109,116
2048 - 2052	-	-	200,000	32,810
	<u>\$ 1,010,616</u>	<u>\$ 91,888</u>	<u>\$ 3,698,604</u>	<u>\$ 1,945,162</u>

Year Ending June 30,	Component Unit	
	Principal	Interest
2013	\$ 12,000	\$ -
2014	16,606	-
	<u>\$ 28,606</u>	<u>\$ -</u>

NOTE 8 - RISK MANAGEMENT

The City participates in a pool, the Michigan Municipal Liability and Property Pool, with other municipalities for property, auto, liability, and crime losses. The pool is organized under Public Act 138 of 1982, as amended as a governmental group property and casualty self

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

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

NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

Defined benefit pension plan

Plan description – The government participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers all employees of the government. The system provides retirement, disability and death benefits to plan members and their beneficiaries. MERS 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 MERS at 1134 Municipal Way, Lansing, Michigan 48917 or on the web at <http://www.mersofmich.com>.

Funding policy – The obligation to contribute to and maintain the system for these employees was established by negotiation with the government's competitive bargaining units and requires no contribution from employees.

City of Corunna
Notes to Financial Statements
June 30, 2012

Annual pension costs – For the year ended June 30, 2012, the government’s annual pension cost of \$183,405 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2010, using the entry age normal cost method. Significant actuarial assumptions used include: 1) a 8.00 % investment rate of return; 2) projected salary increases of 4.5 % per year; and 3) additional salary increases ranging from 0% to 4.2% per year depending on age, seniority and merit, and 4) 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-year period. The unfunded actuarial liability is being amortized as a level percent of payroll on a closed basis. The remaining amortization period is 10 years.

Three year trend information as of December 31, follows:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Annual pension cost	\$ 166,173	\$ 166,173	\$ 149,213
Percentage of APC contributed	100%	100%	100%
Actuarial value of assets	2,940,369	2,940,369	2,883,688
Actuarial accrued liabilities	4,506,012	4,506,012	4,385,113
Unfunded AAL	1,565,643	1,565,643	1,501,425
Funded ratio	65.0%	65.0%	66.0%
Covered payroll	559,681	559,681	561,797
UAAL as a percentage of covered payroll	280%	280%	267%

NOTE 10 - 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 or City management to determine the probable outcome or a reasonable estimate of the City’s potential significant liability at this time.

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although it could be significant.

NOTE 11 - POST-EMPLOYMENT HEALTH CARE BENEFITS

Plan description - The City will provide certain retiree health care benefits as other post-employment benefits (OPEB) to certain employees upon retirement. 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.

For the year ended June 30, 2012, the City made payments for the post-employment health benefit of \$47,639. The City made significant revisions to the benefits it provides in the current year. This resulted in a significant reduction in the City’s obligation.

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

Funding Policy - The City's annual other post-employment benefit (OPES) 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 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

City of Corunna
Notes to Financial Statements
June 30, 2012

schedule that follows. Administrative costs of the plan are paid for by the City.

Funding Progress - For the year ended June 30, 2012, the City has determined an estimated cost of providing post-employment benefits through the alternative measurement method of calculation as of December 31, 2011. At the time of this reporting the City had thirteen (13) active plan members and six (6) 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.

Annual required contribution/Annual OPEB Cost (ARC)	\$ 56,652
Interest on net OPEB obligation	8,497
Adjustment to annual required contribution	<u>(120,542)</u>
Adjusted ARC	(55,393)
Amounts contributed	
Payments of current requirements	47,639
Change in net OPEB obligation	(103,032)
Net OPEB obligation - Beginning of year	<u>237,126</u>
Net OPEB obligation - End of year	<u>\$ 134,094</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>2012</u>	<u>2011</u>	<u>2010</u>
Annual OPEB costs	\$ 56,652	\$ 185,162	\$ 183,170
Percentage contributed	84.1%	36.0%	35.2%
Net OPEB obligation	134,094	237,126	118,685

The current funding progress of the plan as of December 31, 2011, the most recent valuation date, is as follows:

Actuarial value of assets	\$ 6,213
Actuarial accrued liability (AAL)	607,522
Unfunded AAL (UAAL)	601,308
Funded ratio	1%

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

City of Corunna
Notes to Financial Statements
June 30, 2012

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, 2011, 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, 2011, was thirty years.

NOTE 12 – SUBSEQUENT EVENT

Subsequent to year end, the City authorized an installment loan agreement in the amount of \$150,000 for building improvements to the Brady Building. The DDA received these funds in September 2012.

City of Corunna
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	Actual Over (Under)
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
Revenues				
Taxes				
Property taxes	\$ 730,911	\$ 730,911	\$ 729,514	\$ (1,397)
Other taxes	26,572	26,572	26,458	(114)
Penalties and interest	6,000	6,000	8,385	2,385
Administration fee	26,545	26,545	27,838	1,293
Licenses and permits	4,750	4,750	6,547	1,797
State revenue sharing	258,073	286,769	310,134	23,365
State grants	40,480	40,480	35,657	(4,823)
Charges for services	376,053	343,204	341,397	(1,807)
Fines and forfeitures	20,750	20,750	9,113	(11,637)
Interest income	15,000	15,000	9,049	(5,951)
Rental income	32,100	32,100	34,013	1,913
Other revenue	32,200	52,484	52,366	(118)
Transfers in	12,500	12,500	12,500	-
Total revenues	<u>1,581,934</u>	<u>1,598,065</u>	<u>1,602,971</u>	<u>4,906</u>

City of Corunna
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
Expenditures				
General government				
Legislative	\$ 30,118	\$ 25,118	\$ 21,368	\$ (3,750)
Manager	124,081	116,505	113,071	(3,434)
Clerk/Treasurer	100,392	100,392	97,559	(2,833)
Assessor	86,583	79,006	73,054	(5,952)
Elections	2,500	4,130	3,412	(718)
Buildings and grounds	45,862	48,612	46,330	(2,282)
Internal services	88,414	50,040	47,503	(2,537)
Other	36,908	1,908	1,908	-
Total general government	<u>514,858</u>	<u>425,711</u>	<u>404,205</u>	<u>(21,506)</u>
Public safety				
Police	377,677	379,127	352,512	(26,615)
Crossing guards	1,772	1,772	1,603	(169)
Fire department	63,372	63,372	54,790	(8,582)
Total public safety	<u>442,821</u>	<u>444,271</u>	<u>408,905</u>	<u>(35,366)</u>
Public works				
Department of public works	299,979	272,479	275,232	2,753
Drains	1,000	-	-	-
Total public works	<u>300,979</u>	<u>272,479</u>	<u>275,232</u>	<u>2,753</u>

City of Corunna
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
Community and economic development				
Planning	\$ 750	\$ 750	\$ 309	\$ (441)
Zoning	250	250	-	(250)
Total community and economic development	<u>1,000</u>	<u>1,000</u>	<u>309</u>	<u>(691)</u>
Other functions				
Insurance	18,883	17,884	15,503	(2,381)
Unallocated employee fringe benefits	<u>138,008</u>	<u>138,008</u>	<u>138,008</u>	<u>-</u>
Total other functions	<u>156,891</u>	<u>155,892</u>	<u>153,511</u>	<u>(2,381)</u>
Debt service				
Principal retirement	<u>7,662</u>	<u>7,662</u>	<u>7,662</u>	<u>-</u>
Transfers out	<u>224,241</u>	<u>291,050</u>	<u>291,049</u>	<u>(1)</u>
Total expenditures	<u>1,648,452</u>	<u>1,598,065</u>	<u>1,540,873</u>	<u>(57,192)</u>
Excess (deficiency) of revenues over expenditures	(66,518)	-	62,098	62,098
Fund balance - beginning of year	<u>458,242</u>	<u>458,242</u>	<u>458,242</u>	<u>-</u>
Fund balance - end of year	<u>\$ 391,724</u>	<u>\$ 458,242</u>	<u>\$ 520,340</u>	<u>\$ 62,098</u>

City of Corunna
Required Supplemental Information
Budgetary Comparison Schedule
DDA Custodial
For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	Actual Over (Under)
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
Revenues				
Local contributions	<u>\$ 47,500</u>	<u>\$ 47,500</u>	<u>\$ 47,500</u>	<u>\$ -</u>
Expenditures				
Current				
Debt service				
Principal retirement	<u>47,500</u>	<u>47,500</u>	<u>47,500</u>	<u>-</u>
Excess of revenues over expenditures	-	-	-	-
Fund balance - beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

City of Corunna
Required Supplemental Information
Budgetary Comparison Schedule
Industrial Development
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
Revenues				
Interest income	\$ 15,000	\$ 15,000	\$ 12,831	\$ (2,169)
Rental income	5,000	5,000	-	(5,000)
Total revenues	<u>20,000</u>	<u>20,000</u>	<u>12,831</u>	<u>(7,169)</u>
Expenditures				
Current				
Public works	6,350	26,350	14,665	(11,685)
Capital outlay	-	-	2,020	2,020
Transfers out	<u>19,866</u>	<u>19,866</u>	<u>19,866</u>	<u>-</u>
Total expenditures	<u>26,216</u>	<u>46,216</u>	<u>36,551</u>	<u>(9,665)</u>
Excess of revenues (deficiency) over expenditures	(6,216)	(26,216)	(23,720)	2,496
Fund balance - beginning of year	<u>688,315</u>	<u>688,315</u>	<u>688,315</u>	<u>-</u>
Fund balance - end of year	<u>\$ 682,099</u>	<u>\$ 662,099</u>	<u>\$ 664,595</u>	<u>\$ 2,496</u>

City of Corunna
Required Supplemental Information
Budgetary Comparison Schedule
City Improvement Fund
For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	Actual Over (Under)
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
Revenues				
Taxes	\$ 281,851	\$ 281,851	\$ 281,339	\$ (512)
Interest income	1,000	1,000	2,124	1,124
Other revenue	7,683	7,683	7,677	(6)
Transfers in	-	4,146	4,146	-
Total revenues	<u>290,534</u>	<u>294,680</u>	<u>295,286</u>	<u>606</u>
Expenditures				
Current				
Community and economic development	20,000	20,000	7,984	(12,016)
Capital outlay	-	-	6,150	6,150
Transfers out	<u>145,570</u>	<u>145,570</u>	<u>145,570</u>	<u>-</u>
Total expenditures	<u>165,570</u>	<u>165,570</u>	<u>159,704</u>	<u>(5,866)</u>
Excess of revenues over expenditures	124,964	129,110	135,582	6,472
Fund balance - beginning of year	<u>94,663</u>	<u>94,663</u>	<u>84,184</u>	<u>(10,479)</u>
Fund balance - end of year	<u>\$ 219,627</u>	<u>\$ 223,773</u>	<u>\$ 219,766</u>	<u>\$ (4,007)</u>