Michigan Deptartment of Treasury
496 (2-04)

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type	Local Government Name	County
☑ City ☐ Township ☐ Village ☐ Other	City of Corruna	Shiawassee

Audit Date	Opinion Date	Date Accountant Report Submitted to State:
6/30/05	9/1/05	11/28/05

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

☐ Yes ☑ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.

☐ Yes ☑ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).

☑ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).

☐ Yes ☑ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.

☐ Yes ☑ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).

☐ Yes ☑ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.

☐ Yes ☑ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year)..

☐ Yes ☑ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).

☐ Yes ☑ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✔		
Reports on individual federal financial assistance programs (program audits).			✔
Single Audit Reports (ASLGU).			✔

Certified Public Accountant (Firm Name)			
Abraham & Gaffney, P.C.			
Street Address	City	State	ZIP
3511 Coolidge Rd Suite 100	East Lansing	MI	48823
Accountant Signature		Date	
Abraham & Gaffney, P.C. CPA		11/14/05	

City of Corunna
Shiawassee County, Michigan

FINANCIAL STATEMENTS

June 30, 2005

City of Corunna

Shiawassee County, Michigan

June 30, 2005

CITY COUNCIL AND ADMINISTRATION

Steve Corey	Mayor
Dan Wagner	Council Member
Donald Mehigh	Council Member
Chuck Spring	Council Member
Dawn Johnson	Council Member
Gene Sanderson	Council Member
Larry Runyan	Council Member
Joseph Sawyer	City Manager
Nichole Cowdrey	Clerk/Treasurer

City of Corunna

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of the City of Corunna, Michigan, as of and for the year ended June 30, 2005, 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, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of the City of Corunna, Michigan as of June 30, 2005, 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 September 1, 2005 on our consideration of the City of Corunna, Michigan's internal control over financial reporting and 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 should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Corunna, Michigan's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

September 1, 2005

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, 2005. 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 $10,773,262 (excluding component units).
- Governmental activities net assets were $7,496,863.
- Business-type activity net assets were $3,276,399.
- Component Unit net assets were $413,332.

Fund Level:

- At the close of the fiscal year, the City's governmental funds reported a combined ending fund balance of $1,834,746 with $89,532 being reserved, designated, or otherwise earmarked for specific purposes.
- The General Fund realized $13,822 more in revenues and other financing sources than anticipated for the fiscal year. General Fund operations expended $37,092 less than appropriated.
- Overall, the General Fund balance decreased by $67,076 to $318,913 - all but $21 undesignated and available for general purposes.

Capital and Long-term Debt Activities:

- The primary government issued two (2) new debt issues for the fiscal year in the form of a capital lease and bonded debt in the amount of $34,390 and $685,000, respectively.
- The total long-term debt for the primary government was $3,475,701 with a net increase of $322,717 from the prior year.
- The City remains well below its authorized legal debt limit.
- The total additions to the capital asset schedule for the primary government was $264,679 and included water, sewer, and street improvements, as well as various equipment and building improvements.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's annual financial report. The annual financial report of the City consists of the following components: I) *Independent Auditors Report;* 2) *Management's Discussion and Analysis* and 3) the *Basic Financial Statements* (government-wide financial statements, fund financial statements, notes to the financial statements), *Required Supplementary Information* such as budget to actual comparisons for the General Fund and major Special Revenue Funds, and *Other Supplementary Information* including combining financial statements for all nonmajor governmental funds and other funds and other financial data.

Government-wide Financial Statements (Reporting the City as a Whole)

The set of government-wide financial statements are made up of the Statement of Net Assets and the Statement of Activities, which report information about the City as a whole, and about its activities. Their purpose is to assist in answering the question, is the City, in its entirety, better or worse off as a result of this fiscal year's activities? These statements, which include all non-fiduciary assets and liabilities, are reported on the *accrual basis of accounting,* similar to a private business. This means revenues are accounted for when they are *earned* and expenses are accounted for when *incurred*, regardless of when the actual cash is received or disbursed.

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

The Statement of Activities (page 2) presents information showing how the City's net assets changed during 2004/2005. All changes in net assets are reported based on the period for which the underlying events giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenue and expenses are reported in these statements for some items that will only result in cash flows in future financial periods, such as uncollected taxes and earned but unused employee annual leave.

Both statements report the following activities:

- ***Governmental Activities*** - Most of the City's basic services are reported under this category. Taxes, charges for services and intergovernmental revenue primarily fund these services. Most of the City's general government departments, law enforcement, economic development, city improvements, street improvements, recreation activities, and other City wide elected official operations and blended component units are reported under these activities.

- ***Business-type Activities*** - These activities operate like private businesses. The City charges fees to recover the cost of the services provided. The Water System Fund and the Sewer System Fund are examples of these activities.

- ***Discretely Presented Component Units*** - Discretely Presented Component units are legally separate organizations for which the City Council and Administration appoints a majority of the organization's policy board and there is a degree of financial accountability to the City. One organization is included as a discretely presented component unit: the Downtown Development Authority. The remaining component units are blended into the primary government governmental activities as required.

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

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

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

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

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

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

The *basic financial statements* report major funds as defined by the Government Accounting Standards Board (GASB) Statement No. 34 in separate columns. Statement No. 34 defines a "major fund" as the General Fund, and any governmental or enterprise fund which has either total assets, total liabilities, total revenues or total expenditures/expenses that equal at least ten (10) percent of those categories for either the governmental funds or the enterprise funds *and* where the individual fund total also exceeds five (5) percent of those categories for governmental and enterprise funds combined. The major funds for City of Corunna include the General Fund, the Economic Development Fund, the City Improvement Fund, the Industrial Development Fund, the Sewer System Fund, and the Water System Fund. All other funds are classified as nonmajor funds and are reported in aggregate by the applicable fund type. The City includes detailed information on its nonmajor funds in the other supplementary information section of this report.

The City's funds are divided into three categories - governmental, proprietary, and fiduciary - and use different accounting approaches:

- ***Governmental Funds*** - Most of the City's basic services are reported in the governmental funds. The focus of these funds is how cash and other financial assets that can be readily converted to cash, flow in and out during the course of the fiscal year and how the balances left at year-end are available for spending on future services. Consequently, the governmental fund financial statements provide a detailed *short-term* view that helps determine whether there are more or fewer financial resources that may be expended in the near future to finance the City's programs. Governmental funds include the *General Fund,* as well as *Special Revenue Funds* (use of fund balance is restricted), *Capital Projects Funds* (used to report major capital acquisitions and construction), and *Debt Service Funds* (accounts for resources used to pay long-term debt principal and interest).

- ***Proprietary Funds*** - Services for which the City charges customers (whether outside the City structure or a City department) a fee are generally reported in proprietary funds. Proprietary funds use the same *accrual* basis of accounting used in the government-wide statements and by private business. There are two types of proprietary funds. *Enterprise funds* report activities that provide supplies and/or services to the general public. An example is the Sewer System Fund. *Internal Service funds* report activities that provide supplies or service to the City's other operations, such as the Motor Pool Fund. Internal Service funds are reported as governmental activities on the government-wide statements.

- ***Fiduciary Funds*** - The City acts as a trustee or fiduciary in certain instances. It is also responsible for other assets that, because of trust arrangements, can only be used for the trust beneficiaries. The City's fiduciary activities are reported in the separate Statement of Net Assets on page 13. These funds, which include trust and agency funds, are reported using the accrual basis of accounting. The government-wide statements *exclude* the fiduciary fund activities and balances because these assets are not available to the City to fund its operations.

Notes to the Financial Statements

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the detail provided in the government-wide and fund financial statements. The Notes can be found beginning on page 14 of this report.

Required Supplementary Information

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

Other Supplementary Information

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

As previously stated, City of Corunna's combined net assets were $10,773,262 at the end of this fiscal year's operations. The net assets of the governmental activities were $7,496,863; the business type activities were $3,276,399.

Net Assets as of June 30, 2005 and 2004

	Governmental Activities		Business-type Activities		Total Primary Government	
	2005	2004	2005	2004	2005	2004
Current Assets	$ 1,234,084	$ 1,448,504	$ 1,420,455	$ 608,352	$ 2,654,539	$ 2,056,856
Noncurrent Assets	8,067,258	2,666,417	3,659,264	3,789,073	11,726,522	6,455,490
Total Assets	**$ 9,301,342**	**$ 4,114,921**	**$ 5,079,719**	**$ 4,397,425**	**$14,381,061**	**$ 8,512,346**
Current Liabilities	$ 382,212	$ 343,103	$ 240,323	$ 158,686	$ 622,535	$ 501,789
Noncurrent Liabilities	1,422,267	1,685,394	1,562,997	1,069,790	2,985,264	2,755,184
Total Liabilities	**$ 1,804,479**	**$ 2,028,497**	**$ 1,803,320**	**$ 1,228,476**	**$ 3,607,799**	**$ 3,256,973**
Net Assets						
Invested in Capital Assets (Net of related debt)	$ 4,930,464	$ 425,865	$ 2,471,668	$ 2,439,616	$ 7,402,152	$ 2,865,481
Restricted	398,046	267,020	1,123,499	313,949	1,521,545	580,969
Unrestricted	2,168,353	1,393,539	(318,788)	415,384	1,849,565	1,808,923
Total Net Assets	**$ 7,496,863**	**$ 2,086,424**	**$ 3,276,399**	**$ 3,168,949**	**$10,773,262**	**$ 5,255,373**

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, 2005 and 2004

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues						
Program Revenues						
Charges for Services	$ 554,624	$ 636,979	$ 1,155,840	$ 1,152,116	$ 1,710,464	$ 1,789,095
Grants and Contributions	299,066	1,050,946	-	-	299,066	1,050,946
General Revenues						
Property Taxes	974,591	995,448	-	-	974,591	995,448
State Shared Revenue	371,889	390,977	-	-	371,889	390,977
Investment Earnings	36,258	28,623	2,429	7,382	38,687	36,005
Miscellaneous	142,100	83,983	5,993	7,579	148,093	91,562
Total Revenues	**$ 2,378,528**	**$ 3,186,956**	**$ 1,164,262**	**$ 1,167,077**	**$ 3,542,790**	**$ 4,354,790**
Expenses						
General Government	$ 603,639	$ 513,390	$ -	$ -	$ 603,639	$ 513,390
Public Safety	573,377	546,713	-	-	573,377	546,713
Public Works	699,254	925,611	-	-	699,254	925,611
Health and Welfare	38,915	44,641	-	-	38,915	44,641
Community and Economic Develop.	159,018	135,448	-	-	159,018	135,448
Recreation & Cultural	293,635	348,578	-	-	293,635	348,578
Other	129,328	137,908	1,061,582	898,324	1,190,910	1,036,232
Total Expenses	**2,497,166**	**2,652,289**	**1,061,582**	**898,324**	**3,558,748**	**3,550,613**
Increase (Decrease) in Net Assets	**(118,638)**	**534,667**	**102,680**	**268,753**	**(15,958)**	**803,420**
Restated Net Assets - Beginning	7,615,501	1,551,757	3,173,719	2,900,196	10,789,220	4,451,953
Net Assets - Ending	**$ 7,496,863**	**$ 2,086,424**	**$ 3,276,399**	**$ 3,168,949**	**$10,773,262**	**$ 5,255,373**

Governmental Activities:

The result of 2004/2005 governmental activity was a net increase of $5,410,439 in net assets to $7,496,863. This increase is made up of an $118,638 decrease in net assets due to activities and a $5,529,077 restatement of beginning net assets to include certain infrastructure assets which were not included for the prior year due to the City's not being required to present this information. Of the total governmental activities' net assets, $4,930,464 is invested in capital assets less related debt, $398,046 is reported as restricted, meaning these assets are legally committed for a specific purpose through statue, or by another authority outside the City government. The balance of $2,168,353 is listed as unrestricted, having no legal commitment.

Revenues:

The three largest revenue categories were state shared revenue at 16%, property taxes at 41%, and charges for services at 23%. The City levied two property tax millages for the year ended June 30, 2005, one being for general government operations at 13.3928 mills, which is not assigned to any particular activity, and one for City Public Improvements at 4.8664 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 28% of the governmental activities total and includes the Public Works department as well as public street maintenance and improvement activities. General Government is the second largest area, expending approximately 24% of the governmental activities total on general government operations.

Business-type Activities:

Net assets in business-type activities increased by $102,680 during 2004/2005. Of the business-type activities' net assets, $2,471,688 is invested in capital assets less related debt, $1,123,499 is reported as restricted, meaning these assets are legally committed for a specific purpose through statue, or by another authority outside the City government. The balance of ($318,788) is listed as unrestricted, having no legal commitment.

FINANCIAL ANALYSIS OF THE CITY'S MAJOR AND NON MAJOR FUNDS

As the City completed 2004/2005, its governmental funds reported *combined* fund balances of $1,834,746. This is a net increase of $384,960. The net changes are summarized in the following chart:

	General Fund	Economic Development	City Improvement	Industrial Development	Nonmajor Governmental Funds
Fund Balance (Deficit) 06/30/04	$ 385,989	$ 181,521	$ 293,854	$(967)	$ 588,789
Fund Balance 06/30/05	$ 318,913	$ 36,271	$ 256,258	$ 633,549	$ 589,755
Net Change	$(67,076)	$(145,250)	$(37,596)	$ 634,516	$ 966

General Fund:

The General Fund is the chief operating fund of the City. Unless otherwise required by statue, contractual agreement or Board policy, all City revenues and expenditures are recorded in the General Fund. As of June 30, 2005, the General Fund reported a fund balance of $318,913. This amount is a decrease of $67,076 from the fund balance of $385,989 reported as of June 30, 2004. The 2004/2005 original budget called for an $85,000 use of fund balance. The entire fund balance is reported as undesignated.

The General Fund 2004/2005 expenditures exceeded 2004/2005 revenues by $67,076, however, the General Fund also supports the operations of other funds including the Industrial Development, Municipal Building, Cemetery, and Library funds. These particular funds collectively received $128,653 in support from the General Fund.

General Fund Budgetary Highlights:

The City of Corunna's budget is a dynamic document. Although adopted in June (prior to the start of the year), the budget is routinely amended during the course of the year to reflect changing operational demands.

Actual General Fund revenue and other financing sources totaled $1,561,816, $13,822 above the final amended budget. There were some variations in individual revenue accounts reflecting the tightening national and local economy.

The City's expenditure budget was decreased by $15,000 (1% change from the original budget) during 2004/2005.

Actual City expenditures for 2004/2005 were $37,092 under budget. This is due to several reasons including:

- $14,000 less than planned expenditures in the Fire Department.
- $8,500 less than planned expenditures in the Police Department.
- $7,000 more than planned expenditures in the Clerk Department.
- $7,000 less than planned expenditures for general services.

Economic Development Fund:

As of June 30, 2005, the Economic Development Fund reported a fund balance of $36,271, a decrease of $145,250 from the prior year. The total fund balance is undesignated/unreserved.

City Improvement Fund:

As of June 30, 2005, the City Improvement Fund reported a fund balance $256,258, which is a decrease of $37,596 from the prior year. The total fund balance is undesignated/unreserved.

Industrial Development Fund:

As of June 30, 2005, the Industrial Development Fund reported a fund balance of $633,549, which is an increase of $634,516 from the prior year. This increase largely reflects the sale of a building during the year. The total fund balance is undesignated/unreserved.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - At the end of Fiscal Year 2004/2005, the City had invested $10,550,292, and $573,540 for the component unit, net of accumulated depreciation, in a broad range of capital assets (see table below). Accumulated depreciation was $6,778,557 for the primary government. Depreciation charges for the fiscal year totaled $468,199 for the primary government and $21,862 for the component unit. Additional information related to capital assets is detailed in Note G of the Financial Statements. Net Book value of capital assets at June 30, 2005 was as follows:

	Governmental Activities	Business-type Activities	Component Unit - DDA	Total
Land	$ 200,000	$ 127	$ -	**$ 200,127**
Buildings, net	928,750	-	566,591	**1,495,341**
Vehicles and equipment, net	425,188	71,308	3,636	**500,132**
Construction in progress	-	24,165	-	**24,165**
Infrastructure, net	5,469,225	-	-	**5,469,225**
Sewer system, net	-	2,455,525	-	**2,455,525**
Water system, net	-	976,004	-	**976,004**
Improvements, net	-	-	3,313	**3,313**
Capital assets, net	**$ 7,023,163**	**$ 3,527,129**	**$ 573,540**	**$ 11,123,832**

Long-term Debt - As of June 30, 2005, the City had $3,475,701 in loans outstanding for the primary government. This level of net obligation is $322,717 more than the obligation recorded as of June 30, 2004.

Outstanding Debt as of June 30, 2005:

Primary Government	**Restated July 1, 2004**	**Additions**	**Deletions**	**June 30, 2005**
Governmental Activities				
General Obligation Bonds	$ 1,495,000	$ -	$ 175,000	$ 1,320,000
Transportation Bonds	155,000	-	15,000	140,000
Installment Purchases	267,729	-	51,814	215,915
Capital Lease	-	34,390	17,606	16,784
Compensated absences	34,461	-	6,249	28,212
Business-type Activities				
General Obligation Bonds	350,000	685,000	50,000	985,000
Improvement Bonds	655,000	-	40,000	615,000
Installment Purchase	138,294	-	22,144	116,150
Contract payable	57,500	-	18,860	38,640
Total Primary Government	**3,152,984**	**719,390**	**396,673**	**3,475,701**
Component Unit				
Installment Loan	252,282	-	31,651	220,631
Note Payable	-	95,000	15,000	80,000
Total Reporting Entity	**$ 3,405,266**	**$ 814,390**	**$ 443,324**	**$ 3,776,332**

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

CITY OF CORUNNA GOVERNMENT ECONOMIC OUTLOOK:

- State revenue sharing has declined steadily over the past several years and may face additional cuts due to state budget problems.
- Other General Fund state and federal revenues and/or grants have seen reductions over the past four years.
- Property tax revenue has not kept pace with inflation.
- Investment earnings rose this year from historically low levels due to higher market interest rates.
- Health and dental insurance premiums are rising much faster than the rate of inflation.
- Retirement costs are increasing due to poor stock market performance over the last several years.
- Utility costs are rising faster than the rate of inflation.
- Hazard/Liability Insurance costs are rising faster than the rate of inflation.

These factors were considered in adopting the Budget for 2005/2006. A usage of $7,500 of the City's fund balance was included to balance the General Fund Budget. Given these current trends, the City has made a firm commitment to operate with current revenues while at the same time investing in economic development of the City. The City continues to look for ways to increase efficiencies and reduce the cost of doing business.

CONTACTING THE CITY

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If there are questions about this report, or a need for additional information, contact the City of Corunna's Treasurer's Office at (989) 743-3650.

BASIC FINANCIAL STATEMENTS

City of Corunna

STATEMENT OF NET ASSETS

June 30, 2005

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Unit (DDA)
ASSETS				
Current assets				
Cash and cash equivalents	$ 786,384	$ 1,110,601	$ 1,896,985	$ 125,103
Receivables	257,498	294,644	552,142	24,086
Due from other governmental units	205,381	-	205,381	-
Prepaids	31	-	31	-
Internal balances	(15,210)	15,210	-0-	-
Total current assets	1,234,084	1,420,455	2,654,539	149,189
Noncurrent assets				
Cash and cash equivalents - restricted	-	6,592	6,592	4,670
Investments	1,044,095	58,400	1,102,495	-
Treatment rights, net	-	67,143	67,143	-
Capital assets not being depreciated	200,000	24,292	224,292	-
Capital assets, net	6,823,163	3,502,837	10,326,000	573,540
Total noncurrent assets	8,067,258	3,659,264	11,726,522	578,210
TOTAL ASSETS	9,301,342	5,079,719	14,381,061	727,399
LIABILITIES				
Current liabilities				
Accounts payable	27,669	31,615	59,284	-
Accrued liabilities	31,001	748	31,749	-
Accrued interest payable	24,898	16,167	41,065	-
Due to other governmental units	-	-	-0-	8,766
Rental deposits	-	-	-0-	4,670
Current portion of compensated absences	22,570	-	22,570	-
Current portion of long-term debt	276,074	191,793	467,867	101,110
Total current liabilities	382,212	240,323	622,535	114,546
Noncurrent liabilities				
Noncurrent portion of compensated absences	5,642	-	5,642	-
Noncurrent portion of long-term debt	1,416,625	1,562,997	2,979,622	199,521
Total noncurrent liabilities	1,422,267	1,562,997	2,985,264	199,521
TOTAL LIABILITIES	1,804,479	1,803,320	3,607,799	314,067
NET ASSETS				
Invested in capital assets, net of related debt	4,930,464	2,471,688	7,402,152	272,909
Restricted for				
Debt service	-	86,469	86,469	-
City improvements	-	660,835	660,835	-
Other purposes	398,046	376,195	774,241	-
Unrestricted	2,168,353	(318,788)	1,849,565	140,423
TOTAL NET ASSETS	$ 7,496,863	$ 3,276,399	$ 10,773,262	$ 413,332

See accompanying notes to financial statements.

City of Corunna

STATEMENT OF ACTIVITIES

Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total	Component Unit
Primary government								
Governmental activities								
General government	$ 603,639	$ 55,994	$ -	$ -	$ (547,645)	$ -	$ (547,645)	$ -
Public safety	573,377	100,328	6,743	10,000	(456,306)	-	(456,306)	-
Public works	699,254	238,726	246,558	-	(213,970)	-	(213,970)	-
Health and welfare	38,915	22,708	-	-	(16,207)	-	(16,207)	-
Community and economic development	159,018	13,409	-	-	(145,609)	-	(145,609)	-
Recreation and cultural	293,635	123,459	35,765	-	(134,411)	-	(134,411)	-
Other	43,598	-	-	-	(43,598)	-	(43,598)	-
Interest on long-term debt	85,730	-	-	-	(85,730)	-	(85,730)	-
Total governmental activities	2,497,166	554,624	289,066	10,000	(1,643,476)	-0-	(1,643,476)	-0-
Business-type activities								
Sewer system	604,900	620,556	-	-	-	15,656	15,656	-
Water system	456,682	535,284	-	-	-	78,602	78,602	-
Total business-type activities	1,061,582	1,155,840	-0-	-0-	-0-	94,258	94,258	-0-
Total primary government	$ 3,558,748	$ 1,710,464	$ 289,066	$ 10,000	(1,643,476)	94,258	(1,549,218)	-0-
Component unit								
Downtown development authority (DDA)	$ 94,721	$ 68,984	$ -0-	$ -0-	-	-	-0-	(25,737)
General revenues								
Property taxes					974,591	-	974,591	60,488
State shared revenue					371,889	-	371,889	-
Investment earnings					36,258	2,429	38,687	737
Miscellaneous					142,100	5,993	148,093	-
Total general revenues					1,524,838	8,422	1,533,260	61,225
Change in net assets					(118,638)	102,680	(15,958)	35,488
Net assets, beginning of the year					2,086,424	3,168,949	5,255,373	377,844
Prior period adjustment					5,529,077	4,770	5,533,847	-
Net assets, end of the year					$ 7,496,863	$ 3,276,399	$ 10,773,262	$ 413,332

See accompanying notes to financial statements.

City of Corunna

GOVERNMENTAL FUNDS BALANCE SHEET

June 30, 2005

	General	Economic Development	City Improvement
ASSETS			
Cash and cash equivalents	$ (6,468)	$ 9,316	$ 170,644
Investments	291,760	26,955	80,825
Accounts receivable	-	-	-
Contracts receivable	-	207,722	-
Special assessment receivable	42,008	-	-
Taxes receivable	4,723	-	-
Due from other governmental units			
State	47,101	-	-
Local	108,826	-	-
Due from other funds	295	-	4,896
Prepaids	21	-	-
TOTAL ASSETS	$ 488,266	$ 243,993	$ 256,365
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ 11,647	$ -	$ 107
Accrued liabilities	30,802	-	-
Deferred revenue	122,008	207,722	-
Due to other funds	4,896	-	-
TOTAL LIABILITIES	169,353	207,722	107
FUND BALANCES			
Reserved for			
Perpetual care	-	-	-
Debt service	-	-	-
Prepaids	21	-	-
Unreserved			
Undesignated, reported in			
General fund	318,892	-	-
Special revenue funds	-	36,271	256,258
Debt service funds	-	-	-
Capital projects	-	-	-
TOTAL FUND BALANCES	318,913	36,271	256,258
TOTAL LIABILITIES AND FUND BALANCES	$ 488,266	$ 243,993	$ 256,365

See accompanying notes to financial statements.

Industrial Development	Nonmajor Governmental Funds	Total Governmental Funds
$ 31,969	$ 524,298	$ 729,759
603,160	41,395	1,044,095
3,045	-	3,045
-	-	207,722
-	-	42,008
-	-	4,723
-	49,454	96,555
-	-	108,826
-	-	5,191
-	10	31
$ 638,174	$ 615,157	$ 2,241,955
$ 4,625	$ 9,762	$ 26,141
-	135	30,937
-	-	329,730
-	15,505	20,401
4,625	25,402	407,209
-	84,312	84,312
-	5,189	5,189
-	10	31
-	-	318,892
-	441,978	734,507
-	7,723	7,723
633,549	50,543	684,092
633,549	589,755	1,834,746
$ 638,174	$ 615,157	$ 2,241,955

City of Corunna

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

June 30, 2005

Total fund balance - governmental funds		$ 1,834,746
Amounts reported for the governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.		
The cost of capital assets is	$ 11,135,919	
Accumulated depreciation is	(4,112,756)	
Capital assets, net		7,023,163
Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the Internal Service Funds are included in the governmental activities in the Government-wide Statement of Net Assets		
Net assets of governmental activities accounted for in Internal Service Funds	224,813	
Net capital assets of Internal Service Funds included in total capital assets above	(229,729)	
Long-term liabilities of Internal Service Fund included in total long-term liabilities below	58,075	
		53,159
Long-term assets are not available to pay for current period expenditures and are therefore deferred in the funds.		329,730
Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds Balance Sheet. Long-term liabilities at year-end consist of:		
Bonds, loans, and leases payable	1,692,699	
Accrued interest payable (governmental funds portion)	23,024	
Compensated absences	28,212	
		(1,743,935)
Net assets of governmental activities		$ 7,496,863

See accompanying notes to financial statements.

City of Corunna

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2005

	General	Economic Development	City Improvement
REVENUES			
Taxes	$ 710,825	$ -	$ 263,766
Licenses and permits	21,915	-	-
Intergovernmental	373,108	-	-
Charges for services	287,785	-	-
Fines and forfeits	13,453	-	-
Interest and rents	72,137	2,270	3,878
Other	82,593	27,284	8,727
TOTAL REVENUES	1,561,816	29,554	276,371
EXPENDITURES			
Current			
General government	508,045	-	-
Public safety	524,138	-	-
Public works	303,402	-	-
Health and welfare	-	-	-
Community and economic development	1,063	174,804	45,171
Recreation and cultural	119,313	-	-
Other	44,278	-	-
Debt service	-	-	-
TOTAL EXPENDITURES	1,500,239	174,804	45,171
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	61,577	(145,250)	231,200
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	-	-	-
Transfers in	-	-	-
Transfers out	(128,653)	-	(268,796)
TOTAL OTHER FINANCING SOURCES (USES)	(128,653)	-0-	(268,796)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(67,076)	(145,250)	(37,596)
Fund balances (deficit), beginning of year	385,989	181,521	293,854
Prior period adjustment	-	-	-
Fund balances, end of year	$ 318,913	$ 36,271	$ 256,258

See accompanying notes to financial statements.

Industrial Development	Nonmajor Governmental Funds	Total Governmental Funds
$ -	$ -	$ 974,591
-	19,635	41,550
-	246,708	619,816
-	69,374	357,159
-	-	13,453
53,635	8,021	139,941
-	67,705	186,309
53,635	411,443	2,332,819
-	57,995	566,040
-	18,449	542,587
74,185	221,588	599,175
-	38,915	38,915
-	-	221,038
-	148,675	267,988
-	5,569	49,847
38,152	278,298	316,450
112,337	769,489	2,602,040
(58,702)	(358,046)	(269,221)
655,065	-	655,065
38,153	389,365	427,518
-	(30,069)	(427,518)
693,218	359,296	655,065
634,516	1,250	385,844
(967)	588,789	1,449,186
-	(284)	(284)
$ 633,549	$ 589,755	$ 1,834,746

City of Corunna

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

Year Ended June 30, 2005

Net change in fund balances - total governmental funds		$ 385,844
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Depreciation expense	$ (304,119)	
Capital outlay	213,880	
		(90,239)
Net effect of various transactions involving capital assets (sales, retirements, etc.) is a decrease to capital assets		(679,553)
Internal service funds are used by management to charge the costs of certain activities to individual funds.		
(Decrease) in Net Assets of Internal Service Funds	(17,672)	
Capital asset additions of Internal Service Funds included in the total above	(70,382)	
Depreciation expense of Internal Service Funds included in the total above	50,686	
Loan proceeds of Internal Service Funds included in the total below	34,390	
Loan principal retirement of Internal Service Funds included in the total below	(30,190)	
		(33,168)
Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:		
Loan principal retirement	259,420	
Loan proceeds	(34,390)	
		225,030
Some items reported in the statement of activities do not result in the use of or provide current financial resources and therefore are reported differently than in the governmental funds. These activities consist of:		
Monies available for loans	100,000	
Decrease in accrued interest payable	1,490	
Decrease in accrued compensated absences	6,249	
Decrease in other deferred revenue amounts	(34,291)	
		73,448
Change in net assets of governmental activities		$ (118,638)

See accompanying notes to financial statements.

City of Corunna

Proprietary Funds

STATEMENT OF NET ASSETS

June 30, 2005

	Business-type Activities			Governmental Activities
	Sewer System	Water System	Total	Internal Service (Motor Pool)
ASSETS				
Current assets				
Cash and cash equivalents	$ 826,593	$ 284,008	$ 1,110,601	$ 56,625
Accounts receivable	206,479	88,165	294,644	-
Due from other funds	15,505	-	15,505	-
Total current assets	1,048,577	372,173	1,420,750	56,625
Noncurrent assets				
Cash and cash equivalents - restricted	6,592	-	6,592	-
Investments	29,200	29,200	58,400	-
Treatment rights, net	67,143	-	67,143	-
Capital assets not being depreciated	24,166	126	24,292	-
Capital assets being depreciated, net	2,520,372	982,465	3,502,837	229,729
Total noncurrent assets	2,647,473	1,011,791	3,659,264	229,729
TOTAL ASSETS	3,696,050	1,383,964	5,080,014	286,354
LIABILITIES				
Current liabilities				
Accounts payable	13,990	17,625	31,615	1,528
Accrued interest payable	12,012	4,155	16,167	1,874
Accrued liabilities	67	681	748	64
Due to other funds	-	295	295	-
Current portion of long-term debt	118,400	73,393	191,793	29,940
Total current liabilities	144,469	96,149	240,618	33,406
Noncurrent liabilities				
Installment loans payable	-	-	-0-	28,135
Contract payable	20,240	-	20,240	-
Revenue bonds payable	1,200,000	342,757	1,542,757	-
Total noncurrent liabilities	1,220,240	342,757	1,562,997	28,135
TOTAL LIABILITIES	1,364,709	438,906	1,803,615	61,541
NET ASSETS				
Invested in capital assets, net of related debt	1,905,373	566,315	2,471,688	171,654
Restricted for				
Debt service	86,469	-	86,469	-
City improvements	660,835	-	660,835	-
Other purposes	376,195	-	376,195	-
Unrestricted	(697,531)	378,743	(318,788)	53,159
TOTAL NET ASSETS	$ 2,331,341	$ 945,058	$ 3,276,399	$ 224,813

See accompanying notes to financial statements.

City of Corunna

Proprietary Funds

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

Year Ended June 30, 2005

	Business-type Activities			Governmental Activities
	Sewer System	Water System	Total	Internal Service (Motor Pool)
OPERATING REVENUES				
Charges for services	$ 445,204	$ 483,351	$ 928,555	$ 117,278
Capital charges	172,879	51,858	224,737	-
Other revenue	2,473	75	2,548	260
TOTAL OPERATING REVENUES	620,556	535,284	1,155,840	117,538
OPERATING EXPENSES				
Personal services	56,967	79,970	136,937	17,597
Employee benefits	23,815	27,599	51,414	6,604
Other operating costs	365,053	259,352	624,405	58,158
Depreciation and amortization	122,794	61,248	184,042	50,686
TOTAL OPERATING EXPENSES	568,629	428,169	996,798	133,045
OPERATING INCOME	51,927	107,115	159,042	(15,507)
NONOPERATING REVENUES AND EXPENSES				
Interest expense and fees	(36,271)	(28,513)	(64,784)	(2,165)
Rent earned	5,993	-	5,993	-
Interest earned	1,700	729	2,429	-
TOTAL NONOPERATING (EXPENSES)	(28,578)	(27,784)	(56,362)	(2,165)
CHANGE IN NET ASSETS	23,349	79,331	102,680	(17,672)
Net assets, beginning of year	2,303,222	865,727	3,168,949	237,366
Prior period adjustments	4,770	-	4,770	5,119
Net assets, end of year	$ 2,331,341	$ 945,058	$ 3,276,399	$ 224,813

See accompanying notes to financial statements.

City of Corunna

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended June 30, 2005

	Business-type Activities			Governmental Activities
	Sewer System	Water System	Total	Internal Service (Motor Pool)
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from customers	$ 613,163	$ 530,739	$ 1,143,902	$ 117,538
Cash paid to suppliers	(360,678)	(242,652)	(603,330)	(57,179)
Cash paid for employee benefits	(23,773)	(27,599)	(51,372)	(6,582)
Cash paid to employees	(56,967)	(80,239)	(137,206)	(17,597)
NET CASH PROVIDED BY OPERATING ACTIVITIES	171,745	180,249	351,994	36,180
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Rent earned	5,993	-	5,993	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital purchases	(24,165)	(26,634)	(50,799)	(35,992)
Note proceeds	685,000	-	685,000	-
Interest expense and fees	(36,271)	(28,513)	(64,784)	(2,165)
Payments on borrowings	(58,860)	(72,144)	(131,004)	(30,190)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	565,704	(127,291)	438,413	(68,347)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	(730)	(728)	(1,458)	-
Interest earned	1,700	729	2,429	-
NET CASH PROVIDED BY INVESTING ACTIVITIES	970	1	971	-0-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	744,412	52,959	797,371	(32,167)
Restated cash and cash equivalents, beginning of year	88,773	231,049	319,822	88,792
Cash and cash equivalents, end of year	$ 833,185	$ 284,008	$ 1,117,193	$ 56,625

See accompanying notes to financial statements.

City of Corunna

Proprietary Funds

STATEMENT OF CASH FLOWS - CONTINUED

Year Ended June 30, 2005

	Business-type Activities			Governmental Activities
	Sewer System	Water System	Total	Internal Service (Motor Pool)
Reconciliation of operating income (loss) to net cash provided by operating activities				
Operating income (loss)	$ 51,927	$ 107,115	$ 159,042	$ (15,507)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation and amortization	122,794	61,248	184,042	50,686
(Increase) in accounts receivable	(7,393)	(4,545)	(11,938)	-
Increase in accounts payable	1,072	17,398	18,470	1,265
Increase (decrease) in accrued liabilities	42	(269)	(227)	22
Increase (decrease) in accrued interest payable	3,303	(698)	2,605	(286)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 171,745	$ 180,249	$ 351,994	$ 36,180
Noncash capital and related financing activities				
Borrowing under capital lease	$ -	$ -	$ -	$ 34,390
Purchase of equipment with capital lease proceeds	-	-	-	(34,390)
	$ -0-	$ -0-	$ -0-	$ -0-

City of Corunna

Fiduciary Funds

STATEMENT OF NET ASSETS

June 30, 2005

	Agency Funds
ASSETS	
Cash	$ 65,523
LIABILITIES	
Due to individuals and agencies	$ 65,523

See accompanying notes to financial statements.

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

The City of Corunna is located in Shiawassee County, Michigan and has a population of approximately 3,381. The City of Corunna operates with a City Manager/Council form of government and provides services to its residents in many areas including general government, law enforcement, highways and streets, human services, and utilities services.

The City has six (6) City Council members who are elected at large for overlapping four (4) year terms and a Mayor elected at large for a two (2) year term. The Council appoints the City Manager, Finance Director/Treasurer, and Assessor.

The financial statements of the City have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to City governments. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City's more significant accounting policies are described below.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement 14, *The Financial Reporting Entity*; and *Statement on Michigan Governmental Accounting and Auditing No. 5*, these financial statements present the financial activities of the City of Corunna (primary government), and its component units. Blended component units, although legally separate entities, are, in substance, part of the City's operations and so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City.

2. Discretely Presented Component Unit

The component unit columns in the government-wide financial statements include the financial data of the City's component unit (Downtown Development Authority). It is reported in a separate column to emphasize that it is legally separate from the City.

The governing body of the Downtown Development Authority (DDA) is appointed by the City Council, the Authority's budget is subject to the approval of the City Council, the City temporarily relinquishes part of its tax base to the Authority (tax increment revenues), and the City has pledged its full faith and credit toward payment of the Authority's debt.

3. Blended Component Units

Corunna-Caledonia Fire Department - The City of Corunna, in conjunction with Caledonia Charter Township, has entered into an agreement that created the Corunna-Caledonia Fire Department. The Fire Department is governed by a five (5) member board. The City and the Township each appoint two individuals to the governing board. The appointed board members select an additional individual to serve on the Board as an at-large member. The Board's majority alternates between the City and the Township every four years based on the appointment of the at-large member.

Based on the agreement creating the Fire Department, the Township and the City are each responsible for 50% of the annual expenditures of the Department. The City of Corunna acts as the fiscal agent to the Fire Department and is reimbursed by the Township for the Township's share of operating expenditures. The Special Revenue Fire Capital Acquisition Fund accounts for the City's share of revenue generated from fire runs and the City's portion of the repayment of loan proceeds borrowed to finance the acquisition of a fire truck. The Agency Fire Capital Acquisition Fund accounts for the Township's portion of the same.

The financial activities of the City of Corunna Building Authority have been blended with the City's Debt Service Funds. The financial activities of the Corunna Historical Commission, Softball Commission, Corunna Fourth of July Commission, and Corunna Softball Commission have been blended with the City's Special Revenue Funds.

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

4. Joint Venture

The City participates in the following activity which is considered to be a joint venture in relation to the City, due to there being ongoing financial interest or responsibility:

Owosso Community Airport Board - The City of Corunna along with the City of Owosso, Shiawassee County, and Owosso and Caledonia Townships have entered into an agreement, which created the Owosso Community Airport Board. The Airport Board is composed of one (1) member from each of the member municipalities. The Airport has been reported as a fund in the December 31, 2004 financial statements of Shiawassee County. The Airport is expected to be self-sufficient but based on a "10 Year Funding Model" approved by the Board each participating municipality shall make a direct appropriation to cover operations and development costs. The percentage share for the funding model for each municipality is Shiawassee County and the City of Owosso 33%, Owosso and Caledonia Townships 13%, and the City of Corunna 8%. The City paid $1,924 to the Board for the year ended June 30, 2005.

5. Jointly Governed Organizations

The City participates in the following activities which are considered to be jointly governed organizations in relation to the City, due to there being no ongoing financial interest or responsibility:

Corunna Area Ambulance Service, Inc. - The City of Corunna along with the Townships of New Haven and Caledonia have entered into a service agreement with Corunna Area Ambulance Service, Inc., a Michigan nonprofit Corporation. The Corporation's board is composed of seven (7) members appointed by the corporation and one each from the City of Corunna, and New Haven and Caledonia Townships. The City is responsible to pay a per dwelling or equivalent unit charge for all dwellings in the City limits which is assessed to all residents on their summer tax bills. The City paid $41,025 in per dwelling charges to Corunna Area Ambulance Service, Inc. for the year ended June 30, 2005.

6. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the primary government and its component units as a whole. All non-fiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide statements). For the most part, interfund activity has been eliminated in the preparation of these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities presents the direct functional expenses of the primary government and its component units and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

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

6. Basis of Presentation - continued

FUND FINANCIAL STATEMENTS

The fund financial statements present the City's individual major funds and aggregated nonmajor funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the major individual enterprise fund are reported as separate columns in the fund financial statements.

The major funds of the City are:

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

b. The Economic Development Fund is used to account for financial resources to be used to further develop the economic growth of the City.

c. The City Improvement Fund is used to account for financial resources to be used for the betterment of the City and its properties.

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

e. The Sewer System Fund is used to account for the operations required to provide sewer services to the general public, the costs (expenses, including depreciation) are financed or recovered primarily through user charges.

f. The Water System Fund is used to account for the operations required to provide water services to the general public, the costs (expenses, including depreciation) are financed or recovered primarily through user charges.

7. Measurement Focus

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

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

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

8. Basis of Accounting

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

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

8. Basis of Accounting - continued

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. If/when both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

9. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with the modified accrual basis used to reflect actual results in the Fund financial statements. This basis is consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for all required governmental fund types. The City employs the following procedures in establishing budgets:

a. On the council meeting nearest but no later than the third Monday in May, the City Manager submits to City Council the proposed operating budgets for the fiscal year commencing the following July 1. The operating budgets include proposed expenditures and resources to finance them.

b. A Public Hearing is conducted to obtain taxpayers' comments.

c. Prior to July 1, the budget is legally adopted with passage by Council vote.

d. The budget is legally adopted at the activity level for the General Fund and total expenditure level for the Special Revenue Funds; however, they are maintained at the account level for control purposes.

e. The City does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds. Appropriations unused at June 30 are not carried forward to the following fiscal year.

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

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

10. Cash and Cash Equivalents

The City pools cash resources of various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balances in the pooled cash accounts are available to meet current operating requirements. Cash in excess of current requirements is invested in various interest bearing securities and disclosed as part of the City's investments. Cash equivalents consist of temporary investments in mutual funds and certificates of deposit with original maturities of 90 days or less.

11. Restricted Cash

Restricted cash for the primary government consists of amounts to be used to fund Sewer System improvements. Restricted cash for the component unit is related to rental deposits being held.

12. Investments

Investments during the year consisted of certificates of deposit with original maturities of greater than 90 days. Investments are recorded at market value in accordance with GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. In the government-wide and proprietary fund financial statements, investments are shown as current and noncurrent based on maturities within the next fiscal year.

13. Receivables

Receivables consist of amounts due from governmental units for various financial assistance programs and charges for services, and accounts receivable related to charges for services, interest receivable and other amounts owed to the City at year-end.

14. Property Tax

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

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

The City is permitted to levy taxes up to 15 mills ($15 per $1,000 of taxable valuation) for general governmental services other than the payment of Debt Service Fund expenses and up to an additional five (5) mills ($5 per $1,000 of taxable valuation) for City Public Improvements. For the year ended June 30, 2005, the City levied 13.3928 mills per $1,000 of assessed valuation for general governmental services and 4.8664 mills for City Public Improvements. The total Taxable Value for the 2004 levy for property within the City was $54,138,779.

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

15. Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

The Internal Service Fund (Motor Pool) records charges for equipment rental to various City departments and funds as operating revenue. All City funds record these payments as operating expenditures/expenses.

16. Compensated Absences

City employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is paid for accumulated vacation days. Employees are not paid for accumulated sick leave. All employees with accumulated unused vacation pay at June 30, 2005 were vested and the total due to them, along with the related payroll taxes, is recorded entirely in the government-wide financial statements.

17. Capital Assets

PRIMARY GOVERNMENT AND COMPONENT UNIT

Capital assets include land, buildings, equipment, and vehicles and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities and component unit columns. Capital assets are those with an initial individual cost of $1,500 or more and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Buildings and improvements	20 - 40 years
Equipment and fixtures	5 - 40 years
Water and sewer systems	10 - 40 years
Infrastructure	40 years

18. Deferred Revenue

Deferred revenue recorded in the General Fund consists of amounts related to special assessments receivable in future periods. Deferred revenue recorded in the Economic Development Fund consists of amounts related to contracts receivable for future periods. Neither of these amounts is deferred in the government-wide financial statements.

19. Long-Term Obligations

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

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

19. Long-Term Obligations - continued

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

20. Treatment Rights

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

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

21. Comparative Data

Comparative data for the prior year has been presented in some of the accompanying financial statements in order to provide an understanding of changes in financial position and operations.

NOTE B: POOLING OF CASH AND CASH OVERDRAFT

Fund	Pooled Cash Overdraft	Nonpooled Cash & Cash Equivalents	Financial Statements
PRIMARY GOVERNMENT			
General Fund	$(77,604)	$ 71,136	$(6,468)
Debt Service Funds			
1996 G.O. Limited Tax Bonds	(3,999)	4,655	656
TOTAL REPORTING ENTITY	$(81,603)	$ 75,791	$(5,812)

NOTE C: CASH, CASH EQUIVALENTS, AND INVESTMENTS

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

The City's pooled cash accounts and investments are utilized by the General Fund, Special Revenue Funds, Debt Service Funds, Capital Project Funds, Enterprise Funds, Internal Service Fund, and the Trust and Agency Funds. Each fund's portion of these pooled accounts is included in the cash and cash equivalents and investments captions on the basic financial statements.

The other funds of the City utilize separate savings and interest bearing checking accounts. In addition, certificates of deposit are held separately by several of the City's funds.

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

In accordance with Michigan Compiled Laws, the City is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.

2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of the State or the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible to be a depository of surplus funds belong to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of Michigan Compiled Laws.

3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.

4. The United States government or federal agency obligations repurchase agreements.

5. Bankers acceptances of United States banks.

6. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of $100,000 for deposits in an insured bank for savings deposits and $100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of $100,000. Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National mortgage Association, or Government National Mortgage Association.

Deposits

As of June 30, 2005, the carrying amounts and bank balances for each type of bank account are as follows:

Account Type	Carrying Amount	Bank Balance
PRIMARY GOVERNMENT		
Regular checking	$ 1,746,692	$ 1,901,028
Savings and certificates of deposit	1,152,775	1,152,783
Total Primary Government	2,899,467	3,053,811
COMPONENT UNITS		
Regular checking	129,773	126,545
FIDUCIARY FUNDS		
Regular checking	65,523	85,809
TOTAL REPORTING ENTITY	$ 3,094,763	$ 3,266,165

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

Deposits of the City are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the City. As of June 30, 2005, the City accounts were insured by the FDIC for $587,424, and the amount of $2,678,741 was uninsured and uncollateralized.

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

Investments

As of June 30, 2005, the carrying amount and market value for the investment is as follows:

INVESTMENT TYPE	Carrying Amount	Market Value	Weighted Average Maturity
Primary Government			
Uncategorized pooled investment funds			
MBIA - Michigan Class	$ 106,605	$ 106,605	29 days

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of June 30, 2005, the MBIA - Michigan Class investment is not rated.

Interest rate risk

The City has not adopted a policy that indicates how the City will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by limiting the weighted average maturity of its investment portfolio to less than a given period of time.

Concentration of credit risk

The City has not adopted a policy that indicates how the City will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the City's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk

The City has not adopted a policy that indicates how the City will minimize custodial credit risk, which is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments of collateral securities that are in possession of an outside party.

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the combined balance sheet, based upon criteria disclosed in Note A. The following summarizes the categorization of these amounts as of June 30, 2005:

	Primary Government	Component Units	Fiduciary Funds	Reporting Entity
Cash and cash equivalents	$ 1,896,985	$ 125,103	$ 65,523	$ 2,087,611
Cash and cash equivalents - restricted	6,592	4,670	-	11,262
Investments	1,102,495	-	-	1,102,495
	$ 3,006,072	$ 129,773	$ 65,523	$ 3,201,368

NOTE D: INTERFUND RECEIVABLES AND PAYABLES

The following schedule details primary government interfund receivables and payables at June 30, 2005:

Due to General Fund from:	
Water system fund	$ 295
Due to City Improvement Fund from:	
General Fund	4,896
Due to Sewer System Fund from:	
Nonmajor governmental funds	15,505
Total interfund receivable and payables	$ 20,696

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

NOTE E: INTERFUND TRANSFERS

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

Transfers to nonmajor governmental funds from:	
General Fund	$ 90,500
City Improvement Fund	268,796
Nonmajor governmental funds	30,069
	389,365
Transfers to Industrial Development Fund from:	
General Fund	38,153
	$ 427,518

NOTE F: LONG-TERM CONTRACTS RECEIVABLE

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

NOTE F: LONG-TERM CONTRACTS RECEIVABLE - CONTINUED

Years ending June 30,	Principal	Interest	Total
2006	$ 32,333	$ 9,901	$ 42,234
2007	31,174	9,035	40,209
2008	27,554	8,446	36,000
2009	28,363	7,637	36,000
2010	30,399	5,601	36,000
2011-2012	57,899	993	58,892
	$ 207,722	$ 41,613	$ 249,335

NOTE G: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2005 was as follows:

Primary Government

	Restated Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
Governmental activities				
Capital assets not being depreciated				
Land	$ 200,000	$ -	$ -	$ 200,000
Capital assets being depreciated				
Buildings and additions	3,511,788	21,446	(750,000)	2,783,234
Vehicles and equipment	1,576,252	83,481	(120,320)	1,539,413
Infrastructure	6,504,319	108,953	-	6,613,272
Subtotal	11,592,359	213,880	(870,320)	10,935,919
Less accumulated depreciation for				
Buildings and additions	(1,809,341)	(45,143)	-	(1,854,484)
Vehicles and equipment	(1,129,986)	(95,006)	110,767	(1,114,225)
Infrastructure	(980,077)	(163,970)	-	(1,144,047)
Subtotal	(3,919,404)	(304,119)	110,767	(4,112,756)
Net capital assets being depreciated	7,672,955	(90,239)	(759,553)	6,823,163
Capital assets, net	$ 7,872,955	$(90,239)	$(759,553)	$ 7,023,163

Depreciation expense was charged to the following governmental activities:

General government	$ 71,212
Public safety	43,290
Public works	163,970
Recreation and cultural	25,647
Total depreciation expense	$ 304,119

NOTE G: CAPITAL ASSETS - CONTINUED

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
Business-type activities (Sewer system)				
Capital assets not being depreciated				
Land	$ 1	$ -	$ -	$ 1
Construction in progress	-	24,165	-	24,165
Subtotal	1	24,165	-0-	24,166
Capital assets being depreciated				
Sewer system	4,288,285	-	-	4,288,285
Equipment	88,995	-	-	88,995
Subtotal	4,377,280	-0-	-0-	4,377,280
Less accumulated depreciation for				
Sewer system	(1,732,827)	(99,933)	-	(1,832,760)
Equipment	(21,249)	(2,899)	-	(24,148)
Subtotal	(1,754,076)	(102,832)	-0-	(1,856,908)
Net capital assets being depreciated	2,623,204	(102,832)	-0-	2,520,372
Capital assets, net	$ 2,623,205	$(78,667)	$ -0-	$ 2,544,538
Business-type activities (Water system)				
Capital assets not being depreciated				
Land	$ 126	$ -	$ -	$ 126
Capital assets being depreciated				
Water system	1,726,313	26,634	-	1,752,947
Equipment	38,411	-	-	38,411
Subtotal	1,764,724	26,634	-0-	1,791,358
Less accumulated depreciation for				
Water system	(716,527)	(60,416)	-	(776,943)
Equipment	(31,118)	(832)	-	(31,950)
Subtotal	(747,645)	(61,248)	-0-	(808,893)
Net capital assets being depreciated	1,017,079	(34,614)	-0-	982,465
Capital assets, net	$ 1,017,205	$(34,614)	$ -0-	$ 982,591

NOTE G: CAPITAL ASSETS - CONTINUED

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
Component Unit (DDA)				
Buildings	$ 691,670	$ 95,000	$ -	$ 786,670
Equipment and fixtures	18,952	-	-	18,952
Improvements	44,166	-	-	44,166
Subtotal	754,788	95,000	-0-	849,788
Less accumulated depreciation for:				
Buildings	(201,366)	(18,713)	-	(220,079)
Equipment and fixtures	(12,609)	(2,707)	-	(15,316)
Improvements	(40,411)	(442)	-	(40,853)
Subtotal	(254,386)	(21,862)	-0-	(276,248)
Capital assets, net	$ 500,402	$ 73,138	$ -0-	$ 573,540

NOTE H: LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portion) of the City for the year ended June 30, 2005.

	Restated Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005	Amounts Due Within One Year
PRIMARY GOVERNMENT					
Governmental Activities					
1996 General Obligation Improvement Bonds	$ 315,000	$ -	$ 100,000	$ 215,000	$ 105,000
1998 Transportation Bonds	155,000	-	15,000	140,000	15,000
2000 General Obligation Improvement Bonds	770,000	-	45,000	725,000	50,000
2001 General Obligation Improvement Bonds	410,000	-	30,000	380,000	40,000
Installment Purchase Agreement	13,854	-	9,078	4,776	4,776
2003 Installment Purchase Agreement	53,875	-	12,584	41,291	13,156
2003 Installment Purchase Agreement	200,000	-	30,152	169,848	31,358
Capital Lease	-	34,390	17,606	16,784	16,784
Compensated absences	34,461	-	6,249	28,212	22,570
	1,952,190	34,390	265,669	1,720,911	298,644
Business-type Activities					
Water Supply and Sewage					
Improvement Bonds - 1996 (sewer)	405,000	-	25,000	380,000	25,000
Improvement Bonds - 1980 (sewer)	250,000	-	15,000	235,000	15,000
General Obligation Bonds (water)	350,000	-	50,000	300,000	50,000
2005 General Obligation Improvement Bonds (sewer)	-	685,000	-	685,000	60,000
Water Tower IPA - 1999 (water)	138,294	-	22,144	116,150	23,393
Contract Payable (sewer)	57,500	-	18,860	38,640	18,400
	1,200,794	685,000	131,004	1,754,790	191,793
TOTAL PRIMARY GOVERNMENT	3,152,984	719,390	396,673	3,475,701	490,437

NOTE H: LONG-TERM DEBT - CONTINUED

	Restated Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005	Amounts Due Within One Year
COMPONENT UNIT FUNDS					
Downtown Development Authority					
Installment loan	$ 252,282	$ -	$ 31,651	$ 220,631	$ 21,110
Note payable	-	95,000	15,000	80,000	80,000
TOTAL COMPONENT UNIT	252,282	95,000	46,651	300,631	101,110
	$ 3,405,266	$ 814,390	$ 443,324	$ 3,776,332	$ 591,547

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

PRIMARY GOVERNMENT AND BLENDED COMPONENT UNIT

General Obligation Bonds (Payable from Debt Service Funds)

$870,000 1996 County of Shiawassee, City of Corunna Public Improvement Bonds dated September 1, 1996, due in annual installments of $105,000 and $110,000 through September 1, 2006, with interest ranging from 5.20 to 5.30 percent, payable semi-annually.	$ 215,000
$220,000 1998 County of Shiawassee, City of Corunna Transportation Bonds dated April 1, 1998, due in annual installments ranging from $15,000 to $20,000 through August 1, 2012, with interest ranging from 4.70 to 5.05 percent, payable annually.	140,000
$895,000 2000 County of Shiawassee, City of Corunna Public Improvement Bonds dated October 11, 2000, due in annual installments ranging from $50,000 to $85,000 through November 1, 2015, with interest ranging from 4.90 to 5.30 percent payable annually.	725,000
$490,000 2001 County of Shiawassee, City of Corunna Public Improvement Bonds dated June 1, 2001, due in annual installments ranging from $40,000 to $90,000 through May 1, 2011, with interest ranging from 4.15 to 4.75 percent, payable semi-annually.	380,000
	$ 1,460,000

Installment Purchase Agreement - Primary Government - Blended Component Unit

The City of Corunna and the Caledonia Charter Township have entered into a joint installment purchase agreement for the purpose of purchasing a fire truck. The installment loan, dated December 3, 1998 is due in monthly installments of $1,381 including monthly interest on the unpaid balance at 4.30 percent per annum. The City of Corunna is obligated to repay 50% and the Township is obligated to repay 50%. The total obligation outstanding at June 30, 2005 was $9,689 ($9,551 principal and $138 interest). The City's share of the outstanding principal balance at June 30, 2005, was $4,776 principal and $69 interest.

Installment Purchase Agreement (payable from Internal Service Fund)

$78,875 2003 Installment Purchase Agreement dated September 5, 2003, due in annual installments of $15,035 through September 5, 2007, with interest at 4.55 percent. The Agreement is for the purchase of a truck with snowplow costing $78,875.	$ 41,291

NOTE H: LONG-TERM DEBT - CONTINUED

Installment Purchase Agreement (Payable from Industrial Development Fund)

$200,000 2003 Installment Purchase Agreement dated November 6, 2003, due in annual installments of $38,153 through November 6, 2009, with interest at 4.00 percent. The Agreement is for the purchase of land costing $200,000.	$ 169,848

Capital Lease (Payable from Internal Service Fund)

The City has entered into a lease purchase agreement to finance the acquisition of a 2005 Chevrolet Impala. The lease agreement qualifies as a capital lease for accounting purposes (title transfers at end of lease term at bargain price) and, therefore, has been recorded at the present value of future minimum lease payments as of the date of inception. The cost of the equipment acquired under the lease purchase agreement amounted to $34,390.	$ 16,784

Compensated Absences - accrued vacation, sick leave, and longevity

Individual employees have vested rights upon termination of employment to receive payments for unused vacation and sick leave, and also receive an annual longevity payment. The dollar amounts of these vested rights have been recorded in the government-wide financial statements. They amount to approximately $28,212 at June 30, 2005.

Water Supply and Sewage Disposal System Bonds

$550,000 1996 Wastewater Treatment System Revenue Bonds dated February 1, 1996, due in annual installments ranging from $25,000 to $40,000 through November 1, 2015, with interest ranging from 4.80 to 5.35 percent, payable annually.	$ 380,000
$420,000 USDA-FMHA Sewer Revenue Bonds dated August 15, 1980, due in annual installments ranging from $15,000 to $20,000 through August 1, 2020, with interest at 5.0 percent, payable annually.	235,000
$700,000 1992 Shiawassee County, City of Corunna Water Supply System (General Obligation) Improvement Bonds dated August 1, 1992, due in annual installments of $50,000 through May 1, 2011, with interest ranging from 6.00 to 6.25 percent, payable annually.	300,000
$685,000 2005 County of Shiawassee, City of Corunna Capital Improvement Bonds dated April 1, 2005, due in annual installments ranging from $60,000 to $80,000, with interest ranging from 2.75 to 4.2 percent, payable semi-annually.	685,000
	$ 1,600,000

Installment Purchase Agreement - Enterprise (Water) Fund

$224,200 1999 Installment Purchase Agreement dated September 20, 1999, due in semi-annual installments ranging from $11,535 to $14,366 through November 1, 2009, with interest at 5.56 percent.	$ 116,150

NOTE H: LONG-TERM DEBT - CONTINUED

Contract Payable

$107,180 City of Owosso contract payable dated July 18, 2001, due in annual installments ranging from $18,400 to $20,240 through October 1, 2006, with no interest.	$ 38,640

COMPONENT UNIT - DISCRETELY PRESENTED

$346,227 Downtown Development Authority bank promissory note dated September 27, 2000, due in monthly payments of $4,243 the first of each month including monthly interest on the unpaid balance at .5 percent below the prime rate.	$ 220,631
$95,000 note payable to primary government for the purchase of a building, due in an installment of $80,000 on May 1, 2006 without interest.	80,000
	$ 300,631

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

Primary Government

Year Ending June 30,	General Obligation Bonds		Water Supply & Sewage Disposal System Bonds		Installment Purchases and Capital Leases		Contract Payable	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2006	$ 210,000	$ 64,883	$ 150,000	$ 74,316	$ 89,467	$ 15,701	$ 18,400	$ 1,934
2007	220,000	57,175	150,000	65,600	71,079	11,638	20,240	668
2008	125,000	48,721	155,000	59,123	74,402	8,315	-	-
2009	145,000	42,270	160,000	51,780	62,850	4,832	-	-
2010	160,000	34,893	165,000	44,045	51,051	1,867	-	-
2011-2015	515,000	79,226	695,000	108,769	-	-	-	-
2016-2020	85,000	2,253	125,000	12,445	-	-	-	-
	$ 1,460,000	$ 329,421	$ 1,600,000	$ 416,078	$ 348,849	$ 42,353	$ 38,640	$ 2,602

Component Unit

Year Ending June 30,	Installment Loan		Note Payable
	Principal	Interest	Principal
2006	$ 21,110	$ 14,998	$ 80,000
2007	22,412	13,696	-
2008	23,794	12,314	-
2009	25,261	10,847	-
2010	26,820	9,288	-
2011-2015	101,234	19,794	-
	$ 220,631	$ 80,937	$ 80,000

NOTE I: RETIREMENT PLAN

Plan Description

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

Funding Policy

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

Annual Pension Cost

For year ended June 30, 2005 the City's annual pension cost of $117,034 for the plan was equal to the City's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2002, using the entry age normal cost method. Significant actuarial assumptions used include (a) a 8.00 percent investment rate of return (b) projected salary increases of 4.5 percent per year compounded annually, attributable to inflation (c) additional salary increases ranging from 0% to 4.2% per year depending on age, seniority and merit, and (d) assumption benefits will not increase after retirement. The actuarial value of assets was determined using techniques that smooth the effects of short term volatility over a four (4) year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is ten (10) years.

Three (3) year trend information

	Year Ended December 31,		
	2002	2003	2004
Actuarial value of assets	$ 2,329,389	$ 2,435,989	$ 2,535,490
Actuarial accrued liability (AAL) (entry age)	3,142,582	3,391,065	3,361,549
Unfunded AAL	813,193	955,076	826,059
Funded ratio	74 %	72 %	75 %
Covered payroll	554,545	598,806	660,599
UAAL as a percentage of covered payroll	147 %	159 %	125 %

	Year Ended June 30,		
	2003	2004	2005
Annual pension cost	$ 96,242	$ 96,282	$ 117,034
Percentage of APC contributed	100 %	100 %	100 %
Net pension obligation	-	-	-

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

NOTE J: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

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

In the body of the required supplementary information, the City's budgeted expenditures in the General and Special Revenue Funds have been shown at the functional classification level. The approved budgets of the City have been adopted at the activity level for the General Fund and the total expenditure level for the Special Revenue Funds.

During the year ended June 30, 2005, the City incurred expenditures in the General Fund and four (4) Special Revenue Funds in excess of the amounts appropriated as follows:

	Amounts Appropriated	Amounts Expended	Variance
General Fund			
General government			
Clerk	$ 77,089	$ 84,102	$ 7,013
Municipal building	51,641	53,682	2,041
Other	19,500	20,547	1,047
Public works			
Public utilities	32,000	33,496	1,496
Recreation and cultural			
Parks maintenance	60,392	64,503	4,111
Activities and events	6,850	9,189	2,339
City Improvement Fund	313,796	313,967	171
Nonmajor governmental funds			
Asset seizures	-	346	346
Library technology	-	5,685	5,685
Shiawassee County Library	-	549	549

NOTE K: FUND BALANCE RESERVES AND DESIGNATIONS

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

The following are the various fund balance reserves as of June 30, 2005:

Fund Balance	
General Fund	
Prepaids	$ 21
Nonmajor governmental funds	
Prepaids	10
Debt service	5,189
Perpetual care	84,312
	$ 89,532

NOTE L: RESTRICTED NET ASSETS

Restrictions of net assets shown in the government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes. The following are the various net asset restrictions as of June 30, 2005:

Governmental Activities	
Other Purposes	
Major Street	$ 192,145
Local Street	77,624
Cemetery Perpetual Care	84,312
Fire Capital Acquisition	43,965
	$ 398,046
Business-type Activities	
Restricted for debt service	
Sewer System Fund	$ 86,469
Restricted for city improvements	
Sewer System Fund	$ 660,835
Restricted for other purposes	
Sewer System Fund	$ 376,195

NOTE M: COMPONENT UNIT LONG-TERM OPERATING LEASES

The component unit Downtown Development Authority (lessor) owns the Corunna City Center and has long-term lease contracts with various tenants.

The following is a summary of future annual rental revenue from the tenants that currently have non-cancelable lease agreements.

Years Ending June 30,	
2006	$ 53,449
2007	20,758
2008	21,290
	$ 95,497

NOTE N: POST-RETIREMENT HEALTH CARE BENEFITS

In addition to providing pension benefits, the City provides certain health care benefits for employees who retire under the City's pension plan. All City employees may become eligible for those benefits if they reach the normal retirement age 50 with 25 years of credited service or age 55 with 15 years of credited service or after age 60 with 10 years of credited service with the City.

The cost of retiree health care benefits is recognized as an expenditure as insurance premiums are paid.

For the year ended June 30, 2005, three retirees received benefits. The costs for the year ended June 30, 2005 totaled $25,220 and were paid from the General Fund.

NOTE N: POST-RETIREMENT HEALTH CARE BENEFITS - CONTINUED

UPCOMING REPORTING CHANGE

The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting By Employers for Postemployment Benefits Other Than Pensions.* The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending June 30, 2010.

NOTE O: RISK MANAGEMENT

The City participates in a pool, the Michigan Municipal Liability and Property Pool, with other municipalities for auto, property, liability, in-land marine, electronic data processing, crime and bonds, and boiler and machinery losses. The pool is organized under Public Act 138 of 1982, as amended. The City has no liability for additional assessments based on the claims filed against the pool nor do they have rights to dividends.

The City also participates in a pool, the Michigan Municipal Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. The City has no liability for additional assessments based on the claims filed against the pool nor do they have any rights to dividends.

NOTE P: PRIOR PERIOD ADJUSTMENTS

The following prior period adjustments were made during the year, which were the result of corrections of accounting errors. These adjustments were reported as changes to beginning net assets. The effect on operations and other affected balances for the current and prior year are as follows:

	June 30, 2005	June 30, 2004	
PRIMARY GOVERNMENT			
Governmental activities			
Capital assets, net	$ -	$ 5,524,242	Correct understated
Net assets - beginning	5,524,242	-	capital assets
Nonmajor governmental funds			
Cash	-	(4,770)	To close out HUD Grant
Revenue over expenditures	-	4,486	Fund and to restate Fire
Fund balance / net assets - beginning	(284)		Capital Acquisition Fund for new agreement
Internal Service Funds			
Motor Pool			
Note payable	-	5,119	To correct overstated
Net assets - beginning	5,119	-	note payable
Business-type activities			
Enterprise Funds			
Sewer			
Cash	-	4,770	To close out HUD Grant
Net assets - beginning	(4,770)	-	Fund to Sewer System Fund

REQUIRED SUPPLEMENTARY INFORMATION

City of Corunna

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES AND OTHER FINANCING SOURCES

Year Ended June 30, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes				
Property taxes	$ 709,808	$ 705,138	$ 705,248	$ 110
Industrial and commercial facilities	5,887	5,887	5,577	(310)
Total taxes	715,695	711,025	710,825	(200)
Licenses and permits				
City licenses and permits	2,106	2,106	2,050	(56)
Franchise fee	19,500	19,500	19,865	365
Total licenses and permits	21,606	21,606	21,915	309
Intergovernmental				
State				
Sales tax	378,329	376,332	371,889	(4,443)
Michigan justice training	1,500	1,500	1,219	(281)
Federal				
COPS grant	12,500	5,500	-	(5,500)
Total intergovernmental	392,329	383,332	373,108	(10,224)
Charges for services				
Fire protection - Townships	71,705	71,705	53,826	(17,879)
Accident reports	750	750	-	(750)
Tax collection fees	28,404	28,404	31,880	3,476
Recreational fees	47,350	47,350	31,694	(15,656)
Administration charges	199,450	180,000	170,385	(9,615)
Total charges for services	347,659	328,209	287,785	(40,424)
Fines and forfeits				
Parking	1,000	1,000	595	(405)
Ordinance	12,000	12,000	12,858	858
Total fines and forfeits	13,000	13,000	13,453	453
Interest and rents				
Interest on investments	19,000	13,000	25,295	12,295
Rental fees	25,387	25,387	46,842	21,455
Total interest and rents	44,387	38,387	72,137	33,750

City of Corunna

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES AND OTHER FINANCING SOURCES - CONTINUED

Year Ended June 30, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Other				
Sidewalk and other	$ 9,959	$ 8,959	$ 12,970	$ 4,011
Fire board capital reimbursements	20,000	20,000	6,481	(13,519)
Private donations	7,000	-	20,359	20,359
Contributions from other governmental units	-	-	2,200	2,200
Reimbursements	2,500	2,500	-	(2,500)
Other	21,849	20,976	40,583	19,607
Total other	61,308	52,435	82,593	30,158
TOTAL REVENUES	$ 1,595,984	$ 1,547,994	$ 1,561,816	$ 13,822

City of Corunna

General Fund

BUDGETARY COMPARISON SCHEDULE - EXPENDITURES AND OTHER FINANCING USES BY ACTIVITY

Year Ended June 30, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
General government				
Legislative	$ 63,486	$ 41,775	$ 36,796	$ 4,979
City Manager	104,150	103,251	102,952	299
Clerk	78,808	77,089	84,102	(7,013)
Treasurer/Assessor	133,141	134,365	130,880	3,485
Elections	7,400	10,000	7,150	2,850
Municipal building	46,741	51,641	53,682	(2,041)
Internal services	68,327	73,211	71,936	1,275
Other	29,500	19,500	20,547	(1,047)
Total general government	531,553	510,832	508,045	2,787
Public safety				
Police department	390,409	426,775	418,193	8,582
Crossing guard	2,135	2,134	1,936	198
Fire department	128,052	118,051	104,009	14,042
Total public safety	520,596	546,960	524,138	22,822
Public works				
General services	274,042	276,679	269,906	6,773
Drain at large	1,000	1,000	-	1,000
Public utilities	32,000	32,000	33,496	(1,496)
Total public works	307,042	309,679	303,402	6,277
Community economic and development				
Planning commission	1,900	1,900	1,063	837
Recreation and cultural				
Parks maintenance	70,642	60,392	64,503	(4,111)
Summer recreation	22,374	22,374	20,969	1,405
Mitchell Fields	2,806	2,806	2,399	407
Activities and events	3,100	6,850	9,189	(2,339)
Historical village	1,442	1,442	637	805
Community center	19,553	23,553	21,616	1,937
Total recreation and cultural	119,917	117,417	119,313	(1,896)

City of Corunna

General Fund

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

Year Ended June 30, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Other				
Insurance	$ 20,343	$ 20,343	$ 19,058	$ 1,285
Fringe benefits	33,480	30,200	25,220	4,980
Total other	53,823	50,543	44,278	6,265
TOTAL EXPENDITURES	1,534,831	1,537,331	1,500,239	37,092
OTHER FINANCING USES				
Transfers out				
Local street	25,000	-	-	-0-
Cemetery	22,000	27,500	27,500	-0-
Library fund	26,000	13,000	13,000	-0-
Industrial Development Fund	38,153	38,153	38,153	-0-
Municipal Building	35,000	50,000	50,000	-0-
TOTAL OTHER FINANCING USES	146,153	128,653	128,653	-0-
TOTAL EXPENDITURES AND OTHER FINANCING USES	$ 1,680,984	$ 1,665,984	$ 1,628,892	$ 37,092

City of Corunna

Economic Development Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Interest and rents	$ 2,500	$ 2,500	$ 2,270	$ (230)
Other				
Loan repayment	27,235	27,235	27,284	49
TOTAL REVENUES	29,735	29,735	29,554	(181)
EXPENDITURES				
Current				
Community and economic development	40,000	205,000	174,804	30,196
EXCESS OF REVENUES (UNDER) EXPENDITURES	(10,265)	(175,265)	(145,250)	30,015
Fund balance, beginning of year	181,521	181,521	181,521	-0-
Fund balance, end of year	$ 171,256	$ 6,256	$ 36,271	$ 30,015

City of Corunna

City Improvement Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	$ 259,629	$ 259,629	$ 263,766	$ 4,137
Interest and rents	4,000	4,000	3,878	(122)
Other	4,000	4,000	8,727	4,727
TOTAL REVENUES	267,629	267,629	276,371	8,742
EXPENDITURES				
Current				
Community and economic development	40,000	45,000	45,171	(171)
EXCESS OF REVENUES OVER EXPENDITURES	227,629	222,629	231,200	8,571
OTHER FINANCING (USES)				
Transfers out	(268,796)	(268,796)	(268,796)	-0-
EXCESS OF REVENUES (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	(41,167)	(46,167)	(37,596)	8,571
Fund balance, beginning of year	293,854	293,854	293,854	-0-
Fund balance, end of year	$ 252,687	$ 247,687	$ 256,258	$ 8,571

OTHER SUPPLEMENTARY INFORMATION

City of Corunna

Nonmajor Governmental Funds

COMBINING BALANCE SHEET

June 30, 2005

	Special		
	Major Street	Local Street	Fire Capital Acquisition
ASSETS			
Cash and cash equivalents	$ 171,943	$ 66,242	$ 43,965
Investments	-	-	-
Prepaids	-	-	-
Due from other governmental units			
State	28,125	21,329	-
TOTAL ASSETS	$ 200,068	$ 87,571	$ 43,965
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ 1,399	$ 891	$ -
Accrued liabilities	41	34	-
Due to other funds	6,483	9,022	-
TOTAL LIABILITIES	7,923	9,947	-0-
FUND BALANCES			
Reserved for			
Perpetual care	-	-	-
Debt service	-	-	-
Prepaids	-	-	-
Unreserved			
Undesignated, reported in			
Special revenue funds	192,145	77,624	43,965
Debt service funds	-	-	-
Capital projects	-	-	-
TOTAL FUND BALANCES	192,145	77,624	43,965
TOTAL LIABILITIES AND FUND BALANCES	$ 200,068	$ 87,571	$ 43,965

Revenue					
Parks Improvement Fund	Cemetery Fund	Asset Seizures	Municipal Building	Stu Coutts Recreation Fund	Forest Fund
$ 28,569	$ 3,813	$ -	$ 1,141	$ 27,946	$ 2,115
2,846	-	-	-	-	-
-	4	-	-	-	-
-	-	-	-	-	-
$ 31,415	$ 3,817	$ -0-	$ 1,141	$ 27,946	$ 2,115
$ 245	$ 30	$ -	$ -	$ 476	$ -
-	60	-	-	-	-
-	-	-	-	-	-
245	90	-0-	-0-	476	-0-
-	-	-	-	-	-
-	-	-	-	-	-
-	4	-	-	-	-
31,170	3,723	-	1,141	27,470	2,115
-	-	-	-	-	-
-	-	-	-	-	-
31,170	3,727	-0-	1,141	27,470	2,115
$ 31,415	$ 3,817	$ -0-	$ 1,141	$ 27,946	$ 2,115

City of Corunna

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

June 30, 2005

	Special		
	Heritage Park Memorial	Library Building	Library Technology
ASSETS			
Cash and cash equivalents	$ 11,136	$ -	$ -
Investments	-	-	-
Prepaids	6	-	-
Due from other governmental units			
State	-	-	-
TOTAL ASSETS	$ 11,142	$ -0-	$ -0-
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ -	$ -	$ -
Accrued liabilities	-	-	-
Due to other funds	-	-	-
TOTAL LIABILITIES	-0-	-0-	-0-
FUND BALANCES			
Reserved for			
Perpetual care	-	-	-
Debt service	-	-	-
Prepaids	6	-	-
Unreserved			
Undesignated, reported in			
Special revenue funds	11,136	-	-
Debt service funds	-	-	-
Capital projects	-	-	-
TOTAL FUND BALANCES	11,142	-0-	-0-
TOTAL LIABILITIES AND FUND BALANCES	$ 11,142	$ -0-	$ -0-

Revenue					
Fourth of July Commission	Softball Commission	Historical Commission	Shiawassee County Library	Building Department	H.U.D. Grant
$ 18,839	$ 21,466	$ 8,732	$ -	$ 2,736	$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
$ 18,839	$ 21,466	$ 8,732	$ -0-	$ 2,736	$ -0-
$ -	$ 4,363	$ -	$ -	$ 1,250	$ -
-	-	-	-	-	-
-	-	-	-	-	-
-0-	4,363	-0-	-0-	1,250	-0-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
18,839	17,103	8,732	-	1,486	-
-	-	-	-	-	-
-	-	-	-	-	-
18,839	17,103	8,732	-0-	1,486	-
$ 18,839	$ 21,466	$ 8,732	$ -0-	$ 2,736	$ -0-

City of Corunna

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

June 30, 2005

	Special Revenue	Debt	
	Library	1996 G.O. Limited Tax Bonds	1998 MTF Bonds Payable
ASSETS			
Cash and cash equivalents	$ 5,431	$ 656	$ 1
Investments	-	-	-
Prepaids	-	-	-
Due from other governmental units			
State	-	-	-
TOTAL ASSETS	$ 5,431	$ 656	$ 1
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ 102	$ -	$ -
Accrued liabilities	-	-	-
Due to other funds	-	-	-
TOTAL LIABILITIES	102	-0-	-0-
FUND BALANCES			
Reserved for			
Perpetual care	-	-	-
Debt service	-	656	1
Prepaids	-	-	-
Unreserved			
Undesignated, reported in			
Special revenue funds	5,329	-	-
Debt service funds	-	-	-
Capital projects	-	-	-
TOTAL FUND BALANCES	5,329	656	1
TOTAL LIABILITIES AND FUND BALANCES	$ 5,431	$ 656	$ 1

Service			Capital Projects	
2000 G.O. Limited Tax Bonds	2001 G.O. Limited Tax Bonds	Building Authority	Streetscape Construction Fund	Bridge Construction Fund
$ 478	$ 4,054	$ 7,723	$ 10,085	$ 31,878
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
$ 478	$ 4,054	$ 7,723	$ 10,085	$ 31,878
$ -	$ -	$ -	$ -	$ 1,006
-	-	-	-	-
-	-	-	-	-
-0-	-0-	-0-	-0-	1,006
-	-	-	-	-
478	4,054	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	7,723	-	-
-	-	-	10,085	30,872
478	4,054	7,723	10,085	30,872
$ 478	$ 4,054	$ 7,723	$ 10,085	$ 31,878

City of Corunna

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

June 30, 2005

	Capital Projects		Permanent
	North Shiawassee Construction Fund	King/ Kingsley/ McArthur Construction	Cemetery Perpetual Care
ASSETS			
Cash and cash equivalents	$ 6,659	$ 2,927	$ 45,763
Investments	-	-	38,549
Prepaids	-	-	-
Due from other governmental units			
State	-	-	-
TOTAL ASSETS	$ 6,659	$ 2,927	$ 84,312
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ -	$ -	$ -
Accrued liabilities	-	-	-
Due to other funds	-	-	-
TOTAL LIABILITIES	-0-	-0-	-0-
FUND BALANCES			
Reserved for			
Perpetual care	-	-	84,312
Debt service	-	-	-
Prepaids	-	-	-
Unreserved			
Undesignated, reported in			
Special revenue funds	-	-	-
Debt service funds	-	-	-
Capital projects	6,659	2,927	-
TOTAL FUND BALANCES	6,659	2,927	84,312
TOTAL LIABILITIES AND FUND BALANCES	$ 6,659	$ 2,927	$ 84,312

Total Nonmajor Governmental Funds
$ 524,298
41,395
10
49,454
$ 615,157
$ 9,762
135
15,505
25,402
84,312
5,189
10
441,978
7,723
50,543
589,755
$ 615,157

City of Corunna

Nonmajor Governmental Funds

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

Year Ended June 30, 2005

	Special		
	Major Street	Local Street	Fire Capital Acquisition
REVENUES			
Intergovernmental			
State	$ 173,883	$ 72,402	$ -
Local	-	-	-
Charges for services	-	-	7,535
Licenses and permits	-	-	-
Interest and rents	-	-	-
Other	-	-	10,000
TOTAL REVENUES	173,883	72,402	17,535
EXPENDITURES			
Current			
General government	-	-	-
Public safety	-	-	-
Public works	46,935	56,855	-
Health and welfare	-	-	-
Recreation and cultural	-	-	-
Other	-	-	5,428
Debt service			
Principal	-	-	9,078
Interest and fiscal agent fees	-	-	449
TOTAL EXPENDITURES	46,935	56,855	14,955
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	126,948	15,547	2,580
OTHER FINANCING SOURCES (USES)			
Operating transfers in	-	10,000	-
Operating transfers out	(30,000)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(30,000)	10,000	-0-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	96,948	25,547	2,580
Fund balances (deficits), beginning of year	95,197	52,077	36,899
Prior period adjustment	-	-	4,486
Fund balances, end of year	$ 192,145	$ 77,624	$ 43,965

Revenue					
Parks Improvement Fund	Cemetery Fund	Asset Seizures	Municipal Building	Stu Coutts Recreation Fund	Forest Fund
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
-	14,567	-	-	-	-
-	-	-	-	-	-
134	-	-	-	1,800	-
-	2,700	-	-	-	-
134	17,267	-0-	-0-	1,800	-0-
-	-	346	57,649	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	38,863	-	-	-	-
7,218	-	-	-	4,619	2,885
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
7,218	38,863	346	57,649	4,619	2,885
(7,084)	(21,596)	(346)	(57,649)	(2,819)	(2,885)
-	27,500	-	50,000	-	-
-	-	-	-	-	-
-0-	27,500	-0-	50,000	-0-	-0-
(7,084)	5,904	(346)	(7,649)	(2,819)	(2,885)
38,254	(2,177)	346	8,790	30,289	5,000
-	-	-	-	-	-
$ 31,170	$ 3,727	$ -0-	$ 1,141	$ 27,470	$ 2,115

City of Corunna

Nonmajor Governmental Funds

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

Year Ended June 30, 2005

	Special		
	Heritage Park Memorial	Library Building	Library Technology
REVENUES			
Intergovernmental			
State	$ -	$ -	$ -
Local	-	-	-
Charges for services	-	-	-
Licenses and permits	-	-	-
Interest and rents	-	-	-
Other	16,930	100	-
TOTAL REVENUES	16,930	100	-0-
EXPENDITURES			
Current			
General government	-	-	-
Public safety	-	-	-
Public works	-	-	-
Health and welfare	-	-	-
Recreation and cultural	10,001	-	5,685
Other	-	-	-
Debt service			
Principal	-	-	-
Interest and fiscal agent fees	-	-	-
TOTAL EXPENDITURES	10,001	-0-	5,685
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	6,929	100	(5,685)
OTHER FINANCING SOURCES (USES)			
Operating transfers in	-	69	-
Operating transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-0-	69	-0-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	6,929	169	(5,685)
Fund balances (deficits), beginning of year	4,213	(169)	5,685
Prior period adjustment	-	-	-
Fund balances, end of year	$ 11,142	$ -0-	$ -0-

Revenue					
Fourth of July Commission	Softball Commission	Historical Commission	Shiawassee County Library	Building Department	H.U.D. Grant
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
-	37,984	-	3,747	-	-
-	-	-	-	19,635	-
19	-	5,191	-	-	-
26,251	50	9,155	-	300	-
26,270	38,034	14,346	3,747	19,935	-0-
-	-	-	-	-	-
-	-	-	-	18,449	-
-	-	-	-	-	-
-	-	-	-	-	-
21,212	48,651	12,651	549	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
21,212	48,651	12,651	549	18,449	-0-
5,058	(10,617)	1,695	3,198	1,486	-0-
-	-	-	-	-	-
-	-	-	-	-	-
-0-	-0-	-0-	-0-	-0-	-0-
5,058	(10,617)	1,695	3,198	1,486	-0-
13,781	27,720	7,037	(3,198)	-	4,770
-	-	-	-	-	(4,770)
$ 18,839	$ 17,103	$ 8,732	$ -0-	$ 1,486	$ -0-

City of Corunna

Nonmajor Governmental Funds

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

Year Ended June 30, 2005

	Special Revenue	Debt	
	Library	1996 G.O. Limited Tax Bonds	1998 MTF Bonds Payable
REVENUES			
Intergovernmental -			
State	$ 150	$ -	$ -
Local	-	-	-
Charges for services	99	-	-
Licenses and permits	-	-	-
Interest and rents	-	19	-
Other	-	-	-
TOTAL REVENUES	249	19	-0-
EXPENDITURES			
Current			
General government	-	-	-
Public safety	-	-	-
Public works	-	-	-
Health and welfare	-	-	-
Recreation and cultural	35,204	-	-
Other	-	-	-
Debt service			
Principal	-	100,000	15,000
Interest and fiscal agent fees	-	14,265	7,485
TOTAL EXPENDITURES	35,204	114,265	22,485
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(34,955)	(114,246)	(22,485)
OTHER FINANCING SOURCES (USES)			
Operating transfers in	13,000	114,265	22,485
Operating transfers out	(69)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	12,931	114,265	22,485
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(22,024)	19	-0-
Fund balances (deficits), beginning of year	27,353	637	1
Prior period adjustment	-	-	-
Fund balances, end of year	$ 5,329	$ 656	$ 1

Service			Capital Projects	
2000 G.O. Limited Tax Bonds	2001 G.O. Limited Tax Bonds	Building Authority	Streetscape Construction Fund	Bridge Construction Fund
$ -	$ -	$ -	$ -	$ -
-	-	-	273	-
-	-	-	-	-
-	-	-	-	-
-	-	7	6	-
-	-	-	-	-
-0-	-0-	7	279	-0-
-	-	-	-	-
-	-	-	-	-
-	-	-	8,305	33,468
-	-	-	-	-
-	-	-	-	-
-	-	141	-	-
45,000	30,000	-	-	-
38,956	18,065	-	-	-
83,956	48,065	141	8,305	33,468
(83,956)	(48,065)	(134)	(8,026)	(33,468)
83,956	48,090	-	-	10,000
-	-	-	-	-
83,956	48,090	-0-	-0-	10,000
-	25	(134)	(8,026)	(23,468)
478	4,029	7,857	18,111	54,340
-	-	-	-	-
$ 478	$ 4,054	$ 7,723	$ 10,085	$ 30,872

City of Corunna

Nonmajor Governmental Funds

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

Year Ended June 30, 2005

	Capital Projects		Permanent
	North Shiawassee Construction Fund	King/ Kingsley/ McArthur Construction	Cemetery Perpetual Care
REVENUES			
Intergovernmental -			
State	$ -	$ -	$ -
Local	-	-	-
Charges for services	-	-	5,442
Licenses and permits	-	-	-
Interest and rents	-	-	845
Other	2,219	-	-
TOTAL REVENUES	2,219	-0-	6,287
EXPENDITURES			
Current			
General government	-	-	-
Public safety	-	-	-
Public works	-	76,025	-
Health and welfare	-	-	52
Recreation and cultural	-	-	-
Other	-	-	-
Debt service			
Principal	-	-	-
Interest and fiscal agent fees	-	-	-
TOTAL EXPENDITURES	-0-	76,025	52
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,219	(76,025)	6,235
OTHER FINANCING SOURCES (USES)			
Operating transfers in	-	10,000	-
Operating transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	10,000	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	2,219	(66,025)	6,235
Fund balances (deficits), beginning of year	4,440	68,952	78,077
Prior period adjustment	-	-	-
Fund balances, end of year	$ 6,659	$ 2,927	$ 84,312

Total Nonmajor Governmental Funds
$ 246,435
273
69,374
19,635
8,021
67,705
411,443
57,995
18,449
221,588
38,915
148,675
5,569
199,078
79,220
769,489
(358,046)
389,365
(30,069)
359,296
1,250
588,789
(284)
$ 589,755

City of Corunna

Agency Funds

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

June 30, 2005

	Tax Collections	Fire Capital Acquisition	Payroll	Total
ASSETS				
Cash and cash equivalents	$ 11,145	$ 43,965	$ 10,413	$ 65,523
LIABILITIES				
Due to individuals and agencies	$ 11,145	$ 43,965	$ 10,413	$ 65,523

City of Corunna

Sewer System

COMPARATIVE STATEMENT OF NET ASSETS

June 30, 2005 and 2004

	2005	2004
ASSETS		
Current assets		
Cash and cash equivalents	$ 826,593	$ 82,214
Accounts receivable	206,479	199,086
Accrued interest receivable	-	970
Due from other funds	15,505	15,505
Total current assets	1,048,577	297,775
Noncurrent assets		
Cash and cash equivalents - restricted	6,592	6,558
Investments	29,200	27,500
Treatment rights, net	67,143	87,105
Capital assets not being depreciated	24,166	-
Capital assets being depreciated, net	2,520,372	2,623,205
Total noncurrent assets	2,647,473	2,744,368
TOTAL ASSETS	$ 3,696,050	$ 3,042,143
LIABILITIES		
Current liabilities		
Accounts payable	$ 13,990	$ 12,918
Accrued liabilities	67	25
Due to other funds	-	4,769
Accrued interest payable	12,012	8,709
Current portion of long-term debt	118,400	58,860
Total current liabilities	144,469	85,281
Noncurrent liabilities		
Contract payable	20,240	38,640
Revenue bonds payable	1,200,000	615,000
Total noncurrent liabilities	1,220,240	653,640
TOTAL LIABILITIES	1,364,709	738,921
NET ASSETS		
Invested in capital assets, net of related debt	1,905,373	1,910,705
Restricted for		
Debt service	86,469	86,469
City improvements	660,835	-
Other puposes	376,195	227,480
Unrestricted	(697,531)	78,568
TOTAL NET ASSETS	$ 2,331,341	$ 2,303,222

City of Corunna

Sewer System

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

Years Ended June 30, 2005 and 2004

	2005	2004
OPERATING REVENUES		
Charges for services	$ 445,204	$ 446,145
Capital charges	172,879	121,071
Other	2,473	-
TOTAL OPERATING REVENUES	620,556	567,216
OPERATING EXPENSES		
Personnel services	56,967	58,060
Fringe benefits	23,815	26,533
Other operating costs	365,053	239,595
Depreciation and amortization	122,794	120,464
TOTAL OPERATING EXPENSES	568,629	444,652
OPERATING INCOME	51,927	122,564
NONOPERATING REVENUES (EXPENSES)		
Interest revenue	1,700	1,312
Rent revenue	5,993	7,579
Interest expense and fees	(36,271)	(34,281)
TOTAL NONOPERATING (EXPENSES)	(28,578)	(25,390)
CHANGE IN NET ASSETS	23,349	97,174
Net assets, beginning of year	2,303,222	2,206,048
Prior period adjustment	4,770	-
Net assets, end of year	$ 2,331,341	$ 2,303,222

City of Corunna

Sewer System

COMPARATIVE STATEMENT OF CASH FLOWS

Years Ended June 30, 2005 and 2004

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	$ 51,927	$ 122,564
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	122,794	120,464
(Increase) in receivables	(7,393)	(11,301)
Increase in accounts payable	1,072	5,543
Increase (decrease) in accrued liabilities	42	(294)
Increase (decrease) in accrued interest payable	3,303	(466)
NET CASH PROVIDED BY OPERATING ACTIVITIES	171,745	236,510
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Rent earned	5,993	7,579
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Interest expense	(36,271)	(34,281)
Note proceeds	685,000	-
Capital purchases	(24,165)	(186,522)
Payment of borrowing	(58,860)	(52,020)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	565,704	(272,823)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest revenue	1,700	1,312
Purchase of investments	(730)	(27,500)
Maturity of investments	-	77,500
NET CASH PROVIDED BY INVESTING ACTIVITIES	970	51,312
NET INCREASE IN CASH AND CASH EQUIVALENTS DURING YEAR	744,412	22,578
Restated cash and cash equivalents, beginning of year	88,773	66,194
Cash and cash equivalents, end of year	$ 833,185	$ 88,772

City of Corunna

Component Unit Funds

BALANCE SHEET - DOWNTOWN DEVELOPMENT AUTHORITY

June 30, 2005

	Special Revenue
ASSETS	
Cash and cash equivalents	$ 125,103
Cash and cash equivalents - restricted	4,670
Rental receivable	24,086
TOTAL ASSETS	$ 153,859
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Due to other governmental units	$ 8,766
Rental deposits	4,670
TOTAL LIABILITIES	13,436
FUND BALANCE	
Unreserved	
Undesignated	140,423
	$ 153,859

City of Corunna

Component Unit Funds

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

June 30, 2005

Total fund balance - governmental funds		$ 140,423
Amounts reported for the governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.		
The cost of capital assets is	$ 849,788	
Accumulated depreciation is	(276,248)	
Capital assets, net		573,540
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
Loan and note payable		(300,631)
Net assets of governmental activities		$ 413,332

City of Corunna

Component Unit Funds

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

Year Ended June 30, 2005

	Special Revenue
REVENUES	
Taxes	$ 60,488
Interest and rents	69,721
TOTAL REVENUES	130,209
EXPENDITURES	
Community and economic development	
Taxes	17,401
Contracted services	21,738
Insurance	2,932
Supplies	593
Repairs and maintenance	5,819
Utilities	6,025
Miscellaneous	6,675
Debt service	
Principal	46,651
Interest and fiscal charges	11,734
Capital outlay	95,000
TOTAL EXPENDITURES	214,568
EXCESS OF REVENUES (UNDER) EXPENDITURES	(84,359)
OTHER FINANCING SOURCES	
Note proceeds	95,000
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	10,641
Fund balance, beginning of year	129,782
Fund balance, end of year	$ 140,423

City of Corunna

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES - DOWNTOWN DEVELOPMENT AUTHORITY

Year Ended June 30, 2005

Net change in fund balances - total governmental funds		$ 10,641
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlay	$ 95,000	
Depreciation expense	(21,862)	
Excess of capital outlay over depreciation expense		73,138
Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:		
Bond principal retirements	46,651	
Note proceeds	(95,000)	
		(48,349)
Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:		
Decrease in accrued interest payable		58
Change in net assets of governmental activities		$ 35,488

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Steven R. Kirinovic, CPA
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the basic financial statements of City of Corunna as of and for the year ended June 30, 2005, and have issued our report thereon dated September 1, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Corunna's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving internal control over financial reporting that we have reported to management of the City of Corunna in a separate letter dated September 1, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Corunna's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

September 1, 2005

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MANAGEMENT LETTER

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

As you know, we have recently completed our audit of the records of the City of Corunna, Michigan as of and for the year ended June 30, 2005. In connection with the audit, we feel that certain changes in your accounting and administrative procedures would be helpful in improving management's control and the operational efficiency of the accounting and administrative functions. These suggestions are a result of our evaluation of the internal control structure and our discussions with management.

1. The City should monitor and amend budgets for applicable funds as necessary.

   During the course of our audit, we noted instances where expenditures had been incurred in excess of amounts appropriated. These were noted in the General and Special Revenue Funds. We also noted that the City had not adopted budgets for the Asset Seizures, Library Technology, and Shiawassee County Library Special Revenue funds.

   Michigan Public Act 621 of 1978, as amended, provides that the Board shall adopt formal budgets for the General and all Special Revenue funds and shall not incur expenditures in excess of the amounts appropriated. The budget must include all anticipated expenditures and the related revenue and fund equity to fund these expenditures.

   We suggest that the City adopt and amend its budgets through Council resolution and monitor budgeted against actual expenditures.

2. The City should ensure all Fire Department bank accounts are under the custody of the City Treasurer.

   During our audit, it was noted that the Fire Department holds a bank account that is not in the custody of the City Treasurer and is not recorded in the City's financial statements. The expenditures from this account also are not approved by the Fire Board or City Council. Maintaining custody over all assets of the City is a key function of the City Treasurer and has the additional benefit of allowing oversight of the appropriate elected officials. The amount held in this account is not deemed material to the financial statements but this is a control issue.

   We suggest the City take the necessary steps to place the account under the custody of the City Treasurer and the supervision of the Fire Board and/or City Council. In addition, the City Council and/or Fire Board should set policies to define appropriate expenditures from this account.

3. The City Council should amend the City's investment policy to address the disclosure requirements of GASB Statement No. 40.

   For the fiscal year ended June 30, 2005 the Governmental Accounting Standards Board (GASB) issued a new policy that became effective related to investment risk (GASB 40). During the course of our audit and through discussions with management, it was noted that the City's investment policy did not address some of the new requirements of GASB Statement No. 40. Deposit and investment resources often represent significant assets of the City's funds. These resources are necessary for the delivery of the City's services and programs, or to carry out its fiduciary responsibilities. Effective for the year ended June 30, 2005, GASB Statement No. 40 is designed to inform financial statement users about deposit and investment risks that could affect the City's ability to provide services and meet its obligations as they become due.

   We suggest the City Council review their current investment policy and make the necessary amendments to address custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. Such policies are required to be disclosed in the notes to the City's financial statements by GASB Statement No. 40.

4. The City should encourage the Corunna Area Ambulance Service to make its records available for audit.

   During the course of our audit, we noted that independent accountants have not audited the Corunna Area Ambulance Service since the year ended May 31, 2003. This is a concern because the financial condition of the Ambulance Service has caused them to seek advances of tax dollars from the City in years past. These advances have been repaid as of June 30, 2005, but because no audit has been done the City cannot assess the financial condition of the Ambulance Service. Should the future of the Ambulance Service be in doubt, the City may be forced to take over this essential service for its residents. Similar issues have been noted and reported in our audit comments for prior years.

   We suggest the City and the other municipalities involved require the Corunna Area Ambulance Service to have an annual audit.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the financial statements, and this report does not affect our report on the financial statements dated September 1, 2005.

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

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

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

September 1, 2005