

**COMPREHENSIVE
ANNUAL FINANCIAL REPORT
CITY OF ADRIAN, MICHIGAN
DEPARTMENT OF FINANCE**

For the Fiscal Year Ended June 30, 2013

**Prepared by the Finance Department
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CITY OF ADRIAN, MICHIGAN
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COMPREHENSIVE ANNUAL FINANCIAL STATEMENT

**Transmittal Letter
November 15, 2013**

To the Citizens of the CITY OF ADRIAN, MICHIGAN,
Honorable Mayor and Members of the City Commission:

Formal Transmittal of the Comprehensive Annual Financial Report (CAFR)

Michigan State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report (CAFR) of the CITY OF ADRIAN for the fiscal year ended June 30, 2013.

In June 1999, the Governmental Accounting Standards Board (GASB) adopted Statement Number 34, *Basic Financial Statements – and Management’s Discussion and Analysis – For State and Local Governments*. This accounting pronouncement has had a substantial impact on both the format and content of the information included in this report, the fourth Comprehensive Annual Financial Report (CAFR) prepared under the requirements of the new reporting model. Tom Allen, GASB Chairman stated, “This is the most significant change to occur in the history of governmental financial reporting.”

The financial reporting model requires general-purpose governments to present the following basic financial statements and Required Supplementary Information (RSI) in order for the financial statements to be in conformance with generally accepted accounting principles (GAAP):

- Management’s Discussion and Analysis (MD&A)
- Government-wide Financial Statements
- Fund Financial Statements
- Notes to the Financial Statements

- Required Supplementary Information (RSI)
- In addition, the State of Michigan requires that individual fund columns be presented for all funds and component units.

The financial statement includes a discussion of the City's financial condition and outlook. The *Management Discussion and Analysis* (MD&A) precedes the full-accrual "*Government-wide Financial Statements*" that are intended to show whether today's taxpayers have paid the full cost of the services received. These full-accrual statements are followed by a revised version of the financial statements previously reported, "*Fund Financial Statements*", which report governmental activities on the "modified accrual" basis of accounting, followed by *Footnote Disclosures* and *Required Supplementary Information* (RSI).

The financial statements include several tiers of information. The MD&A, a narrative discussion preceding the government-wide financial statements, will provide:

- The City's financial performance for the year
- A comparison of the current year to the prior year
- A discussion of whether the City's financial position has improved or deteriorated during the year
- Significant changes in individual funds
- Significant budget variances
- A brief explanation of capital asset and long term debt activity
- Any likely future significant changes in financial position or operating results.

The second tier of information includes the two full-accrual "*government-wide*" financial statements prepared using the economic resources measurement focus; the **Statement of Net Assets** and the **Statement of Activities**. These government-wide financial statements now include all capital assets; including infrastructure, as well as the cost of asset purchases over the years they are in service (i.e., depreciation). These statements also include all long-term liabilities, including employee compensated absences. Compensated absences are recognized as expenses in the year that the employees' services are rendered, since this is when the employees earn them. For example, governments are now required to charge the cost of employee benefits, including sick and vacation pay, over the years that employees are rendering services (rather than decades later, when those benefits are typically paid).

The financial statements in the third tier are referred to as the "*Fund*" financial statements. The traditional modified accrual reporting of individual governmental funds has been retained. The GASB believes that this is the preferable method to show budgetary accountability. Significant individual funds (referred to as "Major" funds) are presented separately on the statements preceding the footnotes. The fund-based statements are separated into three sections:

- Governmental Funds

- Proprietary Funds, including Enterprise Funds (e.g., water and waste water funds), and Internal Service Funds (e.g., Information Technology and Motor Vehicle Pool Funds), and
- Fiduciary Funds (e.g., Endowment Trust Fund).

The government-wide and fund financial statements continue to require various note disclosures to supplement the basic financial statements.

Required Supplementary Information (RSI), presented after the notes to the financial statements, include budgetary comparison schedules for the debt service and non-major special revenue funds (e.g., Municipal Streets). Budget to actual comparisons include the original budget, as well as the final amended budget.

The Comprehensive Annual Financial Report (CAFR) consists of management's representations concerning the finances of the City of Adrian. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Adrian has established a comprehensive internal control framework that is designed to both protect the government's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the City of Adrian's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Adrian's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Adrian's financial statements have been audited by Robertson, Eaton & Owen, P.C., an Adrian firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City of Adrian for the fiscal year ended June 30, 2013, are free from material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Adrian's financial statements for the fiscal year ended June 30, 2013, are fairly presented, as the first component of the financial section of this report.

GAAP require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This Letter of Transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Adrian's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City of Adrian, founded in 1825, incorporated in 1853 and re-chartered in 1957, is the county seat of Lenawee County, one of the richest agricultural counties in Michigan. The population of the City of Adrian in 2010 was 21,133. Adrian is located 33 miles northwest of Toledo, Ohio, 37 miles south of Ann Arbor and 59 miles southwest of Detroit, and is served by Michigan highways US-223, M52 and M34. The City of Adrian is empowered to levy a property tax on both real and personal properties located within its boundaries. The City is also empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the City Commission, in accordance with the rules and regulations of the State Boundary Commission. In recent years the City boundaries have expanded through annexation by 1.2 square miles, from 6.9 square miles to 8.1 square miles.

The City of Adrian has operated under the commission-administrator form of government since 1957. Policy-making and legislative authority are vested in a governing commission consisting of the mayor and six other members elected at-large on a non-partisan basis. The City Commission is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the government's Administrator, Attorney, and City Clerk. The City Administrator is responsible for carrying out the policies and ordinances of the City Commission, for overseeing the day-to-day operations of the government, and for appointing the heads of the various departments. Commission members serve four-year staggered terms, with three Commission members elected every two years. The mayor is elected to serve a two-year term.

The City of Adrian provides a full range of services, including police and fire protection, sanitation services, construction and maintenance of highways, streets and other infrastructure, Dial-A-Ride transportation, as well as recreational activities and cultural events. In addition to general government activities, the City Commission is financially responsible for the activities of the water and sewer systems. Also included in the City's financial report are the Downtown Development Authority (DDA-TIF), the Local Development Finance Authority (LDFA) and Brownfield Redevelopment Authority (BRA), as discreetly presented component units.

FACTORS AFFECTING FINANCIAL AND ECONOMIC CONDITION

Consistent with the City policy regarding Authorized vs. Unauthorized Expenditures, adopted by the City Commission September 1, 2003, the Annual Operating Budget and General Appropriations Act serves as the foundation for the City of Adrian's financial planning and control. All departments of the City government are required to submit requests for appropriation to the City's Chief Fiscal Officer on or before the last Tuesday in February each year. The City

Administrator uses these requests as the starting point for developing a proposed budget for the ensuing fiscal year; the City's fiscal year begins July 1 and ends June 30. The Recommended Budget is presented to the City Commission for consideration at the first Commission Meeting in April. The Commission is required to hold a public hearing on the proposed budget and to adopt a final budget by no later than the second week in May. The appropriated budget is prepared by fund (e.g., General Fund), department (e.g., Public Works) and activity (e.g., Contract Services).

Transfers of appropriations within and between departments require the special approval of the City Commission in the form of a budget amendment. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the General Fund, Major and Local Street Funds and Fee Estate, these comparisons are provided on Pages 42-47 as part of the basic financial statements for the governmental funds.

In addition, the City Commission and City Administration meet in December of each year to engage in long-term financial planning by preparing and adopting a six-year Capital Improvement Program and Annual Capital Budget, which is incorporated into the Annual Operating Budget and General Appropriations Act. The long-term Capital Improvement Program is predicated on a Strategic Plan developed by the same group of elected and appointed officials on a biennial basis.

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific economic and demographic environment within which the City of Adrian operates.

ECONOMIC OUTLOOK

Global and National Economy – It has been three years since the beginning of the most intense phase of the financial crisis in the late summer and fall of 2008, and more than two years since the economic recovery began in June 2009. There have been some positive developments: The functioning of financial markets and the banking system in the United States has improved significantly. Manufacturing production in the United States has risen nearly 15 percent since its trough, driven substantially by growth in exports. Business investment in equipment and software has continued to expand, and productivity gains in some industries have been impressive. Nevertheless, it is clear that, overall, the recovery from the crisis has been much less robust than hoped. Recent revisions of government economic data show the recession as having been even deeper, and the recovery weaker, than previously estimated. Slow economic growth has in turn led to slow rates of increase in jobs and household incomes.

However, the incoming data suggest that other, more persistent factors also continue to restrain the pace of recovery. Consumer behavior has both reflected

and contributed to the slow pace of recovery. Households have been very cautious in their spending decisions, as declines in house prices and in the values of financial assets have reduced household wealth, and many families continue to struggle with high debt burdens or reduced access to credit. Probably the most significant factor depressing consumer confidence, however, has been the poor performance of the job market. Meanwhile, state and local governments have continued to shed jobs, as they have been doing for more than three years. With these weak gains in employment, the unemployment rate has held close to 7.5 to 8.0 percent since early this year.

Other sectors of the economy are also contributing to the slower-than-expected rate of expansion. The housing sector has been a significant driver of recovery from most recessions in the United States since World War II. This time, however, a number of factors--including the overhang of distressed and foreclosed properties, tight credit conditions for builders and potential homebuyers, and the large number of "underwater" mortgages (on which homeowners owe more than their homes are worth)--have left the rate of new home construction at only about one-third of its average level in recent decades.

In the financial sphere, banking and financial conditions in the United States have improved significantly since the depths of the crisis. Nonetheless, financial stresses persist. Credit remains tight for many households, small businesses, and residential and commercial builders, in part because weaker balance sheets and income prospects have increased the perceived credit risk of many potential borrowers. Outside the United States, concerns about sovereign debt in Greece and other euro-zone countries, as well as about the sovereign debt exposures of the European banking system, have been a significant source of stress in global financial markets. European leaders are strongly committed to addressing these issues, but the need to obtain agreement among a large number of countries to put in place necessary backstops and to address the sources of the fiscal problems has slowed the process of finding solutions. It is difficult to judge how much these financial strains have affected U.S. economic activity thus far, but there seems little doubt that they have hurt household and business confidence, and that they pose ongoing risks to growth.

Prices of many commodities, notably oil, increased sharply earlier this year, leading to higher retail gasoline and food prices. In addition, producers of other goods and services were able to pass through some of their higher input costs to their customers.

The prices of oil and many other commodities have either leveled off or have come down from their highs, and the step-up in automobile production has started to reduce pressures on the prices of cars and light trucks. Importantly, the higher rate of inflation experienced so far this year does not appear to have become ingrained in the economy. In addition to the stability of longer-term inflation expectations, the substantial amount of resource slack in U.S. labor and product markets should continue to restrain inflationary pressures.

Regional and State Economy - Municipalities throughout the State of Michigan have experienced significant fiscal pressure over the past few years.

Similar challenges will persist over the near to medium term as the state continues to contend with stagnant economic conditions related primarily to the significant contraction of manufacturing employment. The economic climate is also expected to continue to strain the fiscal health of many municipalities. Property tax revenues have continued to trend downwards in an environment of ongoing tax base depreciation.

Public Act 4 of 2011 authorized an expanded ability to take control of financially stressed local governments, with state-appointed emergency managers having greater authority to enact operational changes. This movement is seen as a credit positive as the state can now intervene in a timelier manner and implement organizational and financial adjustments that could improve the fiscal health of troubled municipalities. In March, 2011, Michigan's Governor signed into law the Local Government and School District Fiscal Accountability Act, which allowed for earlier state intervention in financially stressed municipalities and greatly increases the authority of appointed emergency managers. This change in legislation is credit positive for financially distressed local governments in Michigan, as it provides them with broad technical assistance sooner, and permits sweeping organizational and financial changes that, in some instances, may be necessary to avoid a Chapter 9 bankruptcy.

Michigan's legislation includes an expanded and modified list of events that would trigger the state's financial review of a municipality under stress, thereby allowing officials to intervene sooner so that extreme budget cuts and potential payment delays could be avoided. These triggering events include requests for financial review by the governing body, voters, or creditors with significant unpaid claims; the existence of unpaid pension contributions or compensation to employees; failure to file timely financial reports; and ending a fiscal year with a deficit. Notably, the new law also calls for a financial review by the state if a municipality defaults on any bond or note payment, violates a bond or note covenant, or receives a long-term debt rating in the Baa rating category or below. If the state's financial review of a municipality leads the governor to appoint an emergency manager, the legislation will provide that manager with significantly more authority than in the past. For example, the emergency manager would have the ability to modify or terminate current employee contracts, and suspend collective bargaining for up to five years. This could have a significant impact on the budget of a distressed municipality since the majority of expenditures are typically driven by employee compensation.

An emergency manager would have the power to develop and implement financial and operating plans, order millage elections, suspend the authority and compensation of city managers and local elected officials, and in some cases, sell, lease, or transfer the assets, liabilities, functions, or responsibilities of the municipality.

Changes to State Revenue Sharing May Challenge Some Cities, Villages and Townships

The State of Michigan's fiscal 2012 budget made significant changes to revenue sharing payments provided to local governments. The previous statutory revenue sharing program for cities, villages, and townships (CVTs) has been replaced with the Economic Vitality Program (EVIP). The maximum amount available to local governments under the new program is 67.8% of their 2009-10 statutory payments. Qualifying local governments now receive one-third of the maximum for each of the following three criteria that are fulfilled: (1) provide a citizens' guide and performance dashboard to the public, (2) develop proposals to increase cooperation, collaboration, and consolidation, and (3) certify that they intend to implement certain employee compensation criteria.

Revenue sharing payments to Adrian are made through a constitutional formula based on population and decreased by 8.6% in fiscal 2013. The statutory portion was discontinued and replaced by the EVIP Program.

The County's jobless rate declined 0.9% in August 2012 to August 2013, from 8.2% to 7.3%. August jobless rates were down seasonally, mainly due to the initial withdrawal of youth and other seasonal workers from the summer workforce. Also in August, summer agricultural jobs rose in some counties and represented a boost. Unemployment rates for the twelve regional counties in this area (St. Joseph, Lenawee, Hillsdale, Cass, Branch, Barry, Allegan, Berrien, Van Buren, Kalamazoo, Jackson and Calhoun) dropped seasonally by an average of -1.3 percentage points. The City of Adrian is fortunate to have three institutions of higher education within our boundaries, Siena Heights University, Adrian College and Jackson Community College, and one large medical facility, all contributing to a stable workforce during troubled times.

Governor Snyder's term of office has been a productive one in terms of restructuring state and local government finances and positioning the state to take advantage of the next economic upturn. One of his primary initiatives was to address the long-standing issue of tax reform. The nonpartisan Citizens Research Council gives the Governor and Legislature credit for ending the state's reliance on one-time fixes to balance the budget, tackling a structural imbalance between revenue and spending that had been ignored for years, as well as putting aside money for the state's rainy day fund and retiree health care costs.

A summary of the broad tax reform changes passed into law follows:

- Replaced the Michigan Business Tax with a 6 percent income tax on large corporations with stockholders. About two-thirds of companies will no longer have to pay business taxes.
- Delayed the rollback of the individual income tax rate until January 1, 2013, when it will drop from 4.35 percent to 4.25

percent; the tax will then remain at 4.25 percent rather than being decreased in future years as had previously been scheduled.

- Eliminated the state income tax exemption for some pensions, but Social Security benefits and military pensions will continue to be exempt. Those 67 and older as of January 1, 2012, will continue to get the same tax breaks they have now, but taxes will apply to some retirement income for those ages 60 to 66, and younger workers will have to pay taxes on most of their retirement income.
- Raised taxes on many individual taxpayers by restricting the homestead tax credit to those making \$50,000 or less and by getting rid of deductions for donations to food banks, homeless shelters and public universities. Also gone are tax credits for adoption, stillbirths and farmland preservation, a \$600 per-child exemption parents received in addition to the usual deduction for dependents and special \$2,300 deductions for those 65 and older and for jobless workers receiving unemployment benefits.
- The state's Earned Income Tax Credit for low-income workers has been scaled down. The state credit, previously worth 20 percent of the Federal credit, has been reduced to 6 percent of the Federal credit.

Long Term Financial Planning – Consistent with the City of Adrian's Capital Planning and Financing Policies, resolution #06-184 adopted by the City Commission on December 4, 2006, included with the Comprehensive Annual Financial Report is the City's Strategic Action Plan. A financial planning process that is well-integrated with other activities of government, such as land use and physical development planning and management functions, provides better financial and program decisions and leads to improved governmental operations.

Long-range financial planning, of course, is affected by the City's revenue stream. The negative effects of "Proposal A" of 1994 are finally coming home to roost, particularly for older, low-growth rate communities like Adrian.

The full impacts of this proposal on local government service levels were delayed by the unusually long robust economy experienced through the mid- and late 1990s. It should be noted that, due to the calculation that permanently lowers the Base Tax Rate, the ability to recover from the adverse impact of Headlee rollbacks will take many years.

City of Adrian Fund Balance – General Fund

The schedule below presents a summary of changes in General Fund – Fund Balance between FY2011-12 and FY2012-13:

**CITY OF ADRIAN
FY2012-13 YEAR-END REPORT (Audited)**

**GENERAL FUND
Unreserved Fund Balance**

Fund Balance as of June 30, 2012		\$	3,372,936
Less Reserves for:			
Inventories and Prepayments	\$ 172,265		
Encumbrances	\$ 74,742		
Total Reserved Fund Balance as of June 30, 2011		\$	247,007
 Unreserved Fund Balance as of June 30, 2012		 \$	 3,125,929
 FY2012-13 Revenue and Other Sources	 \$ 10,243,699		
FY2012-13 Expenditures and Other Uses	\$ 10,310,811		
Revenue Over/(Under) Expenditures		\$	(67,112)
 FY2012-13 Reserve for Inventories and Prepayments	 \$ 172,145	\$	120
FY2012-13 Reserve for Encumbrances and Carry Forwards	\$ 105,198	\$	(30,456)
Total Reserved Fund Balance as of June 30, 2012		\$	(30,336)
 Unreserved Fund Balance as of June 30, 2012		 \$	 3,028,481
 Proposed Assignments of Unreserved Fund Balance (Acct. 393.000)			
Accumulated Sick & Vacation Liability	\$ 500,000		
Pending Michigan Tax Tribunal Claims	\$ 200,000		
Cemetery Building	\$ 75,000		
SCBA Tanks (Fire Dept.)	\$ 15,000		
Wellness Initiative	\$ 25,000		
Property Acquisitions, Demolitions & Options	\$ 150,000		
Local Grant Match	\$ 25,000		
Pension Liability Contribution	\$ 500,000		
Total Proposed Designations		\$	1,490,000
 FY2012-13 Unassigned Fund Balance		 \$	 1,538,481
 FY2012-13 Adopted General fund Operating Budget			\$9,645,451
Unassigned Fund Balance as a Percent of FY 2012-13 Adopted Budget			16.00%

Cash Management Policies and Practices – Cash temporarily idle during the

year was invested in money market accounts, certificates of deposit, obligations of the U.S. Treasury, pooled investments and managed portfolio trusts that adhere to the City's adopted investment policy and Public Act 20 of 1943, as amended, the Investment of Public Funds Act. The following exhibit compares investments on June 30, 2012 and June 30, 2013:

Investment Type	FY2011-12	FY2012-13
Money Market Accounts	\$24,193	\$288,687
Certificates of Deposit	548,830	619,517
U.S. Government Securities	3,860,966	3,679,797
Mutual Fund-Cash	149,861	117,544
Pooled Investments	641,818	661,497
Total	\$5,225,668	\$5,367,042

City of Adrian investment policy, Resolution #R10-106 adopted August 16, 2010, specifies that all public funds held by the City, including federal funds, shall be deposited and/or invested with agencies that are recognized and authorized by Michigan statutes for that purpose. All certificates of investments of funds entrusted to the City of Adrian shall remain in the custody of the Finance Department unless otherwise authorized by the City Commission. As of June 30, 2013 certificates of investments were in custody of the Finance Department.

Risk Management – The City is a member of the Michigan Municipal Liability and Property Pool for its general liability property coverage and a member of the Michigan Municipal Workers Compensation Fund for its workers' compensation coverage. Both pools are under the Michigan Municipal Program sponsored and administered by the Michigan Municipal League (MML).

The City pays annual premiums to the insurance pools. The pools are self-sustaining through member premiums, and each carries reinsurance through commercial companies for claims in excess of a minimum of \$1,000,000 for each specific occurrence, and to a minimum of \$2,000,000 in aggregate in excess of the pool loss reserve fund.

Pension and Other Post-employment Benefits- The City of Adrian has been a member of the Municipal Employees' Retirement System (MERS) of Michigan since 1945. The pension program is administered by the MERS Board under the provisions of the Municipal Employees' Retirement Act of 1984, as amended by Public Act 220 of 1996, embodied in the MERS Plan Document. The pension program is categorized as a Defined Benefit Program with eligibility earned at age 60 with 8 or more years of credited service (10 years or more for employees hired after July 1, 2012) with annual retirement benefits for General Non-represented employees based on 2.25 percent of Final Average Compensation (2.0 percent for employees hired after July 1, 2012) times years of credited service. For the

current reporting period, employee contributions for General employees' amount to 4.0 percent of salary, while employer contributions for all employees (\$1,080,138). Total Regular Employee Contributions for Fiscal Year 2012-13 amounted to \$290,663. As of December 31, 2012, the Pension Plan had Net Assets of \$41,118,990 with an Unfunded Actuarial Accrued Liability of \$13,692,380, resulting in a decrease in the Funded Ratio from 78% to 75%.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Adrian for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2012. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting. This was the twenty-fourth consecutive year that the City has received this prestigious award.

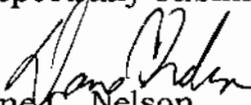
In order to attain the Award, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report with contents in conformance with program standards. Such Report must satisfy both generally accepted accounting principles (GAAP) and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA for review.

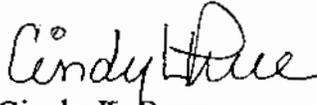
In addition, the City of Adrian has been recognized by the GFOA for publication of the Popular Annual Financial Report (PAFR) and Citizens Guide, which is intended to provide a more transparent understanding of the City's finances by its citizens. Both the CAFR and the PAFR can be accessed on the City's website: www.ci.adrian.mi.us.

The preparation of the Comprehensive Annual Financial Report on a timely basis was made possible by the dedicated service of the entire staff of the Finance Department. Each member of the department has our sincere appreciation for the contributions made in preparation of this report.

In closing, credit must also be given to the Mayor and the City Commission for their unflinching support for maintaining the highest standards of professionalism in the management of the City of Adrian's finances.

Respectfully submitted,


Dana C. Nelson
City Administrator


Cindy E. Prue
Finance Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

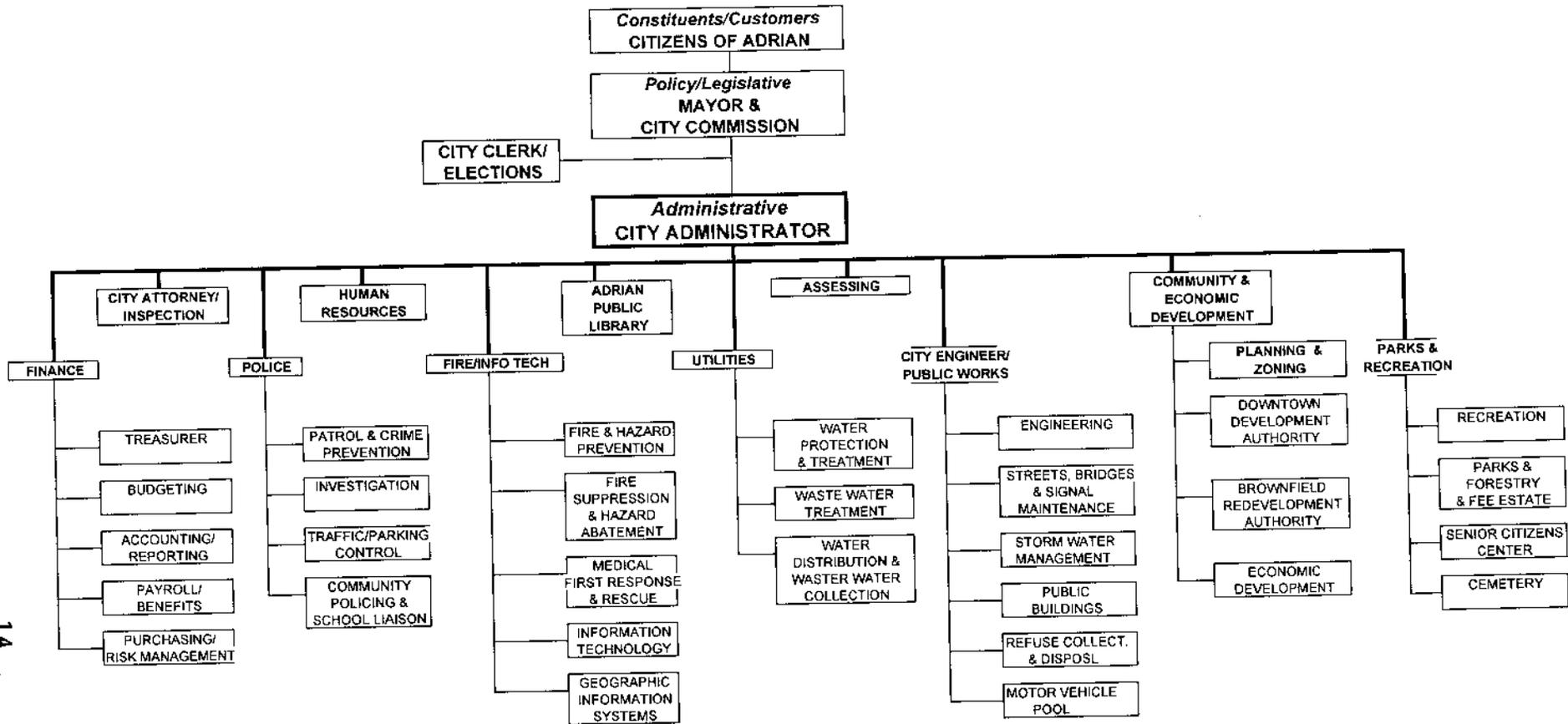
**City of Adrian
Michigan**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

CITY OF ADRIAN ORGANIZATION CHART



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CITY OF ADRIAN, MICHIGAN
LIST OF PRINCIPAL OFFICIALS

June 30, 2013

<u>NAME</u>	<u>TITLE</u>
Greg Dumars	Mayor
Julie Berryman-Adams	Commissioner
Cary Carrico	Commissioner
Thomas Faulhaber	Commissioner
Jerry Gallatin	Commissioner
Chuck Jacobson	Commissioner
Milo Warren	Commissioner
Dane C. Nelson	City Administrator
Cindy L Prue	Finance Director
Sarah Osburn	City Attorney
Kristen Wetzel	City Assessor
Vincent Emrick	Police Chief
Paul G. Trinka	Fire Chief/IT Director
Mark Gasche	Parks & Recreation Director
Carol Souchock	Library Director
Kristin Bauer	City Engineer/Public Works Director
Pat Baker	City Clerk
Shane Horn	Utilities Director
Heather Lasky	Human Resources Director
Marcia Bohannon	Transportation Coordinator

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October 4, 2013

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the City Commission
City of Adrian, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Adrian, Michigan, as of and for the year ended June 30, 2013, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the Honorable Mayor and
Members of the City Commission
City of Adrian, Michigan

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Adrian, Michigan, as of June 30, 2013, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension plan schedule on page 85 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Adrian, Michigan's basic financial statements. The introductory section, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated, October 4, 2013 on our consideration of the City of Adrian, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Adrian, Michigan's internal control over financial reporting and compliance.

Robertson, Eaton & Owen, P.C.

October 4, 2013

**INDEPENDENT AUDITOR'S 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 Commission
City of Adrian, Michigan

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Adrian, Michigan, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise City of Adrian, Michigan's basic financial statements and have issued our report thereon dated October 4, 2013.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the City of Adrian, Michigan's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Adrian, Michigan's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Adrian's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiency.

Page 2

October 4, 2013

To the Honorable Mayor and
Members of the City Commission
City of Adrian, Michigan

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the City of Adrian, Michigan's financial statements are free from 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 or other matters that are required to be reported under *Government Auditing Standards*.

City of Adrian's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Adrian, Michigan's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Robertson, Eaton & Owen, P.C.

CITY OF ADRIAN, MICHIGAN
SCHEDULE OF FINDINGS AND RESPONSES

JUNE 30, 2013

Finding considered a significant deficiency for the City of Adrian 2013-1

Criteria:

Effective for the year ended June 30, 2013, Statement on Auditing Standards No. 115 titles *Communicating Internal Control Related Matters Identified in an Audit* (issued May 2006), requires us to communicate in writing when a client requires assistance to prepare the footnotes required in the annual audit report in accordance with accounting principles generally accepted in the United States of America.

Condition

Currently, the City's Finance Department prepares the interim financial reports and assists the external auditor in the preparation of the annual audit report.

Cause

The Finance Department of the City does understand all information included in the annual financial statements; however, assistance of the external auditor was utilized in preparing the footnotes to the financial statements.

Effect

Utilization of the external auditor in preparing the footnotes to the financial statements assists management with the external financial reporting responsibility, to ensure their financial statements are accurate.

Recommendation

At this time, we recommend no changes to this situation and communicate this as required by professional standards. The current process meets the definition of a significant deficiency as defined in Statement on Auditing Standards No. 115.

Client Response

We are aware of this deficiency and believe it is not cost beneficial in our situation to develop this expertise. We will continue to use our external auditors for this technical assistance. We would expect this situation to be ongoing in future years.

CITY OF ADRIAN, MICHIGAN
COMPREHENSIVE ANNUAL FINANCIAL STATEMENT
Management's Discussion and Analysis
November 11, 2013

As management of the City of Adrian, we offer readers of the City of Adrian's financial statements this narrative overview and analysis of the financial activities of the City of Adrian for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1-33 of this report. All amounts, unless otherwise indicated, are presented in whole dollars.

Financial Highlights

- The Assets of the City of Adrian exceeded its liabilities at the close of the most recent fiscal year by \$74,454,097 (*net assets*). Of this amount, \$8,472,681 (*unrestricted net assets*) may be used to meet the City's ongoing obligations to citizens and creditors.

The City's total net assets increased by \$2,756,843, a \$573,740 increase in Governmental Activities, and a \$2,183,103 increase in Business-Type Activities. The value of Governmental Activities Assets increased by \$292,429, due primarily to an increase in cash position and outstanding liabilities decreased by \$358,507, due to a reduction in accrued interest payable and unearned income.

The primary reason for the overall increase in net assets in Business-Related Activities is the decrease in Noncurrent Liabilities due to the annual debt retirement related to outstanding low-interest revenue bonds issued through the State Department of Treasury Drinking Water and Sewer Revolving Loan Program.

- As of the close of the current fiscal year, the City of Adrian's governmental funds reported combined ending fund balances of \$8,315,899, an increase of \$364,115 in comparison with the prior year. Following is a summary of Net Change in Fund Balance for selected Funds:

General Fund	\$ (67,112)
Major Street Fund	432,858
Local Street Fund	385,111
All Other	<u>(385,742)</u>
Total	<u>\$ 364,115</u>

The decrease in General Fund is primarily due to an increase in Motor Vehicle Pool rates to cover actual expenses incurred in that fund.

The increase in both the Major and Local Street Fund is attributed to lower than anticipated construction costs, lower than anticipated maintenance needs, no pavement marking done and a milder than anticipated winter.

- At the end of the current fiscal year, total fund balance for the general fund was \$3,305,824 or thirty-three and two-tenths (33.2%) percent of budgeted general fund expenditures for FY2012-13 (a decrease of \$67,112). Of this amount, \$172,145 is considered Nonspendable and earmarked for inventories and pre-paid insurance. In addition, \$105,198 is Assigned for encumbrances and

- \$1,490,000 is designated by management for the following specific projects, leaving \$1,538,481 in Unassigned Fund Balance. The designations are detailed as follows:

1)	Accumulated Sick & Vacation Liability	\$ 500,000
2)	Pending Michigan Tax Tribunal Claims	200,000
3)	Cemetery Building	75,000
4)	SCBA Tanks (Fire Department)	15,000
5)	Wellness Initiative	25,000
6)	Property Acquisitions, Demolitions, Options	150,000
7)	Local Grant Match	25,000
8)	Pension Liability Contribution	<u>500,000</u>
	Total	<u>\$1,490,000</u>

- The City of Adrian's total Long-Term Liabilities decreased by \$1,793,957 or just under six (5.8%) percent during the current fiscal year to a total of \$29,006,493. General Obligation Debt decreased \$215,000, from \$6,630,000 to \$6,415,000. Principal payment of \$215,000 was made against outstanding bonds issued to finance the Downtown Government Complex. Funding for the FY2009-10 Capital Improvement Program, which addressed the need to replace the old City Hall and relocate the Police Department, was primarily derived from the Federal stimulus program through the issuance of Build America Bonds and Recovery Zone Economic Development Bonds that provided for a 35% and 45% rebate on annual interest payments, respectively. By taking advantage of provisions of the federal American Recovery and Reinvestment Act (ARRA) of 2009, the City of Adrian issued a series of bonds totaling \$7,040,000 in November, 2009, to fund the new downtown City government complex, as well as consolidate all outstanding general obligation debt, including the following:

Series A - \$1,540,000 – Traditional Non-Taxable Limited General Obligation Bonds,
 Series B - \$1,600,000 – Federally Taxable Build America Bonds (35% Interest Rebate), and
 Series C - \$3,900,000 – Federally Taxable – Recovery Zone Economic Development Bonds (45% Interest Rebate).

- Outstanding Revenue Bond Debt decreased by \$1,455,000, from \$23,018,255 to \$21,563,255; a summary follows:

<u>Purpose</u>	<u>Date of Issue</u>	<u>Total Amount</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Outstanding Balance</u>
Wastewater System Improvements	09/26/02	\$ 8,920,000	2.500%	10/01/23	\$ 5,450,000
Water System Improvements	09/26/02	5,665,000	2.500%	10/01/23	3,460,000
Wastewater System Improvements	09/22/05	1,993,885	1.625%	04/01/27	1,448,885
Wastewater System Improvements	12/15/05	6,962,663	1.625%	04/01/27	5,087,663
Water System Improvements	09/27/07	<u>7,441,707</u>	2.125%	10/01/28	<u>6,116,707</u>
Total		<u>\$30,983,255</u>			<u>\$21,563,255</u>

Overview of the Financial Statements

These discussion and analysis are intended to serve as an introduction to the City of Adrian's basic financial statements. The City of Adrian's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Adrian's finances, in a manner similar to private-sector business.

The *Statement of Net Assets* (Pages 34-35) presents information on all of the City of Adrian's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Adrian is improving or deteriorating.

The *Statement of Activities* (Pages 36-37) presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Adrian that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Adrian include general government, public safety, highways and streets, sanitation, economic development, and culture and recreation. The business-type activities of the City of Adrian include water and sewer operations, storm water utility and automobile parking activities, as well as Dial-A-Ride Transportation.

The government-wide financial statements include not only the City of Adrian itself (known as the *primary government*), but also a legally separate Downtown Development Authority, a legally separate Local Development Finance Authority and a legally separate Brownfield Redevelopment Authority, for which the City of Adrian is financially accountable. Financial information for these *component units* is reported separately from the financial information presented for the primary government itself. The Dial-A-Ride transportation system and OMNI drug enforcement unit function, as well as the Internal Service Funds for Information Technology and Motor Vehicle Pool, for all practical purposes are departments of the City of Adrian and, therefore, have been included as an integral part of the primary government. The government-wide financial statements can be found on pages 54-57 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Adrian, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Adrian can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Adrian maintains thirteen (13) individual governmental funds, including three (3) Internal Service Funds, Information Technology Fund, Motor Vehicle Pool Fund and Building Maintenance Fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, major streets and local street funds, and the Fee Estate Fund, all four of which are considered to be major funds. Data from the other nine (9) governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report. The basic governmental fund statements can be found on pages 38-47 of this report.

The City of Adrian adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget (reference pages 42-44).

Proprietary Funds. There are traditionally two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Adrian uses enterprise funds to account for its Water and Sewer operations and for the Automobile Parking and Dial-A-Ride Systems, as well as the Capital Projects Revolving Fund and Storm Water Utility Fund (reference pages 48-52). *Internal service funds* are an accounting device normally used to accumulate and allocate costs internally among the City of Adrian's various functions. The Information Technology Fund was established with the implementation of the FY2004-05 Budget and the Motor Vehicle Pool Fund was established for the Fire Department only with the implementation of the FY2007-08 Budget and expanded in the FY2008-09 Budget to encompass Police, DPW, Parks & Recreation, Inspection, Cemetery and City Engineer vehicles. The Building Maintenance Fund was established in the FY2012-13 to account for the maintenance costs for facilities owned by the City, with the exception of Water and Sewer (reference pages 125-136). The FY2008-09 Budget established the Local Development Finance Authority Fund, which replaced the expired LDFA Debt Fund, previously established to track captured revenue and debt repayment for the Garden State Tanning industrial facility. The final payment was made in June, 2008. The new Fund derived its initial funding and assets from the dissolution of the Greater Adrian

Industrial Development Corporation (GAIDC), which was originally created to promote industrial growth in the Greater Adrian area.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water System and the Wastewater System, both of which are considered to be major funds of the City of Adrian. Conversely, the Capital Projects Revolving Fund, Dial-A-Ride, Storm Water Utility and the Automobile Parking System funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for these enterprise funds is provided in the form of *combining statements* elsewhere in this report. The basic proprietary fund financial statements can be found on pages 48-52 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City of Adrian's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 53 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 54-83 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City of Adrian's progress in funding its obligation to provide pension benefits to its employees through employer contributions and required employee contributions. Required supplementary information can be found on page 85 of this report.

The combining statements referred to earlier in connection with non-major governmental funds and enterprise funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 87-113 of this report.

Individual statements for various Enterprise and Internal Service Funds can be found on pages 115-136. Individual and combining statements for discretely presented Component Units are displayed on pages 139-150.

The Schedule of Indebtedness can be found on pages 151-154.

Economic Condition Reporting: The Statistical Section

The Governmental Accounting Standards Board (GASB) has issued Statement 44 regarding Economic Condition Reporting for General Purpose Local Governments. Although the provisions of Statement 44 were effective for Statistical Sections prepared for periods beginning after June 15, 2005, the City of Adrian met the intent of this Statement through early adoption (FY2004-05) and by improving the understandability and usefulness of the Statistical Section information by addressing traditional comparability issues that have developed in practice and by adding information from the new financial reporting model for state and local governments required by Statement 34.

Statement 44 establishes the objectives of the Statistical Section and the five categories of information it contains – financial trends information, revenue capacity information, debt capacity information, demographic and economic information, and operating information.

This part of the City of Adrian’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City’s overall financial health.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. In the case of the City of Adrian, assets exceeded liabilities by \$74,454,097 at the close of the most recent fiscal year.

By far the largest portion of the City of Adrian’s assets (81.7%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Adrian uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Adrian’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to pay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	CITY OF ADRIAN’S NET ASSETS				TOTAL	
	Governmental Activities		Business-Type Activities		FY2011-12	FY2012-13
	FY2011-12	FY2012-13	FY2011-12	FY2012-13		
Current and Other Assets	\$9,956,743	\$10,215,857	\$8,218,730	\$9,073,994	\$18,175,473	\$19,289,851
Capital Assets	33,406,971	33,440,286	52,989,069	52,633,957	86,396,040	86,074,243
Total Assets	\$43,363,714	\$43,656,143	\$61,207,799	\$61,707,951	\$104,571,513	\$105,364,094
Long-Term Liabilities	\$7,047,427	\$6,735,949	\$23,606,261	\$22,105,296	\$30,653,688	\$28,841,245
Other Liabilities	1,524,215	1,477,186	696,356	514,370	2,220,571	1,991,556
Total Liabilities	\$8,571,642	\$8,213,135	\$24,302,617	\$22,619,666	\$32,874,259	\$30,832,801
Net Assets:						
Invested in Capital Assets (Net of Related Debt)	\$26,776,971	\$27,025,286	\$29,423,469	\$30,623,333	\$56,200,440	\$57,648,619
Restricted	4,811,616	5,696,801	2,461,914	2,635,996	7,273,530	8,332,797
Unrestricted	3,203,485	2,643,725	5,019,799	5,828,956	8,223,284	8,472,681
Total Net Assets	\$34,792,072	\$35,365,812	\$36,905,182	\$39,088,285	\$71,697,254	\$74,454,097

An additional portion of the City of Adrian’s net assets, eleven (11.2%) percent, represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$8,472,681) may be used to meet the City’s ongoing obligations to citizens and creditors. At the end of the FY2012-13 Fiscal Year, the City of Adrian is able to report positive balances in all Net Asset categories: Capital Assets, Restricted and Unrestricted .

Change in Net Assets. As explained earlier under Financial Highlights, the City’s total net assets increased by (\$2,756,843). A summary of the net increase, segregating Governmental Activities and Business-Type Activities, as well as a comparison with prior year actual, follows:

CITY OF ADRIAN'S CHANGES IN NET ASSETS

	Governmental Activities		Business-Type Activities		Total	
	FY2011-12	FY2012-13	FY2011-12	FY2012-13	FY2011-12	FY2012-13
Revenues:						
Program Revenues:						
Charges for Services	\$3,472,052	\$4,372,420	\$9,073,022	\$8,974,885	\$12,545,074	\$13,347,305
Operating Grants & Contributions	1,679,864	1,610,640	246,356	259,086	1,926,220	1,869,726
Capital Grants & Contributions	305,157	0	340,000	59,520	645,157	59,520
Total Program Revenues	\$5,457,073	\$5,983,060	\$9,659,378	\$9,293,491	\$15,116,451	\$15,276,551
General Revenues:						
Property Taxes	\$6,068,962	\$5,809,159			\$6,068,962	\$5,809,159
Other Taxes	3,371,104	3,325,578			3,371,104	3,325,578
Grants & Contributions not Restricted to Specific Programs	14,211	13,692			14,211	13,692
Other	165,654	-13,828	\$61,518	\$110,238	227,172	96,410
Total General Revenues	\$9,949,182	\$9,134,601	\$61,518	\$110,238	\$9,681,449	\$9,244,839
Total Revenues	\$15,406,255	\$15,117,661	\$9,720,896	\$9,403,729	\$24,797,900	\$24,521,390
Expenses:						
General Government	\$3,056,641	\$3,514,802			\$3,056,641	\$3,514,802
Public Safety	5,132,505	5,178,833			5,132,505	5,178,833
Public Works	508,404	444,836			506,404	444,836
Culture and Recreation	2,628,447	1,865,951			2,628,447	1,865,951
Comm. Beautification	915,540	1,406,316			915,540	1,406,316
Comm./Economic Development	345,406	234,552			345,406	234,552
Highways, Streets & Bridges	2,397,684	1,524,992			2,397,684	1,524,992
Interest on Long-Term Debt	236,342	222,672			236,342	222,672
Wastewater System			\$3,889,445	\$3,890,316	3,889,445	3,890,316
Water System			3,025,247	3,241,929	3,025,247	3,241,929
Dial-A-Ride System			521,349	542,458	521,349	542,458
Auto Parking System			74,859	166,872	74,859	166,872
Storm Water Utility			355,096	261,418	355,096	261,418
Total Expenses	\$15,218,989	\$14,392,954	\$7,865,996	\$8,102,993	\$23,084,965	\$22,495,947
Excess/(Deficiency)	\$187,286	\$724,707	\$1,854,900	\$1,300,736	\$2,042,166	\$2,025,443
Contributions to Term and Permanent Endowments	0	0	0	0	0	0
Special and Extraordinary Items	0	0	0	0	0	0
Transfers	-126,338	-150,967	126,338	150,967	0	0
Increase/(Decrease) in Net Assets	\$60,948	\$573,740	\$1,981,238	\$1,451,703	\$1,712,935	\$2,025,443
Net Assets – Beginning	\$34,731,124	\$34,792,072	\$34,923,944	\$36,905,182	69,655,068	71,697,254
Contrib. of Capital Assets				\$731,400	0	731,400
Net Assets – Ending	\$34,792,072	\$35,365,812	\$36,905,182	\$39,088,285	\$71,368,003	\$74,454,097

Financial Analysis of the Government's Funds

As noted earlier, the City of Adrian uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The General Fund is the chief operating fund of the City of Adrian and is considered a Governmental Fund. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of Adrian's financing requirements. In particular, *designated and unassigned General Fund - fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the City of Adrian's governmental funds reported designated and unassigned fund balance for the General Fund of \$3,028,481, a decrease of \$97,448 in comparison with the prior year.

Other Governmental Funds include Major Streets, Local Streets, and Fee Estate Funds, as well as other minor funds, such as Perpetual Care and Endowment Funds. Collectively, their fund balances, combined with the General Fund, increased by \$364,115 to \$8,315,899, primarily due to the increases in the Major and Local Street Funds.

Proprietary Funds. The City of Adrian's Proprietary Funds provide the same type of information found in the government-wide financial statements, but in more detail.

Net assets of the Wastewater Fund at the end of the year amounted to \$18,068,401, an increase of \$1,091,908, attributable to an authorized rate increase enabling contributions to Net Assets sufficient to cover increased debt service expenses related to implementation of a Wastewater System Improvement Project Plan. The Water System experienced a \$1,139,836 increase in net assets, from \$13,977,225 to \$15,117,061, primarily due to increased revenue from charges for services and a conscious effort to keep expenses down in anticipation of a large sanitary sewer separation project in the upcoming fiscal year.

All other Proprietary Funds, including Storm-Water Utility, Automobile Parking System, Dial-A-Ride System and Capital Projects Revolving Fund, experienced a collective decrease in Net Assets amounting to (\$48,641), equivalent to (0.8 %). The primary contributing factor is just a change normal operating costs.

General Fund Budgetary Highlights

Differences in the original budget and the final amended budget amounted to a \$585,560 increase in appropriations and are detailed as follows:

First Quarter Budget Amendments	\$ 93,120
Transfer to Building Maintenance Fund	400,000
HR Medical Services	2,000
Police Education Premium	6,000
Heritage Park Vehicle Rent	15,880
Second Quarter Budget Amendments	25,578
Police Livescan Charges	10,000
Third Quarter Budget Amendments	66,359
Fourth Quarter Budget Amendments	(33,377)
TOTAL	\$585,560

The above listed appropriations were budgeted from available fund balance. Significant variances between the Amended General Fund Budget and Actual Revenue and Expenditures are identified and explained as follows:

Revenue:

Compared to the Amended Budget, actual revenue was unfavorable by (\$76,177). The single most significant factor affecting FY2012-2013 financial operations was shortfalls in both Real Property Tax collections, due to unsuccessful litigation of Michigan Tax Tribunal (MTT) appeals. These shortfalls were offset by unanticipated revenue from oil leases negotiated by the City Administrator.

Expenditures:

Compared to the Amended Budget, actual expenditures were favorable by \$446,590. The primary reasons for this favorability are detailed as follows:

- 1) The Human Resources Department was favorable by \$36,609 due to working with unions without the need for outside legal assistance.
- 2) Police Department was favorable by \$63,935 due to under spending of wages and some officers switching from the city health insurance plan.
- 3) Fire Department was favorable by \$149,106 due to lower than anticipated workers compensation rates and new officers resulting in a savings on wages.
- 4) Parks & Recreation was favorable by \$76,029 due under spending several operating accounts, including: aquatic supplies at Bohn Pool, maintenance at Piotter Senior Center and miscellaneous capital items.
- 5) Parks & Forestry Department was favorable by \$103,050 due to cuts in part-time staff and capital improvements projects not being done.

Capital Asset and Debt Administration

Capital Assets. The City of Adrian’s investment in capital assets for its governmental and business-type activities as of June 30, 2013 amounts to \$86,074,243 (net of accumulated depreciation), representing a year-to-year decrease of (\$321,797). Governmental Activities increased \$33,315, from \$33,406,971 to \$33,440,286. Business-Type Activities decreased (\$355,112), from \$52,989,069 to \$52,633,957, due to accumulated depreciation of the City’s Utility System. The total decrease in the City of Adrian’s investment in capital assets for the current fiscal year was (0.37%).

A summary of the City of Adrian’s Capital Assets is provided below. Additional information regarding the City of Adrian’s capital assets can be found in Note 3.C. (pages 87-90) of this report.

**CITY OF ADRIAN'S CAPITAL ASSETS
(Net of Depreciation)**

	Governmental		Business-Type		Total	
	Activities		Activities			
	2012	2013	2012	2013	2012	2013
Land	\$8,305,637	\$8,305,639	\$1,407,642	\$1,407,642	\$9,713,279	\$9,713,281
Land Improvements	4,828,907	5,167,508	1,268,693	1,257,109	\$6,097,600	\$6,424,617
Buildings	8,326,860	8,067,566	1,246,870	1,227,417	\$9,573,730	\$9,294,983
Utility Systems			48,788,146	48,529,491	\$48,788,146	\$48,529,491
Machinery & Equip	1,593,895	2,015,701	277,718	212,298	\$1,871,613	\$2,227,999
Infrastructure	10,351,672	9,883,872			\$10,351,672	\$9,883,872
Total Capital Assets	\$33,406,971	\$33,440,286	\$52,989,069	\$52,633,957	\$86,396,040	\$86,074,243

Long-Term Liabilities. At the end of the current fiscal year, the City of Adrian had total long-term liabilities of \$29,006,493, a decrease of \$1,793,957 compared to the prior year. Of this amount, \$6,415,000 comprises debt backed by the full faith and credit of the City, related to the Issuance of Series A, B & C bonds (\$7,040,000) to renovate and construct buildings for the new Downtown City Government Complex, offset by consolidation of all outstanding General Obligation Debt. Of the total outstanding debt, \$21,563,255 represents bonds secured solely by specified revenue sources (i.e., revenue bonds), a year-to-year decrease of \$1,455,000, funds used to upgrade the City's Wastewater Collection and Treatment Systems and Water Treatment and Distribution Systems. In addition, Accrued Sick and Vacation Compensation amounts to \$580,869, a decrease of \$23,982 compared to the prior year.

CITY OF ADRIAN'S LONG TERM LIABILITIES
General Obligation and Revenue Bonds
Installment Purchase Obligations
Accrued Sick and Vacation

	Governmental Activities		Business-Type Activities		Total	
	2012	2013	2012	2013	2012	2013
GO Bonds	\$6,630,000	\$6,415,000	\$0	\$0	\$6,630,000	\$6,415,000
Revenue Bonds	0	0	23,018,255	21,563,255	\$23,018,255	\$21,563,255
Installment Purchase	0	0	547,344	447,369	\$547,344	\$447,369
Accrued Sick & Vacation	514,691	486,197	90,160	94,672	\$604,851	\$580,869
Total Long-Term Liabilities	\$7,144,691	\$6,901,197	\$23,655,759	\$22,105,296	\$30,800,450	\$29,006,493

On June 30, 2013, the City of Adrian had a number of debt issues outstanding. These issues consisted of general obligation debt and revenue bonds. The City has maintained an A1 bond rating from Moody's Investor Services and an A+ rating from Standard & Poor's on general obligation issues. Under current State statutes, the City's general obligation outstanding debt amount is subject to a legal limitation based on 10 percent of total assessed value of real and personal property. As of June 30, 2013 the City's net general obligation bond of \$6,415,000 was well below the legal limit of \$37,460,997 and General Obligation debt per capita equaled \$303.55, a year-to-year decrease of \$10.18.

Additional information on the City of Adrian's long-term debt can be found in Note 3E (pages 95-101) of this report, as well as Exhibits D-1 through D-5 of the Statistical Section (pages 190-194).

Economic Factors and Next Year's Budgets and Rates

- The FY2013-14 Budget Recommendation was submitted at a time when economic conditions were in a state of recovery, however, property values continue to be in a state of decline for a sixth consecutive year.
- Michigan and the nation is emerging from the worst economic downturn since the 1930s. The impact on state and local budgets has been unprecedented.
- The "Great Recession" officially ended June 30, 2009, however the economy has grown at an anemic pace ever since.
- The Governor's Economic Vitality Incentive Program (EVIP) eliminated Statutory Revenue Sharing to local units of government and replaced it with only 2/3 of the amount, with additional

eligibility requirements for transparency, collaboration and limits on employee compensation (fringe benefits).

- Pending legislation to eliminate or reduce Personal Property Taxes has been adopted by the State Legislature. The current Taxable Value of Personal Property in the City amounts to over \$63 million and generates over \$940,000 revenue annually.

All of these factors were considered in preparing the City of Adrian's budget for the 2013-14 fiscal year. Also during the current fiscal year, designated and unassigned fund balance in the General Fund stands at \$3,028,481. The City of Adrian has designated \$1,490,000 of the unassigned Fund Balance amount for spending in the ensuing fiscal year budget recommendation, primarily for the purpose of establishing reserves for accumulated sick and vacation liabilities and pending Michigan Tax Tribunal claims, the construction of a building at our cemetery that was burned by vandals, initiating a Wellness Program to try and offset rising health care costs and for funds to contribution to our rising Unfunded Pension Liability.

Based on an analysis of our utility rates, the FY2012-13 Budget reflects a rate increase of four (4%) percent for both water and sewer services; and three (3%) is for a newly established reserve fund for utility infrastructure improvements, some addressing facilities more than one hundred years old.

Requests for Information

This financial report is designed to provide a general overview of the City of Adrian's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Office of the Finance Director, 135. W. Maumee Street, Adrian, Michigan 49221 or call 517-264-4842 or e-mail: cprue@adrianmi.gov.

**CITY
OF
ADRIAN**

CITY OF ADRIAN, MICHIGAN
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2013 AND 2012

	2013	2012
ASSETS:		
Cash and cash equivalents	\$ 96,019	\$ 216,976
Investments	71,830	71,750
Total assets	\$ 167,849	\$ 288,726
 LIABILITIES:		
Vouchers payable	\$ 25,984	\$ 17,829
Due to other taxing units	28,045	122,600
Restricted deposits	113,820	148,297
Total liabilities	\$ 167,849	\$ 288,726

The notes to the financial statements are an integral part of this statement.

CITY OF ADRIAN, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

The City of Adrian is a Michigan Municipal Corporation governed by an elected seven member commission. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

Discretely presented component units:

Downtown Development Authority (DDA) was created as a separate legal entity under Public Act 197 of 1975 of the State of Michigan. The purpose of the DDA is to plan and develop the downtown area of the City and to attract new businesses and residents. The governing body of DDA is appointed by the City Commission for a fixed term. The City approves the annual budget and any capital projects of DDA. Prior approval by the City is needed on any taxation by DDA. And, the City's approval is needed for any borrowing done by DDA. The Downtown Development Authority is presented as a governmental fund type.

Another discretely presented component unit is the Local Development Finance Authority (LDFA) created under Public Act 281 of 1986 of the State of Michigan. The LDFA's purpose is to work toward the elimination of the causes of unemployment, underemployment and joblessness, and to promote economic growth in the City of Adrian. The City appoints the majority of the LDFA Board of Directors. The budget of the LDFA needs the City's approval. And, the main revenue source of LDFA which is tax increment financing is a financial burden to the City. The Local Development Finance Authority is presented as a governmental fund type.

A third discretely presented component unit is the Brownfield Redevelopment Authority (BRA), approved by the Adrian City Commission on February 5, 2001, but began capturing taxes for the first time in FY 2007-08. Under the authority of Public Act 381 of 1996, as amended (MCL125.2651), the Brownfield Redevelopment Program provides funding and tax incentives for the cleanup and redevelopment of contaminated, blighted, and functionally obsolete properties with the aim of making them economically viable. As part of the program, the Brownfield Redevelopment Financing Act allows Brownfield authorities created by local units of government to use tax increment financing to pay for certain "eligible activities" on eligible property. These "eligible activities" include such efforts as baseline environmental assessments, due care activities, and additional response activities. The City appoints all members of the BRA Board of Directors and the budget of the BRA requires City approval. The main revenue source of the BRA is derived from tax increment financing, which is a financial burden to the City. The BRA authority is presented as a governmental fund type.

Separate financial statements for each of the individual component units are not available.

CITY OF ADRIAN, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from 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. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

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

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

C. Measurement focus, basis of accounting and financial statement presentation

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

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

Property taxes and State shared revenue are major sources of revenue which are considered to be susceptible to accrual. Property taxes for the City are levied July 1 of each year.

CITY OF ADRIAN, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The property taxes are recognized in the year levied.

State shared revenue (sales tax) received in July is accrued for proceeding year. Special assessment receivables are financed by the Capital Project Fund and are fully recognized when levied.

Fiduciary funds can be either trust funds or agency funds. Trust funds use the same economic resource measurement focus and accrual basis accounting as do proprietary funds. Agency funds report only assets and liabilities and these do not have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables.

Amounts due from other governments, loans receivable, Fee funding, and services provided associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

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

The *Major Streets Fund* is a Special Revenue Fund that receives State and local funding for the purpose of construction and maintenance of City streets designated as major streets under State of Michigan Act 51 of Public Acts of 1951.

The *Local Streets Fund* is a Special Revenue Fund that receives State and local funding for the purpose of construction and maintenance of City streets designated as local streets under State of Michigan Act 51 of Public Acts of 1951.

The *Fee Estate Fund* is a Special Revenue Fund that receives funds from an outside trust that are restricted for city parks and beautification of city property.

The government reports the following major proprietary funds.

The *Wastewater System Fund* accounts for the acquisition, operation, and maintenance of the City's wastewater system.

The *Water System Fund* accounts for the acquisition, operation and maintenance of the City's water system.

Additionally, the government reports the following fund types:

The *Internal Service Funds* are *Information Technology Fund* and *Motor Vehicle Pool Fund* and *Building Maintenance Fund*. The Information Technology Fund accounts for management information systems and services provided to other funds of the City on a cost reimbursement basis.

CITY OF ADRIAN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Motor Vehicle Pool Fund accounts for maintenance repair and operation expense on vehicles and equipment used and rented by other funds. The money generated can be used for purchase of new equipment and vehicles. The Building Maintenance Fund accounts for the maintenance costs for all facilities owned by the City.

The *Agency Funds* account for assets held by the City acting as an agent for individuals, private organizations, other governments, and/or other funds. There are three agency funds. The Payroll Reduction Fund handles the payment of City payroll deductions to third parties. The Property Tax Fund accounts for the collection and payment of property taxes billed and collected by the city. The Trust and Agency Fund accounts for monies received from various sources and are held by the City in a custodial or agent capacity.

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments of utility charges between the City's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various function concerned.

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

Proprietary Funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Wastewater and Water Enterprise Funds are charges to customers for sales and services. The Wastewater and Water Enterprise Funds also recognize as operating revenues the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CITY OF ADRIAN, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, liabilities, and net assets or equity.

1. Cash and investments

Cash includes amounts in cash on hand, demand deposits, and may include short-term investments with a maturity date within three months of the date acquired by the government.

Investments include Money Market Accounts, Certificates of Deposit, U.S. Agencies Securities, Mutual Funds, and Corporate Bonds.

State statutes authorize the government to invest in Money Market Accounts and Certificates of Deposit, Obligations of the U.S. Treasury, Federal Agencies, Commercial Paper, Corporate Bonds, Repurchase Agreements, and State approved Investment Pools.

Investments are stated at fair value.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources. The City had no advances between funds at June 30, 2013.

Personal property taxes receivable is shown net of an allowance for uncollectables.

Property taxes are levied as of July 1 on property values assessed as of the prior December 31. The billing is mailed on July 1 and is considered due upon receipt by the taxpayer; however, the actual due date is August 31. A lien on property occurs when property taxes are levied (July 1). On August 31, the bill becomes delinquent and penalties and interest may be assessed by the government.

Delinquent real property taxes are turned over to the County and reimbursed through a revolving fund. Therefore, property taxes receivable are not accounted for under the 60 day rule.

3. Inventories and prepaid items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

CITY OF ADRIAN, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Restricted assets

Certain proceeds of enterprise fund revenue bonds and general obligations bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The bond interest and redemption account is used to segregate resources accumulated for debt service payments. The bond reserve account is used to report resources set aside to make debt service payment on bonds which would otherwise be in default. The replacement account is used to report resources set aside to make major repairs and replacements to fixed operation assets of the enterprise fund.

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., road, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Land improvements	20 – 50
Buildings	10 – 20
Machinery, equipment, and furnishings	5 – 35
Utility systems	50 – 100
Infrastructure	15 – 100

CITY OF ADRIAN, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. Compensated absences

Vacation leave benefits for City employees are based on past services rendered and are accrued as a liability based on the expected use of the benefits through paid time off and cash payments at termination or retirement. The accrued liability for vacation time is determined under the vesting method acceptable under governmental standards.

Sick leave for City employees is vested to the extent that cash payments are made (up to allowable limits) to employees upon retirement. The accrued liability for sick leave is determined under the termination method acceptable under governmental standards.

The current portion (the amount normally expected to be liquidated with expendable available financial resources) of accrued sick and vacation pay are shown as a liability and expenditure in the applicable governmental fund types. The portion recognized in the governmental funds is only the compensated absences that have matured at year end. The entire accrued sick and vacation pay related to governmental fund types is reported in the government-wide statements.

In the proprietary funds as well as in the government-wide statements, the vested sick and vacation pay are recorded as an expense and liability of those funds as the benefits accrue to employees.

7. Long-term obligations

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

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

8. Fund balance classification policies and procedures, and fund balance reserves

Fund balance classifications shown in the governmental funds financial statements are nonspendable, restricted, committed, assigned and unassigned.

The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

CITY OF ADRIAN, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

The committed fund balance classification includes amounts that can be used only for the specific purpose determined by a formal action of the City Commission. The formal action required to establish, modify or rescind a fund balance commitment is a formal resolution by the City Commission which is approved by the full Commission.

Amounts in the assigned fund balance classification are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Intent should be expressed by (a) the City Commission itself or a delegated body (for example a budget or finance committee) or recommended by the City Administration or Finance Director and sent to the City Commission for final approval.

Unassigned fund balance is the residual classification usually for the City's General Fund and includes all spendable amounts not contained in the other classifications. If a negative fund balance occurs in other governmental funds, it would be classified as unassigned.

Under City policy, when both restricted and unrestricted (committed, assigned, or unassigned) amounts are available for a purpose, the City considers using the restricted funds first and then the unrestricted when an expenditure is incurred. Within the unrestricted fund balance amounts, the City considers the committed first used, then assigned and then unassigned for an applicable expenditure.

For determination of classification the City first determines the nonspendable, then the restricted, committed, assigned, and unassigned, in that order. If a deficit occurs for a certain purpose in a fund, assigned amounts for other purposes would be used to offset the deficit if possible.

To maintain the City of Adrian's credit rating and meet seasonal cash flow shortfalls, the budget shall provide for an anticipated unreserved fund balance at fifteen (15%) percent to twenty (20%) percent of annual budgeted operating expenditures for the general government and enterprise fund types. The fund balance shall be exclusive of all reserves not anticipated to be readily available for use in emergencies and contingencies. The adequacy of the fund balance shall be evaluated annually to consider minimum cash requirements prior to receipt of current year property tax collections.

9. Comparative data

Comparative data for the prior year have been presented in order to provide an understanding of the changes in the financial position and operations of the funds.

CITY OF ADRIAN, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except the Public-Purpose Special Revenue Fund and the permanent funds which are not budgeted. All annual appropriations lapse at fiscal year end.

On or before the last Tuesday of February each year, all departments of the City submit requests for appropriations to the Finance Director so that a budget may be prepared. With the first City Commission meeting in April, the proposed budget is presented to the City Commission for review. The Commission holds public hearings and a final budget must be prepared and adopted no later than the second week of May.

The appropriated budget is prepared by fund, function, and activity. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department/activity level, i.e., City Commission, Finance Department, City Clerk.

The Commission made supplemental budgetary appropriations throughout the year. The supplemental budgetary appropriations made in the General Fund were in anticipation of normal activity.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

Significant encumbrances for the governmental funds for the year ended June 30, 2013 are:

<u>Fund</u>	<u>Aggregate Encumbrances</u>
General Fund	\$ 105,198
Major Streets	114,421
Local Streets	91,852

CITY OF ADRIAN, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

B. Excess of expenditures over appropriations in budgetary funds

P.A. 621 of 1978, Section 18(1), as amended, of the State of Michigan provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the City's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a department/activity basis. The approved budgets of the City for these budgetary funds were adopted to the activity level i.e., City Commission, Finance Department, City Clerk. No fund had total expenditures exceed budget.

During the year ended June 30, 2013, the City incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

<u>Fund</u>	<u>Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
General Fund			
Finance	\$ 426,165	\$ 429,786	\$ (3,621)
City Clerk	111,608	115,511	(3,903)
Cemetery	277,289	283,754	(6,465)
Department of Public Works	192,499	253,384	(60,885)
Library	705,322	720,098	(14,776)
Major Streets Fund			
Routine maintenance-bridges	32,663	40,633	(7,970)
Non-motorized transportation	53,766	55,236	(1,470)

CITY OF ADRIAN, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

Major Streets' additional expenditures were covered by less operating expenditures in other areas. And, General Fund covered its additional expenditures by using portion of fund balance.

C. Fund Balance – Designations

The City Commission has designated a part of the General Fund's assigned fund balance for the following purposes:

Accumulated sick and vacation liability	\$	500,000
Pending Michigan Tax Tribunal		200,000
Cemetery Building		75,000
SCBA Tanks (Fire Dept)		15,000
Wellness Initiative		25,000
Property Acquisitions, Demolitions and Options		150,000
Local grant match		25,000
Pension Liability Contribution		<u>500,000</u>
Total Proposed Designations	\$	<u>1,490,000</u>

NOTE 3. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of June 30, 2013, the City had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (In Years)		
		Less Than 1	1 - 5	6-10
Money Market Accounts	\$ 288,687	\$ 288,687	-	\$ -
Certificates of Deposit	619,517	333,122	286,395	-
U.S. Agencies	3,679,797	1,497,303	2,182,494	-
Mutual Fund – Cash (U.S. Government Securities)	117,544	117,544	-	-
Class – Pooled Investments	<u>661,497</u>	<u>661,497</u>	-	-
Total fair value	<u>\$ 5,367,042</u>	<u>\$ 2,898,153</u>	<u>\$ 2,468,889</u>	<u>\$ -</u>

Class Investment Pool is through MBIA Asset Management and is a 2a 7 – Like Pool. Investments consist of U.S. Government Agencies Securities both explicitly and implicitly guaranteed, and commercial paper.

Interest Rate Risk. City is exposed to interest rate risk with over 46% of investments maturing after one year. The City's investment policy has no provision limiting interest rate risk.

CITY OF ADRIAN, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

Credit Risk. The City's investment policy limits investments to certificates of deposit or money market accounts; U.S. Government and U.S. Agencies Securities; commercial paper with ratings at the two highest levels established by not less than two standard rating services; and corporate bonds, mutual funds, and repurchase agreements meeting State requirements. The money market accounts and mutual funds in the City's investments at June 30, 2013 were unrated. All of the U.S. government agencies investments of \$3,679,797 and a portion of the Class Investment \$96,986 are implicitly guaranteed by the U.S. Government. This makes these investments subject to credit risk.

Concentration of Credit Risk. The City's investment policy does not limit the amount of investment with any one issuer. For investments, more than five percent of the City's holdings were with First Federal Bank having 49% of the City's total investments which represent 84% of General Fund's investments. Also, United Bank and Trust had 16% of the City's total investments, which was 77% of Endowment Trust Fund's investments in the form of money market funds and U.S. Agencies securities.

In addition, KeyBank had 12% of the City's total investment, which was 57% of the investments of the Perpetual Care Fund, in the form of U.S. Agencies securities.

Custodial Credit Risk – Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the deposits may not be fully returned to the City. Neither the City nor the discretely presented component units, have a policy limiting custodial credit risk, other than authorizing (through Commission approval) the depositories used. As of June 30, 2013, \$11,008,247 of the City's bank balance of \$11,386,278 was exposed to custodial credit risk because it was uninsured and uncollateralized. As of the same date, the discretely presented component units had exposure to custodial credit risk because \$133,255 of their bank balance of \$295,430 of was uninsured and uncollateralized.

Custodial Credit Risk – Investments. For the money market accounts and certificates of deposit which are with banks the exposure is the same as stated above for deposits. As of June 30, 2012, these investments with total balances of \$908,204 were exposed to custodial credit risk on the balance of \$269,517 as being uninsured and uncollateralized.

For the remaining investments, the risk is, in the event of failure of the counterparty, will the City be able to recover the value of its investments. The U.S. Agencies investments and Class Investment of \$4,341,294 are held by counterparties and the securities are uninsured and not registered in the name of the City, which exposes them to custodial credit risk. The mutual funds of \$117,544 are not exposed to custodial credit risk.

CITY OF ADRIAN, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

B. Receivables

Receivables as of year end for the government's individual major and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Major Streets	Local Streets	Fee Estate	Wastewater System	Water System	Nonmajor Funds	Total
Receivables:								
Taxes	\$ 120,097	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 120,097
Accounts	115,274	85,906	31,156	247,719	647,200	560,090	80,741	1,768,086
Special assessments	-	-	-	-	68,501	22,629	362,202	453,332
Community Development loans	-	-	-	-	-	-	105,990	105,990
Gross receivables	235,371	85,906	31,156	247,719	715,701	582,719	548,933	2,447,505
Less: Allowance for uncollectibles	120,097	-	-	-	-	-	-	120,097
Net total receivables	\$ 115,274	\$ 85,906	\$ 31,156	\$ 247,719	\$ 715,701	\$ 582,719	\$ 548,933	\$ 2,327,408

Deferred Inflows of Resources

Governmental funds defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred inflows of resources* reported in the government funds were as follows:

<u>Governmental Funds:</u>	<u>Deferred Inflows of Resources</u>
Donated funds for Police Explorer Club	\$ 5,164
Funds for training classes to be held in the future	7,498
Library contributions to be used for specified library programs	19,806
Drug forfeiture funds not yet allocated	44,728
	<u>\$ 77,196</u>

CITY OF ADRIAN, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital assets

Capital asset activity for the year ended June 30, 2013 was as follows:

Primary Government

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being				
Land	\$ 8,305,639	\$ -	\$ -	\$ 8,305,639
Total capital assets, not being depreciated	<u>8,305,639</u>	<u>-</u>	<u>-</u>	<u>8,305,639</u>
Capital assets, being				
Land improvements	7,342,858	687,565	-	8,030,423
Buildings	11,309,307	11,300	-	11,320,607
Machinery, equipment, and furnishings	12,060,227	781,213	-	12,841,440
Infrastructure	<u>41,377,138</u>	<u>42,500</u>	<u>-</u>	<u>41,419,638</u>
Total capital assets, being	<u>72,089,530</u>	<u>1,522,578</u>	<u>-</u>	<u>73,612,108</u>
Less: Accumulated				
Land improvements	(2,513,952)	(348,963)		(2,862,915)
Buildings	(2,982,448)	(270,593)		(3,253,041)
Machinery, equipment, and furnishings	(10,466,332)	(359,407)		(10,825,739)
Infrastructure	<u>(31,025,466)</u>	<u>(510,300)</u>		<u>(31,535,766)</u>
Total accumulated	<u>(46,988,198)</u>	<u>(1,489,263)</u>	<u>-</u>	<u>(48,477,461)</u>
Total capital assets, being depreciated, net	<u>25,101,332</u>	<u>33,315</u>	<u>-</u>	<u>25,134,647</u>
Governmental activities, assets – net	<u>\$ 33,406,971</u>	<u>\$ 33,315</u>	<u>\$ -</u>	<u>\$33,440,286</u>

CITY OF ADRIAN, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being				
Land	\$ 1,407,642	\$ -	\$ -	\$ 1,407,642
Total capital assets, not being depreciated	1,407,642	-	-	1,407,642
Capital assets, being				
Land improvements	1,986,167	30,667	-	2,016,834
Utility systems	83,073,234	1,003,503	-	84,076,737
Machinery, equipment, and furnishings	625,483	5,942	(64,207)	567,218
Building	1,373,271	-	-	1,373,271
Capital assets, being depreciated	87,058,155	1,040,112	(64,207)	88,034,060
Less: accumulated				
Land improvements	(717,474)	(42,251)	-	(759,725)
Utility systems	(33,553,687)	(1,993,560)	-	(35,547,247)
Machinery, equipment, and furnishings	(347,766)	(71,361)	64,207	(354,920)
Building	(126,401)	(19,453)	-	(145,854)
Total accumulated	(34,745,328)	(2,126,625)	64,207	(36,807,746)
Total capital assets, being depreciated – net	52,312,827	(1,086,513)	-	51,226,314
Business-type activities, assets – net	\$ 53,720,469	\$ (1,086,513)	\$ -	\$52,633,956

Transfer of capital assets from Local Development Finance Authority Fund to Utility Funds.

The Local Development Finance Authority Fund was closed out and the capital assets were transferred to the Wastewater System Fund and Water System Fund at the beginning of fiscal year 2012-13.

The beginning balances of the business-type capital assets have been restated to reflect the transfer.

The changes are:

	Original Balance	Capital Assets Transferred	Restated Beginning Balance
Utility Systems	\$ 82,153,234	\$ 920,000	\$83,073,234
Accumulated Depreciation	(33,365,087)	(188,600)	(33,553,687)

A capital contribution are shown in the utility funds to reflect the transfer.

CITY OF ADRIAN, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

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

Governmental activities:	
General government	\$ 139,902
Public safety	109,329
Public works (includes sidewalks and street lights)	18,000
Culture and recreation (includes parks)	433,555
Other services (includes library)	24,563
Community/economic development	3,250
Highways, streets, and bridges	528,705
Motor vehicle pool	212,763
Information technology	19,196
Total depreciation expense – governmental activities	<u>\$ 1,489,263</u>
Business-type activities:	
Wastewater system	\$ 1,367,642
Water system	602,116
Dial-A-Ride system	90,814
Automobile parking system	23,991
Storm water system	42,062
Total depreciation expense – business-type activities	<u>\$ 2,126,625</u>

Construction commitments

The government has active construction projects as of June 30, 2013. The projects include street and paving, sewer brick arcs and dust collection.

	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Design engineering - sewer brick arc	\$ -	\$ 162,000
Dust collection system	-	30,725
HVAC replacement	-	61,191
Pavement & crack sealing	-	8,367
Asphalt paving	-	27,345
Total	<u>None</u>	<u>\$ 289,628</u>

CITY OF ADRIAN, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

The special assessment portion of the commitment for street construction is being financed by the Capital Project Fund that will be repaid by the benefiting property owners. The City's portion of these projects are being funded by the transfer of existing resources from the Municipal Streets Fund. The commitment for improvements to the wastewater and water systems is being financed by revenue bonds secured by wastewater and water revenues.

Discretely presented component units:

Capital asset activity for the Downtown Development Authority (DDA) for the year ended June 30, 2013 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being				
Land	\$ 53,494	\$ -	\$ -	\$ 53,494
Capital assets, being				
Land improvements	1,225,000	-	-	1,225,000
Less: Accumulated				
Land improvements	<u>(882,000)</u>	<u>(49,000)</u>	<u>-</u>	<u>(931,000)</u>
DDA capital assets – net	<u>\$ 396,494</u>	<u>\$ (49,000)</u>	<u>\$ -</u>	<u>\$ 347,494</u>

Capital assets for the Local Development Finance Authority (LDFA) transferred to utility funds during the year ended June 30, 2013:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, being depreciated:				
Utility systems	\$ 920,000	\$ -	\$ (920,000)	\$ -
Less: accumulated				
depreciation for:				
Utility	<u>(188,600)</u>	<u>-</u>	<u>188,600</u>	<u>-</u>
LDFA capital assets – net	<u>\$ 731,400</u>	<u>\$ -</u>	<u>\$ (731,400)</u>	<u>\$ -</u>

CITY OF ADRIAN, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

D. Interfund receivables, payables, and transfers

Primary Government

Due to/from other funds:

Fund	Interfund Receivable	Fund	Interfund Payable
General	\$ 415,151	Major Street	\$ 4,272
		Local Street	16,725
		Omni	1,783
		Economic Development	306,857
		Automobile Parking System	1,513
		Wastewater	20,913
		Water	19,254
		Storm Water	12,410
		Vibrant Small Cities	18,107
		Endowment Trust	1
		Trust	9,848
		Perpetual Care	3,468
	415,151		415,151
Major Street	37,000	Vibrant Small Cities	37,000
Auto Parking	26,265	General	26,265
Information Technology	3,810	Major Street	516
		Local Street	516
		Wastewater	1,508
		Water	1,270
	3,810		3,810
Motor Vehicle	264,159	General	246,100
		Major Street	2,239
		Local Street	9,373
		Omni	308
		Wastewater	1,427
		Water	1,457
		Storm Water	3,255
	264,159		264,159
Municipal Street	19,898	General	19,898
Omni	345	General	345
Community Development	43	General	43
Economic Development	641	General	641
Wastewater	6,094	General	6,094
Water	15,428	General	15,386
		Solid Waster	42
	15,428		15,428
Storm Water	8,517	General	8,517
Capital Projects Revolving	10,398	General	10,398
Building Maintenance	96	Water	96
Total primary government	\$ 807,845		\$ 807,845

CITY OF ADRIAN, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

Due to/from primary government and component units:

<u>Receivable Entity</u>		<u>Payable Entity</u>	
General Fund	221,082	Downtown Development Authority-TIF	807
		LDFA - GAIDC	220,275
	<u>221,082</u>		<u>221,082</u>
Automobile Parking System	<u>20,000</u>	Downtown Development Authority - TIF	<u>20,000</u>
Information Technology	<u>536</u>	Downtown Development Authority-TIF	<u>538</u>
	<u>\$ 241,618</u>		<u>\$ 241,618</u>

The balance of \$536 due to the Information Technology Fund from other funds noted above are for interfund services provided. All remaining balances resulted from time lag between the dates that (1) reimbursable expenditures occur, (2) revenues collected for another fund, and (3) payments between funds are made.

Interfund transfers:

Primary Government

<u>Transfers Out:</u>	<u>Transfers In</u>					<u>Total</u>
	<u>General Fund</u>	<u>Major Streets</u>	<u>Local Streets</u>	<u>Internal Service</u>	<u>Nonmajor Enterprise</u>	
General	\$ -	\$ -	\$ -	\$ 646,100	\$ 150,967	\$ 797,067
Major Streets	-	-	50,000	-	-	50,000
Fee Estate	-	-	-	-	-	-
Nonmajor Governmental	364,963	37,000	388,476	-	-	790,439
Internal Service	-	-	-	-	-	-
	<u>\$ 364,963</u>	<u>\$ 37,000</u>	<u>\$ 438,476</u>	<u>\$ 646,100</u>	<u>\$ 150,967</u>	<u>\$ 1,637,506</u>

CITY OF ADRIAN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (i.e. property taxes from Municipal Street Fund to Local Street Fund) (2) use unrestricted revenues collected in the General Fund to various programs accounted for in other funds in accordance with budgetary authorizations (3) move revenues to the General Fund from other funds for General Fund programs related to the overall purpose of the transferring fund in accordance with budgetary authorizations. In fiscal year 2012-13, Major Street Fund transferred to Local Street Fund \$50,000 and Municipal Street Fund transferred to Local Street Fund \$388,476 to support local street construction projects. Transfers between General Fund and Motor Vehicle Pool were made to help Motor Pool operations and \$400,000 from General Fund to Building Maintenance Fund to help start fund.

E. Long-term Debt

General obligation bonds. The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and land purchase. General obligation bonds have been issued for both business-type activities and component unit.

General obligation bonds are direct obligations and pledge the full faith and credit of the government.

General obligation bonds currently outstanding are as follows:

Purpose	Date of Issue	Amount of Issue	Interest Rates	Final Maturity Date	Annual Principal Payments	Balance Outstanding
Primary Government					\$ 200,000	
General Fund	11/16/2009	\$ 7,040,000	2.0% to 6.625%	5/1/2034	to 405,000	<u>\$ 6,415,000</u>

Primary Government

At the end of 2009, the City of Adrian issued general obligation bonds totaling \$7,040,000. The bond proceeds were used to retire all land contracts and installment purchase agreements the City had outstanding related to governmental funds at the time, and to fund the acquisition, construction and renovation of the Downtown Government Complex.

These bonds were issued under Series A, B and C Bonds. Series B and C were issued under the Federal Stimulus Program (American Recovery and Reinvestment Act of 2009 ARRA), which enables the City to obtain funds at a reduced interest rate.

CITY OF ADRIAN, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

June 30, 2013

The bond issues are:

\$1,540,000

City of Adrian
County of Lenawee, State of Michigan
Limited Tax General Obligation Bonds, Series A-2009
Date: 11/16/09 True Interest: 3.38066%

\$1,600,000

City of Adrian
County of Lenawee, State of Michigan
Limited Tax General Obligation Bond Series B-2009
(Federally Taxable-Build America Bonds-Direct Payment)
Date: 11/16/09 True Interest: 3.75507%

\$3,900,000

City of Adrian
County of Lenawee, State of Michigan
Limited Tax General Obligation Bonds, Series C-2009
(Federally Taxable-Recovery Zone Economic Development Bonds)
Date: 11/16/09 True Interest: 3.74073%

For bond issue Series B-\$1,600,000, under ARRA and Build America Bond program, the U.S. Treasury will reimburse the City 35% of its interest expense over a 25 year amortization period.

For bond issue Series C- \$3,900,000, under ARRA and the Recovery Zone Economic Development Bond program, the U.S. Treasury will reimburse the City 45% of its interest expense over a 25 year amortization period under this bond issue.

The following schedule combines Series A, B and C 2009 bonds showing annual debt service requirements to maturity for all general obligation bonds.

CITY OF ADRIAN, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

Annual debt service requirements to maturity for general obligation bonds are as follows:

Governmental Activities		
Year Ending June 30	Principal	Interest (Net of Federal Tax Credit Receipts)
2014	220,000	227,334
2015	220,000	220,734
2016	235,000	213,584
2017	240,000	205,066
2018	245,000	196,066
2019-2023	1,355,000	848,606
2024-2028	1,600,000	588,396
2029-2033	1,895,000	284,818
2034-2035	405,000	14,758
	\$ 6,415,000	\$ 2,799,362

Revenue bonds: The government issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. Under three revenue bond issues – Wastewater System Revenue Bonds (September 26, 2002) of \$8,920,000; Water Supply System Revenue Bonds, Series 2003, (September 26, 2002) of \$5,665,000, and Water Revenue Bond Series 2007 (September 27, 2007) of \$7,441,707, funding was provided for improvements in the wastewater and water systems.

These bond issues were purchased by the Michigan Municipal Bond Authority under the Drinking Water Revolving Fund (DWRP). Under the purchase contract, the City has received the principal proceeds as loan draw-downs as the construction costs were incurred. All three of these projects are now completed.

In fiscal year ended June 30, 2005, two revenue bond issues – Wastewater System Revenue Bond (September 22, 2005) of \$1,993,885; and Wastewater System Revenue Bond, Series 2007B (December 15, 2005) of 6,962,663 for improvements to wastewater system were issued.

CITY OF ADRIAN, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

Revenue bonds outstanding at June 30, 2013 are as follows:

Purpose	Date of Issue	Amount of Issue	Interest Rates	Final Maturity Date	Annual Principal Payments	Balance Outstanding
					\$ 350,000 to 560,000	
Wastewater System Improvements	09/26/02	\$ 8,920,000	2.5%	10/01/23		\$ 5,450,000
					\$ 220,000 to 355,000	
Water System Improvements	09/26/02	\$ 5,665,000	2.5%	10/01/23		3,460,000
					\$ 85,000 to 118,885	
Wastewater System Improvements	09/22/05	\$ 1,993,885	1.675%	10/01/26		1,448,885
					\$ 305,000 to 397,663	
Wastewater System Improvements	12/15/05	\$ 6,962,663	1.675%	04/01/27		5,087,663
					\$ 320,000 to 426,707	
Water System Improvements	09/27/07	\$ 7,441,707	2.125%	10/1/2028		6,116,707
						<u>\$ 21,563,255</u>

Revenue bond debt service requirements to maturity for bonds totaling \$21,563,255 are as follows:

Year Ending June 30	Principal	Interest
2014	1,480,000	445,636
2015	1,505,000	413,397
2016	1,540,000	380,474
2017	1,565,000	346,863
2018	1,590,000	312,679
2019-2023	8,485,000	1,023,677
2024-2028	4,971,548	245,022
2029	426,707	4,534
	<u>\$ 21,563,255</u>	<u>\$ 3,172,282</u>

CITY OF ADRIAN, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

Lease Purchase

The City has entered into a lease purchase agreement with Siemens Public, Inc. for equipment needed in the Wastewater System. The lease purchase is for \$754,800 with an interest rate of 3.77%. Payments are made semiannually over ten years.

Purpose	Date of Issue	Amount of Issue	Interest Rates	Final Maturity Date	Annual Principal Payments	Balance Outstanding
					\$ 28,801	
					to	
Wastewater System	3/28/2008	\$ 754,800	3.77%	5/10/2018	\$ 45,942	415,172

Installment Purchase

The City has entered into an installment Purchase Agreement with Key Government Finance, Inc. for equipment needed in the Wastewater System. The installment purchase is for \$124,999 with an interest rate of 5.01%. Payments are made annually over five years.

Purpose	Date of Issue	Amount of Issue	Intsrest Rates	Final Maturity Date	Annual Principal Payments	Balance Outstanding
					\$ 22,871	
					to	
Wastewater System	7/24/2009	\$ 124,999	5.01%	7/24/2013	\$ 33,333	32,197

CITY OF ADRIAN, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Long-term liability activity for the year ended June 30, 2013 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
General obligation bonds	\$ 6,630,000	\$ -	\$ 215,000	\$ 6,415,000	\$ 220,000
Accrued sick and vacation	514,691	994,111	1,022,605	486,197	190,946
Governmental activity - long-term liability	<u>\$ 7,144,691</u>	<u>\$ 994,111</u>	<u>\$ 1,237,605</u>	<u>\$ 6,901,197</u>	<u>\$ 410,946</u>
Business-type activities:					
Lease Purchase	\$ 489,302	-	\$ 74,130	\$ 415,172	\$ 76,950
Installment Purchase	58,042	-	25,845	32,197	32,197
Revenue bonds	23,018,255	-	1,455,000	21,563,255	1,480,000
Total bonds & lease payable	23,565,599	-	1,554,975	22,010,624	1,589,147
Accrued sick and vacation	90,160	305,002	300,490	94,672	49,667
Business-type activity - long-term liability	<u>\$ 23,655,759</u>	<u>\$ 305,602</u>	<u>\$ 1,855,465</u>	<u>\$22,105,296</u>	<u>\$ 1,638,814</u>

For the governmental activities, compensated absences are generally liquidated by the General Fund.

CITY OF ADRIAN, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

F. Segment information

The City has revenue bonds related to the Wastewater and Water System Funds. Investors in the revenue bonds rely solely on the revenue generated by the individual activities for repayment.

Since both the Wastewater System Fund and the Water System Fund are major enterprise funds in the financial statements, all pertinent data is disclosed in the basic financial statements presented.

G. Endowment Trust Fund

Various endowment donations are received by the City and reported in the Endowment Trust Fund. The amount of endowment income and, in certain cases, portion of principal available for expenditures in accord with donor-restricted requirements was \$111,005 at June 30, 2013 and 2012. All investment earnings have been derived from investments in certificates of deposit and class account. The total investment earnings (interest) and certain principal amounts create expendable balance in the Endowment Trust Fund.

CITY OF ADRIAN, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 4. OTHER INFORMATION

This balance is reported in the Statement of Net Assets in the equity section as 'Endowment: Expendable and Nonexpendable Net Assets.' And, in the governmental fund statement, the fund balance is restricted for endowment \$111,005 and restricted for public purpose \$514,581.

A. Risk management – insurance pools

The City of Adrian is a member of the Michigan Municipal Liability and Property Pool for its general liability coverage and a member of the Michigan Municipal Workers Compensation Fund for its workers compensation coverage. Both pools are under the Michigan Municipal Program sponsored by the Michigan Municipal League.

The City pays annual premiums to the pools. The pools are self-sustaining through member premiums, and each carries reinsurance through commercial companies for claims in excess to a minimum of \$1,000,000 for specific occurrence, and to a minimum of \$2,000,000 in aggregate in excess of the pool loss reserve fund.

In the event that a single loss should exceed the amount of protection afforded by the pool loss reserve fund, reinsurance, or other insurance carried by the pools, or in the event that a series of losses should deplete or exhaust the loss reserve fund and reinsurance, the payment of valid losses shall be the obligation of the individual member or members of the respective pool against whom the claim was made.

No such event has occurred with the City of Adrian and the pools to which it belongs.

B. Contingent liabilities

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

C. Retirement plan

Plan description

The City participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multi-employer defined benefit pension plan, which provides retirement benefits to all full-time employees of the City. MERS is administered by its Board of Trustees. The Municipal Employees' Retirement Act of 1984, as amended by 1996 Public Act 220 of the State of Michigan assigns the authority to establish and amend the benefit provisions of the plans that participate in MERS to the respective employer entities; for the City of Adrian, that authority rests with the City. The Municipal Employees' Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to Municipal Employees' Retirement System of Michigan, 1134 Municipal Way, Lansing, Michigan 48917.

CITY OF ADRIAN, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 4. OTHER INFORMATION (Continued)

Funding policy

Employees contribute a percent of their annual compensation, as selected by the municipality. A 3%/5% contribution program was available prior to 1985 and may be continued, but not adopted after 1984. Under this program, the employee contributes 3% of the first \$4,200 of annual compensation and 5% of portions over \$4,200. Non-union employees contribute 4% on all eligible wages. The City is required to contribute at an actuarially determined rate per City Division; the current rates vary from 11.66% to 16.14% of compensation per Division. The contribution requirements for the City are determined by the System's actuary.

Annual pension cost

For the years ended June 30, 2013 and 2012, the City's annual pension cost of \$1,080,138 and \$981,416 respectively for MERS was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2011 actuarial valuation using the entry age actuarial cost method. Also, employee contributions were \$290,663 and \$294,789 for fiscal years 2012-13 and 2011-12. The actuarial assumptions included -

- [a] 8.0% investment rate of return,
- [b] projected salary increases of 4.5% per year compounded annually,
- [c] Although no specific price inflation is needed for this valuation, the 4.5% long-term wage inflation assumption would be consistent with a price inflation of 3% to 4%.

The actuarial value of MERS' assets was determined using techniques that smooth the effects of short term volatility in the market value of investments over a ten year period.

Unfunded actuarial accrued liability is amortized by level percentage of payroll contributions over a period of years. The standard amortization period to fund the unfunded liability is 30 years, with this time period reestablished with each annual actuarial valuation. Overfunded actuarial accrued liability is amortized over 10 years. An open amortization period system is used.

Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Recognized</u>	<u>Net Pension Obligation</u>
6/30/10	903,303	100%	0
6/30/11	989,671	100%	0
6/30/12	981,416	100%	0
6/30/13	1,080,138	100%	0

CITY OF ADRIAN, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 4. OTHER INFORMATION (Continued)

Funding Status

Actuarial Accrued Liability (as of 12/31/12)	
Retirees and beneficiaries currently receiving benefits	\$ 33,961,765
Terminated employees not yet receiving benefits	1,652,551
Nonvested terminated employees (pending refunds of accumulated member contributions)	149,867
Current employees --	-
Accumulated employee contributions including allocated investment income	3,997,891
Employer financed	<u>15,049,296</u>
Total Actuarial Accrued Liability	54,811,370
Net Assets Available for Benefits at Actuarial Value date	<u>41,118,990</u>
(Market Value is \$35,956,910)	
Unfunded (Overfunded) Actuarial Accrued Liability	<u>\$ 13,692,380</u>

The funded ratio (the actuarial value of assets as a percentage of the actuarial accrued liability) was 75.02% at December 31, 2012.

The covered payroll (annual payroll of active employees covered by the plan) was \$6,550,450, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 209%. The schedule of funding process, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

D. Deferred compensation plans

The government offers its employees a deferred compensation plans created in accordance with Internal Revenue Code Section 457, amended August 20, 1996. The plans, available to all government employees, permits them to defer a portion of their salary, up to 100% of annual salary or \$17,000 whichever is less. Participation in the plans is optional.

Under the deferred compensation plans, all assets and income of the plans described in subsection (b) (6) are held in trust for the exclusive benefit of participants and their beneficiaries.

Investments are managed by the plans trustees under one of four investment options, or a combination thereof. The choice of the investment option(s) is made by the participants.

The market value of the investments at June 30, 2013 was \$5,666,715.

Since the City has no significant administrative involvement with the assets of the deferred compensation plans, nor does it perform investment functions for the Plans, the deferred compensation plans is not shown in the financial statements.

CITY OF ADRIAN, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 4. OTHER INFORMATION (Continued)

E. Retirement Health Savings Plan

The City has a health savings plan for non-union and certain union employees. The plan provides funds (savings) to participating employees upon retirement for health insurance premiums and other health costs. The City made contributions to the plan (\$58,827 in fiscal year 2012-13) during employment, but no additional funding is provided after retirement. The plan had investments of \$843,881 at June 30, 2013.

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CITY OF ADRIAN, MICHIGAN
STATEMENT OF NET POSITION
JUNE 30, 2013
WITH COMPARATIVE TOTALS FOR JUNE 30, 2012

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	Primary Government				Component Units		
	Governmental Activities	Business-Type Activities	Totals		Downtown Development Authority	Local Development Finance Authority	Brownfield Redevelopment Authority
			2013	2012			
ASSETS:							
Cash and cash equivalents	\$ 4,383,975	\$ 4,341,911	\$ 8,725,886	\$ 7,888,023	\$ 144,320	\$ 8,782	\$ 110,217
Investments	4,754,467	-	4,754,467	4,702,000	165,858	122,761	-
Receivables (net of allowance for uncollectibles)	679,752	1,661,394	2,341,146	2,536,086	4,292	-	16,000
Due from component units	221,618	20,000	241,618	22,086	18,596	-	-
Due from - primary government	-	-	-	-	2,277	89,018	257
Due from other governments	-	42,338	42,338	45,701	-	-	-
Internal balances	(3,599)	3,599	-	-	-	-	-
Inventories	147,065	210,218	357,283	330,332	-	-	-
Prepaid expense	32,579	10,226	42,805	37,633	-	-	-
Restricted assets:							
Current:							
Cash and cash equivalents	-	1,035,078	1,035,078	1,018,824	-	-	-
Investments	-	223,029	223,029	225,240	-	-	-
Noncurrent:							
Cash and cash equivalents	-	1,497,104	1,497,104	1,369,548	-	-	-
Investments	-	29,097	29,097	-	-	-	-
Capital assets (net of accumulated depreciation):							
Land	8,305,639	1,407,642	9,713,281	9,713,279	53,494	-	-
Land improvements	5,167,508	1,257,109	6,424,617	6,097,600	294,000	-	-
Buildings	8,067,566	1,227,417	9,294,983	9,573,730	-	-	-
Utility systems	-	48,529,491	48,529,491	48,788,146	-	-	-
Machinery, equipment, and furnishings	2,015,701	212,298	2,227,999	1,871,613	-	-	-
Infrastructure	9,883,872	-	9,883,872	10,351,672	-	-	-
Total assets	\$ 43,656,143	\$ 61,707,951	\$105,364,094	\$ 104,571,513	\$ 682,837	\$ 220,561	\$ 126,474

	PRIMARY GOVERNMENT				Component Units		
	Governmental Activities	Business-Type Activities	Totals		Downtown Development Authority	Local Development Finance Authority	Brownfield Redevelopment Authority
			2013	2012			
LIABILITIES:							
Accounts payable and other current liabilities	\$ 1,161,600	\$ 341,776	\$ 1,503,376	\$ 1,627,011	\$ 988	\$ 286	\$ 20,000
Accrued interest payable	224,034	-	224,034	356,550	-	-	-
Due to primary government	-	-	-	-	21,343	220,275	-
Due to component unit	91,552	-	91,552	89,000	17,181	-	1,415
Due to other governments	-	24,282	24,282	32,726	-	-	-
Liabilities paid from restricted assets	-	148,312	148,312	30,220	-	-	-
Noncurrent liabilities:							
Due within one year	220,000	1,637,575	1,857,575	1,767,152	669	-	-
Due in more than one year	6,515,949	20,467,721	26,983,670	28,886,536	-	-	-
Total liabilities	8,213,135	22,619,666	30,832,801	32,789,195	40,181	220,561	21,415
Deferred Inflows of Resources							
Unearned revenue (See Note 3.B)	77,196	-	77,196	85,064	-	-	-
NET POSITION:							
Invested in capital assets, net related debt	27,025,286	30,623,333	57,648,619	56,200,440	347,494	-	-
Restricted for:							
Public safety	320,477	-	320,477	216,716	-	-	-
Community development	125,426	-	125,426	138,844	-	-	-
Highways and streets	2,864,082	-	2,864,082	2,062,582	-	-	-
Debt service	-	2,535,996	2,535,996	2,361,914	-	-	-
Water system replacement	-	100,000	100,000	100,000	-	-	-
Parks and beautification	21,309	-	21,309	16,010	-	-	-
Downtown Development	-	-	-	-	295,162	-	-
Brownfield Redevelopment	-	-	-	-	-	-	105,059
Endowment:							
Expendable	514,581	-	514,581	536,694	-	-	-
Nonexpendable	111,005	-	111,005	111,005	-	-	-
Perpetual care - nonexpendable	945,042	-	945,042	971,882	-	-	-
Public purposes	622,734	-	622,734	585,618	-	-	-
Other purposes	172,145	-	172,145	172,265	-	-	-
Unrestricted	2,643,725	5,828,956	8,472,681	8,223,284	-	-	-
Total net position	\$ 35,365,812	\$ 39,088,285	\$ 74,454,097	\$ 71,697,254	\$ 642,656	\$ -	\$ 105,059

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The notes to the financial statements are an integral part of this statement.

CITY OF ADRIAN, MICHIGAN
STATEMENT OF ACTIVITIES
FOR FISCAL YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE TOTALS FOR FISCAL YEAR ENDED JUNE 30, 2012

Functions/Programs	Program Revenues				Primary Government				Component Units		
	Expenses	Charges For Services	Operating Grants And Contributions	Capital Grants And Contributions	Governmental Activities	Business-Activities	Totals 2013	Totals 2012	Downtown Development Authority	Local Development Finance Authority	Brownfield Redevelopment Authority
Primary government:											
Governmental activities:											
General government	\$ 3,514,802	\$ 2,511,940	\$ 432,083	\$ -	\$ (570,779)	\$ -	\$ (570,779)	\$ (1,114,619)	\$ -	\$ -	\$ -
Public safety	5,178,833	1,254,152	-	-	(3,924,681)	-	(3,924,681)	(3,894,656)	-	-	-
Public works	444,836	40,849	-	-	(403,987)	-	(403,987)	(483,511)	-	-	-
Culture and recreation	1,865,951	332,392	-	-	(1,533,559)	-	(1,533,559)	(1,508,309)	-	-	-
Community Beautification & Improvements	1,406,316	164,593	1,178,557	-	(63,166)	-	(63,166)	(597,921)	-	-	-
Community/economic development	234,552	-	-	-	(234,552)	-	(234,552)	(294,243)	-	-	-
Highways, streets, and bridges	1,524,992	68,494	-	-	(1,456,498)	-	(1,456,498)	(1,654,295)	-	-	-
Interest on long term debt	222,672	-	-	-	(222,672)	-	(222,672)	(236,342)	-	-	-
Total governmental activities	14,392,954	4,372,420	1,610,640	-	(8,409,894)	-	(8,409,894)	(9,761,898)	-	-	-
Business-type activities:											
Wastewater system	3,890,316	4,644,609	-	54,000	-	808,293	808,293	944,046	-	-	-
Water system	3,241,929	3,900,764	-	-	-	658,835	658,835	771,922	-	-	-
Dial-A-Ride system	542,458	102,013	259,086	5,520	-	(175,839)	(175,839)	(170,410)	-	-	-
Automobile parking system	166,872	64,305	-	-	-	(102,567)	(102,567)	328,008	-	-	-
Storm water utility	261,418	263,194	-	-	-	1,776	1,776	(80,184)	-	-	-
Total business-type activities	8,102,993	8,974,885	259,086	59,520	-	1,190,498	1,190,498	1,793,382	-	-	-
Total primary government	\$ 22,495,947	\$ 13,347,305	\$ 1,869,726	\$ 59,520	\$ (8,409,894)	\$ 1,190,498	\$ (7,219,396)	\$ (7,968,514)	\$ -	\$ -	\$ -

	Program Revenues				Primary Government				Component Units		
	Expenses	Charges For Services	Operating Grants And Contributions	Capital Grants And Contributions	Governmental Activities	Business-Activities	Totals		Downtown Development Authority	Local Development Finance Authority	Brownfield Redevelopment Authority
							2013	2012			
Component Units:											
Downtown Development Authority	\$ 215,473	\$ 24,255	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (191,218)	\$ -	\$ -
Local Development Finance Authority	220,562	-	-	-	-	-	-	-	-	(220,562)	-
Brownfield Redevelopment Authority	50,897	-	2,757	-	-	-	-	-	-	-	(48,140)
Total component units	\$ 486,932	\$ 24,255	\$ 2,757	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (191,218)	\$ (220,562)	\$ (48,140)
General Revenues:											
Property taxes					\$ 5,809,159	\$ -	\$ 5,809,159	\$ 6,068,962	\$ 96,193	\$ -	\$ 43,939
Sales tax, incentive payment					1,962,792	-	1,962,792	2,016,158	-	-	-
Motor vehicle fuel tax					1,362,786	-	1,362,786	1,354,946	-	-	-
Grants and contributions not restricted to specific programs					13,692	-	13,692	14,211	-	-	-
Unrestricted investment earnings					(13,828)	50,238	36,410	227,172	1,394	53	897
Contributions					-	60,000	60,000	329,251	-	-	-
Transfers					(150,967)	150,967	-	-	4,245	-	(4,245)
Total general revenues and transfers					8,983,634	261,205	9,244,839	10,010,700	101,832	53	40,591
Change in net position					573,740	1,451,703	2,025,443	2,042,186	(89,386)	(220,509)	(7,549)
Net position – beginning of year					34,792,072	36,905,182	71,697,254	69,655,068	732,042	951,909	112,608
Contribution of capital assets to utility funds (see note 3.C)					-	731,400	731,400	-	-	(731,400)	-
Net position – end of year					\$ 35,365,812	\$ 39,088,285	\$ 74,454,097	\$ 71,697,254	\$ 642,656	\$ -	\$ 105,059

CITY OF ADRIAN, MICHIGAN
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013
WITH COMPARATIVE TOTALS FOR JUNE 30, 2012

	General	Major Streets	Local Streets	Fee Estate	Other Governmental Funds	Totals Governmental Funds	
						2013	2012
ASSETS:							
Cash and cash equivalents	\$ 174,120	\$ 1,142,116	\$ 1,515,960	\$ -	\$ 958,823	\$ 3,791,039	\$ 3,531,864
Investments	3,187,946	56,491	-	-	1,530,030	4,754,467	4,702,000
Receivables:							
Accounts	115,274	85,906	31,156	247,719	79,969	560,024	587,674
Loans	-	-	-	-	105,990	105,990	118,196
Due from other funds	415,151	37,000	-	-	20,927	473,078	471,441
Due from component units	221,082	-	-	-	-	221,082	6,605
Inventories:							
Land held for resale, at cost	-	-	-	-	7,499	7,499	7,499
Supplies at cost	139,566	-	-	-	-	139,566	143,820
Prepaid cost	32,579	-	-	-	-	32,579	28,445
Total assets	\$ 4,265,718	\$ 1,321,513	\$ 1,547,136	\$ 247,719	\$ 2,703,238	\$ 10,085,324	\$ 9,597,544
LIABILITIES:							
Vouchers payable	\$ 289,972	\$ 1,626	\$ 19,414	\$ 212,942	\$ 6,410	\$ 530,364	\$ 729,226
Accrued liabilities	301,215	2,207	7,783	13,468	898	325,571	335,573
Due to other funds	333,687	7,027	26,614	-	377,414	744,742	409,897
Due to component units	2,552	-	-	-	89,000	91,552	69,000
Total liabilities	927,426	10,860	53,811	226,410	473,722	1,692,229	1,563,696
Deferred Inflows of Resources							
Unearned revenue (See Note 3.B)	32,468	-	-	-	44,728	77,196	82,064
FUND BALANCES:							
Nonspendable:							
Inventories and prepaids	172,145	-	-	-	-	172,145	172,265
Restricted for:							
Perpetual care	-	-	-	-	945,042	945,042	971,882
Endowment	-	-	-	-	111,005	111,005	111,005
Streets	-	(1) 1,310,653	(1) 1,493,325	-	60,104	2,864,082	2,062,582
Parks and beautification	-	-	-	21,309	-	21,309	16,010
Community Development	-	-	-	-	125,426	125,426	138,844
Public purpose	-	-	-	-	622,734	622,734	585,618
Public safety	-	-	-	-	320,477	320,477	216,716
Committed to:							
Vibrant Cities	-	-	-	-	-	-	171,915
Assigned to:							
Economic development	-	-	-	-	-	-	304,276
Encumbrances	105,198	-	-	-	-	105,196	74,742
Designated purpose (Note 2C)	1,490,000	-	-	-	-	1,490,000	1,638,000
Unassigned	1,538,481	-	-	-	-	1,538,481	1,487,929
Total fund balances	3,305,824	1,310,653	1,493,325	21,309	2,184,788	8,315,899	7,951,764
Total liabilities, deferred inflows of resources and fund balance	\$ 4,265,718	\$ 1,321,513	\$ 1,547,136	\$ 247,719	\$ 2,703,238	\$ 10,085,324	\$ 9,597,544

(1) - Includes encumbrances of \$114,421 in Major Street and \$91,852 in Local Street

**CITY OF ADRIAN, MICHIGAN
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	\$ 33,440,286	\$ 33,406,971
Accrued interest payable on long term debt is recognized in governmental funds when paid and not when accrued.	(224,034)	(235,072)
Long-term portion of accrued sick and vacation pay liability are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(316,364)	(417,427)
Bond and loan indebtedness are recognized in the governmental funds when paid and not when accrued.	(6,415,000)	(6,630,000)
Internal Service Funds (Information Technology Fund and Fire Dept. Motor Pool) are used by management to charge the costs of management information systems to individual funds and to maintain vehicles. The assets and liabilities of the Internal Service Funds are included in governmental activities in the statement of net position. Note - capital assets for the internal service funds of \$ 676,771 are shown in the capital asset figure above.	<u>565,025</u>	<u>715,816</u>
Net differences	27,049,913	26,840,288
Total fund balance in governmental funds	<u>8,315,899</u>	<u>7,951,784</u>
Total net position of governmental activities	<u>\$ 35,365,812</u>	<u>\$ 34,792,072</u>

The notes to the financial statements are an integral part of this statement.

CITY OF ADRIAN, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR FISCAL YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE TOTALS FOR FISCAL YEAR ENDED JUNE 30, 2012

	General	Major Streets	Local Streets	Fee Estate	Other Governmental Funds	Totals Governmental Funds 2013	Totals Governmental Funds 2012
REVENUES:							
Taxes	\$ 5,335,117	\$ -	\$ -	\$ -	\$ 371,336	\$ 5,706,453	\$ 5,963,506
Other tax related revenue	102,706	-	-	-	-	102,706	105,456
Licenses and permits	247,785	-	-	-	-	247,785	365,685
Intergovernmental – federal	202,549	-	-	-	-	202,549	203,165
Intergovernmental – state	1,997,473	1,006,272	379,246	-	-	3,382,991	4,244,968
Charges for services	78,473	-	-	-	647,814	726,287	680,461
Use and admission charges	330,212	-	-	-	-	330,212	387,329
Fines and fees	233,442	-	-	-	-	233,442	185,754
Investment earnings	5,883	757	860	-	(18,522)	(11,022)	165,653
Fee Trust -- for beautification	-	-	-	1,175,557	-	1,175,557	735,739
Other	1,176,344	2,258	759	3,000	154,193	1,336,554	947,041
Special assessments	-	-	41,128	-	-	41,128	137,838
Contribution from DDA	-	-	-	-	-	-	2,000
Contribution from LDFA - GAIDC	-	-	-	-	-	-	15,000
Contributions	168,750	-	-	-	-	168,750	312,250
Total revenues	9,878,734	1,009,287	421,993	1,178,557	1,154,821	13,643,392	14,451,845
EXPENDITURES:							
Current:							
General government	1,575,553	-	-	-	-	1,575,553	1,695,476
Public safety	4,572,977	-	-	-	623,680	5,196,657	5,063,025
Public works	426,076	-	-	-	-	426,076	448,840
Culture and recreation	2,182,521	-	-	-	-	2,182,521	2,228,542
Community Beautification and Improvements	95,545	-	-	1,173,258	-	1,266,803	826,566
Non-Departmental Community/Economic Development	212,381	-	-	-	15,934	228,295	358,026
Highways, streets, and bridges	-	563,429	475,358	-	-	1,038,787	2,427,024
Debt Service:							
Principal retirement	215,000	-	-	-	-	215,000	210,000
Interest and fiscal charges	233,710	-	-	-	-	233,710	238,704
Total expenditures	9,513,743	563,429	475,358	1,173,258	756,422	12,482,210	13,588,161
Excess (deficiency) of revenues (under) expenditures	364,991	445,858	(53,365)	5,299	398,399	1,161,182	863,684
Other financing sources (uses):							
Transfers in	364,964	37,000	438,476	-	-	840,440	641,605
Transfers out	(797,067)	(50,000)	-	-	(790,440)	(1,637,507)	(767,943)
Total other financing sources (uses)	(432,103)	(13,000)	438,476	-	(790,440)	(797,067)	(126,338)
Net change in fund balance	(67,112)	432,858	385,111	5,299	(392,041)	364,115	737,346
Fund balances at beginning of year	3,372,936	877,795	1,108,214	18,010	2,576,829	7,951,784	7,214,438
Fund balances at end of year	\$ 3,305,824	\$ 1,310,653	\$ 1,493,325	\$ 21,309	\$ 2,184,788	\$ 8,315,899	\$ 7,951,784

The notes to the financial statements are an integral part of this statement.

CITY OF ADRIAN, MICHIGAN
RECONCILIATION TO THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
Amounts reported for governmental activities in the statement of revenues, expenditures and changes in fund balances are different because:		
Net change in fund balance –	\$ 364,115	\$ 737,346
Government funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period. (Total capital outlay \$1,522,577 net of disposals \$0 less depreciation of \$1,489,263	33,314	(630,905)
This issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Principal repayment	215,000	210,000
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in funds.		
Accrued interest – net effect	11,039	2,362
Accrued long-term sick and vacation – net effect	101,063	45,411
Internal Service Funds are used by management to charge costs of management information systems to individual funds and to maintain vehicles.		
Note: Capital outlay and depreciation figures related to Internal Service Funds - capital outlay of \$ 694,438 net of disposals of \$ 0 less depreciation of \$ 231,959 are shown in capital outlay and depreciation balances above.	(150,791)	(303,266)
Change in net position in governmental activities	\$ 573,740	\$ 60,948

The notes to the financial statements are an integral part of this statement.

(PAGE 1 OF 3)
 CITY OF ADRIAN, MICHIGAN
 GENERAL FUND
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL
 FOR FISCAL YEAR ENDED JUNE 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes	\$ 5,574,130	\$ 5,453,610	\$ 5,335,117	\$ (118,493)
Other tax related revenue	122,000	117,500	102,706	(14,794)
Licenses and permits	211,200	220,550	247,785	27,235
Intergovernmental	2,060,237	2,300,536	2,200,022	(100,514)
Charges for services	84,150	95,250	78,473	(16,777)
Uses and admission charges	354,000	337,000	330,212	(6,788)
Fines and fees	203,700	223,560	233,442	9,882
Investment earnings	80,000	40,000	5,883	(34,117)
Miscellaneous	916,034	1,166,905	1,345,094	178,189
Total revenues	<u>9,605,451</u>	<u>9,954,911</u>	<u>9,878,734</u>	<u>(76,177)</u>
EXPENDITURES:				
Current:				
General Government:				
City Commission	102,509	106,959	98,942	8,017
City Administrator	214,224	204,224	201,948	2,276
Election Department	23,400	23,400	20,735	2,665
Finance Department	370,040	426,165	429,786	(3,621)
City Assessor	143,267	150,067	132,804	17,263
City Attorney	155,289	155,289	153,500	1,789
City Clerk	111,608	111,608	115,511	(3,903)
Human Resources	172,182	175,182	138,573	36,609
Cemetery	293,151	277,289	283,754	(6,465)
Total general government	<u>1,585,670</u>	<u>1,630,183</u>	<u>1,575,553</u>	<u>54,630</u>
Public Safety:				
Police Department	2,654,901	2,698,498	2,634,563	63,935
Fire Department	1,495,241	1,742,340	1,593,234	149,106
Inspection Department	354,505	355,505	345,180	10,325
Total public safety	<u>4,504,647</u>	<u>4,796,343</u>	<u>4,572,977</u>	<u>223,366</u>
Total expenditures carried forward	<u>6,090,317</u>	<u>6,426,526</u>	<u>6,148,530</u>	<u>277,996</u>

The notes to the financial statements are an integral part of this statement.

(PAGE 2 OF 3)
CITY OF ADRIAN, MICHIGAN
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
FOR FISCAL YEAR ENDED JUNE 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive</u>
	<u>Original</u>	<u>Final</u>		
Total expenditures carried forward	\$ 6,090,317	\$ 6,426,526	\$ 6,148,530	\$ 277,996
Public Works:				
Department of Public Works	121,721	192,499	253,384	(60,885)
Stores - Central Supply	-	-	(1,502)	1,502
Engineering	66,525	66,525	64,869	1,656
Street Lighting	169,000	131,477	109,325	22,152
Total public works	<u>357,246</u>	<u>390,501</u>	<u>426,076</u>	<u>(35,575)</u>
Culture and Recreation:				
Recreation Department	711,629	829,034	753,005	76,029
Adrian Area Little League	29,400	32,400	30,033	2,367
Parks and Forestry Garage	370	76,120	75,750	370
Parks and Forestry Department	550,399	566,800	463,750	103,050
Parks and Forestry – Heritage	118,241	147,823	139,885	7,938
Library	697,514	705,322	720,098	(14,776)
Total culture and recreation	<u>2,107,553</u>	<u>2,357,499</u>	<u>2,182,521</u>	<u>174,978</u>
Community Beautification and Improvements:				
Planning Commission	12,000	21,850	20,889	961
Other Projects	134,200	85,230	74,656	10,574
Total other services	<u>146,200</u>	<u>107,080</u>	<u>95,545</u>	<u>11,535</u>
Economic Development	<u>224,747</u>	<u>230,017</u>	<u>212,361</u>	<u>17,656</u>
Debt Service:				
Principal	215,000	215,000	215,000	-
Interest	233,710	233,710	233,710	-
Total debt service	<u>448,710</u>	<u>448,710</u>	<u>448,710</u>	<u>-</u>
Total expenditures	<u>9,374,773</u>	<u>9,960,333</u>	<u>9,513,743</u>	<u>446,590</u>
Excess (deficiency) of revenues over (under) expenditures	<u>230,678</u>	<u>(5,422)</u>	<u>364,991</u>	<u>370,413</u>

The notes to the financial statements are an integral part of this statement.

(PAGE 3 OF 3)
 CITY OF ADRIAN, MICHIGAN
 GENERAL FUND
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL
 FOR FISCAL YEAR ENDED JUNE 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive</u>
	<u>Original</u>	<u>Final</u>		
Other financing sources (uses):				
Transfers in	\$ 40,000	\$ 40,000	\$ 364,964	\$ 324,964
Transfers out	(149,974)	(418,093)	(797,067)	(378,974)
Total other financing sources (uses)	<u>(109,974)</u>	<u>(378,093)</u>	<u>(432,103)</u>	<u>(54,010)</u>
Net change in fund balance	120,704	(383,515)	(67,112)	316,403
Fund balance at beginning of year	<u>3,372,936</u>	<u>3,372,936</u>	<u>3,372,936</u>	<u>-</u>
Fund balance at end of year	<u>\$ 3,493,640</u>	<u>\$ 2,989,421</u>	<u>\$ 3,305,824</u>	<u>\$ 316,403</u>

The notes to the financial statements are an integral part of this statement.

CITY OF ADRIAN, MICHIGAN
MAJOR STREETS SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
FOR FISCAL YEAR ENDED JUNE 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental – state	\$ 895,000	\$ 895,000	\$ 1,006,272	\$ 111,272
Investment earnings	100	1,200	757	(443)
Other	300	135,200	2,258	(132,942)
Total revenues	<u>895,400</u>	<u>1,031,400</u>	<u>1,009,287</u>	<u>(22,113)</u>
EXPENDITURES:				
Highways, streets, and bridges:				
Street construction	234,311	267,277	161,437	105,840
Routine maintenance – streets	244,022	244,022	144,421	99,601
Routine maintenance – bridges	12,980	32,663	40,633	(7,970)
Maintenance – State trunklines	44,146	44,146	20,528	23,618
Traffic service	132,952	132,952	56,677	76,275
Winter maintenance	74,620	74,620	48,050	26,570
Administration	58,190	58,190	36,447	21,743
Non-motorized transportation	28,284	53,766	55,236	(1,470)
Other	-	-	-	-
Total expenditures	<u>829,505</u>	<u>907,636</u>	<u>563,429</u>	<u>344,207</u>
Excess (deficiency) of revenues over (under) expenditures	<u>65,895</u>	<u>123,764</u>	<u>445,858</u>	<u>322,094</u>
Other financing sources (uses):				
Transfers in	35,000	35,000	37,000	2,000
Transfers out	(100,000)	(100,000)	(50,000)	50,000
Total other financing sources (uses)	<u>(65,000)</u>	<u>(65,000)</u>	<u>(13,000)</u>	<u>52,000</u>
Net change in fund balance	895	58,764	432,858	374,094
Fund balance at beginning of year	<u>718,240</u>	<u>471,130</u>	<u>877,795</u>	<u>406,665</u>
Fund balance at end of year	<u>\$ 719,135</u>	<u>\$ 529,894</u>	<u>\$ 1,310,653</u>	<u>\$ 780,759</u>

The notes to the financial statements are an integral part of this statement.

CITY OF ADRIAN, MICHIGAN
LOCAL STREETS SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
FOR FISCAL YEAR ENDED JUNE 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental – state	\$ 320,000	\$ 320,000	\$ 379,246	\$ 59,246
Special assessment	49,000	55,000	41,128	(13,872)
Investment earnings	100	1,600	860	(740)
Other	1,000	1,000	759	(241)
Total revenues	<u>370,100</u>	<u>377,600</u>	<u>421,993</u>	<u>44,393</u>
EXPENDITURES:				
Highways, streets, and bridges:				
Sidewalks	43,880	60,880	30,030	30,850
Street construction	297,000	297,000	171,536	125,464
Rehabilitation - alleys	50,000	50,000	29,002	20,998
Routine maintenance – streets	305,424	305,424	133,272	172,152
Routine maintenance – bridges	4,940	4,940	1,800	3,140
Traffic service	56,880	56,880	50,673	6,207
Winter maintenance	63,904	63,904	32,124	31,780
Administration	30,190	30,190	26,921	3,269
Total expenditures	<u>852,218</u>	<u>869,218</u>	<u>475,358</u>	<u>393,860</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(482,118)</u>	<u>(491,618)</u>	<u>(53,365)</u>	<u>438,253</u>
Other financing sources (uses):				
Transfers in	<u>488,476</u>	<u>488,476</u>	<u>438,476</u>	<u>(50,000)</u>
Total other financing sources (uses)	<u>488,476</u>	<u>488,476</u>	<u>438,476</u>	<u>(50,000)</u>
Net change in fund balance	6,358	(3,142)	385,111	388,253
Fund balance at beginning of year	<u>1,108,214</u>	<u>1,108,214</u>	<u>1,108,214</u>	
Fund balance at end of year	<u>\$ 1,114,572</u>	<u>\$ 1,105,072</u>	<u>\$ 1,493,325</u>	<u>\$ 388,253</u>

The notes to the financial statement are an integral part of this statement.

**CITY OF ADRIAN, MICHIGAN
FEE ESTATE SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
FOR FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Donations - Fee Estate	\$ 1,215,909	\$ 1,330,153	\$1,175,557	\$ (154,596)
Investment earnings	-	-	-	-
Other	-	100	3,000	2,900
Total revenues	<u>1,215,909</u>	<u>1,330,253</u>	<u>1,178,557</u>	<u>(151,696)</u>
EXPENDITURES:				
Maintenance - beautification	<u>1,215,909</u>	<u>1,330,253</u>	<u>1,173,258</u>	<u>156,995</u>
Total expenditures	<u>1,215,909</u>	<u>1,330,253</u>	<u>1,173,258</u>	<u>156,995</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	5,299	5,299
Fund balance at beginning of year	<u>16,010</u>	<u>16,010</u>	<u>16,010</u>	<u>-</u>
Fund balance at end of year	<u>\$ 16,010</u>	<u>\$ 16,010</u>	<u>\$ 21,309</u>	<u>\$ 5,299</u>

The notes to the financial statements are an integral part of this statement.

(PAGE 1 OF 2)
 CITY OF ADRIAN, MICHIGAN
 STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 JUNE 30, 2013
 WITH COMPARATIVE TOTALS FOR JUNE 30, 2012

	Business-Type Activities - Enterprise Funds				Governmental Activities	
	Wastewater System	Water System	Other Enterprise Fund	Totals		Internal Service Funds
				Proprietary Funds 2013	Proprietary Funds 2012	
ASSETS:						
Current assets:						
Cash and cash equivalents	\$ 1,564,239	\$ 1,831,881	\$ 945,791	\$ 4,341,911	\$ 3,648,467	\$ 592,936
Investments	-	-	-	-	-	-
Receivables:						
Accounts	647,200	560,090	772	1,208,062	1,305,632	13,738
Special assessments	-	-	362,202	362,202	408,398	-
Deferred assessments	68,501	22,629	-	91,130	91,130	-
Due from other funds	6,094	15,428	45,180	66,702	30,000	268,065
Due from other governments	-	-	42,338	42,338	45,701	-
Due from component unit	-	-	20,000	20,000	15,000	536
Inventories	-	184,367	25,851	210,218	179,013	-
Prepaid expense	4,379	5,847	-	10,226	9,188	-
	<u>2,290,413</u>	<u>2,620,242</u>	<u>1,442,134</u>	<u>6,352,789</u>	<u>5,732,529</u>	<u>875,275</u>
Restricted assets available for current liabilities:						
Customer deposit - cash	-	33,370	-	33,370	30,220	-
Bond interest and redemption account - investment	-	223,029	-	223,029	225,240	-
Bond interest and redemption account - cash	705,617	296,091	-	1,001,708	988,604	-
Total current assets	<u>2,996,030</u>	<u>3,172,732</u>	<u>1,442,134</u>	<u>7,610,896</u>	<u>6,976,593</u>	<u>875,275</u>
Noncurrent assets:						
Restricted investments:						
Bond reserve - cash	806,997	590,107	-	1,397,104	1,240,484	-
Bond reserve - investment	29,097	-	-	29,097	29,064	-
Replacement account - cash	-	100,000	-	100,000	100,000	-
Total noncurrent restricted assets	<u>836,094</u>	<u>690,107</u>	<u>-</u>	<u>1,526,201</u>	<u>1,369,548</u>	<u>-</u>
Capital assets:						
Land	163,164	583,110	661,368	1,407,642	1,407,642	-
Building	-	-	1,373,271	1,373,271	1,373,271	-
Utility systems	49,634,372	32,062,121	2,380,243	84,076,736	82,153,233	-
Land improvements	-	-	2,016,834	2,016,834	1,986,167	-
Equipment	-	-	567,219	567,219	625,484	3,933,544
Less: accumulated depreciation	(22,850,850)	(11,482,691)	(2,474,404)	(36,807,745)	(34,558,728)	(2,562,335)
Net capital assets	<u>26,946,886</u>	<u>21,162,540</u>	<u>4,524,531</u>	<u>52,633,957</u>	<u>52,989,069</u>	<u>1,371,209</u>
Total noncurrent assets	<u>27,782,980</u>	<u>21,852,647</u>	<u>4,524,531</u>	<u>54,180,158</u>	<u>54,358,617</u>	<u>1,371,209</u>
Total assets	<u>\$ 30,779,010</u>	<u>\$ 25,025,379</u>	<u>\$ 5,966,665</u>	<u>\$ 61,771,054</u>	<u>\$ 61,335,210</u>	<u>\$ 2,246,484</u>

The notes to the financial statements are an integral part of this statement.

(PAGE 2 OF 2)
 CITY OF ADRIAN, MICHIGAN
 STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 JUNE 30, 2013
 WITH COMPARATIVE TOTALS FOR JUNE 30, 2012

	Business-Type Activities - Enterprise Funds				Governmental Activities	
	Wastewater System	Water System	Other Enterprise Fund	Totals		Internal Service Funds
				Proprietary Funds		
			2013	2012		
LIABILITIES:						
Current liabilities:						
Vouchers payable	\$ 133,985	\$ 133,333	\$ 20,933	\$ 288,251	\$ 401,538	\$ 301,066
Accrued liabilities	23,570	28,506	1,449	53,525	57,896	4,599
Unearned revenue	-	-	-	-	3,000	-
Due to other funds	23,848	22,077	17,178	63,103	127,410	-
Due to other governments	-	-	24,282	24,282	32,726	-
Accrued sick and vacation pay	17,538	30,890	-	48,428	49,499	-
Lease payable - current	76,950	-	-	76,950	74,130	-
Installment loan payable -current	32,197	-	-	32,197	23,022	-
DWRF/SRF bonds payable-current	860,000	620,000	-	1,480,000	1,455,000	-
	<u>1,168,088</u>	<u>834,806</u>	<u>63,842</u>	<u>2,066,736</u>	<u>2,224,221</u>	<u>305,665</u>
Current liabilities payable from restricted assets:						
Customer deposits payable	-	33,370	-	33,370	30,220	-
Accrued interest	61,938	53,004	-	114,942	121,478	-
Total current liabilities	<u>1,230,026</u>	<u>921,180</u>	<u>63,842</u>	<u>2,215,048</u>	<u>2,375,919</u>	<u>305,665</u>
Noncurrent liabilities:						
Accrued sick and vacation pay	15,823	30,421	-	46,244	40,661	4,585
Lease payable	338,222	-	-	338,222	415,172	-
Installment loan payable	-	-	-	-	35,021	-
DWRF Bonds	5,015,000	8,956,717	-	13,971,717	15,026,717	-
SRF Bonds	6,111,538	-	-	6,111,538	6,536,538	-
Total noncurrent liabilities	<u>11,480,583</u>	<u>8,987,138</u>	<u>-</u>	<u>20,467,721</u>	<u>22,054,109</u>	<u>4,585</u>
Total liabilities	<u>12,710,609</u>	<u>9,908,318</u>	<u>63,842</u>	<u>22,682,769</u>	<u>24,430,028</u>	<u>310,250</u>
NET POSITION::						
Invested in capital assets, net of related debt	14,512,979	11,585,823	4,524,531	30,623,333	29,423,469	1,371,209
Restricted for debt service	1,479,773	1,056,223	-	2,535,996	2,361,914	-
Restricted for replacement	-	100,000	-	100,000	100,000	-
Unrestricted	2,075,649	2,375,015	1,378,292	5,828,956	5,019,799	565,025
Total net position	<u>\$ 18,068,401</u>	<u>\$ 15,117,061</u>	<u>\$ 5,902,823</u>	<u>\$ 39,088,285</u>	<u>\$ 36,905,182</u>	<u>\$ 1,936,234</u>

The notes to the financial statements are an integral part of this statement.

CITY OF ADRIAN, MICHIGAN
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR FISCAL YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE TOTALS FOR FISCAL YEAR ENDED JUNE 30, 2012

	Business-Type Activities - Enterprise Funds				Governmental Activities	
	Wastewater System	Water System	Other Enterprise Fund	Totals		Internal Service Funds
				Proprietary Funds 2013	2012	
Operating revenues:						
Charges for services	\$ 4,631,811	\$ 3,831,305	\$ 359,718	\$ 8,822,834	\$ 8,899,793	\$ 1,447,921
Special assessments	-	-	62,638	62,638	60,457	-
Miscellaneous revenues	12,798	69,459	7,156	89,413	112,772	26,347
Total operating revenues	4,644,609	3,900,764	429,512	8,974,885	9,073,022	1,474,268
Operating expenses:						
Cost of services	2,254,127	2,419,839	894,881	5,568,847	5,218,716	1,576,721
Depreciation	1,367,642	602,116	75,867	2,045,625	2,126,056	231,959
Total operating expenses	3,621,769	3,021,955	970,748	7,614,472	7,344,772	1,808,680
Operating income (loss)	1,022,840	878,809	(541,236)	1,360,413	1,728,250	(334,412)
Nonoperating revenues						
expenses:						
Intergovernmental – state - operating	-	-	175,358	175,358	163,911	-
Intergovernmental - maintenance reimbursement- state			2,000	2,000		
Intergovernmental – maintenance reimbursement - federal	-	-	9,098	9,098	3,856	-
Intergovernmental – federal	54,000	-	72,630	126,630	78,589	-
Interest revenue	17,616	15,600	17,022	50,238	61,518	-
Interest expense	(268,547)	(219,974)	-	(488,521)	(521,224)	-
Total nonoperating revenues (expenses)	(196,931)	(204,374)	276,108	(125,197)	(213,350)	-
Income (loss) before contributions and transfers	825,909	674,435	(265,128)	1,235,216	1,514,900	(334,412)
Capital contribution from Local Development Finance Authority	265,999	465,401	-	731,400	-	-
Capital contribution - grants Federal	-	-	5,520	5,520	260,000	-
Capital contribution - local	-	-	60,000	60,000	60,000	-
Transfers in	-	-	150,967	150,967	126,338	846,100
Change in net position	1,091,908	1,139,836	(48,641)	2,183,103	1,981,238	311,688
Total net position – beginning of year	16,978,493	13,977,225	5,951,464	36,905,182	36,905,182	1,624,546
Total net position – end of year	\$ 18,068,401	\$ 15,117,061	\$ 5,902,823	\$ 39,088,285	\$ 38,886,420	\$ 1,936,234

The notes to the financials statements are an integral part of this statement.

CITY OF ADRIAN, MICHIGAN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR FISCAL YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE TOTALS FOR FISCAL YEAR ENDED JUNE 30, 2012

	<u>Business-Type Activities - Enterprise Funds</u>				<u>Governmental</u>	
	<u>Wastewater</u>	<u>Water</u>	<u>Other</u>	<u>Totals</u>		<u>Internal</u>
				<u>Proprietary Funds</u>	<u>2012</u>	
	<u>System</u>	<u>System</u>	<u>Enterprise</u>	<u>2013</u>	<u>2012</u>	<u>Funds</u>
Cash flows from operating activities:						
Cash received from customers	\$ 4,678,694	\$3,895,470	\$ 467,137	\$9,041,301	\$ 8,967,100	\$ 1,253,606
Cash paid to suppliers	(1,600,466)	(1,497,983)	(577,867)	(3,676,316)	(3,021,213)	(1,149,466)
Cash paid to employees	(712,619)	(954,498)	(354,009)	(2,021,126)	(1,965,665)	(170,558)
Net cash provided by (used in) operating activities	<u>2,365,609</u>	<u>1,442,989</u>	<u>(464,739)</u>	<u>3,343,859</u>	<u>3,980,222</u>	<u>(66,418)</u>
Cash flows from noncapital financing activities:						
Grant received – Federal	-	-	97,810	97,810	62,988	-
Grant received – State	-	-	156,195	156,195	133,415	-
Transfers from other funds	-	-	150,866	150,866	123,439	-
Contribution from DDA/TIFA	-	-	60,000	60,000	60,000	-
Special assessment revenue provided to other funds	-	-	(22,713)	(22,713)	(136,380)	-
Net cash provided by noncapital financing activities	<u>-</u>	<u>-</u>	<u>442,158</u>	<u>442,158</u>	<u>243,462</u>	<u>-</u>
Cash flows from capital and related financing activities:						
Acquisition and construction of capital assets	(564,971)	(438,533)	(36,609)	(1,040,113)	(1,286,230)	(694,438)
Principal paid on lease	(74,130)	-	-	(74,130)	(71,412)	-
Grants received - Federal	54,000	-	5,520	59,520	230,002	-
Fund transfers	-	-	-	-	-	646,100
Special assessments	-	-	58,511	58,511	127,972	-
Principal paid on DWRF Bonds	(425,000)	(610,000)	-	(1,035,000)	(1,015,000)	-
Principal paid on SRF Bonds	(420,000)	-	-	(420,000)	(415,000)	-
Principal paid on installment loan	(25,846)	-	-	(25,846)	-	-
Interest paid	(271,589)	(223,468)	-	(495,057)	(528,875)	-
Net cash provided by (used in) capital and related financing activities	<u>(1,727,536)</u>	<u>(1,272,001)</u>	<u>27,422</u>	<u>(2,972,115)</u>	<u>(2,958,543)</u>	<u>(48,338)</u>
Cash flows from investing activities:						
Investment securities purchased	(33)	-	-	(33)	(103)	-
Proceeds on matured investment securities	-	2,211	-	2,211	-	-
Interest income	17,616	15,600	17,022	50,238	61,518	-
Net cash provided by investing activities	<u>17,583</u>	<u>17,811</u>	<u>17,022</u>	<u>52,416</u>	<u>61,415</u>	<u>-</u>

Noncash contributions from Local Development Finance Authority to Wastewater System (\$265,999) and to Water System (\$465,401) in the form of Capital Assets not included in the above figures.

The notes to the financial statements are an integral part of this statement.

CITY OF ADRIAN, MICHIGAN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR FISCAL YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE TOTALS FOR FISCAL YEAR ENDED JUNE 30, 2012

	<u>Business-Type Activities - Enterprise Funds</u>				<u>Governmental</u>	
	<u>Wastewater</u>	<u>Water</u>	<u>Other</u>	<u>Totals</u>		<u>Internal</u>
				<u>System</u>	<u>System</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Net increase (decrease) in cash and cash equivalents	\$ 655,656	\$ 188,799	\$ 21,863	\$ 866,318	\$ 1,326,556	\$ (114,756)
Cash and cash equivalents at beginning of year (including \$1,396,316 and \$962,992 for the Waste System and the Water System Utility Funds, respectively reported in Restricted Funds)	2,421,197	2,662,650	923,928	6,007,775	4,681,219	707,692
Cash and cash equivalents at end of year (including \$1,512,614 and \$1,019,568 for the Wastewater System and the Water System Funds, respectively reported in Restricted Funds)	<u>\$ 3,076,853</u>	<u>\$ 2,851,449</u>	<u>\$ 945,791</u>	<u>\$ 6,874,093</u>	<u>\$ 6,007,775</u>	<u>\$ 592,936</u>

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES

Operating income (loss)	\$ 1,022,840	\$ 878,809	\$(541,236)	\$ 1,360,413	\$ 1,728,250	\$ (334,412)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation	1,367,642	602,116	156,867	2,126,625	2,126,056	231,959
Change in assets and liabilities:						
(Increase) decrease in accounts receivable	40,179	6,984	50,407	97,570	(117,545)	11,318
(Increase) decrease in due from other funds	(6,094)	(15,428)	(9,782)	(31,304)	(44,767)	(231,925)
(Increase) decrease in due from component unit	-	-	-	-	-	(55)
(Increase) decrease in inventories	-	(23,100)	(8,105)	(31,205)	12,979	-
(Increase) decrease in prepaid expense	(1,112)	74	-	(1,038)	(71)	-
increase (decrease) in vouchers payable	(47,803)	33,049	(98,533)	(113,287)	194,259	255,296
Increase (decrease) in accrued payroll and liabilities	692	(372)	(4,691)	(4,371)	27,513	1,674
Increase (decrease) in due to other funds	(5,936)	(51,604)	(6,666)	(64,206)	49,589	(273)
Increase (decrease) in accrued sick and vacation	(4,799)	9,311	-	4,512	(7,431)	-
Increase (decrease) in unearned revenue	-	-	(3,000)	(3,000)	3,000	-
Increase (decrease) in customer deposits	-	3,150	-	3,150	8,390	-
Total adjustments	<u>1,342,769</u>	<u>564,180</u>	<u>76,497</u>	<u>1,983,446</u>	<u>2,251,972</u>	<u>267,994</u>
Net cash provided by (used in) operating activities	<u>\$ 2,365,609</u>	<u>\$ 1,442,989</u>	<u>\$(464,739)</u>	<u>\$ 3,343,859</u>	<u>\$ 3,980,222</u>	<u>\$ (66,418)</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF ADRIAN, MICHIGAN
REQUIRED SUPPLEMENTAL INFORMATION
JUNE 30, 2013**

CITY'S DEFINED BENEFIT PENSION PLAN (MERS)

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets [a]	Actuarial Accrued Liability (AAL) Entry Age [b]	Unfunded AAL (UAAL) [b-a]	Funded Ratio [a/b]	Covered Payroll [c]	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2000	\$ 32,184,883	\$ 31,275,689	\$ (909,194)	102.9%	\$ 6,119,081	(-14.8%)
12/31/2001	33,449,560	33,579,131	129,571	99.6%	6,201,978	2.09%
12/31/2002	33,080,222	34,645,351	1,565,129	95.5%	6,360,989	24.6%
12/31/2003	34,241,034	37,001,028	2,759,994	92.5%	6,847,899	40.3%
12/31/2004	35,354,281	39,798,110	4,443,829	88.8%	7,219,754	61.5%
12/31/2005	36,311,897	41,147,699	4,835,802	88.2%	7,282,519	66.4%
12/31/2006	38,692,642	44,565,293	5,872,651	86.8%	7,351,140	79.8%
12/31/2007	40,488,407	47,693,898	7,205,491	84.9%	7,459,599	96.5%
12/31/2008	40,923,232	49,360,030	8,436,798	82.9%	7,674,429	109.9%
12/31/2009	40,872,633	49,739,738	8,867,105	82.1%	7,490,851	118.3%
12/31/2010	41,256,425	51,006,347	9,749,922	80.9%	7,310,870	133.4%
12/31/2011	41,403,022	53,119,530	11,716,508	77.9%	6,612,701	177.2%
12/31/2012	41,118,990	54,811,370	13,692,380	75.0%	6,550,450	209.0%

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**CITY OF ADRIAN, MICHIGAN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENT FUNDS
JUNE 30, 2013
WITH COMPARATIVE TOTALS FOR JUNE 30, 2012**

	Special Revenue Funds							Permanent Funds			Totals Nonmajor Governmental Funds		
	Municipal Streets	Community Development	Economic Development	OMNI	Vibrant Small Cities	Solid Waste	Public Purpose	Total	Endowment Trust	Perpetual Care	Total	2013	2012
ASSETS:													
Cash and cash equivalents	\$ 40,206	\$ 23,212	\$ 395,216	\$ 168,408	\$ 55,107	\$ 101,383	\$ 138,723	\$ 922,255	\$ 9,224	\$ 27,344	\$ 36,568	\$ 958,823	\$ 1,222,385
Investments	-	-	-	-	-	-	-	-	816,363	913,667	1,530,030	1,530,030	1,567,340
Loans receivable	-	105,990	-	-	-	-	-	105,990	-	-	-	105,990	118,196
Accounts receivable – other	-	-	-	-	-	79,969	-	79,969	-	-	-	79,969	103,970
Cemetery lots	-	-	-	-	-	-	-	-	-	7,499	7,499	7,499	7,499
Due from component unit	-	-	-	-	-	-	-	-	-	-	-	-	5,333
Due from other funds	19,888	43	641	345	-	-	-	20,927	-	-	-	20,927	-
Total assets	\$ 60,104	\$ 129,245	\$ 395,857	\$ 168,753	\$ 55,107	\$ 181,352	\$ 138,723	\$ 1,129,141	\$ 625,587	\$ 948,510	\$ 1,574,097	\$ 2,703,238	\$ 3,024,723
LIABILITIES AND FUND BALANCES:													
LIABILITIES:													
Vouchers payable	\$ -	\$ 3,819	\$ -	\$ 1,680	\$ -	\$ 911	\$ -	\$ 6,410	\$ -	\$ -	\$ -	\$ 6,410	\$ 42,630
Accrued liabilities	-	-	-	-	-	898	-	898	-	-	-	898	8,804
Due to other funds	-	-	306,857	2,091	55,107	42	9,848	373,945	1	3,468	3,469	377,414	283,757
Due to component unit	-	-	89,000	-	-	-	-	89,000	-	-	-	89,000	89,000
Total liabilities	-	3,819	395,857	3,771	55,107	1,851	9,848	470,253	1	3,468	3,469	473,722	424,191
Deferred inflows of Resources													
Unearned revenues (See Note 3.B)	-	-	-	24,006	-	-	20,722	44,728	-	-	-	44,728	23,703
Fund balances:													
Restricted for:													
Streets	60,104	-	-	-	-	-	-	60,104	-	-	-	60,104	76,573
Community development	-	125,426	-	-	-	-	-	125,426	-	-	-	125,426	138,844
OMNI	-	-	-	140,976	-	-	-	140,976	-	-	-	140,976	161,819
Endowment	-	-	-	-	-	-	-	-	111,005	-	111,005	111,005	111,005
Perpetual care	-	-	-	-	-	-	-	-	-	945,042	945,042	945,042	971,882
Public purpose	-	-	-	-	-	-	108,153	108,153	514,581	-	514,581	622,734	585,618
Solid waste	-	-	-	-	-	179,501	-	179,501	-	-	-	179,501	54,897
Committed for:													
Vibrant Small Cities	-	-	-	-	-	-	-	-	-	-	-	-	171,915
Assigned to:													
Economic development	-	-	-	-	-	-	-	-	-	-	-	-	304,276
Total fund balances	60,104	125,426	-	140,976	-	179,501	108,153	614,160	625,586	945,042	1,570,628	2,184,788	2,576,829
Total liabilities, deferred inflows of resources and fund balance	\$ 60,104	\$ 129,245	\$ 395,857	\$ 168,753	\$ 55,107	\$ 181,352	\$ 138,723	\$ 1,129,141	\$ 625,587	\$ 946,510	\$ 1,574,097	\$ 2,703,238	\$ 3,024,723

CITY OF ADRIAN, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENT FUNDS
FOR FISCAL YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE TOTALS FOR FISCAL YEAR ENDED JUNE 30, 2012

	Special Revenue Funds							Permanent Funds			Totals Nonmajor Governmental Funds		
	Municipal Streets	Community Development	Economic Development	OMNI	Vibrant Small Cities	Solid Waste	Public Purpose	Total	Endowment Trust	Perpetual Care	Total	2013	2012
REVENUES:													
Taxes	\$ 371,336	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 371,336	\$ -	\$ -	\$ -	\$ 371,336	\$ 387,822
Intergovernmental - federal	-	-	-	-	-	-	-	-	-	-	-	-	178,109
Investment earnings	671	2,516	2,581	1,161	-	-	1,189	8,118	(22,113)	(4,527)	(26,640)	(18,522)	115,999
Refuse collection and recycling	-	-	-	-	-	647,814	-	647,814	-	-	-	647,814	600,838
Other	-	-	-	78,486	-	-	58,040	136,506	-	17,687	17,687	154,193	95,156
Contribution from DDA - TIF	-	-	-	-	-	-	-	-	-	-	-	-	2,000
Contribution from LDFA-GAIDC	-	-	-	-	-	-	-	-	-	-	-	-	15,000
Contribution from Trust fund	-	-	-	-	-	-	-	-	-	-	-	-	31,000
Public contributions	-	-	-	-	-	-	-	-	-	-	-	-	281,250
Administrative fees	-	-	-	-	-	-	-	-	-	-	-	-	-
Total revenues	372,007	2,516	2,581	79,627	-	647,814	59,229	1,163,774	(22,113)	13,160	(8,953)	1,154,821	1,707,174
EXPENDITURES:													
Community/Economic Development	-	15,934	-	-	-	-	-	15,934	-	-	-	15,934	358,026
Public safety	-	-	-	100,470	-	523,210	-	623,680	-	-	-	623,680	653,086
Other services	-	-	-	-	116,808	-	-	116,808	-	-	-	116,808	14,175
Total expenditures	-	15,934	-	100,470	116,808	523,210	-	758,422	-	-	-	756,422	1,025,287
Excess (deficiency) of revenues over (under) expenditures	372,007	(13,418)	2,581	(20,843)	(116,808)	124,604	59,229	407,352	(22,113)	13,160	(8,953)	398,399	681,887
Other financing sources (uses):													
Transfers out	(388,476)	-	(306,857)	-	(55,107)	-	-	(750,440)	-	(40,000)	(40,000)	(790,440)	(541,605)
Total other financing sources (uses)	(388,476)	-	(306,857)	-	(55,107)	-	-	(750,440)	-	(40,000)	(40,000)	(790,440)	(541,605)
Net changes in fund balances	(16,469)	(13,418)	(304,276)	(20,843)	(171,915)	124,604	59,229	(343,088)	(22,113)	(26,840)	(48,953)	(392,041)	140,282
Fund balances -- beginning of year	76,573	138,844	304,276	161,819	171,915	54,897	48,924	957,248	647,699	971,882	1,619,581	2,576,829	2,436,547
Fund balances -- end of year	\$ 60,104	\$ 125,426	\$ -	\$ 140,976	\$ -	\$ 179,501	\$ 108,153	\$ 614,160	\$ 625,586	\$ 945,042	\$ 1,570,628	\$ 2,184,788	\$ 2,576,829

The notes to the financial statements are an integral part of this statement.

**CITY OF ADRIAN, MICHIGAN
MUNICIPAL STREET SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
FOR FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Property tax	\$ 387,476	\$ 387,476	\$ 371,336	\$ (16,140)
Investment earnings	1,000	1,000	671	(329)
Total revenues	388,476	388,476	372,007	(16,469)
Expenditures	-	-	-	-
Excess of revenues over expenditures	388,476	388,476	372,007	(16,469)
Other financing uses:				
Transfers out	(388,476)	(388,476)	(388,476)	-
Net change in fund balance	-	-	(16,469)	(16,469)
Fund balance - beginning of year	76,573	76,573	76,573	-
Fund balance - end of year	<u>\$ 76,573</u>	<u>\$ 76,573</u>	<u>\$ 60,104</u>	<u>\$ (16,469)</u>

**CITY OF ADRIAN, MICHIGAN
COMMUNITY DEVELOPMENT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
FOR FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Investment earnings	-	-	2,516	2,516
Total revenues	-	-	2,516	2,516
EXPENDITURES:				
Other services:				
Community development	-	-	15,934	(15,934)
Excess of revenues over expenditures	-	-	(13,418)	(13,418)
Net change in fund balance	-	-	(13,418)	(13,418)
Fund balance - beginning of year	138,844	138,844	138,844	-
Fund balance - end of year	<u>\$ 138,844</u>	<u>\$ 138,844</u>	<u>\$ 125,426</u>	<u>\$ (13,418)</u>

**CITY OF ADRIAN, MICHIGAN
 ECONOMIC DEVELOPMENT SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL
 FOR FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Investment earnings	\$ -	\$ -	\$ 2,581	\$ 2,581
Total revenues	-	-	2,581	2,581
EXPENDITURES:				
Other services:				
Economic development	-	-	-	-
Excess of revenues over expenditures	-	-	2,581	2,581
Other financing uses:				
Transfers out	-	-	(306,857)	(306,857)
Net change in fund balance	-	-	(304,276)	(304,276)
Fund balance - beginning of year	304,276	304,276	304,276	-
Fund balance - end of year	<u>\$ 304,276</u>	<u>\$ 304,276</u>	<u>\$ -</u>	<u>\$ (304,276)</u>

**CITY OF ADRIAN, MICHIGAN
 OMNI SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL
 FOR FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
OMNI forfeitures	\$ 87,000	\$ 87,000	\$ 67,374	\$ (19,626)
Investment earnings	600	600	1,161	561
Other	100	3,700	11,092	7,392
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	87,700	91,300	79,627	(11,673)
 EXPENDITURES:				
Public safety, OMNI	91,300	97,900	100,470	(2,570)
	<hr/>	<hr/>	<hr/>	<hr/>
Excess of revenues over expenditures	(3,600)	(6,600)	(20,843)	(14,243)
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance - beginning of year	161,819	161,819	161,819	-
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance - end of year	<u>\$ 158,219</u>	<u>\$155,219</u>	<u>\$140,976</u>	<u>\$ (14,243)</u>

**CITY OF ADRIAN, MICHIGAN
VIBRANT SMALL CITIES SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
FOR FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental - federal	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
EXPENDITURES:				
Other services	-	116,808	116,808	-
Excess of revenues over expenditures	-	(116,808)	(116,808)	-
Other financing uses:				
Transfers out	-	-	(55,107)	(55,107)
Net change in fund balance	-	(116,808)	(171,915)	(55,107)
Fund balance - beginning of year	171,915	171,915	171,915	-
Fund balance - end of year	<u>\$ 171,915</u>	<u>\$ 55,107</u>	<u>\$ -</u>	<u>\$ (55,107)</u>

**CITY OF ADRIAN, MICHIGAN
SOLID WASTE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
FOR FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Charges for services	\$ 586,260	\$ 586,260	\$ 647,814	\$ 61,554
Total revenues	<u>586,260</u>	<u>586,260</u>	<u>647,814</u>	<u>61,554</u>
EXPENDITURES:				
Public safety	<u>586,260</u>	<u>574,760</u>	<u>523,210</u>	<u>51,550</u>
Excess of revenues over expenditures	<u>-</u>	<u>11,500</u>	<u>124,604</u>	<u>113,104</u>
Other financing uses:				
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	11,500	124,604	113,104
Fund balance - beginning of year	<u>54,897</u>	<u>54,897</u>	<u>54,897</u>	<u>-</u>
Fund balance - end of year	<u>\$ 54,897</u>	<u>\$ 66,397</u>	<u>\$ 179,501</u>	<u>\$ 113,104</u>

**CITY
OF
ADRIAN**

**CITY OF ADRIAN, MICHIGAN
 COMBINING STATEMENT OF NET POSITION
 NONMAJOR ENTERPRISE FUNDS
 JUNE 30, 2013
 WITH COMPARATIVE TOTALS FOR JUNE 30, 2012**

	<u>Capital Projects Revolving Fund</u>	<u>Dial-A-Ride System</u>	<u>Automobile Parking System</u>	<u>Storm Water Utility</u>	<u>Totals Nonmajor Enterprise Funds</u>	
					2013	2012
ASSETS:						
Current assets:						
Cash and cash equivalents	\$ 413,339	\$ -	\$ 225,088	\$ 307,364	\$ 945,791	\$ 923,928
Receivables:						
Special assessments	362,202	-	-	-	362,202	408,398
Due from other funds	10,398	-	26,265	8,517	45,180	30,000
Due from other governments	-	42,338	-	-	42,338	45,701
Due from component unit	-	-	20,000	-	20,000	15,000
Accounts	-	772	-	-	772	51,179
Inventory	-	-	-	25,851	25,851	17,746
	<u>785,939</u>	<u>43,110</u>	<u>271,353</u>	<u>341,732</u>	<u>1,442,134</u>	<u>1,491,952</u>
Total current assets						
Noncurrent assets:						
Capital assets:						
Land	-	22,868	638,500	-	661,368	661,368
Building	-	1,373,271	-	-	1,373,271	1,373,271
Utility systems	-	-	-	2,380,243	2,380,243	2,380,243
Land improvements	-	-	1,103,853	912,981	2,016,834	1,986,167
Equipment	-	549,741	17,478	-	567,219	625,484
Less: accumulated depreciation	-	(483,296)	(483,515)	(1,507,593)	(2,474,404)	(2,381,744)
	<u>-</u>	<u>1,462,584</u>	<u>1,276,316</u>	<u>1,785,631</u>	<u>4,524,531</u>	<u>4,644,789</u>
Net capital assets						
Total noncurrent assets	<u>-</u>	<u>1,462,584</u>	<u>1,276,316</u>	<u>1,785,631</u>	<u>4,524,531</u>	<u>4,644,789</u>
Total assets	<u>\$ 785,939</u>	<u>\$ 1,505,694</u>	<u>\$ 1,547,669</u>	<u>\$ 2,127,363</u>	<u>\$ 5,966,665</u>	<u>\$ 6,136,741</u>

	<u>Capital Projects Revolving Fund</u>	<u>Dial-A-Ride System</u>	<u>Automobile Parking System</u>	<u>Storm Water Utility</u>	<u>Totals Nonmajor Enterprise Funds</u>	
					<u>2013</u>	<u>2012</u>
LIABILITIES:						
Current liabilities:						
Vouchers payable	\$ -	\$ 18,828	\$ 650	\$ 1,455	\$ 20,933	\$ 119,466
Accrued liabilities	-	-	85	1,364	1,449	6,140
Unearned revenue	-	-	-	-	-	3,000
Due to other funds	-	-	1,513	15,665	17,178	23,945
Due to other governments	-	24,282	-	-	24,282	32,726
Total current liabilities	-	43,110	2,248	18,484	63,842	185,277
Total liabilities	-	43,110	2,248	18,484	63,842	185,277
NET POSITION:						
Invested in capital assets net of related debt	-	1,462,584	1,276,316	1,785,631	4,524,531	4,644,789
Unrestricted	785,939	-	269,105	323,248	1,378,292	1,306,675
Total net position	\$ 785,939	\$ 1,462,584	\$ 1,545,421	\$ 2,108,879	\$ 5,902,823	\$ 5,951,464

CITY OF ADRIAN, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
NONMAJOR ENTERPRISE FUNDS
FOR FISCAL YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE TOTALS FOR FISCAL YEAR ENDED JUNE 30, 2012

	Capital Projects Revolving Fund	Dial-A-Ride System	Automobile Parking System	Storm Water Utility	Totals Nonmajor Enterprise Funds	
					2013	2012
Operating revenues:						
Charges for services	\$ -	\$ 97,438	\$ 1,367	\$ 260,913	\$ 359,718	\$ 371,836
Special assessment	-	-	62,638	-	62,638	60,457
Miscellaneous	-	4,575	300	2,281	7,156	10,069
Total operating revenues	-	102,013	64,305	263,194	429,512	442,362
Operating expenses:						
Cost of services	-	532,644	142,881	219,356	894,881	781,881
Depreciation	-	9,814	23,991	42,062	75,867	169,423
Total operating expenses	-	542,458	166,872	261,418	970,748	951,304
Operating income (loss)	-	(440,445)	(102,567)	1,776	(541,236)	(508,942)
Nonoperating revenues (expenses):						
Intergovernmental – state – operating	-	175,358	-	-	175,358	163,911
Intergovernmental - operating expense reimbursement - state	-	2,000	-	-	2,000	-
Intergovernmental – operating expense reimbursement - federal	-	9,098	-	-	9,098	3,856
Intergovernmental – federal	-	72,630	-	-	72,630	78,589
Interest revenue	16,618	-	103	301	17,022	24,965
Total nonoperating revenues (expenses)	16,618	259,086	103	301	276,108	271,321

	<u>Capital Projects Revolving Fund</u>	<u>Dial-A-Ride System</u>	<u>Automobile Parking System</u>	<u>Storm Water Utility</u>	<u>Totals Nonmajor Enterprise Funds</u>	
					<u>2013</u>	<u>2012</u>
Income (loss) before contribution and transfers	\$ 16,618	\$ (181,359)	\$ (102,464)	\$ 2,077	\$ (265,128)	\$ (237,621)
Capital contribution – Grants						
Federal	-	5,520	-	-	5,520	280,000
State	-	-	-	-	-	-
Capital contribution - local	-	-	60,000	-	60,000	60,000
Transfers in	-	90,967	60,000	-	150,967	126,338
Change in net position	16,618	(84,872)	17,536	2,077	(48,641)	228,717
Total net position – beginning of year	<u>769,321</u>	<u>1,547,456</u>	<u>1,527,885</u>	<u>2,106,802</u>	<u>5,951,464</u>	<u>5,722,747</u>
Total net position – end of year	<u>\$ 785,939</u>	<u>\$ 1,462,584</u>	<u>\$ 1,545,421</u>	<u>\$ 2,108,879</u>	<u>\$ 5,902,823</u>	<u>\$ 5,951,464</u>

**CITY OF ADRIAN, MICHIGAN
 COMBINING STATEMENT OF CASH FLOWS
 NONMAJOR ENTERPRISE FUNDS
 FOR FISCAL YEAR ENDED JUNE 30, 2013
 WITH COMPARATIVE TOTALS FOR FISCAL YEAR ENDED JUNE 30, 2012
 INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**

	<u>Capital Projects Revolving Fund</u>	<u>Dial-A-Ride System</u>	<u>Automobile Parking System</u>	<u>Storm Water Utility</u>	<u>Nonmajor Enterprise Funds</u>	
					2013	2012
Cash flows from operating activities:						
Cash received from customers	\$ -	\$ 99,422	\$ 113,038	\$ 254,677	\$ 467,137	\$ 448,360
Cash paid to suppliers	-	(158,277)	(181,208)	(238,382)	(577,867)	(351,699)
Cash paid to employees	-	(285,594)	(17,412)	(51,003)	(354,009)	(319,970)
Net cash provided by (used in) operating activities	-	(344,449)	(85,582)	(34,708)	(464,739)	(223,309)
Cash flows from noncapital financing activities:						
Grants received – Federal	-	97,810	-	-	97,810	62,988
Grants received – State	-	156,195	-	-	156,195	133,415
Transfers from General Fund	-	90,866	60,000	-	150,866	123,439
Contributions from DDA	-	-	60,000	-	60,000	-
Special assessment revenue provided to other funds	(22,713)	-	-	-	(22,713)	(136,380)
Net cash provided by noncapital financing activities	(22,713)	344,871	120,000	-	442,158	183,462
Cash flows from capital and related financing activities:						
Grants received - Federal	-	5,520	-	-	5,520	230,002
Local funding - facility	-	-	-	-	-	60,000
Capital asset purchases	-	(5,942)	(30,667)	-	(36,609)	(404,160)
Special assessments	58,511	-	-	-	58,511	127,972
Net cash provided by (used in) capital and related financing activities	58,511	(422)	(30,667)	-	27,422	13,814

	<u>Capital Projects Revolving Fund</u>	<u>Dial-A-Ride System</u>	<u>Automobile Parking System</u>	<u>Storm Water Utility</u>	<u>Nonmajor Enterprise Funds</u>	
					2013	2012
Cash flows from investing activities:						
Interest income	\$ 16,618	\$ -	\$ 103	\$ 301	\$ 17,022	\$ 24,965
Net cash provided by investing activities	16,618	-	103	301	17,022	24,965
Net increase (decrease) in cash and cash equivalents	52,416	-	3,854	(34,407)	21,863	(1,068)
Cash and cash equivalents at beginning of year	360,923	-	221,234	341,771	923,928	924,996
Cash and cash equivalents at end of year	<u>\$ 413,339</u>	<u>\$ -</u>	<u>\$ 225,088</u>	<u>\$ 307,364</u>	<u>\$ 945,791</u>	<u>\$ 923,928</u>

**RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH
PROVIDED BY (USED IN) OPERATING ACTIVITIES**

Operating income (loss)	\$ -	\$ (440,445)	\$ (102,567)	\$ 1,776	\$(541,236)	\$(508,942)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation	-	90,814	23,991	42,062	156,867	169,423
Change in assets and liabilities:						
(Increase) decrease in due from other funds	-	-	(1,265)	(8,517)	(9,782)	(45,000)
(Increase) decrease in inventory	-	-	-	(8,105)	(8,105)	14,068
(Increase) decrease in accounts receivable	-	409	49,998	-	50,407	2,998
Increase (decrease) in vouchers payable	-	7,773	(34,115)	(72,191)	(98,533)	116,115
Increase (decrease) in accrued payroll and liabilities	-	-	(5,970)	1,279	(4,691)	20,485
Increase (decrease) in unearned revenue	-	(3,000)	-	-	(3,000)	3,000
Increase (decrease) in due to other funds	-	-	(15,654)	8,988	(6,666)	4,544
Total adjustments	-	95,996	16,985	(36,484)	76,497	285,633
Net cash provided by (used in) operating activities	<u>\$ -</u>	<u>\$ (344,449)</u>	<u>\$ (85,582)</u>	<u>\$ (34,708)</u>	<u>\$(464,739)</u>	<u>\$(223,309)</u>

**CITY OF ADRIAN, MICHIGAN
 CAPITAL PROJECTS REVOLVING ENTERPRISE FUND
 COMPARATIVE STATEMENTS OF NET POSITION
 JUNE 30, 2013 AND 2012**

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
ASSETS:		
Current assets:		
Cash	\$ 413,339	\$ 360,923
Receivables:		
Special assessments	362,202	408,398
Due from General fund	10,398	
	<u> </u>	<u> </u>
Total assets	<u>\$ 785,939</u>	<u>\$ 769,321</u>
 NET POSITION:		
Net position - unrestricted	<u>\$ 785,939</u>	<u>\$ 769,321</u>
	<u> </u>	<u> </u>
Total net position	<u>\$ 785,939</u>	<u>\$ 769,321</u>

CITY OF ADRIAN, MICHIGAN
CAPITAL PROJECTS REVOLVING ENTERPRISE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION
FOR FISCAL YEARS ENDED JUNE 30, 2013 AND 2012

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Operating revenues	\$ -	\$ -
Operating income	-	-
Nonoperating revenues (expenses):		
Interest revenue	<u>16,618</u>	<u>24,143</u>
Change in net position	16,618	24,143
Total net position - beginning of year	<u>769,321</u>	<u>745,178</u>
Total net position - end of year	<u>\$ 785,939</u>	<u>\$ 769,321</u>

**CITY OF ADRIAN, MICHIGAN
 CAPITAL PROJECTS REVOLVING ENTERPRISE FUND
 COMPARATIVE STATEMENTS OF CASH FLOWS
 FOR FISCAL YEARS ENDED JUNE 30, 2013 AND 2012
 INCREASE IN CASH AND CASH EQUIVALENTS**

	June 30, 2013	June 30, 2012
Cash flows from operating activities:		
Net cash provided by (used in) operating activities	\$ -	\$ -
Cash flows from noncapital financing activities:		
Special assessment revenue provided to other funds	(22,713)	(136,380)
Net cash provided by (used in) noncapital financing activities	(22,713)	(136,380)
Cash flows from capital and related financing activities:		
Cash received on special assessment	58,511	127,972
Net cash provided by capital and related financing activities	58,511	127,972
Cash flows from investing activities:		
Interest	16,618	24,143
Net increase in cash and cash equivalents	52,416	15,735
Cash and cash equivalents at beginning of year	360,923	345,188
Cash and cash equivalents at end of year	\$ 413,339	\$ 360,923

**RECONCILIATION OF OPERATING INCOME TO NET CASH
 PROVIDED BY (USED IN) OPERATING ACTIVITIES**

Operating income	\$ -	\$ -
Adjustments to reconcile operating income to net cash provided by (used in) operating activities	-	-
Net cash provided by (used in) operating activities	\$ -	\$ -

**CITY OF ADRIAN, MICHIGAN
DIAL-A-RIDE SYSTEM ENTERPRISE FUND
COMPARATIVE STATEMENTS OF NET POSITION
JUNE 30, 2013 AND 2012**

ASSETS:	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Current assets:		
Cash	\$ -	\$ -
Due from other governments:		
Federal	28,315	45,701
State	14,023	-
Accounts receivable	<u>772</u>	<u>1,181</u>
Total current assets	<u>43,110</u>	<u>46,882</u>
Noncurrent assets:		
Capital assets:		
Land	22,868	22,868
Building	1,373,271	1,373,271
Equipment	549,741	608,006
Accumulated depreciation	<u>(483,296)</u>	<u>(456,689)</u>
Net capital assets	<u>1,462,584</u>	<u>1,547,456</u>
Total noncurrent assets	<u>1,462,584</u>	<u>1,547,456</u>
Total assets	<u>\$ 1,505,694</u>	<u>\$ 1,594,338</u>
 LIABILITIES AND NET POSITION:		
LIABILITIES:		
Current liabilities:		
Vouchers payable	\$ 18,828	\$ 11,055
Due to other governments:		
County	6,390	6,390
State	-	7,140
Federal	17,892	19,196
Due to other funds - general	-	101
Unearned revenue	<u>-</u>	<u>3,000</u>
Total current liabilities	<u>43,110</u>	<u>46,882</u>
 NET POSITION:		
Invested in net position, net of related debt	<u>1,462,584</u>	<u>1,547,456</u>
Total net position	<u>\$ 1,462,584</u>	<u>\$ 1,547,456</u>

**CITY OF ADRIAN, MICHIGAN
DIAL-A-RIDE SYSTEM ENTERPRISE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION
FOR FISCAL YEARS ENDED JUNE 30, 2013 AND 2012**

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Operating revenues:		
Charges for services	\$ 97,438	\$ 101,228
Other	4,575	3,355
	<hr/>	<hr/>
Total operating revenues	102,013	104,583
	<hr/>	<hr/>
Operating expenses:		
Cost of services:		
Salaries and wages	196,810	199,206
Fringe benefits	88,784	73,817
Contracted services	24,305	22,109
Supplies and materials	71,008	64,163
Telephone	1,524	1,275
Insurance	20,119	18,433
Advertising	328	594
Maintenance	43,855	29,267
Administrative and accounting	2,766	5,898
Depreciation	90,814	104,072
Information Technology	2,145	2,515
	<hr/>	<hr/>
Total operating expenses	542,458	521,349
	<hr/>	<hr/>
Operating loss	(440,445)	(416,766)
	<hr/>	<hr/>
Nonoperating revenues:		
Intergovernmental – state	177,358	163,911
Intergovernmental - operating expense reimbursement - federal	9,098	3,856
Intergovernmental – federal	72,630	78,589
	<hr/>	<hr/>
Total nonoperating revenues	259,086	246,356
	<hr/>	<hr/>
Loss before contributions and transfers	(181,359)	(170,410)
	<hr/>	<hr/>
Capital contribution – Grants		
Federal	5,520	-
Transfers in	90,967	66,338
	<hr/>	<hr/>
Change in net position	(84,872)	(104,072)
	<hr/>	<hr/>
Total net position – beginning of year	1,547,456	1,651,528
	<hr/>	<hr/>
Total net position – end of year	<u>\$ 1,462,584</u>	<u>\$ 1,547,456</u>

**CITY OF ADRIAN, MICHIGAN
DIAL-A-RIDE SYSTEM ENTERPRISE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR FISCAL YEARS ENDED JUNE 30, 2013 AND 2012
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Cash flows from operating activities:		
Cash received from customers	\$ 99,422	\$ 110,581
Cash paid to suppliers	(158,277)	(115,816)
Cash paid to employees	(285,594)	(273,023)
	<u>(344,449)</u>	<u>(278,258)</u>
Net cash used in operating activities		
Cash flows from noncapital financing activities:		
Grant received – Federal	97,810	59,132
Grant received – State	156,195	133,415
Transfer from general fund	90,866	63,439
	<u>344,871</u>	<u>255,986</u>
Net cash provided by noncapital financing activities		
Cash flows from capital and related financing activities:		
Grants received - Federal	5,520	3,856
Capital asset purchases net of dispositions	(5,942)	-
	<u>(422)</u>	<u>3,856</u>
Net cash provided by capital and related financing activities		
Net increase (decrease) in cash and cash equivalents	-	(18,416)
Cash and cash equivalents at beginning of year	-	18,416
Cash and cash equivalents at end of year	<u>\$ -</u>	<u>\$ -</u>

**RECONCILIATION OF OPERATING LOSS TO NET CASH
USED IN OPERATING ACTIVITIES**

Operating loss	\$ (440,445)	\$ (416,766)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	90,814	104,072
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	409	2,998
Increase (decrease) in vouchers payable	7,773	28,438
Increase (decrease) in unearned revenue	(3,000)	3,000
	<u>95,996</u>	<u>138,508</u>
Total adjustments		
Net cash used in operating activities	<u>\$ (344,449)</u>	<u>\$ (278,258)</u>

**CITY OF ADRIAN, MICHIGAN
AUTOMOBILE PARKING SYSTEM ENTERPRISE FUND
COMPARATIVE STATEMENTS OF NET POSITION
JUNE 30, 2013 AND 2012**

	June 30, 2013	June 30, 2012
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 225,088	\$ 221,234
Accounts receivable	-	49,998
Due from general fund	26,265	30,000
Due from component unit	20,000	15,000
	<u>271,353</u>	<u>316,232</u>
Capital assets:		
Land	638,500	638,500
Land improvements	1,103,853	1,073,186
Equipment	17,478	17,478
Less: accumulated depreciation	(483,515)	(459,524)
	<u>1,276,316</u>	<u>1,269,640</u>
Total noncurrent assets	<u>1,276,316</u>	<u>1,269,640</u>
Total assets	<u>\$ 1,547,669</u>	<u>\$ 1,585,872</u>
 LIABILITIES AND NET POSITION:		
LIABILITIES:		
Current liabilities:		
Vouchers payable	\$ 650	\$ 34,765
Accrued payroll	85	6,055
Due to general fund	1,513	12,418
Due to motor vehicle pool	-	4,749
	<u>2,248</u>	<u>57,987</u>
Total current liabilities	<u>2,248</u>	<u>57,987</u>
Total liabilities	<u>2,248</u>	<u>57,987</u>
 NET POSITION:		
Invested in capital assets, net of related debt	1,276,316	1,269,640
Unrestricted	269,105	258,245
	<u>1,545,421</u>	<u>1,527,885</u>
Total net position	<u>\$ 1,545,421</u>	<u>\$ 1,527,885</u>

**CITY OF ADRIAN, MICHIGAN
AUTOMOBILE PARKING SYSTEM ENTERPRISE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION
FOR FISCAL YEARS ENDED JUNE 30, 2013 AND 2012**

	June 30, 2013	June 30, 2012
Operating revenues:		
Charges for services	\$ 1,367	\$ 610
Special assessment	62,638	60,457
Other	300	1,800
	<u>64,305</u>	<u>62,867</u>
Operating expenses:		
Cost of services:		
Salaries and wages	10,348	11,325
Fringe benefits	1,094	-
Overhead expense	-	400
Supplies	16,567	9,002
Contracted services	63,448	14,134
Insurance	172	589
Electricity	10,026	10,806
Rent	3,196	4,903
Administration	20,975	411
Capital outlay	17,055	
Depreciation	23,991	23,289
	<u>166,872</u>	<u>74,859</u>
Total operating expenses		
	<u>166,872</u>	<u>74,859</u>
Operating loss	<u>(102,567)</u>	<u>(11,992)</u>
Nonoperating revenues (expenses):		
Interest income	103	190
	<u>103</u>	<u>190</u>
Total nonoperating revenues (expenses)		
	<u>103</u>	<u>190</u>
Loss before contributions and transfers	(102,464)	(11,802)
Farmers Market Grant	-	280,000
Contribution from DDA - TIFA	60,000	60,000
Transfers in - general fund	60,000	60,000
	<u>60,000</u>	<u>60,000</u>
Change in net position	17,536	388,198
Total net position – beginning of year	<u>1,527,885</u>	<u>1,139,687</u>
Total net position – end of year	<u>\$ 1,545,421</u>	<u>\$ 1,527,885</u>

**CITY OF ADRIAN, MICHIGAN
AUTOMOBILE PARKING SYSTEM ENTERPRISE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR FISCAL YEARS ENDED JUNE 30, 2013 AND 2012
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**

	June 30, 2013	June 30, 2012
Cash flows from operating activities:		
Cash received from customers	\$ 113,038	\$ 62,867
Cash paid to suppliers	(181,208)	(35,412)
Cash paid to employees	(17,412)	(11,726)
	<u>(85,582)</u>	<u>15,729</u>
Net cash used in operating activities		
Cash flows from noncapital financing activities:		
Transfer from general fund	60,000	60,000
Contribution from DDA	60,000	-
	<u>120,000</u>	<u>60,000</u>
Net cash provided by noncapital financing activities		
Cash flows from capital activities:		
Acquisition and construction of capital assets net of dispositions	(30,667)	(352,614)
Contributed capital	-	290,002
	<u>(30,667)</u>	<u>(62,612)</u>
Net cash provided (used) by capital activities		
Cash flows from investing activities:		
Interest	103	190
	<u>103</u>	<u>190</u>
Net increase (decrease) in cash and cash equivalents	3,854	13,307
Cash and cash equivalents at beginning of year	221,234	207,927
	<u>221,234</u>	<u>207,927</u>
Cash and cash equivalents at end of year	\$ 225,088	\$ 221,234
	<u>\$ 225,088</u>	<u>\$ 221,234</u>

**RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH
USED IN OPERATING ACTIVITIES**

Operating loss	\$ (102,567)	\$ (11,992)
Adjustments to reconcile operating income (loss) to net cash used in operating activities:		
Depreciation	23,991	23,289
Change in assets and liabilities:		
(Increase) decrease in due from other funds	(1,265)	(45,000)
(Increase) decrease in accounts receivable	49,998	
Increase (decrease) in vouchers payable	(34,115)	33,865
Increase (decrease) in accrued payroll	(5,970)	6,055
Increase (decrease) in due to other funds	(15,654)	9,512
	<u>16,985</u>	<u>27,721</u>
Total adjustments		
Net cash used in operating activities	\$ (85,582)	\$ 15,729
	<u>\$ (85,582)</u>	<u>\$ 15,729</u>

**CITY OF ADRIAN, MICHIGAN
STORM WATER UTILITY ENTERPRISE FUND
COMPARATIVE STATEMENTS OF NET POSITION
JUNE 30, 2013 AND 2012**

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 307,364	\$ 341,771
Inventory	25,851	17,746
Due from general fund	8,517	-
	<u>341,732</u>	<u>359,517</u>
Noncurrent assets:		
Capital assets:		
Utility system	2,380,243	2,380,243
Improvements other than buildings	912,981	912,981
Less: accumulated depreciation	<u>(1,507,593)</u>	<u>(1,465,531)</u>
Net capital assets	<u>1,785,631</u>	<u>1,827,693</u>
Total noncurrent assets	<u>1,785,631</u>	<u>1,827,693</u>
Total assets	<u>\$ 2,127,363</u>	<u>\$ 2,187,210</u>
LIABILITIES AND NET POSITION:		
LIABILITIES:		
Current liabilities:		
Vouchers payable	\$ 1,455	\$ 73,646
Accrued payroll	1,364	85
Due to other funds - general	12,410	4,100
Due to other funds - motor vehicle pool	<u>3,255</u>	<u>2,577</u>
Total current liabilities	<u>18,484</u>	<u>80,408</u>
NET POSITION:		
Invested in capital assets, net of related debt	1,785,631	1,827,693
Unrestricted	<u>323,248</u>	<u>279,109</u>
Total net position	<u>\$ 2,108,879</u>	<u>\$ 2,106,802</u>

**CITY OF ADRIAN, MICHIGAN
STORM WATER UTILITY ENTERPRISE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION
FOR FISCAL YEARS ENDED JUNE 30, 2013 AND 2012**

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Operating revenues:		
Charges for services	\$ 260,913	\$ 269,998
Other	2,281	4,914
	<u>263,194</u>	<u>274,912</u>
Operating expenses:		
Cost of services:		
Salaries and wages	52,282	30,455
Overhead expense	17,301	17,207
Supplies	31,244	57,234
Contracted services	79,350	171,062
Rent	13,402	18,583
Administration	25,777	18,493
Depreciation	42,062	42,062
	<u>261,418</u>	<u>355,096</u>
Operating income	<u>1,776</u>	<u>(80,184)</u>
Nonoperating revenues (expenses):		
Interest revenue	<u>301</u>	<u>632</u>
Total nonoperating revenues (expenses)	<u>301</u>	<u>632</u>
Change in net position	2,077	(79,552)
Total net position – beginning of year	<u>2,106,802</u>	<u>2,186,354</u>
Total net position – end of year	<u>\$ 2,108,879</u>	<u>\$ 2,106,802</u>

**CITY OF ADRIAN, MICHIGAN
STORM WATER UTILITY ENTERPRISE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR FISCAL YEARS ENDED JUNE 30, 2013 AND 2012
DECREASE IN CASH AND CASH EQUIVALENTS**

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Cash flows from operating activities:		
Cash received from customers	\$ 254,677	\$ 274,912
Cash paid to suppliers	(238,382)	(200,471)
Cash paid to employees	(51,003)	(35,221)
	<u>(34,708)</u>	<u>39,220</u>
Net cash used in operating activities		
Cash flows from capital activities:		
Acquisition and construction of capital assets	-	(51,546)
	<u>-</u>	<u>(51,546)</u>
Net cash used in capital and related financing activities		
Cash flows from investing activities:		
Interest	301	632
	<u>301</u>	<u>632</u>
Net decrease in cash and cash equivalents	(34,407)	(11,694)
Cash and cash equivalents at beginning of year	341,771	353,465
Cash and cash equivalents at end of year	<u>\$ 307,364</u>	<u>\$ 341,771</u>

**RECONCILIATION OF OPERATING INCOME TO NET CASH
PROVIDED BY OPERATING ACTIVITIES**

Operating income	\$ 1,776	\$ (80,184)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	42,062	42,062
Change in assets and liabilities:		
(Increase) decrease in due from other funds	(8,517)	-
(Increase) decrease in inventory	(8,105)	14,068
Increase (decrease) in vouchers payable	(72,191)	73,008
Increase (decrease) in accrued liabilities	1,279	(4,766)
Increase (decrease) in due to other funds	8,988	(4,968)
	<u>8,988</u>	<u>(4,968)</u>
Total adjustments	<u>(36,484)</u>	<u>119,404</u>
Net cash used in operating activities	<u>\$ (34,708)</u>	<u>\$ 39,220</u>

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**CITY OF ADRIAN, MICHIGAN
WASTEWATER SYSTEM ENTERPRISE FUND
COMPARATIVE STATEMENTS OF NET POSITION
JUNE 30, 2013 AND 2012**

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 1,564,239	\$ 1,024,881
Receivables:		
Accounts	647,200	687,379
Deferred assessments	68,501	68,501
Due from other funds	6,094	
Prepaid expense	4,379	3,267
Restricted assets available for current liabilities:		
Bond interest and redemption account - cash	705,617	698,730
Total current assets	<u>2,996,030</u>	<u>2,482,758</u>
Noncurrent assets:		
Restricted investments		
Bond Reserve - cash	806,997	697,586
Bond Reserve - investment	29,097	29,064
Total noncurrent restricted assets	<u>836,094</u>	<u>726,650</u>
Capital assets:		
Land	163,164	163,164
Sewer system	49,634,372	48,734,811
Less: accumulated depreciation	<u>(22,850,650)</u>	<u>(21,414,417)</u>
Net capital assets	<u>26,946,886</u>	<u>27,483,558</u>
Total noncurrent assets	<u>27,782,980</u>	<u>28,210,208</u>
Total assets	<u>\$ 30,779,010</u>	<u>\$ 30,692,966</u>

**CITY OF ADRIAN, MICHIGAN
WASTEWATER SYSTEM ENTERPRISE FUND
COMPARATIVE STATEMENTS OF NET POSITION
JUNE 30, 2013 AND 2012**

LIABILITIES:	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Current liabilities:		
Vouchers payable	\$ 133,985	\$ 181,788
Accrued payroll	23,570	22,878
Due to other funds:		
General	20,913	26,589
Information technology	1,508	1,454
Motor vehicle	1,427	1,741
Lease payable - current	76,950	74,130
Installment loan payable - current	32,197	23,022
DWRF & SRF bonds payable - current	860,000	845,000
Accrued sick and vacation pay	17,538	18,794
	<u>1,168,088</u>	<u>1,195,396</u>
Total current liabilities		
Current liabilities - payable from restricted assets:		
Accrued interest	61,938	64,980
	<u>61,938</u>	<u>64,980</u>
Noncurrent liabilities:		
Accrued sick and vacation	15,823	19,366
Lease payable	338,222	415,172
Installment loan payable	-	35,021
DWRF bonds payable	5,015,000	5,450,000
SRF bonds payable	6,111,538	6,536,538
	<u>11,480,583</u>	<u>12,456,097</u>
Total noncurrent liabilities		
	<u>12,710,809</u>	<u>13,716,473</u>
Total liabilities		
NET POSITION:		
Invested in capital assets, net of related debt	14,512,979	14,104,675
Restricted for debt service	1,479,773	1,360,400
Unrestricted	2,075,649	1,511,418
	<u>2,075,649</u>	<u>1,511,418</u>
Total net position	<u>\$ 18,068,401</u>	<u>\$ 16,976,493</u>

**CITY OF ADRIAN, MICHIGAN
WASTEWATER SYSTEM ENTERPRISE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION
FOR FISCAL YEARS ENDED JUNE 30, 2013 AND 2012**

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Operating revenues:		
Charges for services	\$ 4,631,811	\$ 4,810,990
Miscellaneous revenue	12,798	22,501
	<u>4,644,609</u>	<u>4,833,491</u>
Operating expenses:		
Cost of services:		
Wastewater treatment plant operation	1,380,966	1,382,028
Sanitary sewer expenses	185,827	219,471
Broad Street station expenses	36,856	41,320
Lift station expenses	29,052	25,402
Retention basis expenses	4,736	5,187
Administrative and overhead	616,690	577,205
Depreciation	1,367,642	1,351,561
	<u>3,621,769</u>	<u>3,602,174</u>
	<u>1,022,840</u>	<u>1,231,317</u>
Operating income (loss)		
Nonoperating revenues (expenses):		
Grant income - federal	54,000	-
Interest revenue	17,616	17,587
Interest expense	(268,547)	(287,271)
	<u>(196,931)</u>	<u>(269,684)</u>
Capital Contribution	<u>265,999</u>	<u>-</u>
Change in net position	1,091,908	961,633
Total net position – beginning of year	<u>16,976,493</u>	<u>16,014,860</u>
Total net position – end of year	<u>\$ 18,068,401</u>	<u>\$ 16,976,493</u>

**CITY OF ADRIAN, MICHIGAN
WASTEWATER SYSTEM ENTERPRISE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR FISCAL YEARS ENDED JUNE 30, 2013 AND 2012
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Cash flows from operating activities:		
Cash received from customers	\$ 4,678,694	\$ 4,753,619
Cash paid to suppliers	(1,600,466)	(1,492,581)
Cash paid to employees	(712,619)	(717,085)
	<u>2,365,609</u>	<u>2,543,953</u>
Net cash used in operating activities		
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets net of disposals	(564,971)	(840,789)
Interest expense	(271,589)	(291,549)
Payment on lease	(74,130)	(71,412)
Payment on installment loan	(25,846)	-
Principal paid on DWFR bonds	(425,000)	(415,000)
Principal paid on SRF bonds	(420,000)	(415,000)
Grant received - federal	54,000	-
	<u>(1,727,536)</u>	<u>(2,033,750)</u>
Net cash provided by (used in) capital and related financing activities		
Cash flows from investing activities:		
Interest	17,616	17,587
Investment proceeds (purchases)	(33)	(28)
	<u>17,583</u>	<u>17,559</u>
Net cash provided by (used in) investing activities		
Net increase (decrease) in cash and cash equivalents	655,656	527,762
Cash and cash equivalents at beginning of year (including \$1,396,316 in restricted funds)	<u>2,421,197</u>	<u>1,893,435</u>
Cash and cash equivalents at end of year (including \$1,512,614 in restricted funds)	<u>\$ 3,076,853</u>	<u>\$ 2,421,197</u>

Noncash contribution from Local Development Finance Authority of Capital assets of \$265,991 is not included above.

**CITY OF ADRIAN, MICHIGAN
WASTEWATER SYSTEM ENTERPRISE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
For Fiscal Years Ended June 30, 2012 and 2011**

**RECONCILIATION OF OPERATING INCOME TO NET CASH
PROVIDED BY (USED IN) OPERATING ACTIVITIES**

Operating income	<u>\$ 1,022,840</u>	<u>\$ 1,231,317</u>
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation	1,367,642	1,351,561
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	40,179	(79,872)
(Increase) decrease in due from other funds	(6,094)	
(Increase) decrease in prepaids	(1,112)	(411)
Increase (decrease) in vouchers payable	(47,803)	30,626
Increase (decrease) in accrued payroll	692	5,185
Increase (decrease) in accrued sick and vacation	(4,799)	81
Increase (decrease) in due to other funds	<u>(5,936)</u>	<u>5,466</u>
Total adjustments	<u>1,342,769</u>	<u>1,312,636</u>
Net cash provided by (used in) operating activities	<u>\$ 2,365,609</u>	<u>\$ 2,543,953</u>

**CITY OF ADRIAN, MICHIGAN
WATER SYSTEM ENTERPRISE FUND
COMPARATIVE STATEMENTS OF NET POSITION
JUNE 30, 2013 AND 2012**

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 1,831,881	\$ 1,699,658
Receivables:		
Accounts	560,090	567,074
Deferred assessments	22,629	22,629
Due from other funds	15,428	-
Inventories	184,367	161,267
Prepaid expense	5,847	5,921
	<u>2,620,242</u>	<u>2,456,549</u>
Restricted assets available for current liabilities:		
Customer deposits - cash	33,370	30,220
Bond interest and redemption account - investment	223,029	225,240
Bond interest and redemption account - cash	296,091	289,874
	<u>3,172,732</u>	<u>3,001,883</u>
Noncurrent assets:		
Restricted investments:		
Bond reserve - cash	590,107	542,898
Replacement account - cash	100,000	100,000
	<u>690,107</u>	<u>642,898</u>
Capital assets:		
Land	583,110	583,110
Water system	32,062,121	31,038,179
Less: accumulated depreciation	<u>(11,482,691)</u>	<u>(10,760,567)</u>
	<u>21,162,540</u>	<u>20,860,722</u>
	<u>21,852,647</u>	<u>21,503,620</u>
	<u>\$ 25,025,379</u>	<u>\$ 24,505,503</u>

**CITY OF ADRIAN, MICHIGAN
WATER SYSTEM ENTERPRISE FUND
COMPARATIVE STATEMENTS OF NET POSITION
June 30, 2012 and 2011**

LIABILITIES:	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Current liabilities:		
Vouchers payable	\$ 133,333	\$ 100,284
Accrued payroll	28,506	28,878
Due to other funds:		
General	19,254	71,166
Information technology	1,270	1,105
Motor vehicle	1,457	1,410
Building Space Cost Allocation	96	-
DWRF bonds payable - current	620,000	610,000
Accrued sick and vacation pay	30,890	30,705
	<u>834,806</u>	<u>843,548</u>
Current liabilities - payable from restricted assets:		
Customer deposits payable	33,370	30,220
Accrued interest	53,004	56,498
	<u>921,180</u>	<u>930,266</u>
Total current liabilities	<u>921,180</u>	<u>930,266</u>
Noncurrent liabilities:		
Accrued sick and vacation	30,421	21,295
DWRF bonds payable	8,956,717	9,576,717
	<u>8,987,138</u>	<u>9,598,012</u>
Total noncurrent liabilities	<u>8,987,138</u>	<u>9,598,012</u>
Total liabilities	<u>9,908,318</u>	<u>10,528,278</u>
NET POSITION:		
Invested in capital assets, net of related debt	11,585,823	10,674,005
Restricted for debt service	1,056,223	1,001,514
Restricted for replacement	100,000	100,000
Unrestricted	2,375,015	2,201,706
	<u>2,375,015</u>	<u>2,201,706</u>
Total net position	<u>\$ 15,117,061</u>	<u>\$ 13,977,225</u>

**CITY OF ADRIAN, MICHIGAN
WATER SYSTEM ENTERPRISE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION
FOR FISCAL YEARS ENDED JUNE 30, 2013 AND 2012**

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Operating revenues:		
Charges for services	\$ 3,831,305	\$ 3,716,967
Miscellaneous revenue	69,459	80,202
	<u>3,900,764</u>	<u>3,797,169</u>
Total operating revenues		
Operating expenses:		
Cost of services:		
Merchandise	74,010	57,355
Purification and pumping	1,168,352	1,138,709
Transmission and distribution	550,989	424,863
Administrative and overhead	626,488	565,295
Depreciation	602,116	605,072
	<u>3,021,955</u>	<u>2,791,294</u>
Total operating expenses		
Operating income	<u>878,809</u>	<u>1,005,875</u>
Nonoperating revenues (expenses):		
Interest revenue	\$ 15,600	\$ 18,966
Interest expense	(219,974)	(233,953)
	<u>(204,374)</u>	<u>(214,987)</u>
Total nonoperating revenues (expenses)		
Capital contribution	<u>465,401</u>	<u>-</u>
Change in net position	1,139,836	790,888
Total net position – beginning of year	<u>13,977,225</u>	<u>13,186,337</u>
Total net position – end of year	<u>\$ 15,117,061</u>	<u>\$ 13,977,225</u>

**CITY OF ADRIAN, MICHIGAN
 WATER SYSTEM ENTERPRISE FUND
 COMPARATIVE STATEMENTS OF CASH FLOWS
 FOR FISCAL YEARS ENDED JUNE 30, 2013 AND 2012
 INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Cash flows from operating activities:		
Cash received from customers	\$ 3,895,470	\$ 3,765,121
Cash paid to suppliers	(1,497,983)	(1,177,963)
Cash paid to employees	(954,498)	(927,580)
	<u>1,442,989</u>	<u>1,659,578</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(438,533)	(41,281)
Principal paid on DWRF bonds	(610,000)	(600,000)
Interest and agent fees on DWRF bonds	(223,468)	(237,326)
	<u>(1,272,001)</u>	<u>(878,607)</u>
Cash flows from investing activities:		
Purchase of investments	-	(75)
Interest	15,600	18,966
Proceeds on investments	2,211	-
	<u>17,811</u>	<u>18,891</u>
Net increase (decrease) in cash and cash equivalents	188,799	799,862
Cash and cash equivalents at beginning of year (including \$962,992 in restricted funds)	<u>2,662,650</u>	<u>1,862,788</u>
Cash and cash equivalents at end of year (including \$1,019,568 in restricted funds)	<u>\$ 2,851,449</u>	<u>\$ 2,662,650</u>

Noncash contribution from Local Development Finance Authority to Water System in the form of capital assets of \$465,401 are not shown in above figures.

CITY OF ADRIAN, MICHIGAN
WATER SYSTEM ENTERPRISE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
For Fiscal Years Ended June 30, 2012 and 2011

RECONCILIATION OF OPERATING INCOME TO NET CASH
PROVIDED BY (USED IN) OPERATING ACTIVITIES

Operating income	<u>\$ 878,809</u>	<u>\$ 1,005,875</u>
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation	602,116	605,072
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	6,984	(40,671)
(Increase) decrease in due from other funds	(15,428)	233
(Increase) decrease in inventories	(23,100)	(1,089)
(Increase) decrease in prepaid expenses	74	340
Increase (decrease) in vouchers payable	33,049	47,518
Increase (decrease) in accrued payroll	(372)	1,843
Increase (decrease) in accrued sick and vacation	9,311	(7,512)
Increase (decrease) in due to other funds	(51,604)	39,579
Increase (decrease) in customer deposits	<u>3,150</u>	<u>8,390</u>
Total adjustments	<u>564,180</u>	<u>653,703</u>
Net cash provided by (used in) operating activities	<u>\$ 1,442,989</u>	<u>\$ 1,659,578</u>

CITY OF ADRIAN, MICHIGAN
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2013
WITH COMPARATIVE TOTALS FOR JUNE 30, 2012

	Information Technology	Motor Vehicle Pool	Building Maintenance	Totals Internal Service Funds	
				2013	2012
ASSETS:					
Current assets:					
Cash and cash equivalents	\$ 81,649	\$ -	\$ 511,287	\$ 592,936	\$ 707,692
Receivables:					
Accounts	24	13,714	-	13,738	25,056
Due from other funds	3,810	264,159	96	268,065	36,140
Due from component unit	536	-	-	536	481
Total current assets	<u>86,019</u>	<u>277,873</u>	<u>511,383</u>	<u>875,275</u>	<u>769,369</u>
Noncurrent assets:					
Capital assets:					
Equipment	522,955	3,410,589	-	3,933,544	3,239,106
Less: accumulated depreciation	(441,671)	(2,120,664)	-	(2,562,335)	(2,330,376)
Net capital assets	<u>81,284</u>	<u>1,289,925</u>	<u>-</u>	<u>1,371,209</u>	<u>908,730</u>
Total noncurrent assets	<u>81,284</u>	<u>1,289,925</u>	<u>-</u>	<u>1,371,209</u>	<u>908,730</u>
Total assets	<u>\$ 167,303</u>	<u>\$ 1,567,798</u>	<u>\$ 511,383</u>	<u>\$ 2,246,484</u>	<u>\$ 1,678,099</u>
LIABILITIES:					
Current liabilities:					
Vouchers payable	\$ 1,332	\$ 272,354	27,380	\$ 301,066	\$ 45,770
Accrued liabilities	1,819	2,695	85	4,599	7,510
Due to other funds	-	-	-	-	273
Total current liabilities	<u>3,151</u>	<u>275,049</u>	<u>27,465</u>	<u>305,665</u>	<u>53,553</u>
Long term:					
Accrued sick and vacation	1,834	2,751	-	4,585	-
Total liabilities	<u>4,985</u>	<u>277,800</u>	<u>27,465</u>	<u>310,250</u>	<u>53,553</u>
NET POSITION:					
Invested in capital assets net of related debt	81,284	1,289,925	-	1,371,209	908,730
Unrestricted	81,034	73	483,918	565,025	715,816
Total net position	<u>\$ 162,318</u>	<u>\$ 1,289,998</u>	<u>483,918</u>	<u>\$ 1,936,234</u>	<u>\$ 1,624,546</u>

The notes to the financial statements are an integral part of this statement.

CITY OF ADRIAN, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR FISCAL YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE TOTALS FOR FISCAL YEAR ENDED JUNE 30, 2012

	Information Technology	Motor Vehicle Pool	Building Maintenance	Totals Internal Service Funds	
				2013	2012
Operating revenues:					
Charges for services	\$ 212,460	\$ 703,303	\$ 532,158	\$ 1,447,921	\$ 934,515
Miscellaneous revenue	1,278	24,421	648	26,347	19,894
Total operating revenues	<u>213,738</u>	<u>727,724</u>	<u>532,806</u>	<u>1,474,268</u>	<u>954,409</u>
Operating expenses:					
Cost of services	411,146	716,687	448,888	1,576,721	1,067,376
Depreciation	19,196	212,763	-	231,959	225,864
Total operating expenses	<u>430,342</u>	<u>929,450</u>	<u>448,888</u>	<u>1,808,680</u>	<u>1,293,240</u>
Operating income	<u>(216,604)</u>	<u>(201,726)</u>	<u>83,918</u>	<u>(334,412)</u>	<u>(338,831)</u>
Nonoperating revenues (expenses)					
Transfers in	-	246,100	400,000	646,100	-
Change in net position	(216,604)	44,374	483,918	311,688	(338,831)
Total net position – beginning of year	<u>378,922</u>	<u>1,245,624</u>	<u>-</u>	<u>1,624,546</u>	<u>1,963,377</u>
Total net position – end of year	<u>\$ 162,318</u>	<u>\$ 1,289,998</u>	<u>\$ 483,918</u>	<u>\$ 1,936,234</u>	<u>\$ 1,624,546</u>

The notes to the financial statements are an integral part of this statement.

CITY OF ADRIAN, MICHIGAN
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR FISCAL YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE TOTALS FOR FISCAL YEAR ENDED JUNE 30, 2012
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	Information Technology	Motor Vehicle Pool	Building Maintenance	Internal Service Funds	
				2013	2012
Cash flows from operating activities:					
Cash received from customers	\$ 213,981	\$ 506,915	\$ 532,710	\$1,253,606	\$ 941,872
Cash paid to suppliers	(317,187)	(410,856)	(421,423)	(1,149,466)	(1,338,792)
Cash paid to employees	(101,803)	(68,755)	-	(170,558)	(162,949)
Net cash provided by (used in) operating activities	<u>(205,009)</u>	<u>27,304</u>	<u>111,287</u>	<u>(66,418)</u>	<u>(559,869)</u>
Cash flows from capital and related financing activities:					
Capital asset purchases	(23,951)	(670,487)	-	(694,438)	(190,299)
Transfer from other funds	-	246,100	400,000	646,100	-
Net cash provided by (used in) capital and related financing activities	<u>(23,951)</u>	<u>(424,387)</u>	<u>400,000</u>	<u>(48,338)</u>	<u>(190,299)</u>
Net increase (decrease) in cash and cash equivalents	(228,960)	(397,083)	511,287	(114,756)	(750,168)
Cash and cash equivalents at beginning of year	310,609	397,083	-	707,692	1,457,860
Cash and cash equivalents at end of year	<u>\$ 81,649</u>	<u>\$ -</u>	<u>\$ 511,287</u>	<u>\$ 592,936</u>	<u>\$ 707,692</u>

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES

Operating income (loss)	\$ (216,604)	\$ (201,726)	\$ 83,918	\$ (334,412)	\$ (338,831)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	19,196	212,763	-	231,959	225,864
Change in assets and liabilities:					
(Increase) decrease in due from other funds	322	(232,151)	(96)	(231,925)	(4,139)
(Increase) decrease in due from component unit	(55)	-	-	(55)	(205)
(Increase) decrease in accounts receivable	(24)	11,342	-	11,318	(8,193)
Increase (decrease) in vouchers payable	(8,296)	236,212	27,380	255,296	5,224
Increase (decrease) in due to other funds	-	(273)	-	(273)	(439,982)
Increase (decrease) in accrued liabilities	452	1,137	85	1,674	393
Total adjustments	<u>11,595</u>	<u>229,030</u>	<u>27,369</u>	<u>267,994</u>	<u>(221,038)</u>
Net cash provided by (used in) operating activities	<u>\$ (205,009)</u>	<u>\$ 27,304</u>	<u>\$ 111,287</u>	<u>\$ (66,418)</u>	<u>\$ (559,869)</u>

The notes to the financial statements are an integral part of this statement.

CITY OF ADRIAN, MICHIGAN
INFORMATION TECHNOLOGY INTERNAL SERVICE FUND
COMPARATIVE STATEMENTS OF NET POSITION
JUNE 30, 2013 AND 2012

	June 30, 2013	June 30, 2012
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 81,649	\$ 310,609
Accounts receivable	24	-
Due from other funds	3,810	4,132
Due from component unit	536	481
Total current assets	86,019	315,222
Noncurrent assets:		
Capital assets:		
Equipment	522,955	499,004
Less: accumulated depreciation	(441,671)	(422,475)
Net capital assets	81,284	76,529
Total noncurrent assets	81,284	76,529
Total assets	\$ 167,303	\$ 391,751
 LIABILITIES AND NET POSITION:		
LIABILITIES:		
Current liabilities:		
Vouchers payable	\$ 1,332	\$ 9,628
Accrued liabilities	1,819	3,201
Total current liabilities	3,151	12,829
Long term:		
Accrued sick and vacation	1,834	-
Total liabilities	4,985	12,829
 NET POSITION:		
Invested in capital assets, net of related debt	81,284	76,529
Unrestricted	81,034	302,393
Total net position	\$ 162,318	\$ 378,922

**CITY OF ADRIAN, MICHIGAN
 INFORMATION TECHNOLOGY INTERNAL SERVICE FUND
 COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES
 IN FUND NET POSITION
 FOR FISCAL YEARS ENDED JUNE 30, 2013 AND 2012**

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Operating revenues:		
Charges for services	\$ 212,460	\$ 207,398
Miscellaneous revenue	1,278	1,238
	<u>213,738</u>	<u>208,636</u>
Operating expenses:		
Cost of services	411,146	385,947
Depreciation	19,196	24,059
	<u>430,342</u>	<u>410,006</u>
Operating income (loss)	(216,604)	(201,370)
Total net position – beginning of year	<u>378,922</u>	<u>580,292</u>
Total net position – end of year	<u>\$ 162,318</u>	<u>\$ 378,922</u>

**CITY OF ADRIAN, MICHIGAN
INFORMATION TECHNOLOGY INTERNAL SERVICE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR FISCAL YEARS ENDED JUNE 30, 2013 AND 2012
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Cash flows from operating activities:		
Cash received from customers	\$ 213,981	\$ 209,344
Cash paid to suppliers	(317,187)	(288,884)
Cash paid to employees	(101,803)	(89,669)
	<u>(205,009)</u>	<u>(169,209)</u>
Net cash used in operating activities		
Cash flows from capital activities:		
Acquisition of capital assets	<u>(23,951)</u>	<u>(14,580)</u>
	<u>(23,951)</u>	<u>(14,580)</u>
Net cash used in capital and related financing activities		
Net increase (decrease) in cash and cash equivalents	(228,960)	(183,789)
Cash and cash equivalents at beginning of year	<u>310,609</u>	<u>494,398</u>
Cash and cash equivalents at end of year	<u>\$ 81,649</u>	<u>\$ 310,609</u>

**RECONCILIATION OF OPERATING INCOME TO NET CASH
PROVIDED BY OPERATING ACTIVITIES**

Operating income (loss)	<u>\$ (216,604)</u>	<u>\$ (201,370)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	19,196	24,059
Change in assets and liabilities:		
(Increase)decrease in accounts receivable	(24)	-
(Increase) decrease in due from other funds	322	913
(Increase) decrease in due from component unit	(55)	(205)
Increase (decrease) in vouchers payable	(8,296)	6,206
Increase (decrease) in accrued liabilities	<u>452</u>	<u>1,188</u>
Total adjustments	<u>11,595</u>	<u>32,161</u>
Net cash used in operating activities	<u>\$ (205,009)</u>	<u>\$ (169,209)</u>

**CITY OF ADRIAN, MICHIGAN
MOTOR VEHICLE POOL INTERNAL SERVICE FUND
COMPARATIVE STATEMENTS OF NET POSITION
JUNE 30, 2013 AND 2012**

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ -	\$ 397,083
Accounts receivable	13,714	25,056
Due from other funds	264,159	32,008
	<u>277,873</u>	<u>454,147</u>
Total current assets		
Noncurrent assets:		
Capital assets:		
Equipment	3,410,589	2,740,102
Less: accumulated depreciation	(2,120,664)	(1,907,901)
	<u>1,289,925</u>	<u>832,201</u>
Net capital assets		
Total noncurrent assets		
	<u>1,289,925</u>	<u>832,201</u>
Total assets		
	<u>\$ 1,567,798</u>	<u>\$ 1,286,348</u>
 LIABILITIES AND NET POSITION:		
LIABILITIES:		
Current liabilities:		
Vouchers payable	\$ 272,354	\$ 36,142
Due to other funds	-	273
Accrued payroll	2,695	4,309
	<u>275,049</u>	<u>40,724</u>
Total current liabilities		
Long term:		
Accrued sick and vacation	2,751	-
	<u>277,800</u>	<u>40,724</u>
Total liabilities		
 NET POSITION:		
Invested in capital assets, net of related debt	1,289,925	832,201
Unrestricted	73	413,423
	<u>1,289,998</u>	<u>1,245,624</u>
Total net position		
	<u>\$ 1,289,998</u>	<u>\$ 1,245,624</u>

**CITY OF ADRIAN, MICHIGAN
MOTOR VEHICLE POOL INTERNAL SERVICE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION
FOR FISCAL YEARS ENDED JUNE 30, 2013 AND 2012**

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Operating revenues:		
Rent	\$ 703,303	\$ 727,117
Miscellaneous	24,421	18,656
	<hr/>	<hr/>
Total operating revenues:	727,724	745,773
 Operating expenses:		
Cost of services	716,687	681,429
Depreciation	212,763	201,805
	<hr/>	<hr/>
Total operating expenses	929,450	883,234
 Operating income	(201,726)	(137,461)
 Nonoperating revenues (expenses):		
Transfers in	246,100	-
	<hr/>	<hr/>
 Change in net position	44,374	(137,461)
 Total net position – beginning of year	<hr/> 1,245,624	<hr/> 1,383,085
 Total net position – end of year	<u>\$ 1,289,998</u>	<u>\$ 1,245,624</u>

**CITY OF ADRIAN, MICHIGAN
MOTOR VEHICLE POOL INTERNAL SERVICE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR FISCAL YEARS ENDED JUNE 30, 2013 AND 2012
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Cash flows from operating activities:		
Cash received from customers	\$ 506,915	\$ 732,528
Cash paid to suppliers	(410,856)	(1,049,908)
Cash paid to employees	(68,755)	(73,280)
	<u>27,304</u>	<u>(390,660)</u>
Net cash used in operating activities		
Cash flows from capital activities:		
Acquisition of capital assets	(670,487)	(175,719)
Transfers from other funds	246,100	-
	<u>(424,387)</u>	<u>(175,719)</u>
Net cash used in capital and related financing activities		
Net increase in cash and cash equivalents	(397,083)	(566,379)
Cash and cash equivalents at beginning of year	397,083	963,462
Cash and cash equivalents at end of year	<u>\$ -</u>	<u>\$ 397,083</u>

**RECONCILIATION OF OPERATING INCOME TO NET CASH
PROVIDED BY OPERATING ACTIVITIES**

Operating income (loss)	<u>\$ (201,726)</u>	<u>\$ (137,461)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	212,763	201,805
Change in assets and liabilities:		
(Increase) decrease in due from other funds	(232,151)	(5,052)
(Increase) decrease in accounts receivable	11,342	(8,193)
Increase (decrease) in vouchers payable	236,212	(982)
Increase (decrease) in due to other funds	(273)	(439,982)
Increase (decrease) in accrued payroll	1,137	(795)
	<u>229,030</u>	<u>(253,199)</u>
Total adjustments		
Net cash used in operating activities	<u>\$ 27,304</u>	<u>\$ (390,660)</u>

**CITY OF ADRIAN, MICHIGAN
 BUILDING MAINTENANCE INTERNAL SERVICE FUND
 COMPARATIVE STATEMENTS OF NET POSITION
 JUNE 30, 2013 AND 2012**

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 511,287	\$ -
Due from other funds	96	-
Total assets	\$ 511,383	\$ -
 LIABILITIES AND NET POSITION:		
LIABILITIES:		
Current liabilities:		
Vouchers payable	\$ 27,380	\$ -
Accrued liabilities	85	-
Total current liabilities	27,465	-
 NET POSITION:		
Unrestricted	483,918	-
Total net position	\$ 483,918	\$ -

**CITY OF ADRIAN, MICHIGAN
 BUILDING MAINTENANCE INTERNAL SERVICE FUND
 COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES
 IN FUND NET POSITION
 FOR FISCAL YEARS ENDED JUNE 30, 2013 AND 2012**

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Operating revenues:		
Rent	\$ 532,158	\$ -
Miscellaneous	648	-
	<hr/>	<hr/>
Total operating revenues:	532,806	-
 Operating expenses:		
Cost of services	448,888	-
	<hr/>	<hr/>
Total operating expenses	448,888	-
 Operating income	83,918	-
 Nonoperating revenues (expenses):		
Transfers in	400,000	-
	<hr/>	<hr/>
 Change in net position	483,918	-
 Total net position – beginning of year	<hr/> -	<hr/> -
 Total net position – end of year	<u>\$ 483,918</u>	<u>\$ -</u>

**CITY OF ADRIAN, MICHIGAN
BUILDING MAINTENANCE INTERNAL SERVICE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR FISCAL YEARS ENDED JUNE 30, 2013 AND 2012
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Cash flows from operating activities:		
Cash received from customers	\$ 932,710	\$ -
Cash paid to suppliers	<u>(421,423)</u>	<u>-</u>
Net cash used in operating activities	<u>511,287</u>	<u>-</u>
Net increase in cash and cash equivalents	511,287	-
Cash and cash equivalents at beginning of year	<u>-</u>	<u>-</u>
Cash and cash equivalents at end of year	<u><u>\$ 511,287</u></u>	<u><u>\$ -</u></u>

**RECONCILIATION OF OPERATING INCOME TO NET CASH
PROVIDED BY OPERATING ACTIVITIES**

Operating income (loss)	<u>\$ 483,918</u>	<u>\$ -</u>
Change in assets and liabilities:		
(Increase) decrease in due from other funds	(96)	-
Increase (decrease) in vouchers payable	27,380	-
Increase (decrease) in accrued payroll	<u>85</u>	<u>-</u>
Total adjustments	<u>27,369</u>	<u>-</u>
Net cash used in operating activities	<u><u>\$ 511,287</u></u>	<u><u>\$ -</u></u>

CITY OF ADRIAN, MICHIGAN
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
ALL AGENCY FUNDS
FOR FISCAL YEAR ENDED JUNE 30, 2013

	<u>Balance</u> <u>June 30, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2013</u>
PAYROLL DEDUCTION FUND				
ASSETS:				
Cash	\$ 17,829	\$ 111,584	\$ 103,429	\$ 25,984
LIABILITIES:				
Vouchers payable	\$ 17,829	\$ 111,584	\$ 103,429	\$ 25,984
PROPERTY TAX FUND				
ASSETS:				
Cash	\$ 122,600	\$ 18,423,355	\$ 18,517,910	\$ 28,045
LIABILITIES:				
Due to other taxing units	\$ 122,600	\$ 18,423,355	\$ 18,517,910	\$ 28,045
TRUST & AGENCY FUND				
ASSETS:				
Cash	\$ 148,297	\$ 242,988	\$ 277,465	\$ 113,820
LIABILITIES:				
Restricted deposits	\$ 148,297	\$ 242,988	\$ 277,465	\$ 113,820
TOTAL - ALL AGENCY FUNDS				
ASSETS:				
Cash	\$ 288,726	\$ 18,777,927	\$ 18,898,804	\$ 167,849
LIABILITIES:				
Vouchers payable	\$ 17,829	\$ 111,584	\$ 103,429	\$ 25,984
Due to other taxing units	122,600	18,423,355	18,517,910	28,045
Restricted deposits	148,297	242,988	277,465	113,820
Total liabilities	\$ 288,726	\$ 18,777,927	\$ 18,898,804	\$ 167,849

The notes to the financial statements are an integral part of this statement.

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**CITY OF ADRIAN, MICHIGAN
COMBINING BALANCE SHEET
DISCRETELY PRESENTED COMPONENT UNITS
JUNE 30, 2013**

	Downtown Development Authority	DDA Debt	Total Downtown Development Authority	LDFA - GAIDC	Brownfield Redevelopment Authority
ASSETS:					
Cash and cash equivalents	\$ 127,174	\$ 17,146	\$ 144,320	\$ 8,782	\$ 110,217
Investments	165,858	-	165,858	122,761	-
Accounts and loans receivable	4,292	-	4,292	-	16,000
Due from primary government	2,242	35	2,277	89,018	257
Due from component unit	18,596	-	18,596	-	-
Total assets	<u>\$ 318,162</u>	<u>\$ 17,181</u>	<u>\$ 335,343</u>	<u>\$ 220,561</u>	<u>\$ 126,474</u>
LIABILITIES AND FUND BALANCES:					
LIABILITIES:					
Current:					
Vouchers payable	\$ 470	\$ -	\$ 470	\$ 286	\$ 20,000
Accrued liabilities	518	-	518	-	-
Due to primary government	21,343	-	21,343	220,275	-
Due to component unit	-	17,181	17,181	-	1,415
Total current liabilities	<u>22,331</u>	<u>17,181</u>	<u>39,512</u>	<u>220,561</u>	<u>21,415</u>
Long Term:					
Accrued sick and vacation	669	-	669	-	-
Total liabilities	<u>23,000</u>	<u>17,181</u>	<u>40,181</u>	<u>220,561</u>	<u>21,415</u>
FUND BALANCES:					
Restricted for:					
Downtown Development	295,162	-	295,162	-	-
Brownfield Redevelopment	-	-	-	-	105,059
Total fund balances	<u>295,162</u>	<u>-</u>	<u>295,162</u>	<u>-</u>	<u>105,059</u>
Total liabilities and fund balance	<u>\$ 318,162</u>	<u>\$ 17,181</u>	<u>\$ 335,343</u>	<u>\$ 220,561</u>	<u>\$ 126,474</u>

The notes to the financial statements are an integral part of this statement.

CITY OF ADRIAN, MICHIGAN
RECONCILIATION OF THE BALANCE SHEET OF DISCRETELY PRESENTED COMPONENT UNITS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2013

	Downtown Development Authority	Local Development Finance Authority	Brownfield Redevelopment Authority
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds	\$ 347,494	\$ -	\$ -
Net differences	347,494	-	-
Total fund balance in discretely presented component units	295,162	-	105,059
Total net position of discretely presented component units	\$ 642,656	\$ -	\$ 105,059

The notes to the financial statements are an integral part of this statement.

CITY OF ADRIAN, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
DISCRETELY PRESENTED COMPONENT UNIT
FOR FISCAL YEAR ENDED JUNE 30, 2013

	Downtown Development Authority	DDA Debt	Total Downtown Development Authority	LDFA - GAIDC	Brownfield Redevelopment
REVENUES:					
Property taxes	\$ 96,193	\$ -	\$ 96,193	\$ -	\$ 43,939
Investment earnings	1,273	121	1,394	53	897
Refuse	17,505	-	17,505	-	-
Other	6,750	-	6,750	-	2,757
Total revenues	<u>121,721</u>	<u>121</u>	<u>121,842</u>	<u>53</u>	<u>47,593</u>
EXPENDITURES:					
Contributions to primary government	\$ 62,000	\$ -	\$ 62,000	\$ 220,275	\$ -
Other services	104,473	-	104,473	287	50,897
Total expenditures	<u>166,473</u>	<u>-</u>	<u>166,473</u>	<u>220,562</u>	<u>50,897</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(44,752)</u>	<u>121</u>	<u>(44,631)</u>	<u>(220,509)</u>	<u>(3,304)</u>
Other financing sources (uses):					
Transfers in	21,426	-	21,426	-	-
Transfers out	-	(17,181)	(17,181)	-	(4,245)
Total other financing sources (uses)	<u>21,426</u>	<u>(17,181)</u>	<u>4,245</u>	<u>-</u>	<u>(4,245)</u>
Net changes in fund balances	(23,326)	(17,060)	(40,386)	(220,509)	(7,549)
Fund balances - beginning of year	<u>318,488</u>	<u>17,060</u>	<u>335,548</u>	<u>220,509</u>	<u>112,608</u>
Fund balances - end of year	<u>\$ 295,162</u>	<u>\$ -</u>	<u>\$ 295,162</u>	<u>\$ -</u>	<u>\$ 105,059</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF ADRIAN, MICHIGAN
RECONCILIATION TO THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF DISCRETELY PRESENTED COMPONENT UNITS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Downtown Development Authority</u>	<u>Local Development Finance Authority</u>	<u>Brownfield Redevelopment Authority</u>
Amounts reported for governmental activities in the statement of revenues, expenditures and changes in fund balances are different because:			
Net change in fund balance –	\$ (40,386)	\$ (220,509)	\$ (7,549)
Government funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period. (Total depreciation \$49,000 less total capital outlay of \$0)	<u>(49,000)</u>	<u>-</u>	<u>-</u>
Change in net position in discretely presented component	<u>\$ (89,386)</u>	<u>\$ (220,509)</u>	<u>\$ (7,549)</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF ADRIAN, MICHIGAN
DOWNTOWN DEVELOPMENT AUTHORITY - SPECIAL REVENUE FUND
DISCRETELY PRESENTED COMPONENT UNIT
COMPARATIVE BALANCE SHEETS
JUNE 30, 2013 AND 2012**

ASSETS:	<u>2013</u>	<u>2012</u>
Cash and cash equivalents	\$ 127,174	\$ 541,010
Investments	165,858	165,667
Accounts receivable	4,292	3,067
Due from primary government	2,242	-
Due from component unit	18,596	-
	<u>318,162</u>	<u>709,744</u>
Total assets	<u>\$ 318,162</u>	<u>\$ 709,744</u>
 LIABILITIES AND FUND BALANCES:		
LIABILITIES:		
Current:		
Vouchers payable	\$ 470	\$ 3,621
TIF payable	-	369,852
Due to primary government	21,343	15,995
Accrued payroll	518	499
	<u>22,331</u>	<u>389,967</u>
Total current liabilities	<u>22,331</u>	<u>389,967</u>
Long term:		
Accrued sick and vacation	669	1,289
	<u>669</u>	<u>1,289</u>
Total liabilities	<u>23,000</u>	<u>391,256</u>
 FUND BALANCES:		
Restricted For:		
Downtown Development Authority	295,162	318,488
	<u>295,162</u>	<u>318,488</u>
Total fund balances	<u>295,162</u>	<u>318,488</u>
Total liabilities and fund balance	<u>\$ 318,162</u>	<u>\$ 709,744</u>

**CITY OF ADRIAN, MICHIGAN
DOWNTOWN DEVELOPMENT AUTHORITY - SPECIAL REVENUE FUND
DISCRETELY PRESENTED COMPONENT UNIT
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES
IN FUND BALANCES
FOR FISCAL YEARS ENDED JUNE 30, 2013 AND 2012**

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
REVENUES:		
Property taxes	\$ 96,193	\$ 219,614
Interest	1,273	4,386
Refuse	17,505	17,392
Other	<u>6,750</u>	<u>9,000</u>
Total revenues	<u>121,721</u>	<u>250,392</u>
EXPENDITURES:		
Current:		
Other services	104,473	173,463
Contribution to primary government	<u>62,000</u>	<u>62,000</u>
Total expenditures	<u>166,473</u>	<u>235,463</u>
Excess of revenues over expenditures	<u>(44,752)</u>	<u>14,929</u>
Other financing uses:		
Transfers in	21,426	-
Transfers out	<u>-</u>	<u>(85,445)</u>
Total other financing uses	21,426	(85,445)
Net change in fund balances	(23,326)	(70,516)
Total net position – beginning of year	<u>318,488</u>	<u>389,004</u>
Total net position – end of year	<u>\$ 295,162</u>	<u>\$ 318,488</u>

**CITY OF ADRIAN, MICHIGAN
DOWNTOWN DEVELOPMENT AUTHORITY - DEBT SERVICE FUND
DISCRETELY PRESENTED COMPONENT UNIT
COMPARATIVE BALANCE SHEETS
JUNE 30, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
ASSETS:		
Cash	\$ 17,146	\$ 17,060
Due from primary government	<u>35</u>	<u>-</u>
Total assets	<u>\$ 17,181</u>	<u>\$ 17,060</u>
 LIABILITIES AND FUND BALANCES:		
LIABILITIES:		
Due to component unit	<u>\$ 17,181</u>	<u>\$ -</u>
 FUND BALANCES:		
Restricted for debt retirement	<u>-</u>	<u>17,060</u>
Total liabilities and fund balance	<u>\$ 17,181</u>	<u>\$ 17,060</u>

**CITY OF ADRIAN, MICHIGAN
DOWNTOWN DEVELOPMENT AUTHORITY - DEBT SERVICE FUND
DISCRETELY PRESENTED COMPONENT UNIT
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES
IN FUND BALANCES
FOR FISCAL YEARS ENDED JUNE 30, 2013 AND 2012**

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
REVENUES:		
Interest	\$ 121	\$ 148
Total revenues	<u>121</u>	<u>148</u>
EXPENDITURES:		
Debt service:		
Principal retirement	-	80,000
Interest and fiscal charges	-	3,838
Total expenditures	<u>-</u>	<u>83,838</u>
Excess (deficiency) of revenues over expenditures	<u>121</u>	<u>(83,690)</u>
Other financing sources:		
Transfers from DDA - special revenue	-	85,445
Transfers to DDA	<u>(17,181)</u>	<u>-</u>
Total other financing uses	<u>(17,181)</u>	<u>85,445</u>
Net change in fund balances	(17,060)	1,755
Total net assets – beginning of year	<u>17,060</u>	<u>15,305</u>
Total net assets – end of year	<u>\$ -</u>	<u>\$ 17,060</u>

**CITY OF ADRIAN, MICHIGAN
LOCAL DEVELOPMENT FINANCE AUTHORITY - GAIDC - SPECIAL REVENUE FUND
DISCRETELY PRESENTED COMPONENT UNIT
COMPARATIVE BALANCE SHEETS
JUNE 30, 2013 AND 2012**

	2013	2012
ASSETS:		
Cash	\$ 8,782	\$ 6,144
Investments	122,761	132,761
Due from primary government	89,018	89,000
Total assets	\$ 220,561	\$ 227,905
 LIABILITIES AND FUND BALANCES:		
LIABILITIES:		
Current liabilities:		
Vouchers payable	\$ 286	\$ 482
Due to primary government	220,275	6,091
Accrued payroll	-	823
Total current liabilities	220,561	7,396
 FUND BALANCES:		
Restricted for:		
LDFA	-	220,509
Total liabilities and fund balance	\$ 220,561	\$ 227,905

CITY OF ADRIAN, MICHIGAN
LOCAL DEVELOPMENT FINANCE AUTHORITY - GADIC -
SPECIAL REVENUE FUND
DISCRETELY PRESENTED COMPONENT UNIT
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES
IN FUND BALANCES
FOR FISCAL YEARS ENDED JUNE 30, 2013 AND 2012

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
REVENUES:		
Property taxes	\$ -	\$ 64,146
Interest	53	167
Rents	-	5,300
Contribution from primary government	-	89,000
	<hr/>	<hr/>
Total revenues	53	158,613
	<hr/>	<hr/>
EXPENDITURES:		
Other services	287	64,207
Contribution to primary government	220,275	15,000
	<hr/>	<hr/>
Total expenditures	220,562	79,207
	<hr/>	<hr/>
Net change in fund balances	(220,509)	79,406
Total net assets – beginning of year	220,509	141,103
	<hr/>	<hr/>
Total net assets – end of year	<u>\$ -</u>	<u>\$ 220,509</u>

CITY OF ADRIAN, MICHIGAN
BROWNFIELD DEVELOPMENT - SPECIAL REVENUE FUND
DISCRETELY PRESENTED COMPONENT UNIT
COMPARATIVE BALANCE SHEETS
JUNE 30, 2013 AND 2012

	2013	2012
ASSETS:		
Cash	\$ 110,217	\$ 112,608
Accounts receivable	16,000	\$ -
Due from primary government	257	-
	Total assets	\$ 112,608
	\$ 126,474	\$ 112,608
 LIABILITIES:		
Current liabilities:		
Vouchers payable	\$ 20,000	\$ -
Due to component unit	1,415	-
	Total liabilities	-
	21,415	-
 FUND BALANCES:		
Restricted for:		
Brownfield Redevelopment	105,059	112,608
	Total liabilities and fund balance	\$ 112,608
	\$ 126,474	\$ 112,608

**CITY OF ADRIAN, MICHIGAN
 BROWNFIELD DEVELOPMENT - SPECIAL REVENUE FUND
 DISCRETELY PRESENTED COMPONENT UNIT
 COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES
 IN FUND BALANCES
 FOR FISCAL YEARS ENDED JUNE 30, 2013 AND 2012**

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
REVENUES:		
Property taxes	\$ 43,939	\$ 32,049
Interest	897	978
Other	<u>2,757</u>	<u>-</u>
Total revenues	<u>47,593</u>	<u>33,027</u>
EXPENDITURES:		
Other services:		
Other	<u>50,897</u>	<u>-</u>
Total expenditures	<u>50,897</u>	<u>-</u>
Excess of revenues over expenditures	<u>(3,304)</u>	<u>33,027</u>
Other financing sources (uses):		
Transfers out	<u>(4,245)</u>	<u>-</u>
Net change in fund balances	<u>(7,549)</u>	<u>33,027</u>
Total net assets – beginning of year	<u>112,608</u>	<u>79,581</u>
Total net assets – end of year	<u>\$ 105,059</u>	<u>\$ 112,608</u>

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 CITY OF ADRIAN, MICHIGAN
 SCHEDULE OF INDEBTEDNESS
 JUNE 30, 2013

Primary Government	Date of Issue	Amount of Issue	Interest Rate	Date of Maturity	June 30, 2012	June 30, 2013	Annual Interest Payable	Federal Tax Credit Receipts
General Fund Limited Tax General Obligation Bonds, Series A, B and C (combined schedule)	11/16/09	\$ 7,040,000	2.50%	11/1/12 - 5/1/13	\$ 215,000	\$ -	\$ 377,282	\$ (144,572)
			3.00%	11/1/13 - 5/1/14	220,000	220,000	371,906	(144,572)
			3.25%	11/1/14 - 5/1/15	220,000	220,000	365,306	(144,572)
			3.625%	11/1/15 - 5/1/16	235,000	235,000	358,156	(144,572)
			3.75%	11/1/16 - 5/1/17	240,000	240,000	349,638	(144,572)
			5.00%	11/1/17 - 5/1/18	245,000	245,000	340,638	(144,572)
			5.00%	11/1/18 - 5/1/19	255,000	255,000	328,388	(140,284)
			5.65%	11/1/19 - 5/1/20	260,000	260,000	315,638	(135,822)
			5.65%	11/1/20 - 5/1/21	270,000	270,000	300,948	(130,680)
			5.65%	11/1/21 - 5/1/22	280,000	280,000	285,692	(125,342)
			5.65%	11/1/22 - 5/1/23	290,000	290,000	269,872	(119,804)
			6.375%	11/1/23 - 5/1/24	300,000	300,000	253,488	(114,070)
			6.375%	11/1/24 - 5/1/25	310,000	310,000	234,362	(105,462)
			6.375%	11/1/25 - 5/1/26	320,000	320,000	214,600	(96,570)
			6.375%	11/1/26 - 5/1/27	330,000	330,000	194,200	(87,390)
			6.375%	11/1/27 - 5/1/28	340,000	340,000	173,162	(77,924)
			6.375%	11/1/28 - 5/1/29	355,000	355,000	151,488	(68,170)
		6.625%	11/1/29 - 5/1/30	365,000	365,000	128,858	(57,986)	
		6.625%	11/1/30 - 5/1/31	380,000	380,000	104,674	(47,104)	
		6.625%	11/1/31 - 5/1/32	395,000	395,000	79,500	(35,774)	
		6.625%	11/1/32 - 5/1/33	400,000	400,000	53,332	(23,998)	
		6.625%	11/1/33 - 5/1/34	405,000	405,000	26,832	(12,074)	
					<u>\$ 6,630,000</u>	<u>\$ 6,415,000</u>	<u>\$ 5,277,958</u>	<u>\$ (2,245,886)</u>

(PAGE 2 OF 4)
 CITY OF ADRIAN, MICHIGAN
 SCHEDULE OF INDEBTEDNESS
 JUNE 30, 2013

Primary Government	Date of Issue	Amount of Issue	Interest Rate	Date of Maturity	June 30, 2012	June 30, 2013	Annual Interest Payable
Wastewater System Revenue Bonds (DWRF Loan)	09/26/02	\$ 8,920,000	2.50%	10/01/12 - 04/01/13	\$ 425,000	\$ -	\$ 141,563
				10/01/13 - 04/01/14	435,000	435,000	130,813
				10/01/14 - 04/01/15	445,000	445,000	119,812
				10/01/15 - 04/01/16	460,000	460,000	108,500
				10/01/16 - 04/01/17	470,000	470,000	96,875
				10/01/17 - 04/01/18	480,000	480,000	85,000
				10/01/18 - 04/01/19	495,000	495,000	72,813
				10/01/19 - 04/01/20	505,000	505,000	60,313
				10/01/20 - 04/01/21	520,000	520,000	47,500
				10/01/21 - 04/01/22	535,000	535,000	34,313
				10/01/22 - 04/01/23	545,000	545,000	20,813
				10/01/23	560,000	560,000	7,000
					<u>\$ 5,875,000</u>	<u>\$ 5,450,000</u>	<u>\$ 925,315</u>
Water Supply System Revenue Bonds (DWRF Loan)	09/26/02	\$ 5,665,000	2.50%	10/01/12 - 04/01/13	\$ 270,000	\$ -	\$ 89,875
				10/01/13 - 04/01/14	275,000	275,000	83,063
				10/01/14 - 04/01/15	285,000	285,000	76,062
				10/01/15 - 04/01/16	290,000	290,000	68,875
				10/01/16 - 04/01/17	300,000	300,000	61,500
				10/01/17 - 04/01/18	305,000	305,000	53,938
				10/01/18 - 04/01/19	315,000	315,000	46,187
				10/01/19 - 04/01/20	320,000	320,000	38,250
				10/01/20 - 04/01/21	330,000	330,000	30,125
				10/01/21 - 04/01/22	340,000	340,000	21,750
				10/01/22 - 04/01/23	345,000	345,000	13,188
				10/01/2023	355,000	355,000	4,437
					<u>\$ 3,730,000</u>	<u>\$ 3,460,000</u>	<u>\$ 587,250</u>

(PAGE 3 OF 4)
 CITY OF ADRIAN, MICHIGAN
 SCHEDULE OF INDEBTEDNESS
 JUNE 30, 2013

Primary Government	Date of Issue	Amount of Issue	Interest Rate	Date of Maturity	June 30, 2012	June 30, 2013	Annual Interest Payable				
Wastewater System Revenue Bonds (SRF Loan)	09/22/05	\$ 1,993,885	1.625%	10/01/12 - 04/01/13	\$ 95,000	\$ -	\$ 24,316				
				10/01/13 - 04/01/14	95,000	95,000	22,772				
				10/01/14 - 04/01/15	95,000	95,000	21,228				
				10/01/15 - 04/01/16	95,000	95,000	19,685				
				10/01/16 - 04/01/17	95,000	95,000	18,142				
				10/01/17 - 04/01/18	95,000	95,000	16,598				
				10/01/18 - 04/01/19	100,000	100,000	15,013				
				10/01/19 - 04/01/20	100,000	100,000	13,388				
				10/01/20 - 04/01/21	100,000	100,000	11,763				
				10/01/21 - 04/01/22	105,000	105,000	10,097				
				10/01/22 - 04/01/23	105,000	105,000	8,391				
				10/01/23 - 04/01/24	115,000	115,000	6,604				
				10/01/24 - 04/01/25	115,000	115,000	4,735				
				10/01/25 - 04/01/26	115,000	115,000	2,866				
				10/01/26 - 04/01/27	118,885	118,885	967				
					<u>\$ 1,543,885</u>	<u>\$ 1,448,885</u>	<u>\$ 196,565</u>				
				Wastewater System Revenue Bonds, Series 2007B (SRF Loan)	12/15/05	\$ 6,962,663	1.625%	10/01/12 - 04/01/13	\$ 325,000	\$ -	\$ 87,956
								10/01/13 - 04/01/14	330,000	330,000	82,674
10/01/14 - 04/01/15	335,000	335,000	77,312								
10/01/15 - 04/01/16	340,000	340,000	71,868								
10/01/16 - 04/01/17	345,000	345,000	66,344								
10/01/17 - 04/01/18	350,000	350,000	60,738								
10/01/18 - 04/01/19	355,000	355,000	55,050								
10/01/19 - 04/01/20	360,000	360,000	49,280								
10/01/20 - 04/01/21	365,000	365,000	43,430								
10/01/21 - 04/01/22	370,000	370,000	37,500								
10/01/22 - 04/01/23	375,000	375,000	31,488								
10/01/23 - 04/01/24	380,000	380,000	25,394								
10/01/24 - 04/01/25	390,000	390,000	19,218								
10/01/25 - 04/01/26	395,000	395,000	12,880								
10/01/26 - 04/01/27	397,663	397,663	6,462								
	<u>\$ 5,412,663</u>	<u>\$ 5,087,663</u>	<u>\$ 727,594</u>								

(PAGE 4 OF 4)
 CITY OF ADRIAN, MICHIGAN
 SCHEDULE OF INDEBTEDNESS
 JUNE 30, 2013

Primary Government	Date of Issue	Amount of Issue	Interest Rate	Date of Maturity	June 30, 2012	June 30, 2013	Annual Interest Payable
Water Supply System Revenue Bonds (DWRF Loan)	09/27/07	\$ 7,441,707	2.125%	10/01/12-04/01/13	\$ 340,000	\$ -	\$ 133,593
				10/01/13-04/01/14	345,000	345,000	126,314
				10/01/14-04/01/15	345,000	345,000	118,983
				10/01/15-04/01/16	355,000	355,000	111,546
				10/01/16-04/01/17	355,000	355,000	104,002
				10/01/17-04/01/18	360,000	360,000	96,405
				10/01/18-04/01/19	370,000	370,000	88,649
				10/01/19-04/01/20	375,000	375,000	80,733
				10/01/20-04/01/21	380,000	380,000	72,711
				10/01/21-04/01/22	385,000	385,000	64,583
				10/01/22-04/01/23	390,000	390,000	56,349
				10/01/23-04/01/24	395,000	395,000	48,009
				10/01/24-04/01/25	400,000	400,000	39,562
				10/01/25-04/01/26	405,000	405,000	31,009
				10/01/26-04/01/27	410,000	410,000	22,349
				10/01/27-04/01/28	420,000	420,000	13,530
				10/01/28	426,707	426,707	4,534
				<u>\$ 6,456,707</u>	<u>\$ 6,116,707</u>	<u>\$ 1,212,861</u>	
Lease purchase - outstanding balance				<u>489,302</u>	<u>415,172</u>		
Installment purchase - outstanding balance				<u>58,042</u>	<u>32,197</u>		
Accumulated vacation and sick pay - long term				<u>\$ 604,851</u>	<u>\$ 580,869</u>		
Total - Primary Government				<u>\$ 30,800,450</u>	<u>\$ 29,006,493</u>		

**CITY OF ADRIAN
STATISTICAL SECTION**

This part of the City of Adrian Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

<u>Contents</u>	<u>Exhibit</u>
<p>Financial Trends <i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i></p>	B
<p>Revenue Capacity <i>These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.</i></p>	C
<p>Debt Capacity <i>These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.</i></p>	D
<p>Economic and Demographic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.</i></p>	E
<p>Operating Information <i>These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.</i></p>	F

Sources: *Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The city implemented GASB Statement 34 in FY2002-03; schedules presenting government-wide information include information beginning in that year.*

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CITY OF ADRIAN
NET ASSETS BY COMPONENT
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	FISCAL YEAR				
	2003-04	2004-05	2005-06	2006-07	2007-08
Governmental Activities					
Invested in Capital Assets, Net of Related Debt	\$23,761,251	\$24,026,248	\$23,276,411	\$24,323,513	\$25,510,214
Restricted	4,747,830	3,876,032	3,869,047	5,199,264	4,172,851
Unrestricted	6,856,377	6,368,174	6,027,334	6,135,998	6,400,084
Total Governmental Activities Net Assets	\$35,365,458	\$34,270,454	\$33,172,792	\$35,658,775	\$36,083,149
Business-type Activities					
Invested in Capital Assets, Net of Related Debt	\$26,559,550	\$28,022,181	\$28,323,256	\$27,846,396	\$29,000,554
Restricted	1,505,243	1,380,000	1,417,981	1,630,058	1,551,378
Unrestricted	4,894,449	2,796,672	1,568,065	2,001,967	1,788,879
Total Business-type Activities Net Assets	\$32,959,242	\$32,198,853	\$31,309,302	\$31,478,421	\$32,340,811
Primary Government					
Invested in Capital Assets, Net of Related Debt	\$50,320,801	\$52,048,429	\$51,599,667	\$52,169,909	\$54,510,768
Restricted	6,253,073	5,256,032	5,287,028	6,829,322	5,724,229
Unrestricted	11,750,826	9,164,846	7,595,399	8,137,965	8,188,963
Total Primary Government Net Assets	\$68,324,700	\$66,469,307	\$64,482,094	\$67,137,196	\$68,423,960
	FISCAL YEAR				
	2008-09	2009-10	2010-11	2011-12	2012-13
Governmental Activities					
Invested in Capital Assets, Net of Related Debt	\$25,580,401	\$27,799,240	\$27,197,876	\$26,776,971	\$27,025,286
Restricted	3,832,553	4,293,813	4,523,781	4,811,616	5,773,997
Unrestricted	5,613,693	3,498,072	3,009,467	3,203,485	2,643,725
Total Governmental Activities Net Assets	\$35,026,647	\$35,591,125	\$34,731,124	\$34,792,072	\$35,443,008
Business-type Activities					
Invested in Capital Assets, Net of Related Debt	\$29,120,469	\$26,987,222	\$28,761,884	\$29,423,469	\$30,623,333
Restricted	1,112,269	4,171,134	2,151,170	2,461,914	2,635,996
Unrestricted/Other Purpose	2,683,936	2,686,083	4,010,890	5,019,799	5,828,956
Total Business-type Activities Net Assets	\$32,916,674	\$33,844,439	\$34,923,944	\$36,905,182	\$39,088,285
Primary Government					
Invested in Capital Assets, Net of Related Debt	\$54,700,870	\$54,786,462	\$55,959,760	\$56,200,440	\$57,648,619
Restricted	4,944,822	8,464,947	6,674,951	7,273,530	8,409,993
Unrestricted	8,297,629	6,184,155	7,020,357	8,223,284	8,472,681
Total Primary Government Net Assets	\$67,943,321	\$69,435,564	\$69,655,068	\$71,697,254	\$74,531,293

CITY OF ADRIAN
CHANGES IN NET ASSETS
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	FISCAL YEAR									
	2002-03	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
EXPENSES										
Governmental Activities:										
General Government	\$1,807,739	\$2,655,280	\$2,450,722	\$2,511,362	\$1,975,257	\$2,964,862	\$2,309,265	\$3,002,202	\$3,056,641	\$3,514,802
Public Safety	4,397,169	4,693,255	4,912,898	5,011,563	5,029,372	4,642,682	5,152,144	5,360,881	5,132,505	5,178,833
Public Works	920,125	784,985	1,122,058	1,169,030	878,992	1,066,018	1,247,332	1,106,116	506,404	444,836
Culture and Recreation	2,095,016	2,189,354	2,447,661	1,871,000	3,699,922	4,263,702	3,506,682	2,715,367	2,628,447	1,866,951
Community Beautification & Improvements	1,300,251	1,631,127	1,668,073	2,106,016	1,768,933	2,344,407	1,208,425	1,738,055	915,540	1,406,316
Community & Economic Development	1,143,654	278,898	599,690	543,450	567,798	278,257	368,582	333,921	345,406	234,552
Highways, Streets and Bridges	2,118,957	2,513,058	2,418,910	1,153,185	1,086,063	1,141,891	1,132,172	1,125,691	2,397,684	1,524,992
Interest on Long-Term Debt	87,538	69,369	3,112	27,014	47,359	149,061	232,140	238,167	236,342	222,672
Total Governmental Activities Expenses	\$13,860,449	\$14,814,326	\$15,623,064	\$14,391,620	\$15,042,796	\$16,949,880	\$15,356,742	\$15,620,400	\$15,218,969	\$14,392,954
Business-type Activities:										
Wastewater System	\$2,604,671	\$3,465,360	\$3,731,181	\$3,788,575	\$3,959,962	\$4,209,153	\$3,917,578	\$3,925,727	\$3,889,445	\$3,890,316
Water System	2,697,494	3,034,751	2,924,864	2,984,185	2,937,637	3,091,711	3,152,628	3,128,055	3,026,247	3,241,929
Dial-A-Ride System	413,435	490,660	455,245	487,901	550,116	510,315	514,754	614,512	521,349	542,458
Automobile Parking System	103,545	152,681	116,389	91,861	111,663	97,254	82,711	89,203	74,859	166,872
Storm Water Utility	185,359	344,579	227,698	234,562	287,561	203,341	250,987	152,048	355,096	261,418
Total Business-type Activities Expenses	\$5,984,504	\$7,488,051	\$7,455,397	\$7,587,184	\$7,846,939	\$8,111,774	\$7,918,658	\$7,809,545	\$7,865,996	\$8,102,993
Total Primary Government Expenses	\$19,844,953	\$22,302,377	\$23,078,461	\$21,978,804	\$22,889,735	\$24,961,654	\$23,275,400	\$23,429,945	\$23,084,965	\$22,495,947
PROGRAM REVENUES										
Governmental Activities:										
Charges for Services:										
General Government	\$177,973	\$1,082,559	\$978,001	\$1,039,539	\$1,080,215	\$1,147,401	\$1,926,263	\$2,016,955	\$1,711,443	\$2,511,940
Public Safety	431,276	368,149	589,959	437,977	424,561	542,097	476,735	472,662	1,213,306	1,254,152
Public Works	1,786	991	27,872	1,963	28,950	32,893	34,850	42,822	48,893	40,849
Culture and Recreation	302,389	534,963	494,618	474,798	346,796	347,404	325,839	337,720	386,399	332,392
Community Beautification & Improvements	11,713	273,882	197,457	248,438	282,677	171,924	147,263	142,602	118,011	164,593
Community & Economic Development	113,158	5,543	302,534	365,518	225,046	206,765	193,285	108,240	0	0
Highways, Streets and Bridges	79,529	62,788	105,412	117,127	143,755	166,243	75,061	69,118	68,494	68,494
Operating Grants and Contributions	1,998,359	1,031,595	890,496	1,955,976	1,337,035	1,159,543	659,426	1,194,241	1,679,864	1,610,640
Capital Grants and Contributions	1,199,683	72,978	69,014	1,027,519	87,562	256,986	905,658	0	305,157	0
Total Governmental Activities Program Revenues	\$4,335,866	\$3,433,548	\$3,625,363	\$5,668,855	\$3,936,599	\$4,031,056	\$4,744,370	\$4,384,360	\$5,457,073	\$5,983,060
Business-type Activities:										
Charges for Services:										
Wastewater System	\$2,275,150	\$2,673,050	\$2,711,762	\$3,461,125	\$3,583,307	\$3,909,126	\$4,216,015	\$4,185,663	\$4,833,491	\$4,644,609
Water System	2,737,781	2,900,999	2,910,664	3,273,365	3,252,666	3,337,843	3,522,588	3,511,914	3,797,169	3,900,764
Dial-A-Ride System	62,697	77,507	87,590	99,806	100,066	98,793	85,784	90,517	104,583	102,013
Automobile Parking System	100,554	80,239	46,841	110,481	94,802	55,269	67,553	56,398	64,305	64,305
Storm Water Utility	252,937	363,613	281,679	280,598	292,579	277,946	244,327	275,899	274,912	263,194
Operating Grants and Contributions	208,931	222,458	228,039	230,326	311,794	234,216	249,672	246,600	246,356	259,086
Capital Grants and Contributions	245,283	0	110,932	74,819	845,647	598,577	0	420,911	340,000	59,520
Total Business-type Activities Program Revenues	\$5,863,343	\$6,318,016	\$6,377,507	\$7,639,520	\$8,480,961	\$8,511,769	\$8,365,939	\$8,785,892	\$9,659,378	\$9,293,491
Total Primary Government Program Revenues	\$10,219,209	\$9,751,564	\$10,002,870	\$13,208,375	\$12,417,560	\$12,542,825	\$13,190,309	\$13,160,252	\$15,116,451	\$15,276,551

CITY OF ADRIAN
CHANGES IN NET ASSETS
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	FISCAL YEAR									
	2002-03	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
NET (EXPENSES)REVENUE										
Governmental Activities	(\$5,524,583)	(\$1,390,778)	(\$1,997,701)	(\$8,722,765)	(\$11,106,197)	(\$12,818,824)	(\$10,612,372)	(\$11,236,040)	(\$9,761,896)	(\$8,409,894)
Business-type Activities	(101,161)	(1,170,035)	(1,077,890)	(47,664)	534,022	399,995	467,281	966,347	1,793,382	1,190,498
Total Primary Government Net Expense	(\$5,625,744)	(\$2,560,813)	(\$3,075,591)	(\$8,770,429)	(\$10,472,175)	(\$12,418,829)	(\$10,145,091)	(\$10,279,693)	(\$7,968,514)	(\$7,219,396)
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS										
Governmental Activities:										
Property Taxes	\$5,914,288	\$6,528,844	\$5,869,387	\$7,070,336	\$7,401,258	\$7,401,258	\$7,519,378	\$7,006,611	\$6,068,962	\$5,809,159
Sales Tax	2,621,990	2,435,992	2,408,301	2,383,155	2,311,667	2,311,667	1,994,094	1,960,837	2,016,158	1,962,792
Motor Vehicle Fuel Tax	1,227,987	1,347,902	1,309,222	1,299,759	1,278,969	1,278,969	1,313,704	1,361,468	1,354,946	1,362,766
Grants and Contributions (not restricted to specific programs)	660,115	12,346	75,785	13,356	234,237	234,237	13,032	13,337	14,211	13,692
Unrestricted Investment Earnings	248,534	236,936	358,274	549,528	500,338	500,338	246,828	91,660	165,654	(13,628)
Contributions	0	0	0	0	0	0	204,541	13,037	329,251	0
Transfers	(100,433)	(276,246)	(120,930)	(107,395)	(106,816)	(106,816)	(114,827)	(100,911)	(126,338)	(150,967)
Total Governmental Activities	\$10,572,481	\$10,285,774	\$10,900,039	\$11,208,748	\$11,619,853	\$11,619,853	\$11,176,850	\$10,378,039	\$9,822,844	\$8,963,634
Business-type Activities:										
Unrestricted Investment Earnings	\$118,529	\$133,400	\$67,409	\$109,417	\$121,552	\$121,552	\$47,025	\$65,269	\$61,518	\$50,238
Sale of Property	0	0	0	0	0	0	298,632	4,900	0	0
Contributions	0	0	0	0	0	0	0	0	0	60,000
Transfers	100,433	276,246	120,930	107,366	106,816	106,816	114,827	100,911	126,338	150,967
Total Business-type Activities	\$218,962	\$409,646	\$188,339	\$216,783	\$228,368	\$228,368	\$460,484	\$171,080	\$187,856	\$261,205
Total Primary Government	\$10,791,443	\$10,695,420	\$11,088,378	\$11,425,531	\$11,848,221	\$11,848,221	\$11,637,334	\$10,547,119	\$10,010,700	\$9,244,839
CHANGE IN NET ASSETS										
Governmental Activities	\$1,047,898	(\$1,095,004)	(\$1,097,662)	\$2,485,963	\$513,656	(\$1,198,971)	\$564,478	(\$860,001)	\$60,948	\$573,740
Business-type Activities	117,901	(760,389)	(889,561)	169,119	662,390	628,363	927,765	1,127,427	1,981,238	1,451,703
Adjustment for Accrued Sick and Vacation Pay	0	0	0	0	0	0	0	(47,922)	0	0
Total Primary Government	\$1,165,899	(\$1,855,393)	(\$1,987,213)	\$2,655,102	\$1,176,046	(\$570,608)	\$1,492,243	\$2,19,304	\$2,042,186	\$2,025,443

CITY OF ADRIAN
FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	FISCAL YEAR				
	FY2003-04	FY2004-05	FY2005-06	FY2006-07	FY2007-08
General Fund					
Reserved	\$927,493	\$804,255	\$485,350	\$803,801	\$897,604
Unreserved	6,309,600	5,758,113	5,558,816	5,319,717	4,970,310
Total General Fund	<u>\$7,237,093</u>	<u>\$6,562,368</u>	<u>\$6,044,166</u>	<u>\$6,123,518</u>	<u>\$5,867,914</u>
All Other Governmental Funds					
Reserved	\$2,008,395	\$1,319,835	\$1,643,008	\$2,221,965	\$1,250,348
Unreserved, Reported in:					
Special Revenue Funds	\$2,739,435	\$2,489,803	\$2,159,189	\$2,414,421	\$2,263,087
Endowment Fund	0	66,394	66,850	562,878	659,416
Debt Service Funds	0	0	0	0	0
Total All Other Governmental Funds	<u>\$4,747,830</u>	<u>\$3,876,032</u>	<u>\$3,869,047</u>	<u>\$5,199,264</u>	<u>\$4,172,851</u>
Total Governmental Funds	<u><u>\$11,984,923</u></u>	<u><u>\$10,438,400</u></u>	<u><u>\$9,913,213</u></u>	<u><u>\$11,322,782</u></u>	<u><u>\$10,040,765</u></u>

	FISCAL YEAR				
	FY2008-09*	FY2009-10*	FY2010-11*	FY2011-12*	FY2012-13*
General Fund					
Nonspendable:					
Inventories and Prepays	\$173,761	\$181,966	\$183,511	\$172,265	\$172,145
Assigned to:					
Encumbrances	341,359	1,464,996	152,748	74,742	105,198
Designations	3,301,000	646,000	1,253,000	1,638,000	1,490,000
Unassigned	797,275	1,066,844	1,412,794	1,487,929	1,538,481
Total General Fund	<u>\$4,613,395</u>	<u>\$3,359,806</u>	<u>\$3,002,053</u>	<u>\$3,372,936</u>	<u>\$3,305,824</u>
All Other Governmental Funds					
Restricted for:					
Perpetual Care	\$837,860	\$904,136	\$904,874	\$971,882	\$945,042
Endowment	111,005	111,005	111,005	111,005	111,005
Streets	1,165,181	1,561,797	1,854,848	2,062,582	60,104
Parks & Beautification	1,210	4,714	9,695	16,010	0
Community Development	169,101	172,114	168,699	138,844	125,426
Public Purpose	652,124	597,776	573,041	585,618	622,734
Public Safety	203,686	211,079	193,687	216,716	320,477
Committed to:					
Vibrant Cities	846,160	76,994	45,877	171,915	0
Assigned to:					
Economic Development	240,179	267,384	350,659	304,276	0
Total All Other Governmental Funds	<u>\$4,226,506</u>	<u>\$3,906,999</u>	<u>\$4,212,385</u>	<u>\$4,578,848</u>	<u>\$2,184,788</u>
Total Governmental Funds	<u><u>\$8,839,901</u></u>	<u><u>\$7,266,805</u></u>	<u><u>\$7,214,438</u></u>	<u><u>\$7,951,784</u></u>	<u><u>\$5,490,612</u></u>

*Note: Reflects implementation of Government Accounting Standards Board (GASB) Statement #54: New Fund Balance Reporting

CITY OF ADRIAN
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS
 (modified accrual basis of accounting)

	FISCAL YEAR									
	FY2003-04	FY2004-05	FY2005-06	FY2006-07	FY2007-08	FY2008-09	FY2009-10	FY2010-11	FY2011-12	FY2012-13
REVENUES:										
Taxes	\$5,954,834	\$6,433,580	\$6,659,027	\$6,976,298	\$7,258,038	\$7,272,733	\$7,361,094	\$6,915,100	\$5,963,506	\$5,706,453
Other Tax Related Revenue	74,212	87,764	210,360	100,373	148,386	166,306	158,284	121,511	105,456	102,706
Licenses & Permits	184,207	262,278	486,327	279,866	270,139	213,850	153,804	221,619	365,685	247,785
Intergovernmental - Federal	89,145	13,141	281,485	444,147	101,854	308,354	1,070,165	148,379	203,165	202,549
Intergovernmental - State	3,988,935	3,958,348	3,953,373	4,616,318	3,842,197	3,901,233	3,391,875	3,530,556	4,244,968	3,382,991
Charges for Services	65,345	63,631	64,380	74,099	70,879	95,343	107,171	95,638	680,461	726,287
Use and Admission Charges	314,117	336,219	363,084	340,765	343,271	344,634	323,539	372,280	387,329	330,212
Fines and Fees	326,021	324,033	290,659	248,769	269,035	252,170	220,477	227,801	185,754	233,442
Investment Earnings	170,879	236,936	358,274	549,528	500,107	349,155	246,828	91,660	165,653	(11,022)
Fee Trust - for beautification purposes	1,282,212	763,001	656,057	1,173,270	1,169,690	930,354	679,871	662,669	735,739	1,182,361
Other	1,322,348	806,513	705,528	920,062	803,207	919,222	798,701	770,988	947,041	1,175,557
Special Assessments	130,170	24,944	84,398	109,075	0	256,986	40,276	69,118	137,838	41,128
Contribution from DDA	0	46,834	42,870	12,000	0	0	2,000	2,000	2,000	154,193
Contribution from LDFA-GAIDC	0	0	0	0	0	31,000	31,000	11,037	15,000	0
Public Contributions	0	0	0	496,028	255,400	223,547	171,841	281,320	312,250	168,750
Administrative Fees	0	0	0	129,097	60,184	42,786	50,818	53,646	0	0
Total Revenues	\$13,912,425	\$13,357,222	\$14,155,822	\$16,469,685	\$15,209,387	\$15,309,673	\$14,807,344	\$13,573,322	\$14,451,845	\$13,643,392
EXPENDITURES:										
General Government	\$1,619,206	\$1,764,340	\$2,045,589	\$1,997,155	\$2,006,288	\$1,946,665	\$2,247,896	\$1,619,726	\$1,681,751	\$1,547,202
Public Safety	4,448,112	4,408,555	4,644,766	4,195,292	4,053,786	3,935,272	4,271,319	5,234,886	5,019,435	5,164,242
Public Works	912,372	1,046,841	965,312	1,032,473	998,877	1,034,618	1,188,337	1,054,326	448,640	426,076
Culture & Recreation	1,729,406	1,508,139	2,301,543	2,338,473	2,169,134	2,220,786	3,015,206	2,276,553	2,201,513	\$1,457,648
Community Beautification & Improv's	1,271,098	1,051,396	359,417	773,074	1,211,766	1,760,778	3,190,417	1,155,168	811,324	\$691,173
Community & Economic Development	615,400	276,273	537,168	537,168	550,344	277,056	366,419	319,360	358,026	\$228,295
Streets & Bridges	1,160,710	1,667,575	1,585,180	1,322,014	1,940,434	1,862,521	1,184,050	656,224	1,758,104	\$996,287
Capital Outlay	1,916,905	2,627,259	1,346,051	2,489,028	3,881,758	3,863,866	7,686,591	1,204,423	860,664	\$1,522,577
Debt Service										
Principal Retirement	189,583	198,448	728,100	113,072	151,531	209,957	0	200,000	210,000	\$215,000
Interest and Fiscal Charges	87,538	78,673	41,314	31,167	22,708	67,272	111,957	242,164	238,704	\$233,710
Total Expenditures	\$13,950,330	\$14,627,499	\$14,554,440	\$14,828,916	\$16,986,726	\$17,178,791	\$23,262,192	\$13,962,830	\$13,588,161	\$12,482,210
Excess of Revenues over/(under) Expenditures	(\$37,905)	(\$1,270,277)	(\$398,618)	\$1,640,769	(\$1,777,339)	(\$1,869,118)	(\$8,454,848)	(\$389,508)	\$863,684	\$1,161,182
Other Financing Sources (Uses):										
Transfers In	\$2,364,135	\$1,385,504	\$1,441,182	\$1,860,356	\$2,850,239	\$678,465	\$1,454,200	\$1,119,908	\$641,605	\$840,440
Transfers Out	(2,521,262)	(1,661,750)	(1,567,751)	(2,091,558)	(3,357,638)	(784,580)	(1,577,827)	(782,767)	(767,943)	(1,637,507)
Loan Proceeds	0	0	0	0	1,092,000	774,369	7,005,379	0	0	0
Total Other Financing Sources (Uses)	(\$157,127)	(\$276,246)	(\$126,569)	(\$231,200)	\$584,601	\$668,254	\$6,881,752	\$337,141	(\$126,338)	(\$797,067)
NET CHANGES IN FUND BALANCES	(\$195,032)	(\$1,546,523)	(\$525,187)	\$1,409,569	(\$1,192,739)	(\$1,200,864)	(\$1,573,096)	(\$52,367)	\$737,346	\$364,115
Debt Service as a Percentage of Non-Capital Expenditures	2.3%	2.3%	5.8%	1.2%	1.3%	2.1%	0.7%	3.5%	3.5%	4.1%

CITY OF ADRIAN
PROGRAM REVENUES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
(accrual basis of accounting)

Function/Program	FISCAL YEAR									
	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Governmental Activities:										
Charges for Services:										
General Government	\$395,718	\$1,082,559	\$978,001	\$1,039,539	\$1,060,215	\$1,147,401	\$1,926,263	\$2,016,955	\$1,711,443	\$2,511,940
Public Safety	286,899	368,149	559,959	437,977	424,561	542,097	476,735	472,662	1,213,306	1,254,152
Public Works	1,877	991	27,872	1,963	28,950	32,693	34,850	42,822	42,893	40,849
Culture and Recreation	474,626	534,963	494,618	474,798	346,796	347,404	325,839	337,720	386,399	332,392
Community Beautification & Imprv.	291,274	273,882	197,457	248,438	282,677	171,924	147,253	142,602	118,011	164,593
Community & Economic Development	386,548	5,543	302,534	365,518	225,048	206,765	193,285	108,240	0	0
Highways, Streets and Bridges	174,267	62,788	105,412	117,127	143,755	166,243	75,061	69,118	0	68,494
Operating Grants and Contributions	1,475,227	1,031,695	890,496	1,955,976	1,337,035	1,159,543	659,426	1,194,241	1,679,864	1,610,640
Capital Grants and Contributions	315,904	72,978	69,014	1,027,519	87,562	256,886	905,658	0	305,157	0
Total Governmental Activities	\$3,802,340	\$3,433,548	\$3,625,363	\$5,668,855	\$3,936,599	\$4,031,056	\$4,744,370	\$4,384,360	\$5,457,073	\$5,983,060
Business-type Activities:										
Charges for Services:										
Wastewater System	\$2,543,309	\$2,673,090	\$2,711,762	\$3,461,125	\$3,583,307	\$3,909,126	\$4,216,015	\$4,165,653	\$4,833,491	\$4,644,609
Water System	2,773,621	2,900,909	2,910,664	3,273,365	3,252,666	3,337,843	3,522,588	3,511,914	3,797,169	3,900,764
Dial-A-Ride System	62,691	77,507	87,590	99,806	100,066	98,793	85,784	90,517	104,583	102,013
Automobile Parking System	111,815	80,239	46,841	110,481	94,902	55,269	67,553	55,388	62,867	64,305
Storm Water Utility	263,965	363,813	281,679	280,598	292,579	277,945	244,327	275,899	274,912	263,194
Operating Grants and Contributions	205,471	222,458	228,039	239,326	311,794	234,216	249,672	245,600	246,356	259,086
Capital Grants and Contributions	50,111	0	110,932	74,819	845,647	598,577	0	420,911	340,000	59,520
Total Business-type Activities	\$6,010,983	\$6,318,016	\$6,377,507	\$7,539,520	\$8,480,961	\$8,511,769	\$8,385,939	\$8,765,892	\$9,659,378	\$9,293,491
Total Primary Government	\$9,813,323	\$9,751,564	\$10,002,870	\$13,208,375	\$12,417,560	\$12,542,825	\$13,130,309	\$13,150,252	\$15,116,451	\$15,276,551

EXHIBIT B-6

CITY OF ADRIAN
 TAX REVENUES BY SOURCE - GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS
 (modified accrual basis of accounting)

FISCAL YEAR	PROPERTY TAXES	SALES TAX	ECON VITALITY INCENTIVE	MOTOR VEH. FUEL TAX	OTHER	TOTAL
2003-04	\$ 5,964,834	\$ 2,551,255	\$ -	\$ 1,391,904	\$ 74,212	\$ 9,982,205
2004-05	6,433,580	2,435,992	0	1,469,145	87,764	10,426,481
2005-06	6,659,027	2,408,301	0	1,477,324	210,360	10,755,012
2006-07	6,976,298	2,383,155	0	1,299,758	100,373	10,759,584
2007-08	7,258,038	2,311,867	0	1,278,968	148,386	10,997,259
2008-09	7,272,733	2,338,104	0	1,332,860	166,306	11,110,003
2009-10	7,361,094	1,994,094	0	1,215,696	158,284	10,729,168
2010-11	6,915,100	1,960,837	0	1,251,588	121,511	10,249,036
2011-12	5,963,506	1,676,318	339,840	1,277,277	192,109	9,449,050
2012-13	5,706,453	1,530,709	432,083	1,300,168	0	8,969,413
Change						
2012-13 over/(under) 2003-04						
Amount	(\$258,381)	(\$1,020,546)	\$432,083	(\$91,736)	(\$74,212)	(\$1,012,792)
Percent	-4.3%	-40.0%		-6.6%	-100.0%	-10.1%
Change						
2012-13 over/(under) 2011-12						
Amount	(\$257,053)	(\$145,609)	\$92,243	\$22,891	(\$192,109)	(\$479,637)
Percent	-3.7%	-7.4%		1.8%	-158.1%	-4.7%

EXHIBIT C-1

**CITY OF ADRIAN
 ASSESSED VALUE AND TAXABLE VALUE OF REAL AND PERSONAL PROPERTY
 LAST TEN FISCAL YEARS**

FISCAL YEAR	RESIDENTIAL PROPERTY	COMMERCIAL PROPERTY	INDUSTRIAL PROPERTY	PERSONAL PROPERTY	TOTAL ASSESSED VALUE	LESS: TAX-EXEMPT PROPERTY	TOTAL TAXABLE VALUE	TOTAL DIRECT TAX RATE
2003-04	259,696,900	112,120,800	16,988,700	65,246,100	454,052,500	56,828,160	397,224,340	15.7340
2004-05	276,738,900	117,518,100	16,967,300	62,610,900	473,835,200	63,540,690	410,294,510	15.7340
2005-06	302,506,900	126,012,800	16,574,500	62,559,100	507,653,300	80,749,280	426,904,020	15.6912
2006-07	306,196,000	145,415,900	19,690,800	62,098,200	533,400,900	82,819,989	450,580,911	15.6039
2007-08	297,690,300	145,860,400	23,674,000	62,986,700	530,211,400	69,171,786	461,039,614	15.6039
2008-09	272,420,813	141,993,500	23,265,800	61,500,820	499,180,933	41,907,897	457,273,036	15.6039
2009-10	242,650,475	132,923,000	28,113,600	64,310,000	467,997,075	25,380,372	442,616,703	15.6039
2010-11	211,488,195	123,757,600	25,909,200	61,864,500	423,019,495	11,546,627	411,472,868	15.6039
2011-12	193,775,439	117,721,500	23,434,000	63,096,800	398,027,739	6,679,136	391,348,603	14.6039
2012-13	184,679,856	110,556,800	22,759,600	61,635,900	379,632,156	5,022,189	374,609,967	14.6039

Note: Tax Rate reduced by one (1.0000) mill in FY2011-12 due to conversion to direct charge for Refuse Collection and Disposal.
 Source: Lenawee County Equalization Report

**CITY OF ADRIAN
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS**

<u>CITY DIRECT RATES</u>					<u>OVERLAPPING HOMESTEAD TAX RATES</u>				
<u>FISCAL YEAR</u>	<u>BASIC RATE</u>	<u>GENERAL OBLIGATION DEBT SERVICE</u>	<u>SOLID WASTE COLLECTION</u>	<u>LOCAL STREET IMPROVEMENTS</u>	<u>TOTAL DIRECT TAX RATE</u>	<u>INTERMEDIATE SCHOOL DISTRICT</u>	<u>LENAWEE COUNTY</u>	<u>ADRIAN SCHOOL DISTRICT</u>	<u>MADISON SCHOOL DISTRICT</u>
2003-04	13.7507	0.0000	1.0000	0.9833	15.7340	7.4867	5.7730	18.0000	18.0000
2004-05	13.7507	0.0000	1.0000	0.9833	15.7340	7.4102	5.7145	18.0000	18.0000
2005-06	13.7108	0.0000	1.0000	0.9804	15.6912	7.2900	5.6270	18.0000	20.5626
2006-07	13.6293	0.0000	1.0000	0.9746	15.6039	7.2898	5.6270	22.1100	20.5626
2007-08	13.6293	0.0000	1.0000	0.9746	15.6039	7.2796	5.6128	22.1100	20.5626
2008-09	13.6293	0.0000	1.0000	0.9746	15.6039	7.2796	5.6128	22.1100	20.5626
2009-10	13.6293	0.0000	1.0000	0.9746	15.6039	7.2796	5.6128	22.1100	20.5626
2010-11	13.6293	0.0000	1.0000	0.9746	15.6039	7.2796	5.7128	22.1100	20.5626
2011-12	13.6293	0.0000	0.0000	0.9746	14.6039	7.2796	5.5232	22.5900	20.4126
2012-13	13.6293	0.0000	0.0000	0.9746	14.6039	7.2796	5.9628	22.8000	20.6126

Source: Lenawee County Apportionment Report

Note 1: Intermediate School District includes Operating Millage, as well as Special Education and Vocational Education Millage.

Note 2: Lenawee County includes Operating Millage, as well as Senior Citizens Program, Medical Care Facility and Veterans' Affairs Millages.

Note 3: Adrian and Madison School Districts include Operating Millage and State Education Tax (SET) on Homesteads, as well as School Debt millage and School Building & Site millage.

CITY OF ADRIAN
PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR AND TEN YEARS AGO

EXHIBIT C-3

TAXPAYER	TYPE OF BUSINESS	FY2012-13			FY2002-2003		
		TAXABLE VALUE	RANK	PERCENT OF TOTAL TAXABLE VALUE	TAXABLE VALUE	RANK	PERCENT OF TOTAL TAXABLE VALUE
ANDERSON DEVELOPMENT	MANUFACTURING	13,340,741	1	3.24%	\$18,450,300	2	4.98%
INTEVA PRODUCTS, LLC	MANUFACTURING	13,101,500	2	3.18%			
INERGY PRODUCTS, LLC	MANUFACTURING	12,920,300	3	3.14%	14,062,900	3	3.80%
INERGY AUTOMOTIVE SYSTEMS	MANUFACTURING	7,313,400	4	1.78%			
SENAFAR INVESTMENTS, LLC	RETAIL	4,899,200	5	1.19%			
WYATT REAL ESTATE (VENCHURS)	MANUFACTURING	4,776,379	6	1.16%	6,623,900	5	1.79%
MEIJER INC	RETAIL	4,312,400	7	1.05%	4,863,700	6	1.31%
CONSUMERS ENERGY	UTILITY	4,311,029	8	1.05%	3,504,500	11	0.95%
ADRIAN MALL LENDERS LLC	RETAIL	4,151,500	9	1.01%			
W2 FUEL ADRIAN (BIOFUELS)	MANUFACTURING	4,036,800	10	0.98%			
ADRIAN STEEL	MANUFACTURING	3,501,700	11	0.85%	4,470,100	8	1.21%
BIOLAB, INC.	MANUFACTURING	3,122,800	12	0.76%	3,026,700	13	0.82%
CITIZENS GAS & FUEL COMPANY	UTILITY	2,916,252	13	0.71%	4,141,800	9	1.12%
PEDCOR INVESTMENTS	HOUSING	2,133,000	14	0.52%			
FISHER FAMILY TRUST (LOWE'S)	RETAIL	2,120,700	15	0.52%	3,302,000	12	0.89%
NOB HILL APARTMENTS, LLC	HOUSING	1,877,162	16	0.46%			
MINK-FRIENDLY VILLAGE OF ADRIAN	HOUSING	1,853,922	17	0.45%			
PPG INDUSTRIES INC	MANUFACTURING	1,708,507	18	0.42%			
MLCFC 2006-4 WEST MAUMEE ST LLC	HOUSING	1,682,300	19	0.41%			
MAPLE WOODS PARTNERS	HOUSING	1,572,600	20	0.38%			
FOUR SEASONS APARTMENTS LLC	HOUSING	1,477,300	21	0.36%			
HJM DEVELOPMENT, LLC	INSURANCE	1,473,000	22	0.36%			
SIENA HEIGHTS UNIVERSITY	EDUCATION	1,432,400	23	0.35%			
CLIFT PROPERTIES, LLC	RETAIL-AUTO	1,392,449	24	0.34%			
MI ADRIAN HOLDINGS LLC	HOUSING	1,384,400	25	0.34%			
GRANITE HIDDEN RIVER NORTH LLC	HOUSING	1,347,000	26	0.33%			
CRG LINWOOD REALTY LLC	HOUSING	1,279,000	27	0.31%			
SAND CREEK APARTMENTS LTD	HOUSING	1,252,600	28	0.30%			
RIVER BEND APARTMENTS LLC	HOUSING	1,235,300	29	0.30%			
CHEDDERTON APARTMENTS, LLC	HOUSING	1,217,300	30	0.30%			
SOLVAY AUTOMOTIVE, INC.	MANUFACTURING				30,688,600	1	8.28%
DELPHI AUTOMOTIVE	MANUFACTURING						
GREENLAND VISTAS	RETAIL MALL				6,956,900	4	1.88%
ADRIAN FABRICATORS	MANUFACTURING				4,613,500	7	1.25%
CHARLES A. GREENAN TRUST	RETAIL				3,927,500	10	1.06%
CARLTON LODGE	HOUSING				2,111,000	15	0.57%
DURA	MANUFACTURING				2,441,800	14	0.66%
		<u>95,802,200</u>		23.28%	<u>\$113,185,200</u>		<u>30.55%</u>
	TAXABLE VALUE	\$411,472,668			\$370,547,500		

SOURCE: City of Adrian Assessing Office

**CITY OF ADRIAN
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN YEARS**

EXHIBIT C-4

FISCAL YEAR	TAXES LEVIED FOR THE FISCAL YEAR	COLLECTED WITHIN THE FISCAL YEAR OF THE LEVY		COLLECTIONS IN SUBSEQUENT YEARS	TOTAL COLLECTIONS TO DATE	
		AMOUNT	PERCENT OF LEVY		AMOUNT	PERCENT OF LEVY
2003-04	6,078,050	5,948,936	97.88%	46,282	5,995,218	98.64%
2004-05	6,260,655	6,028,639	96.29%	48,299	6,076,938	97.07%
2005-06	6,558,928	6,237,099	95.09%	51,500	6,288,599	95.88%
2006-07	7,031,115	6,659,027	94.71%	54,492	6,713,519	95.48%
2007-08	7,324,834	7,258,038	99.09%	8,813	7,266,851	99.21%
2008-09	7,415,621	7,272,733	98.07%	9,605	7,282,338	98.20%
2009-10	7,468,178	7,361,094	98.57%	12,236	7,373,330	98.73%
2010-11	7,003,342	6,260,706	89.40%	12,314	6,273,020	89.57%
2011-12	6,177,646	5,759,083	93.22%	0	5,759,083	93.22%
2012-13	5,856,837	5,512,813	94.13%	28,267	5,541,080	94.61%

Source: City of Adrian Finance Department

CITY OF ADRIAN
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

EXHIBIT D-1

FISCAL YEAR	LIMITED TAX AUTO PARKING BONDS	GENERAL OBLIGATION BONDS**** SERIES A, B, C	GENERAL FUND	STORM WATER UTILITY BONDS	PARKS & RECREATION INSTALLMENT PURCHASE AGREEMENTS**	TOTAL GENERAL OBLIGATION BONDS	WATER SYSTEM REVENUE BONDS #1	WATER SYSTEM REVENUE BONDS #2	SEWER SYSTEM REVENUE BONDS	SEWER REVOLVING FUND LOAN	DRINKING WATER	TOTAL PRIMARY GOV'T.	PERCENT OF PERSONAL INCOME	PER CAPITA
			LAND CONTRACT/ INSTALLMENT PURCHASE CONTRACT*								REVOLVING FUND LOANS***			
2003-04	50,000	0	0	295,000	1,810,808	2,155,808	0	0	0	8,920,000	5,665,000	16,740,808	3.0%	754
2004-05	0	0	0	200,000	1,612,360	1,812,360	0	0	0	8,570,000	5,445,000	15,827,360	2.9%	712
2005-06	0	0	0	100,000	884,260	984,260	0	0	2,983,031	8,215,000	5,220,000	17,402,291	3.5%	783
2006-07	0	0	0	0	771,188	771,188	0	0	8,496,529	7,850,000	4,985,000	22,102,717	4.6%	995
2007-08	0	0	653,900	0	1,203,963	1,857,863	0	0	8,561,898	7,475,000	9,913,731	27,808,492	6.0%	1,252
2008-09	0	0	1,889,138	0	1,712,788	3,601,906	0	0	8,171,548	7,090,000	11,941,707	30,805,161	6.9%	1,387
2009-10	0	7,040,000	0	0	0	7,040,000	0	0	7,776,548	6,695,000	11,371,707	32,883,255	8.2%	1,556
2010-11	0	6,840,000	0	0	0	6,840,000	0	0	7,371,548	6,290,000	10,786,707	31,288,255	7.8%	1,481
2011-12	0	6,630,000	0	0	0	6,630,000	0	0	6,956,548	5,875,000	10,186,707	29,648,255	7.4%	1,403
2012-13	0	6,415,000	0	0	0	6,415,000	0	0	6,533,548	5,450,000	9,576,707	27,975,255	7.0%	1,324

* Land Contract: 250 W. Church St.;
Installment Purchase: 153/155 E. Maumee St.;
and 135 E. Maumee (City Hall)

** Includes Installment Purchase for both Marvin Farm and
381 Miles Drive-Parks & Forestry Maint. Bldg.
(Purchase and Renovation)

***Ground Water Source Development and
Water Distribution System Improvements

**** Under the auspices of the American Recovery and Reinvestment Act (ARRA) of 2009, the City of Adrian issued the following
Limited Tax General Obligation Bonds on November 16, 2009, with a maturity Date of May 1, 2034:

Series A - Municipal Finance Non-Taxable GO Bonds	\$1,540,000
Series B - Build America Taxable Bonds (35% IRS Interest Rebate)	1,600,000
Series C - Recovery Zone Economic Development Taxable Bonds (45% IRS interest Rebate)	3,900,000
	<u>\$7,040,000</u>

The proceeds were used to acquire and develop the Downtown City Government Complex and demolish old City Hall,
as well as defease all outstanding General Obligation Debt.

**CITY OF ADRIAN
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS**

EXHIBIT D-2

<u>FISCAL YEAR</u>	<u>AUTO PARKING BONDS</u>	<u>LIMITED TAX GENERAL OBLIGATION BONDS SERIES A,B,C</u>	<u>GENERAL FUND LAND CONTRACT/INSTALLMENT PURCHASE CONTRACT</u>	<u>STORM WATER UTILITY BONDS</u>	<u>PARKS & RECREATION INSTALLMENT PURCHASE AGREEMENT</u>	<u>TOTAL GENERAL OBLIGATION BONDS</u>	<u>PERCENT OF TAXABLE VALUE OF PROPERTY*</u>	<u>PER CAPITA**</u>
2003-04	50,000	0	0	295,000	1,810,808	2,155,808	0.54%	\$97.04
2004-05	0	0	0	200,000	1,612,360	1,812,360	0.44%	\$81.58
2005-06	0	0	0	100,000	884,260	984,260	0.23%	\$44.31
2006-07	0	0	0	0	771,188	771,188	0.17%	\$34.71
2007-08	0	0	653,900	0	1,203,963	1,857,863	0.40%	\$83.63
2008-09	0	0	1,889,138	0	1,712,768	3,601,906	0.79%	\$162.14
2009-10	0	7,040,000	0	0	0	7,040,000	1.59%	\$333.13
2010-11	0	6,840,000	0	0	0	6,840,000	1.66%	\$323.66
2011-12	0	6,630,000	0	0	0	6,630,000	1.69%	\$313.73
2012-13	0	6,415,000	0	0	0	6,415,000	1.71%	\$303.55

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

* See Exhibit C-1 for property value data.

** Population data can be found in Exhibit E-1.

CITY OF ADRIAN
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2013

EXHIBIT D-3

<u>Governmental Unit</u>	<u>DEBT OUTSTANDING</u>	<u>ESTIMATED PERCENTAGE APPLICABLE*</u>	<u>ESTIMATED SHARE OF OVERLAPPING DEBT</u>
Debt Repaid with Property Taxes			
DIRECT DEBT:			
Series A - Municipal Finance Bonds	\$915,000	100.00%	\$915,000
Series B - Build America Bonds	1,600,000	100.00%	1,600,000
Series C - Recovery Zone Bonds	<u>3,900,000</u>	100.00%	<u>3,900,000</u>
Net Direct Debt	\$6,415,000		\$6,415,000
OVERLAPPING DEBT:			
Adrian Public Schools	\$44,275,000	49.43%	\$21,885,133
Madison School District	3,600,000	28.81%	1,037,160
Lenawee County	<u>12,710,000</u>	11.95%	<u>1,516,845</u>
Net Overlapping Debt	\$60,585,000		\$24,441,138
Total Direct and Overlapping Debt	<u><u>\$67,000,000</u></u>		<u><u>\$30,856,138</u></u>

Sources: Equalized Value data used to estimate applicable percentages provided by the Lenawee County Equalization Department. Debt outstanding provided by each governmental unit.

Note: Overlapping governments are those that coincide, at least in part, with the geographical boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Adrian. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident and, therefore, responsible for repaying the debt of each overlapping government.

* For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable value that is within the City's boundaries and dividing it by each unit's total taxable value.

**CITY OF ADRIAN
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS**

Exhibit D-4

Legal Debt Margin Calculation for Fiscal Year FY2012-13	
Taxable Value	\$374,609,967
Debt Limit (10% of Taxable Value)	37,460,997
Debt Applicable to Limit:	
Series A - Municipal Inance Bonds	\$915,000
Series B - Build America Bonds	1,600,000
Series C - Recovery Zone Bonds	3,900,000
Total Debt Applicable to Limit	<u>\$6,415,000</u>
Legal Debt Margin	<u>31,045,997</u>

	Fiscal Year									
	FY2003-04	FY2004-05	FY2005-06	FY2006-07	FY2007-08	FY2008-09	FY2009-10	FY2010-11	FY2011-12	FY2012-13
Debt Limit	\$38,356,011	\$39,722,434	\$41,029,451	\$42,690,402	\$45,058,091	\$46,103,961	\$44,261,670	\$41,141,488	\$39,134,860	\$37,460,997
Total Debt Applicable to Limit	2,155,808	1,812,360	884,260	771,188	1,857,863	3,601,906	7,129,000	6,840,000	6,630,000	6,415,000
Legal Debt Margin	<u>\$36,200,203</u>	<u>\$37,910,074</u>	<u>\$40,145,191</u>	<u>\$41,919,214</u>	<u>\$43,200,228</u>	<u>\$42,502,055</u>	<u>\$37,132,670</u>	<u>\$34,301,488</u>	<u>\$32,504,860</u>	<u>\$31,045,997</u>
Total Debt Applicable to Limit as a Percentage of Debt Limit	5.62%	4.56%	2.16%	1.81%	4.12%	7.81%	16.11%	16.63%	16.94%	17.12%

Note: The statutory debt limit of net bonded indebtedness incurred for all public purposes shall not, at any one time, exceed 10% of the State Equalized Valuation of taxable property in the City, except that this limit may be exceeded by 3/8th of one (1%) percent in the case of fire, flood, or other calamity. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds. This limitation does not include bonds issued in anticipation of the payment of special assessments, nor bonds issued pursuant to court order for sewage or garbage disposal system.

The Michigan State Bond Act provides that the total debt in special assessment bonds for which the credit of the City is pledged shall not exceed 12% of the assessed valuation of taxable property of the City, nor shall such bonds be issued in any calendar year in excess of 3% of the assessed valuation of taxable property of the City unless voted.

Source: City Records

CITY OF ADRIAN
PLEDGED REVENUE COVERAGE
LAST TEN FISCAL YEARS

EXHIBIT D-5

FISCAL YEAR	WATER SYSTEM REVENUE BONDS						SEWER SYSTEM REVENUE BONDS					
	UTILITY SERVICE CHARGES	LESS: OPERATING EXPENSES	NET AVAILABLE REVENUE	DEBT SERVICE		COVERAGE	UTILITY SERVICE CHARGES	LESS: OPERATING EXPENSES	NET AVAILABLE REVENUE	DEBT SERVICE		COVERAGE
				PRINCIPAL	INTEREST					PRINCIPAL	INTEREST	
2003-04	\$2,773,621	\$2,093,464	\$680,157	\$220,000	\$138,783	1.90	\$2,543,309	\$2,142,717	\$400,592	\$350,000	\$214,370	0.71
2004-05	2,900,909	2,463,550	437,359	220,000	137,453	1.22	2,673,090	2,271,711	401,379	350,000	214,310	0.71
2005-06	2,910,661	2,330,251	580,410	225,000	131,906	1.63	2,711,762	2,545,247	166,515	355,000	207,594	0.30
2006-07	3,273,365	2,387,182	886,183	235,000	127,563	2.44	3,461,125	2,605,639	855,486	365,000	200,812	1.51
2007-08	3,252,666	2,344,607	908,059	240,000	121,625	2.51	3,583,307	2,660,423	922,884	765,000	278,485	0.88
2008-09	3,337,843	2,379,385	958,458	245,000	204,936	2.13	3,909,126	2,463,316	1,445,810	780,000	325,190	1.31
2009-10	3,522,588	2,257,514	1,265,074	570,000	251,417	1.54	4,187,436	2,257,806	1,929,630	790,000	315,415	1.75
2010-11	3,441,702	2,219,974	1,221,728	585,000	250,893	1.46	4,164,880	2,265,166	1,899,714	810,000	287,949	1.73
2011-12	3,716,967	2,186,222	1,530,745	600,000	237,327	1.83	4,810,990	2,250,613	2,560,377	830,000	271,079	2.33
2012-13	3,831,305	2,419,839	\$1,411,466	610,000	219,974	1.70	4,631,811	2,254,127	2,377,684	845,000	250,792	2.17

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.
Operating expenses do not include interest, depreciation, or amortization expenses.

**CITY OF ADRIAN
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO**

EXHIBIT E-2

<u>EMPLOYER</u>	<u>FY 2012-13</u>			<u>FY2003-04</u>		
	<u>EMPLOYEES</u>	<u>RANK</u>	<u>PERCENTAGE OF TOTAL CITY EMPLOYMENT</u>	<u>EMPLOYEES</u>	<u>RANK</u>	<u>PERCENTAGE OF TOTAL CITY EMPLOYMENT</u>
Lenawee Health Alliance	1,300	1	6.4%	1265	1	3.60%
Lenawee County	510	2	2.5%			
Equity Assets Mgt. (Adrian Mail)	487	3	2.4%			
Adrian Public Schools	435	4	2.1%	630	3	1.80%
Meijer, Inc.	400	5	2.0%	400	8	1.10%
Lenawee Intermediate School District	380	6	1.9%	351	9	1%
Adrian Steel Company	345	7	1.7%			
Adrian Dominican Sisters	344	8	1.7%			
Inergy Automotive	325	9	1.6%	183	14	0.50%
Adrian College	275	10	1.4%	137	20	0.40%
Venchurs Packaging, Inc.	220	11	1.1%			
Siena Heights University	215	12	1.1%	300	10	0.90%
Inteva	195	13	1.0%	550	6	1.60%
Lenawee Medical Care Facility	193	14	0.9%	187	13	0.50%
Lenawee Christian Ministries	156	15	0.8%			
Lowe's of Adrian	136	16	0.7%	138	19	0.40%
Lenawee Christian Schools	128	17	0.6%			
City of Adrian	127	18	0.6%	169	16	0.50%
Anderson Development Company	125	19	0.6%			
Merillat Industries				820	2	2.30%
Michigan Dept. of Corrections				575	4	1.60%
Lenawee County				550	5	1.60%
Wacker Chemical Corp				517	7	1.50%
Hydrdo Aluminum				254	11	0.70%
Walmart				220	12	0.60%
Madison School District				170	15	0.50%
Cargotainer/Adrian Fabricators				161	17	0.50%
Brazeway, Inc				140	18	0.40%
	<u>6,296</u>		<u>30.9%</u>	<u>7,717</u>		<u>22.00%</u>
Total City Employment	20,366		100.0%			

Source: 2012 Michigan Manufacturers Directory, 2012 Crain's Book of Lists, Manta Company Intelligence website, the Michigan Economic Development Corporation, and individual employers.

**CITY OF ADRIAN
FULL-TIME CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS**

EXHIBIT F-1

FUNCTION/PROGRAM	FY2003-04	FY2004-05	FY2005-06	FY2006-07	FY2007-08	FY2008-09	FY2009-10	FY2010-11	FY2011-12	FY2012-13
City Administrator	1.8	2.0	2.0	2.0	2.0	2.0	2.0	2.0	1.5	1.5
Finance Department	6.5	6.0	6.0	6.0	6.0	6.0	6.0	6.0	4.5	4.5
City Assessor	1.5	1.0	2.0	2.0	2.0	2.0	1.0	1.0	1.5	1.5
City Clerk	1.5	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.5	1.5
City Attorney/Inspection	1.0	1.0	1.0	8.0	7.0	7.0	6.0	6.0	5.5	5.5
Human Resources	1.2	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Cemetery	3.5	3.0	3.0	3.0	3.0	3.0	3.0	3.0	2.5	2.5
Community Development	10.0	10.0	10.0	4.0	5.0	5.0	5.0	4.0	1.0	0.0
Public Works/Engineer	10.5	13.0	13.0	13.0	12.0	12.0	11.0	11.0	10.5	10.5
Parks and Recreation	8.0	8.0	8.0	8.0	8.0	7.0	7.0	6.0	4.0	4.0
Parks and Forestry	12.0	12.0	12.0	12.0	12.0	11.0	10.0	8.0	8.0	8.0
Public Library	8.0	6.0	6.0	6.0	6.0	6.0	6.0	5.0	4.0	4.0
Police Department	36.0	36.0	37.0	37.0	37.0	36.0	36.0	35.0	31.0	31.0
Fire Department	20.0	21.0	19.0	19.0	19.0	19.0	19.0	19.0	15.0	19.0
Utilities Department	42.0	43.0	41.0	40.0	41.0	41.0	39.0	37.0	34.0	34.0
Auto Parking Fund	1.0	1.0	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Information Technology	0.0	0.0	2.0	2.0	2.0	2.0	1.0	1.0	1.0	1.0
Motor Vehicle Pool	0.0	0.0	0.0	0.0	0.0	0.0	1.0	1.0	1.0	1.0
Total	164.5	165.0	165.0	164.0	164.0	161.0	155.0	147.0	127.5	130.5

Source: City Finance Department

Note: Inspection function transferred from Community Development to City Attorney in FY2006-07.

**CITY OF ADRIAN
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS**

EXHIBIT F-2

FUNCTION/PROGRAM	FY2003-04	FY2004-05	FY2005-06	FY2006-07	FY2007-08	FY2008-09	FY2009-10	FY2010-11	FY2011-12	FY2012-13
Police Department										
Physical Arrests	1,034	1,604	1,779	1,662	1,438	1,769	1,679	1,485	1,485	1,301
Parking Violations	8,190	5,945	2,989	4,437	6,270	3,405	3,269	1,885	1,827	2,578
Traffic Violations	3,964	3,758	3,178	1,864	1,287	1,375	1,676	476	526	2,050
Fire Department										
Non-Medical Emergencies		481.0	486	461	459	459	518	868	459	533
EMS Rescue Responses		1668.0	1,725	1,736	1,736	1,806	2,034	2,071	1,490	2,316
Emergency Responses	2,156	2,149	2,211	2,197	2,195	2,265	2,552	2,939	1,949	2849
Fires Extinguished	68	63	78	75	25	28	26	18	18	52
Refuse Collection										
Refuse Collected (tons)	6,865	6,586	6,074	6,000	4,231	5,465	5,455	4,664	4,661	4,041
Recyclables (tons)	762	875	841	763	514	428	434	216	219	265
Public Works										
Street Resurfacing (miles)	4.1	3.6	4.9	3.7	2.1	2.1	0.9	2.1	1.8	1.5
Cold/Hot Patch Repair (tons)	214.7	212.8	164.0	124.5	174.0	174.0	135.0	152.0	154.0	157.0
Parks and Recreation										
Athletic Field Permits Issued	173	164	91	110	77	1014*	1,766	2,002	1,969	*
Program Participants	28,747	25,834	26,967	26,185	26,778	30,237	78,094	79,039	83,647	*
							* Includes addition of Little League			
Public Library										
Materials in Collection	89,761	93,741	96,540	96,273	95,461	95,461	101,379	101,379	103,960	101,363
Circulation of Materials	79,313	81,504	75,013	76,895	82,501	82,501	92,987	90,893	84,348	80,602
Public Computer Sessions				14,677	17,410	25,048	27,036	30,082	28,001	19,176
Water										
New Connections	28	13	13	5	6	-25	4	4	4	6
Water Main Breaks	15	16	25	32	38	34	34	15	25	22
Average Daily Consumption (thousands of gallons)	3,580	3,270	3,156	3,598	3,459	2,849	2,685	2,685	2,473	3,581
Peak Daily Consumption (thousands of gallons)	5,581	5,026	6,690	7,664	4,588	4,588	4,013	4,013	4,441	4,226
Waste Water										
Average Daily Sewage Treatment (thousands of gallons)	5,230	4,932	5,001	5,273	5,776	5,300	4,000	4,000	4,400	4,980
Transit										
Total Route Miles	156,934	162,777	146,413	144,291	144,900	145,041	131,987	120,108	125,068	133,347
Passengers	91,138	94,531	80,244	81,063	81,365	81,444	73,762	73,762	76,808	77,810
Note: 33% Fare incr. - July '05										

* Recreation department has been closed and numbers are not available
Sources: Various Departments

CITY OF ADRIAN
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

EXHIBIT F-3

<u>FUNCTION/PROGRAM</u>	<u>FY2003-04</u>	<u>FY2004-05</u>	<u>FY2005-06</u>	<u>FY2006-07</u>	<u>FY2007-08</u>	<u>FY2008-09</u>	<u>FY2009-10</u>	<u>FY2010-11</u>	<u>FY2011-12</u>	<u>FY2012-13</u>
Police Department										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Vehicles	16	16	16	16	18	17	14	14	14	14
Motorcycles	2	2	2	3	2	2	1	1	0	0
Fire Department										
Stations	1	1	1	1	1	1	1	1	1	1
Emergency Vehicles	7	7	7	7	7	7	7	7	7	7
Hydrants (Public/Private)	707	781	855	930	930	930	930	930	930	930
Public Works										
Streets (miles)	43.5	43.5	43.5	45.9	45.96	45.96	44.76	44.76	44.76	44
Highways (miles)	40.2	40.2	40.2	27.1	27.08	27.08	28.77	28.77	28.77	29
Bridges	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9
Streetlights	874	874	874	875	876	876	876	876	876	1,019
Traffic Signals	26	26	26	25	24	24	26	22	22	21
Parking Spaces	814	814	814	814	814	814	790	790	790	905
Parks and Recreation										
Acreage	672	674	674	674	674	674	674	674	674	674
Playgrounds	6	6	6	6	6	6	6	6	6	6
Baseball Diamonds	10	10	10	10	10	10	10	10	10	10
Soccer Fields	5	5	5	5	5	5	5	5	5	5
Community Centers	1	1	1	1	1	1	1	1	1	1
Water										
Water Mains (miles)	93.00	93.00	93.00	136.00	137.44	137.44	137.44	137.44	137.44	98.00
Customers	6,652	6,652	6,652	6,652	6,432	6,432	6,269	5,888	5,888	6,013
Storage Capacity (thousands of gallons)	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500
Average Pumpage (gallons/day)	3,600,000	3,600,000	3,600,000	3,600,000	3,100,000	3,100,000	3,000,000	3,000,000	3,000,000	2,690,000
Waste Water										
Sanitary Sewers (miles)	80.42	80.42	80.42	83.26	83.26	83.26	85	85	85	85
Storm Sewers (miles)	50.15	50.15	50.15	50.15	50.15	50.15	50.15	50.15	50.15	50.15
Treatment Capacity (gallons/day)	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
Transit										
Minibuses	7	7	7	7	7	7	7	7	7	7

Sources: Various Departments