

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

For the Fiscal Year Ended June 30, 2014

**Prepared by the Finance Department
CINDY L. PRUE, Director of Finance
SCOTT A. HOLTZ, Assistant Director of Finance**

CITY OF ADRIAN, MICHIGAN
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR FISCAL YEAR ENDED JUNE 30, 2014
TABLE OF CONTENTS

<u>INTRODUCTORY SECTION</u>	<u>PAGE</u>
Letter of Transmittal	1 – 8
GFOA Certificate of Achievement	9
Organization Chart	10
List of Elected and Appointed Officials	11
 FINANCIAL SECTION	
Independent Auditors' Report	13 - 15
<i>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</i>	16 - 18
Management Discussion and Analysis	19 - 28
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	30 - 31
Statement of Activities	32 - 33
Fund Financial Statements:	
Balance Sheet – Governmental Funds	34
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	35
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	36
Reconciliation of the Statements of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to Statement of Activities	37
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	38 - 40
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Major Streets – Special Revenue Fund	41
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Local Streets – Special Revenue Fund	42
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Fee Estate – Special Revenue Fund	43
Statement of Net Position– Proprietary Funds	44 - 45
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds	46
Statement of Cash Flows – Proprietary Funds	47 - 48
Statement of Fiduciary Assets and Liabilities – Agency Funds	49
Notes to Financial Statements	50 - 78

CITY OF ADRIAN, MICHIGAN
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR FISCAL YEAR ENDED JUNE 30, 2014

TABLE OF CONTENTS

	<u>PAGE</u>
Required Supplemental Information:	
Schedule of Funding Progress – City’s Defined Benefit Pension Plan (MERS)	79
Combining and Individual Fund Statements and Schedules – Nonmajor Governmental Funds:	
Combining Balance Sheet – Nonmajor Governmental Funds	81
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	82
Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual:	
Municipal Street – Special Revenue Fund	83
Community Development – Special Revenue Fund	84
RHINO – Special Revenue Fund	85
Solid Waste – Special Revenue Fund	86
Combining and Individual Fund Statements – Nonmajor Enterprise Funds:	
Combining Statement of Net Position – Nonmajor Enterprise Funds	88 - 89
Combining Statement of Revenues, Expenses and Changes in Fund Net Position – Nonmajor Enterprise Funds	90 - 91
Combining Statement of Cash Flows – Nonmajor Enterprise Funds	92 - 93
Capital Projects Revolving Enterprise Fund:	
Comparative Statements of Net Position	94
Comparative Statements of Revenues, Expenses and Changes in Fund Net Position	95
Comparative Statements of Cash Flows	96
Dial-A-Ride Enterprise Fund:	
Comparative Statements of Net Position	97
Comparative Statements of Revenues, Expenses and Changes in Fund Net Position	98
Comparative Statements of Cash Flows	99
Automobile Parking System Enterprise Fund:	
Comparative Statements of Net Position	100
Comparative Statements of Revenues, Expenses and Changes in Fund Net Assets	101
Comparative Statements of Cash Flows	102
Storm Water Utility Enterprise Fund:	
Comparative Statements of Net Position	103
Comparative Statements of Revenues, Expenses and Changes in Fund Net Position	104
Comparative Statements of Cash Flows	105
Major Enterprise - Individual Funds:	
Wastewater System Enterprise Fund:	
Comparative Statements of Net Position	107 - 108
Comparative Statements of Revenues, Expenses and Changes in Fund Net Position	109
Comparative Statements of Cash Flows	110 - 111

CITY OF ADRIAN, MICHIGAN
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR FISCAL YEAR ENDED JUNE 30, 2014
TABLE OF CONTENTS

	<u>PAGE</u>
Major Enterprise Funds:	
<i>Water System Enterprise Fund:</i>	
Comparative Statements of Net Position	112 - 113
Comparative Statements of Revenues, Expenses and Changes in Fund Net Position	114
Comparative Statements of Cash Flows	115 - 116
Combining and Individual Statements – Internal Service Funds:	
Combining Statements of Net Position	117
Combining Statements of Revenues, Expenses, and Changes in Fund Net Position	118
Combining Statements of Cash Flows	119
<i>Information Technology Internal Service Fund:</i>	
Comparative Statements of Net Position	120
Comparative Statements of Revenues, Expenses and Changes in Fund Net Position	121
Comparative Statements of Cash Flows	122
<i>Motor Vehicle Pool Internal Service Fund:</i>	
Comparative Statements of Net Position	123
Comparative Statements of Revenues, Expenses and Changes in Fund Net Position	124
Comparative Statements of Cash Flows	125
Building Maintenance Internal Service Fund	
Comparative Statements of Net Position	126
Comparative Statements of Revenues, Expenses and Changes in Fund Net Position	127
Comparative Statements of Cash Flows	128
Fiduciary Funds – Agency	
Combining Statement of Changes in Assets and Liabilities – All Agency Funds	129
Combining and Individual Fund Statements – Discretely Presented Component Units	
Combining Balance Sheets-Discretely Presented Component Units	131
Reconciliation of the Balance Sheets of Discretely Presented Component Units to the Statement of Net Position	132
Combining Statements of Revenues, Expenditures and Changes in Fund Balance-Discretely Presented Component Units	133
Reconciliation to the Statement of Revenues, Expenditures and Changes in Fund Balances of Discretely Presented Component Units to the Statement of Activities	134
<i>Downtown Development Authority – Special Revenue Fund – Discretely Presented Component Unit:</i>	
Comparative Balance Sheets	135
Comparative Statements of Revenues, Expenditures and Changes in Fund Balance	136

CITY OF ADRIAN, MICHIGAN
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR FISCAL YEAR ENDED JUNE 30, 2014

TABLE OF CONTENTS

	<u>PAGE</u>
<i>Brownfield Redevelopment – Special Revenue Fund- Discretely Presented Component Unit</i>	
Comparative Balance Sheets	137
Comparative Statements of Revenues, Expenditures and Changes in Fund Balance	138
Other Financial and Supplemental Information:	
Schedule of Indebtedness	139 - 142
STATISTICAL SECTION	
Exhibit A-1: Table of Contents	143
Financial Trends	
These Schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time	
Exhibit B-1: Net Assets by Component (Last Nine Fiscal Years)	145
Exhibit B-2: Changes in Net Assets (Last Nine Fiscal Years)	146 - 147
Exhibit B-3: Fund Balances – Governmental Funds (Last Ten Fiscal Years)	148
Exhibit B-4: Changes in Fund Balances – Governmental Funds (Last Ten Fiscal Years)	149
Exhibit B-5: Program Revenues by Function/Program (Last Nine Fiscal Years)	150
Exhibit B-6: Tax Revenues by Source – Governmental Funds (Last Ten Fiscal Years)	151
Revenue Capacity	
These Schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	
Exhibit C-1: Assessed Value and Taxable Value of Real and Personal Property (Last Ten Fiscal Years)	152
Exhibit C-2: Direct and Overlapping Property Tax Rates (Last Ten Fiscal Years)	153
Exhibit C-3: Principal Property Tax Payers (Current Year and Ten Years Ago)	154
Exhibit C-4: Property Tax Levies and Collections (Last Ten Years)	155

CITY OF ADRIAN, MICHIGAN
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR FISCAL YEAR ENDED JUNE 30, 2014

TABLE OF CONTENTS

	<u>PAGE</u>
STATISTICAL SECTION (Continued)	
Debt Capacity	
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.	
Exhibit D-1: Ratios of Outstanding Debt by Type (Last Ten Fiscal Years)	156
Exhibit D-2: Ratios of General Bonded Debt Outstanding (Last Ten Fiscal Years)	157
Exhibit D-3: Direct and Overlapping Governmental Activities Debt As of June 30, 2009	158
Exhibit D-4: Legal Debt Margin Information (Last Ten Fiscal Years)	159
Exhibit D-5: Pledged-Revenue Coverage (Last Ten Fiscal Years)	160
 Demographic and Economic Information	
These Schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	
Exhibit E-1: Demographic and Economic Statistics (Last Ten Fiscal Years)	161
Exhibit E-2: Principal Employers (Current Year and Nine Years Ago)	162
 Operating Information	
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.	
Exhibit F-1: Full-Time City Government Employees by Function/Program (Last Ten Fiscal Years)	163
Exhibit F-2: Operating Indicators by Function/Program (Last Ten Fiscal Years)	164
Exhibit F-3: Capital Asset Statistics by Function/Program (Last Ten Fiscal Years)	165



Michigan 49221-2773

135 E. Maumee St. Adrian,

City Administrator

(517) 264-4831

Fax (517) 266-4693

COMPREHENSIVE ANNUAL FINANCIAL STATEMENT

Transmittal Letter October 23, 2014

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, 2014.

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.

The Comprehensive Annual Financial Report (CAFR) consists of management's representations concerning the finances of the City of Adrian. Therefore, 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, we have 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. Because the cost of internal controls should not outweigh their benefits, the 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, 2014, 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, 2014, are fairly presented.

Management's discussion and analysis (MD&A) provides a narrative introduction, overview and analysis of the basic financial statements. The MD&A complement this transmittal letter and should be read in conjunction with it.

The Reporting Entity

The City of Adrian, founded in 1825, incorporated in 1853 and re-chartered in 1957, is the county seat of Lenawee County. 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.

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, cultural events and water and sewer systems. Also included in the City's financial report are

the Downtown Development Authority (DDA-TIF), and Brownfield Redevelopment Authority (BRA), as discreetly presented component units.

In the past, the City of Adrian has offered a wide variety of recreational classes, events and sport teams opportunities to its citizens and citizens outside our limits. Beginning September 1, 2013, the City of Adrian and the local YMCA entered into a partnership to offer these services. Due to budget constraints the city could no longer afford to offer this programming and the YMCA was willing to provide staffing and management services to fill this gap. In this agreement the city provides no fee access to our facilities and fields (including Bohn Pool). The city maintains these facilities, including utilities, supplies and general upkeep while the YMCA is responsible for the programming and the staffing for these activities. We believe this will be a "win-win" situation for both entities while still providing our residents with these services. We monitor this situation as it progresses.

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 Finance Director 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.

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.

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

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. Property tax revenues have continued to trend downwards since 2008. The city had a taxable value of \$461,039,614 for fiscal year 2007-08, whereas the taxable value for 2013-14 was \$364,145,816. That equates to a 21.02% decline in value over this six year period.

The State's economy is seeing positive but moderate growth and continued expansion is expected this year. With a state unemployment high in October 2009 of 10%, the June 2014 rate saw 6.1%, evidence that Michigan's economy is now in a broadening recovery. This improvement has been led by manufacturing. Improvements in sales tax collections have provide increases to local units of government in revenue sharing payments made by the State.

The County's jobless rate declined 1.0% in August 2013 to August 2014, from 7.3% to 6.3%. The county's unemployment rate has been steadily declining for the calendar year 2014. January 2014 saw a rate of 8.0%, dropping to our current rate of 6.3%. The state of Michigan's rate declined from 8.1% to 6.7% during the same time frame. 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.

Changes to State Revenue Sharing

The State of Michigan's fiscal 2012 budget made significant changes to revenue sharing payments provided to local governments. At this time the Economic Vitality Program (EVIP) was instituted. The maximum amount available to local governments under the new program was 67.8% of their 2009-10 statutory payments. This plan stayed in place through our FY2013-14. In FY2014-15 this plan will again be revised and replaced with the City, Village and Township Revenue Sharing (CVTRS) program. The new plan reduces some of the reporting requirements placed on government.

State payments to Adrian for this fiscal year were \$2,022,552, and increase of 3.4% over FY2012-13.

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. Because of the limitations placed on taxable values by Proposal A, the ability of government units in the State to recover from a downturn is significantly curtailed. As a result, the City has experienced decreases in property tax revenues. To address this imbalance the City continues to implement expenditure cuts and to look for ways to partner with others to provide services to our residents.

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.

One glimmer of hope is that Michigan voters have started showing support for cities on election day. According to the Michigan Municipal League, at the August 2014 primary election, there were 38 tax-related requests on the ballot and all but two were successful. These tax increases were for roads, library, senior services and public safety.

City of Adrian Fund Balance - General Fund

The schedule below presents a summary of changes in General Fund - Fund Balance between FY2012-13 and FY2013-14:

**CITY OF ADRIAN
FY2013-14 YEAR-END REPORT (Audited)**

**GENERAL FUND
Unreserved Fund Balance**

Fund Balance as of June 30, 2013		\$ 3,305,824
Less Reserves for:		
Inventories and Prepayments	\$ 172,145	
Encumbrances	\$ 105,198	
Total Reserved Fund Balance as of June 30, 2011		\$ 277,343
Unreserved Fund Balance as of June 30, 2013		\$ 3,028,481

FY2013-14 Revenue and Other Sources	\$ 9,547,309	
FY2013-14 Expenditures and Other Uses	\$ 9,327,650	
Revenue Over/(Under) Expenditures		\$ 219,659)
FY2013-14 Reserve for Inventories and Prepayments	\$ 145,592	\$ 26,553
FY2013-14 Reserve for Encumbrances and Carry Forwards	\$ 86,214	\$ 18,984
Total Reserved Fund Balance as of June 30, 2014		\$ 45,537

Unreserved Fund Balance as of June 30, 2014 **\$ 3,293,677**

Proposed Assignments of Unreserved Fund Balance (Acct. 393.000)

Accumulated Sick & Vacation Liability	\$ 500,000	
Pending Michigan Tax Tribunal Claims	\$ 150,000	
Cemetery Building	\$ 100,000	
Wellness Initiative	\$ 25,000	
Property Acquisitions, Demolitions & Options	\$ 150,000	
Local Grant Match	\$ 25,000	
Pension Liability Contribution	\$ 500,000	
Total Proposed Designations		\$ 1,450,000

FY2013-14 Unassigned Fund Balance **\$ 1,843,677**

FY2013-14 Adopted General fund Operating Budget \$9,734,397
 Unassigned Fund Balance as a Percent of FY 2013-14 Adopted Budget 18.90%

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, 2013 and June 30, 2014:

Investment Type	FY2012-13	FY2013-14
Money Market Accounts	\$288,687	\$144,341
Certificates of Deposit	619,517	615,611
U.S. Government Securities	3,679,797	3,335,391
Mutual Fund-Cash	117,544	1,803,928
Pooled Investments	661,497	338,968
Total	\$5,367,042	\$6,288,239

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 (\$1,252,633). Total Regular Employee Contributions for Fiscal Year 2013-14 amounted to \$278,324. As of December 31, 2013, the Pension Plan had Net Assets of \$41,312,860 with an Unfunded Actuarial Accrued Liability of \$14,510,393, resulting in a decrease in the Funded Ratio from 75% to 74.01%.

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, 2013. 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.

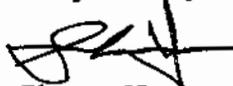
In order to attain the Award, a government unit must publish an easily readable

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.

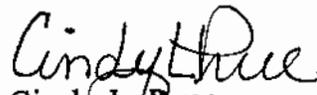
The preparation of the Comprehensive Annual Financial Report on a timely basis was made possible by the dedicated service of the entire staff of the Finance Department. Each member of the department has our sincere appreciation for the contributions made in preparation of this report.

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

Respectfully submitted,



Shane Horn
City Administrator



Cindy L. Prue
Finance Director

CITY OF ADRIAN, MICHIGAN
LIST OF PRINCIPAL OFFICIALS

June 30, 2014

<u>NAME</u>	<u>TITLE</u>
James Berryman	Mayor
Julie Berryman-Adams	Commissioner
Jeffrey Rising	Commissioner
Thomas Faulhaber	Commissioner
Jerry Gallatin	Commissioner
John Dudas	Commissioner
Andrew Munson	Commissioner
Shane Horn	City Administrator
Cindy L Prue	Finance Director
Sarah Osburn	City Attorney
Kristen Wetzel	City Assessor
Vincent Emrick	Police Chief
Paul G. Trink	Fire Chief/IT Director
Shirley Ehnis	Library Director
Todd Brown	Engineering Services & Parks
Pat Baker	City Clerk
Will Sadler	Utilities Director
Heather Lasky	Human Resources Director
Marcia Bohannon	Transportation Coordinator

PAGE INTENTIONALLY LEFT BLANK

September 30, 2014

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, 2014, 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, 2014, 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 79 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 combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated, September 30, 2014 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.

September 30, 2014

**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, 2014, 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 September 30, 2014.

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.

September 30, 2014

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, MICHIGAN'S RESPONSE TO FINDING

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.

PURPOSE OF THIS REPORT

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, 2014

Finding considered a significant deficiency for the City of Adrian 2014-1

Criteria:

Effective for the year ended June 30, 2014, Statement on Auditing Standards No. 115 titled *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
October 21, 2014

The management of the City of Adrian presents 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, 2014. This analysis is intended to assist the reader in focusing on significant financial issues and to provide a general overview of the City's financial activity. 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 \$77,521,647 (*net position*). Of this amount, \$8,935,008 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors.

The City's total net position increased by \$3,067,550, a \$1,292,024 increase in Governmental Activities, and a \$1,775,526 increase in Business-Type Activities. The value of Governmental Activities Assets increased by \$499,612, due primarily to an increase in cash position and outstanding liabilities decreased by \$795,014, due to a reduction in accounts payable and noncurrent liabilities.

- As of the close of the current fiscal year, the City of Adrian's governmental funds reported combined ending fund balances of \$9,908,261, an increase of \$1,592,362 in comparison with the prior year. Following is a summary of Net Change in Fund Balance for selected Funds:

General Fund	\$ 219,659
Major Street Fund	80,740
Local Street Fund	(20,282)
Fee Estate	(5,218)
Oil & Gas Royalty Trust	1,181,812
All Other	<u>135,651</u>
Total	<u>\$ 1,592,362</u>

The increase in General Fund is due to the unanticipated sale of city owned land and staffing changes that resulted in savings.

The decrease in the Local Street Fund was a planned use of fund balance to make repairs on streets due to the harsh winter of 2013-14.

The Oil & Gas Royalty Trust was instituted in the fall of 2013 to account for royalties the city is now receiving because of the leasing of mineral rights to Savoy Energy. At this time, a trust has been established and no monies from this trust can be used for three years.

- At the end of the current fiscal year, total fund balance for the general fund was \$3,525,483 or thirty-six and eight-tenths (36.8%) percent of budgeted general fund expenditures for FY2013-14 (an increase of \$219,659). Of this amount, \$145,591 is considered Nonspendable and earmarked for inventories and pre-paid insurance. In addition, \$86,214 is Assigned for encumbrances and

- \$1,450,000 is designated by management for the following specific projects, leaving \$1,843,678 in Unassigned Fund Balance. The designations are detailed as follows:

1)	Accumulated Sick & Vacation Liability	\$ 500,000
2)	Pending Michigan Tax Tribunal Claims	150,000
3)	Property Acquisitions	150,000
4)	Local Grant Match	25,000
5)	Wellness Initiative	25,000
6)	Cemetery building replacement	100,000
7)	Pension Liability Contribution	500,000
	Total	<u>\$1,450,000</u>

- The City of Adrian's total Long-Term Liabilities decreased by \$1,796,427 or just over six (6.2%) percent during the current fiscal year to a total of \$27,210,066. General Obligation Debt decreased \$220,000, from \$6,415,000 to \$6,195,000. Principal payment of \$220,000 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 \$1,480,000, from \$21,563,255 to \$20,083,255; 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	\$ 5,015,000
Water System Improvements	09/26/02	5,665,000	2.500%	10/01/23	3,185,000
Wastewater System Improvements	09/22/05	1,993,885	1.625%	04/01/27	1,353,885
Wastewater System Improvements	12/15/05	6,962,663	1.625%	04/01/27	4,757,663
Water System Improvements	09/27/07	<u>7,441,707</u>	2.125%	10/01/28	<u>5,771,707</u>
Total		<u>\$30,983,255</u>			<u>\$20,083,255</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 Positions* (Pages 30-31) presents information on all of the City of Adrian's assets and liabilities, with the difference between the two reported as *net positions*. Over time, increases or decreases in net position 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 32-33) presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position 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, Motor Vehicle Pool and Building Maintenance, 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 30-33 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 fifteen (15) 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, Fee Estate Fund and the Oil & Gas Royalty Fund, all five 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 34-43 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 38-40).

Proprietary Funds are also maintained by the City. 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 117-128).

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 44-48 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 49 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 50-78 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 79 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 81-105 of this report.

Individual statements for various Enterprise and Internal Service Funds can be found on pages 107-128. Individual and combining statements for discretely presented Component Units are displayed on pages 131-138.

The Schedule of Indebtedness can be found on pages 139-142.

Government-wide Financial Analysis

As noted earlier, net position 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 \$77,521,647 at the close of the most recent fiscal year.

By far the largest portion of the City of Adrian's assets (74.3%) 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 POSITION

	Governmental Activities		Business-Type Activities		TOTAL	
	FY2012-13	FY2013-14	FY2012-13	FY2013-14	FY2012-13	FY2013-14
	Current and Other Assets	\$10,215,857	\$11,405,579	\$9,073,994	\$10,340,803	\$19,289,851
Capital Assets	33,440,286	32,750,176	52,633,957	51,458,514	86,074,243	84,208,690
Total Assets	\$43,656,143	\$44,155,755	\$61,707,951	\$61,799,317	\$105,364,094	\$105,955,072
Long-Term Liabilities	\$6,735,949	\$6,523,778	\$22,105,296	\$20,523,449	\$28,841,245	\$27,047,227
Other Liabilities	1,477,186	894,343	514,370	412,057	1,991,556	1,306,400
Total Liabilities	\$8,213,135	\$7,418,121	\$22,619,666	\$20,935,506	\$30,832,801	\$28,353,627
Net Assets:						
Invested in Capital Assets (Net of Related Debt)	\$27,025,286	\$26,555,176	\$30,623,333	\$31,037,036	\$57,648,619	\$57,592,212
Restricted	5,696,801	8,183,020	2,635,996	2,811,407	8,332,797	10,994,427
Unrestricted	2,643,725	1,919,640	5,828,956	7,015,368	8,472,681	8,935,008
Total Net Position	\$35,365,812	\$36,657,836	\$39,088,285	\$40,863,811	\$74,454,097	\$77,521,647

An additional portion of the City of Adrian's net position, fourteen (14.2%) percent, represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net positions* (\$8,935,008) may be used to meet the City's ongoing obligations to citizens and creditors. At the end of the FY2013-14 Fiscal Year, the City of Adrian is able to report positive balances in all Net Position categories: Capital Assets, Restricted and Unrestricted.

Change in Net Position. As explained earlier under Financial Highlights, the City's total net position increased by (\$3,067,550). 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 POSITION

	Governmental Activities		Business-Type Activities		Total	
	FY2012-13	FY2013-14	FY2012-13	FY2013-14	FY2012-13	FY2013-14
	Revenues:					
Program Revenues:						
Charges for Services	\$4,372,420	\$4,058,782	\$8,974,885	\$9,141,413	\$13,347,305	\$13,200,195
Operating Grants & Contribtns.	1,610,640	1,581,130	259,086	288,529	1,869,726	1,869,659
Capital Grants & Contributions	0	50,857	59,520	78,841	59,520	129,698
Total Program Revenues	\$5,983,060	\$5,690,769	\$9,293,491	\$9,508,783	\$15,276,551	\$15,199,552
General Revenues:						
Property Taxes	\$5,809,159	\$5,691,905			\$5,809,159	\$5,691,905
Other Taxes	3,325,576	3,429,794			3,325,576	3,429,794
Grants & Contributions not Restricted to Specific Programs	13,692	13,786			13,692	13,786
Other	-13,828	1,278,441	\$110,238	\$60,071	96,410	1,338,512
Total General Revenues	\$9,134,601	\$10,413,926	\$110,238	\$60,071	\$9,244,839	\$10,473,997
Total Revenues	\$15,117,661	\$16,104,695	\$9,403,729	\$9,568,854	\$24,521,390	\$25,673,549

Expenses:						
General Government	\$3,514,802	\$3,596,835			\$3,514,802	\$3,596,835
Public Safety	5,178,833	5,495,015			5,178,833	5,495,015
Public Works	444,836	482,339			444,836	482,339
Culture and Recreation	1,865,951	2,037,679			1,865,951	2,037,679
Comm., Beautification	1,406,316	759,315			1,406,316	759,315
Comm./Economic Development	234,552	245,611			234,552	245,611
Highways, Streets & Bridges	1,524,992	1,764,232			1,524,992	1,764,232
Interest on Long-Term Debt	222,672	254,112			222,672	254,112
Wastewater System		0	\$3,890,316	\$3,907,021	3,890,316	3,907,021
Water System			3,241,929	3,330,542	3,241,929	3,330,542
Dial-A-Ride System			542,458	520,816	542,458	520,816
Auto Parking System			166,872	110,544	166,872	110,544
Storm Water Utility			261,418	101,938	261,418	101,938
Total Expenses	\$14,392,954	\$14,635,138	\$8,102,993	\$7,970,861	\$22,495,947	\$22,605,999
Excess/(Deficiency)	\$724,707	\$1,469,557	\$1,300,736	\$1,597,993	\$2,025,443	\$3,067,550
Contributions to Term and Permanent Endowments	0	0	0	0	0	0
Special and Extraordinary Items	0	0	0	0	0	0
Transfers	-150,967	-177,533	150,967	177,533	0	0
Increase/(Decrease) in Net Position	\$573,740	\$1,292,024	\$1,451,703	\$1,775,528	\$2,025,443	\$3,067,550
Net Position - Beginning	\$34,792,072	\$35,365,812	\$36,905,182	\$39,088,285	71,697,254	74,454,097
Contrib. of Capital Assets			\$731,400	\$0	731,400	0
Net Position - Ending	\$35,365,812	\$36,657,836	\$39,088,285	\$40,863,811	\$74,454,097	\$77,521,647

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 \$3,293,678, an increase of \$265,197 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 \$1,592,362 to \$9,908,261, primarily due to the creation of the Oil & Gas Royalty Trust.

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 position of the Wastewater Fund at the end of the year amounted to \$18,944,425, an increase of \$876,024, attributable to the delay in a major capital project that will be done in FY2014-15. The Water System experienced an \$890,555 increase in net position, from \$15,117,061 to \$16,007,616, primarily due to a continued discipline on the spending side 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 increase in Net Position amounting to \$8,947, equivalent to (0.2 %). 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 \$61,113 decrease in appropriations and are detailed as follows:

First Quarter Budget Amendments	\$ 13,835
FY 2012-13 Encumbrances	25,373
FY 2012-13 Carryforwards	34,000
Website Design	15,000
Second Quarter Budget Amendments	(16,230)
Purchase SCBA-Fire Department	10,575
To Fund Acting City Administrator	12,418
Third Quarter Budget Amendments	0
Transfers Out-Bldg. Maintenance	50,000
Fourth Quarter Budget Amendments	<u>(206,084)</u>
TOTAL	\$(61,113)

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 favorable by \$63,488. The single most significant factor affecting FY2013-2014 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 the unanticipated sale of properties to the company doing oil exploration in the area and sale of land to a developer of an assisted living facility.

Expenditures:

Compared to the Amended Budget, actual expenditures were favorable by \$408,239. The primary reasons for this favorability are detailed as follows:

- 1) The Administration Department was favorable by \$10,896 due to personnel change in the City Administrator position.
- 2) The Human Resources Department was favorable by \$25,700 due to working with unions without the need for outside legal assistance.
- 3) Police Department was favorable by \$49,456 due to under spending of wages because of the above average turnover in personnel.
- 4) Fire Department was favorable by \$64,644 due to lower needs of overtime and discipline on the spending side.
- 5) Parks & Forestry Department was favorable by \$176,312 due to 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, 2014 amounts to \$84,208,690 (net of accumulated depreciation), representing a year-to-year decrease of (\$1,865,553). Governmental Activities decreased \$690,110, from \$33,440,286 to \$32,750,176. Business-Type Activities decreased (\$1,175,443), from \$52,633,957 to \$51,458,514, 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 (2.17%).

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 Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$8,305,639	\$8,305,639	\$1,407,642	\$1,407,642	\$9,713,281	\$9,713,281
Land Improvements	4,824,080	5,167,508	1,214,794	1,257,109	6,038,874	\$6,424,617
Buildings	7,796,502	8,067,566	1,196,823	1,227,417	8,993,325	\$9,294,983
Utility Systems			47,459,568	48,529,491	47,459,568	\$48,529,491
Machinery, Equip & Furn.	1,823,411	2,015,701	179,687	212,298	2,003,098	\$2,227,999
Infrastructure	10,000,544	9,883,872			10,000,544	\$9,883,872
Total	\$32,750,176	\$33,440,286	\$51,458,514	\$52,633,957	\$84,208,690	\$86,074,243

Long-Term Liabilities. At the end of the current fiscal year, the City of Adrian had total long-term liabilities of \$27,210,066, a decrease of \$1,796,427 compared to the prior year. Of this amount, \$6,195,000 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, \$20,083,255 represents bonds secured solely by specified revenue sources (i.e., revenue bonds), a year-to-year decrease of \$1,480,000, 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 \$593,589, an increase of \$12,720 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	
	2014	2013	2014	2013	2014	2013
GO Bonds	\$6,195,000	\$6,415,000	\$0	\$0	\$6,195,000	\$6,415,000
Revenue Bonds	0	0	20,083,255	21,563,255	\$20,083,255	\$21,563,255
Installment Purchase	0	0	338,222	447,369	\$338,222	\$447,369
Accrued Sick & Vacation	491,618	486,197	101,971	94,672	\$593,589	\$580,869
Total Long-Term Liabilities	\$6,686,618	\$6,901,197	\$20,523,448	\$22,105,296	\$27,210,066	\$29,006,493

On June 30, 2014, 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, 2014 the City's net general obligation bond of \$6,195,000 was well below the legal limit of \$36,414,582 and General Obligation debt per capita equaled \$293.42, a year-to-year decrease of \$10.13.

Additional information on the City of Adrian's long-term debt can be found in Note 3E (pages 69-73) of this report, as well as Exhibits D-1 through D-5 of the Statistical Section (pages 156-160).

Economic Factors and Next Year's Budgets and Rates

- The FY2014-15 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 seventh consecutive year.
- The National and state economic recovery remains sluggish at best.
- The Governor's Economic Vitality Incentive Program (EVIP) has been eliminated for the upcoming fiscal year. In its place is a simplified version, the CVTRS program. With that we have seen a slight increase in our funding.
- Legislation to eliminate or reduce Personal Property Taxes has been adopted by the State Legislature. It remains to be seen how that will impact our revenues.

All of these factors were considered in preparing the City of Adrian's budget for the 2014-15 fiscal year. Also during the current fiscal year, designated and unassigned fund balance in the General Fund stands at \$3,293,678. The City of Adrian has designated \$1,450,000 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 FY2014-15 Budget reflects no rate increase for both water and sewer services.

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 NET POSITION
JUNE 30, 2014
WITH COMPARATIVE TOTALS FOR JUNE 30, 2013

	Primary Government				Component Units	
	Governmental Activities	Business-Type Activities	Totals		Downtown Development Authority	Brownfield Redevelopment Authority
			2014	2013		
ASSETS:						
Cash and cash equivalents	\$ 4,533,025	\$ 5,486,257	\$ 10,019,282	\$ 8,725,886	\$ 214,264	\$ 132,616
Investments	5,933,682	-	5,933,682	4,754,467	25,894	-
Receivables (net of allowance for uncollectibles)	727,145	1,686,672	2,413,817	2,341,146	19,050	-
Due from component units	1,853	5,000	6,653	241,618	-	-
Due from - primary government	-	-	-	-	4	63
Due from other governments	-	45,400	45,400	42,338	-	-
Internal balances	56,984	(56,984)	-	-	-	-
Inventories	129,823	215,839	345,662	357,283	-	-
Prepaid expense	23,267	8,549	31,816	42,805	-	-
Restricted assets:						
Current:						
Cash and cash equivalents	-	1,039,508	1,039,508	1,035,078	-	-
Investments	-	227,710	227,710	223,029	-	-
Noncurrent:						
Cash and cash equivalents	-	1,653,739	1,653,739	1,497,104	-	-
Investments	-	29,113	29,113	29,097	-	-
Capital assets (net of accumulated depreciation):						
Land	8,305,639	1,407,642	9,713,281	9,713,281	53,494	-
Land improvements	4,824,080	1,214,794	6,038,874	6,424,617	245,000	-
Buildings	7,796,502	1,196,823	8,993,325	9,294,983	-	-
Utility systems	-	47,459,568	47,459,568	48,529,491	-	-
Machinery, equipment, and furnishings	1,823,411	179,687	2,003,098	2,227,999	-	-
Infrastructure	10,000,544	-	10,000,544	9,883,872	-	-
Total assets	\$ 44,155,755	\$ 61,799,317	\$ 105,955,072	\$ 105,364,094	\$ 557,706	\$ 132,679

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

	PRIMARY GOVERNMENT				Component Units	
	Governmental Activities	Business-Type Activities	Totals		Downtown Development Authority	Brownfield Redevelopment Authority
			2014	2013		
LIABILITIES:						
Accounts payable and other current	\$ 673,487	\$ 213,409	\$ 886,896	\$ 1,503,376	\$ 4,974	\$ -
Accrued interest payable	220,734	53,595	274,329	224,034	-	-
Due to primary government	-	-	-	-	6,653	-
Due to agency fund	55	-	55	-	-	-
Due to component unit	67	-	67	91,552	-	-
Due to other governments	-	6,390	6,390	24,282	-	-
Liabilities paid from restricted assets	-	138,663	138,663	148,312	-	-
Noncurrent liabilities:						
Due within one year	220,000	1,634,237	1,854,237	1,857,575	-	-
Due in more than one year	6,303,778	18,889,212	25,192,990	26,983,670	869	-
Total liabilities	7,418,121	20,935,506	28,353,627	30,832,801	12,496	-
Deferred Inflows of Resources						
Unearned revenue (See Note 3.B)	79,798	-	79,798	77,196	-	-
NET POSITION:						
31 Invested in capital assets, net related debt	26,555,178	31,037,038	57,592,212	57,648,619	298,494	-
Restricted for:						
Public safety	530,737	-	530,737	320,477	-	-
Community development	127,291	-	127,291	125,426	-	-
Highways and streets	2,942,657	-	2,942,657	2,864,082	-	-
Debt service	-	2,711,407	2,711,407	2,535,996	-	-
Water system replacement	-	100,000	100,000	100,000	-	-
Parks and beautification	16,091	-	18,091	21,309	-	-
Downtown Development	-	-	-	-	246,716	-
Brownfield Redevelopment	-	-	-	-	-	132,679
Endowment:						
Expendable	1,654,651	-	1,854,651	514,581	-	-
Nonexpendable	111,005	-	111,005	111,005	-	-
Perpetual care - nonexpendable	965,224	-	965,224	945,042	-	-
Public purposes	1,689,773	-	1,689,773	622,734	-	-
Other purposes	145,591	-	145,591	172,145	-	-
Unrestricted	1,919,640	7,015,368	8,935,008	8,472,681	-	-
Total net position	\$ 36,657,836	\$ 40,863,811	\$ 77,521,647	\$ 74,454,097	\$ 545,210	\$ 132,679

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

(PAGE 1 OF 2)
CITY OF ADRIAN, MICHIGAN
STATEMENT OF ACTIVITIES
FOR FISCAL YEAR ENDED JUNE 30, 2014
WITH COMPARATIVE TOTALS FOR FISCAL YEAR ENDED JUNE 30, 2013

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 2014 2013		Downtown Development Authority	Brownfield Redevelopment Authority
Primary government:										
Governmental activities:										
General government	\$ 3,596,835	\$ 2,481,522	\$ 652,537	\$ -	\$ (482,776)	\$ -	\$ (462,776)	\$ (570,779)	\$ -	\$ -
Public safety	5,495,015	1,215,099	246,088	-	(4,033,828)	-	(4,033,828)	(3,924,681)	-	-
Public works	482,339	70,061	-	-	(412,278)	-	(412,278)	(403,987)	-	-
Culture and recreation	2,037,679	99,357	-	-	(1,938,322)	-	(1,938,322)	(1,533,559)	-	-
Community Beautification & Improvements	759,315	142,135	622,475	-	5,295	-	5,295	(63,166)	-	-
Community/economic development	245,611	-	-	-	(245,611)	-	(245,611)	(234,552)	-	-
Highways, streets, and bridges	1,764,232	50,608	60,030	50,857	(1,602,737)	-	(1,602,737)	(1,456,498)	-	-
Interest on long term debt	254,112	-	-	-	(254,112)	-	(254,112)	(222,672)	-	-
Total governmental activities	14,635,138	4,058,782	1,581,130	50,857	(8,944,369)	-	(8,944,369)	(8,409,894)	-	-
Business-type activities:										
Wastewater system	3,907,021	4,766,018	-	-	-	858,997	858,997	808,293	-	-
Water system	3,330,542	4,201,396	-	-	-	870,854	870,854	658,835	-	-
Dial-A-Ride system	520,816	101,548	263,529	-	-	(155,739)	(155,739)	(175,839)	-	-
Automobile parking system	110,544	35,800	25,000	78,841	-	29,097	29,097	(102,567)	-	-
Storm water utility	101,938	36,651	-	-	-	(65,287)	(65,287)	1,776	-	-
Total business-type activities	7,970,861	9,141,413	288,529	78,841	-	1,537,922	1,537,922	1,190,498	-	-
Total primary government	\$ 22,605,999	\$13,200,195	\$ 1,869,659	\$ 129,698	\$ (8,944,369)	\$ 1,537,922	\$ (7,406,447)	\$ (7,219,396)	\$ -	\$ -

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

	Program Revenues				Primary Government				Component Units	
	Expenses	Charges For Services	Operating Grants And Contributions	Capital Grants And Contributions	Governmental Activities	Business-Activities	Totals 2014	Totals 2013	Downtown Development Authority	Brownfield Redevelopment Authority
Component Units:										
Downtown Development Authority	\$ 234,071	\$ 43,685	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (209,336)	\$ -
Brownfield Redevelopment Authority	22,564	-	4,656	-	-	-	-	-	-	(17,908)
Total component units	\$ 256,635	\$ 43,685	\$ 4,656	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (209,336)	\$ (17,908)
General Revenues:										
Property taxes					\$ 5,691,905	\$ -	\$ 5,691,905	\$ 5,809,159	\$ 92,813	\$ 44,800
Sales tax, incentive payment					2,022,551	-	2,022,551	1,962,792	-	-
Motor vehicle fuel tax					1,407,243	-	1,407,243	1,362,786	-	-
Grants and contributions not restricted to specific programs					13,786	-	13,786	13,892	-	-
Investment earnings and oil royalties					1,278,441	60,071	1,338,512	36,410	127	728
Contributions					-	-	-	60,000	18,950	-
Transfers					(177,533)	177,533	-	-	-	-
Total general revenues and transfers					10,236,393	237,604	10,473,997	9,244,839	111,890	45,528
Change in net position					1,292,024	1,775,526	3,067,550	2,025,443	(97,446)	27,620
Net position – beginning of year					35,365,812	39,088,285	74,454,097	71,897,254	642,656	105,059
Contribution of capital assets to utility funds (see note 3.C)					-	-	-	731,400	-	-
Net position – end of year					\$ 36,657,836	\$ 40,863,811	\$ 77,521,647	\$ 74,454,097	\$ 545,210	\$ 132,879

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

**CITY OF ADRIAN, MICHIGAN
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014
WITH COMPARATIVE TOTALS FOR JUNE 30, 2013**

	General	Major Streets	Local Streets	Fee Estate	Oil & Gas Royalty Trust	Other Governmental Funds	Totals Governmental Funds	
							2014	2013
ASSETS:								
Cash and cash equivalents	\$ 499,342	\$ 1,277,339	\$ 1,473,518	\$ -	\$ -	\$ 571,437	\$ 3,821,636	\$ 3,791,039
Investments	3,192,025	56,521	-	-	1,181,812	1,503,324	5,933,882	4,754,467
Receivables:								
Accounts	140,254	79,680	28,144	150,408	-	224,598	623,084	560,024
Loans	-	-	-	-	-	91,671	91,671	105,990
Due from other funds	82,360	-	-	-	-	344	82,704	473,078
Due from component units	1,001	-	-	-	-	-	1,001	221,082
Inventories:								
Land held for resale, at cost	-	-	-	-	-	7,499	7,499	7,499
Supplies at cost	122,324	-	-	-	-	-	122,324	139,566
Prepaid cost	23,267	-	-	-	-	-	23,267	32,579
Total assets	\$ 4,060,573	\$ 1,413,540	\$ 1,501,662	\$ 150,408	\$ 1,181,812	\$ 2,398,873	\$ 10,706,868	\$ 10,085,324
LIABILITIES:								
Vouchers payable	\$ 229,988	\$ 1,856	\$ 1,964	\$ 120,725	\$ -	\$ 19,039	\$ 373,572	\$ 530,384
Accrued liabilities	268,521	3,046	6,192	11,509	-	288	289,556	325,571
Due to other funds	8,162	17,245	20,463	2,083	-	7,608	55,559	744,742
Due to agency fund	55	-	-	-	-	-	55	-
Due to component units	67	-	-	-	-	-	67	91,552
Total liabilities	506,793	22,147	28,619	134,317	-	26,933	718,809	1,692,229
Deferred Inflows of Resources								
Unearned revenue (See Note 3.B)	28,297	-	-	-	-	51,501	79,798	77,196
FUND BALANCES:								
Nonspendable:								
Inventories and prepaids	145,591	-	-	-	-	-	145,591	172,145
Restricted for:								
Perpetual care	-	-	-	-	-	965,224	965,224	845,042
Endowment	-	-	-	-	-	111,005	111,005	111,005
Streets	-	(1) 1,391,393	(1) 1,473,043	-	-	78,221	2,942,657	2,864,082
Parks and beautification	-	-	-	16,091	-	-	16,091	21,309
Community Development	-	-	-	-	-	127,291	127,291	125,426
Public purpose	-	-	-	-	1,181,812	507,961	1,689,773	622,734
Public safety	-	-	-	-	-	530,737	530,737	320,477
Assigned to:								
Economic development	-	-	-	-	-	-	-	-
Encumbrances	86,214	-	-	-	-	-	86,214	105,198
Designated purpose (Note 2C)	1,450,000	-	-	-	-	-	1,450,000	1,490,000
Unassigned	1,843,678	-	-	-	-	-	1,843,678	1,538,481
Total fund balances	3,525,483	1,391,393	1,473,043	16,091	1,181,812	2,320,439	9,908,261	8,315,899
Total liabilities, deferred inflows of resources and fund balance	\$ 4,060,573	\$ 1,413,540	\$ 1,501,662	\$ 150,408	\$ 1,181,812	\$ 2,398,873	\$ 10,706,868	\$ 10,085,324

(1) - Includes encumbrances of \$5,900 in Major Street and \$25,245 in Local Street

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

**CITY OF ADRIAN, MICHIGAN
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS'
TO THE STATEMENT OF NET POSITION
JUNE 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</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.	\$ 32,750,176	\$ 33,440,286
Accrued interest payable on long term debt is recognized in governmental funds when paid and not when accrued.	(220,734)	(224,034)
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.	(322,715)	(316,364)
Bond and loan indebtedness are recognized in the governmental funds when paid and not when accrued.	(6,195,000)	(6,415,000)
Internal Service Funds (Information Technology Fund, Building Maintenance Fund and Fire Dept. Motor Pool) are used by management to charge the costs of management information systems and occupancy costs 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 \$1,253,753 are shown in the capital asset figure above.	<u>737,848</u>	<u>565,025</u>
Net differences	26,749,575	27,049,913
Total fund balance in governmental funds	<u>9,908,261</u>	<u>8,315,899</u>
Total net position of governmental activities	<u>\$ 36,657,836</u>	<u>\$ 35,365,812</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, 2014
WITH COMPARATIVE TOTALS FOR FISCAL YEAR ENDED JUNE 30, 2013

	General	Major Streets	Local Streets	Fee Estate	Oil & Gas Royalty Trust	Other Governmental Funds	Totals Governmental Funds	
							2014	2013
REVENUES:								
Taxes	\$ 5,196,793	\$ -	\$ -	\$ -	\$ -	\$ 370,656	\$ 5,567,449	\$ 5,706,453
Other tax related revenue	124,456	-	-	-	-	-	124,456	102,706
Licenses and permits	341,695	-	-	-	-	-	341,695	247,785
Intergovernmental – federal	204,088	-	-	-	-	-	204,088	202,549
Intergovernmental – state	2,084,063	1,115,450	397,631	-	-	-	3,597,144	3,382,991
Charges for services	102,829	-	-	-	-	-	102,829	726,287
Use and admission charges	97,217	-	-	-	-	752,302	849,519	330,212
Fines and fees	230,339	-	-	-	-	-	230,339	233,442
Investment earnings	41,089	630	590	-	78,781	54,320	175,410	(11,022)
Fee Trust – for beautification	-	-	-	583,993	-	-	583,993	1,175,557
Other	1,033,200	30	4,770	2,753	-	122,355	1,163,108	1,336,554
Special assessments	-	-	50,857	-	-	-	50,857	41,128
Oil royalties	-	-	-	-	1,103,031	-	1,103,031	-
Contributions	-	-	-	-	-	-	-	168,750
Total revenues	9,455,769	1,116,110	453,848	586,746	1,181,812	1,299,633	14,093,918	13,643,392
EXPENDITURES:								
Current:								
General government	1,623,046	-	-	-	-	-	1,623,046	1,575,553
Public safety	4,726,467	-	-	-	-	629,529	5,355,996	5,196,657
Public works	470,726	-	-	-	-	-	470,726	426,076
Culture and recreation	1,607,850	-	-	-	-	-	1,607,850	2,182,521
Community Beautification and Improvements	36,852	-	-	566,964	-	-	603,816	1,266,803
Non-Departmental	-	-	-	-	-	89,813	89,813	116,808
Community/Economic Development	232,764	-	-	-	-	100	232,864	228,295
Highways, streets, and bridges	-	910,370	952,130	-	-	-	1,862,500	1,038,787
Debt Service:								
Principal retirement	220,000	-	-	-	-	-	220,000	215,000
Interest and fiscal charges	257,412	-	-	-	-	-	257,412	233,710
Total expenditures	9,175,117	910,370	952,130	566,964	-	719,442	12,324,023	12,482,210
Excess (deficiency) of revenues over (under) expenditures	280,652	205,740	(498,282)	19,782	1,181,812	580,191	1,769,895	1,161,182
Other financing sources (uses):								
Transfers in	91,540	-	478,000	-	-	-	569,540	840,440
Transfers out	(152,533)	(125,000)	-	(25,000)	-	(444,540)	(747,073)	(1,637,507)
Total other financing sources (uses)	(60,993)	(125,000)	478,000	(25,000)	-	(444,540)	(177,533)	(797,067)
Net change in fund balance	219,659	80,740	(20,282)	(5,218)	1,181,812	135,651	1,592,362	364,115
Fund balances at beginning of year	3,305,824	1,310,653	1,493,325	21,309	-	2,184,788	8,315,899	7,951,784
Fund balances at end of year	\$ 3,525,483	\$ 1,391,393	\$ 1,473,043	\$ 16,091	\$ 1,181,812	\$ 2,320,439	\$ 9,908,261	\$ 8,315,899

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, 2014 AND 2013

	2014	2013
Amounts reported for governmental activities in the statement of revenues, expenditures and changes in fund balances are different because:		
Net change in fund balance –	\$ 1,592,362	\$ 364,115
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 \$870,809 less depreciation of \$1,560,919	(690,110)	33,314
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 position. 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	220,000	215,000
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 governmental funds.		
Accrued interest – net effect	3,300	11,039
Accrued long-term sick and vacation – net effect	(6,351)	101,063
Internal Service Funds are used by management to charge costs of management information systems and occupancy costs to individual funds and to maintain vehicles. Note: Capital outlay and depreciation figures related to Internal Service Funds - capital outlay of \$ 175,211 less depreciation of \$ 292,667 are shown in capital outlay and depreciation balances above.	172,823	(150,791)
Change in net position in governmental activities	\$ 1,292,024	\$ 573,740

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, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget -</u>
				<u>Positive</u>
REVENUES:				
Taxes	\$ 5,360,000	\$ 5,196,000	\$ 5,196,793	\$ 793
Other tax related revenue	107,000	123,200	124,456	1,256
Licenses and permits	250,700	320,480	341,695	21,215
Intergovernmental	2,342,959	2,288,056	2,288,151	95
Charges for services	81,600	94,400	102,829	8,429
Uses and admission charges	101,600	103,600	97,217	(6,383)
Fines and fees	182,500	225,991	230,339	4,348
Investment earnings	50,000	29,500	41,089	11,589
Miscellaneous	929,648	1,011,054	1,033,200	22,146
Total revenues	<u>9,406,007</u>	<u>9,392,281</u>	<u>9,455,769</u>	<u>63,488</u>
EXPENDITURES:				
Current:				
General Government:				
City Commission	107,868	114,132	111,688	2,444
City Administrator	221,804	275,550	264,654	10,896
Election Department	24,000	29,235	28,881	354
Finance Department	355,389	336,736	334,838	1,898
City Assessor	146,979	160,990	155,715	5,275
City Attorney	168,060	171,060	167,046	4,014
City Clerk	121,136	121,136	120,448	688
Human Resources	176,044	176,044	150,344	25,700
Cemetery	425,650	291,863	289,432	2,431
Total general government	<u>1,746,930</u>	<u>1,676,746</u>	<u>1,623,046</u>	<u>53,700</u>
Public Safety:				
Police Department	2,747,884	2,732,864	2,683,408	49,456
Fire Department	1,764,105	1,733,102	1,668,458	64,644
Inspection Department	357,766	378,448	374,601	3,847
Total public safety	<u>4,869,755</u>	<u>4,844,414</u>	<u>4,726,467</u>	<u>117,947</u>
Total expenditures carried forward	<u>6,616,685</u>	<u>6,521,160</u>	<u>6,349,513</u>	<u>171,647</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, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive</u>
	<u>Original</u>	<u>Final</u>		
Total expenditures carried forward	\$ 6,816,885	\$ 6,521,160	\$ 6,349,513	\$ 171,647
Public Works:				
Department of Public Works	269,354	268,435	250,308	18,127
Stores - Central Supply	(2,560)	(2,560)	13,073	(15,633)
Engineering	76,684	93,472	84,792	8,680
Street Lighting	109,000	113,000	122,553	(9,553)
Total public works	<u>452,478</u>	<u>472,347</u>	<u>470,726</u>	<u>1,621</u>
Culture and Recreation:				
Recreation Department	284,472	288,581	278,229	10,352
Adrian Area Little League	2,200	3,700	3,697	3
Parks and Forestry Garage	21,120	21,120	20,750	370
Parks and Forestry Department	504,515	540,078	400,977	139,101
Parks and Forestry – Heritage	140,513	158,363	166,284	(7,921)
Training School	29,300	29,300	29,300	-
Library	793,234	743,020	708,613	34,407
Total culture and recreation	<u>1,775,354</u>	<u>1,784,162</u>	<u>1,607,850</u>	<u>176,312</u>
Community Beautification and Improvements:				
Planning Commission	12,000	12,000	7,514	4,486
Other Projects	82,952	66,720	29,338	37,382
Total other services	<u>94,952</u>	<u>78,720</u>	<u>36,852</u>	<u>41,868</u>
Economic Development	<u>244,290</u>	<u>249,467</u>	<u>232,764</u>	<u>16,703</u>
Debt Service:				
Principal	220,000	220,000	220,000	-
Interest	240,710	257,500	257,412	88
Total debt service	<u>460,710</u>	<u>477,500</u>	<u>477,412</u>	<u>88</u>
Total expenditures	<u>9,644,469</u>	<u>9,583,356</u>	<u>9,175,117</u>	<u>408,239</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(238,462)</u>	<u>(191,075)</u>	<u>280,652</u>	<u>471,727</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, 2014

	<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	\$ 141,540	\$ 91,540	\$ 91,540	\$ -
Transfers out	(151,041)	(151,041)	(152,533)	(1,492)
Total other financing sources (uses)	(9,501)	(59,501)	(60,993)	(1,492)
Net change in fund balance	(247,963)	(250,576)	219,659	470,235
Fund balance at beginning of year	3,305,824	3,305,824	3,305,824	-
Fund balance at end of year	<u>\$ 3,057,861</u>	<u>\$ 3,055,248</u>	<u>\$ 3,525,483</u>	<u>\$ 470,235</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, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental – state	\$ 975,354	\$ 1,039,354	\$ 1,115,450	\$ 76,096
Investment earnings	1,000	1,000	630	(370)
Other	2,000	2,000	30	(1,970)
Total revenues	<u>978,354</u>	<u>1,042,354</u>	<u>1,116,110</u>	<u>73,756</u>
EXPENDITURES:				
Highways, streets, and bridges:				
Street construction	209,500	245,500	170,010	75,490
Routine maintenance – streets	276,985	357,113	297,684	59,429
Routine maintenance - storm sewer	-	37,191	20,977	16,214
Routine maintenance – bridges	12,980	2,402	458	1,944
Maintenance – State trunklines	50,354	60,486	41,320	19,166
Traffic service	128,520	128,520	118,669	9,851
Winter maintenance	74,620	132,400	132,097	303
Administration	57,034	57,034	51,788	5,246
Non-motorized transportation	65,220	85,220	76,767	8,453
Other	895	895	600	295
Total expenditures	<u>876,108</u>	<u>1,106,761</u>	<u>910,370</u>	<u>196,391</u>
Excess (deficiency) of revenues over (under) expenditures	<u>102,246</u>	<u>(64,407)</u>	<u>205,740</u>	<u>270,147</u>
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	<u>(125,000)</u>	<u>(125,000)</u>	<u>(125,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(125,000)</u>	<u>(125,000)</u>	<u>(125,000)</u>	<u>-</u>
Net change in fund balance	(22,754)	(189,407)	60,740	270,147
Fund balance at beginning of year	<u>1,310,653</u>	<u>1,310,653</u>	<u>1,310,653</u>	<u>-</u>
Fund balance at end of year	<u>\$ 1,287,899</u>	<u>\$ 1,121,246</u>	<u>\$ 1,391,393</u>	<u>\$ 270,147</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, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental – state	\$ 345,000	\$ 362,208	\$ 397,631	\$ 35,423
Special assessment	31,000	59,500	50,857	(8,643)
Investment earnings	1,000	1,000	590	(410)
Other	1,000	4,800	4,770	(30)
Total revenues	<u>378,000</u>	<u>427,508</u>	<u>453,848</u>	<u>26,340</u>
EXPENDITURES:				
Highways, streets, and bridges:				
Sidewalks	41,880	36,880	30,977	5,903
Street construction	376,000	518,489	427,685	90,804
Rehabilitation - alleys	10,000	11,000	10,412	588
Routine maintenance – streets	301,410	298,588	254,041	44,547
Routine maintenance - storm water	-	57,431	29,364	28,067
Routine maintenance – bridges	4,940	4,940	467	4,473
Traffic service	61,300	61,300	47,135	14,165
Winter maintenance	63,904	108,035	108,093	(58)
Administration	29,034	29,034	43,956	(14,922)
Total expenditures	<u>888,468</u>	<u>1,125,697</u>	<u>952,130</u>	<u>173,567</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(510,468)</u>	<u>(698,189)</u>	<u>(498,282)</u>	<u>199,907</u>
Other financing sources (uses):				
Transfers in	<u>498,000</u>	<u>498,000</u>	<u>478,000</u>	<u>(20,000)</u>
Total other financing sources (uses)	<u>498,000</u>	<u>498,000</u>	<u>478,000</u>	<u>(20,000)</u>
Net change in fund balance	(12,468)	(200,189)	(20,282)	179,907
Fund balance at beginning of year	<u>1,493,325</u>	<u>1,493,325</u>	<u>1,493,325</u>	<u>-</u>
Fund balance at end of year	<u>\$ 1,480,857</u>	<u>\$ 1,293,136</u>	<u>\$1,473,043</u>	<u>\$ 179,907</u>

The notes to the financial statements 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, 2014

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final		
REVENUES:				
Donations - Fee Estate	\$ 745,385	\$ 745,385	\$ 583,993	\$ (161,392)
Other	100	100	2,753	2,653
Total revenues	<u>745,485</u>	<u>745,485</u>	<u>586,746</u>	<u>(158,739)</u>
EXPENDITURES:				
Maintenance - beautification	745,485	754,856	566,964	187,892
Total expenditures	<u>745,485</u>	<u>754,856</u>	<u>566,964</u>	<u>187,892</u>
Excess (deficiency) of revenues over (under) expenditures	-	(9,371)	19,782	29,153
Other financing sources (uses):				
Transfers out	-	-	(25,000)	(25,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(25,000)</u>	<u>(25,000)</u>
Net change in fund balance	-	(9,371)	(5,218)	4,153
Fund balance at beginning of year	21,309	21,309	21,309	
Fund balance at end of year	<u>\$ 21,309</u>	<u>\$ 11,938</u>	<u>\$ 16,091</u>	<u>\$ 4,153</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, 2014
WITH COMPARATIVE TOTALS FOR JUNE 30, 2013

	<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>Service Funds</u>	
ASSETS:	System	System	Enterprise	2014	2013	Service Funds
Current assets:						
Cash and cash equivalents	\$ 2,085,405	\$ 2,267,819	\$ 1,133,033	\$ 5,486,257	\$ 4,341,911	\$ 711,389
Receivables:						
Accounts	647,680	595,274	16,439	1,259,393	1,208,062	12,390
Special assessments	-	-	336,149	336,149	362,202	-
Assessments - other	68,501	22,629	-	91,130	91,130	-
Due from other funds	1,816	1,020	7,111	9,947	66,702	29,839
Due from other governments	-	-	45,400	45,400	42,338	-
Due from component unit	-	-	5,000	5,000	20,000	652
Inventories	-	189,788	26,051	215,839	210,218	-
Prepaid expense	3,514	5,035	-	8,549	10,226	-
	<u>2,806,916</u>	<u>3,081,565</u>	<u>1,569,183</u>	<u>7,457,664</u>	<u>6,352,789</u>	<u>754,270</u>
Restricted assets available for current liabilities:						
Customer deposit - cash	-	31,728	-	31,728	33,370	-
Bond interest and redemption account - investment	-	227,710	-	227,710	223,029	-
Bond interest and redemption account - cash	712,422	295,358	-	1,007,780	1,001,708	-
Total current assets	<u>3,519,338</u>	<u>3,636,361</u>	<u>1,589,183</u>	<u>8,724,882</u>	<u>7,610,896</u>	<u>754,270</u>
Noncurrent assets:						
Restricted investments:						
Bond reserve - cash	916,424	637,315	-	1,553,739	1,397,104	-
Bond reserve - investment	29,113	-	-	29,113	29,097	-
Replacement account - cash	-	100,000	-	100,000	100,000	-
Total noncurrent restricted assets	<u>945,537</u>	<u>737,315</u>	<u>-</u>	<u>1,682,852</u>	<u>1,528,201</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	50,219,534	32,442,556	2,380,243	85,042,333	84,076,736	-
Land improvements	-	-	2,016,834	2,016,834	2,016,834	-
Equipment	-	-	567,219	567,219	567,219	3,818,564
Less: accumulated depreciation	(24,243,820)	(12,101,238)	(2,603,727)	(38,948,785)	(36,807,745)	(2,564,811)
Net capital assets	<u>26,136,878</u>	<u>20,924,428</u>	<u>4,395,208</u>	<u>51,458,514</u>	<u>52,633,957</u>	<u>1,253,753</u>
Total noncurrent assets	<u>27,084,415</u>	<u>21,661,743</u>	<u>4,395,208</u>	<u>53,141,366</u>	<u>54,160,158</u>	<u>1,253,753</u>
Total assets	<u>\$ 30,803,753</u>	<u>\$ 25,298,104</u>	<u>\$ 5,984,391</u>	<u>\$ 61,866,248</u>	<u>\$ 61,771,054</u>	<u>\$ 2,008,023</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, 2014
WITH COMPARATIVE TOTALS FOR JUNE 30, 2013

	Business-Type Activities - Enterprise Funds				Governmental Activities	
	Wastewater System	Water System	Other Enterprise Fund	Totals		Internal Service Funds
				Proprietary Funds		
			2014	2013		
LIABILITIES:						
Current liabilities:						
Vouchers payable	\$ 59,162	\$ 112,086	\$ 42,161	\$ 213,409	\$ 288,251	\$ 5,754
Accrued liabilities	21,551	31,187	857	53,595	53,525	4,605
Due to other funds	25,856	37,862	3,213	66,931	63,103	-
Due to component units	-	-	6,390	6,390	24,282	-
Accrued sick and vacation pay	17,632	31,726	-	49,358	48,428	-
Lease payable - current	79,879	-	-	79,879	76,950	-
Installment loan payable -current	-	-	-	-	32,197	-
DWRF/SRF bonds payable-current	875,000	630,000	-	1,505,000	1,480,000	-
	<u>1,079,080</u>	<u>842,861</u>	<u>52,621</u>	<u>1,974,562</u>	<u>2,068,738</u>	<u>10,359</u>
Current liabilities payable from restricted assets:						
Customer deposits payable	-	31,726	-	31,728	33,370	-
Accrued interest	57,482	49,453	-	106,935	114,942	-
Total current liabilities	<u>1,136,562</u>	<u>924,042</u>	<u>52,621</u>	<u>2,113,225</u>	<u>2,215,048</u>	<u>10,359</u>
Noncurrent liabilities:						
Accrued sick and vacation pay	12,884	39,729	-	52,613	46,244	6,063
Lease payable	258,343	-	-	258,343	338,222	-
DWRF Bonds	4,570,000	8,326,717	-	12,896,717	13,971,717	-
SRF Bonds	5,681,539	-	-	5,681,539	6,111,538	-
Total noncurrent liabilities	<u>10,522,766</u>	<u>8,366,446</u>	<u>-</u>	<u>16,889,212</u>	<u>20,467,721</u>	<u>6,063</u>
Total liabilities	<u>11,659,328</u>	<u>9,290,488</u>	<u>52,621</u>	<u>21,002,437</u>	<u>22,682,769</u>	<u>16,422</u>
NET POSITION:						
Invested in capital assets, net of related debt	14,674,117	11,967,711	4,395,208	31,037,036	30,623,333	1,253,753
Restricted for debt service	1,600,477	1,110,930	-	2,711,407	2,535,996	-
Restricted for replacement	-	100,000	-	100,000	100,000	-
Unrestricted	2,669,831	2,628,975	1,516,562	7,015,368	5,828,956	737,848
Total net position	<u>\$ 18,944,425</u>	<u>\$ 16,007,616</u>	<u>\$ 5,911,770</u>	<u>\$ 40,863,811</u>	<u>\$ 39,088,285</u>	<u>\$ 1,991,601</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, 2014
WITH COMPARATIVE TOTALS FOR FISCAL YEAR ENDED JUNE 30, 2013

	<u>Business-Type Activities - Enterprise Funds</u>					<u>Governmental Activities</u>
	<u>Wastewater System</u>	<u>Water System</u>	<u>Other Enterprise Fund</u>	<u>Totals Proprietary Funds</u>		<u>Internal Service Funds</u>
				<u>2014</u>	<u>2013</u>	
Operating revenues:						
Charges for services	\$ 4,738,087	\$ 4,129,710	\$ 134,816	\$ 9,002,813	\$ 8,822,834	\$ 1,899,710
Special assessments	-	-	78,841	78,841	62,638	-
Miscellaneous revenues	27,931	71,886	4,183	103,800	89,413	59,527
Total operating revenues	<u>4,766,018</u>	<u>4,201,396</u>	<u>217,840</u>	<u>9,185,254</u>	<u>8,974,885</u>	<u>1,959,237</u>
Operating expenses:						
Cost of services	2,284,310	2,506,168	603,976	5,374,454	5,568,847	1,611,203
Depreciation	1,393,170	618,547	129,322	2,141,039	2,045,625	292,667
Total operating expenses	<u>3,657,480</u>	<u>3,124,715</u>	<u>733,298</u>	<u>7,515,493</u>	<u>7,614,472</u>	<u>1,903,870</u>
Operating income (loss)	<u>1,108,538</u>	<u>1,076,681</u>	<u>(515,458)</u>	<u>1,669,761</u>	<u>1,360,413</u>	<u>55,367</u>
Nonoperating revenues						
expenses:						
Intergovernmental – state - operating	-	-	178,279	178,279	175,358	-
Intergovernmental - maintenance reimbursement- state	-	-	-	-	2,000	-
Intergovernmental – maintenance reimbursement - federal	-	-	14,434	14,434	9,098	-
Intergovernmental – federal	-	-	70,816	70,816	126,630	-
Interest revenue	17,027	19,701	23,343	60,071	50,238	-
Interest expense	(249,541)	(205,827)	-	(455,368)	(488,521)	-
Total nonoperating revenues (expenses)	<u>(232,514)</u>	<u>(186,128)</u>	<u>286,872</u>	<u>(131,768)</u>	<u>(125,197)</u>	<u>-</u>
Income (loss) before contributions and transfers	876,024	890,555	(228,586)	1,537,993	1,235,216	55,367
Capital contribution from Local Development Finance Authority	-	-	-	-	731,400	-
Capital contribution - grants Federal	-	-	-	-	5,520	-
Capital contribution - local	-	-	60,000	60,000	60,000	-
Transfers in	-	-	177,533	177,533	150,967	-
Change in net position	876,024	890,555	8,947	1,775,526	2,183,103	55,367
Total net position – beginning of year	<u>18,088,401</u>	<u>15,117,081</u>	<u>5,902,823</u>	<u>39,088,285</u>	<u>39,088,285</u>	<u>1,938,234</u>
Total net position – end of year	<u>\$ 18,944,425</u>	<u>\$16,007,616</u>	<u>\$ 5,911,770</u>	<u>\$ 40,863,811</u>	<u>\$41,271,388</u>	<u>\$ 1,991,601</u>

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, 2014
WITH COMPARATIVE TOTALS FOR FISCAL YEAR ENDED JUNE 30, 2013**

	Business-Type Activities - Enterprise Funds				Governmental Activities	
	Wastewater System	Water System	Other Enterprise Fund	Totals		Internal Service Funds
				Proprietary Funds 2014	2013	
Cash flows from operating activities:						
Cash received from customers	\$ 4,769,816	\$ 4,178,978	\$ 259,294	\$ 9,208,088	\$ 9,041,301	\$ 2,198,695
Cash paid to suppliers	(1,657,130)	(1,547,020)	(328,218)	(3,532,368)	(3,676,316)	(1,741,191)
Cash paid to employees	(683,994)	(956,394)	(301,613)	(1,942,001)	(2,021,126)	(163,840)
Net cash provided by (used in) operating activities	<u>2,428,692</u>	<u>1,675,564</u>	<u>(370,537)</u>	<u>3,733,719</u>	<u>3,343,859</u>	<u>293,664</u>
Cash flows from noncapital financing activities:						
Grant received – Federal	-	-	82,508	82,508	97,810	-
Grant received – State	-	-	177,958	177,958	156,195	-
Transfers from other funds	-	-	177,533	177,533	150,866	-
Special assessment revenue provided to other funds	-	-	(38,254)	(38,254)	(22,713)	-
Net cash provided by noncapital financing activities	<u>-</u>	<u>-</u>	<u>399,745</u>	<u>399,745</u>	<u>382,158</u>	<u>-</u>
Cash flows from capital and related financing activities:						
Acquisition and construction of capital assets	(585,162)	(380,435)	-	(965,597)	(1,040,113)	(175,211)
Principal paid on lease	(76,950)	-	-	(76,950)	(74,130)	-
Grants received - Federal	-	-	-	-	59,520	-
Contributions from DDATIFA	-	-	60,000	60,000	60,000	-
Special assessments	-	-	74,691	74,891	58,511	-
Principal paid on DWRF Bonds	(435,000)	(620,000)	-	(1,055,000)	(1,035,000)	-
Principal paid on SRF Bonds	(425,000)	-	-	(425,000)	(420,000)	-
Principal paid on installment loan	(32,197)	-	-	(32,197)	(25,846)	-
Interest paid	(253,998)	(209,378)	-	(463,374)	(495,057)	-
Net cash provided by (used in) capital and related financing activities	<u>(1,608,305)</u>	<u>(1,209,813)</u>	<u>134,691</u>	<u>(2,883,427)</u>	<u>(2,912,115)</u>	<u>(175,211)</u>
Cash flows from investing activities:						
Investment securities purchased	(16)	(4,881)	-	(4,697)	(33)	-
Proceeds on matured investment securities	-	-	-	-	2,211	-
Interest income	17,027	19,701	23,343	60,071	50,238	-
Net cash provided by investing activities	<u>17,011</u>	<u>15,020</u>	<u>23,343</u>	<u>55,374</u>	<u>52,416</u>	<u>-</u>

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, 2014
WITH COMPARATIVE TOTALS FOR FISCAL YEAR ENDED JUNE 30, 2013**

	Business-Type Activities - Enterprise Funds				Governmental
	Wastewater System	Water System	Other Enterprise Fund	Totals Proprietary Funds 2014 2013	Internal Service Funds
Net increase (decrease) in cash and cash equivalents	\$ 637,398	\$ 480,771	\$ 187,242	\$ 1,305,411 \$ 866,318	\$ 118,453
Cash and cash equivalents at beginning of year (including \$1,512,614 and \$1,019,568 for the Waste System and the Water System Utility Funds, respectively reported in Restricted Funds)	3,076,853	2,851,449	945,791	6,874,093 6,007,775	592,936
Cash and cash equivalents at end of year (including \$1,628,846 and \$1,064,401 for the Wastewater System and the Water System Funds, respectively reported in Restricted Funds)	\$ 3,714,251	\$ 3,332,220	\$ 1,133,033	\$ 8,179,504 \$ 6,874,093	\$ 711,389

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

Operating income (loss)	\$ 1,108,538	\$ 1,076,681	\$ (515,458)	\$ 1,669,761	\$ 1,360,413	\$ 55,367
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation	1,393,170	618,547	129,323	2,141,040	2,126,625	292,667
Change in assets and liabilities:						
(Increase) decrease in accounts receivable	(480)	(35,184)	(15,686)	(51,330)	97,570	1,349
(Increase) decrease in due from other funds	4,278	14,408	42,685	61,371	(31,304)	238,225
(Increase) decrease in due from component unit	-	-	-	-	-	(116)
(Increase) decrease in inventories	-	(5,421)	(200)	(5,621)	(31,205)	-
(Increase) decrease in prepaid expense	865	612	-	1,677	(1,038)	-
Increase (decrease) in vouchers payable	(74,823)	(21,247)	3,336	(92,734)	(113,287)	(295,312)
Increase (decrease) in accrued payroll and liabilities	(2,019)	2,681	(592)	70	(4,371)	1,484
Increase (decrease) in due to other funds	2,008	15,785	(13,965)	3,828	(64,206)	-
Increase (decrease) in accrued sick and vacation	(2,845)	10,144	-	7,299	4,512	-
Increase (decrease) in unearned revenue	-	-	-	-	(3,000)	-
Increase (decrease) in customer deposits	-	(1,642)	-	(1,642)	3,150	-
Total adjustments	1,320,154	598,883	144,921	2,063,958	1,983,446	238,297
Net cash provided by (used in) operating activities	\$ 2,428,692	\$ 1,675,564	\$ (370,537)	\$ 3,733,719	\$ 3,343,859	\$ 293,664

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

**CITY OF ADRIAN, MICHIGAN
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2014 AND 2013**

	2014	2013
ASSETS:		
Cash and cash equivalents	\$ 42,995	\$ 96,019
Investments	71,840	71,830
Accounts receivable	100	-
Due from primary government	55	-
Total assets	\$ 114,990	\$ 167,849
LIABILITIES:		
Vouchers payable	\$ -	\$ 25,984
Due to other taxing units	10,685	28,045
Restricted deposits	104,305	113,820
Total liabilities	\$ 114,990	\$ 167,849

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

CITY OF ADRIAN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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 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, 2014

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, 2014

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 *Oil and Gas Royalty Trust Fund* is a permanent fund where oil and gas royalties from City property are deposited. When these trust funds can be distributed to the City for operating purposes is unknown at this time. A legal court decision on this matter is to be made in the future.

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:

CITY OF ADRIAN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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.

CITY OF ADRIAN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2014.

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.

CITY OF ADRIAN, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, liabilities, and net assets or equity. (Continued)

2. Receivables and payables (Continued)

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.

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.

CITY OF ADRIAN, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

CITY OF ADRIAN, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 recommended by the City Administrator or Finance Director and sent to the City Commission for final approval. The City of Adrian's Financial Management Policy gives authorization for the process to assign fund balance.

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.

CITY OF ADRIAN, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2014 are:

Fund	Aggregate Encumbrances
General Fund	\$ 86,214

CITY OF ADRIAN, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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, 2014, the City incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

Fund	Appropriations	Amount of Expenditures	Budget Variance
General Fund			
Stores - Central Supply	\$ (2,580)	\$ 13,073	\$ (15,633)
Street Lighting	113,000	122,553	(9,553)
Parks and Forestry-Heritage	158,363	166,284	(7,921)
Transfers out	151,041	152,533	(1,492)
Local Streets Fund			
Winter maintenance	108,035	108,093	(58)
Administration	29,034	43,956	(14,922)

CITY OF ADRIAN, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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

Local 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		150,000
Property Acquisitions		150,000
Local grant match		25,000
Cemetery building replacement		100,000
Wellness Initiative		25,000
Pension Liability Contribution		<u>500,000</u>
 Total Proposed Designations	 \$	 <u>1,450,000</u>

NOTE 3. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of June 30, 2014, 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	\$ 144,341	\$ 144,341	-	\$ -
Certificates of Deposit	615,611	87,530	105,518	422,563
U.S. Agencies	3,335,391	490,388	2,664,167	180,836
Mutual Funds	1,177,563	1,177,563	-	-
Mutual Fund – Cesh (U.S. Government Securities)	626,365	626,365	-	-
Class – Pooled Investments	<u>388,968</u>	<u>388,968</u>	-	-
Total fair value	<u>\$ 8,288,230</u>	<u>\$ 2,915,155</u>	<u>\$ 2,769,685</u>	<u>\$ 603,399</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 54% 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, 2014

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, 2014 were unrated. All of the U.S. government agencies investments of \$3,335,391 and a portion of the Class Investment \$57,029 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 61% of the City's total investments which represent 83% of General Fund's investments and 100% of the Oil and Gas Royalty Trust Fund's investments. Also, United Bank and Trust had 13% 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 10% of the City's total investment, which was 56% 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, 2014, \$12,094,005 of the City's bank balance of \$12,674,421 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 \$88,728 of their bank balance of \$346,880 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, 2013, these investments with total balances of \$759,952 were exposed to custodial credit risk on the balance of \$365,611 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 \$3,724,359 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 \$1,803,928 are not exposed to custodial credit risk.

CITY OF ADRIAN, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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	\$ 132,365	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 132,365
Accounts	140,254	79,680	28,144	150,408	647,680	595,274	241,036	1,862,476
Assessments	-	-	-	-	68,501	22,629	336,149	427,279
Community Development loans	-	-	-	-	-	-	91,671	91,671
Gross receivables	272,619	79,680	28,144	150,408	716,181	617,903	668,856	2,533,791
Less: Allowance for uncollectibles	132,365	-	-	-	-	-	-	132,365
Net total receivables	\$ 140,254	\$ 79,680	\$ 28,144	\$ 150,408	\$ 716,181	\$ 617,903	\$ 668,856	\$ 2,401,426

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	7,499
Library contributions to be used for specified library programs	15,634
Drug forfeiture funds not yet allocated	51,501
	<u>\$ 79,798</u>

CITY OF ADRIAN, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital assets

Capital asset activity for the year ended June 30, 2014 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 depreciated:				
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 depreciated:				
Land improvements	8,030,423	8,500	-	8,038,923
Buildings	11,320,607	-	-	11,320,607
Machinery, equipment, and furnishings	12,841,440	233,637	(300,151)	12,774,926
Infrastructure	41,419,638	628,872	-	42,048,310
Total capital assets, being	<u>73,612,108</u>	<u>870,809</u>	<u>(300,151)</u>	<u>74,182,766</u>
Less: Accumulated depreciation for:				
Land improvements	(2,862,915)	(351,928)		(3,214,843)
Buildings	(3,253,041)	(271,064)		(3,524,105)
Machinery, equipment, and furnishings	(10,825,739)	(425,927)	300,151	(10,951,515)
Infrastructure	(31,535,766)	(512,000)		(32,047,766)
Total accumulated depreciation	<u>(48,477,461)</u>	<u>(1,560,919)</u>	<u>300,151</u>	<u>(49,738,229)</u>
Total capital assets, being depreciated, net	<u>25,134,647</u>	<u>(690,110)</u>	<u>-</u>	<u>24,444,537</u>
Governmental activities, capital assets - net	<u>\$ 33,440,286</u>	<u>\$ (690,110)</u>	<u>\$ -</u>	<u>\$32,750,176</u>

CITY OF ADRIAN, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 1,407,642	\$ -	\$ -	\$ 1,407,642
Total capital assets, not being depreciated	<u>1,407,642</u>	<u>-</u>	<u>-</u>	<u>1,407,642</u>
Capital assets, being depreciated:				
Land improvements	2,016,834	-	-	2,016,834
Utility systems	84,076,737	965,597	-	85,042,334
Machinery, equipment, and furnishings	567,218	-	-	567,218
Building	<u>1,373,271</u>	<u>-</u>	<u>-</u>	<u>1,373,271</u>
Total capital assets, being depreciated	<u>88,034,060</u>	<u>965,597</u>	<u>-</u>	<u>88,999,657</u>
Less: accumulated depreciation for:				
Land improvements	(759,725)	(42,315)	-	(802,040)
Utility systems	(35,547,247)	(2,035,519)	-	(37,582,766)
Machinery, equipment, and furnishings	(354,920)	(32,611)	-	(387,531)
Building	<u>(145,854)</u>	<u>(30,594)</u>	<u>-</u>	<u>(176,448)</u>
Total accumulated depreciation	<u>(36,807,746)</u>	<u>(2,141,039)</u>	<u>-</u>	<u>(38,948,785)</u>
Total capital assets, being depreciated – net	<u>51,226,314</u>	<u>(1,175,442)</u>	<u>-</u>	<u>50,050,872</u>
Business-type activities, capital assets – net	<u>\$ 52,633,958</u>	<u>\$ (1,175,442)</u>	<u>\$ -</u>	<u>\$ 51,458,514</u>

CITY OF ADRIAN, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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	\$	135,502
Public safety		113,269
Public works (includes sidewalks and		18,000
Culture and recreation (includes		460,058
Other services (includes library)		5,059
Community/economic development		3,250
Highways, streets, and bridges		530,405
Motor vehicle pool		272,360
Information technology		23,016
Total depreciation expense –	\$	<u>1,560,919</u>
Business-type activities:		
Wastewater system	\$	1,393,170
Water system		618,547
Dial-A-Ride system		63,205
Automobile parking system		24,055
Storm water system		42,062
Total depreciation expense –	\$	<u>2,141,039</u>

Construction commitments

The government has active construction projects as of June 30, 2014. The projects include street and paving, sewer brick arcs and dust collection.

	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Brick arch rehab & replace	\$ -	\$ 1,258,553
Concrete curb & gutter	-	69,584
Purchase floodgates	-	35,956
Sanitary sewer lining project-various	86,527	89,350
Install bulkheads-dam floodgates	-	27,500
Install doors & windows at WWTP	-	49,662
Asphalt paving	-	312,019
Total	<u>\$ 86,527</u>	<u>\$ 1,842,624</u>

CITY OF ADRIAN, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 53,494	\$ -	\$ -	\$ 53,494
Capital assets, being depreciated:				
Land improvements	1,225,000	-	-	1,225,000
Less: Accumulated depreciation				
Land improvements	(931,000)	(49,000)	-	(980,000)
DDA capital assets – net	<u>\$ 347,494</u>	<u>\$ (49,000)</u>	<u>\$ -</u>	<u>\$ 298,494</u>

CITY OF ADRIAN, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

D. Interfund receivables, payables, and transfers

Primary Government

Due to/from other funds:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	\$ 82,360	Major Street	\$ 8,738
		Local Street	8,844
		Municipal Street	2,367
		Rhino	1,509
		Auto Parking	1,769
		Waste Water	21,341
		Water	34,146
		Perpetual Care	3,646
	<u>82,360</u>		<u>82,360</u>
Municipal Street	<u>4</u>	General	<u>4</u>
Rhino	<u>71</u>	General	<u>71</u>
Information Technology	6,417	Major Street	419
		Local Street	419
		Wastewater	3,254
		Water	2,325
	<u>6,417</u>		<u>6,417</u>
Motor Vehicle	23,422	Major Street	8,088
		Local Street	11,200
		Rhino	55
		Auto Parking	1,427
		Wastewater	1,261
		Water	1,391
	<u>23,422</u>		<u>23,422</u>
Community Development	<u>19</u>	General	<u>19</u>
Auto Parking	7,083	General	5,000
	-	Fee Estate	2,083
	<u>7,083</u>		<u>7,083</u>
Endowment Trust	<u>233</u>	General	<u>233</u>
Wastewater	<u>1,816</u>	General	<u>1,816</u>
Water	1,020	General	991
		Solid Waste	29
	<u>1,020</u>		<u>1,020</u>
Solid Waste	<u>17</u>	Storm Water	<u>17</u>
Storm Water	<u>14</u>	General	<u>14</u>
Capital Projects Revolving	<u>14</u>	General	<u>14</u>
Total primary government	<u>\$ 122,490</u>		<u>\$ 122,490</u>

CITY OF ADRIAN, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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 1,001	Downtown Development Authority-TIF 1,001
Automobile Parking System 5,000	Downtown Development Authority-TIF 5,000
Downtown Development Authority-TIF 4	General 4
Information Technology 652	Downtown Development Authority - TIF 652
Brownfield Redevelopment 83	General 83
\$ 6,720	\$ 6,720

The balance of \$6,417 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

Transfers In				
<u>Transfers Out:</u>	<u>General Fund</u>	<u>Local Streets</u>	<u>Nonmajor Enterprise</u>	<u>Total</u>
General	\$ -		\$ 152,533	\$ 152,533
Major Street	-	125,000		125,000
Fee Estate	-	-	25,000	25,000
Nonmajor Governmental	91,540	353,000	-	444,540
	\$ 91,540	\$ 478,000	\$ 177,533	\$ 747,073

CITY OF ADRIAN, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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 2013-14, Major Street Fund transferred to Local Street Fund \$125,000 and Municipal Street Fund transferred to Local Street Fund \$353,000 to support local street construction projects. Transfers from General Fund to Automobile Parking Fund for \$60,000 and to Dial-A-Ride System for \$92,533 to support operations in these funds. Transfer from Endowment Trust Fund of \$51,540 to General Fund to support recreation activities.

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:

<u>Purpose</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Interest Rates</u>	<u>Final Maturity Date</u>	<u>Annual Principal Payments</u>	<u>Balance Outstanding</u>
Primary Government			2.0% to		\$ 200,000 to	
General Fund	11/16/2009	\$ 7,040,000	6.625%	5/1/2034	405,000	<u>\$ 6,195,000</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, 2014

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, 2014

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)
2015	220,000	220,734
2016	235,000	213,584
2017	240,000	205,066
2018	245,000	196,066
2019	255,000	188,104
2020-2024	1,400,000	799,920
2025-2029	1,655,000	532,296
2030-2034	1,945,000	216,258
	\$ 6,195,000	\$ 2,572,028

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, 2014

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

Revenue bonds outstanding at June 30, 2014 are as follows:

Purpose	Date of Issue	Amount of Issue	Interest Rates	Final Maturity Date	Annual Principal Payments	Balance Outstanding
					\$ 350,000 to 580,000	
Wastewater System Improvements	09/26/02	\$ 8,920,000	2.5%	10/01/23		\$ 5,015,000
					\$ 220,000 to 355,000	
Water System Improvements	09/26/02	\$ 5,665,000	2.5%	10/01/23		3,185,000
					\$ 85,000 to 118,885	
Wastewater System Improvements	09/22/05	\$ 1,993,885	1.675%	10/01/26		1,353,885
					\$ 305,000 to 397,663	
Wastewater System Improvements	12/15/05	\$ 6,962,663	1.675%	04/01/27		4,757,663
					\$ 320,000 to 426,707	
Water System Improvements	09/27/07	\$ 7,441,707	2.125%	10/1/2028		<u>5,771,707</u>
						<u>\$ 20,083,255</u>

Revenue bond debt service requirements to maturity for bonds totaling \$20,083,255 are as follows:

Year Ending June 30	Principal	Interest
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	1,635,000	277,712
2020-2024	8,655,000	837,409
2025-2029	3,593,255	158,112
	<u>\$ 20,083,255</u>	<u>\$ 2,726,646</u>

CITY OF ADRIAN, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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.

<u>Purpose</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Interest Rates</u>	<u>Final Maturity Date</u>	<u>Annual Principal Payments</u>	<u>Balance Outstanding</u>
					\$ 26,801	
					to	
Wastewater System	3/28/2008	\$ 754,800	3.77%	5/10/2018	\$ 46,942	336,222

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.

<u>Purpose</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Interest Rates</u>	<u>Final Maturity Date</u>	<u>Annual Principal Payments</u>	<u>Balance Outstanding</u>
					\$ 22,871	
					to	
Wastewater System	7/24/2009	\$ 124,999	5.01%	7/24/2013	\$ 33,333	0

Long-term liability activity for the year ended June 30, 2014 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	\$ 6,415,000	\$ -	\$ 220,000	\$ 6,195,000	\$ 220,000
Accrued sick and vacation	486,197	943,877	938,458	491,618	160,620
Governmental activity - long-term liability	<u>\$ 6,901,197</u>	<u>\$ 943,877</u>	<u>\$ 1,158,458</u>	<u>\$ 6,686,618</u>	<u>\$ 380,620</u>
Business-type activities:					
Lease Purchase	\$ 415,172	\$ -	\$ 76,950	\$ 338,222	\$ 79,879
Installment Purchase	32,197	-	32,197	-	-
Revenue bonds	21,583,255	-	1,480,000	20,083,255	1,505,000
Total bonds & lease payable	22,010,624	-	1,589,147	20,421,477	1,584,879
Accrued sick and vacation	94,672	304,332	297,033	101,971	49,358
Business-type activity - long-term liability	<u>\$ 22,105,296</u>	<u>\$ 304,332</u>	<u>\$ 1,886,180</u>	<u>\$20,523,448</u>	<u>\$ 1,634,237</u>

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

CITY OF ADRIAN, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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, 2014 and 2013. 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.

H. Oil and Gas Royalty Trust

The City of Adrian Oil and Gas Royalty Trust was established in 2013 to preserve and utilize royalties derived from oil and gas exploration or mineral rights owned by the City of Adrian. The Trust is to exist for a minimum period of 15 years. Upon expiration of this initial period, the City Commissioners at that time, by affirmative vote of not less than five commissioners may terminate or otherwise amend the terms of the Trust.

The principal of the Trust, along with all oil and gas income earned from a period commencing May 24, 2013 through May 24, 2016 shall be accumulated with no expenditures, except for administration expenses and fees due the Trustee (First Federal Bank of the Midwest). Thereafter, the Trustee shall distribute to the City an amount equal to no more than 5% of the Trust value on an annual basis. Trust value will be based using a 16 quarter rolling average. The schedule of distribution shall be agreed to between the City's Director of Finance and the Trustee, but shall be distributed at least quarterly. Each budget year, the Adrian City Commission shall determine the percentage of distribution it requires, not to exceed the 5% limit.

Certain Trust provisions concerning procedure on how the Trust might be terminated after initial 15 year period; and how and when distribution from the Trust can be made are being challenged in legal actions. The outcome of this dispute is not known at this time.

In the financial statements the Oil and Gas Royalty Trust is shown a permanent fund with its fund balance restricted for public purposes.

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 \$1,689,773.

CITY OF ADRIAN, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 4. OTHER INFORMATION (Continued)

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 10.75% to 17.89% 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, 2014 and 2013, the City's annual pension cost of \$1,252,633 and \$1,080,138 respectively for MERS was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2012 actuarial valuation using the entry age actuarial cost method. Also, employee contributions were \$278,324 and \$290,663 for fiscal years 2013-14 and 2012-13. 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 25 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>
6/30/12	981,416	100%	0
6/30/13	1,080,138	100%	0
6/30/14	1,252,633	100%	0

CITY OF ADRIAN, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 4. OTHER INFORMATION (Continued)

Funding Status

Actuarial Accrued Liability (as of 12/31/13)	
Retirees and beneficiaries currently receiving benefits	\$ 35,880,325
Terminated employees not yet receiving benefits	1,774,108
Nonvested terminated employees (pending refunds of accumulated member contributions)	188,452
Current employees –	
Accumulated employee contributions including allocated investment income	3,579,966
Employer financed	<u>14,600,404</u>
Total Actuarial Accrued Liability	55,823,253
Net Assets Available for Benefits at Actuarial Value date	<u>41,312,860</u>
(Market Value is \$38,906,859)	
Unfunded (Overfunded) Actuarial Accrued Liability	<u>\$ 14,510,393</u>

The funded ratio (the actuarial value of assets as a percentage of the actuarial accrued liability) was 74.01% at December 31, 2013.

The covered payroll (annual payroll of active employees covered by the plan) was \$5,974,673, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 203%. 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 \$17,500 (or if age 50 and older an additional amount up to \$5,500), 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, 2014 was \$6,083,873.

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, 2014

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 (\$54,914 in fiscal year 2013-14) during employment, but no additional funding is provided after retirement. The plan had investments of \$1,021,036 at June 30, 2014.

F. Upcoming Accounting Pronouncement

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, was issued by the GASB in June 2012 and will be effective for the City's 2015 fiscal year. The Statement requires governments that participate in defined benefit pension plans to report in their statement of net position a net pension liability, which is the difference between the present value of projected benefit payments to employees based on their past service and the plan assets, which are investments held by pension fiduciary for plan participants. Statement 68 requires employers to record a liability and expense equal to the net pension liability and annual expense for the plan.

G. Subsequent Events

There has been no significant event from June 30, 2014 to September 30, 2014 which would have materially effected the financial condition of the City.

CITY OF ADRIAN, MICHIGAN
REQUIRED SUPPLEMENTAL INFORMATION

June 30, 2014

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%
12/31/2013	41,510,393	55,823,253	14,510,393	74.4%	5,974,673	242.9%

See notes to the financial statements.

PAGE INTENTIONALLY LEFT BLANK

**CITY OF ADRIAN, MICHIGAN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014
WITH COMPARATIVE TOTALS FOR JUNE 30, 2013**

	Special Revenue Funds					Permanent Funds			Totals Nonmajor Governmental Funds		
	Municipal Streets	Community Development	RHINO	Solid Waste	Public Purpose	Total	Endowment Trust	Perpetual Care	Total	2014	2013
ASSETS:											
Cash and cash equivalents	\$ 80,584	\$ 40,147	\$ 148,797	\$ 197,634	\$ 62,617	\$ 529,779	\$ 9,005	\$ 32,653	\$ 41,658	\$ 571,437	\$ 958,823
Investments	-	-	-	-	-	-	574,606	928,718	1,503,324	1,503,324	1,530,030
Loans receivable	-	91,671	-	-	-	91,671	-	-	-	91,671	105,990
Accounts receivable – other	-	-	4,820	219,778	-	224,598	-	-	-	224,598	79,969
Cemetery lots	-	-	-	-	-	-	-	7,499	7,499	7,499	7,499
Due from component unit	-	-	-	-	-	-	-	-	-	-	-
Due from other funds	4	19	71	17	-	111	233	-	233	344	20,927
Total assets	\$ 80,588	\$ 131,837	\$ 153,688	\$ 417,429	\$ 62,617	\$ 648,159	\$ 583,844	\$ 968,870	\$ 1,552,714	\$ 2,398,873	\$ 2,703,238
LIABILITIES AND FUND BALANCES:											
LIABILITIES:											
Vouchers payable	\$ -	\$ 4,546	\$ 11,178	\$ 3,315	\$ -	\$ 19,039	\$ -	\$ -	\$ -	\$ 19,039	\$ 6,410
Accrued liabilities	-	-	-	288	-	288	-	-	-	288	898
Due to other funds	2,367	-	1,564	29	-	3,960	-	3,646	3,646	7,606	377,414
Due to component unit	-	-	-	-	-	-	-	-	-	-	89,000
Total liabilities	2,367	4,546	12,742	3,632	-	23,287	-	3,646	3,646	26,933	473,722
Deferred Inflows of Resources											
Unearned revenues (See Note 3.B)	-	-	24,006	-	27,495	51,501	-	-	-	51,501	44,728
Fund balances:											
Restricted for:											
Streets	78,221	-	-	-	-	78,221	-	-	-	78,221	60,104
Community development	-	127,291	-	-	-	127,291	-	-	-	127,291	125,426
RHINO	-	-	116,940	-	-	116,940	-	-	-	116,940	140,976
Endowment	-	-	-	-	-	-	111,005	-	111,005	111,005	111,005
Perpetual care	-	-	-	-	-	-	-	965,224	965,224	965,224	945,042
Public purpose	-	-	-	-	35,122	35,122	472,839	-	472,839	507,961	622,734
Solid waste	-	-	-	413,797	-	413,797	-	-	-	413,797	179,501
Total fund balances	78,221	127,291	116,940	413,797	35,122	771,371	583,844	965,224	1,549,068	2,320,439	2,184,788
Total liabilities, deferred inflows of and fund balance	\$ 80,588	\$ 131,837	\$ 153,688	\$ 417,429	\$ 62,617	\$ 846,159	\$ 583,844	\$ 968,870	\$ 1,552,714	\$ 2,398,873	\$ 2,703,238

See notes to the financial statements.

CITY OF ADRIAN, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR FISCAL YEAR ENDED JUNE 30, 2014
WITH COMPARATIVE TOTALS FOR FISCAL YEAR ENDED JUNE 30, 2013

	Special Revenue Funds					Permanent Funds			Totals Nonmajor Governmental Funds		
	Municipal Streets	Community Development	RHINO	Solid Waste	Public Purpose	Total	Endowment Trust	Perpetual Care	Total	2014	2013
REVENUES:											
Taxes	\$ 370,656	\$ -	\$ -	\$ -	\$ -	\$ 370,656	\$ -	\$ -	\$ -	\$ 370,656	\$ 371,336
Intergovernmental - federal	-	-	-	-	-	-	-	-	-	-	-
Investment earnings	461	1,965	861	-	10	3,297	19,798	31,225	51,023	54,320	(18,522)
Refuse collection and recycling	-	-	-	752,302	-	752,302	-	-	-	752,302	647,814
Oil royalties	-	-	86,626	-	6,772	93,398	-	28,957	28,957	122,355	154,193
Other	-	-	-	-	-	-	-	-	-	-	-
Total revenues	371,117	1,965	87,487	752,302	6,782	1,219,653	19,798	60,182	79,980	1,299,633	1,154,821
EXPENDITURES:											
Community Development	-	100	-	-	-	100	-	-	-	100	15,934
Public safety	-	-	111,523	518,006	-	629,529	-	-	-	629,529	623,680
Other services	-	-	-	-	79,813	79,813	10,000	-	10,000	89,813	116,808
Total expenditures	-	100	111,523	518,006	79,813	709,342	10,000	-	10,000	719,442	756,422
Excess (deficiency) of revenues over (under) expenditures	371,117	1,865	(24,036)	234,296	(73,031)	510,311	9,798	60,182	69,980	580,191	398,399
Other financing sources (uses):											
Transfers out	(353,000)	-	-	-	-	(353,000)	(51,540)	(40,000)	(91,540)	(444,540)	(790,440)
Total other financing sources (uses)	(353,000)	-	-	-	-	(353,000)	(51,540)	(40,000)	(91,540)	(444,540)	(790,440)
Net changes in fund balances	18,117	1,865	(24,036)	234,296	(73,031)	157,311	(41,742)	20,182	(21,560)	135,651	(392,041)
Fund balances - beginning 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
Fund balances - end of year	<u>\$ 78,221</u>	<u>\$ 127,291</u>	<u>\$ 116,940</u>	<u>\$ 413,797</u>	<u>\$ 35,122</u>	<u>\$ 771,471</u>	<u>\$ 583,844</u>	<u>\$ 965,224</u>	<u>\$ 1,549,068</u>	<u>\$ 2,320,439</u>	<u>\$ 2,184,788</u>

See notes to the financial statements.

**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, 2014**

	<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	\$ 372,000	\$ 372,000	\$ 370,656	\$ (1,344)
Investment earnings	1,000	1,000	461	(539)
Total revenues	373,000	373,000	371,117	(1,883)
Expenditures	-	-	-	-
Excess of revenues over expenditures	373,000	373,000	371,117	(1,883)
Other financing uses:				
Transfers out	(373,000)	(373,000)	(353,000)	20,000
Net change in fund balance	-	-	18,117	18,117
Fund balance - beginning of year	60,104	60,104	60,104	-
Fund balance - end of year	<u>\$ 60,104</u>	<u>\$ 60,104</u>	<u>\$ 78,221</u>	<u>\$ 18,117</u>

See notes to the financial statements.

**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, 2014**

	<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	-	1,875	1,965	90
Total revenues	-	1,875	1,965	90
EXPENDITURES:				
Other services:				
Community development	-	1,875	100	1,775
Excess of revenues over expenditures	-	-	1,865	1,865
Net change in fund balance	-	-	1,865	1,865
Fund balance - beginning of year	125,426	125,426	125,426	-
Fund balance - end of year	<u>\$ 125,426</u>	<u>\$ 125,426</u>	<u>\$ 127,291</u>	<u>\$ 1,865</u>

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

**CITY OF ADRIAN, MICHIGAN
RHINO SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
FOR FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
RHINO forfeitures	\$ 107,700	\$107,700	\$ 81,418	\$ (26,282)
Investment earnings	600	600	861	261
Other	100	100	5,208	5,108
Total revenues	108,400	108,400	87,487	(20,913)
EXPENDITURES:				
Public safety, RHINO	108,400	117,250	111,523	5,727
Excess of revenues over expenditures	-	(8,850)	(24,036)	(15,186)
Fund balance - beginning of year	140,976	140,976	140,976	-
Fund balance - end of year	<u>\$ 140,976</u>	<u>\$132,126</u>	<u>\$116,940</u>	<u>\$ (15,186)</u>

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

**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, 2014**

	<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	<u>\$ 586,900</u>	<u>\$ 586,900</u>	<u>\$ 752,302</u>	<u>\$ 165,402</u>
Total revenues	<u>586,900</u>	<u>586,900</u>	<u>752,302</u>	<u>165,402</u>
EXPENDITURES:				
Public safety	<u>586,900</u>	<u>586,900</u>	<u>518,006</u>	<u>68,894</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>234,296</u>	<u>234,296</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>234,296</u>	<u>234,296</u>
Fund balance - beginning of year	<u>179,501</u>	<u>179,501</u>	<u>179,501</u>	<u>-</u>
Fund balance - end of year	<u>\$ 179,501</u>	<u>\$ 179,501</u>	<u>\$ 413,797</u>	<u>\$ 234,296</u>

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

**CITY
OF
ADRIAN**

CITY OF ADRIAN, MICHIGAN
COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
JUNE 30, 2014
WITH COMPARATIVE TOTALS FOR JUNE 30, 2013

	<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>2014</u>	<u>2013</u>
ASSETS:						
Current assets:						
Cash and cash equivalents	\$ 472,840	\$ -	\$ 386,081	\$ 274,112	\$ 1,133,033	\$ 945,791
Receivables:						
Special assessments	336,149	-	-	-	336,149	362,202
Due from other funds	14	-	7,083	14	7,111	45,180
Due from other governments	-	45,400	-	-	45,400	42,338
Due from component unit	-	-	5,000	-	5,000	20,000
Accounts	-	222	16,217	-	16,439	772
Inventory	-	-	-	26,051	26,051	25,851
88 Total current assets	<u>809,003</u>	<u>45,622</u>	<u>414,381</u>	<u>300,177</u>	<u>1,569,183</u>	<u>1,442,134</u>
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	2,016,834
Equipment	-	549,741	17,478	-	567,219	567,219
Less: accumulated depreciation	-	(546,502)	(507,570)	(1,549,655)	(2,603,727)	(2,474,404)
Net capital assets	<u>-</u>	<u>1,399,378</u>	<u>1,252,261</u>	<u>1,743,569</u>	<u>4,395,208</u>	<u>4,524,531</u>
Total noncurrent assets	<u>-</u>	<u>1,399,378</u>	<u>1,252,281</u>	<u>1,743,569</u>	<u>4,395,208</u>	<u>4,524,531</u>
Total assets	<u>\$ 809,003</u>	<u>\$ 1,445,000</u>	<u>\$ 1,666,642</u>	<u>\$ 2,043,746</u>	<u>\$ 5,964,391</u>	<u>\$ 5,966,665</u>

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

	<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>2014</u>	<u>2013</u>
LIABILITIES:						
Current liabilities:						
Vouchers payable	\$ -	\$ 39,232	\$ 2,929	\$ -	\$ 42,161	\$ 20,933
Accrued liabilities	-	-	857	-	857	1,449
Due to other funds	-	-	3,196	17	3,213	17,178
Due to other governments	-	6,390	-	-	6,390	24,282
Total current liabilities	-	45,622	6,982	17	52,621	63,842
Total liabilities	-	45,622	6,982	17	52,621	63,842
NET POSITION:						
Invested in capital assets net of related debt	-	1,399,378	1,252,261	1,743,569	4,395,208	4,524,531
Unrestricted	809,003	-	407,399	300,160	1,516,562	1,378,292
Total net position	\$ 809,003	\$ 1,399,378	\$ 1,659,660	\$ 2,043,729	\$ 5,911,770	\$ 5,902,823

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
NONMAJOR ENTERPRISE FUNDS
FOR FISCAL YEAR ENDED JUNE 30, 2014
WITH COMPARATIVE TOTALS FOR FISCAL YEAR ENDED JUNE 30, 2013

	Capital Projects Revolving Fund	Dial-A-Ride System	Automobile Parking System	Storm Water Utility	Totals Nonmajor Enterprise Funds	
					2014	2013
Operating revenues:						
Charges for services	\$ -	\$ 98,498	\$ -	\$ 36,318	\$ 134,816	\$ 359,718
Special assessment	-	-	78,841	-	78,841	62,638
Miscellaneous	-	3,050	800	333	4,183	7,156
Total operating revenues	-	101,548	79,641	36,651	217,840	429,512
Operating expenses:						
Cost of services	-	457,611	86,489	59,876	603,976	894,881
Depreciation	-	63,205	24,055	42,062	129,322	75,867
Total operating expenses	-	520,816	110,544	101,938	733,298	970,748
Operating income (loss)	-	(419,268)	(30,903)	(65,287)	(515,458)	(541,236)
Nonoperating revenues (expenses):						
Intergovernmental – state – operating	-	178,279	-	-	178,279	175,358
Intergovernmental - operating expense reimbursement - state	-	-	-	-	-	2,000
Intergovernmental – operating expense reimbursement - federal	-	14,434	-	-	14,434	9,098
Intergovernmental – federal	-	70,816	-	-	70,816	72,630
Interest revenue	23,064	-	142	137	23,343	17,022
Total nonoperating revenues (expenses)	23,064	263,529	142	137	286,872	276,108

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

	Capital Projects Revolving Fund	Dial-A-Ride System	Automobile Parking System	Storm Water Utility	Totals Nonmajor Enterprise Funds	
					2014	2013
Income (loss) before contribution and transfers	\$ 23,064	\$ (155,739)	\$ (30,761)	\$ (65,150)	\$ (228,586)	\$ (265,128)
Capital contribution – Grants						
Federal	-	-	-	-	-	5,520
State	-	-	-	-	-	-
Capital contribution - local	-	-	60,000	-	60,000	60,000
Transfers in	-	92,533	85,000	-	177,533	150,967
Change in net position	23,064	(63,206)	114,239	(65,150)	8,947	(48,641)
Total net position -- beginning of year	785,939	1,462,584	1,545,421	2,108,879	5,902,823	5,951,464
Total net position – end of year	<u>\$ 609,003</u>	<u>\$ 1,399,378</u>	<u>\$ 1,659,660</u>	<u>\$ 2,043,729</u>	<u>\$ 5,911,770</u>	<u>\$ 5,902,823</u>

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

**CITY OF ADRIAN, MICHIGAN
 COMBINING STATEMENT OF CASH FLOWS
 NONMAJOR ENTERPRISE FUNDS
 FOR FISCAL YEAR ENDED JUNE 30, 2014
 WITH COMPARATIVE TOTALS FOR FISCAL YEAR ENDED JUNE 30, 2013
 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>	
					2014	2013
Cash flows from operating activities:						
Cash received from customers	\$ -	\$ 116,534	\$ 97,806	\$ 45,154	\$ 259,294	\$ 467,137
Cash paid to suppliers	-	(197,510)	(65,001)	(65,707)	(328,218)	(577,867)
Cash paid to employees	-	(272,023)	(16,754)	(12,836)	(301,613)	(354,009)
Net cash provided by (used in) operating activities	-	(352,999)	15,851	(33,389)	(370,537)	(464,739)
Cash flows from noncapital financing activities:						
Grants received – Federal	-	82,508	-	-	82,508	97,810
Grants received – State	-	177,958	-	-	177,958	156,195
Transfers from General Fund	-	92,533	25,000	-	117,533	150,866
Transfers from Fee Estate			60,000		60,000	
Special assessment revenue provided to other funds	(38,254)	-	-	-	(38,254)	(22,713)
Net cash provided by noncapital financing activities	(38,254)	352,999	85,000	-	399,745	382,158
Cash flows from capital and related financing activities:						
Grants received - Federal	-	-	-	-	-	5,520
Contributions from DDA - TIFA	-	-	60,000	-	60,000	60,000
Capital asset purchases	-	-	-	-	-	(36,609)
Special assessments	74,691	-	-	-	74,691	58,511
Net cash provided by (used in) capital and related financing activities	74,691	-	60,000	-	134,691	87,422

See notes to the financial statements.

	Capital Projects Revolving Fund	Dial-A-Ride System	Automobile Parking System	Storm Water Utility	Nonmajor Enterprise Funds	
					2014	2013
Cash flows from investing activities:						
Interest income	\$ 23,064	\$ -	\$ 142	\$ 137	\$ 23,343	\$ 17,022
Net cash provided by investing activities	23,064	-	142	137	23,343	17,022
Net increase (decrease) in cash and cash equivalents	59,501	-	160,993	(33,252)	187,242	21,863
Cash and cash equivalents at beginning of year	413,339	-	225,088	307,364	945,791	923,928
Cash and cash equivalents at end of year	\$ 472,840	\$ -	\$ 386,081	\$ 274,112	\$ 1,133,033	\$ 945,791

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

⊗ Operating income (loss)	\$ -	\$ (419,268)	\$ (30,903)	\$ (65,287)	\$ (515,458)	\$(541,236)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation	-	63,208	24,055	42,062	129,323	156,867
Change in assets and liabilities:						
(Increase) decrease in due from other funds	-	-	34,182	8,503	42,685	(9,782)
(Increase) decrease in inventory	-	-	-	(200)	(200)	(8,105)
(Increase) decrease in accounts receivable	-	551	(16,217)	-	(15,866)	50,407
Increase (decrease) in vouchers payable	-	2,512	2,279	(1,455)	3,336	(98,533)
Increase (decrease) in accrued payroll and liabilities	-	-	772	(1,364)	(592)	(4,691)
Increase (decrease) in unearned revenue	-	-	-	-	-	(3,000)
Increase (decrease) in due to other funds	-	-	1,683	(15,648)	(13,965)	(6,666)
Total adjustments	-	66,269	46,754	31,898	144,921	76,497
Net cash provided by (used in) operating activities	\$ -	\$ (352,999)	\$ 15,851	\$ (33,389)	\$ (370,537)	\$(464,739)

See notes to the financial statements.

**CITY OF ADRIAN, MICHIGAN
 CAPITAL PROJECTS REVOLVING ENTERPRISE FUND
 COMPARATIVE STATEMENTS OF NET POSITION
 JUNE 30, 2014 AND 2013**

	June 30, 2014	June 30, 2013
ASSETS:		
Current assets:		
Cash	\$ 472,840	\$ 413,339
Receivables:		
Special assessments	336,149	362,202
Due from General fund	14	10,398
Total assets	\$ 809,003	\$ 785,939
 NET POSITION:		
Net position - unrestricted	\$ 809,003	\$ 785,939
Total net position	\$ 809,003	\$ 785,939

See notes to the financial statements.

**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, 2014 AND 2013**

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Operating revenues	<u>\$ -</u>	<u>\$ -</u>
Operating income	-	-
Nonoperating revenues (expenses):		
Interest revenue	<u>23,064</u>	<u>16,618</u>
Change in net position	23,064	16,618
Total net position - beginning of year	<u>785,939</u>	<u>769,321</u>
Total net position - end of year	<u>\$ 809,003</u>	<u>\$ 785,939</u>

See notes to the financial statements.

**CITY OF ADRIAN, MICHIGAN
 CAPITAL PROJECTS REVOLVING ENTERPRISE FUND
 COMPARATIVE STATEMENTS OF CASH FLOWS
 FOR FISCAL YEARS ENDED JUNE 30, 2014 AND 2013
 INCREASE IN CASH AND CASH EQUIVALENTS**

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
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	(38,254)	(22,713)
Net cash provided by (used in) noncapital financing activities	(38,254)	(22,713)
Cash flows from capital and related financing activities:		
Cash received on special assessment	74,691	58,511
Net cash provided by capital and related financing activities	74,691	58,511
Cash flows from investing activities:		
Interest	23,064	16,618
Net increase in cash and cash equivalents	59,501	52,416
Cash and cash equivalents at beginning of year	413,339	360,923
Cash and cash equivalents at end of year	<u>\$ 472,840</u>	<u>\$ 413,339</u>

**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	<u>\$ -</u>	<u>\$ -</u>

See notes to the financial statements.

**CITY OF ADRIAN, MICHIGAN
DIAL-A-RIDE SYSTEM ENTERPRISE FUND
COMPARATIVE STATEMENTS OF NET POSITION
JUNE 30, 2014 AND 2013**

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
ASSETS:		
Current assets:		
Cash	\$ -	\$ -
Due from other governments:		
Federal	31,057	28,315
State	14,343	14,023
Accounts receivable	222	772
Total current assets	45,622	43,110
Noncurrent assets:		
Capital assets:		
Land	22,868	22,868
Building	1,373,271	1,373,271
Equipment	549,741	549,741
Accumulated depreciation	(546,502)	(483,296)
Net capital assets	1,399,378	1,462,584
Total noncurrent assets	1,399,378	1,462,584
Total assets	\$ 1,445,000	\$ 1,505,694
LIABILITIES AND NET POSITION:		
LIABILITIES:		
Current liabilities:		
Vouchers payable	\$ 39,232	\$ 18,828
Due to other governments:		
County	6,390	6,390
Federal	-	17,892
Total current liabilities	45,622	43,110
NET POSITION:		
Invested in net assets, net of related debt	1,399,378	1,462,584
Total net position	\$ 1,399,378	\$ 1,462,584

See notes to the financial statements.

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, 2014 AND 2013

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Operating revenues:		
Charges for services	\$ 98,498	\$ 97,438
Other	3,050	4,575
	<u>101,548</u>	<u>102,013</u>
Operating expenses:		
Cost of services:		
Salaries and wages	185,984	196,810
Fringe benefits	86,039	88,784
Contracted services	24,456	24,305
Supplies and materials	68,232	71,008
Telephone	1,592	1,524
Insurance	16,782	20,119
Utilities	6,286	-
Advertising	75	328
Maintenance	44,143	43,855
Administrative and accounting	2,900	2,766
Depreciation	63,205	90,814
Information Technology	6,688	2,145
Capital outlay	14,434	-
	<u>520,816</u>	<u>542,458</u>
Total operating expenses	<u>520,816</u>	<u>542,458</u>
Operating loss	<u>(419,268)</u>	<u>(440,445)</u>
Nonoperating revenues:		
Intergovernmental – state	178,279	177,358
Intergovernmental - operating expense reimbursement - federal	14,434	9,098
Intergovernmental – federal	70,816	72,630
	<u>263,529</u>	<u>259,086</u>
Total nonoperating revenues	<u>263,529</u>	<u>259,086</u>
Loss before contributions and transfers	(155,739)	(181,359)
Capital contribution – Grants		
Federal	-	5,520
Transfers in	92,533	90,967
	<u>(63,206)</u>	<u>(84,872)</u>
Change in net position	<u>(63,206)</u>	<u>(84,872)</u>
Total net position – beginning of year	<u>1,462,584</u>	<u>1,547,456</u>
Total net position – end of year	<u>\$ 1,399,378</u>	<u>\$ 1,462,584</u>

See notes to the financial statements.

**CITY OF ADRIAN, MICHIGAN
DIAL-A-RIDE SYSTEM ENTERPRISE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR FISCAL YEARS ENDED JUNE 30, 2014 AND 2013
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Cash flows from operating activities:		
Cash received from customers	\$ 116,534	\$ 99,422
Cash paid to suppliers	(197,510)	(158,277)
Cash paid to employees	(272,023)	(285,594)
Net cash used in operating activities	(352,999)	(344,449)
Cash flows from noncapital financing activities:		
Grant received – Federal	82,508	97,810
Grant received – State	177,958	156,195
Transfer from general fund	92,533	90,866
Net cash provided by noncapital financing activities	352,999	344,871
Cash flows from capital and related financing activities:		
Grants received - Federal	-	5,520
Capital asset purchases net of dispositions	-	(5,942)
Net cash provided by capital and related financing activities	-	(422)
Net increase (decrease) in cash and cash equivalents	-	-
Cash and cash equivalents at beginning of year	-	-
Cash and cash equivalents at end of year	\$ -	\$ -

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

Operating loss	\$ (419,268)	\$ (440,445)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	63,206	90,814
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	551	409
Increase (decrease) in vouchers payable	2,512	7,773
Increase (decrease) in unearned revenue	-	(3,000)
Total adjustments	66,269	95,996
Net cash used in operating activities	\$ (352,999)	\$ (344,449)

See notes to the financial statements.

**CITY OF ADRIAN, MICHIGAN
AUTOMOBILE PARKING SYSTEM ENTERPRISE FUND
COMPARATIVE STATEMENTS OF NET POSITION
JUNE 30, 2014 AND 2013**

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 386,081	\$ 225,088
Accounts receivable	16,217	-
Due from general fund	5,000	26,265
Due from Fee Estate	2,083	-
Due from component unit	5,000	20,000
Total current assets	414,381	271,353
Capital assets:		
Land	638,500	638,500
Land improvements	1,103,853	1,103,853
Equipment	17,478	17,478
Less: accumulated depreciation	(507,570)	(483,515)
Net capital assets	1,252,261	1,276,316
Total noncurrent assets	1,252,261	1,276,316
Total assets	\$ 1,666,642	\$ 1,547,669
LIABILITIES AND NET POSITION:		
LIABILITIES:		
Current liabilities:		
Vouchers payable	\$ 2,929	\$ 650
Accrued payroll	857	85
Due to general fund	1,769	1,513
Due to motor vehicle pool	1,427	-
Total current liabilities	6,982	2,248
Total liabilities	6,982	2,248
NET POSITION:		
Invested in capital assets, net of related debt	1,252,261	1,276,316
Unrestricted	407,399	269,105
Total net position	\$ 1,659,660	\$ 1,545,421

See notes to the financial statements.

**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, 2014 AND 2013**

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Operating revenues:		
Charges for services	\$ -	\$ 1,367
Special assessment	78,841	62,638
Other	800	300
	<u>79,641</u>	<u>64,305</u>
Total operating revenues		
Operating expenses:		
Cost of services:		
Salaries and wages	17,526	10,348
Fringe benefits	1,284	1,094
Overhead expense	2,876	-
Supplies	4,122	16,567
Contracted services	1,919	63,448
Insurance	332	172
Electricity	11,687	10,026
Rent	7,903	3,196
Administration	10,282	20,975
Capital outlay	28,558	17,055
Depreciation	24,055	23,991
	<u>110,544</u>	<u>166,872</u>
Total operating expenses		
Operating loss	<u>(30,903)</u>	<u>(102,567)</u>
Nonoperating revenues (expenses):		
Interest income	142	103
	<u>142</u>	<u>103</u>
Total nonoperating revenues (expenses)		
Loss before contributions and transfers	(30,761)	(102,464)
Contribution from DDA - TIFA	60,000	60,000
Transfers in - general fund	25,000	60,000
Transfers in - Fee Estate	60,000	-
	<u>114,239</u>	<u>17,536</u>
Change in net position		
Total net position – beginning of year	<u>1,545,421</u>	<u>1,527,885</u>
Total net position – end of year	<u>\$ 1,659,660</u>	<u>\$ 1,545,421</u>

See notes to the financial statements.

**CITY OF ADRIAN, MICHIGAN
AUTOMOBILE PARKING SYSTEM ENTERPRISE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR FISCAL YEARS ENDED JUNE 30, 2014 AND 2013
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Cash flows from operating activities:		
Cash received from customers	\$ 97,606	\$ 113,038
Cash paid to suppliers	(65,001)	(181,208)
Cash paid to employees	(16,754)	(17,412)
	<u>15,851</u>	<u>(85,582)</u>
Cash flows from noncapital financing activities:		
Transfer from general fund	60,000	60,000
Transfer from Fee Estate	60,000	-
	<u>120,000</u>	<u>60,000</u>
Cash flows from capital activities:		
Acquisition and construction of capital assets net of dispositions	-	(30,667)
Contributions from DDA - TIFA	60,000	60,000
	<u>60,000</u>	<u>29,333</u>
Cash flows from investing activities:		
Interest	142	103
	<u>195,993</u>	<u>3,854</u>
Net increase (decrease) in cash and cash equivalents	195,993	3,854
Cash and cash equivalents at beginning of year	225,088	221,234
Cash and cash equivalents at end of year	<u>\$ 421,081</u>	<u>\$ 225,088</u>

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

Operating loss	\$ (30,903)	\$ (102,567)
Adjustments to reconcile operating income (loss) to net cash used in operating activities:		
Depreciation	24,055	23,991
Change in assets and liabilities:		
(Increase) decrease in due from other funds	34,182	(1,265)
(Increase) decrease in accounts receivable	(16,217)	49,998
Increase (decrease) in vouchers payable	2,279	(34,115)
Increase (decrease) in accrued payroll	772	(5,970)
Increase (decrease) in due to other funds	1,683	(15,654)
	<u>46,754</u>	<u>16,985</u>
Total adjustments	<u>46,754</u>	<u>16,985</u>
Net cash used in operating activities	<u>\$ 15,851</u>	<u>\$ (85,582)</u>

See notes to the financial statements.

**CITY OF ADRIAN, MICHIGAN
STORM WATER UTILITY ENTERPRISE FUND
COMPARATIVE STATEMENTS OF NET POSITION
JUNE 30, 2014 AND 2013**

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 274,112	\$ 307,364
Inventory	26,051	25,851
Due from general fund	14	8,517
Total current assets	300,177	341,732
Noncurrent assets:		
Capital assets:		
Utility system	2,380,243	2,380,243
Improvements other than buildings	912,981	912,981
Less: accumulated depreciation	(1,549,655)	(1,507,593)
Net capital assets	1,743,569	1,785,631
Total noncurrent assets	1,743,569	1,785,631
Total assets	\$ 2,043,746	\$ 2,127,363
 LIABILITIES AND NET POSITION:		
LIABILITIES:		
Current liabilities:		
Vouchers payable	\$ -	\$ 1,455
Accrued payroll	-	1,364
Due to other funds - general	-	12,410
Due to other funds -solid waste	17	-
Due to other funds - motor vehicle pool	-	3,255
Total current liabilities	17	18,484
 NET POSITION:		
Invested in capital assets, net of related debt	1,743,569	1,785,631
Unrestricted	300,160	323,248
Total net position	\$ 2,043,729	\$ 2,108,879

See notes to the financial statements.

**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, 2014 AND 2013**

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Operating revenues:		
Charges for services	\$ 36,318	\$ 260,913
Other	333	2,281
Total operating revenues	36,651	263,194
Operating expenses:		
Cost of services:		
Salaries and wages	11,472	52,282
Overhead expense	3,218	17,301
Supplies	4,589	31,244
Contracted services	32,879	79,350
Rent	3,132	13,402
Administration	4,586	25,777
Depreciation	42,062	42,062
Total operating expenses	101,938	261,418
Operating income	(65,287)	1,776
Nonoperating revenues (expenses):		
Interest revenue	137	301
Total nonoperating revenues (expenses)	137	301
Change in net position	(65,150)	2,077
Total net position – beginning of year	2,108,879	2,106,802
Total net position – end of year	\$ 2,043,729	\$ 2,108,879

See notes to the financial statements.

**CITY OF ADRIAN, MICHIGAN
STORM WATER UTILITY ENTERPRISE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR FISCAL YEARS ENDED JUNE 30, 2014 AND 2013
DECREASE IN CASH AND CASH EQUIVALENTS**

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Cash flows from operating activities:		
Cash received from customers	\$ 45,154	\$ 254,677
Cash paid to suppliers	(65,707)	(238,382)
Cash paid to employees	(12,836)	(51,003)
	<u>(33,389)</u>	<u>(34,708)</u>
Net cash used in operating activities		
Cash flows from investing activities:		
Interest	137	301
	<u>(33,252)</u>	<u>(34,407)</u>
Net decrease in cash and cash equivalents		
Cash and cash equivalents at beginning of year	307,364	341,771
	<u>\$ 274,112</u>	<u>\$ 307,364</u>

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

Operating income	\$ (65,287)	\$ 1,776
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	8,503	(8,517)
(Increase) decrease in inventory	(200)	(8,105)
Increase (decrease) in vouchers payable	(1,455)	(72,191)
Increase (decrease) in accrued liabilities	(1,364)	1,279
Increase (decrease) in due to other funds	(15,648)	8,988
	<u>31,898</u>	<u>(36,484)</u>
Total adjustments		
Net cash used in operating activities	<u>\$ (33,389)</u>	<u>\$ (34,708)</u>

See notes to the financial statements.

PAGE INTENTIONALLY LEFT BLANK

(PAGE 1 OF 2)
CITY OF ADRIAN, MICHIGAN
WASTEWATER SYSTEM ENTERPRISE FUND
COMPARATIVE STATEMENTS OF NET POSITION
JUNE 30, 2014 AND 2013

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 2,085,405	\$ 1,564,239
Receivables:		
Accounts	647,680	647,200
Deferred assessments	68,501	68,501
Due from other funds	1,816	6,094
Prepaid expense	3,514	4,379
Restricted assets available for current liabilities:		
Bond interest and redemption account - cash	712,422	705,617
Total current assets	<u>3,519,338</u>	<u>2,996,030</u>
Noncurrent assets:		
Restricted investments		
Bond Reserve - cash	916,424	806,997
Bond Reserve - investment	29,113	29,097
Total noncurrent restricted assets	<u>945,537</u>	<u>836,094</u>
Capital assets:		
Land	163,164	163,164
Sewer system	50,219,534	49,634,372
Less: accumulated depreciation	(24,243,820)	(22,850,650)
Net capital assets	<u>26,138,878</u>	<u>26,946,886</u>
Total noncurrent assets	<u>27,084,415</u>	<u>27,782,980</u>
Total assets	<u>\$ 30,603,753</u>	<u>\$ 30,779,010</u>

See notes to the financial statements.

(PAGE 2 OF 2)
 CITY OF ADRIAN, MICHIGAN
 WASTEWATER SYSTEM ENTERPRISE FUND
 COMPARATIVE STATEMENTS OF NET POSITION
 JUNE 30, 2014 AND 2013

	June 30, 2014	June 30, 2013
LIABILITIES:		
Current liabilities:		
Vouchers payable	\$ 59,162	\$ 133,985
Accrued payroll	21,551	23,570
Due to other funds:		
General	21,341	20,913
Information technology	3,254	1,508
Motor vehicle	1,261	1,427
Lease payable - current	79,879	76,950
Installment loan payable - current	-	32,197
DWRF & SRF bonds payable - current	875,000	860,000
Accrued sick and vacation pay	17,632	17,538
	Total current liabilities	1,168,088
Current liabilities - payable from restricted assets:		
Accrued interest	57,482	61,938
Noncurrent liabilities:		
Accrued sick and vacation	12,884	15,823
Lease payable	258,343	338,222
DWRF bonds payable	4,570,000	5,015,000
SRF bonds payable	5,681,539	6,111,538
	Total noncurrent liabilities	11,480,583
	Total liabilities	12,710,609
NET POSITION:		
Invested in capital assets, net of related debt	14,674,117	14,512,979
Restricted for debt service	1,600,477	1,479,773
Unrestricted	2,669,831	2,075,649
	Total net position	\$ 18,068,401

See notes to the financial statements.

**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, 2014 AND 2013**

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Operating revenues:		
Charges for services	\$ 4,738,087	\$ 4,631,811
Miscellaneous revenue	<u>27,931</u>	<u>12,798</u>
Total operating revenues	<u>4,766,018</u>	<u>4,644,609</u>
Operating expenses:		
Cost of services:		
Wastewater treatment plant operation	1,351,241	1,380,966
Sanitary sewer expenses	167,000	185,827
Broad Street station expenses	47,076	36,856
Lift station expenses	29,982	29,052
Retention basis expenses	4,764	4,738
Administrative and overhead	664,247	616,690
Depreciation	<u>1,393,170</u>	<u>1,367,642</u>
Total operating expenses	<u>3,657,480</u>	<u>3,621,769</u>
Operating income (loss)	<u>1,108,538</u>	<u>1,022,840</u>
Nonoperating revenues (expenses):		
Grant income - federal	-	54,000
Interest revenue	17,027	17,616
Interest expense	<u>(249,541)</u>	<u>(268,547)</u>
Total nonoperating revenues (expenses)	<u>(232,514)</u>	<u>(196,931)</u>
Capital Contribution	<u>-</u>	<u>265,999</u>
Change in net position	876,024	1,091,908
Total net position – beginning of year	<u>18,066,401</u>	<u>16,976,493</u>
Total net position – end of year	<u>\$ 18,944,425</u>	<u>\$ 18,068,401</u>

See notes to the financial statements.

(PAGE 1 OF 2)
 CITY OF ADRIAN, MICHIGAN
 WASTEWATER SYSTEM ENTERPRISE FUND
 COMPARATIVE STATEMENTS OF CASH FLOWS
 FOR FISCAL YEARS ENDED JUNE 30, 2014 AND 2013
 INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Cash flows from operating activities:		
Cash received from customers	\$ 4,769,816	\$ 4,678,694
Cash paid to suppliers	(1,657,130)	(1,600,466)
Cash paid to employees	(683,994)	(712,619)
	<u>2,428,692</u>	<u>2,365,609</u>
Net cash used in operating activities		
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets net of disposals	(585,162)	(564,971)
Interest expense	(253,996)	(271,589)
Payment on lease	(76,950)	(74,130)
Payment on installment loan	(32,197)	(25,846)
Principal paid on DWFR bonds	(435,000)	(425,000)
Principal paid on SRF bonds	(425,000)	(420,000)
Grant received - federal	-	54,000
	<u>(1,808,305)</u>	<u>(1,727,536)</u>
Net cash provided by (used in) capital and related financing activities		
Cash flows from investing activities:		
Interest	17,027	17,616
Investment proceeds (purchases)	(16)	(33)
	<u>17,011</u>	<u>17,583</u>
Net cash provided by (used in) investing activities		
Net increase (decrease) in cash and cash equivalents	637,398	655,656
Cash and cash equivalents at beginning of year (including \$ 1,512,614 in restricted funds)	<u>3,076,853</u>	<u>2,421,197</u>
Cash and cash equivalents at end of year (including \$ 1,628,846 in restricted funds)	<u>\$ 3,714,251</u>	<u>\$ 3,076,853</u>

Noncash contribution from Local Development Finance Authority of Capital Assets of \$265,991 is not included above for the year ended June 30, 2013.

See notes to the financial statements.

**CITY OF ADRIAN, MICHIGAN
WASTEWATER SYSTEM ENTERPRISE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR FISCAL YEARS ENDED JUNE 30, 2014 AND 2013
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**

Operating income	<u>\$ 1,108,538</u>	<u>\$ 1,022,840</u>
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation	1,393,170	1,367,642
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(480)	40,179
(Increase) decrease in due from other funds	4,278	(6,094)
(Increase) decrease in prepaids	865	(1,112)
Increase (decrease) in vouchers payable	(74,823)	(47,803)
Increase (decrease) in accrued payroll	(2,019)	692
Increase (decrease) in accrued sick and vacation	(2,845)	(4,799)
Increase (decrease) in due to other funds	<u>2,008</u>	<u>(5,936)</u>
Total adjustments	<u>1,320,154</u>	<u>1,342,769</u>
Net cash provided by (used in) operating activities	<u>\$ 2,428,692</u>	<u>\$ 2,365,609</u>

See notes to the financial statements.

(PAGE 1 OF 2)
CITY OF ADRIAN, MICHIGAN
WATER SYSTEM ENTERPRISE FUND
COMPARATIVE STATEMENTS OF NET POSITION
JUNE 30, 2014 AND 2013

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 2,267,819	\$ 1,831,881
Receivables:		
Accounts	595,274	560,090
Deferred assessments	22,629	22,629
Due from other funds	1,020	15,428
Inventories	189,788	184,367
Prepaid expense	5,035	5,847
	<u>3,081,565</u>	<u>2,620,242</u>
Restricted assets available for current liabilities:		
Customer deposits - cash	31,728	33,370
Bond interest and redemption account - investment	227,710	223,029
Bond interest and redemption account - cash	295,358	296,091
	<u>554,796</u>	<u>552,490</u>
Total current assets	<u>3,636,361</u>	<u>3,172,732</u>
Noncurrent assets:		
Restricted investments:		
Bond reserve - cash	637,315	590,107
Replacement account - cash	100,000	100,000
	<u>737,315</u>	<u>690,107</u>
Total noncurrent restricted assets	<u>737,315</u>	<u>690,107</u>
Capital assets:		
Land	583,110	583,110
Water system	32,442,556	32,062,121
Less: accumulated depreciation	(12,101,238)	(11,482,691)
	<u>20,924,428</u>	<u>21,162,540</u>
Net capital assets	<u>20,924,428</u>	<u>21,162,540</u>
Total noncurrent assets	<u>21,661,743</u>	<u>21,852,647</u>
Total assets	<u>\$ 25,298,104</u>	<u>\$ 25,025,379</u>

See notes to the financial statements.

**CITY OF ADRIAN, MICHIGAN
WATER SYSTEM ENTERPRISE FUND
COMPARATIVE STATEMENTS OF NET POSITION
JUNE 30, 2014 AND 2013**

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
LIABILITIES:		
Current liabilities:		
Vouchers payable	\$ 112,086	\$ 133,333
Accrued payroll	31,187	28,506
Due to other funds:		
General	34,146	19,254
Information technology	2,325	1,270
Motor vehicle	1,391	1,457
Building Space Cost Allocation	-	96
DWRF bonds payable - current	630,000	620,000
Accrued sick and vacation pay	<u>31,726</u>	<u>30,890</u>
	842,861	834,806
Current liabilities - payable from restricted assets:		
Customer deposits payable	31,728	33,370
Accrued interest	<u>49,453</u>	<u>53,004</u>
Total current liabilities	<u>924,042</u>	<u>921,180</u>
Noncurrent liabilities:		
Accrued sick and vacation	39,729	30,421
DWRF bonds payable	<u>8,326,717</u>	<u>8,956,717</u>
Total noncurrent liabilities	<u>8,366,446</u>	<u>8,987,138</u>
Total liabilities	<u>9,290,488</u>	<u>9,908,318</u>
NET POSITION:		
Invested in capital assets, net of related debt	11,967,711	11,585,823
Restricted for debt service	1,110,930	1,056,223
Restricted for replacement	100,000	100,000
Unrestricted	<u>2,828,975</u>	<u>2,375,015</u>
Total net position	<u>\$ 16,007,616</u>	<u>\$ 15,117,061</u>

See notes to the financial statements.

**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, 2014 AND 2013**

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Operating revenues:		
Charges for services	\$ 4,129,710	\$ 3,831,305
Miscellaneous revenue	71,686	69,459
	<u>4,201,396</u>	<u>3,900,764</u>
Operating expenses:		
Cost of services:		
Merchandise	87,046	74,010
Purification and pumping	1,232,130	1,168,352
Transmission and distribution	497,547	550,989
Administrative and overhead	689,445	626,488
Depreciation	618,547	602,116
	<u>3,124,715</u>	<u>3,021,955</u>
Total operating expenses	<u>3,124,715</u>	<u>3,021,955</u>
Operating income	<u>1,076,681</u>	<u>878,809</u>
Nonoperating revenues (expenses):		
Interest revenue	\$ 19,701	\$ 15,600
Interest expense	(205,827)	(219,974)
	<u>(186,126)</u>	<u>(204,374)</u>
Total nonoperating revenues (expenses)	<u>(186,126)</u>	<u>(204,374)</u>
Capital contribution	<u>-</u>	<u>465,401</u>
Change in net position	890,555	1,139,836
Total net position -- beginning of year	<u>15,117,061</u>	<u>13,977,225</u>
Total net position -- end of year	<u>\$ 16,007,616</u>	<u>\$ 15,117,061</u>

See notes to the financial statements.

**CITY OF ADRIAN, MICHIGAN
WATER SYSTEM ENTERPRISE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR FISCAL YEARS ENDED JUNE 30, 2014 AND 2013
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Cash flows from operating activities:		
Cash received from customers	\$ 4,178,978	\$ 3,895,470
Cash paid to suppliers	(1,547,020)	(1,497,983)
Cash paid to employees	(956,394)	(954,498)
	<u>1,675,564</u>	<u>1,442,989</u>
Net cash used in operating activities		
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(380,435)	(438,533)
Principal paid on DWRF bonds	(620,000)	(610,000)
Interest and agent fees on DWRF bonds	(209,378)	(223,468)
	<u>(1,209,813)</u>	<u>(1,272,001)</u>
Net cash provided by (used in) capital and related financing activities		
Cash flows from investing activities:		
Purchase of investments	(4,681)	-
Interest	19,701	15,600
Proceeds on investments	-	2,211
	<u>15,020</u>	<u>17,811</u>
Net cash provided by (used in) investing activities		
Net increase (decrease) in cash and cash equivalents	480,771	188,799
Cash and cash equivalents at beginning of year (including \$ 1,019,568 in restricted funds)	<u>2,851,449</u>	<u>2,662,650</u>
Cash and cash equivalents at end of year (including \$ 1,064,401 in restricted funds)	<u>\$ 3,332,220</u>	<u>\$ 2,851,449</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 for the year ended June 30, 2013.

See notes to the financial statements.

CITY OF ADRIAN, MICHIGAN
 WATER SYSTEM ENTERPRISE FUND
 COMPARATIVE STATEMENTS OF CASH FLOWS
 FOR FISCAL YEARS ENDED JUNE 30, 2014 AND 2013
 INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

Operating income	<u>\$ 1,076,681</u>	<u>\$ 878,809</u>
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation	618,547	602,116
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(35,184)	6,984
(Increase) decrease in due from other funds	14,408	(15,428)
(Increase) decrease in inventories	(5,421)	(23,100)
(Increase) decrease in prepaid expenses	812	74
Increase (decrease) in vouchers payable	(21,247)	33,049
Increase (decrease) in accrued payroll	2,681	(372)
Increase (decrease) in accrued sick and vacation	10,144	9,311
Increase (decrease) in due to other funds	15,785	(51,604)
Increase (decrease) in customer deposits	<u>(1,642)</u>	<u>3,150</u>
Total adjustments	<u>598,883</u>	<u>564,180</u>
Net cash provided by (used in) operating activities	<u>\$ 1,675,564</u>	<u>\$ 1,442,989</u>

See notes to the financial statements.

CITY OF ADRIAN, MICHIGAN
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2014
WITH COMPARATIVE TOTALS FOR JUNE 30, 2013

	Information Technology	Motor Vehicle Pool	Building Maintenance	Totals Internal Service Funds	
				2014	2013
ASSETS:					
Current assets:					
Cash and cash equivalents	\$ 227,234	\$ 146,712	\$ 337,443	\$ 711,389	\$ 592,936
Receivables:					
Accounts	25	11,663	702	12,390	13,738
Due from other funds	6,417	23,422	-	29,839	268,065
Due from component unit	652	-	-	652	536
Total current assets	<u>234,328</u>	<u>181,797</u>	<u>338,145</u>	<u>754,270</u>	<u>875,275</u>
Noncurrent assets:					
Capital assets:					
Equipment	546,298	3,272,266	-	3,818,564	3,933,544
Less: accumulated depreciation	(464,687)	(2,100,124)	-	(2,564,811)	(2,562,335)
Net capital assets	<u>81,611</u>	<u>1,172,142</u>	<u>-</u>	<u>1,253,753</u>	<u>1,371,209</u>
Total noncurrent assets	<u>81,611</u>	<u>1,172,142</u>	<u>-</u>	<u>1,253,753</u>	<u>1,371,209</u>
Total assets	<u>\$ 315,939</u>	<u>\$ 1,353,939</u>	<u>\$ 338,145</u>	<u>\$ 2,008,023</u>	<u>\$ 2,246,484</u>
LIABILITIES:					
Current liabilities:					
Vouchers payable	\$ -	\$ 41	5,713	\$ 5,754	\$ 301,066
Accrued liabilities	2,197	2,388	20	4,605	4,599
Total current liabilities	<u>2,197</u>	<u>2,429</u>	<u>5,733</u>	<u>10,359</u>	<u>305,665</u>
Long term:					
Accrued sick and vacation	3,312	2,751	-	6,063	4,565
Total liabilities	<u>5,509</u>	<u>5,180</u>	<u>-</u>	<u>16,422</u>	<u>310,250</u>
NET POSITION:					
Invested in capital assets net of related debt	81,611	1,172,142	-	1,253,753	1,371,209
Unrestricted	228,819	176,617	332,412	737,848	565,025
Total net position	<u>\$ 310,430</u>	<u>\$ 1,348,759</u>	<u>332,412</u>	<u>\$ 1,991,601</u>	<u>\$ 1,936,234</u>

See notes to the financial statements.

CITY OF ADRIAN, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET
POSITION
INTERNAL SERVICE FUNDS
FOR FISCAL YEAR ENDED JUNE 30, 2014
WITH COMPARATIVE TOTALS FOR FISCAL YEAR ENDED JUNE 30, 2013

	<u>Information Technology</u>	<u>Motor Vehicle Pool</u>	<u>Building Maintenance</u>	<u>Totals Internal Service Funds</u>	
				2014	2013
Operating revenues:					
Charges for services	\$ 453,167	\$ 977,814	\$ 468,729	\$ 1,899,710	\$ 1,447,921
Miscellaneous revenue	1,699	57,828	-	59,527	26,347
Total operating revenues	<u>454,866</u>	<u>1,035,642</u>	<u>468,729</u>	<u>1,959,237</u>	<u>1,474,268</u>
Operating expenses:					
Cost of services	283,738	707,230	620,235	1,611,203	1,576,721
Depreciation	23,016	269,651	-	292,667	231,959
Total operating expenses	<u>306,754</u>	<u>976,881</u>	<u>620,235</u>	<u>1,903,870</u>	<u>1,808,680</u>
Operating income	<u>148,112</u>	<u>58,761</u>	<u>(151,506)</u>	<u>55,367</u>	<u>(334,412)</u>
Nonoperating revenues (expenses)					
Transfers in	-	-	-	-	646,100
Change in net position	148,112	58,761	(151,506)	55,367	311,688
Total net position - beginning 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>
Total net position - end of year	<u>\$ 310,430</u>	<u>\$ 1,348,759</u>	<u>\$ 332,412</u>	<u>\$ 1,991,601</u>	<u>\$ 1,936,234</u>

See notes to the financial statements.

**CITY OF ADRIAN, MICHIGAN
 COMBINING STATEMENT OF CASH FLOWS
 INTERNAL SERVICE FUNDS
 FOR FISCAL YEAR ENDED JUNE 30, 2014
 WITH COMPARATIVE TOTALS FOR FISCAL YEAR ENDED JUNE 30, 2013
 INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**

	Information Technology	Motor Vehicle Pool	Building Maintenance	Internal Service Funds	
				2014	2013
Cash flows from operating activities:					
Cash received from customers	\$ 452,142	\$ 1,278,430	\$ 468,123	\$2,198,695	\$ 1,253,606
Cash paid to suppliers	(188,339)	(910,885)	(641,967)	(1,741,191)	(1,149,466)
Cash paid to employees	(94,875)	(68,965)	-	(163,840)	(170,558)
Net cash provided by (used in) operating activities	<u>168,928</u>	<u>298,580</u>	<u>(173,844)</u>	<u>293,664</u>	<u>(66,418)</u>
Cash flows from capital and related financing activities:					
Capital asset purchases	(23,343)	(151,868)	-	(175,211)	(694,438)
Transfer from other funds	-	-	-	-	646,100
Net cash provided by (used in) capital and related financing activities	<u>(23,343)</u>	<u>(151,868)</u>	<u>-</u>	<u>(175,211)</u>	<u>(48,338)</u>
Net increase (decrease) in cash and cash equivalents	145,585	146,712	(173,844)	118,453	(114,756)
Cash and cash equivalents at beginning of year	81,649	-	511,287	592,936	707,692
Cash and cash equivalents at end of year	<u>\$ 227,234</u>	<u>\$ 146,712</u>	<u>\$ 337,443</u>	<u>\$ 711,389</u>	<u>\$ 592,936</u>

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

Operating income (loss)	\$ 148,112	\$ 58,761	\$ (151,506)	\$ 55,367	\$ (334,412)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	23,016	269,651	-	292,667	231,959
Change in assets and liabilities:					
(Increase) decrease in due from other funds	(2,608)	240,737	96	238,225	(231,925)
(Increase) decrease in due from component unit	(116)	-	-	(116)	(55)
(Increase) decrease in accounts receivable	-	2,051	(702)	1,349	11,318
Increase (decrease) in vouchers payable	(1,332)	(272,313)	(21,667)	(295,312)	255,296
Increase (decrease) in due to other funds	-	-	-	-	(273)
Increase (decrease) in accrued liabilities	1,856	(307)	(65)	1,484	1,674
Total adjustments	<u>20,816</u>	<u>239,819</u>	<u>(22,338)</u>	<u>238,297</u>	<u>267,994</u>
Net cash provided by (used in) operating activities	<u>\$ 168,928</u>	<u>\$ 298,580</u>	<u>\$ (173,844)</u>	<u>\$ 293,664</u>	<u>\$ (66,418)</u>

See notes to the financial statements.

CITY OF ADRIAN, MICHIGAN
INFORMATION TECHNOLOGY INTERNAL SERVICE FUND
COMPARATIVE STATEMENTS OF NET POSITION
JUNE 30, 2014 AND 2013

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 227,234	\$ 81,649
Accounts receivable	25	24
Due from other funds	6,417	3,810
Due from component unit	652	536
Total current assets	234,328	86,019
Noncurrent assets:		
Capital assets:		
Equipment	546,298	522,955
Less: accumulated depreciation	(464,687)	(441,671)
Net capital assets	81,611	81,284
Total noncurrent assets	81,611	81,284
Total assets	\$ 315,939	\$ 167,303
LIABILITIES AND NET POSITION:		
LIABILITIES:		
Current liabilities:		
Vouchers payable	\$ -	\$ 1,332
Accrued liabilities	2,197	1,819
Total current liabilities	2,197	3,151
Long term:		
Accrued sick and vacation	3,312	1,834
Total liabilities	5,509	4,985
NET POSITION:		
Invested in capital assets, net of related debt	81,611	81,284
Unrestricted	228,819	81,034
Total net position	\$ 310,430	\$ 162,318

See notes to the financial statements.

**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, 2014 AND 2013**

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Operating revenues:		
Charges for services	\$ 453,167	\$ 212,460
Miscellaneous revenue	1,699	1,278
Total operating revenues	454,866	213,738
Operating expenses:		
Cost of services	283,738	411,146
Depreciation	23,016	19,196
Total operating expenses	306,754	430,342
Operating income (loss)	148,112	(216,604)
Total net position – beginning of year	162,318	378,922
Total net position – end of year	\$ 310,430	\$ 162,318

See notes to the financial statements.

**CITY OF ADRIAN, MICHIGAN
INFORMATION TECHNOLOGY INTERNAL SERVICE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR FISCAL YEARS ENDED JUNE 30, 2014 AND 2013
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Cash flows from operating activities:		
Cash received from customers	\$ 452,142	\$ 213,981
Cash paid to suppliers	(188,339)	(317,187)
Cash paid to employees	(94,875)	(101,803)
	<u>168,928</u>	<u>(205,009)</u>
Net cash used in operating activities		
Cash flows from capital activities:		
Acquisition of capital assets	(23,343)	(23,951)
	<u>(23,343)</u>	<u>(23,951)</u>
Net cash used in capital and related financing activities		
Net increase (decrease) in cash and cash equivalents	145,585	(228,960)
Cash and cash equivalents at beginning of year	81,649	310,609
Cash and cash equivalents at end of year	<u>\$ 227,234</u>	<u>\$ 81,649</u>

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

Operating income (loss)	<u>\$ 148,112</u>	<u>\$ (216,604)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	23,016	19,196
Change in assets and liabilities:		
(Increase)decrease in accounts receivable	-	(24)
(Increase) decrease in due from other funds	(2,608)	322
(Increase) decrease in due from component unit	(116)	(55)
Increase (decrease) in vouchers payable	(1,332)	(8,296)
Increase (decrease) in accrued liabilities	1,856	452
	<u>20,816</u>	<u>11,595</u>
Total adjustments		
Net cash used in operating activities	<u>\$ 168,928</u>	<u>\$ (205,009)</u>

See notes to the financial statements.

**CITY OF ADRIAN, MICHIGAN
MOTOR VEHICLE POOL INTERNAL SERVICE FUND
COMPARATIVE STATEMENTS OF NET POSITION
JUNE 30, 2014 AND 2013**

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 146,712	\$ -
Accounts receivable	11,663	13,714
Due from other funds	23,422	264,159
Total current assets	<u>181,797</u>	<u>277,873</u>
Noncurrent assets:		
Capital assets:		
Equipment	3,272,266	3,410,589
Less: accumulated depreciation	(2,100,124)	(2,120,664)
Net capital assets	<u>1,172,142</u>	<u>1,289,925</u>
Total noncurrent assets	<u>1,172,142</u>	<u>1,289,925</u>
Total assets	<u>\$ 1,353,939</u>	<u>\$ 1,567,798</u>
LIABILITIES AND NET POSITION:		
LIABILITIES:		
Current liabilities:		
Vouchers payable	\$ 41	\$ 272,354
Accrued payroll	2,388	2,695
Total current liabilities	<u>2,429</u>	<u>275,049</u>
Long term:		
Accrued sick and vacation	2,751	2,751
Total liabilities	<u>5,180</u>	<u>277,800</u>
NET POSITION:		
Invested in capital assets, net of related debt	1,172,142	1,289,925
Unrestricted	176,617	73
Total net position	<u>\$ 1,348,759</u>	<u>\$ 1,289,998</u>

See notes to the financial statements.

**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, 2014 AND 2013**

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Operating revenues:		
Charges for services	\$ 977,814	\$ 703,303
Miscellaneous	<u>57,828</u>	<u>24,421</u>
Total operating revenues:	1,035,642	727,724
Operating expenses:		
Cost of services	707,230	716,687
Depreciation	<u>269,651</u>	<u>212,763</u>
Total operating expenses	<u>976,881</u>	<u>929,450</u>
Operating income	58,761	(201,726)
Nonoperating revenues (expenses):		
Transfers in	<u>-</u>	<u>246,100</u>
Change in net position	58,761	44,374
Total net position – beginning of year	<u>1,289,998</u>	<u>1,245,624</u>
Total net position – end of year	<u>\$ 1,348,759</u>	<u>\$ 1,289,998</u>

See notes to the financial statements.

**CITY OF ADRIAN, MICHIGAN
MOTOR VEHICLE POOL INTERNAL SERVICE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR FISCAL YEARS ENDED JUNE 30, 2014 AND 2013
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Cash flows from operating activities:		
Cash received from customers	\$ 1,278,430	\$ 506,915
Cash paid to suppliers	(910,885)	(410,856)
Cash paid to employees	(68,965)	(68,755)
	<u>298,580</u>	<u>27,304</u>
Cash flows from capital activities:		
Acquisition of capital assets	(151,868)	(670,487)
Transfers from other funds	-	246,100
	<u>(151,868)</u>	<u>(424,387)</u>
Net cash used in capital and related financing activities	(151,868)	(424,387)
Net increase in cash and cash equivalents	146,712	(397,083)
Cash and cash equivalents at beginning of year	-	397,083
Cash and cash equivalents at end of year	<u>\$ 146,712</u>	<u>\$ -</u>

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

Operating income (loss)	\$ 58,761	\$ (201,726)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	269,651	212,763
Change in assets and liabilities:		
(Increase) decrease in due from other funds	240,737	(232,151)
(Increase) decrease in accounts receivable	2,051	11,342
Increase (decrease) in vouchers payable	(272,313)	236,212
Increase (decrease) in due to other funds	-	(273)
Increase (decrease) in accrued payroll	(307)	1,137
	<u>239,819</u>	<u>229,030</u>
Total adjustments	239,819	229,030
Net cash used in operating activities	<u>\$ 298,580</u>	<u>\$ 27,304</u>

See notes to the financial statements.

**CITY OF ADRIAN, MICHIGAN
BUILDING MAINTENANCE INTERNAL SERVICE FUND
COMPARATIVE STATEMENTS OF NET POSITION
JUNE 30, 2014 AND 2013**

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 337,443	\$ 511,287
Accounts receivable	702	-
Due from other funds	-	96
Total assets	<u>\$ 338,145</u>	<u>\$ 511,383</u>
 LIABILITIES AND NET POSITION:		
LIABILITIES:		
Current liabilities:		
Vouchers payable	\$ 5,713	\$ 27,380
Accrued liabilities	20	85
Total current liabilities	5,733	27,465
 NET POSITION:		
Unrestricted	332,412	483,918
Total net position	<u>\$ 332,412</u>	<u>\$ 483,918</u>

See notes to the financial statements.

**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, 2014 AND 2013**

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Operating revenues:		
Charges for services	\$ 468,729	\$ 532,158
Miscellaneous	-	648
	<u>468,729</u>	<u>532,806</u>
Total operating revenues:	468,729	532,806
Operating expenses:		
Cost of services	<u>620,235</u>	<u>448,888</u>
	<u>620,235</u>	<u>448,888</u>
Total operating expenses	620,235	448,888
Operating income	(151,506)	83,916
Nonoperating revenues (expenses):		
Transfers in	<u>-</u>	<u>400,000</u>
Change in net position	(151,506)	483,918
Total net position – beginning of year	<u>483,918</u>	<u>-</u>
Total net position – end of year	<u>\$ 332,412</u>	<u>\$ 483,918</u>

See notes to the financial statements.

**CITY OF ADRIAN, MICHIGAN
BUILDING MAINTENANCE INTERNAL SERVICE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR FISCAL YEARS ENDED JUNE 30, 2014 AND 2013
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Cash flows from operating activities:		
Cash received from customers	\$ 468,123	\$ 932,710
Cash paid to suppliers	(641,967)	(421,423)
Net cash used in operating activities	(173,844)	511,287
Net increase in cash and cash equivalents	(173,844)	511,287
Cash and cash equivalents at beginning of year	511,287	-
Cash and cash equivalents at end of year	\$ 337,443	\$ 511,287
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (151,506)	\$ 483,918
Change in assets and liabilities:		
(Increase) decrease in due from other funds	96	(96)
(Increase) decrease in accounts receivable	(702)	-
Increase (decrease) in vouchers payable	(21,667)	27,380
Increase (decrease) in accrued payroll	(65)	85
Total adjustments	(22,338)	27,369
Net cash used in operating activities	\$ (173,844)	\$ 511,287

See notes to the financial statements.

**CITY OF ADRIAN, MICHIGAN
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES –
 ALL AGENCY FUNDS
 FOR FISCAL YEARS ENDED JUNE 30, 2014**

	<u>Balance</u> <u>June 30, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2014</u>
PAYROLL DEDUCTION FUND				
ASSETS:				
Cash	\$ 25,984	\$ 97,277	\$ 111,694	\$ 11,567
LIABILITIES:				
Vouchers payable	\$ 25,984	\$ 97,277	\$ 111,694	\$ 11,567
PROPERTY TAX FUND				
ASSETS:				
Cash	\$ 28,045	\$ 12,886,279	\$ 12,903,640	\$ 10,684
LIABILITIES:				
Due to other taxing units	\$ 28,045	\$ 12,886,279	\$ 12,903,640	\$ 10,684
TRUST & AGENCY FUND				
ASSETS:				
Cash	\$ 113,820	\$ 692,821	\$ 713,902	\$ 92,739
LIABILITIES:				
Restricted deposits	\$ 113,820	\$ 692,821	\$ 713,902	\$ 92,739
TOTAL - ALL AGENCY FUNDS				
ASSETS:				
Cash	\$ 167,849	\$ 13,676,377	\$ 13,729,236	\$ 114,990
LIABILITIES:				
Vouchers payable	\$ 25,984	\$ 97,277	\$ 111,694	\$ 11,567
Due to other taxing units	28,045	12,886,279	12,903,640	10,684
Restricted deposits	113,820	692,821	713,902	92,739
Total liabilities	\$ 167,849	\$ 13,676,377	\$ 13,729,236	\$ 114,990

See notes to the financial statements.

PAGE INTENTIONALLY LEFT BLANK

**CITY OF ADRIAN, MICHIGAN
 COMBINING BALANCE SHEET
 DISCRETELY PRESENTED COMPONENT UNITS
 JUNE 30, 2014**

	Downtown Development Authority	Brownfield Redevelopment Authority
ASSETS:		
Cash and cash equivalents	\$ 214,264	\$ 132,616
Investments	25,894	-
Accounts and loans receivable	5,650	-
Loan receivable	13,400	-
Due from primary government	4	63
Total assets	\$ 259,212	\$ 132,679
 LIABILITIES AND FUND BALANCES:		
LIABILITIES:		
Current:		
Vouchers payable	\$ 4,328	\$ -
Accrued liabilities	646	-
Due to primary government	6,653	-
Total current liabilities	11,627	-
Long Term:		
Accrued sick and vacation	869	-
Total liabilities	12,496	-
 FUND BALANCES:		
Restricted for:		
Downtown Development	246,716	-
Brownfield Redevelopment	-	132,679
Total fund balances	246,716	132,679
Total liabilities and fund balance	\$ 259,212	\$ 132,679

See notes to the financial statements.

CITY OF ADRIAN, MICHIGAN
RECONCILIATION OF THE BALANCE SHEET OF DISCRETELY PRESENTED COMPONENT
UNITS TO THE STATEMENT OF NET POSITION
JUNE 30, 2014

	<u>Downtown Development Authority</u>	<u>Brownfield Redevelopment Authority</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	\$ 298,494	\$ -
Net differences	298,494	-
Total fund balance in discretely presented component units	<u>246,716</u>	<u>132,679</u>
Total net position of discretely presented component units	<u>\$ 545,210</u>	<u>\$ 132,679</u>

See notes to the financial statements.

**CITY OF ADRIAN, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
DISCRETELY PRESENTED COMPONENT UNIT
FOR FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Downtown Development Authority</u>	<u>Brownfield Redevelopment</u>
REVENUES:		
Property taxes	\$ 92,813	\$ 44,800
Investment earnings	127	728
Refuse	19,735	-
Other	<u>23,950</u>	<u>4,656</u>
Total revenues	<u>136,625</u>	<u>50,184</u>
EXPENDITURES:		
Contributions to primary government	\$ 62,000	\$ -
Other services	<u>123,071</u>	<u>22,564</u>
Total expenditures	<u>185,071</u>	<u>22,564</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(48,446)</u>	<u>27,620</u>
Fund balances - beginning of year	<u>295,162</u>	<u>105,059</u>
Fund balances - end of year	<u>\$ 246,716</u>	<u>\$ 132,679</u>

See notes to the financial statements.

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, 2014

	<u>Downtown Development 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 –	\$ (48,446)	\$ 27,620
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 period). (Total depreciation \$49,000 less total capital outlay of \$0).	<u>(49,000)</u>	<u>-</u>
Change in net position in discretely presented component units	<u>\$ (97,446)</u>	<u>\$ 27,620</u>

See notes to the financial statements.

**CITY OF ADRIAN, MICHIGAN
DOWNTOWN DEVELOPMENT AUTHORITY – SPECIAL REVENUE FUND
DISCRETELY PRESENTED COMPONENT UNIT
COMPARATIVE BALANCE SHEETS
JUNE 30, 2014 AND 2013**

	2014	2013
ASSETS:		
Cash and cash equivalents	\$ 214,264	\$ 127,174
Investments	25,894	165,858
Accounts receivable	5,650	4,292
Loan receivable	13,400	-
Due from primary government	4	2,242
Due from component unit	-	18,596
	Total assets	\$ 318,162
	\$ 259,212	\$ 318,162
LIABILITIES AND FUND BALANCES:		
LIABILITIES:		
Current:		
Vouchers payable	\$ 4,328	\$ 470
Due to primary government	6,653	21,343
Accrued payroll	646	518
	Total current liabilities	22,331
Long term:		
Accrued sick and vacation	869	669
	Total liabilities	23,000
	12,496	23,000
FUND BALANCES:		
Restricted For:		
Downtown Development Authority	246,716	295,162
	Total fund balances	295,162
	246,716	295,162
Total liabilities and fund balance	\$ 259,212	\$ 318,162

See notes to the financial statements.

**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, 2014 AND 2013**

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
REVENUES:		
Property taxes	\$ 92,813	\$ 96,193
Interest	127	1,273
Refuse	19,735	17,505
Other	23,950	6,750
Total revenues	136,625	121,721
EXPENDITURES:		
Current:		
Other services	123,071	104,473
Contribution to primary government	62,000	62,000
Total expenditures	185,071	166,473
Excess of revenues over expenditures	(48,446)	(44,752)
Other financing uses:		
Transfers in	-	21,426
Total other financing uses	-	21,426
Net change in fund balances	(48,446)	(23,326)
Total net position – beginning of year	295,162	318,488
Total net position – end of year	\$ 246,716	\$ 295,162

See notes to the financial statements.

**CITY OF ADRIAN, MICHIGAN
 BROWNFIELD DEVELOPMENT – SPECIAL REVENUE FUND
 DISCRETELY PRESENTED COMPONENT UNIT
 COMPARATIVE BALANCE SHEETS
 JUNE 30, 2014 AND 2013**

	2014	2013
ASSETS:		
Cash	\$ 132,616	\$ 110,217
Accounts receivable	-	16,000
Due from primary government	63	257
Total assets	\$ 132,679	\$ 126,474
 LIABILITIES:		
Current liabilities:		
Vouchers payable	\$ -	\$ 20,000
Due to component unit	-	1,415
Total liabilities	-	21,415
 FUND BALANCES:		
Restricted for:		
Brownfield Redevelopment	132,679	105,059
Total liabilities and fund balance	\$ 132,679	\$ 126,474

See notes to the financial statements.

**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, 2014 AND 2013**

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
REVENUES:		
Property taxes	\$ 44,800	\$ 43,939
Interest	728	897
Other	4,656	2,757
Total revenues	50,184	47,593
EXPENDITURES:		
Other services:		
Other	22,564	50,897
Total expenditures	22,564	50,897
Excess of revenues over expenditures	27,620	(3,304)
Other financing sources (uses):		
Transfers out	-	(4,245)
Net change in fund balances	27,620	(7,549)
Total net assets – beginning of year	105,059	112,608
Total net assets – end of year	\$ 132,679	\$ 105,059

See notes to the financial statements.

(PAGE 1 OF 4)
 CITY OF ADRIAN, MICHIGAN
 SCHEDULE OF INDEBTEDNESS
 JUNE 30, 2014

Primary Government	Date of Issue	Amount of Issue	Interest Rate	Date of Maturity	June 30, 2013	June 30, 2014	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	3.00%	11/1/13-5/1/14	\$ 220,000		\$ 371,906	\$ (144,572)
			3.25%	11/1/14 - 5/1/15	220,000	220,000	365,306	(144,572)
			3.825%	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	128,856	(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	28,832	(12,074)	
					\$ 6,415,000	\$ 6,195,000	\$ 4,900,676	\$ (2,101,314)

139

See notes to the financial statements.

(PAGE 2 OF 4)
 CITY OF ADRIAN, MICHIGAN
 SCHEDULE OF INDEBTEDNESS
 JUNE 30, 2014

Primary Government	Date of Issue	Amount of Issue	Interest Rate	Date of Maturity	June 30, 2013	June 30, 2014	Annual Interest Payable
Wastewater System Revenue Bonds (DWRF Loan)	09/26/02	\$ 8,920,000	2.50%	10/01/13 - 04/01/14	\$ 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>\$ 5,450,000</u>	<u>\$ 5,015,000</u>	<u>\$ 783,752</u>
				Water Supply System Revenue Bonds (DWRF Loan)	09/26/02	\$ 5,665,000	2.50%
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>\$ 3,460,000</u>	<u>\$ 3,185,000</u>	<u>\$ 497,375</u>				

140

See notes to the financial statements.

(PAGE 3 OF 4)
 CITY OF ADRIAN, MICHIGAN
 SCHEDULE OF INDEBTEDNESS
 JUNE 30, 2014

Primary Government	Date of Issue	Amount of Issue	Interest Rate	Date of Maturity	June 30, 2013	June 30, 2014	Annual Interest Payable
Wastewater System Revenue Bonds (SRF Loan)	09/22/05	\$ 1,993,885	1.625%	10/01/13 - 04/01/14	\$ 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>\$ 1,448,885</u>	<u>\$ 1,353,885</u>	<u>\$ 172,249</u>
				191 Wastewater System Revenue Bonds, Series 2007B (SRF Loan)	12/15/05	\$ 6,962,663	1.625%
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>\$ 5,087,663</u>	<u>\$ 4,757,663</u>	<u>\$ 639,638</u>				

See notes to the financial statements.

(PAGE 4 OF 4)
 CITY OF ADRIAN, MICHIGAN
 SCHEDULE OF INDEBTEDNESS
 JUNE 30, 2014

Primary Government	Date of Issue	Amount of Issue	Interest Rate	Date of Maturity	June 30, 2013	June 30, 2014	Annual Interest Payable
Water Supply System Revenue Bonds (DWRP Loan)	09/27/07	\$ 7,441,707	2.125%	10/01/13-04/01/14	\$ 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	<u>426,707</u>	<u>426,707</u>	<u>4,534</u>
					<u>\$ 6,116,707</u>	<u>\$ 5,771,707</u>	<u>\$ 1,079,268</u>
Lease purchase - outstanding balance				<u>415,172</u>	<u>338,222</u>		
Installment purchase - outstanding balance				<u>32,197</u>	<u>-</u>		
Accumulated vacation and sick pay - long term				<u>\$ 580,869</u>	<u>\$ 593,589</u>		
Total - Primary Government				<u>\$ 29,006,493</u>	<u>\$ 27,210,066</u>		

142

See notes to the financial statements.

**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.

PAGE INTENTIONALLY LEFT BLANK

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

	FISCAL YEAR				
	2004-05	2005-06	2006-07	2007-08	2008-09
Governmental Activities					
Invested in Capital Assets, Net of Related Debt	\$24,026,248	\$23,276,411	\$24,323,513	\$25,510,214	\$25,580,401
Restricted	3,876,032	3,869,047	5,199,264	4,172,851	3,832,553
Unrestricted	6,368,174	6,027,334	6,135,998	6,400,084	5,613,693
Total Governmental Activities Net Position	<u>\$34,270,454</u>	<u>\$34,270,454</u>	<u>\$33,172,792</u>	<u>\$35,658,775</u>	<u>\$35,026,647</u>
Business-type Activities					
Invested in Capital Assets, Net of Related Debt	\$28,022,181	\$28,323,256	\$27,846,396	\$29,000,554	\$29,120,469
Restricted	1,380,000	1,417,981	1,630,058	1,551,378	1,112,269
Unrestricted	2,796,672	1,568,065	2,001,967	1,788,879	2,683,936
Total Business-type Activities Net Position	<u>\$32,198,853</u>	<u>\$32,198,853</u>	<u>\$31,309,302</u>	<u>\$31,478,421</u>	<u>\$32,916,674</u>
Primary Government					
Invested in Capital Assets, Net of Related Debt	\$52,048,429	\$51,599,667	\$52,169,909	\$54,510,768	\$54,700,870
Restricted	5,256,032	5,287,028	6,829,322	5,724,229	4,944,822
Unrestricted	9,164,846	7,595,399	8,137,965	8,188,963	8,297,629
Total Primary Government Net Position	<u>\$66,469,307</u>	<u>\$66,469,307</u>	<u>\$64,482,094</u>	<u>\$67,137,196</u>	<u>\$67,943,321</u>
	FISCAL YEAR				
	2009-10	2010-11	2011-12	2012-13	2013-14
Governmental Activities					
Invested in Capital Assets, Net of Related Debt	\$27,799,240	\$27,197,876	\$26,776,971	\$27,025,286	\$26,555,176
Restricted	4,293,813	4,523,781	4,811,616	5,696,801	8,183,020
Unrestricted	3,498,072	3,009,467	3,203,485	2,643,725	1,919,640
Total Governmental Activities Net Position	<u>\$35,591,125</u>	<u>\$34,731,124</u>	<u>\$34,792,072</u>	<u>\$35,365,812</u>	<u>\$36,737,634</u>
Business-type Activities					
Invested in Capital Assets, Net of Related Debt	\$26,987,222	\$28,761,884	\$29,423,469	\$30,623,333	\$31,037,036
Restricted	4,171,134	2,151,170	2,461,914	2,635,996	2,811,407
Unrestricted/Other Purpose	2,686,083	4,010,890	5,019,799	5,828,956	7,015,368
Total Business-type Activities Net Position	<u>\$33,844,439</u>	<u>\$34,923,944</u>	<u>\$36,905,182</u>	<u>\$39,088,285</u>	<u>\$40,863,811</u>
Primary Government					
Invested in Capital Assets, Net of Related Debt	\$54,786,462	\$55,959,760	\$56,200,440	\$57,648,619	\$57,592,212
Restricted	8,464,947	6,674,951	7,273,530	8,332,797	10,994,427
Unrestricted	6,184,155	7,020,357	8,223,284	8,472,681	8,935,008
Total Primary Government Net Position	<u>\$69,435,564</u>	<u>\$69,655,068</u>	<u>\$71,697,254</u>	<u>\$74,454,097</u>	<u>\$77,601,445</u>

CITY OF ADRIAN
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(factual basis of accounting)

	FISCAL YEAR									
	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
EXPENSES										
Governmental Activities:										
General Government	\$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	\$3,596,835
Public Safety	4,593,255	4,512,896	5,011,563	5,029,372	4,642,682	5,152,144	5,360,881	5,132,505	5,178,833	5,496,015
Public Works	784,985	1,122,058	1,169,030	878,092	1,066,018	1,247,332	1,106,116	606,404	444,836	482,339
Culture and Recreation	2,189,354	2,447,601	1,871,000	3,699,922	4,263,702	3,506,682	2,715,367	2,628,447	1,865,951	2,037,679
Community Beautification & Improvements	1,631,127	1,668,073	2,105,016	1,768,933	2,344,407	1,208,425	1,738,055	915,540	1,406,316	759,315
Community & Economic Development	276,898	698,690	\$43,450	557,799	278,257	368,582	333,921	346,406	234,552	245,611
Highways, Streets and Bridges	2,513,058	2,418,910	1,533,185	1,086,063	1,141,891	1,332,172	1,125,691	2,397,694	1,524,992	1,764,292
Interest on Long-Term Debt	69,369	3,112	27,014	47,359	148,061	232,140	238,167	236,342	222,672	254,112
Total Governmental Activities Expenses	\$14,814,326	\$15,623,064	\$14,391,620	\$15,042,796	\$16,849,880	\$16,356,742	\$15,620,400	\$15,216,969	\$14,392,954	\$14,658,130
Business-type Activities:										
Wastewater System	\$3,463,380	\$3,731,181	\$3,788,575	\$3,989,962	\$4,209,153	\$3,917,578	\$3,925,727	\$3,889,445	\$3,890,316	\$3,907,071
Water System	3,034,751	2,924,864	2,884,185	2,937,637	3,091,711	3,152,828	3,128,055	3,025,247	3,241,929	3,330,542
Dial-A-Ride System	490,660	455,245	487,801	550,116	510,315	514,754	514,512	521,349	542,458	520,816
Automobile Parking System	152,681	116,399	91,961	111,663	97,254	82,711	89,203	74,859	195,872	110,544
Storm Water Utility	344,579	227,688	234,562	287,561	203,341	250,987	152,048	355,096	261,418	101,938
Total Business-type Activities Expenses	\$7,488,051	\$7,455,397	\$7,587,184	\$7,646,939	\$8,111,774	\$7,918,658	\$7,809,645	\$7,865,996	\$8,102,993	\$7,970,861
Total Primary Government Expenses	\$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	\$22,605,999
PROGRAM REVENUES										
Governmental Activities:										
Charges for Services:										
General Government	\$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	\$2,481,622
Public Safety	388,149	558,959	437,977	424,561	542,097	476,735	472,662	1,213,306	1,254,152	1,215,099
Public Works	27,872	27,872	1,963	28,950	32,683	34,850	42,822	42,893	40,849	79,061
Culture and Recreation	\$34,963	494,618	474,798	346,796	347,404	325,838	337,720	386,399	332,392	98,357
Community Beautification & Improvements	273,882	197,457	248,438	282,677	171,924	147,253	142,602	118,011	164,593	142,135
Community & Economic Development	5,543	302,534	365,518	225,048	206,765	193,285	108,240	0	0	0
Highways, Streets and Bridges	62,788	105,412	117,127	143,755	166,243	75,061	69,118	0	68,494	50,608
Operating Grants and Contributions	1,031,696	890,496	1,985,976	1,337,035	1,169,543	659,426	1,194,241	1,679,864	1,610,640	1,581,130
Capital Grants and Contributions	72,978	69,014	1,027,519	87,952	256,986	905,659	0	305,157	0	60,857
Total Governmental Activities Program Revenues	\$3,433,548	\$3,525,363	\$5,668,855	\$3,936,599	\$4,031,056	\$4,744,370	\$4,384,360	\$5,457,073	\$5,983,060	\$5,690,769
Business-type Activities:										
Charges for Services:										
Wastewater System	\$2,673,090	\$2,711,782	\$3,461,125	\$3,583,307	\$3,909,126	\$4,216,015	\$4,165,653	\$4,833,491	\$4,644,609	\$4,766,018
Water System	2,900,909	2,910,664	3,273,365	3,252,666	3,337,843	3,522,588	3,511,914	3,797,169	3,900,784	4,201,396
Dial-A-Ride System	77,507	87,590	89,806	100,066	98,793	85,784	90,517	104,583	102,073	101,648
Automobile Parking System	60,239	46,841	110,481	94,502	55,269	67,553	55,398	62,867	64,305	35,800
Storm Water Utility	363,813	281,679	280,598	292,579	277,945	244,327	275,899	274,912	263,194	36,651
Operating Grants and Contributions	222,458	228,039	238,336	234,216	311,794	249,672	245,600	246,366	259,096	286,629
Capital Grants and Contributions	0	110,932	74,819	845,647	598,572	0	420,911	340,000	59,520	78,941
Total Business-type Activities Program Revenues	\$6,318,016	\$6,377,507	\$7,538,620	\$8,480,961	\$8,511,769	\$8,385,938	\$8,765,892	\$9,653,378	\$8,293,481	\$9,508,783
Total Primary Government Program Revenues	\$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	\$15,199,552

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

EXHIBIT B-2

	FISCAL YEAR									
	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
NET EXPENSES/REVENUE										
Governmental Activities	(\$11,390,779)	(\$11,997,701)	(\$8,722,765)	(\$11,106,197)	(\$12,818,824)	(\$10,612,372)	(\$11,236,040)	(\$9,761,996)	(\$8,409,894)	(\$8,944,369)
Business-Type Activities	(1,170,035)	(1,077,890)	(47,664)	634,022	399,995	467,281	956,347	1,793,382	1,196,468	1,537,822
Total Primary Government Net Expense	(\$12,560,813)	(\$13,075,591)	(\$8,770,429)	(\$10,472,175)	(\$12,418,829)	(\$10,145,091)	(\$10,279,693)	(\$7,968,614)	(\$7,213,426)	(\$7,406,547)
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS										
Governmental Activities:										
Property Taxes	\$6,528,844	\$6,869,387	\$7,070,336	\$7,401,258	\$7,401,258	\$7,519,378	\$7,036,611	\$6,069,962	\$5,809,159	\$5,691,905
Sales Tax	2,435,992	2,408,301	2,383,155	2,311,867	2,311,867	1,994,094	1,960,837	2,016,158	1,962,792	2,022,551
Motor Vehicle Fuel Tax	1,347,902	1,309,222	1,299,759	1,278,959	1,278,959	1,313,704	1,361,468	1,354,946	1,362,786	1,407,243
Grants and Contributions (not restricted to specific programs)	12,346	75,785	13,336	234,237	234,237	13,032	13,337	14,211	13,692	13,796
Unrestricted Investment Earnings	236,936	358,274	549,528	500,338	500,338	246,828	91,690	165,654	(13,828)	1,278,441
Contributions	0	0	0	0	0	204,641	13,037	329,251	0	0
Transfers	(276,246)	(120,930)	0	(108,816)	(108,816)	(114,827)	(100,911)	(126,338)	(150,967)	(177,533)
Total Governmental Activities	\$10,285,774	\$10,900,039	\$11,208,748	\$11,619,853	\$11,619,853	\$11,176,850	\$10,376,039	\$9,822,844	\$9,983,634	\$10,236,393
Business-Type Activities:										
Unrestricted Investment Earnings	\$133,400	\$67,409	\$109,417	\$121,552	\$121,552	\$47,025	\$65,269	\$61,518	\$50,238	\$60,071
Sale of Property	0	0	0	0	0	298,632	4,900	0	0	0
Contributions	276,246	120,930	107,366	108,816	108,816	114,827	100,911	128,338	150,967	177,533
Transfers	\$409,646	\$189,339	\$216,783	\$228,368	\$228,368	\$460,464	\$171,080	\$187,896	\$261,205	\$237,604
Total Business-Type Activities	\$10,695,420	\$11,098,378	\$11,425,531	\$11,848,221	\$11,848,221	\$11,637,334	\$10,547,119	\$10,010,700	\$9,244,839	\$10,473,997
CHANGE IN NET ASSETS										
Governmental Activities	(\$1,095,004)	(\$1,097,662)	\$2,485,983	\$513,656	(\$1,198,971)	\$664,478	(\$860,001)	\$80,948	\$573,740	1,292,024
Business-Type Activities	(760,389)	(889,551)	169,119	862,890	628,363	927,765	1,127,427	1,981,238	1,451,703	1,775,526
Adjustment for Accrued Sick and Vacation Pay	0	0	0	0	0	0	(47,822)	0	0	0
Total Primary Government	(\$1,855,393)	(\$1,987,213)	\$2,655,102	\$1,376,546	(\$570,608)	\$1,492,243	\$219,504	\$2,042,186	\$2,025,443	3,067,550

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

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

	FISCAL YEAR					
	FY2008-09*	FY2009-10*	FY2010-11*	FY2011-12*	FY2012-13*	FY2013-14*
General Fund						
Nonspendable:						
Inventories and Prepaids	173761	\$181,966	\$183,511	\$172,265	\$172,145	\$145,591
Assigned to:						
Encumbrances	341359	1,464,996	152,748	74,742	105,198	86,214
Designations	3301000	646,000	1,253,000	1,638,000	1,490,000	1,450,000
Unassigned	797275	1,066,844	1,412,794	1,487,929	1,538,481	1,843,678
Total General Fund	\$4,613,395	\$3,359,806	\$3,002,053	\$3,372,936	\$3,305,824	\$3,525,483
All Other Governmental Funds						
Restricted for:						
Perpetual Care	837860	\$904,136	\$904,874	\$971,882	\$945,042	\$965,224
Endowment	111005	111,005	111,005	111,005	111,005	111,005
Streets	1165181	1,561,797	1,854,848	2,062,582	2,864,082	2,942,657
Parks & Beautification	1210	4,714	9,695	16,010	21,309	16,091
Community Development	169101	172,114	168,699	138,844	125,426	127,291
Public Purpose	652124	597,776	573,041	585,618	622,734	1,689,773
Public Safety	203686	211,079	193,687	216,716	320,477	530,737
Committed to:						
Vibrant Cities	846160	76,994	45,877	171,915	0	
Assigned to:						
Economic Development	240179	267,384	350,659	304,276	0	
Total All Other Governmental Funds	\$4,226,506	\$3,906,999	\$4,212,385	\$4,578,848	\$5,010,075	\$6,382,778
Total Governmental Funds	\$8,839,901	\$7,266,805	\$7,214,438	\$7,951,784	\$8,315,899	\$9,908,281

*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)

Exhibit B-4

	FISCAL YEAR									
	FY2004-05	FY2005-06	FY2006-07	FY2007-08	FY2008-09	FY2009-10	FY2010-11	FY2011-12	FY2012-13	FY2013-14
REVENUES:										
Taxes	\$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	\$5,667,449
Other Tax Related Revenue	87,764	210,360	100,373	148,386	166,306	158,284	121,511	105,456	102,706	124,456
Licenses & Permits	262,278	486,327	279,866	153,650	213,850	153,604	221,619	365,685	247,785	341,695
Intergovernmental - Federal	13,141	281,485	444,147	101,854	308,354	1,070,165	146,379	203,165	202,549	204,088
Intergovernmental - State	3,959,348	3,953,373	4,616,318	3,842,197	3,901,233	3,391,875	3,530,566	4,244,968	3,382,991	3,597,144
Charges for Services	63,631	64,380	74,099	70,879	95,343	107,171	95,638	680,461	726,287	102,829
Use and Admission Charges	336,219	363,084	340,765	343,271	344,634	323,539	372,280	387,329	330,212	849,519
Fines and Fees	324,033	290,659	246,759	259,035	292,170	220,477	227,801	186,754	233,442	230,339
Investment Earnings	226,936	358,274	549,528	500,107	349,155	246,826	91,660	166,633	(11,022)	175,410
Fee Trust - for beautification purposes	763,001	656,057	1,173,270	1,169,690	930,354	679,871	662,669	735,739	1,175,557	563,983
Other	806,513	705,528	920,062	803,207	919,222	798,701	770,988	947,041	1,336,554	1,163,108
Special Assessments	24,944	84,398	109,075	109,075	256,966	40,276	69,118	137,838	41,128	50,857
Oil Royalties	0	0	0	0	0	0	0	0	0	1,103,031
Contribution from DDA	46,834	42,870	12,000	127,000	2,000	2,000	2,000	2,000	0	0
Contribution from LDFA-GAIDC	0	0	0	0	0	31,000	11,037	15,000	0	0
Public Contributions	0	0	496,028	255,400	223,547	171,644	281,320	312,250	168,750	0
Administrative Fees	0	0	129,087	60,184	42,766	50,818	53,646	0	0	0
Total Revenues	\$13,357,222	\$14,155,822	\$16,469,685	\$15,209,387	\$15,309,673	\$14,807,344	\$13,573,322	\$14,451,845	\$13,643,382	\$14,093,918
EXPENDITURES:										
General Government	\$1,764,340	\$2,045,589	\$1,997,155	\$2,006,288	\$1,946,665	\$2,247,896	\$1,619,726	\$1,681,751	\$1,575,553	\$1,623,046
Public Safety	4,408,555	4,644,796	4,195,282	4,063,786	3,935,272	4,271,319	5,234,866	5,019,435	5,196,657	5,355,996
Public Works	1,046,841	965,312	1,032,473	968,977	1,034,618	1,188,337	1,054,326	448,840	426,076	470,726
Culture & Recreation	1,508,139	2,301,543	2,338,473	2,169,134	2,220,766	3,015,206	2,276,553	2,201,513	\$2,182,521	1,607,850
Community Beautification & Imprvts.	1,051,396	359,417	773,074	1,211,766	1,760,778	3,190,417	1,155,168	811,324	\$1,268,803	603,816
Non-Departmental	0	0	0	0	0	0	0	0	0	89,813
Community & Economic Development	276,273	537,168	537,188	530,344	277,056	366,419	319,360	368,026	\$228,295	232,864
Streets & Bridges	1,667,575	1,585,180	1,322,014	1,940,434	1,862,521	1,184,050	656,224	1,758,104	\$1,038,787	1,862,500
Capital Outlay	2,627,259	1,346,051	2,489,028	3,881,758	3,863,866	7,886,591	1,204,423	860,664	0	0
Debt Service	198,448	728,100	113,072	151,531	209,957	0	200,060	210,000	\$215,000	220,000
Principal Retirement	78,673	41,314	31,167	22,708	67,272	111,957	242,164	236,704	\$233,710	257,412
Indebt and Fiscal Changes	\$14,627,499	\$14,554,440	\$14,828,916	\$16,966,726	\$17,176,791	\$23,262,192	\$13,962,830	\$13,566,161	\$12,482,210	\$12,324,023
Total Expenditures	\$1,270,277	(\$398,618)	\$1,640,769	(\$1,777,359)	(\$1,869,118)	(\$9,454,848)	(\$389,508)	\$863,664	\$1,161,182	\$1,769,895
Excess of Revenues over/(under) Expenditures										
Other Financing Sources (Uses):										
Transfers In	\$1,385,504	\$1,441,182	\$1,860,358	\$2,850,239	\$678,465	\$1,454,200	\$1,119,908	\$641,605	\$840,440	\$569,540
Transfers Out	(1,661,760)	(1,567,751)	(2,091,569)	(3,357,638)	(784,580)	(1,577,827)	(782,767)	(767,943)	(1,637,507)	(747,073)
Loan Proceeds	0	0	0	1,092,000	774,369	7,005,379	0	0	0	0
Total Other Financing Sources (Uses)	(\$276,246)	(\$126,569)	(\$231,200)	\$594,601	\$668,254	\$6,881,752	\$337,141	(\$126,338)	(\$797,067)	(\$177,533)
NET CHANGES IN FUND BALANCES	(\$1,546,523)	(\$525,187)	\$1,409,569	(\$1,192,738)	(\$1,200,864)	(\$1,573,096)	(\$52,367)	\$737,346	\$364,115	\$1,592,362
Debt Service as a Percentage of Non-Capital Expenditures	2.3%	5.8%	1.2%	1.3%	2.1%	0.7%	3.5%	3.5%	3.6%	3.9%

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

Function/Program	FISCAL YEAR									
	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Governmental Activities:										
Charges for Services:										
General Government	\$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	\$2,481,522
Public Safety	368,149	559,959	437,977	424,561	542,097	476,735	472,662	1,213,306	1,254,152	1,215,099
Public Works	991	27,872	1,963	28,950	32,693	34,850	42,822	42,893	40,849	70,061
Culture and Recreation	534,963	494,618	474,798	346,796	347,404	325,839	337,720	386,399	332,392	99,357
Community Beautification & Imprv.	273,882	197,457	248,438	282,677	171,924	147,253	142,602	118,011	164,593	142,135
Community & Economic Development	5,543	302,534	365,518	225,048	206,765	193,285	108,240	0	0	
Highways, Streets and Bridges	62,788	105,412	117,127	143,755	166,243	75,061	69,118	0	68,494	50,608
Operating Grants and Contributions	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	1,581,130
Capital Grants and Contributions	72,978	69,014	1,027,519	87,562	256,986	905,658	0	305,157	0	50,857
Total Governmental Activities	\$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	\$5,690,769
Business-type Activities:										
Charges for Services:										
Wastewater System	\$2,673,090	\$2,711,762	\$3,461,125	\$3,683,307	\$3,909,126	\$4,216,015	\$4,165,653	\$4,833,491	\$4,644,609	\$4,766,018
Water System	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	4,201,396
Dial-A-Ride System	77,507	87,590	99,806	100,066	98,793	85,784	90,517	104,583	102,013	101,548
Automobile Parking System	80,239	46,841	110,481	94,902	55,269	67,563	55,398	62,867	64,305	35,800
Storm Water Utility	363,813	281,679	280,598	292,579	277,945	244,327	275,899	274,912	263,194	36,651
Operating Grants and Contributions	222,458	228,039	239,326	311,794	234,216	249,672	245,600	246,356	259,086	288,529
Capital Grants and Contributions	0	110,932	74,819	845,647	598,577	0	420,911	340,000	59,520	78,841
Total Business-type Activities	\$6,318,016	\$6,377,507	\$7,539,520	\$8,460,961	\$8,511,769	\$8,385,939	\$8,765,892	\$9,659,378	\$9,293,491	\$9,508,783
Total Primary Government	\$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	\$15,199,552

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
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
2013-14	5,691,905	1,568,071	454,480	1,407,244		9,121,700
Change						
2013-14 over/(under) 2004-05						
Amount	(\$741,675)	(\$867,921)	\$454,480	(\$61,901)	(\$87,764)	(\$1,304,781)
Percent	-11.53%	-35.63%	0.00%	-4.21%	-100.00%	-12.51%
Change						
2013-14 over/(under) 2012-13						
Amount	(\$14,548)	\$37,362	\$22,397	\$107,076	\$0	\$152,287
Percent	-0.26%	2.38%	4.93%	7.61%	0.00%	1.67%

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
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
2013-14	184,489,677	109,218,300	22,449,200	55,427,100	371,584,277	7,438,461	364,145,816	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>
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
2013-14	13.6293	0.0000	0.0000	0.9746	14.6039	7.2796	5.9128	22.9000	20.9000

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	FY2013-14			FY2003-04		
		TAXABLE VALUE	RANK	PERCENT OF TOTAL TAXABLE VALUE	TAXABLE VALUE	RANK	PERCENT OF TOTAL TAXABLE VALUE
INTEVA PRODUCTS, LLC	MANUFACTURING	13,468,965	1	3.70%			
INERGY PRODUCTS	MANUFACTURING	13,357,700	2	3.67%			
ANDERSON DEVELOPMENT	MANUFACTURING	11,467,793	3	3.15%	17,142,270	2	4.32%
INERGY AUTOMOTIVE SYSTEMS	MANUFACTURING	7,852,400	4	2.16%			
SENAFAR INVESTMENTS, LLC	RETAIL	4,920,400	5	1.35%			
WYATT REAL ESTATE (VENCHURS)	MANUFACTURING	4,807,202	6	1.32%	6,550,230	4	1.65%
CONSUMERS ENERGY	UTILITY	4,601,843	7	1.26%	4,395,800	7	1.11%
MEIJER	RETAIL	4,363,321	8	1.20%	4,234,560	10	1.07%
ADRIAN MALL LENDERS LLC	RETAIL	4,168,300	9	1.14%			
ADRIAN STEEL	MANUFACTURING	3,815,700	10	1.05%	4,516,450	6	1.14%
CITIZENS GAS & FUEL COMPANY	UTILITY	2,980,398	11	0.82%	4,336,570	9	1.09%
BIOLAB, INC.	MANUFACTURING	2,880,200	12	0.79%	4,341,580	8	1.09%
COLE LO ADRIAN MI LLC	MANUFACTURING	2,784,800	13	0.76%			
PEDCOR INVESTMENTS	HOUSING	2,142,200	14	0.59%	3,154,220	13	0.79%
TLC COMMUNITY CREDIT UNION	BANKING	1,910,100	15	0.52%			
NOB HILL APARTMENTS, LLC	HOUSING	1,895,190	16	0.52%			
W2 FUEL ADRIAN	MANUFACTURING	1,867,400	17	0.51%			
MINK-FRIENDLY VILLAGE OF ADRIAN	HOUSING	1,855,192	18	0.51%			
PPG INDUSTRIES INC	MANUFACTURING	1,808,874	19	0.50%			
ADRIAN HOTEL REAL ESTATE LLC	HOUSING	1,687,100	20	0.46%			
GECCMC 2003-CI BRIARWOOD MOBILE	HOUSING	1,568,600	21	0.43%			
FOUR SEASONS APARTMENTS LLC	HOUSING	1,487,424	22	0.41%			
HJM DEVELOPMENT LLC	INSURANCE	1,469,100	23	0.40%			
CLIFT PROPERTIES, LLC	RETAIL-AUTO	1,414,727	24	0.39%			
MI ADRIAN HOLDINGS LLC	HOUSING	1,399,500	25	0.38%			
D & P CABLE INC	UTILITY	1,347,200	26	0.37%			
GRANITE HIDDEN RIVER NORTH LLC	HOUSING	1,343,900	27	0.37%			
CRG LYNWOOD REALTY LLC	HOUSING	1,293,900	28	0.36%			
SAND CREEK APARTMENTS LTD	HOUSING	1,268,100	29	0.35%			
RIVER BEND APARTMENTS LLC	HOUSING	1,244,600	30	0.34%			
SOLVAY AUTOMOTIVE, INC.	MANUFACTURING				20,457,400	1	5.15%
DELPHI AUTOMOTIVE	MANUFACTURING				11,696,500	3	2.94%
EQUITY ASSETS MANAGEMENT	RETAIL-MALL				6,028,130	5	1.52%
GREENLAND VISTAS	RETAIL MALL						
ADRIAN FABRICATORS	MANUFACTURING				3,841,000	11	0.99%
CHARLES A. GREENAN TRUST	RETAIL				3,595,970	12	0.91%
ITLAND PLASTICS TECHNOLOGY	MANUFACTURING				2,625,000	14	0.66%
FISCHER FAMILY TRUST	HOUSING				2,402,030	15	0.60%
DURA	MANUFACTURING				2,280,840	16	0.57%
		<u>95,003,164</u>		26.09%	<u>\$101,698,550</u>		<u>25.60%</u>
	TAXABLE VALUE	\$364,145,816			\$397,224,340		

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
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%
2013-14	5,764,854	5,567,664	96.58%	0	5,567,664	96.58%

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	GENERAL FUND LAND	STORM WATER	PARKS & RECREATION	TOTAL GENERAL	SEWER SYSTEM	SEWER SYSTEM	SEWER SYSTEM	SEWER REVOLVING	DRINKING WATER	TOTAL PRIMARY	PERCENT OF PERSONAL	PER CAPITA
	GENERAL OBLIGATION BONDS**** SERIES A, B, C	CONTRACT/ INSTALLMENT PURCHASE CONTRACT*	UTILITY BONDS	INSTALLMENT PURCHASE AGREEMENTS**	OBLIGATION BONDS	LEASE PURCHASE	INSTALL PURCHASE	REVENUE BONDS	FUND LOAN	FUND LOANS***	GOV'T.	INCOME	
2004-05	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	100,000	884,260	984,260	0	0	2,983,031	8,215,000	5,220,000	17,402,291	3.5%	763
2006-07	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	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	1,889,138	0	1,712,768	3,601,906	695,779	0	8,171,548	7,090,000	11,941,707	31,500,940	7.1%	1,418
2009-10	7,040,000	0	0	0	7,040,000	629,507	102,128	7,776,548	6,695,000	11,371,707	33,614,890	8.3%	1,591
2010-11	6,840,000	0	0	0	6,840,000	560,713	58,042	7,371,548	6,290,000	10,786,707	31,907,010	7.9%	1,510
2011-12	6,630,000	0	0	0	6,630,000	489,302	58,042	6,956,548	5,875,000	10,186,707	30,195,599	7.5%	1,429
2012-13	6,415,000	0	0	0	6,415,000	415,172	32,197	6,533,548	5,450,000	9,576,707	28,422,624	7.1%	1,345
2013-14	6,195,000	0	0	0	6,195,000	338,222	0	6,111,548	5,015,000	8,956,707	26,616,477	6.6%	1,259

* 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

FISCAL YEAR	LIMITED TAX GENERAL OBLIGATION BONDS SERIES A,B,C	GENERAL FUND LAND CONTRACT/ INSTALLMENT PURCHASE CONTRACT	STORM WATER UTILITY BONDS	PARKS & RECREATION INSTALLMENT PURCHASE AGREEMENT	TOTAL GENERAL OBLIGATION BONDS	PERCENT OF TAXABLE VALUE OF PROPERTY*	PER CAPITA**
2004-05	0	0	200,000	1,612,360	1,812,360	0.44%	\$81.58
2005-06	0	0	100,000	884,260	984,260	0.23%	\$44.31
2006-07	0	0	0	771,188	771,188	0.17%	\$34.71
2007-08	0	653,900	0	1,203,963	1,857,863	0.40%	\$83.63
2008-09	0	1,889,138	0	1,712,768	3,601,906	0.79%	\$162.14
2009-10	7,040,000	0	0	0	7,040,000	1.59%	\$333.13
2010-11	6,840,000	0	0	0	6,840,000	1.66%	\$323.66
2011-12	6,630,000	0	0	0	6,630,000	1.69%	\$313.73
2012-13	6,415,000	0	0	0	6,415,000	1.71%	\$303.55
2013-14	6,195,000	0	0	0	6,195,000	1.70%	\$293.42

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, 2014

EXHIBIT D-3

<u>Governmental Unit</u>	<u>DEBT</u>	<u>ESTIMATED</u>	<u>ESTIMATED</u>
<u>Debt Repaid with Property Taxes</u>	<u>OUTSTANDING</u>	<u>PERCENTAGE</u>	<u>SHARE OF</u>
		<u>APPLICABLE*</u>	<u>OVERLAPPING</u>
			<u>DEBT</u>
DIRECT DEBT:			
Series A - Municipal Finance Bonds	\$695,000	100.00%	\$695,000
Series B - Build America Bonds	1,600,000	100.00%	\$1,600,000
Series C - Recovery Zone Bonds	3,900,000	100.00%	\$3,900,000
Net Direct Debt	<u>\$6,195,000</u>		<u>\$6,195,000</u>
OVERLAPPING DEBT:			
Adrian Public Schools	\$42,940,000	49.43%	\$21,226,593
Madison School District	3,470,000	28.81%	999,551
Lenawee County	11,433,000	11.95%	1,366,208
Net Overlapping Debt	<u>\$57,843,000</u>		<u>\$23,592,353</u>
Total Direct and Overlapping Debt	<u><u>\$64,038,000</u></u>		<u><u>\$29,787,353</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 FY2013-14	
Taxable Value	\$364,145,816
Debt Limit (10% of Taxable Value)	36,414,582
Debt Applicable to Limit:	
Series A - Municipal Finance Bonds	\$695,000
Series B - Build America Bonds	1,600,000
Series C - Recovery Zone Bonds	3,900,000
Total Debt Applicable to Limit	<u>\$6,195,000</u>
Legal Debt Margin	<u>30,219,582</u>

	Fiscal Year									
	FY2004-05	FY2005-06	FY2006-07	FY2007-08	FY2008-09	FY2009-10	FY2010-11	FY2011-12	FY2012-13	FY2013-14
Debt Limit	\$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	\$36,414,582
Total Debt Applicable to Limit	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	6,195,000
Legal Debt Margin	<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>	<u>\$30,219,582</u>
Total Debt Applicable to Limit as a Percentage of Debt Limit	4.56%	2.16%	1.81%	4.12%	7.81%	16.11%	16.63%	16.94%	17.12%	17.01%

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	
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	4,167,436	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	250,693	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	3,631,305	2,419,839	1,411,466	810,000	219,974	1.70	4,631,811	2,254,127	2,377,684	845,000	250,799	2.17
2013-14	4,129,710	2,506,168	1,623,542	620,000	205,827	1.97	4,738,087	2,284,310	2,473,777	860,000	249,541	2.23

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
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS**

EXHIBIT E-1

FISCAL YEAR	POPULATION	PERSONAL INCOME	PER CAPITA PERSONAL INCOME	MEDIAN AGE	SCHOOL ENROLLMENT	UNEMPLOYMENT RATES
2004-05	22,215	\$550,665,420	\$24,788	31.6	3,786	6.4%
2005-06	22,215	\$492,573,195	\$22,173	31.6	3,663	6.2%
2006-07	22,215	\$477,197,467	\$21,481	32.0	3,630	8.5%
2007-08	22,215	\$463,401,394	\$20,860	32.3	3,556	11.2%
2008-09	22,215	\$444,865,338	\$20,025	32.4	3,422	15.2%
2009-10	21,133	\$402,689,315	\$19,055	32.4	3,200	13.6%
2010-11	21,133	\$401,379,069	\$18,993	32.5	3,136	10.9%
2011-12	21,133	\$402,034,192	\$19,024	32.6	3,073	10.4%
2012-13	21,133	\$351,188,194	\$16,618	32.9	3,122	10.5%
2013-14	21,113	\$337,090,158	\$15,966	33.9	3,371	8.7%

Sources: Population, Personal Income and Median Age from U.S. Census Bureau; School Enrollments from Adrian Public Schools; Unemployment Rates from Michigan Employment Security Commission.

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

EXHIBIT E-2

<u>EMPLOYER</u>	<u>FY 2013-14</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 Mall)	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%
Hydo 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	FY2004-05	FY2005-06	FY2006-07	FY2007-08	FY2008-09	FY2009-10	FY2010-11	FY2011-12	FY2012-13	FY2013-14
City Administrator	2.0	2.0	2.0	2.0	2.0	2.0	2.0	1.5	1.5	1.5
Finance Department	6.0	6.0	6.0	6.0	6.0	6.0	6.0	4.5	4.5	4.5
City Assessor	1.0	2.0	2.0	2.0	2.0	1.0	1.0	1.5	1.5	1.5
City Clerk	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.5	1.5	1.5
City Attorney/Inspection	1.0	1.0	8.0	7.0	7.0	6.0	6.0	5.5	5.5	5.5
Human Resources	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Cemetery	3.0	3.0	3.0	3.0	3.0	3.0	3.0	2.5	2.5	2.5
Community Development	10.0	10.0	4.0	5.0	5.0	5.0	4.0	1.0	0.0	0.0
Public Works/Engineer	13.0	13.0	13.0	12.0	12.0	11.0	11.0	10.5	10.5	10.0
Parks and Recreation	8.0	8.0	8.0	8.0	7.0	7.0	6.0	4.0	4.0	4.0
Parks and Forestry	12.0	12.0	12.0	12.0	11.0	10.0	8.0	8.0	8.0	8.0
Public Library	6.0	6.0	6.0	6.0	6.0	6.0	5.0	4.0	4.0	4.0
Police Department	36.0	37.0	37.0	37.0	36.0	36.0	35.0	31.0	31.0	31.0
Fire Department	21.0	19.0	19.0	19.0	19.0	19.0	19.0	15.0	19.0	19.0
Utilities Department	43.0	41.0	40.0	41.0	41.0	39.0	37.0	34.0	34.0	34.0
Auto Parking Fund	1.0	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Information Technology	0.0	2.0	2.0	2.0	2.0	1.0	1.0	1.0	1.0	1.0
Motor Vehicle Pool	0.0	0.0	0.0	0.0	0.0	1.0	1.0	1.0	1.0	1.0
Total	165.0	165.0	164.0	164.0	161.0	155.0	147.0	127.5	130.5	130.0

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	FY2004-05	FY2005-06	FY2006-07	FY2007-08	FY2008-09	FY2009-10	FY2010-11	FY2011-12	FY2012-13	FY2013-14
Police Department										
Physical Arrests	1,604	1,779	1,662	1,438	1,769	1,679	1,485	1,485	1,301	1,197
Parking Violations	5,945	2,989	4,437	6,270	3,405	3,269	1,885	1,827	2,578	2,030
Traffic Violations	3,758	3,178	1,864	1,287	1,375	1,676	476	526	2,050	1,757
Fire Department										
Non-Medical Emergencies	481.0	486	461	459	459	518	868	459	533	666
EMS Rescue Responses	1668.0	1,725	1,736	1,736	1,806	2,034	2,071	1,490	2,316	2,469
Emergency Responses	2,149	2,211	2,197	2,195	2,265	2,552	2,939	1,949	2849	3,135
Fires Extinguished	63	78	75	25	28	26	18	18	52	31
Refuse Collection										
Refuse Collected (tons)	6,586	6,074	6,000	4,231	5,465	5,455	4,664	4,661	4,041	3,857
Recyclables (tons)	875	841	763	514	428	434	216	219	265	220
Public Works										
Street Resurfacing (miles)	3.6	4.9	3.7	2.1	2.1	0.9	2.1	1.8	1.5	1.52
Cold/Hot Patch Repair (tons)	212.8	164.0	124.5	174.0	174.0	135.0	152.0	154.0	157.0	135.0
Parks and Recreation										
Athletic Field Permits Issued	164	91	110	77	1014*	1,766	2,002	1,969	*	*
Program Participants	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	93,741	96,540	96,273	95,461	95,461	101,379	101,379	103,960	101,363	103,417
Circulation of Materials	81,504	75,013	76,895	82,501	82,501	92,987	90,893	84,348	80,602	77,569
Public Computer Sessions			14,677	17,410	25,048	27,036	30,082	28,001	19,176	23,219
Water										
New Connections	13	13	5	6	-25	4	4	4	6	6
Water Main Breaks	16	25	32	38	34	34	15	25	22	21
Average Daily Consumption (thousands of gallons)	3,270	3,156	3,598	3,459	2,849	2,685	2,685	2,473	3,581	3,115
Peak Daily Consumption (thousands of gallons)	5,026	6,690	7,664	4,588	4,588	4,013	4,013	4,441	4,226	4,617
Wastewater										
Average Daily Sewage Treatment (thousands of gallons)	4,932	5,001	5,273	5,776	5,300	4,000	4,000	4,400	4,980	5,521
Transit										
Total Route Miles	162,777	146,413	144,291	144,900	145,041	131,987	120,108	125,068	133,347	129,813
Passengers	94,531	80,244	81,063	81,365	81,444	73,762	73,762	76,808	77,810	77,361
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

FUNCTION/PROGRAM	FY2004-05	FY2005-06	FY2006-07	FY2007-08	FY2008-09	FY2009-10	FY2010-11	FY2011-12	FY2012-13	FY2013-14
Police Department										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Vehicles	16	16	16	18	17	14	14	14	14	13
Motorcycles	2	2	3	2	2	1	1	0	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)	781	855	930	930	930	930	930	930	930	930
Public Works										
Streets (miles)	43.5	43.5	45.9	45.96	45.96	44.76	44.76	44.76	44.15	44.15
Highways (miles)	40.2	40.2	27.1	27.08	27.08	28.77	28.77	28.77	29.38	29.38
Bridges	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.00	9
Streetlights	874	874	875	876	876	876	876	876	1,019	869
Traffic Signals	26	26	25	24	24	26	22	22	21	21
Parking Spaces	814	814	814	814	814	790	790	790	905	905
Parks and Recreation										
Acreage	674	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	136.00	137.44	137.44	137.44	137.44	137.44	98.00	137.44
Customers	6,652	6,652	6,652	6,432	6,432	6,269	5,888	5,888	6,013	6,199
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	3,100,000	3,100,000	3,000,000	3,000,000	3,000,000	2,690,000	2,392,000
Waste Water										
Sanitary Sewers (miles)	80.42	80.42	83.26	83.26	83.26	85	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