



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

DEPARTMENT OF FINANCE

For the Fiscal Year Ended June 30, 2024

Prepared by the Finance Department

NATHAN OWEN, Director of Finance

STEVE KRAUSE, Assistant Director of Finance

CITY OF ADRIAN, MICHIGAN
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR FISCAL YEAR ENDED JUNE 30, 2024

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INTRODUCTORY SECTION

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Finance Director

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ANNUAL COMPREHENSIVE FINANCIAL STATEMENT

Transmittal Letter December 6, 2024

To the Citizens of the City of Adrian, Michigan
Mayor and Members of the City Commission:

Transmittal of the Annual Comprehensive Financial Report (ACFR)

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 Annual Comprehensive Financial Report (ACFR) of the City of Adrian for the fiscal year ended June 30, 2024.

The financial section 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 ACFR consists of management's representation concerning the finances of the City. 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 accordance with GAAP. Because the cost of internal controls should not outweigh their benefits, the internal controls have 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's financial statements have been audited by Clark Schaefer Hackett, a licensed certified public accounting firm. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2024, 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's financial statements for the fiscal year ended June 30, 2024, 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.

Profile of the City of Adrian

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 in 2021 was 20,645. The City 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 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 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 provides a full range of services, including police and fire protection, sanitation services, construction and maintenance of highways, streets and other infrastructure, 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 discretely presented component units.

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'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), function (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, a budget amendment policy was approved by the City Commission, beginning July 2018, whereas the City Administrator and Finance Director can approve a budget amendment within a department, between line items. This is being done to assist in making Department Heads more accountable for their budgets.

In addition, the City Commission and City Administration meet in March 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 operates.

Economic Outlook

Property tax revenues have started to increase slightly over the past couple years. The City had a taxable value of \$364,145,816 for fiscal year 2014-15, whereas the taxable value for 2023-24 was \$431,151,484. Fiscal year 2022-23 saw a taxable value of \$406,947,768, an increase of 5.95%. During 2020 pandemic year, the State unemployment rates hit a high of 14.9%. The unemployment rate was 5.1% at the end of fiscal year 2024.

The County's jobless rate increased from July 2023 (4.7%) to July 2024 (5.1%). The City of Adrian is fortunate to have three institutions of higher education within our boundaries (Siena Heights University, Adrian College and Jackson College) to help stabilize the City's employment.

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 was again revised and was replaced with the City, Village and Township Revenue Sharing (CVTRS) program. State payments to City for fiscal year 2024 were \$2,791,075, a slight decrease of 0.2% over FY2022-23. The estimated payment for 2025 is \$2,827,231, a projected increase of 1.29%.

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, 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. That being said, the City has been experiencing an increase in property values over the past five years which has equated to some additional revenue.

At this time, the City is not looking at reducing services any further. We are currently working with union groups to assist in cost containment as it relates to pension costs. We have been successful in switching all union and non-union groups in placing new hires into a defined contribution pension plan as opposed to defined benefit plans and lowering the multiplier on existing defined benefit pension plans. We believe this cost containment strategy will assist us in our long-range financial planning.

Financial Policies

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.

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 shall remain in the custody of the Finance Department unless otherwise authorized by the City Commission.

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.

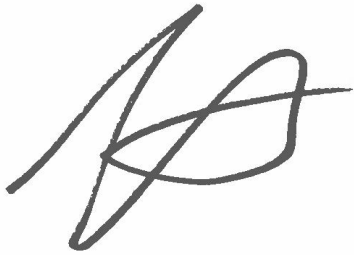
Pension and Other Post-employment Benefits - The City of Adrian has been a member of the Municipal Employees' Retirement System (MERS) of Michigan since 1945. The pension program is administered by the MERS Board under the provisions of the Municipal Employees' Retirement Act of 1984, as amended by Public 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 and for all non-union employees after an agreed upon bridge down beginning in April of 2022) times years of credited service. Beginning January of 2017, newly hired non-union and police employees will enter into a Defined Contribution Program instead of the Defined Benefit Program. Effective January 1, 2018, newly hired firefighters will enter into a Defined Contribution Program as well. For the current reporting period, employee contributions range from 3% to 9%, while employer contributions for all employees (DB and DC) totaled \$2,515,745. Total Regular Employee Contributions for Fiscal Year 2023-24 amounted to \$673,254. As of December 31, 2023, the Pension Plan had a Plan Fiduciary Net Position of \$41,392,547 with a Net Pension Liability of \$28,237,933, resulting in a Funded Ratio of 59.4%.

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 ACFR for the fiscal year ended June 30, 2023. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting. This was the thirty-seventh 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 ACFR with contents in conformance with program standards. Such Report must satisfy both 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 ACFR 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,

A handwritten signature in black ink, appearing to be 'G Elliott', written in a cursive style.

Gregory Elliott
City Administrator

A handwritten signature in black ink, appearing to be 'N Owen', written in a cursive style.

Nathan Owen
Finance Director



Government Finance Officers Association

Certificate of
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in Financial
Reporting

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**City of Adrian
Michigan**

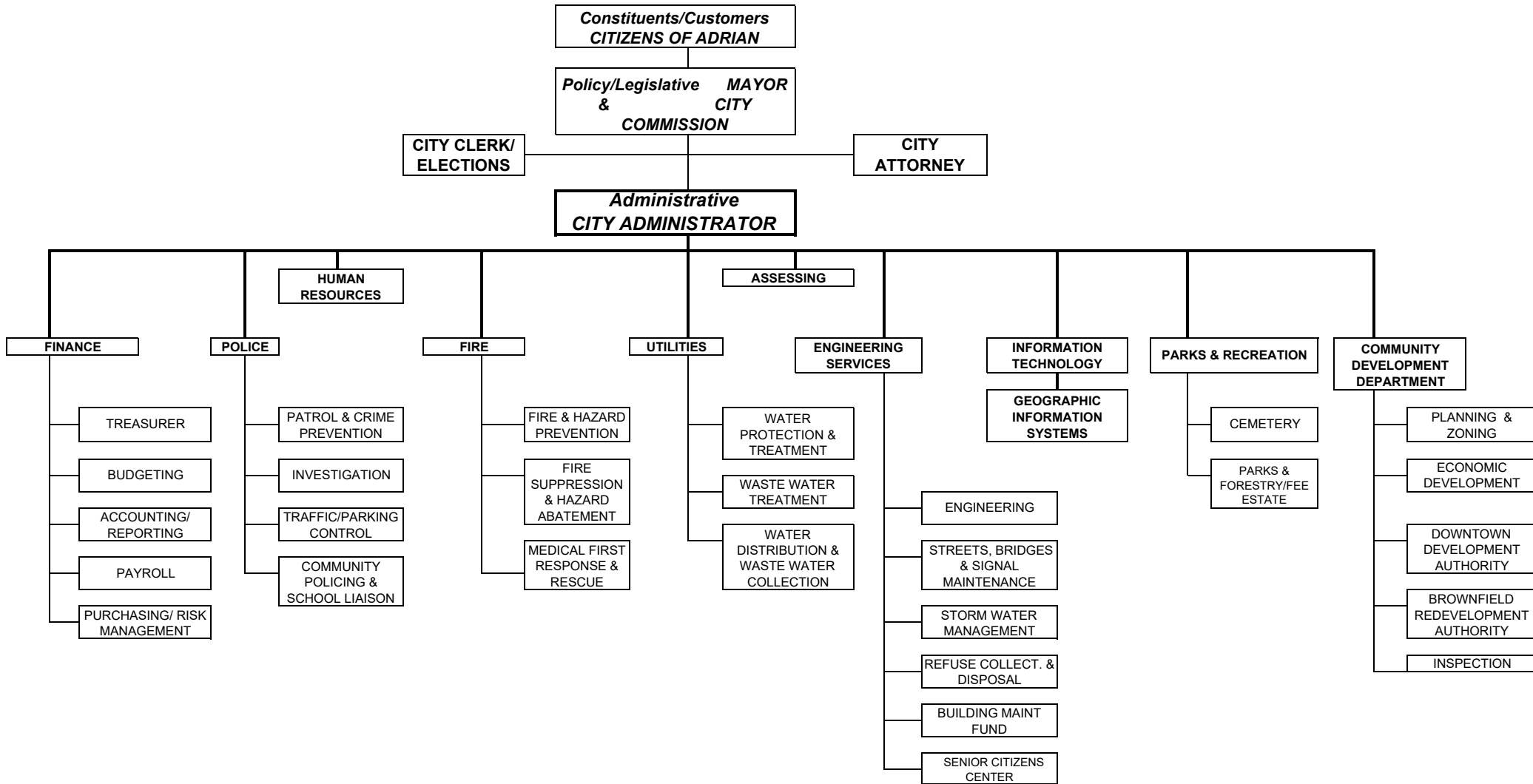
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2023

Christopher P. Morill

Executive Director/CEO

CITY OF ADRIAN ORGANIZATION CHART



CITY OF ADRIAN, MICHIGAN

LIST OF PRINCIPAL OFFICIALS

JUNE 30, 2024

<u>NAME</u>	<u>TITLE</u>	
Angela Sword Heath	Mayor	Term Expires 2025
Kelly Castleberry	Commissioner	Term Expires 2025
Robert Behnke	Commissioner	Term Expires 2027
Mary Roberts	Commissioner	Term Expires 2027
Doug Miller	Commissioner	Term Expires 2025
Gordon Gauss	Commissioner	Term Expires 2025
Matthew Schwartz	Commissioner	Term Expires 2027
Greg Elliott	City Administrator	
Castleberry & Lucas (Burke Castleberry)	City Attorney	
Christy Low	City Clerk	
Nathan Owen	Finance Director	
Kristen Brown	City Assessor	
Vincent Emrick	Police Chief	
Aric Massingill	Fire Chief	
William Sadler	Utilities Director	
Heather Lasky	Human Resources Director	
Matt Tomaszewski	Engineering Services Director	
Jeremiah Davies	Parks & Recreation Director	

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Adrian, Michigan, and its discretely presented component units, the Brownfield Redevelopment Authority and Downtown Development Authority, (collectively, the "City") as of and for the year ended June 30, 2024 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Adrian, Michigan, and its discretely presented component units, the Brownfield Redevelopment Authority and Downtown Development Authority, as of June 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, Major Streets Special Revenue Fund, Local Streets Special Revenue Fund, and the American Rescue Plan Act Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules of net pension liabilities and pension contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2024 on our consideration of the City'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 solely 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 effectiveness of the City's 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 the City's internal control over financial reporting and compliance.

Clark, Schaefer, Hackett & Co.

Maumee, Ohio
December 6, 2024

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CITY OF ADRIAN, MICHIGAN
Management's Discussion and Analysis (unaudited)
Fiscal Year Ended June 30, 2024

The management of the City of Adrian, Michigan (the City) presents readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2024. 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.

Financial Highlights

Major financial highlights for fiscal year 2024 are listed below:

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$77,624,102 (net position). Of this amount, a deficit of \$3,337,800 is reported as unrestricted net position for the governmental activities and a positive \$2,148,276 in unrestricted net position was reported for business-type activities. The negative unrestricted net position in governmental activities is primarily driven by recognition of the net pension liability.
- The City's total net position increased by \$960,972; a \$805,794 increase in governmental activities, and an increase of \$155,178 in business-type activities.
- The City's total expenses were \$33,173,747, an increase of \$3,328,053, or 11%, while total revenues were \$34,134,719, an increase of \$1,718,488, or 5%.
- The General Fund's fund balance increased by \$438,633. The City's unassigned fund balance of the General Fund totaled \$7,693,495 at the end of the fiscal year, or 49% of General Fund expenditures.
- The City's total debt decreased by \$2,323,758, with \$16,593,533 outstanding as of the end of the fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City'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's finances, in a manner similar to private sector business.

The *statement of net position* presents information on all of the City's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between these reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* 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 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 include general government, public safety, highways and streets, sanitation, economic development, and culture and recreation. The business-type activities of the City include water and sewer operations, and automobile parking activities, as well as Dial-A-Ride Transportation. The operations of Dial-A-Ride was transferred to the Lenawee Public Transportation Authority in fiscal year 2023. The City left the fund open while Michigan Department of Transportation complete their final accounting and reconciliations. Any residual cash balance will be transferred to the Lenawee Public Transportation Authority.

The government-wide financial statements include not only the City 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 Re-development Authority, for which the City is financially accountable. Financial information for these *component units* is reported separately from the financial information presented for the primary government itself. The RHINO 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 and, therefore, have been included as an integral part of the primary government.

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, 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 maintains fourteen individual governmental funds. 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, Major Streets, Local Streets, Oil & Gas Royalty Trust, and American Rescue Plan Act (ARPA) funds, all five of which are considered to be major funds. Data from the other nine 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 City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund, as well as major special revenue funds, to demonstrate compliance with this budget.

Proprietary Funds are also maintained by the City. There are 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 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. *Internal service funds* are an accounting device normally used to accumulate and allocate costs internally among the City'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, Department of Public Works, 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.

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, of which are considered to be major funds of the City of Adrian. Conversely, the Capital Projects Revolving Fund, Dial-A-Ride 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.

Fiduciary Funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. The City's only fiduciary funds are two custodial funds; one to account for taxes collected for other units of government and the other to account for funds held by the City in a fiduciary capacity.

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.

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

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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

A. Net Position at Fiscal Year-End

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, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$77,624,102 at the close of the most recent fiscal year.

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Assets						
Current and other assets	\$ 25,202,869	\$ 25,092,614	\$ 10,704,345	\$ 11,067,665	\$ 35,907,214	\$ 36,160,279
Capital assets	33,953,692	33,434,062	51,692,090	52,650,059	85,645,782	86,084,121
<i>Total Assets</i>	<u>59,156,561</u>	<u>58,526,676</u>	<u>62,396,435</u>	<u>63,717,724</u>	<u>121,552,996</u>	<u>122,244,400</u>
<i>Deferred Outflows of Resources</i>	<u>2,819,101</u>	<u>4,560,957</u>	<u>961,150</u>	<u>1,403,545</u>	<u>3,780,251</u>	<u>5,964,502</u>
Liabilities						
Long-term liabilities:						
Net pension liabilities	21,058,284	22,115,769	7,179,649	6,958,157	28,237,933	29,073,926
Other long-term amounts	7,509,794	7,825,827	10,150,070	12,074,983	17,659,864	19,900,810
Other liabilities	1,332,723	1,740,913	478,625	651,259	1,811,348	2,392,172
<i>Total Liabilities</i>	<u>29,900,801</u>	<u>31,682,509</u>	<u>17,808,344</u>	<u>19,684,399</u>	<u>47,709,145</u>	<u>51,366,908</u>
<i>Deferred Inflows of Resources</i>	<u>-</u>	<u>136,057</u>	<u>-</u>	<u>42,807</u>	<u>-</u>	<u>178,864</u>
Net Position						
Net investment in capital assets	27,342,639	26,543,663	41,736,526	40,741,435	69,079,165	67,285,098
Restricted	8,070,022	8,079,210	1,664,439	2,119,302	9,734,461	10,198,512
Unrestricted (deficit)	(3,337,800)	(3,353,806)	2,148,276	2,533,326	(1,189,524)	(820,480)
<i>Total Net Position</i>	<u>\$ 32,074,861</u>	<u>\$ 31,269,067</u>	<u>\$ 45,549,241</u>	<u>\$ 45,394,063</u>	<u>\$ 77,624,102</u>	<u>\$ 76,663,130</u>

By far, the largest portion of the City's net position (\$69,079,165) reflects its investment in capital assets (i.e., land, buildings, equipment and furniture, etc.), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in 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.

An additional portion of the City's net position (\$9,734,461) represents resources that are subject to external restrictions on how they may be used. The external restriction will not affect the availability of fund resources for future use. Primarily as a result of recognizing net pension liabilities under GASB Statement No. 68, the City's unrestricted net position ended the fiscal year with a deficit balance of \$1,189,524, including the \$3,337,800 deficit reported within governmental activities.

The City ended the fiscal year with \$121,552,996 in total assets, a decrease of \$691,404 from the prior fiscal year, or -0.57%. The City ended the fiscal year with \$47,709,145 in total liabilities, a decrease of \$3,657,763, or -7.12%. The decrease in assets was primarily driven by annual depreciation on capital assets, while the decrease in liabilities was the result of the City satisfying its annual debt service requirements on outstanding long-term obligations and a decline in the net pension liability, due to better investment performance.

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B. Change in Net Position during Fiscal Year-2024

The following table presents a condensed summary of the City's activities during fiscal years 2024 and 2023 and the resulting change in net position:

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Revenues						
Program revenues:						
Charges for services	\$ 5,646,117	\$ 4,984,711	\$10,543,904	\$ 10,163,272	\$ 16,190,021	\$ 15,147,983
Operating grants and contributions	1,843,055	2,165,588	8,310	151,197	1,851,365	2,316,785
Capital grants and contributions	3,277,236	3,406,789	60,000	60,000	3,337,236	3,466,789
<i>Total program revenues</i>	<u>10,766,408</u>	<u>10,557,088</u>	<u>10,612,214</u>	<u>10,374,469</u>	<u>21,378,622</u>	<u>20,931,557</u>
General revenues:						
Property and other taxes	6,403,880	6,037,353	-	-	6,403,880	6,037,353
Grants and entitlements not restricted to specific programs	4,049,187	4,158,065	-	-	4,049,187	4,158,065
Oil and gas royalties	58,082	68,019	-	-	58,082	68,019
Investment earnings	1,278,354	642,874	385,013	256,042	1,663,367	898,916
Other general revenues	501,766	318,541	79,815	3,780	581,581	322,321
<i>Total general revenues</i>	<u>12,291,269</u>	<u>11,224,852</u>	<u>464,828</u>	<u>259,822</u>	<u>12,756,097</u>	<u>11,484,674</u>
<i>Total revenues</i>	<u>23,057,677</u>	<u>21,781,940</u>	<u>11,077,042</u>	<u>10,634,291</u>	<u>34,134,719</u>	<u>32,416,231</u>
Expenses						
General government	2,754,509	2,511,083	-	-	2,754,509	2,511,083
Public safety	9,292,745	8,386,094	-	-	9,292,745	8,386,094
Public works	542,874	724,362	-	-	542,874	724,362
Sanitation	1,118,114	1,282,531	-	-	1,118,114	1,282,531
Culture and recreation	2,337,007	2,153,080	-	-	2,337,007	2,153,080
Community beautification and improvements	1,354,315	1,038,586	-	-	1,354,315	1,038,586
Community and economic development	1,214,567	426,758	-	-	1,214,567	426,758
Highways, streets and bridges	3,318,749	2,796,414	-	-	3,318,749	2,796,414
Interest and fiscal charges	234,003	173,120	-	-	234,003	173,120
Wastewater system	-	-	5,376,890	5,074,387	5,376,890	5,074,387
Water system	-	-	5,449,493	5,035,670	5,449,493	5,035,670
Dial-A-Ride system	-	-	265	133,994	265	133,994
Automobile parking system	-	-	180,216	109,615	180,216	109,615
<i>Total expenses</i>	<u>22,166,883</u>	<u>19,492,028</u>	<u>11,006,864</u>	<u>10,353,666</u>	<u>33,173,747</u>	<u>29,845,694</u>
Transfers	(85,000)	808,851	85,000	(808,851)	-	-
Special item	-	-	-	(170,250)	-	(170,250)
<i>Change in net position</i>	<u>805,794</u>	<u>3,098,763</u>	<u>155,178</u>	<u>(698,476)</u>	<u>960,972</u>	<u>2,400,287</u>
<i>Net position, beginning of year</i>	<u>31,269,067</u>	<u>28,170,304</u>	<u>45,394,063</u>	<u>46,092,539</u>	<u>76,663,130</u>	<u>74,262,843</u>
<i>Net position, end of year</i>	<u>\$ 32,074,861</u>	<u>\$ 31,269,067</u>	<u>\$45,549,241</u>	<u>\$ 45,394,063</u>	<u>\$77,624,102</u>	<u>\$ 76,663,130</u>

A. Governmental Activities

Governmental Activities' net position experienced an increase of \$805,794 during the fiscal year, compared with the \$3,098,763 increase reported for the prior year. Revenues increased by \$1,275,737 due to the following:

- A \$0.7 million increase in charges for services attributable to receiving more mileage and reimbursement from Medicare on medical transportation and a significant raid that netted in nearly \$0.3 million in forfeitures; and
- A \$0.6 million increase in investment earnings, due to better returns on short-term investment.

Expenses increased by \$2,674,855 during the fiscal year. Reasons contributing to this increase include:

- A \$0.9 million increase in public safety, due to hiring more personnel and collectively bargained raise for both police and fire;
- A \$0.8 million increase in community and economic development attributable to the contribution of funds to the Brownfield Re-development Authority component unit to establish a revolving loan fund; and
- A \$0.5 million increase in highways, streets and bridges for road improvements and higher construction costs.

B. Business-Type Activities

Business-Type Activities' net position experienced an increase of \$155,178 during the fiscal year, which is higher than the prior year's decrease of \$698,476. The expenses of the business-type activities increased by \$653,198, or 6%, over the prior year, due to higher wages and inflationary increases, while revenues increased by \$442,751, due to higher charges for services from utility rate increases and better investment earnings. Additionally, the City transferred its Dial-A-Ride operations to the Lenawee Public Transportation Authority during the prior fiscal year and recognized a \$170,250 special item loss on the transfer.

FINANCIAL ANALYSIS OF THE CITY'S INDIVIDUAL FUNDS

A. Governmental Funds

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

The City's governmental funds reported a combined fund balance of \$22,865,659, which is \$1,427,836 above last year's total of \$21,437,823. The schedule below indicates the fund balances and total change in fund balances as of June 30, 2024 and 2023 for each individual major fund and nonmajor governmental funds in total.

	<u>Fund Balance</u> <u>June 30, 2024</u>	<u>Fund Balance</u> <u>June 30, 2023</u>	<u>Change in</u> <u>Fund Balance</u>	<u>Percent</u> <u>Change</u>
Major Funds:				
General Fund	\$ 9,493,310	9,054,677	\$ 438,633	5%
Major Streets Fund	3,973,858	4,096,377	(122,519)	-3%
Local Streets Fund	1,194,041	1,399,893	(205,852)	-15%
Oil & Gas Royalty Trust Fund	4,781,830	4,169,049	612,781	15%
Nonmajor Governmental Funds	<u>3,422,620</u>	<u>2,717,827</u>	<u>704,793</u>	26%
Total	<u>\$ 22,865,659</u>	<u>\$ 21,437,823</u>	<u>\$ 1,427,836</u>	7%

General Fund

The General Fund, the City's primary operating fund, ended the fiscal year with an unassigned fund balance of \$7,693,495, or 49% of General Fund expenditures. Total fund balance increased \$438,633 during the fiscal year. This increase was higher than prior fiscal year's decrease of \$768,468, primarily due to better investment earnings and return of funds from the closing of the Motor Vehicle Pool internal service fund.

Major Streets Fund

The Major Streets Fund, a City major fund, had revenues of \$2,535,223 and expenditures of \$2,657,742 in fiscal year 2024. The Fund experienced a decrease in fund balance of \$122,519, due to higher construction costs on road improvements.

Local Streets Fund

The Local Streets Fund, a City major fund, had revenues of \$882,504 and expenditures of \$1,573,356 in fiscal year 2024. The Fund experienced a decrease in fund balance of \$205,852, due to higher construction costs on road improvements.

Oil & Gas Royalty Trust Fund

The Oil & Gas Royalty Trust Fund, a capital projects fund, accounts for the activity associated with the royalties derived from oil and gas exploration or mineral rights owned by the City. The resources of the Trust have been assigned to special capital projects as determined by the City Commission. During fiscal year 2024, the Fund reported an increase of \$612,781 in fund balance due primarily to investment earnings on the investment trust portfolio.

American Rescue Plan Act (ARPA) Fund

This fund was established in fiscal year 2022 to account for the Federal ARPA grant funding that was received. The City spent \$249,705 on various equipment and vehicle purchases and has recognized \$537,333 in unearned revenue on the remaining amount to be spent in fiscal year 2025.

B. Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements for business-type activities, but in more detail.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City's budgetary information for the General Fund and its major special revenue funds can be found within the basic financial statements.

The City's primary operating fund is the General Fund. The original revenue budget was increased during the fiscal year by 15% to account for additional state revenues as well as anticipated increases in investment income as described above. The City also increased the revenue budget by \$1.0 million to account for the use of fund balance to balance quarterly budget amendments in other revenues. Actual revenues were \$1.2 million lower than the final revenue budget total for the fiscal year primarily since the use of fund balance is not recorded as revenue.

The original expenditure budget was increased during the fiscal year by 17%. Budget expenditures were increased by \$2.3 million during the fiscal year in public safety, for additional personnel and contracted wage increases, and community and economic development department, primarily due to the contribution of \$850,000 to Brownfield Re-development Authority component unit to establish a revolving loan fund. Ultimately, the actual expenditures came in \$0.6 million under the final budgeted expenditure total; this is due to a budgeted expenditure of \$0.3 million for partial payment of fire truck that is on order but will not be received or paid for until a subsequent fiscal year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

A. Capital Assets

At the end of fiscal year 2024, the City had \$85.6 million (net of accumulated depreciation) invested in land, land improvements, buildings, equipment and furniture, right-to-use lease assets, infrastructure and utility systems. Capital assets decreased by \$0.5 million due to depreciation expense (\$4.9 million) exceeding capital asset additions (\$4.4 million). See Note 5 to the basic financial statements for detail. The following table shows fiscal year 2024 compared to 2023:

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Land	\$ 7,585,017	\$ 7,617,969	\$ 1,182,584	\$ 926,858	\$ 8,767,601	\$ 8,544,827
Construction in progress	733,190	3,362,746	-	6,749,684	733,190	10,112,430
Land improvements	2,498,478	2,881,369	1,128,898	1,154,253	3,627,376	4,035,622
Buildings	8,127,427	7,118,556	-	-	8,127,427	7,118,556
Equipment and furniture	3,797,274	2,106,790	36,290	-	3,833,564	2,106,790
Right-to-use lease assets	246,111	169,429	-	-	246,111	169,429
Infrastructure	10,966,195	10,177,203	-	-	10,966,195	10,177,203
Utility systems	-	-	49,344,318	43,819,264	49,344,318	43,819,264
Totals	<u>\$ 33,953,692</u>	<u>\$ 33,434,062</u>	<u>\$ 51,692,090</u>	<u>\$ 52,650,059</u>	<u>\$ 85,645,782</u>	<u>\$ 86,084,121</u>

B. Debt Administration

At June 30, 2024, the City had \$16,593,533 in outstanding debt, a decrease of \$2,323,758 from June 30, 2023. This decrease was due to the combination of principal payments made during the fiscal year and no new debt issuance. The City had the following long-term debt outstanding at June 30, 2024 and 2023:

	Outstanding Debt	
	<u>2024</u>	<u>2023</u>
Governmental Activities:		
General obligation bonds	\$ 3,600,000	\$ 3,900,000
Lease-purchase agreement	3,037,969	3,108,667
Business-Type Activities:		
DWRF bonds	2,061,707	3,371,707
SRF bonds	1,531,538	2,026,538
Lease-purchase agreement	<u>6,362,319</u>	<u>6,510,379</u>
Totals	<u>\$ 16,593,533</u>	<u>\$ 18,917,291</u>

See Note 7 to the basic financial statements for detail regarding the City's debt activity.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The FY2023-24 budget recommendation was submitted with the City showing an increase of 4.1% in real property taxes and a 0.4% increase in personal property taxes. At this time, the State of Michigan Local Community Stabilization Authority continues to reimburse eligible municipalities for their loss in personal property values due to the Small Taxpayer Property change made at the State level.

The State of Michigan is still using the City, Village, Township Revenue Sharing program to calculate State revenue sharing. The City saw a \$5,827 decrease in FY2023-24 compare to FY2022-23.

During the current fiscal year, the unassigned fund balance and amounts assigned for designated purposes in the General Fund stands at \$9,014,422. The City has assigned \$725,000 of fund balance amount for spending in the ensuing fiscal year's budget recommendation, primarily for some pending Michigan Tax Tribunal claims, possible grant opportunities, and additional contributions to the City's unfunded pension liability. The City has an additional \$595,9247 in assigned fund balance for encumbered purchases. For the utility funds, there is a planned rate increase of 4.8% for FY2024-25.

REQUESTS FOR ADDITIONAL 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: nowen@adrianmi.gov.

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CITY OF ADRIAN, MICHIGAN
Statement of Net Position
June 30, 2024

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Brownfield Redevelopment Authority	Downtown Development Authority
Assets					
Equity in pooled cash and cash equivalents	\$ 11,445,527	\$ 4,685,169	\$ 16,130,696	\$ 653,772	\$ 262,423
Cash held in escrow	286,693	-	286,693	-	-
Investments	11,591,854	2,535,374	14,127,228	-	12,074
Receivables (net of allowances)	1,633,247	1,174,406	2,807,653	300,000	809
Internal balances	45,660	(45,660)	-	-	-
Due from component units	194	5,000	5,194	-	-
Prepaid items	34,787	7,439	42,226	-	-
Materials and supplies inventory	157,408	678,178	835,586	-	-
Land held for resale	7,499	-	7,499	-	-
Restricted cash and investments	-	1,664,439	1,664,439	-	-
Nondepreciable capital assets	8,318,207	1,182,584	9,500,791	-	53,054
Depreciable capital assets, net	<u>25,635,485</u>	<u>50,509,506</u>	<u>76,144,991</u>	-	<u>3,215</u>
Total assets	<u>59,156,561</u>	<u>62,396,435</u>	<u>121,552,996</u>	<u>953,772</u>	<u>331,575</u>
Deferred Outflows of Resources					
Pension	<u>2,819,101</u>	<u>961,150</u>	<u>3,780,251</u>	-	-
Liabilities					
Vouchers payable	366,187	130,296	496,483	-	6,417
Accrued payroll	344,662	112,005	456,667	-	2,864
Due to other governments	-	9,845	9,845	-	-
Due to primary government	-	-	-	-	5,194
Unearned revenue	538,333	-	538,333	-	-
Customer deposits payable	-	111,402	111,402	-	-
Accrued interest payable	83,541	115,077	198,618	-	-
Long-term liabilities:					
Due within one year	806,344	1,204,350	2,010,694	-	1,858
Due in more than one year:					
Net pension liability	21,058,284	7,179,649	28,237,933	-	-
Other amounts due more than one year	<u>6,703,450</u>	<u>8,945,720</u>	<u>15,649,170</u>	-	<u>6,383</u>
Total liabilities	<u>29,900,801</u>	<u>17,808,344</u>	<u>47,709,145</u>	-	<u>22,716</u>
Net Position					
Net investment in capital assets	27,342,639	41,736,526	69,079,165	-	56,269
Restricted for:					
Debt service	-	1,664,439	1,664,439	-	-
Public safety	255,777	-	255,777	-	-
Community development	132,548	-	132,548	-	-
Highways and streets	5,757,050	-	5,757,050	-	-
Recreation	46,552	-	46,552	-	-
Endowment:					
Nonexpendable	1,393,418	-	1,393,418	-	-
Expendable	443,252	-	443,252	-	-
Other purposes	41,425	-	41,425	-	-
Unrestricted (deficit)	<u>(3,337,800)</u>	<u>2,148,276</u>	<u>(1,189,524)</u>	<u>953,772</u>	<u>252,590</u>
Total net position	<u>\$ 32,074,861</u>	<u>\$ 45,549,241</u>	<u>\$ 77,624,102</u>	<u>\$ 953,772</u>	<u>\$ 308,859</u>

See accompanying notes to the basic financial statements.

CITY OF ADRIAN, MICHIGAN
Statement of Activities
Fiscal Year Ended June 30, 2024

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units	
					Governmental Activities	Business-Type Activities	Total	Brownfield Redevelopment Authority	Downtown Development Authority
Primary government:									
Governmental activities:									
General government	\$ 2,754,509	\$ 1,495,092	\$ -	\$ 249,705	\$ (1,009,712)		\$ (1,009,712)		
Public safety	9,292,745	2,341,102	187,156	-	(6,764,487)		(6,764,487)		
Public works	542,874	142,115	134,750	-	(266,009)		(266,009)		
Sanitation	1,118,114	1,466,544	-	-	348,430		348,430		
Culture and recreation	2,337,007	109,733	2,000	-	(2,225,274)		(2,225,274)		
Community beautification and improvements	1,354,315	-	1,284,215	-	(70,100)		(70,100)		
Community and economic development	1,214,567	18,750	234,934	25,000	(935,883)		(935,883)		
Highways, streets and bridges	3,318,749	72,781	-	3,002,531	(243,437)		(243,437)		
Interest and fiscal charges	234,003	-	-	-	(234,003)		(234,003)		
Total governmental activities	<u>22,166,883</u>	<u>5,646,117</u>	<u>1,843,055</u>	<u>3,277,236</u>	<u>(11,400,475)</u>		<u>(11,400,475)</u>		
Business-type activities:									
Wastewater system	5,376,890	5,326,740	-	-		\$ (50,150)	(50,150)		
Water system	5,449,493	5,152,716	-	-		(296,777)	(296,777)		
Dial-A-Ride system	265	-	8,310	-		8,045	8,045		
Automobile parking system	180,216	64,448	-	60,000		(55,768)	(55,768)		
Total business-type activities	<u>11,006,864</u>	<u>10,543,904</u>	<u>8,310</u>	<u>60,000</u>		<u>(394,650)</u>	<u>(394,650)</u>		
Total primary government	<u>\$ 33,173,747</u>	<u>\$ 16,190,021</u>	<u>\$ 1,851,365</u>	<u>\$ 3,337,236</u>		<u>(394,650)</u>	<u>(11,795,125)</u>		
Component Units:									
Brownfield Redevelopment Authority	\$ 8,920	\$ -	\$ -	\$ -			\$ (8,920)	\$ -	
Downtown Development Authority	282,773	3,396	98,239	-			-	(181,138)	
Total component units	<u>\$ 291,693</u>	<u>\$ 3,396</u>	<u>\$ 98,239</u>	<u>\$ -</u>			<u>(8,920)</u>	<u>(181,138)</u>	
General revenues:									
Property taxes					6,403,880	-	6,403,880	12,248	147,236
Grants and contributions not restricted to specific programs					4,049,187	-	4,049,187	850,000	-
Oil royalties					58,082	-	58,082	-	-
Investment earnings					1,278,354	385,013	1,663,367	-	640
Other					522,760	-	522,760	-	-
Gain (loss) on sale of assets					(20,994)	79,815	58,821	-	-
Transfers					(85,000)	85,000	-	-	-
Total general revenues and transfers					<u>12,206,269</u>	<u>549,828</u>	<u>12,756,097</u>	<u>862,248</u>	<u>147,876</u>
Change in net position					805,794	155,178	960,972	853,328	(33,262)
Net position beginning of year					31,269,067	45,394,063	76,663,130	100,444	342,121
Net position end of year					<u>\$ 32,074,861</u>	<u>\$ 45,549,241</u>	<u>\$ 77,624,102</u>	<u>\$ 953,772</u>	<u>\$ 308,859</u>

See accompanying notes to the basic financial statements.

CITY OF ADRIAN, MICHIGAN

Balance Sheet

Governmental Funds

June 30, 2024

	General	Major Streets	Local Streets	Oil & Gas Royalty Trust	American Rescue Plan Act	Nonmajor Governmental Funds
Assets						
Equity in pooled cash and cash equivalents	\$ 4,501,536	\$ 3,269,329	\$ 568,927	\$ -	\$ 568,389	\$ 2,129,861
Cash held in escrow	286,693	-	-	-	-	-
Investments	4,447,092	646,672	580,019	4,781,830	-	1,136,241
Receivables (net of allowances)	726,751	328,085	109,849	-	-	468,562
Due from other funds	335,338	-	-	-	-	-
Due from component units	194	-	-	-	-	-
Prepaid items	34,787	-	-	-	-	-
Materials and supplies inventory	157,408	-	-	-	-	-
Land held for resale	-	-	-	-	-	7,499
Total assets	<u>\$ 10,489,799</u>	<u>\$ 4,244,086</u>	<u>\$ 1,258,795</u>	<u>\$ 4,781,830</u>	<u>\$ 568,389</u>	<u>\$ 3,742,163</u>
Liabilities						
Vouchers payable	\$ 207,327	\$ 61,849	\$ 1,948	\$ -	\$ 31,056	\$ 25,362
Accrued payroll	290,445	13,785	3,849	-	-	31,230
Due to other funds	5,008	27,889	6,563	-	-	261,951
Unearned revenue	-	-	-	-	537,333	1,000
Total liabilities	<u>502,780</u>	<u>103,523</u>	<u>12,360</u>	<u>-</u>	<u>568,389</u>	<u>319,543</u>
Deferred Inflows of Resources						
Unavailable revenue	<u>493,709</u>	<u>166,705</u>	<u>52,394</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances						
Nonspendable	192,195	-	-	-	-	1,393,418
Restricted	286,693	3,973,858	1,194,041	-	-	1,329,195
Committed	-	-	-	-	-	700,007
Assigned	1,320,927	-	-	4,781,830	-	-
Unassigned	<u>7,693,495</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>9,493,310</u>	<u>3,973,858</u>	<u>1,194,041</u>	<u>4,781,830</u>	<u>-</u>	<u>3,422,620</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 10,489,799</u>	<u>\$ 4,244,086</u>	<u>\$ 1,258,795</u>	<u>\$ 4,781,830</u>	<u>\$ 568,389</u>	<u>\$ 3,742,163</u>

See accompanying notes to the basic financial statements.

CITY OF ADRIAN, MICHIGAN
 Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 June 30, 2024

Total Governmental Funds <hr/> \$ 11,038,042 286,693 11,591,854 1,633,247 335,338 194 34,787 157,408 7,499 <hr/> \$ 25,085,062 <hr/> \$ 327,542 339,309 301,411 <hr/> 538,333 <hr/> 1,506,595 <hr/> 712,808 1,585,613 6,783,787 700,007 6,102,757 <hr/> 7,693,495 <hr/> 22,865,659 <hr/> \$ 25,085,062	<p>Total governmental fund balances \$ 22,865,659</p> <p><i>Amounts reported for governmental activities in the statement of net position are different because:</i></p> <p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 33,928,062</p> <p>Internal service funds are used to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. 395,674</p> <p>Other long-term assets are not available to pay for current-period expenditures and therefore are unavailable in the funds. 712,808</p> <p>Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding-left: 40px;">Bonds payable</td> <td style="text-align: right;">(3,600,000)</td> <td></td> </tr> <tr> <td style="padding-left: 40px;">Lease-purchase liability</td> <td style="text-align: right;">(3,037,969)</td> <td></td> </tr> <tr> <td style="padding-left: 40px;">Lease liabilities</td> <td style="text-align: right;">(259,777)</td> <td></td> </tr> <tr> <td style="padding-left: 40px;">Compensated absences</td> <td style="text-align: right;">(606,872)</td> <td></td> </tr> <tr> <td style="padding-left: 40px;">Accrued interest payable</td> <td style="text-align: right;">(83,541)</td> <td style="text-align: right;">(7,588,159)</td> </tr> </table> <p>The net pension liability is not due and payable in the current period; therefore, the liability and related deferred outflows/inflows are not reported in the governmental funds:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding-left: 40px;">Deferred outflows-pension</td> <td style="text-align: right;">2,819,101</td> <td></td> </tr> <tr> <td style="padding-left: 40px;">Net pension liability</td> <td style="text-align: right;">(21,058,284)</td> <td style="text-align: right;">(18,239,183)</td> </tr> </table> <p>Total governmental activities net position \$ 32,074,861</p>	Bonds payable	(3,600,000)		Lease-purchase liability	(3,037,969)		Lease liabilities	(259,777)		Compensated absences	(606,872)		Accrued interest payable	(83,541)	(7,588,159)	Deferred outflows-pension	2,819,101		Net pension liability	(21,058,284)	(18,239,183)
Bonds payable	(3,600,000)																					
Lease-purchase liability	(3,037,969)																					
Lease liabilities	(259,777)																					
Compensated absences	(606,872)																					
Accrued interest payable	(83,541)	(7,588,159)																				
Deferred outflows-pension	2,819,101																					
Net pension liability	(21,058,284)	(18,239,183)																				

CITY OF ADRIAN, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

Fiscal Year Ended June 30, 2024

	General	Major Streets	Local Streets	Oil & Gas Royalty Trust	American Rescue Plan Act	Nonmajor Governmental Funds
Revenues						
Taxes	\$ 6,515,428	\$ -	\$ -	\$ -	\$ -	\$ 410,940
Other tax-related revenue	137,538	-	-	-	-	-
Licenses and permits	710,995	-	-	-	-	-
Intergovernmental-federal	19,721	-	-	-	249,705	-
Intergovernmental-state	4,221,613	2,412,611	727,467	-	-	125,409
Charges for services	1,759,713	-	-	-	-	1,466,544
Use and admission charges	79,271	-	-	-	-	-
Fines and fees	107,265	-	-	-	-	-
Investment earnings	589,912	49,821	33,113	554,699	-	53,188
Fee Trust - for beautification	-	-	-	-	-	1,116,215
Special assessments	-	72,781	109,750	-	-	-
Oil royalties	-	-	-	58,082	-	-
Donations and contributions	563,538	-	-	-	-	168,000
Other	359,441	10	12,174	-	-	348,502
Total revenues	<u>15,064,435</u>	<u>2,535,223</u>	<u>882,504</u>	<u>612,781</u>	<u>249,705</u>	<u>3,688,798</u>
Expenditures						
Current:						
General government	2,642,704	-	-	-	249,705	11,189
Public safety	8,692,637	-	-	-	-	151,499
Public works	779,951	-	-	-	-	-
Sanitation	-	-	-	-	-	1,082,773
Culture and recreation	1,507,745	-	-	-	-	-
Community beautification and improvements	205,270	-	-	-	-	1,223,727
Community and economic development	1,198,483	-	-	-	-	-
Highways, streets and bridges	-	2,657,742	1,573,356	-	-	-
Debt Service:						
Principal retirement	380,414	-	-	-	-	63,617
Interest and fiscal charges	202,566	-	-	-	-	35,660
Total expenditures	<u>15,609,770</u>	<u>2,657,742</u>	<u>1,573,356</u>	<u>-</u>	<u>249,705</u>	<u>2,568,465</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(545,335)</u>	<u>(122,519)</u>	<u>(690,852)</u>	<u>612,781</u>	<u>-</u>	<u>1,120,333</u>
Other Financing Sources (Uses)						
Sale of capital assets	14,977	-	-	-	-	-
Lease liabilities issued	137,339	-	-	-	-	27,346
Transfers in	891,652	-	485,000	-	-	67,114
Transfers out	(60,000)	-	-	-	-	(510,000)
Total other financing sources (uses)	<u>983,968</u>	<u>-</u>	<u>485,000</u>	<u>-</u>	<u>-</u>	<u>(415,540)</u>
Net change in fund balances	438,633	(122,519)	(205,852)	612,781	-	704,793
Fund balance, beginning of year	<u>9,054,677</u>	<u>4,096,377</u>	<u>1,399,893</u>	<u>4,169,049</u>	<u>-</u>	<u>2,717,827</u>
Fund balance, end of year	<u>\$ 9,493,310</u>	<u>\$ 3,973,858</u>	<u>\$ 1,194,041</u>	<u>\$ 4,781,830</u>	<u>\$ -</u>	<u>\$ 3,422,620</u>

See accompanying notes to the basic financial statements.

CITY OF ADRIAN, MICHIGAN
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
Fiscal Year Ended June 30, 2024

Total Governmental Funds <hr/> \$ 6,926,368 137,538 710,995 269,426 7,487,100 3,226,257 79,271 107,265 1,280,733 1,116,215 182,531 58,082 731,538 720,127 <hr/> 23,033,446 2,903,598 8,844,136 779,951 1,082,773 1,507,745 1,428,997 1,198,483 4,231,098 444,031 238,226 <hr/> 22,659,038 374,408 14,977 164,685 1,443,766 (570,000) <hr/> 1,053,428 1,427,836 21,437,823 <hr/> \$ 22,865,659	<p>Net change in fund balances - total governmental funds \$ 1,427,836</p> <p><i>Amounts reported for governmental activities in the statement of activities are different because:</i></p> <p>Acquisition of capital assets are reported as expenditures in governmental funds and the proceeds of the sale of capital assets are recorded as other financing sources. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation and amortization expense:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Capital asset additions</td> <td style="width: 20%; text-align: right;">2,795,251</td> <td style="width: 20%;"></td> </tr> <tr> <td>Depreciation and amortization expense</td> <td style="text-align: right;">(2,256,326)</td> <td></td> </tr> <tr> <td>Capital assets transferred from motor vehicle pool</td> <td style="text-align: right;"><u>745,806</u></td> <td style="text-align: right;">1,284,731</td> </tr> </table> <p>In the statement of activities, gain or loss on disposal of capital assets is reported, whereas only proceeds from sales are reported in the governmental funds:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Disposal of assets</td> <td style="width: 20%;"></td> <td style="width: 20%; text-align: right;">(35,761)</td> </tr> </table> <p>Internal service funds are used to charge the costs of certain activities to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities. (1,615,541)</p> <p>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:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Compensated absences</td> <td style="width: 20%; text-align: right;">36,651</td> <td style="width: 20%;"></td> </tr> <tr> <td>Interest on long-term debt</td> <td style="text-align: right;"><u>4,223</u></td> <td style="text-align: right;">40,874</td> </tr> </table> <p>Revenues in the statement of activities that do not provide current financial resources are reported as deferred inflows of resources. (27,377)</p> <p>Repayment of bonds payable, lease-purchase and lease liabilities are reported as expenditures in the governmental funds, but the repayment reduces the long-term liabilities in the statement of net position. 444,031</p> <p>Lease liabilities issued provide current financial resources to governmental funds, but the issuance of long-term debt increases long-term liabilities in the statement of net position (164,685)</p> <p>Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows of resources. 818,452</p> <p>Except for amounts reported as deferred outflows/inflows, changes in the net pension liability are reported as negative pension expense in the statement of activities. <u>(1,366,766)</u></p> <p>Change in net position of governmental activities <u>\$ 805,794</u></p>	Capital asset additions	2,795,251		Depreciation and amortization expense	(2,256,326)		Capital assets transferred from motor vehicle pool	<u>745,806</u>	1,284,731	Disposal of assets		(35,761)	Compensated absences	36,651		Interest on long-term debt	<u>4,223</u>	40,874
Capital asset additions	2,795,251																		
Depreciation and amortization expense	(2,256,326)																		
Capital assets transferred from motor vehicle pool	<u>745,806</u>	1,284,731																	
Disposal of assets		(35,761)																	
Compensated absences	36,651																		
Interest on long-term debt	<u>4,223</u>	40,874																	

CITY OF ADRIAN, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
 General Fund
 Fiscal Year Ended June 30, 2024

	Budgeted Amounts		Actual	Variance From Final Budget
	Original	Final		
Revenues				
Taxes	\$ 6,222,000	\$ 6,544,832	\$ 6,515,428	\$ (29,404)
Other tax-related revenue	145,000	137,538	137,538	-
Licenses and permits	660,950	711,150	710,995	(155)
Intergovernmental-federal	17,655	19,722	19,721	(1)
Intergovernmental-state	4,086,557	4,222,132	4,221,613	(519)
Charges for services	1,461,636	1,759,713	1,759,713	-
Use and admission charges	63,500	79,516	79,271	(245)
Fines and fees	200,500	107,265	107,265	-
Investment earnings	200,000	589,912	589,912	-
Donations and contributions	581,771	563,538	563,538	-
Other	534,451	1,502,097	359,441	(1,142,656)
Total revenues	14,174,020	16,237,415	15,064,435	(1,172,980)
Expenditures				
Current:				
General government:				
City Commission	160,546	174,210	174,414	(204)
City Administrator	364,061	363,981	363,617	364
Election department	155,500	79,086	79,092	(6)
Finance department	461,170	474,449	481,887	(7,438)
City assessor	298,341	327,347	324,237	3,110
City attorney	183,234	190,643	190,602	41
City clerk	205,010	265,223	265,316	(93)
Human resources	318,535	267,470	267,355	115
Cemetery	473,746	456,019	439,574	16,445
Nondepartmental	14,832	129,497	56,610	72,887
Total general government	2,634,975	2,727,925	2,642,704	85,221
Public safety:				
Police department	4,585,013	4,734,934	4,626,480	108,454
Fire department	3,451,558	3,902,792	3,482,566	420,226
Inspection department	584,477	585,212	583,591	1,621
Total public safety	8,621,048	9,222,938	8,692,637	530,301
Public works:				
Department of public works	569,096	525,449	498,997	26,452
Engineering	103,646	101,374	95,656	5,718
Street lighting	157,000	214,152	185,298	28,854
Total public works	829,742	840,975	779,951	61,024
Culture and recreation:				
Recreation department	168,834	300,207	270,426	29,781
Parks and forestry garage	29,285	27,285	27,285	-
Parks and forestry department	795,621	968,182	1,082,791	(114,609)
Adrian Public Library	163,144	127,243	127,243	-
Total culture and recreation	1,156,884	1,422,917	1,507,745	(84,828)

CITY OF ADRIAN, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

General Fund

Fiscal Year Ended June 30, 2024

(continued)

	Budgeted Amounts		Actual	Variance From Final Budget
	Original	Final		
Expenditures (continued)				
Current (continued):				
Community beautification and improvements:				
Planning Commission	5,100	678	579	99
Other projects	72,000	217,582	204,691	12,891
Total community beautification and improvements	77,100	218,260	205,270	12,990
Community and economic development:				
Human Rights Commission	2,300	-	-	-
Economic development	275,099	1,129,616	1,128,483	1,133
Public transit	70,000	70,000	70,000	-
Total community and economic development	347,399	1,199,616	1,198,483	1,133
Debt Service:				
Principal retirement	39,278	366,333	380,414	(14,081)
Interest and fiscal charges	173,594	190,675	202,566	(11,891)
Total expenditures	13,880,020	16,189,639	15,609,770	579,869
Excess (deficiency) of revenues over (under) expenditures	294,000	47,776	(545,335)	(593,111)
Other Financing Sources (Uses)				
Sale of capital assets	16,000	14,977	14,977	-
Lease liabilities issued	-	-	137,339	137,339
Transfers in	-	-	891,652	891,652
Transfers out	(310,000)	(60,000)	(60,000)	-
Total other financing sources (uses)	(294,000)	(45,023)	983,968	1,028,991
Net change in fund balances	-	2,753	438,633	\$ 435,880
Fund balance, beginning of year	9,054,677	9,054,677	9,054,677	
Fund balance, end of year	\$ 9,054,677	\$ 9,057,430	\$ 9,493,310	

See accompanying notes to the basic financial statements.

CITY OF ADRIAN, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
 Major Streets Special Revenue Fund
 Fiscal Year Ended June 30, 2024

	Budgeted Amounts		Actual	Variance From Final Budget
	Original	Final		
Revenues				
Intergovernmental-state	\$ 2,099,365	\$ 2,412,611	\$ 2,412,611	\$ -
Investment earnings	7,500	49,821	49,821	-
Special assessments	83,000	72,781	72,781	-
Other	371,439	1,079,389	10	(1,079,379)
Total revenues	<u>2,561,304</u>	<u>3,614,602</u>	<u>2,535,223</u>	<u>(1,079,379)</u>
Expenditures				
Current:				
Highways, streets and bridges:				
Street construction	2,015,000	2,841,825	2,202,238	639,587
Routine maintenance-streets	194,273	189,358	134,820	54,538
Routine maintenance-storm water	60,500	102,419	67,393	35,026
Routine maintenance-bridges	2,100	2,400	2,293	107
Maintenance - State trunklines	59,226	42,681	42,715	(34)
Traffic service maintenance	92,321	73,300	73,725	(425)
Winter maintenance	63,500	82,213	82,409	(196)
Administration	45,134	40,339	40,339	-
Non-motorized transportation	29,250	38,420	11,810	26,610
Other	-	201,647	-	201,647
Total highway, streets and bridges	<u>2,561,304</u>	<u>3,614,602</u>	<u>2,657,742</u>	<u>956,860</u>
Total expenditures	<u>2,561,304</u>	<u>3,614,602</u>	<u>2,657,742</u>	<u>956,860</u>
Net change in fund balances	-	-	(122,519)	\$ <u>(122,519)</u>
Fund balance, beginning of year	<u>4,096,377</u>	<u>4,096,377</u>	<u>4,096,377</u>	
Fund balance, end of year	<u>\$ 4,096,377</u>	<u>\$ 4,096,377</u>	<u>\$ 3,973,858</u>	

See accompanying notes to the basic financial statements.

CITY OF ADRIAN, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
 Local Streets Special Revenue Fund
 Fiscal Year Ended June 30, 2024

	Budgeted Amounts		Actual	Variance From Final Budget
	Original	Final		
Revenues				
Intergovernmental-state	\$ 709,304	\$ 727,467	\$ 727,467	\$ -
Investment earnings	7,500	33,113	33,113	-
Special assessments	260,000	109,750	109,750	-
Other	44,731	432,165	12,174	(419,991)
Total revenues	<u>1,021,535</u>	<u>1,302,495</u>	<u>882,504</u>	<u>(419,991)</u>
Expenditures				
Current:				
Highways, streets and bridges:				
Sidewalks	19,000	16,679	4,746	11,933
Street construction	1,045,750	1,374,211	1,234,092	140,119
Routine maintenance-streets	194,676	176,629	133,844	42,785
Routine maintenance-storm water	39,350	94,301	80,832	13,469
Routine maintenance-bridges	5,600	5,600	192	5,408
Traffic service maintenance	31,525	28,528	27,999	529
Winter maintenance	40,500	57,836	57,940	(104)
Administration	35,134	33,711	33,711	-
Total expenditures	<u>1,411,535</u>	<u>1,787,495</u>	<u>1,573,356</u>	<u>214,139</u>
Excess of expenditures over revenues	<u>(390,000)</u>	<u>(485,000)</u>	<u>(690,852)</u>	<u>(205,852)</u>
Other Financing Sources				
Transfers in	<u>390,000</u>	<u>485,000</u>	<u>485,000</u>	<u>-</u>
Net change in fund balances	-	-	(205,852)	<u>\$ (205,852)</u>
Fund balance, beginning of year	<u>1,399,893</u>	<u>1,399,893</u>	<u>1,399,893</u>	
Fund balance, end of year	<u>\$ 1,399,893</u>	<u>\$ 1,399,893</u>	<u>\$ 1,194,041</u>	

See accompanying notes to the basic financial statements.

CITY OF ADRIAN, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
 American Rescue Plan Act Fund
 Fiscal Year Ended June 30, 2024

	Budgeted Amounts		Actual	Variance From Final Budget
	Original	Final		
Revenues				
Intergovernmental-federal	\$ -	\$ 81,782	\$ 249,705	\$ 167,923
Other	-	700,492	-	(700,492)
Total revenues	-	782,274	249,705	(532,569)
Expenditures				
Current:				
General government:				
Capital improvements	-	782,274	249,705	532,569
Net change in fund balances	-	-	-	\$ -
Fund balance, beginning of year	-	-	-	
Fund balance, end of year	\$ -	\$ -	\$ -	

See accompanying notes to the basic financial statements.

CITY OF ADRIAN, MICHIGAN

Statement of Net Position
 Proprietary Funds
 June 30, 2024

	Business-Type Activities			Totals	Governmental Activities - Internal Service Funds
	Wastewater System	Water System	Nonmajor Enterprise Funds		
Assets					
Current assets:					
Equity in pooled cash and cash equivalents	\$ 1,867,386	\$ 1,390,877	\$ 1,426,906	\$ 4,685,169	\$ 407,485
Investments	1,166,748	1,368,626	-	2,535,374	-
Receivables (net of allowances)	439,073	361,770	373,563	1,174,406	-
Due from other funds	-	8	8,151	8,159	11,733
Due from component units	-	-	5,000	5,000	-
Inventory	-	678,178	-	678,178	-
Prepaid items	1,313	6,126	-	7,439	-
Restricted cash and cash equivalents	384,972	310,953	-	695,925	-
Total current assets	<u>3,859,492</u>	<u>4,116,538</u>	<u>1,813,620</u>	<u>9,789,650</u>	<u>419,218</u>
Noncurrent assets:					
Restricted cash and cash equivalents	528,953	439,561	-	968,514	-
Nondepreciable capital assets	163,134	125,224	894,226	1,182,584	-
Depreciable capital assets, net	25,768,999	23,575,319	1,165,188	50,509,506	25,630
Total noncurrent assets	<u>26,461,086</u>	<u>24,140,104</u>	<u>2,059,414</u>	<u>52,660,604</u>	<u>25,630</u>
Total assets	<u>30,320,578</u>	<u>28,256,642</u>	<u>3,873,034</u>	<u>62,450,254</u>	<u>444,848</u>
Deferred Outflows of Resources					
Pension	<u>374,373</u>	<u>586,777</u>	<u>-</u>	<u>961,150</u>	<u>-</u>
Liabilities					
Current liabilities:					
Vouchers payable	35,064	88,690	6,542	130,296	38,645
Accrued payroll	39,973	71,459	573	112,005	5,353
Due to other funds	25,534	25,118	3,167	53,819	-
Due to other governments	-	-	9,845	9,845	-
Customer deposits payable	-	111,402	-	111,402	-
Accrued interest payable	61,019	54,058	-	115,077	-
Compensated absences	25,889	55,695	-	81,584	3,326
Lease-purchase	107,883	109,883	-	217,766	-
Bonds payable	505,000	400,000	-	905,000	-
Total current liabilities	<u>800,362</u>	<u>916,305</u>	<u>20,127</u>	<u>1,736,794</u>	<u>47,324</u>
Noncurrent liabilities:					
Compensated absences	38,063	74,859	-	112,922	1,850
Lease-purchase	3,044,064	3,100,489	-	6,144,553	-
Bonds payable	1,026,538	1,661,707	-	2,688,245	-
Net pension liability	2,796,511	4,383,138	-	7,179,649	-
Total noncurrent liabilities	<u>6,905,176</u>	<u>9,220,193</u>	<u>-</u>	<u>16,125,369</u>	<u>1,850</u>
Total liabilities	<u>7,705,538</u>	<u>10,136,498</u>	<u>20,127</u>	<u>17,862,163</u>	<u>49,174</u>
Net Position					
Net investment in capital assets	21,248,648	18,428,464	2,059,414	41,736,526	25,630
Restricted for:					
Debt service	913,925	750,514	-	1,664,439	-
Unrestricted (deficit)	826,840	(472,057)	1,793,493	2,148,276	370,044
Total net position	<u>\$ 22,989,413</u>	<u>\$ 18,706,921</u>	<u>\$ 3,852,907</u>	<u>\$ 45,549,241</u>	<u>\$ 395,674</u>

See accompanying notes to the basic financial statements.

CITY OF ADRIAN, MICHIGAN

Statement of Revenues, Expenses and Change in Net Position

Proprietary Funds

Fiscal Year Ended June 30, 2024

	Business-Type Activities			Totals	Governmental Activities - Internal Service Funds
	Wastewater System	Water System	Nonmajor Enterprise Funds		
Operating Revenues:					
Charges for services	\$ 5,326,740	\$ 5,063,078	\$ -	\$ 10,389,818	\$ 1,100,480
Special assessments	-	-	59,889	59,889	-
Other	-	89,638	4,559	94,197	188,857
Total operating revenues	<u>5,326,740</u>	<u>5,152,716</u>	<u>64,448</u>	<u>10,543,904</u>	<u>1,289,337</u>
Operating Expenses:					
Personal services	2,146,607	2,385,234	28,269	4,560,110	146,912
Contract services	259,520	630,910	9,703	900,133	301,190
Materials and supplies	387,568	686,600	35,820	1,109,988	2,985
Depreciation	1,588,793	934,141	67,977	2,590,911	7,461
Other	879,961	682,024	38,712	1,600,697	741,757
Total operating expenses	<u>5,262,449</u>	<u>5,318,909</u>	<u>180,481</u>	<u>10,761,839</u>	<u>1,200,305</u>
Operating income (loss)	<u>64,291</u>	<u>(166,193)</u>	<u>(116,033)</u>	<u>(217,935)</u>	<u>89,032</u>
Nonoperating Revenues (Expenses):					
Gain on disposal of assets	75,000	4,815	-	79,815	-
Interest and fiscal charges	(114,441)	(130,584)	-	(245,025)	-
Interest income	191,534	168,103	25,376	385,013	-
Operating grants	-	-	8,310	8,310	-
Total nonoperating revenues (expenses)	<u>152,093</u>	<u>42,334</u>	<u>33,686</u>	<u>228,113</u>	<u>-</u>
Income (loss) before transfers, contributions, and special item	216,384	(123,859)	(82,347)	10,178	89,032
Transfers in	-	-	85,000	85,000	-
Transfers out	-	-	-	-	(958,766)
Capital contributions	-	-	60,000	60,000	-
Special item - loss on transfer of capital assets	-	-	-	-	(745,807)
Change in net position	216,384	(123,859)	62,653	155,178	(1,615,541)
Net position beginning of year	<u>22,773,029</u>	<u>18,830,780</u>	<u>3,790,254</u>	<u>45,394,063</u>	<u>2,011,215</u>
Net position end of year	<u>\$ 22,989,413</u>	<u>\$ 18,706,921</u>	<u>\$ 3,852,907</u>	<u>\$ 45,549,241</u>	<u>\$ 395,674</u>

See accompanying notes to the basic financial statements.

CITY OF ADRIAN, MICHIGAN
Statement of Cash Flows
Proprietary Funds
Fiscal Year Ended June 30, 2024

	Business-Type Activities				Governmental Activities - Internal Service Funds
	Wastewater System	Water System	Nonmajor Enterprise Funds	Totals	
Cash Flows from Operating Activities					
Cash received from customers	\$ 5,323,093	\$ 5,252,977	\$ 65,818	\$ 10,641,888	\$ -
Cash received from interfund charges	-	-	-	-	1,287,880
Cash payments for employee services and benefits	(1,946,833)	(1,929,923)	(28,317)	(3,905,073)	(146,638)
Cash payments to suppliers for goods and services	(1,801,033)	(2,201,714)	(114,589)	(4,117,336)	(1,015,189)
Net cash flows from operating activities	<u>1,575,227</u>	<u>1,121,340</u>	<u>(77,088)</u>	<u>2,619,479</u>	<u>126,053</u>
Cash Flows from Noncapital Financing Activities					
Cash received from other funds	9	1,502	86,215	87,726	-
Cash received from other governments	-	-	6,792	6,792	-
Cash paid to other funds	-	-	(1,068)	(1,068)	(958,766)
Net cash flows from noncapital financing activities	<u>9</u>	<u>1,502</u>	<u>91,939</u>	<u>93,450</u>	<u>(958,766)</u>
Cash Flows from Capital and Related Financing Activities					
Acquisition of capital assets	(731,551)	(566,753)	(334,638)	(1,632,942)	(23,928)
Capital grants	-	-	60,000	60,000	-
Sale of assets	75,000	4,815	-	79,815	-
Principal paid on long-term debt	(1,128,350)	(824,710)	-	(1,953,060)	-
Interest paid on long-term debt	(119,952)	(134,901)	-	(254,853)	-
Net cash flows from capital and related financing activities	<u>(1,904,853)</u>	<u>(1,521,549)</u>	<u>(274,638)</u>	<u>(3,701,040)</u>	<u>(23,928)</u>
Cash Flows from Investing Activities					
Interest on investments	191,534	168,103	25,376	385,013	-
Purchase of investments	(61,913)	(66,982)	-	(128,895)	-
Net cash flows from investing activities	<u>129,621</u>	<u>101,121</u>	<u>25,376</u>	<u>256,118</u>	<u>-</u>
Net decrease in cash and cash equivalents	(199,996)	(297,586)	(234,411)	(731,993)	(856,641)
Cash and cash equivalents beginning of year	<u>2,981,307</u>	<u>2,438,977</u>	<u>1,661,317</u>	<u>7,081,601</u>	<u>1,264,126</u>
Cash and cash equivalents end of year	<u>\$ 2,781,311</u>	<u>\$ 2,141,391</u>	<u>\$ 1,426,906</u>	<u>\$ 6,349,608</u>	<u>\$ 407,485</u>
Equity in pooled cash and cash equivalents	\$ 1,867,386	\$ 1,390,877	\$ 1,426,906	\$ 4,685,169	\$ 407,485
Restricted cash and cash equivalents	<u>913,925</u>	<u>750,514</u>	<u>-</u>	<u>1,664,439</u>	<u>-</u>
	<u>\$ 2,781,311</u>	<u>\$ 2,141,391</u>	<u>\$ 1,426,906</u>	<u>\$ 6,349,608</u>	<u>\$ 407,485</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:					
Operating income (loss)	\$ 64,291	\$ (166,193)	\$ (116,033)	\$ (217,935)	\$ 89,032
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation	1,588,793	934,141	67,977	2,590,911	7,461
Changes in assets, liabilities and deferred outflows/inflows:					
Receivables	(3,647)	31,682	(35,404)	(7,369)	(1,457)
Inventory	-	(233,884)	-	(233,884)	-
Prepaid items	2	(185)	-	(183)	-
Vouchers payable	(273,986)	31,889	6,420	(235,677)	30,743
Accrued payroll	725	5,133	(48)	5,810	310
Compensated absences	17,424	10,723	-	28,147	(36)
Customer deposits	-	68,579	-	68,579	-
Deferred outflows-pension	187,432	254,963	-	442,395	-
Deferred inflows-pension	(17,135)	(25,672)	-	(42,807)	-
Net pension liability	<u>11,328</u>	<u>210,164</u>	<u>-</u>	<u>221,492</u>	<u>-</u>
Net cash flows from operating activities	<u>\$ 1,575,227</u>	<u>\$ 1,121,340</u>	<u>\$ (77,088)</u>	<u>\$ 2,619,479</u>	<u>\$ 126,053</u>
Schedule of non-cash capital and related financing activities:					
Transfer of capital assets to governmental funds					<u>\$ 745,807</u>

See accompanying notes to the basic financial statements.

CITY OF ADRIAN, MICHIGAN
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2024

	<u>Custodial Funds</u>
Assets	
Cash	\$ 299,132
Investments	<u>40,607</u>
Total assets	<u>339,739</u>
Liabilities	
Vouchers payable	1,553
Due to other taxing units	<u>6,909</u>
Total liabilities	<u>8,462</u>
Net Position	
Restricted for individuals and organizations	<u>331,277</u>
Total net position	<u><u>\$ 331,277</u></u>

See accompanying notes to the basic financial statements.

CITY OF ADRIAN, MICHIGAN
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Fiscal Year Ended June 30, 2024

	Custodial Funds
<i>Additions:</i>	
Tax collections for other governments	\$ 12,446,233
Amounts received as fiscal agent	<u>762,701</u>
Total additions	<u>13,208,934</u>
<i>Deductions:</i>	
Tax distributions to other governments	12,446,233
Distributions as fiscal agent	<u>682,989</u>
Total deductions	<u>13,129,222</u>
Change in net position	79,712
Net position beginning of year	<u>251,565</u>
Net position end of year	<u>\$ 331,277</u>

See accompanying notes to the basic financial statements.

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CITY OF ADRIAN, MICHIGAN
Notes to the Financial Statements
June 30, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Adrian, Michigan (the City) conform to accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the significant accounting policies used by the City:

A. 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 or any borrowing done by DDA.

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.

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

CITY OF ADRIAN, MICHIGAN
Notes to the Financial Statements
June 30, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Reporting Entity (continued)

Related Organization

The Adrian District Library (the Library), pursuant to Public Act 24 of 1989 of the State of Michigan, is a separate legal entity which has the ability to levy property tax millage. It provides library services to the residents of the city of Adrian. The City Commission appoints all five members to the District Library Board. However, the City does not derive any financial benefit or incur any financial burden from the Library. The Library's budget is determined and approved by the District Library Board.

The City leases employees to the Library and is reimbursed for its costs and time. The Library does issue its own separate financial statements that can be obtained by contacting the Adrian District Library's Director at 143 E. Maumee Street, Adrian, MI 49221.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., statement of net position and statement of activities) 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, normally 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 revenue.

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

CITY OF ADRIAN, MICHIGAN
Notes to the Financial Statements
June 30, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Revenue is 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 revenue 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. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within thirty-one 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, expenditures relating to compensated absences, and claims and judgments 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 1st each year. The property taxes are recognized in the year levied. State-shared revenue received in July is accrued for the preceding year. Special assessment receivables are financed by the capital project fund and are fully recognized when levied. Amounts due from other governments, loans receivable, fee funding and services provided associated with the current fiscal year 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 City.

Fiduciary funds report on net position and changes in net position. The City's only fiduciary funds are classified as custodial funds and are excluded from the government-wide financial statements as these resources are not available for City use. Custodial funds use the same economic resources measurement focus and accrual basis of accounting as do proprietary funds.

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund and is used to account for all financial resources except those required to be accounted for in another fund.

The *Major Streets Fund* is a special revenue fund that receives state and local funding for construction and maintenance of City streets identified as major streets under the State of Michigan Act 51 of Public Acts of 1951.

CITY OF ADRIAN, MICHIGAN
Notes to the Financial Statements
June 30, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation
(continued)

The *Local Streets Fund* is a special revenue fund that receives state and local funding for construction and maintenance of City streets identified as local streets under the State of Michigan Act 51 of Public Acts of 1951.

The *Oil & Gas Royalty Trust Fund* is a capital projects fund used to preserve and utilize royalties derived from oil and gas exploration or mineral rights owed by the City of Adrian contained within the Oil & Gas Royalty Trust (see Note 11). These funds are assigned for special projects by the City Commission, with the intent to use these resources for capital projects within the City.

The *American Rescue Plan Act Fund* is a special revenue fund that receives federal funding from the 2021 Act in response to the economic fallout of the COVID-19 pandemic in the United States and provides needed relief to support the public health response and lay the foundation for a strong and equitable economic recovery.

The City reports the following major proprietary funds:

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

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

Additionally, the City reports the following fund types:

Internal Service Funds are used to account for information technology, the City's motor vehicle pool and building maintenance provided to other departments of the City on a cost-reimbursement basis.

Custodial Funds are used to account for collection and payment of property taxes billed and collected by the City due to others, and monies received from various sources held in a fiduciary 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 charges between the City's enterprise funds and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

CITY OF ADRIAN, MICHIGAN
Notes to the Financial Statements
June 30, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation
(continued)

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the City's proprietary funds relate to charges to customers for sales and services. The water and sewer funds also recognize the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as non-operating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

D. Cash and Investments

Cash and cash equivalents include 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 brokered certificates of deposit, U.S. agency securities, U.S. treasuries, mutual funds, Michigan CLASS pool and money market funds.

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.

The Governmental Accounting Standards Board Statement No. 72 (GASB 72), "*Fair Value Measurement and Application*," requires that investments, with certain exceptions, be recorded at their fair value and that changes in the fair value be reported in the operating statement. The City recorded investments held at June 30, 2024 at the fair value (see Note 3).

E. 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."

CITY OF ADRIAN, MICHIGAN
Notes to the Financial Statements
June 30, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Receivables and Payables (continued)

Advances between funds, as reported in the fund financial statements, are offset by a fund balance 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, 2024.

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

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

F. Inventory

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.

G. 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.

H. Capital Assets

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., road, bridges, sidewalks, and similar items), and intangible right-to-use lease assets 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 acquisition value.

CITY OF ADRIAN, MICHIGAN
Notes to the Financial Statements
June 30, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Capital Assets (continued)

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.

Intangible right-to-use lease assets are amortized over the shorter of the lease term or the useful life of the underlying asset. Other capital assets of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

Land improvements	20 – 50 years
Buildings	10 – 20 years
Equipment and furniture	5 – 35 years
Utility systems	50 – 100 years
Infrastructure	15 – 100 years

I. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and so will be recognized as an outflow of resources until then. For the City, deferred outflows of resources are reported on the government-wide and proprietary statements of financial position for pension (see Note 8).

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and so will not be recognized until that time. For the City, deferred inflows of resources include unavailable revenue and pension. Unavailable revenue is reported only on the governmental fund financial statements and represents receivables that will not be collected within the available period (thirty-one days after fiscal year-end). Deferred inflows of resources from pension are reported on the government-wide and proprietary statements of net position (see Note 8).

J. 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.

CITY OF ADRIAN, MICHIGAN
Notes to the Financial Statements
June 30, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Compensated Absences (continued)

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 funds. The portion recognized in the governmental funds is only the compensated absences that have matured at year end, for example, as a result of employee resignations or retirements. 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.

K. Long-Term Obligations

In the government-wide financial statements and proprietary funds 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 position. Bond premiums and discounts, 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 expensed in the year of issuance.

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.

L. Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the fiduciary net position of the Municipal Employees Retirement System (MERS) of Michigan and additions to/deductions from MERS' fiduciary net position have been determined on the same basis as they are reported by MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CITY OF ADRIAN, MICHIGAN
Notes to the Financial Statements
June 30, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

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* classification includes amounts that can be spent only for the specific purpose stipulated by constitution, external resource providers, or through enabling legislation.

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

The *assigned fund balance* classification includes amounts constrained by the City's intent to be used for specific purposes but are neither restricted nor committed. Intent is expressed by either the City Commission or recommended by the City Administrator or Finance Director and sent to the City Commission for final approval. The City's Financial Management Policy gives authorization for the process to assign fund balance.

The *unassigned fund balance* is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

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 the Financial Statements
June 30, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Fund Balance (continued)

To maintain the City of Adrian's credit rating and meet seasonal cash flow shortfalls, the budget shall provide for an anticipated unassigned 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.

N. Net Position

Net position represents the difference between assets and deferred outflows of resources, reduced by liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through constitutional provisions, enabling legislation or through external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments. The City's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

O. 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.

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, Oil & Gas Royalty Trust Capital Projects 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.

CITY OF ADRIAN, MICHIGAN
Notes to the Financial Statements
June 30, 2024

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

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.

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. During the fiscal year ended June 30, 2024, the City incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

Fund/Function	Final Budget	Actual	Variance
General Fund			
General government:			
City Commission	\$ 174,210	\$ 174,414	\$ (204)
Election department	79,086	79,092	(6)
Finance department	474,449	481,887	(7,438)
City clerk	265,223	265,316	(93)
Debt Service:			
Principal retirement	366,333	380,414	(14,081)
Interest and fiscal charges	190,675	202,566	(11,891)
Culture and recreation:			
Parks and forestry department	968,182	1,082,791	(114,609)

CITY OF ADRIAN, MICHIGAN
Notes to the Financial Statements
June 30, 2024

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

C. Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and nonmajor governmental funds are presented below:

	General	Major Streets	Local Streets	Oil & Gas Royalty Trust	Nonmajor Governmental Funds	Total
Nonspendable from:						
Inventory and prepaid items	\$ 192,195	\$ -	\$ -	\$ -	\$ -	\$ 192,195
Perpetual care	-	-	-	-	1,337,005	1,337,005
Endowment	-	-	-	-	56,413	56,413
Total nonspendable	<u>192,195</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,393,418</u>	<u>1,585,613</u>
Restricted for:						
Street maintenance and improvements	-	3,973,858	1,194,041	-	396,494	5,564,393
Energy efficiency improvements	286,693	-	-	-	-	286,693
Parks and beautification	-	-	-	-	59,699	59,699
Rental rehab projects	-	-	-	-	132,548	132,548
Public purposes	-	-	-	-	33,926	33,926
Piotter Center improvements and other	-	-	-	-	443,252	443,252
Drug enforcement	-	-	-	-	209,096	209,096
Opioid treatment and prevention	-	-	-	-	46,681	46,681
Cemetery lots	-	-	-	-	7,499	7,499
Total restricted	<u>286,693</u>	<u>3,973,858</u>	<u>1,194,041</u>	<u>-</u>	<u>1,329,195</u>	<u>6,783,787</u>
Committed for:						
Solid waste operations	-	-	-	-	700,007	700,007
Assigned for:						
General government	595,927	-	-	-	-	595,927
Pending Michigan Tax Tribunal	100,000	-	-	-	-	100,000
Grant matching	50,000	-	-	-	-	50,000
Pension liability contribution	500,000	-	-	-	-	500,000
Non-union COLA adjustments	75,000	-	-	-	-	75,000
Special projects	-	-	-	4,781,830	-	4,781,830
Total assigned	<u>1,320,927</u>	<u>-</u>	<u>-</u>	<u>4,781,830</u>	<u>-</u>	<u>6,102,757</u>
Unassigned	<u>7,693,495</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,693,495</u>
Fund Balance Totals	<u>\$ 9,493,310</u>	<u>\$ 3,973,858</u>	<u>\$ 1,194,041</u>	<u>\$ 4,781,830</u>	<u>\$ 3,422,620</u>	<u>\$ 22,865,659</u>

CITY OF ADRIAN, MICHIGAN
Notes to the Financial Statements
June 30, 2024

3. DEPOSITS AND INVESTMENTS

The City and its component units had the following investments as of June 30, 2024:

Investment Type	Balance at 6/30/24	Investment Maturities			Concentration
		Less Than 1 Year	1-5 Years	6-10 Years	
<i><u>Primary Government:</u></i>					
Brokered CD's	\$ 1,543,727	\$ 771,693	\$ 772,034	\$ -	11%
U.S. Agency securities	943,180	471,944	471,236	-	7%
U.S. Treasuries	3,549,912	3,141,056	316,011	92,845	25%
Mutual funds	3,447,619	3,447,619	-	-	24%
Michigan CLASS pool	3,849,735	3,849,735	-	-	27%
Money markets	833,662	833,662	-	-	6%
Primary Government Total	<u>14,167,835</u>	<u>12,515,709</u>	<u>1,559,281</u>	<u>92,845</u>	<u>100%</u>
<i><u>Component Units:</u></i>					
Michigan CLASS pool	<u>12,074</u>	<u>12,074</u>	<u>-</u>	<u>-</u>	<u>100%</u>
Grand total	<u>\$ 14,179,909</u>	<u>\$ 12,527,783</u>	<u>\$ 1,559,281</u>	<u>\$ 92,845</u>	

The Michigan Cooperative Liquid Assets Security System (Michigan CLASS) investment pool is a participant-controlled trust created in accordance with Section 5 of Act 7 of the Urban Cooperative Act of 1967 and the Local Government Investment Pool Act, 1985 PA 121, MCL 129.141 to 129.150 and is available for investment by any county, city, village, township, school district, authority, or any other political subdivision organized under the laws of the state of Michigan. The purpose is to enable such entities to cooperate in the investment of their available funds. Michigan CLASS operates like a money market mutual fund. Michigan CLASS attempts to minimize its exposure to market and credit risk through the use of various strategies and credit monitoring techniques. Investments are limited to any issuer to the top two ratings issued by nationally recognized statistical rating organizations and any non-government issuer to 5% of net assets. The City's (primary government) investment in the pool at June 30, 2024 was \$3,849,735 while the Downtown Development Authority's (component unit) investment in the pool at June 30, 2024 was \$12,074.

Interest Rate Risk. The City is exposed to interest rate risk with over of 12% investments maturing after one year. The City's investment policy has no provision limiting interest rate risk.

Credit Risk. The City's investment policy limits investments to certificates of deposit or money market accounts; 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, 2024 were unrated. The investments in U.S. Agency securities were rated AA+ by Standard & Poor's and Aaa by Moody's. Investments in the Michigan CLASS investment pool were rated AAAM by Standard & Poor's.

Concentration of Credit Risk. The City's investment policy does not limit the amount of investment with any one issuer.

CITY OF ADRIAN, MICHIGAN
Notes to the Financial Statements
June 30, 2024

3. DEPOSITS AND INVESTMENTS (continued)

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, 2024, \$7,439,680 of the City's bank balance of \$18,819,473 was exposed to custodial credit risk because the accounts were neither insured or collateralized by either federal deposit insurance coverage or the financial institution's insured cash sweep program. As of June 30, 2024, both component units' bank balances of \$911,449 were in excess of federal deposit insurance coverages.

Custodial Credit Risk—Investments. For 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 brokered certificates of deposit, money markets, U.S. Agencies securities and Michigan CLASS pool 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 are not exposed to custodial credit risk.

Fair Value Measurements. The City recognizes fair value measurements within the fair value hierarchy. The hierarchy is based on the valuation inputs used to measure the fair value of an asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. As of June 30, 2024, the City has the following recurring fair value measurements:

Investment Type	Balance at 6/30/24	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
<i><u>Primary Government:</u></i>				
Brokered CD's	\$ 1,543,727	\$ -	\$ 1,543,727	\$ -
U.S. Agency securities	943,180	-	943,180	-
U.S. Treasuries	3,549,912	3,549,912	-	-
Mutual funds	3,447,619	-	3,447,619	-
Michigan CLASS pool (net asset value)	3,849,735	N/A	N/A	N/A
Money market funds (valued at amortized cost)	833,662	N/A	N/A	N/A
Primary Government Total	<u>14,167,835</u>	<u>3,549,912</u>	<u>5,934,526</u>	<u>-</u>
<i><u>Component Units:</u></i>				
Michigan CLASS pool (net asset value)	12,074	N/A	N/A	N/A
Grand total	<u>\$ 14,179,909</u>	<u>\$ 3,549,912</u>	<u>\$ 5,934,526</u>	<u>\$ -</u>

The City's investments in brokered certificates of deposit, U.S. agency and U.S. Treasury securities and mutual funds were valued using matrix pricing sources and proprietary valuation models as provided by the investment managers. The City investment in the Michigan CLASS investment pool maintains a stable net asset value of \$1 per share using the fair value method. The City has no unfunded commitments to this pool and may redeem investments at any time.

At June 30, 2024, the City had \$286,693 held in an escrow account remaining from the issuance of a lease-purchase agreement for the City's energy improvement project. See Note 7 for additional information on the lease-purchase agreement.

CITY OF ADRIAN, MICHIGAN
Notes to the Financial Statements
June 30, 2024

4. RECEIVABLES

Receivables as of June 30, 2024 for the City's individual major funds and nonmajor funds in the aggregate, including applicable allowances for uncollectible amounts, are as follows:

	General	Major Streets	Local Streets	Nonmajor Governmental Funds	Total Governmental Funds
Receivables:					
Taxes	\$ 170,827	\$ -	\$ -	\$ 9,642	\$ 180,469
Accounts	274,218	161,380	57,455	409,152	902,205
Loans	-	-	-	103,051	103,051
Assessments	-	-	-	-	-
Intergovernmental	458,071	166,705	52,394	-	677,170
Gross Receivables	<u>903,116</u>	<u>328,085</u>	<u>109,849</u>	<u>521,845</u>	<u>1,862,895</u>
Less: Allowance for doubtful amounts	<u>(176,365)</u>	<u>-</u>	<u>-</u>	<u>(53,283)</u>	<u>(229,648)</u>
	<u>\$ 726,751</u>	<u>\$ 328,085</u>	<u>\$ 109,849</u>	<u>\$ 468,562</u>	<u>\$ 1,633,247</u>
				Nonmajor Enterprise Funds	Total Enterprise Funds
	Wastewater System	Water System			Primary Government Total
Receivables:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 180,469
Accounts	370,572	361,770	11,837	744,179	1,646,384
Loans	-	-	-	-	103,051
Assessments	68,501	-	361,726	430,227	430,227
Intergovernmental	-	-	-	-	677,170
Gross Receivables	<u>439,073</u>	<u>361,770</u>	<u>373,563</u>	<u>1,174,406</u>	<u>3,037,301</u>
Less: Allowance for doubtful amounts	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(229,648)</u>
	<u>\$ 439,073</u>	<u>\$ 361,770</u>	<u>\$ 373,563</u>	<u>\$ 1,174,406</u>	<u>\$ 2,807,653</u>

CITY OF ADRIAN, MICHIGAN
Notes to the Financial Statements
June 30, 2024

5. CAPITAL ASSETS

A. Primary Government

Capital asset activity for the City as of June 30, 2024 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
<i>Capital assets not being depreciated:</i>				
Land	\$ 7,617,969	\$ -	\$ (32,952)	\$ 7,585,017
Construction in progress	3,362,746	1,077,761	(3,707,317)	733,190
Total capital assets not being depreciated	10,980,715	1,077,761	(3,740,269)	8,318,207
 <i>Capital asset being depreciated:</i>				
Land improvements	9,512,680	52,037	-	9,564,717
Buildings	13,335,499	1,452,121	-	14,787,620
Equipment and furniture	10,048,961	2,187,993	(76,320)	12,160,634
Right-to-use lease assets	351,457	164,685	-	516,142
Infrastructure	49,508,711	1,591,898	-	51,100,609
Total capital assets being depreciated	82,757,308	5,448,734	(76,320)	88,129,722
 <i>Less accumulated depreciation:</i>				
Land improvements	(6,631,311)	(434,928)	-	(7,066,239)
Buildings	(6,216,943)	(443,250)	-	(6,660,193)
Equipment and furniture	(7,942,171)	(494,700)	73,511	(8,363,360)
Right-to-use lease assets	(182,028)	(88,003)	-	(270,031)
Infrastructure	(39,331,508)	(802,906)	-	(40,134,414)
Total accumulated depreciation	(60,303,961)	(2,263,787)	73,511	(62,494,237)
Net capital assets being depreciated	22,453,347	3,184,947	(2,809)	25,635,485
Total capital assets, net	\$ 33,434,062	\$ 4,262,708	\$ (3,743,078)	\$ 33,953,692

Depreciation and amortization expense was charged to the governmental programs as follows:

General government	\$ 495,474
Public safety	240,309
Public works	107,807
Culture and recreation	580,354
Community and economic development	11,071
Highways, streets and bridges	821,311
Internal service fund:	
Information technology	7,461
Total depreciation and amortization expense	\$ 2,263,787

CITY OF ADRIAN, MICHIGAN
Notes to the Financial Statements
June 30, 2024

5. CAPITAL ASSETS (continued)

A. Primary Government (continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Business-Type Activities				
<i>Capital assets not being depreciated:</i>				
Land	\$ 926,858	\$ 255,726	\$ -	\$ 1,182,584
Construction in progress	6,749,684	-	(6,749,684)	-
Total capital assets not being depreciated	<u>7,676,542</u>	<u>255,726</u>	<u>(6,749,684)</u>	<u>1,182,584</u>
<i>Capital asset being depreciated:</i>				
Land improvements	2,129,430	40,712	-	2,170,142
Vehicles, equipment and furniture	17,477	38,200	-	55,677
Utility systems	99,515,851	8,047,988	(286,312)	107,277,527
Total capital assets being depreciated	<u>101,662,758</u>	<u>8,126,900</u>	<u>(286,312)</u>	<u>109,503,346</u>
<i>Less accumulated depreciation:</i>				
Land improvements	(975,177)	(66,067)	-	(1,041,244)
Vehicles, equipment and furniture	(17,477)	(1,910)	-	(19,387)
Utility systems	(55,696,587)	(2,522,934)	286,312	(57,933,209)
Total accumulated depreciation	<u>(56,689,241)</u>	<u>(2,590,911)</u>	<u>286,312</u>	<u>(58,993,840)</u>
Net capital assets being depreciated	<u>44,973,517</u>	<u>5,535,989</u>	<u>-</u>	<u>50,509,506</u>
Total capital assets, net	<u>\$ 52,650,059</u>	<u>\$ 5,791,715</u>	<u>\$ (6,749,684)</u>	<u>\$ 51,692,090</u>

Depreciation expense was charged to enterprise operations as follows:

Wastewater system	\$ 1,588,793
Water system	934,141
Automobile parking system	67,977
Total depreciation expense	<u>\$ 2,590,911</u>

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 is 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.

CITY OF ADRIAN, MICHIGAN
Notes to the Financial Statements
June 30, 2024

5. CAPITAL ASSETS (continued)

B. Component Unit

Capital asset activity for the Downtown Development Authority as of June 30, 2024 as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Downtown Development Authority				
<i>Capital assets not being depreciated:</i>				
Land	\$ 53,054	\$ -	\$ -	\$ 53,054
 <i>Capital asset being depreciated:</i>				
Land improvements	1,243,440	-	-	1,243,440
 <i>Less accumulated depreciation:</i>				
Land improvements	(1,238,425)	(1,800)	-	(1,240,225)
Net capital assets being depreciated	5,015	(1,800)	-	3,215
Total capital assets, net	\$ 58,069	\$ (1,800)	\$ -	\$ 56,269

6. INTERFUND TRANSACTIONS

A. Due From/To Other Funds

The City had the following due from/due to other fund balances at June 30, 2024 as follows:

Due To:	Due From:				Total
	General Fund	Water System Fund	Nonmajor Enterprise Funds	Internal Service Funds	
General Fund	\$ -	\$ 8	\$ 5,000	\$ -	\$ 5,008
Major Streets Fund	27,461	-	-	428	27,889
Local Streets Fund	5,794	-	341	428	6,563
Nonmajor Governmental Funds	259,309	-	2,642	-	261,951
Wastewater System Fund	20,041	-	-	5,493	25,534
Water System Fund	19,566	-	168	5,384	25,118
Nonmajor Enterprise Funds	3,167	-	-	-	3,167
Total	\$ 335,338	\$ 8	\$ 8,151	\$ 11,733	\$ 355,230

CITY OF ADRIAN, MICHIGAN
Notes to the Financial Statements
June 30, 2024

6. INTERFUND TRANSACTIONS (continued)

Amounts due from/to other funds result mainly from time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. These amounts also include balances of working capital loans made to several funds the general fund expects to collect in the subsequent year.

B. Interfund Transfers

Interfund transfers for the fiscal year ended June 30, 2024 consisted of the following:

	Transfers In	Transfers Out
General Fund	\$ 891,652	\$ 60,000
Local Streets Fund	485,000	-
Nonmajor Governmental Funds	67,114	510,000
Nonmajor Enterprise Funds	85,000	-
Internal Service Funds	-	958,766
	\$ 1,528,766	\$ 1,528,766

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.

7. LONG-TERM OBLIGATIONS

The City's long-term debt obligations consist of the following:

Debt Issue	Interest Rate	Original Issue Amount	Date of Maturity
Governmental Activities:			
Limited Tax General Obligation Bonds - 2009C	6.375 - 6.625%	\$ 3,900,000	May 1, 2034
<i>Direct Borrowing:</i>			
Lease-Purchase Agreement	2.51%	\$ 3,219,537	August 4, 2040
Business-Type Activities:			
2007 Drinking Water Revolving Fund Bonds - 7130-01	2.125%	\$ 7,441,707	October 1, 2028
2005 State Revolving Fund Bonds - 5238-01	1.625%	\$ 1,993,885	April 1, 2027
2005 State Revolving Fund Bonds - 5239-01	1.625%	\$ 6,962,663	April 1, 2027
<i>Direct Borrowing:</i>			
Lease-Purchase Agreement	2.51%	\$ 6,742,571	August 4, 2040

CITY OF ADRIAN, MICHIGAN
Notes to the Financial Statements
June 30, 2024

7. LONG-TERM OBLIGATIONS (continued)

General Obligation Bonds. These bonds provide funds for the acquisition and construction of major capital facilities and land purchases. General obligation bonds are direct obligations and pledged by the full faith and credit of the City.

In November 2009, the City issued limited tax general obligation bonds totaling \$7,040,000, issued under the American Recovery and Reinvestment Act (ARRA) of 2009, to retire all land contracts and installment purchase agreements the City had outstanding related to governmental funds at that time, and to fund the acquisition, construction and renovation of the Downtown Government Complex. The Series B bonds were issued under the Build America Bond program, under ARRA, where the U.S. Treasury will reimburse the City 35% of its interest expense over a 25-year period. These bonds matured on May 1, 2023. The Series C bonds were issued under the Recovery Zone Economic Development Bond program, under ARRA, where the U.S. Treasury will reimburse the City 45% of its interest expense over a 25-year period. These bonds are being retired from the General Fund.

Revolving Fund Bonds. The City revolving fund bonds are pledged by income derived from the acquire or constructed assets to pay debt service. These bond issues were purchased by the Michigan Municipal Bond Authority under the Drinking Water Revolving Fund (DWRF) and State Revolving Fund (SRF) loan programs. Under the purchase contracts, the City has received the proceeds as loan draw-downs as the construction costs were incurred. These bonds are being retired from the Wastewater System and Water System Funds. The principal and interest paid for the current fiscal year and net revenue available for debt service were \$1,093,998 and \$1,653,084, respectively, in the Wastewater System Fund and \$802,446 and \$772,763, respectively in the Water System Fund.

Lease-Purchase Agreement. The City entered into a \$9,962,108 direct borrowing lease-purchase agreement to finance energy efficiency improvements made to several City facilities and installation of utility smart meters throughout the City. The agreement bears an interest rate of 2.51% and matures on August 4, 2040. This agreement is being retired from the General, Fee Estate, Wastewater System and Water System funds.

Lease Liabilities. The City has entered into lease agreements for right-to-use vehicles and a street sweeper. The City recorded intangible right-to-use lease assets (see Note 5) and corresponding lease liabilities. These leases bear interest rates ranging from 4.57% to 8.87% and are being retired from the General and Solid Waste funds.

Other Long-Term Obligations. For compensated absences and net pension obligations, liquidation typically come from the funds benefiting from the employees' service, including the General, Major Streets, Local Streets, Fee Estate, and Solid Waste governmental funds, Wastewater and Water enterprise funds, and Information Technology and Motor Vehicle Pool internal service funds. Additional payments against the net pension obligations are made from the general fund when resources are available.

CITY OF ADRIAN, MICHIGAN
Notes to the Financial Statements
June 30, 2024

7. LONG-TERM OBLIGATIONS (continued)

Changes in the City's long-term obligations during fiscal year end June 30, 2024 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
General obligation bonds	\$ 3,900,000	\$ -	\$ (300,000)	\$ 3,600,000	\$ 310,000
<i>Direct borrowing:</i>					
Lease-purchase agreement	3,108,667	-	(70,698)	3,037,969	103,982
Lease liabilities	168,425	164,685	(73,333)	259,777	57,175
Compensated absences	648,735	320,816	(357,503)	612,048	335,187
	<u>\$ 7,825,827</u>	<u>\$ 485,501</u>	<u>\$ (801,534)</u>	<u>\$ 7,509,794</u>	<u>\$ 806,344</u>
Business-Type Activities					
DWRF Bonds	\$ 3,371,707	\$ -	\$ (1,310,000)	\$ 2,061,707	\$ 400,000
SRF Bonds	2,026,538	-	(495,000)	1,531,538	505,000
<i>Direct borrowing:</i>					
Lease-purchase agreement	6,510,379	-	(148,060)	6,362,319	217,766
Compensated absences	166,359	116,538	(88,391)	194,506	81,584
	<u>\$ 12,074,983</u>	<u>\$ 116,538</u>	<u>\$ (2,041,451)</u>	<u>\$ 10,150,070</u>	<u>\$ 1,204,350</u>

Principal and interest requirements to retire the City's long-term obligations outstanding at June 30, 2024 are:

	Governmental Activities					
	G.O. Bonds		<i>Direct Borrowing</i> Lease-Purchase		Lease Liabilities	
	Principal	Interest	Principal	Interest	Principal	Interest
2025	\$ 310,000	\$ 234,363	\$ 103,982	\$ 78,028	\$ 57,175	\$ 18,770
2026	320,000	214,600	112,296	76,253	61,811	14,132
2027	330,000	194,200	122,389	73,643	66,831	9,112
2028	340,000	173,163	131,593	70,824	45,802	4,341
2029	355,000	151,488	141,218	64,449	28,158	1,013
2030-2034	1,945,000	393,194	861,987	264,169	-	-
2035-2039	-	-	1,174,893	140,697	-	-
2040-2041	-	-	389,611	11,697	-	-
	<u>\$ 3,600,000</u>	<u>\$ 1,361,008</u>	<u>\$ 3,037,969</u>	<u>\$ 779,760</u>	<u>\$ 259,777</u>	<u>\$ 47,368</u>

CITY OF ADRIAN, MICHIGAN
Notes to the Financial Statements
June 30, 2024

7. LONG-TERM OBLIGATIONS (continued)

	Business-Type Activities					
	DWRP Bonds		SRF Bonds		<i>Direct Borrowing</i> Lease-Purchase	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ 400,000	\$ 39,561	\$ 505,000	\$ 23,953	\$ 217,766	\$ 159,694
2026	405,000	31,008	510,000	15,747	235,178	154,228
2027	410,000	22,349	516,538	7,428	256,316	148,326
2028	420,000	13,530	-	-	275,591	141,891
2029	426,707	4,534	-	-	295,748	134,974
2030-2034	-	-	-	-	1,805,233	553,240
2035-2039	-	-	-	-	2,460,542	294,658
2040-2041	-	-	-	-	815,945	24,496
	<u>\$ 2,061,707</u>	<u>\$ 110,982</u>	<u>\$ 1,531,538</u>	<u>\$ 47,128</u>	<u>\$ 6,362,319</u>	<u>\$ 1,611,507</u>

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 with certain exceptions. The legal debt margin as of June 30, 2024 was \$39,515,148.

8. DEFINED BENEFIT PENSION PLAN

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the City’s actuarial present value of projected benefit payments attributable to past periods of service, net of the pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

CITY OF ADRIAN, MICHIGAN
Notes to the Financial Statements
June 30, 2024

8. DEFINED BENEFIT PENSION PLAN (continued)

General Information About Municipal Employees Retirement System of Michigan

Plan Description. The City’s defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The City participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent-multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine-member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at www.mersofmich.com.

Benefits Provided. Benefits provided include plans with multipliers ranging from 1.70% to 2.50%. Vesting periods range from 8 to 10 years. Normal retirement age is 60 with early retirement at 50 with 25 years of service and reduced early retirement at 55 with 15 years of service. Final average compensation is calculated based on 3 or 5 years. Member contributions range from 3.00% to 9.00%

Employees Covered by Benefit Terms. At the December 31, 2023 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	167
Inactive employees entitled to but not yet receiving benefits	73
Active employees	78
	318

Contributions. The City is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City may establish contribution rates to be paid by its covered employees. All employer divisions were closed as of fiscal year 2022.

Net Pension Liability. The City’s net pension liability was measured as of December 31, 2023, and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of that date.

Actuarial Assumptions. The total pension liability in the December 31, 2023 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation:	2.50%
Salary Increases:	3.0% in the long term
Investment Rate of Return:	7.18%, including inflation

CITY OF ADRIAN, MICHIGAN
Notes to the Financial Statements
June 30, 2024

8. DEFINED BENEFIT PENSION PLAN (continued)

Although no specific price inflation assumptions are needed for the valuation, the 2.5% long-term wage inflation assumption would be consistent with a price inflation of 3%-4%.

Mortality rates used were based on the MP-2019 mortality tables applied fully generationally from the Pub-2010 base year of 2010.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study completed in 2020 for the five-year period ended December 31, 2018.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	60.0%	2.70%
Global Fixed Income	20.0%	0.40%
Diversifying Strategies	20.0%	1.40%

Discount Rate. The discount rate used to measure the total pension liability is 7.18%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF ADRIAN, MICHIGAN
Notes to the Financial Statements
June 30, 2024

8. DEFINED BENEFIT PENSION PLAN (continued)

Changes in Net Pension Liability

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances as of 12/31/22	\$ 68,520,950	\$ 39,447,024	\$ 29,073,926
Changes for the year:			
Service cost	635,586	-	635,586
Interest	4,765,711	-	4,765,711
Changes in assumptions	487,963	-	487,963
Difference between expected and actual experiences	148,149	-	148,149
Contributions - employer	-	2,266,950	(2,266,950)
Contributions - employee	-	424,459	(424,459)
Net investment income	-	4,272,889	(4,272,889)
Benefit payments, including refunds of employee contributions	(4,927,879)	(4,927,879)	-
Administrative expense	-	(90,896)	90,896
Net changes	<u>1,109,530</u>	<u>1,945,523</u>	<u>(835,993)</u>
Balances as of 12/31/23	<u>\$ 69,630,480</u>	<u>\$ 41,392,547</u>	<u>\$ 28,237,933</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the City, calculated using the discount rate of 7.18% as well as what the City's net pension liability would be using a discount rate that is 1 percentage point lower (6.18%) or 1 percentage point higher (8.18%) than the current rate.

	1% Decrease (6.18%)	Current Discount Rate (7.18%)	1% Increase (8.18%)
Net Pension Liability	\$ 35,904,353	\$ 28,237,933	\$ 21,792,240

CITY OF ADRIAN, MICHIGAN
Notes to the Financial Statements
June 30, 2024

8. DEFINED BENEFIT PENSION PLAN (continued)

Pension Expense and Deferred Outflows of Resources Related to Pension. For the fiscal year ended June 30, 2024, the City recognized pension expense of \$1,169,394. The City reported deferred outflows of resources related to pension from the following sources:

	Deferred Outflows of Resources
Differences in experience	\$ 181,971
Differences in assumptions	243,982
Excess (deficit) investment returns	2,256,802
Contributions subsequent to the measurement date	1,097,496
Total	\$ 3,780,251

The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the fiscal year ending June 30, 2025.

Amounts reported as deferred outflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ended:	
2025	\$ 845,110
2026	797,804
2027	1,344,670
2028	(304,829)
	\$ 2,682,755

9. OTHER EMPLOYEE BENEFITS

A. Defined Contribution Plan

Newly hired non-union and police employees, as of January 1, 2017, and fire employees, as of January 1, 2018, participate in the MERS Defined Contribution Plan. The MERS Defined Contribution Plan is a qualified retirement plan under Section 401(a) of the Internal Revenue Code. The Plan provides participants with an account they manage. At retirement, benefits are based solely on the amount contributed by the participant and employer and the performance of investments. Contribution rates for both employee and employer contributions during fiscal year 2024 were 5% of annual salary for non-union employees and 7% for police and fire employees. For the fiscal year ended June 30, 2024, employee and employer contributions both totaled \$248,795.

CITY OF ADRIAN, MICHIGAN
Notes to the Financial Statements
June 30, 2024

9. OTHER EMPLOYEE BENEFITS (continued)

B. Deferred Compensation Plans

The City offers its employees participation in the MERS 457(b) Deferred Compensation Program, a deferred compensation plan created to comply with Internal Revenue Code Section 457(b). The Plan, available to all government employees, permits them to defer a portion of their salary, up to 100% of annual salary or \$18,000 (or if age 50 and older an additional amount up to \$6,000), whichever is less. Participation in the plans is optional.

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

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

The market value of the investments at June 30, 2024 was \$7,261,424.

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

C. Retirement Health Savings Plan

The City offers non-union and certain union employees participation in the MERS Health Care Savings Program. 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 are made during employment, \$57,525 during fiscal year 2024, but no additional funding is provided after retirement. The plan had investments of \$2,174,289 at June 30, 2024.

10. ENDOWMENT TRUST

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 \$443,252 at June 30, 2024. All investment earnings have been derived from investments in certificates of deposit and class account. The total investment earnings (interest) and certain principal amounts create expendable balance in the Endowment Trust Fund.

CITY OF ADRIAN, MICHIGAN
Notes to the Financial Statements
June 30, 2024

10. ENDOWMENT TRUST (continued)

The most significant endowment trust was the Thelma H. Swigert Endowment Trust. For the fiscal year ended June 30, 2024, the net appreciation on investments of the donor-restricted endowment was \$8,826. Under the terms of the endowment, and consistent with State statutes, the City is authorized based on a total-return policy to spend the net appreciation for the improvement, refurbishing or defray of expenditures in the operation of the adult community center. As of June 30, 2024, the accumulated available net depreciation of \$1,526 is reported in restricted fund balance. In the prior fiscal year, City Council passed a resolution removing the nonspendable restriction of the corpus of the trust, allowable by a sunset clause in the trust, and allowing all of the funds to be used toward the adult community center.

11. 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 oil and gas income earned can be expended from the Trust for necessary needs of the City, with approval from the City Commissioners. These possible distributions from the Trust are the result of a court judgment in 2014. With the City Commission's intent to use the funds for capital projects, the Trust was reported as a capital projects fund with its fund balance assigned for special projects.

12. RISK MANAGEMENT

The City 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 and the pools to which it belongs.

CITY OF ADRIAN, MICHIGAN
Notes to the Financial Statements
June 30, 2024

13. COMMITMENTS AND CONTINGENCIES

A. Encumbrance Commitments

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as assignments of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year. Significant encumbrances for the governmental funds for the fiscal year ended June 30, 2024 are:

General Fund	\$	594,356
Major Streets		646,327
Local Streets		206,480
American Rescue Plan Act		528,207
		528,207
		\$ 1,975,370

B. Construction Commitments

The City has the following construction commitments as of June 30, 2024:

	Commitment	Spent-to-Date
Asphalt paving	\$ 1,719,706	\$ 524,759

C. Contingencies

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.

14. TAX ABATEMENTS

The City enters into various agreements with taxpayers to promote economic development or social welfare within the City. Below is a summary of those programs and the taxes abated during the fiscal year:

A. Brownfield Plans

The City established a Brownfield Redevelopment Authority (the Authority), a discretely presented component unit, by adoption of a resolution pursuant to the Brownfield Redevelopment Financing Act, Michigan Public Act 381 of 1996, as amended (Act 381) on May 13, 1997.

CITY OF ADRIAN, MICHIGAN
Notes to the Financial Statements
June 30, 2024

14. TAX ABATEMENTS (continued)

The primary purpose of Act 381 is to encourage the redevelopment of blighted, contaminated and functionally obsolete property by providing economic incentives through single business tax credits and tax increment financing for certain eligible activities.

Tax increment revenues may be captured to pay for all activities allowed by law. The Authority is authorized by Act 381 to undertake all activities allowed by law.

The City currently has two local brownfield plans for Brownfield Nos. Eight (Buffalo Wild Wings/former Sears parking lot) and Ten (Aubree's). The City and the Michigan Department of Environmental Quality administer Brownfield No. Nine (Strongback/Four Corners). With tax increment financing, the taxpayer is reimbursed for demolition, building renovation (Strongback/Four Corners and Aubree's), and new construction and environmental cleanup (Sears parking lot). The amount of taxes foregone by the City during the fiscal year was \$12,267.

B. DDA TIF

The City approved the Downtown Development Authority Development and Tax Increment Financing Plan (DDA TIF) on March 5, 1990. The DDA TIF is a thirty-year plan to prevent further deterioration and to encourage historic preservation and economic growth in the Downtown District. The DDA TIF Plan is allowed by Michigan Public Act 197 of 1975 (Act 197). This plan was updated to a five-year plan ending June 30, 2025.

The primary purpose of Act 197 is to encourage the marketing and promotion of the Downtown District, historic preservation, catalytic projects and infrastructure improvement projects (streetscapes, lighting, parks, etc.). Tax increment financing is eligible for certain eligible activities. The amount of taxes foregone by the City during the fiscal year was \$116,061.

C. Industrial Facilities Tax Exemptions

The City approves industrial facility tax (IFT) exemptions to encourage job growth and capital investment within the municipality. IFT's are allowed under Public Act 198 of 1974, as amended (Act 198). Act 198 provides manufactures an incentive for renovation and expansion of aging facilities, building new facilities and the establishment of high-tech facilities. Approved IFT projects pay one-half of the property tax burden compared to non-IFT projects. The IFT certification is approved for twelve years. The current three IFT certifications within the City reduced the City's taxes by \$19,565.

CITY OF ADRIAN, MICHIGAN
Notes to the Financial Statements
June 30, 2024

14. TAX ABATEMENTS (continued)

D. Neighborhood Enterprise Zones

The Neighborhood Enterprise Zone (NEZ) provides for development and rehabilitation of residential housing located within eligible distressed communities. Property tax exemptions are approved for a period ranging from six to fifteen years by the City. This is allowable through the Public Act of 147 of 1992, as amended. The City has six NEZ certificates with \$76 in foregone taxes during the fiscal year.

E. Obsolete Property Rehabilitation Act

The Obsolete Property Rehabilitation Act 146 of 2000 (OPRA), as amended, allows for the rehabilitation of obsolete property provided with tax incentives. The property is usually considered blighted or obsolete. Property taxes are based on the taxable frozen value. Certificates are approved by the State of Michigan and by the local unit of government. For OPRA parcels, the only millage collected and paid directly to the State are Adrian Public Schools Operating and State Education Tax. The City currently has three OPRA certificates, with \$26,757 in foregone taxes during the fiscal year.

F. Payment in Lieu of Taxes

Payment in lieu of taxes (PILOTs) encourage the development for housing for citizens of low and moderate income. The citizens must meet certain criteria set by the State of Michigan and the local municipality. The authorization for PILOTs is allowed under the Michigan State Housing Development Authority Act of 1966, as amended. The City currently has six PILOT agreements, each approved by City Ordinance. The PILOT program exempts the recipients of all property taxes. In lieu of property taxes, the housing facility pays an annual fee based on a fixed percentage of gross rent, less utilities (water, sewer, electricity and gas). The value of the tax abatement is the total amount of taxes which should have been paid, less the PILOT fee actually paid. For June 30, 2024, taxes abated were \$76,587.

15. SPECIAL ITEM – TRANSFER OF CAPITAL ASSETS

During the fiscal year, the City closed its Motor Vehicle Pool internal service fund. The City returned the remaining cash balance of \$958,766 back to the contributing governmental funds using transfers. The remaining \$745,807 represents the net book value of the capital assets that were transferred to the governmental funds. The amount was reported as a special item loss in the internal service funds' fund financial statements, but had no impact on the entity-wide financial statements.

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**Required
Supplementary
Information**

CITY OF ADRIAN, MICHIGAN

Required Supplementary Information
 Schedule of Changes in Net Pension Liability and Related Ratios
 Municipal Employees Retirement System of Michigan
 Last Ten Measurement Periods (1)

	Calendar Year Ended December 31,				
	2023	2022	2021	2020	2019
Total pension liability					
Service cost	\$ 635,586	\$ 669,496	\$ 569,071	\$ 603,869	\$ 631,538
Interest	4,765,711	4,863,179	4,906,825	4,723,756	4,715,146
Benefit changes	-	(1,656,260)	(18,802)	(429,301)	-
Difference between expected and actual experience	148,149	323,690	(536,592)	213,094	520,107
Changes of assumptions	487,963	-	2,390,134	2,131,135	2,040,455
Benefit payments, including employee refunds	(4,927,879)	(4,845,483)	(4,846,511)	(4,786,202)	(4,569,886)
Other	-	(1)	1	2	-
Net change in total pension liability	1,109,530	(645,379)	2,464,126	2,456,353	3,337,360
Total pension liability - beginning	68,520,950	69,166,329	66,702,203	64,245,850	60,908,490
Total pension liability - ending (a)	\$ 69,630,480	\$ 68,520,950	\$ 69,166,329	\$ 66,702,203	\$ 64,245,850
Plan net position					
Contributions - employer	\$ 2,266,950	\$ 2,238,972	\$ 2,479,986	\$ 1,754,741	\$ 2,127,559
Contributions - member	424,459	405,906	358,657	352,788	337,886
Net investment income	4,272,889	(4,798,051)	5,900,995	4,873,216	5,020,919
Benefit payments, including employee refunds	(4,927,879)	(4,845,483)	(4,846,511)	(4,786,202)	(4,569,886)
Administrative expense	(90,896)	(84,127)	(67,729)	(79,534)	(86,525)
Net change in plan net position	\$ 1,945,523	\$ (7,082,783)	\$ 3,825,398	\$ 2,115,009	\$ 2,829,953
Plan net position - beginning	\$ 39,447,024	\$ 46,529,807	\$ 42,704,409	\$ 40,589,400	37,759,447
Plan net position - ending (b)	\$ 41,392,547	\$ 39,447,024	\$ 46,529,807	\$ 42,704,409	\$ 40,589,400
Net pension liability - ending (a) - (b)	\$ 28,237,933	\$ 29,073,926	\$ 22,636,522	\$ 23,997,794	\$ 23,656,450
Ratio of plan net position to total pension liability	59.45%	57.57%	67.27%	64.02%	63.18%
Covered payroll	\$ 5,642,324	\$ 5,879,891	\$ 5,432,375	\$ 5,814,059	\$ 5,899,164
Net pension liability as a percentage of covered payroll	500.47%	494.46%	416.70%	412.75%	401.01%

(1) The measurement year is from January 1 through December 31.

CITY OF ADRIAN, MICHIGAN

Required Supplementary Information
 Schedule of Changes in Net Pension Liability and Related Ratios
 Municipal Employees Retirement System of Michigan
 Last Ten Measurement Periods (1)
 Continued

	Calendar Year Ended December 31,				
	2018	2017	2016	2015	2014
Total pension liability					
Service cost	\$ 617,136	\$ 758,368	\$ 741,588	\$ 783,241	\$ 734,945
Interest	4,677,053	4,744,963	4,713,565	4,494,093	4,377,789
Benefit changes	(3,590)	(3,224,005)	-	(4,773)	-
Difference between expected and actual experience	(327,178)	1,243,601	(1,032,864)	359,514	-
Changes of assumptions	-	-	-	2,678,127	-
Benefit payments, including employee refunds	(4,419,042)	(4,183,318)	(3,893,109)	(3,793,865)	(3,660,421)
Other	-	-	2	(181)	-
Net change in total pension liability	544,379	(660,391)	529,182	4,516,156	1,452,313
Total pension liability - beginning	60,364,111	61,024,502	60,495,320	55,979,164	54,526,851
Total pension liability - ending (a)	\$ 60,908,490	\$ 60,364,111	\$ 61,024,502	\$ 60,495,320	\$ 55,979,164
Plan net position					
Contributions - employer	\$ 1,571,157	\$ 1,578,650	\$ 2,200,920	\$ 1,455,676	\$ 1,338,509
Contributions - member	342,488	332,716	332,759	344,913	273,323
Net investment income	(1,565,290)	5,085,184	4,074,776	(568,795)	2,273,164
Benefit payments, including employee refunds	(4,419,042)	(4,183,318)	(3,893,108)	(3,793,865)	(3,660,421)
Administrative expense	(79,434)	(80,771)	(80,580)	(84,178)	-
Net change in plan net position	\$ (4,150,121)	\$ 2,732,461	\$ 2,634,767	\$ (2,646,249)	\$ 224,575
Plan net position - beginning	\$ 41,909,568	\$ 39,177,107	\$ 36,542,340	\$ 39,188,589	\$ 38,964,014
Plan net position - ending (b)	\$ 37,759,447	\$ 41,909,568	\$ 39,177,107	\$ 36,542,340	\$ 39,188,589
Net pension liability - ending (a) - (b)	\$ 23,149,043	\$ 18,454,543	\$ 21,847,395	\$ 23,952,980	\$ 16,790,575
Ratio of plan net position to total pension liability	61.99%	69.43%	64.20%	60.41%	70.01%
Covered payroll	\$ 5,731,080	\$ 6,225,926	\$ 6,079,410	\$ 6,373,584	\$ 6,101,546
Net pension liability as a percentage of covered payroll	403.92%	296.41%	359.37%	375.82%	275.19%

CITY OF ADRIAN, MICHIGAN
 Required Supplementary Information
 Schedule of City's Contributions
 Municipal Employees Retirement System of Michigan
 Last Ten Fiscal Years

	Fiscal Year Ended June 30,				
	2024	2023	2022	2021**	2020
Actuarially determined employer contributions	\$ 2,455,284	\$ 2,346,150	\$ 2,331,990	\$ 2,330,970	\$ 2,249,832
Actual employer contributions	\$ (2,194,992)	\$ (2,338,908)	\$ (2,147,580)	\$ (2,307,915)	\$ (1,705,206)
Contribution Deficiency (Excess)	\$ 260,292	\$ 7,242	\$ 184,410	\$ 23,055	\$ 544,626
City Covered Payroll	\$ 5,879,150	\$ 5,921,030	\$ 5,820,143	\$ 5,859,890	\$ 6,116,628
Actual contributions as a Percentage of Covered Payroll	37.34%	39.50%	36.90%	39.38%	27.88%
	2019**	2018	2017*	2016	2015
Actuarially determined employer contributions	\$ 2,022,018	\$ 1,955,856	\$ 1,783,319	\$ 1,478,298	\$ 1,397,092
Actual employer contributions	\$ (2,041,435)	\$ (1,637,525)	\$ (2,229,674)	\$ (1,445,923)	\$ (1,428,521)
Contribution Deficiency (Excess)	\$ (19,417)	\$ 318,331	\$ (446,355)	\$ 32,375	\$ (31,429)
City Covered Payroll	\$ 5,867,333	\$ 6,424,571	\$ 6,551,797	\$ 6,205,472	\$ 5,936,450
Actual contributions as a Percentage of Covered Payroll	34.79%	25.49%	34.03%	23.30%	24.06%

* The City paid \$700,000 in additional contributions during fiscal year 2017.

** The City paid \$500,000 in additional contributions during fiscal years 2019 and 2021.

Notes to Schedule

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	15 years
Asset valuation method	5-year smoothing
Inflation	2.50%
Salary increases	3.00%
Investment rate of return	6.93%
Retirement age	Varies depending on plan adoption
Mortality	Pub-2010 Mortality Tables using scale MP-2019

Previous actuarial methods and assumptions:

A seven-year smoothed asset valuation method was used for the time period of 2005 through 2009

Salary increases were expected to be 1% for the time period of 2011 through 2013

In 2014, amortization period was 25 years; asset valuation method was 10-year smoothed; inflation at 3.5%;

salary increases at 4.5%; and investment rate of return at 8.0%

In 2016, the discount rate was decreased from 8.25% to 8.0%.

In 2020, the discount rate was decreased from 8.0% to 7.6% and salary increases was decreased from 3.75% to 3.0%.

In 2021, the investment rate of return was decreased from 7.60% to 7.35%; mortality tables were changed from RP-2014.

to fully generational RP-2019; and valuation based on actuarial experience study for five-year period 2014 through 2018.

In 2022, the investment rate of return was decreased from 7.35% to 7.00%.

In 2024, the investment rate of return was decreased from 7.00% to 6.93%; mortality tables were changed from RP-2019 to version of Pub-2010 tables.

Supplemental Section

Combining and Other Financial Information

CITY OF ADRIAN, MICHIGAN
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2024

	Nonmajor Special Revenue Funds							Permanent Funds			Total Nonmajor Governmental Funds	
	Municipal Streets	Fee Estate	RHINO	Opioid Settlement	Solid Waste	Community Development	Public Purpose	Subtotal	Endowment Trust	Perpetual Care		Subtotal
Assets												
Equity in pooled cash and cash equivalents	\$ 396,494	\$ -	\$ 112,091	\$ 46,681	\$ 664,723	\$ 73,138	\$ 33,926	\$ 1,327,053	\$177,220	\$ 625,588	\$ 802,808	\$ 2,129,861
Investments	-	-	102,379	-	-	-	-	102,379	322,445	711,417	1,033,862	1,136,241
Receivables (net of allowances)	-	364,202	-	-	44,950	59,410	-	468,562	-	-	-	468,562
Land held for resale	-	-	-	-	-	-	-	-	-	7,499	7,499	7,499
Total assets	\$ 396,494	\$ 364,202	\$ 214,470	\$ 46,681	\$ 709,673	\$ 132,548	\$ 33,926	\$ 1,897,994	\$ 499,665	\$ 1,344,504	\$ 1,844,169	\$ 3,742,163
Liabilities												
Vouchers payable	\$ -	\$ 16,402	\$ 4,280	\$ -	\$ 4,680	\$ -	\$ -	\$ 25,362	\$ -	\$ -	\$ -	\$ 25,362
Accrued payroll	-	26,803	-	-	4,427	-	-	31,230	-	-	-	31,230
Due to other funds	-	261,298	94	-	559	-	-	261,951	-	-	-	261,951
Unearned revenue	-	-	1,000	-	-	-	-	1,000	-	-	-	1,000
Total liabilities	-	304,503	5,374	-	9,666	-	-	319,543	-	-	-	319,543
Fund balances												
Nonspendable	-	-	-	-	-	-	-	-	56,413	1,337,005	1,393,418	1,393,418
Restricted	396,494	59,699	209,096	46,681	-	132,548	33,926	878,444	443,252	7,499	450,751	1,329,195
Committed	-	-	-	-	700,007	-	-	700,007	-	-	-	700,007
Total fund balances	396,494	59,699	209,096	46,681	700,007	132,548	33,926	1,578,451	499,665	1,344,504	1,844,169	3,422,620
Total liabilities, deferred inflows of												
Total liabilities and fund balances	\$ 396,494	\$ 364,202	\$ 214,470	\$ 46,681	\$ 709,673	\$ 132,548	\$ 33,926	\$ 1,897,994	\$ 499,665	\$ 1,344,504	\$ 1,844,169	\$ 3,742,163

CITY OF ADRIAN, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Governmental Funds
 Fiscal Year Ended June 30, 2024

	Nonmajor Special Revenue Funds							Permanent Funds			Total Nonmajor Governmental Funds	
	Municipal Streets	Fee Estate	RHINO	Opioid Settlement	Solid Waste	Community Development	Public Purpose	Subtotal	Endowment Trust	Perpetual Care		Subtotal
Revenues												
Taxes	\$ 410,940	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 410,940	\$ -	\$ -	\$ -	\$ 410,940
Intergovernmental-state	98,352	-	-	27,057	-	-	-	125,409	-	-	-	125,409
Charges for services	-	-	-	-	1,466,544	-	-	1,466,544	-	-	-	1,466,544
Investment earnings	-	-	2,379	-	-	-	-	2,379	14,073	36,736	50,809	53,188
Fee Trust - for beautification	-	1,116,215	-	-	-	-	-	1,116,215	-	-	-	1,116,215
Donations and contributions	-	-	-	-	-	-	-	-	168,000	-	168,000	168,000
Other	-	-	312,328	-	-	-	14,549	326,877	-	21,625	21,625	348,502
Total revenues	509,292	1,116,215	314,707	27,057	1,466,544	-	14,549	3,448,364	182,073	58,361	240,434	3,688,798
Expenditures												
Current:												
General government	-	-	-	-	-	-	11,189	11,189	-	-	-	11,189
Public safety	-	-	151,499	-	-	-	-	151,499	-	-	-	151,499
Sanitation	-	-	-	-	1,082,773	-	-	1,082,773	-	-	-	1,082,773
Community beautification and improvements	-	1,050,784	-	-	-	-	-	1,050,784	172,943	-	172,943	1,223,727
Debt Service:												
Principal retirement	-	32,533	-	-	31,084	-	-	63,617	-	-	-	63,617
Interest and fiscal charges	-	35,244	-	-	416	-	-	35,660	-	-	-	35,660
Total expenditures	-	1,118,561	151,499	-	1,114,273	-	11,189	2,395,522	172,943	-	172,943	2,568,465
Excess (deficiency) of revenues over (under) expenditures	509,292	(2,346)	163,208	27,057	352,271	-	3,360	1,052,842	9,130	58,361	67,491	1,120,333
Other Financing Sources (Uses)												
Lease liabilities issued	-	27,346	-	-	-	-	-	27,346	-	-	-	27,346
Transfers in	-	57,526	-	-	9,588	-	-	67,114	-	-	-	67,114
Transfers out	(485,000)	(25,000)	-	-	-	-	-	(510,000)	-	-	-	(510,000)
Total other financing sources (uses)	(485,000)	59,872	-	-	9,588	-	-	(415,540)	-	-	-	(415,540)
Net change in fund balances	24,292	57,526	163,208	27,057	361,859	-	3,360	637,302	9,130	58,361	67,491	704,793
Fund balance, beginning of year	372,202	2,173	45,888	19,624	338,148	132,548	30,566	941,149	490,535	1,286,143	1,776,678	2,717,827
Fund balance, end of year	\$ 396,494	\$ 59,699	\$ 209,096	\$ 46,681	\$ 700,007	\$ 132,548	\$ 33,926	\$ 1,578,451	\$ 499,665	\$ 1,344,504	\$ 1,844,169	\$ 3,422,620

CITY OF ADRIAN, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Municipal Streets Nonmajor Special Revenue Fund
Fiscal Year Ended June 30, 2024

	Budgeted Amounts		Actual	Variance From Final Budget
	Original	Final		
Revenues				
Taxes	\$ 395,000	\$ 410,940	\$ 410,940	\$ -
Intergovernmental-state	90,000	98,352	98,352	-
Total revenues	<u>485,000</u>	<u>509,292</u>	<u>509,292</u>	<u>-</u>
Expenditures				
Current:				
Highways, streets and bridges:				
Other	-	24,292	-	24,292
Excess of revenues over expenditures	<u>485,000</u>	<u>485,000</u>	<u>509,292</u>	<u>24,292</u>
Other Financing Uses				
Transfers out	<u>(485,000)</u>	<u>(485,000)</u>	<u>(485,000)</u>	<u>-</u>
Net change in fund balances	-	-	24,292	<u>\$ 24,292</u>
Fund balance, beginning of year	<u>372,202</u>	<u>372,202</u>	<u>372,202</u>	
Fund balance, end of year	<u>\$ 372,202</u>	<u>\$ 372,202</u>	<u>\$ 396,494</u>	

CITY OF ADRIAN, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Fee Estate Nonmajor Special Revenue Fund

Fiscal Year Ended June 30, 2024

	Budgeted Amounts		Actual	Variance From Final Budget
	Original	Final		
Revenues				
Fee Trust - for beautification	\$ 1,244,169	\$ 1,195,855	\$ 1,116,215	\$ (79,640)
Other	-	43,825	-	(43,825)
Total revenues	<u>1,244,169</u>	<u>1,239,680</u>	<u>1,116,215</u>	<u>(123,465)</u>
Expenditures				
Current:				
Community beautification and improvements:				
Parks and forestry garage	17,100	22,076	21,939	137
Fee estate maintenance	<u>1,124,107</u>	<u>1,126,507</u>	<u>1,028,845</u>	<u>97,662</u>
Total community beautification and improvements	<u>1,141,207</u>	<u>1,148,583</u>	<u>1,050,784</u>	<u>97,799</u>
Debt Service:				
Principal retirement	31,420	31,420	32,533	(1,113)
Interest and fiscal charges	<u>46,542</u>	<u>34,677</u>	<u>35,244</u>	<u>(567)</u>
Total expenditures	<u>1,219,169</u>	<u>1,214,680</u>	<u>1,118,561</u>	<u>96,119</u>
Excess (deficiency) of revenues over (under) expenditures	<u>25,000</u>	<u>25,000</u>	<u>(2,346)</u>	<u>(27,346)</u>
Other Financing Sources (Uses)				
Lease liabilities issued	-	-	27,346	27,346
Transfers in	-	-	57,526	57,526
Transfers out	<u>(25,000)</u>	<u>(25,000)</u>	<u>(25,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(25,000)</u>	<u>(25,000)</u>	<u>59,872</u>	<u>84,872</u>
Net change in fund balances	-	-	57,526	<u>\$ 57,526</u>
Fund balance, beginning of year	<u>2,173</u>	<u>2,173</u>	<u>2,173</u>	
Fund balance, end of year	<u>\$ 2,173</u>	<u>\$ 2,173</u>	<u>\$ 59,699</u>	

CITY OF ADRIAN, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

RHINO Nonmajor Special Revenue Fund

Fiscal Year Ended June 30, 2024

	Budgeted Amounts		Actual	Variance From Final Budget
	Original	Final		
Revenues				
Intergovernmental-state	\$ 12,000	\$ -	\$ -	\$ -
Investment earnings	-	2,379	2,379	-
Other	87,750	335,078	312,328	(22,750)
Total revenues	<u>99,750</u>	<u>337,457</u>	<u>314,707</u>	<u>(22,750)</u>
Expenditures				
Current:				
Public safety:				
Administration	<u>99,750</u>	<u>337,457</u>	<u>151,499</u>	<u>185,958</u>
Net change in fund balances	-	-	163,208	<u>\$ 163,208</u>
Fund balance, beginning of year	<u>45,888</u>	<u>45,888</u>	<u>45,888</u>	
Fund balance, end of year	<u>\$ 45,888</u>	<u>\$ 45,888</u>	<u>\$ 209,096</u>	

CITY OF ADRIAN, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
 Opioid Settlement Nonmajor Special Revenue Fund
 Fiscal Year Ended June 30, 2024

	Budgeted Amounts		Actual	Variance From Final Budget
	Original	Final		
Revenues				
Intergovernmental-state	\$ -	\$ 27,057	\$ 27,057	\$ -
Expenditures				
Current:				
Public safety:				
Administration	-	27,057	-	27,057
Net change in fund balances	-	-	27,057	\$ 27,057
Fund balance, beginning of year	19,624	19,624	19,624	
Fund balance, end of year	\$ 19,624	\$ 19,624	\$ 46,681	

CITY OF ADRIAN, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Solid Waste Nonmajor Special Revenue Fund

Fiscal Year Ended June 30, 2024

	Budgeted Amounts		Actual	Variance From Final Budget
	Original	Final		
Revenues				
Charges for services	\$ 1,348,293	\$ 1,499,995	\$ 1,466,544	\$ (33,451)
Expenditures				
Current:				
Sanitation:				
Refuse collection and disposal	1,316,793	1,457,438	1,082,773	374,665
Other	-	11,057	-	11,057
Total sanitation	1,316,793	1,468,495	1,082,773	385,722
Debt Service:				
Principal retirement	31,084	31,084	31,084	-
Interest and fiscal charges	416	416	416	-
Total expenditures	1,348,293	1,499,995	1,114,273	385,722
Excess of revenues over expenditures	-	-	352,271	352,271
Other Financing Sources				
Transfers in	-	-	9,588	9,588
Net change in fund balances	-	-	361,859	\$ 361,859
Fund balance, beginning of year	338,148	338,148	338,148	
Fund balance, end of year	\$ 338,148	\$ 338,148	\$ 700,007	

CITY OF ADRIAN, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
 Community Development Nonmajor Special Revenue Fund
 Fiscal Year Ended June 30, 2024

	Budgeted Amounts		Actual	Variance From Final Budget
	Original	Final		
Revenues				
Other	\$ 250,000	\$ -	\$ -	\$ -
Expenditures				
Current:				
Community and economic development:				
Façade grant	220,000	-	-	-
Net change in fund balances	30,000	-	-	\$ -
Fund balance, beginning of year	132,548	132,548	132,548	
Fund balance, end of year	<u>\$ 162,548</u>	<u>\$ 132,548</u>	<u>\$ 132,548</u>	

CITY OF ADRIAN, MICHIGAN
Combining Statement of Net Position
Nonmajor Enterprise Funds
June 30, 2024

	<u>Capital Projects Revolving</u>	<u>Dial-A-Ride System</u>	<u>Automobile Parking System</u>	<u>Total Nonmajor Enterprise Funds</u>
Assets				
Current assets:				
Equity in pooled cash and cash equivalents	\$ 590,516	\$ 70,815	\$ 765,575	\$ 1,426,906
Receivables (net of allowances)	361,726	-	11,837	373,563
Due from other funds	1,068	-	7,083	8,151
Due from component units	-	-	5,000	5,000
Total current assets	<u>953,310</u>	<u>70,815</u>	<u>789,495</u>	<u>1,813,620</u>
Noncurrent assets:				
Nondepreciable capital assets	-	-	894,226	894,226
Depreciable capital assets, net	-	-	1,165,188	1,165,188
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>2,059,414</u>	<u>2,059,414</u>
Total assets	<u>953,310</u>	<u>70,815</u>	<u>2,848,909</u>	<u>3,873,034</u>
Liabilities				
Current liabilities:				
Vouchers payable	-	-	6,542	6,542
Accrued payroll	-	-	573	573
Due to other funds	-	-	3,167	3,167
Due to other governments	-	9,845	-	9,845
Total liabilities	<u>-</u>	<u>9,845</u>	<u>10,282</u>	<u>20,127</u>
Net Position				
Investment in capital assets	-	-	2,059,414	2,059,414
Unrestricted	<u>953,310</u>	<u>60,970</u>	<u>779,213</u>	<u>1,793,493</u>
Total net position	<u>\$ 953,310</u>	<u>\$ 60,970</u>	<u>\$ 2,838,627</u>	<u>\$ 3,852,907</u>

CITY OF ADRIAN, MICHIGAN

Combining Statement of Revenues, Expenses and Change in Net Position

Nonmajor Enterprise Funds

Fiscal Year Ended June 30, 2024

	Capital Projects Revolving	Dial-A-Ride System	Automobile Parking System	Total Nonmajor Enterprise Funds
Operating Revenues:				
Special assessments	\$ -	\$ -	\$ 59,889	\$ 59,889
Other	-	-	4,559	4,559
Total operating revenues	<u>-</u>	<u>-</u>	<u>64,448</u>	<u>64,448</u>
Operating Expenses:				
Personal services	-	-	28,269	28,269
Contract services	-	265	9,438	9,703
Materials and supplies	-	-	35,820	35,820
Depreciation	-	-	67,977	67,977
Other	-	-	38,712	38,712
Total operating expenses	<u>-</u>	<u>265</u>	<u>180,216</u>	<u>180,481</u>
Operating loss	<u>-</u>	<u>(265)</u>	<u>(115,768)</u>	<u>(116,033)</u>
Nonoperating Revenues:				
Interest income	20,712	-	4,664	25,376
Operating grants	-	8,310	-	8,310
Total nonoperating revenues	<u>20,712</u>	<u>8,310</u>	<u>4,664</u>	<u>33,686</u>
Income (loss) before transfers and contributions	20,712	8,045	(111,104)	(82,347)
Transfers in	-	-	85,000	85,000
Capital contributions	<u>-</u>	<u>-</u>	<u>60,000</u>	<u>60,000</u>
Change in net position	20,712	8,045	33,896	62,653
Net position beginning of year	<u>932,598</u>	<u>52,925</u>	<u>2,804,731</u>	<u>3,790,254</u>
Net position end of year	<u>\$ 953,310</u>	<u>\$ 60,970</u>	<u>\$ 2,838,627</u>	<u>\$ 3,852,907</u>

CITY OF ADRIAN, MICHIGAN

Combining Statement of Cash Flows
 Nonmajor Enterprise Funds
 Fiscal Year Ended June 30, 2024

	Capital Projects Revolving	Dial-A-Ride System	Automobile Parking System	Total Nonmajor Enterprise Funds
Cash Flows from Operating Activities				
Cash received from customers	\$ 1,370	\$ -	\$ 64,448	\$ 65,818
Cash payments for employee services and benefits	-	-	(28,317)	(28,317)
Cash payments to suppliers for goods and services	(36,774)	(366)	(77,449)	(114,589)
Net cash flows from operating activities	<u>(35,404)</u>	<u>(366)</u>	<u>(41,318)</u>	<u>(77,088)</u>
Cash Flows from Noncapital Financing Activities				
Cash received from other funds	-	-	86,215	86,215
Cash received from other governments	-	6,792	-	6,792
Cash paid to other funds	(1,068)	-	-	(1,068)
Net cash flows from noncapital financing activities	<u>(1,068)</u>	<u>6,792</u>	<u>86,215</u>	<u>91,939</u>
Cash Flows from Capital and Related Financing Activities				
Acquisition of capital assets	-	-	(334,638)	(334,638)
Capital grants	-	-	60,000	60,000
Net cash flows from capital and related financing activities	<u>-</u>	<u>-</u>	<u>(274,638)</u>	<u>(274,638)</u>
Cash Flows from Investing Activities				
Interest on investments	20,712	-	4,664	25,376
Net increase (decrease) in cash and cash equivalents	(15,760)	6,426	(225,077)	(234,411)
Cash and cash equivalents beginning of year	606,276	64,389	990,652	1,661,317
Cash and cash equivalents end of year	<u>\$ 590,516</u>	<u>\$ 70,815</u>	<u>\$ 765,575</u>	<u>\$ 1,426,906</u>

Reconciliation of operating loss to net cash flows from operating activities:

Operating loss	\$ -	\$ (265)	\$ (115,768)	\$ (116,033)
Adjustments to reconcile operating loss to net cash from operating activities:				
Depreciation	-	-	67,977	67,977
Changes in assets and liabilities:				
Receivables	(35,404)	-	-	(35,404)
Vouchers payable	-	(101)	6,521	6,420
Accrued payroll	-	-	(48)	(48)
Net cash flows from operating activities	<u>\$ (35,404)</u>	<u>\$ (366)</u>	<u>\$ (41,318)</u>	<u>\$ (77,088)</u>

CITY OF ADRIAN, MICHIGAN
Combining Statement of Net Position
Internal Service Funds
June 30, 2024

	<u>Information Technology</u>	<u>Motor Vehicle Pool</u>	<u>Building Maintenance</u>	<u>Total Internal Service Funds</u>
Assets				
Current assets:				
Equity in pooled cash and cash equivalents	\$ 287,744	\$ -	\$ 119,741	\$ 407,485
Due from other funds	<u>10,111</u>	<u>-</u>	<u>1,622</u>	<u>11,733</u>
Total current assets	<u>297,855</u>	<u>-</u>	<u>121,363</u>	<u>419,218</u>
Noncurrent assets:				
Depreciable capital assets, net	<u>25,630</u>	<u>-</u>	<u>-</u>	<u>25,630</u>
Total assets	<u>323,485</u>	<u>-</u>	<u>121,363</u>	<u>444,848</u>
Liabilities				
Current liabilities:				
Vouchers payable	5,471	-	33,174	38,645
Accrued payroll	3,991	-	1,362	5,353
Compensated absences	<u>2,494</u>	<u>-</u>	<u>832</u>	<u>3,326</u>
Total current liabilities	<u>11,956</u>	<u>-</u>	<u>35,368</u>	<u>47,324</u>
Noncurrent liabilities:				
Compensated absences	<u>-</u>	<u>-</u>	<u>1,850</u>	<u>1,850</u>
Total liabilities	<u>11,956</u>	<u>-</u>	<u>37,218</u>	<u>49,174</u>
Net Position				
Investment in capital assets	25,630	-	-	25,630
Unrestricted	<u>285,899</u>	<u>-</u>	<u>84,145</u>	<u>370,044</u>
Total net position	<u>\$ 311,529</u>	<u>\$ -</u>	<u>\$ 84,145</u>	<u>\$ 395,674</u>

CITY OF ADRIAN, MICHIGAN

Combining Statement of Revenues, Expenses and Change in Net Position

Internal Service Funds

Fiscal Year Ended June 30, 2024

	<u>Information Technology</u>	<u>Motor Vehicle Pool</u>	<u>Building Maintenance</u>	<u>Total Internal Service Funds</u>
Operating Revenues:				
Charges for services	\$ 449,267	\$ -	\$ 651,213	\$ 1,100,480
Other	<u>759</u>	<u>-</u>	<u>188,098</u>	<u>188,857</u>
Total operating revenues	<u>450,026</u>	<u>-</u>	<u>839,311</u>	<u>1,289,337</u>
Operating Expenses:				
Personal services	114,413	-	32,499	146,912
Contract services	222,117	-	79,073	301,190
Materials and supplies	-	-	2,985	2,985
Depreciation	7,461	-	-	7,461
Other	<u>59,899</u>	<u>-</u>	<u>681,858</u>	<u>741,757</u>
Total operating expenses	<u>403,890</u>	<u>-</u>	<u>796,415</u>	<u>1,200,305</u>
Income before transfers and special item	<u>46,136</u>	<u>-</u>	<u>42,896</u>	<u>89,032</u>
Transfers out	-	(958,766)	-	(958,766)
Special item - loss on transfer of capital assets	<u>-</u>	<u>(745,807)</u>	<u>-</u>	<u>(745,807)</u>
Change in net position	46,136	(1,704,573)	42,896	(1,615,541)
Net position beginning of year	<u>265,393</u>	<u>1,704,573</u>	<u>41,249</u>	<u>2,011,215</u>
Net position end of year	<u>\$ 311,529</u>	<u>\$ -</u>	<u>\$ 84,145</u>	<u>\$ 395,674</u>

CITY OF ADRIAN, MICHIGAN

Combining Statement of Cash Flows

Internal Service Funds

Fiscal Year Ended June 30, 2024

	Information Technology	Motor Vehicle Pool	Building Maintenance	Total Internal Service Funds
Cash Flows from Operating Activities				
Cash received from interfund charges	\$ 449,416	\$ -	\$ 838,464	\$ 1,287,880
Cash payments for employee services and benefits	(114,671)	-	(31,967)	(146,638)
Cash payments to suppliers for goods and services	(283,427)	-	(731,762)	(1,015,189)
Net cash flows from operating activities	<u>51,318</u>	<u>-</u>	<u>74,735</u>	<u>126,053</u>
Cash Flows from Noncapital Financing Activities				
Cash paid to other funds	<u>-</u>	<u>(958,766)</u>	<u>-</u>	<u>(958,766)</u>
Cash Flows from Capital and Related Financing Activities				
Acquisition of capital assets	<u>(23,928)</u>	<u>-</u>	<u>-</u>	<u>(23,928)</u>
Net increase (decrease) in cash and cash equivalents	27,390	(958,766)	74,735	(856,641)
Cash and cash equivalents beginning of year	<u>260,354</u>	<u>958,766</u>	<u>45,006</u>	<u>1,264,126</u>
Cash and cash equivalents end of year	<u>\$ 287,744</u>	<u>\$ -</u>	<u>\$ 119,741</u>	<u>\$ 407,485</u>

Reconciliation of operating income to net cash flows from operating activities:

Operating income	\$ 46,136	\$ -	\$ 42,896	\$ 89,032
Adjustments to reconcile operating income to net cash from operating activities:				
Depreciation	7,461	-	-	7,461
Changes in assets and liabilities:				
Receivables	(610)	-	(847)	(1,457)
Vouchers payable	(1,411)	-	32,154	30,743
Accrued payroll	231	-	79	310
Compensated absences	(489)	-	453	(36)
Net cash flows from operating activities	<u>\$ 51,318</u>	<u>\$ -</u>	<u>\$ 74,735</u>	<u>\$ 126,053</u>

Schedule of non-cash capital and related financing activities:

During the fiscal year, the City closed the Motor Vehicle Pool fund and transferred \$745,807 in net capital assets into the governmental funds.

CITY OF ADRIAN, MICHIGAN

Combining Statement of Fiduciary Net Position

Custodial Funds

June 30, 2024

	<u>Current Tax Collection</u>	<u>General Custodial</u>	<u>Total Custodial Funds</u>
Assets			
Cash	\$ 6,909	\$ 292,223	\$ 299,132
Investments	-	40,607	40,607
Total assets	<u>6,909</u>	<u>332,830</u>	<u>339,739</u>
Liabilities			
Vouchers payable	-	1,553	1,553
Due to other taxing units	6,909	-	6,909
Total liabilities	<u>6,909</u>	<u>1,553</u>	<u>8,462</u>
Net Position			
Restricted for individuals and organizations	-	331,277	331,277
Total net position	<u>\$ -</u>	<u>\$ 331,277</u>	<u>\$ 331,277</u>

CITY OF ADRIAN, MICHIGAN

Combining Statement of Changes in Fiduciary Net Position

Custodial Funds

Fiscal Year Ended June 30, 2024

	<u>Current Tax Collection</u>	<u>General Custodial</u>	<u>Total Custodial Funds</u>
Additions:			
Tax collections for other governments	\$ 12,446,233	\$ -	\$ 12,446,233
Amounts received as fiscal agent	-	762,701	762,701
Total additions	<u>12,446,233</u>	<u>762,701</u>	<u>13,208,934</u>
Deductions:			
Tax distributions to other governments	12,446,233	-	12,446,233
Distributions as fiscal agent	-	682,989	682,989
Total deductions	<u>12,446,233</u>	<u>682,989</u>	<u>13,129,222</u>
Change in net position	-	79,712	79,712
Net position beginning of year	-	251,565	251,565
Net position end of year	<u>\$ -</u>	<u>\$ 331,277</u>	<u>\$ 331,277</u>

CITY OF ADRIAN, MICHIGAN

Statement of Net Position and Governmental Funds Balance Sheet
 Brownfield Redevelopment Authority Component Unit
 June 30, 2024

	General Fund	Adjustments	Statement of Net Position
Assets			
Equity in pooled cash and cash equivalents	\$ 653,772	\$ -	\$ 653,772
Receivables (net of allowances)	<u>300,000</u>	<u>-</u>	<u>300,000</u>
Total assets	<u>\$ 953,772</u>	<u>-</u>	<u>953,772</u>
Fund Balances			
Unassigned	<u>\$ 953,772</u>	<u>(953,772)</u>	<u>-</u>
Net Position			
Unrestricted		<u>\$ 953,772</u>	<u>\$ 953,772</u>

CITY OF ADRIAN, MICHIGAN

Statement of Activities and Governmental Fund Revenues, Expenditures
 and Changes in Fund Balance
 Brownfield Redevelopment Authority Component Unit
 Fiscal Year Ended June 30, 2024

	General Fund	Adjustments	Statement of Activities
Expenditures/Expenses			
Community and economic development	<u>\$ 8,920</u>	<u>\$ -</u>	<u>\$ 8,920</u>
General Revenues			
Property taxes	12,248	-	12,248
Intergovernmental	<u>850,000</u>	<u>-</u>	<u>850,000</u>
Total general revenue	<u>862,248</u>	<u>-</u>	<u>862,248</u>
Net change in fund balances/ Change in net position	853,328	-	853,328
Fund balance/net position, beginning of year	<u>100,444</u>	<u>-</u>	<u>100,444</u>
Fund balance/net position, end of year	<u>\$ 953,772</u>	<u>\$ -</u>	<u>\$ 953,772</u>

CITY OF ADRIAN, MICHIGAN

Statement of Net Position and Governmental Funds Balance Sheet

Downtown Development Authority Component Unit

June 30, 2024

	General Fund	Adjustments	Statement of Net Position
Assets			
Equity in pooled cash and cash equivalents	\$ 262,423	\$ -	\$ 262,423
Investments	12,074	-	12,074
Receivables (net of allowances)	809	-	809
Nondepreciable capital assets	-	53,054	53,054
Depreciable capital assets, net	-	3,215	3,215
Total assets	<u>\$ 275,306</u>	<u>56,269</u>	<u>331,575</u>
Liabilities			
Vouchers payable	\$ 6,417	-	6,417
Accrued payroll	2,864	-	2,864
Due to primary government	5,194	-	5,194
Long-term liabilities:			
Due within one year	-	1,858	1,858
Due more than one year	-	6,383	6,383
Total liabilities	<u>14,475</u>	<u>8,241</u>	<u>22,716</u>
Fund Balances			
Unassigned	<u>260,831</u>	<u>(260,831)</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 275,306</u>		
Net Position			
Investment in capital assets		56,269	56,269
Unrestricted		<u>252,590</u>	<u>252,590</u>
Total net position		<u>\$ 308,859</u>	<u>\$ 308,859</u>

CITY OF ADRIAN, MICHIGAN

Statement of Activities and Governmental Fund Revenues, Expenditures
and Changes in Fund Balance

Downtown Development Authority Component Unit

Fiscal Year Ended June 30, 2024

	General Fund	Adjustments	Statement of Activities
Program Revenues			
Charges for services	\$ 3,396	\$ -	\$ 3,396
Operating grants and contributions	<u>71,025</u>	<u>27,214</u>	<u>98,239</u>
Total program revenues	<u>74,421</u>	<u>27,214</u>	<u>101,635</u>
General Revenues			
Property taxes	147,236	-	147,236
Investment earnings	640	-	640
Donations and contributions	24,339	(24,339)	-
Other	<u>2,875</u>	<u>(2,875)</u>	<u>-</u>
Total general revenue	<u>175,090</u>	<u>(27,214)</u>	<u>147,876</u>
Total revenue	<u>249,511</u>	<u>-</u>	<u>249,511</u>
Expenditures/Expenses			
Community and economic development	<u>276,943</u>	<u>5,830</u>	<u>282,773</u>
Revenues over (under) expenditures/expenses	(27,432)	(5,830)	(33,262)
Other Financing Sources (Uses)			
Transfers in	48,410	(48,410)	-
Transfers out	<u>(48,410)</u>	<u>48,410</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(27,432)	27,432	-
Change in net position	-	(33,262)	(33,262)
Fund balance/net position, beginning of year	<u>288,263</u>	<u>53,858</u>	<u>342,121</u>
Fund balance/net position, end of year	<u>\$ 260,831</u>	<u>\$ 48,028</u>	<u>\$ 308,859</u>

CITY OF ADRIAN, MICHIGAN
Schedule of Indebtedness
 June 30, 2024
 (Page 1 of 4)

Primary Government	Date of Issue	Amount of Issue	Interest Rate	Date of Maturity	June 30, 2023	June 30, 2024	Annual Interest Payable
General Fund	11/16/09	\$ 7,040,000	6.375%	11/01/23 - 05/01/24	\$ 300,000	\$ -	\$ 253,488
Limited Tax General Obligation Bonds, Series A, B and C (combined schedule)			6.375%	11/01/24 - 05/01/25	310,000	310,000	234,362
			6.375%	11/01/25 - 05/01/26	320,000	320,000	214,600
			6.375%	11/01/26 - 05/01/27	330,000	330,000	194,200
			6.375%	11/01/27 - 05/01/28	340,000	340,000	173,162
			6.375%	11/01/28 - 05/01/29	355,000	355,000	151,488
			6.625%	11/01/29 - 05/01/30	365,000	365,000	128,856
			6.625%	11/01/30 - 05/01/31	380,000	380,000	104,674
			6.625%	11/01/31 - 05/01/32	395,000	395,000	79,500
			6.625%	11/01/32 - 05/01/33	400,000	400,000	53,332
			6.625%	11/01/33 - 05/01/34	405,000	405,000	26,832
					<u>\$ 3,900,000</u>	<u>\$ 3,600,000</u>	<u>\$ 1,614,494</u>
 Wastewater System Revenue Bonds (DWRf Loan)	 09/26/02	 \$ 8,920,000	 2.50%	 10/01/23	 <u>\$ 560,000</u>	 <u>\$ -</u>	 <u>\$ 7,000</u>

CITY OF ADRIAN, MICHIGAN
Schedule of Indebtedness
 June 30, 2024
 (Page 2 of 4)

Primary Government	Date of Issue	Amount of Issue	Interest Rate	Date of Maturity	June 30, 2023	June 30, 2024	Annual Interest Payable
Water Supply System Revenue Bonds (DWRF Loan)	09/26/02	\$ 5,665,000	2.50%	10/01/23	<u>\$ 355,000</u>	<u>\$ -</u>	<u>\$ 4,437</u>
Wastewater System Revenue Bonds (SRF Loan)	09/22/05	\$ 1,993,885	1.625%	10/01/23 - 04/01/24	\$ 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	<u>118,885</u>	<u>118,885</u>	<u>966</u>
					<u>\$ 463,885</u>	<u>\$ 348,885</u>	<u>\$ 15,171</u>

CITY OF ADRIAN, MICHIGAN
Schedule of Indebtedness
 June 30, 2024
 (Page 3 of 4)

Primary Government	Date of Issue	Amount of Issue	Interest Rate	Date of Maturity	June 30, 2023	June 30, 2024	Annual Interest Payable
Wastewater System Revenue Bonds, Series 2007B (SRF Loan)	12/01/05	\$ 6,962,663	1.625%	10/01/23 - 04/01/24	\$ 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	397,653	397,653	6,462
					<u>\$ 1,562,653</u>	<u>\$ 1,182,653</u>	<u>\$ 63,954</u>
Water Supply System Revenue Bonds (DWRP Loan)	09/27/07	\$ 7,441,707	2.125%	10/01/23 - 04/01/24	\$ 395,000	\$ -	\$ 48,009
				10/01/24 - 04/01/25	400,000	400,000	39,562
				10/01/25 - 04/01/26	405,000	405,000	31,009
				10/01/26 - 04/01/27	410,000	410,000	22,349
				10/01/27 - 04/01/28	420,000	420,000	13,530
				10/01/28	426,707	426,707	4,534
	<u>\$ 2,456,707</u>	<u>\$ 2,061,707</u>	<u>\$ 158,993</u>				

CITY OF ADRIAN, MICHIGAN
Schedule of Indebtedness
 June 30, 2024
 (Page 4 of 4)

Primary Government	Date of Issue	Amount of Issue	Interest Rate	Date of Maturity	June 30, 2023	June 30, 2024	Annual Interest Payable
Energy Improvements Lease-Purchase	08/20/20	\$ 9,962,108	2.510%	12/01/23	\$ 218,758	\$ -	\$ 241,438
				12/01/24	321,748	321,748	235,947
				12/01/25	347,474	347,474	227,871
				12/01/26	378,705	378,705	219,150
				12/01/27	407,184	407,184	209,644
				12/01/28	436,966	436,966	199,424
				12/01/29	468,104	468,104	188,456
				12/01/30	487,976	487,976	176,707
				12/01/31	534,337	534,337	164,458
				12/01/32	569,855	569,855	151,047
				12/01/33	606,948	606,948	136,743
				12/01/34	645,679	645,679	121,509
				12/01/35	686,110	686,110	105,302
				12/01/36	725,890	725,890	88,081
				12/01/37	767,313	767,313	69,861
				12/01/38	810,444	810,444	50,602
				12/01/39	855,341	855,341	30,259
				08/04/40	350,214	350,214	5,933
					<u>\$ 9,619,046</u>	<u>\$ 9,400,288</u>	<u>\$ 2,622,432</u>
Lease Liabilities - Outstanding Balance					<u>\$ 168,425</u>	<u>\$ 259,777</u>	
Accumulated Vacation and Sick Pay - Long-Term					<u>\$ 369,200</u>	<u>\$ 389,783</u>	
					<u>\$ 19,454,916</u>	<u>\$ 17,243,093</u>	

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STATISTICAL SECTION

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Statistical Section

This part of the City's annual comprehensive 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.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial position has changed over time. B Exhibits

Revenue Capacity

These schedules contain information to help the reader understand and assess the factors affecting the City's ability to generate its most significant local revenue source, the property tax. C Exhibits

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. D Exhibits

Economic and Demographic Information

These schedules offer economic and demographic indicators to help the reader understand the environment within which the City's financial activities take place and to provide information that facilitates comparisons of financial information over time and among governments. E Exhibits

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. F Exhibits

Sources: Unless otherwise noted, the information in these schedules is derived from the annual comprehensive financial reports for the relevant year.

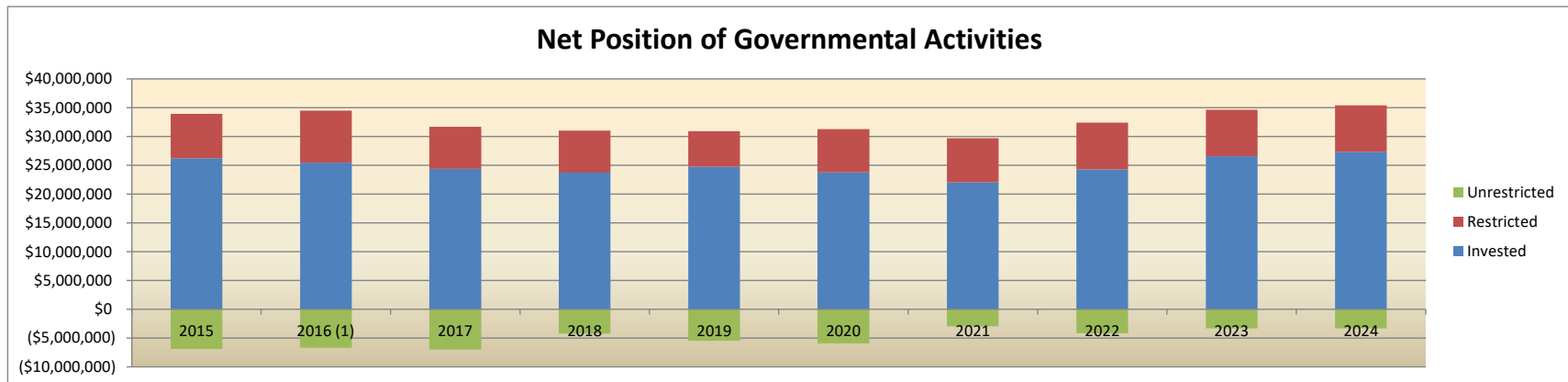
CITY OF ADRIAN, MICHIGAN
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

Exhibit B-1

	2015	2016 (1)	2017	2018	2019	2020	2021	2022	2023	2024
Governmental Activities:										
Net Investment in Capital Assets	\$26,228,236	\$25,430,964	\$24,346,844	\$23,682,184	\$24,737,823	\$23,764,947	\$22,023,469	\$24,247,222	\$26,543,663	\$27,342,639
Restricted	7,703,641	9,050,154	7,292,869	7,293,011	6,172,075	7,495,131	7,667,003	8,128,348	8,079,210	8,070,022
Unrestricted (Deficit)	(6,934,567)	(6,714,455)	(7,010,387)	(4,253,877)	(5,506,781)	(5,955,557)	(2,993,022)	(4,205,266)	(3,353,806)	(3,337,800)
Total Governmental Activities Net Position	\$26,997,310	\$27,766,663	\$24,629,326	\$26,721,318	\$25,403,117	\$25,304,521	\$26,697,450	\$28,170,304	\$31,269,067	\$32,074,861
Business-type Activities:										
Net Investment in Capital Assets	\$34,031,561	\$34,717,610	\$35,913,131	\$36,699,343	\$38,235,577	\$39,474,779	\$39,614,631	\$42,270,048	\$40,741,435	\$41,736,526
Restricted	2,938,561	3,023,860	3,050,046	3,344,633	3,369,998	3,392,220	3,433,368	3,451,798	2,119,302	1,664,439
Unrestricted (Deficit)	3,916,192	4,453,325	2,780,185	3,266,026	2,969,831	2,867,087	3,562,576	370,693	2,533,326	2,148,276
Total Business-type Activities Net Position	\$40,886,314	\$42,194,795	\$41,743,362	\$43,310,002	\$44,575,406	\$45,734,086	\$46,610,575	\$46,092,539	\$45,394,063	\$45,549,241
Primary Government:										
Net Investment in Capital Assets	\$60,259,797	\$60,148,574	\$60,259,975	\$60,381,527	\$62,973,400	\$63,239,726	\$61,638,100	\$66,517,270	\$67,285,098	\$69,079,165
Restricted	10,642,202	12,074,014	10,342,915	10,637,644	9,542,073	10,887,351	11,100,371	11,580,146	10,198,512	9,734,461
Unrestricted (Deficit)	(3,018,375)	(2,261,130)	(4,230,202)	(987,851)	(2,536,950)	(3,088,470)	569,554	(3,834,573)	(820,480)	(1,189,524)
Total Primary Government Net Position	\$67,883,624	\$69,961,458	\$66,372,688	\$70,031,320	\$69,978,523	\$71,038,607	\$73,308,025	\$74,262,843	\$76,663,130	\$77,624,102

Source: City's financial statements

(1) The City restated net position balances for corrections for revenue recognition and revised net pension liability calculations.



CITY OF ADRIAN, MICHIGAN

Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

Exhibit B-2

	2015 (1)	2016	2017 (2)	2018 (3)	2019	2020	2021	2022	2023	2024
Expenses										
Governmental Activities:										
General Government	\$ 3,949,391	\$ 3,170,361	\$ 3,701,174	\$ 666,108	\$ 2,051,704	\$ 1,636,503	\$ 1,687,111	\$ 1,633,302	\$ 2,511,083	\$ 2,754,509
Public Safety	6,762,296	6,641,497	6,473,669	4,702,317	7,246,759	7,767,192	7,516,321	8,246,663	8,386,094	9,292,745
Public Works	667,983	519,139	611,039	612,016	747,248	655,908	660,607	792,109	724,362	542,874
Sanitation	-	-	760,415	830,478	779,623	776,083	900,269	772,780	1,282,531	1,118,114
Culture and Recreation	1,830,196	1,156,647	1,543,959	1,441,953	1,940,659	1,949,813	1,842,361	2,085,282	2,153,080	2,337,007
Community Beautification & Improvements	853,549	48,487	828,429	765,119	713,105	705,035	736,592	887,406	1,038,586	1,354,315
Community & Economic Development	331,998	1,098,455	3,735,099	1,700,494	250,535	364,895	303,514	335,703	426,758	1,214,567
Highways, Streets and Bridges	1,139,909	1,616,557	1,985,292	3,264,008	5,039,633	2,161,591	3,592,019	1,917,186	2,796,414	3,318,749
Interest and Fiscal Charges	227,060	202,213	215,298	351,654	338,740	324,707	378,440	510,488	173,120	234,003
Total Governmental Activities Expenses	15,762,382	14,453,356	19,854,374	14,334,147	19,108,006	16,341,727	17,617,234	17,180,919	19,492,028	22,166,883
Business-type Activities:										
Wastewater System	4,110,527	4,441,935	4,681,030	4,128,902	4,442,259	4,318,079	4,518,998	5,164,989	5,074,387	5,376,890
Water System	3,378,688	3,482,691	3,744,574	3,299,669	3,736,891	4,182,336	4,211,923	4,966,117	5,035,670	5,449,493
Dial-A-Ride System (5)	490,132	472,342	465,253	456,439	530,834	488,599	425,508	447,529	133,994	265
Automobile Parking System	87,696	117,555	114,611	139,787	155,059	119,481	128,171	141,861	109,615	180,216
Storm Water Utility (4)	42,062	42,062	42,063	42,061	-	-	-	-	-	-
Total Business-type Activities Expenses	8,109,105	8,556,585	9,047,531	8,066,858	8,865,043	9,108,495	9,284,600	10,720,496	10,353,666	11,006,864
Total Primary Government Expenses	23,871,487	23,009,941	28,901,905	22,401,005	27,973,049	25,450,222	26,901,834	27,901,415	29,845,694	33,173,747
Program Revenues										
Governmental Activities:										
Charges for Services										
General Government	2,319,799	2,514,502	1,817,808	307,564	602,860	703,672	953,161	1,236,254	1,289,609	1,495,092
Public Safety	1,227,722	1,254,415	753,626	713,757	1,039,177	1,566,868	1,387,890	1,687,236	1,873,893	2,341,102
Public Works	37,490	44,502	91,784	266,742	291,218	52,315	132,183	197,495	205,071	142,115
Sanitation	-	-	750,850	727,460	770,435	746,698	738,860	574,702	1,452,434	1,466,544
Culture and Recreation	80,682	55,228	81,788	74,535	89,949	106,495	35,154	145,350	58,059	109,733
Community Beautification & Improvements	100,957	586,075	-	-	27,000	-	-	-	-	-
Community & Economic Development	100,550	337,332	112,705	156	4,836	5,726	-	19,235	105,645	18,750
Highways, Streets and Bridges	30,113	78,093	-	-	-	-	-	-	-	72,781
Operating Grants and Contributions	1,730,041	842,601	4,672,315	2,610,647	1,054,233	1,040,785	1,885,900	1,922,904	2,165,588	1,843,055
Capital Grants and Contributions	-	-	1,871,147	2,099,506	2,383,051	2,230,377	2,453,191	3,276,834	3,406,789	3,277,236
Total Governmental Activities Program Revenues	5,627,354	5,712,748	10,152,023	6,800,367	6,262,759	6,452,936	7,586,339	9,060,010	10,557,088	10,766,408
Business-type Activities:										
Charges for Services										
Wastewater System	4,865,524	5,069,577	4,953,766	4,816,808	4,764,059	4,716,115	4,816,515	4,734,812	5,081,761	5,326,740
Water System	4,034,742	4,113,946	3,588,437	4,011,365	4,703,391	4,646,763	4,827,298	4,906,890	5,009,267	5,152,716
Dial-A-Ride System (5)	95,423	90,203	89,433	80,242	83,355	67,017	38,260	38,985	10,141	-
Automobile Parking System	63,022	62,538	61,828	61,631	58,247	61,517	60,521	62,169	62,103	64,448
Storm Water Utility (4)	-	-	-	-	-	-	-	-	-	-
Operating Grants and Contributions	305,731	222,403	221,996	202,722	241,353	222,721	232,178	259,974	151,197	8,310
Capital Grants and Contributions	439,768	61,060	96,715	177,031	1,772,250	272,754	60,000	77,692	60,000	60,000
Total Business-type Activities Program Revenues	9,804,210	9,619,727	9,012,175	9,349,799	11,622,655	9,986,887	10,034,772	10,080,522	10,374,469	10,612,214
Net (Expense)/Revenue										
Governmental Activities	(10,135,028)	(8,740,608)	(9,702,351)	(7,533,780)	(12,845,247)	(9,888,791)	(10,030,895)	(8,120,909)	(8,934,940)	(11,400,475)
Business-type Activities	1,695,105	1,063,142	(35,356)	1,282,941	2,757,612	878,392	750,172	(639,974)	20,803	(394,650)
Total Primary Government Net (Expense)/Revenue	\$ (8,439,923)	\$ (7,677,466)	\$ (9,737,707)	\$ (6,250,839)	\$ (10,087,635)	\$ (9,010,399)	\$ (9,280,723)	\$ (8,760,883)	\$ (8,914,137)	\$ (11,795,125)

Source: City's financial statements

(continued)

- (1) - Beginning in fiscal year 2015, the City implemented the provisions of GASB Statement Nos. 68 and 71, which changed how pension expenses are recognized. Information to restate years prior to fiscal year 2015 was not available.
- (2) - Motor vehicle fuel taxes were reclassified as program revenue in fiscal year 2017.
- (3) - Beginning in fiscal year 2018, the City offset internal service funds' revenues against internal service funds' expenses versus reporting these amounts at gross.
- (4) - The Storm Water Utility Fund was closed during fiscal year 2019.
- (5) - The City transferred its transit operations to a new entity, Lenawee Public Transportation Authority, effective October 1, 2022.

CITY OF ADRIAN, MICHIGAN
Changes in Net Position (continued)
Last Ten Fiscal Years
(accrual basis of accounting)

Exhibit B-2

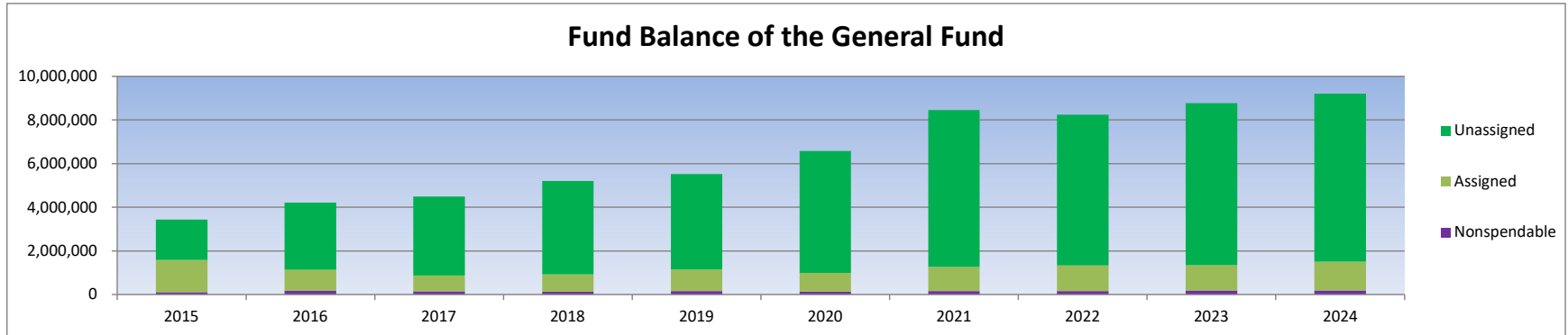
	2015 (1)	2016	2017	2018	2019	2020	2021	2022	2023	2024
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Property Taxes	\$ 5,906,623	\$ 5,596,593	\$ 5,230,770	\$ 5,266,346	\$ 5,399,576	\$ 5,497,161	\$ 5,614,911	\$ 5,805,757	\$ 6,037,353	\$ 6,403,880
Motor Vehicle Fuel Tax (2)	1,448,904	1,626,113	-	-	-	-	-	-	-	-
Grants and Entitlements Not Restricted										
Not Restricted to Specific Programs	2,091,471	1,602,846	3,626,134	3,368,470	3,432,618	3,643,947	4,004,268	4,186,835	4,158,065	4,049,187
Investment Earnings & Oil Royalties	832,006	141,713	362,460	405,088	496,056	308,265	922,022	(687,439)	710,893	1,278,354
Gain (loss) on Sale of Property	-	-	-	-	-	-	561,722	7,160	57,964	(20,994)
Miscellaneous	-	682,577	299,737	810,426	741,932	514,606	426,465	397,641	260,577	580,842
Transfers	(146,945)	(139,881)	(105,594)	(224,528)	1,456,864	(173,784)	(105,564)	(116,191)	808,851	(85,000)
Total Governmental Activities	10,132,059	9,509,961	9,413,507	9,625,802	11,527,046	9,790,195	11,423,824	9,593,763	12,033,703	12,206,269
Business-type Activities:										
Investment Earnings	58,439	93,457	54,007	59,171	104,748	106,504	20,753	5,747	256,042	385,013
Other	-	12,001	7,749	-	-	-	-	-	3,780	79,815
Transfers	-	(682,577)	(299,737)	(810,426)	(741,932)	(514,606)	(426,465)	(397,641)	(808,851)	85,000
Special Item	-	-	-	-	-	-	-	-	(170,250)	-
Total Business-type Activities	58,439	(577,119)	(237,981)	(751,255)	(637,184)	(408,102)	(405,712)	(391,894)	(719,279)	549,828
Total Primary Government	10,190,498	8,932,842	9,175,526	8,874,547	10,889,862	9,382,093	11,018,112	9,201,869	11,314,424	12,756,097
Change in Net Position										
Governmental Activities	(2,969)	769,353	(288,844)	2,092,022	(1,318,201)	(98,596)	1,392,929	1,472,854	3,098,763	805,794
Business-type Activities	1,753,544	486,023	(273,337)	531,686	2,120,428	470,290	344,460	(1,031,868)	(698,476)	155,178
Total Primary Government Change in Net Position	\$ 1,750,575	\$ 1,255,376	\$ (562,181)	\$ 2,623,708	\$ 802,227	\$ 371,694	\$ 1,737,389	\$ 440,986	\$ 2,400,287	\$ 960,972

CITY OF ADRIAN, MICHIGAN
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

Exhibit B-3

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
General Fund										
Nonspendable	\$ 101,926	\$ 170,802	\$ 145,869	\$ 127,863	\$ 165,384	\$ 136,234	\$ 156,940	\$ 160,591	\$ 182,452	\$ 192,195
Restricted	-	-	-	-	-	-	-	1,577,452	286,693	286,693
Assigned	1,489,000	965,856	730,122	794,564	988,887	860,709	1,108,363	1,172,848	1,166,932	1,320,927
Unassigned	1,841,746	3,080,447	3,613,174	4,282,726	4,367,582	5,584,226	7,190,006	6,912,254	7,418,600	7,693,495
Total General Fund	3,432,672	4,217,105	4,489,165	5,205,153	5,521,853	6,581,169	8,455,309	9,823,145	9,054,677	9,493,310
All Other Governmental Funds										
Nonspendable	7,499	7,499	1,511,347	1,498,314	1,554,819	1,218,019	1,248,655	1,289,899	1,335,057	1,393,418
Restricted	7,594,216	8,871,853	5,314,500	5,650,298	4,449,053	6,105,210	6,220,586	6,647,338	6,540,892	6,497,094
Committed	-	-	485,743	366,109	374,992	363,647	368,030	170,375	338,148	700,007
Assigned	-	-	2,657,209	3,006,146	3,256,715	3,338,388	4,212,789	3,808,981	4,169,049	4,781,830
Total All Other Governmental Funds	7,601,715	8,879,352	9,968,799	10,520,867	9,635,579	11,025,264	12,050,060	11,916,593	12,383,146	13,372,349
Total Governmental Funds	\$ 11,034,387	\$ 13,096,457	\$ 14,457,964	\$ 15,726,020	\$ 15,157,432	\$ 17,606,433	\$ 20,505,369	\$ 21,739,738	\$ 21,437,823	\$ 22,865,659

Source: City's financial statements



CITY OF ADRIAN, MICHIGAN
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

Exhibit B-4

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenues										
Taxes	\$ 5,794,551	\$ 5,479,287	\$ 5,122,910	\$ 5,139,789	\$ 5,270,536	\$ 5,359,961	\$ 5,537,443	\$ 6,113,663	\$ 6,483,133	\$ 6,926,368
Other Tax Related Revenue	112,072	117,305	107,860	126,557	129,040	137,200	170,636	143,722	128,534	137,538
Licenses & Permits	304,901	330,958	407,894	372,727	671,527	803,907	767,967	752,652	711,797	710,995
Intergovernmental - Federal	133,018	356,263	3,492,441	1,769,457	205,433	166,497	726,432	1,308,118	754,278	269,426
Intergovernmental - State	3,671,325	4,044,538	4,917,223	5,587,286	5,868,648	6,064,497	6,381,208	6,928,323	7,124,800	7,487,100
Charges for Services	121,663	126,011	1,202,447	1,140,165	1,477,241	2,062,829	1,960,442	2,012,015	3,176,764	3,226,257
Use and Admission Charges	812,449	825,767	61,347	52,049	67,421	68,225	22,380	29,575	39,200	79,271
Fines and Fees	201,861	105,976	77,058	78,683	66,368	76,504	48,687	58,813	89,558	107,265
Investment Earnings	102,532	141,713	293,586	233,307	354,817	224,372	871,922	(687,439)	642,874	1,280,733
Fee Trust - for Beautification Purposes	647,259	682,577	718,094	849,007	627,646	643,715	688,066	856,929	1,614,768	1,116,215
Other	1,330,616	1,238,135	377,248	607,954	789,613	372,612	348,532	593,569	266,059	720,127
Special Assessments	37,177	27,518	-	210,062	194,883	-	-	132,610	172,274	182,531
Oil Royalties	729,474	420,367	70,908	173,186	143,348	85,323	50,100	74,094	68,019	58,082
Donations and Contributions	-	-	488,050	549,508	485,766	460,652	677,920	560,743	563,172	731,538
Total Revenues	13,998,898	13,896,415	17,337,066	16,889,737	16,352,287	16,526,294	18,251,735	18,877,387	21,835,230	23,033,446
Expenditures										
Current:										
General Government	1,596,353	1,531,152	2,284,851	1,687,989	2,512,731	1,936,810	2,961,511	4,638,856	3,291,735	2,903,598
Public Safety	6,041,037	5,976,103	5,300,126	5,548,481	6,315,394	6,620,188	7,093,910	8,076,954	8,446,556	8,844,136
Public Works	519,615	451,563	485,379	526,023	602,465	510,303	540,379	812,354	867,251	779,951
Sanitation	-	-	739,649	847,064	761,552	758,043	895,490	709,357	1,221,661	1,082,773
Culture & Recreation	1,383,657	677,399	659,065	684,448	961,541	1,023,224	1,080,987	1,470,207	1,459,245	1,507,745
Community Beautification & Improvements	754,566	660,851	788,639	1,018,371	773,322	697,595	750,988	885,359	1,599,358	1,428,997
Non-Departmental	87,983	2,562	-	-	-	-	-	-	-	-
Community & Economic Development	324,555	443,202	3,701,406	1,722,352	201,558	318,291	270,318	328,788	1,235,702	1,198,483
Highways, Streets and Bridges	565,531	963,426	1,307,259	2,763,729	4,327,450	1,451,900	2,921,470	2,956,925	3,561,608	4,231,098
Capital Outlay	998,320	542,475	-	-	-	-	-	-	-	-
Debt Service:										
Principal Retirement	220,000	235,000	240,000	245,000	255,000	260,000	270,000	410,642	464,308	444,031
Interest and Fiscal Charges	234,210	210,731	363,591	353,696	340,865	327,155	380,982	464,525	178,935	238,226
Total Expenditures	12,725,827	11,694,464	15,869,965	15,397,153	17,051,878	13,903,509	17,166,035	20,753,967	22,326,359	22,659,038
Excess of Revenues Over (Under) Expenditures	1,273,071	2,201,951	1,467,101	1,492,584	(699,591)	2,622,785	1,085,700	(1,876,580)	(491,129)	374,408
Other Financing Sources (Uses)										
Sale of Capital Assets	-	-	-	-	-	-	1,813,677	7,603	66,517	14,977
Lease Liabilities Issued	-	-	-	-	-	-	-	-	148,326	164,685
Lease-Purchase Agreement	-	-	-	-	-	-	-	3,219,537	-	-
Transfers In	387,346	358,500	384,000	395,000	653,693	352,000	630,034	340,000	429,371	1,443,766
Transfers Out	(534,291)	(498,381)	(489,594)	(619,528)	(522,690)	(525,784)	(630,475)	(456,191)	(455,000)	(570,000)
Total Other Financing Sources (Uses)	(146,945)	(139,881)	(105,594)	(224,528)	131,003	(173,784)	1,813,236	3,110,949	189,214	1,053,428
Net Change in Fund Balances	\$ 1,126,126	\$ 2,062,070	\$ 1,361,507	\$ 1,268,056	\$ (568,588)	\$ 2,449,001	\$ 2,898,936	\$ 1,234,369	\$ (301,915)	\$ 1,427,836
Debt Service as a percentage of non-capital expenditures	3.9%	4.0%	3.8%	4.1%	3.6%	4.3%	3.9%	5.6%	3.8%	3.4%

Source: City's financial statements

CITY OF ADRIAN, MICHIGAN
Tax Revenues By Source - Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

Fiscal Year	Property Taxes	Sales Taxes	City/Village/ Township Revenue Share	Motor Vehicle Fuel Taxes	Local Stabilization Share	Total
2024	\$ 7,063,906	\$ 2,223,260	\$ 567,815	\$ 2,692,304	\$ 1,046,517	\$ 13,593,802
2023	6,611,667	2,261,180	535,722	2,607,628	1,137,980	13,154,177
2022	6,257,385	2,216,892	508,543	2,546,400	1,085,390	12,614,610
2021	5,708,079	1,938,950	416,840	2,399,710	1,134,633	11,598,212
2020	5,497,161	1,865,301	498,337	2,230,130	1,053,061	11,143,990
2019	5,399,576	1,806,295	488,977	2,118,902	1,006,512	10,820,262
2018	5,266,346	1,724,301	486,197	2,138,534	1,017,852	10,633,230
2017	5,230,770	1,679,143	471,972	1,668,957	920,618	9,971,460
2016	5,596,592	1,587,449	471,972	1,626,112	232,329	9,514,454
2015	5,906,623	1,607,647	469,642	1,448,904	-	9,432,816

Change

FY2024 over/(under) FY2015

Amount	\$ 1,157,283	\$ 615,613	\$ 98,173	\$ 1,243,400	\$ 1,046,517	\$ 4,160,986
Percent	19.59%	38.29%	20.90%	85.82%	n/a	44.11%

Change

FY2024 over/(under) FY2023

Amount	\$ 452,239	\$ (37,920)	\$ 32,093	\$ 84,676	\$ (91,463)	\$ 439,625
Percent	6.84%	-1.68%	5.99%	3.25%	-8.04%	3.34%

Source: City's financial statements

CITY OF ADRIAN, MICHIGAN
Assessed Value and Taxable Value of Real and Personal Property
Last Ten Fiscal Years

Fiscal Year	Residential Property	Commerical Property	Industrial Property	Personal Property	Total Assessed Value	Less: Tax-Exempt Property	Total Taxable Value	Total Direct Tax Rate
2024	\$ 303,700,400	\$ 150,521,200	\$ 39,402,800	\$ 35,815,500	\$ 529,439,900	\$ 98,288,416	\$ 431,151,484	16.9790
2023	280,264,000	133,213,600	39,036,900	36,477,100	488,991,600	82,043,832	406,947,768	16.9790
2022	257,376,500	123,180,200	37,906,600	35,160,600	453,623,900	67,085,867	386,538,033	17.0696
2021	239,646,941	112,750,000	33,054,800	34,912,700	420,364,441	49,006,069	371,358,372	17.1039
2020	225,589,011	123,016,300	28,635,300	33,286,600	410,527,211	48,844,929	361,682,282	17.1039
2019	218,292,864	125,772,800	23,193,100	33,204,100	400,462,864	45,153,592	355,309,272	17.1039
2018	212,372,182	120,192,200	22,099,700	33,914,100	388,578,182	44,095,305	344,482,877	17.1039
2017	198,032,220	116,945,500	21,219,200	35,423,700	371,620,620	28,990,200	342,630,420	17.1039
2016	178,518,507	112,273,500	22,322,800	58,728,000	371,842,807	8,950,985	362,891,822	17.1039
2015	184,489,677	109,218,300	22,449,200	55,427,100	371,584,277	7,438,461	364,145,816	15.6039

Note: This schedule was prepared in prior years a year in advance. This schedule has been updated to reflect amounts in the applicable fiscal year.

Source: Lenawee County Equalization Report

CITY OF ADRIAN, MICHIGAN
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years

Fiscal Year	City Direct Rates				Overlapping Homestead Tax Rates			
	Basic Rate	Library Rate	Local Street Improvements	Total Direct Tax Rate	Intermediate School District	Lenawee County	Adrian School District	Madison School District
2024	\$ 13.5299	\$ 2.4817	\$ 0.9674	\$ 16.9790	\$ 7.2922	\$ 6.4300	\$ 23.4000	\$ 21.0000
2023	13.5299	2.4817	0.9674	16.9790	7.2922	6.4370	23.4000	21.0000
2022	13.6020	2.4950	0.9726	17.0696	7.3092	6.3383	24.2000	20.7500
2021	13.6293	2.5000	0.9746	17.1039	7.3233	6.3396	24.6000	20.7500
2020	13.6293	2.5000	0.9746	17.1039	7.3233	6.3216	24.8000	21.0000
2019	13.6293	2.5000	0.9746	17.1039	7.3233	6.3216	25.0000	21.2500
2018	13.6293	2.5000	0.9746	17.1039	7.2796	5.8628	25.0000	21.4400
2017	13.6293	2.5000	0.9746	17.1039	7.2796	5.9128	25.0000	21.4400
2016	13.6293	2.5000	0.9746	17.1039	7.2796	5.9128	22.9000	20.7500
2015	13.6293	1.0000	0.9746	15.6039	7.2796	5.9628	23.1517	20.7500

Source: Lenawee County Apportionment Report

Note 1: Intermediate School District includes Operating Millage, as well as Special Education and Vocational Educational 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, MICHIGAN
Principal Property Tax Payers
Current Fiscal Year and Nine Years Ago

Taxpayer	Type of Business	June 30, 2024			June 30, 2015		
		Taxable Value	Rank	Percent of Total Taxable Value	Taxable Value	Rank	Percent of Total Taxable Value
Consumers Energy	Utility	\$ 10,385,900	1	2.41%	\$ 4,616,343	6	1.27%
Meijer	Retail	7,758,642	2	1.80%	4,363,321	7	1.20%
Crossroads Shopping Center	Retail	6,288,762	3	1.46%	3,927,410	8	1.08%
Fluresh, LLC	Manufacturing	5,977,900	4	1.39%			
Inergy Automotive, Inc.	Manufacturing	4,338,992	5	1.01%	7,852,400	4	2.16%
Citizens Gas Fuel Co	Utility	3,955,221	6	0.92%			
Alpine Income Property OP, LP	Retail	2,720,000	7	0.63%			
Pedcor Investments	Housing	2,400,421	8	0.56%			
Inteva Products LLC	Manufacturing	2,230,500	9	0.52%	13,468,965	1	3.70%
Adrian Propco, LLC	Housing	2,127,825	10	0.49%			
Inergy Products LLC	Manufacturing				13,357,700	2	3.67%
Anderson Development	Manufacturing				12,490,567	3	3.43%
Wyatt Real Estate (Venchurs)	Manufacturing				4,807,202	5	1.32%
Adrian Steel	Manufacturing				3,841,700	9	1.05%
Adrian Mall Lenders LLC	Retail				3,236,640	10	0.89%
		<u>\$ 48,184,163</u>		11.18%	<u>\$ 71,962,248</u>		19.76%
Total Taxable Value		<u>\$ 431,151,484</u>			<u>\$ 364,145,816</u>		

Source: City of Adrian Assessing Office

CITY OF ADRIAN, MICHIGAN
Property Tax Levies and Collections
Last Ten Fiscal Years

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
2024	\$ 8,223,950	\$ 7,684,610	93.44%	\$ 4,550	\$ 7,689,160	93.50%
2023	6,275,577	5,907,145	94.13%	8,869	\$ 5,916,014	94.27%
2022	5,983,382	5,776,247	96.54%	4,064	5,780,311	96.61%
2021	5,800,181	5,537,103	95.46%	32,547	5,569,650	96.03%
2020	5,492,222	5,165,047	94.04%	5,677	5,170,724	94.15%
2019	5,450,678	5,056,746	92.77%	9,402	5,066,148	92.95%
2018	6,267,005	5,897,973	94.11%	7,381	5,905,354	94.23%
2017	6,251,868	5,857,779	93.70%	8,000	5,865,779	93.82%
2016	6,701,615	6,333,848	94.51%	71,031	6,404,879	95.57%
2015	6,153,947	5,775,748	93.85%	2,363	5,778,111	93.89%

Source: City of Adrian Finance Department

CITY OF ADRIAN, MICHIGAN
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Limited Tax General Obligation Bonds [1] Series A, B, C	General Obligation Lease-Purchase	Lease Liabilities	Sewer System Lease Purchase	Sewer System Revenue Bonds	Sewer Revolving Fund Loan	Water System Lease Purchase	Drinking Water Revolving Fund Loans [2]	Total Primary Government	Percent of Personal Income	Per Capita
2024	\$ 3,600,000	\$ 3,037,969	\$ 259,777	\$ 3,151,947	\$ 1,531,538	\$ -	\$ 3,210,372	\$ 2,061,707	\$ 16,853,310	3.4%	\$ 816
2023	3,900,000	3,108,667	168,425	3,225,297	2,026,538	560,000	3,285,082	2,811,707	19,085,716	4.3%	924
2022	4,190,000	3,173,353	129,721	3,292,408	2,506,538	1,105,000	3,353,439	3,546,707	21,297,166	4.9%	1,032
2021	4,470,000	-	-	-	2,981,538	1,640,000	-	4,271,707	13,363,245	3.1%	647
2020	4,740,000	-	-	-	3,446,538	2,160,000	-	4,981,707	15,328,245	3.7%	726
2019	5,000,000	-	-	-	3,906,538	2,665,000	-	5,676,707	17,248,245	4.2%	817
2018	5,255,000	-	-	-	4,361,538	3,160,000	-	6,361,707	19,138,245	5.3%	906
2017	5,500,000	-	-	-	4,806,538	3,640,000	-	7,026,707	20,973,245	5.6%	993
2016	5,740,000	-	-	175,424	5,246,538	4,110,000	-	7,681,707	22,953,669	6.3%	1,087
2015	5,975,000	-	-	258,343	5,681,538	4,570,000	-	8,326,707	24,811,588	7.1%	1,175

[1] Under the auspices of the American Recovery and Reinvestment Act (ARRA) of 2009, the City 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)	<u>3,900,000</u>
	<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.

[2] Ground Water Source Development and Water Distribution System improvements

CITY OF ADRIAN, MICHIGAN
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	Limited Tax General Obligation Bonds Series A, B, C	Total General Obligation Debt	Percent of Taxable Value of Property	Per Capita
2024	\$ 3,600,000	\$ 3,600,000	0.83%	\$ 174.38
2023	3,900,000	3,900,000	0.96%	188.91
2022	4,190,000	4,190,000	1.08%	202.95
2021	4,470,000	4,470,000	1.20%	216.52
2020	4,740,000	4,740,000	1.31%	224.51
2019	5,000,000	5,000,000	1.41%	236.82
2018	5,255,000	5,255,000	1.53%	248.90
2017	5,500,000	5,500,000	1.61%	260.50
2016	5,740,000	5,740,000	1.58%	271.87
2015	5,975,000	5,975,000	1.64%	283.00

CITY OF ADRIAN, MICHIGAN
Direct and Overlapping Governmental Activities Debt
As of June 30, 2024

	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable [1]</u>	<u>Estimated Share of Overlapping Debt</u>
Primary Government Debt Repaid with Property Taxes			
<i>Direct Debt:</i>			
Series C - Recovery Zone Bonds	\$ 3,600,000	100.00%	\$ 3,600,000
Lease-Purchase Agreement	3,037,969	100.00%	3,037,969
Lease Liabilities	<u>259,777</u>	100.00%	<u>259,777</u>
Net Direct Debt	6,897,746		6,897,746
<i>Overlapping Debt:</i>			
Adrian Public Schools	46,020,000	44.91%	20,667,582
Madison School District	1,775,000	29.03%	515,283
Lenawee County	<u>16,815,000</u>	11.83%	<u>1,989,215</u>
Net Overlapping Debt	<u>64,610,000</u>		<u>23,172,080</u>
Total Direct and Overlapping Debt	<u>\$ 71,507,746</u>		<u>\$ 30,069,826</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 the City. 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.

[1] 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, MICHIGAN
Legal Debt Margin Information
Last Ten Fiscal Years

<u>Legal Debt Margin Calculation for Fiscal Year 2024</u>	
Taxable Value	\$ 431,151,484
Debt Limit (10% of Taxable Value)	43,115,148
Debt Applicable to Limit:	
Series C - Recovery Zone Bonds	<u>3,600,000</u>
Total Debt Applicable to Limit	<u>3,600,000</u>
Legal Debt Margin	<u>\$ 39,515,148</u>

	Fiscal Year Ended June 30,									
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Debt Limit	\$36,414,582	\$36,289,182	\$34,263,042	\$34,448,288	\$35,530,927	\$36,168,228	\$37,135,837	\$38,653,803	\$40,694,777	\$43,115,148
Total Debt Applicable to Limit	<u>5,975,000</u>	<u>5,740,000</u>	<u>5,500,000</u>	<u>5,255,000</u>	<u>5,000,000</u>	<u>4,740,000</u>	<u>4,470,000</u>	<u>4,190,000</u>	<u>3,900,000</u>	<u>3,600,000</u>
Legal Debt Margin	<u>\$30,439,582</u>	<u>\$30,549,182</u>	<u>\$28,763,042</u>	<u>\$29,193,288</u>	<u>\$30,530,927</u>	<u>\$31,428,228</u>	<u>\$32,665,837</u>	<u>\$34,463,803</u>	<u>\$36,794,777</u>	<u>\$39,515,148</u>
Total Debt Applicable to Limit as a Percentage of Debt Limit	16.41%	15.82%	16.05%	15.25%	14.07%	13.11%	12.04%	10.84%	9.58%	8.35%

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, MICHIGAN
Pledged Revenue Coverage
Last Ten Fiscal Years

Water System Revenue Bonds						
Fiscal Year	Utility Service Charges	Less: Operating Expenses [1]	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2024	\$ 5,152,716	\$ 4,384,768	\$ 767,948	\$ 750,000	\$ 52,446	0.96
2023	5,009,267	4,104,202	905,065	735,000	69,537	1.12
2022	4,906,890	3,982,123	924,767	725,000	86,333	1.14
2021	4,827,298	3,366,967	1,460,331	710,000	102,836	1.80
2020	4,646,763	3,329,114	1,317,649	695,000	118,983	1.62
2019	4,703,391	2,890,604	1,812,787	685,000	142,876	2.19
2018	4,011,365	2,483,016	1,528,349	665,000	150,343	1.87
2017	3,590,468	2,917,123	673,345	655,000	165,502	0.82
2016	4,001,698	2,508,411	1,493,287	645,000	176,722	1.82
2015	3,959,134	2,520,307	1,438,827	630,000	191,432	1.75

Wastewater System Revenue Bonds						
Fiscal Year	Utility Service Charges	Less: Operating Expenses [1]	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2024	\$ 5,326,740	\$ 3,673,656	\$ 1,653,084	\$ 1,055,000	\$ 38,998	1.51
2023	5,081,761	3,477,926	1,603,835	1,025,000	60,692	1.48
2022	4,734,812	3,316,832	1,417,980	1,010,000	81,911	1.30
2021	4,811,295	2,899,632	1,911,663	985,000	102,693	1.76
2020	4,716,115	2,685,463	2,030,652	965,000	179,807	1.77
2019	4,764,059	2,770,185	1,993,874	950,000	199,702	1.73
2018	4,816,808	2,463,108	2,353,700	925,000	162,336	2.16
2017	4,953,766	3,082,127	1,871,639	910,000	187,235	1.71
2016	5,069,577	2,976,718	2,092,859	976,385	214,871	1.76
2015	4,800,222	2,493,320	2,306,902	953,401	239,313	1.93

[1] - Excludes depreciation expense

Source: City's financial statements and records

CITY OF ADRIAN, MICHIGAN
Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population	Personal Income	Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rates
2024	20,645	\$ 497,090,310	\$ 24,078	34.9	2,669	5.1%
2023	20,645	444,817,170	21,546	34.8	2,755	4.7%
2022	20,645	435,960,465	21,117	34.6	2,751	5.1%
2021	20,645	429,395,355	20,799	34.6	2,841	5.5%
2020	21,113	419,810,892	19,884	33.6	2,859	14.9%
2019	21,113	412,336,890	19,530	33.6	2,838	4.2%
2018	21,113	361,539,012	17,124	33.7	2,900	4.1%
2017	21,113	375,156,897	17,769	33.1	2,905	4.3%
2016	21,113	361,539,012	17,124	33.1	2,900	4.1%
2015	21,113	350,560,252	16,604	32.5	3,013	5.3%

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, MICHIGAN
Principal Employers
Current Fiscal Year and Nine Years Ago

Employer	Type	June 30, 2024			June 30, 2015		
		Employees	Rank	Percent of Total Employment	Employees	Rank	Percent of Total Employment
Lenawee County	Government	564	1	6.7%	510	2	
Siena Heights University	Education	498	2	5.9%			
Adrian College	Education	400	3	4.7%	275	10	
Adrian Public Schools	Education	400	4	4.7%	435	4	
Lenawee Intermediate School District	Education	374	5	4.4%	380	6	
Adrian Steel	Manufacturing	350	6	4.1%	345	7	
Adrian Dominican Sisters	Nonprofit	300	7	3.6%	344	8	
Meijer	Retail	279	8	3.3%	400	5	
Plastic Omnium	Manufacturing	260	9	3.1%			
Inergy Automotive	Manufacturing	170	10	2%	325	9	
Lenawee Health Alliance	Health				1,300	1	
Equity Assets Mgt. (Adrian Mall)	Retail				487	3	
		3,595			4,801		
Total employment		8,437			n/a		

Source: Lenawee NOW and Local Employers

CITY OF ADRIAN, MICHIGAN
Full-Time City Government Employees by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year Ended June 30,									
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
City Administrator	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Finance Department	4.5	4.5	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
City Assessor	1.5	1.5	1.5	1.5	1.5	1.0	1.0	1.0	1.0	1.0
City Clerk	1.5	1.5	1.5	1.5	1.5	1.0	1.0	1.0	1.0	2.0
City Attorney/Inspection	5.5	5.5	5.5	5.5	4.5	4.0	4.5	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	2.5	2.5	2.5	2.5	2.5	2.0	2.0	2.0	2.0	2.0
Community Development/DDA	1.0	1.0	1.0	1.0	1.0	2.0	2.0	2.0	2.0	2.0
Public Works/Engineer	10.5	10.5	10.5	10.5	10.0	10.0	11.0	12.0	12.0	11.0
Parks and Forestry	8.0	8.0	7.5	7.5	7.5	9.0	9.0	11.0	12.0	12.0
Public Library	4.0	5.0	5.0	6.0	3.0	2.0	2.0	1.0	1.0	-
Police Department	31.0	31.0	31.0	31.0	31.5	33.0	30.0	32.0	38.0	35.0
Fire Department	19.0	18.0	18.0	19.0	21.0	20.0	20.0	22.0	21.0	26.0
Utilities Department	34.0	34.0	35.0	35.0	37.0	37.0	37.0	38.0	38.0	37.0
Information Technology	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Motor Vehicle Pool	1.0	1.0	1.0	1.0	1.0	1.0	1.0	-	-	-
Total	<u>127.5</u>	<u>127.5</u>	<u>128.5</u>	<u>130.5</u>	<u>130.5</u>	<u>130.5</u>	<u>129.0</u>	<u>136.0</u>	<u>142.0</u>	<u>142.0</u>

Source: City Finance Department

CITY OF ADRIAN, MICHIGAN
Operating Indicators by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year Ended June 30,									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Police Department										
Physical Arrests	1,861	1,782	1,350	1,194	1,384	1,024	1,071	797	975	1,173
Parking Violations	1,285	1,023	920	954	589	1,538	408	227	854	821
Traffic Violations	1,789	1,491	1,005	812	822	641	454	630	830	917
Fire Department										
Non-Medical Emergencies	615	545	548	546	498	669	1,020	1,468	1,390	1,127
EMS Rescue Responses	2,430	2,410	2,242	3,092	3,963	3,924	3,785	4,228	4,165	4,048
Emergency Responses	3,045	3,670	2,790	3,638	4,461	4,593	4,805	5,696	5,560	5,175
Fire Extinguished	49	57	55	77	64	65	79	75	68	61
Refuse Collections										
Refuse Collected (tons)	4,519	4,114	3,947	3,947	3,718	4,425	5,196	4,614	3,984	3,536
Recyclables (tons)	246	253	252	252	248	240	226	227	559	514
Public Works										
Street Resurfacing (miles)	1.7	1.1	1.5	1.5	6.2	10.4	6.0	7.6	5.0	9.5
Cold/Hot Patch Repair (tons)	141	84	156	123	105	108	163	142	64	49
Parks and Recreation										
Athletic Field Permits Issued	1,061	608	475	463	639	165	272	186	154	285
Water										
New Connections	8	7	3	11	5	10	12	7	3	15
Water Main Breaks	33	18	27	23	27	25	34	35	22	33
Average Dail Consumption (thousands of gallons)	2,352	2,313	2,523	2,672	2,717	2,702	2,640	2,760	2,550	2,624
Peak Daily Consumption (thousands of gallons)	3,462	3,692	3,384	3,384	3,484	3,433	3,590	3,371	3,513	3,462
Wastewater										
Average Daily Sewage Treatment (thousands of gallons)	5,069	5,042	5,370	5,168	5,824	5,240	4,320	5,356	4,658	4,717
Transit (A)										
Total Route Miles	127,430	115,777	113,017	107,253	104,495	92,675	52,264	60,524	18,612	(A)
Passengers	73,524	65,887	64,562	60,661	58,911	50,234	26,658	30,000	8,427	(A)

Source: Various departments

n/a: Recreation department had been closed and numbers are not available.

(A) The City transferred its transit operations to a new entity, Lenawee Public Transportation Authority, effective October 1, 2022.

CITY OF ADRIAN, MICHIGAN
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year Ended June 30,									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Police Department										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Vehicles	13	13	13	13	13	13	13	14	13	13
Fire Department										
Stations	1	1	1	1	1	1	1	1	1	1
Emergency Vehicles	7	7	7	7	9	9	10	10	9	10
Hydrants (public/private)	930	930	930	930	930	930	930	930	930	930
Public Works										
Streets (miles)	44.15	44.15	44.14	44.15	44.15	42.71	42.71	42.71	42.71	42.71
Highways (miles)	29.38	29.38	29.38	29.38	29.38	30.77	30.85	30.85	30.85	30.85
Bridges	9	9	9	9	7	7	7	7	7	7
Streetlights	869	869	869	881	881	1,008	1,008	1,008	1,008	1,008
Traffic Signals	21	21	21	21	25	8	8	8	8	8
Parking Spaces	905	934	936	747	774	788	788	788	788	788
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)	98.00	98.00	98.00	101.00	101.00	101.00	101.00	101.00	101.00	101.00
Customers	6,199	6,230	6,207	6,205	6,197	6,236	6,274	6,264	6,256	6,256
Storage Capacity (thousands of gallons)	2,500	2,500	2,500	2,560	2,500	2,500	2,500	2,500	3,500	3,500
Average Pumpage (thousands of gallons)	2,392,000	2,352,000	2,313,250	2,672,000	2,717,000	2,702,000	2,640,000	2,760,000	2,550,000	2,624,000
Wastewater										
Sanitary Sewers (miles)	85.00	85.00	85.00	85.00	85.00	85.00	85.00	85.00	85.00	85.00
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 (thousands of gallons)	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	(A)	(A)

Source: Various departments

(A) The City transferred its transit operations to a new entity, Lenawee Public Transportation Authority, effective October 1, 2022.