



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

DEPARTMENT OF FINANCE

For the Fiscal Year Ended June 30, 2019

Prepared by the Finance Department

CINDY L. PRUE, Director of Finance

NATHAN OWEN, Assistant Director of Finance

CITY OF ADRIAN, MICHIGAN
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR FISCAL YEAR ENDED JUNE 30, 2019

TABLE OF CONTENTS

Introductory Section

Letter of Transmittal	3 – 8
GFOA Certificate of Achievement	9
Organization Chart	10
Listed of Elected and Appointed Officials	11

Financial Section

Independent Auditors' Report	15 – 17
Management's Discussion and Analysis	19 – 28
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	29
Statement of Activities	31
Fund Financial Statements:	
Balance Sheet – Governmental Funds	32 – 33
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds	34 – 35
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	36 – 37
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Major Streets Special Revenue Fund	38
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Local Streets Special Revenue Fund	39
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Community Development Special Revenue Fund	40
Statement of Net Position – Proprietary Funds	41
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	42
Statement of Cash Flows – Proprietary Funds	43
Statement of Fiduciary Assets and Liabilities	44
Notes to the Financial Statements	45 – 75
Required Supplementary Information:	
Schedule of Changes in Net Pension Liability and Related Ratios	79
Schedule of City's Contributions	80

CITY OF ADRIAN, MICHIGAN
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR FISCAL YEAR ENDED JUNE 30, 2019

TABLE OF CONTENTS - continued

Financial Section - continued

Combining and Other Financial Information:

Nonmajor Governmental Funds:

Combining Balance Sheet	83
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	84
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Municipal Streets Nonmajor Special Revenue Fund	85
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Fee Estate Nonmajor Special Revenue Fund	86
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – RHINO Nonmajor Special Revenue Fund	87
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Solid Waste Nonmajor Special Revenue Fund	88

Nonmajor Enterprise Funds:

Combining Statement of Net Position	89
Combining Statement of Revenues, Expenses and Changes in Net Position	90
Combining Statement of Cash Flows	91

Internal Service Funds:

Combining Statement of Net Position	92
Combining Statement of Revenues, Expenses and Changes in Net Position	93
Combining Statement of Cash Flows	94

Agency Funds:

Combining Statement of Changes in Assets and Liabilities	95
Statement of Net Position and Governmental Fund Balance Sheet – Brownfield Redevelopment Authority Component Unit	96
Statement of Activities and Governmental Fund Revenues, Expenditures And Changes in Fund Balance – Brownfield Redevelopment Authority Component Unit	96
Statement of Net Position and Governmental Funds Balance Sheet – Downtown Development Authority Component Unit	97
Statement of Activities and Governmental Fund Revenues, Expenditures And Changes in Fund Balance – Downtown Development Authority Component Unit	98

CITY OF ADRIAN, MICHIGAN
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR FISCAL YEAR ENDED JUNE 30, 2019

TABLE OF CONTENTS - continued

Financial Section – continued

Other Financial and Supplemental Information:
 Schedule of Indebtedness..... 99 – 102

Statistical Section

Exhibit A-1 – Contents 105

Financial Trends:

Exhibit B-1 – Net Position by Component 106
 Exhibit B-2 – Changes in Net Position 107 – 108
 Exhibit B-3 – Fund Balances, Governmental Funds 109
 Exhibit B-4 – Changes in Fund Balances, Governmental Funds 110
 Exhibit B-5 – Tax Revenues by Source – Governmental Funds 111

Revenue Capacity:

Exhibit C-1 – Assessed Value and Taxable Value of Real and Personal Property..... 112
 Exhibit C-2 – Direct and Overlapping Property Tax Rates 113
 Exhibit C-3 – Principal Property Tax Payers 114
 Exhibit C-4 – Property Tax Levies and Collections 115

Debt Capacity:

Exhibit D-1 – Ratios of Outstanding Debt by Type..... 116
 Exhibit D-2 – Ratios of General Bonded Debt Outstanding 117
 Exhibit D-3 – Direct and Overlapping Governmental Activities Debt..... 118
 Exhibit D-4 – Legal Debt Margin Information 119
 Exhibit D-5 – Pledged Revenue Coverage 120

Economic and Demographic Information:

Exhibit E-1 – Demographic and Economic Statistics 121
 Exhibit E-2 – Principal Employers 122

Operating Information:

Exhibit F-1 – Full-Time City Government Employees by Function/Program 123
 Exhibit F-2 – Operating Indicators by Function/Program 124
 Exhibit F-3 – Capital Asset Statistics by Function/Program 125

INTRODUCTORY SECTION

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Finance Director

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COMPREHENSIVE ANNUAL FINANCIAL STATEMENT

Transmittal Letter

October 31, 2019

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

Transmittal of the Comprehensive Annual Financial Report (CAFR)

Michigan State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report (CAFR) of the City of Adrian for the fiscal year ended June 30, 2019.

The financial statement includes a discussion of the City's financial condition and outlook. The *Management Discussion and Analysis* (MD&A) precedes the full-accrual "*Government-wide Financial Statements*" that are intended to show whether today's taxpayers have paid the full cost of the services received.

The CAFR 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 accounting standards generally accepted in the United States of America. 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, 2019, 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, 2019, 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 2010 was 21,133. 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, Dial-A-Ride transportation, cultural events and water and sewer systems. Also included in the City's financial report are the Downtown Development Authority (DDA-TIF), and Brownfield Redevelopment Authority (BRA), as discretely presented component units.

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

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

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

Economic Outlook

Property tax revenues have started to increase, for the first time in about ten years. The City had a taxable value of \$461,039,614 for fiscal year 2008-09, whereas the taxable value for 2018-19 was \$353,735,861. Fiscal year 2017-18 saw a taxable value of \$344,482,877, therefore the City saw an increase of 2.69%. The State's economy is seeing positive growth and continued expansion is expected this year. With a state unemployment high in June 2009 of

14.9%, July 2018 rate was 4.1% and the June 2019 rate was 4.0%. The US average unemployment rate for June 2019 was 3.7%. All of this being good news for the Michigan economy. Currently, Michigan ranks 19 among states as America's top states for business in 2019.

The County's jobless rate changed slightly from July 2018 (5.4%) to July 2019 (5.0%). The County's unemployment rate remained fairly constant for the calendar year 2019 to date. January 2019 saw a rate of 4.3%, dropping to a rate of 4.0% in June 2019. The City of Adrian is fortunate to have three institutions of higher education within our boundaries, Siena Heights University, Adrian College and Jackson College, and one large medical facility.

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. The new plan reduces some of the reporting requirements placed on government. Each unit of government that is eligible for this program must certify by December 1 of each year that it has produced a citizen's guide of its local finances, a performance dashboard, a debt service report, and a projected budget report for the next fiscal year. State payments to City for fiscal year 2019 were \$2,295,272, an increase of 3.84% over FY2017-18. The estimated payment for 2019 is \$2,377,752, a projected increase of 3.59%. In addition to receiving additional revenue sharing dollars, the State has increased its efforts to improve roads in fiscal 2018 we received an additional payment of \$144,783 to go towards road maintenance and the original estimates for fiscal 2019 are showing increased funding as well.

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. To address this imbalance the City continues to implement expenditure cuts and to look for ways to partner with others to provide services to our residents. That being said, the City has been experiencing an increase in property values over the past three years which has equated to some additional revenue. We hope this trend continues as to make some long needed infrastructure and facility upkeep.

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 several union groups in placing new hires into a defined contribution pension plan as opposed to defined benefit plans and lowering the multiplier on one existing defined benefit pension plan. 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. As of June 30, 2019, certificates of investments were in custody of the Finance Department.

Risk Management - The City is a member of the Michigan Municipal Liability and Property Pool for its general liability property coverage and a member of the Michigan Municipal Workers Compensation Fund for its workers' compensation coverage. Both pools are under the Michigan Municipal Program sponsored and administered by the Michigan Municipal League (MML). The City pays annual premiums to the insurance pools. The pools are self-sustaining through member premiums, and each carries reinsurance through commercial companies for claims in excess of a minimum of \$1,000,000 for each specific occurrence, and to a minimum of \$2,000,000 in aggregate in excess of the pool loss reserve fund.

Pension and Other Post-employment Benefits - The City of Adrian has been a member of the Municipal Employees' Retirement System (MERS) of Michigan since 1945. The pension program is administered by the MERS Board under the provisions of the Municipal Employees' Retirement Act of 1984, as amended by Public Act 220 of 1996, embodied in the MERS Plan Document. The pension program is categorized as a Defined Benefit Program with eligibility earned at age 60 with 8 or more years of credited service (10 years or more for employees hired after July 1, 2012) with annual retirement benefits for General Non-represented employees based on 2.25 percent of Final Average Compensation (2.0 percent for employees hired after July 1, 2012) times years of credited service. 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 7%, while employer contributions for all employees (DB and DC) totaled \$2,095,274. Included in the employer contribution was a one-time payment of \$500,000 that was over and above the Required Annual Contribution (ARC). Total Regular Employee Contributions for Fiscal Year 2018-19 amounted to \$385,357. As of December 31, 2018, the Pension Plan had a Plan Fiduciary Net Position of \$37,759,447 with a Net Pension Liability of \$23,149,043, resulting in a Funded Ratio of 62%.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Adrian for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2018. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting. This was the thirty-third consecutive year that the City has received this

prestigious award. In order to attain the Award, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report with contents in conformance with program standards. Such Report must satisfy both generally accepted accounting principles (GAAP) and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA for review. The preparation of the Comprehensive Annual Financial Report on a timely basis was made possible by the dedicated service of the entire staff of the Finance Department. Each member of the department has our sincere appreciation for the contributions made in preparation of this report.

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

Respectfully submitted,



Nathan Burd
City Administrator



Cindy L. Prue
Finance Director



Government Finance Officers Association

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

Presented to

**City of Adrian
Michigan**

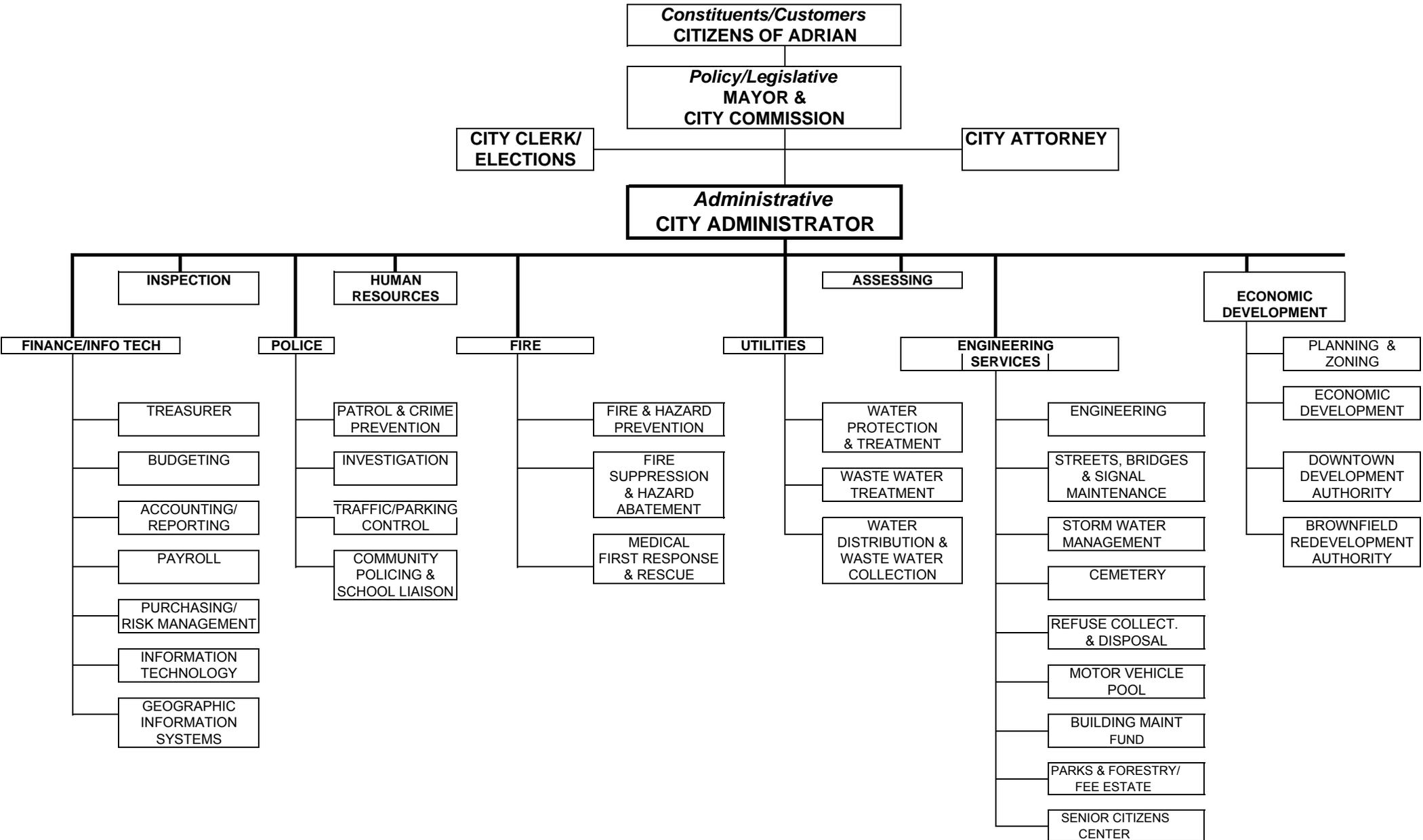
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morill

Executive Director/CEO

CITY OF ADRIAN ORGANIZATION CHART



**CITY OF ADRIAN, MICHIGAN
LIST OF PRINCIPAL OFFICIALS
JUNE 30, 2019**

ADRIAN CITY COMMISSION

MAYOR

CHUCK JACOBSON

(Term Expires 2019)

Terms Expire 2019	Terms Expire 2021
Allen Heldt	John Dudas
Mary Roberts	Brad Watson
Lad Strayer	
Kirk Valentine	

ADMINISTRATIVE STAFF

City Administrator.....Nathan Burd

Director of Finance..... Cindy Prue

City Attorney.....Tamaris Henagan

City Clerk..... Robin Connor

City Assessor.....Kristen Brown

Fire Chief.....Aric Massingill

Chief of Police..... Vince Emrick

Human Resources Director..... Heather Lasky

Economic Development & DDA Coorindator..... Chris Miller

Utilities Director..... Will Sadler

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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 Financial Statements

We have audited the accompanying 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, 2019 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, 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, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the Major Streets, Local Streets, and Community Development special revenues funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and 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.

Other 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, introductory section, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted

in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2019 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.

Toledo, Ohio
October 31, 2019

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CITY OF ADRIAN, MICHIGAN
Management's Discussion and Analysis (unaudited)
Fiscal Year Ended June 30, 2019

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, 2019. 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 2019 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 \$69,978,523 (net position). Of this amount, a negative \$5,506,781 in unrestricted net position was reported for the governmental activities and a positive \$2,969,831 in unrestricted net position was reported for business-type activities. The negative unrestricted net position in governmental activities is primarily due to recognition of the net pension liability.
- The City's total net position increased by \$87,295; a \$1,318,201 decrease in governmental activities, and an increase of \$1,405,496 in business-type activities.
- The City's total expenses were \$27,973,049, an increase of \$5,572,044, or 25%, while total revenues were \$28,060,344, an increase of \$2,000,707, or 8%.
- The City's General Fund increased by \$316,700. The City's unassigned fund balance of the General Fund totaled \$4,367,582 at the end of the fiscal year, or 39% of General Fund expenditures.
- The City's total debt decreased by \$1,890,000, with \$17,248,245 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 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 Dial-A-Ride transportation system and 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 twelve 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 and the Community Development Funds, all four of which are considered to be major funds. Data from the other eight 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, the Wastewater System and the Storm Water Utility, 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 agency funds that are custodial in nature.

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 \$69,978,523 at the close of the most recent fiscal year.

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	Restated 2018	2019	Restated 2018
Assets						
Current and other assets	\$ 17,284,552	\$ 18,064,824	\$ 10,061,083	\$ 9,987,731	\$ 27,345,635	\$ 28,052,555
Capital assets	29,737,823	28,937,184	50,483,822	50,442,496	80,221,645	79,379,680
<i>Total Assets</i>	<u>47,022,375</u>	<u>47,002,008</u>	<u>60,544,905</u>	<u>60,430,227</u>	<u>107,567,280</u>	<u>107,432,235</u>
Deferred Outflows of Resources	<u>3,965,420</u>	<u>2,070,037</u>	<u>812,194</u>	<u>423,983</u>	<u>4,777,614</u>	<u>2,494,020</u>
Liabilities						
Long-term liabilities:						
Net pension liabilities	19,213,707	15,317,272	3,935,336	3,137,271	23,149,043	18,454,543
Other long-term amounts	5,500,552	5,640,819	12,360,146	14,021,525	17,860,698	19,662,344
Other liabilities	475,060	412,134	405,234	324,679	880,294	736,813
<i>Total Liabilities</i>	<u>25,189,319</u>	<u>21,370,225</u>	<u>16,700,716</u>	<u>17,483,475</u>	<u>41,890,035</u>	<u>38,853,700</u>
Deferred Inflows of Resources	<u>395,359</u>	<u>980,502</u>	<u>80,977</u>	<u>200,825</u>	<u>476,336</u>	<u>1,181,327</u>
Net Position						
Net investment in capital assets	24,737,823	23,682,184	38,235,577	36,559,251	62,973,400	60,241,435
Restricted	6,172,075	7,293,011	3,369,998	3,344,633	9,542,073	10,637,644
Unrestricted (deficit)	(5,506,781)	(4,253,877)	2,969,831	3,266,026	(2,536,950)	(987,851)
<i>Total Net Position</i>	<u>\$ 25,403,117</u>	<u>\$ 26,721,318</u>	<u>\$ 44,575,406</u>	<u>\$ 43,169,910</u>	<u>\$ 69,978,523</u>	<u>\$ 69,891,228</u>

By far, the largest portion of the City's net position (\$62,973,400) 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. The fiscal year 2018 balance was restated to make corrections on accumulated depreciation (see Note 15).

An additional portion of the City's net position (\$9,542,073) 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 \$2,536,950.

The City ended the fiscal year with \$107,567,280 in total assets, an increase of \$135,045 from the prior fiscal year, or less than 1%, as funds were utilized on capital outlays.

The City ended the fiscal year with \$41,890,035 in total liabilities, an increase of \$3,036,335. Net pension liabilities increased by \$4,694,500, as the City's defined benefit pension plan experienced lower than assumed investment earnings growth, which also resulted in the significant increase in deferred outflows of resources. Other long-term liabilities decreased by \$1,801,646 due to the City meeting its required debt service obligations on its outstanding bonds.

B. Change in Net Position during Fiscal Year-2019

The following table presents a condensed summary of the City's activities during fiscal years 2019 and 2018 and the resulting change in net position:

	Governmental Activities		Business-Type Activities		Total	
	2019	2018*	2019	2018	2019	2018*
Revenues						
Program revenues:						
Charges for services	\$ 2,825,475	\$ 2,090,184	\$ 9,609,052	\$ 8,970,046	\$ 12,434,527	\$ 11,060,230
Operating grants and contributions	1,054,233	2,610,647	241,353	202,722	1,295,586	2,813,369
Capital grants and contributions	2,383,051	2,099,506	1,772,250	177,031	4,155,301	2,276,537
<i>Total program revenues</i>	6,262,759	6,800,337	11,622,655	9,349,799	17,885,414	16,150,136
General revenues:						
Property and other taxes	5,399,576	5,266,346	-	-	5,399,576	5,266,346
Grants and entitlements not restricted to specific programs	3,432,618	3,368,470	-	-	3,432,618	3,368,470
Oil and gas royalties	143,348	173,186	-	-	143,348	173,186
Investment earnings	352,708	231,902	104,748	59,171	457,456	291,073
Miscellaneous	741,932	810,426	-	-	741,932	810,426
<i>Total general revenues</i>	10,070,182	9,850,330	104,748	59,171	10,174,930	9,909,501
<i>Total revenues</i>	16,332,941	16,650,667	11,727,403	9,408,970	28,060,344	26,059,637
Expenses						
General government	2,051,704	666,108	-	-	2,051,704	666,108
Public safety	7,246,759	4,702,317	-	-	7,246,759	4,702,317
Public works	747,248	612,016	-	-	747,248	612,016
Sanitation	779,623	830,478	-	-	779,623	830,478
Culture and recreation	1,940,659	1,441,953	-	-	1,940,659	1,441,953
Community beautification and improvements	713,105	765,119	-	-	713,105	765,119
Community and economic development	250,535	1,700,494	-	-	250,535	1,700,494
Highways, streets and bridges	5,039,633	3,264,008	-	-	5,039,633	3,264,008
Interest and fiscal charges	338,740	351,654	-	-	338,740	351,654
Wastewater system	-	-	4,442,259	4,128,902	4,442,259	4,128,902
Water system	-	-	3,736,891	3,299,669	3,736,891	3,299,669
Dial-A-Ride system	-	-	530,834	456,439	530,834	456,439
Automobile parking system	-	-	155,059	139,787	155,059	139,787
Storm water utility system	-	-	-	42,061	-	42,061
<i>Total expenses</i>	19,108,006	14,334,147	8,865,043	8,066,858	27,973,049	22,401,005
Transfers	1,456,864	(224,528)	(1,456,864)	224,528	-	-
<i>Change in net position</i>	(1,318,201)	2,091,992	1,405,496	1,566,640	87,295	3,658,632
<i>Net position, beginning of year, restated</i>	26,721,318	24,629,326	43,169,910	41,603,270	69,891,228	66,232,596
<i>Net position, end of year</i>	\$ 25,403,117	\$ 26,721,318	\$44,575,406	\$ 43,169,910	\$ 69,978,523	\$ 69,891,228

* Certain amounts were reclassified to conform with current year presentation.

A. Governmental Activities

Governmental Activities' net position experienced a decrease of \$1,318,201 during the fiscal year, which is a decrease from the increase experienced in the prior fiscal year of \$2,091,992. Total revenue decreased by \$317,726, or 2%. The largest decrease occurred in operating grants and contributions, wherein the City received three significant Community Development Block Grants (CDBG) awards during fiscal year 2017 for downtown renovations and rental rehabilitations. These activities were completed in fiscal year 2018. The decreases were somewhat offset by higher charges for services revenue, due to increased licensing fees for medical marijuana and adding ambulance service fees during fiscal year 2019.

Total expenses increased by \$4,773,859, or 33%. The majority of this increase occurred in general government, public safety and highways, streets and bridges' functions. The increases in general government were due to the increase pension expense, associated with the increase in the net pension liability, as previously discussed, and an additional \$500,000 pension contribution toward the unfunded pension liability. Public safety increases were also due to increased pension expense and additional costs with adding of ambulance services. The increase in highways, streets and bridges was due to street maintenance and repairs. The decrease in community and economic development function was due to completion of CDBG-funded projects in fiscal year 2018.

B. Business-Type Activities

Business-Type Activities' net position experienced an increase of \$1,405,496 during the fiscal year, which is slightly lower from the prior year's increase of \$1,566,640. Much of the increase in revenue is attributable to an increase in water usage rates and receipt of CDBG funding for the Maple Avenue sewer project.

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 \$15,157,432, which is \$568,588 below last year's total of \$15,726,020. The schedule below indicates the fund balances and total change in fund balances as of June 30, 2019 and 2018 for each individual major fund and nonmajor governmental funds in total.

	<u>Fund Balance</u> <u>June 30, 2019</u>	<u>Fund Balance</u> <u>June 30, 2018</u>	<u>Change in</u> <u>Fund Balance</u>	<u>Percent</u> <u>Change</u>
Major Funds:				
General Fund	\$ 5,521,853	5,205,153	\$ 316,700	6%
Major Streets Fund	2,071,879	3,325,067	(1,253,188)	-38%
Local Streets Fund	1,826,105	1,744,776	81,329	5%
Community Development Fund	132,322	131,986	336	0%
Nonmajor Governmental Funds	<u>5,605,273</u>	<u>5,319,038</u>	<u>286,235</u>	5%
Total	<u>\$ 15,157,432</u>	<u>\$ 15,726,020</u>	<u>\$ (568,588)</u>	-4%

General Fund

The General Fund, the City’s primary operating fund, ended the fiscal year with an unassigned fund balance of \$4,367,582, or 39% of General Fund expenditures. Total fund balance increased \$316,700 during the fiscal year. This increase was lower than prior fiscal year’s increase of \$715,988, primarily due to use of fiscal year 2018’s surplus to make an additional \$500,000 pension contribution toward the unfunded pension liability in fiscal year 2019.

Major Streets Fund

The Major Streets Fund, a City major fund, had revenues of \$1,816,703 and expenditures of \$3,085,008 in fiscal year 2019. The Fund experienced a decrease in fund balance of \$1,253,188 due to an increase street repair and maintenance during the fiscal year.

Local Streets Fund

The Local Streets Fund, a City major fund, had revenues of \$934,654 and expenditures of \$1,242,442 in fiscal year 2019. The Fund experienced an increase in fund balance of \$81,329, which is an increase from prior fiscal year’s decrease of \$441,938, due to incurring more street repair and maintenance costs in the Major Streets Fund.

Community Development Fund

The Community Development Fund accounts for the CDBG grant funding received for downtown renovations and rental rehabilitations. The Fund experienced an increase in fund balance of \$336 due to investment earnings.

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 19% to account for additional local stabilization funding available from the State of Michigan and increased licensing revenue for medical marijuana. Actual revenues were within 2% of the final revenue budget.

The original expenditure budget was increased during the fiscal year by 22%. Budget increases occurred in the cemetery, police, fire and non-departmental general government functions, to budget to fund the building of a storage facility at the cemetery, increased police personnel, additional of ambulance services and a \$500,000 pension contribution toward the unfunded pension liability.

Actual expenditures came in \$91,758, or less than 1%, under the final budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

A. Capital Assets

At the end of fiscal year 2019, the City had (net of accumulated depreciation) invested in land, land improvements, buildings, equipment and furniture, infrastructure and utility systems. Of this total, \$29,737,823 was reported in governmental activities and \$50,483,822 was reported in business-type activities. Capital assets increased by \$841,965 due to the completion of the Maple Avenue sewer and road improvement project. See Note 5 to the basic financial statements for detail. The following table shows fiscal year 2019 compared to 2018:

	Capital Assets at Year-End					
	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	<i>Restated</i> 2018	2019	<i>Restated</i> 2018
Land	\$ 8,305,639	\$ 8,305,639	\$ 949,726	\$ 949,726	\$ 9,255,365	\$ 9,255,365
Construction in progress	10,888	-	-	-	10,888	-
Land improvements	3,393,465	3,711,749	1,307,352	1,874,052	4,700,817	5,585,801
Buildings	6,955,683	6,906,500	979,303	1,012,632	7,934,986	7,919,132
Equipment and furniture	1,157,153	1,044,414	219,084	223,256	1,376,237	1,267,670
Infrastructure	9,914,995	8,968,882	-	-	9,914,995	8,968,882
Utility systems	-	-	47,028,357	46,382,830	47,028,357	46,382,830
Totals	<u>\$ 29,737,823</u>	<u>\$ 28,937,184</u>	<u>\$ 50,483,822</u>	<u>\$ 50,442,496</u>	<u>\$ 80,221,645</u>	<u>\$ 79,379,680</u>

B. Debt Administration

At June 30, 2019, the City had \$17,248,245 in outstanding debt, a decrease of \$1,890,000 from June 30, 2018. Activity during the fiscal year was limited to debt repayment. The City had the following long-term debt outstanding at June 30, 2019 and 2018:

	Outstanding Debt	
	<u>Governmental Activities</u>	
	<u>2019</u>	<u>2018</u>
Governmental Activities:		
General obligation bonds	\$ 5,000,000	\$ 5,255,000
Business-Type Activities:		
DWRP bonds	8,341,707	9,521,707
SRF bonds	3,906,538	4,361,538
Totals	<u>\$ 17,248,245</u>	<u>\$ 19,138,245</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 FY2018-19 budget recommendation was submitted with the City showing a slight increase (3.6%) in real property tax values and a 2.1% decrease in personal property values. 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 (CVTRS) program to calculate State revenue sharing. The City saw an \$81,994 increase in FY2018-19 over FY2017-18 or a 4.8% increase.

During the current fiscal year, the unassigned fund balance and amounts assigned for designated purposes in the General Fund stands at \$5,356,469. The City has assigned \$942,000 of fund balance amount for spending in the ensuing fiscal year budget recommendation, primarily for some pending Michigan Tax Tribunal claims, possible grant opportunities, additional contributions to the city's unfunded pension liability, future boiler replacement at Bohn Pool, possible recreation collaboration between the city, YMCA and Adrian Public Schools and a grant match for autonomous bus system. The City has an additional \$46,887 in assigned fund balance for encumbered purchases. Based on upcoming infrastructure changes for the utility funds, there is a planned 4% rate increase in FY2019-20.

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: cprue@adrianmi.gov.

CITY OF ADRIAN, MICHIGAN
Statement of Net Position
June 30, 2019

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Brownfield Redevelopment Authority	Downtown Development Authority
Assets					
Equity in pooled cash and cash equivalents	\$ 5,286,951	\$ 3,716,446	\$ 9,003,397	\$ 87,353	\$ 117,533
Investments	10,213,077	1,308,343	11,521,420	-	10,779
Receivables (net of allowances)	1,574,688	1,313,783	2,888,471	-	6,878
Internal balances	36,778	(36,778)	-	-	-
Due from component units	175	5,000	5,175	-	-
Due from primary government	-	-	-	-	1,397
Prepaid items	43,705	13,413	57,118	-	-
Materials and supplies inventory	121,679	370,878	492,557	-	-
Land held for resale	7,499	-	7,499	-	-
Restricted cash and investments	-	3,369,998	3,369,998	-	-
Nondepreciable capital assets	8,316,527	949,726	9,266,253	-	53,054
Depreciable capital assets, net	21,421,296	49,534,096	70,955,392	-	12,215
Total assets	47,022,375	60,544,905	107,567,280	87,353	201,856
Deferred Outflows of Resources					
Pension	3,965,420	812,194	4,777,614	-	-
Liabilities					
Vouchers payable	400,895	259,968	660,863	-	168
Accrued payroll	19,162	25,136	44,298	-	-
Due to other governments	-	17,013	17,013	-	-
Due to component units	1,397	-	1,397	-	-
Due to primary government	-	-	-	4	5,171
Unearned revenue	1,000	-	1,000	-	-
Customer deposits payable	-	38,647	38,647	-	-
Accrued interest payable	52,606	64,470	117,076	-	-
Long-term liabilities:					
Due within one year	564,908	1,711,768	2,276,676	-	-
Due in more than one year:					
Net pension liability	19,213,707	3,935,336	23,149,043	-	-
Other amounts due more than one year	4,935,644	10,648,378	15,584,022	-	-
Total liabilities	25,189,319	16,700,716	41,890,035	4	5,339
Deferred Inflow of Resources					
Pension	395,359	80,977	476,336	-	-
Net Position					
Net investment in capital assets	24,737,823	38,235,577	62,973,400	-	65,269
Restricted for:					
Debt service	-	3,369,998	3,369,998	-	-
Public safety	151,981	-	151,981	-	-
Community development	132,322	-	132,322	-	-
Highways and streets	4,226,101	-	4,226,101	-	-
Endowment:					
Nonexpendable	1,554,819	-	1,554,819	-	-
Expendable	66,557	-	66,557	-	-
Other purposes	40,295	-	40,295	-	-
Unrestricted (deficit)	(5,506,781)	2,969,831	(2,536,950)	87,349	131,248
Total net position	\$ 25,403,117	\$ 44,575,406	\$ 69,978,523	\$ 87,349	\$ 196,517

See accompanying notes to the basic financial statements.

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CITY OF ADRIAN, MICHIGAN
Statement of Activities
Fiscal Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position				
		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	\$ 2,051,704	\$ 602,860	\$ -	\$ -	\$ (1,448,844)		\$ (1,448,844)		
Public safety	7,246,759	1,039,177	65,478	-	(6,142,104)		(6,142,104)		
Public works	747,248	291,218	129,609	-	(326,421)		(326,421)		
Sanitation	779,623	770,435	-	-	(9,188)		(9,188)		
Culture and recreation	1,940,659	89,949	2,500	-	(1,848,210)		(1,848,210)		
Community beautification and improvements	713,105	27,000	852,646	-	166,541		166,541		
Community and economic development	250,535	4,836	4,000	-	(241,699)		(241,699)		
Highways, streets and bridges	5,039,633	-	-	2,383,051	(2,656,582)		(2,656,582)		
Interest and fiscal charges	338,740	-	-	-	(338,740)		(338,740)		
Total governmental activities	<u>19,108,006</u>	<u>2,825,475</u>	<u>1,054,233</u>	<u>2,383,051</u>	<u>(12,845,247)</u>		<u>(12,845,247)</u>		
Business-type activities:									
Wastewater system	4,442,259	4,764,059	-	1,637,250		\$ 1,959,050	1,959,050		
Water system	3,736,891	4,703,391	-	-		966,500	966,500		
Dial-A-Ride system	530,834	83,355	241,353	75,000		(131,126)	(131,126)		
Automobile parking system	155,059	58,247	-	60,000		(36,812)	(36,812)		
Total business-type activities	<u>8,865,043</u>	<u>9,609,052</u>	<u>241,353</u>	<u>1,772,250</u>		<u>2,757,612</u>	<u>2,757,612</u>		
Total primary government	<u>\$ 27,973,049</u>	<u>\$ 12,434,527</u>	<u>\$ 1,295,586</u>	<u>\$ 4,155,301</u>		<u>2,757,612</u>	<u>(10,087,635)</u>		
Component Units:									
Brownfield Redevelopment Authority	\$ 9,816	\$ -	\$ -	\$ -			\$ (9,816)	\$ -	
Downtown Development Authority	139,259	21,702	3,693	-			-	(113,864)	
Total component units	<u>\$ 149,075</u>	<u>\$ 21,702</u>	<u>\$ 3,693</u>	<u>\$ -</u>			<u>(9,816)</u>	<u>(113,864)</u>	
General revenues:									
Property taxes					5,399,576	-	5,399,576	13,031	104,841
Grants and contributions not restricted to specific programs					3,432,618	-	3,432,618	-	-
Oil royalties					143,348	-	143,348	-	-
Investment earnings					352,708	104,748	457,456	880	1,403
Other					741,932	-	741,932	-	-
Transfers					1,456,864	(1,456,864)	-	-	-
Total general revenues and transfers					<u>11,527,046</u>	<u>(1,352,116)</u>	<u>10,174,930</u>	<u>13,911</u>	<u>106,244</u>
Change in net position					(1,318,201)	1,405,496	87,295	4,095	(7,620)
Net position beginning of year, <i>restated</i>					<u>26,721,318</u>	<u>43,169,910</u>	<u>69,891,228</u>	<u>83,254</u>	<u>204,137</u>
Net position end of year					<u>\$ 25,403,117</u>	<u>\$ 44,575,406</u>	<u>\$ 69,978,523</u>	<u>\$ 87,349</u>	<u>\$ 196,517</u>

See accompanying notes to the basic financial statements.

CITY OF ADRIAN, MICHIGAN

Balance Sheet

Governmental Funds

June 30, 2019

	<u>General</u>	<u>Major Streets</u>	<u>Local Streets</u>	<u>Community Development</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets						
Equity in pooled cash and cash equivalents	\$ 892,299	\$ 1,451,467	\$ 1,195,878	\$ 70,512	\$ 573,898	\$ 4,184,054
Investments	4,369,494	577,258	517,759	-	4,748,566	10,213,077
Receivables (net of allowances)	618,919	295,431	169,233	61,810	428,045	1,573,438
Due from other funds	137,617	1,521	177	-	30	139,345
Due from component units	175	-	-	-	-	175
Prepaid items	43,705	-	-	-	-	43,705
Materials and supplies inventory	121,679	-	-	-	-	121,679
Land held for resale	-	-	-	-	7,499	7,499
Total assets	<u>\$ 6,183,888</u>	<u>\$ 2,325,677</u>	<u>\$ 1,883,047</u>	<u>\$ 132,322</u>	<u>\$ 5,758,038</u>	<u>\$ 16,282,972</u>
Liabilities						
Vouchers payable	\$ 199,776	\$ 105,825	\$ 9,303	\$ -	\$ 47,633	\$ 362,537
Accrued payroll	10,494	3,084	906	-	3,282	17,766
Due to other funds	6,162	8,668	3,845	-	99,453	118,128
Due to component units	-	-	-	-	1,397	1,397
Unearned revenue	-	-	-	-	1,000	1,000
Total liabilities	<u>216,432</u>	<u>117,577</u>	<u>14,054</u>	<u>-</u>	<u>152,765</u>	<u>500,828</u>
Deferred Inflows of Resources						
Unavailable revenue	445,603	136,221	42,888	-	-	624,712
Total deferred inflows of resources	<u>445,603</u>	<u>136,221</u>	<u>42,888</u>	<u>-</u>	<u>-</u>	<u>624,712</u>
Fund balances						
Nonspendable	165,384	-	-	-	1,554,819	1,720,203
Restricted	-	2,071,879	1,826,105	132,322	418,747	4,449,053
Committed	-	-	-	-	374,992	374,992
Assigned	988,887	-	-	-	3,256,715	4,245,602
Unassigned	4,367,582	-	-	-	-	4,367,582
Total fund balances	<u>5,521,853</u>	<u>2,071,879</u>	<u>1,826,105</u>	<u>132,322</u>	<u>5,605,273</u>	<u>15,157,432</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 6,183,888</u>	<u>\$ 2,325,677</u>	<u>\$ 1,883,047</u>	<u>\$ 132,322</u>	<u>\$ 5,758,038</u>	<u>\$ 16,282,972</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, 2019

Total governmental fund balances		\$ 15,157,432
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		29,024,584
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.		1,777,259
Other long-term assets are not available to pay for current-period expenditures and therefore are unavailable in the funds.		624,712
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Bonds payable	(5,000,000)	
Compensated absences	(484,618)	
Accrued interest payable	<u>(52,606)</u>	(5,537,224)
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:		
Deferred outflows-pension	3,965,420	
Deferred inflows-pension	(395,359)	
Net pension liability	<u>(19,213,707)</u>	<u>(15,643,646)</u>
Total governmental activities net position		<u>\$ 25,403,117</u>

See accompanying notes to the basic financial statements.

CITY OF ADRIAN, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

Fiscal Year Ended June 30, 2019

	General	Major Streets	Local Streets	Community Development	Nonmajor Governmental Funds	Total Governmental Funds
Revenues						
Taxes	\$ 4,924,376	\$ -	\$ -	\$ -	\$ 346,160	\$ 5,270,536
Other tax-related revenue	129,040	-	-	-	-	129,040
Licenses and permits	671,527	-	-	-	-	671,527
Intergovernmental-federal	192,335	13,098	-	-	-	205,433
Intergovernmental-state	3,343,241	1,786,539	697,076	-	41,792	5,868,648
Charges for services	706,806	-	-	-	770,435	1,477,241
Use and admission charges	67,421	-	-	-	-	67,421
Fines and fees	66,368	-	-	-	-	66,368
Investment earnings	167,811	14,432	12,736	336	159,502	354,817
Fee Trust - for beautification	-	-	-	-	627,646	627,646
Special assessments	-	-	194,883	-	-	194,883
Oil royalties	-	-	-	-	143,348	143,348
Donations and contributions	485,766	-	-	-	-	485,766
Other	526,824	2,634	29,959	-	230,196	789,613
Total revenues	<u>11,281,515</u>	<u>1,816,703</u>	<u>934,654</u>	<u>336</u>	<u>2,319,079</u>	<u>16,352,287</u>
Expenditures						
Current:						
General government	2,499,527	-	-	-	13,204	2,512,731
Public safety	6,089,148	-	-	-	226,246	6,315,394
Public works	602,465	-	-	-	-	602,465
Sanitation	-	-	-	-	761,552	761,552
Culture and recreation	961,541	-	-	-	-	961,541
Community beautification and improvements	140,480	-	-	-	632,842	773,322
Community and economic development	201,558	-	-	-	-	201,558
Highways, streets and bridges	-	3,085,008	1,242,442	-	-	4,327,450
Debt Service:						
Principal retirement	255,000	-	-	-	-	255,000
Interest and fiscal charges	340,865	-	-	-	-	340,865
Total expenditures	<u>11,090,584</u>	<u>3,085,008</u>	<u>1,242,442</u>	<u>-</u>	<u>1,633,844</u>	<u>17,051,878</u>
Excess (deficiency) of revenues over (under) expenditures	<u>190,931</u>	<u>(1,268,305)</u>	<u>(307,788)</u>	<u>336</u>	<u>685,235</u>	<u>(699,591)</u>
Other Financing Sources (Uses)						
Transfers in	249,459	15,117	389,117	-	-	653,693
Transfers out	(123,690)	-	-	-	(399,000)	(522,690)
Total other financing sources (uses)	<u>125,769</u>	<u>15,117</u>	<u>389,117</u>	<u>-</u>	<u>(399,000)</u>	<u>131,003</u>
Net change in fund balances	316,700	(1,253,188)	81,329	336	286,235	(568,588)
Fund balance, beginning of year	<u>5,205,153</u>	<u>3,325,067</u>	<u>1,744,776</u>	<u>131,986</u>	<u>5,319,038</u>	<u>15,726,020</u>
Fund balance, end of year	<u>\$ 5,521,853</u>	<u>\$ 2,071,879</u>	<u>\$ 1,826,105</u>	<u>\$ 132,322</u>	<u>\$ 5,605,273</u>	<u>\$ 15,157,432</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, 2019

Net change in fund balances - total governmental funds \$ (568,588)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense:

Capital asset additions	613,645	
Transfer of capital assets from the Storm Water Utility enterprise fund	1,575,320	
Depreciation expense	<u>(1,390,700)</u>	798,265

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. (278,020)

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:

Compensated absences	(112,975)	
Interest on long-term debt	<u>2,125</u>	(110,850)

Revenues in the statement of activities that do not provide current financial resources are reported as deferred inflows of resources. 1,901

Repayment of bonds payable is reported as an expenditure in the governmental funds, but the repayment reduce the long-term liabilities in the statement of net position. 255,000

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows of resources. 1,064,519

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. (2,480,428)

Change in net position of governmental activities \$ (1,318,201)

See accompanying notes to the basic financial statements.

CITY OF ADRIAN, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
 General Fund
 Fiscal Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance From Final Budget
	Original	Final		
Revenues				
Taxes	4,862,000	4,926,910	\$ 4,924,376	\$ (2,534)
Other tax-related revenue	113,000	129,037	129,040	3
Licenses and permits	269,675	650,700	671,527	20,827
Intergovernmental-federal	-	192,335	192,335	-
Intergovernmental-state	2,882,323	3,342,625	3,343,241	616
Charges for services	438,109	693,044	706,806	13,762
Use and admission charges	59,500	67,750	67,421	(329)
Fines and fees	72,000	65,615	66,368	753
Investment earnings	50,000	157,000	167,811	10,811
Donations and contributions	469,000	485,437	485,766	329
Other	59,050	323,170	526,824	203,654
Total revenues	9,274,657	11,033,623	11,281,515	247,892
Expenditures				
Current:				
General government:				
City Commission	106,692	118,670	117,054	1,616
City administrator	268,392	270,645	269,975	670
Election department	17,150	18,155	18,590	(435)
Finance department	353,585	386,560	378,881	7,679
City assessor	158,187	173,547	167,729	5,818
City attorney	104,590	140,115	148,553	(8,438)
City clerk	120,972	120,972	121,375	(403)
Human resources	162,306	174,851	155,295	19,556
Cemetery	320,909	438,032	372,616	65,416
Nondepartmental	-	713,576	749,459	(35,883)
Total general government	1,612,783	2,555,123	2,499,527	55,596
Public safety:				
Police department	3,289,041	3,482,636	3,487,601	(4,965)
Fire department	1,972,509	2,278,177	2,260,957	17,220
Inspection department	345,198	340,827	340,590	237
Total public safety	5,606,748	6,101,640	6,089,148	12,492
Public works:				
Department of public works	298,184	326,550	326,841	(291)
Stores - central supply	25,888	29,888	37,758	(7,870)
Engineering	38,671	66,140	66,497	(357)
Street lighting	132,000	152,000	171,369	(19,369)
Total public works	494,743	574,578	602,465	(27,887)
Culture and recreation:				
Recreation department	121,739	117,739	117,243	496
Parks and forestry garage	13,429	13,429	13,566	(137)
Parks and forestry department	427,053	433,676	434,692	(1,016)
Parks and forestry - Heritage	134,522	152,864	154,241	(1,377)
Adrian Public Library	-	241,894	241,799	95
Total culture and recreation	696,743	959,602	961,541	(1,939)

CITY OF ADRIAN, MICHIGAN

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

General Fund

Fiscal Year Ended June 30, 2019

(continued)

	Budgeted Amounts		Actual	Variance From Final Budget
	Original	Final		
Expenditures (continued)				
Current (continued):				
Community beautification and improvements:				
Planning Commission	9,500	7,488	7,448	40
Other projects	39,000	133,374	133,032	342
Total community beautification and improvements	48,500	140,862	140,480	382
Community and economic development:				
Human Rights Commission	-	4,000	3,027	973
Economic development	225,240	198,621	198,531	90
Total community and economic development	225,240	202,621	201,558	1,063
Debt Service:				
Principal retirement	255,000	255,000	255,000	-
Interest and fiscal charges	193,070	392,916	340,865	52,051
Total expenditures	9,132,827	11,182,342	11,090,584	91,758
Excess (deficiency) of revenues over (under) expenditures	141,830	(148,719)	190,931	339,650
Other Financing Sources (Uses)				
Transfers in	-	238,500	249,459	10,959
Transfers out	(141,830)	(141,830)	(123,690)	18,140
Total other financing sources (uses)	(141,830)	96,670	125,769	29,099
Net change in fund balances	-	(52,049)	316,700	\$ 368,749
Fund balance, beginning of year	5,205,153	5,205,153	5,205,153	
Fund balance, end of year	\$ 5,205,153	\$ 5,153,104	\$ 5,521,853	

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, 2019

	Budgeted Amounts		Actual	Variance From Final Budget
	Original	Final		
Revenues				
Intergovernmental-federal	\$ -	\$ -	\$ 13,098	\$ 13,098
Intergovernmental-state	1,554,754	1,782,753	1,786,539	3,786
Investment earnings	1,200	14,430	14,432	2
Other	1,526,697	1,825,788	2,634	(1,823,154)
Total revenues	<u>3,082,651</u>	<u>3,622,971</u>	<u>1,816,703</u>	<u>(1,806,268)</u>
Expenditures				
Current:				
Highways, streets and bridges:				
Street construction	2,435,000	2,850,773	2,556,294	294,479
Routine maintenance-streets	187,258	219,266	168,171	51,095
Routine maintenance-storm water	131,800	96,190	62,836	33,354
Routine maintenance-bridges	10,480	1,800	1,261	539
Maintenance - State trunklines	42,078	42,078	40,736	1,342
Traffic service maintenance	131,180	161,092	76,191	84,901
Winter maintenance	83,080	71,380	71,362	18
Administration	34,775	43,875	44,436	(561)
Non-motorized transportation	42,000	151,517	63,721	87,796
Total expenditures	<u>3,097,651</u>	<u>3,637,971</u>	<u>3,085,008</u>	<u>552,963</u>
Deficiency of revenues under expenditures	<u>(15,000)</u>	<u>(15,000)</u>	<u>(1,268,305)</u>	<u>(1,253,305)</u>
Other Financing Sources				
Transfers in	-	-	15,117	15,117
Net change in fund balances	(15,000)	(15,000)	(1,253,188)	<u>\$ (1,238,188)</u>
Fund balance, beginning of year	<u>3,325,067</u>	<u>3,325,067</u>	<u>3,325,067</u>	
Fund balance, end of year	<u>\$ 3,310,067</u>	<u>\$ 3,310,067</u>	<u>\$ 2,071,879</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, 2019

	Budgeted Amounts		Actual	Variance From Final Budget
	Original	Final		
Revenues				
Intergovernmental-state	\$ 564,225	\$ 697,073	\$ 697,076	\$ 3
Investment earnings	750	12,735	12,736	1
Special assessments	216,000	195,319	194,883	(436)
Other	25,000	110,512	29,959	(80,553)
Total revenues	<u>805,975</u>	<u>1,015,639</u>	<u>934,654</u>	<u>(80,985)</u>
Expenditures				
Current:				
Highways, streets and bridges:				
Sidewalks	53,960	52,960	54,257	(1,297)
Street construction	752,972	974,218	893,303	80,915
Routine maintenance-streets	165,695	204,128	155,269	48,859
Routine maintenance-storm water	71,600	61,300	43,991	17,309
Routine maintenance-bridges	1,648	2,748	840	1,908
Traffic service maintenance	37,990	21,950	21,394	556
Winter maintenance	53,560	45,560	45,350	210
Administration	38,550	26,775	28,038	(1,263)
Total expenditures	<u>1,175,975</u>	<u>1,389,639</u>	<u>1,242,442</u>	<u>147,197</u>
Deficiency of revenues under expenditures	<u>(370,000)</u>	<u>(374,000)</u>	<u>(307,788)</u>	<u>66,212</u>
Other Financing Sources				
Transfers in	<u>370,000</u>	<u>374,000</u>	<u>389,117</u>	<u>15,117</u>
Net change in fund balances	-	-	81,329	\$ <u>81,329</u>
Fund balance, beginning of year	<u>1,744,776</u>	<u>1,744,776</u>	<u>1,744,776</u>	
Fund balance, end of year	<u>\$ 1,744,776</u>	<u>\$ 1,744,776</u>	<u>\$ 1,826,105</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
Community Development Special Revenue Fund
Fiscal Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance From Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment earnings	\$ -	\$ -	\$ 336	\$ 336
Net change in fund balances	-	-	336	<u>\$ 336</u>
Fund balance, beginning of year	<u>131,986</u>	<u>131,986</u>	<u>131,986</u>	
Fund balance, end of year	<u>\$ 131,986</u>	<u>\$ 131,986</u>	<u>\$ 132,322</u>	

See accompanying notes to the basic financial statements.

CITY OF ADRIAN, MICHIGAN
Statement of Net Position
Proprietary Funds
June 30, 2019

	Business-Type Activities				Totals	Governmental Activities - Internal Service Funds
	Wastewater System	Water System	Storm Water Utility	Nonmajor Enterprise Funds		
Assets						
Current assets:						
Equity in pooled cash and cash equivalents	\$ 1,484,392	\$ 1,115,059	\$ -	\$ 1,116,995	\$ 3,716,446	\$ 1,102,897
Investments	547,717	760,626	-	-	1,308,343	-
Receivables (net of allowances)	491,065	488,210	-	334,508	1,313,783	1,250
Due from other funds	-	-	-	8,062	8,062	15,561
Due from component units	-	-	-	5,000	5,000	-
Inventory	-	370,878	-	-	370,878	-
Prepaid items	3,842	9,571	-	-	13,413	-
Restricted cash and cash equivalents	755,870	552,992	-	-	1,308,862	-
Total current assets	<u>3,282,886</u>	<u>3,297,336</u>	<u>-</u>	<u>1,464,565</u>	<u>8,044,787</u>	<u>1,119,708</u>
Noncurrent assets:						
Restricted cash and cash equivalents	1,153,919	907,217	-	-	2,061,136	-
Nondepreciable capital assets	163,134	125,224	-	661,368	949,726	-
Depreciable capital assets, net	26,049,446	20,978,911	-	2,505,739	49,534,096	713,239
Total noncurrent assets	<u>27,366,499</u>	<u>22,011,352</u>	<u>-</u>	<u>3,167,107</u>	<u>52,544,958</u>	<u>713,239</u>
Total assets	<u>30,649,385</u>	<u>25,308,688</u>	<u>-</u>	<u>4,631,672</u>	<u>60,589,745</u>	<u>1,832,947</u>
Deferred Outflows of Resources						
Pension	<u>382,209</u>	<u>429,985</u>	<u>-</u>	<u>-</u>	<u>812,194</u>	<u>-</u>
Liabilities						
Current liabilities:						
Vouchers payable	161,273	80,042	-	18,653	259,968	38,358
Accrued payroll	12,436	12,700	-	-	25,136	1,396
Due to other funds	13,832	8,169	-	22,839	44,840	-
Due to other governments	-	-	-	17,013	17,013	-
Customer deposits payable	-	38,647	-	-	38,647	-
Accrued interest payable	33,844	30,626	-	-	64,470	-
Compensated absences	20,877	30,891	-	-	51,768	12,015
Bonds payable	965,000	695,000	-	-	1,660,000	-
Total current liabilities	<u>1,207,262</u>	<u>896,075</u>	<u>-</u>	<u>58,505</u>	<u>2,161,842</u>	<u>51,769</u>
Noncurrent liabilities:						
Compensated absences	16,826	43,307	-	-	60,133	3,919
Bonds payable	5,606,538	4,981,707	-	-	10,588,245	-
Net pension liability	1,851,923	2,083,413	-	-	3,935,336	-
Total noncurrent liabilities	<u>7,475,287</u>	<u>7,108,427</u>	<u>-</u>	<u>-</u>	<u>14,583,714</u>	<u>3,919</u>
Total liabilities	<u>8,682,549</u>	<u>8,004,502</u>	<u>-</u>	<u>58,505</u>	<u>16,745,556</u>	<u>55,688</u>
Deferred Inflows of Resources						
Pension	<u>38,107</u>	<u>42,870</u>	<u>-</u>	<u>-</u>	<u>80,977</u>	<u>-</u>
Net Position						
Net investment in capital assets	19,641,042	15,427,428	-	3,167,107	38,235,577	713,239
Restricted for:						
Debt service	1,909,789	1,460,209	-	-	3,369,998	-
Unrestricted	<u>760,107</u>	<u>803,664</u>	<u>-</u>	<u>1,406,060</u>	<u>2,969,831</u>	<u>1,064,020</u>
Total net position	<u>\$ 22,310,938</u>	<u>\$ 17,691,301</u>	<u>\$ -</u>	<u>\$ 4,573,167</u>	<u>\$ 44,575,406</u>	<u>\$ 1,777,259</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, 2019

	Business-Type Activities				Totals	Governmental Activities - Internal Service Funds
	Wastewater System	Water System	Storm Water Utility	Nonmajor Enterprise Funds		
Operating Revenues:						
Charges for services	\$ 4,764,059	\$ 4,626,749	\$ -	\$ 77,232	\$ 9,468,040	\$ 1,525,682
Special assessments	-	-	-	58,247	58,247	-
Other	-	76,642	-	3,000	79,642	123,462
Total operating revenues	<u>4,764,059</u>	<u>4,703,391</u>	<u>-</u>	<u>138,479</u>	<u>9,605,929</u>	<u>1,649,144</u>
Operating Expenses:						
Personal services	1,251,900	1,876,307	-	263,746	3,391,953	229,065
Contract services	215,695	491,990	-	44,669	752,354	414,582
Materials and supplies	207,015	37,810	-	31,237	276,062	193,202
Depreciation	1,477,304	715,385	-	175,207	2,367,896	225,475
Other	1,095,575	484,497	-	171,034	1,751,106	615,381
Total operating expenses	<u>4,247,489</u>	<u>3,605,989</u>	<u>-</u>	<u>685,893</u>	<u>8,539,371</u>	<u>1,677,705</u>
Operating income (loss)	<u>516,570</u>	<u>1,097,402</u>	<u>-</u>	<u>(547,414)</u>	<u>1,066,558</u>	<u>(28,561)</u>
Nonoperating revenues (expenses):						
Gain (loss) on disposal of assets	-	-	(1,575,320)	3,123	(1,572,197)	-
Interest and fiscal charges	(194,770)	(130,902)	-	-	(325,672)	-
Interest income	40,681	48,054	16	15,997	104,748	-
Operating grants	-	-	-	241,353	241,353	-
Total nonoperating revenues (expenses)	<u>(154,089)</u>	<u>(82,848)</u>	<u>(1,575,304)</u>	<u>260,473</u>	<u>(1,551,768)</u>	<u>-</u>
Income (loss) before transfers and contributions	362,481	1,014,554	(1,575,304)	(286,941)	(485,210)	(28,561)
Transfers in	-	-	-	148,690	148,690	-
Transfers out	-	-	(30,234)	-	(30,234)	(249,459)
Capital contributions	<u>1,637,250</u>	<u>-</u>	<u>-</u>	<u>135,000</u>	<u>1,772,250</u>	<u>-</u>
Change in net position	1,999,731	1,014,554	(1,605,538)	(3,251)	1,405,496	(278,020)
Net position beginning of year, <i>restated</i>	<u>20,311,207</u>	<u>16,676,747</u>	<u>1,605,538</u>	<u>4,576,418</u>	<u>43,169,910</u>	<u>2,055,279</u>
Net position end of year	<u>\$ 22,310,938</u>	<u>\$ 17,691,301</u>	<u>\$ -</u>	<u>\$ 4,573,167</u>	<u>\$ 44,575,406</u>	<u>\$ 1,777,259</u>

See accompanying notes to the basic financial statements.

CITY OF ADRIAN, MICHIGAN
Statement of Cash Flows
Proprietary Funds
Fiscal Year Ended June 30, 2019

	Business-Type Activities				Totals	Governmental Activities - Internal Service Funds
	Wastewater System	Water System	Storm Water Utility	Nonmajor Enterprise Funds		
Cash Flows from Operating Activities						
Cash received from customers	\$ 4,747,946	\$ 4,517,442	\$ -	\$ 309,543	\$ 9,574,931	\$ 1,670,026
Cash payments for employee services and benefits	(1,131,271)	(981,228)	-	(263,746)	(2,376,245)	(226,820)
Cash payments to suppliers for goods and services	(1,383,493)	(1,737,857)	-	(472,394)	(3,593,744)	(1,228,480)
Net cash flows from operating activities	<u>2,233,182</u>	<u>1,798,357</u>	<u>-</u>	<u>(426,597)</u>	<u>3,604,942</u>	<u>214,726</u>
Cash Flows from Noncapital Financing Activities						
Cash received from other funds	-	-	-	215,262	215,262	-
Cash received from other governments	-	-	-	205,520	205,520	-
Cash paid to other funds	(3,715)	(36,940)	(30,234)	(10,584)	(81,473)	-
Net cash flows from noncapital financing activities	<u>(3,715)</u>	<u>(36,940)</u>	<u>(30,234)</u>	<u>410,198</u>	<u>339,309</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities						
Acquisition of capital assets	(2,583,109)	(1,302,431)	-	(99,002)	(3,984,542)	(227,849)
Cash payments to other funds for capital purposes	-	-	-	-	-	(249,459)
Capital grants	1,637,250	-	-	135,000	1,772,250	-
Proceeds from sale of assets	-	-	-	3,123	3,123	-
Principal paid on bonds	(950,000)	(685,000)	-	-	(1,635,000)	-
Interest paid on bonds	(199,702)	(134,836)	-	-	(334,538)	-
Net cash flows from capital and related financing activities	<u>(2,095,561)</u>	<u>(2,122,267)</u>	<u>-</u>	<u>39,121</u>	<u>(4,178,707)</u>	<u>(477,308)</u>
Cash Flows from Investing Activities						
Interest on investments	40,681	48,054	16	15,997	104,748	-
Purchase of investments	(12,936)	(22,018)	-	-	(34,954)	-
Net cash flows from investing activities	<u>27,745</u>	<u>26,036</u>	<u>16</u>	<u>15,997</u>	<u>69,794</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	161,651	(334,814)	(30,218)	38,719	(164,662)	(262,582)
Cash and cash equivalents beginning of year	<u>3,232,530</u>	<u>2,910,082</u>	<u>30,218</u>	<u>1,078,276</u>	<u>7,251,106</u>	<u>1,365,479</u>
Cash and cash equivalents end of year	<u>\$ 3,394,181</u>	<u>\$ 2,575,268</u>	<u>\$ -</u>	<u>\$ 1,116,995</u>	<u>\$ 7,086,444</u>	<u>\$ 1,102,897</u>
Equity in pooled cash and cash equivalents	\$ 1,484,392	\$ 1,115,059	\$ -	\$ 1,116,995	\$ 3,716,446	\$ 1,102,897
Restricted cash and cash equivalents	<u>1,909,789</u>	<u>1,460,209</u>	<u>-</u>	<u>-</u>	<u>3,369,998</u>	<u>-</u>
	<u>\$ 3,394,181</u>	<u>\$ 2,575,268</u>	<u>\$ -</u>	<u>\$ 1,116,995</u>	<u>\$ 7,086,444</u>	<u>\$ 1,102,897</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:						
Operating income (loss)	\$ 516,570	\$ 1,097,402	\$ -	\$ (547,414)	\$ 1,066,558	\$ (28,561)
Adjustments to reconcile operating income (loss) to net cash from operating activities:						
Depreciation	1,477,304	715,385	-	175,207	2,367,896	225,475
Changes in assets, liabilities and deferred outflows/inflows:						
Receivables	(16,113)	(178,974)	-	(38,998)	(234,085)	20,882
Inventory	-	51,103	-	-	51,103	-
Prepaid items	(3,842)	(9,571)	-	-	(13,413)	-
Vouchers payable	138,634	(8,463)	-	(15,392)	114,779	(5,315)
Accrued payroll	(8,501)	3,953	-	-	(4,548)	487
Compensated absences	(7,343)	(19,036)	-	-	(26,379)	1,758
Customer deposits	-	(6,975)	-	-	(6,975)	-
Deferred outflows-pension	(182,688)	(205,523)	-	-	(388,211)	-
Deferred inflows-pension	(56,399)	(63,449)	-	-	(119,848)	-
Net pension liability	375,560	422,505	-	-	798,065	-
Net cash flows from operating activities	<u>\$ 2,233,182</u>	<u>\$ 1,798,357</u>	<u>\$ -</u>	<u>\$ (426,597)</u>	<u>\$ 3,604,942</u>	<u>\$ 214,726</u>

See accompanying notes to the basic financial statements.

CITY OF ADRIAN, MICHIGAN
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2019

Assets

Cash	\$	89,220
Investments		36,248
Due from other governments		<u>212</u>
Total assets		<u><u>125,680</u></u>

Liabilities

Vouchers payable		6,205
Deposits held for others		<u>119,475</u>
Total liabilities	\$	<u><u>125,680</u></u>

See accompanying notes to the basic financial statements.

CITY OF ADRIAN, MICHIGAN
Notes to the Financial Statements
June 30, 2019

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 by DDA. And, the City's approval is needed for 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, 2019

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, 2019

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 can be either trust funds or agency funds. Trust funds use the same economic resources measurement focus and accrual basis of accounting as do proprietary funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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.

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.

CITY OF ADRIAN, MICHIGAN
Notes to the Financial Statements
June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The *Community Development Fund* is a special revenue fund that receives Federal grant funding restricted for community and economic development projects and initiatives.

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.

The *Storm Water Utility Fund* is an enterprise fund that accounts for the operation and maintenance of the City's storm water system. This fund was closed in fiscal year 2019, with the activities being accounted for in the Major Streets and Local Streets governmental funds.

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.

Agency Funds are used to account for payroll deductions to third parties, collection and payment of property taxes billed and collected by the City due to others, and monies received from various sources held in a custodial or agent capacity.

The City ceased being the fiscal agent for the Adrian Public Library effective July 1, 2018.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are changes 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, 2019

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 negotiable certificates of deposit, U.S. agency securities, U.S. treasuries, mutual funds, Michigan CLASS pool, commercial paper 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, 2019 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, 2019

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, 2019.

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 and Prepaid Items

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

Payments made to vendors for services that will benefit periods beyond June 30, 2019 are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of purchase and expenditure/expense in the fiscal year in which the services are consumed.

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

CITY OF ADRIAN, MICHIGAN
Notes to the Financial Statements
June 30, 2019

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. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

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 position 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 position 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, 2019

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, 2019

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 recommend 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, 2019

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, 2019

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, 2019, the City incurred significant 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 Attorney	\$ 140,115	\$ 148,553	\$ (8,438)
Nondepartmental	713,576	749,459	(35,883)
Public safety:			
Police department	3,482,636	3,487,601	(4,965)
Public safety:			
Stores - central supply	29,888	37,758	(7,870)
Street lighting	152,000	171,369	(19,369)

CITY OF ADRIAN, MICHIGAN
Notes to the Financial Statements
June 30, 2019

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	Community Development	Nonmajor Governmental Funds	Total
Nonspendable from:						
Inventory and prepaid items	\$ 165,384	\$ -	\$ -	\$ -	\$ -	\$ 165,384
Perpetual care	-	-	-	-	1,095,406	1,095,406
Endowment	-	-	-	-	459,413	459,413
Total nonspendable	<u>165,384</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,554,819</u>	<u>1,720,203</u>
Restricted for:						
Street maintenance and improvements	-	2,071,879	1,826,105	-	152,267	4,050,251
Parks and beautification	-	-	-	-	7,647	7,647
Rental rehab projects	-	-	-	132,322	-	132,322
Public purposes	-	-	-	-	32,796	32,796
Endowment	-	-	-	-	66,557	66,557
Drug enforcement	-	-	-	-	151,981	151,981
Cemetery lots	-	-	-	-	7,499	7,499
Total restricted	<u>-</u>	<u>2,071,879</u>	<u>1,826,105</u>	<u>132,322</u>	<u>418,747</u>	<u>4,449,053</u>
Committed for:						
Solid waste operations	-	-	-	-	374,992	374,992
Assigned for:						
General government	46,887	-	-	-	-	46,887
Pending Michigan Tax Tribunal	50,000	-	-	-	-	50,000
Grant matching	50,000	-	-	-	-	50,000
Autonomous bus grant	200,000	-	-	-	-	200,000
Bohn pool boiler	100,000	-	-	-	-	100,000
Pension liability contribution	500,000	-	-	-	-	500,000
Union negotiations	12,000	-	-	-	-	12,000
Special projects	30,000	-	-	-	3,256,715	3,286,715
Total assigned	<u>988,887</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,256,715</u>	<u>4,245,602</u>
Unassigned	<u>4,367,582</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,367,582</u>
Fund Balance Totals	<u>\$5,521,853</u>	<u>\$2,071,879</u>	<u>\$1,826,105</u>	<u>\$ 132,322</u>	<u>\$ 5,605,273</u>	<u>\$15,157,432</u>

CITY OF ADRIAN, MICHIGAN
Notes to the Financial Statements
June 30, 2019

3. DEPOSITS AND INVESTMENTS

The City and its component units had the following investments as of June 30, 2019:

Investment Type	Balance at 6/30/19	Investment Maturities			Concentration
		Less Than 1 Year	1-5 Years	6-10 Years	
<i>Primary Government:</i>					
Negotiable CD's	\$ 809,672	\$ -	\$ 809,672	\$ -	7%
U.S. Agency securities	3,087,327	1,072,716	1,815,351	199,260	27%
U.S. Treasuries	291,269	291,269	-	-	2%
Mutual funds	3,907,093	3,907,093	-	-	34%
Michigan CLASS pool	2,360,843	2,360,843	-	-	20%
Commerical paper	989,179	989,179	-	-	9%
Money markets	112,285	112,285	-	-	1%
Primary Government Total	<u>11,557,668</u>	<u>8,733,385</u>	<u>2,625,023</u>	<u>199,260</u>	<u>100%</u>
<i>Component Units:</i>					
Michigan CLASS pool	10,779	10,779	-	-	100%
Grand total	<u>\$ 11,568,447</u>	<u>\$ 8,744,164</u>	<u>\$ 2,625,023</u>	<u>\$ 199,260</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, 2019 was \$2,360,843 while the Downtown Development Authority's (component unit) investment in the pool at June 30, 2019 was \$10,779.

Interest Rate Risk. The City is exposed to interest rate risk with over 24% of 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, 2019 were unrated. The investments in U.S. Agency securities were rated AA+ by Standard & Poor's and Aaa by Moody's. The investments in commercial paper were rated A-1 by Standard & Poor's and P-1 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, 2019

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, 2019, \$12,280,002 of the City's bank balance of \$13,004,952 was exposed to custodial credit risk because it was uninsured and uncollateralized. As of June 30, 2019, both component units' bank balances of \$206,175 were within 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 negotiable 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, 2019, the City has the following recurring fair value measurements:

Investment Type	Balance at 6/30/19	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
<i>Primary Government:</i>				
Negotiable CD's	\$ 809,672	\$ -	\$ 809,672	\$ -
U.S. Agency securities	3,087,327	-	3,087,327	-
U.S. Treasuries	291,269	-	291,269	-
Mutual funds	3,907,093	-	3,907,093	-
Michigan CLASS pool (net asset value)	2,360,843	N/A	N/A	N/A
Commercial paper	989,179	-	989,179	-
Money market funds (valued at amortized costs)	112,285	N/A	N/A	N/A
Primary Government Total	11,557,668	-	9,084,540	-
<i>Component Units:</i>				
Michigan CLASS pool (net asset value)	10,779	N/A	N/A	N/A
Grand total	\$ 11,568,447	\$ -	\$ 9,084,540	\$ -

The City's investments in negotiable certificates of deposit, U.S. agency and U.S. Treasury securities and mutual funds were valued using 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.

CITY OF ADRIAN, MICHIGAN
Notes to the Financial Statements
June 30, 2019

4. RECEIVABLES

Receivables as of June 30, 2019 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	Community Development	Nonmajor Governmental Funds	Total Governmental Funds
Receivables:						
Taxes	\$ 154,529	\$ -	\$ -	\$ -	\$ 7,781	\$ 162,310
Accounts	161,844	159,210	126,345	-	426,790	874,189
Loans	-	-	-	105,451	-	105,451
Assessments	-	-	-	-	-	-
Intergovernmental	<u>395,927</u>	<u>136,221</u>	<u>42,888</u>	<u>-</u>	<u>-</u>	<u>575,036</u>
Gross Receivables	<u>712,300</u>	<u>295,431</u>	<u>169,233</u>	<u>105,451</u>	<u>434,571</u>	<u>1,716,986</u>
Less: Allowance for doubtful amounts	<u>(93,381)</u>	<u>-</u>	<u>-</u>	<u>(43,641)</u>	<u>(6,526)</u>	<u>(143,548)</u>
	<u>\$ 618,919</u>	<u>\$ 295,431</u>	<u>\$ 169,233</u>	<u>\$ 61,810</u>	<u>\$ 428,045</u>	<u>\$ 1,573,438</u>
	Wastewater System	Water System	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds	Primary Government Total
Receivables:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 162,310
Accounts	422,564	488,210	10,434	921,208	1,250	1,796,647
Loans	-	-	-	-	-	105,451
Assessments	68,501	-	267,992	336,493	-	336,493
Intergovernmental	<u>-</u>	<u>-</u>	<u>56,082</u>	<u>56,082</u>	<u>-</u>	<u>631,118</u>
Gross Receivables	<u>491,065</u>	<u>488,210</u>	<u>334,508</u>	<u>1,313,783</u>	<u>1,250</u>	<u>3,032,019</u>
Less: Allowance for doubtful amounts	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(143,548)</u>
	<u>\$ 491,065</u>	<u>\$ 488,210</u>	<u>\$ 334,508</u>	<u>\$ 1,313,783</u>	<u>\$ 1,250</u>	<u>\$ 2,888,471</u>

CITY OF ADRIAN, MICHIGAN
Notes to the Financial Statements
June 30, 2019

5. CAPITAL ASSETS

A. Primary Government

Capital asset activity for the City as of June 30, 2019 was as follows:

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Governmental Activities					
<i>Capital assets not being depreciated:</i>					
Land	\$ 8,305,639	\$ -	\$ -	\$ -	\$ 8,305,639
Construction in progress	-	10,888	-	-	10,888
Total capital assets not being depreciated	<u>8,305,639</u>	<u>10,888</u>	<u>-</u>	<u>-</u>	<u>8,316,527</u>
<i>Capital asset being depreciated:</i>					
Land improvements	8,405,630	57,206	-	-	8,462,836
Buildings	11,538,606	346,559	-	-	11,885,165
Equipment and furniture	7,428,821	426,841	-	-	7,855,662
Infrastructure	43,298,267	-	-	3,293,223	46,591,490
Total capital assets being depreciated	<u>70,671,324</u>	<u>830,606</u>	<u>-</u>	<u>3,293,223</u>	<u>74,795,153</u>
<i>Less accumulated depreciation:</i>					
Land improvements	(4,693,881)	(375,490)	-	-	(5,069,371)
Buildings	(4,632,106)	(297,376)	-	-	(4,929,482)
Equipment and furniture	(6,384,407)	(314,102)	-	-	(6,698,509)
Infrastructure	(34,329,385)	(629,207)	-	(1,717,903)	(36,676,495)
Total accumulated depreciation	<u>(50,039,779)</u>	<u>(1,616,175)</u>	<u>-</u>	<u>(1,717,903)</u>	<u>(53,373,857)</u>
Net capital assets being depreciated	<u>20,631,545</u>	<u>(785,569)</u>	<u>-</u>	<u>1,575,320</u>	<u>21,421,296</u>
Total capital assets, net	<u>\$ 28,937,184</u>	<u>\$ (774,681)</u>	<u>\$ -</u>	<u>\$ 1,575,320</u>	<u>\$ 29,737,823</u>

Depreciation expense was charged to the governmental programs as follows:

General government	\$ 133,682
Public safety	115,637
Public works	14,778
Culture and recreation	474,243
Community and economic development	4,748
Highways, streets and bridges	647,612
Motor vehicle pool	209,864
Information technology	15,611
Total depreciation expense	<u>\$ 1,616,175</u>

CITY OF ADRIAN, MICHIGAN
Notes to the Financial Statements
June 30, 2019

5. CAPITAL ASSETS (continued)

A. Primary Government (continued)

	<i>Restated</i> Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Business-Type Activities					
<i>Capital assets not being depreciated:</i>					
Land	\$ 949,726	\$ -	\$ -	\$ -	\$ 949,726
<i>Capital asset being depreciated:</i>					
Land improvements	2,929,687	21,725	-	(912,980)	2,038,432
Buildings	1,373,271	-	-	-	1,373,271
Vehicles, equipment and furniture	677,643	77,276	(60,120)	-	694,799
Utility systems	92,379,190	3,885,541	-	(2,380,243)	93,884,488
Total capital assets being depreciated	<u>97,359,791</u>	<u>3,984,542</u>	<u>(60,120)</u>	<u>(3,293,223)</u>	<u>97,990,990</u>
<i>Less accumulated depreciation:</i>					
Land improvements	(1,055,635)	(60,430)	-	384,985	(731,080)
Buildings	(360,639)	(33,329)	-	-	(393,968)
Vehicles, equipment and furniture	(454,387)	(81,448)	60,120	-	(475,715)
Utility systems	(45,996,360)	(2,192,689)	-	1,332,918	(46,856,131)
Total accumulated depreciation	<u>(47,867,021)</u>	<u>(2,367,896)</u>	<u>60,120</u>	<u>1,717,903</u>	<u>(48,456,894)</u>
Net capital assets being depreciated	<u>49,492,770</u>	<u>1,616,646</u>	<u>-</u>	<u>(1,575,320)</u>	<u>49,534,096</u>
Total capital assets, net	<u>\$ 50,442,496</u>	<u>\$ 1,616,646</u>	<u>\$ -</u>	<u>\$ (1,575,320)</u>	<u>\$ 50,483,822</u>

Depreciation expense was charged to enterprise operations as follows:

Wastewater system	\$ 1,477,304
Water system	715,385
Dial-A-Ride system	114,777
Automobile parking system	60,430
Total depreciation expense	<u>\$ 2,367,896</u>

During fiscal year 2019, the Storm Water Utility enterprise fund was closed, and its assets were transferred to the Major Streets and Local Streets governmental funds. The capital assets transferred was reported as a loss on disposal in the proprietary funds' statement of revenues, expenses and change in net position, and as a transfer between governmental activities and business-type activities on the statement of activities.

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, 2019

5. CAPITAL ASSETS (continued)

B. Component Unit

Capital asset activity for the Downtown Development Authority as of June 30, 2019 was 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	(1,180,425)	(50,800)	-	(1,231,225)
Net capital assets being depreciated	63,015	(50,800)	-	12,215
Total capital assets, net	<u>\$ 116,069</u>	<u>\$ (50,800)</u>	<u>\$ -</u>	<u>\$ 65,269</u>

6. INTERFUND TRANSACTIONS

A. Due From/To Other Funds

The City had the following due from/due to other fund balances at June 30, 2019 was as follows:

Due To:	Due From:							Total
	General Fund	Major Streets	Local Streets	Nonmajor Governmental Funds	Nonmajor Enterprise Funds	Internal Service Funds		
General Fund	\$ -	\$ 6	\$ 177	\$ -	\$ 5,979	\$ -	\$ 6,162	
Major Streets Fund	4,261	-	-	-	-	4,407	8,668	
Local Streets Fund	-	964	-	-	-	2,881	3,845	
Nonmajor Governmental Funds	97,186	138	-	-	2,083	46	99,453	
Wastewater System Fund	9,364	-	-	-	-	4,468	13,832	
Water System Fund	4,783	-	-	30	-	3,356	8,169	
Nonmajor Enterprise Funds	22,023	413	-	-	-	403	22,839	
Total	<u>\$ 137,617</u>	<u>\$ 1,521</u>	<u>\$ 177</u>	<u>\$ 30</u>	<u>\$ 8,062</u>	<u>\$ 15,561</u>	<u>\$ 162,968</u>	

Amounts due from/to other funds result from time lag between the dates that (1) reimbursable expenses/expenditures occur, (2) revenues collected from another fund, and (3) payments between funds are made.

CITY OF ADRIAN, MICHIGAN
Notes to the Financial Statements
June 30, 2019

6. INTERFUND TRANSACTIONS (continued)

B. Interfund Transfers

Interfund transfers for the fiscal year ended June 30, 2019 consisted of the following:

	Transfers In	Transfers Out
General Fund	\$ 249,459	\$ 123,690
Major Streets Fund	15,117	-
Local Streets Fund	389,117	-
Nonmajor Governmental Funds	-	399,000
Storm Water Utility Fund	-	30,234
Nonmajor Enterprise Funds	148,690	-
Internal Service Funds	-	249,459
	\$ 802,383	\$ 802,383

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.

An additional transfer of \$1,575,320 between governmental activities and business-type activities was reported in the statement of activities for transfer of the Storm Water Utility fund capital assets to governmental funds (see Note 5).

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 - 2009B	5 - 5.65%	\$ 1,600,000	May 1, 2023
Limited Tax General Obligation Bonds - 2009C	6.375 - 6.625%	\$ 3,900,000	May 1, 2034
Business-Type Activities:			
2002 Drinking Water Revolving Fund Bonds - 5201-01	2.50%	\$ 8,920,000	October 1, 2023
2002 Drinking Water Revolving Fund Bonds - 7098-01	2.50%	\$ 5,665,000	October 1, 2023
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

CITY OF ADRIAN, MICHIGAN
Notes to the Financial Statements
June 30, 2019

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. 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 principle 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 in the were \$1,149,702 and \$1,993,874, respectively, in the Wastewater System Fund and \$819,836 and \$1,812,787, respectively in the Water System Fund.

Compensated Absences. For governmental activities, accrued sick and vacation are liquidated from 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.

CITY OF ADRIAN, MICHIGAN
Notes to the Financial Statements
June 30, 2019

7. LONG-TERM OBLIGATIONS (continued)

Changes in the City's long-term obligations during fiscal year end June 30, 2019 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
General obligation bonds	\$ 5,255,000	\$ -	\$ (255,000)	\$ 5,000,000	\$ 260,000
Compensated absences	385,819	326,032	(211,299)	500,552	304,908
	<u>\$ 5,640,819</u>	<u>\$ 326,032</u>	<u>\$ (466,299)</u>	<u>\$ 5,500,552</u>	<u>\$ 564,908</u>
Business-Type Activities					
DWRF Bonds	\$ 9,521,707	\$ -	\$ (1,180,000)	\$ 8,341,707	\$ 1,200,000
SRF Bonds	4,361,538	-	(455,000)	3,906,538	460,000
Compensated absences	138,280	54,178	(80,557)	111,901	51,768
	<u>\$ 14,021,525</u>	<u>\$ 54,178</u>	<u>\$ (1,715,557)</u>	<u>\$ 12,360,146</u>	<u>\$ 1,711,768</u>

Principal and interest requirements to retire the City's long-term obligations outstanding at June 30, 2019 are:

	Governmental Activities		Business-Type Activities			
	G.O. Bonds		DWRF Bonds		SRF Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 260,000	\$ 315,638	\$ 1,200,000	\$ 179,296	\$ 460,000	\$ 62,668
2021	270,000	300,948	1,230,000	150,336	465,000	55,193
2022	280,000	285,692	1,260,000	120,646	475,000	47,597
2023	290,000	269,872	1,280,000	90,350	480,000	39,879
2024	300,000	253,488	1,310,000	59,446	495,000	31,998
2025-2029	1,655,000	967,812	2,061,707	110,984	1,531,538	47,127
2029-2034	1,945,000	393,194	-	-	-	-
	<u>\$5,000,000</u>	<u>\$2,786,644</u>	<u>\$ 8,341,707</u>	<u>\$ 711,058</u>	<u>\$ 3,906,538</u>	<u>\$ 284,462</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, 2019 was \$30,530,927.

CITY OF ADRIAN, MICHIGAN
Notes to the Financial Statements
June 30, 2019

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.

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, 2018 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	162
Inactive employees entitled to but not yet receiving benefits	75
Active employees	105
	<u>342</u>

CITY OF ADRIAN, MICHIGAN
Notes to the Financial Statements
June 30, 2019

8. DEFINED BENEFIT PENSION PLAN (continued)

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. Employer contribution rates range from 5.33% to 5.49% based on annual payroll for open divisions.

Net Pension Liability. The City's net pension liability was measured as of December 31, 2018, 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, 2018 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation:	2.5%
Salary Increases:	3.75% in the long-term
Investment Rate of Return:	8.00%, including inflation

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 RP-2014 mortality tables with a 50% male and 50% female blend.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study completed in 2015 for the five-year period ended December 31, 2013.

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	55.5%	3.41%
Global Fixed Income	18.5%	0.23%
Real Assets	13.5%	0.97%
Diversifying Strategies	12.5%	0.63%

CITY OF ADRIAN, MICHIGAN
Notes to the Financial Statements
June 30, 2019

8. DEFINED BENEFIT PENSION PLAN (continued)

Discount Rate. The discount rate used to measure the total pension liability is 8.0%. 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.

Changes in Net Pension Liability

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances as of 12/31/17	\$ 60,364,111	\$ 41,909,568	\$ 18,454,543
Changes for the year:			
Service cost	617,136	-	617,136
Interest	4,677,053	-	4,677,053
Benefit changes	(3,590)	-	(3,590)
Difference between expected and actual experiences	(327,178)	-	(327,178)
Contributions - employer	-	1,571,157	(1,571,157)
Contributions - employee	-	342,488	(342,488)
Net investment income	-	(1,565,290)	1,565,290
Benefit payments, including refunds of employee contributions	(4,419,042)	(4,419,042)	-
Administrative expense	-	(79,434)	79,434
Net changes	<u>544,379</u>	<u>(4,150,121)</u>	<u>4,694,500</u>
Balances as of 12/31/18	<u>\$ 60,908,490</u>	<u>\$ 37,759,447</u>	<u>\$ 23,149,043</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 8.0% as well as what the City's net pension liability would be using a discount rate that is 1 percentage point lower (7.0%) or 1 percentage point higher (9.0%) than the current rate.

	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
Calculated Net Pension Liability	\$ 29,340,953	\$ 23,149,043	\$ 17,879,665

CITY OF ADRIAN, MICHIGAN
Notes to the Financial Statements
June 30, 2019

8. DEFINED BENEFIT PENSION PLAN (continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the fiscal year ended June 30, 2019, the City recognized pension expense of \$1,705,914. The City reported deferred outflows and inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in experience	\$ 621,801	\$ 476,336
Excess (deficit) investment returns	2,884,296	-
Contributions subsequent to the measurement date	1,271,517	-
Total	\$ 4,777,614	\$ 476,336

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, 2020.

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

Fiscal Year Ended:	
2020	\$ 998,968
2021	513,951
2022	553,910
2023	962,932
2024	-
Thereafter	-
	\$ 3,029,761

Changes Subsequent to the Measurement Date. The MERS Retirement Board has adopted a change in economic assumptions to be reflected in the next annual actuarial valuation as of December 31, 2019. The new assumptions include a reduction in the assumed rate of investment return to 7.35%, net of expenses, and a reduction in the assumed rate of wage inflation to 3.00%. The exact amount of the impact to the City's net pension liability is not known.

CITY OF ADRIAN, MICHIGAN
Notes to the Financial Statements
June 30, 2019

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 2019 were 5% of annual salary for non-union employees and 7% for police and fire employees. For the fiscal year ended June 30, 2019, employee and employer contributions both totaled \$53,839 each.

B. Deferred Compensation Plans

The government offers its employees a deferred compensation plans created in accordance with Internal Revenue Code Section 457, amended August 20, 1996. The plans, available to all government employees, permits them to defer a portion of their salary, up to 100% of annual salary or \$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, 2019 was \$6,006,017.

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

C. Retirement Health Savings Plan

The City has a health savings plan for non-union and certain union employees. The plan provides funds (savings) to participating employees upon retirement for health insurance premiums and other health costs. The City made contributions to the plan are made during employment, \$60,121 during fiscal year 2019, but no additional funding is provided after retirement. The plan had investments of \$1,395,116 at June 30, 2019.

CITY OF ADRIAN, MICHIGAN
Notes to the Financial Statements
June 30, 2019

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 \$66,557 at June 30, 2019. 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.

The most significant endowment trust was the Thelma H. Swigert Endowment Trust. For the fiscal year ended June 30, 2019, the net appreciation on investments of the donor-restricted endowment was \$21,186. 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, 2019, the accumulated available net appreciation of \$27,068 is reported in restricted fund balance and the nonspendable fund balance was \$400,000.

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, 2019

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, 2019 are:

General Fund	\$	46,887
Major Streets		432,529
Local Streets		105,982
		\$ 585,398

B. Construction Commitments

The City has the following construction commitments as of June 30, 2019:

Project	Commitment	Spent-to-Date
Pavement symbols on City streets	\$ 73,520	\$ -
City street crack sealing	40,000	-
	\$ 113,520	\$ -

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.

CITY OF ADRIAN, MICHIGAN
Notes to the Financial Statements
June 30, 2019

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. 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 clean up (Sears parking lot). The amount of taxes foregone by the City during the fiscal year was \$6,138.

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). 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 \$59,725.

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.

CITY OF ADRIAN, MICHIGAN
Notes to the Financial Statements
June 30, 2019

14. TAX ABATEMENTS (continued)

C. Industrial Facilities Tax Exemptions (continued)

The current thirteen IFT certifications within the City reduced the City's taxes by \$30,688.

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 four NEZ certificates with \$252 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 five OPRA certificates, with \$9,747 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, 2019, taxes abated were \$47,115.

CITY OF ADRIAN, MICHIGAN
Notes to the Financial Statements
June 30, 2019

15. RESTATEMENTS

During the fiscal year, the City made corrections to capital assets reported in the Dial-A-Ride enterprise fund. The correction had the following effect on beginning net position reported in the nonmajor enterprise funds and business-type activities:

	Nonmajor Enterprise Funds	Business-Type Activities
	<u> </u>	<u> </u>
Net position, June 30, 2018	\$ 6,322,048	\$ 43,310,002
Adjustments:		
Reporting Storm Water Utility Fund as a major enterprise fund	(1,605,538)	-
Capital asset adjustments	<u>(140,092)</u>	<u>(140,092)</u>
Restated net position, June 30, 2018	<u>\$ 4,576,418</u>	<u>\$ 43,169,910</u>

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**Required
Supplementary
Information**

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CITY OF ADRIAN, MICHIGAN

Required Supplementary Information
 Schedule of Changes in Net Pension Liability and Related Ratios
 Municipal Employees Retirement System of Michigan
 Last Five Measurement Periods (1) (2)

	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%

(1) Information prior to 2014 was not available. The City will continue to present information for years available until a full ten-year trend is available.

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

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,				
	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%
	2014	2013	2012	2011	2010
Actuarially determined employer contributions	\$ 1,249,247	\$ 1,096,404	\$ 1,005,160	\$ 964,373	\$ 942,746
Actual employer contributions	\$ (1,252,633)	\$ (1,080,138)	\$ (981,416)	\$ (989,671)	\$ (903,303)
Contribution Deficiency (Excess)	\$ (3,386)	\$ 16,266	\$ 23,744	\$ (25,298)	\$ 39,443
City Covered Payroll	\$ 5,974,673	\$ 6,550,450	\$ 6,612,701	\$ 7,310,870	\$ 7,490,851
Actual contributions as a Percentage of Covered Payroll	20.97%	16.49%	14.84%	13.54%	12.06%

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

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

Notes to Schedule

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	23 years
Asset valuation method	5-year smoothing
Inflation	2.50%
Salary increases	3.75%
Investment rate of return	8.00%
Retirement age	Varies depending on plan adoption
Mortality	50% female/50% male RP-2014 Group Annuity Mortality Table

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%.

Supplemental Section

Combining and Other Financial Information

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CITY OF ADRIAN, MICHIGAN
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2019

	Nonmajor Special Revenue Funds					Nonmajor Capital Projects Fund	Permanent Funds			Total Nonmajor Governmental Funds	
	Municipal Streets	Fee Estate	RHINO	Solid Waste	Public Purpose	Subtotal	Oil & Gas Royalty Trust	Endowment Trust	Perpetual Care		Subtotal
Assets											
Equity in pooled cash and cash equivalents	\$ 151,056	\$ -	\$ 163,188	\$ 97,233	\$ 32,796	\$ 444,273	\$ -	\$ 9,077	\$ 120,548	\$ 129,625	\$ 573,898
Investments	-	-	-	-	-	-	3,256,715	516,893	974,958	1,491,851	4,748,566
Receivables (net of allowances)	1,255	144,427	-	282,363	-	428,045	-	-	-	-	428,045
Due from other funds	-	-	-	30	-	30	-	-	-	-	30
Land held for resale	-	-	-	-	-	-	-	-	7,499	7,499	7,499
Total assets	\$ 152,311	\$ 144,427	\$ 163,188	\$ 379,626	\$ 32,796	\$ 872,348	\$ 3,256,715	\$ 525,970	\$ 1,103,005	\$ 1,628,975	\$ 5,758,038
Liabilities											
Vouchers payable	\$ 44	\$ 34,903	\$ 10,154	\$ 2,532	\$ -	\$ 47,633	\$ -	\$ -	\$ -	\$ -	\$ 47,633
Accrued payroll	-	2,715	-	567	-	3,282	-	-	-	-	3,282
Due to other funds	-	99,162	53	138	-	99,353	-	-	100	100	99,453
Due to component units	-	-	-	1,397	-	1,397	-	-	-	-	1,397
Unearned revenue	-	-	1,000	-	-	1,000	-	-	-	-	1,000
Total liabilities	44	136,780	11,207	4,634	-	152,665	-	-	100	100	152,765
Fund balances											
Nonspendable	-	-	-	-	-	-	-	459,413	1,095,406	1,554,819	1,554,819
Restricted	152,267	7,647	151,981	-	32,796	344,691	-	66,557	7,499	74,056	418,747
Committed	-	-	-	374,992	-	374,992	-	-	-	-	374,992
Assigned	-	-	-	-	-	-	3,256,715	-	-	-	3,256,715
Total fund balances	152,267	7,647	151,981	374,992	32,796	719,683	3,256,715	525,970	1,102,905	1,628,875	5,605,273
Total liabilities and fund balances	\$ 152,311	\$ 144,427	\$ 163,188	\$ 379,626	\$ 32,796	\$ 872,348	\$ 3,256,715	\$ 525,970	\$ 1,103,005	\$ 1,628,975	\$ 5,758,038

CITY OF ADRIAN, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

Fiscal Year Ended June 30, 2019

	Nonmajor Special Revenue Funds					Subtotal	Nonmajor Capital Projects Fund	Permanent Funds			Total Nonmajor Governmental Funds
	Municipal Streets	Fee Estate	RHINO	Solid Waste	Public Purpose		Oil & Gas Royalty Trust	Endowment Trust	Perpetual Care	Subtotal	
Revenues											
Taxes	\$ 346,160	\$ -	\$ -	\$ -	\$ -	\$ 346,160	\$ -	\$ -	\$ -	\$ -	\$ 346,160
Intergovernmental-state	28,365	-	13,427	-	-	41,792	-	-	-	-	41,792
Charges for services	-	-	-	770,435	-	770,435	-	-	-	-	770,435
Investment earnings	-	-	1,773	-	-	1,773	107,221	4	50,504	50,508	159,502
Fee Trust - for beautification	-	627,646	-	-	-	627,646	-	-	-	-	627,646
Oil royalties	-	-	-	-	-	-	143,348	-	-	-	143,348
Other	-	27,000	155,989	-	12,460	195,449	-	21,247	13,500	34,747	230,196
Total revenues	374,525	654,646	171,189	770,435	12,460	1,983,255	250,569	21,251	64,004	85,255	2,319,079
Expenditures											
Current:											
General government	-	-	-	-	13,204	13,204	-	-	-	-	13,204
Public safety	-	-	226,246	-	-	226,246	-	-	-	-	226,246
Sanitation	-	-	-	761,552	-	761,552	-	-	-	-	761,552
Community beautification and improvements	-	632,842	-	-	-	632,842	-	-	-	-	632,842
Total expenditures	-	632,842	226,246	761,552	13,204	1,633,844	-	-	-	-	1,633,844
Excess (deficiency) of revenues over (under) expenditures	374,525	21,804	(55,057)	8,883	(744)	349,411	250,569	21,251	64,004	85,255	685,235
Other Financing Uses											
Transfers out	(374,000)	(25,000)	-	-	-	(399,000)	-	-	-	-	(399,000)
Net change in fund balances	525	(3,196)	(55,057)	8,883	(744)	(49,589)	250,569	21,251	64,004	85,255	286,235
Fund balance, beginning of year	151,742	10,843	207,038	366,109	33,540	769,272	3,006,146	504,719	1,038,901	1,543,620	5,319,038
Fund balance, end of year	\$ 152,267	\$ 7,647	\$ 151,981	\$ 374,992	\$ 32,796	\$ 719,683	\$ 3,256,715	\$ 525,970	\$ 1,102,905	\$ 1,628,875	\$ 5,605,273

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, 2019

	Budgeted Amounts		Actual	Variance From Final Budget
	Original	Final		
Revenues				
Taxes	\$ 340,000	\$ 344,000	\$ 346,160	\$ 2,160
Intergovernmental-state	30,000	30,000	28,365	(1,635)
Total revenues	<u>370,000</u>	<u>374,000</u>	<u>374,525</u>	<u>525</u>
Other Financing Uses				
Transfers out	<u>(370,000)</u>	<u>(374,000)</u>	<u>(374,000)</u>	<u>-</u>
Net change in fund balances	-	-	525	<u>\$ 525</u>
Fund balance, beginning of year	<u>151,742</u>	<u>151,742</u>	<u>151,742</u>	
Fund balance, end of year	<u>\$ 151,742</u>	<u>\$ 151,742</u>	<u>\$ 152,267</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, 2019

	Budgeted Amounts		Actual	Variance From Final Budget
	Original	Final		
Revenues				
Fee Trust - for beautification	\$ 905,986	\$ 772,339	\$ 627,646	\$ (144,693)
Other	-	27,000	27,000	-
Total revenues	<u>905,986</u>	<u>799,339</u>	<u>654,646</u>	<u>(144,693)</u>
Expenditures				
Current:				
Community beautification and improvements:				
Parks and forestry garage	14,000	31,420	29,726	1,694
Fee estate maintenance	<u>866,986</u>	<u>742,919</u>	<u>603,116</u>	<u>139,803</u>
Total expenditures	<u>880,986</u>	<u>774,339</u>	<u>632,842</u>	<u>141,497</u>
Excess of revenues over expenditures	<u>25,000</u>	<u>25,000</u>	<u>21,804</u>	<u>(3,196)</u>
Other Financing Uses				
Transfers out	<u>(25,000)</u>	<u>(25,000)</u>	<u>(25,000)</u>	<u>-</u>
Net change in fund balances	-	-	(3,196)	<u>\$ (3,196)</u>
Fund balance, beginning of year	<u>10,843</u>	<u>10,843</u>	<u>10,843</u>	
Fund balance, end of year	<u>\$ 10,843</u>	<u>\$ 10,843</u>	<u>\$ 7,647</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, 2019

	Budgeted Amounts		Actual	Variance From Final Budget
	Original	Final		
Revenues				
Intergovernmental-state	\$ -	\$ 13,427	\$ 13,427	\$ -
Investment earnings	900	1,780	1,773	(7)
Other	110,000	211,683	155,989	(55,694)
Total revenues	<u>110,900</u>	<u>226,890</u>	<u>171,189</u>	<u>(55,701)</u>
Expenditures				
Current:				
Public safety:				
Administration	<u>110,900</u>	<u>226,890</u>	<u>226,246</u>	<u>644</u>
Net change in fund balances	-	-	(55,057)	<u>\$ (55,057)</u>
Fund balance, beginning of year	<u>207,038</u>	<u>207,038</u>	<u>207,038</u>	
Fund balance, end of year	<u>\$ 207,038</u>	<u>\$ 207,038</u>	<u>\$ 151,981</u>	

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, 2019

	Budgeted Amounts		Actual	Variance From Final Budget
	Original	Final		
Revenues				
Charges for services	\$ 777,277	\$ 763,867	\$ 770,435	\$ 6,568
Expenditures				
Current:				
Sanitation:				
Refuse collection and disposal	777,277	763,867	761,552	2,315
Net change in fund balances	-	-	8,883	\$ 8,883
Fund balance, beginning of year	366,109	366,109	366,109	
Fund balance, end of year	\$ 366,109	\$ 366,109	\$ 374,992	

CITY OF ADRIAN, MICHIGAN

Combining Statement of Net Position

Nonmajor Enterprise Funds

June 30, 2019

	Capital Projects Revolving	Dial-A-Ride System	Automobile Parking System	Total Nonmajor Enterprise Funds
Assets				
Current assets:				
Equity in pooled cash and cash equivalents	\$ 610,256	\$ -	\$ 506,739	\$ 1,116,995
Receivables (net of allowances)	267,992	56,382	10,134	334,508
Due from other funds	-	-	8,062	8,062
Due from component units	-	-	5,000	5,000
Total current assets	<u>878,248</u>	<u>56,382</u>	<u>529,935</u>	<u>1,464,565</u>
Noncurrent assets:				
Nondepreciable capital assets	-	22,868	638,500	661,368
Depreciable capital assets, net	-	1,198,386	1,307,353	2,505,739
Total noncurrent assets	<u>-</u>	<u>1,221,254</u>	<u>1,945,853</u>	<u>3,167,107</u>
Total assets	<u>878,248</u>	<u>1,277,636</u>	<u>2,475,788</u>	<u>4,631,672</u>
Liabilities				
Current liabilities:				
Vouchers payable	-	17,346	1,307	18,653
Due to other funds	-	22,023	816	22,839
Due to other governments	-	17,013	-	17,013
Total liabilities	<u>-</u>	<u>56,382</u>	<u>2,123</u>	<u>58,505</u>
Net Position				
Investment in capital assets	-	1,221,254	1,945,853	3,167,107
Unrestricted	<u>878,248</u>	<u>-</u>	<u>527,812</u>	<u>1,406,060</u>
Total net position	<u>\$ 878,248</u>	<u>\$ 1,221,254</u>	<u>\$ 2,473,665</u>	<u>\$ 4,573,167</u>

CITY OF ADRIAN, MICHIGAN

Combining Statement of Revenues, Expenses and Change in Net Position

Nonmajor Enterprise Funds

Fiscal Year Ended June 30, 2019

	Capital Projects Revolving	Dial-A-Ride System	Automobile Parking System	Total Nonmajor Enterprise Funds
Operating Revenues:				
Charges for services	\$ -	\$ 77,232	\$ -	\$ 77,232
Special assessments	-	-	58,247	58,247
Other	-	3,000	-	3,000
Total operating revenues	<u>-</u>	<u>80,232</u>	<u>58,247</u>	<u>138,479</u>
Operating Expenses:				
Personal services	-	249,657	14,089	263,746
Contract services	-	40,218	4,451	44,669
Materials and supplies	-	23,856	7,381	31,237
Depreciation	-	114,777	60,430	175,207
Other	-	102,365	68,669	171,034
Total operating expenses	<u>-</u>	<u>530,873</u>	<u>155,020</u>	<u>685,893</u>
Operating loss	<u>-</u>	<u>(450,641)</u>	<u>(96,773)</u>	<u>(547,414)</u>
Nonoperating revenues (expenses):				
Gain on disposal of assets	-	3,123	-	3,123
Interest income	15,772	-	225	15,997
Operating grants	-	241,353	-	241,353
Total nonoperating revenues (expenses)	<u>15,772</u>	<u>244,476</u>	<u>225</u>	<u>260,473</u>
Income (loss) before transfers and contributions	15,772	(206,165)	(96,548)	(286,941)
Transfers in	-	63,690	85,000	148,690
Capital contributions	-	75,000	60,000	135,000
Change in net position	15,772	(67,475)	48,452	(3,251)
Net position beginning of year, <i>restated</i>	<u>862,476</u>	<u>1,288,729</u>	<u>2,425,213</u>	<u>4,576,418</u>
Net position end of year	<u>\$ 878,248</u>	<u>\$ 1,221,254</u>	<u>\$ 2,473,665</u>	<u>\$ 4,573,167</u>

CITY OF ADRIAN, MICHIGAN

Combining Statement of Cash Flows

Nonmajor Enterprise Funds

Fiscal Year Ended June 30, 2019

	Capital Projects Revolving	Dial-A-Ride System	Automobile Parking System	Total Nonmajor Enterprise Funds
Cash Flows from Operating Activities				
Cash received from customers	\$ 166,141	\$ 80,547	\$ 62,855	\$ 309,543
Cash payments for employee services and benefits	-	(249,657)	(14,089)	(263,746)
Cash payments to suppliers for goods and services	(210,062)	(167,519)	(94,813)	(472,394)
Net cash flows from operating activities	<u>(43,921)</u>	<u>(336,629)</u>	<u>(46,047)</u>	<u>(426,597)</u>
Cash Flows from Noncapital Financing Activities				
Cash received from other funds	-	130,262	85,000	215,262
Cash received from other governments	-	205,520	-	205,520
Cash paid to other funds	-	-	(10,584)	(10,584)
Net cash flows from noncapital financing activities	<u>-</u>	<u>335,782</u>	<u>74,416</u>	<u>410,198</u>
Cash Flows from Capital and Related Financing Activities				
Acquisition of capital assets	-	(77,276)	(21,726)	(99,002)
Capital grants	-	75,000	60,000	135,000
Proceeds from sale of assets	-	3,123	-	3,123
Net cash flows from capital and related financing activities	<u>-</u>	<u>847</u>	<u>38,274</u>	<u>39,121</u>
Cash Flows from Investing Activities				
Interest on investments	15,772	-	225	15,997
Net cash flows from investing activities	<u>15,772</u>	<u>-</u>	<u>225</u>	<u>15,997</u>
Net increase (decrease) in cash and cash equivalents	(28,149)	-	66,868	38,719
Cash and cash equivalents beginning of year	638,405	-	439,871	1,078,276
Cash and cash equivalents end of year	<u>\$ 610,256</u>	<u>\$ -</u>	<u>\$ 506,739</u>	<u>\$ 1,116,995</u>
Reconciliation of operating loss to net cash flows from operating activities:				
Operating loss	\$ -	\$ (450,641)	\$ (96,773)	\$ (547,414)
Adjustments to reconcile operating loss to net cash from operating activities:				
Depreciation	-	114,777	60,430	175,207
Changes in assets, liabilities and deferred outflows/inflows:				
Receivables	(43,921)	315	4,608	(38,998)
Vouchers payable	-	(1,080)	(14,312)	(15,392)
Net cash flows from operating activities	<u>\$ (43,921)</u>	<u>\$ (336,629)</u>	<u>\$ (46,047)</u>	<u>\$ (426,597)</u>

CITY OF ADRIAN, MICHIGAN
Combining Statement of Net Position
Internal Service Funds
June 30, 2019

	<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	\$ 290,583	\$ 782,735	\$ 29,579	\$ 1,102,897
Receivables (net of allowances)	-	1,250	-	1,250
Due from other funds	4,991	10,570	-	15,561
Total current assets	<u>295,574</u>	<u>794,555</u>	<u>29,579</u>	<u>1,119,708</u>
Noncurrent assets:				
Depreciable capital assets, net	<u>34,019</u>	<u>679,220</u>	<u>-</u>	<u>713,239</u>
Total assets	<u>329,593</u>	<u>1,473,775</u>	<u>29,579</u>	<u>1,832,947</u>
Liabilities				
Current liabilities:				
Vouchers payable	6,768	5,740	25,850	38,358
Accrued payroll	-	1,184	212	1,396
Compensated absences	<u>2,183</u>	<u>9,832</u>	<u>-</u>	<u>12,015</u>
Total current liabilities	<u>8,951</u>	<u>16,756</u>	<u>26,062</u>	<u>51,769</u>
Noncurrent liabilities:				
Compensated absences	<u>783</u>	<u>3,136</u>	<u>-</u>	<u>3,919</u>
Total liabilities	<u>9,734</u>	<u>19,892</u>	<u>26,062</u>	<u>55,688</u>
Net Position				
Investment in capital assets	34,019	679,220	-	713,239
Unrestricted	<u>285,840</u>	<u>774,663</u>	<u>3,517</u>	<u>1,064,020</u>
Total net position	<u>\$ 319,859</u>	<u>\$ 1,453,883</u>	<u>\$ 3,517</u>	<u>\$ 1,777,259</u>

CITY OF ADRIAN, MICHIGAN

Combining Statement of Revenues, Expenses and Change in Net Position

Internal Service Funds

Fiscal Year Ended June 30, 2019

	Information Technology	Motor Vehicle Pool	Building Maintenance	Total Internal Service Funds
Operating Revenues:				
Charges for services	\$ 233,033	\$ 882,995	\$ 409,654	\$ 1,525,682
Other	-	21,462	102,000	123,462
Total operating revenues	<u>233,033</u>	<u>904,457</u>	<u>511,654</u>	<u>1,649,144</u>
Operating Expenses:				
Personal services	119,869	109,091	105	229,065
Contract services	1,698	407,683	5,201	414,582
Materials and supplies	141,540	366	51,296	193,202
Depreciation	15,611	209,864	-	225,475
Other	73,744	176,698	364,939	615,381
Total operating expenses	<u>352,462</u>	<u>903,702</u>	<u>421,541</u>	<u>1,677,705</u>
Income (loss) before transfers	(119,429)	755	90,113	(28,561)
Transfers out	-	-	(249,459)	(249,459)
Change in net position	(119,429)	755	(159,346)	(278,020)
Net position beginning of year	<u>439,288</u>	<u>1,453,128</u>	<u>162,863</u>	<u>2,055,279</u>
Net position end of year	<u>\$ 319,859</u>	<u>\$ 1,453,883</u>	<u>\$ 3,517</u>	<u>\$ 1,777,259</u>

CITY OF ADRIAN, MICHIGAN

Combining Statement of Cash Flows

Internal Service Funds

Fiscal Year Ended June 30, 2019

	Information Technology	Motor Vehicle Pool	Building Maintenance	Total Internal Service Funds
Cash Flows from Operating Activities				
Cash received from customers and interfund charges	\$ 242,830	\$ 913,542	\$ 513,654	\$ 1,670,026
Cash payments for employee services and benefits	(119,974)	(106,953)	107	(226,820)
Cash payments to suppliers for goods and services	(214,982)	(589,415)	(424,083)	(1,228,480)
Net cash flows from operating activities	<u>(92,126)</u>	<u>217,174</u>	<u>89,678</u>	<u>214,726</u>
Cash Flows from Capital and Related Financing Activities				
Acquisition of capital assets	(7,955)	(219,894)	-	(227,849)
Cash payments to other funds for capital purposes	<u>-</u>	<u>-</u>	<u>(249,459)</u>	<u>(249,459)</u>
Net cash flows from capital and related financing activities	<u>(7,955)</u>	<u>(219,894)</u>	<u>(249,459)</u>	<u>(477,308)</u>
Net increase (decrease) in cash and cash equivalents	(100,081)	(2,720)	(159,781)	(262,582)
Cash and cash equivalents beginning of year	390,664	785,455	189,360	1,365,479
Cash and cash equivalents end of year	<u>\$ 290,583</u>	<u>\$ 782,735</u>	<u>\$ 29,579</u>	<u>\$ 1,102,897</u>

Reconciliation of operating income (loss) to net cash flows from operating activities:

Operating income (loss)	\$ (119,429)	\$ 755	\$ 90,113	\$ (28,561)
Adjustments to reconcile operating income to net cash from operating activities:				
Depreciation	15,611	209,864	-	225,475
Changes in assets and liabilities:				
Receivables	9,797	9,085	2,000	20,882
Vouchers payable	2,000	(4,668)	(2,647)	(5,315)
Accrued payroll	-	275	212	487
Compensated absences	(105)	1,863	-	1,758
Net cash flows from operating activities	<u>\$ (92,126)</u>	<u>\$ 217,174</u>	<u>\$ 89,678</u>	<u>\$ 214,726</u>

CITY OF ADRIAN, MICHIGAN

Combining Statement of Changes in Assets and Liabilities

Agency Funds

Fiscal Year Ended June 30, 2019

	Beginning Balance	Additions	Deductions	Ending Balance
PAYROLL DEDUCTION FUND				
Assets:				
Cash	\$ 7,045	\$ 57,763	\$ 58,603	\$ 6,205
Liabilities:				
Vouchers payable	7,045	57,763	58,603	6,205
PROPERTY TAX FUND				
Assets:				
Taxes receivable	901	18,380,626	18,381,527	-
Liabilities:				
Due to other taxing units	901	18,380,626	18,381,527	-
TRUST & AGENCY FUND				
Assets:				
Cash	69,609	579,800	566,394	83,015
Investments	35,392	856	-	36,248
Due from other governments	-	8,026	7,814	212
Total assets	<u>105,001</u>	<u>588,682</u>	<u>574,208</u>	<u>119,475</u>
Liabilities:				
Deposits held for others	<u>105,001</u>	<u>588,682</u>	<u>574,208</u>	<u>119,475</u>
ADRIAN DISTRICT LIBRARY				
Assets:				
Cash	546,161	-	546,161	-
Other assets	14,478	-	14,478	-
Total assets	<u>560,639</u>	<u>-</u>	<u>560,639</u>	<u>-</u>
Liabilities:				
Vouchers payable	11,383	-	11,383	-
Accrued liabilities	14,145	-	14,145	-
Deposits held for others	535,111	-	535,111	-
Total liabilities	<u>560,639</u>	<u>-</u>	<u>560,639</u>	<u>-</u>
TOTAL - ALL AGENCY FUNDS				
Assets:				
Cash	622,815	637,563	1,171,158	89,220
Investments	35,392	856	-	36,248
Due from other governments	-	8,026	7,814	212
Taxes receivable	901	18,380,626	18,381,527	-
Other assets	14,478	-	14,478	-
Total assets	<u>673,586</u>	<u>19,027,071</u>	<u>19,574,977</u>	<u>125,680</u>
Liabilities:				
Vouchers payable	18,428	57,763	69,986	6,205
Accrued liabilities	14,145	-	14,145	-
Due to other taxing units	901	18,380,626	18,381,527	-
Deposits held for others	640,112	588,682	1,109,319	119,475
Total liabilities	<u>\$ 673,586</u>	<u>\$ 19,027,071</u>	<u>\$ 19,574,977</u>	<u>\$ 125,680</u>

CITY OF ADRIAN, MICHIGAN

Statement of Net Position and Governmental Funds Balance Sheet
 Brownfield Redevelopment Authority Component Unit
 June 30, 2019

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Assets			
Equity in pooled cash and cash equivalents	\$ 87,353	\$ -	\$ 87,353
Total assets	<u>\$ 87,353</u>	<u>-</u>	<u>87,353</u>
Liabilities			
Due to primary government	<u>4</u>	<u>-</u>	<u>4</u>
Total liabilities	<u>4</u>	<u>-</u>	<u>4</u>
Fund Balances			
Unassigned	<u>\$ 87,349</u>	<u>(87,349)</u>	<u>-</u>
Net Position			
Unrestricted		<u>\$ 87,349</u>	<u>\$ 87,349</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, 2019

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Expenditures/Expenses			
Community and economic development	\$ 9,816	\$ -	\$ 9,816
General Revenues			
Property taxes	13,031	-	13,031
Investment earnings	<u>880</u>	<u>-</u>	<u>880</u>
Total general revenue	<u>13,911</u>	<u>-</u>	<u>13,911</u>
Net change in fund balances	4,095	-	-
Change in net position	-	-	4,095
Fund balance/net position, beginning of year	<u>83,254</u>	<u>-</u>	<u>83,254</u>
Fund balance/net position, end of year	<u>\$ 87,349</u>	<u>\$ -</u>	<u>\$ 87,349</u>

CITY OF ADRIAN, MICHIGAN

Statement of Net Position and Governmental Funds Balance Sheet
 Downtown Development Authority Component Unit
 June 30, 2019

	General Fund	Adjustments	Statement of Net Position
Assets			
Equity in pooled cash and cash equivalents	\$ 117,533	\$ -	\$ 117,533
Investments	10,779	-	10,779
Receivables (net of allowances)	6,878	-	6,878
Due from the primary government	1,397	-	1,397
Nondepreciable capital assets	-	53,054	53,054
Depreciable capital assets, net	-	12,215	12,215
Total assets	<u>\$ 136,587</u>	<u>65,269</u>	<u>201,856</u>
Liabilities			
Vouchers payable	\$ 168	-	168
Due to primary government	5,171	-	5,171
Total liabilities	<u>5,339</u>	<u>-</u>	<u>5,339</u>
Fund Balances			
Unassigned	<u>131,248</u>	<u>(131,248)</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 136,587</u>		
Net Position			
Investment in capital assets		65,269	65,269
Restricted			
Unrestricted		<u>131,248</u>	<u>131,248</u>
Total net position		<u>\$ 196,517</u>	<u>\$ 196,517</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, 2019

	General Fund	Adjustments	Statement of Activities
Program Revenues			
Charges for services	\$ 21,702	\$ -	\$ 21,702
Operating grants and contributions	<u>3,693</u>	<u>-</u>	<u>3,693</u>
Total program revenues	<u>25,395</u>	<u>-</u>	<u>25,395</u>
General Revenues			
Property taxes	104,841	-	104,841
Investment earnings	<u>1,403</u>	<u>-</u>	<u>1,403</u>
Total general revenue	<u>106,244</u>	<u>-</u>	<u>106,244</u>
Total revenue	<u>131,639</u>	<u>-</u>	<u>131,639</u>
Expenditures/Expenses			
Community and economic development	<u>101,486</u>	<u>37,773</u>	<u>139,259</u>
Net change in fund balances	30,153	(30,153)	-
Change in net position	-	(7,620)	(7,620)
Fund balance/net position, beginning of year	<u>101,095</u>	<u>103,042</u>	<u>204,137</u>
Fund balance/net position, end of year	<u>\$ 131,248</u>	<u>\$ 65,269</u>	<u>\$ 196,517</u>

CITY OF ADRIAN, MICHIGAN
Schedule of Indebtedness
 June 30, 2019
 (Page 1 of 4)

Primary Government	Date of Issue	Amount of Issue	Interest Rate	Date of Maturity	June 30, 2018	June 30, 2019	Annual Interest Payable
General Fund	11/16/09	\$ 7,040,000	5.000%	11/01/18 - 05/01/19	\$ 255,000	\$ -	\$ 328,388
Limited Tax General Obligation Bonds, Series A, B and C (combined schedule)			5.650%	11/01/19 - 05/01/20	260,000	260,000	315,638
			5.650%	11/01/20 - 05/01/21	270,000	270,000	300,948
			5.650%	11/01/21 - 05/01/22	280,000	280,000	285,692
			5.650%	11/01/22 - 05/01/23	290,000	290,000	269,872
			6.375%	11/01/23 - 05/01/24	300,000	300,000	253,488
			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>\$ 5,255,000</u>	<u>\$ 5,000,000</u>	<u>\$ 3,115,032</u>

CITY OF ADRIAN, MICHIGAN
Schedule of Indebtedness
 June 30, 2019
 (Page 2 of 4)

<u>Primary Government</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>June 30, 2018</u>	<u>June 30, 2019</u>	<u>Annual Interest Payable</u>
Wastewater System Revenue Bonds (DWRP Loan)	09/26/02	\$ 8,920,000	2.50%	10/01/18 - 04/01/19	\$ 495,000	\$ -	\$ 72,813
				10/01/19 - 04/01/20	505,000	505,000	60,313
				10/01/20 - 04/01/21	520,000	520,000	47,500
				10/01/21 - 04/01/22	535,000	535,000	34,313
				10/01/22 - 04/01/23	545,000	545,000	20,813
				10/01/23	<u>560,000</u>	<u>560,000</u>	<u>7,000</u>
				<u>\$ 3,160,000</u>	<u>\$ 2,665,000</u>	<u>\$ 242,752</u>	
Water Supply System Revenue Bonds (DWRP Loan)	09/26/02	\$ 5,665,000	2.50%	10/01/18 - 04/01/19	\$ 315,000	\$ -	\$ 46,187
				10/01/19 - 04/01/20	320,000	320,000	38,250
				10/01/20 - 04/01/21	330,000	330,000	30,125
				10/01/21 - 04/01/22	340,000	340,000	21,750
				10/01/22 - 04/01/23	345,000	345,000	13,188
				10/01/23	<u>355,000</u>	<u>355,000</u>	<u>4,437</u>
				<u>\$ 2,005,000</u>	<u>\$ 1,690,000</u>	<u>\$ 153,937</u>	

CITY OF ADRIAN, MICHIGAN
Schedule of Indebtedness
 June 30, 2019
 (Page 3 of 4)

Primary Government	Date of Issue	Amount of Issue	Interest Rate	Date of Maturity	June 30, 2018	June 30, 2019	Annual Interest Payable
Wastewater System Revenue Bonds (SRF Loan)	09/22/05	\$ 1,993,885	1.625%	10/01/18 - 04/01/19	\$ 100,000	\$ -	\$ 15,013
				10/01/19 - 04/01/20	100,000	100,000	13,388
				10/01/20 - 04/01/21	100,000	100,000	11,763
				10/01/21 - 04/01/22	105,000	105,000	10,097
				10/01/22 - 04/01/23	105,000	105,000	8,391
				10/01/23 - 04/01/24	115,000	115,000	6,604
				10/01/24 - 04/01/25	115,000	115,000	4,735
				10/01/25 - 04/01/26	115,000	115,000	2,866
				10/01/26 - 04/01/27	<u>118,885</u>	<u>118,885</u>	<u>966</u>
				<u>\$ 973,885</u>	<u>\$ 873,885</u>	<u>\$ 73,823</u>	
Wastewater System Revenue Bonds, Series 2007B (SRF Loan)	12/01/05	\$ 6,962,663	1.625%	10/01/18 - 04/01/19	\$ 355,000	\$ -	\$ 55,050
				10/01/19 - 04/01/20	360,000	360,000	49,280
				10/01/20 - 04/01/21	365,000	365,000	43,430
				10/01/21 - 04/01/22	370,000	370,000	37,500
				10/01/22 - 04/01/23	375,000	375,000	31,488
				10/01/23 - 04/01/24	380,000	380,000	25,394
				10/01/24 - 04/01/25	390,000	390,000	19,218
				10/01/25 - 04/01/26	395,000	395,000	12,880
				10/01/26 - 04/01/27	<u>397,653</u>	<u>397,653</u>	<u>6,462</u>
				<u>\$ 3,387,653</u>	<u>\$ 3,032,653</u>	<u>\$ 280,702</u>	

CITY OF ADRIAN, MICHIGAN
Schedule of Indebtedness
 June 30, 2019
 (Page 4 of 4)

Primary Government	Date of Issue	Amount of Issue	Interest Rate	Date of Maturity	June 30, 2018	June 30, 2019	Annual Interest Payable
Water Supply System Revenue Bonds (DWRP Loan)	09/27/07	\$ 7,441,707	2.125%	10/01/18 - 04/01/19	\$ 370,000	\$ -	\$ 88,649
				10/01/19 - 04/01/20	375,000	375,000	80,733
				10/01/20 - 04/01/21	380,000	380,000	72,711
				10/01/21 - 04/01/22	385,000	385,000	64,583
				10/01/22 - 04/01/23	390,000	390,000	56,349
				10/01/23 - 04/01/24	395,000	395,000	48,009
				10/01/24 - 04/01/25	400,000	400,000	39,562
				10/01/25 - 04/01/26	405,000	405,000	31,009
				10/01/26 - 04/01/27	410,000	410,000	22,349
				10/01/27 - 04/01/28	420,000	420,000	13,530
				10/01/28	<u>426,707</u>	<u>426,707</u>	<u>4,534</u>
				<u>\$ 4,356,707</u>	<u>\$ 3,986,707</u>	<u>\$ 522,018</u>	
Accumulated Vacation and Sick Pay - Long-Term				<u>\$ 232,243</u>	<u>\$ 255,778</u>		
Total - Primary Government				<u>\$ 19,370,488</u>	<u>\$ 17,504,023</u>		

STATISTICAL SECTION

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Statistical Section

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

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 comprehensive annual financial reports for the relevant year.

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

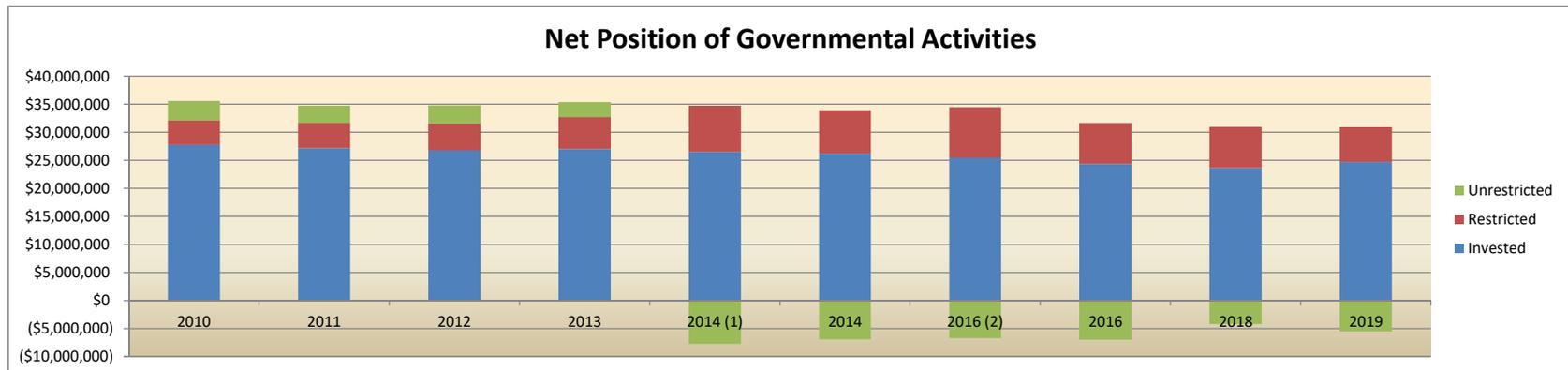
Exhibit B-1

	2010	2011	2012	2013	2014 (1)	2015	2016 (2)	2017	2018	2019
Governmental Activities:										
Net Investment in Capital Assets	\$27,799,240	\$27,197,876	\$26,776,971	\$27,025,286	\$26,555,176	\$26,228,236	\$25,430,964	\$24,346,844	\$23,682,184	\$24,737,823
Restricted	4,293,813	4,523,781	4,811,616	5,696,801	8,183,020	7,703,641	9,050,154	7,292,869	7,293,011	6,172,075
Unrestricted (Deficit)	3,498,072	3,009,467	3,203,485	2,643,725	(7,737,917)	(6,934,567)	(6,714,455)	(7,010,387)	(4,253,877)	(5,506,781)
Total Governmental Activities Net Position	\$35,591,125	\$34,731,124	\$34,792,072	\$35,365,812	\$27,000,279	\$26,997,310	\$27,766,663	\$24,629,326	\$26,721,318	\$25,403,117
Business-type Activities:										
Net Investment in Capital Assets	\$26,987,222	\$28,761,884	\$29,423,469	\$30,623,333	\$31,037,036	\$34,031,561	\$34,717,610	\$35,913,131	\$36,699,343	\$38,235,577
Restricted	4,171,134	2,151,170	2,461,914	2,635,996	2,811,407	2,938,561	3,023,860	3,050,046	3,344,633	3,369,998
Unrestricted (Deficit)	2,686,083	4,010,890	5,019,799	5,828,956	5,137,382	3,916,192	4,453,325	2,780,185	3,266,026	2,969,831
Total Business-type Activities Net Position	\$33,844,439	\$34,923,944	\$36,905,182	\$39,088,285	\$38,985,825	\$40,886,314	\$42,194,795	\$41,743,362	\$43,310,002	\$44,575,406
Primary Government:										
Net Investment in Capital Assets	\$54,786,462	\$55,959,760	\$56,200,440	\$57,648,619	\$57,592,212	\$60,259,797	\$60,148,574	\$60,259,975	\$60,381,527	\$62,973,400
Restricted	8,464,947	6,674,951	7,273,530	8,332,797	10,994,427	10,642,202	12,074,014	10,342,915	10,637,644	9,542,073
Unrestricted (Deficit)	6,184,155	7,020,357	8,223,284	8,472,681	(2,600,535)	(3,018,375)	(2,261,130)	(4,230,202)	(987,851)	(2,536,950)
Total Primary Government Net Position	\$69,435,564	\$69,655,068	\$71,697,254	\$74,454,097	\$65,986,104	\$67,883,624	\$69,961,458	\$66,372,688	\$70,031,320	\$69,978,523

Source: City's financial statements

(1) The City implemented GASB 68 in FY2015. Information prior to FY2014 was not available to restate.

(2) 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

	2010	2011	2012	2013	2014	2015 (1)	2016	2017	2018 (3)	2019
Expenses										
Governmental Activities:										
General Government	\$2,309,265	\$3,002,202	\$3,056,641	\$3,514,802	\$3,596,835	\$3,949,391	\$3,170,361	\$3,701,174	\$666,108	\$2,051,704
Public Safety	5,152,144	5,360,881	5,132,505	5,178,833	5,495,015	6,762,296	6,641,497	6,473,669	4,702,317	7,246,759
Public Works	1,247,332	1,106,116	506,404	444,836	482,339	667,983	519,139	611,039	612,016	747,248
Sanitation	0	0	0	0	0	0	0	760,415	830,478	779,623
Culture and Recreation	3,506,682	2,715,367	2,628,447	1,865,951	2,037,679	1,830,196	1,156,647	1,543,959	1,441,953	1,940,659
Community Beautification & Improvements	1,208,425	1,738,055	915,540	1,406,316	759,315	853,549	48,487	828,429	765,119	713,105
Community & Economic Development	368,582	333,921	345,406	234,552	245,611	331,998	1,098,455	3,735,099	1,700,494	250,535
Highways, Streets and Bridges	1,332,172	1,125,691	2,397,684	1,524,992	1,764,232	1,139,909	1,616,557	1,985,292	3,264,008	5,039,633
Interest and Fiscal Charges	232,140	238,167	236,342	222,672	254,112	227,060	202,213	215,298	351,654	338,740
<i>Total Governmental Activities Expenses</i>	<u>15,356,742</u>	<u>15,620,400</u>	<u>15,218,969</u>	<u>14,392,954</u>	<u>14,635,138</u>	<u>15,762,382</u>	<u>14,453,356</u>	<u>19,854,374</u>	<u>14,334,147</u>	<u>19,108,006</u>
Business-type Activities:										
Wastewater System	3,917,578	3,925,727	3,889,445	3,890,316	3,907,021	4,110,527	4,441,935	4,681,030	4,128,902	4,442,259
Water System	3,152,628	3,128,055	3,025,247	3,241,929	3,330,542	3,378,688	3,482,691	3,744,574	3,299,669	3,736,891
Dial-A-Ride System	514,754	514,512	521,349	542,458	520,816	490,132	472,342	465,253	456,439	530,834
Automobile Parking System	82,711	89,203	74,859	166,872	110,544	87,696	117,555	114,611	139,787	155,059
Storm Water Utility (4)	250,987	152,048	355,096	261,418	101,938	42,062	42,062	42,063	42,061	-
<i>Total Business-type Activities Expenses</i>	<u>7,918,658</u>	<u>7,809,545</u>	<u>7,865,996</u>	<u>8,102,993</u>	<u>7,970,861</u>	<u>8,109,105</u>	<u>8,556,585</u>	<u>9,047,531</u>	<u>8,066,858</u>	<u>8,865,043</u>
<i>Total Primary Government Expenses</i>	<u>23,275,400</u>	<u>23,429,945</u>	<u>23,084,965</u>	<u>22,495,947</u>	<u>22,605,999</u>	<u>23,871,487</u>	<u>23,009,941</u>	<u>28,901,905</u>	<u>22,401,005</u>	<u>27,973,049</u>
Program Revenues										
Governmental Activities:										
Charges for Services										
General Government	1,926,263	2,016,955	1,711,443	2,511,940	2,481,522	2,319,799	2,514,502	1,817,808	307,564	602,860
Public Safety	476,735	472,662	1,213,306	1,254,152	1,215,099	1,227,722	1,254,415	753,626	713,757	1,039,177
Public Works	34,850	42,822	42,893	40,849	70,061	37,490	44,502	91,784	266,742	291,218
Sanitation	0	0	0	0	0	0	0	750,850	727,460	770,435
Culture and Recreation	325,839	337,720	386,399	332,392	99,357	80,682	55,228	81,788	74,535	89,949
Community Beautification & Improvements	147,253	172,620	118,011	164,593	142,135	100,957	586,075	0	22,000	27,000
Community & Economic Development	193,285	108,240	0	0	0	100,550	337,332	112,705	156	4,836
Highways, Streets and Bridges	75,061	69,118	0	68,494	50,608	30,113	78,093	0	0	-
Operating Grants and Contributions	659,426	1,194,241	1,679,864	1,610,640	1,581,130	1,730,041	842,601	4,672,315	2,610,647	1,054,233
Capital Grants and Contributions	905,658	0	305,157	0	50,857	0	0	1,871,147	2,099,506	2,383,051
<i>Total Governmental Activities Program Revenues</i>	<u>4,744,370</u>	<u>4,384,360</u>	<u>5,457,073</u>	<u>5,983,060</u>	<u>5,690,769</u>	<u>5,627,354</u>	<u>5,712,748</u>	<u>10,152,023</u>	<u>6,800,367</u>	<u>6,262,759</u>
Business-type Activities:										
Charges for Services										
Wastewater System	4,216,015	4,165,653	4,833,491	4,644,609	4,766,018	4,865,524	5,069,577	4,953,766	4,816,808	4,764,059
Water System	3,522,588	3,511,914	3,797,169	3,900,764	4,201,396	4,034,742	4,113,946	3,588,437	4,011,365	4,703,391
Dial-A-Ride System	85,784	90,517	104,583	102,013	101,548	95,423	90,203	89,433	80,242	83,355
Automobile Parking System	67,553	55,398	62,867	64,305	35,800	63,022	62,538	61,828	61,631	58,247
Storm Water Utility (4)	244,327	275,899	274,912	263,194	36,651	0	0	0	0	-
Operating Grants and Contributions	249,672	245,600	246,356	259,086	288,529	305,731	222,403	221,996	202,722	241,353
Capital Grants and Contributions	0	420,911	340,000	59,520	78,841	439,768	61,060	96,715	177,031	1,772,250
<i>Total Business-type Activities Program Revenues</i>	<u>8,385,939</u>	<u>8,765,892</u>	<u>9,659,378</u>	<u>9,293,491</u>	<u>9,508,783</u>	<u>9,804,210</u>	<u>9,619,727</u>	<u>9,012,175</u>	<u>9,349,799</u>	<u>11,622,655</u>
Net (Expense)/Revenue										
Governmental Activities	(10,612,372)	(11,236,040)	(9,761,896)	(8,409,894)	(8,944,369)	(10,135,028)	(8,740,608)	(9,702,351)	(7,533,780)	(12,845,247)
Business-type Activities	467,281	956,347	1,793,382	1,190,498	1,537,922	1,695,105	1,063,142	(35,356)	1,282,941	2,757,612
<i>Total Primary Government Net (Expense)/Revenue</i>	<u>(\$10,145,091)</u>	<u>(\$10,279,693)</u>	<u>(\$7,968,514)</u>	<u>(\$7,219,396)</u>	<u>(\$7,406,447)</u>	<u>(\$8,439,923)</u>	<u>(\$7,677,466)</u>	<u>(\$9,737,707)</u>	<u>(\$6,250,839)</u>	<u>(\$10,087,635)</u>

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.

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

Exhibit B-2

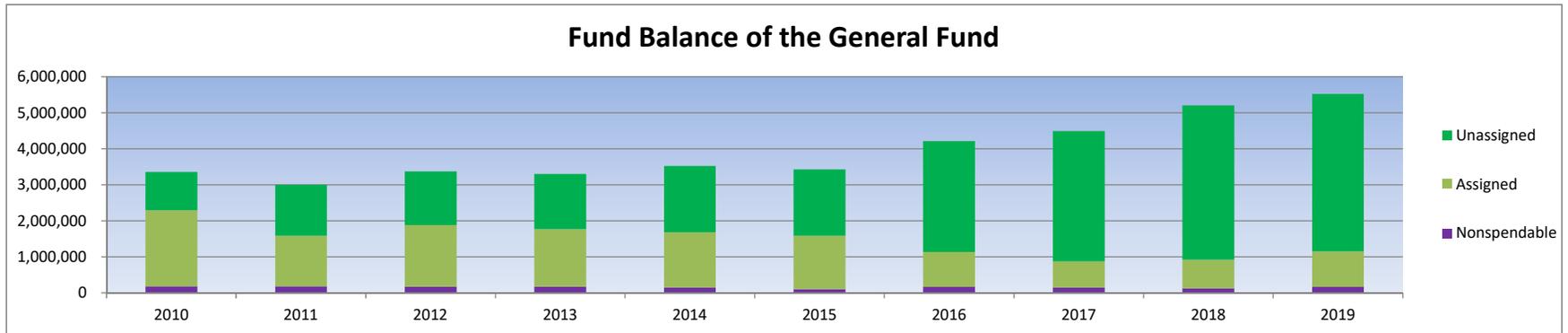
	2010	2011	2012	2013	2014	2015 (1)	2016	2017	2018	2019
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Property Taxes	\$7,519,378	\$7,036,611	\$6,068,962	\$5,809,159	\$5,691,905	\$5,906,623	\$5,596,593	\$5,230,770	\$5,266,346	\$5,399,576
Motor Vehicle Fuel Tax	1,313,704	1,361,468	1,354,946	1,362,786	1,407,243	1,448,904	1,626,113	-	-	-
Grants and Entitlements Not Restricted Not Restricted to Specific Programs	2,007,126	1,974,174	2,030,369	1,976,484	20,036,337	2,091,471	1,602,846	3,626,134	3,368,470	3,432,618
Investment Earnings & Oil Royalties	246,828	91,660	165,654	(13,828)	1,278,441	832,006	141,713	362,460	405,088	496,056
Contributions	204,641	13,037	329,251	0	0	0	0	0	0	-
Miscellaneous	0	0	0	0	0	0	682,577	299,737	810,426	741,932
Transfers	(114,827)	(100,911)	(126,338)	(150,967)	(177,533)	(146,945)	(139,881)	(105,594)	(224,528)	1,456,864
Total Governmental Activities	11,176,850	10,376,039	9,822,844	8,983,634	28,236,393	10,132,059	9,509,961	9,413,507	9,625,802	11,527,046
Business-type Activities:										
Investment Earnings	47,025	65,269	61,518	50,238	60,071	58,439	93,457	54,007	59,171	104,748
Sale of Property	298,632	4,900	0	0	0	0	0	0	0	-
Contributions	0	0	0	60,000	0	0	0	0	0	-
Other	0	0	0	0	0	0	12,001	7,749	0	-
Transfers	114,827	100,911	126,338	150,967	177,533	146,945	139,881	105,594	224,528	(1,456,864)
Total Business-type Activities	460,484	171,080	187,856	261,205	237,604	205,384	245,339	167,350	283,699	(1,352,116)
Total Primary Government	11,637,334	10,547,119	10,010,700	9,244,839	28,473,997	10,337,443	9,755,300	9,580,857	9,909,501	10,174,930
Change in Net Position										
Governmental Activities	564,478	(860,001)	60,948	573,740	19,292,024	(2,969)	769,353	(288,844)	2,092,022	(1,318,201)
Business-type Activities	927,765	1,127,427	1,981,238	1,451,703	1,775,526	1,900,489	1,308,481	131,994	1,566,640	1,405,496
Total Primary Government Change in Net Position	\$1,492,243	\$267,426	\$2,042,186	\$2,025,443	\$21,067,550	\$1,897,520	\$2,077,834	(\$156,850)	\$3,658,662	\$87,295

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

Exhibit B-3

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Fund										
Nondspendable	\$ 181,966	\$ 183,511	\$ 172,265	\$ 172,145	\$ 145,591	\$ 101,926	\$ 170,802	\$ 145,869	\$ 127,863	\$ 165,384
Assigned	2,110,996	1,405,748	1,712,742	1,595,198	1,536,214	1,489,000	965,856	730,122	794,564	988,887
Unassigned	1,066,844	1,412,794	1,487,929	1,538,481	1,843,678	1,841,746	3,080,447	3,613,174	4,282,726	4,367,582
Total General Fund	3,359,806	3,002,053	3,372,936	3,305,824	3,525,483	3,432,672	4,217,105	4,489,165	5,205,153	5,521,853
All Other Governmental Funds										
Nondspendable	-	-	-	-	-	7,499	7,499	1,511,347	1,498,314	1,554,819
Restricted	3,562,621	3,815,849	4,102,657	5,010,075	6,382,778	7,594,216	8,871,853	5,314,500	5,650,298	4,449,053
Committed	76,994	45,877	171,915	-	-	-	-	485,743	366,109	374,992
Assigned	267,384	350,659	304,276	-	-	-	-	2,657,209	3,006,146	3,256,715
Total All Other Governmental Funds	3,906,999	4,212,385	4,578,848	5,010,075	6,382,778	7,601,715	8,879,352	9,968,799	10,520,867	9,635,579
Total Governmental Funds	\$ 7,266,805	\$ 7,214,438	\$ 7,951,784	\$ 8,315,899	\$ 9,908,261	\$ 11,034,387	\$ 13,096,457	\$ 14,457,964	\$ 15,726,020	\$ 15,157,432

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues										
Taxes	\$ 7,361,094	\$ 6,915,100	\$ 5,963,506	\$ 5,706,453	\$ 5,567,449	\$ 5,794,551	\$ 5,479,287	\$ 5,122,910	\$ 5,139,789	\$ 5,270,536
Other Tax Related Revenue	158,284	121,511	105,456	102,706	124,456	112,072	117,305	107,860	126,557	129,040
Licenses & Permits	153,604	221,619	365,685	247,785	341,695	304,901	330,958	407,894	372,727	671,527
Intergovernmental - Federal	1,070,165	146,379	203,165	202,549	204,088	133,018	356,263	3,492,441	1,769,457	205,433
Intergovernmental - State	3,391,875	3,530,556	4,244,968	3,382,991	3,597,144	3,671,325	4,044,538	4,917,223	5,587,286	5,868,648
Charges for Services	107,171	95,638	680,461	726,287	102,829	121,663	126,011	1,202,447	1,140,165	1,477,241
Use and Admission Charges	323,539	372,280	387,329	330,212	849,519	812,449	825,767	61,347	52,049	67,421
Fines and Fees	220,477	227,801	185,754	233,442	230,339	201,861	105,976	77,058	78,683	66,368
Investment Earnings	246,828	91,660	165,653	(11,022)	175,410	102,532	141,713	293,586	233,307	354,817
Fee Trust - for beautification purposes	679,871	662,669	735,739	1,175,557	583,993	647,259	682,577	718,094	849,007	627,646
Other	798,701	770,988	947,041	1,336,554	1,163,108	1,330,616	1,238,135	377,248	607,954	789,613
Special Assessments	40,276	69,118	137,838	41,128	50,857	37,177	27,518	-	210,062	194,883
Oil Royalties	-	-	-	-	1,103,031	729,474	420,367	70,908	173,186	143,348
Contribution from DDA	2,000	2,000	2,000	-	-	-	-	-	-	-
Contribution from LDFA-GAIDC	31,000	11,037	15,000	-	-	-	-	-	-	-
Public Contributions	171,641	281,320	312,250	168,750	-	-	-	488,050	549,508	485,766
Administrative Fees	50,818	53,646	-	-	-	-	-	-	-	-
Total Revenues	14,807,344	13,573,322	14,451,845	13,643,392	14,093,918	13,998,898	13,896,415	17,337,066	16,889,737	16,352,287
Expenditures										
Current:										
General Government	2,247,896	1,619,726	1,681,751	1,436,567	1,566,193	1,596,353	1,531,152	2,284,851	1,687,989	2,512,731
Public Safety	4,271,319	5,234,886	5,019,435	5,331,330	5,164,242	6,041,037	5,976,103	5,300,126	5,548,481	6,315,394
Public Works	1,188,337	1,054,326	448,640	426,076	470,726	519,615	451,563	485,379	526,023	602,465
Sanitation	-	-	-	-	-	-	-	739,649	847,064	761,552
Culture & Recreation	3,015,206	2,276,553	2,201,513	1,596,858	1,438,656	1,383,657	677,399	659,065	684,448	961,541
Community Beautification & Improvements	3,190,417	1,155,168	811,324	-	574,365	754,566	660,851	788,639	1,018,371	773,322
Non-Departmental	-	-	-	116,808	89,813	87,983	2,562	-	-	-
Community & Economic Development	366,419	319,360	358,026	228,295	232,864	324,555	443,202	3,701,406	1,722,352	201,558
Highways, Streets and Bridges	1,184,050	656,224	1,758,104	1,233,828	996,287	565,531	963,426	1,307,259	2,763,729	4,327,450
Capital Outlay	7,686,591	1,204,423	860,664	870,809	1,522,578	998,320	542,475	-	-	-
Debt Service:										
Principal Retirement	-	200,000	210,000	215,000	220,000	220,000	235,000	240,000	245,000	255,000
Interest and Fiscal Charges	111,957	242,164	238,704	233,710	257,412	234,210	210,731	363,591	353,696	340,865
Total Expenditures	23,262,192	13,962,830	13,588,161	11,689,281	12,533,136	12,725,827	11,694,464	15,869,965	15,397,153	17,051,878
Excess of Revenues Over (Under) Expenditures	(8,454,848)	(389,508)	863,684	1,954,111	1,560,782	1,273,071	2,201,951	1,467,101	1,492,584	(699,591)
Other Financing Sources (Uses)										
Loan Proceeds	7,005,379	-	-	-	-	-	-	-	-	-
Transfers In	1,454,200	1,119,908	641,605	840,440	569,540	387,346	358,500	384,000	395,000	653,693
Transfers Out	(1,577,827)	(782,767)	(767,943)	(1,637,507)	(747,073)	(534,291)	(498,381)	(489,594)	(619,528)	(522,690)
Total Other Financing Sources (Uses)	6,881,752	337,141	(126,338)	(797,067)	(177,533)	(146,945)	(139,881)	(105,594)	(224,528)	131,003
Net Change in Fund Balances	\$ (1,573,096)	\$ (52,367)	\$ 737,346	\$ 1,157,044	\$ 1,383,249	\$ 1,126,126	\$ 2,062,070	\$ 1,361,507	\$ 1,268,056	\$ (568,588)
Debt Service as a percentage of non-capital expenditures	0.7%	3.5%	3.5%	4.1%	4.3%	3.9%	4.0%	3.8%	4.1%	3.6%

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
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
2014	5,691,905	1,568,071	454,480	1,407,244	-	9,121,700
2013	5,809,159	1,530,709	432,083	1,362,786	-	9,134,737
2012	5,963,506	1,676,318	339,840	1,277,277	192,109	9,449,050
2011	6,915,100	1,960,837	-	1,251,588	121,511	10,249,036
2010	7,361,094	1,994,094	-	1,215,696	158,284	10,729,168

Change

FY2019 over/(under) FY2010

Amount	\$ (1,961,518)	\$ (187,799)	\$ 488,977	\$ 903,206	\$ 848,228	\$ 91,094
Percent	-26.65%	-9.42%	0.00%	74.30%	535.89%	0.85%

Change

FY2019 over/(under) FY2018

Amount	\$ 133,230	\$ 81,994	\$ 2,780	\$ (19,632)	\$ (11,340)	\$ 187,032
Percent	2.53%	4.76%	0.57%	-0.92%	-1.11%	1.76%

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
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
2014	184,679,856	110,556,800	22,759,600	61,635,900	379,632,156	5,022,189	374,609,967	14.6039
2013	193,775,439	117,721,500	23,434,000	63,096,800	398,027,739	6,679,136	391,348,603	14.6039
2012	211,488,195	123,757,600	25,909,200	61,864,500	423,019,495	11,546,627	411,472,868	14.6039
2011	242,650,475	132,923,000	28,113,600	64,310,000	467,997,075	25,380,372	442,616,703	15.6039
2010	272,420,813	141,993,500	23,265,800	61,500,820	499,180,933	41,907,897	457,273,036	15.6039

Note: Tax rate reduced by one mill in FY2011-12 due to conversion to direct charge for refuse collection and disposal.

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	Solid Waste Collection	Local Street Improvements	Total Direct Tax Rate	Intermediate School District	Lenawee County	Adrian School District	Madison School District
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
2014	13.6293	-	-	0.9746	14.6039	7.2796	5.9128	22.9000	20.9000
2013	13.6293	-	-	0.9746	14.6039	7.2796	5.9628	22.8000	20.6126
2012	13.6293	-	-	0.9746	14.6039	7.2796	5.5232	22.5900	20.4126
2011	13.6293	-	1.0000	0.9746	15.6039	7.2796	5.7128	22.1100	20.5626
2010	13.6293	-	1.0000	0.9746	15.6039	7.2796	5.6128	22.1100	20.5626

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, 2019			June 30, 2010		
		Taxable Value	Rank	Percent of Total Taxable Value	Taxable Value	Rank	Percent of Total Taxable Value
Consumers Energy	Utility	\$ 6,639,390	1	1.87%	\$ 3,819,865	9	0.84%
Inergy Automotive Inc	Manufacturing	6,091,112	2	1.71%	14,851,100	1	3.25%
Wyatt Real Estate	Manufacturing	4,935,746	3	1.39%	4,967,065	7	1.09%
Meijer	Retail	4,634,540	4	1.30%	5,773,800	6	1.26%
Citizens Gas Fuel Co	Utility	3,559,791	5	1.00%			
Anderson Development Co	Manufacturing	2,712,520	6	0.76%	9,792,101	2	2.14%
T Adrian Mall MI LLC	Retail	2,459,800	7	0.69%			
Pedcor Investments	Housing	2,302,879	8	0.65%			
Cole Lo Adrian MI LLC	Retail	2,142,200	9	0.60%			
Nob Hill Apartments LLC	Housing	2,037,338	10	0.57%			
Inteva Products LLC	Manufacturing				7,657,000	3	1.67%
Equity Assets Management	Retail-Mall				6,466,745	4	1.41%
Senafar Investments LLC	Retail				6,159,700	5	5.00%
Adrian Steel Company	Manufacturing				4,697,037	8	1.03%
Biolab Inc	Manufacturing				3,441,400	10	0.75%
		<u>\$ 37,515,316</u>		10.56%	<u>\$ 67,625,813</u>		14.79%
Total Taxable Value		<u><u>\$ 355,309,272</u></u>			<u><u>\$ 457,273,036</u></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
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%
2014	5,764,854	5,567,664	96.58%	-	5,567,664	96.58%
2013	5,856,837	5,512,813	94.13%	28,267	5,541,080	94.61%
2012	6,177,646	5,759,083	93.22%	-	5,759,083	93.22%
2011	7,003,342	6,260,706	89.40%	12,314	6,273,020	89.57%
2010	7,468,178	7,361,094	98.57%	12,236	7,373,330	98.73%

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 Fund Land Contract/ Installment Purchase Contract [2]	Parks & Recreation Installment Prurchase Agreements [3]	Total General Obligation Debt	Sewer System Lease Purchase	Sewer System Install Purchase	Sewer System Revenue Bonds	Sewer Revolving Fund Loan	Drinking Water Fund Loans [4]	Total Primary Government	Percent of Personal Income	Per Capita
2019	\$ 5,000,000	\$ -	\$ -	\$ 5,000,000	\$ -	\$ -	\$ 3,906,538	\$ 2,665,000	\$ 5,676,707	\$ 17,248,245	4.2%	\$ 817
2018	5,255,000	-	-	5,255,000	-	-	4,361,538	3,160,000	6,361,707	19,138,245	5.3%	906
2017	5,500,000	-	-	5,500,000	-	-	4,806,538	3,640,000	7,026,707	20,973,245	5.6%	993
2016	5,740,000	-	-	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	-	-	5,975,000	258,343	-	5,681,538	4,570,000	8,326,707	24,811,588	7.1%	1,175
2014	6,195,000	-	-	6,195,000	338,222	-	6,111,548	5,015,000	8,956,707	26,616,477	7.9%	1,261
2013	6,415,000	-	-	6,415,000	415,172	32,197	6,533,548	5,450,000	9,576,707	28,422,624	8.1%	1,346
2012	6,630,000	-	-	6,630,000	489,302	58,042	6,956,548	5,875,000	10,186,707	30,195,599	7.5%	1,430
2011	6,840,000	-	-	6,840,000	560,713	58,042	7,371,548	6,290,000	10,786,707	31,907,010	7.9%	1,511
2010	7,040,000	-	-	7,040,000	629,507	102,128	7,776,548	6,695,000	11,371,707	33,614,890	8.3%	1,592

[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)	3,900,000
	<u>\$ 7,040,000</u>

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

[2] Land contract: 250 W. Church St; installment purchase: 153/155 E. Maumee St.; and 135 E. Maumee (City Hall)

[3] Includes installment purchase for both Marvin Farm and 381 Miles Drive-Parks & Forestry Maintenance Building (Purchase and Renovation)

[4] 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	General Fund Land Contract/ Installment Purchase Contract	Parks & Recreation Installment Purchase Agreements	Total General Obligation Debt	Percent of Taxable Value of Property	Per Capita
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
2014	6,195,000	-	-	6,195,000	1.65%	293.42
2013	6,415,000	-	-	6,415,000	1.64%	303.84
2012	6,630,000	-	-	6,630,000	1.61%	314.02
2011	6,840,000	-	-	6,840,000	1.55%	323.97
2010	7,040,000	-	-	7,040,000	1.54%	333.44

CITY OF ADRIAN, MICHIGAN
Direct and Overlapping Governmental Activities Debt
As of June 30, 2019

	<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 B - Build America Bonds	\$ 1,100,000	100.00%	\$ 1,100,000
Series C - Recovery Zone Bonds	<u>3,900,000</u>	100.00%	<u>3,900,000</u>
Net Direct Debt	5,000,000		5,000,000
<i>Overlapping Debt:</i>			
Adrian Public Schools	56,760,000	45.42%	25,780,392
Madison School District	2,725,000	29.62%	807,145
Lenawee County	<u>12,815,000</u>	10.61%	<u>1,359,672</u>
Net Overlapping Debt	<u>72,300,000</u>		<u>27,947,209</u>
Total Direct and Overlapping Debt	<u>\$ 77,300,000</u>		<u>\$ 32,947,209</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 2019</u>	
Taxable Value	\$ 355,309,272
Debt Limit (10% of Taxable Value)	35,530,927
Debt Applicable to Limit:	
Series B - Build America Bonds	1,100,000
Series C - Recovery Zone Bonds	<u>3,900,000</u>
Total Debt Applicable to Limit	<u>5,000,000</u>
Legal Debt Margin	<u>\$ 30,530,927</u>

	<u>Fiscal Year Ended June 30,</u>									
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Debt Limit	\$ 46,103,961	\$ 44,261,670	\$ 41,141,488	\$ 39,134,860	\$ 37,460,997	\$ 36,414,582	\$ 36,289,182	\$ 34,263,042	\$ 34,448,288	\$ 35,530,927
Total Debt Applicable to Limit	<u>7,040,000</u>	<u>6,840,000</u>	<u>6,630,000</u>	<u>6,415,000</u>	<u>6,195,000</u>	<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>
Legal Debt Margin	<u>\$ 39,063,961</u>	<u>\$ 37,421,670</u>	<u>\$ 34,511,488</u>	<u>\$ 32,719,860</u>	<u>\$ 31,265,997</u>	<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>
Total Debt Applicable to Limit as a Percentage of Debt Limit	15.27%	15.45%	16.12%	16.39%	16.54%	16.41%	15.82%	16.05%	15.25%	14.07%

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	
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
2014	4,129,710	2,506,168	1,623,542	620,000	205,827	1.97
2013	3,831,305	2,419,839	1,411,466	610,000	219,974	1.70
2012	3,716,967	2,186,222	1,530,745	600,000	237,327	1.83
2011	3,441,702	2,219,974	1,221,728	585,000	250,893	1.46
2010	3,522,588	2,257,514	1,265,074	570,000	251,417	1.54

Sewer System Revenue Bonds						
Fiscal Year	Utility Service Charges	Less: Operating Expenses [1]	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
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
2014	4,738,087	2,264,310	2,473,777	860,000	249,541	2.23
2013	4,631,811	2,254,127	2,377,684	845,000	250,799	2.17
2012	4,810,990	2,250,613	2,560,377	830,000	271,079	2.33
2011	4,164,880	2,265,166	1,899,714	810,000	287,949	1.73
2010	4,187,436	2,257,806	1,929,630	790,000	315,415	1.75

[1] - Excludes depreciation expense

Source: City's financial statements and records

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

<u>Fiscal Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Per Capita Personal Income</u>	<u>Median Age</u>	<u>School Enrollment</u>	<u>Unemployment Rates</u>
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%
2014	21,113	337,090,158	15,966	33.9	3,371	8.7%
2013	21,113	351,188,194	16,634	32.9	3,122	10.5%
2012	21,113	402,034,192	19,042	32.6	3,073	10.4%
2011	21,113	401,379,069	19,011	32.5	3,136	10.9%
2010	21,113	402,689,315	19,073	32.4	3,200	13.6%

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, 2019			June 30, 2010		
		Employees	Rank	Percent of Total Employment	Employees	Rank	Percent of Total Employment
Inteva	Manufacturing	1,200	1	13.5%			
Lenawee County	Government	579	2	6.5%	550	2	
Promedica Bixby Hospital	Retail	500	3	5.6%			
Wacker Chemical Corp	Retail	400	4	4.5%			
Lenawee Intermediate School District	Education	380	5	4.3%	400	5	
Adrian Public Schools	Education	358	6	4.0%	435	4	
Lenawee Christian Schools	Education	350	7	3.9%			
Gus Harrison Correctional Facility	Nonprofit	345	8	3.9%			
Walmart	Retail	320	9	3.6%			
Adrian Steel	Manufacturing	301	10	3.4%	370	7	
Lenawee Health Alliance	Health				1,265	1	
Equity Assets Mgt. (Adrian Mall)	Retail				526	3	
Meijer	Retail				400	6	
Adrian Dominican Sisters	Nonprofit				338	8	
Adrian College	Education				250	9	
Inergy Automotive	Manufacturing				200	10	
		4,733			4,734		
Total employment		8,912			n/a		

Source: Adrian Area Chamber of Commerce and Local Employers

Note: Total employment as of June 30, 2010 was not available.

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

Function/Program	Fiscal Year Ended June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
City Administrator	2.0	2.0	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Finance Department	6.0	6.0	4.5	4.5	4.5	4.5	4.5	5.0	5.0	5.0
City Assessor	1.0	1.0	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
City Clerk	1.0	1.0	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
City Attorney/Inspection	6.0	6.0	5.5	5.5	5.5	5.5	5.5	5.5	5.5	4.5
Human Resources	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Cemetery	3.0	3.0	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Community Development/DDA	5.0	4.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Public Works/Engineer	11.0	11.0	10.5	10.5	10.0	10.5	10.5	10.5	10.5	10.0
Parks and Recreation	7.0	6.0	4.0	4.0	4.0	-	-	-	-	-
Parks and Forestry	10.0	8.0	8.0	8.0	8.0	8.0	8.0	7.5	7.5	7.5
Public Library	6.0	5.0	4.0	4.0	4.0	4.0	5.0	5.0	6.0	3.0
Police Department	36.0	35.0	31.0	31.0	31.0	31.0	31.0	31.0	31.0	31.5
Fire Department	19.0	19.0	15.0	19.0	19.0	19.0	18.0	18.0	19.0	21.0
Utilities Department	39.0	37.0	34.0	34.0	34.0	34.0	34.0	35.0	35.0	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	1.0	1.0	1.0
Total	<u>155.0</u>	<u>147.0</u>	<u>127.5</u>	<u>131.5</u>	<u>131.0</u>	<u>127.5</u>	<u>127.5</u>	<u>128.5</u>	<u>130.5</u>	<u>130.5</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,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Police Department										
Physical Arrests	1,679	1,485	1,485	1,301	1,197	1,861	1,782	1,350	1,194	1,384
Parking Violations	3,269	1,885	1,827	2,578	2,030	1,285	1,023	920	954	589
Traffic Violations	1,676	476	526	2,050	1,757	1,789	1,491	1,005	812	822
Fire Department										
Non-Medical Emergencies	518	868	459	533	666	615	545	548	546	498
EMS Rescue Responses	2,034	2,071	1,490	2,316	2,469	2,430	2,410	2,242	3,092	3,963
Emergency Responses	2,552	2,939	1,949	2,849	3,153	3,045	3,670	2,790	3,638	4,461
Fire Extinguished	26	18	18	52	31	49	57	55	77	64
Refuse Collections										
Refuse Collected (tons)	5,455	4,664	4,661	4,041	3,857	4,519	4,114	3,947	3,947	3,718
Recyclables (tons)	434	216	219	265	220	246	253	252	252	248
Public Works										
Street Resurfacing (miles)	0.9	2.1	1.8	1.5	1.5	1.7	1.1	1.5	1.5	6.2
Cold/Hot Patch Repair (tons)	135	152	154	157	135	141	84	156	123	105
Parks and Recreation										
Athletic Field Permits Issued	1,766	2,002	1,969	n/a	n/a	1,061	608	475	463	639
Program Participants	78,094	79,039	83,647	n/a	n/a	-	-	-	-	-
Water										
New Connections	4	4	4	6	6	8	7	3	11	5
Water Main Breaks	34	15	25	22	21	33	18	27	23	27
Average Daily Consumption (thousands of gallons)	2,685	2,685	2,473	3,581	3,115	2,352	2,313	2,523	2,672	2,717
Peak Daily Consumption (thousands of gallons)	4,013	4,013	4,441	4,226	4,617	3,462	3,692	3,384	3,384	3,484
Wastewater										
Average Daily Sewage Treatment (thousands of gallons)	4,000	4,000	4,400	4,980	5,521	5,069	5,042	5,370	5,168	5,824
Transit										
Total Route Miles	131,987	120,108	125,068	133,347	129,813	127,430	115,777	113,017	107,253	104,495
Passengers	73,762	73,762	76,808	77,810	77,361	73,524	65,887	64,562	60,661	58,911

Source: Various departments

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

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

Function/Program	Fiscal Year Ended June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Police Department										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Vehicles	17	14	14	14	14	13	13	13	13	13
Motorcycles	2	1	1	-	-	-	-	-	-	-
Fire Department										
Stations	1	1	1	1	1	1	1	1	1	1
Emergency Vehicles	7	7	7	7	7	7	7	7	7	9
Hydrants (public/private)	930	930	930	930	930	930	930	930	930	930
Public Works										
Streets (miles)	45.96	44.76	44.76	44.76	44.15	44.15	44.15	44.14	44.15	44.15
Highways (miles)	27.08	28.77	28.77	28.77	29.38	29.38	29.38	29.38	29.38	29.38
Bridges	9	9	9	9	9	9	9	9	9	7
Streetlights	876	876	876	876	1,019	869	869	869	881	881
Traffic Signals	24	26	22	22	21	21	21	21	21	25
Parking Spaces	814	790	790	790	905	905	934	936	747	774
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)	137.44	137.44	137.44	137.44	98.00	98.00	98.00	98.00	101.00	101.00
Customers	6,432	6,269	5,888	5,888	6,013	6,199	6,230	6,207	6,205	6,197
Storage Capacity (thousands of gallons)	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,560	2,500
Average Pumpage (thousands of gallons)	3,100,000	3,000,000	3,000,000	3,000,000	2,690,000	2,392,000	2,352,000	2,313,250	2,672,000	2,717,000
Wastewater										
Sanitary Sewers (miles)	83.26	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	7	7

Source: Various departments