

**CITY OF ADRIAN, MICHIGAN
WATER SYSTEM ENTERPRISE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
For Fiscal Years Ended June 30, 2010 and 2009**

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

Operating income	<u>\$ 629,731</u>	<u>\$ 469,890</u>
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation	635,343	488,568
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(4,615)	(84,548)
(Increase) decrease in due from other funds	(98)	23,440
(Increase) decrease in inventories	10,838	31,951
(Increase) decrease in prepaid expenses	1,021	(1,336)
Increase (decrease) in vouchers payable	(51,020)	(567,554)
Increase (decrease) in accrued payroll	(3,548)	6,764
Increase (decrease) in accrued sick and vacation	2,377	(24,498)
Increase (decrease) in due to other funds	(4,781)	39,323
Increase (decrease) in customer deposits	<u>2,025</u>	<u>3,858</u>
Total adjustments	<u>587,542</u>	<u>(84,032)</u>
Net cash provided by (used in) operating activities	<u>\$ 1,217,273</u>	<u>\$ 385,858</u>

**CITY OF ADRIAN, MICHIGAN
WATER SYSTEM ENTERPRISE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR FISCAL YEARS ENDED JUNE 30, 2010 AND 2009
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**

	<u>JUNE 30, 2010</u>	<u>June 30, 2009</u>
Cash flows from operating activities:		
Cash received from customers	\$ 3,519,900	\$ 3,284,451
Cash paid to suppliers	(1,287,440)	(1,908,246)
Cash paid to employees	<u>(1,015,187)</u>	<u>(990,347)</u>
Net cash used in operating activities	<u>1,217,273</u>	<u>385,858</u>
Cash flows from capital and related financing activities:		
Proceeds received on DWRF bonds	227,270	2,564,761
Acquisition and construction of capital assets	(263,204)	(2,785,482)
Principal paid on DWFR bonds	(570,000)	(245,000)
Interest and agent fees on DWRF bonds	(261,926)	(188,041)
Sale of property	<u>298,632</u>	<u>-</u>
Net cash provided by (used in) capital and related financing activities	<u>(569,228)</u>	<u>(653,762)</u>
Cash flows from investing activities:		
Purchase of investments	2,114	(105,217)
Interest	<u>8,354</u>	<u>18,822</u>
Net cash provided by (used in) investing activities	10,468	(86,395)
Net increase (decrease) in cash and cash equivalents	658,513	(354,299)
Cash and cash equivalents at beginning of year (including \$576,883 in restricted funds)	<u>766,810</u>	<u>1,121,109</u>
Cash and cash equivalents at end of year (including \$673,910 in restricted funds)	<u>\$ 1,425,323</u>	<u>\$ 766,810</u>

**CITY OF ADRIAN, MICHIGAN
WATER SYSTEM ENTERPRISE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES
IN FUND NET ASSETS
FOR FISCAL YEARS ENDED JUNE 30, 2010 AND 2009**

	<u>JUNE 30, 2010</u>	<u>June 30, 2009</u>
Operating revenues:		
Charges for services	\$ 3,453,791	\$ 3,251,438
Miscellaneous revenue	68,797	86,405
	<u>3,522,588</u>	<u>3,337,843</u>
Total operating revenues		
Operating expenses:		
Cost of services:		
Merchandise	19,341	84,686
Purification and pumping	1,164,149	1,168,099
Transmission and distribution	496,682	532,937
Administrative and overhead	577,342	593,663
Depreciation	635,343	488,568
	<u>2,892,857</u>	<u>2,867,953</u>
Total operating expenses		
Operating income	<u>629,731</u>	<u>469,890</u>
Nonoperating revenues (expenses):		
Sale of property	298,632	
Interest revenue	8,354	18,822
Interest expense	(259,771)	(223,758)
	<u>47,215</u>	<u>(204,936)</u>
Total nonoperating revenues (expenses)		
Change in net assets	676,946	264,954
Total net assets – beginning of year	<u>12,137,445</u>	<u>11,872,491</u>
Total net assets – end of year	<u>\$ 12,814,391</u>	<u>\$ 12,137,445</u>

CITY OF ADRIAN, MICHIGAN
WATER SYSTEM ENTERPRISE FUND
COMPARATIVE STATEMENTS OF NET ASSETS
June 30, 2010 and 2009

LIABILITIES:	<u>JUNE 30, 2010</u>	<u>June 30, 2009</u>
Current liabilities:		
Vouchers payable	\$ 52,159	\$ 103,179
Accrued payroll	15,648	19,196
Due to other funds:		
General	35,113	39,278
Information technology	983	3,013
Motor vehicle	1,414	
DWRF bonds payable - current	<u>585,000</u>	<u>250,000</u>
	690,317	414,666
Current liabilities - payable from restricted assets:		
Customer deposits payable	17,355	15,330
Accrued interest	<u>63,218</u>	<u>65,373</u>
Total current liabilities	<u>770,890</u>	<u>495,369</u>
Noncurrent liabilities:		
Accrued sick and vacation	33,633	31,256
DWRF bonds payable	<u>10,786,717</u>	<u>11,505,459</u>
Total noncurrent liabilities	<u>10,820,350</u>	<u>11,536,715</u>
Total liabilities	<u>11,591,240</u>	<u>12,032,084</u>
NET ASSETS:		
Invested in capital assets, net of related debt	10,584,084	10,572,481
Restricted for debt service	817,597	362,690
Restricted for replacement	100,000	100,000
Unrestricted	<u>1,312,710</u>	<u>1,102,274</u>
Total net assets	<u>\$ 12,814,391</u>	<u>\$ 12,137,445</u>

**CITY OF ADRIAN, MICHIGAN
WATER SYSTEM ENTERPRISE FUND
COMPARATIVE STATEMENTS OF NET ASSETS
JUNE 30, 2010 AND 2009**

	<u>JUNE 30, 2010</u>	<u>June 30, 2009</u>
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 751,413	\$ 189,927
Receivables:		
Accounts	516,884	512,269
Deferred assessments	22,629	22,629
State of Michigan - DWRP	-	41,012
Due from other funds	98	-
Inventories	153,221	164,059
Prepaid expense	7,415	8,436
	<u>1,451,660</u>	<u>938,332</u>
Restricted assets available for current liabilities:		
Customer deposits - cash	17,355	15,330
Bond interest and redemption account - investment	224,260	226,374
Bond interest and redemption account - cash	278,887	266,500
	<u>518,502</u>	<u>508,204</u>
Total current assets	<u>1,972,162</u>	<u>1,446,536</u>
Noncurrent assets:		
Restricted investments:		
Bond reserve - cash	377,668	295,053
Replacement account - cash	100,000	100,000
	<u>477,668</u>	<u>395,053</u>
Total noncurrent restricted assets	<u>477,668</u>	<u>395,053</u>
Capital assets:		
Land	560,814	560,814
Water system	30,913,151	23,053,406
Less: accumulated depreciation	(9,518,164)	(8,882,822)
Construction in progress	-	7,596,542
	<u>21,955,801</u>	<u>22,327,940</u>
Net capital assets	<u>21,955,801</u>	<u>22,327,940</u>
Total noncurrent assets	<u>22,433,469</u>	<u>22,722,993</u>
Total assets	<u>\$ 24,405,631</u>	<u>\$ 24,169,529</u>

**CITY OF ADRIAN, MICHIGAN
WASTEWATER SYSTEM ENTERPRISE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
For Fiscal Years Ended June 30, 2010 and 1009**

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

Operating loss	\$ 619,888	\$ 48,393
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation	1,338,321	1,397,417
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(55,683)	(140,289)
(Increase) decrease in prepaids	312	(1,031)
Increase (decrease) in vouchers payable	(18,217)	(48,781)
Increase (decrease) in accrued payroll	(6,353)	4,212
Increase (decrease) in accrued sick and vacation	(1,602)	(18,294)
Increase (decrease) in due to other funds	(7,084)	(6,740)
Total adjustments	<u>1,249,694</u>	<u>1,186,494</u>
Net cash provided by (used in) operating activities	<u>\$ 1,869,582</u>	<u>\$ 1,234,887</u>

**CITY OF ADRIAN, MICHIGAN
WASTEWATER SYSTEM ENTERPRISE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR FISCAL YEARS ENDED JUNE 30, 2010 AND 2009
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**

	<u>JUNE 30, 2010</u>	<u>June 30, 2009</u>
Cash flows from operating activities:		
Cash received from customers	\$ 4,160,332	\$ 3,768,837
Cash paid to suppliers	(1,532,293)	(1,734,611)
Cash paid to employees	(758,457)	(799,339)
	<u>1,869,582</u>	<u>1,234,887</u>
Net cash used in operating activities		
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets net of disposals	(196,647)	(610,405)
Interest expense	(325,383)	(351,988)
Payment on lease	(66,272)	(59,021)
Payment on installment loan	(22,871)	
Bond proceeds - SRF bonds	4,640	186,024
Loan proceeds	124,999	
Principal paid on DWFR bonds	(395,000)	(385,000)
Principal paid on SFR bonds	(395,000)	(395,000)
	<u>(1,271,534)</u>	<u>(1,615,390)</u>
Net cash provided by (used in) capital and related financing activities		
Cash flows from investing activities:		
Interest	6,036	23,230
Investment proceeds (purchases)	(5,223)	450,202
	<u>813</u>	<u>473,432</u>
Net cash provided by (used in) investing activities		
Net increase (decrease) in cash and cash equivalents	598,861	92,929
Cash and cash equivalents at beginning of year (including \$398,298 in restricted funds)	<u>398,298</u>	<u>305,369</u>
Cash and cash equivalents at end of year (including \$997,159 in restricted funds)	<u>\$ 997,159</u>	<u>\$ 398,298</u>

**CITY OF ADRIAN, MICHIGAN
WASTEWATER SYSTEM ENTERPRISE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES
IN FUND NET ASSETS
FOR FISCAL YEARS ENDED JUNE 30, 2010 AND 2009**

	<u>JUNE 30, 2010</u>	<u>June 30, 2009</u>
Operating revenues:		
Charges for services	\$ 4,147,020	\$ 3,886,240
Miscellaneous revenue	68,995	22,886
	<u>4,216,015</u>	<u>3,909,126</u>
Total operating revenues		
Operating expenses:		
Cost of services:		
Wastewater treatment plant operation	1,321,744	1,436,874
Sanitary sewer expenses	166,993	221,337
Broad Street station expenses	44,691	42,144
Lift station expenses	32,208	30,088
Retention basis expenses	14,938	10,067
Administrative and overhead	677,232	722,806
Depreciation	1,338,321	1,397,417
	<u>3,596,127</u>	<u>3,860,733</u>
Total operating expenses		
Operating income (loss)	<u>619,888</u>	<u>48,393</u>
Nonoperating revenues (expenses):		
Interest revenue	6,036	23,230
Interest expense	<u>(321,451)</u>	<u>(348,420)</u>
Total nonoperating revenues (expenses)	<u>(315,415)</u>	<u>(325,190)</u>
Change in net assets	304,473	(276,797)
Total net assets – beginning of year	<u>15,348,715</u>	<u>15,625,512</u>
Total net assets – end of year	<u>\$ 15,653,188</u>	<u>\$ 15,348,715</u>

CITY OF ADRIAN, MICHIGAN
WASTEWATER SYSTEM ENTERPRISE FUND
COMPARATIVE STATEMENTS OF NET ASSETS
June 30, 2010 and 2009

LIABILITIES:	<u>JUNE 30, 2010</u>	<u>June 30, 2009</u>
Current liabilities:		
Vouchers payable	\$ 96,726	\$ 114,943
Accrued payroll	8,393	14,746
Due to other funds:		
General	19,183	25,401
Information technology	919	3,013
Motor vehicle	1,228	-
Lease payable - current	68,794	66,272
Installment loan payable - current	20,877	-
DWRF & SRF bonds payable - current	810,000	795,000
	<u>1,026,120</u>	<u>1,019,375</u>
Current liabilities - payable from restricted assets:		
Accrued interest	<u>73,436</u>	<u>77,368</u>
Noncurrent liabilities:		
Accrued sick and vacation	18,800	20,402
Lease payable	560,713	629,507
Installment loan payable	81,251	-
DWRF bonds payable	6,290,000	6,695,000
SRF bonds payable	<u>7,371,538</u>	<u>7,766,898</u>
	<u>14,322,302</u>	<u>15,111,807</u>
Total liabilities	<u>15,421,858</u>	<u>16,208,550</u>
NET ASSETS:		
Invested in capital assets, net of related debt	14,387,420	14,150,083
Restricted for debt service	1,107,764	749,579
Unrestricted	<u>158,004</u>	<u>449,053</u>
Total net assets	<u>\$ 15,653,188</u>	<u>\$ 15,348,715</u>

**CITY OF ADRIAN, MICHIGAN
WASTEWATER SYSTEM ENTERPRISE FUND
COMPARATIVE STATEMENTS OF NET ASSETS
JUNE 30, 2010 AND 2009**

	<u>JUNE 30, 2010</u>	<u>June 30, 2009</u>
ASSETS:		
Current assets:		
Investments	\$ 249,831	\$ -
Receivables:		
Accounts	611,029	555,346
Deferred assessments	68,501	68,501
Prepaid expense	3,399	3,711
Restricted assets available for current liabilities:		
Bond interest and redemption account - cash	673,436	244,969
Bond interest and redemption account - investment	-	428,649
	<u>1,606,196</u>	<u>1,301,176</u>
Total current assets		
Noncurrent assets:		
Restricted investments		
Bond Reserve - cash	323,723	153,329
Bond Reserve - investment	184,041	-
	<u>507,764</u>	<u>153,329</u>
Total noncurrent restricted assets		
Capital assets:		
Land	163,164	163,164
Sewer system	47,512,314	47,315,666
Less: accumulated depreciation	<u>(18,714,392)</u>	<u>(17,376,070)</u>
	<u>28,961,086</u>	<u>30,102,760</u>
Net capital assets		
	<u>29,468,850</u>	<u>30,256,089</u>
Total noncurrent assets		
	<u>\$ 31,075,046</u>	<u>\$ 31,557,265</u>
Total assets		