

**City of Pleasant Ridge
Oakland County, Michigan**

FINANCIAL STATEMENTS

June 30, 2014

City of Pleasant Ridge

TABLE OF CONTENTS

June 30, 2014

| | <u>Page</u> |
|--|-------------|
| INDEPENDENT AUDITOR'S REPORT | i-ii |
| MANAGEMENT'S DISCUSSION AND ANALYSIS | iii-vii |
| BASIC FINANCIAL STATEMENTS | |
| Government-wide Financial Statements | |
| Statement of Net Position | 1 |
| Statement of Activities | 2 |
| Fund Financial Statements | |
| Governmental Funds | |
| Balance Sheet | 3-4 |
| Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position | 5 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances | 6-7 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities | 8 |
| Proprietary Funds | |
| Statement of Net Position | 9 |
| Statement of Revenues, Expenses, and Changes in Fund Net Position | 10 |
| Statement of Cash Flows | 11 |
| Notes to Financial Statements | 12-31 |
| REQUIRED SUPPLEMENTARY INFORMATION | |
| General Fund | |
| Budgetary Comparison Schedule (Non-GAAP Budgetary Basis) | 32-33 |
| Solid Waste Fund | |
| Budgetary Comparison Schedule | 34 |
| I-696 Segregated Capital Asset Fund | |
| Budgetary Comparison Schedule | 35 |
| Schedules of Funding Progress | |
| Defined Benefit Pension Plan | 36 |
| Other Post-employment Benefits Plan | 37 |
| Notes to Required Supplementary Information | 38 |
| OTHER SUPPLEMENTARY INFORMATION | |
| Nonmajor Governmental Funds | |
| Combining Balance Sheet | 39-40 |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balances | 41-42 |

City of Pleasant Ridge

TABLE OF CONTENTS - CONTINUED

June 30, 2014

| | <u>Page</u> |
|---|-------------|
| COMPONENT UNIT FUND | |
| Downtown Development Authority | |
| Balance Sheet | 43 |
| Reconciliation of the Balance Sheet to the Statement of Net Position | 44 |
| Statement of Revenues, Expenditures, and Changes in Fund Balance | 45 |
| Reconciliation of the Statement of Revenues, Expenditures, and Change in Fund Balance to the Statement of Activities | 46 |

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA
Alan D. Panter, CPA
William I. Tucker IV, CPA



3511 Coolidge Road
Suite 100
East Lansing, MI 48823
(517) 351-6836
FAX: (517) 351-6837

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Commission
City of Pleasant Ridge, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Pleasant Ridge, Michigan (the City) as of and for the year ended June 30, 2014, 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Pleasant Ridge, Michigan, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules of funding progress, as identified 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 of Pleasant Ridge's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

December 2, 2014

City of Pleasant Ridge

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

Our discussion and analysis of the City of Pleasant Ridge's (the "City") financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2014. Please read it in conjunction with the City's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2014:

- Property tax revenues are the City's largest revenue source. Property tax revenue for the year ended June 30, 2014 was approximately \$2.327 million, which is a 3.84% increase from the year before. This resulted from an increase in the City's millage rate of 0.300 mills and an increase in taxable value of 2.48% from the year before.
- Interest income increased from the year before due to improved market conditions. Investment income in the City's SCAF fund increased from \$42,625 in 2013 to \$54,758 in 2014, an overall increase of about 28.46%.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net position and the statement of activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the City's operations in more detail than the government-wide financial statements by providing information about the City's most significant funds.

Governmental Activities

The following table shows, in a condensed format, the current year's net position and changes in net position compared to the prior year:

| | <u>June 30, 2013</u> | <u>June 30, 2014</u> | <u>Change from Prior Year</u> <u>In Dollars</u> | <u>As a Percent</u> |
|----------------------------------|----------------------|----------------------|--|---------------------|
| Assets | | | | |
| Current and other assets | \$ 4,306,173 | \$ 4,468,900 | \$ 162,727 | 3.78% |
| Capital assets | <u>8,374,995</u> | <u>8,013,804</u> | <u>(361,191)</u> | -4.31% |
| Total Assets | 12,681,168 | 12,482,704 | (198,464) | -1.57% |
| Liabilities | | | | |
| Current liabilities | 361,907 | 473,519 | 111,612 | 30.84% |
| Noncurrent liabilities | <u>2,778,644</u> | <u>2,789,314</u> | <u>10,670</u> | 0.38% |
| Total Liabilities | 3,140,551 | 3,262,833 | 122,282 | 3.89% |
| Net Position | | | | |
| Net investment in capital assets | 6,290,232 | 5,992,258 | (297,974) | -4.74% |
| Restricted | 228,308 | 463,418 | 235,110 | 102.98% |
| Unrestricted | <u>3,022,077</u> | <u>2,764,195</u> | <u>(257,882)</u> | -8.53% |
| | <u>\$ 9,540,617</u> | <u>\$ 9,219,871</u> | <u>\$ (320,746)</u> | -3.36% |

City of Pleasant Ridge

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

Governmental Activities - continued

| | <u>June 30, 2013</u> | <u>June 30, 2014</u> | <u>Change from Prior Year In Dollars</u> | <u>As a Percent</u> |
|------------------------------------|----------------------|----------------------|--|---------------------|
| Revenues | | | | |
| Program Revenues | | | | |
| Charges for services | \$ 906,318 | \$ 953,485 | \$ 47,167 | 5.20% |
| Operating grants and contributions | 169,427 | 176,628 | 7,201 | 4.25% |
| Capital grants and contributions | 1,439 | - | (1,439) | 100.00% |
| General revenues | | | | |
| Property taxes | 2,241,551 | 2,327,635 | 86,084 | 3.84% |
| State shared revenues | 227,343 | 235,957 | 8,614 | 3.79% |
| Investment and other | 78,645 | 118,490 | 39,845 | 50.66% |
| Total revenue | <u>3,624,723</u> | <u>3,812,195</u> | <u>187,472</u> | <u>5.17%</u> |
| Expenses | | | | |
| General government | 723,876 | 626,915 | (96,961) | -13.39% |
| Public safety | 1,293,007 | 1,335,804 | 42,797 | 3.31% |
| Public works | 1,141,055 | 1,169,027 | 27,972 | 2.45% |
| Community and economic development | 40,788 | 72,347 | 31,559 | 77.37% |
| Recreation and culture | 806,244 | 846,430 | 40,186 | 4.98% |
| Interest on long-term debt | 94,704 | 82,418 | (12,286) | -12.97% |
| Total expenses | <u>4,099,674</u> | <u>4,132,941</u> | <u>33,267</u> | <u>0.81%</u> |
| Change in Net Position | <u>\$ (474,951)</u> | <u>\$ (320,746)</u> | <u>\$ 154,205</u> | <u>-32.47%</u> |

The City's governmental net position decreased 3.36 percent from a year ago, decreasing from approximately \$9.54 million to \$9.32 million. Total governmental revenues were \$3,812,195 while total governmental expenses were \$4,132,941, resulting in an overall decrease in net position of \$320,746.

Total governmental revenues increased approximately \$187,472 or 5.17 percent. Property taxes increased \$86,064 and investment income increased approximately \$39,845. Charges for services increased approximately \$47,167. This is primarily due to the 2.5% increase in taxable value and improved investment returns.

The City's total governmental expenses increased approximately \$33,267 or 0.81 percent from the prior year. Increased costs associated with increased snow removal expenses, retirement payouts for sick and vacation time and toddler room renovations at the Community Center.

City of Pleasant Ridge

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

Business-type Activities

The following table shows, in a condensed format, the current year's net position and changes in net position compared to the prior two years:

| | <u>June 30, 2013</u> | <u>June 30, 2014</u> | <u>Change from Prior Year</u> | |
|----------------------------------|----------------------|----------------------|-------------------------------|---------------------|
| | | | <u>In Dollars</u> | <u>As a Percent</u> |
| Assets | | | | |
| Current and other assets | \$ 686,788 | \$ 911,654 | \$ 224,866 | 32.74% |
| Capital assets | <u>2,037,267</u> | <u>1,920,420</u> | <u>(116,847)</u> | -5.74% |
| Total Assets | 2,724,055 | 2,832,074 | 108,019 | 3.97% |
| Liabilities | | | | |
| Current liabilities | 161,227 | 157,691 | (3,536) | -2.19% |
| Noncurrent liabilities | <u>952,430</u> | <u>867,209</u> | <u>(85,221)</u> | -8.95% |
| Total Liabilities | 1,113,657 | 1,024,900 | (88,757) | -7.97% |
| Net Position | | | | |
| Net investment in capital assets | 1,001,700 | 967,990 | (33,710) | -3.37% |
| Unrestricted | <u>608,698</u> | <u>839,184</u> | <u>230,486</u> | 37.87% |
| | <u>\$ 1,610,398</u> | <u>\$ 1,807,174</u> | <u>\$ 196,776</u> | 12.22% |
| Revenues | | | | |
| Program Revenues | | | | |
| Charges for services | \$ 1,428,319 | \$ 1,321,444 | \$ (106,875) | -7.48% |
| General revenues | | | | |
| Investment earnings | <u>54</u> | <u>56</u> | <u>2</u> | 100.00% |
| Total revenue | 1,428,373 | 1,321,500 | (106,873) | -7.48% |
| Expenses | | | | |
| Water and sewer systems | <u>1,141,478</u> | <u>1,124,724</u> | <u>(16,754)</u> | -1.47% |
| Change in net position | <u>\$ 286,895</u> | <u>\$ 196,776</u> | <u>\$ (90,119)</u> | -31.41% |

The City's business-type activities consist of the water and sewer systems. The City provides water and sewer services to residents through contacts or consortiums with the Detroit Water and Sewerage Department. Total net position of the business-type activities increased approximately \$196,776, or 12.22 percent, from a year ago. The current year resulted in operating income of \$225,582 compared to prior year income from operations of \$316,575. The decrease is a result of increases in repairs and maintenance costs and a decrease in volume sold. The total cost of water purchased and sewage treatment expenses from the Southeastern Oakland County Water Authority and Oakland County increased approximately 1% from the prior year.

City of Pleasant Ridge

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

The City's Funds

Our analysis of the City's major funds begins on page 3, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the City as a whole. The City Commission creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The City's major funds for the current year include the General Fund, the Solid Waste Fund, and the I-696 Segregated Capital Asset Fund.

The General Fund pays for most of the City's governmental services. However, the most significant governmental service is police and fire protection, which incurred expenditures of approximately \$1.11 million in 2014, which was an increase of \$35,062, or 3.26 percent, from 2013. Increased part-time officer wages associated with a full time retirement, as well as sick and vacation payouts to employees that retired, accounted for this increase.

Total General Fund revenues increased from a year ago by \$77,364 due primarily to increased taxable values, building department activity, and state shared revenues. Total General Fund revenues for 2014 were less than expenditures resulting in a decrease in fund balance of \$139,918. Ending fund balance was \$525,636, of which \$56,940 was nonspendable. Unassigned fund balance represents 17 percent of total General Fund expenditures.

The Solid Waste Fund provides for the City's solid waste disposal and reduction needs. The program is primarily funded by a millage and utility billings. As of June 30, 2014, the Solid Waste Fund reported a fund balance of \$34,173, an increase of \$5,172 from the prior year. Of the total fund balance, \$34,173 is considered restricted for specific purpose.

The I-696 Segregated Capital Asset Fund was established to account for the funds received from the State of Michigan in connection with condemnation proceedings instituted by the State to acquire City-owned property for the construction of interstate highway 696. As of June 30, 2014, the I-696 Segregated Capital Asset Fund reported a fund balance of \$3,260,566, an increase of \$15,191 from the prior year. Of the total fund balance, \$3,242,872 is considered committed for specific purpose.

The Water and Sewer Fund is used to account for the operations required to provide water distribution, water treatment, sewage disposal, and sewage treatment systems for the general public, the costs (expenses, including depreciation) are financed or recovered primarily through user charges. As of June 30, 2014, the Water and Sewer Fund reported a fund balance of \$1,807,174, an increase of \$196,776 from the prior year.

General Fund Budgetary Highlights

Over the course of the year, the City amended the budget to take into account events during the year. Overall, revenues exceeded the amended budget by \$43,334 and expenditures were less than amended budget by \$18,596. Budget amendments were made as a result of changes in estimates for property tax revenues (following settlement with Oakland County), increased building department activity (both permit revenues and inspection costs), state-shared revenues, registration fee activity, district court, and cable franchise fee revenues. Increases in election expenses, utility costs, retirement payouts, part time police officer wages, increased planning commission consultants and changes in employee medical insurance status were also incorporated into budget amendments.

Capital Asset and Debt Administration

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2014, amounted to \$9,934,224, net of accumulated depreciation. This investment in capital assets includes land, buildings, police equipment, roads and the water and sewer system. Current year additions to capital assets included building and land improvements totaling approximately \$41,000 and \$5,000, respectively, equipment purchases of approximately \$54,000 and construction in progress totaling \$96,122.

City of Pleasant Ridge

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

Capital Asset and Debt Administration - continued

As of June 30, 2014, the City's primary government had total debt outstanding of \$3,117,538. The outstanding debt consists of general obligation bonds, installment purchase agreements accrued compensated absences, other post-employment benefit obligations, and contractual obligations to the County for the City's share of drain bonds. During the current year, the City entered into a new installment purchase agreement, totaling \$44,879, for new fitness center equipment.

More detailed information concerning capital assets and long-term debt can be found within the notes to the basic financial statements.

Economic Factors and Next Year's Budgets and Rates

Economic factors challenge the City's budgets each fiscal year and the City continues to budget conservatively. The 2014-2015 budget included a minimal increase in property tax values as indicated by the Oakland County assessing, state shared revenue projections as proposed by the State of Michigan, and conservative increases in both healthcare and pension costs.

The City Commission is continually monitoring the adequacy of the City's utility rates compared to operating costs. No increase in utility rates was budgeted for the 2014-2015 fiscal year.

In the November election the voters of Pleasant Ridge renewed the Library Service Millage and approved two new millages: General Operating (Headlee override) and Parks Improvement. The new millages will provide an increase in revenues of approximately \$384,000 and \$99,000, respectively.

Contacting the City's Management

The financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office.

BASIC FINANCIAL STATEMENTS

City of Pleasant Ridge

STATEMENT OF NET POSITION

June 30, 2014

| | Primary Government | | | Component Unit (DDA) |
|---|----------------------------|-----------------------------|----------------------|----------------------------|
| | Governmental Activities | Business-type Activities | Total | |
| ASSETS | | | | |
| Current assets | | | | |
| Cash and cash equivalents | \$ 487,653 | \$ 375,531 | \$ 863,184 | \$ 81,865 |
| Investments | 101,505 | - | 101,505 | - |
| Receivables | 103,079 | 336,064 | 439,143 | - |
| Due from other governmental units | 89,026 | - | 89,026 | 7,688 |
| Prepays | 57,277 | 59 | 57,336 | - |
| Total current assets | 838,540 | 711,654 | 1,550,194 | 89,553 |
| Noncurrent assets | | | | |
| Investments | 3,630,360 | 200,000 | 3,830,360 | - |
| Capital assets not being depreciated | 1,877,880 | - | 1,877,880 | 72,500 |
| Capital assets being depreciated, net | 6,135,924 | 1,920,420 | 8,056,344 | 94,631 |
| Total noncurrent assets | 11,644,164 | 2,120,420 | 13,764,584 | 167,131 |
| TOTAL ASSETS | 12,482,704 | 2,832,074 | 15,314,778 | 256,684 |
| LIABILITIES | | | | |
| Current liabilities | | | | |
| Accounts payable | 134,588 | 65,248 | 199,836 | - |
| Accrued liabilities | 82,135 | 769 | 82,904 | - |
| Accrued interest payable | 22,148 | 6,453 | 28,601 | - |
| Unearned revenue | 6,715 | - | 6,715 | - |
| Due to other governmental units | 7,688 | - | 7,688 | - |
| Current portion of compensated absences | 94,000 | - | 94,000 | - |
| Current portion of long-term debt | 126,245 | 85,221 | 211,466 | 20,000 |
| Total current liabilities | 473,519 | 157,691 | 631,210 | 20,000 |
| Noncurrent liabilities | | | | |
| Net other post-employment benefits obligation | 844,451 | - | 844,451 | - |
| Noncurrent portion of compensated absences | 49,562 | - | 49,562 | - |
| Noncurrent portion of long-term debt | 1,895,301 | 867,209 | 2,762,510 | - |
| Total noncurrent liabilities | 2,789,314 | 867,209 | 3,656,523 | -0- |
| TOTAL LIABILITIES | 3,262,833 | 1,024,900 | 4,287,733 | 20,000 |
| NET POSITION | | | | |
| Net investment in capital assets | 5,992,258 | 967,990 | 6,960,248 | 147,131 |
| Restricted for: | | | | |
| Streets | 184,088 | - | 184,088 | - |
| Other purposes | 279,330 | - | 279,330 | - |
| Unrestricted | 2,764,195 | 839,184 | 3,603,379 | 89,553 |
| TOTAL NET POSITION | \$ 9,219,871 | \$ 1,807,174 | \$ 11,027,045 | \$ 236,684 |

See accompanying notes to financial statements.

City of Pleasant Ridge
STATEMENT OF ACTIVITIES
Year Ended June 30, 2014

| Functions/Programs | Expenses | Program Revenues | | Net (Expense) Revenue and Changes in Net Position | | | Component Unit (DDA) |
|--------------------------------------|---------------------|-------------------------|--|--|-----------------------------|---------------------|----------------------------|
| | | Charges for Services | Operating Grants and Contributions | Primary Government | | Total | |
| | | | | Governmental Activities | Business-type Activities | | |
| Primary government | | | | | | | |
| Governmental activities | | | | | | | |
| General government | \$ 626,915 | \$ 524,789 | \$ 6,369 | \$ (95,757) | \$ - | \$ (95,757) | \$ - |
| Public safety | 1,335,804 | 102,455 | - | (1,233,349) | - | (1,233,349) | - |
| Public works | 1,169,027 | 206,373 | 169,109 | (793,545) | - | (793,545) | - |
| Community and economic development | 72,347 | 300 | - | (72,047) | - | (72,047) | - |
| Recreation and culture | 846,430 | 119,568 | 1,150 | (725,712) | - | (725,712) | - |
| Interest on long-term debt | 82,418 | - | - | (82,418) | - | (82,418) | - |
| Total governmental activities | 4,132,941 | 953,485 | 176,628 | (3,002,828) | -0- | (3,002,828) | -0- |
| Business-type activities | | | | | | | |
| Water and sewer | 1,124,724 | 1,321,444 | - | - | 196,720 | 196,720 | - |
| Total primary government | \$ 5,257,665 | \$ 2,274,929 | \$ 176,628 | (3,002,828) | 196,720 | (2,806,108) | -0- |
| Component unit | | | | | | | |
| Downtown Development Authority | \$ 35,714 | \$ -0- | \$ -0- | -0- | -0- | -0- | (35,714) |
| General revenues | | | | | | | |
| Property taxes | | | | 2,327,635 | - | 2,327,635 | 70,383 |
| State shared revenue | | | | 235,957 | - | 235,957 | - |
| Interest earnings | | | | 60,556 | 56 | 60,612 | 12 |
| Miscellaneous | | | | 57,934 | - | 57,934 | 857 |
| Total general revenues | | | | 2,682,082 | 56 | 2,682,138 | 71,252 |
| Change in net position | | | | (320,746) | 196,776 | (123,970) | 35,538 |
| Net position, beginning of the year | | | | 9,540,617 | 1,610,398 | 11,151,015 | 201,146 |
| Net position, end of the year | | | | \$ 9,219,871 | \$ 1,807,174 | \$11,027,045 | \$ 236,684 |

See accompanying notes to financial statements.

City of Pleasant Ridge

Governmental Funds

BALANCE SHEET

June 30, 2014

| | General | Solid Waste | I-696 Segregated Capital Asset |
|--|-------------------|------------------|--------------------------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 119,923 | \$ 25,700 | \$ 4,882 |
| Investments | 452,168 | - | 3,279,697 |
| Accounts receivable | 58,803 | 44,276 | - |
| Due from other funds | - | 3,809 | - |
| Due from other governmental units | 43,862 | - | - |
| Advance to other funds | - | - | 17,694 |
| Prepays | 56,940 | 59 | - |
| TOTAL ASSETS | \$ 731,696 | \$ 73,844 | \$ 3,302,273 |
| LIABILITIES | | | |
| Accounts payable | \$ 86,185 | \$ 37,387 | \$ - |
| Accrued liabilities | 71,357 | 2,284 | - |
| Due to other funds | 16,421 | - | 41,707 |
| Due to other governmental units | 7,688 | - | - |
| Advance from other funds | 17,694 | - | - |
| Unearned revenue | 6,715 | - | - |
| TOTAL LIABILITIES | 206,060 | 39,671 | 41,707 |
| FUND BALANCES | | | |
| Nonspendable | | | |
| Prepays | 56,940 | 59 | - |
| Advance to other funds | - | - | 17,694 |
| Restricted | | | |
| Solid waste | - | 34,114 | - |
| Streets and highways | - | - | - |
| Tree planting beautification | - | - | - |
| Infrastructure improvements | - | - | - |
| Public safety | 32,378 | - | - |
| Library | - | - | - |
| Debt service | - | - | - |
| Committed | | | |
| I-696 Segregated capital asset | - | - | 3,242,872 |
| Assigned | | | |
| Debt service | - | - | - |
| Unassigned | 436,318 | - | - |
| TOTAL FUND BALANCES | 525,636 | 34,173 | 3,260,566 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 731,696 | \$ 73,844 | \$ 3,302,273 |

See accompanying notes to financial statements.

| Nonmajor Governmental Funds | Total |
|-----------------------------------|---------------------|
| \$ 337,148 | \$ 487,653 |
| - | 3,731,865 |
| - | 103,079 |
| 84,114 | 87,923 |
| 25,164 | 69,026 |
| - | 17,694 |
| 278 | 57,277 |
| <u>\$ 446,704</u> | <u>\$ 4,554,517</u> |
| | |
| \$ 11,016 | \$ 134,588 |
| 8,494 | 82,135 |
| 29,795 | 87,923 |
| - | 7,688 |
| - | 17,694 |
| - | 6,715 |
| <u>49,305</u> | <u>336,743</u> |
| | |
| 278 | 57,277 |
| - | 17,694 |
| - | 34,114 |
| 184,088 | 184,088 |
| 19 | 19 |
| 198,018 | 198,018 |
| 295 | 32,673 |
| 4,631 | 4,631 |
| 9,875 | 9,875 |
| - | 3,242,872 |
| 195 | 195 |
| - | 436,318 |
| <u>397,399</u> | <u>4,217,774</u> |
| | |
| <u>\$ 446,704</u> | <u>\$ 4,554,517</u> |

City of Pleasant Ridge

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

June 30, 2014

Total fund balances - governmental funds **\$ 4,217,774**

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.

| | | |
|--------------------------|--------------------|-----------|
| Cost of capital assets | \$ 14,157,298 | |
| Accumulated depreciation | <u>(6,143,494)</u> | |
| Capital assets, net | | 8,013,804 |

Long-term receivables are not available to pay for current period expenditures and therefore are not reported as assets in the funds. Long-term receivables at year-end consist of:

| | | |
|----------------------------------|--|--------|
| Loan to other governmental units | | 20,000 |
|----------------------------------|--|--------|

Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet. Long-term liabilities at year-end consist

| | | |
|---|----------------|--------------------|
| Direct obligations | 2,021,546 | |
| Accrued interest payable | 22,148 | |
| Compensated absences | 143,562 | |
| Net other post-employment benefits obligation | <u>844,451</u> | |
| | | <u>(3,031,707)</u> |

Net position of governmental activities **\$ 9,219,871**

City of Pleasant Ridge

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2014

| | General | Solid Waste | I-696 Segregated Capital Asset |
|---|-------------------|------------------|--------------------------------------|
| REVENUES | | | |
| Taxes | \$ 1,510,071 | \$ 215,251 | \$ - |
| Licenses and permits | 69,560 | - | - |
| Intergovernmental | 241,526 | - | - |
| Charges for services | 459,930 | 206,373 | - |
| Fines and forfeits | 39,071 | - | - |
| Interest and rents | 14,784 | 7 | 70,252 |
| Other | 122,931 | - | - |
| TOTAL REVENUES | 2,457,873 | 421,631 | 70,252 |
| EXPENDITURES | | | |
| Current | | | |
| General government | 612,828 | - | - |
| Public safety | 1,109,816 | - | - |
| Public works | 196,171 | 416,459 | - |
| Community and economic development | 72,347 | - | - |
| Recreation and culture | 368,715 | - | - |
| Other | 168,237 | - | - |
| Capital outlay | 68,968 | - | - |
| Debt service | - | - | - |
| TOTAL EXPENDITURES | 2,597,082 | 416,459 | -0- |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (139,209) | 5,172 | 70,252 |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | - | - | - |
| Transfers out | (709) | - | (55,061) |
| Installment purchase agreement | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | (709) | -0- | (55,061) |
| NET CHANGE IN FUND BALANCES | (139,918) | 5,172 | 15,191 |
| Fund balances, beginning of year | 665,554 | 29,001 | 3,245,375 |
| Fund balances, end of year | <u>\$ 525,636</u> | <u>\$ 34,173</u> | <u>\$ 3,260,566</u> |

See accompanying notes to financial statements.

| Nonmajor Governmental Funds | Total |
|-----------------------------------|--------------|
| \$ 672,681 | \$ 2,398,003 |
| - | 69,560 |
| 169,110 | 410,636 |
| 40,630 | 706,933 |
| - | 39,071 |
| 18 | 85,061 |
| - | 122,931 |
| 882,439 | 3,832,195 |
| - | 612,828 |
| - | 1,109,816 |
| 143,798 | 756,428 |
| - | 72,347 |
| 278,484 | 647,199 |
| - | 168,237 |
| 149,701 | 218,669 |
| 191,209 | 191,209 |
| 763,192 | 3,776,733 |
| 119,247 | 55,462 |
| 110,270 | 110,270 |
| (54,500) | (110,270) |
| 44,879 | 44,879 |
| 100,649 | 44,879 |
| 219,896 | 100,341 |
| 177,503 | 4,117,433 |
| \$ 397,399 | \$ 4,217,774 |

City of Pleasant Ridge

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2014

Net change in fund balances - total governmental funds \$ 100,341

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

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

| | |
|----------------------|------------------|
| Capital outlay | \$ 196,481 |
| Depreciation expense | <u>(557,672)</u> |

Excess of depreciation expense over capital outlay (361,191)

Long-term loans are reported as expenditures when made and as revenue when repaid in the governmental funds. However, there is no impact in the statement of activities when loans are made or repaid. This amount represents the change in the long-term loans receivable.

Loan to other governmental units (20,000)

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowing increases long-term liabilities in the statement of net position. In the current period, these amounts consist of:

| | |
|---|----------------|
| Installment purchase agreement | (44,879) |
| Bond and installment loan principal retirements | <u>108,096</u> |

63,217

Some items 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. These activities consist of:

| | |
|---|------------------|
| Decrease in accrued interest payable | 695 |
| Decrease in compensated absences | 59,484 |
| (Increase) in net other post-employment benefits obligation | <u>(163,292)</u> |

(103,113)

Change in net position of governmental activities \$ (320,746)

City of Pleasant Ridge
Proprietary Fund
STATEMENT OF NET POSITION
June 30, 2014

| | Business-type Activities |
|---------------------------------------|-----------------------------|
| | Water and Sewer |
| ASSETS | |
| Current assets | |
| Cash and cash equivalents | \$ 375,531 |
| Accounts receivable | 336,064 |
| Prepaid expenses | 59 |
| Total current assets | 711,654 |
| Noncurrent assets | |
| Investments | 200,000 |
| Capital assets being depreciated, net | 1,920,420 |
| Total noncurrent assets | 2,120,420 |
| TOTAL ASSETS | 2,832,074 |
| LIABILITIES | |
| Current liabilities | |
| Accounts payable | 65,248 |
| Other accrued liabilities | 769 |
| Accrued interest payable | 6,453 |
| Current portion of long-term debt | 85,221 |
| Total current liabilities | 157,691 |
| Noncurrent liabilities | |
| Noncurrent portion of long-term debt | 867,209 |
| TOTAL LIABILITIES | 1,024,900 |
| NET POSITION | |
| Net investment in capital assets | 967,990 |
| Unrestricted | 839,184 |
| TOTAL NET POSITION | \$ 1,807,174 |

See accompanying notes to financial statements.

City of Pleasant Ridge

Proprietary Fund

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

Year Ended June 30, 2014

| | Business-type Activities |
|--|-----------------------------|
| | <u>Water and Sewer</u> |
| OPERATING REVENUES | |
| Charges for services | \$ 1,290,628 |
| Penalties and fines | 15,506 |
| Other | <u>15,310</u> |
| TOTAL OPERATING REVENUES | 1,321,444 |
| OPERATING EXPENSES | |
| Salaries, wages, and fringe benefits | 29,751 |
| Contractual services | 84,477 |
| Water purchases | 153,741 |
| Sewage treatment | 500,074 |
| Administrative charges | 179,600 |
| Operating supplies | 3,280 |
| Other | 28,092 |
| Depreciation | <u>116,847</u> |
| TOTAL OPERATING EXPENSES | <u>1,095,862</u> |
| OPERATING INCOME | 225,582 |
| NONOPERATING REVENUES (EXPENSES) | |
| Interest income | 56 |
| Interest expense and fees | <u>(28,862)</u> |
| TOTAL NONOPERATING REVENUES (EXPENSES) | <u>(28,806)</u> |
| CHANGE IN NET POSITION | 196,776 |
| Net position, beginning of year | <u>1,610,398</u> |
| Net position, end of year | <u><u>\$ 1,807,174</u></u> |

See accompanying notes to financial statements.

City of Pleasant Ridge
Proprietary Fund
STATEMENT OF CASH FLOWS
Year Ended June 30, 2014

| | Business-type Activities Water and Sewer |
|--|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Cash receipts from customers | \$ 1,307,553 |
| Cash paid to suppliers | (954,051) |
| Cash paid to employees | (30,078) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 323,424 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Payments on borrowing | (83,137) |
| Interest and fees paid | (29,427) |
| NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES | (112,564) |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Interest received | 56 |
| Purchase of investments | (200,000) |
| NET CASH (USED) BY INVESTING ACTIVITIES | (199,944) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 10,916 |
| Cash and cash equivalents, beginning of year | 364,615 |
| Cash and cash equivalents, end of year | \$ 375,531 |
| Reconciliation of operating income to net cash provided by operating activities | |
| Operating income | \$ 225,582 |
| Adjustments to reconcile operating income to net cash provided by operating activities | |
| Depreciation | 116,847 |
| (Increase) in: | |
| Accounts receivable | (13,891) |
| Prepaid expenses | (59) |
| (Decrease) in: | |
| Accounts payable | (4,728) |
| Other accrued liabilities | (327) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | \$ 323,424 |

See accompanying notes to financial statements.

City of Pleasant Ridge

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Pleasant Ridge, Michigan (the City) is located in Oakland County, Michigan and has a population of approximately 2,500. The City operates with a City Manager/Commission form of government and provides services to its residents in many areas including general government, law enforcement, highways and streets, human services, and utilities services.

The City has five (5) City Commissioners, including the Mayor, who are elected at-large every two (2) years for overlapping four (4) year terms. The Commissioner with the most votes in the prior election is the Mayor Pro-Tem. A full-time City Manager is appointed by the City Commission to carry out the policies that are established.

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

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America these financial statements present the financial activities of the City of Pleasant Ridge (primary government) and its component unit. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

The inclusion of the activities of various agencies is based on the manifestation of oversight criteria, relying on such guidelines as the selection of the governing authority, the designation of management, the ability to exert significant influence on operations, and the accountability for fiscal matters. The accountability for fiscal matters considers the possession of the budgetary authority, the responsibility for surplus or deficit, the controlling of fiscal management, and the revenue characteristics, whether a levy or a charge. Consideration is also given to the scope of public service. The scope of public service considers whether the activity is for the benefit of the reporting entity and/or its residents and is within the geographic boundaries of the reporting entity and generally available to its citizens.

Based upon the application of these criteria, the financial statements of the City of Pleasant Ridge contain all the funds controlled by the City Commission.

2. Discretely Presented Component Unit

The component unit is reported in a separate column to emphasize that, while legally separate, the City remains financially accountable for this entity or the nature and significance of the relationship between the entity and the City is such that exclusion of the entity would render the financial statements misleading. The financial statements contain the following discretely presented component unit:

Downtown Development Authority - The members of the governing board of the Downtown Development Authority (DDA) are appointed by the City Commission. The City Commission approves the DDA's annual budget and any required budget amendments. The City Commission also has the ability to significantly influence operations of the DDA. The DDA is included in the City's audited financial statements and is not audited separately.

3. Joint Ventures

The City participates in the following activities which are considered to be joint ventures in relation to the City, due to the formation of an organization by contractual agreement between two (2) or more participants that maintain joint control, financial interest, and financial responsibility.

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Joint Ventures - continued

Southeastern Oakland County Resource Recovery Authority - The City is a member of the Southeastern Oakland County Resource Recovery Authority (SOCRRA), which is a joint venture among twelve (12) municipalities in Oakland County, including the City of Pleasant Ridge. The City appoints one (1) member of the governing board, which approves the annual budget. SOCRRA provides waste disposal and recycling services to its municipal communities. Principal funding for the Authority is derived from waste disposal charges to the member municipalities. For the year ended June 30, 2014, the City of Pleasant Ridge expended \$175,862 in payments to SOCRRA.

The City has no explicit and measurable equity interest in the joint venture. The City is also unaware of any circumstances that would cause any significant additional financial benefit or burden to the participating governments in the near future.

The financial activities of SOCRRA are accounted for and reported separately from the participating units. Separate audited financial statements for the year ended June 30, 2014, are available at SOCRRA's administrative offices. As of June 30, 2014, SOCRRA had net position of \$6,795,845.

Southeastern Oakland County Water Authority - The City is a member of the Southeastern Oakland County Water Authority (SOCWA), which is a joint venture among eleven (11) municipalities in Oakland County, including the City of Pleasant Ridge. The City appoints one (1) member of the governing board, which approves the annual budget. SOCWA provides a water supply system for use by the participating municipalities. Principal funding for the Authority is derived from water charges to the member municipalities. For the year ended June 30, 2014, the City of Pleasant Ridge expended \$153,741 in payments to SOCWA.

The City has no explicit and measurable equity interest in the joint venture. The City is also unaware of any circumstances that would cause any significant additional financial benefit or burden to the participating governments in the near future.

The financial activities of SOCWA are accounted for and reported separately from the participating units. Separate audited financial statements for the year ended June 30, 2014, are available at SOCWA's administrative offices. As of June 30, 2014, SOCWA had net position of \$19,258,396.

4. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities (the government-wide financial statements) present information for the primary government and its component unit as a whole. For the most part, interfund activity has been eliminated in the preparation of these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities presents the direct functional expenses of the primary government and its component unit and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

City of Pleasant Ridge

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Basis of Presentation - continued

FUND FINANCIAL STATEMENTS

The fund financial statements present the City's individual major funds and aggregated nonmajor funds. Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and the major individual enterprise fund are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

- a. The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The Solid Waste Fund is used to account for financial resources that are used for solid waste management and clean up within the City of Pleasant Ridge, financed with local taxes.
- c. The I-696 Segregated Capital Asset Fund was established to account for the funds received from the State of Michigan in connection with condemnation proceedings instituted by the State to acquire City-owned property for the construction of interstate highway 696.

The City reports the following major enterprise fund:

- a. The Water and Sewer Fund is used to account for the operations required to provide water distribution, water treatment, sewage disposal, and sewage treatment systems for the general public, the costs (expenses, including depreciation) are financed or recovered primarily through user charges.

5. Measurement Focus

The government-wide and proprietary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide financial statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

6. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues that are considered measurable but not available are recorded as a receivable and unavailable revenue. Significant revenues susceptible to accrual are special assessments and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Basis of Accounting - continued

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. If/when both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

7. Budgets and Budgetary Accounting

The General and Special Revenue Fund budgets shown as required supplementary information were prepared on the same modified accrual basis used to reflect actual results. This basis is consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for all required governmental fund types. The City employs the following procedures in establishing the budgetary data reflected in the financial statements.

- a. The City requires the City Manager to submit an estimate of revenues and anticipated expenditures for the succeeding fiscal year on or before April 10 of each year. The City Manager is then authorized to assign and transfer budget amounts within each fund to the extent that the net total fund appropriation (which the City defines as gross authorized expenditures less related revenues that are specifically designated to fund those activities) is not exceeded. City Commission approval is required for any budgetary changes that result in an increase to net appropriations.
- b. A budget workshop is held between the time of the City Manager's submission of the budget and the second meeting held in May.
- c. A Public Hearing is conducted to obtain taxpayers' comments in May.
- d. Prior to the second regular Commission meeting in May, the budget is legally enacted through passage of a resolution.
- e. The budget is legally adopted at the activity level for the General Fund and total expenditure level for the Special Revenue Funds; however, they are maintained at the account level for control purposes.
- f. The City does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds. Appropriations unused at June 30 are not carried forward to the following fiscal year.
- g. Budgeted amounts are reported as originally adopted or amended by the City Commission during the year. Individual amendments were appropriately approved by the City Commission as required.

City of Pleasant Ridge

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

8. Cash, Cash Equivalents, and Investments

The City pools cash resources of various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balances in the pooled cash accounts are available to meet current operating requirements. Cash in excess of current requirements is invested in various interest bearing securities and disclosed as part of the City's investments. Cash consists of checking, savings, and money market accounts. Cash equivalents consist of temporary investments in mutual funds and certificates of deposit with original maturities of 90 days or less.

Investments include U.S. Government Securities and certificates of deposit with original maturities of greater than 90 days from the date of purchase. Investments are recorded at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

9. Due from Other Governmental Units

Due from other governmental units consists of amounts due from the State of Michigan or other governments for various payments and grants.

10. Receivables

Receivables consist of amounts due related from individuals and businesses related to charges for services, interest receivable, special assessments receivable, taxes levied that have not been collected, and other amounts owed to the City at year-end.

11. Property Tax

The City of Pleasant Ridge bills and collects its own property taxes and also taxes for other governmental units. The City's property tax revenue recognition policy and related tax calendar disclosures are highlighted in the following paragraph:

Property taxes are levied and become a lien on July 1 on the taxable valuation of property located in the City as of the preceding December 31 and are payable without penalty through July 31, or if elected by the taxpayer, paid in eight monthly installments from July through February. The July 1 levy is composed of the City's millage, County's millage assessments, and school taxes. All real property taxes not paid to the City by March 1 are turned over to the Oakland County Treasurer for collection. The Oakland County Treasurer purchases the receivables of all taxing districts on any delinquent real property taxes. Delinquent personal property taxes receivable are retained by the City for subsequent collection. City property tax revenues are recognized as revenues in the fiscal year levied.

The City is permitted by charter to levy taxes up to 20 mills (\$20 per \$1,000 of taxable valuation) for general governmental services. They are also permitted to levy additional mills specifically designated for refuse services, infrastructure improvements, library services, pool operations, and pool debt. For the year ended June 30, 2014, the City levied 11.4248 mills per \$1,000 of taxable valuation for general governmental services, 1.7134 mills for refuse services, 2.4124 mills for infrastructure improvements, 0.3700 mills for library services, 1.2722 mills for pool operations, and 1.3000 mills for pool debt. The total taxable value for the 2013 levy for property within the City was \$128,361,870.

12. Prepays

Prepaid expenditures in the governmental funds, such as insurance premiums, which are expected to be written off within the next fiscal year, are included in net current assets. Reported prepaid expenditures are equally offset by nonspendable fund balance which indicates they do not constitute "available spendable resources" even though they are a component of net current assets.

City of Pleasant Ridge

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

13. Unearned Revenue

The City defers revenue recognition in connection with resources that have been received but not yet earned.

14. Compensated Absences

City employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is paid for accumulated vacation and sick time. All employees with accumulated unused vacation and sick time pay at June 30, 2014, were vested and the total due to them, along with related payroll taxes, is recorded entirely in the government-wide financial statements.

15. Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

16. Capital Assets

Capital assets are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities, business-type activities, and component unit columns. Capital assets are those with an initial individual cost of \$5,000 or more and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. Infrastructure assets reported by governmental activities include all roads and streets regardless of their acquisition date or amount.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

| | |
|---|---------------|
| Land improvements | 15 years |
| Buildings and improvements | 10 - 50 years |
| Vehicles | 3 years |
| Equipment | 5 - 15 years |
| Software | 3 years |
| Infrastructure - streets and alleys | 12 - 20 years |
| Water and sewer transmission and distribution | 25 years |
| Water meters | 15 years |

17. Long-term Liabilities

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in a Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

City of Pleasant Ridge

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

18. Comparative Data

Comparative data for the prior year has not been presented in the accompanying financial statements since their inclusion would make the statements unduly complex and difficult to read.

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS

In accordance with Michigan Compiled Laws, the City is authorized to invest in the following investment vehicles:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 6 of 1855 PA 105, MCL 21.146.
- c. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
- d. The United States government or federal agency obligations repurchase agreements.
- e. Bankers' acceptances of United States banks.
- f. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Deposits

As of June 30, 2014, the carrying amounts and bank balances for each type of bank account are as follows:

| <u>Account Type</u> | <u>Carrying Amount</u> | <u>Bank Balance</u> |
|--------------------------|----------------------------|-------------------------|
| PRIMARY GOVERNMENT | | |
| Checking and savings | \$ 862,324 | \$ 869,735 |
| Certificates of deposit | <u>712,394</u> | <u>712,394</u> |
| TOTAL PRIMARY GOVERNMENT | 1,574,718 | 1,582,129 |
| COMPONENT UNIT | | |
| Checking and savings | <u>81,865</u> | <u>81,865</u> |
| TOTAL REPORTING ENTITY | <u>\$ 1,656,583</u> | <u>\$ 1,663,994</u> |

The primary government cash and cash equivalents caption on the basic financial statements included \$860 of imprest cash.

City of Pleasant Ridge

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

Deposits - continued

Deposits of the City are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the City. As of June 30, 2014, the City accounts were insured by the FDIC for \$1,181,463 and the amount of \$482,531 was uninsured and uncollateralized.

Due to significantly higher cash flow at certain periods during the year, the amount the City held as cash and cash equivalents increased significantly. As a result, the amount of uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year-end.

Investments

As of June 30, 2014, the City had the following investments:

| <u>Investment Type</u> | <u>Carrying Amount</u> | <u>Market Value</u> | <u>Weighted Average Maturity</u> |
|---|------------------------|---------------------|----------------------------------|
| PRIMARY GOVERNMENT Uncategorized pooled investment funds | <u>\$ 3,219,471</u> | <u>\$ 3,219,471</u> | 646 days |

Credit risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). The City's investments as of June 30, 2014, were not rated.

Interest rate risk

The City will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by:

Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity, and investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools and limiting the average maturity of the portfolio.

Concentration of credit risk

The City will minimize credit risk, which is the risk of loss due to the failure of the security issuer or backer, by:

Limiting investments to the types of securities listed in the "Authorized Investments" section; pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the City will do business in accordance with the "Authorized Institutions" section; and diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized.

Custodial credit risk

The City will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by:

Limiting investments to the types of securities authorized by the Commission and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisers with which the City will do business in accordance with Commission approved policy.

City of Pleasant Ridge

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

The cash and cash equivalents and investments referred to above have been reported in the cash and cash equivalents or investments captions on the basic financial statements, based upon criteria disclosed in Note A. The following summarizes the categorization of these amounts as of June 30, 2014:

| | <u>Primary Government</u> | <u>Component Unit</u> | <u>Reporting Entity</u> |
|---------------------------|-------------------------------|---------------------------|-----------------------------|
| Cash and cash equivalents | \$ 863,184 | \$ 81,865 | \$ 945,049 |
| Investments | <u>3,931,865</u> | <u>-</u> | <u>3,931,865</u> |
| | <u>\$ 4,795,049</u> | <u>\$ 81,865</u> | <u>\$ 4,876,914</u> |

NOTE C: INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at June 30, 2014:

| | | |
|--|-----------|------------------|
| Due to Solid Waste Fund from: | | |
| General Fund | | <u>\$ 3,809</u> |
| Due to nonmajor governmental funds from: | | |
| General Fund | \$ 12,612 | |
| I-696 Segregated Capital Asset Fund | 41,707 | |
| Nonmajor governmental funds | | <u>29,795</u> |
| | | <u>\$ 84,114</u> |

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not yet cleared as of the balance sheet date.

NOTE D: ADVANCES PAYABLE AND RECEIVABLE

The following schedule details advances payable and receivable related to the primary government June 30, 2014:

| | | |
|--|--|------------------|
| Advance from I-696 Segregated Capital Asset Fund to: | | |
| General Fund | | <u>\$ 17,694</u> |

In a previous year, the I-696 Segregated Capital Asset Fund provided a loan to the General Fund for the purchase of a police car. The General Fund is repaying the loan over 4 years.

NOTE E: INTERFUND TRANSFERS

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

City of Pleasant Ridge

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE E: INTERFUND TRANSFERS - CONTINUED

Transfers to nonmajor governmental funds from:

| | |
|-------------------------------------|-------------------|
| General Fund | \$ 709 |
| I-696 Segregated Capital Asset Fund | 55,061 |
| Nonmajor governmental funds | <u>54,500</u> |
| | <u>\$ 110,270</u> |

The transfers made to nonmajor governmental funds from the General Fund and I-696 Segregated Capital Asset Fund were to finance the current year debt service payments and pool operations. Transfers made to nonmajor governmental funds from other nonmajor governmental funds were related to infrastructure improvements.

NOTE F: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014, was as follows:

Primary Government

| | Balance July 1, 2013 | Additions | Deletions | Balance June 30, 2014 |
|--------------------------------------|-------------------------|---------------------|---------------|--------------------------|
| Governmental activities | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 1,746,700 | \$ - | \$ - | \$ 1,746,700 |
| Construction in progress | 35,058 | 96,122 | - | 131,180 |
| Subtotal | 1,781,758 | 96,122 | -0- | 1,877,880 |
| Capital assets being depreciated | | | | |
| Land improvements | 861,157 | 5,000 | - | 866,157 |
| Buildings and improvements | 3,597,180 | 41,045 | - | 3,638,225 |
| Vehicles | 94,044 | - | - | 94,044 |
| Equipment | 361,206 | 54,314 | (39,945) | 375,575 |
| Software | 11,060 | - | - | 11,060 |
| Infrastructure - streets and alleys | 7,294,357 | - | - | 7,294,357 |
| Subtotal | 12,219,004 | 100,359 | (39,945) | 12,279,418 |
| Less accumulated depreciation for: | | | | |
| Land improvements | (624,998) | (34,182) | - | (659,180) |
| Buildings and improvements | (1,379,091) | (106,245) | - | (1,485,336) |
| Vehicles | (62,085) | (11,196) | - | (73,281) |
| Equipment | (276,671) | (41,331) | 39,945 | (278,057) |
| Software | (11,060) | - | - | (11,060) |
| Infrastructure - streets and alleys | (3,271,862) | (364,718) | - | (3,636,580) |
| Subtotal | (5,625,767) | (557,672) | 39,945 | (6,143,494) |
| Net capital assets being depreciated | 6,593,237 | (457,313) | -0- | 6,135,924 |
| Capital assets, net | <u>\$ 8,374,995</u> | <u>\$ (361,191)</u> | <u>\$ -0-</u> | <u>\$ 8,013,804</u> |

City of Pleasant Ridge

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE F: CAPITAL ASSETS - CONTINUED

Primary Government - Continued

Depreciation expense was charged to the following governmental activities:

| | |
|------------------------|--------------------------|
| General government | \$ 25,388 |
| Public safety | 21,003 |
| Public works | 374,270 |
| Recreation and culture | <u>137,011</u> |
| | <u><u>\$ 557,672</u></u> |

| | <u>Balance July 1, 2013</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance June 30, 2014</u> |
|---|---------------------------------|---------------------|------------------|----------------------------------|
| Business-type activities | | | | |
| Capital assets being depreciated | | | | |
| Water and sewer transmission and distribution system | \$ 3,285,053 | \$ - | \$ - | \$ 3,285,053 |
| Water meters | 157,233 | - | - | 157,233 |
| Vehicles and miscellaneous equipment | <u>14,602</u> | <u>-</u> | <u>-</u> | <u>14,602</u> |
| Subtotal | 3,456,888 | -0- | -0- | 3,456,888 |
| Less accumulated depreciation for: | | | | |
| Water and sewer transmission and distribution system | (1,331,644) | (106,364) | - | (1,438,008) |
| Water meters | (73,375) | (10,483) | - | (83,858) |
| Vehicles and miscellaneous equipment | <u>(14,602)</u> | <u>-</u> | <u>-</u> | <u>(14,602)</u> |
| Subtotal | <u>(1,419,621)</u> | <u>(116,847)</u> | <u>-0-</u> | <u>(1,536,468)</u> |
| Capital assets, net | <u>\$ 2,037,267</u> | <u>\$ (116,847)</u> | <u>\$ -0-</u> | <u>\$ 1,920,420</u> |

Component Unit

| | <u>Balance July 1, 2013</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance June 30, 2014</u> |
|---|---------------------------------|-------------------|------------------|----------------------------------|
| Downtown Development Authority (DDA) | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 72,500 | \$ - | \$ - | \$ 72,500 |
| Capital assets being depreciated | | | | |
| Land improvements | 119,715 | - | - | 119,715 |
| Less accumulated depreciation for: | | | | |
| Land improvements | <u>(18,908)</u> | <u>(6,176)</u> | <u>-</u> | <u>(25,084)</u> |
| Net capital assets being depreciated | <u>100,807</u> | <u>(6,176)</u> | <u>-0-</u> | <u>94,631</u> |
| Capital assets, net | <u>\$ 173,307</u> | <u>\$ (6,176)</u> | <u>\$ -0-</u> | <u>\$ 167,131</u> |

City of Pleasant Ridge

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE G: LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portion) of the City for the year ended June 30, 2014.

| | Balance July 1, 2013 | Additions | Deletions | Balance June 30, 2014 | Amounts Due Within One Year |
|---------------------------------|-------------------------|-------------------|---------------------|--------------------------|-----------------------------------|
| Primary Government | | | | | |
| Governmental activities | | | | | |
| Pool/Fitness Center Bonds | \$ 2,050,000 | \$ - | \$ (75,000) | \$ 1,975,000 | \$ 100,000 |
| DPW Improvement Loan | 27,479 | - | (12,354) | 15,125 | 15,125 |
| Installment Purchase Agreements | 7,284 | 44,879 | (20,742) | 31,421 | 11,120 |
| Compensated Absences | 203,046 | 84,538 | (144,022) | 143,562 | 94,000 |
| | 2,287,809 | 129,417 | (252,118) | 2,165,108 | 220,245 |
| Business-type activities | | | | | |
| Water and Sewer System | | | | | |
| George W. Kuhn Drain Bonds | 1,035,567 | - | (83,137) | 952,430 | 85,221 |
| | <u>\$ 3,323,376</u> | <u>\$ 129,417</u> | <u>\$ (335,255)</u> | <u>\$ 3,117,538</u> | <u>\$ 305,466</u> |
| Component Unit | | | | | |
| Downtown Development Authority | | | | | |
| 2010 Promissory Note | <u>\$ 40,000</u> | <u>\$ -0-</u> | <u>\$ (20,000)</u> | <u>\$ 20,000</u> | <u>\$ 20,000</u> |

Significant details regarding outstanding long-term debt (including current portion) are presented below:

Primary Government

General Obligation Bonds

\$2,550,000 2003 General Obligation Unlimited Tax Bonds dated June 1, 2003, due in annual installments ranging from \$100,000 to \$200,000 through April 1, 2028, with interest ranging from 3.750 to 4.375 percent, payable semiannually.

\$ 1,975,000

Installment Loan Agreements

\$110,000 DPW Improvement Loan dated September 23, 2004, due in a final installment of \$15,125 on September 1, 2014, with interest of 3.69 percent.

\$ 15,125

\$44,879 National Equipment Leasing Loan dated February 14, 2014, due in annual installments of \$13,457 through February 14, 2016, and a final installment of \$8,975 on February 14, 2017, with interest of 7.43 percent.

\$ 31,421

City of Pleasant Ridge

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE G: LONG-TERM DEBT - CONTINUED

Primary Government - continued

Water and Sewer System George W. Kuhn Drain Bonds

The City is a participating community in the George W. Kuhn drain project. The project is administered by the Oakland County Drain Commission, and financed through the sale of drain bonds, drawdowns from the State of Michigan revolving fund, Federal and State of Michigan grants, and contributions from Oakland County, Michigan. The City, along with thirteen other local communities, is obligated for the payment of principal and interest of the outstanding debt. The City is obligated for varying percentages of each of the county bond issuances.

\$ 952,430

Component Unit

Promissory Note

\$100,000 2010 Promissory Note for public infrastructure improvements dated September 14, 2010, due in annual installments of \$20,000 through July 1, 2015, with interest of 4.50 percent.

\$ 20,000

Compensated Absences

Individual employees have vested rights upon termination of employment to receive payments for unused sick/vacation time. The dollar amounts of these vested rights including related payroll taxes, which have been recorded in the government-wide financial statements, amounted to \$143,562 at June 30, 2014.

The annual requirements to pay the debt principal and interest outstanding for the Bonds, Installment Loan Agreements, and Promissory Note are as follows:

Primary Government

| Year Ending June 30, | Governmental Activities | | | | Business-type Activities | |
|-------------------------|--------------------------|-------------------|--------------------------------|-----------------|--------------------------|-------------------|
| | General Obligation Bonds | | Installment Loan Agreements | | Drain Bonds | |
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2015 | \$ 100,000 | \$ 83,274 | \$ 26,245 | \$ 2,881 | \$ 85,221 | \$ 25,822 |
| 2016 | 100,000 | 79,524 | 11,947 | 1,510 | 87,690 | 23,508 |
| 2017 | 100,000 | 75,524 | 8,354 | 621 | 90,096 | 21,128 |
| 2018 | 100,000 | 71,524 | - | - | 92,372 | 19,570 |
| 2019 | 125,000 | 67,524 | - | - | 94,584 | 14,387 |
| 2020-2024 | 700,000 | 254,746 | - | - | 467,085 | 40,806 |
| 2025-2029 | 750,000 | 83,735 | - | - | 35,382 | 2,578 |
| | <u>\$ 1,975,000</u> | <u>\$ 715,851</u> | <u>\$ 46,546</u> | <u>\$ 5,012</u> | <u>\$ 952,430</u> | <u>\$ 147,799</u> |

City of Pleasant Ridge

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE G: LONG-TERM DEBT - CONTINUED

Component Unit

| Year Ending June 30, | Promissory Note | |
|-------------------------|-----------------|----------|
| | Principal | Interest |
| 2015 | \$ 20,000 | \$ 900 |

The DPW Improve Loan is fully liquidated by the Non-voted Debt Service Fund. The liability for compensated absences is fully liquidated by the General Fund. The National Equipment Leasing Loan is fully liquidated by the Pool/Fitness Facility Fund.

NOTE H: RETIREMENT PLAN

Plan Description

The City participates in the Michigan Municipal Employees Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers all eligible full-time employees of the City. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by the City Commission and by negotiation with the City's collective bargaining units. The plan requires employer contributions of 17.87 percent of gross wages and no contribution from the employees.

Annual Pension Cost

For year ended June 30, 2014, the City's annual pension cost of \$207,200 for the plan was equal to the City's required and actual contribution. The estimated annual required contribution was determined as part of an actuarial valuation at December 31, 2011, using the entry age normal cost method. Actual contributions to the retirement system are based on actual reported monthly payroll. Significant actuarial assumptions used include (a) an 8.00 percent investment rate of return (b) projected salary increases of 1.0 percent, 2.0 percent and 3.0 percent for calendar years 2014, 2015 and 2016, respectively, then 4.5 percent per year thereafter, compounded annually, attributable to inflation (c) additional salary increases ranging from 0% to 13% per year depending on age, seniority and merit, and (d) assumption benefits will not increase after retirement.

The actuarial value of MERS assets was determined using techniques that smooth the effects of short term volatility over a ten (10) year period. The unfunded actuarial liability is being amortized as a level percentage of payroll over a period of twenty-seven (27) years. The amortization period is open.

City of Pleasant Ridge

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE H: RETIREMENT PLAN - CONTINUED

Three (3) year trend information

| | Year Ended December 31, | | |
|---|-------------------------|--------------|--------------|
| | 2011 | 2012 | 2013 |
| Actuarial value of assets | \$ 2,781,082 | \$ 2,910,743 | \$ 3,122,362 |
| Actuarial accrued liability (AAL) (entry age) | 4,592,932 | 4,681,628 | 5,185,947 |
| Unfunded AAL (UAAL) | 1,811,850 | 1,770,885 | 2,063,585 |
| Funded ratio | 61% | 62% | 60% |
| Annual covered payroll | 620,771 | 608,261 | 557,434 |
| UAAL as a percentage of covered payroll | 292% | 291% | 370% |

| | Year Ended June 30, | | |
|-------------------------------|---------------------|------------|------------|
| | 2012 | 2013 | 2014 |
| Annual pension cost | \$ 158,197 | \$ 160,024 | \$ 207,200 |
| Percentage of APC contributed | 100% | 100% | 100% |
| Net pension obligation | - | - | - |

This trend information was obtained from the most recently issued actuarial reports.

NOTE I: OTHER POST-EMPLOYMENT BENEFITS

Plan Description

The City provides certain retiree medical benefits as other post-employment benefits (OPEB) to all applicable employees, in accordance with union agreements and/or personnel policies. The single-employer OPEB plan is administered by the City's management and obligations of plan members and employees are established and amended by the City Commission. The following are the Governmental Accounting Standards Board Statement No. 45 (GASB Statement No. 45) required disclosures and these disclosures have been implemented prospectively by the City. In accordance with union agreement and personnel policy, upon retirement each employee will be eligible for continuation of certain medical, prescription drug, dental, and vision coverage. Employees become eligible for the minimum coverage after the age of 55 with 15 years of service. Additional coverage is provided as the age of retirement increases and more years of service are attained. The City contributes 90 percent of the monthly premiums and the retirees must contribute the balance of premiums not paid by the employer in accordance with plan provisions.

During the year ended June 30, 2014, 12 retirees were receiving benefits. Expenditures for post-employment benefits are recognized when claims are paid. During the year, net expenditures of \$104,971 were recognized for post-employment benefits.

The plan does not issue a separate stand-alone financial statement.

City of Pleasant Ridge

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE I: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

Funding Policy

The City's annual other post-employment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC). The City has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The City has no obligation to make contributions in advance of when the premiums are due for payment (i.e., may be financed on a "pay-as-you-go" basis). The only current contributions being made are to pay the actual current premiums of the retirees. That amount was less than the annual required contribution and is reflected in the schedule that follows. Administrative costs of the plan are paid for by the City.

Funding Progress

For the year ended June 30, 2014, the City has determined an estimated cost of providing post-employment benefits through the alternative measurement method of calculation as of June 30, 2013. The calculation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to cover the amortization of any unfunded actuarial liabilities from the past, over a period not to exceed thirty (30) years.

The City's computed contribution and actual funding is summarized as follows:

| | |
|--|--------------------------|
| Annual required contribution (ARC) | \$ 274,815 |
| Interest on net OPEB obligation | 20,435 |
| Adjustment to annual required contribution | <u>(26,987)</u> |
| Annual OPEB cost (expense) | 268,263 |
| Amounts contributed: | |
| Payments of current premiums (net of employee reimbursement) | <u>104,971</u> |
| Increase in net OPEB obligation | 163,292 |
| OPEB obligation - beginning of year | <u>681,159</u> |
| OPEB obligation - end of year | <u><u>\$ 844,451</u></u> |

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

| | Year Ended June 30, | | |
|------------------------|---------------------|-------------|-------------|
| | <u>2012</u> | <u>2013</u> | <u>2014</u> |
| Annual OPEB cost | \$ 304,259 | \$ 315,211 | \$ 268,263 |
| Percentage contributed | 47% | 32% | 39% |
| Net OPEB obligation | 467,625 | 681,159 | 844,451 |

City of Pleasant Ridge

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE I: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

The current funding progress of the plan as is as follows:

| | Year Ended December 31, 2006 | Year Ended December 31, 2009 | Year Ended June 30, 2013 |
|---|---------------------------------|---------------------------------|-----------------------------|
| Actuarial value of assets | \$ - | \$ - | \$ - |
| Actuarial accrued liability (AAL) (entry age) | 4,450,060 | 4,008,721 | 4,168,212 |
| Unfunded AAL (UAAL) | 4,450,060 | 4,008,721 | 4,168,212 |
| Funded ratio | 0% | 0% | 0% |
| Annual covered payroll | 604,364 | 560,339 | 680,274 |
| UAAL as a percentage of covered payroll | 736% | 715% | 613% |

This trend information was obtained from the most recently issued actuarial reports.

Valuation Methods and Assumptions

Valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of potential occurrences of certain events in the future. Examples include assumption about future employment, mortality, healthcare costs trends, inflation, etc. Amounts determined regarding the funded status of the plan and the annual required contributions of the City are subject to continual revisions as actual results are compared with past expectations and new estimates and assumptions are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the City and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following simplifying assumptions were made:

Retirement Age for Active Employees - Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 60, or at the first subsequent year in which the member would qualify for benefits. The plan is closed to new employees hired after 2013.

Marital Status - Marital status of members at the calculation date was assumed to continue throughout retirement.

Mortality - Life expectancies were based on mortality tables from the National Center for Health Statistics. The 2002 United States Life Tables for males and for females were used.

Turnover - Non-group-specific age-based turnover data from GASB Statement No. 45 was used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for the purpose of allocating to periods the present value of total benefits to be paid.

Healthcare Cost Trend Rate - The expected rate of increase in healthcare insurance premiums was based on projections of the Office of the Actuary at the Centers for Medicare and Medicaid Services. A rate of 6.0 percent initially, increased to an ultimate rate of 6.6 percent after six years.

Health Insurance Premiums - 2013 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Payroll Growth Rate - The expected long-term payroll growth rate was assumed to equal the rate of inflation.

City of Pleasant Ridge

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE I: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

Based on the historical and expected returns of the City's short-term investment portfolio, a discount rate of 3.0 percent was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The amortization period at June 30, 2014 was 30 years.

NOTE J: CODE ENFORCEMENT FINANCIAL INFORMATION

The City has elected to report the financial activities of the code enforcement department in the General Fund. The following is the required information as it relates to this department for the year ended June 30, 2014:

| | |
|--|-----------|
| REVENUES | |
| Licenses and permits | |
| Electrical permits | \$ 6,570 |
| Building permits | 41,925 |
| Plumbing/heating permits | 8,795 |
| Administrative fee | 9,425 |
| | <hr/> |
| TOTAL REVENUES | 66,715 |
| EXPENDITURES | |
| Salaries and wages | 63,199 |
| Operating supplies and other | 809 |
| | <hr/> |
| TOTAL EXPENDITURES | 64,008 |
| | <hr/> |
| EXCESS OF REVENUES OVER EXPENDITURES | 2,707 |
| PRIOR CUMULATIVE EXCESS OF REVENUES OVER EXPENDITURES | |
| | <hr/> |
| | 29,671 |
| CUMULATIVE EXCESS OF REVENUES OVER EXPENDITURES | |
| | <hr/> |
| | \$ 32,378 |
| | <hr/> |

NOTE K: RISK MANAGEMENT

The City participates in a State pool, the Michigan Municipal Risk Management Authority, with other municipalities for property and casualty losses. The pool is organized under Public Act 138 of 1982, as amended. The City has individual self-insured retention amounts of \$10,000 for Sewage System Overflows (per occurrence) and a \$250 deductible per occurrence of property and crime coverage. State pool members' limits of coverage (per occurrence) are \$15,000,000 for liability and about \$7,700,000 for property. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The City has not been informed of any special assessments being required.

The City also participates in a pool, the Michigan Municipal League Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The City has not been informed of any special assessments being required.

City of Pleasant Ridge

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE L: I-696 SEGREGATED CAPITAL ASSET SPECIAL REVENUE FUND

The I-696 Segregated Capital Asset Fund (“SCAF”) was established in 1986 to account for the funds received from the State of Michigan in connection with condemnation proceedings instituted by the State to acquire City-owned property. The property is located along the City’s northern boundary and was acquired by the State for right-of-way for the I-696 highway. The property consisted of unimproved land used by the City for recreation purposes.

The State had remitted in prior years, its “good faith offer” of \$1,022,000 to the City together with related interest. During fiscal year 1995, the City of Pleasant Ridge and the State signed a settlement agreement ending the condemnation proceedings. The City received \$4,250,000 as final compensation covering unpaid principal and interest and any other costs or claims which the City had against the Department of Transportation arising out of the condemnation proceedings. Out of the proceeds, \$700,000 was earmarked under the settlement agreement for the repair and improvement of local roads that the City claimed was damaged by the I-696 project. In addition, the City was obligated, under a binding agreement, to pay one-third of the amount received, or \$1,416,667, to attorneys representing the City in the matter. The attorneys accepted \$1,250,000 in full settlement for their services.

The funds that were received, after the above deductions, are restricted for use by the City Code, primarily for capital acquisitions as described in Chapter Two, Article II, Division Nine, Sections 2-131 through 2-139. The restricted principal amount per City ordinance is \$3,242,872; however the entire fund balance of \$3,260,566 is reflected as nonspendable and committed fund balance in the Special Revenue Fund.

NOTE M: RESTRICTED NET POSITION

Restrictions of net position shown in the government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes. The following are the various net position restrictions as of June 30, 2014:

| PRIMARY GOVERNMENT | |
|-------------------------------|-------------|
| Governmental activities | |
| Restricted for streets | \$ 184,088 |
| Restricted for other purposes | |
| Infrastructure improvements | 198,018 |
| Solid waste services | 34,114 |
| Public safety | 32,673 |
| Debt service | 9,875 |
| Recreation and culture | 4,650 |
| | <hr/> |
| | 279,330 |
| | <hr/> |
| | \$ 463,418 |
| | <hr/> <hr/> |

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE N: DETAILS OF FUND BALANCE CLASSIFICATIONS

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The following are the five classifications of fund balance under this standard:

Nonspendable - assets that are not available in a spendable form such as inventory, prepaid expenditures, and long-term receivables not expected to be converted to cash in the near term. It also includes funds that are legally or contractually required to be maintained intact such as the corpus of a permanent fund or foundation.

Restricted - amounts that are required by external parties to be used for a specific purpose. Constraints are externally imposed by creditors, grantors, contributors or laws, regulations or enabling legislation.

Committed - amounts constrained on use imposed by formal action of the government's highest level of decision making authority (i.e., Board, Council, etc.).

Assigned - amounts intended to be used for specific purposes. This is determined by the governing body, the budget or finance committee or a delegated municipality official.

Unassigned - all other resources; the remaining fund balance after nonspendable, restrictions, commitments, and assignments. This class only occurs in the General Fund, except for cases of negative fund balances. Negative fund balances are always reported as unassigned, no matter which fund the deficit occurs in.

Fund Balance Classification Policies and Procedures

The formal action that is required to be taken to establish a fund balance commitment is a resolution by the City Commission, the highest level of decision making authority, of the City of Pleasant Ridge.

For assigned fund balance, the City of Pleasant Ridge has not approved a policy indicating who is authorized to assign amounts to a specific purpose. In the absence of such a policy, this authority is retained by the governing body.

The City of Pleasant Ridge has not formally adopted a policy that determines when both restricted and unrestricted fund balances are available which should be used first. In the absence of such a policy, resources with the highest level of restriction will be used first.

NOTE O: UPCOMING ACCOUNTING PRONOUNCEMENTS

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. The statement requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for financial statements for the City's 2014-2015 fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

City of Pleasant Ridge

General Fund

BUDGETARY COMPARISON SCHEDULE (NON-GAAP BUDGETARY BASIS)

Year Ended June 30, 2014

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|------------------------------------|------------------|------------------|------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Property taxes | \$ 1,501,500 | \$ 1,509,800 | \$ 1,510,071 | \$ 271 |
| Licenses and permits | 36,800 | 56,285 | 69,560 | 13,275 |
| Intergovernmental | 242,000 | 239,570 | 241,526 | 1,956 |
| Charges for services | 421,025 | 427,075 | 450,938 | 23,863 |
| Fines and forfeits | 51,500 | 37,130 | 39,071 | 1,941 |
| Interest and rents | 11,005 | 15,005 | 14,782 | (223) |
| Other | 116,300 | 119,530 | 121,781 | 2,251 |
| TOTAL REVENUES | 2,380,130 | 2,404,395 | 2,447,729 | 43,334 |
| EXPENDITURES | | | | |
| Current | | | | |
| General government | | | | |
| Commission | 20,050 | 31,200 | 33,027 | (1,827) |
| Manager | 135,650 | 124,450 | 129,667 | (5,217) |
| Treasurer | 90,900 | 94,100 | 92,116 | 1,984 |
| Clerk | 94,675 | 109,225 | 107,902 | 1,323 |
| Assessor | 22,375 | 22,375 | 20,949 | 1,426 |
| Elections | 15,000 | 5,600 | 4,902 | 698 |
| General government | 160,350 | 230,750 | 186,302 | 44,448 |
| Attorney services | 18,750 | 38,750 | 42,750 | (4,000) |
| Information technology | 10,000 | 16,400 | 15,039 | 1,361 |
| Cable television | 3,000 | 1,650 | 1,478 | 172 |
| Contingency | 47,500 | - | - | -0- |
| Total general government | 618,250 | 674,500 | 634,132 | 40,368 |
| Public safety | | | | |
| Police department | 778,070 | 832,670 | 841,778 | (9,108) |
| Fire services | 250,000 | 250,000 | 250,000 | -0- |
| Building department | 20,250 | 25,750 | 24,657 | 1,093 |
| Total public safety | 1,048,320 | 1,108,420 | 1,116,435 | (8,015) |
| Public works | | | | |
| Public works services | 141,300 | 141,300 | 150,178 | (8,878) |
| Street lighting | 45,000 | 46,000 | 45,993 | 7 |
| Total public works | 186,300 | 187,300 | 196,171 | (8,871) |
| Community and economic development | | | | |
| Planning commission | 12,500 | 72,500 | 72,347 | 153 |

City of Pleasant Ridge

General Fund

BUDGETARY COMPARISON SCHEDULE (NON-GAAP BUDGETARY BASIS) - CONTINUED

Year Ended June 30, 2014

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|--|-------------------|---------------------|---------------------|---|
| | Original | Final | | |
| EXPENDITURES - CONTINUED | | | | |
| Current - continued | | | | |
| Recreation and culture | | | | |
| Parks and recreation department | \$ 371,330 | \$ 400,480 | \$ 405,282 | \$ (4,802) |
| Other | | | | |
| Retirement benefits | 180,000 | 168,000 | 168,237 | (237) |
| TOTAL EXPENDITURES | <u>2,416,700</u> | <u>2,611,200</u> | <u>2,592,604</u> | <u>18,596</u> |
| EXCESS OF REVENUES (UNDER) EXPENDITURES | (36,570) | (206,805) | (144,875) | 61,930 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 35,000 | 35,000 | - | 35,000 |
| Transfers out | - | - | (709) | (709) |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>35,000</u> | <u>35,000</u> | <u>(709)</u> | <u>34,291</u> |
| Net change in fund balance (prior to adjustments for GASB Statement No. 54) | <u>\$ (1,570)</u> | <u>\$ (171,805)</u> | <u>\$ (145,584)</u> | <u>\$ 96,221</u> |

City of Pleasant Ridge

Solid Waste Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2014

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|---------------------------------|------------------|------------|------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Property taxes | \$ 213,000 | \$ 213,000 | \$ 215,251 | \$ 2,251 |
| Charges for services | 203,750 | 203,750 | 206,373 | 2,623 |
| Interest | 15 | 15 | 7 | (8) |
| TOTAL REVENUES | 416,765 | 416,765 | 421,631 | 4,866 |
| EXPENDITURES | | | | |
| Current | | | | |
| Public works | | | | |
| Administration | 12,875 | 12,875 | 18,550 | (5,675) |
| Operations | 394,800 | 394,800 | 397,909 | (3,109) |
| TOTAL EXPENDITURES | 407,675 | 407,675 | 416,459 | (8,784) |
| NET CHANGE IN FUND BALANCE | 9,090 | 9,090 | 5,172 | (3,918) |
| Fund balance, beginning of year | 29,001 | 29,001 | 29,001 | -0- |
| Fund balance, end of year | \$ 38,091 | \$ 38,091 | \$ 34,173 | \$ (3,918) |

City of Pleasant Ridge
I-696 Segregated Capital Asset Fund
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2014

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---|----------------------------|----------------------------|----------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Interest | \$ 56,800 | \$ 56,800 | \$ 70,252 | \$ 13,452 |
| EXPENDITURES | - | - | - | -0- |
| EXCESS OF REVENUES OVER EXPENDITURES | 56,800 | 56,800 | 70,252 | 13,452 |
| OTHER FINANCING USES | | | | |
| Transfers out | <u>(78,354)</u> | <u>(78,354)</u> | <u>(55,061)</u> | <u>23,293</u> |
| NET CHANGE IN FUND BALANCE | (21,554) | (21,554) | 15,191 | 36,745 |
| Fund balance, beginning of year | <u>3,245,375</u> | <u>3,245,375</u> | <u>3,245,375</u> | <u>-0-</u> |
| Fund balance, end of year | <u><u>\$ 3,223,821</u></u> | <u><u>\$ 3,223,821</u></u> | <u><u>\$ 3,260,566</u></u> | <u><u>\$ 36,745</u></u> |

City of Pleasant Ridge
 DEFINED BENEFIT PENSION PLAN
 Year Ended June 30, 2014

Schedule of Funding Progress

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) Entry Age (b) | Underfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll [(b-a)/c] |
|--------------------------------|--|---|---------------------------------------|--------------------------|---------------------------|---|
| 12/31/2013 | \$ 3,122,362 | \$ 5,185,947 | \$ 2,063,585 | 60.2% | \$ 557,434 | 370.2% |
| 12/31/2012 | 2,910,743 | 4,681,628 | 1,770,885 | 62.2% | 608,261 | 291.1% |
| 12/31/2011 | 2,781,082 | 4,592,932 | 1,811,850 | 60.6% | 620,771 | 291.9% |

City of Pleasant Ridge

OTHER POST-EMPLOYMENT BENEFITS PLAN

Year Ended June 30, 2014

Schedule of Funding Progress

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) Entry Age (b) | Underfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll [(b-a)/c] |
|--------------------------------|--|---|---------------------------------------|--------------------------|---------------------------|---|
| 6/30/2013 | \$ - | \$ 4,168,212 | \$ 4,168,212 | - | \$ 680,274 | 612.7% |
| 12/31/2009 | - | 4,008,721 | 4,008,721 | - | \$ 560,339 | 715.4% |
| 12/31/2006 | - | 4,450,060 | 4,450,060 | - | \$ 604,364 | 736.3% |

City of Pleasant Ridge

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2014

NOTE A: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The City's budgeted expenditures for the General, Solid Waste, and I-696 Segregated Capital Asset Funds have been shown at the functional classification level. The approved budgets of the City have been adopted at the activity level for the General Fund and total expenditure level for the Special Revenue Funds.

During the year ended June 30, 2014, the City incurred expenditures in the General Fund and Solid Waste Fund in excess of the amounts appropriated as follows:

| | <u>Amounts Appropriated</u> | <u>Amounts Expended</u> | <u>Variance</u> |
|---------------------------------|---------------------------------|-----------------------------|-----------------|
| General Fund | | | |
| Current | | | |
| General government | | | |
| Commission | \$ 31,200 | \$ 33,027 | \$ 1,827 |
| Manager | 124,450 | 129,667 | 5,217 |
| Attorney services | 38,750 | 42,750 | 4,000 |
| Public safety | | | |
| Police department | 832,670 | 841,778 | 9,108 |
| Public works | | | |
| Public works services | 141,300 | 150,178 | 8,878 |
| Recreation and culture | | | |
| Parks and recreation department | 400,480 | 405,282 | 4,802 |
| Other | | | |
| Retirement benefits | 168,000 | 168,237 | 237 |
| Transfers out | - | 709 | 709 |
| Solid Waste Fund | 407,675 | 416,459 | 8,784 |

NOTE B: RECONCILIATION FROM BUDGETARY BASIS TO GASB STATEMENT NO. 54

The amounts presented in the General Fund budgetary comparison schedule were adopted by the City Commission on a basis prior to the implementation of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The reconciliations on the General Fund budgetary comparison schedules reconcile the differences between the budgets legally adopted by the City Commission to the actual amounts presented in the basic financial statements for the implementation of GASB Statement No. 54.

| | |
|--|---------------------|
| Net change in General Fund Fund Balance (budgetary basis) | \$ (145,584) |
| Net change in fund balance related to Dog Park and Historical Funds: | |
| Revenue related to additional sales, interest, and other | 10,144 |
| Expenditures related to administration | (4,478) |
| Net change in General Fund Fund Balance (GAAP basis) | <u>\$ (139,918)</u> |

OTHER SUPPLEMENTARY INFORMATION

City of Pleasant Ridge

Nonmajor Governmental Funds

BALANCE SHEET

June 30, 2014

| | Special | | | |
|--|-------------------|------------------|---------------------------------|---|
| | Major Streets | Local Streets | Tree Planting Beautification | Pool/Fitness Facility (Operating) |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 100,314 | \$ 62,671 | \$ 19 | \$ - |
| Due from other funds | - | - | - | 45,244 |
| Due from other governmental units | 18,766 | 6,398 | - | - |
| Prepays | - | - | - | 278 |
| TOTAL ASSETS | \$ 119,080 | \$ 69,069 | \$ 19 | \$ 45,522 |
| LIABILITIES | | | | |
| Accounts payable | \$ 2,146 | \$ 1,915 | \$ - | \$ 6,955 |
| Accrued wages | - | - | - | 8,494 |
| Due to other funds | - | - | - | 29,795 |
| TOTAL LIABILITIES | 2,146 | 1,915 | -0- | 45,244 |
| FUND BALANCES | | | | |
| Nonspendable | | | | |
| Prepays | - | - | - | 278 |
| Restricted | | | | |
| Streets and highways | 116,934 | 67,154 | - | - |
| Tree planting beautification | - | - | 19 | - |
| Infrastructure improvements | - | - | - | - |
| Drug forfeiture | - | - | - | - |
| Library | - | - | - | - |
| Debt service | - | - | - | - |
| Assigned | | | | |
| Debt service | - | - | - | - |
| Unassigned | - | - | - | - |
| TOTAL FUND BALANCES | 116,934 | 67,154 | 19 | 278 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 119,080 | \$ 69,069 | \$ 19 | \$ 45,522 |

| Revenue | | Debt Service | | | | |
|-----------------|-----------------|----------------------------------|------------------------|-------------------|-------------------|--|
| Drug Forfeiture | Library | Pool/Fitness Center Debt Service | Non-Voted Debt Service | Capital Project | Total | |
| \$ 295 | \$ 3,809 | \$ 6,985 | \$ 195 | \$ 162,860 | \$ 337,148 | |
| - | 822 | 2,890 | - | 35,158 | 84,114 | |
| - | - | - | - | - | 25,164 | |
| - | - | - | - | - | 278 | |
| <u>\$ 295</u> | <u>\$ 4,631</u> | <u>\$ 9,875</u> | <u>\$ 195</u> | <u>\$ 198,018</u> | <u>\$ 446,704</u> | |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ 11,016 | |
| - | - | - | - | - | 8,494 | |
| - | - | - | - | - | 29,795 | |
| -0- | -0- | -0- | -0- | -0- | 49,305 | |
| - | - | - | - | - | 278 | |
| - | - | - | - | - | 184,088 | |
| - | - | - | - | - | 19 | |
| - | - | - | - | 198,018 | 198,018 | |
| 295 | - | - | - | - | 295 | |
| - | 4,631 | - | - | - | 4,631 | |
| - | - | 9,875 | - | - | 9,875 | |
| - | - | - | 195 | - | 195 | |
| - | - | - | - | - | - | |
| <u>295</u> | <u>4,631</u> | <u>9,875</u> | <u>195</u> | <u>198,018</u> | <u>397,399</u> | |
| <u>\$ 295</u> | <u>\$ 4,631</u> | <u>\$ 9,875</u> | <u>\$ 195</u> | <u>\$ 198,018</u> | <u>\$ 446,704</u> | |

City of Pleasant Ridge

Nonmajor Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2014

| | Special | | | |
|---|-------------------|------------------|---------------------------------|---|
| | Major Streets | Local Streets | Tree Planting Beautification | Pool/Fitness Facility (Operating) |
| REVENUES | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ 159,822 |
| Intergovernmental | 119,675 | 49,435 | - | - |
| Charges for services | - | - | - | 40,630 |
| Interest and rents | 12 | 2 | - | 1 |
| TOTAL REVENUES | 119,687 | 49,437 | -0- | 200,453 |
| EXPENDITURES | | | | |
| Current | | | | |
| Public works | 70,847 | 71,724 | - | - |
| Recreation and culture | - | - | - | 224,848 |
| Capital outlay | - | - | - | 45,879 |
| Debt service | - | - | - | 16,743 |
| TOTAL EXPENDITURES | 70,847 | 71,724 | -0- | 287,470 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 48,840 | (22,287) | -0- | (87,017) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | 54,500 | - | 42,416 |
| Transfers out | (54,500) | - | - | - |
| Installment purchase agreement | - | - | - | 44,879 |
| TOTAL OTHER FINANCING SOURCES (USES) | (54,500) | 54,500 | -0- | 87,295 |
| NET CHANGE IN FUND BALANCES | (5,660) | 32,213 | -0- | 278 |
| Fund balances, beginning of year | 122,594 | 34,941 | 19 | -0- |
| Fund balances, end of year | <u>\$ 116,934</u> | <u>\$ 67,154</u> | <u>\$ 19</u> | <u>\$ 278</u> |

| Revenue | | Debt Service | | | |
|-----------------|-----------|----------------------------------|------------------------|-----------------|------------|
| Drug Forfeiture | Library | Pool/Fitness Center Debt Service | Non-Voted Debt Service | Capital Project | Total |
| \$ - | \$ 46,477 | \$ 163,315 | \$ - | \$ 303,067 | \$ 672,681 |
| - | - | - | - | - | 169,110 |
| - | - | - | - | - | 40,630 |
| - | 3 | - | - | - | 18 |
| -0- | 46,480 | 163,315 | -0- | 303,067 | 882,439 |
| - | - | - | - | 1,227 | 143,798 |
| - | 53,636 | - | - | - | 278,484 |
| - | - | - | - | 103,822 | 149,701 |
| - | - | 161,066 | 13,400 | - | 191,209 |
| -0- | 53,636 | 161,066 | 13,400 | 105,049 | 763,192 |
| -0- | (7,156) | 2,249 | (13,400) | 198,018 | 119,247 |
| - | - | - | 13,354 | - | 110,270 |
| - | - | - | - | - | (54,500) |
| - | - | - | - | - | 44,879 |
| -0- | -0- | -0- | 13,354 | -0- | 100,649 |
| -0- | (7,156) | 2,249 | (46) | 198,018 | 219,896 |
| 295 | 11,787 | 7,626 | 241 | -0- | 177,503 |
| \$ 295 | \$ 4,631 | \$ 9,875 | \$ 195 | \$ 198,018 | \$ 397,399 |

City of Pleasant Ridge

Component Unit Fund

BALANCE SHEET - DOWNTOWN DEVELOPMENT AUTHORITY (DDA)

June 30, 2014

| | |
|------------------------------------|------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 81,865 |
| Due from other governmental units | <u>7,688</u> |
| TOTAL ASSETS | <u>\$ 89,553</u> |
| LIABILITIES | \$ - |
| FUND BALANCE | |
| Unassigned | <u>89,553</u> |
| TOTAL LIABILITIES AND FUND BALANCE | <u>\$ 89,553</u> |

City of Pleasant Ridge

Component Unit Fund

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF
NET POSITION - DOWNTOWN DEVELOPMENT AUTHORITY (DDA)

June 30, 2014

Total fund balance - governmental fund \$ 89,553

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental fund.

| | | |
|--------------------------|-----------------|---------|
| Cost of capital assets | \$ 192,215 | |
| Accumulated depreciation | <u>(25,084)</u> | |
| Capital assets, net | | 167,131 |

Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental fund balance sheet. Long-term liabilities at year-end consist of:

| | | |
|--------------|-----------------|--|
| Note payable | <u>(20,000)</u> | |
|--------------|-----------------|--|

Net position of governmental activities \$ 236,684

City of Pleasant Ridge

Component Unit Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
DOWNTOWN DEVELOPMENT AUTHORITY (DDA)

Year Ended June 30, 2014

| | |
|------------------------------------|-------------------------|
| REVENUES | |
| Taxes | \$ 70,383 |
| Interest | 12 |
| Other | <u>857</u> |
| TOTAL REVENUES | 71,252 |
| EXPENDITURES | |
| Current | |
| Community and economic development | 27,738 |
| Debt service | <u>21,800</u> |
| TOTAL EXPENDITURES | <u>49,538</u> |
| NET CHANGE IN FUND BALANCE | 21,714 |
| Fund balance, beginning of year | <u>67,839</u> |
| Fund balance, end of year | <u><u>\$ 89,553</u></u> |

City of Pleasant Ridge

Component Unit Fund

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES -
DOWNTOWN DEVELOPMENT AUTHORITY (DDA)

Year Ended June 30, 2014

Net change in fund balance - governmental fund \$ 21,714

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

Capital outlays are reported as expenditures in the governmental fund. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Depreciation expense (6,176)

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in the governmental fund, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net position. In the current year, these amounts consist of:

Note principal retirement 20,000

Change in net position of governmental activities \$ 35,538

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA
Alan D. Panter, CPA
William I. Tucker IV, CPA



3511 Coolidge Road
Suite 100
East Lansing, MI 48823
(517) 351-6836
FAX: (517) 351-6837

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS

To the Honorable Mayor and
Members of the City Commission
City of Pleasant Ridge, Michigan

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Pleasant Ridge, Michigan (the City) as of and for the year ended June 30, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed the following instance of noncompliance which is described below:

UNFAVORABLE BUDGET VARIANCES

As noted in the budgetary comparison schedules, the expenditures of certain General Fund activities and the Solid Waste Fund exceeded the amounts appropriated. A similar issue was noted and reported in our audit comments last year.

UNFAVORABLE BUDGET VARIANCES - CONTINUED

Michigan Public Act 621 of 1978, as amended, provides that the City adopt formal budgets for all applicable General and Special Revenue Funds, and shall not incur expenditures in excess of the amounts appropriated. Also, the Public Act requires amendments to be performed prior to incurring additional expenditures.

We recommend the City monitor expenditures against adopted budgets in all applicable funds and make appropriate budget amendments as needed.

This communication is intended solely for the information and use of management, the members of the City Commission, others within the City, and applicable departments of the State of Michigan and is not intended to be, and should not be, used by anyone other than these specified parties.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

December 2, 2014