

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

**FINANCIAL STATEMENTS**

**June 30, 2015**

City of Pleasant Ridge

TABLE OF CONTENTS

June 30, 2015

	<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	12-36
REQUIRED SUPPLEMENTARY INFORMATION	
General Fund	
Budgetary Comparison Schedule (Non-GAAP Budgetary Basis)	37-38
Solid Waste Fund	
Budgetary Comparison Schedule	39
I-696 Segregated Capital Asset Fund	
Budgetary Comparison Schedule	40
Schedule of Changes in Employer's Net Pension Liability	41
Schedule of Contributions	42
Other Post-Employment Benefits Schedule of Funding Progress	43
Notes to Required Supplementary Information	44
OTHER SUPPLEMENTARY INFORMATION	
Nonmajor Governmental Funds	
Combining Balance Sheet	45-46
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	47-48

City of Pleasant Ridge

TABLE OF CONTENTS - CONTINUED

June 30, 2015

	<u>Page</u>
COMPONENT UNIT FUND	
Downtown Development Authority	
Balance Sheet	49
Reconciliation of the Balance Sheet to the Statement of Net Position	50
Statement of Revenues, Expenditures, and Changes in Fund Balance	51
Reconciliation of the Statement of Revenues, Expenditures, and Change in Fund Balance to the Statement of Activities	52

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



2601 Cambridge Court  
Suite 201  
Auburn Hills, MI 48326  
(248) 844-2550  
FAX: (248) 844-2551

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, 2015, 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, 2015, 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.

## **Changes in Accounting Principles**

As discussed in Note O to the financial statements, the City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, during the year. As a result, the financial statements now recognize the City's unfunded defined pension benefit obligation as a liability for the first time and more comprehensively and comparably measures the annual costs of pension benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). Our opinions are not modified with respect to this matter.

Also as discussed in Note O to the financial statements, the City implemented GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*, during the year. As a result, the City recognized a beginning deferred outflow of resources for its pension contributions made subsequent to the measurement date of the beginning net pension liability. Our opinions are not modified with respect to this matter.

## **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 schedules, and pension and other post-employment benefit schedules, 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 8, 2015

City of Pleasant Ridge

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015

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, 2015. 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, 2015:

- Property tax revenues are the City's largest revenue source. Property tax revenue for the year ended June 30, 2015 was approximately \$2.415 million, which is a 3.77% increase from the year before. This resulted from an increase in taxable value of 3.77% from the year before.

**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, 2014</u>	<u>June 30, 2015</u>	<u>Change from Prior Year</u> <u>In Dollars</u>	<u>As a Percent</u>
<b>Assets</b>				
Current and other assets	\$ 4,468,900	\$ 4,099,911	\$ (368,989)	-8.26%
Capital assets	<u>8,013,804</u>	<u>8,374,862</u>	<u>361,058</u>	4.51%
Total Assets	12,482,704	12,474,773	(7,931)	-0.06%
<b>Liabilities</b>				
Current liabilities	473,519	654,837	181,318	38.29%
Noncurrent liabilities	<u>5,007,305</u>	<u>5,231,102</u>	<u>223,797</u>	4.47%
Total Liabilities	5,480,824	5,885,939	405,115	7.39%
<b>Net Position</b>				
Net investment in capital assets	5,992,258	6,479,561	487,303	8.13%
Restricted	463,418	218,192	(245,226)	-52.92%
Unrestricted	<u>546,204</u>	<u>32,712</u>	<u>(513,492)</u>	-94.01%
	<u>\$ 7,001,880</u>	<u>\$ 6,730,465</u>	<u>\$ (271,415)</u>	-3.88%

City of Pleasant Ridge

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015

**Governmental Activities - continued**

	<u>June 30, 2014</u>	<u>June 30, 2015</u>	<u>Change from Prior Year In Dollars</u>	<u>As a Percent</u>
<b>Revenues</b>				
Program Revenues				
Charges for services	\$ 953,485	\$ 917,535	\$ (35,950)	-3.77%
Operating grants and contributions	176,628	198,691	22,063	12.49%
Capital grants and contributions	-	147,785	147,785	100.00%
General revenues				
Property taxes	2,327,635	2,415,342	87,707	3.77%
State shared revenues	235,957	240,814	4,857	2.06%
Investment and other	118,490	119,795	1,305	1.10%
Total revenue	<u>3,812,195</u>	<u>4,039,962</u>	<u>227,767</u>	<u>5.97%</u>
<b>Expenses</b>				
General government	626,915	631,034	4,119	0.66%
Public safety	1,335,804	1,280,638	(55,166)	-4.13%
Public works	1,169,027	1,351,856	182,829	15.64%
Community and economic development	72,347	13,121	(59,226)	-81.86%
Recreation and culture	846,430	932,266	85,836	10.14%
Interest on long-term debt	82,418	102,462	20,044	24.32%
Total expenses	<u>4,132,941</u>	<u>4,311,377</u>	<u>178,436</u>	<u>4.32%</u>
Change in Net Position	<u>\$ (320,746)</u>	<u>\$ (271,415)</u>	<u>\$ 49,331</u>	<u>-15.38%</u>

The City's governmental net position decreased 3.88 percent from a year ago, decreasing from approximately \$7.00 million to \$6.73 million. Total governmental revenues were \$4,039,962 while total governmental expenses were \$4,311,377, resulting in an overall decrease in net position of \$271,415. Note: 2014 information has been restated for the implementation of GASB Statement No. 68.

Total governmental revenues increased approximately \$227,767 or 5.97 percent. Property taxes increased \$87,707 and investment income increased approximately \$1,305. Operating grants and contributions increased approximately \$22,063. This is primarily due to the one-time funding from the state of Michigan and additional grant funds for storm cleanup. Capital grants and contributions also increased approximately \$147,785. This increase was due to grants and contributions received for park improvements.

The City's total governmental expenses increased approximately \$178,436 or 4.32 percent from the prior year. Increased costs associated with increased storm cleanup costs and community center building and equipment repairs.

City of Pleasant Ridge

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015

**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, 2014</u>	<u>June 30, 2015</u>	<u>Change from Prior Year</u>	
			<u>In Dollars</u>	<u>As a Percent</u>
<b>Assets</b>				
Current and other assets	\$ 911,654	\$ 930,487	\$ 18,833	2.07%
Capital assets	<u>1,920,420</u>	<u>1,823,909</u>	<u>(96,511)</u>	-5.03%
Total Assets	2,832,074	2,754,396	(77,678)	-2.74%
<b>Liabilities</b>				
Current liabilities	157,691	154,403	(3,288)	-2.09%
Noncurrent liabilities	<u>867,209</u>	<u>779,519</u>	<u>(87,690)</u>	-10.11%
Total Liabilities	1,024,900	933,922	(90,978)	-8.88%
<b>Net Position</b>				
Net investment in capital assets	967,990	956,700	(11,290)	-1.17%
Unrestricted	<u>839,184</u>	<u>863,774</u>	<u>24,590</u>	2.93%
	<u>\$ 1,807,174</u>	<u>\$ 1,820,474</u>	<u>\$ 13,300</u>	0.74%
<b>Revenues</b>				
Program Revenues				
Charges for services	\$ 1,321,444	\$ 1,138,244	\$ (183,200)	-13.86%
General revenues				
Investment earnings	<u>56</u>	<u>1,853</u>	<u>1,797</u>	100.00%
Total revenue	1,321,500	1,140,097	(181,403)	-13.73%
<b>Expenses</b>				
Water and sewer systems	<u>1,124,724</u>	<u>1,126,797</u>	<u>2,073</u>	0.18%
Change in net position	<u>\$ 196,776</u>	<u>\$ 13,300</u>	<u>\$ (183,476)</u>	-93.24%

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 \$13,300, or 0.74 percent, from a year ago. The current year resulted in operating income of \$38,756 compared to prior year income from operations of \$225,582.



City of Pleasant Ridge

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015

**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, I-696 Segregated Capital Asset Fund, and the Capital Projects 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 \$1.10 million in 2015, which was an increase of \$33,418, or 3.01 percent, from 2014. The increase was due to the purchase of a new police car.

Total General Fund revenues increased from a year ago by \$44,575 due primarily to increased taxable values, building department activity, and state shared revenues. Total General Fund revenues for 2015 were more than expenditures resulting in an increase in fund balance of \$15,332. Ending fund balance was \$540,968, of which \$73,244 was nonspendable. Unassigned fund balance represents 19 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, 2015, the Solid Waste Fund reported a fund balance of \$46,222, an increase of \$12,049 from the prior year. Of the total fund balance, \$46,222 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, 2015, the I-696 Segregated Capital Asset Fund reported a fund balance of \$3,242,872, a decrease of \$17,694 from the prior year. Of the total fund balance, \$3,229,284 is considered committed for specific purpose.

The Capital Project Fund is used to account for the City's infrastructure improvements. As of June 30, 2015, the Capital Projects Fund reported a fund deficit of \$372,111, a decrease of \$570,129 from the prior year.

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, 2015, the Water and Sewer Fund reported a net position of \$1,820,474, an increase of \$13,300 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 \$67,921 and expenditures were less than amended budget by \$9,457. 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, and medical insurance 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, 2015, amounted to \$10,198,771, 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 improvements totaling approximately \$45,380, vehicle, equipment, and software purchases of approximately \$29,419, \$189,017, and \$8,370, respectively, infrastructure additions of \$804,977, and construction in progress totaling \$18,336.

City of Pleasant Ridge

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015

**Capital Asset and Debt Administration - continued**

As of June 30, 2015, the City's primary government had total debt outstanding of \$2,900,926. The outstanding debt consists of general obligation bonds, installment purchase agreements, accrued compensated absences, and contractual obligations to the County for the City's share of drain bonds. In addition, the City has accrued a net other post-employment benefit (OPEB) liability of \$938,802 and a net pension liability of \$2,422,982.

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 2015-2016 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.

**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, 2015

	Primary Government			Component Unit (DDA)
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 526,730	\$ 197,914	\$ 724,644	\$ 73,594
Investments	101,505	-	101,505	-
Receivables	58,665	275,844	334,509	-
Due from other governmental units	74,220	-	74,220	-
Prepays	73,244	5,000	78,244	-
Total current assets	834,364	478,758	1,313,122	73,594
Noncurrent assets				
Investments	3,265,547	451,729	3,717,276	-
Capital assets not being depreciated	1,765,036	-	1,765,036	72,500
Capital assets being depreciated, net	6,609,826	1,823,909	8,433,735	88,455
Total noncurrent assets	11,640,409	2,275,638	13,916,047	160,955
<b>TOTAL ASSETS</b>	<b>12,474,773</b>	<b>2,754,396</b>	<b>15,229,169</b>	<b>234,549</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows of resources related to pensions	141,631	-	141,631	-0-
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	349,759	60,252	410,011	52
Accrued liabilities	113,627	584	114,211	-
Accrued interest payable	20,448	5,877	26,325	-
Unearned revenue	6,604	-	6,604	-
Current portion of compensated absences	52,452	-	52,452	-
Current portion of long-term debt	111,947	87,690	199,637	-
Total current liabilities	654,837	154,403	809,240	52
Noncurrent liabilities				
Net other post-employment benefits obligation	938,802	-	938,802	-
Noncurrent portion of compensated absences	85,964	-	85,964	-
Noncurrent portion of long-term debt	1,783,354	779,519	2,562,873	-
Net pension liability	2,422,982	-	2,422,982	-
Total noncurrent liabilities	5,231,102	779,519	6,010,621	-0-
<b>TOTAL LIABILITIES</b>	<b>5,885,939</b>	<b>933,922</b>	<b>6,819,861</b>	<b>52</b>
<b>NET POSITION</b>				
Net investment in capital assets	6,479,561	956,700	7,436,261	160,955
Restricted for:				
Streets	135,994	-	135,994	-
Other purposes	82,198	-	82,198	-
Unrestricted	32,712	863,774	896,486	73,542
<b>TOTAL NET POSITION</b>	<b>\$ 6,730,465</b>	<b>\$ 1,820,474</b>	<b>\$ 8,550,939</b>	<b>\$ 234,497</b>

See accompanying notes to financial statements.

City of Pleasant Ridge  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2015

Functions/Programs	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position			Component Unit (DDA)
					Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental activities								
General government	\$ 631,034	\$ 521,591	\$ 12,400	\$ -	\$ (97,043)	\$ -	\$ (97,043)	\$ -
Public safety	1,280,638	108,822	-	-	(1,171,816)	-	(1,171,816)	-
Public works	1,351,856	206,236	184,691	147,785	(813,144)	-	(813,144)	-
Community and economic development	13,121	-	-	-	(13,121)	-	(13,121)	-
Recreation and culture	932,266	80,886	1,600	-	(849,780)	-	(849,780)	-
Interest on long-term debt	102,462	-	-	-	(102,462)	-	(102,462)	-
Total governmental activities	4,311,377	917,535	198,691	147,785	(3,047,366)	-0-	(3,047,366)	-0-
Business-type activities								
Water and sewer	1,126,797	1,138,244	-	-	-	11,447	11,447	-
Total primary government	<u>\$ 5,438,174</u>	<u>\$ 2,055,779</u>	<u>\$ 198,691</u>	<u>\$ 147,785</u>	(3,047,366)	11,447	(3,035,919)	-0-
Component unit								
Downtown Development Authority	<u>\$ 79,926</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	-0-	-0-	-0-	(79,926)
			General revenues					
			Property taxes		2,415,342	-	2,415,342	76,058
			State shared revenue		240,814	-	240,814	-
			Interest earnings		19,219	1,853	21,072	13
			Miscellaneous		100,576	-	100,576	1,668
			Total general revenues		<u>2,775,951</u>	<u>1,853</u>	<u>2,777,804</u>	<u>77,739</u>
			Change in net position		(271,415)	13,300	(258,115)	(2,187)
			Restated net position, beginning of the year		<u>7,001,880</u>	<u>1,807,174</u>	<u>8,809,054</u>	<u>236,684</u>
			Net position, end of the year		<u>\$ 6,730,465</u>	<u>\$ 1,820,474</u>	<u>\$ 8,550,939</u>	<u>\$ 234,497</u>

See accompanying notes to financial statements.

City of Pleasant Ridge

Governmental Funds

BALANCE SHEET

June 30, 2015

	General	Solid Waste	I-696 Segregated Capital Asset
<b>ASSETS</b>			
Cash and cash equivalents	\$ 182,891	\$ 8,908	\$ 175,929
Investments	456,076	-	2,910,976
Accounts receivable	10,184	48,481	-
Due from other funds	-	-	142,379
Due from other governmental units	42,189	-	-
Advance to other funds	-	-	13,588
Prepays	73,244	-	-
<b>TOTAL ASSETS</b>	<b>\$ 764,584</b>	<b>\$ 57,389</b>	<b>\$ 3,242,872</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 96,708	\$ 10,061	\$ -
Accrued liabilities	105,156	1,106	-
Due to other funds	1,560	-	-
Advance from other funds	13,588	-	-
Unearned revenue	6,604	-	-
<b>TOTAL LIABILITIES</b>	<b>223,616</b>	<b>11,167</b>	<b>-0-</b>
<b>FUND BALANCES (DEFICIT)</b>			
Nonspendable			
Prepays	73,244	-	-
Advance to other funds	-	-	13,588
Restricted			
Solid waste	-	46,222	-
Streets and highways	-	-	-
Tree planting beautification	-	-	-
Public safety	-	-	-
Library	-	-	-
Debt service	-	-	-
Committed			
I-696 Segregated capital asset	-	-	3,229,284
Unassigned	467,724	-	-
<b>TOTAL FUND BALANCES (DEFICIT)</b>	<b>540,968</b>	<b>46,222</b>	<b>3,242,872</b>
<b>TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)</b>	<b>\$ 764,584</b>	<b>\$ 57,389</b>	<b>\$ 3,242,872</b>

See accompanying notes to financial statements.

Capital Projects	Nonmajor Governmental Funds	Total
\$ 20	\$ 158,982	\$ 526,730
-	-	3,367,052
-	-	58,665
-	1,560	143,939
-	32,031	74,220
-	-	13,588
-	-	73,244
<u>\$ 20</u>	<u>\$ 192,573</u>	<u>\$ 4,257,438</u>
\$ 229,752	\$ 13,238	\$ 349,759
-	7,365	113,627
142,379	-	143,939
-	-	13,588
-	-	6,604
<u>372,131</u>	<u>20,603</u>	<u>627,517</u>
-	-	73,244
-	-	13,588
-	-	46,222
-	135,994	135,994
-	19	19
-	430	430
-	14,996	14,996
-	20,531	20,531
-	-	3,229,284
<u>(372,111)</u>	<u>-</u>	<u>95,613</u>
<u>(372,111)</u>	<u>171,970</u>	<u>3,629,921</u>
<u>\$ 20</u>	<u>\$ 192,573</u>	<u>\$ 4,257,438</u>

City of Pleasant Ridge

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

June 30, 2015

**Total fund balances - governmental funds** \$ 3,629,921

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	\$ 15,101,617	
Accumulated depreciation	<u>(6,726,755)</u>	
Capital assets, net		8,374,862

Governmental funds report actual pension expenditures for the fiscal year, whereas the governmental activities will recognize the net pension liability as of the measurement date. Pension contributions subsequent to the measurement date will be deferred in the statement of net position. In addition, resources related to changes of assumptions, differences between expected and actual experience, and differences between projected and actual pension plan investment earnings will be deferred over time in the government-wide financial statements. These amounts consist of:

Deferred outflows of resources related to pensions		141,631
--	--	---------

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	1,895,301	
Accrued interest payable	20,448	
Compensated absences	138,416	
Net other post-employment benefits obligation	938,802	
Net pension liability	<u>2,422,982</u>	
		<u>(5,415,949)</u>

**Net position of governmental activities** \$ 6,730,465



City of Pleasant Ridge

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2015

	General	Solid Waste	I-696 Segregated Capital Asset
<b>REVENUES</b>			
Taxes	\$ 1,542,534	\$ 219,615	\$ -
Licenses and permits	61,582	-	-
Intergovernmental	248,793	11,319	-
Charges for services	437,453	206,236	-
Fines and forfeits	40,514	-	-
Interest and rents	7,732	7	15,046
Other	163,840	-	-
<b>TOTAL REVENUES</b>	<b>2,502,448</b>	<b>437,177</b>	<b>15,046</b>
<b>EXPENDITURES</b>			
Current			
General government	592,961	-	-
Public safety	1,076,398	-	-
Public works	178,685	425,128	-
Community and economic development	13,121	-	-
Recreation and culture	374,785	-	-
Other	235,372	-	-
Capital outlay	13,800	-	-
Debt service	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>2,485,122</b>	<b>425,128</b>	<b>-0-</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>17,326</b>	<b>12,049</b>	<b>15,046</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	-	434
Transfers out	(1,994)	-	(33,174)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(1,994)</b>	<b>-0-</b>	<b>(32,740)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>15,332</b>	<b>12,049</b>	<b>(17,694)</b>
Fund balances, beginning of year	525,636	34,173	3,260,566
Fund balances (deficit), end of year	<u>\$ 540,968</u>	<u>\$ 46,222</u>	<u>\$ 3,242,872</u>

See accompanying notes to financial statements.

Capital Projects	Nonmajor Governmental Funds	Total
\$ 309,224	\$ 421,382	\$ 2,492,755
-	-	61,582
-	173,372	433,484
-	33,370	677,059
-	135	40,649
-	23	22,808
<u>147,785</u>	<u>-</u>	<u>311,625</u>
457,009	628,282	4,039,962
-	-	592,961
-	-	1,076,398
6	119,352	723,171
-	-	13,121
-	258,537	633,322
-	-	235,372
1,027,132	102,131	1,143,063
-	210,407	210,407
<u>1,027,138</u>	<u>690,427</u>	<u>4,627,815</u>
(570,129)	(62,145)	(587,853)
-	90,734	91,168
-	(56,000)	(91,168)
<u>-0-</u>	<u>34,734</u>	<u>-0-</u>
(570,129)	(27,411)	(587,853)
198,018	199,381	4,217,774
<u>\$ (372,111)</u>	<u>\$ 171,970</u>	<u>\$ 3,629,921</u>

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, 2015

**Net change in fund balances - total governmental funds** \$ (587,853)

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	\$	944,319
Depreciation expense		<u>(583,261)</u>

Excess of capital outlay over depreciation expense	361,058
--	---------

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:

Bond and installment loan principal retirements	126,245
---	---------

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		1,700
Decrease in compensated absences		5,146
(Increase) in net other post-employment benefits obligation		(94,351)
Increase in deferred outflows of resources related to pensions		38,850
(Increase) in net pension liability		<u>(102,210)</u>

(150,865)

**Change in net position of governmental activities** \$ (271,415)

City of Pleasant Ridge  
Proprietary Fund  
STATEMENT OF NET POSITION  
June 30, 2015

	Business-type Activities
	Water and Sewer
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 197,914
Accounts receivable	275,844
Prepaid expenses	5,000
Total current assets	478,758
Noncurrent assets	
Investments	451,729
Capital assets being depreciated, net	1,823,909
Total noncurrent assets	2,275,638
TOTAL ASSETS	2,754,396
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	60,252
Other accrued liabilities	584
Accrued interest payable	5,877
Current portion of long-term debt	87,690
Total current liabilities	154,403
Noncurrent liabilities	
Noncurrent portion of long-term debt	779,519
TOTAL LIABILITIES	933,922
<b>NET POSITION</b>	
Net investment in capital assets	956,700
Unrestricted	863,774
TOTAL NET POSITION	\$ 1,820,474

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, 2015

	Business-type Activities
	<u>Water and Sewer</u>
OPERATING REVENUES	
Charges for services	\$ 1,125,969
Penalties and fines	<u>12,275</u>
TOTAL OPERATING REVENUES	1,138,244
OPERATING EXPENSES	
Salaries, wages, and fringe benefits	32,534
Contractual services	51,470
Water purchases	151,421
Sewage treatment	536,234
Administrative charges	179,600
Operating supplies	4,320
Other	26,376
Depreciation	<u>117,533</u>
TOTAL OPERATING EXPENSES	<u>1,099,488</u>
OPERATING INCOME	38,756
NONOPERATING REVENUES (EXPENSES)	
Interest income	1,853
Interest expense and fees	<u>(27,309)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(25,456)</u>
CHANGE IN NET POSITION	13,300
Net position, beginning of year	<u>1,807,174</u>
Net position, end of year	<u><u>\$ 1,820,474</u></u>

See accompanying notes to financial statements.

City of Pleasant Ridge  
Proprietary Fund  
STATEMENT OF CASH FLOWS  
Year Ended June 30, 2015

	Business-type Activities Water and Sewer
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash receipts from customers	\$ 1,198,464
Cash paid to suppliers	(959,358)
Cash paid to employees	(32,719)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>206,387</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Capital asset acquisitions	(21,022)
Payments on borrowing	(85,221)
Interest and fees paid	(27,885)
<b>NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(134,128)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest received	1,853
Purchase of investments	(251,729)
<b>NET CASH (USED) BY INVESTING ACTIVITIES</b>	<b>(249,876)</b>
<b>NET (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(177,617)</b>
Cash and cash equivalents, beginning of year	375,531
Cash and cash equivalents, end of year	\$ 197,914
<b>Reconciliation of operating income to net cash provided by operating activities</b>	
Operating income	\$ 38,756
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	117,533
(Increase) decrease in:	
Accounts receivable	60,220
Prepaid expenses	(4,941)
(Decrease) in:	
Accounts payable	(4,996)
Other accrued liabilities	(185)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 206,387</b>

See accompanying notes to financial statements.

City of Pleasant Ridge

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**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, 2015

**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, 2015, the City of Pleasant Ridge expended \$180,059 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, 2015, are available at SOCRRA's administrative offices. As of June 30, 2015, SOCRRA had net position of \$3,555,535.

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, 2015, the City of Pleasant Ridge expended \$151,421 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, 2015, are available at SOCWA's administrative offices. As of June 30, 2015, SOCWA had net position of \$16,184,491.

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, 2015

**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.
- d. The Capital Projects Fund is used to account for financial resources that are used for capital projects within the City of Pleasant Ridge.

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 fund balance.

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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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

6. Basis of Accounting - continued

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 sixty (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.

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.

City of Pleasant Ridge

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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

7. Budgets and Budgetary Accounting - continued

- 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.

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 ninety (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. 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.

12. Unearned Revenue

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

13. 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, 2015, were vested and the total due to them, along with related payroll taxes, is recorded entirely in the government-wide financial statements.

14. 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.

City of Pleasant Ridge

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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

15. 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

16. 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.

17. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position/fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

The City reports deferred outflows of resources which correspond to the City's net pension liability and are related to the differences between projected and actual pension plan investment earnings, and contributions made subsequent to the measurement date. These amounts are deferred and recognized as an outflow of resources in the period to which they apply.

In addition to liabilities, the statement of financial position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position/fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Currently, the City does not have any items that qualify for reporting in this category.

City of Pleasant Ridge

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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

18. 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, 2015, the City levied 11.3094 mills per \$1,000 of taxable valuation for general governmental services, 1.6961 mills for refuse services, 2.3880 mills for infrastructure improvements, 0.4950 mills for library services, 1.2594 mills for pool operations, and 1.5000 mills for pool debt. The total taxable value for the 2014 levy for property within the City was \$132,401,790.

19. 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.

City of Pleasant Ridge  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015

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

Deposits

As of June 30, 2015, 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	\$ 723,784	\$ 844,989
Certificates of deposit	<u>605,307</u>	<u>605,307</u>
TOTAL PRIMARY GOVERNMENT	1,329,091	1,450,296
COMPONENT UNIT		
Checking and savings	<u>73,594</u>	<u>73,594</u>
TOTAL REPORTING ENTITY	<u>\$ 1,402,685</u>	<u>\$ 1,523,890</u>

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

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, 2015, the City accounts were insured by the Federal Deposit Insurance Corporation (FDIC) for \$1,041,181 and the amount of \$482,709 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, 2015, 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>\$ 3,213,474</u>	<u>\$ 3,213,474</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, 2015, 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:

City of Pleasant Ridge

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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

Interest rate risk - continued

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.

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, 2015:

	<u>Primary Government</u>	<u>Component Unit</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$ 724,644	\$ 73,594	\$ 798,238
Investments	3,818,781	-	3,818,781
	<u>\$ 4,543,425</u>	<u>\$ 73,594</u>	<u>\$ 4,617,019</u>

**NOTE C: INTERFUND RECEIVABLES AND PAYABLES**

The amount of interfund receivables and payables at June 30, 2015:

Due to I-696 Segregated Capital Asset Fund from: Capital Projects Fund	<u>\$ 142,379</u>
Due to nonmajor governmental funds from: General Fund	<u>\$ 1,560</u>

City of Pleasant Ridge

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE C: INTERFUND RECEIVABLES AND PAYABLES - CONTINUED**

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: 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.

Transfers to nonmajor governmental funds from:	
General Fund	\$ 1,560
I-696 Segregated Capital Asset Fund	33,174
Nonmajor governmental funds	<u>56,000</u>
	<u>\$ 90,734</u>
Transfer to I-696 Segregated Capital Asset Fund from:	
General Fund	<u>\$ 434</u>

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 also related to infrastructure improvements.

**NOTE E: ADVANCES PAYABLE AND RECEIVABLE**

The following schedule details advances payable and receivable related to the primary government June 30, 2015:

Advance from I-696 Segregated Capital Asset Fund to:	
General Fund	<u>\$ 13,588</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.



City of Pleasant Ridge

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE F: CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2015, was as follows:

**Primary Government**

	Balance July 1, 2014	Additions/ Reclassifications	Deletions/ Reclassifications	Balance June 30, 2015
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 1,746,700	\$ -	\$ -	\$ 1,746,700
Construction in progress	131,180	18,336	(131,180)	18,336
Subtotal	1,877,880	18,336	(131,180)	1,765,036
Capital assets being depreciated				
Land improvements	866,157	-	-	866,157
Buildings and improvements	3,638,225	25,380	-	3,663,605
Vehicles	94,044	29,419	-	123,463
Equipment	375,575	189,017	-	564,592
Software	11,060	8,370	-	19,430
Infrastructure - streets and alleys	7,294,357	804,977	-	8,099,334
Subtotal	12,279,418	1,057,163	-0-	13,336,581
Less accumulated depreciation for:				
Land improvements	(659,180)	(34,181)	-	(693,361)
Buildings and improvements	(1,485,336)	(99,868)	-	(1,585,204)
Vehicles	(73,281)	(12,806)	-	(86,087)
Equipment	(278,057)	(36,709)	-	(314,766)
Software	(11,060)	(2,791)	-	(13,851)
Infrastructure - streets and alleys	(3,636,580)	(396,906)	-	(4,033,486)
Subtotal	(6,143,494)	(583,261)	-0-	(6,726,755)
Net capital assets being depreciated	6,135,924	473,902	-0-	6,609,826
Capital assets, net	<u>\$ 8,013,804</u>	<u>\$ 492,238</u>	<u>\$ (131,180)</u>	<u>\$ 8,374,862</u>

Depreciation expense was charged to the following governmental activities:

General government	\$ 19,837
Public safety	19,672
Public works	407,310
Recreation and culture	136,442
	<u>\$ 583,261</u>

City of Pleasant Ridge

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE F: CAPITAL ASSETS - CONTINUED**

**Primary Government - Continued**

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
<b>Business-type activities</b>				
Capital assets being depreciated				
Water and sewer transmission and distribution system	\$ 3,285,053	\$ 21,022	\$ -	\$ 3,306,075
Water meters	157,233	-	-	157,233
Vehicles and miscellaneous equipment	14,602	-	-	14,602
Subtotal	3,456,888	21,022	-0-	3,477,910
Less accumulated depreciation for:				
Water and sewer transmission and distribution system	(1,438,008)	(107,051)	-	(1,545,059)
Water meters	(83,858)	(10,482)	-	(94,340)
Vehicles and miscellaneous equipment	(14,602)	-	-	(14,602)
Subtotal	(1,536,468)	(117,533)	-0-	(1,654,001)
Capital assets, net	<u>\$ 1,920,420</u>	<u>\$ (96,511)</u>	<u>\$ -0-</u>	<u>\$ 1,823,909</u>

**Component Unit**

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
<b>Downtown Development Authority (DDA)</b>				
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	(25,084)	(6,176)	-	(31,260)
Net capital assets being depreciated	94,631	(6,176)	-0-	88,455
Capital assets, net	<u>\$ 167,131</u>	<u>\$ (6,176)</u>	<u>\$ -0-</u>	<u>\$ 160,955</u>

City of Pleasant Ridge

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**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, 2015.

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015	Amounts Due Within One Year
<b>Primary Government</b>					
Governmental activities					
Pool/Fitness Center Bonds	\$ 1,975,000	\$ -	\$ (100,000)	\$ 1,875,000	\$ 100,000
DPW Improvement Loan	15,125	-	(15,125)	-0-	-
Installment Loan Agreement	31,421	-	(11,120)	20,301	11,947
Compensated Absences	143,562	105,336	(110,482)	138,416	52,452
	<u>2,165,108</u>	<u>105,336</u>	<u>(236,727)</u>	<u>2,033,717</u>	<u>164,399</u>
Business-type activities					
Water and Sewer System					
George W. Kuhn Drain Bonds	952,430	-	(85,221)	867,209	87,690
	<u>\$ 3,117,538</u>	<u>\$ 105,336</u>	<u>\$ (321,948)</u>	<u>\$ 2,900,926</u>	<u>\$ 252,089</u>
<b>Component Unit</b>					
Downtown Development Authority					
2010 Promissory Note	\$ 20,000	\$ -0-	\$ (20,000)	\$ -0-	\$ -0-

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 4.000 to 4.375 percent, payable semiannually.

\$ 1,875,000

Installment Loan Agreement

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

\$ 20,301

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.

\$ 867,209

City of Pleasant Ridge

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE G: LONG-TERM DEBT - CONTINUED**

**Primary Government - Continued**

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 \$138,416 at June 30, 2015.

The annual requirements to pay the debt principal and interest outstanding for the Bonds and the Installment Loan Agreement are as follows:

**Primary Government**

Year Ending June 30,	Governmental Activities				Business-type Activities	
	General Obligation Bonds		Installment Loan Agreement		Drain Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
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	125,000	62,212	-	-	97,056	13,572
2021-2025	750,000	224,996	-	-	378,362	28,114
2026-2029	575,000	51,273	-	-	27,049	1,698
	<u>\$ 1,875,000</u>	<u>\$ 632,577</u>	<u>\$ 20,301</u>	<u>\$ 2,131</u>	<u>\$ 867,209</u>	<u>\$ 121,977</u>

**NOTE H: DEFINED BENEFIT PENSION PLAN**

Plan Description

The City participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan's Legislature under Public Act 135 of 1945 and administered by a nine (9) member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing MERS website at [www.mersofmich.com](http://www.mersofmich.com).

Summary of Significant Accounting Policies

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

City of Pleasant Ridge

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE H: DEFINED BENEFIT PENSION PLAN - CONTINUED**

Benefits Provided

The plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. Public Act 427 of 1984, as amended, established and amends the benefit provisions of the participants in MERS. The MERS plan covers full-time employees at the City including general employees, police, and non-union employees.

Retirement benefits for employees are calculated as 1.70 or 2.50 percent of the employee's five-year final average compensation (depending on the division) times the employee's years of service with no maximum for the 1.70 percent multiplier and a maximum of 80 percent of final average compensation for the 2.50 percent multiplier. Normal retirement age is 60 with a reduced benefit at age 55 with 15 years of service or an unreduced benefit at age 50 with 25 years of service. Deferred retirement benefits vest after 6 or 8 years of credited service, but are not paid until the date retirement would have occurred had the member remained an employee. Employees are eligible for non-duty disability benefits after 6 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately and if duty-related without an actuarial reduction for retirement before age 60 is not applied. An employee who leaves service may withdraw his or her contributions, plus any accumulated interest.

Benefit terms, within the parameters established by MERS, are generally established and amended by authority of the City Commission, generally after negotiations of these terms with the affected unions. Benefit terms may be subject to binding arbitration in certain circumstances.

At the December 31, 2014 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefits	15
Inactive employees entitled to but not yet receiving benefits	10
Active employees	<u>10</u>
	<u><u>35</u></u>

Contributions

Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, MERS retains an independent actuary to determine the annual contribution. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS retirement board. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

Employer contributions range from 4.13 to 16.60 percent based on annual payroll for open divisions. For the year ended June 30, 2015, the active employee contribution rate was 2.50 percent of annual pay for the police division and 3.00 percent of annual pay for the non-union employees hired after July 1, 2011.

Net Pension Liability

The net pension liability reported at June 30, 2015 was determined using a measure of the total pension liability and the pension net position as of December 31, 2014. The December 31, 2014 total pension liability was determined by an actuarial valuation performed as of that date.

City of Pleasant Ridge

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE H: DEFINED BENEFIT PENSION PLAN - CONTINUED**

Net Pension Liability - continued

Changes in the net pension liability during the measurement year were as follows:

<u>Changes in Net Pension Liability</u>	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a)-(b)</u>
Balances at December 31, 2013	\$ 5,261,293	\$ 2,940,521	\$ 2,320,772
Changes for the Year			
Service cost	67,290	-	67,290
Interest on total pension liability	422,582	-	422,582
Employer contributions	-	200,664	(200,664)
Employee contributions	-	10,149	(10,149)
Net investment income	-	183,562	(183,562)
Benefit payments, including employee refunds	(345,474)	(345,474)	-0-
Administrative expense	-	(6,715)	6,715
Other changes	(2)	-	(2)
Net changes	<u>144,396</u>	<u>42,186</u>	<u>102,210</u>
Balances at December 31, 2014	<u>\$ 5,405,689</u>	<u>\$ 2,982,707</u>	<u>\$ 2,422,982</u>

Pension Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2015, the employer recognized pension expense of \$260,315. The City reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ 42,559	\$ -
Contributions subsequent to the measurement date*	<u>99,072</u>	<u>-</u>
Total	<u>\$ 141,631</u>	<u>\$ -0-</u>

\* The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending June 30, 2016.

City of Pleasant Ridge

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE H: DEFINED BENEFIT PENSION PLAN - CONTINUED**

Pension Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - continued

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

<u>Year Ending June 30,</u>	<u>Pension Expense</u>
2016	\$ 10,640
2017	10,640
2018	10,640
2019	10,639

Actuarial Assumptions

The total pension liability in the December 31, 2014 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 3%-4%

Salary increases: 4.5% in the long-term (1%, 2%, and 3% for calendar years 2014, 2015, and 2016, respectively)

Investment rate of return: 8.0%, net of investment expenses, including inflation.

Although no specific price inflation assumptions are needed for the valuation, the 4.5% long-term wage inflation assumption would be consistent with a price inflation of 3%-4%.

Mortality rates used were based on the 1994 Group Annuity Mortality Table of a 50% Male and 50% Female blend. For disabled retirees, the regular mortality table is used with a 10-year set forward in ages to reflect the higher expected mortality rates of disabled members.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study in 2008.

Discount Rate

The discount rate used to measure the total pension liability is 8.25%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers.

Projected Cash Flows

Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Pleasant Ridge

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE H: DEFINED BENEFIT PENSION PLAN - CONTINUED**

Projected Cash Flows - continued

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	57.5%	5.02%
Global Fixed Income	20.0%	2.18%
Real Assets	12.5%	4.23%
Diversifying Strategies	10.0%	6.56%

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the employer, calculated using the discount rates of 8.25%, as well as what the City's net pension liability would be using a discount rate that is 1% lower (7.25%) or 1% higher (9.25%) than the current rate.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Net pension liability	\$ 3,019,789	\$ 2,422,982	\$ 1,919,076

**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, 2015, 12 retirees were receiving benefits. Expenditures for post-employment benefits are recognized when claims are paid. During the year, net expenditures of \$171,137 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, 2015

**NOTE I: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED**

Funding Policy

The City's annual other post-employment benefit 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, 2015, 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	25,334
Adjustment to annual required contribution	<u>(34,661)</u>
Annual OPEB cost (expense)	265,488
Amounts contributed:	
Payments of current premiums (net of employee reimbursement)	<u>171,137</u>
Increase in net OPEB obligation	94,351
OPEB obligation - beginning of year	<u>844,451</u>
OPEB obligation - end of year	<u><u>\$ 938,802</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>2014</u>	<u>2015</u>
Annual OPEB cost	\$ 315,211	\$ 268,263	\$ 265,488
Percentage contributed	32%	39%	64%
Net OPEB obligation	681,159	844,451	938,802

City of Pleasant Ridge

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**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, 2015

**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, 2015 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, 2015:

REVENUES	
Licenses and permits	
Electrical permits	\$ 7,530
Building permits	43,725
Plumbing/heating permits	11,835
Administrative fee	<u>9,305</u>
TOTAL REVENUES	72,395
EXPENDITURES	
Salaries and wages	90,606
Operating supplies and other	<u>14,167</u>
TOTAL EXPENDITURES	<u>104,773</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	(32,378)
PRIOR CUMULATIVE EXCESS OF REVENUES OVER EXPENDITURES	<u>32,378</u>
CUMULATIVE EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ -0-</u>

**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 \$5,900,000 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, 2015

**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; and the entire fund balance of \$3,242,872 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, 2015:

PRIMARY GOVERNMENT	
Governmental activities	
Restricted for streets	\$ 135,994
Restricted for other purposes	
Solid waste services	46,222
Public safety	430
Debt service	20,531
Recreation and culture	15,015
	<hr/>
	82,198
	<hr/>
	\$ 218,192
	<hr/> <hr/>

**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.

City of Pleasant Ridge

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE N: DETAILS OF FUND BALANCE CLASSIFICATIONS - CONTINUED**

*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: CHANGES IN ACCOUNTING PRINCIPLES**

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, was implemented during the year. 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. See Note R for the restatement of beginning net position resulting from the implementation of GASB Statement No. 68. See Note R for the restatement of beginning net position resulting from the implementation of GASB Statement No. 68.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*, was implemented during the year as it is required to be applied simultaneously with the provisions of GASB Statement No. 68. The statement addresses an issue regarding the application of the transition provisions of GASB Statement No. 68 and amends paragraph 137 of GASB Statement No. 68 and requires that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability.

**NOTE P: UPCOMING ACCOUNTING PRONOUNCEMENTS**

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The City is currently evaluating the impact this standard will have on the financial statements when adopted for the 2015-2016 fiscal year.

City of Pleasant Ridge

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE P: UPCOMING ACCOUNTING PRONOUNCEMENTS - CONTINUED**

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pension and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The statement establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2016-2017 fiscal year.

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The statement follows the framework for financial reporting of defined benefit OPEB plans in Statement 45 by requiring a statement of fiduciary net position and a statement of changes in fiduciary net position. The statement requires more extensive note disclosures and RSI related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rates of return on plan investments. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2016-2017 fiscal year.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The statement replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The statement requires governments providing other postemployment benefits (OPEB) to recognize their unfunded OPEB obligations as a liability for the first time, and to more comprehensively and comparably measure the annual costs of OPEB benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2017-2018 fiscal year.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2015-2016 fiscal year.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. The statement improves financial reporting through the disclosure of information about the nature and magnitude of tax abatements that are not consistently or comprehensively reported to the public at present. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2016-2017 fiscal year.

**NOTE Q: FUND EQUITY DEFICIT**

The Capital Projects Fund had a deficit balance at June 30, 2015, of \$372,111. The Capital Projects Fund deficit fund balance was a planned deficit as the City wanted to complete infrastructure projects prior to the infrastructure millage, which is expected to be earned during the next two fiscal years. The City plans to eliminate this deficit through the infrastructure millage.

City of Pleasant Ridge

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE R: RESTATEMENT OF BEGINNING NET POSITION**

Beginning net position has been restated for governmental activities due to changes in accounting principles.

	<u>Governmental Activities</u>
Beginning net position	\$ 9,219,871
Deferred outflows of resources	102,781
Net pension liability	<u>(2,320,772)</u>
Restated beginning net position	<u><u>\$ 7,001,880</u></u>

**REQUIRED SUPPLEMENTARY INFORMATION**



City of Pleasant Ridge

General Fund

BUDGETARY COMPARISON SCHEDULE (NON-GAAP BUDGETARY BASIS)

Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 1,532,587	\$ 1,542,877	\$ 1,542,534	\$ (343)
Licenses and permits	41,270	59,950	61,582	1,632
Intergovernmental	252,000	249,400	248,793	(607)
Charges for services	419,670	422,030	428,534	6,504
Fines and forfeits	51,500	44,000	40,514	(3,486)
Interest and rents	11,000	11,000	7,731	(3,269)
Other	106,250	94,750	162,240	67,490
<b>TOTAL REVENUES</b>	<b>2,414,277</b>	<b>2,424,007</b>	<b>2,491,928</b>	<b>67,921</b>
<b>EXPENDITURES</b>				
Current				
General government				
Commission	28,050	13,700	14,897	(1,197)
Manager	139,750	123,300	126,756	(3,456)
Treasurer	94,300	91,860	87,665	4,195
Clerk	105,770	114,390	116,649	(2,259)
Assessor	22,370	21,600	21,605	(5)
Elections	15,360	10,360	11,015	(655)
General government	170,550	164,600	152,823	11,777
Attorney services	46,750	42,750	49,490	(6,740)
Information technology	6,000	6,000	6,660	(660)
Cable television	4,000	4,700	5,401	(701)
<b>Total general government</b>	<b>632,900</b>	<b>593,260</b>	<b>592,961</b>	<b>299</b>
Public safety				
Police department	803,515	793,315	785,101	8,214
Fire services	254,000	254,000	254,000	-0-
Building department	25,550	30,300	28,927	1,373
Capital outlay	-	8,400	8,370	30
<b>Total public safety</b>	<b>1,083,065</b>	<b>1,086,015</b>	<b>1,076,398</b>	<b>9,617</b>
Public works				
Public works services	138,300	144,800	125,887	18,913
Street lighting	45,000	45,000	52,798	(7,798)
<b>Total public works</b>	<b>183,300</b>	<b>189,800</b>	<b>178,685</b>	<b>11,115</b>
Community and economic development				
Planning commission	15,500	13,500	13,121	379

City of Pleasant Ridge

General Fund

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

Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES - CONTINUED				
Current - continued				
Recreation and culture				
Parks and recreation department	\$ 354,650	\$ 362,730	\$ 369,611	\$ (6,881)
Other				
Retirement benefits	178,000	230,300	235,372	(5,072)
TOTAL EXPENDITURES	<u>2,447,415</u>	<u>2,475,605</u>	<u>2,466,148</u>	<u>9,457</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(33,138)	(51,598)	25,780	77,378
OTHER FINANCING SOURCES (USES)				
Transfers in	35,000	35,000	-	(35,000)
Transfers out	-	-	(1,994)	(1,994)
TOTAL OTHER FINANCING SOURCES (USES)	<u>35,000</u>	<u>35,000</u>	<u>(1,994)</u>	<u>(36,994)</u>
Net change in fund balance (prior to adjustments for GASB Statement No. 54)	<u>\$ 1,862</u>	<u>\$ (16,598)</u>	<u>\$ 23,786</u>	<u>\$ 40,384</u>

City of Pleasant Ridge

Solid Waste Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 219,047	\$ 219,047	\$ 219,615	\$ 568
Intergovernmental	-	-	11,319	11,319
Charges for services	203,750	203,750	206,236	2,486
Interest	10	10	7	(3)
TOTAL REVENUES	422,807	422,807	437,177	14,370
EXPENDITURES				
Current				
Public works				
Administration	25,220	25,220	28,852	(3,632)
Operations	394,800	394,800	396,276	(1,476)
TOTAL EXPENDITURES	420,020	420,020	425,128	(5,108)
NET CHANGE IN FUND BALANCE	2,787	2,787	12,049	9,262
Fund balance, beginning of year	34,173	34,173	34,173	-0-
Fund balance, end of year	\$ 36,960	\$ 36,960	\$ 46,222	\$ 9,262

City of Pleasant Ridge  
I-696 Segregated Capital Asset Fund  
BUDGETARY COMPARISON SCHEDULE  
Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES				
Interest	\$ 55,000	\$ 55,000	\$ 15,046	\$ (39,954)
EXPENDITURES	-	-	-	-0-
EXCESS OF REVENUES OVER EXPENDITURES	55,000	55,000	15,046	(39,954)
OTHER FINANCING USES				
Transfers in	-	-	434	434
Transfers out	(68,350)	(68,350)	(33,174)	35,176
TOTAL OTHER FINANCING USES	(68,350)	(68,350)	(32,740)	35,610
NET CHANGE IN FUND BALANCE	(13,350)	(13,350)	(17,694)	(4,344)
Fund balance, beginning of year	3,260,566	3,260,566	3,260,566	-0-
Fund balance, end of year	<u>\$ 3,247,216</u>	<u>\$ 3,247,216</u>	<u>\$ 3,242,872</u>	<u>\$ (4,344)</u>

City of Pleasant Ridge

SCHEDULE OF CHANGES IN EMPLOYER'S NET PENSION LIABILITY AND RELATED RATIOS

Last Fiscal Year (Ultimately ten fiscal years will be displayed)  
 (Amounts were determined as of 12/31 of each fiscal year)

	<u>2014</u>
Total Pension Liability	
Service cost	\$ 67,290
Interest	422,582
Benefit payments, including employee refunds	(345,474)
Other	<u>(2)</u>
Net change in total pension liability	144,396
Total Pension Liability, beginning	<u>5,261,293</u>
Total Pension Liability, ending	<u>\$ 5,405,689</u>
Plan Fiduciary Net Position	
Contributions - employer	\$ 200,664
Contributions - employee	10,149
Net investment income	183,562
Benefit payments including employee refunds	(345,474)
Administrative expense	<u>(6,715)</u>
Net change in plan fiduciary net position	42,186
Plan Fiduciary Net Position, beginning	<u>2,940,521</u>
Plan Fiduciary Net Position, ending	<u>\$ 2,982,707</u>
City's Net Pension Liability	<u>\$ 2,422,982</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	55%
Covered Employee Payroll	\$ 550,037
City's Net Pension Liability as a percentage of Covered Employee Payroll	441%

City of Pleasant Ridge

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Last Fiscal Year (Ultimately ten fiscal years will be displayed)  
(Amounts are determined as of 6/30 each fiscal year)

	<u>2015</u>
Actuarial determined contributions	\$ 189,972
Contributions in relation to the actuarially determined contribution	<u>196,956</u>
Contribution deficiency (excess)	<u>\$ (6,984)</u>
Covered Employee Payroll	\$ 821,298
Contributions as a percentage of covered employee payroll	24%

City of Pleasant Ridge

OTHER POST-EMPLOYMENT BENEFITS PLAN

Year Ended June 30, 2015

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, 2015

**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, 2015, 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	\$ 13,700	\$ 14,897	\$ 1,197
Manager	123,300	126,756	3,456
Clerk	114,390	116,649	2,259
Assessor	21,600	21,605	5
Elections	10,360	11,015	655
Attorney services	42,750	49,490	6,740
Information technology	6,000	6,660	660
Cable television	4,700	5,401	701
Public works			
Street lighting	45,000	52,798	7,798
Recreation and culture			
Parks and recreation department	362,730	369,611	6,881
Other			
Retirement benefits	230,300	235,372	5,072
Transfers out	-	1,994	1,994
Solid Waste Fund	420,020	425,128	5,108

**NOTE B: RECONCILIATION FROM BUDGETARY BASIS TO GAAP BASIS**

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)	\$ 23,786
Net change in fund balance related to Dog Park and Historical Funds:	
Revenue related to additional sales, interest, and other	10,520
Expenditures related to administration and capital outlay	<u>(18,974)</u>
Net change in General Fund Fund Balance (GAAP basis)	<u><u>\$ 15,332</u></u>



## **OTHER SUPPLEMENTARY INFORMATION**

City of Pleasant Ridge

Nonmajor Governmental Funds

BALANCE SHEET

June 30, 2015

	Special			
	Major Streets	Local Streets	Tree Planting Beautification	Pool/Fitness Facility (Operating)
<b>ASSETS</b>				
Cash and cash equivalents	\$ 30,957	\$ 83,077	\$ 19	\$ 8,972
Due from other funds	-	-	-	1,560
Due from other governmental units	16,804	15,227	-	-
<b>TOTAL ASSETS</b>	<b>\$ 47,761</b>	<b>\$ 98,304</b>	<b>\$ 19</b>	<b>\$ 10,532</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 461	\$ 9,610	\$ -	\$ 3,167
Accrued wages	-	-	-	7,365
<b>TOTAL LIABILITIES</b>	<b>461</b>	<b>9,610</b>	<b>-0-</b>	<b>10,532</b>
<b>FUND BALANCES</b>				
Restricted				
Streets and highways	47,300	88,694	-	-
Tree planting beautification	-	-	19	-
Drug forfeiture	-	-	-	-
Library	-	-	-	-
Debt service	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>47,300</b>	<b>88,694</b>	<b>19</b>	<b>-0-</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 47,761</b>	<b>\$ 98,304</b>	<b>\$ 19</b>	<b>\$ 10,532</b>

Revenue		Debt Service		
Drug Forfeiture	Library	Pool/Fitness Center Debt Service	Non-Voted Debt Service	Total
\$ 430	\$ 14,996	\$ 20,531	\$ -	\$ 158,982
-	-	-	-	1,560
-	-	-	-	32,031
<u>\$ 430</u>	<u>\$ 14,996</u>	<u>\$ 20,531</u>	<u>\$ -0-</u>	<u>\$ 192,573</u>
\$ -	\$ -	\$ -	\$ -	\$ 13,238
-	-	-	-	7,365
-0-	-0-	-0-	-0-	20,603
-	-	-	-	135,994
-	-	-	-	19
430	-	-	-	430
-	14,996	-	-	14,996
-	-	20,531	-	20,531
<u>430</u>	<u>14,996</u>	<u>20,531</u>	<u>-0-</u>	<u>171,970</u>
<u>\$ 430</u>	<u>\$ 14,996</u>	<u>\$ 20,531</u>	<u>\$ -0-</u>	<u>\$ 192,573</u>

City of Pleasant Ridge

Nonmajor Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2015

	Special			
	Major Streets	Local Streets	Tree Planting Beautification	Pool/Fitness Facility (Operating)
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ 163,065
Intergovernmental	114,560	58,812	-	-
Charges for services	-	-	-	33,370
Fines and forfeits	-	-	-	-
Interest and rents	15	2	-	-
<b>TOTAL REVENUES</b>	<b>114,575</b>	<b>58,814</b>	<b>-0-</b>	<b>196,435</b>
EXPENDITURES				
Current				
Public works	55,609	63,743	-	-
Recreation and culture	-	-	-	204,816
Capital outlay	72,600	29,531	-	-
Debt service	-	-	-	13,457
<b>TOTAL EXPENDITURES</b>	<b>128,209</b>	<b>93,274</b>	<b>-0-</b>	<b>218,273</b>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(13,634)	(34,460)	-0-	(21,838)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	56,000	-	21,560
Transfers out	(56,000)	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(56,000)</b>	<b>56,000</b>	<b>-0-</b>	<b>21,560</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(69,634)</b>	<b>21,540</b>	<b>-0-</b>	<b>(278)</b>
Fund balances, beginning of year	116,934	67,154	19	278
Fund balances, end of year	<u>\$ 47,300</u>	<u>\$ 88,694</u>	<u>\$ 19</u>	<u>\$ -0-</u>

Revenue		Debt Service		
Drug Forfeiture	Library	Pool/Fitness Center Debt Service	Non-Voted Debt Service	Total
\$ -	\$ 64,080	\$ 194,237	\$ -	\$ 421,382
-	-	-	-	173,372
-	-	-	-	33,370
135	-	-	-	135
-	6	-	-	23
135	64,086	194,237	-0-	628,282
-	-	-	-	119,352
-	53,721	-	-	258,537
-	-	-	-	102,131
-	-	183,581	13,369	210,407
-0-	53,721	183,581	13,369	690,427
135	10,365	10,656	(13,369)	(62,145)
-	-	-	13,174	90,734
-	-	-	-	(56,000)
-0-	-0-	-0-	13,174	34,734
135	10,365	10,656	(195)	(27,411)
295	4,631	9,875	195	199,381
<u>\$ 430</u>	<u>\$ 14,996</u>	<u>\$ 20,531</u>	<u>\$ -0-</u>	<u>\$ 171,970</u>

City of Pleasant Ridge

Component Unit Fund

BALANCE SHEET - DOWNTOWN DEVELOPMENT AUTHORITY (DDA)

June 30, 2015

ASSETS	
Cash and cash equivalents	<u>\$ 73,594</u>
LIABILITIES	
Accounts payable	\$ 52
FUND BALANCE	
Unassigned	<u>73,542</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 73,594</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, 2015

**Total fund balance - governmental fund** \$ 73,542

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>(31,260)</u>	
Capital assets, net		<u>160,955</u>
<b>Net position of governmental activities</b>		<u><u>\$ 234,497</u></u>

City of Pleasant Ridge

Component Unit Fund

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

Year Ended June 30, 2015

REVENUES	
Taxes	\$ 76,058
Interest	13
Other	<u>1,668</u>
TOTAL REVENUES	77,739
EXPENDITURES	
Current	
Community and economic development	32,115
Capital outlay	40,735
Debt service	<u>20,900</u>
TOTAL EXPENDITURES	<u>93,750</u>
NET CHANGE IN FUND BALANCE	(16,011)
Fund balance, beginning of year	<u>89,553</u>
Fund balance, end of year	<u><u>\$ 73,542</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, 2015

**Net change in fund balance - governmental fund** \$ (16,011)

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** \$ (2,187)

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



2601 Cambridge Court  
Suite 201  
Auburn Hills, MI 48326  
(248) 844-2550  
FAX: (248) 844-2551

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, 2015, 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 instances of noncompliance which are 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.

FUND BALANCE DEFICIT

At the end of the fiscal year, the Capital Projects Fund reported a fund balance deficit. Michigan Public Act 140 of 1971 provides that a City ending its fiscal year with funds in a deficit condition shall formulate a deficit elimination plan.

We recommend the City develop a written deficit elimination plan for submission to the Michigan Department of Treasury as required by Public Act 140 of 1971. We also recommend the City utilize budgetary controls to limit expenditures and/or transfer funds as needed to alleviate deficits.

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 8, 2015