

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

FINANCIAL STATEMENTS

June 30, 2016

City of Pleasant Ridge

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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, 2016, 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, 2016, 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.

Change in Accounting Principles

As discussed in Note N to the financial statements, the City implemented GASB issued Statement No. 72, *Fair Value Measurement and Application*, during the year. As a result, the City has applied fair value to certain investments and disclosures related to all fair value measurements. 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

October 25, 2016

City of Pleasant Ridge

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2016

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, 2016. 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, 2016:

- Property tax revenues are the City's largest revenue source. Property tax revenue for the year ended June 30, 2016 was approximately \$2.922 million, which is a 21.00% increase from the year before. This resulted from a 3.67% increase in taxable value and an additional 3.9119 mills being levied.

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, 2015</u>	<u>June 30, 2016</u>	<u>Change from Prior Year</u> <u>In Dollars</u>	<u>As a Percent</u>
Assets				
Current and other assets	\$ 4,099,911	\$ 3,690,203	\$ (409,708)	-9.99%
Capital assets	<u>8,374,862</u>	<u>8,770,834</u>	<u>395,972</u>	4.73%
Total Assets	12,474,773	12,461,037	(13,736)	-0.11%
Liabilities				
Current liabilities	654,837	421,083	(233,754)	-35.70%
Noncurrent liabilities	<u>5,231,102</u>	<u>5,819,669</u>	<u>588,567</u>	11.25%
Total Liabilities	5,885,939	6,240,752	354,813	6.03%
Net Position				
Net investment in capital assets	6,479,561	6,987,480	507,919	7.84%
Restricted	218,192	263,119	44,927	20.59%
Unrestricted	<u>32,712</u>	<u>(454,787)</u>	<u>(487,499)</u>	-1490.28%
	<u>\$ 6,730,465</u>	<u>\$ 6,795,812</u>	<u>\$ 65,347</u>	0.97%

City of Pleasant Ridge

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2016

Governmental Activities - continued

	<u>June 30, 2015</u>	<u>June 30, 2016</u>	<u>Change from Prior Year In Dollars</u>	<u>As a Percent</u>
Revenues				
Program Revenues				
Charges for services	\$ 917,535	\$ 753,010	\$ (164,525)	-17.93%
Operating grants and contributions	198,691	335,664	136,973	68.94%
Capital grants and contributions	147,785	-	(147,785)	100.00%
General revenues				
Property taxes	2,415,342	2,922,586	507,244	21.00%
State shared revenues	240,814	235,011	(5,803)	-2.41%
Investment and other	119,795	121,612	1,817	1.52%
	<u>4,039,962</u>	<u>4,367,883</u>	<u>327,921</u>	<u>8.12%</u>
Expenses				
General government	631,034	811,094	180,060	28.53%
Public safety	1,280,638	1,383,383	102,745	8.02%
Public works	1,351,856	1,185,647	(166,209)	-12.29%
Community and economic development	13,121	650	(12,471)	-95.05%
Recreation and culture	932,266	837,347	(94,919)	-10.18%
Interest on long-term debt	102,462	84,415	(18,047)	-17.61%
	<u>4,311,377</u>	<u>4,302,536</u>	<u>(8,841)</u>	<u>-0.21%</u>
Change in Net Position	<u>\$ (271,415)</u>	<u>\$ 65,347</u>	<u>\$ 336,762</u>	<u>-124.08%</u>

The City's governmental net position increased .97 percent from a year ago, increasing from \$6,730,465 million to \$6,795,812 million. Total governmental revenues were \$4,367,883 while total governmental expenses were \$4,302,536, resulting in an overall increase in net position of \$65,347.

Total governmental revenues increased approximately \$327,921 or 8.12 percent. Property taxes increased \$507,244, partially offset by decreases in charges for service. Grants and contributions overall increased by approximately 11,000.

The City's total governmental expenses decreased approximately \$8,841 or 0.21 percent from the prior year. Decreased costs were associated with less storm cleanup costs and fewer building and equipment repairs.

City of Pleasant Ridge

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2016

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, 2015</u>	<u>June 30, 2016</u>	<u>Change from Prior Year</u> <u>In Dollars</u>	<u>As a Percent</u>
Assets				
Current and other assets	\$ 930,487	\$ 1,092,039	\$ 161,552	17.36%
Capital assets	<u>1,823,909</u>	<u>1,742,217</u>	<u>(81,692)</u>	-4.48%
Total Assets	2,754,396	2,834,256	79,860	2.90%
Liabilities				
Current liabilities	154,403	152,888	(1,515)	-0.98%
Noncurrent liabilities	<u>779,519</u>	<u>689,422</u>	<u>(90,097)</u>	-11.56%
Total Liabilities	933,922	842,310	(91,612)	-9.81%
Net Position				
Net investment in capital assets	956,700	962,699	5,999	0.63%
Unrestricted	<u>863,774</u>	<u>1,029,247</u>	<u>165,473</u>	19.16%
	<u>\$ 1,820,474</u>	<u>\$ 1,991,946</u>	<u>\$ 171,472</u>	9.42%
Revenues				
Program Revenues				
Charges for services	\$ 1,138,244	\$ 1,229,062	\$ 90,818	7.98%
General revenues				
Investment earnings	<u>1,853</u>	<u>2,939</u>	<u>1,086</u>	100.00%
Total revenue	1,140,097	1,232,001	91,904	8.06%
Expenses				
Water and sewer systems	<u>1,126,797</u>	<u>1,060,529</u>	<u>(66,268)</u>	-5.88%
Change in net position	<u>\$ 13,300</u>	<u>\$ 171,472</u>	<u>\$ 158,172</u>	1189.26%

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 \$158,178 from a year ago. The current year resulted in operating income of \$171,472 compared to prior year income from operations of \$13,300.

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 and the I-696 Segregated Capital Asset Fund.

City of Pleasant Ridge

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2016

The City's Funds - continued

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 \$1.12 million in 2016, which was an increase of \$46,000, or 4.28 percent, from 2015.

Total General Fund revenues increased from a year ago by \$277,406 due primarily to increased taxable values, building department activity, and franchise fees. Total General Fund revenues for 2016 were more than expenditures resulting in an increase in fund balance of \$56,598. Ending fund balance was \$597,566, all of which was unassigned. Fund balance represents 23 percent of total General Fund expenditures.

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, 2016, the I-696 Segregated Capital Asset Fund reported a fund balance of \$2,600,894, a decrease of \$641,978 from the prior year. Of the total fund balance, \$2,591,616 is considered committed for specific purpose. Recently, the City has been using this fund to provide temporary financing for capital improvement, infrastructure, and park improvement projects instead of issuing bonds or spreading projects over multiple years. The fund will be reimbursed over the next several years with the proceeds from the infrastructure improvement and park improvement millages.

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, 2016, the Water and Sewer Fund reported a net position of \$1,991,946, an increase of \$171,472 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 \$47,190 and expenditures were less than amended budget by \$14,222. Budget amendments were made as a result of changes in estimates for refunds and rebates and for transfers in from other funds. Increases in retirement and OPEB costs, printing costs and engineering and other contractual service costs 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, 2016, amounted to \$10,513,051, net of accumulated depreciation. This investment in capital assets includes land, buildings, police equipment, roads and the water and sewer system. Current year additions to capital assets included building and land improvements totaling approximately \$249,454, infrastructure improvements of \$698,430 and construction in progress totaling \$57,817.

As of June 30, 2016, the City's primary government had total debt outstanding of \$2,710,113. 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 \$1,017,745 and a net pension liability of \$3,044,683.

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

City of Pleasant Ridge

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2016

Economic Factors and Next Year's Budgets and Rates

Economic factors and constraints on local government revenue imposed by the State challenge the City's budgets each fiscal year and the City continues to budget conservatively. The 2016-2017 budget included a minimal increase in property tax revenues due to an increase of property tax revenue of just 0.3%, reduced state shared revenue projections as proposed by the State of Michigan, and continuing increases in both healthcare and pension costs.

The City's retirement health care and unfunded pension costs are two challenges that management is continuing to work on. As these costs continue to see large increases year over year, management is working to limit future exposure to these costs while managing current expenses to be able to provide the same high level of service as has been done in the past.

As a result of the above, the City is again projected to run a very small budget surplus in FY16-17.

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, 2016

	Primary Government			Component Unit (DDA)
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 719,986	\$ 107,866	\$ 827,852	\$ 31,656
Receivables	43,381	329,760	373,141	-
Due from other governmental units	83,934	-	83,934	84
Total current assets	847,301	437,626	1,284,927	31,740
Noncurrent assets				
Investments	2,842,902	654,413	3,497,315	-
Capital assets not being depreciated	1,804,517	-	1,804,517	72,500
Capital assets being depreciated, net	6,966,317	1,742,217	8,708,534	99,795
Total noncurrent assets	11,613,736	2,396,630	14,010,366	172,295
TOTAL ASSETS	12,461,037	2,834,256	15,295,293	204,035
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources related to pensions	575,527	-	575,527	-0-
LIABILITIES				
Current liabilities				
Accounts payable	173,125	56,208	229,333	-
Accrued liabilities	48,755	1,303	50,058	-
Accrued interest payable	19,114	5,281	24,395	-
Unearned revenue	6,651	-	6,651	-
Due to other governmental units	84	-	84	-
Current portion of compensated absences	65,000	-	65,000	-
Current portion of long-term debt	108,354	90,096	198,450	-
Total current liabilities	421,083	152,888	573,971	-0-
Noncurrent liabilities				
Net other post-employment benefits obligation	1,017,745	-	1,017,745	-
Noncurrent portion of compensated absences	82,241	-	82,241	-
Noncurrent portion of long-term debt	1,675,000	689,422	2,364,422	-
Net pension liability	3,044,683	-	3,044,683	-
Total noncurrent liabilities	5,819,669	689,422	6,509,091	-0-
TOTAL LIABILITIES	6,240,752	842,310	7,083,062	-0-
NET POSITION				
Net investment in capital assets	6,987,480	962,699	7,950,179	172,295
Restricted for:				
Streets	130,749	-	130,749	-
Other purposes	132,370	-	132,370	-
Unrestricted	(454,787)	1,029,247	574,460	31,740
TOTAL NET POSITION	\$ 6,795,812	\$ 1,991,946	\$ 8,787,758	\$ 204,035

See accompanying notes to financial statements.

City of Pleasant Ridge
STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position			Component Unit (DDA)
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary government							
Governmental activities							
General government	\$ 811,094	\$ 272,024	\$ 36,496	\$ (502,574)	\$ -	\$ (502,574)	\$ -
Public safety	1,383,383	162,670	-	(1,220,713)	-	(1,220,713)	-
Public works	1,185,647	112,123	298,818	(774,706)	-	(774,706)	-
Community and economic development	650	3,846	-	3,196	-	3,196	-
Recreation and culture	837,347	202,347	350	(634,650)	-	(634,650)	-
Interest on long-term debt	84,415	-	-	(84,415)	-	(84,415)	-
Total governmental activities	4,302,536	753,010	335,664	(3,213,862)	-0-	(3,213,862)	-0-
Business-type activities							
Water and sewer	1,060,529	1,229,062	-	-	168,533	168,533	-
Total primary government	<u>\$ 5,363,065</u>	<u>\$ 1,982,072</u>	<u>\$ 335,664</u>	(3,213,862)	168,533	(3,045,329)	-0-
Component unit							
Downtown Development Authority	<u>\$ 133,984</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	-0-	-0-	-0-	(133,984)
General revenues							
Property taxes				2,922,586	-	2,922,586	93,248
State shared revenue				235,011	-	235,011	-
Interest earnings				21,597	2,939	24,536	45
Miscellaneous				100,015	-	100,015	10,229
Total general revenues				<u>3,279,209</u>	<u>2,939</u>	<u>3,282,148</u>	<u>103,522</u>
Change in net position				65,347	171,472	236,819	(30,462)
Net position, beginning of the year				<u>6,730,465</u>	<u>1,820,474</u>	<u>8,550,939</u>	<u>234,497</u>
Net position, end of the year				<u>\$ 6,795,812</u>	<u>\$ 1,991,946</u>	<u>\$ 8,787,758</u>	<u>\$ 204,035</u>

See accompanying notes to financial statements.

City of Pleasant Ridge

Governmental Funds

BALANCE SHEET

June 30, 2016

	General	I-696 Segregated Capital Asset	Nonmajor Governmental Funds	Total
ASSETS				
Cash and cash equivalents	\$ 13,191	\$ 471,818	\$ 234,977	\$ 719,986
Investments	659,885	2,183,017	-	2,842,902
Accounts receivable	19,084	-	24,297	43,381
Due from other governmental units	43,520	-	40,414	83,934
Advance to other funds	-	9,278	-	9,278
TOTAL ASSETS	\$ 735,680	\$ 2,664,113	\$ 299,688	\$ 3,699,481
LIABILITIES				
Accounts payable	\$ 85,100	\$ 63,219	\$ 24,806	\$ 173,125
Accrued liabilities	37,001	-	11,754	48,755
Due to other governmental units	84	-	-	84
Advance from other funds	9,278	-	-	9,278
Unearned revenue	6,651	-	-	6,651
TOTAL LIABILITIES	138,114	63,219	36,560	237,893
FUND BALANCES				
Nonspendable				
Advance to other funds	-	9,278	-	9,278
Restricted				
Solid waste	-	-	32,162	32,162
Streets and highways	-	-	130,749	130,749
Infrastructure improvements	-	-	69,458	69,458
Public safety	-	-	430	430
Library	-	-	13,126	13,126
Recreation	-	-	966	966
Debt service	-	-	16,228	16,228
Committed				
I-696 Segregated capital asset	-	2,591,616	-	2,591,616
Assigned				
Debt service	-	-	9	9
Unassigned	597,566	-	-	597,566
TOTAL FUND BALANCES (DEFICITS)	597,566	2,600,894	263,128	3,461,588
TOTAL LIABILITIES AND FUND BALANCES	\$ 735,680	\$ 2,664,113	\$ 299,688	\$ 3,699,481

See accompanying notes to financial statements.

City of Pleasant Ridge

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

June 30, 2016

Total fund balances - governmental funds **\$ 3,461,588**

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	\$ 16,088,982	
Accumulated depreciation	<u>(7,318,148)</u>	
Capital assets, net		8,770,834

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	575,527
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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 of:

Direct obligations	1,783,354	
Accrued interest payable	19,114	
Compensated absences	147,241	
Net other post-employment benefits obligation	1,017,745	
Net pension liability	<u>3,044,683</u>	
		<u>(6,012,137)</u>

Net position of governmental activities **\$ 6,795,812**

City of Pleasant Ridge

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2016

	General	I-696 Segregated Capital Asset	Nonmajor Governmental Funds	Total
REVENUES				
Taxes	\$ 1,998,593	\$ 491,224	\$ 621,549	\$ 3,111,366
Licenses and permits	85,576	-	-	85,576
Intergovernmental	252,342	100,000	198,818	551,160
Charges for services	202,273	-	159,050	361,323
Fines and forfeits	33,088	-	-	33,088
Interest and rents	13,818	17,100	289	31,207
Other	194,164	-	-	194,164
TOTAL REVENUES	2,779,854	608,324	979,706	4,367,884
EXPENDITURES				
Current				
General government	615,366	-	-	615,366
Public safety	1,122,519	-	-	1,122,519
Public works	204,817	-	455,001	659,818
Community and economic development	650	-	-	650
Recreation and culture	429,834	-	259,554	689,388
Other	272,589	408	-	272,997
Capital outlay	-	877,783	100,000	977,783
Debt service	-	-	197,696	197,696
TOTAL EXPENDITURES	2,645,775	878,191	1,012,251	4,536,217
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	134,079	(269,867)	(32,545)	(168,333)
OTHER FINANCING SOURCES (USES)				
Transfers in	19	-	132,000	132,019
Transfers out	(77,500)	-	(54,519)	(132,019)
TOTAL OTHER FINANCING SOURCES (USES)	(77,481)	-0-	77,481	-0-
NET CHANGE IN FUND BALANCES	56,598	(269,867)	44,936	(168,333)
Fund balances, beginning of year	540,968	2,870,761	218,192	3,629,921
Fund balances, end of year	<u>\$ 597,566</u>	<u>\$ 2,600,894</u>	<u>\$ 263,128</u>	<u>\$ 3,461,588</u>

See accompanying notes to financial statements.

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, 2016

Net change in fund balances - total governmental funds \$ (168,333)

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	\$	987,365
Depreciation expense		<u>(591,393)</u>

Excess of capital outlay over depreciation expense	395,972
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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	111,947
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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		1,334
(Increase) in compensated absences		(8,825)
(Increase) in net other post-employment benefits obligation		(78,943)
Increase in deferred outflows of resources related to pensions		433,896
(Increase) in net pension liability		<u>(621,701)</u>

(274,239)

Change in net position of governmental activities	\$ <u>65,347</u>
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City of Pleasant Ridge
Proprietary Fund
STATEMENT OF NET POSITION
June 30, 2016

	Business-type Activities
	Water and Sewer
ASSETS	
Current assets	
Cash and cash equivalents	\$ 107,866
Accounts receivable	329,760
Total current assets	437,626
Noncurrent assets	
Investments	654,413
Capital assets being depreciated, net	1,742,217
Total noncurrent assets	2,396,630
TOTAL ASSETS	2,834,256
LIABILITIES	
Current liabilities	
Accounts payable	56,208
Other accrued liabilities	1,303
Accrued interest payable	5,281
Current portion of long-term debt	90,096
Total current liabilities	152,888
Noncurrent liabilities	
Noncurrent portion of long-term debt	689,422
TOTAL LIABILITIES	842,310
NET POSITION	
Net investment in capital assets	962,699
Unrestricted	1,029,247
TOTAL NET POSITION	\$ 1,991,946

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, 2016

	Business-type Activities
	<u>Water and Sewer</u>
OPERATING REVENUES	
Charges for services	\$ 1,216,923
Penalties and fines	<u>12,139</u>
TOTAL OPERATING REVENUES	1,229,062
OPERATING EXPENSES	
Salaries, wages, and fringe benefits	29,950
Contractual services	104,335
Water purchases	193,977
Sewage treatment	542,703
Administrative charges	30,000
Operating supplies	4,290
Other	13,590
Depreciation	<u>119,026</u>
TOTAL OPERATING EXPENSES	<u>1,037,871</u>
OPERATING INCOME	191,191
NONOPERATING REVENUES (EXPENSES)	
Interest income	2,939
Interest expense and fees	<u>(22,658)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(19,719)</u>
CHANGE IN NET POSITION	171,472
Net position, beginning of year	<u>1,820,474</u>
Net position, end of year	<u>\$ 1,991,946</u>

See accompanying notes to financial statements.

City of Pleasant Ridge
Proprietary Fund
STATEMENT OF CASH FLOWS
Year Ended June 30, 2016

	Business-type Activities
	Water and Sewer
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers	\$ 1,175,146
Cash paid to suppliers	(887,939)
Cash paid to employees	(29,231)
NET CASH PROVIDED BY OPERATING ACTIVITIES	257,976
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital asset acquisitions	(37,334)
Payments on borrowing	(87,691)
Interest and fees paid	(23,254)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(148,279)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	2,939
Purchase of investments	(202,684)
NET CASH (USED) BY INVESTING ACTIVITIES	(199,745)
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(90,048)
Cash and cash equivalents, beginning of year	197,914
Cash and cash equivalents, end of year	\$ 107,866
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 191,191
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	119,026
(Increase) decrease in:	
Accounts receivable	(53,916)
Prepaid expenses	5,000
(Decrease) in:	
Accounts payable	(4,044)
Other accrued liabilities	719
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 257,976

See accompanying notes to financial statements.

City of Pleasant Ridge

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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, 2016

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, 2016, the City of Pleasant Ridge expended \$181,007 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, 2016, the City of Pleasant Ridge expended \$193,977 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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 I-696 Segregated Capital Asset Fund was established to account for the funds received from the State of Michigan in connection with condemnation proceedings instituted by the State to acquire City-owned property for the construction of interstate highway 696. The City is now using the balance of the fund to provide temporary financing for various capital projects throughout the city, including roads and park improvements. The fund will be reimbursed over the next several years from the revenue generated by the separate infrastructure improvement and park improvement millages.

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.

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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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

6. Basis of Accounting - continued

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

If/when both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

7. Budgets and Budgetary Accounting

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

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

City of Pleasant Ridge

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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

8. Cash, Cash Equivalents, and Investments

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

Investments include mutual funds, equity 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, 2016, 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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 acquisition cost 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 expected and actual experience, changes in assumptions, 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, 2016

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, 2016, the City levied 13.9919 mills per \$1,000 of taxable valuation for general governmental services, 1.6700 mills for refuse services, 0.2704 mills for community promotion, 2.9242 mills for infrastructure improvements, 0.3865 mills for library services, 1.2400 mills for pool operations, 0.7385 mills for park improvements, and 1.3380 mills for pool debt. The total taxable value for the 2015 levy for property within the City was \$137,265,570.

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: DEPOSITS 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, 2016

NOTE B: DEPOSITS AND INVESTMENTS - CONTINUED

Deposits

As of June 30, 2016, 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	\$ 826,792	\$ 928,285
Certificates of deposit	150,435	150,435
	<hr/>	<hr/>
TOTAL PRIMARY GOVERNMENT	977,227	1,078,720
COMPONENT UNIT		
Checking and savings	31,656	31,656
	<hr/>	<hr/>
TOTAL REPORTING ENTITY	<u>\$ 1,008,883</u>	<u>\$ 1,110,376</u>

The primary government cash and cash equivalents caption on the basic financial statements included \$1,060 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, 2016, the City accounts were insured by the Federal Deposit Insurance Corporation (FDIC) for \$900,435 and the amount of \$209,941 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.

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, 2016, were not subject to rating.

Interest Rate Risk

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

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

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 advisors with which the City will do business in accordance with Commission approved policy.

City of Pleasant Ridge

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE B: DEPOSITS AND INVESTMENTS - CONTINUED

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.

Fair Value Measurements

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The City’s assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The City had the following recurring fair value measurements as of June 30, 2016:

<u>Investment Type</u>	<u>Fair Value Measurement</u>			
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual Funds	\$ 824,630	\$ 824,630	\$ -	\$ -
Equity Securities	1,157,854	1,157,854	-	-
	<u>\$ 1,982,484</u>	<u>\$ 1,982,484</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

Investments in Entities that Calculate Net Asset Value per Share

The City holds shares or interests in an investment pool where the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

At the year ended June 30, 2016, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency, if Eligible</u>	<u>Redemption Notice Period</u>
Oakland County Government Investment Pool	<u>\$ 1,364,396</u>	<u>\$ -0-</u>	No restrictions	None

City of Pleasant Ridge

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE B: DEPOSITS AND INVESTMENTS - CONTINUED

The cash and cash equivalents and investments referred to above have been reported in the cash and cash equivalents or investments captions on the basic financial statements, based upon criteria disclosed in Note A. The following summarizes the categorization of these amounts as of June 30, 2016:

	<u>Primary Government</u>	<u>Component Unit</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$ 827,852	\$ 31,656	\$ 859,508
Investments	3,497,315	-	3,497,315
	<u>\$ 4,325,167</u>	<u>\$ 31,656</u>	<u>\$ 4,356,823</u>

NOTE C: 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 General Fund from:		
Nonmajor governmental funds		<u>\$ 19</u>
Transfers to nonmajor governmental funds from:		
General Fund	\$ 77,500	
Nonmajor governmental funds		<u>54,500</u>
		<u>\$ 132,000</u>

Transfers to the General Fund from the nonmajor governmental funds were to close out the Tree Beautification Fund. Transfers made to nonmajor governmental funds from the General Fund were to finance the current year debt service payments and pool operations. Transfers made to the nonmajor governmental funds from other nonmajor governmental funds were related to infrastructure and other capital improvements.

NOTE D: ADVANCES PAYABLE AND RECEIVABLE

The following schedule details advances payable and receivable related to the primary government June 30, 2016:

Advance from I-696 Segregated Capital Asset Fund to:		
General Fund		<u>\$ 9,278</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, 2016

NOTE E: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016, was as follows:

Primary Government

	Balance July 1, 2015	Additions/ Reclassifications	Deletions/ Reclassifications	Balance June 30, 2016
Governmental activities				
Capital assets not being depreciated				
Land	\$ 1,746,700	\$ -	\$ -	\$ 1,746,700
Construction in progress	18,336	57,817	(18,336)	57,817
Subtotal	1,765,036	57,817	(18,336)	1,804,517
Capital assets being depreciated				
Land improvements	866,157	80,856	-	947,013
Buildings and improvements	3,663,605	168,598	-	3,832,203
Vehicles	123,463	-	-	123,463
Equipment	564,592	-	-	564,592
Software	19,430	-	-	19,430
Infrastructure - streets and alleys	8,099,334	698,430	-	8,797,764
Subtotal	13,336,581	947,884	-0-	14,284,465
Less accumulated depreciation for:				
Land improvements	(693,361)	(39,573)	-	(732,934)
Buildings and improvements	(1,585,204)	(102,232)	-	(1,687,436)
Vehicles	(86,087)	(12,805)	-	(98,892)
Equipment	(314,766)	(46,157)	-	(360,923)
Software	(13,851)	(2,790)	-	(16,641)
Infrastructure - streets and alleys	(4,033,486)	(387,836)	-	(4,421,322)
Subtotal	(6,726,755)	(591,393)	-0-	(7,318,148)
Net capital assets being depreciated	6,609,826	356,491	-0-	6,966,317
Capital assets, net	\$ 8,374,862	\$ 414,308	\$ (18,336)	\$ 8,770,834

Depreciation expense was charged to the following governmental activities:

General government	\$ 19,412
Public safety	22,138
Public works	406,485
Recreation and culture	143,358
	<u>\$ 591,393</u>

City of Pleasant Ridge

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE E: CAPITAL ASSETS - CONTINUED

Primary Government - Continued

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Business-type activities				
Capital assets being depreciated				
Water and sewer transmission and distribution system	\$ 3,306,075	\$ 37,334	\$ -	\$ 3,343,409
Water meters	157,233	-	-	157,233
Vehicles and miscellaneous equipment	14,602	-	-	14,602
Subtotal	3,477,910	37,334	-0-	3,515,244
Less accumulated depreciation for:				
Water and sewer transmission and distribution system	(1,545,059)	(108,544)	-	(1,653,603)
Water meters	(94,340)	(10,482)	-	(104,822)
Vehicles and miscellaneous equipment	(14,602)	-	-	(14,602)
Subtotal	(1,654,001)	(119,026)	-0-	(1,773,027)
Capital assets, net	<u>\$ 1,823,909</u>	<u>\$ (81,692)</u>	<u>\$ -0-</u>	<u>\$ 1,742,217</u>

Component Unit

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Downtown Development Authority (DDA)				
Capital assets not being depreciated				
Land	\$ 72,500	\$ -	\$ -	\$ 72,500
Capital assets being depreciated				
Land improvements	119,715	18,656	-	138,371
Less accumulated depreciation for:				
Land improvements	(31,260)	(7,316)	-	(38,576)
Net capital assets being depreciated	88,455	11,340	-0-	99,795
Capital assets, net	<u>\$ 160,955</u>	<u>\$ 11,340</u>	<u>\$ -0-</u>	<u>\$ 172,295</u>

City of Pleasant Ridge

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE F: 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, 2016.

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016	Amounts Due Within One Year
Primary Government					
Governmental activities					
Pool/Fitness Center Bonds	\$ 1,875,000	\$ -	\$ (100,000)	\$ 1,775,000	\$ 100,000
Installment Loan Agreement	20,301	-	(11,947)	8,354	8,354
Compensated Absences	138,416	72,891	(64,066)	147,241	65,000
	2,033,717	72,891	(176,013)	1,930,595	173,354
Business-type activities					
Water and Sewer System					
George W. Kuhn Drain Bonds	867,209	-	(87,691)	779,518	90,096
	<u>\$ 2,900,926</u>	<u>\$ 72,891</u>	<u>\$ (263,704)</u>	<u>\$ 2,710,113</u>	<u>\$ 263,450</u>

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

Primary Government

General Obligation Bonds

\$2,550,000 2003 General Obligation Unlimited Tax Bonds dated June 1, 2003, due in annual installments ranging from \$100,000 to \$200,000 through April 1, 2028, with interest ranging from 4.000 to 4.375 percent, payable semiannually.

\$ 1,775,000

Installment Loan Agreement

\$44,879 National Equipment Leasing Loan dated February 14, 2014, due in a final installment of \$8,354 on February 14, 2017, with interest of 7.43 percent.

\$ 8,354

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.

\$ 779,518

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 \$147,241 at June 30, 2016.

City of Pleasant Ridge

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE F: LONG-TERM DEBT - CONTINUED

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
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	125,000	56,899	-	-	99,593	10,908
2022-2026	800,000	193,121	-	-	287,141	17,902
2027-2029	400,000	26,249	-	-	18,676	1,002
	<u>\$ 1,775,000</u>	<u>\$ 553,053</u>	<u>\$ 8,354</u>	<u>\$ 621</u>	<u>\$ 779,518</u>	<u>\$ 98,469</u>

NOTE G: 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.

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.

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.

City of Pleasant Ridge

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE G: DEFINED BENEFIT PENSION PLAN - CONTINUED

Benefits Provided - continued

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, 2015 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefits	14
Inactive employees entitled to but not yet receiving benefits	10
Active employees	<u>9</u>
	<u><u>33</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 4.20 to 9.75 percent based on annual payroll for open divisions. For the year ended June 30, 2016, 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, 2016 was determined using a measure of the total pension liability and the pension net position as of December 31, 2015. The December 31, 2015 total pension liability was determined by an actuarial valuation performed as of that date.

City of Pleasant Ridge

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE G: DEFINED BENEFIT PENSION PLAN - CONTINUED

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

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at December 31, 2014	\$ 5,405,689	\$ 2,982,707	\$ 2,422,982
Changes for the Year			
Service cost	71,305	-	71,305
Interest on total pension liability	433,753	-	433,753
Difference between expected and actual experience	40,456	-	40,456
Changes in assumptions	248,716	-	248,716
Employer contributions	-	211,243	(211,243)
Employee contributions	-	10,639	(10,639)
Net investment (loss)	-	(42,958)	42,958
Benefit payments, including employee refunds	(367,542)	(367,542)	-0-
Administrative expense	-	(6,399)	6,399
Other changes	(4)	-	(4)
Net changes	426,684	(195,017)	621,701
Balances at December 31, 2015	\$ 5,832,373	\$ 2,787,690	\$ 3,044,683

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

For the year ended June 30, 2016, the employer recognized pension expense of \$424,597. The City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 26,971	\$ -
Changes in assumptions	165,811	-
Net difference between projected and actual earnings on pension plan investments	258,129	-
Contributions subsequent to the measurement date*	124,616	-
Total	\$ 575,527	\$ -0-

* 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, 2017.

City of Pleasant Ridge

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE G: 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>
2017	\$ 163,583
2018	163,583
2019	67,191
2020	56,554

Actuarial Assumptions

The total pension liability in the December 31, 2015 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.5%

Salary increases: 3.8% in the long-term.

Investment rate of return: 7.75%, net of investment expenses, including inflation.

Mortality rates used were based on a blend of the RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105%; RP-2014 Employee Mortality Tables; RP-2014 Juvenile Mortality Tables all with a 50% Male and 50% Female blend. For disabled retirees, the RP-2014 Disabled Retiree Mortality Table with a 50% Male and 50% Female blend is used to reflect the higher expected mortality rates of disabled members.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of the most recent actuarial experience study covering the period from January 1, 2009 through December 31, 2013.

Discount Rate

The discount rate used to measure the total pension liability is 8.00%. 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.

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:

City of Pleasant Ridge

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE G: DEFINED BENEFIT PENSION PLAN - CONTINUED

Projected Cash Flows - continued

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	57.5%	8.52%
Global Fixed Income	20.0%	5.68%
Real Assets	12.5%	7.73%
Diversifying Strategies	10.0%	10.06%

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	\$ 3,716,629	\$ 3,044,683	\$ 2,479,060

NOTE H: 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.

The City no longer offers retirement health care benefits to new administrative employees. In November 2015, the City established a Retiree Health Care Savings Trust with MERS to allow current employees to contribute to a savings account for their future retirement health care costs. The City contributed \$5,000 to the trust in the year ended June 30, 2016.

During the year ended June 30, 2016, 11 retirees were receiving benefits. Expenditures for post-employment benefits are recognized when claims are paid. During the year, net expenditures for current premiums of \$179,056 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, 2016

NOTE H: 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, 2016, 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	28,164
Adjustment to annual required contribution	<u>(39,980)</u>
Annual OPEB cost (expense)	262,999
Amounts contributed:	
Payments of current premiums (net of employee reimbursement)	179,056
Prefunded benefits	<u>5,000</u>
Total amounts contributed	<u>184,056</u>
Increase in net OPEB obligation	78,943
OPEB obligation - beginning of year	<u>938,802</u>
OPEB obligation - end of year	<u><u>\$ 1,017,745</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>2014</u>	<u>2015</u>	<u>2016</u>
Annual OPEB cost	\$ 268,263	\$ 265,488	\$ 262,999
Percentage contributed	39%	64%	68%
Net OPEB obligation	844,451	938,802	1,017,745

City of Pleasant Ridge

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE H: 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 alternative measurement method valuations.

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.

City of Pleasant Ridge

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE H: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

Valuation Methods and Assumptions - continued

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

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, 2016 was 30 years.

NOTE I: 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, 2016:

REVENUES	
Licenses and permits	
Electrical permits	\$ 7,730
Building permits	63,042
Plumbing/heating permits	12,520
Administrative fee	<u>6,313</u>
TOTAL REVENUES	89,605
EXPENDITURES	
Salaries and wages	75,388
Operating supplies and other	<u>21,327</u>
TOTAL EXPENDITURES	<u>96,715</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	(7,110)
PRIOR CUMULATIVE EXCESS OF REVENUES OVER EXPENDITURES	<u>-0-</u>
CUMULATIVE EXCESS OF REVENUES (UNDER) EXPENDITURES	<u>\$ (7,110)</u>

NOTE J: 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.

City of Pleasant Ridge

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE J: RISK MANAGEMENT - CONTINUED

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.

NOTE K: I-696 SEGREGATED CAPITAL ASSET CAPITAL PROJECTS 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 defined as the fund's principal by the City's code of ordinances (Chapter Two, Article II, Division 9, Sections 2-131 through 2-139). The ordinance stipulates that the principal, \$3,242,872, is to remain intact with the investment income derived from the principal to be spent on various capital related purposes at the direction of the City Commission. Recently, the City has begun using a portion of the principal to provide temporary financing for various capital projects throughout the city, including roads and park improvements. The fund will be reimbursed over the next several years from the revenue generated by the separate infrastructure improvement and park improvement millages. The fund balance of the fund is reported as Nonspendable (prepaid assets) and Committed. As of June 30, 2016, the fund balance is \$2,600,894.

NOTE L: 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, 2016:

PRIMARY GOVERNMENT	
Governmental activities	
Restricted for streets	\$ 130,749
Restricted for other purposes	
Infrastructure improvements	69,458
Solid waste services	32,162
Public safety	430
Debt service	16,228
Recreation and culture	14,092
	<hr/>
	132,370
	<hr/>
	\$ 263,119
	<hr/>

City of Pleasant Ridge

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE M: DETAILS OF FUND BALANCE CLASSIFICATIONS

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

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

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

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

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

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

Fund Balance Classification Policies and Procedures

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

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

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

NOTE N: CHANGE IN ACCOUNTING PRINCIPLES

GASB Statement No. 72, *Fair Value Measurement and Application*, was implemented during the current year. 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.

NOTE O: COMMITMENTS

The City extended into contracts during the year to improve the Gainsboro Park. As of June 30, 2016, the remaining commitment for the Gainsboro Park Project was \$26,500.

City of Pleasant Ridge

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE P: UPCOMING ACCOUNTING PRONOUNCEMENTS

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. 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 comprehensibly 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 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.

REQUIRED SUPPLEMENTARY INFORMATION

City of Pleasant Ridge

General Fund

BUDGETARY COMPARISON SCHEDULE (NON-GAAP BUDGETARY BASIS)

Year Ended June 30, 2016

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 1,997,350	\$ 1,997,350	\$ 1,998,593	\$ 1,243
Licenses and permits	87,690	87,690	85,576	(2,114)
Intergovernmental	254,000	254,000	252,342	(1,658)
Charges for services	190,380	190,380	195,927	5,547
Fines and forfeits	40,000	40,000	33,088	(6,912)
Interest and rents	10,500	10,500	13,804	3,304
Other	100,000	146,000	193,814	47,814
TOTAL REVENUES	2,679,920	2,725,920	2,773,144	47,224
EXPENDITURES				
Current				
General government				
Commission	27,550	27,550	15,631	11,919
Manager	127,801	127,801	133,499	(5,698)
Treasurer	88,800	88,800	82,605	6,195
Clerk	109,614	109,614	110,733	(1,119)
Assessor	21,600	21,600	21,023	577
Elections	11,363	11,363	8,318	3,045
General government	135,350	135,350	136,283	(933)
Attorney services	56,750	56,750	38,304	18,446
Information technology	76,870	76,870	67,748	9,122
Cable television	5,750	5,750	1,222	4,528
Total general government	661,448	661,448	615,366	46,082
Public safety				
Police department	781,985	781,985	777,025	4,960
Fire services	258,000	258,000	256,581	1,419
Building department	63,555	63,555	60,349	3,206
Capital outlay	30,000	30,000	28,564	1,436
Total public safety	1,133,540	1,133,540	1,122,519	11,021
Public works				
Public works services	158,000	158,000	167,568	(9,568)
Street lighting	35,400	35,400	37,249	(1,849)
Total public works	193,400	193,400	204,817	(11,417)
Community and economic development				
Planning commission	-	-	650	(650)

City of Pleasant Ridge

General Fund

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

Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES - CONTINUED				
Current - continued				
Recreation and culture				
Parks and recreation department	\$ 418,879	\$ 418,879	\$ 425,809	\$ (6,930)
Other				
Retirement benefits	237,600	248,600	272,587	(23,987)
TOTAL EXPENDITURES	<u>2,644,867</u>	<u>2,655,867</u>	<u>2,641,748</u>	<u>14,119</u>
EXCESS OF REVENUES OVER EXPENDITURES	35,053	70,053	131,396	61,343
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	19	19
Transfers out	(11,000)	(70,500)	(77,500)	(7,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(11,000)</u>	<u>(70,500)</u>	<u>(77,481)</u>	<u>(6,981)</u>
Net change in fund balance (prior to adjustments for GASB Statement No. 54)	<u>\$ 24,053</u>	<u>\$ (447)</u>	<u>\$ 53,915</u>	<u>\$ 54,362</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>	<u>2015</u>
Total Pension Liability		
Service cost	\$ 67,290	\$ 71,305
Interest	422,582	433,753
Difference between expected and actual experience	-	40,456
Changes of assumptions	-	248,716
Benefit payments, including employee refunds	(345,474)	(367,542)
Other	<u>(2)</u>	<u>(4)</u>
Net change in total pension liability	144,396	426,684
Total Pension Liability, beginning	<u>5,261,293</u>	<u>5,405,689</u>
Total Pension Liability, ending	<u>\$ 5,405,689</u>	<u>\$ 5,832,373</u>
Plan Fiduciary Net Position		
Contributions - employer	\$ 200,664	\$ 211,243
Contributions - employee	10,149	10,639
Net investment income	183,562	(42,958)
Benefit payments including employee refunds	(345,474)	(367,542)
Administrative expense	<u>(6,715)</u>	<u>(6,399)</u>
Net change in plan fiduciary net position	42,186	(195,017)
Plan Fiduciary Net Position, beginning	<u>2,940,521</u>	<u>2,982,707</u>
Plan Fiduciary Net Position, ending	<u>\$ 2,982,707</u>	<u>\$ 2,787,690</u>
City's Net Pension Liability	<u>\$ 2,422,982</u>	<u>\$ 3,044,683</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	55%	48%
Covered Employee Payroll	\$ 550,037	\$ 568,862
City's Net Pension Liability as a percentage of Covered Employee Payroll	441%	535%

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>	<u>2016</u>
Actuarial determined contributions	\$ 189,972	\$ 242,271
Contributions in relation to the actuarially determined contribution	<u>196,956</u>	<u>242,271</u>
Contribution deficiency (excess)	<u>\$ (6,984)</u>	<u>\$ -0-</u>
Covered Employee Payroll	\$ 821,298	\$ 854,741
Contributions as a percentage of covered employee payroll	24%	28%

City of Pleasant Ridge

OTHER POST-EMPLOYMENT BENEFITS PLAN

Year Ended June 30, 2016

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, 2016

NOTE A: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The City's budgeted expenditures for the General Fund 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, 2016, 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			
Manager	\$ 127,801	\$ 133,499	\$ 5,698
Clerk	109,614	110,733	1,119
General government	135,350	136,283	933
Public works			
Public works services	158,000	167,568	9,568
Street lighting	35,400	37,249	1,849
Community and economic development			
Planning commission	-	650	650
Recreation and culture			
Parks and recreation department	418,879	425,809	6,930
Other			
Retirement benefits	248,600	272,587	23,987
Transfers out	70,500	77,500	7,000
Solid Waste Fund	330,523	350,198	19,675

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)	\$ 53,915
Net change in fund balance related to Historical Fund:	
Revenue related to additional sales, interest, and other	6,710
Expenditures related to administration and capital outlay	<u>(4,027)</u>
Net change in General Fund Fund Balance (GAAP basis)	<u>\$ 56,598</u>

OTHER SUPPLEMENTARY INFORMATION

City of Pleasant Ridge
Nonmajor Governmental Funds

BALANCE SHEET

June 30, 2016

	Special Revenue		
	Major Streets	Local Streets	Tree Planting Beautification
ASSETS			
Cash and cash equivalents	\$ 60,789	\$ 33,850	\$ -
Accounts receivable	-		-
Due from other governmental units	25,591	14,823	-
TOTAL ASSETS	\$ 86,380	\$ 48,673	\$ -0-
LIABILITIES			
Accounts payable	\$ 1,059	\$ 3,245	\$ -
Accrued wages	-	-	-
TOTAL LIABILITIES	1,059	3,245	-0-
FUND BALANCES			
Restricted			
Solid waste	-	-	-
Streets and highways	85,321	45,428	-
Infrastructure improvements	-	-	-
Public safety	-	-	-
Library	-	-	-
Recreation	-	-	-
Debt service	-	-	-
Assigned			
Debt service	-	-	-
TOTAL FUND BALANCES	85,321	45,428	-0-
TOTAL LIABILITIES AND FUND BALANCES	\$ 86,380	\$ 48,673	\$ -0-

Special Revenue

Solid Waste	Pool/Fitness Facility (Operating)	Drug Forfeiture	Library	Capital Projects
\$ 29,293	\$ 11,794	\$ 430	\$ 13,126	\$ 69,458
24,297	-	-	-	-
-	-	-	-	-
<u>\$ 53,590</u>	<u>\$ 11,794</u>	<u>\$ 430</u>	<u>\$ 13,126</u>	<u>\$ 69,458</u>
\$ 20,502	\$ -	\$ -	\$ -	\$ -
926	10,828	-	-	-
21,428	10,828	-0-	-0-	-0-
32,162	-	-	-	-
-	-	-	-	-
-	-	-	-	69,458
-	-	430	-	-
-	-	-	13,126	-
-	966	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>32,162</u>	<u>966</u>	<u>430</u>	<u>13,126</u>	<u>69,458</u>
<u>\$ 53,590</u>	<u>\$ 11,794</u>	<u>\$ 430</u>	<u>\$ 13,126</u>	<u>\$ 69,458</u>

City of Pleasant Ridge
 Nonmajor Governmental Funds
 BALANCE SHEET - CONTINUED
 June 30, 2016

	Debt Service		
	Pool/Fitness Center Debt Service	Non-Voted Debt Service	Total
ASSETS			
Cash and cash equivalents	\$ 16,228	\$ 9	\$ 234,977
Accounts receivable	-	-	24,297
Due from other governmental units	-	-	40,414
TOTAL ASSETS	\$ 16,228	\$ 9	\$ 299,688
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ 24,806
Accrued wages	-	-	11,754
TOTAL LIABILITIES	-0-	-0-	36,560
FUND BALANCES			
Restricted			
Solid waste	-	-	32,162
Streets and highways	-	-	130,749
Infrastructure improvements	-	-	69,458
Public safety	-	-	430
Library	-	-	13,126
Recreation	-	-	966
Debt service	16,228	-	16,228
Assigned			
Debt service	-	9	9
TOTAL FUND BALANCES	16,228	9	263,128
TOTAL LIABILITIES AND FUND BALANCES	\$ 16,228	\$ 9	\$ 299,688

City of Pleasant Ridge

Nonmajor Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2016

	Special Revenue		
	Major Streets	Local Streets	Tree Planting Beautification
REVENUES			
Taxes	\$ -	\$ -	\$ -
Intergovernmental	148,418	50,400	-
Charges for services	-	-	-
Interest and rents	74	44	-
TOTAL REVENUES	148,492	50,444	-0-
EXPENDITURES			
Current			
Public works	55,971	48,210	-
Recreation and culture	-	-	-
Capital outlay	-	100,000	-
Debt service	-	-	-
TOTAL EXPENDITURES	55,971	148,210	-0-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	92,521	(97,766)	-0-
OTHER FINANCING SOURCES (USES)			
Transfers in	-	54,500	-
Transfers out	(54,500)	-	(19)
TOTAL OTHER FINANCING SOURCES (USES)	(54,500)	54,500	(19)
NET CHANGE IN FUND BALANCES	38,021	(43,266)	(19)
Fund balances, beginning of year	47,300	88,694	19
Fund balances, end of year	\$ 85,321	\$ 45,428	\$ -0-

Special Revenue

Solid Waste	Pool/Fitness Facility (Operating)	Drug Forfeiture	Library	Capital Projects
\$ 223,972	\$ 166,301	\$ -	\$ 51,831	\$ -
-	-	-	-	-
112,123	46,927	-	-	-
43	29	-	19	80
336,138	213,257	-0-	51,850	80
350,198	-	-	-	622
-	205,834	-	53,720	-
-	-	-	-	-
-	13,457	-	-	-
350,198	219,291	-0-	53,720	622
(14,060)	(6,034)	-0-	(1,870)	(542)
-	7,000	-	-	70,000
-	-	-	-	-
-0-	7,000	-0-	-0-	70,000
(14,060)	966	-0-	(1,870)	69,458
46,222	-0-	430	14,996	-0-
<u>\$ 32,162</u>	<u>\$ 966</u>	<u>\$ 430</u>	<u>\$ 13,126</u>	<u>\$ 69,458</u>

City of Pleasant Ridge

Nonmajor Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - CONTINUED

Year Ended June 30, 2016

	Debt Service		Total
	Pool/Fitness Center Debt Service	Non-Voted Debt Service	
REVENUES			
Taxes	\$ 179,445	\$ -	\$ 621,549
Intergovernmental	-	-	198,818
Charges for services	-	-	159,050
Interest and rents	-	-	289
TOTAL REVENUES	179,445	-0-	979,706
EXPENDITURES			
Current			
Public works	-	-	455,001
Recreation and culture	-	-	259,554
Capital outlay	-	-	100,000
Debt service	183,748	491	197,696
TOTAL EXPENDITURES	183,748	491	1,012,251
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(4,303)	(491)	(32,545)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	500	132,000
Transfers out	-	-	(54,519)
TOTAL OTHER FINANCING SOURCES (USES)	-0-	500	77,481
NET CHANGE IN FUND BALANCES	(4,303)	9	44,936
Fund balances, beginning of year	20,531	-0-	218,192
Fund balances, end of year	\$ 16,228	\$ 9	\$ 263,128

City of Pleasant Ridge

Component Unit Fund

BALANCE SHEET - DOWNTOWN DEVELOPMENT AUTHORITY (DDA)

June 30, 2016

ASSETS	
Cash and cash equivalents	\$ 31,656
Due from other governmental units	<u>84</u>
TOTAL ASSETS	<u>\$ 31,740</u>
LIABILITIES	
Accounts payable	\$ -
FUND BALANCE	
Unassigned	<u>31,740</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 31,740</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, 2016

Total fund balance - governmental fund \$ 31,740

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	\$ 210,871	
Accumulated depreciation	<u>(38,576)</u>	
Capital assets, net		<u>172,295</u>
Net position of governmental activities		<u><u>\$ 204,035</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, 2016

REVENUES	
Taxes	\$ 93,248
Interest	45
Other	<u>10,229</u>
TOTAL REVENUES	103,522
EXPENDITURES	
Current	
Community and economic development	125,186
Capital outlay	<u>20,138</u>
TOTAL EXPENDITURES	<u>145,324</u>
NET CHANGE IN FUND BALANCE	(41,802)
Fund balance, beginning of year	<u>73,542</u>
Fund balance, end of year	<u><u>\$ 31,740</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, 2016

Net change in fund balance - governmental fund \$ (41,802)

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:

Capital outlay	\$ 18,656	
Depreciation expense	<u>(7,316)</u>	
Excess of capital outlay over depreciation expense		<u>11,340</u>
Change in net position of governmental activities		<u><u>\$ (30,462)</u></u>