

**PAINT CREEK  
TRAILWAYS COMMISSION**  
Oakland County, Michigan

Annual Financial Report

December 31, 2013

PAINT CREEK TRAILWAYS COMMISSION

ANNUAL FINANCIAL REPORT  
Year Ended December 31, 2013

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**Independent Auditor's Report**

Commissioners  
Paint Creek Trailways Commission  
Oakland County, Michigan

I have audited the accompanying financial statements of net assets and activities of the Paint Creek Trailways Commission, Oakland County, Michigan as of and for the year ended December 31, 2013, which collectively comprise the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Commission's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the activities of the Paint Creek Trailways Commission, Oakland County, Michigan, as of December 31, 2013, and the respective changes in financial position, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United State of America require that the management's discussion and analysis and budgetary comparison information on pages 2 through 3 and 14 through 16 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 a essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquires, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to espresso an opinion or provide any assurance.

May 12, 2014

## Management's Discussion and Analysis

The Paint Creek Trailways Commission's management discussion and analysis has been prepared to provide an overview of the Commission's financial activities for fiscal year ending December 31, 2013. This discussion and analysis needs to be read and reviewed concurrently with the Trailways Commission's financial statements.

This management discussion and analysis includes comparative data from fiscal year 2012, in order to remain compliant with the Government Accounting Standards Board Statement No. 34.

### The Paint Creek Trailways Commission as a Whole

The following tables show the condensed Statements of net assets and activities for the years ended December 31, 2012 and 2013:

Table 1  
Statement of Net Assets

	2013	2012
<b>Assets</b>		
Current assets	\$62,815	\$56,966
Fixed assets – net	658,589	677,901
<b>Total Assets</b>	<b>\$721,404</b>	<b>\$734,867</b>
<b>Liabilities</b>		
Current liabilities	\$1,779	\$1,259
<b>Net Assets</b>		
Invested in capital assets	\$658,589	\$677,901
Restricted	2,465	2,465
Unrestricted	58,571	53,242
<b>Total Liabilities and Net Assets</b>	<b>\$721,404</b>	<b>\$734,867</b>

Table 2  
Changes in Net Assets

	2013	2012
<b>Revenue</b>		
Member contributions	\$78,796	\$78,796
Grants	\$0	\$0
Other	19,183	20,740
<b>Total Revenue</b>	<b>\$97,979</b>	<b>\$99,536</b>
<b>Expenses</b>	<b>\$92,650</b>	<b>\$86,783</b>
<b>Change in Net Assets</b>	<b>\$5,329</b>	<b>\$12,753</b>

The Commission's revenue, on a normal year, consists mostly of member contributions and various rental and licensing arrangements.

### Budgetary Highlights

Revenues approximated the amended budget. The actual expenditures were under the final amended budget expenditures by approximately \$8,018.

### Contacting the Commission's Financial Management

The financial report is designed to provide our members and citizens with a general overview of the Commission's finances and show the Commission's accountability for the money it receives. If you have any questions, about this report, or require additional information, you can contact the Commission's office.

PAINT CREEK TRAILWAYS COMMISSION

Statement of Net Assets  
December 31, 2013

**ASSETS**

Current Assets:	
Cash	\$ 62,089
Inventory at cost	726
Total Current Assets	<u>62,815</u>
Capital Assets:	
Land and Improvements	1,283,236
Operating Equipment	839
Office Equipment	17,658
Less Accumulated Depreciation	(643,144)
Total Capital Assets, net of depreciation	<u>658,589</u>
Total Assets	<u>\$ 721,404</u>

**LIABILITIES**

Current Liabilities:	
Accounts Payable	\$ 1,779
Total Current Liabilities	<u>1,779</u>

**NET ASSETS**

Invested in Capital Assets	658,589
Restricted For:	
Directional Sign Project	1,645
Rochester Art Project	720
Art Project Brochure	100
Unrestricted	58,571
Total Net Assets	<u>719,625</u>
Total Liabilities and Net Assets	<u>\$ 721,404</u>

The accompanying notes are an integral part of the financial statements.

PAINT CREEK TRAILWAYS COMMISSION

Statement of Activities  
For the Year Ended December 31, 2013

Activities	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue &amp; Changes in Net Assets</u>
		<u>Member Contributions</u>	<u>Grants and Other</u>	
Operating and Maintaining Trailways	\$ 114,662	\$ 78,796	\$ 21,704	\$ (14,162)
Total Activities	<u>\$ 114,662</u>	<u>\$ 78,796</u>	<u>\$ 21,704</u>	<u>(14,162)</u>
General Revenues:				
Interest Income				<u>179</u>
Total General Revenues				<u>179</u>
Changes in Net Assets				(13,983)
Net Assets - January 1, 2013				<u>733,608</u>
Net Assets - December 31, 2013				<u>\$ 719,625</u>

The accompanying notes are an integral part of the financial statements.

PAINT CREEK TRAILWAYS COMMISSION

Balance Sheet  
December 31, 2013

**ASSETS**

Cash	\$	62,089
Inventory at cost		726
Total Assets	\$	<u>62,815</u>

**LIABILITIES AND FUND BALANCE**

Liabilities:		
Accounts Payable	\$	1,779
Total Liabilities		<u>1,779</u>
Fund Balance:		
Nonspendable		
Inventory		726
Assigned To:		
Directional Sign Project		1,645
Rochester Art Project		720
Art Project Brochure		100
Unassigned		57,845
Total Fund Balance		<u>61,036</u>
Total Liabilities and Fund Balance	\$	<u>62,815</u>

The accompanying notes are an integral part of the financial statements.



PAINT CREEK TRAILWAYS COMMISSION

Reconciliation of the Commission Funds Balance Sheet to the Statement of Net Assets  
For the Year Ended December 31, 2013

Fund balances \$ 61,036

Amounts reported for governmental activities in the  
statement of net assets differ due to:

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

Historical cost	\$ 1,301,734	
Accumulated depreciation	<u>(643,145)</u>	<u>658,589</u>

Total net assets - governmental activities \$ 719,625

PAINT CREEK TRAILWAYS COMMISSION

Statement of Revenues, Expenditures, and Changes in Fund Balance  
For the Year Ended December 31, 2013

REVENUES:

Intergovernmental Contributions	\$	78,796
Rent and Other		10,394
Sale of Merchandise		1,109
Miscellaneous		3,700
Benches		1,286
Temporary Permits		810
MMRA-Asset Distribution		1,705
Investment Earnings		179
		<hr/>
Total Revenues		97,979
		<hr/>

EXPENDITURES:

Part-Time Staff and Payroll Taxes		50,505
Mounted Patrol		6,703
Per Diem		4,725
Insurance		3,749
Recorder's Fee		2,580
Legal and Audit		4,200
Travel and Mileage		627
Postage		410
Rubbish Container		386
Benches for Trail		900
Operating Supplies and Miscellaneous		6,770
Portable Toilet		750
Telephone and Internet		504
Office Expenses		434
Master Plan Update		5,315
Trail Projects & Events		3,141
Trail Saleable Items		951
		<hr/>
Total Expenditures		92,650
		<hr/>
Excess of Expenditures over Revenues		5,329
		<hr/>
Fund Balance - Beginning		55,707
		<hr/>
Fund Balance - Ending	\$	61,036
		<hr/> <hr/>

The accompanying notes are an integral part of the financial statements.

PAINT CREEK TRAILWAYS COMMISSION

Reconciliation of the Statement of Revenues, Expenditures,  
and Changes in Fund Balance to the Statement of Activities  
For the Year Ended December 31, 2013

Net change in fund balances - governmental funds \$ 5,329

Amounts reported for governmental activities in the  
statement of activities differ due to:

Governmental funds report capital outlays as expenditures.  
However, in the statement of activities these items are  
capitalized and the costs of those assets are allocated  
over their estimated useful lives as depreciation.

Capitalized assets	\$ 1,286	
Depreciation	<u>(20,598)</u>	<u>(19,312)</u>

Change in net assets - governmental activities \$ (13,983)

## PAINT CREEK TRAILWAYS COMMISSION

Notes to Financial Statements  
December 31, 2013

### **Note A: Summary of Significant Accounting Policies**

The accounting policies of the Paint Creek Trailways Commission conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of these financial statements.

The Commission adopted the Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements and Management Discussion and Analysis. The Commission has elected to report all of its funds as major funds in the financial statements.

#### Reporting Entity

The Paint Creek Trailways Commission was created for the purpose of owning, exercising right of dominion over, developing, providing, maintaining, and operating certain non-motorized public trails for recreational use within the jurisdiction of member units, City of Rochester, City of Rochester Hills, Township of Oakland, and Township of Orion.

#### Basis of Accounting

The financial statements are presented on a full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred.

#### Cash and Cash Equivalents

The Commission has defined cash and cash equivalents to include cash on hand, demand notes, and certificates of deposit with original maturities of three months or less from the date of acquisition.

#### Receivables

All receivables are considered fully collectible. No provision for non-collection has been made in the financial statements.

#### Inventories

Inventory is valued at cost using the first-in / first-out (FIFO) method. Inventories are recorded as expenditures when sold rather than when purchased.

#### Capital Assets

Capital assets, which include land, trailway improvements, and equipment, are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's useful life are not capitalized.

Improvements and equipment is depreciated using the straight line method over the following estimated lives:

Improvements	20 years
Equipment	3 – 7 years

### Fund Equity

The following fund balances classifications describe the relative strength of the spending constraints placed on the purpose for which resources can be used:

Nonspendable fund balance – amounts that are not in a spendable form (such as inventory) or are required to be maintained intact.

Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.

Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.

Unassigned fund balance – amounts that are available for any purpose.

Trailway Commission establishes (and modifies or rescinds) fund balance commitments by passage of an resolution. This is typically done through adoption an amendment of the budget.

### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

## **Note B: Stewardship, Compliance, and Accountability**

### Budgetary Data

Annual budgets are adopted for the funds as required by the Michigan Public Act 621 of 1978, the Uniform Budgeting and Accounting Act. The Commission's approved budget was adopted on the line item level.

The Commission coordinator prepares a preliminary budget for the Commission's review and comment. After receiving input from those concerned, the coordinator rewrites the budget. The rewritten budget is presented to the Commission for final review and approval. This process occurs prior to year end.

Excess of Expenditures over Appropriations

Michigan Public Act 2 of 1968, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated in the budget resolution of the governing body. For the year ended December 31, 2013, the following line items exceeded the amount budgeted:

<u>Total</u> <u>Expenditures</u>	<u>Amount</u> <u>Budgeted</u>	<u>Amount</u> <u>Over Budget</u>
-------------------------------------	----------------------------------	-------------------------------------

None

**Note C: Deposits and Investments**

Michigan compiled Laws, Section 129.91, authorizes the Local Unit to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Commission is allowed to invest in bonds, securities and other direct obligations of the United States; United States government or federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Commission has designated one bank for the deposit of the Commission's funds. This is in compliance with the adopted investment policy adopted in accordance with Public Act 196 of 1977.

GASB Statement 3, Investments are categorized to give an indication of the level of custodial credit risk assumed. Category 1 includes investments that are insured or registered, or securities held by the Commission or its agent in the Commission's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the Commission's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the Commission's name.

The Commission's investments consist of an interest bearing checking account, which is not categorized because it is not evidenced by securities that exist in physical or book entry form.

**Note D: Capital Assets**

Capital asset activity for the year ended December 31, 2013 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated:				
Land	<u>\$ 452,950</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 452,950</u>
Trailway Improvements:				
Resurfacing	592,931	-	-	592,931
Bridges	117,220	-	-	117,220
Signs	22,057	-	-	22,057
Foley Pond Improvement	46,738	-	-	46,738
Vault Toilet	13,527	-	-	13,527
Picnic Tables	12,951	-	-	12,951
Benches	10,267	900	-	11,167
Other	13,695	-	-	13,695
Operating Equipment:				
Bicycle and Equipment	453	386	-	839
Office Equipment	<u>17,658</u>	<u>-</u>	<u>-</u>	<u>17,658</u>
Total Capital Assets Being Depreciated	<u>847,497</u>	<u>1,286</u>	<u>-</u>	<u>848,783</u>
Less Accumulated Depreciation for:				
Trailway Improvements:	607,716	19,797	-	627,513
Operating Equipment:	453	39	-	492
Office Equipment	<u>14,377</u>	<u>762</u>	<u>-</u>	<u>15,139</u>
Total Accumulated Depreciation	<u>622,546</u>	<u>20,598</u>	<u>-</u>	<u>643,144</u>
Capital Assets Being Depreciated - Net	<u>224,951</u>	<u>(19,312)</u>	<u>-</u>	<u>205,639</u>
Capital Assets - Net	<u>\$ 677,901</u>	<u>\$ (19,312)</u>	<u>\$ -</u>	<u>\$ 658,589</u>

Depreciation was charged to operations in the amount of: \$ 20,598

**Note E: Risk Management**

The Commission is exposed to various risks of loss related to general liability, theft of assets, destruction of assets, and natural disasters. The Commission carries commercial insurance to protect against these potential losses. The Commission does not maintain a fidelity bond.

REQUIRED SUPPLEMENTAL INFORMATION



PAINT CREEK TRAILWAYS COMMISSION

Budgetary Comparison Schedule  
For the Year Ended December 31, 2013

	Original Budget	Amended Budget	Actual	Variance
<b>REVENUES:</b>				
Intergovernmental Contributions				
Rochester	\$ 16,549	\$ 16,549	\$ 16,549	\$ -
Rochester Hills	16,549	16,549	16,549	-
Oakland Township	16,549	16,549	16,549	-
Orion Township	16,549	16,549	16,549	-
Bike Patrol - Rochester	991	991	991	-
Rochester Hills	2,124	2,124	2,124	-
Oakland Township	7,647	7,647	7,647	-
Orion Township	1,838	1,838	1,838	-
Trailways Saleable Items	150	1,109	1,109	-
Miscellaneous/Donations	-	3,700	3,700	-
NTD Donations	-	-	-	-
Temporary Permit Fees	80	810	810	-
Trail Brochure Sponsorship	-	-	-	-
Interest Received	400	170	179	9
Transfer from Legal Services	7,777	12,594	12,594	-
Labor Day Sponsorship	-	-	-	-
Bench Donation	825	1,286	1,286	-
Transfer from Fund Balance	-	-	-	-
MMRMA - Asset Distribution	1,300	1,705	1,705	-
Grant - Hostelling International	-	-	-	-
Total Revenues	<u>\$ 89,328</u>	<u>\$ 100,170</u>	<u>\$ 100,179</u>	<u>\$ 9</u>
<b>EXPENDITURES</b>				
<b>Office</b>				
Telephone & On-line Service	525	504	504	-
Office Materials & Supplies	750	434	434	-
Office Operating Expenses	6,100	6,055	6,055	-
Postage	500	410	410	-
Office & Trail Equipment	800	417	417	-
Portable Toilet Rental	750	750	750	-
Rubbish Container	-	386	386	-
Bench Donation	825	900	900	-
Total Office	<u>10,250</u>	<u>9,856</u>	<u>9,856</u>	<u>-</u>

The accompanying notes are an integral part of the financial statements.

PAINT CREEK TRAILWAYS COMMISSION

Budgetary Comparison Schedule  
For the Year Ended December 31, 2013

	Original Budget	Amended Budget	Actual	Variance
<b>Staff Travel, Training &amp; Development</b>				
Travel/Mileage	700	627	627	-
Education/Memberships	250	-	-	-
Per Diems	4,025	4,725	4,725	-
Total Staff Travel & Training & Dev.	<u>4,975</u>	<u>5,352</u>	<u>5,352</u>	<u>-</u>
<b>Insurance &amp; Professional Services</b>				
Auditing Fee	3,700	3,700	3,700	-
Insurance	4,000	3,749	3,749	-
Recorder's Fee	2,795	2,580	2,580	-
Total Insurance & Professional Fees	<u>10,495</u>	<u>10,029</u>	<u>10,029</u>	<u>-</u>
<b>Publicity/Raising Awareness/Educational Projects</b>				
Trailways Student Project	250	250	250	-
Recognition Program/30th Anniversary	-	2,252	2,252	-
Labor Day Bridge Walk	-	100	100	-
Trail Promotional Items	750	539	539	-
Brochures	-	-	-	-
2014 - 2018 Master Plan	8,500	5,315	5,315	-
Total Publicity, Signs & Trail Dev.	<u>9,500</u>	<u>8,456</u>	<u>8,456</u>	<u>-</u>
<b>Administrative Personnel</b>				
Wages - Manager	38,500	41,632	41,632	-
Payroll Taxes - FICA & MESC	2,325	3,185	3,185	-
Total Administrative Personnel	<u>40,825</u>	<u>44,817</u>	<u>44,817</u>	<u>-</u>
<b>Trail Projects</b>				
Phase 3 Art Project	-	-	-	-
Trail Improvement Project - South Rochester	-	-	-	-
Polly Ann Trail Connection - Route 1	-	-	-	-
Total Trail Projects	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Patrol Program</b>				
Wages - PCTC Bike Patrol	4,600	5,284	5,284	-
Payroll Taxes - FICA & MESC	285	404	404	-
Contracted Mounted Patrol Services	7,340	6,723	6,703	20
Bike Patrol Equipment & Misc.	375	149	149	-
Total Patrol Program	<u>12,600</u>	<u>12,560</u>	<u>12,540</u>	<u>20</u>

The accompanying notes are an integral part of the financial statements.

PAINT CREEK TRAILWAYS COMMISSION

Budgetary Comparison Schedule  
For the Year Ended December 31, 2013

	Original Budget	Amended Budget	Actual	Variance
Printing & Logo Sales				
Trail Saleable Items	300	951	951	-
Miscellaneous & Contingency	383	151	151	-
Transfer to Fund Balance	-	7,998	-	7,998.00
Legal Expenses				
Encroachment Enforcement	-	-	-	-
Postage & Misc.	-	-	-	-
Legal Fees	-	500	500	-
Filing Fees	-	-	-	-
Total Legal Expenses	-	500	500	-
Designated funds for expenditure in 2013 - 2014				
Phase 3 Art Project	-	-	-	-
Total Designated funds for expenditure	-	-	-	-
Restricted for future projects				
Phase 3 Art Project	-	-	-	-
Brochures	-	-	-	-
Trail Improvement Project - South Rochester	-	-	-	-
Polly Ann Trail Connection - Route 1	-	-	-	-
Master Plan Preparation	-	-	-	-
	-	-	-	-
Totals	\$ 89,328	\$ 100,670	\$ 92,652	\$ 8,018

	Original Budget	Amended Budget	Actual	Variance
Project Budget for Legal Services				
REVENUES				
License Fees	\$ 11,777	\$ 13,094	\$ 13,094	\$ -
New License Preparation Fees	-	-	-	-
Total Revenues	\$ 11,777	\$ 13,094	\$ 13,094	\$ -
EXPENSES				
Legal Retainer	\$ 4,000	\$ -	\$ -	\$ -
License Preparation Fees	-	-	-	-
Transfer to Operating Budget	7,777	12,594	12,594	-
Total Expenses	\$ 11,777	\$ 12,594	\$ 12,594	\$ -

The accompanying notes are an integral part of the financial statements.