

# AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type [X] City [ ] Township [ ] Village [ ] Other		Local Government Name City of Pleasant Ridge		County Oakland
Audit Date June 30, 2005		Opinion Date September 27, 2005	Date Accountant Report Submitted to State: December 15, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |                                     |     |                                     |    |   |
|-------------------------------------|-----|-------------------------------------|----|---|
| <input type="checkbox"/>            | Yes | <input checked="" type="checkbox"/> | No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/>            | Yes | <input checked="" type="checkbox"/> | No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input checked="" type="checkbox"/> | Yes | <input type="checkbox"/>            | No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/>            | Yes | <input checked="" type="checkbox"/> | No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/>            | Yes | <input checked="" type="checkbox"/> | No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/>            | Yes | <input checked="" type="checkbox"/> | No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/>            | Yes | <input checked="" type="checkbox"/> | No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/>            | Yes | <input checked="" type="checkbox"/> | No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/>            | Yes | <input checked="" type="checkbox"/> | No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

<b>We have enclosed the following:</b>	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) REHMANN ROBSON      THOMAS E. DARLING, CPA				
Street Address 5750 NEW KING STREET, SUITE 200		City TROY	State MI	Zip 48098
Accountant Signature 				



**CITY OF PLEASANT RIDGE  
MICHIGAN**

**FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED  
JUNE 30, 2005**

**CITY OF PLEASANT RIDGE, MICHIGAN**  
**Basic Financial Statements and Supplementary Information**  
**For the Year Ended June 30, 2005**

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**CITY OF PLEASANT RIDGE, MICHIGAN**  
**Basic Financial Statements and Supplementary Information**  
**For the Year Ended June 30, 2005**

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**REHMANN ROBSON**

*Certified Public Accountants*

*A member of THE REHMANN GROUP*

*An Independent Member of Baker Tilly International*

## **INDEPENDENT AUDITORS' REPORT**

September 27, 2005

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

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***, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the ***City of Pleasant Ridge, Michigan's*** management. 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we 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 statement presentation. We believe that our audit provides a reasonable basis for our 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, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons of the General Fund, and I-696 Segregated Capital Asset Fund, for the year then ended in conformity with accounting principles general accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2005, on our consideration of the ***City of Pleasant Ridge, Michigan's*** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contract and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis listed in the table of contents on Pages 3 through 13 and the Schedule of Funding Progress on Page 47 are not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the *City of Pleasant Ridge, Michigan's* basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.

***MANAGEMENT'S DISCUSSION  
AND ANALYSIS***

# CITY OF PLEASANT RIDGE, MICHIGAN

## Management's Discussion and Analysis

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As management of the *City of Pleasant Ridge, Michigan*, (the "City") we offer readers of the City's financial statements this narrative overview and analysis of the activities of the City for the fiscal year ended June 30, 2005.

### Financial Highlights

- Net assets increased \$395,945 as a result of this year's operations. Net assets of our governmental activities increased \$479,357 or 4.9%. Net assets of our business-type activities decreased (\$83,412) or (7.6%).
- Total cost of all of the City's programs was \$4,583,051, compared to \$4,014,157 in FY 2004.
- The General Fund had a \$126,481 increase in fund balance to \$782,960. This was due primarily to the sale of 24000 Woodward for \$225,000 discussed below.
- The City invested \$809,401 in net capital assets. Additions were \$1,233,415 less depreciation of \$424,014. Additions include \$557,000 to pave alleys and two streets; \$434,000 for buildings and equipment to complete the pool and wellness center, replace the DPW pole barn and remodel the Police Department and City Hall; and \$204,000 was added as part of this year's construction on the G.W.K. drain improvements.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include legislative, general government, public safety, public works, highways and streets, building and planning, culture and recreation, and other functions. The business-type activities of the City include water distribution and sanitary sewer operations.



# CITY OF PLEASANT RIDGE, MICHIGAN

## Management's Discussion and Analysis

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The government-wide financial statements include not only the City of Pleasant Ridge itself (known as the *primary government*), but also a legally separate downtown development authority known as the Pleasant Ridge Downtown Development Authority, for which the City is financially accountable. Financial information for this *component unit* is reported separately from the financial information presented for the primary government itself.

**Fund financial statements.** A *Fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

1. **Governmental funds** are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains fifteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General fund and I-696 Segregated Capital Asset fund which are considered to be major funds. Data from the other thirteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* after the *Notes to the Financial Statements*.

The City adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets for the General, Segregated Capital Asset, Major Streets and Local Streets funds.

2. **Proprietary funds.** The City maintains one type of proprietary fund: *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its water and sanitary sewer operations.

# CITY OF PLEASANT RIDGE, MICHIGAN

## Management's Discussion and Analysis

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Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The water and sewer fund is considered to be a major fund of the City.

3. **Fiduciary funds.** The Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City has one agency fund used to account for tax collection.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This is limited to a schedule concerning the City's progress in funding its obligation to provide pension benefits to its employees.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information.

### Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Pleasant Ridge, assets exceeded liabilities by \$11,253,288 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (53%) reflects its investment in capital assets (e.g., land, buildings and improvements, vehicles, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to residents; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

## CITY OF PLEASANT RIDGE, MICHIGAN

### Management's Discussion and Analysis

#### City of Pleasant Ridge's Net Assets

	Governmental Activities		Business Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 5,251,478	\$ 5,664,406	\$ 511,673	\$ 744,167	\$ 5,763,151	\$ 6,408,573
Capital assets, net	8,221,439	7,574,380	1,978,579	1,816,237	10,200,018	9,390,617
Total assets	<u>13,472,917</u>	<u>13,238,786</u>	<u>2,490,252</u>	<u>2,560,404</u>	<u>15,963,169</u>	<u>15,799,190</u>
Current liabilities	440,689	692,605	122,111	176,313	562,800	868,918
Noncurrent liabilities	2,796,606	2,789,916	1,350,475	1,283,013	4,147,081	4,072,929
Total liabilities	<u>3,237,295</u>	<u>3,482,521</u>	<u>1,472,586</u>	<u>1,459,326</u>	<u>4,709,881</u>	<u>4,941,847</u>
Net assets:						
Invested in capital assets, net of related debt	5,420,746	4,773,174	567,937	474,357	5,988,683	5,247,531
Restricted assets	4,122,850	4,476,797	-	-	4,122,850	4,476,797
Unrestricted	692,026	506,294	449,729	626,721	1,141,755	1,133,015
Total net assets	<u><u>\$ 10,235,622</u></u>	<u><u>\$ 9,756,265</u></u>	<u><u>\$ 1,017,666</u></u>	<u><u>\$ 1,101,078</u></u>	<u><u>\$ 11,253,288</u></u>	<u><u>\$ 10,857,343</u></u>

An additional portion of the City's net assets, \$4,122,850 or 37% represents resources that are subject to external or code restrictions on how they may be used. The remaining balance of *unrestricted net assets*, \$1,141,755 or 10%, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

The City's net assets increased by \$395,945 during the current fiscal year. This was due predominantly to the results of Governmental activities as described below.

**Governmental activities.** Governmental activities increased the City's net assets by \$479,357 from \$9.8 million to \$10.2 million. This accounts for 121% of the City's change in total net assets. Key elements of this are as follows:

- The overall increase in net assets is approximately \$350,000 less than in the previous year. The decrease in revenue relates to the sale of property commonly known as 24000 Woodward Avenue which was completed in July of FY05. See below. In addition, expense increases in highways and streets and recreation expense of \$90,000 and \$100,000 respectively, contributed to the overall fluctuation in net assets.
- In June of FY04, Comerica Bank purchased the east part of the property for its parking lot for \$245,000 and also contributed \$225,000. Developer Talon, Inc. purchased the remaining land

## **CITY OF PLEASANT RIDGE, MICHIGAN**

### **Management's Discussion and Analysis**

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bordering Woodward for \$225,000 in July 2004. Talon built twelve residential condominium units known as Maywood Pointe increasing FY05 building inspection activity. Future tax capture will benefit our Downtown Development Authority.

- Using part of the land sale proceeds, Police and City Hall offices were refurbished. Office furniture over 25 years old; carpet, generator, lighting and wiring replaced, walls painted, and the entrance hall and City Commission room upgraded.
- The swimming pool, the wellness center and bath facilities were opened in June 2004. First full year of operation costs of \$210,970 exceeded revenue of \$182,687 by \$28,283. Operations have been tightened to balance the FY06 budget.
- Based on bids received in early 2004, Library services were transitioned from the Royal Oak Library to the Huntington Woods Library for a five-year contract period beginning January 1, 2005. The first year of the new contract starts out slightly below the last year of the previous contract and has annual increases limited. Voters in April 2004 approved a five-year millage starting in July 2005 to pay the annual cost.
- We partnered with Oakland County to provide tax information and limited credit card payments. Internet service provides taxpayers and tax professionals especially with instant access 24-7. The County acquired new software for assessing and tax billing that provides state of the art functionality, yet saves cost in upgrading now and saves maintenance cost in the years ahead.
- A dog park was started at the north end of Indiana Street, championed by volunteers. It has been so popular with pet owners that it has been fenced in and gated with a card access system to make sure that resident and non-resident users have rabies protection and to help defray operating cost.
- Two 25-year veteran police officers retired in the Spring of 2005 resulting in contract payouts in the Police department and increases in retiree hospitalization costs for the future.

# CITY OF PLEASANT RIDGE, MICHIGAN

## Management's Discussion and Analysis

### City of Pleasant Ridge's Changes in Net Assets

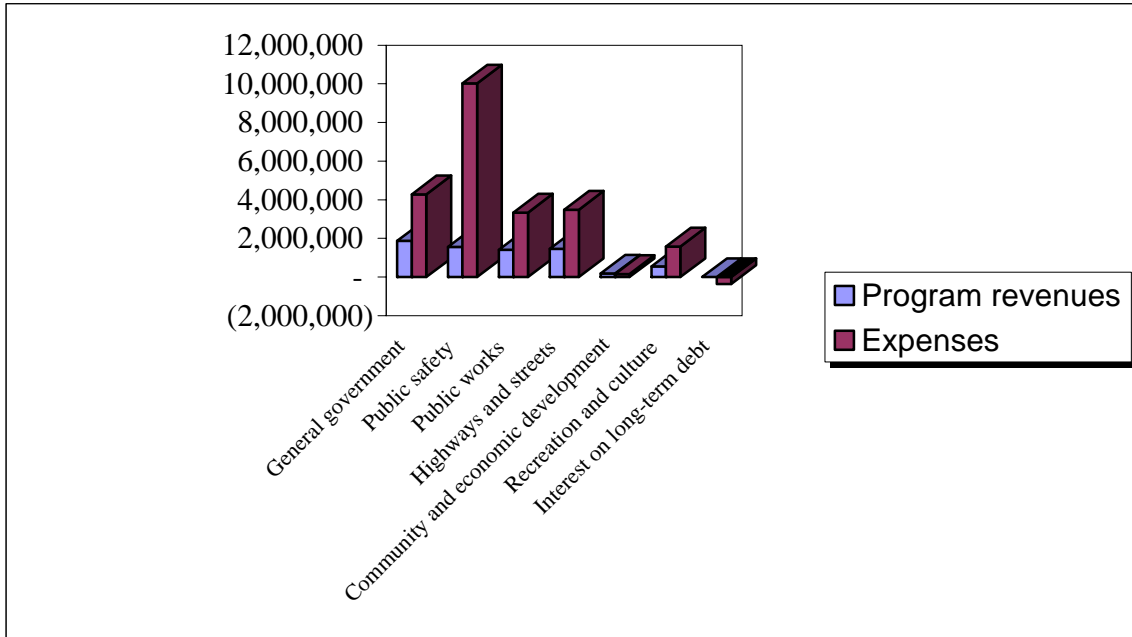
	Governmental Activities		Business Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenue:						
Program revenues:						
Charges for services	\$ 735,411	\$ 692,717	\$ 882,369	\$ 727,292	\$ 1,617,780	\$ 1,420,009
Operating grants and contributions	198,449	197,795	-	-	198,449	197,795
Capital grants and contributions	112,348	33,000	-	-	112,348	33,000
General revenues:						
Property taxes	2,155,666	2,064,449	-	-	2,155,666	2,064,449
State shared revenue	272,792	275,798	-	-	272,792	275,798
Other	580,013	825,699	41,948	54,511	621,961	880,210
Total revenues	<u>4,054,679</u>	<u>4,089,458</u>	<u>924,317</u>	<u>781,803</u>	<u>4,978,996</u>	<u>4,871,261</u>
Expenses:						
Legislative	12,493	15,032	-	-	12,493	15,032
General government	613,037	584,536	-	-	613,037	584,536
Public safety	1,016,791	989,912	-	-	1,016,791	989,912
Public works	593,132	594,400	-	-	593,132	594,400
Highways and streets	315,507	228,659	-	-	315,507	228,659
Building and planning	116,946	107,747	-	-	116,946	107,747
Culture and recreation	605,377	501,280	-	-	605,377	501,280
Other functions	147,817	131,699	-	-	147,817	131,699
Interest on long-term debt	154,222	100,647	-	-	154,222	100,647
Water supply and sewage disposal system	-	-	1,007,729	760,245	1,007,729	760,245
Total expenses	<u>3,575,322</u>	<u>3,253,912</u>	<u>1,007,729</u>	<u>760,245</u>	<u>4,583,051</u>	<u>4,014,157</u>
Increase in net assets before transfers	479,357	835,546	(83,412)	21,558	395,945	857,104
Transfers	-	35,916	-	(35,916)	-	-
Increase in net assets	479,357	871,462	(83,412)	(14,358)	395,945	857,104
Net assets-beginning	9,756,265	8,884,803	1,101,078	1,115,436	10,857,343	10,000,239
Net assets-ending	<u>\$ 10,235,622</u>	<u>\$ 9,756,265</u>	<u>\$ 1,017,666</u>	<u>\$ 1,101,078</u>	<u>\$ 11,253,288</u>	<u>\$ 10,857,343</u>

# CITY OF PLEASANT RIDGE, MICHIGAN

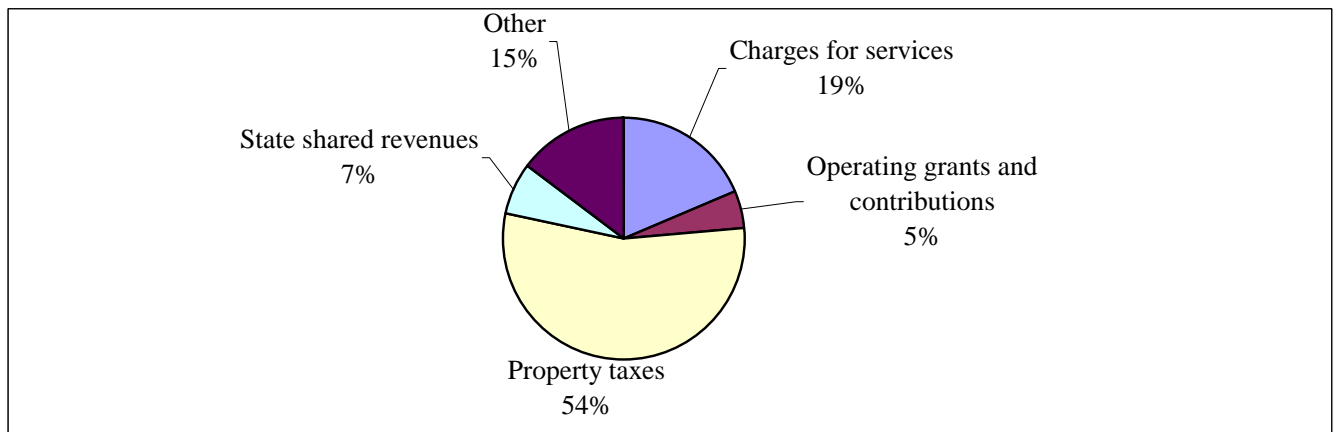
## Management's Discussion and Analysis

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### Expenses and Program Revenues – Governmental Activities



### Revenues by Source – Governmental Activities



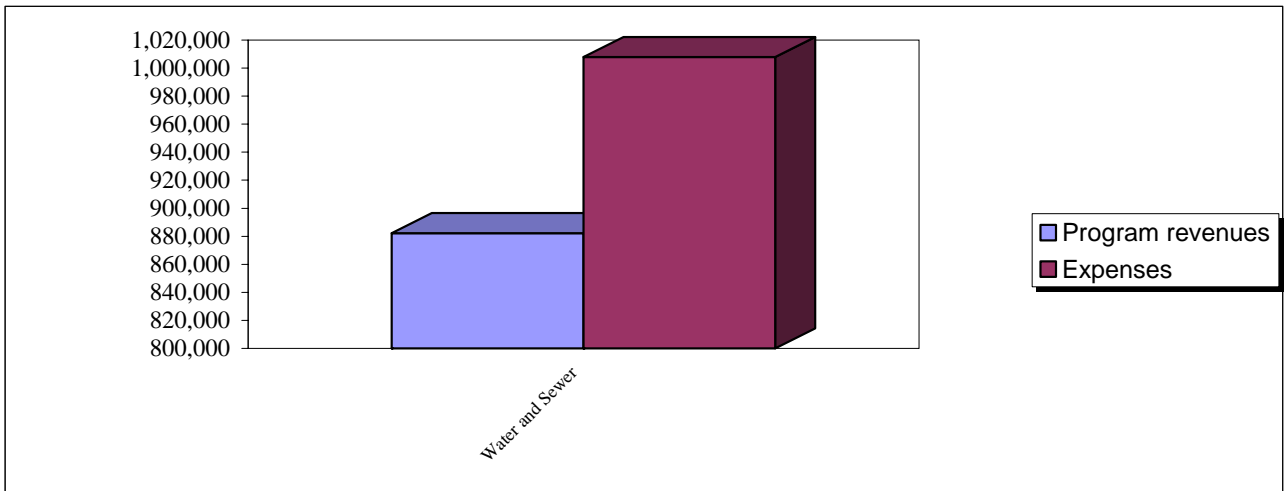
# CITY OF PLEASANT RIDGE, MICHIGAN

## Management's Discussion and Analysis

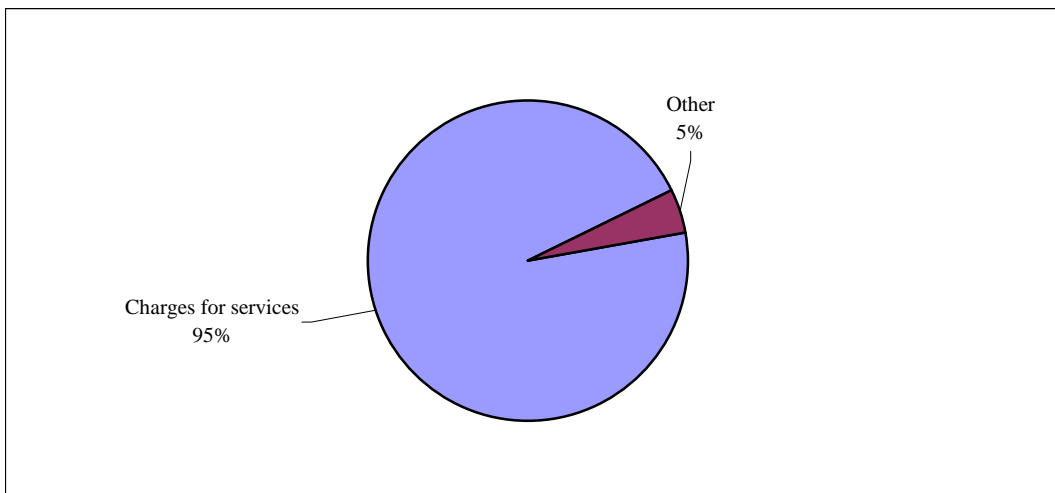
**Business-type Activities.** Business-type activities decreased the City's net assets by (\$83,412), offsetting the City's total increase in net assets. The key elements of this decrease are as follows:

- The system was able to bill only a portion of added water purchased by the system despite one-time sales to the City of Ferndale of nearly \$104,000. Water loss is above normal due to construction and pressure testing fire suppression systems and hydrants.

### Expenses and Program Revenues - Business-Type Activities



### Revenues by Sources – Business-Type Activities



# CITY OF PLEASANT RIDGE, MICHIGAN

## Management's Discussion and Analysis

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### **Financial Analysis of the Government's Funds**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$5,030,658, a decrease of (\$161,926) in comparison with the prior year. Approximately 24% of this total amount, \$1,223,564 constitutes *unreserved, undesignated fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed to other purposes.

#### *Major Governmental Funds:*

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, *unreserved* fund balance of the general fund was \$695,843, while total fund balance was \$782,960. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 27.3% of total general fund expenditures, while total fund balance represents 30.7% of the same amount.

The fund balance of the City's general fund increased by \$126,481 during the current fiscal year. This is attributable primarily to the \$225,000 sale of part of the 24000 Woodward property.

The I-696 Segregated Capital Asset fund 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 funds that were received, after various deductions, are restricted for use by the City Code primarily for capital acquisitions as described in Chapter Two, Article II, Division Nine, Sections 2-131 through 2-139. The restricted principal amount is \$3,242,872, which is reflected as reserved fund balance in the special revenue funds. During the current fiscal year, the unreserved fund balance increased by \$15,452 as a result of rising interest rates providing more income than expected.

**Proprietary fund.** The City's proprietary fund provides the same type of information found in the government wide financial statements, but in more detail.

Unrestricted net assets of the Water and Sewer Fund at the end of the year amounted to \$449,729. The decrease in net assets for the fund was (\$83,412). The decrease was a result of unbilled water as retail sales declined.

### **General Fund Budgetary Highlights**

The final budget was amended to increase budgeted revenues by \$230,460 and to increase budgeted expenditures by \$424,400. This can be briefly summarized as follows:



# CITY OF PLEASANT RIDGE, MICHIGAN

## Management's Discussion and Analysis

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- In November 2004 the \$225,000 sale of land was recognized and \$165,000 appropriated for new capital items: remodel City Hall and Police areas, update our municipal code, fence and improve the dog run, fence Gainsboro park railroad, and establish a small contingency budget.
- Also a transfer from the DDA was budgeted to support FY05 alley paving plans up to \$100,000.
- In June 2005, \$130,460 of new revenue was recognized, made up of nearly equal parts of about \$43,000 each from Sales Tax, permit fees and property rent plus \$2,000 of other revenue. Authorizations were increased \$61,900 for Police, \$11,700 for the Post Office, \$9,600 for the Clerk, \$8,700 for the Treasurer and \$19,500 for six other areas. Increases were \$87,500 for personnel cost plus \$42,960 for additional supplies and other services.

### Capital Asset and Debt Administration

**Capital assets.** The City's investment in capital assets for its governmental and business-type activities as of June 30, 2005, amounted to \$10,200,018 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, equipment, vehicles, and roads, highways, and other infrastructure. The total net increase in the City's investment in capital assets for the current fiscal year was \$809,401 or 9% which represents an increase in governmental activities of \$647,059 or 9%, and an increase in business-type activities of \$162,342 or 9%.

Major capital asset events during the current fiscal year included the following:

- The swimming pool, the wellness center and bath facilities had costs to complete of \$156,000. They were completed with general obligation bond funds, under budget. An additional \$100,000, of the \$300,000 remaining construction funds, has been set aside to improve and expand Moberly Park for summer pool access and renovate the Recreation Center big room in FY 2006.
- Two streets were completed in the road program. Elm Park, a local street costing \$437,000 over two years, was completed in late 2004 with Infrastructure millage receipts. Available Major Street funds of \$304,000 permitted us to pave Woodside Park in June 2005.
- DDA funds of \$78,273 were used east of Woodward to pave some alleys. Alley work will continue in future years as DDA funds permit.
- A Pleasant Ridge Foundation grant exceeding \$48,000 plus a \$110,000 loan from National City Bank, enabled us to replace the dilapidated DPW pole barn with a better metal storage building.
- Using part of the land sale proceeds, Police and City Hall offices were refurbished. Office furniture over 25 years old; the emergency generator, lighting, wiring and carpet replaced; walls painted; and the entrance hall and City Commission room upgraded.
- Purchased a police patrol car using Oakland County bids.
- Continuing George W. Kuhn drain construction resulted in \$204,516 of additions to construction-in-progress. This is funded by special revenue debt.

**CITY OF PLEASANT RIDGE, MICHIGAN**  
**Management's Discussion and Analysis**

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**City of Pleasant Ridge's Capital Assets**  
(net of depreciation)

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
Land	\$ 1,746,700	\$ -	\$ 1,746,700
Construction in process	64,577	1,414,971	1,479,548
Land improvements	239,291	-	239,291
Buildings and improvements	3,038,918	-	3,038,918
Equipment	199,682	103,466	303,148
Infrastructure	2,915,397	-	2,915,397
Water and sewer system	-	460,142	460,142
<b>Total</b>	<b>\$ 8,221,439</b>	<b>\$ 1,978,579</b>	<b>\$ 10,200,018</b>

**Long-term debt.** At the end of the current fiscal year, the City had total debt outstanding of \$4,394,991. Debt consists of general obligation bonds (community center loan, pool/fitness center loan, city hall addition loan, and the DPW building improvement note payable) accrued compensated absences, and drain bonds.

**City of Pleasant Ridge's Outstanding Debt**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
Community Center Loan	\$ 167,592	\$ -	\$ 167,592
Pool/Fitness Facility Loan	2,500,000	-	2,500,000
City Hall Addition Loan	23,100	-	23,100
DPW Building Note Payable	110,000	-	110,000
Accrued Compensated Absences	183,657	-	183,657
George W. Kuhn Drain Bonds	-	1,410,642	1,410,642
	<b>\$ 2,984,349</b>	<b>\$ 1,410,642</b>	<b>\$ 4,394,991</b>

The City's total debt increased by \$40,255 during the current fiscal year. There was one new note payable issued for \$110,000 during the year ended June 30, 2005. Governmental long-term debt decreased by (\$28,507). There was a net increase in business-type debt outstanding related to George W. Kuhn Drain Bonds of \$68,762.

# **CITY OF PLEASANT RIDGE, MICHIGAN**

## **Management's Discussion and Analysis**

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### **Economic Factors and Next Year's Budgets and Rates**

The following factors were considered in preparing the City's budget for the 2005-06 fiscal year:

- Michigan's economy continues to lag the modest national economy. The legislature continues to limit state shared revenue payments to local governments to balance its budget.
- Interest rates have risen favorably for investment but will start to affect future borrowing decisions
- Labor contract increases, especially health insurance, continue to rise faster than inflation.
- Retirement costs have risen due to two police officers retiring and increasing the census.

### **Requests for Information**

This financial report is designed to provide a general overview of the City of Pleasant Ridge's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Treasurer, 23925 Woodward Avenue, City of Pleasant Ridge, Pleasant Ridge, Michigan 48069-1199.

***BASIC FINANCIAL  
STATEMENTS***

**City of Pleasant Ridge, Michigan**  
**Statement of Net Assets**  
**June 30, 2005**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Component Unit Downtown Development Authority</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 1,920,294	\$ 178,066	\$ 2,098,360	\$ 154,855
Investments	3,020,669	-	3,020,669	-
Receivables (net)	204,635	333,607	538,242	18,137
Due from component unit	13,129	-	13,129	-
Prepays	92,751	-	92,751	-
Capital assets:				
Non-depreciable capital assets	1,811,277	1,414,971	3,226,248	-
Depreciable capital assets, net	6,410,162	563,608	6,973,770	-
<b>Total assets</b>	<b>13,472,917</b>	<b>2,490,252</b>	<b>15,963,169</b>	<b>172,992</b>
<b>Liabilities</b>				
Accounts payable	164,673	51,026	215,699	65,884
Due to primary government	-	-	-	13,129
Accrued liabilities	88,273	10,918	99,191	-
Noncurrent liabilities:				
Due within one year	187,743	60,167	247,910	-
Due in more than one year	2,796,606	1,350,475	4,147,081	-
<b>Total liabilities</b>	<b>3,237,295</b>	<b>1,472,586</b>	<b>4,709,881</b>	<b>79,013</b>
<b>Net assets</b>				
Invested in capital assets, net of related debt	5,420,747	567,937	5,988,684	-
Restricted for:				
Debt service	27,229	-	27,229	-
Highways and streets	232,168	-	232,168	-
Public safety	2,152	-	2,152	-
Public works	49,982	-	49,982	-
Recreation and culture	36,118	-	36,118	-
Capital projects	532,329	-	532,329	-
Segregated capital-corpus	3,242,872	-	3,242,872	-
Unrestricted	692,025	449,729	1,141,754	93,979
<b>Total net assets</b>	<b>\$ 10,235,622</b>	<b>\$ 1,017,666</b>	<b>\$ 11,253,288</b>	<b>\$ 93,979</b>

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

**City of Pleasant Ridge, Michigan**  
**Statement of Activities**  
**For the year ended June 30, 2005**

<b>Functions / Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>			<b>Net (Expense) Revenue</b>
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	
<b>Primary government:</b>					
Governmental activities:					
Legislative	\$ 12,493	\$ -	\$ -	\$ -	\$ (12,493)
General government	613,037	359,492	10,000	-	(243,545)
Public safety	1,016,791	149,731	227	-	(866,833)
Public works	593,132	128,802	-	-	(464,330)
Highways and streets	315,507	-	160,552	112,348	(42,607)
Building and planning	116,946	12,694	8,229	-	(96,023)
Culture and recreation	605,377	84,692	19,441	-	(501,244)
Other functions	147,817	-	-	-	(147,817)
Interest on long-term debt	154,222	-	-	-	(154,222)
Total governmental activities	<u>3,575,322</u>	<u>735,411</u>	<u>198,449</u>	<u>112,348</u>	<u>(2,529,114)</u>
Business-type activities:					
Water and sewer	<u>1,007,729</u>	<u>882,369</u>	<u>-</u>	<u>-</u>	<u>(125,360)</u>
Total primary government	<u>\$ 4,583,051</u>	<u>\$ 1,617,780</u>	<u>\$ 198,449</u>	<u>\$ 112,348</u>	<u>\$ (2,654,474)</u>
<b>Component unit:</b>					
Downtown development authority	<u>\$ 206,053</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (206,053)</u>

continued...

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

**City of Pleasant Ridge, Michigan**  
**Statement of Activities (Concluded)**  
**For the year ended June 30, 2005**

	<b>Primary Government</b>			<b>Component Unit</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Downtown Development Authority</b>
<b>Changes in net assets</b>				
Net (expense) revenue	\$ (2,529,114)	\$ (125,360)	\$ (2,654,474)	\$ (206,053)
General revenues:				
Property taxes	2,155,666	-	2,155,666	83,112
State shared revenue	272,792	-	272,792	-
Unrestricted investment earnings	166,292	6,268	172,560	2,524
Gain on sale of capital assets	225,300	-	225,300	-
Other revenue	188,421	35,680	224,101	487
Total general revenues	3,008,471	41,948	3,050,419	86,123
Change in net assets	479,357	(83,412)	395,945	(119,930)
Net assets, beginning of year	9,756,265	1,101,078	10,857,343	213,909
<b>Net assets, end of year</b>	<b>\$ 10,235,622</b>	<b>\$ 1,017,666</b>	<b>\$ 11,253,288</b>	<b>\$ 93,979</b>

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

**City of Pleasant Ridge, Michigan**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2005**

	<u>General</u>	<u>I-696 Segregated Capital Asset</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 734,817	\$ 264,474	\$ 921,003	\$ 1,920,294
Investments	-	3,020,669	-	3,020,669
Receivables:				
Accounts receivable (net)	8,945	-	44,831	53,776
Taxes-delinquent	18,604	-	-	18,604
Less: allowance for doubtful accounts	(15,179)	-	-	(15,179)
Interest	1,759	19,360	2,292	23,411
Due from other governments	91,785	-	32,238	124,023
Advances to component unit	-	13,129	-	13,129
Prepaid expenditures	71,728	-	21,023	92,751
Total assets	<u>\$ 912,459</u>	<u>\$ 3,317,632</u>	<u>\$ 1,021,387</u>	<u>\$ 5,251,478</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 82,357	\$ -	\$ 82,316	\$ 164,673
Accrued payroll	27,467	-	9,005	36,472
Accrued liabilities	16,412	-	-	16,412
Deferred revenue	3,263	-	-	3,263
Total liabilities	<u>129,499</u>	<u>-</u>	<u>91,321</u>	<u>220,820</u>
<b>Fund balances:</b>				
Reserved for:				
Debt service	-	-	23,929	23,929
SCAF corpus	-	3,242,872	-	3,242,872
Capital projects	-	-	431,411	431,411
Prepays	71,728	-	21,023	92,751
Unreserved, designated for:				
Subsequent years budget	15,389	-	742	16,131
Unreserved, undesignated for:				
General fund	695,843	-	-	695,843
Special revenue funds	-	74,760	452,961	527,721
Total fund balances	<u>782,960</u>	<u>3,317,632</u>	<u>930,066</u>	<u>5,030,658</u>
Total liabilities and fund balances	<u>\$ 912,459</u>	<u>\$ 3,317,632</u>	<u>\$ 1,021,387</u>	<u>\$ 5,251,478</u>

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



**City of Pleasant Ridge, Michigan**  
**Reconciliation of Fund Balances on the Balance Sheet**  
**for Governmental Funds to Net Assets of**  
**Governmental Activities on the Statement of Net Assets**  
**June 30, 2005**

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Fund balances - total governmental funds	\$	5,030,658
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Amounts reported for governmental activities in the statement of net assets are different because:

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

Add: non-depreciable capital assets		1,811,277
Add: depreciable capital assets		11,354,324
Deduct: accumulated depreciation		(4,944,162)

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred revenues in the governmental funds, and thus are not included in fund balance.

Add: deferred revenues		3,263
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Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Deduct: bonds payable and loans		(2,800,692)
Deduct: accrued interest on bonds payable and loans		(35,389)
Deduct: compensated absences		(183,657)

Net assets of governmental activities	\$	<u><u>10,235,622</u></u>
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The accompanying notes are an integral part of these financial statements.

**City of Pleasant Ridge, Michigan**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the year ended June 30, 2005**

	General	I-696 Segregated Capital Asset	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property taxes	\$ 1,370,118	\$ -	\$ 784,442	\$ 2,154,560
Licenses and permits	96,636	-	-	96,636
Fines and forfeitures	46,615	-	2,150	48,765
Intergovernmental	359,596	-	194,552	554,148
Charges for services	411,725	-	165,949	577,674
Investment earnings	23,928	117,167	25,197	166,292
Other	147,296	-	82,902	230,198
Total revenues	<u>2,455,914</u>	<u>117,167</u>	<u>1,255,192</u>	<u>3,828,273</u>
<b>Expenditures</b>				
Current:				
Legislative	12,493	-	-	12,493
General government	657,551	-	-	657,551
Public safety	1,081,570	-	-	1,081,570
Public works	301,557	-	361,321	662,878
Highways and streets	-	-	426,709	426,709
Building and planning	116,946	-	-	116,946
Culture and recreation	234,768	-	249,787	484,555
Other functions	147,817	-	-	147,817
Debt service				
Principal	-	-	110,515	110,515
Interest and fees	-	-	118,833	118,833
Capital Outlay	-	-	505,632	505,632
Total expenditures	<u>2,552,702</u>	<u>-</u>	<u>1,772,797</u>	<u>4,325,499</u>
Revenues over (under) expenditures	<u>(96,788)</u>	<u>117,167</u>	<u>(517,605)</u>	<u>(497,226)</u>
<b>Other financing sources (uses)</b>				
Transfers in	101,715	-	283,746	385,461
Transfers out	(103,746)	(101,715)	(180,000)	(385,461)
Proceeds from the issuance of debt	-	-	110,000	110,000
Proceeds from sale of capital assets	225,300	-	-	225,300
Total other financing sources (uses)	<u>223,269</u>	<u>(101,715)</u>	<u>213,746</u>	<u>335,300</u>
Net change in fund balances	126,481	15,452	(303,859)	(161,926)
Fund balances, beginning of year	<u>656,479</u>	<u>3,302,180</u>	<u>1,233,925</u>	<u>5,192,584</u>
<b>Fund balances, end of year</b>	<u><u>\$ 782,960</u></u>	<u><u>\$ 3,317,632</u></u>	<u><u>\$ 930,066</u></u>	<u><u>\$ 5,030,658</u></u>

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

**City of Pleasant Ridge, Michigan**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Change in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the year ended June 30, 2005**

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Net change in fund balances - total governmental funds \$ (161,926)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add: capital outlay	1,028,899
Deduct: depreciation expense	(381,840)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to the following fiscal year:

Deduct: net difference in deferred revenue	1,106
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of debt consumes the current financial resources of governmental funds.

Deduct: issuance of bond payable	(110,000)
Add: principal payments on long-term liabilities	110,515

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Add: increase in the accrual for compensated absences	27,992
Deduct: increase in accrued interest	(35,389)

Change in net assets of governmental activities	<u><u>\$ 479,357</u></u>
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The accompanying notes are an integral part of these financial statements.

**City of Pleasant Ridge, Michigan**  
**Statement of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual**  
**General Fund**  
**For the year ended June 30, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual</u>
	<u>Original</u>	<u>Final</u>		<u>Over (Under)</u>
				<u>Final Budget</u>
<b>Revenues</b>				
Property taxes	\$ 1,363,269	\$ 1,363,269	\$ 1,370,118	\$ 6,849
Licenses and permits	51,950	94,950	96,636	1,686
Fines and forfeitures	52,400	52,400	46,615	(5,785)
Intergovernmental	239,700	382,660	359,596	(23,064)
Charges for services	425,510	425,510	411,725	(13,785)
Investment earnings	4,600	4,600	23,928	19,328
Other	89,950	134,450	147,296	12,846
Total revenues	<u>2,227,379</u>	<u>2,457,839</u>	<u>2,455,914</u>	<u>(1,925)</u>
<b>Expenditures</b>				
Legislative	13,883	36,183	12,493	(23,690)
General government	507,815	678,915	657,551	(21,364)
Public safety	995,165	1,057,065	1,081,570	24,505
Public works	247,120	358,120	301,557	(56,563)
Building and planning	103,554	146,554	116,946	(29,608)
Culture and recreation	232,801	242,801	234,768	(8,033)
Other	142,430	147,530	147,817	287
Total expenditures	<u>2,242,768</u>	<u>2,667,168</u>	<u>2,552,702</u>	<u>(114,466)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(15,389)</u>	<u>(209,329)</u>	<u>(96,788)</u>	<u>112,541</u>
<b>Other financing sources (uses)</b>				
Transfers in	103,746	103,746	101,715	(2,031)
Transfers out	(103,746)	(103,746)	(103,746)	-
Proceeds from sale of capital assets	-	225,000	225,300	300
Total other financing sources (uses)	<u>-</u>	<u>225,000</u>	<u>223,269</u>	<u>(1,731)</u>
Net change in fund balances	<u>(15,389)</u>	<u>15,671</u>	<u>126,481</u>	<u>110,810</u>
Fund balance, beginning of year	<u>656,479</u>	<u>656,479</u>	<u>656,479</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u><u>\$ 641,090</u></u>	<u><u>\$ 672,150</u></u>	<u><u>\$ 782,960</u></u>	<u><u>\$ 110,810</u></u>

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

**City of Pleasant Ridge, Michigan**  
**Statement of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual**  
**I-696 Segregated Capital Asset**  
**For the year ended June 30, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual</u>
	<u>Original</u>	<u>Final</u>		<u>Over (Under)</u>
<b>Revenues</b>				
Investment earnings	\$ 103,746	\$ 103,746	\$ 117,167	\$ 13,421
<b>Other financing sources (uses)</b>				
Transfers in	9,786	9,786	-	(9,786)
Transfers out	(101,715)	(101,715)	(101,715)	-
Total other financing sources (uses)	(91,929)	(91,929)	(101,715)	(9,786)
Net change in fund balances	11,817	11,817	15,452	3,635
Fund balance, beginning of year	3,302,180	3,302,180	3,302,180	-
<b>Fund balance, end of year</b>	<u>\$ 3,313,997</u>	<u>\$ 3,313,997</u>	<u>\$ 3,317,632</u>	<u>\$ 3,635</u>

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

**City of Pleasant Ridge, Michigan**  
**Statement of Net Assets**  
**Proprietary Fund**  
**June 30, 2005**

	<b>Water and Sewer</b>
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 178,066
Receivables:	
Accounts receivable (net)	175,290
Interest	210
Due from other governments	158,107
Total current assets	511,673
Noncurrent assets:	
Capital assets	
Construction in progress	1,414,971
Water and sewer system	1,511,518
Less accumulated depreciation	(947,910)
Total noncurrent assets	1,978,579
Total assets	2,490,252
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	51,026
Accrued liabilities	10,918
Current portion of long-term debt	60,167
Total current liabilities	122,111
Noncurrent liabilities:	
Long term debt	1,350,475
Total liabilities	1,472,586
<b>Net Assets</b>	
Investment in capital assets, net of related debt	567,937
Unrestricted	449,729
Total net assets	\$ 1,017,666

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

**City of Pleasant Ridge, Michigan**  
**Statement of Revenues, Expenses**  
**and Changes in Fund Net Assets**  
**Proprietary Fund**  
**For the year ended June 30, 2005**

	<b>Water and Sewer</b>
<b>Operating revenues</b>	
Charges for services	\$ 871,661
Fines and penalties	10,708
Other	35,680
Total operating revenues	918,049
<b>Operating expenses</b>	
Water purchases	252,208
Sewage disposal	422,274
Operating supplies	2,970
Public works	23,580
Interfund charges	159,159
Contractual services	4,149
Repairs and maintenance	39,918
Depreciation	42,174
Other	10,152
Total operating expenses	956,584
Operating loss	(38,535)
<b>Non-operating revenues (expenses)</b>	
Investment earnings	6,268
Interest expense	(51,145)
Total non-operating revenues (expenses)	(44,877)
Change in net assets	(83,412)
Net assets, beginning of year	1,101,078
<b>Net assets, end of year</b>	<b>\$ 1,017,666</b>

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

**City of Pleasant Ridge, Michigan**  
**Statement of Cash Flows**  
**Proprietary Fund**  
**For the year ended June 30, 2005**

	<b>Water/Sewer</b>
<b>Cash flows from operating activities</b>	
Cash received from customers and others	\$ 984,261
Cash payments to suppliers for goods and services	(810,753)
Cash payments for interfund services	(159,159)
	14,349
<b>Cash flows from investing activities</b>	
Investment income	6,268
<b>Cash flows from capital and related financing activities</b>	
Purchase of capital assets	(204,516)
Proceeds from issuance of long-term debt	127,629
Bond/note principal payments	(58,867)
Bond/note interest payments	(51,145)
	(186,899)
Net cash provided (used) by capital and related financing activities	(186,899)
Net increase (decrease) in cash and cash equivalents	(166,282)
Cash and cash equivalents, beginning of year	344,348
<b>Cash and cash equivalents, end of year</b>	<b>\$ 178,066</b>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities</b>	
Operating income (loss)	\$ (38,535)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	42,174
Changes in assets and liabilities:	
Accounts receivable	(1,493)
Due from other governments	67,705
Accounts payable	(56,420)
Accrued liabilities	918
	14,349
<b>Net cash provided (used) by operating activities</b>	<b>\$ 14,349</b>

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



**City of Pleasant Ridge, Michigan**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Fund**  
**June 30, 2005**

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	<u>Agency</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ -
<b>LIABILITIES</b>	
Accounts payable	\$ -

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

# CITY OF PLEASANT RIDGE, MICHIGAN

## Notes To Financial Statements

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### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Reporting Entity

The City of Pleasant Ridge, Michigan (the “City” or “government”) is a municipal corporation governed by an elected mayor and four member City Commission. A full-time City Manager is appointed by this body to carry out the policies that are established. The accompanying financial statements present the City (the primary government) and its component unit, an entity for which the government is considered to be financially accountable. 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 government.

#### Discretely presented component unit

***Downtown Development Authority.*** The members of the governing board of the Pleasant Ridge Downtown Development Authority are appointed by the City Commission. The City Commission approves the Downtown Development Authority’s annual budget and any required budget modifications. The City Commission also has the ability to significantly influence operations of the Downtown Development Authority.

#### B. Basis of Presentation - Government-Wide and Fund Financial Statements

***Government-wide financial statements.*** The statements of net assets and activities report information on all of the non-fiduciary activities of the primary government (the City) and its component unit. For the most part, eliminations have been made to remove the effect of double-counting interfund activities. These statements distinguish between the City’s *governmental* and *business-type activities*. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange transactions. Business-type activities rely to a significant extent on fees and charges for services. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which direct expenses are offset by program revenues for the business-type activities of the City and for each function of the City’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable with a particular function or segment. Program revenues include (1) fees, fines and charges paid by the recipients of goods or services offered by the programs and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including taxes and other items, are presented as general revenues.

***Fund financial statements.*** The fund financial statements report in separate statements, information for governmental, proprietary and fiduciary funds. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

# CITY OF PLEASANT RIDGE, MICHIGAN

## Notes To Financial Statements

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### C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

***Government-wide, proprietary and fiduciary fund financial statements.*** The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, except for agency funds, which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

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 revenue of the City's enterprise fund is charges to customers for sales and services. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

***Governmental fund financial statements.*** Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers all revenues reported in the governmental funds to be available if they are collected within ninety days after year-end, with the exception of property tax revenues that are available if collected within sixty days of year-end. Property taxes, franchise taxes, intergovernmental revenues, licenses and interest are considered to be susceptible to accrual.

Expenditures generally are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases, if any, are reported as other financing sources.

The City reports the following major governmental funds:

***General fund.*** This is the City's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

# CITY OF PLEASANT RIDGE, MICHIGAN

## Notes To Financial Statements

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*I-696 segregated capital asset fund.* This fund 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 for the construction of interstate highway 696.

The City reports the following major proprietary fund:

*Water and sewer fund.* This fund accounts for the activities of the City's water distribution, water treatment, sewage disposal and sewage treatment systems.

Additionally, the City reports the following fund types:

*Special revenue funds.* These funds account for revenue sources that are legally restricted to expenditures for specific purposes not including major capital projects.

*Capital projects funds.* These funds account for the acquisition of capital assets or construction of major capital projects not being financed by proprietary funds.

*Debt service funds.* These funds account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

*Agency fund.* This fund accounts for assets held for other governments in an agency capacity.

Both the government-wide and proprietary fund financial statements of the City follow private-sector standards of accounting and financial reporting issued prior to December 1, 1989, unless those standards conflict with guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payment-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues.

# CITY OF PLEASANT RIDGE, MICHIGAN

## Notes To Financial Statements

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### D. Assets, Liabilities and Equity

#### *Deposits and investments*

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments.

Investments are stated at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. Investments that do not have established market values are reported at estimated fair value. Cash deposits are reported at carrying amounts, which reasonably approximates fair value.

#### *Receivables and payables*

All trade and delinquent property tax receivables are shown net of an allowance for uncollectibles, as applicable.

All outstanding balances between funds are reported as *due to/from other funds*. Any residual balances outstanding between the governmental and business-type activities are reported in the government-wide financial statements as *internal balances*.

#### *Prepaid items and other assets*

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

#### *Capital assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

In the case of the initial capitalization of general infrastructure assets (i.e. those reported by the governmental activities) the government chose to include all such items regardless of their

# CITY OF PLEASANT RIDGE, MICHIGAN

## Notes To Financial Statements

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acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e. estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) Actual historical cost was used as available. As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations, the government values these capital assets at the estimated fair value of the item at the date of its donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	15
Buildings	50
Building improvements	15
Vehicles	3
Equipment	3-15
Streets and alleys	12-20
Water and wastewater system	25

### *Compensated absences*

It is the government's policy to permit employees to accumulate earned but unused sick and compensatory time benefits, subject to certain limitations. All sick time pay is accrued at 100 percent of earned and unused leave hours in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

### *Long-term obligations*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

# CITY OF PLEASANT RIDGE, MICHIGAN

## Notes To Financial Statements

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In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

### *Fund equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Fund balance designations represent tentative management plans that are subject to change.

## **II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

### **A. Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general and special revenue funds. All annual appropriations lapse at year-end. The legal level of budgetary control is the activity level for the general fund and the fund level for special revenue funds.

The City Commission 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.

Formal budgetary integration is employed as a management control during the year. Supplemental appropriations were approved by the City Commission in the form of budget amendment resolutions or as part of special authorizing motions for grants, bonds or notes, the total of which was not significant in relation to the original budget appropriation valuations.

### **B. Excess of Expenditures Over Appropriations**

State statutes provide that a local unit shall not incur expenditures in excess of the amount appropriated.

During the year ended June 30, 2005, the City incurred expenditures in excess of the amounts appropriated as follows:

# CITY OF PLEASANT RIDGE, MICHIGAN

## Notes To Financial Statements

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance</b>
General Fund:			
General Government			
General government	\$ 259,840	\$ 285,808	\$ 25,968
Public Safety			
Police	696,964	721,469	24,505
Public Works			
Street lighting	35,120	35,136	16
Culture and Recreation			
Parks and recreation department	214,401	218,175	3,774
Other			
Retirement services	147,530	147,817	287
Special Revenue Fund:			
Historic Commission	2,910	3,165	255

### III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

#### A. Deposits and Investments

A reconciliation of cash and investments as shown on the Statement of Net Assets and Statement of Fiduciary Net Assets follows:

	<b>Primary Government</b>	<b>Component Unit</b>	<b>Total</b>
<b>Statement of Net Assets</b>			
Cash and cash equivalents	\$ 2,098,360	\$ 154,855	\$ 2,253,215
Investments	3,020,669	-	3,020,669
<b>Statement of Fiduciary Net Assets</b>			
Cash and cash equivalents	-	-	-
<b>Total</b>	<b>\$ 5,119,029</b>	<b>\$ 154,855</b>	<b>\$ 5,273,884</b>

These balances are disclosed in the notes as follows:

Bank deposits (checking accounts, savings accounts and CDs)	\$ 4,059,768
Cash on hand	1,260
Investments in mutual funds and similar vehicles	1,212,856
<b>Total</b>	<b>\$ 5,273,884</b>



# CITY OF PLEASANT RIDGE, MICHIGAN

## Notes To Financial Statements

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### Investments

The City is authorized by the City Commission, in accordance with State law, to invest surplus funds in the following:

- ◆ Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- ◆ Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- ◆ Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- ◆ Banker's acceptances of United States banks.
- ◆ Obligations of the State of Michigan and its political subdivisions that, at the time of purchase, are rated as investment grade by at least one standard rating service.
- ◆ Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- ◆ External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

The City chooses to disclose its investments by specifically identifying each. As of year-end, the City had the following deposits and investments:

<u>Deposit/Investment</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>
Bank deposits	Various	\$ 4,059,768	n/a
Comerica J Fund	n/a	<u>1,212,856</u>	n/a
		<u>\$ 5,272,624</u>	

The bank deposits represent checking accounts and certificates of deposits and have maturities as follows:

		<u>Maturity</u>
Checking	\$ 1,039,069	Not applicable
Certificate of deposit	1,895,699	July 8, 2006
Certificate of deposit	<u>1,125,000</u>	June 20, 2008
	<u>\$ 4,059,768</u>	

# CITY OF PLEASANT RIDGE, MICHIGAN

## Notes To Financial Statements

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### **Investment and deposit risk**

*Interest Rate Risk.* State law limits the allowable investments and the maturities of some of the allowable investments as identified in the list of investments above. The City's investment policy does not have specific limits in excess of State law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk.* State law limits investments to specific government securities, certificates of deposit and bank accounts with qualified institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments above. The City's investment policy does not have specific limits in excess of state law on investment credit risk. The investment listed above is not subject to credit ratings.

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. State law does not require and the City does not have a policy for deposit custodial credit risk. As of year-end, \$3,818,724 of the \$4,218,724 bank balance was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Custodial Credit Risk – Investments.* For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the City does not have a policy for investment custodial credit risk. The City's investments include \$1,186,244 of investments in short-term investment pools that are registered with the Securities Exchange Commission (the "SEC"). The investment pools operate in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares. The short-term investments are not required to be classified according to credit risk since they are not evidenced by securities that exist in physical or book entry form.

*Concentration of Credit Risk.* State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The City's investment policy does not have specific limits in excess of State law on concentration of credit risk. All investments held at year-end are reported above.

### **B. Receivables**

Receivables in the governmental activities are 60.6 percent due from other governments, 26.3 percent accounts receivables, 1.7 percent taxes and special assessments and 11.4 percent accrued interest. Business-type activities receivables are 52.5 percent due from customers, 0.1 percent accrued interest and 47.4 percent due from other governments.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds

# CITY OF PLEASANT RIDGE, MICHIGAN

## Notes To Financial Statements

also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, deferred revenue of \$3,263 was unavailable in the governmental funds as a result of personal property taxes not yet received.

### C. Capital Assets

Capital assets activity for the year ended June 30, 2005 was as follows:

#### *Primary government*

	Beginning Balance	Transfers	Increases	Decreases	Ending Balance
<b>Governmental activities</b>					
Capital assets, not being depreciated -					
Land	\$ 1,746,700	\$ -	\$ -	\$ -	\$ 1,746,700
Construction in progress	2,427,096	(2,374,962)	12,443	-	64,577
Total capital assets not being depreciated	4,173,796	(2,374,962)	12,443	-	1,811,277
Capital assets, being depreciated:					
Land improvements	762,575	-	-	-	762,575
Buildings and building improvements	1,164,032	2,038,774	322,592	-	3,525,398
Vehicles	66,326	-	25,312	-	91,638
Equipment	399,669	74,033	111,424	-	585,126
Infrastructure	5,708,404	262,155	557,128	(138,100)	6,389,587
Total capital assets being depreciated	8,101,006	2,374,962	1,016,456	(138,100)	11,354,324
Less accumulated depreciation for					
Land improvements	(476,103)	-	(47,181)	-	(523,284)
Buildings and building improvements	(374,674)	-	(111,806)	-	(486,480)
Vehicles	(66,326)	-	(8,438)	-	(74,764)
Equipment	(367,677)	-	(17,767)	-	(385,444)
Infrastructure	(3,415,642)	-	(196,648)	138,100	(3,474,190)
Total accumulated depreciation	(4,700,422)	-	(381,840)	138,100	(4,944,162)
Total capital assets being depreciated, net	3,400,584	-	634,616	-	6,410,162
Governmental activities capital assets, net	<u>\$ 7,574,380</u>	<u>\$ -</u>	<u>\$ 647,059</u>	<u>\$ -</u>	<u>\$ 8,221,439</u>

# CITY OF PLEASANT RIDGE, MICHIGAN

## Notes To Financial Statements

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities</b>				
Capital assets, not being depreciated -				
Construction in progress	\$ 1,210,455	\$ 204,516	\$ -	\$ 1,414,971
Capital assets, being depreciated:				
Water and sewer system	1,255,715	-	-	1,255,715
Water meters	247,764	-	-	247,764
Vehicles and misc. equipment	8,039	-	-	8,039
Total capital assets being depreciated	1,511,518	-	-	1,511,518
Less accumulated depreciation for				
Water and sewer system	(769,916)	(25,657)	-	(795,573)
Water meters	(127,781)	(16,517)	-	(144,298)
Vehicles and misc. equipment	(8,039)	-	-	(8,039)
Total accumulated depreciation	(905,736)	(42,174)	-	(947,910)
Total capital assets being depreciated, net	605,782	(42,174)	-	563,608
Business-type activities capital assets, net	\$ 1,816,237	\$ 162,342	\$ -	\$ 1,978,579

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities	
General government	\$ 45,293
Public safety	12,997
Public works	8,527
Highways and streets	192,734
Culture and recreation	122,289
Total depreciation expense - governmental activities	\$ 381,840
Business-type activities	
Water and sewer	\$ 42,174

The City has an active construction project as of June 30, 2005. The City is a participating community in the George W. Kuhn drain project along with thirteen other local municipalities. The total cost of the project is currently estimated at approximately \$123,000,000 with the City's share of total project costs at \$1,500,000.

# CITY OF PLEASANT RIDGE, MICHIGAN

## Notes To Financial Statements

As of June 30, 2005 the City's financial activity as it relates to this project is as follows:

Project	Spent-to-Date	Remaining Commitment
George W. Kuhn Drain	\$ 1,414,971	\$ 85,029

The project is being financed through the sale of drain bonds through the Oakland County Drain Commission and draw downs from the State of Michigan revolving fund. Future commitments related to construction in progress cannot readily be determined at this time due to the project management being conducted at Oakland County, Michigan.

### D. Interfund Receivables, Payables and Transfers

At June 30, 2005, there were no amounts payable to or from other funds within the primary government. There is an advance of \$13,129 from the primary government to the component unit that was made to fund the DDA's commitment/match for a Streetscape project grant.

For the year then ended, interfund transfers consisted of the following:

Transfers out	Transfer In		
	General	Nonmajor Governmental	Total
General fund	\$ -	\$ 103,746	\$ 103,746
I-696 segregated capital asset fund	101,715	-	101,715
Non-major governmental funds	-	180,000	180,000
	\$ 101,715	\$ 283,746	\$ 385,461

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

### E. Long-term Debt

*General obligation bonds.* The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities.

*George W. Kuhn project bonds and revolving fund obligations* 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, draw downs 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 community's are obligated for the payment of principal and interest of the outstanding debt. It is currently anticipated that

# CITY OF PLEASANT RIDGE, MICHIGAN

## Notes To Financial Statements

the City's total obligation at the end of construction will be approximately \$1,563,330 or 1.271% of the projects total cost of \$123,000,000. Due to the current construction of the project, the sale of bonds and draw downs from the State of Michigan revolving fund are being incurred on an as needed basis and thus an accurate schedule of principal and interest payments cannot be determined at this time. Accordingly, it is not included in the following schedule of annual debt service requirements.

<u>Purpose</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount</u>
<b>Governmental activities</b>			
Community Center Loan	5.21%	2006	\$ 167,592
Building Addition Loan	5.22%	2009	23,100
DPW Building Note Payable	3.69%	2015	110,000
Pool/Fitness Center Loan	3.00% - 5.00%	2028	2,500,000
			<u>\$ 2,800,692</u>

<u>Purpose</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount</u>
<b>Business-type activities</b>			
George W. Kuhn drain	2.0% - 5.0%	Various	<u>\$ 1,410,642</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

### *Governmental Activities*

	<u>Principal</u>	<u>Interest</u>
2006	\$ 123,722	\$ 117,049
2007	151,003	111,297
2008	66,594	103,658
2009	63,662	100,446
2010	60,745	97,476
2011-2015	459,966	448,386
2016-2020	550,000	356,309
2021-2025	750,000	224,996
2026-2028	575,000	51,273
	<u>\$ 2,800,692</u>	<u>\$ 1,610,890</u>

*Changes in Long-Term Debt.* Long-term liability activity for the year ended June 30, 2005, was as follows:

# CITY OF PLEASANT RIDGE, MICHIGAN

## Notes To Financial Statements

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b><u>Primary Government</u></b>					
Governmental activities					
Community center loan	\$ 246,507	\$ -	\$ (78,915)	\$ 167,592	\$ 82,827
Building addition loan	29,700	-	(6,600)	23,100	6,600
DPW Building note payable	-	110,000	-	110,000	9,295
Pool/Fitness center loan	2,525,000	-	(25,000)	2,500,000	25,000
Accrued compensated absences	211,649	-	(27,992)	183,657	64,021
	<u>\$ 3,122,606</u>	<u>\$ 110,000</u>	<u>\$ (138,507)</u>	<u>\$ 2,984,349</u>	<u>\$ 187,743</u>
<b><u>Business-type activities</u></b>					
George W. Kuhn drain	<u>\$ 1,341,880</u>	<u>\$ 127,629</u>	<u>\$ (58,867)</u>	<u>\$ 1,410,642</u>	<u>\$ 60,167</u>

For the governmental activities, compensated absences are generally liquidated by the general fund.

### F. State Construction Code Act Compliance

Public Act 245 of 1999 amended the State Construction Act to require Michigan municipal governments to establish fees that bear a reasonable relationship to the cost of operating their building departments. The City's fee structure is not intended to fully recover its costs, and accordingly, the operations of the City's building department are accounted for in the General Fund.

For the year ended June 30, 2005, the City's revenue and expenditures related to its building department were as follows:

<u>Revenues</u>	
Building Permits	\$ 63,720
Electrical Permits	12,857
Plumbing/Heating Permits	14,232
Other Revenue	5,827
Total Revenues	96,636
 <u>Expenditures</u>	
Salaries and Wages	97,913
Benefits	15,793
Operating Supplies	652
Total Expenditures	\$ 114,358

# CITY OF PLEASANT RIDGE, MICHIGAN

## Notes To Financial Statements

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### **G. Segment Information – Enterprise Funds**

The Water and Sewer Fund, is an individual fund that accounts entirely for the government's water and wastewater activities. This fund is a segment and is reported as a major fund in the fund financial statements; therefore, segment disclosures herein are not required.

## **IV. OTHER INFORMATION**

### **A. Risk Management**

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions, injuries and illnesses of employees; and natural disasters. The City carries commercial insurance to cover any potential claims associated with these risks and has had no claims that exceeded coverage during the past three years.

### **B. Property Taxes**

The government's property taxes are levied each July 1 on the taxable valuation of property located in the City as of the preceding December 31, the lien date. Property taxes are payable without penalty and interest if paid in full by July 31<sup>st</sup> or if elected by the taxpayer, paid using an eight monthly installment method from July through February. As of March 1 of the succeeding year, unpaid real property taxes are sold to and collected by Oakland County. Assessed values, as established annually by the government and subject to acceptance by the County, are equalized by the State at an estimated 50% of current market value. The taxable value of real and personal property in the City for the 2004 levy was \$111,694,072. The government's general operating tax rate for fiscal 2004-05 was 11.9575 mills with an additional 1.7934 for refuse collection, 2.5250 for infrastructure, 0.3274 for library services, 1.3316 for pool and fitness center operations and 1.1783 mills for pool and fitness center debt.

Property taxes for the DDA (Downtown Development Authority) are derived from tax increment financing agreements with the various applicable taxing authorities. Under these arrangements, the DDA receives the property taxes levied on the increment of current taxable values over the base year values on those properties located within the established tax increment financing district.

Property taxes are recognized in the fiscal year in which they are levied.

### **C. Committed and Contingent Liabilities**

Amounts received or receivable from grantor agencies are subject to audit and potential adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.



# CITY OF PLEASANT RIDGE, MICHIGAN

## Notes To Financial Statements

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The City has various construction commitments and open change orders totaling approximately \$100,000. It is anticipated that these commitments and open change orders will be executed and completed in the subsequent fiscal year.

The government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the government's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the government.

### **D. Joint Venture**

#### Southeastern Oakland County Resource Recovery Authority (SOCRRA)

The City is a member of the Southeastern Oakland County Resource Recovery Authority (the "Authority"), which consists of twelve municipalities in Oakland County and provides refuse disposal services for the benefit of member municipalities. The City appoints one member of the joint venture's governing board, which approves the annual budget. The participating communities provide funding for its operations. During the year ended June 30, 2004, (the most recent data available,) the Authority reported a reduction in net assets in the amount of \$1,119,139 resulting in ending net assets in the amount of \$6,966,199. During the year ended June 30, 2004, the City expended \$68,350 in payments made to the Authority. Complete financial statements for the Southeastern Oakland Resource Recovery Authority can be obtained from the administrative offices at 3910 Webster Road, Royal Oak, Michigan 48073.

#### Southeastern Oakland County Water Authority (SOCWA)

The City is a member of the Southeastern Oakland County Water Authority (the "Authority"), which provides a water supply system primarily to eleven municipalities in Oakland County. The City appoints one member of the joint venture's governing board, which approves the annual budget. The participating communities provide funding for its operations. During the year ended June 30, 2004, (the most recent data available,) the Authority reported a reduction in net assets in the amount of \$386,668 resulting in ending net assets in the amount of \$11,787,102. During the year ended June 30, 2004, the City expended \$146,102 in payments made to the Authority. Complete financial statements for the Southeastern Oakland Resource Recovery Authority can be obtained from the administrative offices at 3910 Webster Road, Royal Oak, Michigan 48073.

### **E. Postemployment Benefits**

#### **Defined Benefit Pension Plan**

##### *Plan description*

The City's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The City participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer plan operated and administered by the MERS Retirement Board. Public Act

# CITY OF PLEASANT RIDGE, MICHIGAN

## Notes To Financial Statements

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No. 220 of the Public Acts of 1996, as amended, establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 447 N. Canal Road, Lansing, Michigan 48917 or by calling (800) 767-6377.

All full-time City employees are eligible to participate in the MERS. City employees who retire at or after age 60 with eight years of credited service, age 55 with 15 years service or age 50 with 25 years of service, are entitled to an annual retirement benefit, payable monthly for life. The normal retirement benefit is equal to 2.5% up to a maximum of 80% of final average compensation. MERS also provides death and disability benefits. These benefits are established by state statute.

### ***Funding Policy***

The City is required to contribute at an actuarially determined rate; the current rate is as follows:

General	0%
Police and Fire	11.56%
General Non-Union	15.14%
City Manager	20.59%

Employees are currently not required to contribute to the Plan. The contribution requirements of the City are established and may be amended by the Retirement Board of MERS. The contribution requirements of plan members, if any, are established and may be amended by the City depending on the MERS contribution program adopted by the City.

### ***Annual Pension Cost***

For the year ended June 30, 2005, the City's annual pension cost of \$100,455 was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2004 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, and (c) additional projected salary increases of 0.0% to 4.16% per year, depending on age, attributable to seniority/merit.

The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return, and includes an adjustment to reflect market value. The City's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2004, the date of the latest available actuarial valuation, was 30 years.

# CITY OF PLEASANT RIDGE, MICHIGAN

## Notes To Financial Statements

Schedule of Employer Contributions			
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/01	\$ 71,445	100%	\$ 0
6/30/02	40,818	100%	0
6/30/03	43,405	100%	0
6/30/04	75,825	100%	0
6/30/05	100,455	100%	0

### F. I-696 Segregated Capital Asset Special Revenue Fund

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

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

The funds that were received, after the above deductions, are restricted for use by the City Code primarily for capital acquisitions as described in Chapter Two, Article II, Division Nine, Sections 2-131 through 2-139. The restricted principal amount is \$3,242,872, which is reflected as reserved fund balance in the special revenue funds.

### G. Subsequent Event

On July 13, 2005, the City entered into a contract for M-1 Streetscape improvements. The total amount of the contract was \$270,451 plus a 10% contingency.

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***REQUIRED SUPPLEMENTARY  
INFORMATION***

# CITY OF PLEASANT RIDGE, MICHIGAN

## Required Supplementary Information (Unaudited)

### Defined Benefit Pension Plan

#### *Trend Information*

#### Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Attained Age# (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio % (a / b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a) / c)
12/31/00	\$ 2,603,504	\$ 2,694,694	\$ 91,190	97%	\$ 484,025	19%
12/31/01	2,549,981	2,926,263	376,282	87%	498,462	75%
12/31/02	2,469,503	3,041,853	572,350	81%	523,352	109%
12/31/03	2,517,831	3,259,096	741,265	77%	588,952	126%
12/31/04	2,591,780	3,559,624	967,844	73%	677,849	143%

***COMBINING AND INDIVIDUAL FUND  
FINANCIAL STATEMENTS AND SCHEDULES***

**City of Pleasant Ridge, Michigan**  
**Combining Balance Sheet**  
**Non-Major Governmental Funds**  
**June 30, 2005**

	<b>Special Revenue</b>					
	<b>Major Streets</b>	<b>Local Streets</b>	<b>Infrastructure</b>	<b>Solid Waste</b>	<b>Library</b>	<b>Pool/Fitness Center (Operating)</b>
<b>Assets</b>						
Cash and cash equivalents	\$ 191,876	\$ 49,969	\$ 100,699	\$ 36,220	\$ 10,930	\$ 68,826
Receivables:						
Accounts receivable	-	-	-	27,134	-	-
Interest	662	101	219	72	62	162
Due from other governments	18,457	13,781	-	-	-	-
Prepays	-	-	-	-	17,500	223
<b>Total assets</b>	<b>\$ 210,995</b>	<b>\$ 63,851</b>	<b>\$ 100,918</b>	<b>\$ 63,426</b>	<b>\$ 28,492</b>	<b>\$ 69,211</b>
<b>Liabilities</b>						
Accounts payable	\$ 36,538	\$ 6,140	\$ -	\$ 13,444	\$ -	\$ 10,118
Accrued payroll	-	-	-	-	-	9,005
<b>Total liabilities</b>	<b>36,538</b>	<b>6,140</b>	<b>-</b>	<b>13,444</b>	<b>-</b>	<b>19,123</b>
<b>Fund balances:</b>						
Reserved for:						
Prepays	-	-	-	-	17,500	223
Debt service	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-
Unreserved, designated for:						
Subsequent years budget	-	-	-	-	-	-
Unreserved, undesignated for:						
Special revenue funds	174,457	57,711	100,918	49,982	10,992	49,865
<b>Total fund balances</b>	<b>174,457</b>	<b>57,711</b>	<b>100,918</b>	<b>49,982</b>	<b>28,492</b>	<b>50,088</b>
<b>Total liabilities and fund balance</b>	<b>\$ 210,995</b>	<b>\$ 63,851</b>	<b>\$ 100,918</b>	<b>\$ 63,426</b>	<b>\$ 28,492</b>	<b>\$ 69,211</b>

Special Revenue		Debt Service		Capital Projects			Total Nonmajor Governmental Funds
Historic Commission	Drug Forfeiture	Pool/Fitness Center Debt Service	Non-Voted Debt Service	Pool/Fitness Center	Streetscape Project	Capital Improvements	
\$ 7,609	\$ 2,150	\$ 8,326	\$ 15,547	\$ 302,932	\$ 125,919	\$ -	\$ 921,003
-	-	-	-	-	-	17,697	44,831
17	2	18	38	663	276	-	2,292
-	-	-	-	-	-	-	32,238
-	-	-	3,300	-	-	-	21,023
<u>\$ 7,626</u>	<u>\$ 2,152</u>	<u>\$ 8,344</u>	<u>\$ 18,885</u>	<u>\$ 303,595</u>	<u>\$ 126,195</u>	<u>\$ 17,697</u>	<u>\$ 1,021,387</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,338	\$ 14,738	\$ 82,316
-	-	-	-	-	-	-	9,005
-	-	-	-	-	1,338	14,738	91,321
-	-	-	3,300	-	-	-	21,023
-	-	8,344	15,585	-	-	-	23,929
-	-	-	-	303,595	124,857	2,959	431,411
742	-	-	-	-	-	-	742
6,884	2,152	-	-	-	-	-	452,961
<u>7,626</u>	<u>2,152</u>	<u>8,344</u>	<u>18,885</u>	<u>303,595</u>	<u>124,857</u>	<u>2,959</u>	<u>930,066</u>
<u>\$ 7,626</u>	<u>\$ 2,152</u>	<u>\$ 8,344</u>	<u>\$ 18,885</u>	<u>\$ 303,595</u>	<u>\$ 126,195</u>	<u>\$ 17,697</u>	<u>\$ 1,021,387</u>



**City of Pleasant Ridge, Michigan**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**Non-Major Governmental Funds**  
**For the year ended June 30, 2005**

	Special Revenue					
	Major Streets	Local Streets	Infrastructure	Solid Waste	Library	Pool/Fitness Center
<b>Revenues</b>						
Property taxes	\$ -	\$ -	\$ 276,878	\$ 196,653	\$ 35,895	\$ 146,013
Fines and forfeitures	-	-	-	-	-	-
Intergovernmental	114,110	46,442	-	-	-	-
Charges for services	-	-	-	128,802	-	34,259
Investment earnings	7,542	905	2,125	1,568	702	1,809
Other	-	-	-	-	-	606
Total revenues	<u>121,652</u>	<u>47,347</u>	<u>279,003</u>	<u>327,023</u>	<u>36,597</u>	<u>182,687</u>
<b>Expenditures</b>						
Current:						
Highways and streets	347,651	79,058	-	-	-	-
Sanitation	-	-	-	361,321	-	-
Culture and recreation	-	-	-	-	35,652	210,970
Debt service						
Principal	-	-	-	-	-	-
Interest and fees	-	-	-	-	-	-
Capital Outlay	-	174,919	-	-	-	-
Total expenditures	<u>347,651</u>	<u>253,977</u>	<u>-</u>	<u>361,321</u>	<u>35,652</u>	<u>210,970</u>
Revenues over (under) expenditures	<u>(225,999)</u>	<u>(206,630)</u>	<u>279,003</u>	<u>(34,298)</u>	<u>945</u>	<u>(28,283)</u>
<b>Other financing sources (uses)</b>						
Proceeds from the issuance of debt	-	-	-	-	-	-
Transfers in	-	180,000	-	-	-	-
Transfers out	-	-	(180,000)	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>180,000</u>	<u>(180,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(225,999)</u>	<u>(26,630)</u>	<u>99,003</u>	<u>(34,298)</u>	<u>945</u>	<u>(28,283)</u>
Fund balances, beginning of year	<u>400,456</u>	<u>84,341</u>	<u>1,915</u>	<u>84,280</u>	<u>27,547</u>	<u>78,371</u>
<b>Fund balances, end of year</b>	<u>\$ 174,457</u>	<u>\$ 57,711</u>	<u>\$ 100,918</u>	<u>\$ 49,982</u>	<u>\$ 28,492</u>	<u>\$ 50,088</u>

Special Revenue		Debt Service		Capital Projects			Total Nonmajor Governmental Funds
Historic Commission	Drug Forfeiture	Pool/Fitness Center Debt Service	Debt Service	Pool/Fitness Center	Streetscape Project	Capital Improvements	
\$ -	\$ -	\$ 129,003	\$ -	\$ -	\$ -	\$ -	\$ 784,442
-	2,150	-	-	-	-	-	2,150
-	-	-	-	-	34,000	-	194,552
2,888	-	-	-	-	-	-	165,949
138	2	639	436	6,357	2,321	653	25,197
3,650	-	-	-	-	30,000	48,646	82,902
<u>6,676</u>	<u>2,152</u>	<u>129,642</u>	<u>436</u>	<u>6,357</u>	<u>66,321</u>	<u>49,299</u>	<u>1,255,192</u>
-	-	-	-	-	-	-	426,709
-	-	-	-	-	-	-	361,321
3,165	-	-	-	-	-	-	249,787
-	-	25,000	85,515	-	-	-	110,515
-	-	104,094	14,739	-	-	-	118,833
-	-	-	-	161,930	12,443	156,340	505,632
<u>3,165</u>	<u>-</u>	<u>129,094</u>	<u>100,254</u>	<u>161,930</u>	<u>12,443</u>	<u>156,340</u>	<u>1,772,797</u>
<u>3,511</u>	<u>2,152</u>	<u>548</u>	<u>(99,818)</u>	<u>(155,573)</u>	<u>53,878</u>	<u>(107,041)</u>	<u>(517,605)</u>
-	-	-	-	-	-	110,000	110,000
-	-	-	103,746	-	-	-	283,746
-	-	-	-	-	-	-	(180,000)
-	-	-	103,746	-	-	110,000	213,746
3,511	2,152	548	3,928	(155,573)	53,878	2,959	(303,859)
4,115	-	7,796	14,957	459,168	70,979	-	1,233,925
<u>\$ 7,626</u>	<u>\$ 2,152</u>	<u>\$ 8,344</u>	<u>\$ 18,885</u>	<u>\$ 303,595</u>	<u>\$ 124,857</u>	<u>\$ 2,959</u>	<u>\$ 930,066</u>

**City of Pleasant Ridge, Michigan**

**Detailed Schedule of Expenditures  
Budget and Actual  
General Fund  
For the year ended June 30, 2005**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>LEGISLATIVE</b>				
Commission	\$ 13,883	\$ 36,183	\$ 12,493	\$ (23,690)
<b>GENERAL GOVERNMENT</b>				
Manager	97,061	100,461	94,105	(6,356)
City clerk	55,339	84,939	64,573	(20,366)
Elections	13,824	16,524	15,151	(1,373)
Attorney	31,000	31,000	26,758	(4,242)
General government	144,840	259,840	285,808	25,968
Cable television	4,128	4,128	3,183	(945)
Post office	49,733	61,433	55,201	(6,232)
Treasurer	88,709	97,409	90,925	(6,484)
Assessment	23,181	23,181	21,847	(1,334)
<b>TOTAL GENERAL GOVERNMENT</b>	<b>507,815</b>	<b>678,915</b>	<b>657,551</b>	<b>(21,364)</b>
<b>PUBLIC SAFETY</b>				
Police	635,064	696,964	721,469	24,505
Fire	360,101	360,101	360,101	-
<b>TOTAL PUBLIC SAFETY</b>	<b>995,165</b>	<b>1,057,065</b>	<b>1,081,570</b>	<b>24,505</b>
<b>PUBLIC WORKS</b>				
Department of public works	215,000	323,000	266,421	(56,579)
Street lighting	32,120	35,120	35,136	16
<b>TOTAL PUBLIC WORKS</b>	<b>247,120</b>	<b>358,120</b>	<b>301,557</b>	<b>(56,563)</b>
<b>BUILDING AND PLANNING</b>				
Building department	97,554	140,554	114,709	(25,845)
Planning commission	6,000	6,000	2,237	(3,763)
<b>TOTAL BUILDING AND PLANNING</b>	<b>103,554</b>	<b>146,554</b>	<b>116,946</b>	<b>(29,608)</b>
<b>CULTURE AND RECREATION</b>				
Parks and recreation department	204,401	214,401	218,175	3,774
Woodward dream cruise	28,400	28,400	16,593	(11,807)
<b>TOTAL CULTURE AND RECREATION</b>	<b>232,801</b>	<b>242,801</b>	<b>234,768</b>	<b>(8,033)</b>
<b>OTHER</b>				
Retirement services	142,430	147,530	147,817	287
<b>TOTAL OTHER</b>	<b>142,430</b>	<b>147,530</b>	<b>147,817</b>	<b>287</b>
<b>TOTAL EXPENDITURES</b>	<b>\$ 2,242,768</b>	<b>\$ 2,667,168</b>	<b>\$ 2,552,702</b>	<b>\$ (114,466)</b>

**City of Pleasant Ridge, Michigan**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual**  
**Major Streets**  
**For the year ended June 30, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual</u>
	<u>Original</u>	<u>Final</u>		<u>Over (Under)</u>
				<u>Final Budget</u>
<b>Revenues</b>				
Intergovernmental	\$ 113,800	\$ 117,300	\$ 114,110	\$ (3,190)
Investment earnings	2,500	7,000	7,542	542
Total revenues	<u>116,300</u>	<u>124,300</u>	<u>121,652</u>	<u>(2,648)</u>
<b>Expenditures</b>				
Routine maintenance	11,550	46,150	12,131	(34,019)
Winter maintenance	18,700	25,700	25,591	(109)
Traffic services	<u>7,150</u>	<u>7,150</u>	<u>5,993</u>	<u>(1,157)</u>
Total expenditures	<u>37,400</u>	<u>425,000</u>	<u>347,651</u>	<u>(77,349)</u>
Net change in fund balances	78,900	(300,700)	(225,999)	74,701
Fund balance, beginning of year	<u>400,456</u>	<u>400,456</u>	<u>400,456</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u><u>\$ 479,356</u></u>	<u><u>\$ 99,756</u></u>	<u><u>\$ 174,457</u></u>	<u><u>\$ 74,701</u></u>

**City of Pleasant Ridge, Michigan**  
**Statement of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual**  
**Local Streets**  
**For the year ended June 30, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual</u>
	<u>Original</u>	<u>Final</u>		<u>Over (Under)</u>
<b>Revenues</b>				
Intergovernmental	\$ 38,534	\$ 38,534	\$ 46,442	\$ 7,908
Investment earnings	700	700	905	205
Total revenues	<u>39,234</u>	<u>39,234</u>	<u>47,347</u>	<u>8,113</u>
<b>Expenditures</b>				
Construction	253,000	253,000	174,919	(78,081)
Routine maintenance	36,685	40,685	37,976	(2,709)
Winter maintenance	21,450	39,050	36,549	(2,501)
Traffic services	4,950	4,950	4,533	(417)
Total expenditures	<u>316,085</u>	<u>337,685</u>	<u>253,977</u>	<u>(83,708)</u>
Excess (deficiency) of revenues over (under) expenditures	(276,851)	(298,451)	(206,630)	91,821
<b>Other financing sources (uses)</b>				
Transfers in	<u>253,000</u>	<u>253,000</u>	<u>180,000</u>	<u>(73,000)</u>
Net change in fund balances	(23,851)	(45,451)	(26,630)	18,821
Fund balance, beginning of year	<u>84,341</u>	<u>84,341</u>	<u>84,341</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u><u>\$ 60,490</u></u>	<u><u>\$ 38,890</u></u>	<u><u>\$ 57,711</u></u>	<u><u>\$ 18,821</u></u>

**City of Pleasant Ridge, Michigan**  
**Comparative Statement of Net Assets**  
**Water and Sewer Fund**  
**June 30, 2005 and 2004**

	<b>2005</b>	<b>2004</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 178,066	\$ 344,348
Receivables:		
Accounts receivable (net)	175,290	173,758
Interest	210	249
Due from other governments	158,107	225,812
Total current assets	511,673	744,167
Noncurrent assets:		
Capital assets		
Construction in progress	1,414,971	1,210,455
Water and sewer system	1,511,518	1,511,518
Less accumulated depreciation	(947,910)	(905,736)
Total noncurrent assets	1,978,579	1,816,237
Total assets	2,490,252	2,560,404
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	51,026	107,446
Accrued liabilities	10,918	10,000
Current portion of long-term debt	60,167	58,867
Total current liabilities	122,111	176,313
Noncurrent liabilities:		
Long term debt	1,350,475	1,283,013
Total liabilities	1,472,586	1,459,326
<b>Net Assets</b>		
Investment in capital assets, net of related debt	567,937	474,357
Unrestricted	449,729	626,721
Total net assets	\$ 1,017,666	\$ 1,101,078

**City of Pleasant Ridge, Michigan**  
**Comparative Statement of Revenues, Expenses**  
**and Changes in Fund Net Assets**  
**Water and Sewer Fund**  
**For the Years Ended June 30, 2005 and 2004**

	<u>2005</u>	<u>2004</u>
<b>Operating revenues</b>		
Charges for services	\$ 871,661	\$ 717,885
Fines and penalties	10,708	9,407
Other	35,680	48,143
	<u>918,049</u>	<u>775,435</u>
<b>Operating expenses</b>		
Water purchases	252,208	146,102
Sewage disposal	422,274	326,955
Operating supplies	2,970	3,030
Public works	23,580	31,666
Interfund charges	159,159	125,291
Contractual services	4,149	38
Repairs and maintenance	39,918	37,889
Depreciation	42,174	46,881
Other	10,152	9,102
	<u>956,584</u>	<u>726,954</u>
Total operating expenses	<u>956,584</u>	<u>726,954</u>
Operating income (loss)	<u>(38,535)</u>	<u>48,481</u>
<b>Non-operating revenues (expenses)</b>		
Investment earnings	6,268	6,368
Interest expense	(51,145)	(33,291)
	<u>(44,877)</u>	<u>(26,923)</u>
Total non-operating revenues (expenses)	<u>(44,877)</u>	<u>(26,923)</u>
Income (loss) before transfers	(83,412)	21,558
Transfer out	-	(35,916)
Change in net assets	(83,412)	(14,358)
Net assets, beginning of year	<u>1,101,078</u>	<u>1,115,436</u>
<b>Net assets, end of year</b>	<u>\$ 1,017,666</u>	<u>\$ 1,101,078</u>

**City of Pleasant Ridge, Michigan  
Downtown Development Authority  
Statement of Net Assets and  
Governmental Fund Balance Sheet  
June 30, 2005**

	<b>Governmental Fund</b>	<b>Adjustments</b>	<b>Statement of Net Assets</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 154,855	\$ -	\$ 154,855
Receivables:			
Taxes-delinquent	21,885	-	21,885
Less allowance for uncollectables	(4,109)	-	(4,109)
Interest	361	-	361
Total assets	<u>\$ 172,992</u>	<u>-</u>	<u>172,992</u>
<b>Liabilities:</b>			
Accounts payable	910	-	910
Due to other governments	64,974	-	64,974
Advances from primary government	13,129	-	13,129
Deferred revenue	1,424	(1,424)	-
Total Liabilities	<u>80,437</u>	<u>(1,424)</u>	<u>79,013</u>
<b>Fund Balance/Net Assets:</b>			
Undesignated	<u>92,555</u>	<u>-</u>	<u>92,555</u>
Total liabilities and fund balance	<u>\$ 172,992</u>		
<b>Net Assets:</b>			
Unrestricted		<u>1,424</u>	<u>93,979</u>
Total net assets		<u>\$ 1,424</u>	<u>\$ 93,979</u>



**City of Pleasant Ridge, Michigan**  
**Downtown Development Authority**  
**Reconciliation of Governmental Fund Balance Sheet**  
**to the Statement of Activities**  
**June 30, 2005**

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Fund balance - Downtown Development Authority \$ 92,555

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

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred revenues in the governmental funds and thus are not included in fund balance.

Add: deferred revenues 1,424

Net assets of component unit \$ 93,979

**City of Pleasant Ridge, Michigan  
Downtown Development Authority  
Statement of Activities and  
Governmental Fund Revenues, Expenditures, and  
Changes in Fund Balance  
For the year ended June 30, 2005**

	<b>Governmental Fund</b>	<b>Adjustments</b>	<b>Statement of Activities</b>
<b>Revenues</b>			
Property taxes	\$ 83,033	\$ 79	\$ 83,112
Investment earnings	2,524	-	2,524
Other	487	-	487
Total revenues	<u>86,044</u>	<u>79</u>	<u>86,123</u>
<b>Expenditures</b>			
Economic and physical development	204,449	-	204,449
Debt service - interest and fees	1,604	-	1,604
Total expenditures	<u>206,053</u>	<u>-</u>	<u>206,053</u>
Change in fund balance/net assets	(120,009)	79	(119,930)
Beginning fund balance/net assets	<u>212,564</u>	<u>1,345</u>	<u>213,909</u>
Ending fund balance/net assets	<u><u>\$ 92,555</u></u>	<u><u>\$ 1,424</u></u>	<u><u>\$ 93,979</u></u>

**City of Pleasant Ridge, Michigan**  
**Downtown Development Authority**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Change in Fund Balance**  
**to the Statement of Activities**  
**For the year ended June 30, 2005**

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Net change in fund balances - component unit \$ (120,009)

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

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to the following fiscal year.

Deduct: net difference in deferred revenues 79

Change in net assets of governmental activities \$ (119,930)



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

September 27, 2005

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the *City of Pleasant Ridge, Michigan* as of and for the year ended June 30, 2005, which collectively comprise the *City of Pleasant Ridge, Michigan's* basic financial statements and have issued our report thereon dated September 27, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered *City of Pleasant Ridge, Michigan's* internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management, Mayor and City Commission, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Lehmann Johnson". The signature is written in a cursive, flowing style.



REHMANN ROBSON

*Certified Public Accountants*

A member of THE REHMANN GROUP

An Independent Member of Baker Tilly International

September 27, 2005

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

In planning and performing our audit of the basic financial statements of the *City of Pleasant Ridge, Michigan*, for the year ended June 30, 2005, we considered the City's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the basic financial statements and not to provide assurance on the internal control structure.

However, during our audit, we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated September 27, 2005, on the basic financial statements of the *City of Pleasant Ridge, Michigan*.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various City personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist the City in implementing the recommendations.

We would like to thank the staff and management of the *City of Pleasant Ridge, Michigan* for their assistance and cooperation in completing the audit.

**A.) ACH POLICY (from prior year)**

The State of Michigan enacted Public Act 738, which requires governmental entities to adopt by board resolution, a policy for ACH (Automated Clearing House) electronic transactions. During our procedures, we noted no such policy has been adopted. We recommend that the City consider adopting an ACH policy in accordance with Public Act 738.

**B.) POSTEMPLOYMENT BENEFITS PLANS OTHER THAN PENSIONS**

In April 2004 the Governmental Accounting Standards Board issued Statement No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension Plans*.

The standard will take effect in the 2009-2010 fiscal year and requires the City to obtain an actuarial valuation of its postemployment benefits other than pension plans, establish a separate trust or equivalent for these benefits and begin funding this long-term obligation based on the actuarially determined required contribution amount.

**Recommendation**

We would recommend that the City consider the future financial impact on the City by obtaining an actuarial study or have management prepare an estimation of what the required contributions will be as compared to the current “pay as you go” method that the City currently employs.

There are many things that the City can do to mitigate the financial impact with proper planning and an early action plan. This includes beginning to pre-fund this liability which will ultimately reduce the actuarially required contributions at the time of implementation. In addition, the City may consider eliminating or offering an alternative benefit such as a defined contribution plan in lieu of a defined benefit plan for postemployment benefits other than pensions to new employees.