

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

FINANCIAL STATEMENTS

June 30, 2009

City of Pleasant Ridge

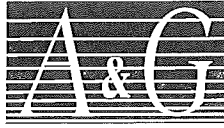
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Principals

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



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

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

INDEPENDENT AUDITOR'S REPORT

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

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, 2009, 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'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. 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, 2009, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information, as identified in the table of contents, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. 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's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary 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.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

October 30, 2009

City of Pleasant Ridge Management's Discussion and Analysis

Our discussion and analysis of the City of Pleasant Ridge's (the "City") financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2009. Please read it in conjunction with the City's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2009:

- General Fund property tax revenue, the largest revenue source in the General Fund, decreased by approximately \$35,000. The operating millage rate remained constant at 11.4248, however a decrease in taxable value of 1.2 percent accounted for the overall decrease in property tax revenue.
- Several capital projects were completed during the current year resulting in the closing of the City's capital projects funds. Remaining fund balance was transferred to the General Fund for general operations.
- Reconstruction of local roads continued to result in the use of fund balance in the Infrastructure Improvements Fund of approximately \$12,000.
- Investment income continued to decrease during the current year as a result of the declining market conditions. Total revenue decreased from approximately \$246,000 in 2008 to approximately \$178,000 in 2009, an overall decrease of 28 percent.

Using this Annual Report

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

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

Governmental Activities

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

Note: The 2007 amounts have been adjusted for a prior period adjustment.

	6/30/07	6/30/08	6/30/09	Change from Prior Year	
				in Dollars	as a Percent
Capital assets	\$ 8,678,798	\$ 8,967,315	\$8,942,314	\$(25,001)	(0.3)
Other assets	5,348,260	5,047,212	5,102,351	55,139	1.1
Total assets	14,027,058	14,014,527	14,044,665	30,138	0.22
Long-term liabilities	2,632,932	2,415,622	2,462,723	47,101	1.9
Other liabilities	543,664	631,900	761,889	129,989	20.6
Total liabilities	3,176,596	3,047,522	3,224,612	177,090	5.8
Net Assets:					
Invested in capital assets, net of related debt	6,152,831	6,478,417	6,526,690	48,273	0.7
Restricted	3,759,360	3,815,724	3,720,762	(94,962)	(2.5)
Unrestricted	938,271	672,864	572,601	(100,263)	(14.9)
Total net assets	\$10,850,462	\$10,967,005	\$10,820,053	\$(146,952)	(1.3)

	2007	2008	2009	Change from Prior Year	
				in Dollars	as a Percent
Revenue					
Program revenues:					
Charges for services	\$748,828	\$739,239	\$846,266	\$107,027	14.5
Operating grants and contributions	160,666	183,766	179,753	(4,013)	(2.2)
Capital grants and contributions	10,000	57,820	-	(57,820)	(100)
General revenues:					
Property taxes	2,312,613	2,478,515	2,440,241	(38,274)	(1.5)
State shared revenue	261,724	268,675	251,472	(17,203)	(6.4)
Investment and other	372,055	297,710	272,934	(24,776)	(8.3)
Total revenue	3,865,886	4,025,725	3,990,666	(35,059)	(.09)
Expenses					
General government	631,783	698,964	766,668	67,704	9.7
Public safety	1,060,753	1,190,844	1,249,327	58,483	4.9
Public works	800,609	1,002,406	1,097,983	95,577	9.5
Community and economic development	86,940	75,329	63,819	(11,510)	(15.3)
Culture and recreation	845,875	833,470	874,674	41,204	4.9
Interest on long-term debt	109,634	108,169	85,147	(23,022)	(21.3)
Total expenses	3,535,594	3,909,182	4,137,618	228,436	5.8
Change in Net Assets	\$330,292	\$116,543	\$(146,952)	(263,495)	(226.1)

The City's governmental net assets decreased 1.3 percent from a year ago, decreasing from approximately \$10.97 million to \$10.82 million. Total governmental revenues were \$3,990,666 while total governmental expenses were \$4,137,618, resulting in a decrease to net assets of \$146,952.

Total governmental revenues decreased approximately \$35,059, despite an increase in charges for services of approximately \$107,000. The decrease, which represents 0.09 percent, was primarily due to decreases in property taxes, state-shared revenues and interest income.

The City's total governmental expenses increased approximately \$230,000, from \$3.91 million in 2008 to \$4.14 million in 2009. This total increase of 5.8 percent was primarily the result of an increase in public works and general government expenses. Public works expenses increased from \$1,002,406 to \$1,097,983 due to money expended for road repairs and maintenance. General government expenses increased approximately \$68,000 as a result of increased contracted services expenses and penalties related to the early withdrawal of funds invested in negotiable certificates of deposit.

Business-type Activities

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

Note: The 2007 amounts have been adjusted for a prior period adjustment.

	6/30/07	6/30/08	6/30/09	Change from Prior Year	
				in Dollars	as a Percent
Capital assets	\$ 2,327,212	\$2,476,306	\$2,549,439	\$73,133	2.95
Other assets	256,242	56,852	269,706	(117,839)	(207)
Total assets	2,583,454	2,533,158	2,819,145	(44,706)	(1.76)
Long-term liabilities	1,301,465	1,247,660	1,283,243	35,583	2.85
Other liabilities	159,639	137,240	473,296	5,363	3.91
Total liabilities	1,461,104	1,384,900	1,756,539	40,946	2.96
Net Assets:					
Invested in capital assets, net of related debt	959,343	1,159,496	1,190,668	31,172	2.7
Unrestricted	163,007	(11,238)	(128,062)	(116,824)	(104)
Total net assets	\$1,122,350	\$1,148,258	\$1,062,606	\$(85,652)	7.5
	2007	2008	2009	Change from Prior Year	
				in Dollars	as a Percent
Revenue					
Program revenues:					
Charges for services	\$974,050	\$1,010,446	\$927,235	\$(83,211)	(8.24)
General revenues:					
Investment and other	4,845	2,134	-	(2,134)	(100)
Total revenue	978,895	1,012,580	927,235	(85,345)	(8.43)
Expenses					
Water and sewer	1,039,369	986,672	1,012,887	26,215	(2.7)
Total expenses	1,039,369	986,672	1,012,887	26,215	(2.7)
Change in Net Assets	\$(60,474)	\$25,908	\$(85,652)	\$(111,560)	430.6

The City's business-type activities consist of the Water and Sewer Fund. The City provides water and sewer services to residents through contracts or consortiums with the Detroit Water and Sewerage Department. Total net assets of the business-type activities decreased 7.5 percent from a year ago, decreasing from \$1,148,258 to \$1,062,606. The current year resulted in an operating loss of \$50,114 compared to prior year income from operations of \$75,876. The decrease in operating income is mainly a result of a decrease in usage charges of approximately \$83,000 and an increase in personnel and administrative expenses of approximately \$16,000 and \$44,000, respectively. Additionally, sewage treatment expenses increased approximately \$12,000.

The City's Funds

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

The General Fund pays for most of the City's governmental services. However, the most significant governmental service is police and fire protection, which incurred expenses of approximately \$1.14 million in 2009, which was an increase of \$37,622, or 3.4 percent, from 2008. Although total General Fund revenues increased from a year ago by \$36,865, total General Fund expenditures for 2009 were greater than revenues resulting in a decrease in fund balance of \$111,518. Ending fund balance was \$676,960, of which \$650,120 was unreserved. Unreserved fund balance represents 24 percent of total general fund expenditures.

The remaining major governmental funds include the Local Streets Fund and I-696 Segregated Capital Asset Fund. The Local Streets Fund experienced significant construction activity as in the prior year. The construction was funded primarily by transfers in from other funds. The I-696 Segregated Capital Asset Fund had an increase in fund balance of approximately \$4,000 which resulted from decreased transfers of earnings to other funds for various projects.

General Fund Budgetary Highlights

Over the course of the year, the City amended the budget to take into account events during the year. Budget amendments were made as a result of an estimated increase in legal fees, planning commission fees, repair and maintenance costs in the parks and recreation department and Dream Cruise operations. Overall, revenues fell below the amended budget by \$48,709 and expenditures were slightly above the amended budget by \$2,180.

Capital Asset and Debt Administration

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2009 amounted to \$11,491,753, net of accumulated depreciation. This investment in capital assets includes land, buildings, police equipment, roads and the water and sewer system. Current year additions to capital assets included road improvements totaling approximately \$402,000 for improvements to Fairwood, Elm Park, Devonshire, and Kenberton Roads. There was also approximately \$14,000 in renovations to the recreation center which included the updating of the restrooms. Additionally, approximately \$25,500 was invested in public safety technology updates and additions.

As of June 30, 2009, the City had total debt outstanding of \$3,965,245. The outstanding debt consists of general obligation bonds, accrued compensated absences, and contractual obligations to the County for the City's share of drain bonds.

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

Economic Factors and Next Year's Budgets and Rates

There are several economic factors that will challenge the City in the next several years. These include state revenue-sharing cuts, health insurance increases, pension costs, and declining assessed property tax values. These factors were considered in the preparation of the City's fiscal year 2009-2010 budget.

Contacting the City's Management

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

BASIC FINANCIAL STATEMENTS

City of Pleasant Ridge

STATEMENT OF NET ASSETS

June 30, 2009

	Primary Government			Component Unit (DDA)
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 536,692	\$ -	\$ 536,692	\$ -
Investments	546,694	-	546,694	-
Receivables	114,499	269,658	384,157	22
Prepays	6,010	48	6,058	2,160
Inventory	21,160	-	21,160	-
Due from other governmental units	100,366	-	100,366	107,262
Internal balances	330,693	(330,693)	-0-	-
Total current assets	1,656,114	(60,987)	1,595,127	109,444
Noncurrent assets				
Investments	3,446,235	-	3,446,235	-
Capital assets not being depreciated	2,014,367	1,781,483	3,795,850	-
Capital assets being depreciated, net	6,927,947	767,956	7,695,903	-
Total noncurrent assets	12,388,549	2,549,439	14,937,988	-0-
TOTAL ASSETS	14,044,663	2,488,452	16,533,115	109,444
LIABILITIES				
Current liabilities				
Accounts payable	392,639	58,602	451,241	444
Accrued liabilities	89,881	-	89,881	-
Accrued interest payable	28,356	8,473	36,829	-
Due to other governmental units	107,262	-	107,262	-
Current portion of compensated absences	72,006	-	72,006	-
Current portion of long-term debt	71,745	75,528	147,273	-
Total current liabilities	761,889	142,603	904,492	444
Noncurrent liabilities				
Noncurrent portion of compensated absences	118,844	-	118,844	-
Noncurrent portion of long-term debt	2,343,879	1,283,243	3,627,122	-
Total noncurrent liabilities	2,462,723	1,283,243	3,745,966	-0-
TOTAL LIABILITIES	3,224,612	1,425,846	4,650,458	444
NET ASSETS				
Invested in capital assets, net of related debt	6,526,690	1,190,668	7,717,358	-
Restricted for:				
Debt service	135,405	-	135,405	-
Segregated capital-corporus	3,242,872	-	3,242,872	-
Other purposes	342,483	-	342,483	-
Unrestricted	572,601	(128,062)	444,539	109,000
TOTAL NET ASSETS	\$10,820,051	\$ 1,062,606	\$11,882,657	\$ 109,000

See accompanying notes to financial statements.

City of Pleasant Ridge
STATEMENT OF ACTIVITIES
Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets			Component Unit (DDA)
		Charges for Services	Operating Grants and Contributions	Primary Government			
				Governmental Activities	Business-type Activities	Total	
Primary government:							
Governmental activities							
General government	\$ 766,669	\$ 486,205	\$ 24,824	\$ (255,640)	\$ -	\$ (255,640)	\$ -
Public safety	1,293,512	56,976	-	(1,236,536)	-	(1,236,536)	-
Public works	1,098,265	163,915	148,589	(785,761)	-	(785,761)	-
Community and economic development	19,634	29,890	6,340	16,596	-	16,596	-
Recreation and cultural	874,673	109,280	-	(765,393)	-	(765,393)	-
Interest on long-term debt	85,147	-	-	(85,147)	-	(85,147)	-
Total governmental activities	4,137,900	846,266	179,753	(3,111,881)	-0-	(3,111,881)	-0-
Business-type activities							
Water and sewer	1,012,887	927,235	-	-	(85,652)	(85,652)	-
Total primary government	<u>\$ 5,150,787</u>	<u>\$ 1,773,501</u>	<u>\$ 179,753</u>	(3,111,881)	(85,652)	(3,197,533)	-0-
Component unit:							
Downtown Development Authority	<u>\$ 61,772</u>	<u>\$ -</u>	<u>\$ -</u>	-0-	-0-	-0-	(61,772)
General revenues:							
Property taxes				2,440,241	-	2,440,241	97,210
State shared revenue				251,472	-	251,472	-
Investment earnings				201,274	-	201,274	358
Miscellaneous				71,940	-	71,940	2,032
Total general revenues				<u>2,964,927</u>	-0-	<u>2,964,927</u>	<u>99,600</u>
Change in net assets				(146,954)	(85,652)	(232,606)	37,828
Net assets, beginin of the year				<u>10,967,005</u>	<u>1,148,258</u>	<u>12,115,263</u>	<u>71,172</u>
Net assets, end of the year				<u>\$ 10,820,051</u>	<u>\$ 1,062,606</u>	<u>\$ 11,882,657</u>	<u>\$ 109,000</u>

See accompanying notes to financial statements.

City of Pleasant Ridge

Governmental Funds

BALANCE SHEET

June 30, 2009

	General	Local Streets	I-696 Segregated Capital Asset
ASSETS			
Cash and cash equivalents	\$ -	\$ 242,500	\$ 4,541
Investments	724,917	-	3,268,012
Receivables			
Accounts	53,375	-	-
Interest	7,056	43	12,007
Prepays	5,680	-	-
Inventory	21,160	-	-
Due from other governmental units	77,503	5,823	-
Due from other funds	164,971	44,985	-
TOTAL ASSETS	<u>\$ 1,054,662</u>	<u>\$ 293,351</u>	<u>\$ 3,284,560</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 82,662	\$ 293,351	\$ 2
Accrued wages	36,801	-	-
Accrued liabilities	34,389	-	-
Deferred revenue	44,805	-	-
Due to other governmental units	107,262	-	-
Due to other funds	71,783	-	-
TOTAL LIABILITIES	377,702	293,351	2
FUND BALANCES			
Reserved for:			
Prepays	5,680	-	-
Inventory	21,160	-	-
Segregated Capital Asset Fund corpus	-	-	3,242,872
Debt service	-	-	-
Unreserved			
Undesignated, reported in:			
General Fund	650,120	-	-
Special Revenue Funds	-	-	41,686
TOTAL FUND BALANCES	<u>676,960</u>	<u>-0-</u>	<u>3,284,558</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,054,662</u>	<u>\$ 293,351</u>	<u>\$ 3,284,560</u>

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 289,651	\$ 536,692
-	3,992,929
41,915	95,290
103	19,209
330	6,010
-	21,160
17,040	100,366
<u>201,990</u>	<u>411,946</u>
<u>\$ 551,029</u>	<u>\$ 5,183,602</u>
\$ 16,624	\$ 392,639
18,691	55,492
-	34,389
-	44,805
-	107,262
<u>9,470</u>	<u>81,253</u>
44,785	715,840
330	6,010
-	21,160
-	3,242,872
163,761	163,761
-	650,120
<u>342,153</u>	<u>383,839</u>
<u>506,244</u>	<u>4,467,762</u>
<u>\$ 551,029</u>	<u>\$ 5,183,602</u>

City of Pleasant Ridge

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

June 30, 2009

Total fund balances - governmental funds \$ 4,467,762

Amounts reported for the 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 as assets in the governmental funds.

The cost of capital assets is	\$ 12,429,588	
Accumulated depreciation is	<u>(3,487,274)</u>	

Capital assets, net		8,942,314
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Certain receivables were not collected within 60 days of year end and are not available to pay for current period expenditures. These amounts are deferred in the governmental funds. 44,805

Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds Balance Sheet. Long-term liabilities at year-end consist of:

Bonds and notes payable	(2,415,624)	
Accrued interest payable	(28,356)	
Compensated absences	<u>(190,850)</u>	
		<u>(2,634,830)</u>

Net assets of governmental activities \$ 10,820,051

See accompanying notes to financial statements.

City of Pleasant Ridge

Governmental Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2009

	General	Local Streets	I-696 Segregated Capital Asset
REVENUES			
Taxes	\$ 1,562,913	\$ -	\$ -
Licenses and permits	80,867	-	-
Intergovernmental	245,858	43,056	-
Charges for services	511,165	-	-
Fines and forfeits	50,227	-	-
Interest and rents	34,522	-	173,921
Other	67,027	-	-
TOTAL REVENUES	2,552,579	43,056	173,921
EXPENDITURES			
Current			
General government	640,889	-	35,276
Public safety	1,181,954	-	-
Public works	206,206	550,234	-
Community and economic development	18,664	-	-
Recreation and cultural	437,334	-	-
Other	196,202	-	-
Debt service	-	-	-
TOTAL EXPENDITURES	2,681,249	550,234	35,276
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(128,670)	(507,178)	138,645
OTHER FINANCING SOURCES (USES)			
Transfers in	20,809	507,178	-
Transfers out	(3,657)	-	(134,816)
TOTAL OTHER FINANCING SOURCES (USES)	17,152	507,178	(134,816)
NET CHANGE IN FUND BALANCES	(111,518)	-	3,829
Fund balances, beginning of year	788,478	-	3,280,729
Fund balances, end of year	<u>\$ 676,960</u>	<u>\$ -0-</u>	<u>\$ 3,284,558</u>

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 877,328	\$ 2,440,241
-	80,867
105,533	394,447
186,927	698,092
-	50,227
2,856	211,299
11,968	78,995
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1,184,612	3,954,168
-	676,165
-	1,181,954
463,537	1,219,977
-	18,664
268,104	705,438
-	196,202
160,723	160,723
<hr/>	<hr/>
892,364	4,159,123
292,248	(204,955)
8,657	536,644
(398,171)	(536,644)
<hr/>	<hr/>
(389,514)	-0-
(97,266)	(204,955)
603,510	4,672,717
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\$ 506,244	\$ 4,467,762
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City of Pleasant Ridge

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

Year Ended June 30, 2009

Net change in fund balances - total governmental funds **\$ (204,955)**

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

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

Capital outlay	\$ 466,716	
Depreciation expense	<u>(491,717)</u>	
Excess of depreciation expense over capital outlay		(25,001)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Increase in deferred revenue		36,778
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Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Bond and installment loan principal retirements		73,274
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Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in accrued interest payable	2,302	
(Increase) in compensated absences	<u>(29,352)</u>	
		<u>(27,050)</u>

Change in net assets of governmental activities **\$ (146,954)**

See accompanying notes to financial statements.

City of Pleasant Ridge
Proprietary Fund
STATEMENT OF NET ASSETS
June 30, 2009

	Business-type Activities Water and Sewer
ASSETS	
Current assets	
Accounts receivable	\$ 269,658
Prepays	48
Total current assets	269,706
Noncurrent assets	
Capital assets not being depreciated	1,781,483
Capital assets being depreciated, net	767,956
Total noncurrent assets	2,549,439
TOTAL ASSETS	2,819,145
LIABILITIES	
Current liabilities	
Accounts payable	58,602
Accrued interest payable	8,473
Due to other funds	330,693
Current portion of long-term debt	75,528
Total current liabilities	473,296
Noncurrent liabilities	
Noncurrent portion of long-term debt	1,283,243
TOTAL LIABILITIES	1,756,539
NET ASSETS	
Invested in capital assets, net of related debt	1,190,668
Unrestricted	(128,062)
TOTAL NET ASSETS	\$ 1,062,606

See accompanying notes to financial statements.

City of Pleasant Ridge

Proprietary Fund

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

Year Ended June 30, 2009

	Business-type Activities
	<u>Water and Sewer</u>
OPERATING REVENUES	
Charges for services	\$ 907,213
Penalties and fines	<u>20,022</u>
TOTAL OPERATING REVENUES	927,235
OPERATING EXPENSES	
Salaries and wages	49,875
Contractual services	73,413
Water purchases	135,693
Sewage treatment	349,929
Administrative charges	220,000
Repairs and maintenance	46,491
Operating supplies	3,608
Depreciation	65,571
Other	<u>32,769</u>
TOTAL OPERATING EXPENSES	<u>977,349</u>
OPERATING LOSS	(50,114)
NONOPERATING EXPENSES	
Interest expense and fees	<u>(35,538)</u>
CHANGE IN NET ASSETS	(85,652)
Net assets, beginning of year	<u>1,148,258</u>
Net assets, end of year	<u><u>\$ 1,062,606</u></u>

See accompanying notes to financial statements.

City of Pleasant Ridge

Proprietary Fund

STATEMENT OF CASH FLOWS

Year Ended June 30, 2009

	Business-type Activities <u>Water and Sewer</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers and others	\$ 879,266
Cash paid to suppliers	(862,560)
Cash paid to employees	<u>(49,875)</u>
NET CASH USED BY OPERATING ACTIVITIES	(33,169)
CASH FLOWS FROM NONCAPITAL FINANCIAL ACTIVITIES	
Receipt of interfund balances	165,722
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	(138,703)
Proceeds from issuance of long-term debt	111,644
Payments on borrowing	(69,683)
Interest expense and fees	<u>(35,897)</u>
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(132,639)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest receipts	<u>86</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	-0-
Cash and cash equivalents, beginning of year	<u>-</u>
Cash and cash equivalents, end of year	<u><u>\$ -0-</u></u>
Reconciliation of operating loss to net cash used by operating activities	
Operating loss	\$ (50,114)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation	65,571
(Increase) in accounts receivable	(47,921)
(Increase) in prepaid expenses	(48)
(Decrease) in accounts payable	<u>(657)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u><u>\$ (33,169)</u></u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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

The City of Pleasant Ridge is located in Oakland County, Michigan and has a population of approximately 2,600. The City of Pleasant Ridge operates with a City Manager/Commission form of government and provides services to its residents in many areas including general government, law enforcement, highways and streets, human services, and utilities services.

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

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

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, *The Financial Reporting Entity* (as amended by GASB Statement No. 39); and *Statement on Michigan Governmental Accounting and Auditing No. 5*, these financial statements present the financial activities of the City of Pleasant Ridge (primary government) and its component unit. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

2. Discretely Presented Component Unit

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

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

3. Joint Ventures

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

Southeastern Oakland County Resource Recovery Authority - The City is a member of the Southeastern Oakland County Resource Recovery Authority (S.O.C.R.R.A.), which is a joint venture among twelve (12) municipalities in Oakland County, including the City of Pleasant Ridge. The City appoints one (1) member of the governing board, which approves the annual budget. S.O.C.R.R.A. provides waste disposal and recycling services to its municipal communities. Principal funding for the Authority is derived from waste disposal charges to the member municipalities. For the year ended June 30, 2009, the City of Pleasant Ridge expended \$158,736 in payments to S.O.C.R.R.A.

The financial activities of S.O.C.R.R.A. are accounted for and reported separately from the participating units. Separate audited financial statements for the year ended June 30, 2009, are available at S.O.C.R.R.A.'s administrative offices. As of June 30, 2009, S.O.C.R.R.A. had net assets of \$5,781,621.

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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

3. Joint Ventures - continued

Southeastern Oakland County Water Authority - The City is a member of the Southeastern Oakland County Water Authority (S.O.C.W.A.), which is a joint venture among eleven (11) municipalities in Oakland County, including the City of Pleasant Ridge. The City appoints one (1) member of the governing board, which approves the annual budget. S.O.C.W.A provides a water supply system for use by the participating municipalities. Principal funding for the Authority is derived from water charges to the member municipalities. For the year ended June 30, 2009, the City of Pleasant Ridge expended \$135,693 in payments to S.O.C.W.A.

The financial activities of S.O.C.W.A. are accounted for and reported separately from the participating units. Separate audited financial statements for the year ended June 30, 2009, are available at S.O.C.W.A.'s administrative offices. As of June 30, 2009, S.O.C.W.A. had net assets of \$14,060,226.

4. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

FUND FINANCIAL STATEMENTS

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

The City reports the following major governmental funds:

- a. The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The Local Streets Fund is used to account for financial resources that are used for repairs and maintenance of the City's local streets.
- c. The I-696 Segregated Capital Asset Fund was established to account for the funds received from the State of Michigan in connection with condemnation proceedings instituted by the State to acquire City-owned property for the construction of interstate highway 696.

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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

4. Basis of Presentation - continued

FUND FINANCIAL STATEMENTS - CONTINUED

The City reports the following major enterprise fund:

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

5. Measurement Focus

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

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

6. Basis of Accounting

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

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

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict 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.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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

7. Budgets and Budgetary Accounting

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

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

8. Cash, Cash Equivalents, and Investments

Cash and cash equivalents consist of checking, savings, money market, and certificates of deposit.

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

Investments include U.S. Government Securities and certificates of deposit with original maturities of greater than 90 days from the date of purchase. All investments are stated at market value.

9. Due from Other Governmental Units

Due from other governmental units consists of amounts due from the State of Michigan for various payments and grants and receivables for charges for services provided to local governmental units.

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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

10. Receivables

Receivables consist of amounts due related to charges for services, interest receivable, and other amounts owed to the City at year-end.

11. Property Tax

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

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

The City is permitted by charter to levy taxes up to 20 mills (\$20 per \$1,000 of taxable valuation) for general governmental services. They are also permitted to levy additional mills specifically designated for refuse services, infrastructure improvements, library services, and pool operations and debt. For the year ended June 30, 2009, the City levied 11.4248 mills per \$1,000 of taxable valuation for general governmental services, 1.7134 for refuse services, 2.4124 for infrastructure improvements, 0.3700 for library services, 1.2722 for pool operations, and 1.0000 for pool debt. The total taxable value for the 2008 levy for property within the City was \$133,331,350.

12. Prepays

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

13. Inventory

The cost of inventory items in governmental funds is recorded as an expenditure at the time of purchase. Inventory consists of unsold postage and is stated at cost on a first in/first out basis.

14. Compensated Absences

City employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is paid for accumulated vacation and sick time. All employees with accumulated unused vacation and sick time pay at June 30, 2009 were vested and the total due to them, along with related payroll taxes, is recorded entirely in the government-wide financial statements.

15. Interfund Transactions

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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

16. Capital Assets

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

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

Infrastructure	12 - 20 years
Land improvements	15 years
Buildings and improvements	10 - 50 years
Vehicles	3 years
Equipment	5 - 15 years
Water and wastewater system	25 years
Water meters	15 years

17. Long-term Liabilities

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

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

18. Comparative Data

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

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS

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

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 6 of 1855 PA 105, MCL 21.146.

City of Pleasant Ridge

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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

- c. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
- d. The United States government or federal agency obligations repurchase agreements.
- e. Bankers' acceptances of United States banks.
- f. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The United States Congress has temporarily increased Federal Deposit Insurance Corporation (FDIC) deposit insurance from \$100,000 to \$250,000 per depositor through December 31, 2013. FDIC regulations provide that deposits of governmental units are to be separately insured for the amount of \$250,000 for deposits in an insured bank for interest-bearing savings deposits and \$250,000 for interest-bearing demand deposits. FDIC insurance coverage through its Transaction Account Insurance Program provides unlimited insurance on non-interest bearing transaction accounts and low-interest bearing (i.e., no higher than 0.50 percent) NOW accounts, this program is scheduled to end December 31, 2009. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$250,000. For the purpose of these rules, the term "savings deposits" includes NOW accounts, money market deposit accounts, and other interest-bearing checking accounts.

Deposits

As of June 30, 2009, the carrying amounts and bank balances for each type of bank account are as follows:

<u>Account Type</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
PRIMARY GOVERNMENT		
Checking and savings	\$ 535,832	\$ 544,001
Certificates of deposit	<u>2,371,531</u>	<u>2,371,531</u>
	<u>\$ 2,907,363</u>	<u>\$ 2,915,532</u>

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

Deposits of the City are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the City. As of June 30, 2009, the City accounts were insured by the FDIC for \$2,479,068 and the amount of \$436,464 was uninsured and uncollateralized.

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

City of Pleasant Ridge

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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

Investments

As of June 30, 2009, the City had the following investments:

<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Moody's Rating</u>	<u>Weighted Average Maturity</u>
PRIMARY GOVERNMENT				
Pooled Investments				
Federal Home Loan Mortgage Corp.	\$ 672,272	\$ 672,272	Aaa	2.39 years
Federal Home Loan Bank	549,579	549,579	Aaa	0.87 years
Federal National Mortgage Assoc.	300,234	300,234	Aaa	2.28 years
Federal Farm Credit	<u>99,313</u>	<u>99,313</u>	Aaa	5.38 years
	<u>\$ 1,621,398</u>	<u>\$ 1,621,398</u>		

Credit risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of June 30, 2009, rating information on the City's investments is presented above.

Interest rate risk

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

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

Concentration of credit risk

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

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

Custodial credit risk

The City will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities authorized by the Commission and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisers with which the City will do business in accordance with Commission approved policy.

City of Pleasant Ridge

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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

The cash and cash equivalents and investments referred to above have been reported in the cash and cash equivalents or investments captions on the basic financial statements, based upon criteria disclosed in Note A. The following summarizes the categorization of these amounts as of June 30, 2009:

	<u>Primary Government</u>	<u>Component Unit</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$ 536,692	\$ -	\$ 536,692
Investments	<u>3,992,929</u>	<u>-</u>	<u>3,992,929</u>
	<u>\$ 4,529,621</u>	<u>\$ -0-</u>	<u>\$ 4,529,621</u>

NOTE C: INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at June 30, 2009, are as follows:

Due to General Fund from:	
Water and Sewer Fund	<u>\$ 164,971</u>
Due to Local Streets Fund from:	
Water and Sewer Fund	<u>\$ 44,985</u>
Due to Nonmajor governmental funds from:	
General Fund	\$ 71,783
Water and Sewer Fund	120,737
Nonmajor governmental funds	<u>9,470</u>
	<u>\$ 201,990</u>

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

NOTE D: INTERFUND TRANSFERS

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

Transfers to General Fund from:	
Nonmajor governmental Funds	<u>\$ 20,808</u>
Transfer to Local Streets Fund from:	
I-696 Segregated Capital Asset Fund	\$ 129,816
Nonmajor governmental funds	<u>377,362</u>
	<u>\$ 507,178</u>

City of Pleasant Ridge

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE D: INTERFUND TRANSFERS - CONTINUED

Transfers to nonmajor governmental funds from:	
General Fund	\$ 3,657
I-696 Segregated Capital Asset Fund	<u>5,000</u>
	<u>\$ 8,657</u>

The transfers from the I-696 Segregated Capital Asset Fund and the nonmajor governmental funds to the Local Streets Fund were to fund current and future construction projects. The transfers from the General Fund and the I-696 Segregated Capital Asset Fund to the nonmajor governmental funds and the nonmajor governmental funds to the General Fund were to fund current year operations.

NOTE E: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009 was as follows:

Primary Government

	<u>Balance</u> <u>July 1, 2008</u>	<u>Additions/</u> <u>Reclassifications</u>	<u>Deletions/</u> <u>Reclassifications</u>	<u>Balance</u> <u>June 30, 2009</u>
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 1,746,700	\$ -	\$ -	\$ 1,746,700
Construction in progress	<u>286,518</u>	<u>267,667</u>	<u>(286,815)</u>	<u>267,667</u>
	2,033,515	267,667	(286,815)	2,014,367
Capital assets, being depreciated				
Land improvements	1,152,782	10,337	(353,226)	809,893
Buildings and improvements	3,583,101	14,079	-	3,597,180
Vehicles	83,089	-	(45,026)	38,063
Equipment	671,405	28,819	(357,503)	342,721
Infrastructure - streets and alleys	<u>7,095,335</u>	<u>432,629</u>	<u>(1,900,600)</u>	<u>5,627,364</u>
Subtotal	12,585,712	485,864	(2,656,355)	10,415,221
Less accumulated depreciation for:				
Land improvements	(699,949)	(54,342)	353,226	(401,065)
Buildings and improvements	(831,430)	(115,633)	-	(947,063)
Vehicles	(69,123)	(6,983)	45,026	(31,080)
Equipment	(452,933)	(33,388)	357,503	(128,818)
Infrastructure - streets and alleys	<u>(3,598,477)</u>	<u>(281,371)</u>	<u>1,900,600</u>	<u>(1,979,248)</u>
Subtotal	<u>(5,651,912)</u>	<u>(491,717)</u>	<u>2,656,355</u>	<u>(3,487,274)</u>
Net capital assets being depreciated	<u>6,933,800</u>	<u>(5,853)</u>	<u>-0-</u>	<u>6,927,947</u>
Capital assets, net	<u>\$ 8,967,315</u>	<u>\$ 261,814</u>	<u>\$ (286,815)</u>	<u>\$ 8,942,314</u>

Depreciation expense was charged to the following governmental activities:

General government	\$ 47,159
Public safety	16,857
Public works	289,859
Recreation and cultural	<u>137,842</u>
Total depreciation expense	<u>\$ 491,717</u>

City of Pleasant Ridge

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE E: CAPITAL ASSETS - CONTINUED

Primary Government - continued

	<u>Balance</u> <u>July 1, 2008</u>	<u>Additions/</u> <u>Reclassifications</u>	<u>Deletions/</u> <u>Reclassifications</u>	<u>Balance</u> <u>June 30, 2009</u>
Business-type activities				
Capital assets, not being depreciated				
Construction in progress	\$ 1,783,948	\$ 138,703	\$(141,168)	\$ 1,781,483
Capital assets, being depreciated				
Water and sewer transmission and distribution system	1,373,933	141,168	-	1,515,101
Water meters	404,997	-	-	404,997
Vehicles and miscellaneous equipment	<u>22,641</u>	<u>-</u>	<u>-</u>	<u>22,641</u>
Subtotal	1,801,571	141,168	-0-	1,942,739
Less accumulated depreciation for				
Water and sewer transmission and distribution system	(880,565)	(35,650)	-	(916,215)
Water meters	(214,769)	(27,000)	-	(241,768)
Vehicles and miscellaneous equipment	<u>(13,879)</u>	<u>(2,920)</u>	<u>-</u>	<u>(16,800)</u>
Subtotal	<u>(1,109,213)</u>	<u>(65,571)</u>	<u>-0-</u>	<u>(1,174,783)</u>
Net capital assets, being depreciated	<u>692,358</u>	<u>75,597</u>	<u>-0-</u>	<u>767,956</u>
Capital assets, net	<u>\$ 2,476,306</u>	<u>\$ 214,300</u>	<u>\$(141,168)</u>	<u>\$ 2,549,439</u>

NOTE F: LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portion) of the City for the year ended June 30, 2009.

	<u>Balance</u> <u>July 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2009</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
PRIMARY GOVERNMENT					
Governmental activities					
Pool/Fitness Center Bonds	\$ 2,375,000	\$ -	\$ 50,000	\$ 2,325,000	\$ 50,000
Building Addition Loan	3,300	-	3,300	-0-	-
DPW Improvements Loan	82,575	-	10,304	72,271	10,687
Installment Purchase Agreement	28,023	-	9,670	18,353	11,058
Compensated Absences	<u>161,498</u>	<u>101,358</u>	<u>72,006</u>	<u>190,850</u>	<u>72,006</u>
	2,650,396	101,358	145,280	2,606,474	143,751
Business-type activities					
Water and Sewer System					
George W. Kuhn Drain Bonds	<u>1,316,810</u>	<u>111,644</u>	<u>69,683</u>	<u>1,358,771</u>	<u>75,528</u>
	<u>\$ 3,967,206</u>	<u>\$ 213,002</u>	<u>\$ 214,963</u>	<u>\$ 3,965,245</u>	<u>\$ 219,279</u>

City of Pleasant Ridge

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE F: LONG-TERM DEBT - CONTINUED

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

PRIMARY GOVERNMENT

General Obligation Bonds

\$2,550,000 General Obligation Unlimited Tax Bonds dated June 1, 2003, due in annual installments ranging from \$50,000 to \$200,000 through April 1, 2028, with interest ranging from 3.125 to 4.375 percent, payable semi-annually. \$ 2,325,000

Installment Loans Agreements

\$110,000 DPW Improvements Loan dated September 23, 2004, due in annual installments ranging from \$10,687 to \$14,742 through September 1, 2014, with interest of 3.69 percent. \$ 72,271

\$41,718 Installment Purchase Agreement dated July 25, 2007, due in annual installments ranging from \$7,295 to \$11,058 through August 1, 2010, with interest of 14 percent. 18,353

\$ 90,624

Water and Sewer System George W. Kuhn Drain Bonds

The City is a participating community in the George W. Kuhn drain project. The project is administered by the Oakland County Drain Commission, and financed through the sale of drain bonds, 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 communities is obligated for the payment of principal and interest of the outstanding debt. The City's total obligation is \$1,358,771 or 1.2995% of the county's total obligation. \$ 1,358,771

Compensated Absences

Individual employees have vested rights upon termination of employment to receive payments for unused sick/vacation time. The dollar amounts of these vested rights including related payroll taxes, which have been recorded in the government-wide financial statements, amounted to \$190,850 at June 30, 2009.

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

Primary Government

Year Ending June 30,	<u>General Obligation Bonds</u>		<u>Installment Loan Agreements</u>		<u>Drain Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 50,000	\$ 94,868	\$ 21,745	\$ 5,303	\$ 75,528	\$ 33,889
2011	75,000	93,305	18,377	3,320	71,531	31,837
2012	75,000	90,868	11,491	1,863	79,480	29,730
2013	75,000	88,336	11,915	1,439	81,822	27,562
2014	75,000	85,805	12,354	1,000	83,838	25,343
2015-2019	525,000	377,371	14,742	544	454,244	91,321
2020-2024	700,000	254,746	-	-	472,115	26,617
2025-2028	<u>750,000</u>	<u>83,735</u>	<u>-</u>	<u>-</u>	<u>34,213</u>	<u>(9,906)</u>
	<u>\$ 2,325,000</u>	<u>\$ 1,169,034</u>	<u>\$ 90,624</u>	<u>\$ 13,469</u>	<u>\$ 1,358,771</u>	<u>\$ 256,393</u>

City of Pleasant Ridge

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE G: RETIREMENT PLAN

Plan Description

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

Funding Policy

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

Annual Pension Cost

For year ended June 30, 2009, the City's annual pension cost of \$124,890 for the plan was equal to the City's required and actual contribution. The estimated annual required contribution was determined as part of an actuarial valuation at December 31, 2006, using the entry age normal cost method. Actual contributions to the retirement system are based on actual reported monthly payroll. Significant actuarial assumptions used include (a) an 8.00 percent investment rate of return (b) projected salary increases of 4.5 percent per year compounded annually, attributable to inflation (c) additional salary increases ranging from 0% to 8.4% per year depending on age, seniority and merit, and (d) assumption benefits will not increase after retirement.

The actuarial value of MERS assets was determined using techniques that smooth the effects of short term volatility over a four (4) year period. The unfunded actuarial liability is being amortized as a level percentage of payroll over a period of thirty (30) years.

Three (3) year trend information

	Year Ended December 31,		
	<u>2006</u>	<u>2007</u>	<u>2008</u>
Actuarial value of assets	\$ 2,672,862	\$ 2,748,784	\$ 2,735,900
Actuarial accrued liability (AAL) (entry age)	3,826,485	3,959,143	4,137,479
Unfunded AAL	1,153,623	1,210,359	1,401,579
Funded ratio	70 %	69 %	66 %
Covered payroll	498,713	576,024	605,168
UAAL as a percentage of covered payroll	231 %	210 %	232 %

	Year Ended June 30,		
	<u>2007</u>	<u>2008</u>	<u>2009</u>
Annual pension cost	\$ 96,385	\$ 106,922	\$ 124,890
Percentage of APC contributed	100 %	100 %	100 %
Net pension obligation	-	-	-

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

City of Pleasant Ridge

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE H: CODE ENFORCEMENT FINANCIAL INFORMATION

The City has elected to report the financial activities of the code enforcement department in the General Fund. The following is the required information as it relates to this department for the year ended June 30, 2009:

REVENUES	
Licenses and permits	
Building permits	\$ 43,015
Electrical permits	2,890
Plumbing/heating permits	<u>4,160</u>
TOTAL REVENUES	50,065
EXPENDITURES	
Salaries and wages	32,000
Benefits	1,160
Operating supplies	<u>1,097</u>
TOTAL EXPENDITURES	<u>34,257</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ 15,808</u>

NOTE I: RISK MANAGEMENT

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

The City also participates in a State pool, the Michigan Municipal Risk Management Authority, with other municipalities for property and casualty losses. The pool is organized under Public Act 138 of 1982, as amended. The City has individual self-insured retention amounts of \$75,000 for Sewage System Overflows (per occurrence) and a \$250 deductible per occurrence of property and crime coverage. State pool members' limits of coverage (per occurrence) are \$15,000,000 for liability and about \$5,000,000 for property. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The City has not been informed of any special assessments being required.

NOTE J: FUND BALANCE RESERVES

Reserved fund balance is used to earmark a portion of fund equity to indicate that it is not appropriate for expenditures or has been legally segregated for a specific future use.

City of Pleasant Ridge

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE J: FUND BALANCE RESERVES - CONTINUED

The following are the various fund balance reserves as of June 30, 2009:

Primary Government		
General Fund		
Reserved for:		
Prepays	\$	5,680
Inventory		21,160
I-696 Segregated Capital Asset Fund		
Reserved for Segregated Capital Asset Fund corpus		3,242,872
Nonmajor governmental funds		
Reserved for:		
Prepays		330
Debt service		<u>163,761</u>
	\$	<u>3,433,803</u>

NOTE K: 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 Fund.

NOTE L: RESTRICTED NET ASSETS

Restrictions of net assets shown in the government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes. The following are the various net asset restrictions as of June 30, 2009:

City of Pleasant Ridge

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE L: RESTRICTED NET ASSETS - CONTINUED

Primary Government		
Governmental activities		
Restricted for debt service	\$	135,405
Restricted for segregated capital-corporis		3,242,872
Restricted for other purposes		
Streets		130,211
Solid waste services		82,608
Pool/Fitness facility operations		58,642
Public safety		20,066
Recreation and cultural		<u>50,956</u>
		<u>342,483</u>
Total restricted net assets	\$	<u>3,702,760</u>

NOTE M: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

In the required supplementary information to the financial statements, the City's budgeted expenditures for the General, Local Streets, and I-696 Segregated Capital Asset Funds have been shown at the functional classification level. The approved budgets of the City have been adopted at the activity level for the General Fund and total expenditure level for the Local Streets and I-696 Segregated Capital Asset Funds.

During the year ended June 30, 2009, the City incurred expenditures in the General Fund, Local Streets Fund, and I-696 Segregated Capital Asset Fund in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
General government			
Manager	\$ 130,378	\$ 134,509	\$ 4,131
Treasurer	118,141	122,148	4,007
General government	169,550	180,545	10,995
Post office	44,479	47,150	2,671
Public safety			
Police department	718,559	730,717	12,158
Building department	37,833	44,185	6,352
Public works			
Street lighting	29,755	35,328	5,573
Community and economic development			
Planning commission	16,959	18,664	1,705
Recreation and cultural			
Parks and recreation department	349,757	372,440	22,683
Other			
Retirement benefits	190,603	196,202	5,599
Other financing uses			
Transfers out	-	3,657	3,657
Local Streets Fund	434,747	549,952	115,205
I-696 Segregated Capital Asset Fund	127,275	170,092	42,817

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE N: GASB PRONOUNCEMENTS

The Governmental Accounting Standards Board has released Statement No. 45, *Accounting and Reporting by Employers for Post-employment Benefits Other Than Pensions*. This pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" post-employment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the new employee, rather than at the time the health care premiums are paid. This pronouncement is effective for the City of Pleasant Ridge for the year ended June 30, 2010.

In March 2009, the GASB also issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated and unreserved will be replaced with five new classifications: nonspendable, restricted, committed, assigned and unassigned. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The City will implement Statement No. 54 beginning with the fiscal year ending June 30, 2011.

REQUIRED SUPPLEMENTARY INFORMATION

City of Pleasant Ridge

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 1,548,620	\$ 1,548,620	\$ 1,562,913	\$ 14,293
Licenses and permits	79,852	79,852	80,867	1,015
Intergovernmental	291,224	291,224	245,858	(45,366)
Charges for services	489,092	492,692	511,165	18,473
Fines and forfeits	59,725	59,725	50,227	(9,498)
Interest and rents	45,300	45,300	34,522	(10,778)
Other	69,875	83,875	67,027	(16,848)
TOTAL REVENUES	2,583,688	2,601,288	2,552,579	(48,709)
EXPENDITURES				
Current				
General government				
Commission	38,191	27,260	22,984	4,276
Manager	126,045	130,378	134,509	(4,131)
Treasurer	118,141	118,141	122,148	(4,007)
Clerk	82,153	83,598	64,946	18,652
Assessor	22,659	22,659	20,333	2,326
Elections	19,515	16,515	13,571	2,944
General government	164,550	169,550	180,545	(10,995)
Attorney services	17,500	35,500	31,710	3,790
Post office	43,143	44,479	47,150	(2,671)
Cable television	3,730	3,730	2,993	737
Total general government	635,627	651,810	640,889	10,921
Public safety				
Police department	716,514	718,559	730,717	(12,158)
Fire services	407,052	407,052	407,052	-0-
Building department	37,833	37,833	44,185	(6,352)
Total public safety	1,161,399	1,163,444	1,181,954	(18,510)
Public works				
Public works services	207,352	207,352	170,878	36,474
Street lighting	29,755	29,755	35,328	(5,573)
Total public works	237,107	237,107	206,206	30,901
Community and economic development				
Planning commission	5,069	16,959	18,664	(1,705)

City of Pleasant Ridge

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES - CONTINUED				
Current - continued				
Recreation and cultural				
Parks and recreation department	\$ 306,985	\$ 349,757	\$ 372,440	\$ (22,683)
Woodward Dream Cruise	44,534	69,388	64,894	4,494
Total recreation and cultural	351,519	419,145	437,334	(18,189)
Other				
Retirement benefits	190,603	190,603	196,202	(5,599)
TOTAL EXPENDITURES	2,581,324	2,679,068	2,681,249	(2,181)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,364	(77,780)	(128,670)	(50,890)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	20,808	20,809	1
Transfers out	-	-	(3,657)	(3,657)
TOTAL OTHER FINANCING SOURCES (USES)	-0-	20,808	17,152	(3,656)
NET CHANGE IN FUND BALANCE	2,364	(56,972)	(111,518)	(54,546)
Fund balance, beginning of year	788,478	788,478	788,478	-0-
Fund balance, end of year	\$ 790,842	\$ 731,506	\$ 676,960	\$ (54,546)

City of Pleasant Ridge

Local Streets Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental - State	\$ 71,147	\$ 36,272	\$ 43,056	\$ 6,784
EXPENDITURES				
Current				
Public works				
Street maintenance	396,053	399,653	484,766	(85,113)
Traffic services	16,640	6,640	3,938	2,702
Winter maintenance	28,454	28,454	61,530	(33,076)
TOTAL EXPENDITURES	441,147	434,747	550,234	(115,487)
EXCESS OF REVENUES (UNDER) EXPENDITURES	(370,000)	(398,475)	(507,178)	(108,703)
OTHER FINANCING SOURCES				
Transfers in	370,000	411,000	507,178	96,178
NET CHANGE IN FUND BALANCE	-0-	12,525	-0-	(12,525)
Fund balance, beginning of year	-	-	-	-0-
Fund balance, end of year	\$ -0-	\$ 12,525	\$ -0-	\$ (12,525)

City of Pleasant Ridge

I-696 Segregated Capital Asset Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Interest	\$ 130,000	\$ 130,000	\$ 173,921	\$ 43,921
EXPENDITURES				
Current				
General government	-	32,275	35,276	(3,001)
EXCESS OF REVENUES OVER EXPENDITURES	130,000	97,725	138,645	40,920
OTHER FINANCING USES				
Transfers out	(130,000)	(95,000)	(134,816)	(39,816)
NET CHANGE IN FUND BALANCE	-0-	2,725	3,829	1,104
Fund balance, beginning of year	3,280,729	3,280,729	3,280,729	-0-
Fund balance, end of year	<u>\$ 3,280,729</u>	<u>\$ 3,283,454</u>	<u>\$ 3,284,558</u>	<u>\$ 1,104</u>

OTHER SUPPLEMENTARY INFORMATION

City of Pleasant Ridge

Nonmajor Governmental Funds

COMBINING BALANCE SHEET

June 30, 2009

	Special		
	Major Streets	Tree Planting Beautification	Infrastructure Improvements
ASSETS			
Cash and cash equivalents	\$ -	\$ -	\$ -
Accounts receivable	-	9,470	-
Interest receivable	26	-	-
Prepays	-	-	-
Due from other governmental units	17,040	-	-
Due from other funds	120,737	-	-
TOTAL ASSETS	\$ 137,803	\$ 9,470	\$ -0-
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 7,592	\$ -	\$ -
Accrued wages	-	-	-
Due to other funds	-	9,470	-
TOTAL LIABILITIES	7,592	9,470	-0-
FUND BALANCES			
Reserved for:			
Prepays	-	-	-
Debt service	-	-	-
Unreserved			
Undesignated, reported in:			
Special Revenue Funds	130,211	-	-
TOTAL FUND BALANCES	130,211	-0-	-0-
TOTAL LIABILITIES AND FUND BALANCES	\$ 137,803	\$ 9,470	\$ -0-

Revenue				
Solid Waste	Pool/Fitness Facility (Operating)	Drug Forfeiture	Library	Historical Commission
\$ 49,493	\$ 5,072	\$ 20,062	\$ 31,653	\$ 19,644
32,445	-	-	-	-
12	16	4	7	4
21	309	-	-	-
-	-	-	-	-
9,470	71,783	-	-	-
<u>\$ 91,441</u>	<u>\$ 77,180</u>	<u>\$ 20,066</u>	<u>\$ 31,660</u>	<u>\$ 19,648</u>
\$ 7,847	\$ 833	\$ -	\$ -	\$ 352
986	17,705	-	-	-
-	-	-	-	-
8,833	18,538	-0-	-0-	352
21	309	-	-	-
-	-	-	-	-
82,587	58,333	20,066	31,660	19,296
82,608	58,642	20,066	31,660	19,296
<u>\$ 91,441</u>	<u>\$ 77,180</u>	<u>\$ 20,066</u>	<u>\$ 31,660</u>	<u>\$ 19,648</u>

City of Pleasant Ridge

Nonmajor Governmental Funds

COMBINING BALANCE SHEET

June 30, 2009

	Debt Service		Capital
	Pool/Fitness Center Debt Service	Non-Voted Debt Service	Capital Improvements
ASSETS			
Cash and cash equivalents	\$ 160,764	\$ 2,963	\$ -
Accounts receivable	-	-	-
Interest receivable	33	1	-
Prepays	-	-	-
Due from other governmental units	-	-	-
Due from other funds	-	-	-
TOTAL ASSETS	<u>\$ 160,797</u>	<u>\$ 2,964</u>	<u>\$ -0-</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Accrued wages	-	-	-
Due to other funds	-	-	-
TOTAL LIABILITIES	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
FUND BALANCES			
Reserved for:			
Prepays	-	-	-
Debt service	160,797	2,964	-
Unreserved			
Undesignated, reported in:			
Special Revenue Funds	-	-	-
TOTAL FUND BALANCES	<u>160,797</u>	<u>2,964</u>	<u>-0-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 160,797</u>	<u>\$ 2,964</u>	<u>\$ -0-</u>

Projects		Total
Streetscape Project	Pool/ Fitness Center	Nonmajor Governmental Funds
\$ -	\$ -	\$ 289,651
-	-	41,915
-	-	103
-	-	330
-	-	17,040
-	-	201,990
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 551,029</u>
\$ -	\$ -	\$ 16,624
-	-	18,691
-	-	9,470
-0-	-0-	44,785
-	-	330
-	-	163,761
-	-	342,153
<u>-0-</u>	<u>-0-</u>	<u>506,244</u>
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 551,029</u>

City of Pleasant Ridge

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES

Year Ended June 30, 2009

	Special		
	Major Streets	Tree Planting Beautification	Infrastructure Improvements
REVENUES			
Taxes	\$ -	\$ -	\$ 313,993
Intergovernmental	105,533	-	-
Charges for services	-	-	-
Interest and rents	549	-	593
Other	-	9,448	-
TOTAL REVENUES	106,082	9,448	314,586
EXPENDITURES			
Current			
Public works	87,947	-	-
Recreation and cultural	-	13,105	-
Debt service	-	-	-
TOTAL EXPENDITURES	87,947	13,105	-0-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	18,135	(3,657)	314,586
OTHER FINANCING SOURCES (USES)			
Transfers in	-	3,657	-
Transfers out	(51,000)	-	(326,362)
TOTAL OTHER FINANCING SOURCES (USES)	(51,000)	3,657	(326,362)
NET CHANGE IN FUND BALANCES	(32,865)	-0-	(11,776)
Fund balances, beginning of year	163,076	-	11,776
Fund balances, end of year	<u>\$ 130,211</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

Revenue				
Solid Waste	Pool/Fitness Facility (Operating)	Drug Forfeiture	Library	Historical Commission
\$ 223,010	\$ 163,916	\$ -	\$ 47,676	\$ -
-	-	-	-	-
136,258	43,115	-	-	7,554
435	316	63	172	52
-	-	1,620	-	900
359,703	207,347	1,683	47,848	8,506
375,590	-	-	-	-
-	203,234	-	48,443	3,322
-	-	-	-	-
375,590	203,234	-0-	48,443	3,322
(15,887)	4,113	1,683	(595)	5,184
-	-	-	-	-
-	-	-	-	-
-0-	-	-0-	-0-	-0-
(15,887)	4,113	1,683	(595)	5,184
98,495	54,529	18,383	32,255	14,112
\$ 82,608	\$ 58,642	\$ 20,066	\$ 31,660	\$ 19,296

City of Pleasant Ridge

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES

Year Ended June 30, 2009

	Debt Service		Capital
	Pool/Fitness Center Debt Service	Non-Voted Debt Service	Capital Improvements
REVENUES			
Taxes	\$ 128,733	\$ -	\$ -
Intergovernmental	-	-	-
Charges for services	-	-	-
Interest and rents	670	6	-
Other	-	-	-
TOTAL REVENUES	129,403	6	-0-
EXPENDITURES			
Current			
Public works	-	-	-
Recreation and cultural	-	-	-
Debt service	147,369	13,354	-
TOTAL EXPENDITURES	147,369	13,354	-0-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(17,966)	(13,348)	-0-
OTHER FINANCING SOURCES (USES)			
Transfers in	-	5,000	-
Transfers out	-	-	(3,349)
TOTAL OTHER FINANCING SOURCES (USES)	-0-	5,000	(3,349)
NET CHANGE IN FUND BALANCES	(17,966)	(8,348)	(3,349)
Fund balances, beginning of year	178,763	11,312	3,349
Fund balances, end of year	<u>\$ 160,797</u>	<u>\$ 2,964</u>	<u>\$ -0-</u>

Projects		Total
Streetscape Project	Pool/ Fitness Center	Nonmajor Governmental Funds
\$ -	\$ -	\$ 877,328
-	-	105,533
-	-	186,927
-	-	2,856
-	-	11,968
-0-	-0-	1,184,612
-	-	463,537
-	-	268,104
-	-	160,723
-0-	-0-	892,364
-0-	-0-	292,248
-	-	8,657
(8,959)	(8,501)	(398,171)
(8,959)	(8,501)	(389,514)
(8,959)	(8,501)	(97,266)
8,959	8,501	603,510
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 506,244</u>

City of Pleasant Ridge

Component Unit Fund

BALANCE SHEET - DOWNTOWN DEVELOPMENT AUTHORITY

June 30, 2009

ASSETS	
Interest receivable	\$ 22
Due from other governmental units	107,262
Prepays	<u>2,160</u>
TOTAL ASSETS	<u>\$ 109,444</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts payable	\$ 444
FUND BALANCE	
Reserved for prepaids	2,160
Unreserved - undesignated	<u>106,840</u>
TOTAL FUND BALANCE	<u>109,000</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 109,444</u>

Note: Reconciliation of the balance sheet of the component unit's governmental fund to the statement of net assets is not required as the fund balance was equal to the net assets as of June 30, 2009.

City of Pleasant Ridge

Component Unit Fund

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

Year Ended June 30, 2009

REVENUES	
Taxes	\$ 97,210
Interest	358
Other	<u>2,032</u>
TOTAL REVENUES	99,600
EXPENDITURES	
Current	
Community and economic development	<u>61,772</u>
NET CHANGE IN FUND BALANCE	37,828
Fund balance, beginning of year	<u>71,172</u>
Fund balance, end of year	<u><u>\$ 109,000</u></u>

Note: Reconciliation of the statement of revenues, expenditures, and changes in fund balance of the component unit's governmental fund to the statement of activities is not required as the net change in fund balance was equal to the change in net assets for the year ended June 30, 2009.

Principals

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



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

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

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

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

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 as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 30, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal controls. We consider the following deficiencies to be significant deficiencies in internal control:

2009-1 MATERIAL JOURNAL ENTRIES

Statement on Auditing Standards No. 112 (SAS 112), Communicating Internal Control Related Matters Identified in an Audit, emphasizes that management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows (where applicable), including the notes to the financial statements, in conformity with U.S. generally accepted accounting principles. The auditor cannot be a part of internal controls.

A material journal entry for the proper recognition of accounts payable was proposed by the auditors. This journal entry was necessary for the financial statements to be fairly presented as described in the preceding paragraph and was not detected by the City's internal control over financial reporting. Through the identification of material journal entries that were not otherwise identified by management, the auditors are effectively part of the City's internal controls. We recommend that the City take steps to ensure that material journal entries are not necessary at the time future audit analysis is performed.

A *material weakness* is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We believe that the significant deficiency described above as 2009-1 is a material weakness.

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 one (1) instance of noncompliance which is described below.

2009-2 BUDGETS

As noted in the financial statements, some of the activities and funds of the City exceeded the amounts appropriated. The variances noted were in the General Fund, Local Street Fund, and I-696 Segregated Capital Asset Fund. Michigan Public Act 621 of 1978, as amended, provides that the City adopt formal budgets for all applicable General and Special Revenue Funds, and shall not incur expenditures in excess of the amounts appropriated. Also, the Public Act requires amendments to be performed prior to incurring additional expenditures. A similar issue was noted and reported in our audit comments last year.

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

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

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

October 30, 2009