

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

**FINANCIAL STATEMENTS**

**June 30, 2010**

City of Pleasant Ridge

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INDEPENDENT AUDITOR'S REPORT

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

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, 2010, 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, 2010, and the respective changes in financial position and cash flows, where applicable, 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

September 30, 2010

City of Pleasant Ridge

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2010

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, 2010. 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, 2010:

- General Fund property tax revenue, the largest revenue source in the General Fund, remained fairly constant at approximately 1.563 million. The operating millage rate remained constant at 11.4248 along with taxable values remaining steady.
- Investment income continued to decrease during the current year as a result of the declining market conditions. As a direct correlation, banking service fees have increased. Total revenue decreased from approximately \$178,000 in 2009 to approximately \$125,000 in 2010, an overall decrease of 30 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:

	<u>6/30/2008</u>	<u>6/30/2009</u>	<u>6/30/2010</u>	<u>Change from Prior Year</u> <u>in dollars</u>	<u>as a percent</u>
Capital assets	\$ 8,967,315	\$ 8,942,314	\$ 8,557,931	\$( 384,383 )	(4.30)
Other assets	<u>5,047,212</u>	<u>5,102,351</u>	<u>4,937,761</u>	( 164,590 )	(3.23)
Total assets	14,014,527	14,044,665	13,495,692	( 548,973 )	(3.91)
Long-term liabilities	2,415,622	2,462,723	2,576,902	114,179	4.64
Other liabilities	<u>631,900</u>	<u>761,889</u>	<u>358,292</u>	( 403,597 )	(52.97)
Total liabilities	3,047,522	3,224,612	2,935,194	( 289,418 )	(8.97)
Net Assets:					
Invested in capital assets, net of related debt	6,478,417	6,526,690	6,205,494	( 321,196 )	(4.92)
Restricted	3,815,724	3,720,762	3,951,859	231,097	6.21
Unrestricted	<u>672,864</u>	<u>572,601</u>	<u>403,145</u>	( 169,456 )	(29.59)
	<u>\$ 10,967,005</u>	<u>\$ 10,820,053</u>	<u>\$ 10,560,498</u>	<u>\$( 259,555 )</u>	<u>(2.39)</u>

City of Pleasant Ridge

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2010

	<u>6/30/2008</u>	<u>6/30/2009</u>	<u>6/30/2010</u>	<u>Change from Prior Year</u> <u>in dollars</u>	<u>as a percent</u>
<b>Revenue</b>					
Program revenues:					
Charges for services	\$ 739,239	\$ 846,266	\$ 842,015	\$ 4,251	(0.50)
Operating grants and contributions	183,766	179,753	159,227	( 20,526 )	(11.42)
Capital grants and contributions	57,820	-	-	-	-
General revenues:					
Property taxes	2,478,515	2,440,241	2,446,813	6,572	0.27
State shared revenues	268,675	251,472	223,659	( 27,813 )	(11.06)
Investment and other	<u>297,710</u>	<u>272,934</u>	<u>194,937</u>	<u>( 77,997 )</u>	<u>(28.57)</u>
Total revenue	4,025,725	3,990,666	3,866,651	( 124,015 )	(3.11)
<b>Expenses</b>					
General government	698,964	766,668	755,106	( 11,562 )	(1.51)
Public safety	1,190,844	1,249,327	1,364,873	115,546	9.25
Public works	1,002,406	1,097,983	1,129,600	31,617	2.88
Community and economic development	75,329	63,819	16,047	( 47,772 )	(74.86)
Culture and recreation	833,470	874,674	761,947	( 112,727 )	(12.89)
Interest on long-term debt	<u>108,169</u>	<u>85,147</u>	<u>98,631</u>	<u>13,484</u>	<u>15.84</u>
Total expenses	<u>3,909,182</u>	<u>4,137,618</u>	<u>4,126,204</u>	<u>( 11,414 )</u>	<u>(0.28)</u>
<b>Change in Net Assets</b>	<u>\$ 116,543</u>	<u>\$ ( 146,952 )</u>	<u>\$ ( 259,553 )</u>	<u>\$ ( 112,601 )</u>	<u>76.62</u>

The City's governmental net assets decreased 2.4 percent from a year ago, decreasing from approximately \$10.82 million to \$10.56 million. Total government revenues were \$3,866,651 while total governmental expenses were \$4,126,204, resulting in an overall decrease in net assets of \$259,553.

Total governmental revenues decreased approximately \$124,000 or 3.11 percent. Decreases in state shared revenues of approximately \$32,000 and interest income of \$59,000 account for the majority of this decrease. In addition, federal grant revenues also decreased approximately \$11,000 or 73 percent.

The City's total governmental expenditures decreased approximately \$11,000 or 0.27 percent from the prior year. The City benefited from decreases to city attorney expenses of approximately \$4,300, Woodward Dream Cruise expenses of approximately \$28,000, and investment penalties of approximately \$32,000. Offsetting these decreases in expenditures, were increases related to public works.

**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:

	<u>6/30/2008</u>	<u>6/30/2009</u>	<u>6/30/2010</u>	<u>Change from Prior Year</u> <u>in dollars</u>	<u>as a percent</u>
Capital assets	\$ 2,476,306	\$ 2,549,439	\$ 2,384,291	\$ ( 165,148 )	(6.48)
Other assets	<u>56,852</u>	<u>269,706</u>	<u>294,266</u>	<u>24,560</u>	<u>9.11</u>
Total assets	2,533,158	2,819,145	2,678,557	( 140,588 )	(4.99)
Long-term liabilities	1,247,660	1,283,243	1,199,480	( 83,763 )	(6.53)
Other liabilities	<u>137,240</u>	<u>473,296</u>	<u>408,050</u>	<u>( 65,246 )</u>	<u>(13.79)</u>
Total liabilities	1,384,900	1,756,539	1,607,530	( 149,009 )	(8.48)
<b>Net Assets:</b>					
Invested in capital assets, net of related debt	1,159,496	1,190,668	1,113,260	( 77,408 )	(6.50)
Unrestricted	<u>( 11,238 )</u>	<u>( 128,062 )</u>	<u>( 42,233 )</u>	<u>85,829</u>	<u>(67.02)</u>
	<u>\$ 1,148,258</u>	<u>\$ 1,062,606</u>	<u>\$ 1,071,027</u>	<u>\$ 8,421</u>	<u>0.79</u>

City of Pleasant Ridge

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2010

	<u>6/30/2008</u>	<u>6/30/2009</u>	<u>6/30/2010</u>	<u>Change from Prior Year</u> <u>in dollars</u>	<u>as a percent</u>
<b>Revenue</b>					
Program revenues:					
Charges for services	\$ 1,010,446	\$ 927,235	\$ 1,032,015	\$ 104,780	11.30
General revenues:					
Investment and other	<u>2,134</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue	1,012,580	927,235	1,032,015	104,780	11.30
<b>Expenses</b>					
Water and sewer	<u>986,672</u>	<u>1,012,887</u>	<u>1,023,594</u>	<u>10,707</u>	1.06
<b>Change in Net Assets</b>	<u>\$ 25,908</u>	<u>\$( 85,652 )</u>	<u>\$ 8,421</u>	<u>\$ 94,073</u>	(109.83)

The City's business-type activities consist of the Water and Sewer Fund. The City provides water and sewer services to residents through contacts or consortiums with the Detroit Water and Sewerage Department. Total net assets of the business-type activities increased approximately \$8,400, or 0.79 percent, from a year ago. The current year resulted in operating income of \$81,834 compared to prior year loss from operations of \$50,114. The increase is a result in increased user fees charged by the City and decreased costs related to contracted services and administration fees. The total cost of water purchased and sewage treatment expenses increased approximately 5 percent from the prior year.

### The City's Funds

Our analysis of the City's major funds begins on page 3, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the City as a whole. The City Commission creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The City's major funds for the current year include the General Fund, the Solid Waste Fund, 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 \$1.13 million in 2010, which was a decrease of \$5,254, or 0.5 percent, from 2009. Total General Fund revenues decreased from a year ago by \$7,612, due primarily to state shared revenue cuts, reduced charges for services and interest earnings. Total General Fund expenditures for 2010 were greater than revenues resulting in a decrease in fund balance of \$53,108. Ending fund balance was \$623,852, of which \$601,588 was unreserved. Unreserved fund balance represents 23 percent of total general fund expenditures.

### 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 estimated decreases in state shared revenues, license and permit revenues and charges for services. Overall, revenues exceeded the amended budget by \$74,434 and expenditures were in excess of the amended budget by \$124,760. The public works department was a significant factor in the expenditure overage due to repairs and clean up that were necessary following several severe weather storms that occurred at the end of the fiscal year.

### Capital Asset and Debt Administration

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2010, amounted to \$10,942,222, 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 \$27,000 to Elm Park, new police vehicle and related equipment purchases totaling \$27,000, new street signs purchased for approximately \$22,000 and new recreation center fitness equipment for approximately \$14,000.

City of Pleasant Ridge

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2010

As of June 30, 2010, the City had total debt outstanding of \$3,995,695. The outstanding debt consists of general obligation bonds, accrued compensated absences, other post-employment benefit obligations 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 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 2010-2011 budget.

**Contacting the City's Management**

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

## **BASIC FINANCIAL STATEMENTS**



## City of Pleasant Ridge

## STATEMENT OF NET ASSETS

June 30, 2010

	Primary Government			Component
	Governmental	Business-type	Total	Unit
	Activities	Activities		(DDA)
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 1,494,193	\$ -	\$ 1,494,193	\$ 4,875
Investments	928,396	-	928,396	-
Receivables	75,892	294,238	370,130	-
Prepays	4,701	28	4,729	1,344
Inventory	17,759	-	17,759	-
Due from other governmental units	105,955	-	105,955	-
Internal balances	264,973	(264,973)	-0-	-
Total current assets	2,891,869	29,293	2,921,162	6,219
Noncurrent assets				
Investments	2,045,892	-	2,045,892	-
Capital assets not being depreciated	1,772,531	124,750	1,897,281	72,500
Capital assets being depreciated, net	6,785,400	2,259,541	9,044,941	3,420
Total noncurrent assets	10,603,823	2,384,291	12,988,114	75,920
TOTAL ASSETS	13,495,692	2,413,584	15,909,276	82,139
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	152,347	55,039	207,386	1,139
Accrued liabilities	31,462	2,500	33,962	-
Accrued interest payable	26,827	8,579	35,406	-
Unearned revenue	5,302	-	5,302	-
Current portion of compensated absences	44,992	-	44,992	-
Current portion of long-term debt	97,362	76,959	174,321	-
Total current liabilities	358,292	143,077	501,369	1,139
Noncurrent liabilities				
Noncurrent portion of compensated absences	150,136	-	150,136	-
Noncurrent portion of long-term debt	2,255,075	1,194,072	3,449,147	-
Net other post-employment benefits obligation	171,691	5,408	177,099	-
Total noncurrent liabilities	2,576,902	1,199,480	3,776,382	-0-
TOTAL LIABILITIES	2,935,194	1,342,557	4,277,751	1,139
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	6,205,494	1,113,260	7,318,754	75,920
Restricted for:				
Debt service	119,178	-	119,178	-
Segregated capital-corpus	3,242,872	-	3,242,872	-
Other purposes	589,809	-	589,809	-
Unrestricted	403,145	(42,233)	360,912	5,080
TOTAL NET ASSETS	\$ 10,560,498	\$ 1,071,027	\$ 11,631,525	\$ 81,000

See accompanying notes to financial statements.

City of Pleasant Ridge  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2010

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		Total	
				Governmental Activities	Business-type Activities		
Primary government							
Governmental activities							
General government	\$ 755,106	\$ 467,884	\$ 12,941	\$ (274,281)	\$ -	\$ (274,281)	\$ -
Public safety	1,364,873	58,499	-	(1,306,374)	-	(1,306,374)	-
Public works	1,129,600	165,188	146,286	(818,126)	-	(818,126)	-
Community and economic development	16,047	29,225	-	13,178	-	13,178	-
Recreation and cultural	761,947	121,219	-	(640,728)	-	(640,728)	-
Interest on long-term debt	98,631	-	-	(98,631)	-	(98,631)	-
Total governmental activities	4,126,204	842,015	159,227	(3,124,962)	-0-	(3,124,962)	-0-
Business-type activities							
Water and sewer	1,023,594	1,032,015	-	-	8,421	8,421	-
Total primary government	\$ 5,149,798	\$ 1,874,030	\$ 159,227	(3,124,962)	8,421	(3,116,541)	-0-
Component unit							
Downtown Development Authority	\$ 126,135	\$ -0-	\$ -0-	-0-	-0-	-0-	(126,135)
General revenues							
Property taxes				2,446,813	-	2,446,813	95,378
State shared revenue				223,659	-	223,659	-
Investment earnings				141,233	-	141,233	-
Miscellaneous				53,704	-	53,704	2,757
Total general revenues				2,865,409	-0-	2,865,409	98,135
Change in net assets				(259,553)	8,421	(251,132)	(28,000)
Net assets, beginning of the year				10,820,051	1,062,606	11,882,657	109,000
Net assets, end of the year				\$ 10,560,498	\$ 1,071,027	\$ 11,631,525	\$ 81,000

See accompanying notes to financial statements.

## City of Pleasant Ridge

## Governmental Funds

## BALANCE SHEET

June 30, 2010

	General	Solid Waste	I-696 Segregated Capital Asset
<b>ASSETS</b>			
Cash and cash equivalents	\$ 375,723	\$ 34,581	\$ 406,579
Investments	-	-	2,974,288
Receivables			
Accounts	28,336	39,439	-
Interest	-	-	8,117
Prepays	4,505	8	-
Inventory	17,759	-	-
Due from other governmental units	83,170	-	-
Due from other funds	264,973	-	-
<b>TOTAL ASSETS</b>	<b>\$ 774,466</b>	<b>\$ 74,028</b>	<b>\$ 3,388,984</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 117,537	\$ 22,208	\$ -
Accrued wages	7,607	-	-
Accrued liabilities	20,168	-	-
Deferred revenue	5,302	-	-
<b>TOTAL LIABILITIES</b>	<b>150,614</b>	<b>22,208</b>	<b>-0-</b>
<b>FUND BALANCES</b>			
Reserved for:			
Prepays	4,505	8	-
Inventory	17,759	-	-
Segregated Capital Asset Fund corpus	-	-	3,242,872
Debt service	-	-	-
Unreserved			
Undesignated, reported in:			
General Fund	601,588	-	-
Special Revenue Funds	-	51,812	146,112
<b>TOTAL FUND BALANCES</b>	<b>623,852</b>	<b>51,820</b>	<b>3,388,984</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 774,466</b>	<b>\$ 74,028</b>	<b>\$ 3,388,984</b>

Nonmajor Governmental Funds	Total Governmental Funds
\$ 677,310	\$ 1,494,193
-	2,974,288
-	67,775
-	8,117
188	4,701
-	17,759
22,785	105,955
-	264,973
<u>\$ 700,283</u>	<u>\$ 4,937,761</u>
\$ 12,602	\$ 152,347
3,687	11,294
-	20,168
-	5,302
<u>16,289</u>	<u>189,111</u>
188	4,701
-	17,759
-	3,242,872
146,005	146,005
-	601,588
<u>537,801</u>	<u>735,725</u>
<u>683,994</u>	<u>4,748,650</u>
<u>\$ 700,283</u>	<u>\$ 4,937,761</u>

City of Pleasant Ridge

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

June 30, 2010

**Total fund balances - governmental funds** **\$ 4,748,650**

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	\$ 12,530,504	
Accumulated depreciation is	<u>(3,972,573)</u>	
Capital assets, net		8,557,931

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 payable, loans, and installment purchase agreements	2,352,437	
Accrued interest payable	26,827	
Compensated absences	195,128	
Net other post-employment benefits obligation	<u>171,691</u>	
		<u>(2,746,083)</u>

**Net assets of governmental activities** **\$ 10,560,498**

## City of Pleasant Ridge

## Governmental Funds

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

Year Ended June 30, 2010

	General	Solid Waste	I-696 Segregated Capital Asset
REVENUES			
Taxes	\$ 1,563,609	\$ 222,280	\$ -
Licenses and permits	79,582	-	-
Intergovernmental	277,038	-	-
Charges for services	486,945	162,439	-
Fines and forfeits	54,025	-	-
Interest and rents	24,523	-	130,712
Other	59,245	-	-
TOTAL REVENUES	2,544,967	384,719	130,712
EXPENDITURES			
Current			
General government	667,676	-	-
Public safety	1,160,607	-	-
Public works	230,080	415,507	-
Community and economic development	16,047	-	-
Recreation and cultural	362,576	-	-
Other	183,729	-	-
Capital outlay	-	-	-
Debt service	-	-	-
TOTAL EXPENDITURES	2,620,715	415,507	-0-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(75,748)	(30,788)	130,712
OTHER FINANCING SOURCES (USES)			
Transfers in	27,286	-	-
Transfers out	(4,646)	-	(26,286)
Installment purchase agreement	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	22,640	-0-	(26,286)
NET CHANGE IN FUND BALANCES	(53,108)	(30,788)	104,426
Fund balances, beginning of year	676,960	82,608	3,284,558
Fund balances, end of year	\$ 623,852	\$ 51,820	\$ 3,388,984

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 660,924	\$ 2,446,813
-	79,582
146,287	423,325
48,022	697,406
-	54,025
-	155,235
1,302	60,547
856,535	3,916,933
1,966	669,642
-	1,160,607
170,088	815,675
-	16,047
241,868	604,444
-	183,729
22,554	22,554
177,196	177,196
613,672	3,649,894
242,863	267,039
371,847	399,133
(368,201)	(399,133)
13,849	13,849
17,495	13,849
260,358	280,888
423,636	4,467,762
\$ 683,994	\$ 4,748,650

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, 2010

**Net change in fund balances - total governmental funds** **\$ 280,888**

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	\$ 100,916	
Depreciation expense	<u>(485,299)</u>	
Excess of depreciation expense over capital outlay		(384,383)

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

(Decrease) in deferred revenue		(44,805)
--------------------------------	--	----------

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:

Installment purchase agreement	(13,849)	
Bond and installment loan principal retirements	<u>77,036</u>	
		63,187

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in accrued interest payable	1,529	
(Increase) in compensated absences	(4,278)	
(Increase) in net other post-employment benefits obligation	<u>(171,691)</u>	
		<u>(174,440)</u>

<b>Change in net assets of governmental activities</b>		<b><u><u>\$ (259,553)</u></u></b>
--------------------------------------------------------	--	-----------------------------------



City of Pleasant Ridge  
Proprietary Fund  
STATEMENT OF NET ASSETS  
June 30, 2010

	Business-type Activities <u>Water and Sewer</u>
<b>ASSETS</b>	
Current assets	
Accounts receivable	\$ 294,238
Prepays	<u>28</u>
Total current assets	294,266
Noncurrent assets	
Capital assets not being depreciated	124,750
Capital assets being depreciated, net	<u>2,259,541</u>
Total noncurrent assets	<u>2,384,291</u>
TOTAL ASSETS	2,678,557
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	55,039
Accrued interest payable	8,579
Other accrued liabilities	2,500
Due to other funds	264,973
Current portion of long-term debt	<u>76,959</u>
Total current liabilities	408,050
Noncurrent liabilities	
Noncurrent portion of long-term debt	1,194,072
Net other post-employment benefits obligation	<u>5,408</u>
Total noncurrent liabilities	<u>1,199,480</u>
TOTAL LIABILITIES	<u>1,607,530</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	1,113,260
Unrestricted	<u>(42,233)</u>
TOTAL NET ASSETS	<u>\$ 1,071,027</u>

City of Pleasant Ridge

Proprietary Fund

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

Year Ended June 30, 2010

	Business-type Activities <u>Water and Sewer</u>
OPERATING REVENUES	
Charges for services	\$ 1,007,895
Penalties and fines	<u>24,120</u>
TOTAL OPERATING REVENUES	1,032,015
OPERATING EXPENSES	
Salaries and wages	57,348
Contractual services	57,919
Water purchases	137,821
Sewage treatment	373,187
Administrative charges	176,200
Operating supplies	3,581
Depreciation	114,779
Other	<u>29,346</u>
TOTAL OPERATING EXPENSES	<u>950,181</u>
OPERATING INCOME	81,834
NONOPERATING REVENUES (EXPENSES)	
Interest expense and fees	(35,971)
Loss on disposal of assets	<u>(37,442)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(73,413)</u>
CHANGE IN NET ASSETS	8,421
Net assets, beginning of year	<u>1,062,606</u>
Net assets, end of year	<u><u>\$ 1,071,027</u></u>

City of Pleasant Ridge  
Proprietary Fund  
STATEMENT OF CASH FLOWS  
Year Ended June 30, 2010

	Business-type Activities <u>Water and Sewer</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers and others	\$ 1,007,435
Cash paid to suppliers	(773,689)
Cash paid to employees	<u>(57,348)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	176,398
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Payment of interfund balances	(65,720)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Payments on borrowing	(74,813)
Interest expense and fees	<u>(35,865)</u>
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(110,678)</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 income to net cash provided by operating activities	
Operating income	\$ 81,834
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	114,779
(Increase) in receivables	(24,580)
Decrease in prepaids	20
(Decrease) in payables	(1,063)
Increase in net other post-employment benefit obligations	<u>5,408</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 176,398</u></u>
Noncash capital and related financing activities:	
Elimination of borrowing	<u><u>\$ 12,927</u></u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

**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, 2010, the City of Pleasant Ridge expended \$156,624 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, 2010, are available at S.O.C.R.R.A.'s administrative offices. As of June 30, 2010, S.O.C.R.R.A. had net assets of \$5,990,778.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

**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, 2010, the City of Pleasant Ridge expended \$137,821 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, 2010, are available at S.O.C.W.A.'s administrative offices. As of June 30, 2010, S.O.C.W.A. had net assets of \$15,158,116.

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 Solid Waste Fund is used to account for financial resources that are used for solid waste management and clean up.
- 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, 2010

**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, 2010

**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**

The City pools cash resources of various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balances in the pooled cash accounts are available to meet current operating requirements. Cash in excess of current requirements is invested in various interest bearing securities and disclosed as part of the City's investments. Cash consists of checking, savings, and money market accounts. Cash equivalents consist of temporary investments in mutual funds and certificates of deposit with original maturities of 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, 2010

**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, 2010, 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, 0.4100 for library services, 1.2722 for pool operations, and 1.0000 for pool debt. The total taxable value for the 2009 levy for property within the City was \$133,572,443.

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, 2010 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, 2010

**NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED****16. Capital Assets**

Capital assets 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
Software	3 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.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2010

**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.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured up to \$250,000 for interest-bearing savings deposits in an insured bank and up to \$250,000 for interest-bearing demand deposits at participating FDIC-insured institutions. FDIC insurance coverage through its Transaction Account Guarantee (TAG) Program provides unlimited insurance on non-interest bearing transaction accounts and low-interest bearing (i.e., no higher than 0.50 percent through June 30, 2010 and 0.25 percent after July 1, 2010) NOW accounts. This program is scheduled to end December 31, 2010, unless extended by the FDIC. Furthermore, if specific deposits are regulated by statute or bond indenture, these deposits are to be separately insured up to \$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. Beginning December 31, 2010 through December 31, 2012, deposits held in noninterest-bearing transaction accounts will have unlimited coverage at all FDIC-insured institutions.

Deposits

As of June 30, 2010, 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	\$ 1,469,336	\$ 1,521,008
Certificates of deposit	<u>2,470,933</u>	<u>2,470,933</u>
TOTAL PRIMARY GOVERNMENT	3,940,269	3,991,941
COMPONENT UNIT		
Checking and savings	<u>4,875</u>	<u>4,875</u>
TOTAL REPORTING ENTITY	<u>\$ 3,945,144</u>	<u>\$ 3,996,816</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, 2010, the City accounts were insured by the FDIC for \$3,923,411 and the amount of \$73,405 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, 2010

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

Investments

As of June 30, 2010, 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>
<b>PRIMARY GOVERNMENT</b>				
Pooled Investments				
Federal Home Loan Mortgage Corp.	\$ 101,573	\$ 101,573	Aaa	5.21 years
Federal Home Loan Bank	201,188	201,188	Aaa	4.83 years
Federal National Mortgage Assoc.	200,594	200,594	Aaa	2.38 years
Uncategorized pooled investment	<u>23,997</u>	<u>23,997</u>	P1	N/A
	<u>\$ 527,352</u>	<u>\$ 527,352</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). Rating information on the City's investments as of June 30, 2010, 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.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2010

**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, 2010:

	Primary Government	Component Unit	Reporting Entity
Cash and cash equivalents	\$ 1,494,193	\$ 4,875	\$ 1,499,068
Investments	<u>2,974,288</u>	<u>-</u>	<u>2,974,288</u>
	<u>\$ 4,468,481</u>	<u>\$ 4,875</u>	<u>\$ 4,473,356</u>

**NOTE C: INTERFUND RECEIVABLES AND PAYABLES**

The amount of interfund receivables and payables at June 30, 2010, are as follows:

Due to General Fund from:	
Water and Sewer Fund	<u>\$ 264,973</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:	
I-696 Segregated Capital Asset Fund	\$ 14,286
Nonmajor governmental funds	<u>13,000</u>
	<u>\$ 27,286</u>
Transfers to nonmajor governmental funds from:	
General Fund	\$ 4,646
I-696 Segregated Capital Asset Fund	12,000
Nonmajor governmental funds	<u>355,201</u>
	<u>\$ 371,847</u>

The transfers made to the General Fund from the I-696 Segregated Capital Assets Fund were to fund current year operations. The transfers made to the General Fund from the nonmajor governmental funds were to fund capital asset purchases. The transfers made to the nonmajor governmental funds from the General Fund were to fund current year operations. The transfers made to the nonmajor governmental funds from the I-696 Segregated Capital Assets Fund were for debt payments. The transfers made to the nonmajor governmental funds from other nonmajor governmental funds were to finance current projects.

City of Pleasant Ridge  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

**NOTE E: CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2010, was as follows:

**Primary Government**

	<u>Balance July 1, 2009</u>	<u>Additions/ Reclassifications</u>	<u>Deletions/ Reclassifications</u>	<u>Balance June 30, 2010</u>
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 1,746,700	\$ -	\$ -	\$ 1,746,700
Construction in progress	<u>267,667</u>	<u>6,413</u>	<u>( 248,249 )</u>	<u>25,831</u>
Subtotal	2,014,367	6,413	( 248,249 )	1,772,531
Capital assets being depreciated				
Land improvements	809,893	21,685	-	831,578
Buildings and improvements	3,597,180	-	-	3,597,180
Vehicles	38,063	21,377	-	59,440
Equipment	342,721	19,224	-	361,945
Software	-	5,530	-	5,530
Infrastructure - streets and alleys	<u>5,627,364</u>	<u>274,936</u>	<u>-</u>	<u>5,902,300</u>
Subtotal	10,415,221	342,752	-0-	10,757,973
Less accumulated depreciation for:				
Land improvements	( 401,065 )	( 53,437 )	-	( 454,502 )
Buildings and improvements	( 947,063 )	( 113,542 )	-	( 1,060,605 )
Vehicles	( 31,080 )	( 11,259 )	-	( 42,339 )
Equipment	( 128,818 )	( 31,731 )	-	( 160,549 )
Software	-	( 1,843 )	-	( 1,843 )
Infrastructure - streets and alleys	<u>( 1,979,248 )</u>	<u>( 273,487 )</u>	<u>-</u>	<u>( 2,252,735 )</u>
Subtotal	<u>( 3,487,274 )</u>	<u>( 485,299 )</u>	<u>-0-</u>	<u>( 3,972,573 )</u>
Net capital assets being depreciated	<u>6,927,947</u>	<u>( 142,547 )</u>	<u>-0-</u>	<u>6,785,400</u>
Capital assets, net	<u>\$ 8,942,314</u>	<u>\$ ( 136,134 )</u>	<u>\$ ( 248,249 )</u>	<u>\$ 8,557,931</u>

Depreciation expense was charged to the following governmental activities:

General government	\$ 48,983
Public safety	18,158
Public works	281,656
Recreation and cultural	<u>136,502</u>
Total depreciation expense	<u>\$ 485,299</u>

City of Pleasant Ridge  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

**NOTE E: CAPITAL ASSETS - CONTINUED**

**Primary Government - continued**

	<u>Balance July 1, 2009</u>	<u>Additions/ Reclassifications</u>	<u>Deletions/ Reclassifications</u>	<u>Balance June 30, 2010</u>
<b>Business-type activities</b>				
Capital assets not being depreciated				
Construction in progress	\$ 1,781,483	\$ -	\$( 1,656,733 )	\$ 124,750
Capital assets being depreciated				
Water and sewer transmission and distribution system	1,515,101	1,643,806	-	3,158,907
Water meters	404,997	-	( 247,764 )	157,233
Vehicles and miscellaneous equipment	<u>22,641</u>	<u>-</u>	<u>( 8,039 )</u>	<u>14,602</u>
Subtotal	1,942,739	1,643,806	( 255,803 )	3,330,742
Less accumulated depreciation for				
Water and sewer transmission and distribution system	( 916,215 )	( 101,377 )	-	( 1,017,592 )
Water meters	( 241,768 )	( 10,482 )	210,322	( 41,928 )
Vehicles and miscellaneous equipment	<u>( 16,800 )</u>	<u>( 2,920 )</u>	<u>8,039</u>	<u>( 11,681 )</u>
Subtotal	<u>( 1,174,783 )</u>	<u>( 114,779 )</u>	<u>218,361</u>	<u>( 1,071,201 )</u>
Net capital assets being depreciated	<u>767,956</u>	<u>1,529,027</u>	<u>( 37,442 )</u>	<u>2,259,541</u>
Capital assets, net	<u>\$ 2,549,439</u>	<u>\$ 1,529,027</u>	<u>\$( 1,694,175 )</u>	<u>\$ 2,384,291</u>
<b>Component Unit (DDA)</b>				
Capital assets not being depreciated				
Land	\$ -	\$ 72,500	\$ -	\$ 72,500
Capital assets being depreciated				
Land improvements	-	3,800	-	3,800
Less accumulated depreciation for:				
Land improvements	<u>-</u>	<u>( 380 )</u>	<u>-</u>	<u>( 380 )</u>
Net capital assets being depreciated	<u>-0-</u>	<u>3,420</u>	<u>-0-</u>	<u>3,420</u>
Capital assets, net	<u>\$ -0-</u>	<u>\$ 75,920</u>	<u>\$ -0-</u>	<u>\$ 75,920</u>

City of Pleasant Ridge  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

**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, 2010.

	Balance July 1, 2009	Additions	Deletions/ Eliminations	Balance June 30, 2010	Amounts Due Within One Year
<b>PRIMARY GOVERNMENT</b>					
Governmental activities					
Pool/Fitness Center Bonds	\$ 2,325,000	\$ -	\$( 50,000 )	\$ 2,275,000	\$ 75,000
DPW Improvements Loan	72,271	-	( 10,700 )	61,571	11,082
Installment Purchase Agreements	18,353	13,849	( 16,336 )	15,866	11,280
Compensated Absences	<u>190,850</u>	<u>49,270</u>	<u>( 44,992 )</u>	<u>195,128</u>	<u>44,992</u>
	2,606,474	63,119	( 122,028 )	2,547,565	142,354
Business-type activities					
Water and Sewer System					
George W. Kuhn Drain Bonds	<u>1,358,771</u>	<u>-</u>	<u>( 87,740 )</u>	<u>1,271,031</u>	<u>76,959</u>
	<u>\$ 3,965,245</u>	<u>\$ 63,119</u>	<u>\$( 209,768 )</u>	<u>\$ 3,818,596</u>	<u>\$ 219,313</u>

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. \$ 2,275,000

Installment Loans Agreements

\$110,000 DPW Improvements Loan dated September 23, 2004, due in annual installments ranging from \$11,082 to \$14,742 through September 1, 2014, with interest of 3.69 percent. \$ 61,571

\$41,718 Installment Purchase Agreement dated July 25, 2007, due in annual installments of \$7,295 through August 1, 2010, with interest of 14.36 percent. 7,295

\$13,849 Installment Purchase Agreement dated November 23, 2009, due in annual installments ranging from \$3,985 to \$4,586 through December 11, 2011, with interest of 3.29 percent. 8,571

\$ 77,437

Water and Sewer System George W. Kuhn Drain Bonds

The City is a participating community in the George W. Kuhn drain project. The project is administered by the Oakland County Drain Commission, and financed through the sale of drain bonds, drawdowns from the State of Michigan revolving fund, Federal and State of Michigan grants, and contributions from Oakland County, Michigan. The City along with thirteen other local communities is obligated for the payment of principal and interest of the outstanding debt. The City's total obligation is \$1,271,031 or 1.2995% of the county's total obligation. \$ 1,271,031

City of Pleasant Ridge

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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

Compensated Absences

Individual employees have vested rights upon termination of employment to receive payments for unused sick/vacation time. The dollar amounts of these vested rights including related payroll taxes, which have been recorded in the government-wide financial statements, amounted to \$195,128 at June 30, 2010.

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>
2011	\$ 75,000	\$ 93,305	\$ 22,362	\$ 4,613	\$ 76,959	\$ 31,837
2012	75,000	90,868	16,077	2,555	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	100,000	83,274	14,729	544	85,985	23,069
2016-2020	550,000	356,309	-	-	466,274	78,967
2021-2025	750,000	224,996	-	-	366,990	5,995
2026-2029	<u>575,000</u>	<u>51,273</u>	<u>-</u>	<u>-</u>	<u>29,683</u>	<u>-</u>
	<u>\$ 2,275,000</u>	<u>\$ 1,074,166</u>	<u>\$ 77,437</u>	<u>\$ 10,151</u>	<u>\$ 1,271,031</u>	<u>\$ 222,503</u>

**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, 2010, the City's annual pension cost of \$146,068 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, 2007, 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.



City of Pleasant Ridge

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

**NOTE G: RETIREMENT PLAN - CONTINUED**

Annual Pension Cost - continued

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 twenty-eight (28) years.

Three (3) year trend information

	Year Ended December 31,		
	<u>2007</u>	<u>2008</u>	<u>2009</u>
Actuarial value of assets	\$ 2,748,784	\$ 2,735,900	\$ 2,711,888
Actuarial accrued liability (AAL) (entry age)	3,959,143	4,137,479	4,147,589
Unfunded AAL	1,210,359	1,401,579	1,435,701
Funded ratio	69 %	66 %	65 %
Covered payroll	576,024	605,168	604,364
UAAL as a percentage of covered payroll	210 %	232 %	238 %

  

	Year Ended June 30,		
	<u>2008</u>	<u>2009</u>	<u>2010</u>
Annual pension cost	\$ 106,922	\$ 124,890	\$ 146,068
Percentage of APC contributed	100 %	100 %	100 %
Net pension obligation	-	-	-

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

**NOTE H: OTHER POST-EMPLOYMENT BENEFITS**

Plan Description

The City provides certain retiree medical benefits as other post-employment benefits (OPEB) to all applicable employees, in accordance with union agreements and/or personnel policies. The following are the Governmental Accounting Standards Board Statement No. 45 (GASB Statement 45) required disclosures and these disclosures have been implemented prospectively by the City. In accordance with union agreement and personnel policy, upon retirement each employee will be eligible for continuation of certain medical, prescription drug, dental, and vision coverage. Employees become eligible for the minimum coverage after the age of 55 with 15 years of service. Additional coverage is provided as the age of retirement increases and more years of service are attained. The retirees must contribute the balance of premiums not paid by the employer in accordance with plan provisions.

During the year ended June 30, 2010, 14 retirees were receiving benefits. Expenditures for post-employment benefits are recognized when claims are paid. During the year, expenditures of \$156,434 were recognized for post-employment benefits.

The plan does not issue a separate stand-alone financial statement.

Funding Policy

The City has no obligation to make contributions in advance of when the premiums are due for payment (i.e., may be financed on a "pay-as-you-go" basis). The only current contributions being made are to pay the actual current premiums of the retirees. The amount of the annual required contribution is reflected in the schedule that follows. Administrative costs of the plan are paid for by the City.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2010

**NOTE H: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED**Funding Progress

For the year ended June 30, 2010, the City has determined an estimated cost of providing post-employment benefits through an actuarial valuation as of December 31, 2006. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to cover the amortization of any unfunded actuarial liabilities from the past, over a period not to exceed thirty (30) years.

The City's computed contribution and actual funding is summarized as follows:

Annual required contribution/Annual OPEB cost (ARC)	\$ 333,533
Amounts contributed:	
Payments of current requirements	<u>156,434</u>
Net OPEB obligation	177,099
OPEB obligation - Beginning of year	<u>-</u>
OPEB obligation - End of year	<u>\$ 177,099</u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2010, was as follows:

Annual OPEB costs	\$ 333,533
Percentage contributed	46.9 %
Net OPEB obligation	177,099

The current funding progress of the plan as of December 31, 2006, the most recent valuation date, is as follows:

Actuarial value of assets	\$ -
Actuarial accrued liability (AAL)	4,450,060
Unfunded AAL (UAAL)	4,450,060
Funded ratio	0.0 %
Annual covered payroll	\$ 604,364
Ratio of UAAL to covered payroll	736 %

The actuarial valuation for the year ended December 31, 2006, which was used for the year ended June 30, 2010, contributions, was the first year that an actuarial valuation was done, so no information is available for fiscal years prior to 2010.

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of potential occurrences of certain events in the future. Examples include assumption about future employment, mortality, healthcare costs trends, inflation, etc. Amounts determined regarding the funded status of the plan and the annual required contributions of the City are subject to continual revisions as actual results are compared with past expectations and new estimates and assumptions are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the City and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

City of Pleasant Ridge

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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

Actuarial Methods and Assumptions - continued

In the December 31, 2006, actuarial valuation, the entry age normal cost method was used. The actuarial assumptions include a 5.0 percent per year rate of investment return, compounded annually net after investment expense, which is the expected long-term investment returns on plan assets. A discount rate of 8.0% was also used. There was also an inflationary rate assumption factored into the calculation. Per the actuarial study the assumed underlying rate was 4.5% and an excess medical rate of 10.0% graded down to 4.5% over 10 years was used.

**NOTE I: CODE ENFORCEMENT FINANCIAL INFORMATION**

The City has elected to report the financial activities of the code enforcement department in the General Fund. The following is the required information as it relates to this department for the year ended June 30, 2010:

REVENUES	
Licenses and permits	
Electrical permits	\$ 3,285
Building permits	19,260
Plumbing/heating permits	4,670
Administrative fees	<u>7,325</u>
TOTAL REVENUES	34,540
EXPENDITURES	
Salaries and wages	36,728
Operating supplies	<u>864</u>
TOTAL EXPENDITURES	<u>37,592</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	<u>\$ ( 3,052 )</u>

**NOTE J: 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.

City of Pleasant Ridge

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

**NOTE K: 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.

The following are the various fund balance reserves as of June 30, 2010:

Primary Government		
General Fund		
Reserved for:		
Prepays	\$	4,505
Inventory		17,759
Solid Waste Fund		
Reserved for prepaids		8
I-696 Segregated Capital Asset Fund		
Reserved for Segregated Capital Asset Fund corpus		3,242,872
Nonmajor governmental funds		
Reserved for:		
Prepays		188
Debt service		146,005

**NOTE L: I-696 SEGREGATED CAPITAL ASSET SPECIAL REVENUE FUND**

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

The State had remitted in prior years, its "good faith offer" of \$1,022,000 to the City together with related interest. During fiscal year 1995, the City of Pleasant Ridge and the State signed a settlement agreement ending the condemnation proceedings. The City received \$4,250,000 as final compensation covering unpaid principal and interest and any other costs or claims which the City had against the Department of Transportation arising out of the condemnation proceedings. Out of the proceeds, \$700,000 was earmarked under the settlement agreement for the repair and improvement of local roads that the City claimed 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.

City of Pleasant Ridge

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

**NOTE M: 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, 2010:

Primary Government	
Governmental activities	
Restricted for debt service	\$ 119,178
Restricted for segregated capital-corpus	3,242,872
Restricted for other purposes	
Streets	410,611
Solid waste services	51,820
Infrastructure improvements	6,809
Pool/Fitness facility operations	59,546
Public safety	8,368
Recreation and cultural	52,655
	<u>589,809</u>
Total restricted net assets	<u>\$ 3,951,859</u>

**NOTE N: EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

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

During the year ended June 30, 2010, the City incurred expenditures in the General Fund and Solid Waste Fund in excess of the amounts appropriated as follows:

	<u>Amounts</u> <u>Appropriated</u>	<u>Amounts</u> <u>Expended</u>	<u>Variance</u>
General Fund			
General government			
Commission	\$ 17,300	\$ 22,203	\$ 4,903
Manager	132,616	135,972	3,356
Elections	8,916	9,203	287
General government	178,320	191,210	12,890
Attorney services	14,500	19,175	4,675
Post office	48,754	58,819	10,065
Cable television	2,806	3,014	208
Public safety			
Police department	715,568	728,995	13,427
Building department	24,975	28,092	3,117
Public works			
Public works services	124,623	192,716	68,093
Recreation and cultural			
Parks and recreation department	315,181	326,074	10,893
Other			
Retirement benefits	183,250	183,729	479
Solid Waste Fund	415,198	415,507	309

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

**NOTE O: GASB PRONOUNCEMENTS**

In March 2009, the GASB 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, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 1,565,873	\$ 1,568,273	\$ 1,563,609	\$ (4,664)
Licenses and permits	91,200	71,500	79,582	8,082
Intergovernmental	282,970	236,659	277,038	40,379
Charges for services	498,220	463,551	486,945	23,394
Fines and forfeits	41,600	46,300	54,025	7,725
Interest and rents	37,000	23,008	24,523	1,515
Other	37,550	61,242	59,245	(1,997)
TOTAL REVENUES	2,554,413	2,470,533	2,544,967	74,434
EXPENDITURES				
Current				
General government				
Commission	18,681	17,300	22,203	(4,903)
Manager	131,432	132,616	135,972	(3,356)
Treasurer	143,494	133,479	132,879	600
Clerk	72,622	76,426	75,197	1,229
Assessor	20,664	21,339	20,004	1,335
Elections	15,764	8,916	9,203	(287)
General government	159,895	178,320	191,210	(12,890)
Attorney services	28,000	14,500	19,175	(4,675)
Post office	43,908	48,754	58,819	(10,065)
Cable television	2,806	2,806	3,014	(208)
Contingency	20,000	-	-	-0-
Total general government	657,266	634,456	667,676	(33,220)
Public safety				
Police department	750,225	715,568	728,995	(13,427)
Fire services	403,520	403,520	403,520	-0-
Building department	32,282	24,975	28,092	(3,117)
Total public safety	1,186,027	1,144,063	1,160,607	(16,544)
Public works				
Public works services	181,500	124,623	192,716	(68,093)
Street lighting	30,000	40,000	37,364	2,636
Total public works	211,500	164,623	230,080	(65,457)
Community and economic development				
Planning commission	11,000	17,785	16,047	1,738



## City of Pleasant Ridge

## General Fund

## BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES - CONTINUED				
Current - continued				
Recreation and cultural				
Parks and recreation department	\$ 272,503	\$ 315,181	\$ 326,074	\$ (10,893)
Woodward Dream Cruise	31,400	36,597	36,502	95
Total recreation and cultural	303,903	351,778	362,576	(10,798)
Other				
Retirement benefits	180,059	183,250	183,729	(479)
TOTAL EXPENDITURES	2,549,755	2,495,955	2,620,715	(124,760)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	4,658	(25,422)	(75,748)	(50,326)
OTHER FINANCING SOURCES (USES)				
Transfers in	18,000	30,366	27,286	(3,080)
Transfers out	-	(5,000)	(4,646)	354
TOTAL OTHER FINANCING SOURCES (USES)	18,000	25,366	22,640	(2,726)
NET CHANGE IN FUND BALANCE	22,658	(56)	(53,108)	(53,052)
Fund balance, beginning of year	676,960	676,960	676,960	-0-
Fund balance, end of year	<u>\$ 699,618</u>	<u>\$ 676,904</u>	<u>\$ 623,852</u>	<u>\$ (53,052)</u>

City of Pleasant Ridge

Solid Waste Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2010

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 222,400	\$ 222,400	\$ 222,280	\$ (120)
Charges for services	154,100	154,850	162,439	7,589
Interest	500	-	-	-0-
TOTAL REVENUE	377,000	377,250	384,719	7,469
EXPENDITURES				
Current				
Public works				
Administration	17,707	18,719	18,966	(247)
Operations	381,879	396,479	396,541	(62)
TOTAL EXPENDITURES	399,586	415,198	415,507	(309)
NET CHANGE IN FUND BALANCE	(22,586)	(37,948)	(30,788)	7,160
Fund balance, beginning of year	82,608	82,608	82,608	-0-
Fund balance, end of year	<u>\$ 60,022</u>	<u>\$ 44,660</u>	<u>\$ 51,820</u>	<u>\$ 7,160</u>

City of Pleasant Ridge  
I-696 Segregated Capital Asset Fund  
BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2010

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Interest	\$ 132,000	\$ 122,000	\$ 130,712	\$ 8,712
EXPENDITURES				
Current				
General government	-	-	-	-0-
EXCESS OF REVENUES OVER EXPENDITURES	132,000	122,000	130,712	8,712
OTHER FINANCING USES				
Transfers out	(142,000)	(151,286)	(26,286)	125,000
NET CHANGE IN FUND BALANCE	(10,000)	(29,286)	104,426	133,712
Fund balance, beginning of year	3,284,558	3,284,558	3,284,558	-0-
Fund balance, end of year	<u>\$ 3,274,558</u>	<u>\$ 3,255,272</u>	<u>\$ 3,388,984</u>	<u>\$ 133,712</u>

## **OTHER SUPPLEMENTARY INFORMATION**

City of Pleasant Ridge  
Nonmajor Governmental Funds  
COMBINING BALANCE SHEET

June 30, 2010

	Special		
	Major Streets	Local Streets	Tree Planting Beautification
ASSETS			
Cash and cash equivalents	\$ 110,353	\$ 287,051	\$ -
Prepays	-	-	-
Due from other governmental units	16,981	5,804	-
TOTAL ASSETS	<u>\$ 127,334</u>	<u>\$ 292,855</u>	<u>\$ -0-</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 6,137	\$ 3,441	\$ -
Accrued wages	-	-	-
TOTAL LIABILITIES	6,137	3,441	-0-
FUND BALANCES			
Reserved for:			
Prepays	-	-	-
Debt service	-	-	-
Unreserved			
Undesignated, reported in:			
Special Revenue Funds	121,197	289,414	-
TOTAL FUND BALANCES	<u>121,197</u>	<u>289,414</u>	<u>-0-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 127,334</u>	<u>\$ 292,855</u>	<u>\$ -0-</u>

Revenue				
Infrastructure Improvements	Pool/Fitness Facility (Operating)	Drug Forfeiture	Library	Historical Commission
\$ 6,809	\$ 65,521	\$ 8,368	\$ 34,504	\$ 18,699
-	188	-	-	-
-	-	-	-	-
<u>\$ 6,809</u>	<u>\$ 65,709</u>	<u>\$ 8,368</u>	<u>\$ 34,504</u>	<u>\$ 18,699</u>
\$ -	\$ 2,476	\$ -	\$ -	\$ 548
-	3,687	-	-	-
-0-	6,163	-0-	-0-	548
-	188	-	-	-
-	-	-	-	-
<u>6,809</u>	<u>59,358</u>	<u>8,368</u>	<u>34,504</u>	<u>18,151</u>
<u>6,809</u>	<u>59,546</u>	<u>8,368</u>	<u>34,504</u>	<u>18,151</u>
<u>\$ 6,809</u>	<u>\$ 65,709</u>	<u>\$ 8,368</u>	<u>\$ 34,504</u>	<u>\$ 18,699</u>

City of Pleasant Ridge  
Nonmajor Governmental Funds  
COMBINING BALANCE SHEET

June 30, 2010

	Debt Service		Total Nonmajor Governmental Funds
	Pool/Fitness Center Debt Service	Non-Voted Debt Service	
ASSETS			
Cash and cash equivalents	\$ 144,407	\$ 1,598	\$ 677,310
Prepays	-	-	188
Due from other governmental units	-	-	22,785
TOTAL ASSETS	<u>\$ 144,407</u>	<u>\$ 1,598</u>	<u>\$ 700,283</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ 12,602
Accrued wages	-	-	3,687
TOTAL LIABILITIES	-0-	-0-	16,289
FUND BALANCES			
Reserved for:			
Prepays	-	-	188
Debt service	144,407	1,598	146,005
Unreserved			
Undesignated, reported in:			
Special Revenue Funds	-	-	537,801
TOTAL FUND BALANCES	<u>144,407</u>	<u>1,598</u>	<u>683,994</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 144,407</u>	<u>\$ 1,598</u>	<u>\$ 700,283</u>

City of Pleasant Ridge

Nonmajor Governmental Funds

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

Year Ended June 30, 2010

	Special		
	Major Streets	Local Street	Tree Planting Beautification
REVENUES			
Taxes	\$ -	\$ -	\$ -
Intergovernmental	103,684	42,603	-
Charges for services	-	-	-
Interest and rents	-	-	-
Other	-	-	-
TOTAL REVENUES	103,684	42,603	-0-
EXPENDITURES			
Current			
General government	-	-	-
Public works	61,698	108,390	-
Recreation and cultural	-	-	4,646
Capital outlay	-	-	-
Debt service	-	-	-
TOTAL EXPENDITURES	61,698	108,390	4,646
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	41,986	(65,787)	(4,646)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	355,201	4,646
Transfers out	(51,000)	-	-
Installment purchase agreement	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(51,000)	355,201	4,646
NET CHANGE IN FUND BALANCES	(9,014)	289,414	-0-
Fund balances, beginning of year	130,211	-	-
Fund balances, end of year	\$ 121,197	\$ 289,414	\$ -0-



Revenue				
Infrastructure Improvements	Pool/Fitness Facility (Operating)	Drug Forfeiture	Library	Historical Commission
\$ 312,964	\$ 165,041	\$ -	\$ 53,185	\$ -
-	-	-	-	-
-	39,596	-	-	8,426
-	-	-	-	-
-	-	1,302	-	-
312,964	204,637	1,302	53,185	8,426
1,954	-	-	-	-
-	-	-	-	-
-	181,665	-	50,341	3,961
-	16,944	-	-	5,610
-	18,973	-	-	-
1,954	217,582	-0-	50,341	9,571
311,010	(12,945)	1,302	2,844	(1,145)
-	-	-	-	-
(304,201)	-	(13,000)	-	-
-	13,849	-	-	-
(304,201)	13,849	(13,000)	-0-	-0-
6,809	904	(11,698)	2,844	(1,145)
-	58,642	20,066	31,660	19,296
\$ 6,809	\$ 59,546	\$ 8,368	\$ 34,504	\$ 18,151

City of Pleasant Ridge

Nonmajor Governmental Funds

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

Year Ended June 30, 2010

	Debt Service		Total Nonmajor Governmental Funds
	Pool/Fitness Center Debt Service	Non-Voted Debt Service	
REVENUES			
Taxes	\$ 129,734	\$ -	\$ 660,924
Intergovernmental	-	-	146,287
Charges for services	-	-	48,022
Interest and rents	-	-	-0-
Other	-	-	1,302
TOTAL REVENUES	129,734	-0-	856,535
EXPENDITURES			
Current			
General government	-	12	1,966
Public works	-	-	170,088
Recreation and cultural	1,255	-	241,868
Capital outlay	-	-	22,554
Debt service	144,869	13,354	177,196
TOTAL EXPENDITURES	146,124	13,366	613,672
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(16,390)	(13,366)	242,863
OTHER FINANCING SOURCES (USES)			
Transfers in	-	12,000	371,847
Transfers out	-	-	(368,201)
Installment purchase agreement	-	-	13,849
TOTAL OTHER FINANCING SOURCES (USES)	-0-	12,000	17,495
NET CHANGE IN FUND BALANCES	(16,390)	(1,366)	260,358
Fund balances, beginning of year	160,797	2,964	423,636
Fund balances, end of year	\$ 144,407	\$ 1,598	\$ 683,994

City of Pleasant Ridge

Component Unit Fund

BALANCE SHEET - DOWNTOWN DEVELOPMENT AUTHORITY

June 30, 2010

ASSETS

Cash and cash equivalents

\$ 4,875

Prepays

1,344

TOTAL ASSETS

\$ 6,219

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable

\$ 1,139

FUND BALANCE

Reserved for prepaids

1,344

Unreserved - undesignated

3,736

TOTAL FUND BALANCE

5,080

TOTAL LIABILITIES AND FUND BALANCE

\$ 6,219

City of Pleasant Ridge

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT  
OF NET ASSETS - DOWNTOWN DEVELOPMENT AUTHORITY

June 30, 2010

**Total fund balance - governmental fund** \$ 5,080

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 fund.

The cost of capital assets is	\$ 76,300
Accumulated depreciation is	<u>(380)</u>

Capital assets, net	<u>75,920</u>
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<b>Net assets of governmental activities</b>	<u><u>\$ 81,000</u></u>
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City of Pleasant Ridge

Component Unit Fund

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

Year Ended June 30, 2010

REVENUES

Taxes	\$ 95,378
Other	<u>2,757</u>

TOTAL REVENUES	98,135
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EXPENDITURES

Current	
Community and economic development	106,743
Capital outlay	<u>95,312</u>

TOTAL EXPENDITURES	<u>202,055</u>
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NET CHANGE IN FUND BALANCE	(103,920)
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Fund balance, beginning of year	<u>109,000</u>
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Fund balance, end of year	<u><u>\$ 5,080</u></u>
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City of Pleasant Ridge

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES - DOWNTOWN DEVELOPMENT AUTHORITY

Year Ended June 30, 2010

**Net change in fund balance - governmental fund** **\$ (103,920)**

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

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

Capital outlay	\$ 76,300	
Depreciation expense	<u>(380)</u>	
Excess of capital outlay over depreciation expense		<u>75,920</u>

**Change in net assets of governmental activities** **\$ (28,000)**

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

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

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Pleasant Ridge, Michigan, as of and for the year ended June 30, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing 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.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. 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. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed the following instance of noncompliance which is described below:

2010-1 UNFAVORABLE BUDGET VARIANCES

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 and Solid Waste 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.

2010-1 UNFAVORABLE BUDGET VARIANCES - CONTINUED

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

This communication is intended solely for the information and use of management, the members of the City Commission, others within the organization, 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

September 30, 2010