

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

FINANCIAL STATEMENTS

June 30, 2011

City of Pleasant Ridge

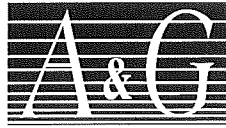
TABLE OF CONTENTS

June 30, 2011

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	i-ii
MANAGEMENT'S DISCUSSION AND ANALYSIS	iii-vi
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Assets	1
Statement of Activities	2
Fund Financial Statements	
Balance Sheet - Governmental Funds	3-4
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	5
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	6-7
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities	8
Statement of Net Assets - Proprietary Fund	9
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Fund	10
Statement of Cash Flows - Proprietary Fund	11
Notes to Financial Statements	12-31
REQUIRED SUPPLEMENTARY INFORMATION	
General Fund	
Budgetary Comparison Schedule	32-33
Local Streets Fund	
Budgetary Comparison Schedule	34
Solid Waste Fund	
Budgetary Comparison Schedule	35
I-696 Segregated Capital Asset Fund	
Budgetary Comparison Schedule	36
Notes to Required Supplementary Information	37
OTHER SUPPLEMENTARY INFORMATION	
Combining Balance Sheet - Nonmajor Governmental Funds	38-39
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	40-41
COMPONENT UNIT FUND	
Downtown Development Authority	
Balance Sheet	42
Reconciliation of the Balance Sheet to the Statement of Net Assets	43
Statement of Revenues, Expenditures, and Changes in Fund Balance	44
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities	45

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
William I. Tucker IV, CPA



ABRAHAM & GAFFNEY, P.C.

Certified Public Accountants

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Pleasant Ridge, Michigan, as of and for the year ended June 30, 2011, 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, 2011, 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.

As discussed in Note M, during the year the City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund-Type Definitions*. As a result of this implementation, fund balance classifications in the governmental fund financial statements have been changed to reflect the five new classifications under GASB Statement No. 54.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

October 10, 2011

City of Pleasant Ridge

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2011

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, 2011. 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, 2011:

- Property tax revenues are the General Fund's largest revenue source. Property tax revenue for the year ended June 30, 2011 was approximately \$1.435 million, which is a 8.2% decrease from the year before. Although the city's millage rate of 11.4248 remained the same, taxable values decreased 7.96%.
- Investment income continues to decrease due to the current market conditions. Investment income in the City's SCAF fund decreased from \$130,700 in 2010 to \$68,600 in 2011, an overall decrease of nearly 48%.

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:

Governmental Activities

	<u>June 30, 2010</u>	<u>June 30, 2011</u>	Change from Prior Year	
			<u>In Dollars</u>	<u>As a Percent</u>
Assets				
Current and other assets	\$ 4,920,002	\$ 4,727,887	\$ (192,115)	-3.90%
Capital assets	<u>8,557,931</u>	<u>8,512,324</u>	<u>(45,607)</u>	-0.53%
Total Assets	13,477,933	13,240,211	(237,722)	-1.76%
Liabilities				
Current liabilities	358,292	330,918	(27,374)	-7.64%
Noncurrent liabilities	<u>2,576,902</u>	<u>2,618,130</u>	<u>41,228</u>	1.60%
Total Liabilities	2,935,194	2,949,048	13,854	0.47%
Net Assets				
Invested in capital assets, net of related debt	6,205,494	6,229,737	24,243	0.39%
Restricted	708,987	561,206	(147,781)	-20.84%
Unrestricted	<u>3,628,258</u>	<u>3,500,220</u>	<u>(128,038)</u>	-3.53%
	<u>\$ 10,542,739</u>	<u>\$ 10,291,163</u>	<u>\$ (251,576)</u>	-2.39%

City of Pleasant Ridge

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2011

Governmental Activities - continued

	<u>June 30, 2010</u>	<u>June 30, 2011</u>	Change from Prior Year	
			<u>In Dollars</u>	<u>As a Percent</u>
Revenues				
Program Revenues				
Charges for services	\$ 842,015	\$ 918,841	\$ 76,826	9.12%
Operating grants and contributions	159,227	176,855	17,628	11.07%
Capital grants and contributions	-	44,241	44,241	100.00%
General revenues				
Property taxes	2,446,813	2,189,100	(257,713)	-10.53%
State shared revenues	223,659	221,709	(1,950)	-0.87%
Investment and other	194,937	107,294	(87,643)	-44.96%
Total revenue	3,866,651	3,658,040	(208,611)	-5.40%
Expenses				
General government	755,106	679,121	(75,985)	-10.06%
Public safety	1,364,873	1,291,339	(73,534)	-5.39%
Public works	1,129,600	1,077,394	(52,206)	-4.62%
Community and economic development	16,047	9,794	(6,253)	-38.97%
Recreation and culture	761,947	741,669	(20,278)	-2.66%
Interest on long-term debt	98,631	110,299	11,668	11.83%
Total expenses	4,126,204	3,909,616	(216,588)	-5.25%
Change in Net Assets	\$ (259,553)	\$ (251,576)	\$ 7,977	-3.07%

The City's governmental net assets decreased 2.4 percent from a year ago, decreasing from approximately \$10.54 million to \$10.29 million. Total governmental revenues were \$3,658,040 while total governmental expenses were \$3,909,616, resulting in an overall decrease in net assets of \$251,576.

Total governmental revenues decreased approximately \$208,611 or 5.40 percent. Decreases in taxable values, resulting in a decrease in tax revenues, accounted for the majority of this decrease. In addition, investment income also decreased approximately \$68,837. Capital related grants and increased administrative and rubbish related charges helped to offset those decreases.

The City's total governmental expenses decreased approximately \$216,588 or 5.25 percent from the prior year. The City benefited from negotiated cost reductions in fire services as well as limited the amount of capital outlay expenditures during the year. In addition, the City did not host activities related to the Woodward Dream Cruise during the current year.

City of Pleasant Ridge

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2011

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:

Business-type Activities

	June 30, 2010	June 30, 2011	Change from Prior Year	
			In Dollars	As a Percent
Assets				
Current and other assets	\$ 29,293	\$ 155,689	\$ 126,396	431.49%
Capital assets	2,384,291	2,270,962	(113,329)	-4.75%
Total Assets	2,413,584	2,426,651	13,067	0.54%
Liabilities				
Current liabilities	143,077	147,279	4,202	2.94%
Noncurrent liabilities	1,199,480	1,116,687	(82,793)	-6.90%
Total Liabilities	1,342,557	1,263,966	(78,591)	-5.85%
Net Assets				
Invested in capital assets, net of related debt	1,113,260	1,075,495	(37,765)	-3.39%
Unrestricted	(42,233)	87,190	129,423	-306.45%
	<u>\$ 1,071,027</u>	<u>\$ 1,162,685</u>	<u>\$ 91,658</u>	<u>8.56%</u>
Revenues				
Program Revenues				
Charges for services	\$ 1,032,015	\$ 1,160,505	\$ 128,490	12.45%
General revenues				
Investment and other	-	-	-	100.00%
Total revenue	1,032,015	1,160,505	128,490	12.45%
Expenses				
Water and sewer systems	1,023,594	1,068,847	45,253	4.42%
Change in net assets	\$ 8,421	\$ 91,658	\$ 83,237	988.45%

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 \$91,658, or 8.56 percent, from a year ago. The current year resulted in operating income of \$106,326 compared to prior year income from operations of \$81,834. The increase is a result of increased user fees charged by the City. The total cost of water purchased and sewage treatment expenses increased approximately 12 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 Local Streets Fund, the Solid Waste Fund, and the I-696 Segregated Capital Asset Fund.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2011

The City's Funds - continued

The General Fund pays for most of the City's governmental services. However, the most significant governmental service is police and fire protection, which incurred expenditures of approximately \$1.05 million in 2011, which was a decrease of \$86,133, or 7.61 percent, from 2010. Total General Fund revenues decreased from a year ago by \$185,725, due primarily to a reduction in taxable revenues as a result of a decrease in taxable values. Total General Fund revenues for 2011 were greater than expenditures resulting in an increase in fund balance of \$13,176. Ending fund balance was \$637,420, of which \$3,693 was nonspendable. Unassigned fund balance represents 27 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 changes in estimates for state shared revenues, tax revenues, and charges for services. Overall, revenues exceeded the amended budget by \$39,778 and expenditures were in excess of the amended budget by \$6,865. Police regular and part-time wages exceeded the budget as a result of a reduced workforce due to injury. In addition, City park and other grounds maintenance was in excess of budget. Other departments, such as treasurer, general government and post office ended the year under budget.

Capital Asset and Debt Administration

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2011, amounted to \$10,783,286, 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 \$459,000 to Fairwood Blvd., new street signs purchased for approximately \$21,000 and new recreation center fitness equipment for approximately \$39,900.

As of June 30, 2011, the City's primary government had total debt outstanding of \$3,677,658. 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 2011-2012 budget. In addition, the City Commission is currently monitoring, and will evaluate and respond as necessary, to various upcoming State legislation regarding pension plans, employer provided health care and other changes.

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, 2011

	Primary Government			Component Unit (DDA)
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 1,977,481	\$ -	\$ 1,977,481	\$ 27,687
Investments	398,008	-	398,008	-
Receivables	85,908	300,418	386,326	-
Due from other governmental units	65,575	-	65,575	-
Internal balances	144,768	(144,768)	-0-	-
Prepays	3,914	39	3,953	560
Total current assets	2,675,654	155,689	2,831,343	28,247
Noncurrent assets				
Investments	1,972,233	-	1,972,233	-
Due from other governmental units	80,000	-	80,000	-
Capital assets not being depreciated	1,763,015	126,146	1,889,161	72,500
Capital assets being depreciated, net	6,749,309	2,144,816	8,894,125	113,159
Total noncurrent assets	10,564,557	2,270,962	12,835,519	185,659
TOTAL ASSETS	13,240,211	2,426,651	15,666,862	213,906
LIABILITIES				
Current liabilities				
Accounts payable	103,929	60,391	164,320	-
Accrued liabilities	16,744	-	16,744	-
Accrued interest payable	26,725	8,108	34,833	-
Unearned revenue	13,221	-	13,221	-
Current portion of compensated absences	69,600	-	69,600	-
Current portion of long-term debt	100,699	78,780	179,479	20,000
Total current liabilities	330,918	147,279	478,197	20,000
Noncurrent liabilities				
Net other post-employment benefits obligation	306,238	-	306,238	-
Noncurrent portion of compensated absences	130,004	-	130,004	-
Noncurrent portion of long-term debt	2,181,888	1,116,687	3,298,575	60,000
Total noncurrent liabilities	2,618,130	1,116,687	3,734,817	60,000
TOTAL LIABILITIES	2,949,048	1,263,966	4,213,014	80,000
NET ASSETS				
Invested in capital assets, net of related debt	6,229,737	1,075,495	7,305,232	105,659
Restricted for:				
Debt service	70,675	-	70,675	-
Other purposes	490,531	-	490,531	-
Unrestricted	3,500,220	87,190	3,587,410	28,247
TOTAL NET ASSETS	\$ 10,291,163	\$ 1,162,685	\$ 11,453,848	\$ 133,906

See accompanying notes to financial statements.

City of Pleasant Ridge
STATEMENT OF ACTIVITIES
Year Ended June 30, 2011

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Unit (DDA)
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental activities								
General government	\$ 679,121	\$ 551,304	\$ 27,911	\$ 16,263	\$ (83,643)	\$ -	\$ (83,643)	\$ -
Public safety	1,291,339	82,364	-	-	(1,208,975)	-	(1,208,975)	-
Public works	1,077,394	182,405	147,794	17,328	(729,867)	-	(729,867)	-
Community and economic development	9,794	150	-	-	(9,644)	-	(9,644)	-
Recreation and culture	741,669	102,618	1,150	10,650	(627,251)	-	(627,251)	-
Interest on long-term debt	110,299	-	-	-	(110,299)	-	(110,299)	-
Total governmental activities	3,909,616	918,841	176,855	44,241	(2,769,679)	-0-	(2,769,679)	-0-
Business-type activities								
Water and sewer	1,068,847	1,160,505	-	-	-	91,658	91,658	-
Total primary government	<u>\$ 4,978,463</u>	<u>\$ 2,079,346</u>	<u>\$ 176,855</u>	<u>\$ 44,241</u>	(2,769,679)	91,658	(2,678,021)	-0-
Component unit								
Downtown Development Authority	<u>\$ 101,601</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 64,337</u>	-0-	-0-	-0-	(37,264)
General revenues								
Property taxes					2,189,100	-	2,189,100	86,310
State shared revenue					221,709	-	221,709	-
Interest earnings					72,386	-	72,386	27
Miscellaneous					34,908	-	34,908	3,833
Total general revenues					<u>2,518,103</u>	<u>-0-</u>	<u>2,518,103</u>	<u>90,170</u>
Change in net assets					(251,576)	91,658	(159,918)	52,906
Restated net assets, beginning of the year					<u>10,542,739</u>	<u>1,071,027</u>	<u>11,613,766</u>	<u>81,000</u>
Net assets, end of the year					<u>\$10,291,163</u>	<u>\$ 1,162,685</u>	<u>\$11,453,848</u>	<u>\$ 133,906</u>

See accompanying notes to financial statements.

City of Pleasant Ridge

Governmental Funds

BALANCE SHEET

June 30, 2011

	General	Local Streets	Solid Waste
ASSETS			
Cash and cash equivalents	\$ 515,729	\$ 244,064	\$ 38,383
Investments	-	-	-
Receivables			
Accounts	41,151	-	40,517
Interest	-	-	-
Due from other governmental units	44,115	5,293	-
Due from other funds	144,768	-	-
Prepays	3,693	-	39
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 749,456</u>	<u>\$ 249,357</u>	<u>\$ 78,939</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 86,981	\$ 1,822	\$ 11,008
Accrued liabilities	11,834	-	589
Deferred revenue	13,221	-	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	112,036	1,822	11,597
FUND BALANCES			
Nonspendable			
Prepays	3,693	-	39
Restricted			
Solid waste	-	-	67,303
Streets and highways	-	240,726	-
Infrastructure improvements	-	6,809	-
Drug forfeiture	-	-	-
Library	-	-	-
Debt service	-	-	-
Committed			
I-696 Segregated capital asset	-	-	-
Assigned			
Pool facility	-	-	-
Debt service	-	-	-
Unassigned	633,727	-	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCES	<u>637,420</u>	<u>247,535</u>	<u>67,342</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 749,456</u>	<u>\$ 249,357</u>	<u>\$ 78,939</u>

See accompanying notes to financial statements.

I-696 Segregated Capital Asset	Nonmajor Governmental Funds	Total
\$ 904,676	\$ 274,629	\$ 1,977,481
2,370,241	-	2,370,241
-	-	81,668
4,240	-	4,240
-	16,167	65,575
-	-	144,768
-	182	3,914
<u>\$ 3,279,157</u>	<u>\$ 290,978</u>	<u>\$ 4,647,887</u>
\$ -	\$ 4,118	\$ 103,929
-	4,321	16,744
-	-	13,221
<u>-0-</u>	<u>8,439</u>	<u>133,894</u>
-	182	3,914
-	-	67,303
-	116,701	357,427
-	-	6,809
-	9,007	9,007
-	27,382	27,382
-	94,703	94,703
3,279,157	-	3,279,157
-	34,322	34,322
-	242	242
-	-	633,727
<u>3,279,157</u>	<u>282,539</u>	<u>4,513,993</u>
<u>\$ 3,279,157</u>	<u>\$ 290,978</u>	<u>\$ 4,647,887</u>

City of Pleasant Ridge

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

June 30, 2011

Total fund balances - governmental funds \$ 4,513,993

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	\$ 13,013,764	
Accumulated depreciation is	<u>(4,501,440)</u>	
Capital assets, net		8,512,324

Long-term receivables are not available to pay for current period expenditures and therefore are not reported as assets in the funds. Long-term receivables at year-end consist of:

Loan to other governmental units	80,000
----------------------------------	--------

Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet. Long-term liabilities at year-end consist of:

Direct obligations	2,282,587	
Accrued interest payable	26,725	
Compensated absences	199,604	
Net other post-employment benefits obligation	<u>306,238</u>	
		<u>(2,815,154)</u>

Net assets of governmental activities \$ 10,291,163

City of Pleasant Ridge

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2011

	General	Local Streets	Solid Waste
REVENUES			
Taxes	\$ 1,435,029	\$ 287,743	\$ 204,367
Licenses and permits	86,614	-	-
Intergovernmental	257,972	43,400	-
Charges for services	510,240	-	182,405
Fines and forfeits	46,643	-	-
Interest and rents	4,848	46	22
Other	25,768	9,000	-
TOTAL REVENUES	2,367,114	340,189	386,794
EXPENDITURES			
Current			
General government	566,089	-	-
Public safety	1,070,095	-	-
Public works	179,038	65,228	371,272
Community and economic development	9,794	-	-
Recreation and culture	299,459	-	-
Other	189,368	-	-
Capital outlay	31,795	471,225	-
Debt service	-	-	-
TOTAL EXPENDITURES	2,345,638	536,453	371,272
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	21,476	(196,264)	15,522
OTHER FINANCING SOURCES (USES)			
Transfers in	-	147,576	-
Transfers out	(8,300)	-	-
Installment purchase agreement	-	-	-
Loan to other governmental units	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(8,300)	147,576	-0-
NET CHANGE IN FUND BALANCES	13,176	(48,688)	15,522
Restated fund balances, beginning of year	642,003	296,223	51,820
Prior period adjustment	(17,759)	-	-
Fund balances, end of year	\$ 637,420	\$ 247,535	\$ 67,342

I-696 Segregated Capital Asset	Nonmajor Governmental Funds	Total
\$ -	\$ 315,154	\$ 2,242,293
-	-	86,614
23,575	104,395	429,342
-	40,802	733,447
-	-	46,643
68,598	87	73,601
-	11,332	46,100
92,173	471,770	3,658,040
-	-	566,089
-	46	1,070,141
-	58,054	673,592
-	-	9,794
-	251,032	550,491
-	-	189,368
-	52,192	555,212
-	200,196	200,196
-0-	561,520	3,814,883
92,173	(89,750)	(156,843)
-	13,600	161,176
(102,000)	(50,876)	(161,176)
-	39,945	39,945
(100,000)	-	(100,000)
(202,000)	2,669	(60,055)
(109,827)	(87,081)	(216,898)
3,388,984	369,620	4,748,650
-	-	(17,759)
<u>\$ 3,279,157</u>	<u>\$ 282,539</u>	<u>\$ 4,513,993</u>

City of Pleasant Ridge

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

Year Ended June 30, 2011

Net change in fund balances - total governmental funds \$ (216,898)

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	\$ 524,978	
Depreciation expense	<u>(541,383)</u>	
Excess of depreciation expense over capital outlay		(16,405)

Long-term loans are reported as expenditures when made and as revenue when repaid in the governmental funds. However, there is no impact in the Statement of Activities when loans are made or repaid. This amount represents the change in the long-term loans receivable.

Loan to other governmental units		80,000
----------------------------------	--	--------

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowing increases long-term liabilities in the statement of net assets. In the current period, these amounts consist of:

Installment purchase agreement	(39,945)	
Bond and installment loan principal retirements	<u>109,795</u>	
		69,850

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:

Loss on disposal of capital assets	(29,202)	
Decrease in accrued interest payable	102	
(Increase) in compensated absences	(4,476)	
(Increase) in net other post-employment benefits obligation	<u>(134,547)</u>	
		<u>(168,123)</u>

Change in net assets of governmental activities \$ (251,576)

City of Pleasant Ridge
Proprietary Fund
STATEMENT OF NET ASSETS

June 30, 2011

	Business-type Activities Water and Sewer
ASSETS	
Current assets	
Accounts receivable	\$ 300,418
Prepays	39
Total current assets	300,457
Noncurrent assets	
Capital assets not being depreciated	126,146
Capital assets being depreciated, net	2,144,816
Total noncurrent assets	2,270,962
TOTAL ASSETS	2,571,419
LIABILITIES	
Current liabilities	
Accounts payable	60,391
Due to other funds	144,768
Accrued interest payable	8,108
Current portion of long-term debt	78,780
Total current liabilities	292,047
Noncurrent liabilities	
Noncurrent portion of long-term debt	1,116,687
TOTAL LIABILITIES	1,408,734
NET ASSETS	
Invested in capital assets, net of related debt	1,075,495
Unrestricted	87,190
TOTAL NET ASSETS	\$ 1,162,685

See accompanying notes to financial statements.

City of Pleasant Ridge

Proprietary Fund

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

Year Ended June 30, 2011

	Business-type Activities
	<u>Water and Sewer</u>
OPERATING REVENUES	
Charges for services	\$ 1,144,359
Penalties and fines	<u>16,146</u>
TOTAL OPERATING REVENUES	1,160,505
OPERATING EXPENSES	
Salaries, wages, and fringe benefits	15,523
Contractual services	110,025
Water purchases	151,006
Sewage treatment	436,367
Administrative charges	179,600
Operating supplies	1,824
Other	23,102
Depreciation	<u>114,725</u>
TOTAL OPERATING EXPENSES	<u>1,032,172</u>
OPERATING INCOME	128,333
NONOPERATING REVENUES (EXPENSES)	
Interest expense and fees	<u>(36,675)</u>
CHANGE IN NET ASSETS	91,658
Net assets, beginning of year	<u>1,071,027</u>
Net assets, end of year	<u><u>\$ 1,162,685</u></u>

See accompanying notes to financial statements.

City of Pleasant Ridge
Proprietary Fund
STATEMENT OF CASH FLOWS
Year Ended June 30, 2011

	Business-type Activities
	Water and Sewer
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers	\$ 1,154,325
Cash paid to suppliers	(896,583)
Cash paid to employees	(23,431)
	234,311
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Payment of interfund balances	(120,205)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Payments on borrowing	(76,960)
Interest expense and fees	(37,146)
	(114,106)
NET INCREASE IN CASH AND CASH EQUIVALENTS	
	-0-
Cash and cash equivalents, beginning of year	-
Cash and cash equivalents, end of year	\$ -0-
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 128,333
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	114,725
Change in:	
Receivables	(6,180)
Prepays	(11)
Accounts payable	5,352
Accrued liabilities	(2,500)
Other post-employment benefits obligation	(5,408)
	114,725
NET CASH PROVIDED BY OPERATING ACTIVITIES	
	\$ 234,311

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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 2,500. 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. 4*, these financial statements present the financial activities of the City of Pleasant Ridge (primary government) and its component unit. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

The inclusion of the activities of various agencies is based on the manifestation of oversight criteria, relying on such guidelines as the selection of the governing authority, the designation of management, the ability to exert significant influence on operations, and the accountability for fiscal matters. The accountability for fiscal matters considers the possession of the budgetary authority, the responsibility for surplus or deficit, the controlling of fiscal management, and the revenue characteristics, whether a levy or a charge. Consideration is also given to the scope of public service. The scope of public service considers whether the activity is for the benefit of the reporting entity and/or its residents and is within the geographic boundaries of the reporting entity and generally available to its citizens.

Based upon the application of these criteria, the financial statements of the City of Pleasant Ridge contain all the funds controlled by the City Commission.

2. Discretely Presented Component Unit

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

City of Pleasant Ridge

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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

3. Joint Ventures - continued

Southeastern Oakland County Resource Recovery Authority - The City is a member of the Southeastern Oakland County Resource Recovery Authority (SOCRRA), which is a joint venture among twelve (12) municipalities in Oakland County, including the City of Pleasant Ridge. The City appoints one (1) member of the governing board, which approves the annual budget. SOCRRA provides waste disposal and recycling services to its municipal communities. Principal funding for the Authority is derived from waste disposal charges to the member municipalities. For the year ended June 30, 2011, the City of Pleasant Ridge expended \$161,400 in payments to SOCRRA.

The financial activities of SOCRRA are accounted for and reported separately from the participating units. Separate audited financial statements for the year ended June 30, 2011, are available at SOCRRA's administrative offices. As of June 30, 2011, SOCRRA had net assets of \$6,516,431.

Southeastern Oakland County Water Authority - The City is a member of the Southeastern Oakland County Water Authority (SOCWA), which is a joint venture among eleven (11) municipalities in Oakland County, including the City of Pleasant Ridge. The City appoints one (1) member of the governing board, which approves the annual budget. SOCWA provides a water supply system for use by the participating municipalities. Principal funding for the Authority is derived from water charges to the member municipalities. For the year ended June 30, 2011, the City of Pleasant Ridge expended \$151,006 in payments to SOCWA.

The financial activities of SOCWA are accounted for and reported separately from the participating units. Separate audited financial statements for the year ended June 30, 2011, are available at SOCWA's administrative offices. As of June 30, 2011, SOCWA had net assets of \$15,822,666.

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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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 governmental funds:

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

The City 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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

6. Basis of Accounting - continued

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

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.

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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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

8. Cash, Cash Equivalents, and Investments

The City pools cash resources of various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balances in the pooled cash accounts are available to meet current operating requirements. Cash in excess of current requirements is invested in various interest bearing securities and disclosed as part of the City's investments. Cash consists of checking, savings, and money market accounts. Cash equivalents consist of temporary investments in mutual funds and certificates of deposit with original maturities of 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. Investments are recorded at market value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

9. Due from Other Governmental Units

Due from other governmental units consists of amounts due from the State of Michigan or other governments for various payments and grants.

10. Receivables

Receivables consist of amounts due related from individuals and businesses related to charges for services, interest receivable, special assessments receivable, taxes levied that have not been collected, and other amounts owed to the City at year-end.

11. 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, pool operations, and pool debt. For the year ended June 30, 2011, the City levied 11.4248 mills per \$1,000 of taxable valuation for general governmental services, 1.7134 mills for refuse services, 2.4124 mills for infrastructure improvements, 0.3700 mills for library services, 1.2722 mills for pool operations, and 1.0000 mills for pool debt. The total taxable value for the 2010 levy for property within the City was \$122,830,220. This raised \$1,365,259 for general government services, \$204,367 for refuse services, \$287,743 for infrastructure improvements, \$44,135 for library services, \$151,740 for pool operations, and \$119,279 for pool debt.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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

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 nonspendable fund balance which indicates they do not constitute "available spendable resources" even though they are a component of net current assets.

13. Deferred and Unearned Revenue

Governmental funds report deferred revenues in connection with receivables for revenue that is not considered available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. Government-wide financial statements report unearned revenues that are unavailable to liquidate liabilities of the current period.

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, 2011 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.

16. Capital Assets

Capital assets are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities, business-type activities, and component unit columns. Capital assets are those with an initial individual cost of \$5,000 or more and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at 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:

Land improvements	15 years
Buildings and improvements	10 - 50 years
Vehicles	3 years
Equipment	5 - 15 years
Software	3 years
Infrastructure - streets and alleys	12 - 20 years
Water and sewer transmission and distribution	25 years
Water meters	15 years

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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

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

City of Pleasant Ridge

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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

Deposits

As of June 30, 2011, 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	\$ 1,976,620	\$ 1,984,154
Certificates of deposit	<u>2,122,278</u>	<u>2,122,278</u>
TOTAL PRIMARY GOVERNMENT	4,098,898	4,106,432
COMPONENT UNIT		
Checking and savings	<u>27,687</u>	<u>27,687</u>
TOTAL REPORTING ENTITY	<u>\$ 4,126,585</u>	<u>\$ 4,134,119</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, 2011, the City accounts were insured by the FDIC for \$2,193,305 and the amount of \$1,940,814 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.

Investments

As of June 30, 2011, the City had the following investments:

<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Moody's Rating</u>	<u>Weighted Average Maturity</u>
PRIMARY GOVERNMENT				
Pooled Investments				
Federal Home Loan Bank	\$ 100,250	\$ 100,250	AAA	4.39 years
Federal National Mortgage Association	<u>147,714</u>	<u>147,714</u>	AAA	4.40 years
	<u>\$ 247,964</u>	<u>\$ 247,964</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, 2011, is presented above.

City of Pleasant Ridge

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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

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

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, 2011:

	<u>Primary Government</u>	<u>Component Unit</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$ 1,977,481	\$ 27,687	\$ 2,005,168
Investments	<u>2,370,241</u>	<u>-</u>	<u>2,370,241</u>
	<u>\$ 4,347,722</u>	<u>\$ 27,687</u>	<u>\$ 4,375,409</u>

NOTE C: INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at June 30, 2011, are as follows:

Due to General Fund from:	
Water and Sewer Fund	<u>\$ 144,768</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.

City of Pleasant Ridge

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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 Local Streets Fund from:	
General Fund	\$ 6,700
I-696 Segregated Capital Asset Fund	90,000
Nonmajor governmental funds	<u>50,876</u>
	<u>\$ 147,576</u>
Transfers to nonmajor governmental funds from:	
General Fund	\$ 1,600
I-696 Segregated Capital Asset Fund	<u>12,000</u>
	<u>\$ 13,600</u>

Transfers to the Local Streets Fund from the General Fund, I-696 Segregated Capital Asset Fund, and nonmajor governmental funds were for capital asset purchases. Transfers made to nonmajor governmental funds from the General Fund were to finance current year operations. The transfers made to nonmajor governmental funds from the I-696 Segregated Capital Asset Fund were to finance the current year debt service payments.

NOTE E: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011, was as follows:

Primary Government

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions/</u> <u>Reclassifications</u>	<u>Deletions/</u> <u>Reclassifications</u>	<u>Balance</u> <u>June 30, 2011</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 1,746,700	\$ -	\$ -	\$ 1,746,700
Construction in progress	<u>25,831</u>	<u>449,924</u>	<u>(459,440)</u>	<u>16,315</u>
Subtotal	1,772,531	449,924	(459,440)	1,763,015
Capital assets being depreciated				
Land improvements	831,578	29,579	-	861,157
Buildings and improvements	3,597,180	-	-	3,597,180
Vehicles	59,440	-	-	59,440
Equipment	361,945	39,945	(41,718)	360,172
Software	5,530	5,530	-	11,060
Infrastructure - streets and alleys	<u>5,902,300</u>	<u>459,440</u>	<u>-</u>	<u>6,361,740</u>
Subtotal	10,757,973	534,494	(41,718)	11,250,749

City of Pleasant Ridge

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE E: CAPITAL ASSETS - CONTINUED

Primary Government - continued

	<u>Balance July 1, 2010</u>	<u>Additions/ Reclassifications</u>	<u>Deletions/ Reclassifications</u>	<u>Balance June 30, 2011</u>
Governmental activities - continued				
Less accumulated depreciation for:				
Land improvements	\$ (454,502)	\$ (57,709)	\$ -	\$ (512,211)
Buildings and improvements	(1,060,605)	(108,055)	-	(1,168,660)
Vehicles	(42,339)	(4,275)	-	(46,614)
Equipment	(160,549)	(50,861)	12,516	(198,894)
Software	(1,843)	(3,687)	-	(5,530)
Infrastructure - streets and alleys	<u>(2,252,735)</u>	<u>(316,796)</u>	<u>-</u>	<u>(2,569,531)</u>
Subtotal	<u>(3,972,573)</u>	<u>(541,383)</u>	<u>12,516</u>	<u>(4,501,440)</u>
Net capital assets being depreciated	<u>6,785,400</u>	<u>(6,889)</u>	<u>(29,202)</u>	<u>6,749,309</u>
Capital assets, net	<u>\$ 8,557,931</u>	<u>\$ 443,035</u>	<u>\$ (488,642)</u>	<u>\$ 8,512,324</u>

Depreciation expense was charged to the following governmental activities:

General government	\$ 48,454
Public safety	15,225
Public works	325,847
Recreation and culture	<u>151,857</u>
	<u>\$ 541,383</u>

	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2011</u>
Business-type activities				
Capital assets not being depreciated				
Construction in progress	\$ 124,750	\$ 1,396	\$ -	\$ 126,146
Capital assets being depreciated				
Water and sewer transmission and distribution system	3,158,907	-	-	3,158,907
Water meters	157,233	-	-	157,233
Vehicles and miscellaneous equipment	<u>14,602</u>	<u>-</u>	<u>-</u>	<u>14,602</u>
Subtotal	3,330,742	-0-	-0-	3,330,742

City of Pleasant Ridge

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE E: CAPITAL ASSETS - CONTINUED

Primary Government - continued

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
Business-type activities - continued				
Less accumulated depreciation for:				
Water and sewer transmission and distribution system	\$ (1,017,592)	\$ (101,322)	\$ -	\$ (1,118,914)
Water meters	(41,928)	(10,482)	-	(52,410)
Vehicles and miscellaneous equipment	(11,681)	(2,921)	-	(14,602)
Subtotal	(1,071,201)	(114,725)	-0-	(1,185,926)
Net capital assets being depreciated	2,259,541	(114,725)	-0-	2,144,816
Capital assets, net	<u>\$ 2,384,291</u>	<u>\$ (113,329)</u>	<u>\$ -0-</u>	<u>\$ 2,270,962</u>

Component Unit

Downtown Development Authority (DDA)

Capital assets not being depreciated				
Land	\$ 72,500	\$ -	\$ -	\$ 72,500
Capital assets being depreciated				
Land improvements	3,800	115,915	-	119,715
Less accumulated depreciation for:				
Land improvements	(380)	(6,176)	-	(6,556)
Net capital assets being depreciated	3,420	109,739	-0-	113,159
Capital assets, net	<u>\$ 75,920</u>	<u>\$ 109,739</u>	<u>\$ -0-</u>	<u>\$ 185,659</u>

NOTE F: LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portion) of the City for the year ended June 30, 2011.

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011	Amounts Due Within One Year
Primary Government					
Governmental activities					
Pool/Fitness Center Bonds	\$ 2,275,000	\$ -	\$ (75,000)	\$ 2,200,000	\$ 75,000
DPW Improvement Loans	61,571	-	(11,082)	50,489	11,491
Installment Purchase Agreements	15,866	39,945	(23,713)	32,098	14,208
Compensated Absences	195,128	74,075	(69,599)	199,604	69,600
	2,547,565	114,020	(179,394)	2,482,191	170,299

City of Pleasant Ridge

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE F: LONG-TERM DEBT - CONTINUED

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Primary Government - continued					
Business-type activities					
Water and Sewer System					
George W. Kuhn Drain Bonds	\$ 1,271,031	\$ 1,396	\$ (76,960)	\$ 1,195,467	\$ 78,780
	<u>\$ 3,818,596</u>	<u>\$ 115,416</u>	<u>\$ (256,354)</u>	<u>\$ 3,677,658</u>	<u>\$ 249,079</u>
Component Unit					
Downtown Development Authority					
2010 Promissory Note	\$ -	\$ 100,000	\$ (20,000)	\$ 80,000	\$ 20,000

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

Primary Government

General Obligation Bonds

\$2,550,000 2003 General Obligation Unlimited Tax Bonds dated June 1, 2003, due in annual installments ranging from \$75,000 to \$200,000 through April 1, 2028, with interest ranging from 3.375 to 4.375 percent, payable semiannually.

\$ 2,200,000

Installment Loan Agreements

\$110,000 DPW Improvement Loan dated September 23, 2004, due in annual installments ranging from \$11,491 to \$14,739 through September 1, 2014, with interest of 3.69 percent.

\$ 50,489

\$13,849 Installment Purchase Agreement dated November 23, 2009, due in an annual installment of \$4,586 on December 26, 2011, with interest of 15.09 percent.

4,586

\$39,945 Installment Purchase agreement dated September 9, 2010, due in annual installments of \$12,434 through September 21, 2013, with interest of 10.223 percent.

27,512

\$ 82,587

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 \$1,195,467 or 1.33900% of the county's total obligation.

\$ 1,195,467

City of Pleasant Ridge

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE F: LONG-TERM DEBT - CONTINUED

Component Unit

Promissory Note

\$100,000 2010 Promissory Note dated September 14, 2010, due in annual installments of \$20,000 through July 1, 2015, with interest of 4.50 percent.

\$ 80,000

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 \$199,604 at June 30, 2011.

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

Primary Government

<u>Year Ending June 30,</u>	<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>
2012	\$ 75,000	\$ 90,868	\$ 25,699	\$ 5,367	\$ 78,780	\$ 32,426
2013	75,000	88,336	22,520	3,268	81,122	30,278
2014	75,000	85,805	19,638	1,745	83,137	28,074
2015	100,000	83,274	14,730	544	85,221	25,820
2016	100,000	79,525	-	-	87,691	23,506
2017-2021	575,000	333,706	-	-	473,704	80,579
2022-2026	800,000	194,121	-	-	287,138	18,214
2027-2031	400,000	26,249	-	-	18,674	998
	<u>\$ 2,200,000</u>	<u>\$ 981,884</u>	<u>\$ 82,587</u>	<u>\$ 10,924</u>	<u>\$ 1,195,467</u>	<u>\$ 239,895</u>

Component Unit

<u>Year Ending June 30,</u>	<u>Promissory Note</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 20,000	\$ 3,600
2013	20,000	2,700
2014	20,000	1,800
2015	20,000	900
	<u>\$ 80,000</u>	<u>\$ 9,000</u>

City of Pleasant Ridge

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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, 2011, the City's annual pension cost of \$154,485 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, 2009, 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 1.0 percent per year for calendar years 2011 through 2014 then 4.5 percent per year thereafter, compounded annually, attributable to inflation (c) additional salary increases ranging from 0% to 8.4% per year depending on age, seniority and merit, and (d) assumption benefits will not increase after retirement.

The actuarial value of MERS assets was determined using techniques that smooth the effects of short term volatility over a ten (10) 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,		
	2008	2009	2010
Actuarial value of assets	\$ 2,735,900	\$ 2,711,888	\$ 2,741,316
Actuarial accrued liability (AAL) (entry age)	4,137,479	4,147,589	4,291,886
Unfunded AAL (UAAL)	1,401,579	1,435,701	1,550,570
Funded ratio	66%	65%	64%
Annual covered payroll	605,168	604,364	578,975
UAAL as a percentage of covered payroll	232%	238%	268%

	Year Ended June 30,		
	2009	2010	2011
Annual pension cost	\$ 124,890	\$ 146,068	\$ 154,485
Percentage of APC contributed	100%	100%	100%
Net pension obligation	-	-	-

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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 No. 45) required disclosures and these disclosures have been implemented prospectively by the City. In accordance with union agreement and personnel policy, upon retirement each employee will be eligible for continuation of certain medical, prescription drug, dental, and vision coverage. Employees become eligible for the minimum coverage after the age of 55 with 15 years of service. Additional coverage is provided as the age of retirement increases and more years of service are attained. The retirees must contribute the balance of premiums not paid by the employer in accordance with plan provisions.

During the year ended June 30, 2011, 12 retirees were receiving benefits. Expenditures for post-employment benefits are recognized when claims are paid. During the year, expenditures of \$163,567 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.

Funding Progress

For the year ended June 30, 2011, the City has determined an estimated cost of providing post-employment benefits through an actuarial valuation as of December 31, 2009. 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 (ARC)	\$ 291,467
Interest on net OPEB obligation	8,412
Adjustment to annual required contribution	<u>(7,173)</u>
Annual OPEB cost (expense)	292,706
Amounts contributed:	
Payments of current premiums (gross of employee reimbursement)	<u>163,567</u>
Increase in net OPEB obligation	129,139
OPEB obligation - beginning of year	<u>177,099</u>
OPEB obligation - end of year	<u><u>\$ 306,238</u></u>

City of Pleasant Ridge

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE H: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

Funding Progress - continued

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

	Year Ended June 30,	
	2010	2011
Annual OPEB cost	\$ 333,533	\$ 292,706
Percentage contributed	47%	56%
Net OPEB obligation	177,099	306,238

The current funding progress of the plan as is as follows:

	Year Ended December 31,	
	2006	2009
Actuarial value of assets	\$ -	\$ -
Actuarial accrued liability (AAL) (entry age)	4,450,060	4,008,721
Unfunded AAL (UAAL)	4,450,060	4,008,721
Funded ratio	0%	0%
Annual covered payroll	604,364	560,339
UAAL as a percentage of covered payroll	736%	715%

The actuarial valuation for the year ended December 31, 2009, which was used for the year ended June 30, 2011, contributions, was the second actuarial valuation was done, so no information is available for fiscal years prior to 2006.

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.

In the December 31, 2009 actuarial valuation the entry age normal cost method was used. The actuarial assumptions include a 4.75 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 4.75% was also used. There was also an inflationary rate assumption factored into the calculation. Per the actuarial study the assumed underlying rate was 2.80% and an excess medical rate ranging from 5.20% to 7.00% over 10 years with an ultimate rate of 6.4%.

City of Pleasant Ridge

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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, 2011:

REVENUES	
Licenses and permits	
Electrical permits	\$ 3,020
Building permits	20,915
Plumbing/heating permits	4,750
Administrative fee	<u>7,425</u>
TOTAL REVENUES	36,110
EXPENDITURES	
Salaries and wages	32,787
Operating supplies	<u>324</u>
TOTAL EXPENDITURES	<u>33,111</u>
EXCESS OF REVENUES OVER EXPENDITURES	2,999
PRIOR CUMULATIVE EXCESS OF REVENUES OVER EXPENDITURES	<u>12,756</u>
CUMULATIVE EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ 15,755</u>

NOTE J: RISK MANAGEMENT

The City participates in a State pool, the Michigan Municipal Risk Management Authority, with other municipalities for property and casualty losses. The pool is organized under Public Act 138 of 1982, as amended. The City has individual self-insured retention amounts of \$10,000 for Sewage System Overflows (per occurrence) and a \$250 deductible per occurrence of property and crime coverage. State pool members' limits of coverage (per occurrence) are \$15,000,000 for liability and about \$7,300,000 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.

The City also 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.

NOTE K: I-696 SEGREGATED CAPITAL ASSET SPECIAL REVENUE FUND

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE K: I-696 SEGREGATED CAPITAL ASSET SPECIAL REVENUE FUND - CONTINUED

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 per City ordinance is \$3,242,872; however the entire fund balance of \$3,279,157 is reflected as committed fund balance in the Special Revenue Fund.

NOTE L: RESTRICTED NET ASSETS

Restrictions of net assets shown in the government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes. The following are the various net asset restrictions as of June 30, 2011:

PRIMARY GOVERNMENT	
Governmental activities	
Restricted for debt services	\$ 70,675
Restricted for other purposes	
Streets	364,236
Solid waste services	67,342
Infrastructure improvements	6,809
Public safety	9,007
Building department	15,755
Recreation and culture	<u>27,382</u>
	<u>490,531</u>
	<u>\$ 561,206</u>

NOTE M: DETAILS OF FUND BALANCE CATEGORIES AND CLASSIFICATIONS

In February 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 have been replaced with five new classifications: nonspendable, restricted, committed, assigned and unassigned.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE M: DETAILS OF FUND BALANCE CATEGORIES AND CLASSIFICATIONS - CONTINUED

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

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

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

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

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

Fund Balance Classification Policies and Procedures

The formal action that is required to be taken to establish a fund balance commitment has not been determined by the City Commission, the highest level of decision making authority, of the City of Pleasant Ridge.

For assigned fund balance, the City of Pleasant Ridge has not approved a policy indicating who is authorized to assign amounts to a specific purpose.

The City of Pleasant Ridge has not formally adopted a policy that determines when both restricted and unrestricted fund balances are available which should be used first.

NOTE N: PRIOR PERIOD ADJUSTMENT, RESTATEMENT OF FUND BALANCE, AND RESTATEMENT OF BEGINNING NET ASSETS

Beginning fund balance for the General Fund has been adjusted for postage inventory that was recorded in error in prior periods. The General Fund's fund balance was decreased \$17,759 to properly record this adjustment. Beginning net assets at the government-wide level were also decreased \$17,759 to reflect the correction of this error.

Beginning fund balance for the General Fund and Historical Commission Fund have been restated to reflect a change in accounting standards as a result of the implementation of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The General Fund's beginning fund balance was increased \$18,151 to account for this change in accounting standards while the Historical Society Fund's fund balance was reduced \$18,151. The Historical Commission Fund does not meet the definition of a Special Revenue fund for external financial reporting purposes.

Beginning fund balance for the Local Streets Fund and Infrastructure Improvements Fund have been restated to reflect a change in accounting standards as a result of the implementation of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The Local Streets Fund's beginning fund balance was increased \$6,809 to account for this change in accounting standards while the Infrastructure Improvements Fund's fund balance was reduced \$6,809.

REQUIRED SUPPLEMENTARY INFORMATION

City of Pleasant Ridge

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 1,423,014	\$ 1,435,547	\$ 1,435,029	\$ (518)
Licenses and permits	68,100	74,205	86,614	12,409
Intergovernmental	230,476	245,739	257,972	12,233
Charges for services	470,450	478,775	503,523	24,748
Fines and forfeits	46,000	47,245	46,643	(602)
Interest and rents	17,000	12,988	4,843	(8,145)
Other	53,375	24,965	24,618	(347)
TOTAL REVENUES	2,308,415	2,319,464	2,359,242	39,778
EXPENDITURES				
Current				
General government				
Commission	16,000	14,000	18,528	(4,528)
Manager	130,879	133,686	132,591	1,095
Treasurer	99,954	93,302	89,986	3,316
Clerk	65,427	68,112	66,621	1,491
Assessor	20,440	21,440	20,752	688
Elections	15,821	12,921	12,902	19
General government	147,915	184,120	176,452	7,668
Attorney services	18,000	18,500	16,845	1,655
Post office	40,936	43,111	41,128	1,983
Cable television	2,459	2,459	2,601	(142)
Contingency	10,000	-	-	-0-
Total general government	567,831	591,651	578,406	13,245
Public safety				
Police department	708,351	696,422	703,881	(7,459)
Fire services	346,500	346,500	346,500	-0-
Building department	21,225	22,225	23,653	(1,428)
Total public safety	1,076,076	1,065,147	1,074,034	(8,887)
Public works				
Public works services	113,600	137,053	143,981	(6,928)
Street lighting	30,000	43,500	43,510	(10)
Total public works	143,600	180,553	187,491	(6,938)
Community and economic development				
Planning commission	13,600	10,600	9,794	806

City of Pleasant Ridge

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
EXPENDITURES - CONTINUED				
Current - continued				
Recreation and culture				
Parks and recreation department	\$ 270,403	\$ 297,201	\$ 301,844	\$ (4,643)
Other				
Retirement benefits	<u>213,221</u>	<u>188,920</u>	<u>189,368</u>	<u>(448)</u>
TOTAL EXPENDITURES	<u>2,284,731</u>	<u>2,334,072</u>	<u>2,340,937</u>	<u>(6,865)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	23,684	(14,608)	18,305	32,913
OTHER FINANCING USES				
Transfers out	<u>(5,000)</u>	<u>(1,600)</u>	<u>(1,600)</u>	<u>-0-</u>
Net change in fund balance (prior to adjustments for GASB Statement No. 54)	<u>\$ 18,684</u>	<u>\$ (16,208)</u>	16,705	<u>\$ 32,913</u>
Adjustments for GASB Statement No. 54			<u>(3,529)</u>	
Net change in fund balance, end of year			<u>\$ 13,176</u>	

City of Pleasant Ridge

Local Streets Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 41,750	\$ 41,750	\$ 43,400	\$ 1,650
Interest and rents	-	30	46	16
Other	-	9,000	9,000	-0-
TOTAL REVENUES	41,750	50,780	52,446	1,666
EXPENDITURES				
Current				
Public works				
Administration	4,000	4,000	3,500	500
Operations	85,600	85,600	61,646	23,954
Capital outlay	435,088	469,788	471,225	(1,437)
TOTAL EXPENDITURES	524,688	559,388	536,371	23,017
EXCESS OF REVENUES (UNDER) EXPENDITURES	(482,938)	(508,608)	(483,925)	24,683
OTHER FINANCING SOURCES				
Transfers in	428,837	435,537	435,237	(300)
Net change in fund balance, end of year	\$ (54,101)	\$ (73,071)	\$ (48,688)	\$ 24,383

City of Pleasant Ridge

Solid Waste Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 204,524	\$ 204,524	\$ 204,367	\$ (157)
Charges for services	170,428	181,493	182,405	912
Interest	-	20	22	2
TOTAL REVENUES	374,952	386,037	386,794	757
EXPENDITURES				
Current				
Public works				
Administration	6,858	5,136	5,602	(466)
Operations	353,340	375,840	365,670	10,170
TOTAL EXPENDITURES	360,198	380,976	371,272	9,704
NET CHANGE IN FUND BALANCE	14,754	5,061	15,522	10,461
Fund balance, beginning of year	51,820	51,820	51,820	-0-
Fund balance, end of year	\$ 66,574	\$ 56,881	\$ 67,342	\$ 10,461

City of Pleasant Ridge
I-696 Segregated Capital Asset Fund
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ -	\$ 23,575	\$ 23,575	\$ -0-
Interest	89,600	65,000	68,598	3,598
TOTAL REVENUES	89,600	88,575	92,173	3,598
EXPENDITURES	-	-	-0-	-0-
EXCESS OF REVENUES OVER EXPENDITURES	89,600	88,575	92,173	3,598
OTHER FINANCING USES				
Transfers out	(102,000)	(102,000)	(102,000)	-0-
Loan to other governmental units	-	(100,000)	(100,000)	-0-
TOTAL OTHER FINANCING USES	(102,000)	(202,000)	(202,000)	-0-
NET CHANGE IN FUND BALANCE	(12,400)	(113,425)	(109,827)	3,598
Fund balance, beginning of year	3,388,984	3,388,984	3,388,984	-0-
Fund balance, end of year	<u>\$ 3,376,584</u>	<u>\$ 3,275,559</u>	<u>\$ 3,279,157</u>	<u>\$ 3,598</u>

City of Pleasant Ridge

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2011

NOTE A: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

In the required supplementary information to the financial statements, the City's budgeted expenditures for the General, Local Streets, 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, 2011, the City incurred expenditures in the General Fund excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
Current			
General government			
Commission	\$ 14,000	\$ 18,528	\$ 4,528
Public safety			
Police department	696,422	703,881	7,459
Building department	22,225	23,653	1,428
Public works			
Public works services	137,053	143,981	6,928
Recreation and culture			
Parks and recreation department	297,201	301,844	4,643

NOTE B: RECONCILIATION FROM BUDGETARY BASIS TO GASB STATEMENT NO. 54

The amounts presented in the General Fund and Local Street Fund budgetary comparison schedule were adopted by the City Commission on a basis prior to the implementation of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The reconciliation on the General Fund budgetary comparison schedule reconciles the difference between the budget legally adopted by the City Commission to the actual amount presented in the basic financial statements for the implementation of GASB Statement No. 54.

OTHER SUPPLEMENTARY INFORMATION

City of Pleasant Ridge
Nonmajor Governmental Funds

BALANCE SHEET

June 30, 2011

	Special		
	Major Streets	Tree Planting Beautification	Pool/Fitness Facility (Operating)
ASSETS			
Cash and cash equivalents	\$ 101,901	\$ -	\$ 41,394
Due from other governmental units	16,167	-	-
Prepays	-	-	182
TOTAL ASSETS	\$ 118,068	\$ -0-	\$ 41,576
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 1,367	\$ -	\$ 2,751
Accrued wages	-	-	4,321
TOTAL LIABILITIES	1,367	-0-	7,072
FUND BALANCES			
Nonspendable			
Prepays	-	-	182
Restricted			
Streets and highways	116,701	-	-
Infrastructure improvements	-	-	-
Drug forfeiture	-	-	-
Library	-	-	-
Debt service	-	-	-
Assigned			
Pool facility	-	-	34,322
Debt service	-	-	-
TOTAL FUND BALANCES	116,701	-0-	34,504
TOTAL LIABILITIES AND FUND BALANCES	\$ 118,068	\$ -0-	\$ 41,576

Revenue		Debt Service		
Drug Forfeiture	Library	Pool/Fitness Center Debt Service	Non-Voted Debt Service	Total
\$ 9,007	\$ 27,382	\$ 94,703	\$ 242	\$ 274,629
-	-	-	-	16,167
-	-	-	-	182
<u>\$ 9,007</u>	<u>\$ 27,382</u>	<u>\$ 94,703</u>	<u>\$ 242</u>	<u>\$ 290,978</u>
\$ -	\$ -	\$ -	\$ -	\$ 4,118
-	-	-	-	4,321
-0-	-0-	-0-	-0-	8,439
-	-	-	-	182
-	-	-	-	116,701
-	-	-	-	-0-
9,007	-	-	-	9,007
-	27,382	-	-	27,382
-	-	94,703	-	94,703
-	-	-	-	34,322
-	-	-	242	242
<u>9,007</u>	<u>27,382</u>	<u>94,703</u>	<u>242</u>	<u>282,539</u>
<u>\$ 9,007</u>	<u>\$ 27,382</u>	<u>\$ 94,703</u>	<u>\$ 242</u>	<u>\$ 290,978</u>

City of Pleasant Ridge

Nonmajor Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2011

	Special		
	Major Streets	Tree Planting Beautification	Pool/Fitness Facility (Operating)
REVENUES			
Taxes	\$ -	\$ -	\$ 151,740
Intergovernmental	104,395	-	-
Charges for services	-	-	40,802
Interest and rents	39	-	30
Other	-	10,650	-
TOTAL REVENUES	104,434	10,650	192,572
EXPENDITURES			
Current			
General government	-	-	-
Public safety	-	-	-
Public works	58,054	-	-
Recreation and culture	-	3	199,757
Capital outlay	-	12,247	39,945
Debt service	-	-	17,857
TOTAL EXPENDITURES	58,054	12,250	257,559
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	46,380	(1,600)	(64,987)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	1,600	-
Transfers out	(50,876)	-	-
Installment purchase agreement proceeds	-	-	39,945
TOTAL OTHER FINANCING SOURCES (USES)	(50,876)	1,600	39,945
NET CHANGE IN FUND BALANCES	(4,496)	-0-	(25,042)
Fund balances, beginning of year	121,197	-	59,546
Fund balances, end of year	<u>\$ 116,701</u>	<u>\$ -0-</u>	<u>\$ 34,504</u>

Revenue		Debt Service		Total
Drug Forfeiture	Library	Pool/Fitness Center Debt Service	Non-Voted Debt Service	
\$ -	\$ 44,135	\$ 119,279	\$ -	\$ 315,154
-	-	-	-	104,395
-	-	-	-	40,802
3	15	-	-	87
682	-	-	-	11,332
685	44,150	119,279	-0-	471,770
-	-	-	-	-0-
46	-	-	-	46
-	-	-	-	58,054
-	51,272	-	-	251,032
-	-	-	-	52,192
-	-	168,983	13,356	200,196
46	51,272	168,983	13,356	561,520
639	(7,122)	(49,704)	(13,356)	(89,750)
-	-	-	12,000	13,600
-	-	-	-	(50,876)
-	-	-	-	39,945
-0-	-0-	-0-	12,000	2,669
639	(7,122)	(49,704)	(1,356)	(87,081)
8,368	34,504	144,407	1,598	369,620
\$ 9,007	\$ 27,382	\$ 94,703	\$ 242	\$ 282,539

City of Pleasant Ridge

Component Unit Fund

BALANCE SHEET - DOWNTOWN DEVELOPMENT AUTHORITY (DDA)

June 30, 2011

ASSETS

Cash and cash equivalents	\$ 27,687
Prepays	<u>560</u>

TOTAL ASSETS	<u>\$ 28,247</u>
--------------	------------------

LIABILITIES AND FUND BALANCE

LIABILITIES	\$ -
-------------	------

FUND BALANCE

Nonspendable	560
Unassigned	<u>27,687</u>

TOTAL FUND BALANCE	<u>28,247</u>
--------------------	---------------

TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 28,247</u>
------------------------------------	------------------

City of Pleasant Ridge

Component Unit Fund

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

June 30, 2011

Total fund balance - governmental fund \$ 28,247

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	\$ 192,215	
Accumulated depreciation is	<u>(6,556)</u>	
Capital assets, net		185,659

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:

Note payable	<u>(80,000)</u>	
--------------	-----------------	--

Net assets of governmental activities \$ 133,906

City of Pleasant Ridge

Component Unit Fund

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

Year Ended June 30, 2011

REVENUES	
Taxes	\$ 86,310
Intergovernmental	64,337
Interest	27
Other	<u>3,833</u>
TOTAL REVENUES	154,507
EXPENDITURES	
Current	
Community and economic development	91,850
Capital outlay	115,915
Debt service	<u>23,575</u>
TOTAL EXPENDITURES	<u>231,340</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	(76,833)
OTHER FINANCING SOURCES	
Note proceeds	<u>100,000</u>
NET CHANGE IN FUND BALANCE	23,167
Fund balance, beginning of year	<u>5,080</u>
Fund balance, end of year	<u><u>\$ 28,247</u></u>

City of Pleasant Ridge

Component Unit Fund

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

Year Ended June 30, 2011

Net change in fund balance - governmental fund **\$ 23,167**

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	\$ 115,915	
Depreciation expense	<u>(6,176)</u>	
Excess of capital outlay over depreciation expense		109,739

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:

Note issuance	(100,000)	
Note principal retirement	<u>20,000</u>	
		<u>(80,000)</u>

Change in net assets of governmental activities **\$ 52,906**

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
William I. Tucker IV, CPA



ABRAHAM & GAFFNEY, P.C.

Certified Public Accountants

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

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

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

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, 2011, 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to 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.

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. 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:

UNFAVORABLE BUDGET VARIANCES

As noted in the budgetary comparison schedule for the General Fund, the expenditures of certain activities exceeded the amounts appropriated. The expenditures of the Pool/Fitness Facility (Operating Fund) also exceeded the amounts appropriated. 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.

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 City, and applicable departments of the State of Michigan and is not intended to be and should not be used by anyone other than these specified parties.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

October 10, 2011