

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

**FINANCIAL STATEMENTS**

**June 30, 2012**

City of Pleasant Ridge

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Pleasant Ridge, Michigan, as of and for the year ended June 30, 2012, 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, 2012, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Pleasant Ridge, Michigan's financial statements as a whole. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

November 13, 2012

City of Pleasant Ridge

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2012

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, 2012. 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, 2012:

- Property tax revenues are the General Fund's largest revenue source. Property tax revenue for the year ended June 30, 2012 was approximately \$1.448 million, which is a 0.92% increase from the year before. Although the City's millage rate of 11.4248 remained the same, taxable values increased 0.82%.
- Interest income continues to decrease due to the current market conditions. Investment income in the City's SCAF fund decreased from \$68,600 in 2011 to \$52,400 in 2012, an overall decrease of nearly 24%.

**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:

	June 30, 2011	June 30, 2012	Change from Prior Year	
			In Dollars	As a Percent
<b>Assets</b>				
Current and other assets	\$ 4,727,887	\$ 4,707,134	\$ (20,753)	-0.44%
Capital assets	8,512,324	8,362,462	(149,862)	-1.76%
<b>Total Assets</b>	<b>13,240,211</b>	<b>13,069,596</b>	<b>(170,615)</b>	<b>-1.29%</b>
<b>Liabilities</b>				
Current liabilities	330,918	392,509	61,591	18.61%
Noncurrent liabilities	2,618,130	2,661,519	43,389	1.66%
<b>Total Liabilities</b>	<b>2,949,048</b>	<b>3,054,028</b>	<b>104,980</b>	<b>3.56%</b>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	6,229,737	6,180,589	(49,148)	-0.79%
Restricted	561,206	436,111	(125,095)	-22.29%
Unrestricted	3,500,220	3,398,868	(101,352)	-2.90%
	<b>\$ 10,291,163</b>	<b>\$ 10,015,568</b>	<b>\$ (275,595)</b>	<b>-2.68%</b>

City of Pleasant Ridge

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2012

**Governmental Activities - continued**

	<u>June 30, 2011</u>	<u>June 30, 2012</u>	<u>Change from</u> <u>In Dollars</u>	<u>Prior Year</u> <u>As a Percent</u>
<b>Revenues</b>				
Program Revenues				
Charges for services	\$ 918,841	\$ 892,340	\$ (26,501)	-2.88%
Operating grants and contributions	176,855	216,002	39,147	22.14%
Capital grants and contributions	44,241	-	(44,241)	100.00%
General revenues				
Property taxes	2,189,100	2,211,447	22,347	1.02%
State shared revenues	221,709	222,590	881	0.40%
Investment and other	129,694	144,759	15,065	11.62%
Total revenue	<u>3,680,440</u>	<u>3,687,138</u>	<u>6,698</u>	<u>0.18%</u>
<b>Expenses</b>				
General government	701,521	611,898	(89,623)	-12.78%
Public safety	1,291,339	1,261,059	(30,280)	-2.34%
Public works	1,077,394	1,192,720	115,326	10.70%
Community and economic development	9,794	13,011	3,217	32.85%
Recreation and culture	741,669	789,425	47,756	6.44%
Interest on long-term debt	110,299	94,620	(15,679)	-14.21%
Total expenses	<u>3,932,016</u>	<u>3,962,733</u>	<u>30,717</u>	<u>0.78%</u>
Change in Net Assets	<u>\$ (251,576)</u>	<u>\$ (275,595)</u>	<u>\$ (24,019)</u>	<u>9.55%</u>

The City's governmental net assets decreased 2.7 percent from a year ago, decreasing from approximately \$10.29 million to \$10.01 million. Total governmental revenues were \$3,687,138 while total governmental expenses were \$3,962,733, resulting in an overall decrease in net assets of \$275,595.

Total governmental revenues increased approximately \$6,698 or 0.18 percent. Investment income increased approximately \$15,065. Reductions in charges for services and operating grants offset those increases.

The City's total governmental expenses increased approximately \$30,717 or 0.78 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 eliminated the post office department as mandated by the United States Post Office. These savings were offset by increases in road construction, employee related costs and other contracted services.

City of Pleasant Ridge

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2012

**Business-type Activities**

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

	<u>June 30, 2011</u>	<u>June 30, 2012</u>	Change from Prior Year	
			<u>In Dollars</u>	<u>As a Percent</u>
<b>Assets</b>				
Current and other assets	\$ 155,689	\$ 389,484	\$ 233,795	150.17%
Capital assets	<u>2,270,962</u>	<u>2,154,114</u>	<u>(116,848)</u>	-5.15%
Total Assets	2,426,651	2,543,598	116,947	4.82%
<b>Liabilities</b>				
Current liabilities	147,279	180,331	33,052	22.44%
Noncurrent liabilities	<u>1,116,687</u>	<u>1,039,764</u>	<u>(76,923)</u>	-6.89%
Total Liabilities	1,263,966	1,220,095	(43,871)	-3.47%
<b>Net Assets</b>				
Invested in capital assets, net of related debt	1,075,495	1,037,428	(38,067)	-3.54%
Unrestricted	<u>87,190</u>	<u>286,075</u>	<u>198,885</u>	228.11%
	<u>\$ 1,162,685</u>	<u>\$ 1,323,503</u>	<u>\$ 160,818</u>	13.83%
<b>Revenues</b>				
Program Revenues				
Charges for services	\$ 1,160,505	\$ 1,300,703	\$ 140,198	12.08%
General revenues				
Investment and other	<u>-</u>	<u>16,429</u>	<u>16,429</u>	100.00%
Total revenue	1,160,505	1,317,132	156,627	13.50%
<b>Expenses</b>				
Water and sewer systems	<u>1,068,847</u>	<u>1,156,314</u>	<u>87,467</u>	8.18%
Change in net assets	<u>\$ 91,658</u>	<u>\$ 160,818</u>	<u>\$ 69,160</u>	75.45%

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 \$160,818, or 13.83 percent, from a year ago. The current year resulted in operating income of \$192,689 compared to prior year income from operations of \$106,326. The increase is a result of increased user fees charged by the City. The total cost of water purchased and sewage treatment expenses from the Southeastern Oakland County Water Authority and Oakland County increased approximately 14 percent from the prior year.

City of Pleasant Ridge

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2012

**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.

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 \$1.03 million in 2012, which was a decrease of \$35,430, or 3.30 percent, from 2011. Total General Fund revenues decreased from a year ago by \$3,580, due primarily to reduced charges for services and loss of the post office. These were offset by increases in tax revenue, license and permit fees, and other income. Total General Fund revenues for 2012 were greater than expenditures resulting in an increase in fund balance of \$109,502. Ending fund balance was \$746,922, of which \$50,509 was nonspendable. Unassigned fund balance represents 31 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. Overall, revenues exceeded the amended budget by \$29,824 and expenditures were in excess of the amended budget by \$37,763. Budget amendments were made as a result of changes in estimates for property tax revenues (following settlement with Oakland County), increased building department activity (both permit revenues and inspection costs), state-shared revenues and accounting for certain refunds and rebates. Increases in both police and recreation wages and related fringes were also necessary during the fiscal year.

**Capital Asset and Debt Administration**

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2012, amounted to \$10,516,288, 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 \$390,480 to Kemberton Road and Maywood Road and a new pool score board for approximately \$9,000.

As of June 30, 2012, the City's primary government had total debt outstanding of \$3,509,285. 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**

Economic factors challenge the City's budgets each fiscal year and the City continues to budget conservatively. The 2012-2013 budget included a minimal 1% increase in property tax values, state shared revenue projections, reduced federal and state grant estimates as well as conservative increases in healthcare and pension costs.

The City Commission is continually monitoring the adequacy of the City's utility rates compared to operating costs. The City Commission approved utility rate increases, in conjunction with the approval of the 2012-213 budget, in response to increases received from their suppliers.

City of Pleasant Ridge

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2012

**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, 2012

	Primary Government			Component Unit (DDA)
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 692,109	\$ 13,581	\$ 705,690	\$ 48,048
Investments	478,361	-	478,361	-
Receivables	71,400	368,210	439,610	-
Due from other governmental units	98,757	-	98,757	-
Prepays	50,517	7,693	58,210	-
Total current assets	1,391,144	389,484	1,780,628	48,048
Noncurrent assets				
Investments	3,255,990	-	3,255,990	-
Due from other governmental units	60,000	-	60,000	-
Capital assets not being depreciated	1,773,412	-	1,773,412	72,500
Capital assets being depreciated, net	6,589,050	2,154,114	8,743,164	106,983
Total noncurrent assets	11,678,452	2,154,114	13,832,566	179,483
<b>TOTAL ASSETS</b>	<b>13,069,596</b>	<b>2,543,598</b>	<b>15,613,194</b>	<b>227,531</b>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	144,746	86,208	230,954	-
Accrued liabilities	20,904	5,431	26,335	-
Accrued interest payable	24,655	7,570	32,225	-
Unearned revenue	7,699	-	7,699	-
Current portion of compensated absences	96,985	-	96,985	-
Current portion of long-term debt	97,520	81,122	178,642	20,000
Total current liabilities	392,509	180,331	572,840	20,000
Noncurrent liabilities				
Net other post-employment benefits obligation	463,425	4,200	467,625	-
Noncurrent portion of compensated absences	113,741	-	113,741	-
Noncurrent portion of long-term debt	2,084,353	1,035,564	3,119,917	40,000
Total noncurrent liabilities	2,661,519	1,039,764	3,701,283	40,000
<b>TOTAL LIABILITIES</b>	<b>3,054,028</b>	<b>1,220,095</b>	<b>4,274,123</b>	<b>60,000</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	6,180,589	1,037,428	7,218,017	119,483
Restricted for:				
Debt service	24,370	-	24,370	-
Other purposes	411,741	-	411,741	-
Unrestricted	3,398,868	286,075	3,684,943	48,048
<b>TOTAL NET ASSETS</b>	<b>\$ 10,015,568</b>	<b>\$ 1,323,503</b>	<b>\$ 11,339,071</b>	<b>\$ 167,531</b>

See accompanying notes to financial statements.

City of Pleasant Ridge  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit (DDA)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
<b>Primary government</b>								
Governmental activities								
General government	\$ 611,898	\$ 514,808	\$ 13,468	\$ -	\$ (83,622)	\$ -	\$ (83,622)	\$ -
Public safety	1,261,059	90,004	4,098	-	(1,166,957)	-	(1,166,957)	-
Public works	1,192,720	198,903	155,074	-	(838,743)	-	(838,743)	-
Community and economic development	13,011	300	-	-	(12,711)	-	(12,711)	-
Recreation and culture	789,425	88,325	43,362	-	(657,738)	-	(657,738)	-
Interest on long-term debt	94,620	-	-	-	(94,620)	-	(94,620)	-
<b>Total governmental activities</b>	<b>3,962,733</b>	<b>892,340</b>	<b>216,002</b>	<b>-0-</b>	<b>(2,854,391)</b>	<b>-0-</b>	<b>(2,854,391)</b>	<b>-0-</b>
Business-type activities								
Water and sewer	1,156,314	1,300,703	-	-	-	144,389	144,389	-
<b>Total primary government</b>	<b>\$ 5,119,047</b>	<b>\$ 2,193,043</b>	<b>\$ 216,002</b>	<b>\$ -0-</b>	<b>(2,854,391)</b>	<b>144,389</b>	<b>(2,710,002)</b>	<b>-0-</b>
<b>Component unit</b>								
Downtown Development Authority	\$ 58,069	\$ -0-	\$ -0-	\$ 12,448	-0-	-0-	-0-	(45,621)
General revenues								
Property taxes					2,211,447	-	2,211,447	76,112
State shared revenue					222,590	-	222,590	-
Interest earnings					53,576	29	53,605	18
Miscellaneous					91,183	16,400	107,583	3,116
<b>Total general revenues</b>					<b>2,578,796</b>	<b>16,429</b>	<b>2,595,225</b>	<b>79,246</b>
Change in net assets					(275,595)	160,818	(114,777)	33,625
Net assets, beginning of the year					10,291,163	1,162,685	11,453,848	133,906
Net assets, end of the year					<b>\$ 10,015,568</b>	<b>\$ 1,323,503</b>	<b>\$ 11,339,071</b>	<b>\$ 167,531</b>

See accompanying notes to financial statements.

City of Pleasant Ridge

Governmental Funds

BALANCE SHEET

June 30, 2012

	General	Local Streets	Solid Waste
<b>ASSETS</b>			
Cash and cash equivalents	\$ 100,838	\$ 207,977	\$ 5,831
Investments	636,215	-	-
Receivables			
Accounts	18,611	-	44,505
Interest	-	-	-
Due from other governmental units	39,857	6,162	-
Prepays	50,509	-	8
	<u>50,509</u>	<u>-</u>	<u>8</u>
<b>TOTAL ASSETS</b>	<u>\$ 846,030</u>	<u>\$ 214,139</u>	<u>\$ 50,344</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 76,844	\$ 5,305	\$ 17,814
Accrued liabilities	14,567	-	195
Deferred revenue	7,699	-	-
	<u>7,699</u>	<u>-</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	99,110	5,305	18,009
<b>FUND BALANCES</b>			
Nonspendable			
Prepays	50,509	-	8
Restricted			
Solid waste	-	-	32,327
Streets and highways	-	202,025	-
Tree planting beautification	-	-	-
Infrastructure improvements	-	6,809	-
Public safety	23,174	-	-
Library	-	-	-
Debt service	-	-	-
Committed			
I-696 Segregated capital asset	-	-	-
Assigned			
Pool facility	-	-	-
Debt service	-	-	-
Unassigned	673,237	-	-
	<u>673,237</u>	<u>-</u>	<u>-</u>
<b>TOTAL FUND BALANCES</b>	<u>746,920</u>	<u>208,834</u>	<u>32,335</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 846,030</u>	<u>\$ 214,139</u>	<u>\$ 50,344</u>

See accompanying notes to financial statements.

I-696 Segregated Capital Asset	Nonmajor Governmental Funds	Total
\$ 187,803	\$ 189,660	\$ 692,109
3,098,136	-	3,734,351
-	5,986	69,102
2,298	-	2,298
-	52,738	98,757
-	-	50,517
<u>\$ 3,288,237</u>	<u>\$ 248,384</u>	<u>\$ 4,647,134</u>
\$ -	\$ 44,783	\$ 144,746
-	6,142	20,904
-	-	7,699
<u>-0-</u>	<u>50,925</u>	<u>173,349</u>
-	-	50,517
-	-	32,327
-	114,588	316,613
-	19	19
-	-	6,809
-	13,043	36,217
-	19,748	19,748
-	49,025	49,025
3,288,237	-	3,288,237
-	794	794
-	242	242
-	-	673,237
<u>3,288,237</u>	<u>197,459</u>	<u>4,473,785</u>
<u>\$ 3,288,237</u>	<u>\$ 248,384</u>	<u>\$ 4,647,134</u>

City of Pleasant Ridge

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

June 30, 2012

**Total fund balances - governmental funds** **\$ 4,473,785**

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	\$ 13,415,675	
Accumulated depreciation is	<u>(5,053,213)</u>	
Capital assets, net		8,362,462

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		60,000
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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	2,181,873	
Accrued interest payable	24,655	
Compensated absences	210,726	
Net other post-employment benefits obligation	<u>463,425</u>	
		<u>(2,880,679)</u>

**Net assets of governmental activities** **\$ 10,015,568**

City of Pleasant Ridge

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2012

	<u>General</u>	<u>Local Streets</u>	<u>Solid Waste</u>
<b>REVENUES</b>			
Taxes	\$ 1,448,325	\$ 291,073	\$ 206,732
Licenses and permits	98,818	-	-
Intergovernmental	230,951	44,849	-
Charges for services	448,339	-	198,903
Fines and forfeits	47,549	-	-
Interest and rents	4,037	43	8
Other	84,883	-	-
	<u>2,362,902</u>	<u>335,965</u>	<u>405,643</u>
<b>EXPENDITURES</b>			
Current			
General government	519,956	-	-
Public safety	1,034,665	-	-
Public works	192,691	55,397	440,650
Community and economic development	9,839	-	-
Recreation and culture	289,344	-	-
Other	183,727	-	-
Capital outlay	11,380	419,719	-
Debt service	-	-	-
	<u>2,241,602</u>	<u>475,116</u>	<u>440,650</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	121,300	(139,151)	(35,007)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	100,450	-
Transfers out	(11,800)	-	-
	<u>(11,800)</u>	<u>100,450</u>	<u>-0-</u>
NET CHANGE IN FUND BALANCES	109,500	(38,701)	(35,007)
Fund balances, beginning of year	<u>637,420</u>	<u>247,535</u>	<u>67,342</u>
Fund balances, end of year	<u>\$ 746,920</u>	<u>\$ 208,834</u>	<u>\$ 32,335</u>

See accompanying notes to financial statements.

I-696 Segregated Capital Asset	Nonmajor Governmental Funds	Total
\$ -	\$ 318,795	\$ 2,264,925
-	-	98,818
20,000	110,225	406,025
-	39,025	686,267
-	-	47,549
52,434	44	56,566
-	62,105	146,988
<u>72,434</u>	<u>530,194</u>	<u>3,707,138</u>
-	-	519,956
-	65	1,034,730
-	61,913	750,651
-	-	9,839
-	279,077	568,421
-	-	183,727
-	51,519	482,618
-	197,404	197,404
<u>-0-</u>	<u>589,978</u>	<u>3,747,346</u>
72,434	(59,784)	(40,208)
-	25,154	125,604
<u>(63,354)</u>	<u>(50,450)</u>	<u>(125,604)</u>
<u>(63,354)</u>	<u>(25,296)</u>	<u>-0-</u>
9,080	(85,080)	(40,208)
<u>3,279,157</u>	<u>282,539</u>	<u>4,513,993</u>
<u>\$ 3,288,237</u>	<u>\$ 197,459</u>	<u>\$ 4,473,785</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, 2012

**Net change in fund balances - total governmental funds** **\$ (40,208)**

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	\$ 409,911	
Depreciation expense	<u>(555,506)</u>	
Excess of depreciation expense over capital outlay		(145,595)

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		(20,000)
----------------------------------	--	----------

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:

Bond and installment loan principal retirements		100,714
---	--	---------

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	(4,267)	
Decrease in accrued interest payable	2,070	
(Increase) in compensated absences	(11,122)	
(Increase) in net other post-employment benefits obligation	<u>(157,187)</u>	
		<u>(170,506)</u>

**Change in net assets of governmental activities** **\$ (275,595)**

City of Pleasant Ridge  
Proprietary Fund  
STATEMENT OF NET ASSETS  
June 30, 2012

	Business-type Activities
	Water and Sewer
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 13,581
Accounts receivable	368,210
Prepays	7,693
Total current assets	389,484
Noncurrent assets	
Capital assets being depreciated, net	2,154,114
<b>TOTAL ASSETS</b>	<b>2,543,598</b>
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	86,208
Other accrued liabilities	5,431
Accrued interest payable	7,570
Current portion of long-term debt	81,122
Total current liabilities	180,331
Noncurrent liabilities	
Other post-employment benefits obligation	4,200
Noncurrent portion of long-term debt	1,035,564
Total noncurrent liabilities	1,039,764
<b>TOTAL LIABILITIES</b>	<b>1,220,095</b>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	1,037,428
Unrestricted	286,075
<b>TOTAL NET ASSETS</b>	<b>\$ 1,323,503</b>

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, 2012

	Business-type Activities
	<u>Water and Sewer</u>
OPERATING REVENUES	
Charges for services	\$ 1,283,546
Penalties and fines	17,157
Other	<u>16,400</u>
TOTAL OPERATING REVENUES	1,317,103
OPERATING EXPENSES	
Salaries, wages, and fringe benefits	34,271
Contractual services	90,228
Water purchases	162,640
Sewage treatment	509,212
Administrative charges	179,600
Operating supplies	3,507
Other	28,108
Depreciation	<u>116,848</u>
TOTAL OPERATING EXPENSES	<u>1,124,414</u>
OPERATING INCOME	192,689
NONOPERATING REVENUES (EXPENSES)	
Interest income	29
Interest expense and fees	<u>(31,900)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(31,871)</u>
CHANGE IN NET ASSETS	160,818
Net assets, beginning of year	<u>1,162,685</u>
Net assets, end of year	<u><u>\$ 1,323,503</u></u>

See accompanying notes to financial statements.

City of Pleasant Ridge  
Proprietary Fund  
STATEMENT OF CASH FLOWS  
Year Ended June 30, 2012

	<u>Business-type Activities Water and Sewer</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers	\$ 1,249,311
Cash paid to suppliers	(955,132)
Cash paid to employees	<u>(24,640)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	269,539
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Payment of interfund balances	(144,768)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Payments on borrowing	(78,782)
Interest expense and fees	<u>(32,437)</u>
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(111,219)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest earned	<u>29</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	13,581
Cash and cash equivalents, beginning of year	<u>-</u>
Cash and cash equivalents, end of year	<u><u>\$ 13,581</u></u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 192,689
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	116,848
(Increase) in:	
Receivables	(67,792)
Prepays	(7,654)
Increase in:	
Accounts payable	25,817
Accrued liabilities	5,431
Other post-employment benefits obligation	<u>4,200</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 269,539</u></u>

See accompanying notes to financial statements.

City of Pleasant Ridge

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

**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, 2012

**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, 2012, the City of Pleasant Ridge expended \$165,264 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, 2012, are available at SOCRRA's administrative offices. As of June 30, 2012, SOCRRA had net assets of \$6,703,011.

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, 2012, the City of Pleasant Ridge expended \$162,640 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, 2012, are available at SOCWA's administrative offices. As of June 30, 2012, SOCWA had net assets of \$17,887,752.

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, 2012

**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, 2012

**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.

City of Pleasant Ridge

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

**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, 2012, 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 2011 levy for property within the City was \$123,834,560. This raised \$1,377,514 for general government services, \$206,732 for refuse services, \$291,073 for infrastructure improvements, \$44,638 for library services, \$153,497 for pool operations, and \$120,660 for pool debt.

City of Pleasant Ridge

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

**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, 2012 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, 2012

**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, 2012

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

Deposits

As of June 30, 2012, 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	\$ 704,831	\$ 740,036
Certificates of deposit	1,731,532	1,731,532
	<hr/>	<hr/>
TOTAL PRIMARY GOVERNMENT	2,436,363	2,471,568
COMPONENT UNIT		
Checking and savings	48,048	48,048
	<hr/>	<hr/>
TOTAL REPORTING ENTITY	<u>\$ 2,484,411</u>	<u>\$ 2,519,616</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, 2012, the City accounts were insured by the FDIC for \$2,037,546 and the amount of \$482,070 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, 2012, 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				
Uncatergorized pooled investment funds	<u>\$ 2,002,818</u>	<u>\$ 2,002,818</u>	Not rated	N/A

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, 2012, is presented above.

City of Pleasant Ridge

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

**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 advisers 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, 2012:

	<u>Primary Government</u>	<u>Component Unit</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$ 705,690	\$ 48,048	\$ 753,738
Investments	<u>3,734,351</u>	<u>-</u>	<u>3,734,351</u>
	<u>\$ 4,440,041</u>	<u>\$ 48,048</u>	<u>\$ 4,488,089</u>

**NOTE C: 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:	
I-696 Segregated Capital Asset Fund	\$ 50,000
Nonmajor governmental funds	<u>50,450</u>
	<u>\$ 100,450</u>

City of Pleasant Ridge

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

**NOTE C: INTERFUND TRANSFERS - CONTINUED**

Transfers to nonmajor governmental funds from:		
General Fund		\$ 11,800
I-696 Segregated Capital Asset Fund		<u>13,354</u>
		<u>\$ 25,154</u>

Transfers to the Local Streets Fund from the I-696 Segregated Capital Asset Fund and nonmajor governmental funds were for infrastructure improvements. 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 D: CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2012, was as follows:

**Primary Government**

	<u>Balance July 1, 2011</u>	<u>Additions/ Reclassifications</u>	<u>Deletions/ Reclassifications</u>	<u>Balance June 30, 2012</u>
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 1,746,700	\$ -	\$ -	\$ 1,746,700
Construction in progress	<u>16,315</u>	<u>26,712</u>	<u>(16,315)</u>	<u>26,712</u>
Subtotal	1,763,015	26,712	(16,315)	1,773,412
Capital assets being depreciated				
Land improvements	861,157	-	-	861,157
Buildings and improvements	3,597,180	-	-	3,597,180
Vehicles	59,440	-	-	59,440
Equipment	360,172	9,034	(8,000)	361,206
Software	11,060	-	-	11,060
Infrastructure - streets and alleys	<u>6,361,740</u>	<u>390,480</u>	<u>-</u>	<u>6,752,220</u>
Subtotal	11,250,749	399,514	(8,000)	11,642,263
Less accumulated depreciation for:				
Land improvements	(512,211)	(60,085)	-	(572,296)
Buildings and improvements	(1,168,660)	(106,138)	-	(1,274,798)
Vehicles	(46,614)	(4,275)	-	(50,889)
Equipment	(198,894)	(43,709)	3,733	(238,870)
Software	(5,530)	(3,687)	-	(9,217)
Infrastructure - streets and alleys	<u>(2,569,531)</u>	<u>(337,612)</u>	<u>-</u>	<u>(2,907,143)</u>
Subtotal	<u>(4,501,440)</u>	<u>(555,506)</u>	<u>3,733</u>	<u>(5,053,213)</u>
Net capital assets being depreciated	<u>6,749,309</u>	<u>(155,992)</u>	<u>(4,267)</u>	<u>6,589,050</u>
Capital assets, net	<u>\$ 8,512,324</u>	<u>\$ (129,280)</u>	<u>\$ (20,582)</u>	<u>\$ 8,362,462</u>

City of Pleasant Ridge

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

**NOTE D: CAPITAL ASSETS - CONTINUED**

**Primary Government - continued**

Depreciation expense was charged to the following governmental activities:

General government	\$ 42,259
Public safety	14,085
Public works	346,663
Recreation and culture	<u>152,499</u>
	<u>\$ 555,506</u>

	<u>Balance July 1, 2011</u>	<u>Additions/ Reclassifications</u>	<u>Deletions/ Reclassifications</u>	<u>Balance June 30, 2012</u>
<b>Business-type activities</b>				
Capital assets not being depreciated				
Construction in progress	\$ 126,146	\$ -	\$ (126,146)	\$ -0-
Capital assets being depreciated				
Water and sewer transmission and distribution system	3,158,907	126,146	-	3,285,053
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	126,146	-0-	3,456,888
Less accumulated depreciation for:				
Water and sewer transmission and distribution system	(1,118,914)	(106,366)	-	(1,225,280)
Water meters	(52,410)	(10,482)	-	(62,892)
Vehicles and miscellaneous equipment	<u>(14,602)</u>	<u>-</u>	<u>-</u>	<u>(14,602)</u>
Subtotal	<u>(1,185,926)</u>	<u>(116,848)</u>	<u>-0-</u>	<u>(1,302,774)</u>
Net capital assets being depreciated	<u>2,144,816</u>	<u>9,298</u>	<u>-0-</u>	<u>2,154,114</u>
Capital assets, net	<u>\$ 2,270,962</u>	<u>\$ 9,298</u>	<u>\$ (126,146)</u>	<u>\$ 2,154,114</u>

**Component Unit**

**Downtown Development Authority (DDA)**

Capital assets not being depreciated				
Land	\$ 72,500	\$ -	\$ -	\$ 72,500
Capital assets being depreciated				
Land improvements	119,715	-	-	119,715
Less accumulated depreciation for:				
Land improvements	<u>(6,556)</u>	<u>(6,176)</u>	<u>-</u>	<u>(12,732)</u>
Net capital assets being depreciated	<u>113,159</u>	<u>(6,176)</u>	<u>-0-</u>	<u>106,983</u>
Capital assets, net	<u>\$ 185,659</u>	<u>\$ (6,176)</u>	<u>\$ -0-</u>	<u>\$ 179,483</u>

City of Pleasant Ridge

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

**NOTE E: 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, 2012.

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012	Amounts Due Within One Year
<b>Primary Government</b>					
Governmental activities					
Pool/Fitness Center Bonds	\$ 2,200,000	\$ -	\$ (75,000)	\$ 2,125,000	\$ 75,000
DPW Improvement Loans	50,489	-	(11,505)	38,984	11,915
Installment Purchase Agreements	32,098	-	(14,209)	17,889	10,605
Compensated Absences	199,604	109,725	(98,603)	210,726	96,985
	2,482,191	109,725	(199,317)	2,392,599	194,505
Business-type activities					
Water and Sewer System					
George W. Kuhn Drain Bonds	1,195,468	-	(78,782)	1,116,686	81,122
	<u>\$ 3,677,659</u>	<u>\$ 109,725</u>	<u>\$ (278,099)</u>	<u>\$ 3,509,285</u>	<u>\$ 275,627</u>
<b>Component Unit</b>					
Downtown Development Authority					
2010 Promissory Note	<u>\$ 80,000</u>	<u>\$ -0-</u>	<u>\$ (20,000)</u>	<u>\$ 60,000</u>	<u>\$ 20,000</u>

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.

\$ 2,125,000

Installment Loan Agreements

\$110,000 DPW Improvement Loan dated September 23, 2004, due in annual installments ranging from \$11,915 to \$14,739 through September 1, 2014, with interest of 3.69 percent.

\$ 38,984

\$39,945 Installment Purchase Agreement for fitness center equipment dated September 9, 2010, due in annual installments ranging from \$7,284 to \$10,605 through September 21, 2013, with interest of 10.223 percent.

17,889

\$ 56,873

City of Pleasant Ridge

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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

**Primary Government**

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 \$1,116,689 or 1.33900% of the county's total obligation.

\$ 1,116,686

**Component Unit**

Promissory Note

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

\$ 60,000

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 \$210,726 at June 30, 2012.

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**

Year Ending June 30,	Governmental Activities				Business-type Activities	
	General Obligation Bonds		Installment Loan Agreements		Drain Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 75,000	\$ 88,336	\$ 22,520	\$ 3,268	\$ 81,122	\$ 30,278
2014	75,000	85,805	19,638	1,745	83,135	28,074
2015	100,000	83,274	14,715	544	85,220	25,820
2016	100,000	79,524	-	-	87,690	23,506
2017	100,000	75,524	-	-	90,096	21,128
2018-2022	625,000	309,746	-	-	485,929	66,603
2023-2027	850,000	159,034	-	-	192,209	10,244
2028-2032	200,000	8,750	-	-	11,285	494
	<u>\$ 2,125,000</u>	<u>\$ 889,993</u>	<u>\$ 56,873</u>	<u>\$ 5,557</u>	<u>\$ 1,116,686</u>	<u>\$ 206,147</u>

City of Pleasant Ridge

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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

**Component Unit**

Year Ending June 30,	Promissory Note	
	Principal	Interest
2013	\$ 20,000	\$ 2,700
2014	20,000	1,800
2015	20,000	900
	<u>\$ 60,000</u>	<u>\$ 5,400</u>

**NOTE F: 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, 2012, the City's annual pension cost of \$158,197 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, 2010, 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 2012 through 2014 then 4.5 percent per year thereafter, compounded annually, attributable to inflation (c) additional salary increases ranging from 0% to 13% 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-seven (27) years.

City of Pleasant Ridge

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

**NOTE F: RETIREMENT PLAN - CONTINUED**

Three (3) year trend information

	Year Ended December 31,		
	2009	2010	2011
Actuarial value of assets	\$ 2,711,888	\$ 2,741,316	\$ 2,781,082
Actuarial accrued liability (AAL) (entry age)	4,147,589	4,291,886	4,592,932
Unfunded AAL (UAAL)	1,435,701	1,550,570	1,811,850
Funded ratio	65%	64%	61%
Annual covered payroll	604,364	578,975	620,771
UAAL as a percentage of covered payroll	238%	268%	292%

  

	Year Ended June 30,		
	2010	2011	2012
Annual pension cost	\$ 146,068	\$ 154,485	\$ 158,197
Percentage of APC contributed	100%	100%	100%
Net pension obligation	-	-	-

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

**NOTE G: 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, 2012, 12 retirees were receiving benefits. Expenditures for post-employment benefits are recognized when claims are paid. During the year, expenditures of \$142,872 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 by the City.

City of Pleasant Ridge

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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

Funding Progress

For the year ended June 30, 2012, 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)	\$ 301,086
Interest on net OPEB obligation	15,432
Adjustment to annual required contribution	<u>(12,259)</u>
Annual OPEB cost (expense)	304,259
Amounts contributed:	
Payments of current premiums (gross of employee reimbursement)	<u>142,872</u>
Increase in net OPEB obligation	161,387
OPEB obligation - beginning of year	<u>306,238</u>
OPEB obligation - end of year	<u><u>\$ 467,625</u></u>

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,		
	<u>2010</u>	<u>2011</u>	<u>2012</u>
Annual OPEB cost	\$ 333,533	\$ 292,706	\$ 304,259
Percentage contributed	47%	56%	47%
Net OPEB obligation	177,099	306,238	467,625

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

	Year Ended December 31,	
	<u>2006</u>	<u>2009</u>
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%

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

City of Pleasant Ridge

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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

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%.

**NOTE H: CODE ENFORCEMENT FINANCIAL INFORMATION**

The City has elected to report the financial activities of the code enforcement department in the General Fund. The following is the required information as it relates to this department for the year ended June 30, 2012:

REVENUES	
Licenses and permits	
Electrical permits	\$ 4,680
Building permits	28,820
Plumbing/heating permits	4,900
Administrative fee	<u>10,240</u>
TOTAL REVENUES	48,640
EXPENDITURES	
Salaries and wages	39,949
Operating supplies	<u>1,272</u>
TOTAL EXPENDITURES	<u>41,221</u>
EXCESS OF REVENUES OVER EXPENDITURES	7,419
PRIOR CUMULATIVE EXCESS OF REVENUES OVER EXPENDITURES	<u>15,755</u>
CUMULATIVE EXCESS OF REVENUES OVER EXPENDITURES	<u><u>\$ 23,174</u></u>

City of Pleasant Ridge

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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

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

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

The funds that were received, after the above deductions, are restricted for use by the City Code, primarily for capital acquisitions as described in Chapter Two, Article II, Division Nine, Sections 2-131 through 2-139. The restricted principal amount per City ordinance is \$3,242,872; however the entire fund balance of \$3,288,237 is reflected as committed fund balance in the Special Revenue Fund.

**NOTE K: 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, 2012:

City of Pleasant Ridge

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

**NOTE K: RESTRICTED NET ASSETS - CONTINUED**

PRIMARY GOVERNMENT	
Governmental activities	
Restricted for debt service	\$ 24,370
Restricted for other purposes	
Streets	323,422
Solid waste services	32,335
Public safety	13,043
Building department	23,174
Recreation and culture	19,767
	<hr/>
	411,741
	<hr/>
	\$ 436,111
	<hr/> <hr/>

**NOTE L: DETAILS OF FUND BALANCE CATEGORIES AND CLASSIFICATIONS**

In the fund financial statements, the governmental funds report the following classifications of fund balance:

*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 is a resolution 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. In the absence of such a policy, this authority is retained by the governing body.

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. In the absence of such a policy, resources with the highest level of restriction will be used first.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

**NOTE M: UPCOMING ACCOUNTING PRONOUNCEMENTS**

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity Omnibus*. This pronouncement, which is an amendment to Statement No. 14 and Statement No. 34, modifies certain requirements for inclusion of component units in the financial reporting entity. This statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. Lastly, the statement also clarifies the reporting of equity interests in legally separate organizations. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the City's 2012-2013 fiscal year.

In December 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement incorporates into GASB literature certain accounting and financial reporting guidance issued on or before November 30, 1989 that is included in FASB Statements and Interpretations, APB Opinions, and Accounting Research Bulletins of the AICPA Committee on Accounting Procedure. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the City's 2012-2013 fiscal year.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The statement will be effective for the City's 2012-2013 fiscal year. The statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. This statement also provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Once implemented, this statement will impact the format and reporting of the balance sheet at the government-wide level and also at the fund level.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. The statement requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for financial statements for the City's 2014-2015 fiscal year.

**REQUIRED SUPPLEMENTARY INFORMATION**

City of Pleasant Ridge

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 1,421,200	\$ 1,448,777	\$ 1,448,325	\$ (452)
Licenses and permits	68,425	81,700	98,818	17,118
Intergovernmental	218,575	241,809	230,951	(10,858)
Charges for services	417,332	424,777	441,952	17,175
Fines and forfeits	46,500	47,300	47,549	249
Interest and rents	5,000	3,825	4,034	209
Other	31,090	77,650	84,033	6,383
<b>TOTAL REVENUES</b>	<b>2,208,122</b>	<b>2,325,838</b>	<b>2,355,662</b>	<b>29,824</b>
<b>EXPENDITURES</b>				
Current				
General government				
Commission	16,050	22,050	24,765	(2,715)
Manager	122,595	133,475	134,046	(571)
Treasurer	88,964	90,534	82,419	8,115
Clerk	65,037	71,848	71,503	345
Assessor	21,632	21,882	20,922	960
Elections	6,365	10,275	11,442	(1,167)
General government	153,113	157,563	155,543	2,020
Attorney services	22,750	22,750	18,252	4,498
Cable television	2,523	3,170	3,469	(299)
Contingency	10,000	-	-	-0-
<b>Total general government</b>	<b>509,029</b>	<b>533,547</b>	<b>522,361</b>	<b>11,186</b>
Public safety				
Police department	674,530	741,220	733,250	7,970
Fire services	280,000	280,000	280,000	-0-
Building department	11,805	25,405	24,463	942
<b>Total public safety</b>	<b>966,335</b>	<b>1,046,625</b>	<b>1,037,713</b>	<b>8,912</b>
Public works				
Public works services	145,900	141,700	149,363	(7,663)
Street lighting	44,000	44,000	43,328	672
<b>Total public works</b>	<b>189,900</b>	<b>185,700</b>	<b>192,691</b>	<b>(6,991)</b>
Community and economic development				
Planning commission	10,500	10,500	9,839	661

City of Pleasant Ridge

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES - CONTINUED				
Current - continued				
Recreation and culture				
Parks and recreation department	\$ 283,511	\$ 316,036	\$ 288,523	\$ 27,513
Other				
Retirement benefits	<u>213,647</u>	<u>178,507</u>	<u>183,727</u>	<u>(5,220)</u>
TOTAL EXPENDITURES	<u>2,172,922</u>	<u>2,270,915</u>	<u>2,234,854</u>	<u>36,061</u>
EXCESS OF REVENUES OVER EXPENDITURES	35,200	54,923	120,808	65,885
OTHER FINANCING SOURCES (USES)				
Transfers in	10,000	-	-	-0-
Transfers out	<u>-</u>	<u>(6,500)</u>	<u>(11,800)</u>	<u>(5,300)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>10,000</u>	<u>(6,500)</u>	<u>(11,800)</u>	<u>(5,300)</u>
Net change in fund balance (prior to adjustments for GASB Statement No. 54)	<u>\$ 45,200</u>	<u>\$ 48,423</u>	109,008	<u>\$ 60,585</u>
Adjustments for GASB Statement No. 54			<u>492</u>	
Net change in fund balance, end of year			<u>\$ 109,500</u>	

City of Pleasant Ridge

Local Streets Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 41,500	\$ 41,500	\$ 44,849	\$ 3,349
Interest and rents	10	30	43	13
<b>TOTAL REVENUES</b>	<b>41,510</b>	<b>41,530</b>	<b>44,892</b>	<b>3,362</b>
<b>EXPENDITURES</b>				
Current				
Public works				
Administration	4,000	3,450	2,700	750
Operations	72,100	58,700	52,659	6,041
Capital outlay	375,000	439,000	419,719	19,281
<b>TOTAL EXPENDITURES</b>	<b>451,100</b>	<b>501,150</b>	<b>475,078</b>	<b>26,072</b>
<b>EXCESS OF REVENUES (UNDER) EXPENDITURES</b>	<b>(409,590)</b>	<b>(459,620)</b>	<b>(430,186)</b>	<b>29,434</b>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	344,620	397,650	398,293	643
Net change in fund balance (prior to adjustments for GASB Statement No. 54)	<u>\$ (64,970)</u>	<u>\$ (61,970)</u>	(31,893)	<u>\$ 30,077</u>
Adjustments for GASB Statement No. 54			<u>(6,808)</u>	
Net change in fund balance, end of year			<u>\$ (38,701)</u>	

City of Pleasant Ridge

Solid Waste Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 204,524	\$ 206,700	\$ 206,732	\$ 32
Charges for services	193,141	194,850	198,903	4,053
Interest	15	15	8	(7)
TOTAL REVENUES	397,680	401,565	405,643	4,078
EXPENDITURES				
Current				
Public works				
Administration	11,780	15,330	14,703	627
Operations	385,900	419,500	425,947	(6,447)
TOTAL EXPENDITURES	397,680	434,830	440,650	(5,820)
NET CHANGE IN FUND BALANCE	-0-	(33,265)	(35,007)	(1,742)
Fund balance, beginning of year	67,342	67,342	67,342	-0-
Fund balance, end of year	\$ 67,342	\$ 34,077	\$ 32,335	\$ (1,742)

City of Pleasant Ridge  
I-696 Segregated Capital Asset Fund  
BUDGETARY COMPARISON SCHEDULE  
Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 20,000	\$ 20,000	\$ 20,000	\$ -0-
Interest	73,600	48,600	52,434	3,834
TOTAL REVENUES	93,600	68,600	72,434	3,834
EXPENDITURES	-	-	-	-0-
EXCESS OF REVENUES OVER EXPENDITURES	93,600	68,600	72,434	3,834
OTHER FINANCING USES				
Transfers out	(13,354)	(63,354)	(63,354)	-0-
NET CHANGE IN FUND BALANCE	80,246	5,246	9,080	3,834
Fund balance, beginning of year	3,279,157	3,279,157	3,279,157	-0-
Fund balance, end of year	<u>\$ 3,359,403</u>	<u>\$ 3,284,403</u>	<u>\$ 3,288,237</u>	<u>\$ 3,834</u>

City of Pleasant Ridge

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2012

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

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, 2012, the City incurred expenditures in the General Fund and Special Revenue Funds in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
Current			
General government			
Commission	\$ 22,050	\$ 24,765	\$ 2,715
Manager	133,475	134,046	571
Elections	10,275	11,442	1,167
Cable television	3,170	3,469	299
Public works			
Public works services	141,700	149,363	7,663
Other			
Retirement benefits	178,507	183,727	5,220
Transfers Out	6,500	11,800	5,300
Solid Waste Fund	434,830	440,650	5,820
Tree Planting Beautification Fund	8,000	42,493	34,493
Pool/Fitness Facility (Operating) Fund	227,481	253,534	26,053

**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 reconciliations on the General Fund and Local Street Fund budgetary comparison schedules reconcile the differences between the budgets legally adopted by the City Commission to the actual amounts 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, 2012

	Special		
	Major Streets	Tree Planting Beautification	Pool/Fitness Facility (Operating)
<b>ASSETS</b>			
Cash and cash equivalents	\$ 97,988	\$ 19	\$ 9,595
Accounts receivable	-	-	5,986
Due from other governmental units	18,103	34,635	-
TOTAL ASSETS	\$ 116,091	\$ 34,654	\$ 15,581
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 1,503	\$ 34,635	\$ 8,645
Accrued wages	-	-	6,142
TOTAL LIABILITIES	1,503	34,635	14,787
<b>FUND BALANCES</b>			
<b>Restricted</b>			
Streets and highways	114,588	-	-
Tree planting beautification	-	19	-
Drug forfeiture	-	-	-
Library	-	-	-
Debt service	-	-	-
<b>Assigned</b>			
Pool facility	-	-	794
Debt service	-	-	-
TOTAL FUND BALANCES	114,588	19	794
TOTAL LIABILITIES AND FUND BALANCES	\$ 116,091	\$ 34,654	\$ 15,581

Revenue		Debt Service		
Drug Forfeiture	Library	Pool/Fitness Center Debt Service	Non-Voted Debt Service	Total
\$ 13,043	\$ 19,748	\$ 49,025	\$ 242	\$ 189,660
-	-	-	-	5,986
-	-	-	-	52,738
<u>\$ 13,043</u>	<u>\$ 19,748</u>	<u>\$ 49,025</u>	<u>\$ 242</u>	<u>\$ 248,384</u>
\$ -	\$ -	\$ -	\$ -	\$ 44,783
-	-	-	-	6,142
-0-	-0-	-0-	-0-	50,925
-	-	-	-	114,588
-	-	-	-	19
13,043	-	-	-	13,043
-	19,748	-	-	19,748
-	-	49,025	-	49,025
-	-	-	-	794
-	-	-	242	242
<u>13,043</u>	<u>19,748</u>	<u>49,025</u>	<u>242</u>	<u>197,459</u>
<u>\$ 13,043</u>	<u>\$ 19,748</u>	<u>\$ 49,025</u>	<u>\$ 242</u>	<u>\$ 248,384</u>

City of Pleasant Ridge

Nonmajor Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2012

	Special		
	Major Streets	Tree Planting Beautification	Pool/Fitness Facility (Operating)
<b>REVENUES</b>			
Taxes	\$ -	\$ -	\$ 153,497
Intergovernmental	110,225	-	-
Charges for services	-	-	39,025
Interest and rents	25	-	7
Other	-	42,512	15,495
<b>TOTAL REVENUES</b>	<b>110,250</b>	<b>42,512</b>	<b>208,024</b>
<b>EXPENDITURES</b>			
Current			
Public safety	-	-	-
Public works	61,913	-	-
Recreation and culture	-	8	226,788
Capital outlay	-	42,485	9,034
Debt service	-	-	17,712
<b>TOTAL EXPENDITURES</b>	<b>61,913</b>	<b>42,493</b>	<b>253,534</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>48,337</b>	<b>19</b>	<b>(45,510)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	-	11,800
Transfers out	(50,450)	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(50,450)</b>	<b>-0-</b>	<b>11,800</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(2,113)</b>	<b>19</b>	<b>(33,710)</b>
Fund balances, beginning of year	116,701	-	34,504
Fund balances, end of year	<u>\$ 114,588</u>	<u>\$ 19</u>	<u>\$ 794</u>

Revenue		Debt Service		
Drug Forfeiture	Library	Pool/Fitness Center Debt Service	Non-Voted Debt Service	Total
\$ -	\$ 44,638	\$ 120,660	\$ -	\$ 318,795
-	-	-	-	110,225
-	-	-	-	39,025
3	9	-	-	44
4,098	-	-	-	62,105
4,101	44,647	120,660	-0-	530,194
65	-	-	-	65
-	-	-	-	61,913
-	52,281	-	-	279,077
-	-	-	-	51,519
-	-	166,338	13,354	197,404
65	52,281	166,338	13,354	589,978
4,036	(7,634)	(45,678)	(13,354)	(59,784)
-	-	-	13,354	25,154
-	-	-	-	(50,450)
-0-	-0-	-0-	13,354	(25,296)
4,036	(7,634)	(45,678)	-0-	(85,080)
9,007	27,382	94,703	242	282,539
\$ 13,043	\$ 19,748	\$ 49,025	\$ 242	\$ 197,459

City of Pleasant Ridge

Component Unit Fund

BALANCE SHEET - DOWNTOWN DEVELOPMENT AUTHORITY (DDA)

June 30, 2012

ASSETS	
Cash and cash equivalents	<u>\$ 48,048</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	\$ -
FUND BALANCE	
Unassigned	<u>48,048</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 48,048</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, 2012

**Total fund balance - governmental fund** \$ 48,048

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>(12,732)</u>

Capital assets, net	179,483
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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>(60,000)</u>
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<b>Net assets of governmental activities</b>	<b><u>\$ 167,531</u></b>
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City of Pleasant Ridge

Component Unit Fund

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

Year Ended June 30, 2012

REVENUES	
Taxes	\$ 76,112
Intergovernmental	12,448
Interest	18
Other	<u>3,116</u>
TOTAL REVENUES	91,694
EXPENDITURES	
Current	
Community and economic development	47,277
Capital outlay	1,016
Debt service	<u>23,600</u>
TOTAL EXPENDITURES	<u>71,893</u>
NET CHANGE IN FUND BALANCE	19,801
Fund balance, beginning of year	<u>28,247</u>
Fund balance, end of year	<u><u>\$ 48,048</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, 2012

**Net change in fund balance - governmental fund** \$ 19,801

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:

Depreciation expense (6,176)

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 principal retirement 20,000

**Change in net assets of governmental activities** \$ 33,625

Principals

Dale J. Abraham, CPA  
Michael T. Gaffney, CPA  
Steven R. Kirinovic, CPA  
Aaron M. Stevens, CPA  
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS

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

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Pleasant Ridge, Michigan, as of and for the year ended June 30, 2012, 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 and regulations, 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 schedules for the General Fund and Solid Waste Fund, the expenditures of certain activities exceeded the amounts appropriated. The expenditures of the Tree Planting Beautification Fund, and 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

November 13, 2012