

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name	County
Fiscal Year End	Opinion Date	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

**YES NO Check each applicable box below.** (See instructions for further detail.)

1.   All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2.   There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3.   The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4.   The local unit has adopted a budget for all required funds.
5.   A public hearing on the budget was held in accordance with State statute.
6.   The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7.   The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8.   The local unit only holds deposits/investments that comply with statutory requirements.
9.   The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10.   There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11.   The local unit is free of repeated comments from previous years.
12.   The audit opinion is UNQUALIFIED.
13.   The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14.   The board or council approves all invoices prior to payment as required by charter or statute.
15.   To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature		Printed Name		License Number



**CITY OF PLEASANT RIDGE  
MICHIGAN**

**FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION**

**For the Year Ended June 30, 2007**

**CITY OF PLEASANT RIDGE  
MICHIGAN**

**FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION**

**For the Year Ended June 30, 2007**

# CITY OF PLEASANT RIDGE, MICHIGAN

## Basic Financial Statements and Supplementary Information For the Year Ended June 30, 2007

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# CITY OF PLEASANT RIDGE, MICHIGAN

## Basic Financial Statements and Supplementary Information For the Year Ended June 30, 2007

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**REHMANN ROBSON**

*Certified Public Accountants*

A member of THE REHMANN GROUP

An Independent Member of Baker Tilly International

## **INDEPENDENT AUDITORS' REPORT**

January 24, 2008

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the *City of Pleasant Ridge, Michigan*, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the *City of Pleasant Ridge, Michigan's* management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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, 2007, and the respective changes in financial position and, where applicable, cash flows, thereof and the respective budgetary comparisons of the General Fund, I-696 Segregated Capital Asset Fund, Local Streets Fund, Major Streets Fund and the Infrastructure Improvements Fund for the year then ended in conformity with accounting principles general accepted in the United States of America.

The Management's Discussion and Analysis listed in the table of contents on pages 3 through 13 and the Schedule of Funding Progress on page 50 are not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

A handwritten signature in cursive script that reads "Lehmann Johnson".

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

# CITY OF PLEASANT RIDGE, MICHIGAN

## Management's Discussion and Analysis

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As management of the *City of Pleasant Ridge, Michigan*, (the "City") we offer readers of the City's financial statements this narrative overview and analysis of the activities of the City for the fiscal year ended June 30, 2007.

### Financial Highlights

- Total net assets increased \$172,112 as a result of this year's operations. Net assets of our governmental activities increased \$233,406, or 2.2%. Net assets of our business-type activities decreased \$61,294, or 5.2%.
- Total cost of all of the City's programs was \$4,640,097, compared to \$4,541,480 in FY 2006.
- The City's net capital assets increased by \$332,000. This included \$883,000 in new additions less depreciation expense and disposals totaling \$551,000.
- The General Fund had a decrease of \$43,038 in fund balance to \$801,850.

### Overview of the Financial Statements

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

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

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

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

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

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

# CITY OF PLEASANT RIDGE, MICHIGAN

## Management's Discussion and Analysis

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

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

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

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

The City adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets for the General, I-696 Segregated Capital Asset, Major Streets, Local Streets and Infrastructure Improvement funds.

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

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

3. **Fiduciary funds.** The Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's

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

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own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City has one agency fund used to account for tax collection.

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

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

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

### **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Pleasant Ridge, assets exceeded liabilities by \$11,875,106 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (60%) reflects its investment in capital assets (e.g., land, buildings and improvements, vehicles, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to residents; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

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

	<b>Governmental Activities</b>		<b>Business Type Activities</b>		<b>Total</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Current and other assets	\$ 5,306,883	\$ 5,377,427	\$ 255,422	\$ 548,821	\$ 5,562,305	\$ 5,926,248
Capital assets, net	8,678,798	8,495,747	2,327,212	2,178,390	11,006,010	10,674,137
<b>Total assets</b>	<b>13,985,681</b>	<b>13,873,174</b>	<b>2,582,634</b>	<b>2,727,211</b>	<b>16,568,315</b>	<b>16,600,385</b>
Current liabilities	599,173	674,141	159,639	207,344	758,812	881,485
Noncurrent liabilities	2,632,932	2,678,863	1,301,465	1,337,043	3,934,397	4,015,906
<b>Total liabilities</b>	<b>3,232,105</b>	<b>3,353,004</b>	<b>1,461,104</b>	<b>1,544,387</b>	<b>4,693,209</b>	<b>4,897,391</b>
Net assets:						
Invested in capital assets, net of related debt	6,152,831	5,818,884	959,343	777,867	7,112,174	6,596,751
Restricted assets	3,759,360	3,869,918	-	-	3,759,360	3,869,918
Unrestricted	841,385	831,368	162,187	404,957	1,003,572	1,236,325
<b>Total net assets</b>	<b>\$ 10,753,576</b>	<b>\$ 10,520,170</b>	<b>\$ 1,121,530</b>	<b>\$ 1,182,824</b>	<b>\$ 11,875,106</b>	<b>\$ 11,702,994</b>

An additional portion of the City's net assets, \$3,759,360 or 32%, represents resources that are subject to external or code restrictions on how they may be used. The remaining balance of *unrestricted net assets*, \$1,003,572 or 8%, may be used to meet the government's ongoing obligations to citizens and creditors.

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

The City's net assets increased by \$172,112 during the current fiscal year. This was due predominantly to the results of Governmental activities as described below.

**Governmental activities.** Governmental activities increased the City's net assets by \$233,406 from \$10.5 million to \$10.75 million. The primary reason for this increase is the City's investment in capital assets related to the Oakdale Boulevard and other street projects.

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

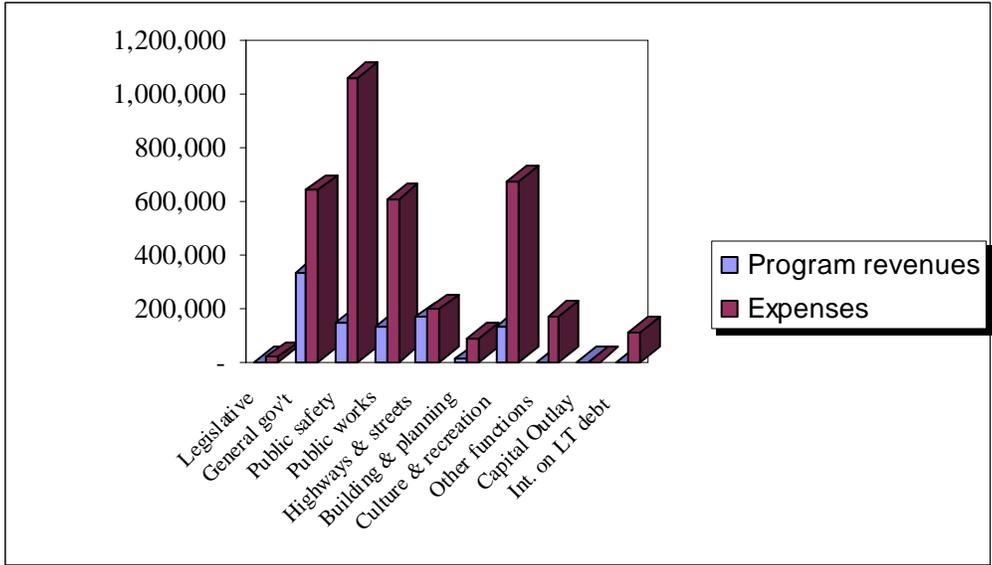
**City of Pleasant Ridge's Changes in Net Assets**

	Governmental Activities		Business Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenue:						
Program revenues:						
Charges for services	\$ 748,828	\$ 702,197	\$ 973,230	\$ 1,006,797	\$ 1,722,058	\$ 1,708,994
Operating grants and contributions	160,666	188,503	-	-	160,666	188,503
Capital grants and contributions	10,000	228,526	-	29,035	10,000	257,561
General revenues:						
Property taxes	2,241,861	2,247,383	-	-	2,241,861	2,247,383
State shared revenue	261,724	269,757	-	-	261,724	269,757
Other	372,055	303,672	4,845	15,316	376,900	318,988
Total revenues	3,795,134	3,940,038	978,075	1,051,148	4,773,209	4,991,186
Expenses:						
Legislative	16,701	16,772	-	-	16,701	16,772
General government	641,216	609,262	-	-	641,216	609,262
Public safety	1,060,753	969,480	-	-	1,060,753	969,480
Public works	607,402	674,880	-	-	607,402	674,880
Highways and streets	193,207	565,195	-	-	193,207	565,195
Building and planning	86,940	133,680	-	-	86,940	133,680
Culture and recreation	675,886	403,221	-	-	675,886	403,221
Other functions	169,989	169,494	-	-	169,989	169,494
Interest on long-term debt	109,634	113,506	-	-	109,634	113,506
Water supply and sewage disposal system	-	-	1,039,369	885,990	1,039,369	885,990
Total expenses	3,561,728	3,655,490	1,039,369	885,990	4,601,097	4,541,480
Increase in net assets	233,406	284,548	(61,294)	165,158	172,112	449,706
Net assets-beginning	10,520,170	10,235,622	1,182,824	1,017,666	11,702,994	11,253,288
Net assets-ending	\$ 10,753,576	\$ 10,520,170	\$ 1,121,530	\$ 1,182,824	\$ 11,875,106	\$ 11,702,994

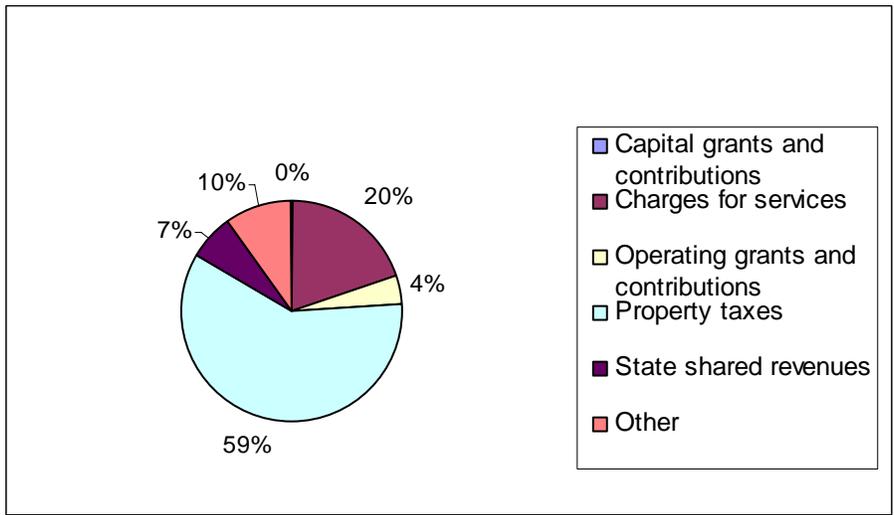
**CITY OF PLEASANT RIDGE, MICHIGAN**  
**Management's Discussion and Analysis**

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**Expenses and Program Revenues – Governmental Activities**



**Revenues by Source – Governmental Activities**



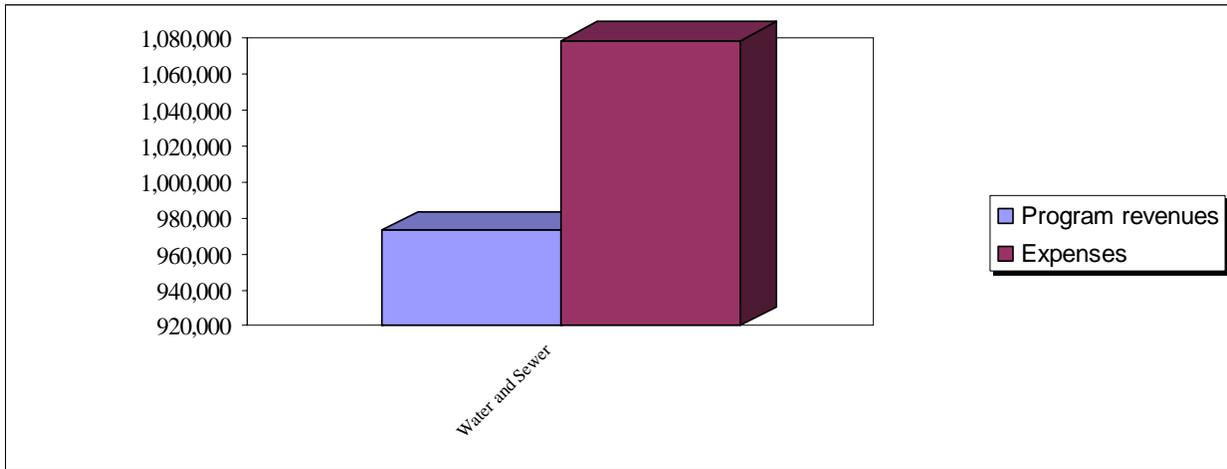
**CITY OF PLEASANT RIDGE, MICHIGAN**  
**Management's Discussion and Analysis**

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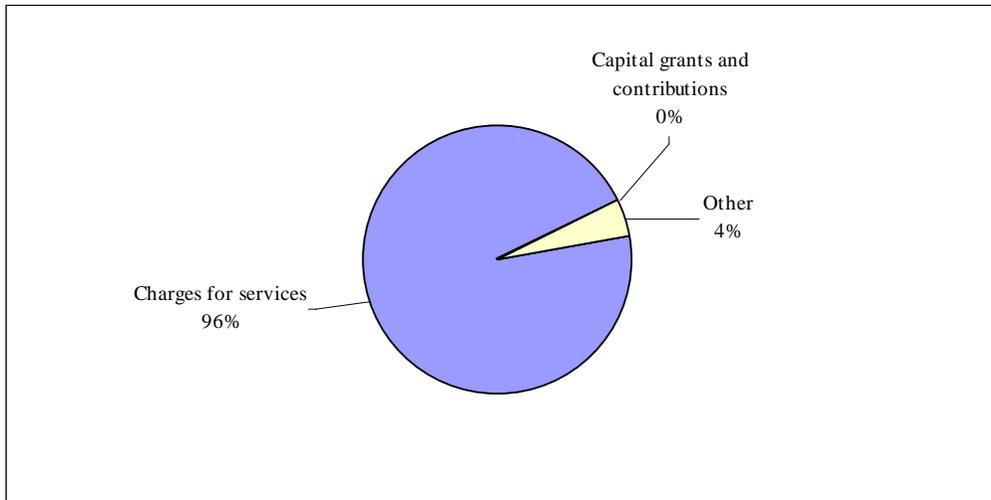
**Business-type Activities.** Business-type activities decreased the City's net assets by \$61,294. The primary reason for the decrease is additional repair and maintenance costs and interest expense on the water/sewage disposal system.

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



**Revenues by Sources – Business-Type Activities**



# CITY OF PLEASANT RIDGE, MICHIGAN

## Management's Discussion and Analysis

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### Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$4,836,597, a decrease of \$76,126 in comparison with the prior year. Approximately 27% of this total amount, \$1,308,244, constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed to other purposes.

#### *Major Governmental Funds:*

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, *unreserved* fund balance of the general fund was \$756,435, while total fund balance was \$801,850. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents approximately 31% of total general fund expenditures.

The City's general fund balance decreased by \$43,038 during the current fiscal year. This was primarily due to revenues being less than budgeted amounts particularly in the area of building permits.

The remaining major governmental funds of I-696 Segregated Capital Asset, Local Street, Major Street and Infrastructure Improvements funds all reported positive ending fund balances. The major activities for all these funds during the year revolved around funding the City's street projects.

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

Unrestricted net assets of the Water and Sewer Fund at the end of the year amounted to \$162,187. The decrease in net assets for the fund was \$61,294. This was the result of a decrease in water and sewer sales and increased repairs and maintenance costs. Rates are established on an average year which causes a profit in dry years and a loss in wet years because while variable costs increase with sales volumes, fixed costs do not.

# CITY OF PLEASANT RIDGE, MICHIGAN

## Management's Discussion and Analysis

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### General Fund Budgetary Highlights

The amended to final budgeted amounts did not change in total. However there were amendments between expenditure items to account for activity during the year.

General Fund revenues were less than budgeted because:

- Estimated building, mechanical, electrical permit fees were less than budgeted due to the nationwide slump in construction activity.
- Contribution and donations were overestimated in the budget.
- Bond and insurance recoveries were overestimated in the budget.
- State shared revenues were less than budgeted.

General Fund expenditures were less than budgeted because:

- Mayor and Commissioners did not accept their salaries.
- Services of the City Attorney were not required as often as in prior years.
- Cable TV spent less than budgeted.
- Oakland County tax assessing and billing was less than anticipated.
- Building, mechanical and electrical inspector fees were less due to lower permit fees.
- Retiree health insurance premiums increased less than anticipated.

### Capital Asset and Debt Administration

**Capital assets.** The City's investment in capital assets for its governmental and business-type activities as of June 30, 2007, amounted to \$11,006,010 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, equipment, vehicles, and roads, highways, and other infrastructure. The total net increase in the City's investment in capital assets for the current fiscal year was \$331,873 or 3.1% which represents an increase in governmental activities of \$183,051 or 2.1%, and an increase in business-type activities of \$148,822 or 6.8%.

Governmental activity capital asset additions totaled \$677,496 and included reconstruction of Oakdale Blvd., completing the reconstruction of Welleley street project of the prior fiscal year, historical street signs, computer upgrades and a replacement radar unit.

Business-type capital asset additions were primarily related to water meter replacements.

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

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

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
Land	\$ 1,746,700	\$ -	\$ 1,746,700
Construction in process	477,018	1,633,346	2,110,364
Land improvements	454,309	-	454,309
Buildings and improvements	2,843,516	-	2,843,516
Vehicles	5,705	-	5,705
Equipment	187,962	11,682	199,644
Infrastructure	2,963,588	-	2,963,588
Water and sewer system	-	682,184	682,184
<b>Total</b>	<b>\$ 8,678,798</b>	<b>\$ 2,327,212</b>	<b>\$ 11,006,010</b>

Additional information on the City's capital assets can be found in the notes to the financial statements.

**Long-term debt.** At the end of the current fiscal year, the City had total debt outstanding of \$4,264,864. Debt consists of general obligation bonds (community center loan, pool/fitness center loan, city hall addition loan, and the DPW building improvement note payable) accrued compensated absences, and drain bonds.

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

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
Pool/Fitness Facility Loan	\$ 2,425,000	\$ -	\$ 2,425,000
City Hall Addition Loan	9,900	-	9,900
DPW Building Note Payable	91,067	-	91,067
George W. Kuhn Drain Bonds	-	1,367,869	1,367,869
	<b>\$ 2,525,967</b>	<b>\$ 1,367,869</b>	<b>\$ 3,893,836</b>

The City's total debt decreased by \$183,550 during the current fiscal year. Governmental activities debt outstanding decreased by \$150,896. Business-type activities outstanding debt decreased by \$32,654.

Additional information on the City's long-term debt can be found in the notes to the financial statements.

# **CITY OF PLEASANT RIDGE, MICHIGAN**

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

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

The following factors were considered in preparing the City's budget for the 2006-07 fiscal year:

- Construction permits will decrease by 32% or \$24,500.
- State shared revenue will decrease by 4% or \$11,048.
- Interest income will increase by 17% or \$7,800.
- Other revenue sources will be approximately level.
- The City will make the final installment of \$6,564 on new voting equipment.
- A City website will be developed for \$20,000.
- The final phase of City code recodification will be completed for \$8,000.
- A replacement copier for City Hall will be leased for \$3,600.
- A replacement police patrol vehicle will be acquired for \$28,000 plus \$2,000 for lightbars, bumpers, and other emergency equipment.
- A new radar will be purchased for \$6,000.
- Two defibrillators will be purchased for the police department.
- The business center of the Community Center will be renovated for \$15,000.
- Improvements costing \$2,400 will be made in the Senior Citizen portion of the Community Center.
- Deck chairs and tables of the Community Pool/Fitness Center will be replaced for \$2,000.
- The reconstruction of Oakdale Boulevard will be completed for \$392,000.
- Construction will be started on the reconstruction of Devonshire with \$225,000 spent in the 2008 fiscal year.
- An infrastructure program will be contracted for \$5,000.
- Sewer rehabilitation and lining will be performed for \$20,000.

### **Requests for Information**

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

***BASIC FINANCIAL  
STATEMENTS***

## City of Pleasant Ridge, Michigan

### Statement of Net Assets

June 30, 2007

	Governmental Activities	Business-type Activities	Total	Component Unit Downtown Development Authority
<b>Assets</b>				
Cash and cash equivalents	\$ 2,013,175	\$ 6,380	\$ 2,019,555	\$ 96,134
Investments	3,023,071	-	3,023,071	-
Receivables (net)	171,340	282,343	453,683	1,465
Internal balances	34,160	(34,160)	-	-
Prepays	65,137	859	65,996	-
Capital assets:				
Non-depreciable	2,223,718	1,633,346	3,857,064	-
Depreciable, net	6,455,080	693,866	7,148,946	-
<b>Total assets</b>	<b>13,985,681</b>	<b>2,582,634</b>	<b>16,568,315</b>	<b>97,599</b>
<b>Liabilities</b>				
Accounts payable	417,576	93,235	510,811	196
Accrued liabilities	78,188	-	78,188	-
Noncurrent liabilities:				
Due within one year	103,409	66,404	169,813	-
Due in more than one year	2,632,932	1,301,465	3,934,397	-
<b>Total liabilities</b>	<b>3,232,105</b>	<b>1,461,104</b>	<b>4,693,209</b>	<b>196</b>
<b>Net assets</b>				
Invested in capital assets, net of related debt	6,152,831	959,343	7,112,174	-
Restricted for:				
Debt service	202,983	-	202,983	-
Highways and streets	173,686	-	173,686	-
Public safety	8,140	-	8,140	-
Public works	50,499	-	50,499	-
Recreation and culture	63,819	-	63,819	-
Capital projects	17,361	-	17,361	-
Segregated capital-corpus	3,242,872	-	3,242,872	-
Unrestricted	841,385	162,187	1,003,572	97,403
<b>Total net assets</b>	<b>\$ 10,753,576</b>	<b>\$ 1,121,530</b>	<b>\$ 11,875,106</b>	<b>\$ 97,403</b>

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

**City of Pleasant Ridge, Michigan**  
**Statement of Activities**  
**For the Year Ended June 30, 2007**

<b>Functions / Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>			<b>Net (Expense) Revenue</b>
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	
<b>Primary government:</b>					
Governmental activities:					
Legislative	\$ 16,701	\$ -	\$ -	\$ -	\$ (16,701)
General government	641,216	333,182	-	-	(308,034)
Public safety	1,060,753	141,443	3,886	-	(915,424)
Public works	607,402	133,080	-	-	(474,322)
Highways and streets	193,207	-	156,366	10,000	(26,841)
Building and planning	86,940	8,725	414	-	(77,801)
Culture and recreation	675,886	132,398	-	-	(543,488)
Other functions	169,989	-	-	-	(169,989)
Interest on long-term debt	109,634	-	-	-	(109,634)
Total governmental activities	<u>3,561,728</u>	<u>748,828</u>	<u>160,666</u>	<u>10,000</u>	<u>(2,642,234)</u>
<b>Business-type activities:</b>					
Water and sewer	<u>1,039,369</u>	<u>973,230</u>	<u>-</u>	<u>-</u>	<u>(66,139)</u>
<b>Total primary government</b>	<b><u>\$ 4,601,097</u></b>	<b><u>\$ 1,722,058</u></b>	<b><u>\$ 160,666</u></b>	<b><u>\$ 10,000</u></b>	<b><u>\$ (2,708,373)</u></b>
<b>Component unit:</b>					
Downtown development authority	<u>\$ 90,504</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (90,504)</u>

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

**City of Pleasant Ridge, Michigan**  
**Statement of Activities**  
**For the Year Ended June 30, 2007**

	<b>Primary Government</b>			<b>Component Unit</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Downtown Development Authority</b>
<b>Changes in net assets</b>				
Net (expense) revenue	\$ (2,642,234)	\$ (66,139)	\$ (2,708,373)	\$ (90,504)
General revenues:				
Property taxes	2,241,861	-	2,241,861	88,540
State shared revenue	261,724	-	261,724	-
Unrestricted investment earnings	297,016	4,825	301,841	6,089
Other revenue	75,039	20	75,059	324
Total general revenues	<u>2,875,640</u>	<u>4,845</u>	<u>2,880,485</u>	<u>94,953</u>
Change in net assets	233,406	(61,294)	172,112	4,449
Net assets, beginning of year	<u>10,520,170</u>	<u>1,182,824</u>	<u>11,702,994</u>	<u>92,954</u>
<b>Net assets, end of year</b>	<b><u><u>\$ 10,753,576</u></u></b>	<b><u><u>\$ 1,121,530</u></u></b>	<b><u><u>\$ 11,875,106</u></u></b>	<b><u><u>\$ 97,403</u></u></b>

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

**City of Pleasant Ridge, Michigan**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2007**

	<b>General</b>	<b>I-696 Segregated Capital Asset</b>	<b>Local Streets</b>	<b>Major Streets</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 667,432	\$ 337,329	\$ 26,408	\$ 148,034
Investments	-	3,023,071	-	-
Receivables:				
Accounts receivable	20	-	-	-
Taxes-delinquent	13,640	-	-	-
Less: allowance for doubtful accounts	(11,630)	-	-	-
Interest	2,717	13,023	-	1,166
Due from other funds	341,860	-	258,927	8,618
Due from other governments	87,634	-	6,247	18,300
Prepaid expenditures	45,415	-	-	-
<b>Total assets</b>	<b><u>\$ 1,147,088</u></b>	<b><u>\$ 3,373,423</u></b>	<b><u>\$ 291,582</u></b>	<b><u>\$ 176,118</u></b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 293,541	\$ -	\$ 17,528	\$ 46,486
Accrued payroll	30,276	-	-	-
Accrued liabilities	6,800	-	-	-
Due to other funds	12,612	81,318	230,000	-
Deferred revenue	2,009	-	-	-
Total liabilities	<u>345,238</u>	<u>81,318</u>	<u>247,528</u>	<u>46,486</u>
<b>Fund balances</b>				
Reserved for:				
Debt service	-	-	-	-
SCAF corpus	-	3,242,872	-	-
Capital projects	-	-	-	-
Prepays	45,415	-	-	-
Unreserved, undesignated for:				
General fund	756,435	-	-	-
Special revenue funds	-	49,233	44,054	129,632
Total fund balances	<u>801,850</u>	<u>3,292,105</u>	<u>44,054</u>	<u>129,632</u>
<b>Total liabilities and fund balances</b>	<b><u>\$ 1,147,088</u></b>	<b><u>\$ 3,373,423</u></b>	<b><u>\$ 291,582</u></b>	<b><u>\$ 176,118</u></b>

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

<b>Infrastructure Improvements</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 407,163	\$ 426,809	\$ 2,013,175
-	-	3,023,071
-	36,596	36,616
-	-	13,640
-	-	(11,630)
1,799	1,828	20,533
2,800	4,812	617,017
-	-	112,181
-	19,722	65,137
<b><u>\$ 411,762</u></b>	<b><u>\$ 489,767</u></b>	<b><u>\$ 5,889,740</u></b>
\$ -	\$ 60,021	\$ 417,576
-	13,625	43,901
-	-	6,800
258,927	-	582,857
-	-	2,009
<b><u>258,927</u></b>	<b><u>73,646</u></b>	<b><u>1,053,143</u></b>
-	202,983	202,983
-	-	3,242,872
-	17,361	17,361
-	19,722	65,137
-	-	756,435
152,835	176,055	551,809
<b><u>152,835</u></b>	<b><u>416,121</u></b>	<b><u>4,836,597</u></b>
<b><u>\$ 411,762</u></b>	<b><u>\$ 489,767</u></b>	<b><u>\$ 5,889,740</u></b>

**City of Pleasant Ridge, Michigan**  
**Reconciliation of Fund Balances on the Balance Sheet**  
**for Governmental Funds to Net Assets of**  
**Governmental Activities on the Statement of Net Assets**  
**June 30, 2007**

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Fund balances - total governmental funds	\$	4,836,597
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Amounts reported for governmental activities in the statement of net assets are different because:

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

Add: nondepreciable capital assets		2,223,718
Add: depreciable capital assets		11,670,874
Deduct: depreciation expense		(5,215,794)

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

Add: deferred revenues		2,009
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Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Deduct: bonds payable and loans		(2,525,967)
Deduct: accrued interest on bonds payable and loans		(27,487)
Deduct: compensated absences		(210,374)

<b>Net assets of governmental activities</b>	<b>\$</b>	<b><u>10,753,576</u></b>
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The accompanying notes are an integral part of these financial statements.

**City of Pleasant Ridge, Michigan**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2007**

	<b>General</b>	<b>I-696 Segregated Capital Asset</b>	<b>Local Streets</b>	<b>Major Streets</b>
<b>Revenues</b>				
Property taxes	\$ 1,451,255	\$ -	\$ -	\$ -
Licenses and permits	54,497	-	-	-
Fines and forfeitures	75,295	-	-	-
Intergovernmental	276,024	-	44,909	111,457
Charges for services	412,024	-	-	-
Investment earnings	49,049	176,164	-	17,833
Other	90,396	-	-	185
Total revenues	<u>2,408,540</u>	<u>176,164</u>	<u>44,909</u>	<u>129,475</u>
<b>Expenditures</b>				
Current:				
Legislative	16,701	-	-	-
General government	538,717	-	-	-
Public safety	1,035,901	-	-	-
Public works	285,692	-	-	-
Highways and streets	-	-	49,835	52,627
Building and planning	86,020	-	-	-
Culture and recreation	305,204	-	-	-
Other functions	169,989	-	-	-
Debt service				
Principal	-	-	-	-
Interest and fees	-	-	-	-
Capital Outlay	-	-	104,356	376,044
Total expenditures	<u>2,438,224</u>	<u>-</u>	<u>154,191</u>	<u>428,671</u>
Revenues (under) over expenditures	<u>(29,684)</u>	<u>176,164</u>	<u>(109,282)</u>	<u>(299,196)</u>
<b>Other financing sources (uses)</b>				
Transfers in	-	-	153,336	180,000
Transfers out	(13,354)	(126,931)	-	-
Total other financing sources (uses)	<u>(13,354)</u>	<u>(126,931)</u>	<u>153,336</u>	<u>180,000</u>
Net change in fund balances	(43,038)	49,233	44,054	(119,196)
Fund balances, beginning of year	844,888	3,242,872	-	248,828
<b>Fund balances, end of year</b>	<b><u>\$ 801,850</u></b>	<b><u>\$ 3,292,105</u></b>	<b><u>\$ 44,054</u></b>	<b><u>\$ 129,632</u></b>

The accompanying notes are an integral part of these financial statements

<u>Infrastructure Improvements</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 293,037	\$ 497,624	\$ 2,241,916
-	-	54,497
-	6,672	81,967
-	-	432,390
-	184,798	596,822
25,984	29,146	298,176
-	-	90,581
<u>319,021</u>	<u>718,240</u>	<u>3,796,349</u>
-	-	16,701
-	-	538,717
-	-	1,035,901
-	351,776	637,468
-	-	102,462
-	-	86,020
-	231,171	536,375
-	-	169,989
-	150,896	150,896
-	114,041	114,041
-	3,505	483,905
<u>-</u>	<u>851,389</u>	<u>3,872,475</u>
<u>319,021</u>	<u>(133,149)</u>	<u>(76,126)</u>
-	110,285	443,621
(303,336)	-	(443,621)
<u>(303,336)</u>	<u>110,285</u>	<u>-</u>
15,685	(22,864)	(76,126)
137,150	438,985	4,912,723
<u><b>\$ 152,835</b></u>	<u><b>\$ 416,121</b></u>	<u><b>\$ 4,836,597</b></u>

**City of Pleasant Ridge, Michigan**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Year Ended June 30, 2007**

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Net change in fund balances - total governmental funds \$ (76,126)

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

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

Add: capital outlay	677,496
Deduct: depreciation expense	(429,359)
Deduct: basis of capital asset retirements	(65,086)

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

Deduct: net difference in deferred revenue	(5,924)
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of debt consumes the current financial resources of governmental funds.

Add: principal payments on long-term liabilities	150,896
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Deduct: increase in the accrual for compensated absences	(22,898)
Add: increase in accrued interest	4,407

<b>Change in net assets of governmental activities</b>	<b>\$ 233,406</b>
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The accompanying notes are an integral part of these financial statements.

**City of Pleasant Ridge, Michigan**  
**Statement of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2007**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual</u>
	<u>Original</u>	<u>Final</u>		<u>Over (Under)</u>
				<u>Final Budget</u>
<b>Revenues</b>				
Property taxes	\$ 1,484,811	\$ 1,484,811	\$ 1,451,255	\$ (33,556)
Licenses and permits	75,200	75,200	54,497	(20,703)
Fines and forfeitures	56,800	56,800	75,295	18,495
Intergovernmental	288,848	288,848	276,024	(12,824)
Charges for services	415,200	415,200	412,024	(3,176)
Investment earnings	45,000	45,000	49,049	4,049
Other	140,300	140,300	90,396	(49,904)
Total revenues	<u>2,506,159</u>	<u>2,506,159</u>	<u>2,408,540</u>	<u>(97,619)</u>
<b>Expenditures</b>				
Legislative	16,704	16,704	16,701	(3)
General government	607,063	567,163	538,717	(28,446)
Public safety	1,027,307	1,027,307	1,035,901	8,594
Public works	254,500	286,750	285,692	(1,058)
Building and planning	99,368	99,368	86,020	(13,348)
Culture and recreation	288,069	295,719	305,204	9,485
Other	178,028	178,028	169,989	(8,039)
Total expenditures	<u>2,471,039</u>	<u>2,471,039</u>	<u>2,438,224</u>	<u>(32,815)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>35,120</u>	<u>35,120</u>	<u>(29,684)</u>	<u>(64,804)</u>
<b>Other financing sources (uses)</b>				
Transfers in	-	7,650	-	(7,650)
Transfers out	<u>(13,354)</u>	<u>(21,004)</u>	<u>(13,354)</u>	<u>7,650</u>
Total other financing sources (uses)	<u>(13,354)</u>	<u>(13,354)</u>	<u>(13,354)</u>	<u>-</u>
Net change in fund balances	21,766	21,766	(43,038)	(64,804)
Fund balance, beginning of year	<u>844,888</u>	<u>844,888</u>	<u>844,888</u>	<u>-</u>
<b>Fund balance, end of year</b>	<b><u>\$ 866,654</u></b>	<b><u>\$ 866,654</u></b>	<b><u>\$ 801,850</u></b>	<b><u>\$ (64,804)</u></b>

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

**City of Pleasant Ridge, Michigan**  
**Statement of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual**  
**I-696 Segregated Capital Asset Fund**  
**For the Year Ended June 30, 2007**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual</u>
	<u>Original</u>	<u>Final</u>		<u>Over (Under)</u>
				<u>Final Budget</u>
<b>Revenues</b>				
Investment earnings	\$ 115,186	\$ 145,186	\$ 176,164	\$ 30,978
<b>Other financing sources (uses)</b>				
Transfers in	2,659	2,659	-	(2,659)
Transfers out	(96,931)	(126,931)	(126,931)	-
Total other financing sources (uses)	(94,272)	(124,272)	(126,931)	(2,659)
Net change in fund balances	20,914	20,914	49,233	28,319
Fund balance, beginning of year	3,242,872	3,242,872	3,242,872	-
<b>Fund balance, end of year</b>	<b>\$ 3,263,786</b>	<b>\$ 3,263,786</b>	<b>\$ 3,292,105</b>	<b>\$ 28,319</b>

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

**City of Pleasant Ridge, Michigan**  
**Statement of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual**  
**Local Streets Fund**  
**For the Year Ended June 30, 2007**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual</u>
	<u>Original</u>	<u>Final</u>		<u>Over (Under)</u>
<b>Revenues</b>				
Intergovernmental	\$ 38,270	\$ 38,270	\$ 44,909	\$ 6,639
Investment earnings	500	500	-	(500)
Total revenues	<u>38,770</u>	<u>38,770</u>	<u>44,909</u>	<u>6,139</u>
<b>Expenditures</b>				
Construction	103,336	133,336	104,356	(28,980)
Routine maintenance	31,008	31,008	19,945	(11,063)
Winter maintenance	33,500	33,500	28,995	(4,505)
Traffic services	11,000	11,000	895	(10,105)
Total expenditures	<u>178,844</u>	<u>208,844</u>	<u>154,191</u>	<u>(54,653)</u>
Excess (deficiency) of revenues over (under) expenditures	(140,074)	(170,074)	(109,282)	60,792
<b>Other financing sources (uses)</b>				
Transfers in	<u>123,336</u>	<u>153,336</u>	<u>153,336</u>	<u>-</u>
Net change in fund balances	(16,738)	(16,738)	44,054	60,792
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u><b>\$ (16,738)</b></u>	<u><b>\$ (16,738)</b></u>	<u><b>\$ 44,054</b></u>	<u><b>\$ 60,792</b></u>

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

**City of Pleasant Ridge, Michigan**  
**Statement of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual**  
**Major Streets Fund**  
**For the Year Ended June 30, 2007**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual</u>
	<u>Original</u>	<u>Final</u>		<u>Over (Under)</u>
<b>Revenues</b>				
Intergovernmental	\$ 3,800	\$ 3,800	\$ 111,457	\$ 107,657
Investment earnings	3,000	3,000	17,833	14,833
Other	-	-	185	185
Total revenues	<u>6,800</u>	<u>6,800</u>	<u>129,475</u>	<u>122,675</u>
<b>Expenditures</b>				
Construction	180,000	311,435	376,044	64,609
Routine maintenance	32,500	32,500	30,101	(2,399)
Winter maintenance	19,000	19,000	19,026	26
Traffic services	10,500	10,500	3,500	(7,000)
Total expenditures	<u>242,000</u>	<u>373,435</u>	<u>428,671</u>	<u>55,236</u>
Excess (deficiency) of revenues over (under) expenditures	(235,200)	(366,635)	(299,196)	67,439
<b>Other financing sources (uses)</b>				
Transfers in	<u>180,000</u>	<u>311,435</u>	<u>180,000</u>	<u>(131,435)</u>
Net change in fund balances	(55,200)	(55,200)	(119,196)	(63,996)
Fund balance, beginning of year	<u>248,828</u>	<u>248,828</u>	<u>248,828</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u><b>\$ 193,628</b></u>	<u><b>\$ 193,628</b></u>	<u><b>\$ 129,632</b></u>	<u><b>\$ (63,996)</b></u>

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

**City of Pleasant Ridge, Michigan**  
**Statement of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual**  
**Infrastructure Improvements Fund**  
**For the Year Ended June 30, 2007**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual</u>
	<u>Original</u>	<u>Final</u>		<u>Over (Under)</u>
<b>Revenues</b>				
Property taxes	\$ 301,391	\$ 301,391	\$ 293,037	\$ (8,354)
Investment earnings	1,945	1,945	25,984	24,039
Total revenues	<u>303,336</u>	<u>303,336</u>	319,021	<u>15,685</u>
<b>Other financing sources (uses)</b>				
Transfers out	<u>(303,336)</u>	<u>(303,336)</u>	<u>(303,336)</u>	<u>-</u>
Net change in fund balances	-	-	15,685	15,685
Fund balance, beginning of year	<u>137,150</u>	<u>137,150</u>	<u>137,150</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u><b>\$ 137,150</b></u>	<u><b>\$ 137,150</b></u>	<u><b>\$ 152,835</b></u>	<u><b>\$ 15,685</b></u>

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

**City of Pleasant Ridge, Michigan**  
**Statement of Net Assets**  
**Proprietary Fund**  
**June 30, 2007**

	<b>Water and Sewer</b>
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 6,380
Receivables:	
Accounts receivable (net)	282,343
Prepaid expenses	859
Due from other funds	5,000
Total current assets	294,582
Noncurrent assets:	
Capital assets	
Construction in progress	1,633,346
Water and sewer system	1,743,148
Less accumulated depreciation	(1,049,282)
Total noncurrent assets	2,327,212
Total assets	2,621,794
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	93,235
Due to other funds	39,160
Current portion of long-term debt	66,404
Total current liabilities	198,799
Noncurrent liabilities:	
Long term debt	1,301,465
Total liabilities	1,500,264
<b>Net assets</b>	
Investment in capital assets, net of related debt	959,343
Unrestricted	162,187
<b>Total net assets</b>	<b>\$ 1,121,530</b>

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

**City of Pleasant Ridge, Michigan**  
**Statement of Revenues, Expenses**  
**and Changes in Fund Net Assets**  
**Proprietary Fund**  
**For the Year Ended June 30, 2007**

	<b>Water and Sewer</b>
<b>Operating revenues</b>	
Charges for services	\$ 961,237
Fines and penalties	11,993
Other	20
	973,250
<b>Operating expenses</b>	
Wages	30,898
Water purchases	162,444
Sewage disposal	332,027
Operating supplies	5,277
Public works	36,815
Interfund charges	175,608
Contractual services	57,277
Repairs and maintenance	127,381
Depreciation	59,724
Other	12,031
	999,482
Total operating expenses	999,482
Operating loss	(26,232)
<b>Non-operating revenues (expenses)</b>	
Investment earnings	4,825
Interest expense	(39,887)
	(35,062)
Total non-operating revenues (expenses)	(35,062)
Change in net assets	(61,294)
Net assets, beginning of year	1,182,824
<b>Net assets, end of year</b>	<b>\$ 1,121,530</b>

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

**City of Pleasant Ridge, Michigan**  
**Statement of Cash Flows**  
**Proprietary Fund**  
**For the Year Ended June 30, 2007**

	<b>Water/Sewer</b>
<b>Cash flows from operating activities</b>	
Cash received from customers and others	\$ 922,659
Cash payments to suppliers for goods and services	(957,857)
Net cash used by operating activities	(35,198)
<b>Cash flows from investing activities</b>	
Investment income	4,825
<b>Cash flows from capital and related financing activities</b>	
Purchase of capital assets	(208,546)
Proceeds from issuance of long-term debt	31,801
Bond/note principal payments	(64,455)
Bond/note interest payments	(39,052)
City share of County proceeds for GW Kuhn drain	53,930
Net cash used by capital and related financing activities	(226,322)
Net decrease in cash and cash equivalents	(256,695)
Cash and cash equivalents, beginning of year	263,075
<b>Cash and cash equivalents, end of year</b>	<b>\$ 6,380</b>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities</b>	
Operating loss	\$ (26,232)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	59,724
Changes in assets and liabilities:	
Accounts receivable	(50,591)
Prepays	(859)
Due from other funds	(5,000)
Accounts payable	(41,195)
Accrued liabilities	(9,434)
Due to other funds	38,389
Net cash used by operating activities	<b>\$ (35,198)</b>

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

**City of Pleasant Ridge, Michigan**

**Statement of Fiduciary Net Assets**

**Fiduciary Fund**

**June 30, 2007**

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

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

***NOTES TO THE FINANCIAL STATEMENTS***

# CITY OF PLEASANT RIDGE, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

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### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Reporting Entity

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

#### **Discretely presented component unit**

##### *Downtown Development Authority*

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

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

##### *Government-wide financial statements*

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

The statement of activities demonstrates the degree to which direct expenses are offset by program revenues for the business-type activities of the City and for each function of the City’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable with a particular function or segment. Program revenues include (1) fees, fines and charges paid by the

# CITY OF PLEASANT RIDGE, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

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recipients of goods or services offered by the programs and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including taxes and other items, are presented as general revenues.

### *Fund financial statements*

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

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

#### *Government-wide, proprietary and fiduciary fund financial statements*

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the City's enterprise fund is charges to customers for sales and services. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

# CITY OF PLEASANT RIDGE, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

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### *Governmental fund financial statements*

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

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

The City reports the following major governmental funds:

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

*I-696 segregated capital asset fund.* This fund was established in 1986 to account for the funds received from the State of Michigan in connection with condemnation proceedings instituted by the State to acquire City-owned property for the construction of interstate highway 696.

*Local Streets Fund.* This fund provides for the maintenance of all local street surfaces in such a manner that they are structurally sound, reliable and safe.

*Major Streets Fund.* This fund provides for the maintenance of all major street surfaces in such a manner that they are structurally sound, reliable and safe.

*Infrastructure Improvements fund.* This fund accounts for the monies received from the Infrastructure Millage, earnings on the funds received, designed interest earnings transfers from S.C.A. fund, and the transfer of funds to the Road funds, General fund or Water and Sewer fund for ultimate disposition.

# CITY OF PLEASANT RIDGE, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

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The City reports the following major proprietary fund:

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

Additionally, the City reports the following fund types:

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

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

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

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

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

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

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

# CITY OF PLEASANT RIDGE, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

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### **D. Assets, Liabilities and Equity**

#### ***Deposits and investments***

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

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

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

#### ***Receivables and payables***

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

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

#### ***Prepaid items and other assets***

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

#### ***Capital assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than

# CITY OF PLEASANT RIDGE, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

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\$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

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

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

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

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

### *Compensated absences*

It is the government's policy to permit employees to accumulate earned but unused sick and compensatory time benefits, subject to certain limitations. All sick time pay is accrued at 100 percent of earned and unused leave hours in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in

# CITY OF PLEASANT RIDGE, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

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governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

### *Long-term obligations*

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

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

### *Fund equity*

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

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

### **A. Budgetary Information**

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

The City Commission requires the City Manager to submit an estimate of revenues and anticipated expenditures for the succeeding fiscal year on or before April 10 of each year. The City Manager is then authorized to assign and transfer budget amounts within each fund to the extent that the net total fund appropriation (which the City defines as gross

# CITY OF PLEASANT RIDGE, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

authorized expenditures less related revenues that are specifically designated to fund those activities) is not exceeded. City Commission approval is required for any budgetary changes that result in an increase to net appropriations.

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

### B. Excess of Expenditures over Appropriations

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

During the year ended June 30, 2007, the City incurred expenditures in excess of the amounts appropriated as follows:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
Public safety	\$1,027,307	\$1,035,901	\$ 8,594
Culture and recreation	295,719	305,204	9,485
Special Revenue Funds:			
Major streets	373,435	428,671	55,236
Pool and fitness center	169,012	179,480	10,468

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

#### A. Deposits and Investments

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

	<u>Primary Government</u>	<u>Component Unit</u>	<u>Total</u>
Statement of Net Assets			
Cash and cash equivalents	\$2,019,555	\$ 96,134	\$2,115,689
Investments	<u>3,023,071</u>	-	<u>3,023,071</u>
<b>Total</b>	<b><u>\$5,042,626</u></b>	<b><u>\$ 96,134</u></b>	<b><u>\$5,138,760</u></b>

# CITY OF PLEASANT RIDGE, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

These balances are disclosed in the notes as follows:

Bank deposits (checking accounts, savings accounts and CDs)	\$2,257,396
Cash on hand	1,260
Investments in pooled and mutual funds	<u>2,880,104</u>
<b>Total</b>	<b><u>\$5,138,760</u></b>

### Investments

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

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

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

<u>Investments</u>	<u>Maturity</u>	<u>Value</u>	<u>Rating</u>
Comerica J Fund	N/A	\$ 896,815	N/A
Multi-Bank Fund	N/A	\$1,983,289	N/A

# CITY OF PLEASANT RIDGE, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

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### **Investment and deposit risk**

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

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

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. State law does not require and the City does not have a policy for deposit custodial credit risk. As of year-end, \$2,160,361 of the \$2,460,361 bank balance was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Custodial Credit Risk – Investments.* For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the City does not have a policy for investment custodial credit risk. The City's investments include \$2,880,104 of investments in short-term investment pools or mutual funds that are registered with the Securities Exchange Commission (the "SEC"). The investment pools operate in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares. The short-term investments are not required to be classified according to credit risk since they are not evidenced by securities that exist in physical or book entry form.

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

# CITY OF PLEASANT RIDGE, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

### B. Receivables

Receivables in the governmental activities are 65 percent due from other governments, 21 percent accounts receivables, 2 percent taxes and special assessments and 12 percent accrued interest. The entire business-type activities receivables balance is due from customers.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, deferred revenue of \$2,009 was unavailable in the governmental funds as a result of personal property taxes not yet received.

### C. Capital Assets

Capital assets activity for the year ended June 30, 2007 was as follows:

#### *Primary government*

<u>Governmental activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Ending Balance</u>
<b>Capital assets, not being depreciated</b>					
Land	\$ 1,746,700	\$ -	\$ -	\$ -	\$ 1,746,700
Construction in progress	269,096	477,018		(269,096)	477,018
<b>Total capital assets, not being depreciated</b>	<b>2,015,796</b>	<b>477,018</b>	<b>-</b>	<b>(269,096)</b>	<b>2,223,718</b>
<b>Capital assets being depreciated</b>					
Streets and alleys	6,255,787	125,277	(348,300)	269,561	6,302,325
Land improvements	1,060,527	48,110	-	(465)	1,108,172
Buildings & improvements	3,623,137	-	(64,577)		3,558,560
Vehicles	89,602	-	(1)		89,601
Equipment	585,126	27,091	-		612,217
<b>Total capital assets being depreciated</b>	<b>11,614,179</b>	<b>200,478</b>	<b>(412,878)</b>	<b>269,096</b>	<b>11,670,875</b>
<b>Accumulated depreciation</b>					
Streets and alleys	(3,466,760)	(220,089)	348,112	-	(3,338,737)
Land improvements	(594,970)	(58,893)	-	-	(653,863)
Buildings & improvements	(600,602)	(114,122)	(320)	-	(715,044)
Vehicles	(69,755)	(14,141)	-	-	(83,896)
Equipment	(402,141)	(22,114)	-	-	(424,255)
<b>Total accumulated depreciation</b>	<b>(5,134,228)</b>	<b>(429,359)</b>	<b>347,792</b>	<b>-</b>	<b>(5,215,795)</b>
<b>Total capital assets being depreciated, net</b>	<b>6,479,951</b>	<b>(228,881)</b>	<b>(65,086)</b>	<b>269,096</b>	<b>6,455,080</b>
<b>Net depreciable property, plant and equipment</b>	<b>\$8,495,747</b>	<b>\$ 248,137</b>	<b>\$ (65,086)</b>	<b>\$ -</b>	<b>\$8,678,798</b>

# CITY OF PLEASANT RIDGE, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

<u>Business-type activities</u>	<u>Beginning</u>				<u>Ending</u>
	<u>Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Balance</u>
<b>Capital assets, not being depreciated</b>					
Construction in Progress	\$ 1,601,545	\$ 31,801	\$ -	\$ -	\$ 1,633,346
<b>Capital assets being depreciated</b>					
Water and Sewer Transmission and Distribution System	1,313,435	2,075	-	-	1,315,510
Water Meters	247,764	157,233	-	-	404,997
Vehicle and Miscellaneous Equipment	8,039	14,602	-	-	22,641
<b>Total capital assets being depreciated</b>	<b><u>1,569,238</u></b>	<b><u>173,910</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>1,743,148</u></b>
<b>Accumulated depreciation</b>					
Water and Sewer Transmission and Distribution System	(823,539)	(27,015)	-	-	(850,554)
Water Meters	(160,815)	(26,954)	-	-	(187,769)
Vehicle and Miscellaneous Equipment	(8,039)	(2,920)	-	-	(10,959)
<b>Total accumulated depreciation</b>	<b><u>(992,393)</u></b>	<b><u>(56,889)</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>(1,049,282)</u></b>
<b>Total capital assets being depreciated, net</b>	<b><u>576,845</u></b>	<b><u>117,021</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>693,866</u></b>
<b>Net depreciable property, plant and equipment</b>	<b><u>\$2,178,390</u></b>	<b><u>\$ 148,822</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$2,327,212</u></b>

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

Governmental activities	
General government	\$ 49,060
Public safety	19,965
Public works	15,618
Culture and recreation	132,076
Highways and streets	<u>212,640</u>
Total depreciation expense - governmental activities	<u>\$ 429,359</u>
Business-type activities	
Water and sewer	<u>\$ 59,724</u>

The City has an active construction project as of June 30, 2007. The City is a participating community in the George W. Kuhn drain project along with thirteen other local municipalities. The total cost of the project is currently estimated at approximately \$136,000,000 with the City's share of total project costs at approximately \$1,700,000.

# CITY OF PLEASANT RIDGE, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

As of June 30, 2007 the City's financial activity as it relates to this project is as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
George W. Kuhn Drain	\$ 1,633,346	\$ 66,654

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

### D. Interfund Receivables, Payables and Transfers

The amounts of interfund receivables, payables and transfers are as follows as of June 30, 2007:

<u>Amounts due from</u>	<u>Amounts due to</u>							<u>Total</u>
	<u>General Fund</u>	<u>I-696 Segregated Capital</u>	<u>Major Streets</u>	<u>Local Streets</u>	<u>Infrastructure</u>	<u>Non-major Governmental</u>	<u>Water and Sewer</u>	
General	\$ -	\$ -	\$ -	\$ -	\$ 2,800	\$ 4,812	\$ 5,000	\$ 12,612
I-696 segregated capital asset	81,318	-	-	-	-	-	-	81,318
Local streets	230,000	-	-	-	-	-	-	230,000
Infrastructure	-	-	-	258,927	-	-	-	258,927
Water/Sewer	30,542	-	8,618	-	-	-	-	39,160
<b>Total</b>	<b>\$ 341,860</b>	<b>\$ -</b>	<b>\$ 8,618</b>	<b>\$ 258,927</b>	<b>\$ 2,800</b>	<b>\$ 4,812</b>	<b>\$ 5,000</b>	<b>\$ 622,017</b>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

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

<u>Transfers out</u>	<u>Transfers In</u>			
	<u>Major Streets</u>	<u>Local Streets</u>	<u>Non-major Governmental</u>	<u>Total</u>
General	\$ -	\$ -	\$ 13,354	\$ 13,354
I-696 segregated capital asset	-	30,000	96,931	126,931
Infrastructure	180,000	123,336	-	303,336
<b>Total</b>	<b>\$ 180,000</b>	<b>\$ 153,336</b>	<b>\$ 110,285</b>	<b>\$ 443,621</b>

# CITY OF PLEASANT RIDGE, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

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

### E. Long-term Debt

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

*George W. Kuhn project bonds and revolving fund obligations.* The City is a participating community in the George W. Kuhn drain project. The project is administered by the Oakland County Drain Commission, and financed through the sale of drain bonds, draw downs from the State of Michigan revolving fund, Federal and State of Michigan grants and contributions from Oakland County, Michigan. The City along with thirteen other local communities is obligated for the payment of principal and interest of the outstanding debt. It is currently anticipated that the City's total obligation at the end of construction will be approximately \$1,726,228 or 1.271% of the projects total cost of \$135,816,457. Due to the current construction of the project, the sale of bonds and draw downs from the State of Michigan revolving fund are being incurred on an as needed basis and thus an accurate schedule of principal and interest payments cannot be determined at this time. Accordingly, it is not included in the following schedule of annual debt service requirements.

<b>Purpose</b>	<b>Interest Rate</b>	<b>Maturity Date</b>	<b>Balance</b>
Governmental activities:			
Building Addition Loan	5.22%	2009	\$ 9,900
DPW Improvements Loan	3.69%	2015	91,067
Pool/Fitness Center Loan	3.0%-5.0%	2028	2,425,000
<b>Total governmental activities</b>			<b>\$ 2,525,967</b>
Business-type activities:			
George W. Kuhn drain	2.0%-5.0%	Various	\$ 1,367,869

# CITY OF PLEASANT RIDGE, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

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

	<b>Governmental Activities</b>	
	<b>Principal</b>	<b>Interest</b>
2008	\$ 66,594	\$ 103,658
2009	63,662	100,446
2010	60,745	97,476
2011	86,141	95,518
2012	86,552	92,670
2013-2017	487,273	415,247
2018-2022	625,000	309,746
2023-2027	850,000	159,034
2028	200,000	8,750
<b>Total</b>	<b>\$ 2,525,967</b>	<b>\$ 1,382,545</b>

*Changes in Long-Term Debt.* Long-term liability activity for the year ended June 30, 2007, was as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
<b><u>Primary Government</u></b>					
Governmental activities					
Community center loan	\$ 84,602	\$ -	\$ (84,602)	\$ -	\$ -
Building addition loan	16,500	-	(6,600)	9,900	6,600
DPW Building note payable	100,761	-	(9,694)	91,067	9,994
Pool/Fitness center loan	2,475,000	-	(50,000)	2,425,000	50,000
Accrued compensated	187,476	210,374	(187,476)	210,374	36,815
	<b>\$ 2,864,339</b>	<b>\$ 210,374</b>	<b>\$ (338,372)</b>	<b>\$ 2,736,341</b>	<b>\$ 103,409</b>
<b><u>Business-type activities</u></b>					
George W. Kuhn drain	\$ 1,400,523	\$ 31,801	\$ (64,455)	\$ 1,367,869	\$ 66,404

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

### F. State Construction Code Act Compliance

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

# CITY OF PLEASANT RIDGE, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

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For the year ended June 30, 2007, the City's revenue and expenditures related to its building department were as follows:

<u>Revenues</u>	<u>Amount</u>
Building Permits	\$ 37,718
Electrical Permits	6,045
Plumbing/Heating Permits	5,290
Other revenue	<u>5,444</u>
<b>Total revenue</b>	<b><u>\$ 54,497</u></b>
<u>Expenditures</u>	
Salaries and wages	\$ 74,967
Benefits	8,566
Operating supplies	<u>671</u>
<b>Total expenditures</b>	<b><u>\$ 84,204</u></b>

### G. Segment Information – Enterprise Funds

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

## IV. OTHER INFORMATION

### A. Risk Management

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

### B. Property Taxes

The government's property taxes are levied each July 1 on the taxable valuation of property located in the City as of the preceding December 31, the lien date. Property taxes are payable without penalty and interest if paid in full by July 31<sup>st</sup> or if elected by the taxpayer, paid using an eight monthly installment method from July through

# CITY OF PLEASANT RIDGE, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

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February. As of March 1 of the succeeding year, unpaid real property taxes are sold to and collected by Oakland County. Assessed values, as established annually by the government and subject to acceptance by the County, are equalized by the State at an estimated 50% of current market value. The taxable value of real and personal property in the City for the 2006 levy was \$123,601,075. The government's general operating tax rate for fiscal 2006-07 was 11.5519 mills with an additional 1.7325 for refuse collection, 2.4399 for infrastructure, 0.3439 for library services, 1.2864 for pool and fitness center operations and 0.8285 mills for pool and fitness center debt.

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

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

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

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

The City has construction commitments and open change orders totaling approximately \$477,018 for the Oakdale Boulevard Project. It is anticipated that these commitments and open change orders will be executed and completed in the subsequent fiscal year.

The government has no lawsuits current or pending.

### **D. Joint Venture**

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

The City is a member of the Southeastern Oakland County Resource Recovery Authority (the "Authority"), which consists of twelve municipalities in Oakland County and provides refuse disposal services for the benefit of member municipalities. The City appoints one member of the joint venture's governing board, which approves the annual budget. The participating communities provide funding for its operations. During the year ended June 30, 2007, the Authority reported an increase in net assets in the amount of

# CITY OF PLEASANT RIDGE, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

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\$224,154 resulting in ending net assets in the amount of \$5,746,595. During the year ended June 30, 2007, the City expended \$74,150 in payments made to the Authority. Complete financial statements for the Southeastern Oakland Resource Recovery Authority can be obtained from the administrative offices at 3910 Webster Road, Royal Oak, Michigan 48073.

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

The City is a member of the Southeastern Oakland County Water Authority (the "Authority"), which provides a water supply system primarily to eleven municipalities in Oakland County. The City appoints one member of the joint venture's governing board, which approves the annual budget. The participating communities provide funding for its operations. During the year ended June 30, 2007, the Authority reported an increase in net assets in the amount of \$691,196 resulting in ending net assets in the amount of \$12,857,997. During the year ended June 30, 2007, the City expended \$162,445 in payments made to the Authority. Complete financial statements for the Southeastern Oakland Resource Recovery Authority can be obtained from the administrative offices at 3910 Webster Road, Royal Oak, Michigan 48073.

### **E. Retirement Benefits**

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

##### *Plan description*

The City's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The City participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer plan operated and administered by the MERS Retirement Board. Public Act No. 220 of the Public Acts of 1996, as amended, establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 447 N. Canal Road, Lansing, Michigan 48917 or by calling 800-767-6377.

All full-time City employees are eligible to participate in the MERS. City employees who retire at or after age 60 with eight years of credited service, age 55 with 15 years service or age 50 with 25 years of service, are entitled to an annual retirement benefit, payable monthly for life. The normal retirement benefit is equal to 2.5% up to a

# CITY OF PLEASANT RIDGE, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

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maximum of 80% of final average compensation. MERS also provides death and disability benefits. These benefits are established by state statute.

### *Funding Policy*

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

General	0%
Police and Fire	21.85%
General Non-Union	13.54%
City Manager	21.23%

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

### *Annual Pension Cost*

For the year ended June 30, 2007, the City's annual pension cost of \$96,385 was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2005 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, and (c) additional projected salary increases of 0.0% to 6.16% per year, depending on age, attributable to seniority/merit.

The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return, and includes an adjustment to reflect market value. The City's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll. The remaining amortization period at December 31, 2006, the date of the latest available actuarial valuation, was 30 years.

# CITY OF PLEASANT RIDGE, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

### Schedule of Employer Contributions

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/03	\$ 43,405	100%	\$ 0
6/30/04	75,825	100%	0
6/30/05	100,455	100%	0
6/30/06	102,210	100%	0
6/30/07	96,385	100%	0

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

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

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

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

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***REQUIRED SUPPLEMENTARY  
INFORMATION***

**CITY OF PLEASANT RIDGE, MICHIGAN**

**Required Supplementary Information  
(Unaudited)**

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**Defined Benefit Pension Plan**

*Trend Information*

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**Schedule of Funding Progress**

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<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) Attained Age# (b)</b>	<b>Unfunded AAL (UAAL) (b - a)</b>	<b>Funde d Ratio % (a / b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a % of Covered Payroll ((b-a) / c)</b>
12/31/02	\$ 2,469,503	\$ 3,041,853	\$ 572,350	81%	\$ 523,352	109%
12/31/03	2,517,831	3,259,096	741,265	77%	588,952	126%
12/31/04	2,591,780	3,559,624	967,844	73%	677,849	143%
12/31/05	2,621,153	3,779,317	1,158,164	69%	536,996	216%
12/31/06	2,672,863	3,826,485	1,153,623	70%	556,882	207%

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

**City of Pleasant Ridge, Michigan**  
**Combining Balance Sheet**  
**Non Major Governmental Funds**  
**June 30, 2007**

	<b>Solid Waste</b>	<b>Library</b>	<b>Pool/Fitness Center (Operating)</b>	<b>Historic Commission</b>	<b>Drug Forfeiture</b>
<b>Assets</b>					
Cash and cash equivalents	\$ 25,845	\$ 30,994	\$ 93,492	\$ 15,102	\$ 8,103
Receivables:					
Accounts receivable	36,596	-	-	-	-
Interest	109	135	395	43	37
Due from other funds	1,989	395	1,477	-	-
Prepays	-	18,332	1,390	-	-
<b>Total assets</b>	<b>64,539</b>	<b>49,856</b>	<b>96,754</b>	<b>15,145</b>	<b>8,140</b>
<b>Liabilities</b>					
Accounts payable	14,040	-	9,810	1,182	-
Accrued payroll	-	-	13,625	-	-
<b>Total liabilities</b>	<b>14,040</b>	<b>-</b>	<b>23,435</b>	<b>1,182</b>	<b>-</b>
<b>Fund balances</b>					
Reserved for:					
Prepays	-	18,332	1,390	-	-
Debt service	-	-	-	-	-
Capital projects	-	-	-	-	-
Unreserved, undesignated for					
Special revenue funds	50,499	31,524	71,929	13,963	8,140
<b>Total fund balances</b>	<b>50,499</b>	<b>49,856</b>	<b>73,319</b>	<b>13,963</b>	<b>8,140</b>
<b>Total liabilities and fund balance</b>	<b>\$ 64,539</b>	<b>\$ 49,856</b>	<b>\$ 96,754</b>	<b>\$ 15,145</b>	<b>\$ 8,140</b>

<b>Debt Service</b>		<b>Capital Projects</b>			<b>Total Nonmajor Governmental Funds</b>
<b>Pool/Fitness Center Debt Service</b>	<b>Non-Voted Debt Service</b>	<b>Pool/Fitness Center</b>	<b>Streetscape Project</b>	<b>Capital Improvements</b>	
\$ 183,370	\$ 17,780	\$ 8,135	\$ 40,783	\$ 3,205	\$ 426,809
-	-	-	-	-	36,596
797	85	35	178	14	1,828
951	-	-	-	-	4,812
-	-	-	-	-	19,722
<b>185,118</b>	<b>17,865</b>	<b>8,170</b>	<b>40,961</b>	<b>3,219</b>	<b>489,767</b>
-	-	-	34,989	-	60,021
-	-	-	-	-	13,625
-	-	-	34,989	-	73,646
-	-	-	-	-	19,722
185,118	17,865	-	-	-	202,983
-	-	8,170	5,972	3,219	17,361
-	-	-	-	-	176,055
185,118	17,865	8,170	5,972	3,219	416,121
<b>\$ 185,118</b>	<b>\$ 17,865</b>	<b>\$ 8,170</b>	<b>\$ 40,961</b>	<b>\$ 3,219</b>	<b>\$ 489,767</b>

**City of Pleasant Ridge, Michigan**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**Non Major Governmental Funds**  
**For the Year Ended June 30, 2007**

	Special Revenue				
	Solid Waste	Library	Pool/Fitness Center (Operating)	Historic Commission	Drug Forfeiture
<b>Revenues</b>					
Property taxes	\$ 205,700	\$ 40,826	\$ 152,733	\$ -	\$ -
Fines and forfeitures	-	-	-	-	6,672
Charges for services	133,080	-	35,848	15,870	-
Investment earnings	3,782	2,843	5,451	285	224
Total revenues	<u>342,562</u>	<u>43,669</u>	<u>194,032</u>	<u>16,155</u>	<u>6,896</u>
<b>Expenditures</b>					
Current:					
Sanitation	351,776	-	-	-	-
Culture and recreation	-	43,003	179,480	8,688	-
Debt service					
Principal	-	-	-	-	-
Interest and fees	-	-	-	-	-
Capital Outlay	-	-	2,000	-	1,505
Total expenditures	<u>351,776</u>	<u>43,003</u>	<u>181,480</u>	<u>8,688</u>	<u>1,505</u>
Revenues (under) over expenditures	(9,214)	666	12,552	7,467	5,391
<b>Other financing sources (uses)</b>					
Transfers in	-	-	-	-	-
Net change in fund balances	(9,214)	666	12,552	7,467	5,391
Fund balances, beginning of year	<u>59,713</u>	<u>49,190</u>	<u>60,767</u>	<u>6,496</u>	<u>2,749</u>
<b>Fund balances, end of year</b>	<u><u>\$ 50,499</u></u>	<u><u>\$ 49,856</u></u>	<u><u>\$ 73,319</u></u>	<u><u>\$ 13,963</u></u>	<u><u>\$ 8,140</u></u>

<b>Debt Service</b>		<b>Capital Projects</b>			<b>Total Nonmajor Governmental Funds</b>
<b>Pool/Fitness Center Debt Service</b>	<b>Non-Voted Debt Service</b>	<b>Pool/Fitness Center</b>	<b>Streetscape Project</b>	<b>Capital Improvements</b>	
\$ 98,365	\$ -	\$ -	\$ -	\$ -	\$ 497,624
-	-	-	-	-	6,672
-	-	-	-	-	184,798
13,453	398	431	2,113	166	29,146
<u>111,818</u>	<u>398</u>	<u>431</u>	<u>2,113</u>	<u>166</u>	<u>718,240</u>
-	-	-	-	-	351,776
-	-	-	-	-	231,171
50,000	100,896	-	-	-	150,896
102,369	11,672	-	-	-	114,041
-	-	-	-	-	3,505
<u>152,369</u>	<u>112,568</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>851,389</u>
(40,551)	(112,170)	431	2,113	166	(133,149)
-	110,285	-	-	-	110,285
(40,551)	(1,885)	431	2,113	166	(22,864)
<u>225,669</u>	<u>19,750</u>	<u>7,739</u>	<u>3,859</u>	<u>3,053</u>	<u>438,985</u>
<b><u>\$ 185,118</u></b>	<b><u>\$ 17,865</u></b>	<b><u>\$ 8,170</u></b>	<b><u>\$ 5,972</u></b>	<b><u>\$ 3,219</u></b>	<b><u>\$ 416,121</u></b>

# City of Pleasant Ridge, Michigan

## Detailed Schedule of Expenditures Budget and Actual General Fund For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
<b>Legislative</b>				
Commission	\$ 16,704	\$ 16,704	\$ 16,701	\$ (3)
<b>General Government</b>				
Manager	117,414	126,416	127,204	788
City clerk	89,269	64,269	66,215	1,946
Elections	22,967	17,217	14,290	(2,927)
Attorney	22,000	16,800	4,173	(12,627)
General government	188,022	204,482	189,507	(14,975)
Cable television	3,546	3,546	2,296	(1,250)
Post office	39,686	39,686	38,694	(992)
Treasurer	99,928	70,516	74,838	4,322
Assessment	24,231	24,231	21,500	(2,731)
<b>Total General Government</b>	<b>607,063</b>	<b>567,163</b>	<b>538,717</b>	<b>(28,446)</b>
<b>Public Safety</b>				
Police	637,446	637,446	646,045	8,599
Fire	389,861	389,861	389,856	(5)
<b>Total Public Safety</b>	<b>1,027,307</b>	<b>1,027,307</b>	<b>1,035,901</b>	<b>8,594</b>
<b>Public Works</b>				
Department of public works	218,000	250,250	250,093	(157)
Street lighting	36,500	36,500	35,599	(901)
<b>Total Public Works</b>	<b>254,500</b>	<b>286,750</b>	<b>285,692</b>	<b>(1,058)</b>
<b>Building and Planning</b>				
Building department	93,918	93,918	84,204	(9,714)
Planning commission	5,450	5,450	1,816	(3,634)
<b>Total Building and Planning</b>	<b>99,368</b>	<b>99,368</b>	<b>86,020</b>	<b>(13,348)</b>
<b>Culture and Recreation</b>				
Parks and recreation department	265,477	273,127	279,934	6,807
Woodward Dream Cruise	22,592	22,592	25,270	2,678
<b>Total Culture and Recreation</b>	<b>288,069</b>	<b>295,719</b>	<b>305,204</b>	<b>9,485</b>
<b>Other</b>				
Retirement services	178,028	178,028	169,989	(8,039)
<b>Total Other</b>	<b>178,028</b>	<b>178,028</b>	<b>169,989</b>	<b>(8,039)</b>
<b>Total Expenditures</b>	<b>\$ 2,471,039</b>	<b>\$ 2,471,039</b>	<b>\$ 2,438,224</b>	<b>\$ (32,815)</b>

**City of Pleasant Ridge, Michigan**  
**Comparative Statement of Net Assets**  
**Water and Sewer Fund**  
**June 30, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 6,380	\$ 263,075
Receivables:		
Accounts receivable (net)	282,343	231,752
Interest	-	835
Prepaid expenses	859	-
Due from other funds	5,000	-
Due from other governments	-	53,930
Total current assets	<u>294,582</u>	<u>549,592</u>
Noncurrent assets:		
Capital assets		
Construction in progress	1,633,346	1,601,545
Water and sewer system	1,743,148	1,569,238
Less accumulated depreciation	<u>(1,049,282)</u>	<u>(992,393)</u>
Total noncurrent assets	<u>2,327,212</u>	<u>2,178,390</u>
Total assets	<u>2,621,794</u>	<u>2,727,982</u>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	93,235	134,430
Accrued liabilities	-	9,434
Due to other funds	39,160	771
Current portion of long-term debt	66,404	63,480
Total current liabilities	<u>198,799</u>	<u>208,115</u>
Noncurrent liabilities:		
Long term debt	<u>1,301,465</u>	<u>1,337,043</u>
Total liabilities	<u>1,500,264</u>	<u>1,545,158</u>
<b>Net Assets</b>		
Investment in capital assets, net of related debt	959,343	777,867
Restricted		
Unrestricted	<u>162,187</u>	<u>404,957</u>
<b>Total net assets</b>	<u><b>\$ 1,121,530</b></u>	<u><b>\$ 1,182,824</b></u>

**City of Pleasant Ridge, Michigan**  
**Comparative Statement of Revenues, Expenses**  
**and Changes in Fund Net Assets**  
**Water and Sewer Fund**  
**For the Years Ended June 30, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
<b>Operating revenues</b>		
Charges for services	\$ 961,237	\$ 995,543
Fines and penalties	11,993	11,254
Other	20	1,787
Total operating revenues	<u>973,250</u>	<u>1,008,584</u>
<b>Operating expenses</b>		
Wages	30,898	8,302
Water purchases	162,444	155,212
Sewage disposal	332,027	323,311
Operating supplies	5,277	3,507
Public works	36,815	17,260
Interfund charges	175,608	169,953
Contractual services	57,277	16,839
Repairs and maintenance	127,381	97,835
Depreciation	59,724	44,483
Other	12,031	10,216
Total operating expenses	<u>999,482</u>	<u>846,918</u>
Operating income (loss)	<u>(26,232)</u>	<u>161,666</u>
<b>Non-operating revenues (expenses)</b>		
Federal grant	-	29,035
Investment earnings	4,825	13,529
Interest expense	(39,887)	(39,072)
Total non-operating revenues (expenses)	<u>(35,062)</u>	<u>3,492</u>
Change in net assets	(61,294)	165,158
Net assets, beginning of year	<u>1,182,824</u>	<u>1,017,666</u>
<b>Net assets, end of year</b>	<u><u>\$ 1,121,530</u></u>	<u><u>\$ 1,182,824</u></u>

**City of Pleasant Ridge, Michigan**  
**Downtown Development Authority**  
**Statement of Net Assets and**  
**Governmental Fund Balance Sheet**  
**June 30, 2007**

	<u>Governmental Fund</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 96,134	\$ -	\$ 96,134
Receivables:			
Taxes-delinquent	5,520	-	5,520
Less allowance for uncollectables	(4,445)	-	(4,445)
Interest	390	-	390
<b>Total assets</b>	<b><u>\$ 97,599</u></b>	<b><u>-</u></b>	<b><u>97,599</u></b>
<b>Liabilities</b>			
Accounts payable	196	-	196
Deferred revenue	1,075	(1,075)	-
Total Liabilities	1,271	(1,075)	196
<b>Fund Balance/Net Assets</b>			
Undesignated	96,328	(96,328)	-
<b>Total liabilities and fund balance</b>	<b><u>\$ 97,599</u></b>		
<b>Net Assets</b>			
Invested in capital assets, net of related debt		-	-
Unrestricted		1,075	97,403
<b>Total net assets</b>		<b><u>\$ 1,075</u></b>	<b><u>\$ 97,403</u></b>

**City of Pleasant Ridge, Michigan**  
**Downtown Development Authority**  
**Reconciliation of Governmental Fund Balance Sheet**  
**to the Statement of Net Assets**  
**June 30, 2007**

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Fund balance - Downtown Development Authority	\$ 96,328
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Amounts reported for governmental activities in the statement of net assets are different because:

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

Add: deferred revenues	<u>1,075</u>
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Net assets of component unit	<u><u>\$ 97,403</u></u>
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**City of Pleasant Ridge, Michigan**  
**Downtown Development Authority**  
**Statement of Activities and**  
**Governmental Fund Revenues, Expenditures and**  
**Changes in Fund Balance**  
**For the Year Ended June 30, 2007**

	<b>Governmental Fund</b>	<b>Adjustments</b>	<b>Statement of Activities</b>
<b>Revenues</b>			
Property taxes	\$ 90,430	\$ (1,890)	\$ 88,540
Investment earnings	6,089	-	6,089
Other	324	-	324
Total revenues	<u>96,843</u>	<u>(1,890)</u>	<u>94,953</u>
<b>Expenditures</b>			
Economic and physical development	90,318	-	90,318
Interest and fees	186	-	186
Total expenditures	<u>90,504</u>	<u>-</u>	<u>90,504</u>
Change in fund balance/net assets	6,339	(1,890)	4,449
Beginning fund balance/net assets	<u>89,989</u>	<u>2,965</u>	<u>92,954</u>
<b>Ending fund balance/net assets</b>	<b><u>\$ 96,328</u></b>	<b><u>\$ 1,075</u></b>	<b><u>\$ 97,403</u></b>

**City of Pleasant Ridge, Michigan**  
**Downtown Development Authority**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Change in Fund Balance**  
**to the Statement of Activities**  
**For the Year Ended June 30, 2007**

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Net change in fund balances - component unit	\$ 6,339
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Amounts reported for *governmental activities* in the statement of activities are different because:

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

Deduct: net difference in deferred revenues	<u>(1,890)</u>
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<b>Change in net assets of governmental activities</b>	<b><u><u>\$ 4,449</u></u></b>
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# REHMANN ROBSON

*Certified Public Accountants*

A member of THE REHMANN GROUP

An Independent Member of Baker Tilly International

January 24, 2008

Members of the City Commission  
City of Pleasant Ridge, Michigan

We have audited the financial statements of the *City of Pleasant Ridge* (the “City”) for the year ended June 30, 2007, and have issued our report thereon dated January 24, 2008. Professional standards require that we provide you with the following information related to our audit.

## **Our Responsibility Under Auditing Standards Generally Accepted in the United States of America**

As stated in our engagement letter dated July 24, 2007, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of the City. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

## **Significant Accounting Policies**

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the City during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

### **Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable fixed assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.

We evaluated the key factors assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

### **Audit Adjustments**

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the City's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, many of the adjustments we proposed, whether recorded or unrecorded by the City, both individually and in the aggregate, indicated matters that have a significant effect on the City's financial reporting process.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

**Issues Discussed Prior to Retention of Independent Auditors**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

**Difficulties Encountered in Performing the Audit**

The City was unable to provide a reasonably adjusted trial balance on the originally scheduled start date of August 27, 2007. In addition, the City's records required a significant amount of audit adjustments to be in accordance with generally accepted accounting principals.

This letter and the accompanying memorandum is intended for the use of the Board, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script that reads "Lehmann Johnson".

# City of Pleasant Ridge

## Comments and Recommendations

For the Year Ended June 30, 2007

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In planning and performing our audit of the financial statements of the *City of Pleasant Ridge* (the "City") as of and for the year ended June 30, 2007, 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 opinion 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 was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider item **2007-3** to be a significant deficiency in internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We consider items **2007-1 and 2007-2** described below to be a material weakness.

### **Finding 2007-1 Preparation of Financial Statements in Accordance with GAAP**

**Criteria:** All cities are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of the City's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting).

**Condition:** As is the case with many smaller and medium-sized entities, the City has historically relied on its independent external auditors to assist in the preparation of the financial statements and footnotes as part of its external financial reporting process. This however, is based upon

# City of Pleasant Ridge

## Comments and Recommendations

For the Year Ended June 30, 2007

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the ability of the City to provide a reasonably adjusted trial balance in which to compile the financial statements in accordance with GAAP. Due to the volume and nature of audit adjustments required to bring the City's financial records into compliance with GAAP, there are significant material weaknesses in the City's internal controls over the City's ability to prepare financial statements in accordance with GAAP.

**Cause:** This condition was caused in part by the City's turnover in key financial personnel, monitoring of accounting data and training issues.

**Effect:** As a result of this condition, the City lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

**View of  
Responsible**

**Officials:** The City will review the areas that required significant audit adjustments and strengthen procedures where necessary in accordance with GAAP.

### Finding 2007-2 Material Audit Adjustments

**Criteria:** Management is responsible for maintaining its accounting records in accordance with generally accepted accounting principles (GAAP).

**Condition:** During our audit, we identified and proposed several material adjustments to adjust the City's general ledger to the appropriate balances. These adjustments included the areas of cash, utility billings, accounts payable, accrued wages due to/froms and capital assets.

**Cause:** This condition was the result of various oversights by management in reconciling the general ledger and closing out the fiscal year.

**Effect:** As a result of this condition, the City's accounting records were initially misstated by amounts material to the financial statements.

**View of  
Responsible**

**Officials:** The City encountered turnover during the year in a key financial reporting position. Also several material adjustments to the City's general ledger were due to audit adjustments from the prior fiscal year. Once the City's new employee becomes acclimated to the position, this matter will be resolved.

# City of Pleasant Ridge

## Comments and Recommendations

For the Year Ended June 30, 2007

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### Finding 2007-3 Segregation of Duties

**Criteria:** Management is responsible for establishing and maintaining effective internal control over financial reporting and the safeguarding of the City's assets. In establishing appropriate internal controls, careful consideration must be given to the cost of a particular control and the related benefits to be received. Accordingly, management must make the difficult decision of what degree of risk it is willing to accept, given the City's unique circumstances.

**Condition:** As is the case with many organizations of similar size, the City lacks a sufficient number of accounting personnel in order to ensure a complete segregation of duties within its accounting function. Ideally, no single individual should ever be able to authorize a transaction, record the transaction in the accounting records, and maintain custody of the assets resulting from the transaction. Effectively, proper segregation of duties is intended to prevent an individual from committing an act of fraud or abuse and being able to conceal it. Specifically we noted that there are individuals that have the ability to (1) Authorize and process journal entries (2) Setup new vendors and process accounts payable (3) Collect receipts and access the general ledger. (4) Setup new employees and process payroll.

**Cause:** Events of recent years have given rise to a heightened awareness of the risks of fraud and abuse, especially in the governmental environment, where public accountability is at its highest. The purpose of internal controls is to provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are properly authorized and recorded. Any limitations on the effectiveness of a government's internal controls carries with it a greater risk of fraud and abuse.

As stated previously, the establishing and maintaining of internal controls is the responsibility of management. As the City's independent external auditors, we are specifically banned by professional standards from performing any management functions. In other words, the annual audit is not a part of the City's internal control structure, and cannot not be relied upon as part of management's systems to deter or detect fraud and abuse.

**Effect:** As a result of this condition, the City lacks the proper segregation of duties. While there are, of course, no easy answers to the challenge of balancing the costs and benefits of internal controls and the segregation of duties, we would nevertheless encourage management to actively seek ways to further strengthen its internal control by requiring as much independent review, reconciliation, and approval of accounting functions by qualified members of management as possible.

### View of Responsible

**Officials:** The City understands the increased risk due to the inherent lack of segregation of duties and has concluded that the cost of implementing the segregation does not warrant the benefit of

**City of Pleasant Ridge**  
**Comments and Recommendations**  
**For the Year Ended June 30, 2007**

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lower risk obtained. However, management will maintain a heightened awareness and continually review the mitigating controls over these areas.

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