

**City of Pleasant Hill**

**INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
SUPPLEMENTARY AND OTHER INFORMATION  
SCHEDULE OF FINDINGS**

**June 30, 2012**

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**City of Pleasant Hill  
OFFICIALS**

**(Before January 1, 2012)**

<u>Name</u>	<u>Title</u>	<u>Term expires</u>
Mike Richardson	Mayor	December 2013
Leonard Murray	Mayor pro tem, Council Member	December 2011
Melissa Garrett	Council Member	December 2013
Raian Hanson	Council Member	December 2011
Donavon Howard	Council Member	December 2013
Bill Lack	Council Member	December 2011
Donald Sandor	City Manager	Indefinite
Susan Lensch Mahannah	City Clerk/Finance Director	Indefinite
Edwin Skinner	Attorney	Indefinite

**(After January 1, 2012)**

<u>Name</u>	<u>Title</u>	<u>Term expires</u>
Mike Richardson	Mayor	December 2013
Leonard Murray	Mayor pro tem, Council Member	December 2015
Melissa Garrett	Council Member	December 2013
Donavon Howard	Council Member	December 2013
Mark A. Konrad	Council Member	December 2015
Barb Malone	Council Member	December 2015
Donald Sandor	City Manager	Indefinite
Susan Lensch Mahannah	City Clerk/Finance Director	Indefinite
Edwin Skinner	Attorney	Indefinite

## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and  
Members of the City Council  
City of Pleasant Hill  
Pleasant Hill, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Pleasant Hill, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the contents page of this report. These financial statements are the responsibility of the City of Pleasant Hill'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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Pleasant Hill as of June 30, 2012, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2012, on our consideration of the City of Pleasant Hill's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Pleasant Hill's basic financial statements. The financial statements for the nine years ended June 30, 2011 (which are not presented herein) were audited by other auditors whose report dated October 31, 2011 stated that they expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. The supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Pleasant Hill's basis financial statements. Management's discussion and analysis and the budgetary comparison information on pages 6 through 11 and 33 through 34 are for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

*Denman & Company, LLP*  
**DENMAN & COMPANY, LLP**

West Des Moines, Iowa  
October 24, 2012

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Pleasant Hill provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the City's financial statement, which follow.

### **2012 FINANCIAL HIGHLIGHTS**

- The City's governmental funds' receipts increased 1% or approximately \$133,000 from fiscal year 2011. Property tax increased approximately \$411,000 and bond proceeds increased \$1,020,000.
- City program disbursements decreased 1% or approximately \$124,000 from fiscal year 2011. Public safety, public works, health and social services, culture and recreation, community and economic development, general government, and debt service disbursements increased approximately \$330,000, \$104,000, \$3,000, \$68,000, \$135,000, \$42,000, and \$10,000 respectively. Capital Projects decreased approximately \$816,000.
- The City's total cash basis net assets at June 30, 2012 increased approximately 44% or approximately \$5,798,000 from June 30, 2011. Of this amount, the City's governmental activities cash basis net assets increased approximately \$6,098,000 (47%), the assets of the business type activities increased approximately \$48,000 (0.3%), and the net assets of the internal service fund decreased by approximately \$347,000 (-3%).

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements as well as other requirements as follows:

Management's Discussion and analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statement with a comparison of the City's budget for the year.

Other Supplementary Information provides detail information about the nonmajor governmental funds and the City's indebtedness.

### **BASIS OF ACCOUNTING**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statement of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with accounting principles generally accepted in the United States of America. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

## REPORTING THE CITY'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statement*

One of the most important questions asked about the City's finances is, "How do the City's finances compare at the end of this fiscal year to the last fiscal year?". The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general governmental, debt service and capital projects. Property and other taxes finance most of these activities.
- Business Type Activities include the waterworks, the sanitary sewer and solid waste system. These activities are financed primarily by user charges.

### *Fund Financial Statements*

The City has two kinds of funds:

1. Governmental funds account for most of the City's basic services. They focus on how money flows into and out of the funds and the balances at year-end that are available for spending. Governmental funds include: 1) the General Fund, 2) the Special Revenue Funds such as Road Use Tax and Urban Renewal Tax Increment, 3) Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Fund. The governmental fund financial statements provide a detailed short-term view of the City's general government operations and the basic services it provide. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

2. Proprietary funds account for the City's Enterprise Funds and for the Internal Service Fund. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the water and sewer fund, considered to be major funds of the City and the solid waste fund. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

The required financial statements for propriety funds include a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

Reconciliations between the government-wide statements and the fund financial statements follow the fund financial statements.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Governmental Activities

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago from approximately \$11.26 million to \$17.01 million. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

	Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)	
	Year ended June 30,	
	2012	2011
Receipts:		
Program receipts:		
Charges for services	\$ 719	\$ 495
Operating grants, contributions and restricted interest	904	1,054
Capital grants, contributions and restricted interest	151	323
General Receipts:		
Property tax	7,768	7,671
Hotel motel tax	160	150
Other tax	1,259	1,199
Unrestricted interest on investments	24	7
Bond proceeds	4,920	3,900
Other general receipts	481	416
Total receipts	<u>16,386</u>	<u>15,215</u>
Disbursements:		
Public safety	2,672	2,017
Public works	1,029	944
Health and social services	3	-
Culture and recreation	864	796
Community and economic development	826	691
General government	962	920
Debt service	2,885	2,876
Capital projects	1,394	2,211
Total disbursements	<u>10,635</u>	<u>10,455</u>
Change in cash basis net assets before transfers	5,751	4,760
Transfers, net	-	-
Change in cash basis net assets	5,751	4,760
Cash basis net assets beginning of year	<u>11,264</u>	<u>6,504</u>
Cash basis net assets end of year	<u>\$ 17,015</u>	<u>\$ 11,264</u>

The City's total receipts for governmental activities increased by \$1,171,000 (8 %). The total cost of all programs and services increased by approximately \$180,000 (2 %) primarily due to a large decrease in capital projects which helped to offset in increase in disbursements from other funds. Receipts increased due to a larger bond issue during the year ended June 30, 2012.

Based on increases in the total assessed valuation and expanded tax increment finance districts, property tax receipts are budgeted to increase by an additional \$484,000 next year.

The cost of all governmental activities this year was approximately \$10.6 million compared to \$10.5 million Last year. However, as shown in the Statement of Activities and Net Assets on pages 13-14, the amount that our taxpayers ultimately financed for these activities through City taxes was \$8.861 million because some of the cost was paid by those who directly benefit from the programs (\$718,000) or by other governments and organizations that subsidized certain programs with grants and contributions (\$1,055,000). Overall, the City's governmental programs receipts, including intergovernmental aid and fees for services, decreased in 2012 from approximately \$1,872,000 to approximately \$1,774,000, principally due to a decrease in capital grants, contributions and restricted interest. The city paid for the remaining "public benefit" portion of governmental activities with approximately \$9.187 million of tax receipts (some of which could only be used for certain programs), with cash reserves and with other receipts, such as interest and general receipts.

Business Type Activities

Changes in Cash Basis Net Assets of Business Type Activities (Expressed in Thousands)		
	Year ended June 30,	
	2012	2011
Receipts:		
Program receipts:		
Charges for services:		
Sewer	\$ 1,322	\$ 1,295
Solid Waste	409	381
General Receipts:		
Unrestricted interest on investments	6	8
Total receipts	<u>1,737</u>	<u>1,684</u>
Disbursements:		
Sewer	1,306	1,224
Solid Waste	<u>383</u>	<u>395</u>
Total disbursements	<u>1,689</u>	<u>1,619</u>
Change in cash basis net assets before transfers	48	65
Transfers, net	-	-
Change in cash basis net assets	48	65
Cash basis net assets beginning of year	<u>1,724</u>	<u>1,659</u>
Cash basis net assets end of year	<u>\$ 1,772</u>	<u>\$ 1,724</u>

Total business type activities receipts for the fiscal year were approximately \$1.737 million compared to \$1.684 million last year. This increase was due primarily to an increase in demand with no increase in charges for services. The cash balance increased by approximately \$48,000 from the prior year. Total disbursements for the fiscal year increased by approximately 4 percent to a total of \$1.689 million due to increased amounts paid to the Des Moines Wastewater Reclamation Authority.

## **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Pleasant Hill completed the year, its governmental funds reported a combined fund balance of approximately \$17,049,000, an increase of approximately \$6,098,000 above last year's total of approximately \$10,951,000. The following are the major reasons for the changes in cash balances from the prior year for the City's major funds.

### **Governmental Funds**

- The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the cash balance of the General Fund was \$1,630,985, an increase of \$289,219 from the prior year. This increase was due to increased property tax collections.
- The Special Revenue, Urban Renewal Tax Increment Fund was established to account for major urban renewal projects within the City's TIF districts. As the end of the fiscal year, the cash balance was \$6,122,967, an increase of \$1,732,382 from the previous year. The increase was the result of decreased transfers out of TIF funds for debt service and capital projects. Any TIF debt will be paid off with incremental property taxes generated from the increased taxable valuation in the district.
- The Debt Service Fund cash balance increased by \$4,222 to \$123,642.
- The Capital Projects Fund was established to account for all resources used in the acquisition and construction of capital facilities with the exception of those that are financed through Enterprise Funds. At the end of the fiscal year, the cash balance was \$8,693,794, an increase of \$3,997,273 from the prior year. This increase was primarily due to timing of pending projects.

### **Individual Major Business Type Fund Analysis**

- The cash balance of the Sewer Fund increased by \$18,978 to \$1,274,647 due primarily to demand increase with no increase in charges.

## **BUDGETARY HIGHLIGHTS**

In accordance with the Code of Iowa, the City Council annually adopts a budget following required public notice and hearings for all funds. Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Over the course of the year, the City amended its operating budget once. The amendment was approved on May 22, 2012 to provide for additional expenditures in certain City departments. The City had sufficient cash balances to absorb these additional costs.

The City's receipts were approximately \$346,000 more than budgeted. This was primarily due to amounts budgeted for refunds and reimbursements were more than budgeted.

With the budget amendment, total disbursements were approximately \$4,301,000 less than the amended budget. This was primarily due to debt service and capital projects disbursements being far less than the amended budget. Actual disbursements for the debt service and capital project funds were \$1,991,208 and \$1,362,901 respectively, less than the amended budget.

**DEBT ADMINISTRATION**

At June 30, 2012, the City had \$10,883,000 in bonds and other long-term debt compared to \$8,627,000 last year as shown below.

	Outstanding Debt at Year-End (Expressed in Thousands)	
	June 30,	
	2012	2011
General obligation bonds	\$ 10,720	\$ 8,435
Capital lease & 28E agreement	163	192
	<u>\$ 10,883</u>	<u>\$ 8,627</u>

Debt increased as a result of the City’s issuing a new \$4.92 million bond issue.

The City carries a general obligation bond rating of Aa3 assigned by a national rating agency to the City’s debt. The Constitution of the State of Iowa limits the amount of general obligation debt that cities can issue to 5 percent of the assessed valuation of all taxable property within the City’s corporate limits. The City’s outstanding general obligation debt of \$10.83 million plus its tax increment financing rebate agreements of \$2.1 million are below the City’ \$50.63 million legal debt limit.

More detailed information about the City’s long-term liabilities is presented in Notes 3, 4, and 5 to the financial statements.

**ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES**

The City’s elected and appointed officials and citizens considered many factors when setting the 2013 fiscal year budget, tax rates and fees that will be charged for various City activities. One of those factors is the economy. The City’s population growth since the 2010 census is estimated at 19 percent. Unemployment in the metro area as of June, 2012 stands at 5.4 percent. This compares with the state unemployment rate of 5.1 percent.

The U.S. Consumer Price Index (CPI) is a measure of the changes in retail prices of a fixed market grouping of consumer goods and services. The CPI-U for July 2011 was 229.478. For the 12 month period that ended in June, 2012 the CPI-U increased 1.7 percent.

These indicators were taken into account when adopting the budget for 2013. Budgeted disbursements are expected to decrease by approximately \$5.2 million and budgeted revenues are expected to decrease approximately \$6.6.

If these estimates are realized, the City’s budgeted cash balance is expected to decrease by approximately \$82,000 by the close of fiscal year 2013.

**CONTACTING THE CITY’S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers and creditors with a general overview of the City’s finances and to show the City’s accountability for the money it receives. If you have any questions about this report or need additional financial information contact Susan Lensch Mahannah, City Clerk/Finance Director. 515-262-9368

## **BASIC FINANCIAL STATEMENTS**

**City of Pleasant Hill**  
**STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS**  
As of and for the year ended June 30, 2012

		<b>Program receipts</b>		
<b>FUNCTIONS/PROGRAMS</b>	<b>Disbursements</b>	<b>Charges for service</b>	<b>Operating grants, contributions, and restricted interest</b>	<b>Capital grants, contributions, and restricted interest</b>
Governmental activities				
Public safety	\$ 2,671,912	\$ 393,546	\$ 13,121	\$ -
Public works	1,028,885	29,381	833,267	-
Health and social services	3,056	-	-	-
Culture and recreation	864,297	-	51,486	-
Community and economic development	825,945	-	6,472	-
General government	961,909	295,849	-	-
Debt service	2,885,161	-	-	-
Capital projects	<u>1,394,099</u>	<u>-</u>	<u>-</u>	<u>151,372</u>
Total governmental activities	<u>10,635,264</u>	<u>718,776</u>	<u>904,346</u>	<u>151,372</u>
Business type activities				
Sewer	1,306,254	1,321,978	-	-
Solid waste	<u>383,302</u>	<u>409,496</u>	<u>-</u>	<u>-</u>
Total business type activities	<u>1,689,556</u>	<u>1,731,474</u>	<u>-</u>	<u>-</u>
Total	<u>\$12,324,820</u>	<u>\$2,450,250</u>	<u>\$ 904,346</u>	<u>\$ 151,372</u>
<b>GENERAL RECEIPTS</b>				
Property and other city tax levied for				
General purposes				
Debt service				
Tax increment financing				
Hotel motel tax				
Other tax				
Unrestricted investment earnings				
Bond proceeds				
Miscellaneous				
Sale of capital assets				
Total general receipts				
Change in cash basis net assets				
<b>NET ASSETS, beginning of year</b>				
<b>NET ASSETS, end of year</b>				
<b>CASH BASIS NET ASSETS</b>				
Restricted				
Nonexpendable				
Cemetery perpetual care				
Expendable				
Streets				
Urban renewal purposes				
Capital projects				
Debt service				
Other purposes				
Unrestricted				
Total cash basis net assets				

See Notes to Financial Statements.

**Net (disbursements) receipts and  
changes in cash basis net assets**

<u>Governmental activities</u>	<u>Business type activities</u>	<u>Total</u>
\$ (2,265,245)	\$ —	\$ (2,265,245)
(166,237)	—	(166,237)
(3,056)	—	(3,056)
(812,811)	—	(812,811)
(819,473)	—	(819,473)
(666,060)	—	(666,060)
(2,885,161)	—	(2,885,161)
<u>(1,242,727)</u>	<u>—</u>	<u>(1,242,727)</u>
<u>(8,860,770)</u>	<u>—</u>	<u>(8,860,770)</u>
—	15,724	15,724
—	<u>26,194</u>	<u>26,194</u>
—	<u>41,918</u>	<u>41,918</u>
<u>\$ (8,860,770)</u>	<u>\$ 41,918</u>	<u>\$ (8,818,852)</u>
\$ 2,736,954	\$ —	\$ 2,736,954
517,603	—	517,603
4,513,164	—	4,513,164
160,147	—	160,147
1,258,858	—	1,258,858
23,795	6,038	29,833
4,920,000	—	4,920,000
161,212	—	161,212
<u>320,000</u>	<u>—</u>	<u>320,000</u>
<u>14,611,733</u>	<u>6,038</u>	<u>14,617,771</u>
5,750,963	47,956	5,798,919
<u>11,264,073</u>	<u>1,723,987</u>	<u>12,988,060</u>
<u>\$17,015,036</u>	<u>\$1,771,943</u>	<u>\$18,786,979</u>
\$ 55,726	\$ —	\$ 55,726
310,358	—	310,358
6,122,967	—	6,122,967
8,693,794	—	8,693,794
123,642	—	123,642
111,436	23,659	135,095
<u>1,597,113</u>	<u>1,748,284</u>	<u>3,345,397</u>
<u>\$17,015,036</u>	<u>\$1,771,943</u>	<u>\$18,786,979</u>

**City of Pleasant Hill**  
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND**  
**CHANGES IN CASH BALANCES**  
**GOVERNMENTAL FUNDS**  
**As of and for the year ended June 30, 2012**

	<u>General</u>	<u>Special revenue</u> <u>Urban</u> <u>Renewal Tax</u> <u>Increment</u>	<u>Debt</u> <u>Service</u>
<b>RECEIPTS</b>			
Property tax	\$2,231,504	\$ -	\$ 517,603
Tax increment financing	-	4,513,164	-
Other City tax	1,148,822	-	112,027
Licenses and permits	120,838	-	-
Use of money and property	49,477	16,597	586
Intergovernmental	255,041	-	-
Charges for service	362,370	-	-
Miscellaneous	138,809	-	-
Total receipts	<u>4,306,861</u>	<u>4,529,761</u>	<u>630,216</u>
<b>DISBURSEMENTS</b>			
Operating			
Public safety	2,301,054	-	-
Public works	170,198	-	-
Health and social services	3,056	-	-
Culture and recreation	864,297	-	-
Community and economic development	287,733	538,212	-
General government	961,909	-	-
Debt service	-	-	2,885,161
Capital projects	-	-	-
Total disbursements	<u>4,588,247</u>	<u>538,212</u>	<u>2,885,161</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(281,386)</u>	<u>3,991,549</u>	<u>(2,254,945)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Bond proceeds	-	-	-
Sale of assets	-	-	-
Operating transfers in	664,074	-	2,259,167
Operating transfers out	(93,469)	(2,259,167)	-
Total other financing sources (uses)	<u>570,605</u>	<u>(2,259,167)</u>	<u>2,259,167</u>
Net change in cash balances	289,219	1,732,382	4,222
<b>CASH BALANCES</b> , beginning of year	<u>1,341,766</u>	<u>4,390,585</u>	<u>119,420</u>
<b>CASH BALANCES</b> , end of year	<u>\$1,630,985</u>	<u>\$6,122,967</u>	<u>\$ 123,642</u>
<b>CASH BASIS FUND BALANCES</b>			
Nonspendable, cemetery perpetual care	\$ -	\$ -	\$ -
Restricted for			
Urban renewal purposes	-	6,122,967	-
Debt service	-	-	123,642
Streets	-	-	-
Other purposes	-	-	-
Unassigned	<u>1,630,985</u>	<u>-</u>	<u>-</u>
Total cash basis fund balances	<u>\$1,630,985</u>	<u>\$6,122,967</u>	<u>\$ 123,642</u>

See Notes to Financial Statements.

<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
\$ -	\$ 505,450	\$ 3,254,557
-	-	4,513,164
-	158,156	1,419,005
-	-	120,838
41,425	1,335	109,420
109,947	833,267	1,198,255
-	-	362,370
-	9,374	148,183
<u>151,372</u>	<u>1,507,582</u>	<u>11,125,792</u>
-	-	2,301,054
-	768,698	938,896
-	-	3,056
-	-	864,297
-	-	825,945
-	-	961,909
-	-	2,885,161
<u>1,394,099</u>	<u>-</u>	<u>1,394,099</u>
<u>1,394,099</u>	<u>768,698</u>	<u>10,174,417</u>
(1,242,727)	<u>738,884</u>	<u>951,375</u>
4,920,000	-	4,920,000
320,000	-	320,000
-	-	2,923,241
-	(664,074)	(3,016,710)
<u>5,240,000</u>	<u>(664,074)</u>	<u>5,146,531</u>
3,997,273	74,810	6,097,906
<u>4,696,521</u>	<u>402,710</u>	<u>10,951,002</u>
<u>\$8,693,794</u>	<u>\$ 477,520</u>	<u>\$17,048,908</u>
\$ -	\$ 55,726	\$ 55,726
-	-	6,122,967
-	-	123,642
-	310,358	310,358
8,693,794	111,436	8,805,230
-	-	1,630,985
<u>\$8,693,794</u>	<u>\$ 477,520</u>	<u>\$17,048,908</u>

City of Pleasant Hill  
**RECONCILIATION OF THE STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND  
 CHANGES IN CASH BALANCES  
 TO THE STATEMENT OF ACTIVITIES AND NET ASSETS  
 GOVERNMENTAL FUNDS**  
 As of and for the year ended June 30, 2012

<b>Total governmental funds cash balances (pages 15-16)</b>	\$17,048,908
<b><i>Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:</i></b>	
The Internal Service Fund is used by management to charge the costs of funding equipment replacement. The assets of the Internal Service Fund are included in governmental activities in the Statement of Net Assets.	<u>(33,872)</u>
<b>Cash basis net assets of governmental activities (pages 13-14)</b>	<b><u>\$17,015,036</u></b>
<b>Net change in cash balances (pages 15-16)</b>	<b>\$ 6,097,906</b>
<b><i>Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:</i></b>	
The Internal Service Fund is used by management to charge the costs of equipment replacement to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities.	<u>(346,943)</u>
<b>Change in cash balance of governmental activities (pages 13-14)</b>	<b><u>\$ 5,750,963</u></b>

City of Pleasant Hill  
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND  
 CHANGES IN CASH BALANCES (DEFICIT)  
 PROPRIETARY FUNDS**  
 As of and for the year ended June 30, 2012

	<u>Enterprise Funds</u>				<u>Internal Service Fund</u>
	<u>Nonmajor</u>				<u>Equipment Replacement</u>
	<u>Sewer</u>	<u>Water</u>	<u>Solid Waste</u>	<u>Total</u>	
<b>OPERATING RECEIPTS</b>					
Charges for service	<u>\$1,308,752</u>	\$ —	\$ 409,496	\$1,718,248	\$ 20,001
<b>OPERATING DISBURSEMENTS</b>					
Governmental activities					
Public safety	—	—	—	—	370,857
Public works	—	—	—	—	89,989
Business type activities	<u>1,139,139</u>	—	<u>383,302</u>	<u>1,522,441</u>	—
Total operating disbursements	<u>1,139,139</u>	—	<u>383,302</u>	<u>1,522,441</u>	<u>460,846</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>169,613</u>	—	<u>26,194</u>	<u>195,807</u>	<u>(440,845)</u>
<b>NONOPERATING RECEIPTS (DISBURSEMENTS)</b>					
Interest on investments	3,254	2,512	272	6,038	433
Miscellaneous	13,226	—	—	13,226	—
Debt service	(155,476)	—	—	(155,476)	—
Capital projects	<u>(11,639)</u>	—	—	<u>(11,639)</u>	—
Net nonoperating receipts (disbursements)	<u>(150,635)</u>	<u>2,512</u>	<u>272</u>	<u>(147,851)</u>	<u>433</u>
Excess (deficiency) of receipts over (under) disbursements	18,978	2,512	26,466	47,956	(440,412)
<b>TRANSFERS</b>					
Operating transfers in	—	—	—	—	93,469
Net change in cash balances	18,978	2,512	26,466	47,956	(346,943)
<b>CASH BALANCES</b> , beginning of year	<u>1,255,669</u>	<u>371,524</u>	<u>96,794</u>	<u>1,723,987</u>	<u>313,071</u>
<b>CASH BALANCES (DEFICIT)</b> , end of year	<u>\$1,274,647</u>	<u>\$ 374,036</u>	<u>\$ 123,260</u>	<u>\$1,771,943</u>	<u>\$ (33,872)</u>
<b>CASH BASIS FUND BALANCES (DEFICIT)</b>					
Reserved for meter deposits	\$ —	\$ 23,659	\$ —	\$ 23,659	\$ —
Unreserved	<u>1,274,647</u>	<u>350,377</u>	<u>123,260</u>	<u>1,748,284</u>	<u>(33,872)</u>
Total cash basis fund balances (deficit)	<u>\$1,274,647</u>	<u>\$ 374,036</u>	<u>\$ 123,260</u>	<u>\$1,771,943</u>	<u>\$ (33,872)</u>

**City of Pleasant Hill**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Pleasant Hill (the City) is a political subdivision of the State of Iowa located in Polk County. It was incorporated in 1956 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides sewer and solid waste utilities for its citizens.

**Reporting Entity**

For financial reporting purposes, the City of Pleasant Hill has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

**Joint Venture**

The City participates in the Des Moines Metropolitan Wastewater Reclamation Authority (WRA). The WRA, a joint venture, was developed as the result of an agreement between the City of Des Moines and surrounding municipalities. (See Note 4)

**Jointly Governed Organizations**

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions:

- Polk County Assessor's Conference Board
- Polk County Emergency Management Commission
- Polk County Joint E911 Service Board
- Des Moines Area Metropolitan Planning Organization
- Des Moines Regional Transit Authority
- Metro Waste Authority

**Basis of Presentation**

**Government-wide Financial Statement**

The Statement of Activities and Net Assets—Cash Basis reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

**City of Pleasant Hill**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Basis of Presentation (continued)**

**Government-wide Financial Statement (continued)**

The Statement of Activities and Net Assets—Cash Basis presents the City's nonfiduciary net assets. Net assets are reported in the following categories/components:

*Nonexpendable restricted net assets* are subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Fund.

*Expendable restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets not meeting the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets—Cash Basis demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

**Fund Financial Statements**

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The City reports the following major governmental funds:

**General Fund**

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

**Special Revenue**

The Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness

**City of Pleasant Hill**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Basis of Presentation (continued)**

**Fund Financial Statements (continued)**

**Debt Service Fund**

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the City's general long-term debt.

**Capital Projects Fund**

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities with the exception of those that are financed through enterprise funds.

The City reports the following major enterprise fund:

**Sewer Fund**

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The City also reports the following additional proprietary fund:

An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the City and provided to other departments or agencies on a cost reimbursement basis. This is composed of the equipment replacement fund. This proprietary fund is reported with governmental activities in the government wide statements.

**Measurement Focus and Basis of Accounting**

The City of Pleasant Hill maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with accounting principles generally accepted in the United States of America.

Under the terms of grant agreements, the City may fund certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis 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 categorical block grants (if applicable) and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications-committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements.

**City of Pleasant Hill**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Governmental Cash Basis Fund Balances**

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable - Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in other spendable classifications.

**Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2012, all functions were within the budget guidelines.

**Property Taxes**

All City property taxes must be certified to the Polk County Auditor on or before the fifteenth day of March of each year for the upcoming fiscal year which runs from July 1 to June 30. Property taxes are levied in June and attached as an enforceable lien on the property on July 1.

Property taxes levied for the year ended June 30, 2012, attached as an enforceable lien on July 1, 2011, with the first half installment being delinquent after September 30, 2011 and the second half installment being delinquent after March 31, 2012.

**NOTE 2 CASH AND INVESTMENTS**

The City's deposits in banks at June 30, 2012, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

**Interest rate risk**

The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

**City of Pleasant Hill  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 LONG-TERM DEBT**

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

	<u>Balance June 30, 2011</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance June 30, 2012</u>
Governmental activities				
General obligation bonds	\$7,865,000	\$4,920,000	\$2,585,000	\$10,200,000
Business type activities				
General obligation bonds	<u>570,000</u>	<u>—</u>	<u>50,000</u>	<u>520,000</u>
	<u>\$8,435,000</u>	<u>\$4,920,000</u>	<u>\$2,635,000</u>	<u>\$10,720,000</u>

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

<u>Year ending June 30</u>	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2013	\$ 5,140,000	\$ 190,314
2014	3,655,000	120,615
2015	455,000	65,150
2016	465,000	51,425
2017	405,000	36,445
2018-2021	<u>600,000</u>	<u>44,910</u>
	<u>\$10,720,000</u>	<u>\$ 508,859</u>

The Code of Iowa requires principal and interest on general obligation bonds to be paid from the Debt Service Fund.

Total bond debt repayments were \$2,635,000 and interest expense paid was \$224,335 for the year ended June 30, 2012. Interest rates on debt range from 0.60% to 4.10%.

**Prior Years' Debt Defeasance**

In prior years, the City has defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the City's government-wide financial statements. As of June 30, 2012, the amount of defeased debt outstanding but removed from the General Long-Term Debt amounted to \$235,000.

The City has entered into a contract with the Southeast Polk School District for reimbursement of partial payment of the November, 2007 bond issue. The school district is paying for one-half of the cost on the Meacham Drive costs paid with the bond issue. Total amounts to be received from the school district were \$704,000 in bond principal and \$96,132 in bond interest. Payments are received by the City as principal and interest is due on the bonds. Balances due from the school district at June 30, 2012 were \$212,608 in bond principal and \$11,825 in bond interest.

The City entered into a 28E agreement with Polk County for the cost of culvert replacement under Evans Boulevard. The agreement calls for the City to make 10 annual payments to the county. Total cost to the City is \$223,762. Balance owed on the agreement at June 30, 2012 was \$156,634.

**City of Pleasant Hill**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 LONG-TERM DEBT (continued)**

As of June 30, 2012, the future minimum payments on the agreement are as follows:

**Year ending**  
**June 30**

2013	\$ 22,376
2014	22,376
2015	22,376
2016	22,376
2017	22,376
2018-2019	<u>44,754</u>
Total	<u>\$ 156,634</u>

**Capital Lease**

The City entered into a 28E agreement with several other metro cities and the Metro Waste Authority for the lease purchase of a metropolitan salt storage facility. The agreements call for each city to pay its proportionate share (approximately 2.0% for the City) of said costs based on each city's allocated salt storage capacity. The cities cannot withdraw from the agreement before June 30, 2013. Withdrawal after June 30, 2013 causes the City to forfeit all rights, title, ownership and interest in the shared building. The City's total costs for the construction are not to exceed \$32,839. The City is to make payments of \$6,567 per year with a final payment due on July 1, 2013. Balance owed at June 30, 2012 was \$6,567.

As of June 30, 2012, the future minimum payments on the lease are as follows:

**Year ending**  
**June 30**

2013	<u>\$ 6,567</u>
------	-----------------

**NOTE 4 JOINT VENTURE AND COMMITMENTS**

The City is a participating community in the Des Moines Metropolitan Wastewater Reclamation Authority (WRA) joint venture. This joint venture provides primary and secondary treatment of sewer flows for the participating communities. The Amended and Restated Agreement for the Des Moines Metropolitan Wastewater Reclamation Authority (WRA) was effective on July 1, 2004. This agreement amended and restated the previous Integrated Community Area (I.C.A.) Agreement to provide continued operation, improvements and expansion. The WRA Agreement establishes the WRA as a separate legal entity with its own Board, creates an independent governance structure, establishes an independent bonding authority for the WRA and provides a framework for additional communities to participate.

Annually, the WRA establishes an allocation to all participating communities based on operations, maintenance, debt service and reserve requirements. Allocations are based on wastewater reclamation facility flows and are adjusted prospectively for differences in budgeted flows and actual flows.

The City retains an ongoing financial responsibility to the WRA since it is obligated in some manner for the debts of the joint venture through the annual allocation. Although the debt of the WRA is to be paid solely and only from WRA revenues, the participating communities in the joint venture cannot withdraw from the joint venture while any of the bonds issued during the time the communities were a participating community are still outstanding. The WRA Sewer Revenue Bonds Series 2004B and 2006 include provisions that place the WRA debt service requirements on the same parity and rank as other debts of the participating communities.

**City of Pleasant Hill**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 JOINT VENTURE AND COMMITMENTS (continued)**

The WRA Sewer Revenue Bonds Series 2004B and 2006 bonds were issued for capital expansion. The WRA Agreement requires the debt service on these bonds to be allocated to the participating communities based on the WRA flows of the core communities and expansion communities of each calendar year. As of June 30, 2012, the Series 2004B bonds had a balance of \$60,025,000 and the City of Pleasant Hill's estimated future allocation based on the WRA flows is currently \$524,072, or 0.87%. As of June 30, 2012, the Series 2006 bonds had a balance of \$34,985,000 and the City of Pleasant Hill's estimated future allocation based on the WRA flows is currently \$277,834 or 0.79%. The State Revolving Loans are to be paid by the participating communities based on the existing allocations under the prior I.C.A. agreement. As of June 30, 2012, the State Revolving Loans had a balance of \$153,679,700 and the City of Pleasant Hill's estimated future allocation based on the WRA flows is currently \$1,298,153 or 0.84%.

The pre 2004 State Revolving Loans are to be paid by the participating communities based on the existing allocations under the prior I.C.A. agreement. As of June 30, 2012, the WRA had \$6,139,000 in outstanding pre 2004 State Revolving Loans, of which \$105,384 or 1.72% of future principal debt service is a commitment of the City of Pleasant Hill.

The WRA agreement does not provide for the determination of an equity interest for the participating communities. Withdrawing from the joint venture is a forfeit of all reversionary interest and no compensation will be paid. The City retains a reversionary interest percentage in the net assets of the WRA redeemable only in the event the WRA is dissolved. Since there is no specific and measurable equity interest in the WRA agreement, no investment in the joint venture has been reported by the City. During the year ended June 30, 2012, the City paid the WRA \$401,763 for operations, maintenance, equipment replacements and debt service payments.

The WRA issues separate financial statements that may be obtained at 3000 Vandalia Road, Des Moines, Iowa 50317-1346.

**NOTE 5 DES MOINES WATER WORKS REVENUE BONDS**

The City entered into an agreement with the Des Moines Water Works to purchase capacity in the Des Moines Water Works water production and delivery systems. The City joined the Des Moines Water Works in the sale of water revenue bonds for this purpose. The water revenue bonds were issued May 15, 1997, and the City of Pleasant Hill's share of the debt issuance originally was \$1,700,000.

On January 1, 2005, the City entered into a total service Chapter 28E agreement with the Des Moines Water Works. Under the agreement, the Des Moines Water Works will provide total water service to consumers located in the City service territory and combined billing services to the City's other utility enterprises. The City maintains ownership of its water utility assets except for customer meters. Beginning January 1, 2005, the City's obligation to reimburse the Des Moines Water Works for debt service incurred under the 1996 purchased capacity agreement shall be recovered by the Des Moines Water Works revenue from the residents of the City through City water rates, until the original debt is satisfied in full in December 2017. The City's obligation for debt service payments shall resume and continue until satisfied should this agreement be terminated prior to December 2017.

The City is contingently liable as of June 30, 2012, for \$777,488 in bond principal and \$67,162 in bond interest if the current agreement with Des Moines Water Works is terminated.

**City of Pleasant Hill**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 DEVELOPMENT AGREEMENTS**

The City has entered into various tax increment financing development rebate agreements. These agreements call for the City to make economic development tax rebate payments each year out of increment taxes received by the City. These arrangements run for 5 to 10 years. Payments totaling \$457,659 were made during the year ended June 30, 2012 under these agreements.

The outstanding balance of these development rebate agreements was approximately \$2,196,000 at June 30, 2012. The obligations are considered a general obligation of the City for purposes of determining the City's debt limit.

The City has entered into a utility extension agreement with Polk County and a developer. Under the agreement \$1,009,600 plus interest (beginning in 2012) at 4% per annum is to be paid to the county. The agreement calls for the repayment to be made by the developer and from sewer connection fees the City collects. In addition, the City advanced \$300,000 for sewer connection fees, to the developer, which the developer will pay to Polk County towards the obligation.

**NOTE 7 PENSION AND RETIREMENT BENEFITS**

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing, multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 5.38% of their annual covered salary and the City is required to contribute 8.07% of annual covered payroll. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$235,978, \$192,060 and \$174,041, respectively, equal to the required contributions for each year.

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457, as amended on August 20, 1996. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is held in trust for the exclusive benefit of participants (or their beneficiaries in the event of the participant's death) until termination, retirement, death, or an unforeseeable emergency. The City provides neither administrative service to the plan nor investment advice for the plan.

**City of Pleasant Hill**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 8 COMPENSATED ABSENCES**

City employees accumulate a limited amount of earned but unused vacation and compensatory time for subsequent use or for payment upon termination, retirement, or death. Employees who have accrued 30 days of sick leave may elect, only once during the month of July, to sell back, at fifty percent value, any days in excess of 30 days payable during the month of December. Employees who have accrued 30 days of sick leave may also elect, at any time, to transfer hours to a retirement fund, at one hundred percent value, any days in excess of 30 days. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned compensated absences payable to employees at June 30, 2012, primarily relating to the General Fund, is as follows:

Type of benefit	
Vacation	\$ 137,000
Sick leave	71,000
Compensatory time	49,000
Retirement fund	<u>68,000</u>
Total	\$ <u>325,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2012.

**NOTE 9 RISK MANAGEMENT**

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 663 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 150 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2012 were \$99,836.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by the Travelers Insurance Company.

**City of Pleasant Hill**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 9 RISK MANAGEMENT (continued)**

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2012, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from other insurers for coverage associated with worker's compensation insurance. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE 10 IOWA EVENTS CENTER**

An agreement was entered into by the City and Polk County, Iowa to commit City funding for the financing of the construction of the Iowa Events Center Project in Des Moines. The City is to provide a grant of \$5,000 per year to be used by the County for the project. The grant is being advanced over 10 years. Payments began in the fiscal year ended June 30, 2004 and are subject to annual budget allocation and approval.

**NOTE 11 INDUSTRIAL DEVELOPMENT REVENUE BONDS**

The City has issued a total of \$14,590,000 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa, of which approximately \$10,280,000 is outstanding at June 30, 2012. The bonds and related interest are payable solely from the rents payable by tenants of the properties constructed, and the bond principal and interest do not constitute liabilities of the City.

**NOTE 12 CONSTRUCTION CONTRACTS**

The City has entered into various construction contracts totaling approximately \$5,356,000. The unpaid contract balances as of June 30, 2012 totaled approximately \$4,825,000 which will be paid as work progresses.

**City of Pleasant Hill  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 13 INTERFUND TRANSFERS**

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General Fund	Special Revenue Nonmajor Governmental - Employee benefits	\$ <u>664,074</u>
Debt Service	Special Revenue TIF	<u>2,259,167</u>
Internal Service Equipment Replacement	Special Revenue General	<u>93,469</u>
Total		<u>\$3,016,710</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

**NOTE 14 POST-EMPLOYMENT BENEFITS**

All full-time employees who retire or become disabled are offered the following post-employment benefit options:

Health insurance - The option of continuing with the City's health insurance plan at the individual's own cost.

Life insurance - The option of converting the employee's City-paid policy from term insurance to whole life insurance at the individual's expense with the City's life insurance carrier.

Long-term disability - The option of converting the employee's City-paid group policy to a personal policy at the individual's expense with the City's long-term disability insurance carrier.

Health insurance bank - Employees may elect to set aside accrued leave for the purpose of health insurance premiums upon retirement.

There are 39 active, 1 COBRA and 1 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are approximately \$1,100 per month. The same monthly premiums apply to retirees. For the year ended June 30, 2012, the City contributed approximately \$562,000 to the plan.

The City has entered into agreements with the City Manager and Police Chief which formally identifies the financial obligation of the City to them in the event of an involuntary employment termination. The severance agreements provide for a termination payment equal to six to nine months of wages plus six to nine months of medical insurance benefits. The compensation rate is based upon the compensation paid to the applicable employees at the time of termination.

**City of Pleasant Hill**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 15 DEFICIT BALANCE**

The following fund had a deficit balance at June 30, 2012:

Internal Service - Equipment replacement	\$ <u>(33,872)</u>
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The deficit balance was a result of costs incurred prior to availability of funds. The deficit will be eliminated upon receipt of debt proceeds.

**NOTE 16 NEW GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STATEMENTS**

The Governmental Accounting Standards Board (GASB) has issued several statements not yet implemented by the City. The statements which may impact the City are as follows:

*GASB Statement No. 61, The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*, will be effective for the City beginning with its year ending June 30, 2013. This Statement modifies certain requirements for inclusion of component units in the financial reporting entity, and amends the criteria for reporting component units as if they were part of the primary government in certain circumstances. This Statement also clarifies the reporting of equity interest in legally separate organizations.

*GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 20, 1989 FASB and AICPA Pronouncements*, will be effective for the City beginning with its year ending June 30, 2013. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance included in FASB and AICPA pronouncements issued on or before November 30, 1989 which does not conflict with or contradict GASB pronouncements.

*GASB Statement No. 66, Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62*, will be effective for the City beginning with its year ending June 30, 2014. This Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

*GASB Statement No. 68, Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, will be effective for the City beginning with its year ending June 30, 2015. This Statement is to improve accounting and financial reporting by state and local governments for pensions.

The City's management has not yet determined the effect these statements will have on the City's financial statements.

**NOTE 17 SUBSEQUENT EVENTS**

The City issued general obligation bonds Series 2012 totaling \$2,000,000 on July 17, 2012 for the financing of street and building improvements, the purchasing of equipment, and updating of the City's comprehensive plan.

The City sold 1.0 MGD of excess purchased water capacity to the City of Waukee on July 1, 2012 for \$2,510,000. The proceeds were used in part to pay off its obligation of the Des Moines Water Works revenue bonds in September, 2012. Principal and interest paid was \$774,488 and \$67,162, respectively, net of reserves of \$120,311.

**OTHER INFORMATION**

**City of Pleasant Hill**  
**BUDGETARY COMPARISON SCHEDULE**  
**OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES -**  
**BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS**  
**AND PROPRIETARY FUNDS**

Other Information  
Year ended June 30, 2012

	<u>Governmental funds actual</u>	<u>Proprietary funds actual</u>	<u>Less funds not required to be budgeted</u>	<u>Total</u>
<b>RECEIPTS</b>				
Property taxes	\$ 3,254,557	\$ -	\$ -	\$ 3,254,557
Tax increment financing collections	4,513,164	-	-	4,513,164
Other City tax	1,419,005	-	-	1,419,005
Licenses and permits	120,838	-	-	120,838
Uses of money and property	109,420	6,471	433	115,458
Intergovernmental	1,198,255	-	-	1,198,255
Charges for services	362,370	1,738,249	20,001	2,080,618
Miscellaneous	148,183	13,226	-	161,409
Total receipts	<u>11,125,792</u>	<u>1,757,946</u>	<u>20,434</u>	<u>12,863,304</u>
<b>DISBURSEMENTS</b>				
Public safety	2,301,054	-	-	2,301,054
Public works	938,896	-	-	938,896
Health and social services	3,056	-	-	3,056
Culture and recreation	864,297	-	-	864,297
Community and economic development	825,945	-	-	825,945
General government	961,909	-	-	961,909
Debt service	2,885,161	-	-	2,885,161
Capital projects	1,394,099	-	-	1,394,099
Business type activities	-	2,150,402	460,846	1,689,556
Total disbursements	<u>10,174,417</u>	<u>2,150,402</u>	<u>460,846</u>	<u>11,863,973</u>
Excess (deficiency) of receipts over (under) disbursements	<u>951,375</u>	<u>(392,456)</u>	<u>(440,412)</u>	<u>999,331</u>
<b>OTHER FINANCING SOURCES (USES), net</b>	<u>5,146,531</u>	<u>93,469</u>	<u>93,469</u>	<u>5,146,531</u>
Excess (deficiency) of receipts over (under) disbursements and other financing uses	6,097,906	(298,987)	(346,943)	6,145,862
<b>BALANCES, beginning of year</b>	<u>10,951,002</u>	<u>2,037,058</u>	<u>313,071</u>	<u>12,674,989</u>
<b>BALANCES, end of year</b>	<u>\$17,048,908</u>	<u>\$1,738,071</u>	<u>\$ (33,872)</u>	<u>\$18,820,851</u>

See accompanying independent auditor's report.

<b>Budgeted amounts</b>		<b>Final to actual variance- positive (negative)</b>
<b>Original</b>	<b>Final</b>	
\$ 3,214,794	\$ 3,214,794	\$ 39,763
4,635,614	4,635,614	(122,450)
1,453,073	1,453,073	(34,068)
96,625	96,625	24,213
23,860	23,860	91,598
1,045,545	1,045,545	152,710
2,047,513	2,047,513	33,105
—	—	161,409
<u>12,517,024</u>	<u>12,517,024</u>	<u>346,280</u>
2,298,930	2,355,430	54,376
959,750	1,021,750	82,854
7,500	7,500	4,444
859,275	869,275	4,978
909,092	947,766	121,821
1,086,948	1,099,948	138,039
3,424,369	4,876,369	1,991,208
1,452,000	2,757,000	1,362,901
—	2,230,000	540,444
<u>10,997,864</u>	<u>16,165,038</u>	<u>4,301,065</u>
<u>1,519,160</u>	<u>(3,648,014)</u>	<u>4,647,345</u>
—	4,900,000	246,531
1,519,160	1,251,986	4,893,876
<u>7,902,228</u>	<u>7,902,228</u>	<u>4,772,761</u>
<u>\$ 9,421,388</u>	<u>\$ 9,154,214</u>	<u>\$9,666,637</u>

**City of Pleasant Hill**  
**NOTES TO OTHER INFORMATION - BUDGETARY REPORTING**  
**June 30, 2012**

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund, Permanent Fund and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$5,167,174. This budget amendment is reflected in the final budgeted amounts.

**SUPPLEMENTARY INFORMATION**

**City of Pleasant Hill**  
**SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES**  
**Nonmajor Governmental Funds**  
**As of and for the year ended June 30, 2012**

	<u>Special revenue</u>		
	<u>Road Use Tax</u>	<u>Drug Enforcement Agency</u>	<u>Employee Benefit Tax</u>
<b>RECEIPTS</b>			
Property taxes	\$ -	\$ -	\$ 505,450
Other City tax	-	-	158,156
Use of money and property	-	105	154
Intergovernmental	833,267	-	-
Miscellaneous	9,374	-	-
Total receipts	<u>842,641</u>	<u>105</u>	<u>663,760</u>
<b>DISBURSEMENTS</b>			
Operating			
Public works	<u>768,698</u>	<u>-</u>	<u>-</u>
Excess of receipts over disbursements	<u>73,943</u>	<u>105</u>	<u>663,760</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers out	<u>-</u>	<u>-</u>	<u>(664,074)</u>
Net change in cash balances	73,943	105	(314)
<b>CASH BALANCES, beginning of year</b>	<u>236,415</u>	<u>37,384</u>	<u>4,028</u>
<b>CASH BALANCES, end of year</b>	<u>\$ 310,358</u>	<u>\$ 37,489</u>	<u>\$ 3,714</u>
<b>CASH BASIS FUND BALANCES</b>			
Nonspendable - Cemetery perpetual care	\$ -	\$ -	\$ -
Restricted for			
Streets	310,358	-	-
Other purposes	<u>-</u>	<u>37,489</u>	<u>3,714</u>
Total cash basis fund balances	<u>\$ 310,358</u>	<u>\$ 37,489</u>	<u>\$ 3,714</u>

Schedule 1

<u>Special revenue</u>				<u>Permanent Cemetery Perpetual Care</u>	<u>Total</u>
<u>Avenue of Flags</u>	<u>Park &amp; Recreation Complex</u>	<u>Library</u>	<u>Memorial</u>		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 505,450
-	-	-	-	-	158,156
7	431	180	4	454	1,335
-	-	-	-	-	833,267
-	-	-	-	-	9,374
<u>7</u>	<u>431</u>	<u>180</u>	<u>4</u>	<u>454</u>	<u>1,507,582</u>
-	-	-	-	-	768,698
<u>7</u>	<u>431</u>	<u>180</u>	<u>4</u>	<u>454</u>	<u>738,884</u>
-	-	-	-	-	(664,074)
7	431	180	4	454	74,810
<u>2,262</u>	<u>27,224</u>	<u>38,856</u>	<u>1,269</u>	<u>55,272</u>	<u>402,710</u>
<u>\$ 2,269</u>	<u>\$ 27,655</u>	<u>\$ 39,036</u>	<u>\$ 1,273</u>	<u>\$ 55,726</u>	<u>\$ 477,520</u>
\$ -	\$ -	\$ -	\$ -	\$ 55,726	\$ 55,726
-	-	-	-	-	310,358
<u>2,269</u>	<u>27,655</u>	<u>39,036</u>	<u>1,273</u>	<u>-</u>	<u>111,436</u>
<u>\$ 2,269</u>	<u>\$ 27,655</u>	<u>\$ 39,036</u>	<u>\$ 1,273</u>	<u>\$ 55,726</u>	<u>\$ 477,520</u>

**City of Pleasant Hill  
SCHEDULE OF INDEBTEDNESS  
For the year ended June 30, 2012**

<u>Obligation</u>	<u>Date of issue</u>	<u>Interest rates</u>	<u>Amount originally issued</u>
General Obligation Bonds			
Urban Renewal Municipal Building	April 15, 2004	3.15 to 3.80%	\$2,000,000
Urban Renewal Corporate Purpose	June 27, 2006	3.90 to 3.95%	1,700,000
Urban Renewal Corporate Purpose	November 1, 2007	3.65 to 3.70%	2,500,000
Corporate Purpose and Refunding	April 13, 2009	2.45 to 3.30%	2,865,000
Sewer Improvement	December 15, 2009	2.00 to 4.10%	620,000
Urban Renewal Corporate Purpose	November 1, 2010	0.85%	3,900,000
Urban Renewal Corporate Purpose	November 22, 2011	0.60%	4,900,000
Corporate Purpose - Good Faith Deposit	July 17, 2012	0.60 to 1.40%	2,000,000
 Capital Lease			
Metro Waste Authority	June 10, 2008	0.0%	\$ 32,839
 28E Agreement			
Polk County	November 25, 2008	0.0%	\$ 223,762

See accompanying independent auditor's report.

Schedule 2

<u>Balance beginning of year</u>	<u>Issued during year</u>	<u>Redeemed during year</u>	<u>Balance end of year</u>	<u>Interest paid</u>
\$1,220,000	\$ —	\$ 130,000	\$ 1,090,000	\$ 42,122
1,005,000	—	320,000	685,000	39,210
1,105,000	—	350,000	755,000	40,437
1,910,000	—	485,000	1,425,000	50,093
570,000	—	50,000	520,000	17,325
2,625,000	—	1,300,000	1,325,000	19,713
—	4,900,000	—	4,900,000	15,435
<u>—</u>	<u>20,000</u>	<u>—</u>	<u>20,000</u>	<u>—</u>
<u>\$8,435,000</u>	<u>\$4,920,000</u>	<u>\$2,635,000</u>	<u>\$10,720,000</u>	<u>\$ 224,335</u>
<u>\$ 13,135</u>	<u>\$ —</u>	<u>\$ 6,568</u>	<u>\$ 6,567</u>	<u>\$ —</u>
<u>\$ 179,010</u>	<u>\$ —</u>	<u>\$ 22,376</u>	<u>\$ 156,634</u>	<u>\$ —</u>

**City of Pleasant Hill**  
**BOND MATURITIES**  
June 30, 2012

Year ending June 30	<b>General Obligation Bonds</b>							
	<b>Sewer Improvement Bonds Series 2009B</b>		<b>Urban Renewal Municipal Building</b>		<b>Urban Renewal Corporate Purpose</b>		<b>Urban Renewal Corporate Purpose</b>	
	<b>Issued December 15, 2009</b>		<b>Issued April 15, 2004</b>		<b>Issued June 27, 2006</b>		<b>Issued November 1, 2007</b>	
	<b>Interest Rates</b>	<b>Amount</b>	<b>Interest Rates</b>	<b>Amount</b>	<b>Interest Rates</b>	<b>Amount</b>	<b>Interest Rates</b>	<b>Amount</b>
2013	2.00%	\$ 50,000	3.15%	\$ 135,000	3.90%	\$ 335,000	3.65%	\$ 370,000
2014	2.30%	55,000	3.30%	140,000	3.95%	350,000	3.70%	385,000
2015	2.50%	55,000	3.40%	150,000		-		-
2016	3.00%	55,000	3.50%	155,000		-		-
2017	3.20%	55,000	3.60%	160,000		-		-
2018	3.40%	60,000	3.70%	170,000		-		-
2019	3.70%	60,000	3.80%	180,000		-		-
2020	4.00%	65,000		-		-		-
2021	4.10%	<u>65,000</u>		<u>-</u>		<u>-</u>		<u>-</u>
Totals		<u>\$ 520,000</u>		<u>\$1,090,000</u>		<u>\$ 685,000</u>		<u>\$ 755,000</u>

Year ending June 30	<b>General Obligation Bonds</b>							
	<b>Corporate Purpose and Refunding Bonds Series 2009</b>		<b>Urban Renewal Corporate Purpose</b>		<b>Urban Renewal Corporate Purpose</b>		<b>Corporate Purpose</b>	
	<b>Issued April 13, 2009</b>		<b>Issued November 1, 2010</b>		<b>Issued November 22, 2011</b>		<b>Issued July 17, 2012</b>	
	<b>Interest Rates</b>	<b>Amount</b>	<b>Interest Rates</b>	<b>Amount</b>	<b>Interest Rates</b>	<b>Amount</b>	<b>Interest Rates</b>	<b>Amount</b>
2013	2.45%	\$ 490,000	0.85%	\$1,325,000	0.60%	\$2,435,000		\$ -
2014	2.80%	240,000		-	0.60%	2,465,000	0.60%	20,000
2015	2.90%	250,000		-		-		-
2016	3.10%	255,000		-		-		-
2017	3.30%	190,000		-		-		-
2018		-		-		-		-
2019		-		-		-		-
2020		-		-		-		-
2021		<u>-</u>		<u>-</u>		<u>-</u>		<u>-</u>
Totals		<u>\$1,425,000</u>		<u>\$1,325,000</u>		<u>\$4,900,000</u>		<u>\$ 20,000</u>

Year ending June 30	<b>Total</b>
2013	\$5,140,000
2014	3,655,000
2015	455,000
2016	465,000
2017	405,000
2018	230,000
2019	240,000
2020	65,000
2021	<u>65,000</u>
Totals	<u>\$10,720,000</u>

See accompanying independent auditor's report.

**City of Pleasant Hill**  
**SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION -**  
**ALL GOVERNMENTAL FUNDS**  
**For the last ten years**

	<b>Year ended June 30</b>			
	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
<b>RECEIPTS</b>				
Property and other City tax	\$ 4,673,562	\$ 4,261,584	\$ 3,850,081	\$ 3,806,311
Tax increment financing collections	4,513,164	4,758,779	5,248,999	4,275,494
Licenses and permits	120,838	65,175	143,578	194,591
Use of money and property	109,420	100,538	68,402	96,504
Intergovernmental	1,198,255	1,359,347	1,062,857	1,099,505
Charges for services	362,370	293,963	219,557	234,296
Special assessments	-	-	545	32,661
Miscellaneous	148,183	153,401	151,021	180,891
Total receipts	<u>\$11,125,792</u>	<u>\$10,992,787</u>	<u>\$10,745,040</u>	<u>\$ 9,920,253</u>
<b>DISBURSEMENTS</b>				
Operating				
Public safety	\$ 2,301,054	\$ 1,970,745	\$ 1,905,802	\$ 1,717,222
Public works	938,896	835,004	803,504	960,336
Health and social services	3,056	25	-	5,682
Culture and recreation	864,297	796,184	755,784	699,371
Community and economic development	825,945	691,156	862,193	890,370
General government	961,909	919,745	959,653	836,204
Debt service	2,885,161	2,875,520	3,392,696	3,746,851
Capital projects	1,394,099	2,210,587	1,960,915	2,754,843
Total disbursements	<u>\$10,174,417</u>	<u>\$10,298,966</u>	<u>\$10,640,547</u>	<u>\$11,610,879</u>

See accompanying independent auditor's report.

Schedule 4

Year ended June 30					
<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
\$ 3,313,909	\$ 3,207,163	\$ 2,915,275	\$ 2,807,629	\$ 2,681,647	\$ 2,187,076
3,630,261	2,959,637	2,296,189	1,845,602	1,294,555	956,186
168,778	265,340	341,383	235,625	189,212	180,061
188,217	154,136	77,277	65,189	58,062	29,968
1,312,547	1,127,217	706,175	618,100	666,313	1,294,725
322,878	322,187	230,690	161,467	157,267	124,439
9,691	3,811	38,875	19,288	72,577	179
<u>550,704</u>	<u>1,196,675</u>	<u>908,321</u>	<u>201,290</u>	<u>1,081,837</u>	<u>135,462</u>
<u>\$ 9,496,985</u>	<u>\$ 9,236,166</u>	<u>\$ 7,514,185</u>	<u>\$ 5,954,190</u>	<u>\$ 6,201,470</u>	<u>\$ 4,908,096</u>
\$ 1,745,604	\$ 1,419,971	\$ 1,249,879	\$ 1,137,652	\$ 1,036,255	\$ 980,569
761,155	827,456	741,330	622,069	567,577	502,021
–	6,461	7,500	3,613	5,654	5,914
557,622	585,022	547,991	515,139	503,001	502,888
781,384	698,486	629,212	187,838	1,015,949	294,959
1,017,406	576,011	519,819	374,468	347,348	249,869
2,172,134	1,568,262	1,536,385	2,043,696	1,347,848	1,983,270
<u>4,463,079</u>	<u>2,701,869</u>	<u>3,050,600</u>	<u>5,124,447</u>	<u>2,835,298</u>	<u>1,699,395</u>
<u>\$11,498,384</u>	<u>\$ 8,383,538</u>	<u>\$ 8,282,716</u>	<u>\$10,008,922</u>	<u>\$ 7,658,930</u>	<u>\$ 6,218,885</u>

See accompanying independent auditor's report.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and  
Members of the City Council  
City of Pleasant Hill  
Pleasant Hill, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Pleasant Hill, Iowa as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements listed in contents page of this report and have issued our report thereon dated October 24, 2012. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

The management of the City of Pleasant Hill is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Pleasant Hill's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Pleasant Hill's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Pleasant Hill's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and an other deficiency we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility a material misstatement of the City of Pleasant Hill's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-A-12, I-B-12 and I-D-12 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-C-12 to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Pleasant Hill's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters which are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Pleasant Hill's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Pleasant Hill's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Pleasant Hill and other parties to whom the City of Pleasant Hill may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

  
**DENMAN & COMPANY, LLP**

West Des Moines, Iowa  
October 24, 2012

**City of Pleasant Hill  
SCHEDULE OF FINDINGS  
Year ended June 30, 2012**

**Part I – Findings Related to Financial Statements**

**INSTANCES OF NONCOMPLIANCE**

No matters were reported.

**INTERNAL CONTROL DEFICIENCIES**

**I-A-12 SEGREGATION OF DUTIES**

One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the same person who performs the bank reconciliation also prints checks and is an authorized check signer.

**Recommendation**

We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should continue to monitor its control procedures to obtain the maximum internal control possible under the circumstances.

**Response**

We will monitor the procedures as suggested.

**Conclusion**

Response accepted.

**I-B-12 RECONCILIATION OF CASH BALANCES**

The monthly treasurer's report balances per fund do not agree to the general ledger as of June 30, 2012. The actual cash balance was \$2,338 more than the general ledger balance. The monthly treasurer's report should be reconciled to the general ledger on a monthly basis.

**Recommendation**

The City should implement procedures to ensure that the reports are reconciled monthly.

**Response**

Staff was aware of the overage and have been working to correct it.

**Conclusion**

Response accepted.

**City of Pleasant Hill**  
**SCHEDULE OF FINDINGS (continued)**  
**Year ended June 30, 2012**

**Part I – Findings Related to Financial Statements (continued)**

**I-C-12 CAPITAL ASSETS**

Capital assets are not tagged and a capital asset listing is not maintained.

**Recommendation**

Capital assets should be tagged for proper identification and a capital asset listing by a person independent of the custody of those assets should be created and maintained.

**Response**

The City maintains a capital asset listing of vehicles and electronic devices. The City will evaluate a policy that would include listings of more capital assets and tags of items where appropriate.

**Conclusion**

Response accepted.

**I-D-12 TAX INCREMENT FINANCING (TIF) TRANSFERS**

During the audit, we identified transfers from the TIF funds to be Debt Service Fund exceeded amounts necessary for TIF debt. TIF revenues can only be used to repay certified TIF debt.

**Recommendation**

We recommend that procedures be put into place for the City to transfer TIF receipts for only certified debt to the applicable fund where the obligation is expended.

**Response**

The City will adopt procedures to ensure that TIF fund transfers are made to cover only certified debt paid out of other applicable funds.

**Conclusion**

Response accepted.

**City of Pleasant Hill**  
**SCHEDULE OF FINDINGS (continued)**  
**Year ended June 30, 2012**

**Part II—Other Findings Related to Required Statutory Reporting**

**II-A-12 CERTIFIED BUDGET**

Disbursements during the year ended June 30, 2012 did not exceed the amounts budgeted.

**II-B-12 QUESTIONABLE DISBURSEMENTS**

No disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

**II-C-12 TRAVEL EXPENSE**

No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

**II-D-12 BUSINESS TRANSACTIONS**

We noted no transactions between the City and City officials or employees in excess of \$1,500.

**II-E-12 BOND COVERAGE**

Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

**II-F-12 COUNCIL MINUTES**

We noted no transactions requiring Council approval which had not been approved in the Council minutes.

**Finding**

Although minutes of Council meetings were published, they did not include a summary of receipts as required by Chapter 372.13(6) of the Code of Iowa. Also, the City did not keep a record of when the meeting agendas were posted to document meetings were preceded by proper notice in accordance with Chapter 21.3 of the Code of Iowa.

**Recommendation**

The City should include summary of receipts in Council Minutes and maintain documentation that meetings are preceded by proper notice.

**Response**

We will include a summary of receipts in the minutes going forward. We will maintain a log of postings of Council agendas.

**Conclusion**

Response accepted.

**City of Pleasant Hill**  
**SCHEDULE OF FINDINGS (continued)**  
**Year ended June 30, 2012**

**Part II—Other Findings Related to Required Statutory Reporting (continued)**

**II-G-12 FINANCIAL CONDITION**

The Equipment Replacement Fund had a deficit balance of \$33,872 at June 30, 2012.

**Recommendation**

The City should investigate alternatives to eliminate this deficit in order to return this fund to a sound financial position.

**Response**

The deficit was due to the timing of equipment purchases. Debt proceeds will be used to eliminate the deficit.

**Conclusion**

Response accepted.

**II-H-12 TRANSFERS**

Council approved interfund transfers at Council meetings from the General and Employee Benefit Funds, not the TIF funds. Also, transfers out of the General Fund, Tax Increment Financing Fund and Employee Benefit Special Revenue Fund exceeded amounts budgeted.

**Recommendation**

City personnel should include transfers in the budget to reflect expected amounts, and approve unbudgeted transfers at Council meetings.

**Response**

We will include transfer amounts in the budget and approve those not budgeted going forward.

**Conclusion**

Response accepted.