

City of Pleasant Hill

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

June 30, 2013

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**City of Pleasant Hill
OFFICIALS**

<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	October 2013
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

Report on the Financial Statements

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, 2013, and the related notes to financial statements, which collectively comprise the City's basic financial statements as listed in the contents page of this report.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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, 2013, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

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. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the year ended June 30, 2012 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The financial statements for the eight 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 unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis and the budgetary comparison information on pages 6 through 11 and 31 through 33 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2013 on our consideration of the City's internal control over financial reporting and on 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* in considering the City's internal control over financial reporting and compliance.



DENMAN & COMPANY, LLP

West Des Moines, Iowa
December 11, 2013

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, 2013. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

- The City's governmental funds' receipts increased 2% or approximately \$200,000 from fiscal year 2012. Property tax increased approximately \$153,000 and bond proceeds increased \$510,000.
- City program disbursements increased 134% or approximately \$13,610,000 from fiscal year 2012. Public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects disbursements increased (decreased) approximately \$11,000, \$(120,000), \$(3,000), \$21,000, \$(10,000), \$(47,000), \$6,010,000 and \$7,749,000, respectively.
- The City's total cash basis net position at June 30, 2013 decreased approximately 25% or approximately \$4,726,000 from June 30, 2012. Of this amount, the City's governmental activities cash basis net position decreased approximately \$6,900,000 (37%), the assets of the business type activities increased approximately \$1,970,000 (10%), and the net position of the internal service fund increased by approximately \$202,000 (1%).

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

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

Supplementary Information provides detail information about the nonmajor governmental funds, the City's indebtedness and receipts by source and disbursements by function.

BASIS OF ACCOUNTING

The City 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. 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 Position - Cash Basis reports information which helps answer this question.

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

The Statement of Activities and Net Position - Cash Basis 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 statement for propriety funds include a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Governmental Activities

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago from approximately \$17.02 million to \$10.32 million. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2013	2012
Receipts:		
Program receipts:		
Charges for service	\$ 668	\$ 719
Operating grants, contributions and restricted interest	908	904
Capital grants, contributions and restricted interest	183	151
General Receipts:		
Property tax	8,012	7,768
Hotel motel tax	161	160
Other tax	1,235	1,259
Unrestricted interest on investments	17	24
Bond proceeds	5,430	4,920
Other general receipts	974	481
Total receipts	<u>17,588</u>	<u>16,386</u>
Disbursements:		
Public safety	2,517	2,672
Public works	1,092	1,029
Culture and recreation	883	864
Community and economic development	816	826
General government	915	962
Debt service	8,895	2,885
Capital projects	9,143	1,394
Total disbursements	<u>24,261</u>	<u>10,635</u>
Change in cash basis net position before transfers	(6,673)	5,751
Transfers, net	<u>(24)</u>	<u>-</u>
Change in cash basis net position	(6,697)	5,751
Cash basis net position beginning of year	<u>17,015</u>	<u>11,264</u>
Cash basis net position end of year	<u>\$ 10,318</u>	<u>\$ 17,015</u>

The City's total receipts for governmental activities increased by \$1,202,000 (7 %). The total cost of all programs and services increased by approximately \$13,626,000 (128%) primarily due to a large increase in capital projects and debt service for early redemption of bonds. Receipts increased due to bond issues and land sales during the year ended June 30, 2013.

Based on increases in the total assessed valuation and expanded tax increment finance districts, property tax receipts are budgeted to increase by an additional \$390,000 next year.

The cost of all governmental activities this year was approximately \$24.2 million compared to \$10.6 million prior year. However, as shown in the Statement of Activities and Net Position - Cash Basis on pages 13-14, the amount that our taxpayers ultimately financed for these activities through City taxes was \$22,503 million because some of the cost was paid by those who directly benefit from the programs (\$668,000) or by other governments and organizations that subsidized certain programs with grants and contributions (\$1,091,000). Overall, the City's governmental programs receipts, including intergovernmental aid and fees for services, decreased in 2013 from approximately \$1,774,000 to approximately \$1,759,000, principally due to a decrease in charges for service. The city paid for the remaining "public benefit" portion of governmental activities with approximately \$9.408 million of tax receipts (some of which could only be used for certain programs), with cash reserves and with other receipts, such as bond proceeds, interest and general receipts.

Business Type Activities

Changes in Cash Basis Net Position of Business Type Activities (Expressed in Thousands)

	Year ended June 30,	
	2013	2012
Receipts:		
Program receipts:		
Charges for service:		
Sewer	\$ 1,298	\$ 1,322
Solid Waste	391	409
General Receipts:		
Unrestricted interest on investments	5	6
Other	<u>2,510</u>	<u>—</u>
Total receipts	<u>4,204</u>	<u>1,737</u>
Disbursements:		
Sewer	1,140	1,306
Water	724	—
Solid Waste	<u>394</u>	<u>383</u>
Total disbursements	<u>2,258</u>	<u>1,689</u>
Change in cash basis net position before transfers	1,946	48
Transfers, net	<u>24</u>	<u>-</u>
Change in cash basis net position	1,970	48
Cash basis net position beginning of year	<u>1,772</u>	<u>1,724</u>
Cash basis net position end of year	<u>\$ 3,742</u>	<u>\$ 1,772</u>

Total business type activities receipts for the fiscal year were approximately \$4.204 million compared to \$1.737 million last year. This increase was due primarily to the sale of excess water capacity to another government. The cash balance increased by approximately \$1,970,000 from the prior year. Total disbursements for the fiscal year increased by approximately 33 percent to a total of \$2.258 million due to amounts paid to the Des Moines Waterworks for debt relating to excess water capacity sold.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Pleasant Hill completed the year, its governmental funds reported a combined fund balance of approximately \$10,150,000, a decrease of approximately \$6,900,000 above prior year's total of approximately \$17,049,000. 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 main operating fund of the City. At the end of the current fiscal year, the cash balance of the General Fund was \$2,004,068, an increase of \$373,083 from the prior year. This increase was mainly 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. At the end of the fiscal year, the cash balance was \$2,058,140, a decrease of \$4,064,827 from the prior year. The decrease was the result of increased transfers out of TIF funds for debt service. 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 decreased by \$19,703 to \$103,939.
- 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 \$5,301,900, a decrease of \$3,391,894 from the prior year. This decrease was primarily due to payments for ongoing projects.

Individual Major Proprietary Fund Analysis

- The cash balance of the Sewer Fund increased by \$184,789 to \$1,459,436 due primarily to a decrease in the cost of providing services.
- The cash balance of the Water Fund increased by \$1,788,541 to \$2,162,577 due primarily to the sale of excess capacity to another governmental entity.

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 28, 2013 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 \$65,000 less than budgeted. This was primarily due to amounts budgeted for tax increment financing collections less than budgeted.

With the budget amendment, total disbursements were approximately \$1,483,000 less than the amended budget. This was primarily due to capital projects disbursements being far less than the amended budget. Actual disbursements for the capital project fund was \$1,393,026 less than the amended budget.

DEBT ADMINISTRATION

At June 30, 2013, the City had \$7,724,000 in bonds and other long-term debt compared to \$10,883,000 last year as shown below.

	Outstanding Debt at Year-End (Expressed in Thousands)	
	June 30,	
	2013	2012
General obligation bonds	\$ 7,590	\$ 10,720
Capital lease & 28E agreement	134	163
	<u>\$ 7,724</u>	<u>\$ 10,883</u>

Debt decreased as a result of the City’s early redemption of \$3.56 million of bonds and normal payments due.

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 \$7.72 million plus its tax increment financing rebate agreements of \$1.8 million are below the City’ \$53.38 million legal debt limit. The outstanding general obligation debt is 17.8% of the 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 2014 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, 2013 stands at 4.5 percent. This compares with the state unemployment rate of 6.5 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 2013 was 233.504. For the 12 month period that ended in June, 2013 the CPI-U increased 1.8 percent.

These indicators were taken into account when adopting the budget for 2014. Budgeted disbursements are expected to increase by approximately \$7.5 million and budgeted revenues are expected to decrease approximately \$53,000.

If these estimates are realized, the City’s budgeted cash balance is expected to decrease by approximately \$4.4 million by the close of fiscal year 2014.

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 Donald Sandor, City Manager. 515-262-9368

BASIC FINANCIAL STATEMENTS

City of Pleasant Hill
STATEMENT OF ACTIVITIES AND NET POSITION - CASH BASIS
As of and for the year ended June 30, 2013

		Program receipts		
FUNCTIONS/PROGRAMS	Disbursements	Charges for service	Operating grants, contributions, and restricted interest	Capital grants, contributions, and restricted interest
Governmental activities				
Public safety	\$ 2,517,088	\$ 414,587	\$ 8,695	\$ -
Public works	1,090,212	19,613	846,820	-
Culture and recreation	885,493	-	51,770	-
Community and economic development	816,212	-	500	-
General government	914,961	233,977	-	-
Debt service	8,894,747	-	-	-
Capital projects	9,142,974	-	-	182,967
Total governmental activities	<u>24,261,687</u>	<u>668,177</u>	<u>907,785</u>	<u>182,967</u>
Business type activities				
Sewer	1,140,129	1,298,447	-	-
Water	724,467	-	-	-
Solid waste	394,117	391,178	-	-
Total business type activities	<u>2,258,713</u>	<u>1,689,625</u>	<u>-</u>	<u>-</u>
 Total	 <u>\$26,520,400</u>	 <u>\$2,357,802</u>	 <u>\$ 907,785</u>	 <u>\$ 182,967</u>

GENERAL RECEIPTS AND TRANSFERS

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
Transfers
Sale of capital assets
Total general receipts and transfers
Change in cash basis net position

CASH BASIS NET POSITION, beginning of year

CASH BASIS NET POSITION, end of year

CASH BASIS NET POSITION

Restricted
 Nonexpendable
 Cemetery perpetual care
 Expendable
 Streets
 Urban renewal purposes
 Capital projects
 Debt service
 Other purposes
Unrestricted

Total cash basis net position

See Notes to Financial Statements.

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

<u>Governmental activities</u>	<u>Business type activities</u>	<u>Total</u>
\$ (2,093,806)	\$ —	\$ (2,093,806)
(223,779)	—	(223,779)
(833,723)	—	(833,723)
(815,712)	—	(815,712)
(680,984)	—	(680,984)
(8,894,747)	—	(8,894,747)
<u>(8,960,007)</u>	<u>—</u>	<u>(8,960,007)</u>
<u>(22,502,758)</u>	<u>—</u>	<u>(22,502,758)</u>
—	158,318	158,318
—	(724,467)	(724,467)
—	<u>(2,939)</u>	<u>(2,939)</u>
—	<u>(569,088)</u>	<u>(569,088)</u>
<u>(22,502,758)</u>	<u>(569,088)</u>	<u>(23,071,846)</u>
2,913,607	—	2,913,607
517,091	—	517,091
4,581,527	—	4,581,527
161,425	—	161,425
1,234,727	—	1,234,727
17,609	5,536	23,145
5,430,000	—	5,430,000
162,150	2,510,000	2,672,150
(24,159)	24,159	—
<u>812,000</u>	<u>—</u>	<u>812,000</u>
<u>15,805,977</u>	<u>2,539,695</u>	<u>18,345,672</u>
(6,696,781)	1,970,607	(4,726,174)
<u>17,015,036</u>	<u>1,771,943</u>	<u>18,786,979</u>
<u>\$10,318,255</u>	<u>\$3,742,550</u>	<u>\$14,060,805</u>
\$ 56,028	\$ —	\$ 56,028
514,912	—	514,912
2,058,140	—	2,058,140
5,301,900	—	5,301,900
103,939	—	103,939
110,557	23,659	134,216
<u>2,172,779</u>	<u>3,718,891</u>	<u>5,891,670</u>
<u>\$10,318,255</u>	<u>\$3,742,550</u>	<u>\$14,060,805</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, 2013

	<u>General</u>	<u>Special revenue</u> <u>Urban</u> <u>Renewal Tax</u> <u>Increment</u>	<u>Debt</u> <u>Service</u>
RECEIPTS			
Property tax	\$2,359,830	\$ —	\$ 517,091
Tax increment financing	—	4,581,527	—
Other City tax	1,136,252	—	102,821
Licenses and permits	93,131	—	—
Use of money and property	52,348	12,795	693
Intergovernmental	252,905	—	—
Charges for service	332,239	—	—
Miscellaneous	141,765	—	—
Total receipts	<u>4,368,470</u>	<u>4,594,322</u>	<u>620,605</u>
DISBURSEMENTS			
Operating			
Public safety	2,312,097	—	—
Public works	170,884	—	—
Culture and recreation	883,443	—	—
Community and economic development	303,300	512,912	—
General government	914,961	—	—
Debt service	—	—	8,786,545
Capital projects	—	—	—
Total disbursements	<u>4,584,685</u>	<u>512,912</u>	<u>8,786,545</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(216,215)</u>	<u>4,081,410</u>	<u>(8,165,940)</u>
OTHER FINANCING SOURCES (USES)			
Bond proceeds	—	—	—
Sale of assets	—	—	—
Operating transfers in	710,023	—	8,146,237
Operating transfers out	<u>(120,725)</u>	<u>(8,146,237)</u>	<u>—</u>
Total other financing sources (uses)	<u>589,298</u>	<u>(8,146,237)</u>	<u>8,146,237</u>
Net change in cash balances	373,083	(4,064,827)	(19,703)
CASH BALANCES , beginning of year	<u>1,630,985</u>	<u>6,122,967</u>	<u>123,642</u>
CASH BALANCES , end of year	<u>\$2,004,068</u>	<u>\$2,058,140</u>	<u>\$ 103,939</u>
CASH BASIS FUND BALANCES			
Nonspendable, cemetery perpetual care	\$ —	\$ —	\$ —
Restricted for			
Urban renewal purposes	—	2,058,140	—
Debt service	—	—	103,939
Streets	—	—	—
Other purposes	—	—	—
Unassigned	<u>2,004,068</u>	<u>—</u>	<u>—</u>
Total cash basis fund balances	<u>\$2,004,068</u>	<u>\$2,058,140</u>	<u>\$ 103,939</u>

See Notes to Financial Statements.

<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
\$ -	\$ 553,777	\$ 3,430,698
-	-	4,581,527
-	157,079	1,396,152
-	-	93,131
37,225	640	103,701
145,742	846,820	1,245,467
-	-	332,239
-	1,048	142,813
<u>182,967</u>	<u>1,559,364</u>	<u>11,325,728</u>
-	-	2,312,097
4,185	643,314	818,383
-	2,050	885,493
-	-	816,212
-	-	914,961
108,202	-	8,894,747
<u>9,142,974</u>	<u>-</u>	<u>9,142,974</u>
<u>9,255,361</u>	<u>645,364</u>	<u>23,784,867</u>
(9,072,394)	<u>914,000</u>	(12,459,139)
5,430,000	-	5,430,000
812,000	-	812,000
-	-	8,856,260
<u>(561,500)</u>	<u>(710,023)</u>	<u>(9,538,485)</u>
<u>5,680,500</u>	<u>(710,023)</u>	<u>5,559,775</u>
(3,391,894)	203,977	(6,899,364)
<u>8,693,794</u>	<u>477,520</u>	<u>17,048,908</u>
<u>\$5,301,900</u>	<u>\$ 681,497</u>	<u>\$10,149,544</u>
\$ -	\$ 56,028	\$ 56,028
-	-	2,058,140
-	-	103,939
-	514,912	514,912
5,301,900	110,557	5,412,457
<u>-</u>	<u>-</u>	<u>2,004,068</u>
<u>\$5,301,900</u>	<u>\$ 681,497</u>	<u>\$10,149,544</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 POSITION
 GOVERNMENTAL FUNDS**
 As of and for the year ended June 30, 2013

Total governmental funds cash balances (pages 15-16)	\$10,149,544
 <i>Amounts reported for governmental activities in the Statement of Activities and Net Position - Cash Basis are different because:</i>	
<p>The Internal Service Fund is used by management to charge the costs of funding equipment replacement to individual funds. The cash balance of the Internal Service Fund is included in governmental activities in the Statement of Activities and Net Position - Cash Basis.</p>	
	<u>168,711</u>
Cash basis net position of governmental activities (pages 13-14)	<u>\$10,318,255</u>
Net change in cash balances (pages 15-16)	\$ (6,899,364)
 <i>Amounts reported for governmental activities in the Statement of Activities and Net Position - Cash Basis are different because:</i>	
<p>The Internal Service Fund is used by management to charge the costs of equipment replacement to individual funds. The change in cash balance of the Internal Service Fund is reported with governmental activities in the Statement of Activities and Net Position - Cash Basis.</p>	
	<u>202,583</u>
Change in cash basis net position of governmental activities (pages 13-14)	<u>\$ (6,696,781)</u>

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, 2013

	<u>Enterprise Funds</u>				<u>Internal Service Fund</u>
	<u>Sewer</u>	<u>Water</u>	<u>Nonmajor Solid Waste</u>	<u>Total</u>	<u>Equipment Replacement</u>
OPERATING RECEIPTS					
Charges for service	<u>\$1,281,720</u>	<u>\$ —</u>	<u>\$ 391,178</u>	<u>\$1,672,898</u>	<u>\$ 21,337</u>
OPERATING DISBURSEMENTS					
Governmental Activities					
Public safety	—	—	—	—	204,991
Public works	—	—	—	—	271,711
Business type activities	<u>995,631</u>	<u>128</u>	<u>394,117</u>	<u>1,389,876</u>	<u>—</u>
Total operating disbursements	<u>995,631</u>	<u>128</u>	<u>394,117</u>	<u>1,389,876</u>	<u>476,702</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>286,089</u>	<u>(128)</u>	<u>(2,939)</u>	<u>283,022</u>	<u>(455,365)</u>
NONOPERATING RECEIPTS (DISBURSEMENTS)					
Intergovernmental	—	2,510,000	—	2,510,000	—
Interest on investments	2,312	3,008	216	5,536	—
Miscellaneous	16,727	—	—	16,727	(118)
Debt service	<u>(144,498)</u>	<u>(724,339)</u>	<u>—</u>	<u>(868,837)</u>	<u>—</u>
Net nonoperating receipts (disbursements)	<u>(125,459)</u>	<u>1,788,669</u>	<u>216</u>	<u>1,663,426</u>	<u>(118)</u>
Excess (deficiency) of receipts over (under) disbursements	160,630	1,788,541	(2,723)	1,946,448	(455,483)
TRANSFERS IN	<u>24,159</u>	<u>—</u>	<u>—</u>	<u>24,159</u>	<u>658,066</u>
Net change in cash balances	184,789	1,788,541	(2,723)	1,970,607	202,583
CASH BALANCES (DEFICIT), beginning of year	<u>1,274,647</u>	<u>374,036</u>	<u>123,260</u>	<u>1,771,943</u>	<u>(33,872)</u>
CASH BALANCES, end of year	<u>\$1,459,436</u>	<u>\$2,162,577</u>	<u>\$ 120,537</u>	<u>\$3,742,550</u>	<u>\$ 168,711</u>
CASH BASIS FUND BALANCES					
Reserved for meter deposits	\$ —	\$ 23,659	\$ —	\$ 23,659	\$ —
Unreserved	<u>1,459,436</u>	<u>2,138,918</u>	<u>120,537</u>	<u>3,718,891</u>	<u>168,711</u>
Total cash basis fund balances	<u>\$1,459,436</u>	<u>\$2,162,577</u>	<u>\$ 120,537</u>	<u>\$3,742,550</u>	<u>\$ 168,711</u>

See Notes to Financial Statements.

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 Position—Cash Basis (previously referred to as net assets) 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 Position—Cash Basis presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position often have constraints on cash balances imposed by management, which can be removed or modified.

The Statement of Activities and Net Position—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 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.

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.

City of Pleasant Hill
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

Fund Financial Statements (continued)

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 proprietary funds:

Sewer Fund, an enterprise fund

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

Water Fund, an enterprise fund

The Water Fund accounts for the operation of the City's water services.

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 statement.

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 position 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, 2013, disbursements exceeded the amounts budgeted in the culture and recreation and debt service functions.

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, 2013, attached as an enforceable lien on July 1, 2012, with the first half installment being delinquent after September 30, 2012 and the second half installment being delinquent after March 31, 2013.

NOTE 2 CASH AND INVESTMENTS

The City's deposits in banks at June 30, 2013, 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 GENERAL OBLIGATION BONDS AND OTHER LONG-TERM DEBT

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

	<u>Balance June 30, 2012</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance June 30, 2013</u>
Governmental activities				
General obligation bonds	\$10,200,000	\$5,430,000	\$8,510,000	\$7,120,000
Business type activities				
General obligation bonds	<u>520,000</u>	<u>—</u>	<u>50,000</u>	<u>470,000</u>
	<u>\$10,720,000</u>	<u>\$5,430,000</u>	<u>\$8,560,000</u>	<u>\$7,590,000</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>
2014	\$4,725,000	\$ 110,040
2015	545,000	55,265
2016	550,000	44,960
2017	545,000	33,245
2018	540,000	22,215
2019-2021	<u>685,000</u>	<u>22,345</u>
	<u>\$7,590,000</u>	<u>\$ 288,070</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 \$5,430,000 and interest expense paid was \$198,180 for the year ended June 30, 2013. Interest rates on debt range from 0.60% to 4.10%.

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, 2013 were \$108,416 in bond principal and \$4,011 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, 2013 was \$134,257.

As of June 30, 2013, the future minimum payments on the agreement are as follows:

<u>Year ending June 30</u>	
2014	\$ 22,376
2015	22,376
2016	22,376
2017	22,376
2018	22,376
2019	<u>22,377</u>
Total	<u>\$ 134,257</u>

City of Pleasant Hill
NOTES TO FINANCIAL STATEMENTS

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.

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, 2013, the Series 2004B bonds had a balance of \$56,420,000 and the City of Pleasant Hill's estimated future allocation based on the WRA flows is currently \$434,454, or 0.77%. As of June 30, 2013, the Series 2006 bonds had a balance of \$34,145,000 and the City of Pleasant Hill's estimated future allocation based on the WRA flows is currently \$239,252 or 0.70%. 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, 2013, the State Revolving Loans had a balance of \$219,873,118 and the City of Pleasant Hill's estimated future allocation based on the WRA flows is currently \$1,810,832 or 0.82%.

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, 2013, the WRA had \$4,850,000 in outstanding pre 2004 State Revolving Loans, of which \$82,013 or 1.69% 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 position 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, 2013, the City paid the WRA \$363,013 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.

City of Pleasant Hill
NOTES TO FINANCIAL STATEMENTS

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 sold excess water capacity on July 1, 2012 and paid off this debt in full on September 13, 2012.

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 \$362,627 were made during the year ended June 30, 2013 under these agreements.

The outstanding balance of these development rebate agreements was approximately \$1,833,000 at June 30, 2013. 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. The balance outstanding at June 30, 2013 is \$709,600.

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 5.78% of their annual covered salary and the City is required to contribute 8.67% 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, 2013, 2012 and 2011 were \$255,545, \$235,978 and \$192,060, 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, 2013, primarily relating to the General Fund, is as follows:

Type of benefit	
Vacation	\$ 131,000
Sick leave	97,000
Compensatory time	36,000
Retirement fund	<u>72,000</u>
Total	\$ <u>336,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2013.

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 679 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 at a level determined by the Board not to exceed 300 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, 2013 were \$97,768.

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 \$15,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location, with excess coverage reinsured by the Lexington 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, 2013, 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 \$9,644,000 is outstanding at June 30, 2013. 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 \$4,812,000. The unpaid contract balances as of June 30, 2013 totaled approximately \$908,000 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, 2013 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General Fund	Special Revenue Nonmajor Governmental - Employee benefits	\$ <u>710,023</u>
Debt Service	Special Revenue TIF	<u>8,146,237</u>
Enterprise Sewer	General	<u>24,159</u>
Internal Service Equipment Replacement	General Capital projects	96,566 <u>561,500</u> <u>658,066</u>
Total		<u>\$9,538,485</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 41 active 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.

City of Pleasant Hill
NOTES TO FINANCIAL STATEMENTS

NOTE 14 POST-EMPLOYMENT BENEFITS (continued)

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, 2013, the City contributed approximately \$534,000 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.

NOTE 15 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. 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.

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, will be effective for the City beginning with its year ending June 30, 2015. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, will be effective for the City beginning with its year ending June 30, 2015. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee.

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

NOTE 16 SUBSEQUENT EVENTS

The City approved the sale of not to exceed \$4,500,000 essential corporate purpose bonds on September 24, 2013 for the financing of street improvements. No further action has been taken on the sale.

The City agreed to sell 700,000 gallons of purchased water capacity to the City of Bondurant on September 24, 2013 for \$1,257,000 up front and \$500,000 payable over 10 years at 2 percent interest.

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, 2013

	<u>Governmental funds actual</u>	<u>Proprietary funds actual</u>	<u>Less funds not required to be budgeted</u>	<u>Total</u>
RECEIPTS				
Property tax	\$ 3,430,698	\$ -	\$ -	\$ 3,430,698
Tax increment financing	4,581,527	-	-	4,581,527
Other City tax	1,396,152	-	-	1,396,152
Licenses and permits	93,131	-	-	93,131
Use of money and property	103,701	5,536	-	109,237
Intergovernmental	1,245,467	2,510,000	-	3,755,467
Charges for service	332,239	1,694,235	21,337	2,005,137
Miscellaneous	142,813	16,609	(118)	159,540
Total receipts	<u>11,325,728</u>	<u>4,226,380</u>	<u>21,219</u>	<u>15,530,889</u>
DISBURSEMENTS				
Public safety	2,312,097	-	-	2,312,097
Public works	818,383	-	-	818,383
Health and social services	-	-	-	-
Culture and recreation	885,493	-	-	885,493
Community and economic development	816,212	-	-	816,212
General government	914,961	-	-	914,961
Debt service	8,894,747	-	-	8,894,747
Capital projects	9,142,974	-	-	9,142,974
Business type activities	-	2,735,415	476,702	2,258,713
Total disbursements	<u>23,784,867</u>	<u>2,735,415</u>	<u>476,702</u>	<u>26,043,580</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(12,459,139)</u>	<u>1,490,965</u>	<u>(455,483)</u>	<u>(10,512,691)</u>
OTHER FINANCING SOURCES, net	<u>5,559,775</u>	<u>682,225</u>	<u>658,066</u>	<u>5,583,934</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements	<u>(6,899,364)</u>	<u>2,173,190</u>	<u>202,583</u>	<u>(4,928,757)</u>
BALANCES, beginning of year	<u>17,048,908</u>	<u>1,738,071</u>	<u>(33,872)</u>	<u>18,820,851</u>
BALANCES, end of year	<u>\$10,149,544</u>	<u>\$3,911,261</u>	<u>\$ 168,711</u>	<u>\$13,892,094</u>

See accompanying independent auditor's report.

Budgeted amounts		Final to actual variance- positive (negative)
Original	Final	
\$ 3,396,487	\$ 3,396,487	\$ 34,211
4,700,000	4,700,000	(118,473)
1,046,093	1,400,000	(3,848)
—	77,000	16,131
—	93,000	16,237
961,500	3,760,000	(4,533)
1,655,000	2,020,000	(14,863)
—	150,000	9,540
<u>11,759,080</u>	<u>15,596,487</u>	<u>(65,598)</u>
2,463,732	2,463,732	151,635
170,000	820,000	1,617
7,500	7,500	7,500
883,745	883,745	(1,748)
293,923	825,000	8,788
882,508	915,000	39
617,129	8,785,607	(109,140)
5,867,200	10,536,000	1,393,026
<u>1,273,000</u>	<u>2,290,460</u>	<u>31,747</u>
<u>12,458,737</u>	<u>27,527,044</u>	<u>1,483,464</u>
<u>(699,657)</u>	<u>(11,930,557)</u>	<u>1,417,866</u>
<u>617,129</u>	<u>6,500,000</u>	<u>(916,066)</u>
(82,528)	(5,430,557)	501,800
<u>21,671,031</u>	<u>21,671,031</u>	<u>(2,850,180)</u>
<u>\$21,588,503</u>	<u>\$16,240,474</u>	<u>\$(2,348,380)</u>

City of Pleasant Hill
NOTES TO OTHER INFORMATION - BUDGETARY REPORTING
June 30, 2013

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 \$15,068,307. This budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2013, disbursements exceeded the amounts budgeted in the culture and recreation and debt service functions.

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, 2013

	<u>Special revenue</u>		
	<u>Road Use Tax</u>	<u>Drug Enforcement Agency</u>	<u>Employee Benefit Tax</u>
RECEIPTS			
Property taxes	\$ -	\$ -	\$ 553,777
Other City tax	-	-	157,079
Use of money and property	-	67	98
Intergovernmental	846,820	-	-
Miscellaneous	1,048	-	-
Total receipts	<u>847,868</u>	<u>67</u>	<u>710,954</u>
DISBURSEMENTS			
Operating			
Public works	643,314	-	-
Culture and recreation	-	-	-
Total disbursements	<u>643,314</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	<u>204,554</u>	<u>67</u>	<u>710,954</u>
OTHER FINANCING (USES)			
Operating transfers out	<u>-</u>	<u>-</u>	<u>(710,023)</u>
Net change in cash balances	204,554	67	931
CASH BALANCES , beginning of year	<u>310,358</u>	<u>37,489</u>	<u>3,714</u>
CASH BALANCES , end of year	<u>\$ 514,912</u>	<u>\$ 37,556</u>	<u>\$ 4,645</u>
CASH BASIS FUND BALANCES			
Nonspendable - Cemetery perpetual care	\$ -	\$ -	\$ -
Restricted for			
Streets	514,912	-	-
Other purposes	<u>-</u>	<u>37,556</u>	<u>4,645</u>
Total cash basis fund balances	<u>\$ 514,912</u>	<u>\$ 37,556</u>	<u>\$ 4,645</u>

Schedule 1

Special revenue				Permanent Cemetery Perpetual Care	Total
Avenue of Flags	Park & Recreation Complex	Library	Memorial		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 553,777
-	-	-	-	-	157,079
4	80	87	2	302	640
-	-	-	-	-	846,820
-	-	-	-	-	1,048
<u>4</u>	<u>80</u>	<u>87</u>	<u>2</u>	<u>302</u>	<u>1,559,364</u>
-	-	-	-	-	643,314
-	-	2,050	-	-	2,050
-	-	2,050	-	-	645,364
<u>4</u>	<u>80</u>	<u>(1,963)</u>	<u>2</u>	<u>302</u>	<u>914,000</u>
-	-	-	-	-	(710,023)
4	80	(1,963)	2	302	203,977
<u>2,269</u>	<u>27,655</u>	<u>39,036</u>	<u>1,273</u>	<u>55,726</u>	<u>477,520</u>
<u>\$ 2,273</u>	<u>\$ 27,735</u>	<u>\$ 37,073</u>	<u>\$ 1,275</u>	<u>\$ 56,028</u>	<u>\$ 681,497</u>
\$ -	\$ -	\$ -	\$ -	\$ 56,028	\$ 56,028
-	-	-	-	-	514,912
<u>2,273</u>	<u>27,735</u>	<u>37,073</u>	<u>1,275</u>	<u>-</u>	<u>110,557</u>
<u>\$ 2,273</u>	<u>\$ 27,735</u>	<u>\$ 37,073</u>	<u>\$ 1,275</u>	<u>\$ 56,028</u>	<u>\$ 681,497</u>

See accompanying independent auditor's report

**City of Pleasant Hill
SCHEDULE OF INDEBTEDNESS
For the year ended June 30, 2013**

<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	July 17, 2012	0.60 to 1.40%	2,000,000
Urban Renewal Corporate Purpose	November 27, 2012	0.50%	3,450,000
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>
\$ 1,090,000	\$ —	\$1,090,000	\$ —	\$ 23,398
685,000	—	335,000	350,000	26,890
755,000	—	370,000	385,000	27,750
1,425,000	—	490,000	935,000	40,150
520,000	—	50,000	470,000	16,575
1,325,000	—	1,325,000	—	6,883
4,900,000	—	4,900,000	—	29,400
20,000	1,980,000	—	2,000,000	18,317
<u>—</u>	<u>3,450,000</u>	<u>—</u>	<u>3,450,000</u>	<u>8,817</u>
<u>\$10,720,000</u>	<u>\$5,430,000</u>	<u>\$8,560,000</u>	<u>\$7,590,000</u>	<u>\$ 198,180</u>
<u>\$ 6,567</u>	<u>\$ —</u>	<u>\$ 6,567</u>	<u>\$ —</u>	<u>\$ —</u>
<u>\$ 156,634</u>	<u>\$ —</u>	<u>\$ 22,376</u>	<u>\$ 134,258</u>	<u>\$ —</u>

City of Pleasant Hill
BOND MATURITIES
June 30, 2013

Year ending June 30	General Obligation Bonds					
	Sewer Improvement Bonds		Urban Renewal		Urban Renewal	
	Series 2009B		Corporate Purpose		Corporate Purpose	
	Issued December 15, 2009		Issued June 27, 2006		Issued November 1, 2007	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2014	2.30%	\$ 55,000	3.95%	\$ 350,000	3.70%	\$ 385,000
2015	2.50%	55,000		-		-
2016	3.00%	55,000		-		-
2017	3.20%	55,000		-		-
2018	3.40%	60,000		-		-
2019	3.70%	60,000		-		-
2020	4.00%	65,000		-		-
2021	4.10%	<u>65,000</u>		<u>-</u>		<u>-</u>
Totals		<u>\$ 470,000</u>		<u>\$ 350,000</u>		<u>\$ 385,000</u>

Year ending June 30	General Obligation Bonds						Total
	Corporate Purpose and Refunding Bonds		Corporate Purpose		Urban Renewal		
	Series 2009		Corporate Purpose		Corporate Purpose		
	Issued April 13, 2009		Issued July 17, 2012		Issued November 27, 2012		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2014	2.80%	\$ 240,000	0.60%	\$ 245,000	0.50%	\$3,450,000	\$4,725,000
2015	2.90%	250,000	0.70%	240,000		-	545,000
2016	3.10%	255,000	0.90%	240,000		-	550,000
2017	3.30%	190,000	1.00%	300,000		-	545,000
2018		-	1.20%	480,000		-	540,000
2019		-	1.40%	495,000		-	555,000
2020		-		-		-	65,000
2021		<u>-</u>		<u>-</u>		<u>-</u>	<u>65,000</u>
Totals		<u>\$ 935,000</u>		<u>\$2,000,000</u>		<u>\$3,450,000</u>	<u>\$7,590,000</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

	Year ended June 30			
	2013	2012	2011	2010
RECEIPTS				
Property and other City tax	\$ 4,826,850	\$ 4,673,562	\$ 4,261,584	\$ 3,850,081
Tax increment financing collections	4,581,527	4,513,164	4,758,779	5,248,999
Licenses and permits	93,131	120,838	65,175	143,578
Use of money and property	103,701	109,420	100,538	68,402
Intergovernmental	1,245,467	1,198,255	1,359,347	1,062,857
Charges for services	332,239	362,370	293,963	219,557
Special assessments	-	-	-	545
Miscellaneous	142,813	148,183	153,401	151,021
Total receipts	<u>\$11,325,728</u>	<u>\$11,125,792</u>	<u>\$10,992,787</u>	<u>\$10,745,040</u>
DISBURSEMENTS				
Operating				
Public safety	\$ 2,312,097	\$ 2,301,054	\$ 1,970,745	\$ 1,905,802
Public works	818,383	938,896	835,004	803,504
Health and social services	-	3,056	25	-
Culture and recreation	885,493	864,297	796,184	755,784
Community and economic development	816,212	825,945	691,156	862,193
General government	914,961	961,909	919,745	959,653
Debt service	8,894,747	2,885,161	2,875,520	3,392,696
Capital projects	9,142,974	1,394,099	2,210,587	1,960,915
Total disbursements	<u>\$23,784,867</u>	<u>\$10,174,417</u>	<u>\$10,298,966</u>	<u>\$10,640,547</u>

See accompanying independent auditor's report.

Schedule 4

Year ended June 30					
<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
\$ 3,806,311	\$ 3,313,909	\$ 3,207,163	\$ 2,915,275	\$ 2,807,629	\$ 2,681,647
4,275,494	3,630,261	2,959,637	2,296,189	1,845,602	1,294,555
194,591	168,778	265,340	341,383	235,625	189,212
96,504	188,217	154,136	77,277	65,189	58,062
1,099,505	1,312,547	1,127,217	706,175	618,100	666,313
234,296	322,878	322,187	230,690	161,467	157,267
32,661	9,691	3,811	38,875	19,288	72,577
<u>180,891</u>	<u>550,704</u>	<u>1,196,675</u>	<u>908,321</u>	<u>201,290</u>	<u>1,081,837</u>
<u>\$ 9,920,253</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>
\$ 1,717,222	\$ 1,745,604	\$ 1,419,971	\$ 1,249,879	\$ 1,137,652	\$ 1,036,255
960,336	761,155	827,456	741,330	622,069	567,577
5,682	—	6,461	7,500	3,613	5,654
699,371	557,622	585,022	547,991	515,139	503,001
890,370	781,384	698,486	629,212	187,838	1,015,949
836,204	1,017,406	576,011	519,819	374,468	347,348
3,746,851	2,172,134	1,568,262	1,536,385	2,043,696	1,347,848
<u>2,754,843</u>	<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>\$11,610,879</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>

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 in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, 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 (the City) as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the City's basic financial statements listed in the contents page of this report and have issued our report thereon dated December 11, 2013. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Pleasant Hill's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the City of Pleasant Hill's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control 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-13 and I-B-13 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-13 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, 2013 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.

City of Pleasant Hill's Responses to Findings

The City of Pleasant Hill's responses to findings identified in our audit are described in the accompanying Schedule of Findings. The City of Pleasant Hill's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



DENMAN & COMPANY, LLP

West Des Moines, Iowa
December 11, 2013

**City of Pleasant Hill
SCHEDULE OF FINDINGS
Year ended June 30, 2013**

Part I – Findings Related to Financial Statements

INSTANCES OF NONCOMPLIANCE

No matters were reported.

INTERNAL CONTROL DEFICIENCIES

I-A-13 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-13 FINANCIAL REPORTING

During the audit, we identified a material amount of transfers misposted to disbursement accounts rather than transfer accounts. Adjustments were subsequently made by the City to properly report these amounts in the City's financial statements.

Recommendation

The City should implement procedures to ensure transfers are properly recorded in the City's financial statements.

Response

We will double check this in the future to avoid posting errors.

Conclusion

Response accepted.

City of Pleasant Hill
SCHEDULE OF FINDINGS (continued)
Year ended June 30, 2013

Part I – Findings Related to Financial Statements (continued)

I-C-13 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.

City of Pleasant Hill
SCHEDULE OF FINDINGS (continued)
Year ended June 30, 2013

Part II—Other Findings Related to Required Statutory Reporting

II-A-13 CERTIFIED BUDGET

Preceding notice for the June 30, 2014 budget public hearing was made nine days prior to the meeting, one day later than required by Chapter 384.16 of the Code of Iowa. Also, the June 30, 2013 budget was not amended prior to disbursements exceeded budgeted amounts, and disbursements for the year ended June 30, 2013 exceeded the amounts budgeted in the culture and recreation and debt service functions. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation

The City should publish notice of public hearings within the appropriate timeframe. Also, the budget should be amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements are allowed to exceed the budget.

Response

We will publish all preceding notices following the Code of Iowa requirements. We will review our procedures to prevent exceeding budgeted disbursements through the timely amendment of our budget.

Conclusion

Response accepted.

II-B-13 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-13 TRAVEL EXPENSE

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

II-D-13 BUSINESS TRANSACTIONS

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

II-E-13 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.

City of Pleasant Hill
SCHEDULE OF FINDINGS (continued)
Year ended June 30, 2013

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

II-F-13 COUNCIL MINUTES

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

Finding

Although minutes of City Council proceedings were published, one instance was noted when they were not published within fifteen days as required by Chapter 372.13(6) of the Code of Iowa.

Recommendation

The City should comply with Chapter 21 of the Code of Iowa and should publish minutes as required.

Response

We will publish minutes as required.

Conclusion

Response accepted.

II-G-13 TRANSFERS

Transfers out of the General 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.

City of Pleasant Hill
SCHEDULE OF FINDINGS (continued)
Year ended June 30, 2013

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

IV-H-13 TAX INCREMENT FINANCING (TIF)

Chapter 403.19 of the Code of Iowa provides a municipality may certify loans, advances, indebtedness and bonds (indebtedness) to the County Auditor which qualify for reimbursement from incremental property tax. The County Auditor provides for the division of property tax to repay the certified indebtedness and provides available incremental property tax in subsequent fiscal years without further certification by the City until the amount of certified indebtedness is paid.

We noted on the City's TIF debt certification dated November 27, 2012, the City included transfers approved during the prior year, which would have represented loans from the General Fund, as TIF indebtedness. However, the loans were not actually made.

Recommendation

The City should consult TIF legal counsel to determine the amount of TIF debt to be decertified, if any.

Response

The City will consult TIF legal counsel and make corrections to the TIF Certification as necessary.

Conclusion

Response accepted.

IV-I-13 URBAN RENEWAL ANNUAL REPORT

The following exceptions were noted in the urban renewal annual report.

The City's beginning TIF debt outstanding balance reported on the Levy Authority Summary does not agree with the City's general ledger. The amount reported by the City as TIF debt outstanding was understated by \$2,378,782.

The City's ending cash balance did not agree to the actual balances.

All revenues were classified as interest, TIF revenues were not separated to the proper line.

LMI fees paid were classified as rebates rather than as LMI expenditures.

Recommendation

The City should ensure the debt and cash amounts, and classifications reported on the Levy Authority Summary agree with the City's records.

Response

These items will be corrected on next year's report.

Conclusion

Response accepted.