

City of Pleasant Hill

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

June 30, 2016

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**City of Pleasant Hill
OFFICIALS**

(Before January 2016)

<u>Name</u>	<u>Title</u>	<u>Term expires</u>
Sara Kurovski	Mayor	December 2017
Leonard Murray	Mayor pro tem, Council Member	December 2015
Jeff Mullen	Council Member	December 2017
Dean Cooper	Council Member	December 2017
Mark A. Konrad	Council Member	December 2015
Barb Malone	Council Member	December 2015
Donald Sandor	City Manager	Indefinite
Dena Spooner	City Clerk/Finance Director	Indefinite
Brad Skinner	Attorney	Indefinite

(After January 2016)

<u>Name</u>	<u>Title</u>	<u>Term expires</u>
Sara Kurovski	Mayor	December 2017
Mark A. Konrad	Mayor pro tem, Council Member	December 2019
Jeff Mullen	Council Member	December 2017
Dean Cooper	Council Member	December 2017
Barb Malone	Council Member	December 2019
Curt Gause	Council Member	December 2019
Donald Sandor	City Manager	Indefinite
Dena Spooner	City Clerk/Finance Director	Indefinite
Brad Skinner	Attorney	Indefinite



INDEPENDENT AUDITOR'S REPORT

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 (the City), as of and for the year ended June 30, 2016, and the related notes to financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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 that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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, Iowa as of June 30, 2016, 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 opinions are 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 four years ended June 30, 2015 (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 five 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 5 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 as a whole.

The other information, Management's Discussion and Analysis, the budgetary comparison information, the schedule of the City's proportionate share of net pension liability, and the schedule of City contributions on pages 6 through 11 and 34 through 41 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 October 16, 2016 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 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
October 16, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Pleasant Hill (City) 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, 2016. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2016 FINANCIAL HIGHLIGHTS

- The City's governmental activities' receipts increased 2.3% or approximately \$270,000 from fiscal year 2015. Property tax increased approximately \$400,000 and other general receipts decreased approximately \$130,000.
- City program disbursements increased 8.9% or approximately \$977,000 from fiscal year 2015. Increase was due primarily to increases in community and economic development and capital projects which increased by approximately \$410,000 and \$330,000, respectively.
- The City's total cash basis net position at June 30, 2016 increased approximately 12.5% or approximately \$1,720,000 from June 30, 2015. Of this amount, the City's governmental funds cash basis net position increased approximately \$1,600,000 (18%), the assets of the enterprise funds decreased approximately \$180,000 (4%), and the net position of the internal service fund increased by approximately \$300,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information 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 financial statement by providing information about the most significant funds.

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

Other information further explains and supports the financial statements with a comparison of the City's budget for the year and the City's proportionate share of the net pension liability and related contributions.

Supplementary Information provides detail information about the nonmajor governmental funds, nonmajor proprietary 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 government, debt service and capital projects. Property and other taxes finance most of these activities.
- Business Type Activities include the waterworks, the sanitary sewer, storm water 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) the 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 provides. 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 statement for governmental funds is 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 four Enterprise Funds to provide separate information for the Water, Sewer, Solid Waste, and Storm Water Funds. 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 is 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 increased from a year ago from approximately \$9.0 million to \$10.9 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)

	<u>Year ended June 30</u>	
	<u>2016</u>	<u>2015</u>
Receipts:		
Program receipts:		
Charges for service	\$ 672	\$ 627
Operating grants, contributions and restricted interest	1,383	1,166
Capital grants, contributions and restricted interest	107	113
General Receipts:		
Property tax	4,526	3,605
Tax increment financing	3,827	4,300
Hotel motel tax	175	177
Other tax	1,214	1,659
Unrestricted interest on investments	23	20
Bond proceeds	2,114	21
Other general receipts	<u>199</u>	<u>439</u>
Total receipts	<u>14,240</u>	<u>12,127</u>
Disbursements:		
Public safety	2,991	2,817
Public works	1,281	1,162
Health and social services	10	7
Culture and recreation	1,027	1,345
Community and economic development	1,321	917
General government	1,065	1,053
Debt service	659	624
Capital projects	<u>3,990</u>	<u>3,658</u>
Total disbursements	<u>12,344</u>	<u>11,583</u>
Change in cash basis net position before transfers	1,896	544
Transfers, net	<u>—</u>	<u>(1,500)</u>
Change in cash basis net position	1,896	(956)
Cash basis net position beginning of year	<u>8,999</u>	<u>9,955</u>
Cash basis net position end of year	<u>\$ 10,895</u>	<u>\$ 8,999</u>

The City's total receipts for governmental activities increased by \$2,113,000 (17%). The total cost of all programs and services increased by approximately \$760,000 (7%) primarily due to increases in community and economic development and capital projects. Receipts increased due to the issuance of debt and collection of bond proceeds during the year ended June 30, 2016.

Based on increases in the total assessed valuation, property tax receipts are budgeted to increase by \$250,000 next year.

The cost of all governmental activities this year was approximately \$12.3 million compared to \$11.6 million in the 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 \$10.2 million because some of the cost was paid by those who directly benefit from the programs (approximately \$672,000) or by other governments and organizations that subsidized certain programs with grants and contributions (approximately \$1,490,000). Overall, the City's governmental programs receipts, including intergovernmental aid and fees for services, increased in 2016 from approximately \$1,907,000 to approximately \$2,162,000. The city paid for the remaining "public benefit" portion of governmental activities with approximately \$9.74 million of tax receipts (some of which could only be used for certain programs), with cash reserves and 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	
	2016	2015
Receipts:		
Program receipts:		
Charges for service:		
Sewer	\$ 1,246	\$ 1,290
Other	605	424
General Receipts:		
Unrestricted interest on investments	5	4
Other	73	75
Total receipts	<u>1,929</u>	<u>1,793</u>
Disbursements:		
Sewer	1,293	1,063
Water	346	318
Other	467	426
Total disbursements	<u>2,106</u>	<u>1,807</u>
Change in cash basis net position before transfers	(177)	(14)
Transfers, net	<u>—</u>	<u>1,500</u>
Change in cash basis net position	(177)	1,486
Cash basis net position beginning of year	<u>4,791</u>	<u>3,305</u>
Cash basis net position end of year	<u>\$ 4,614</u>	<u>\$ 4,791</u>

Total business type activities receipts for the fiscal year were approximately \$1.93 million compared to \$1.79 million last year. This increase was due primarily to the creation of a new storm water utility during the current year. The cash balance decreased by approximately \$177,000 from the prior year. Total disbursements for the fiscal year increased by approximately 17 percent to a total of \$2.11 million due to increases in payments to the wastewater reclamation authority and hiring of additional staff in the sewer department.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Pleasant Hill completed the year, its governmental funds reported a combined fund balance of approximately \$10,500,000, an increase of approximately \$1,600,000 from prior year's total of approximately \$8,900,000. 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 approximately \$3,300,000, an increase of \$580,000 from the prior year. This increase was mainly due to repayment of interfund loans.
- 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 \$137,000, a decrease of \$1,300,000 from the prior year. The decrease was the result of repayments on interfund loans. Any TIF debt will be paid off with incremental property taxes generated from the increased taxable valuation in the district.
- The Special Revenue, Road Use Tax Fund was established for the collection of the state's road use tax and the subsequent disbursements for road construction and maintenance. At the end of the fiscal year, the cash balance was \$775,000, an increase of \$160,000. The increase was the result of increased tax collections.
- The Debt Service Fund cash balance increased by \$20,000 to \$3,500. The increase was the result of interfund loans.
- 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 \$6,150,000, an increase of \$2,100,000 from the prior year. This increase was due to collection of bond proceeds.

Individual Major Proprietary Fund Analysis

- The cash balance of the Sewer Fund increased by \$10,000 to \$1,990,000 due primarily to repayment on an interfund loan.
- The cash balance of the Water Fund decreased by \$290,000 to \$2,400,000 due primarily to financing water system improvements with cash reserves rather than bond issuance.

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 twice. The amendments were approved 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 \$245,000 less than budgeted. This was primarily due to amounts budgeted for intergovernmental collections.

With the budget amendments, total disbursements were approximately \$3,150,000 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 were \$1,700,000 less than the amended budget.

DEBT ADMINISTRATION

At June 30, 2016, the City had \$3,957,000 in bonds and other long-term debt compared to \$2,410,000 last year as shown below.

	Outstanding Debt at Year-End (Expressed in Thousands)	
	June 30	
	2016	2015
General obligation bonds	\$ 3,890	\$ 2,320
28E agreement	<u>67</u>	<u>90</u>
	<u>\$ 3,957</u>	<u>\$ 2,410</u>

Increase in debt obligations is due to the issuance of \$2,120,000 in general obligation bonds during the fiscal year.

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 \$3,957,000 plus its tax increment financing rebate agreements of \$95,000 are below the City’s \$58.15 million legal debt limit. The outstanding general obligation debt is 7.0% of the legal debt limit.

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

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET AND RATES

The City’s elected and appointed officials and citizens considered many factors when setting the 2017 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, 2016 stands at 3.7 percent. This compares with the state unemployment rate of 4.0 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 June, 2016 was 241.038. For the 12 month period that ended in June, 2016 the CPI-U increased 1.0 percent.

These indicators were taken into account when adopting the budget for 2017. Budgeted disbursements are expected to increase by approximately \$14.3 million and budgeted receipts are expected to increase approximately \$13.7 million. Increases are related primarily to budgeted capital project expenditures and corresponding debt proceeds.

If these estimates are realized, the City’s budgeted cash balance is expected to decrease by approximately \$600,000 by the close of fiscal year 2017.

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, 2016

		Program receipts		
	Disbursements	Charges for service	Operating grants, contributions, and restricted interest	Capital grants, contributions, and restricted interest
FUNCTIONS/PROGRAMS				
Governmental activities				
Public safety	\$ 2,991,243	\$ 238,116	\$ 233,304	\$ -
Public works	1,281,090	56,083	1,085,644	-
Health and social services	10,423	-	-	-
Culture and recreation	1,026,690	-	63,719	-
Community and economic development	1,321,359	244,113	-	-
General government	1,065,090	134,094	-	-
Debt service	658,907	-	-	-
Capital projects	<u>3,989,106</u>	<u>-</u>	<u>-</u>	<u>107,275</u>
Total governmental activities	<u>12,343,908</u>	<u>672,406</u>	<u>1,382,667</u>	<u>107,275</u>
Business type activities				
Sewer	1,292,433	1,245,709	-	-
Water	346,089	-	-	-
Other	<u>467,280</u>	<u>605,537</u>	<u>-</u>	<u>-</u>
Total business type activities	<u>2,105,802</u>	<u>1,851,246</u>	<u>-</u>	<u>-</u>
 Total	 <u>\$14,449,710</u>	 <u>\$2,523,652</u>	 <u>\$1,382,667</u>	 <u>\$ 107,275</u>

GENERAL RECEIPTS

Property and other city tax levied for	
General purposes	
Debt service	
Tax increment financing	
Hotel motel tax	
Other tax	
Commercial/industrial tax replacement	
Unrestricted investment earnings	
Bond proceeds	
Miscellaneous	
Total general receipts	
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>
\$ (2,519,823)	\$ —	\$ (2,519,823)
(139,363)	—	(139,363)
(10,423)	—	(10,423)
(962,971)	—	(962,971)
(1,077,246)	—	(1,077,246)
(930,996)	—	(930,996)
(658,907)	—	(658,907)
<u>(3,881,831)</u>	<u>—</u>	<u>(3,881,831)</u>
<u>(10,181,560)</u>	<u>—</u>	<u>(10,181,560)</u>
—	(46,724)	(46,724)
—	(346,089)	(346,089)
—	<u>138,257</u>	<u>138,257</u>
—	<u>(254,556)</u>	<u>(254,556)</u>
<u>\$(10,181,560)</u>	<u>\$ (254,556)</u>	<u>\$(10,436,116)</u>
\$ 3,846,634	\$ —	\$ 3,846,634
539,964	—	539,964
3,827,119	—	3,827,119
175,278	—	175,278
1,214,274	—	1,214,274
139,660	—	139,660
22,504	4,608	27,112
2,113,530	—	2,113,530
<u>199,416</u>	<u>72,779</u>	<u>272,195</u>
<u>12,078,379</u>	<u>77,387</u>	<u>12,155,766</u>
1,896,819	(177,169)	1,719,650
<u>8,998,680</u>	<u>4,791,489</u>	<u>13,790,169</u>
<u>\$10,895,499</u>	<u>\$4,614,320</u>	<u>\$15,509,819</u>
\$ 70,588	\$ —	\$ 70,588
774,518	—	774,518
136,709	—	136,709
6,154,469	—	6,154,469
3,482	—	3,482
122,155	23,802	145,957
<u>3,633,578</u>	<u>4,590,518</u>	<u>8,224,096</u>
<u>\$10,895,499</u>	<u>\$4,614,320</u>	<u>\$15,509,819</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, 2016

	<u>General</u>	<u>Special revenue</u>	
		<u>Urban Renewal Tax Increment</u>	<u>Road Use Tax</u>
RECEIPTS			
Property tax	\$3,067,012	\$ -	\$ -
Tax increment financing	-	3,827,119	-
Other City tax	1,145,629	-	-
Licenses and permits	319,180	-	-
Use of money and property	61,484	3,969	-
Intergovernmental	397,362	-	1,085,644
Charges for service	294,199	-	-
Miscellaneous	109,019	-	410
Total receipts	<u>5,393,885</u>	<u>3,831,088</u>	<u>1,086,054</u>
DISBURSEMENTS			
Operating			
Public safety	2,788,029	-	-
Public works	206,731	-	925,504
Health and social services	10,423	-	-
Culture and recreation	974,014	-	-
Community and economic development	612,129	709,230	-
General government	1,065,090	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	<u>5,656,416</u>	<u>709,230</u>	<u>925,504</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(262,531)</u>	<u>3,121,858</u>	<u>160,550</u>
OTHER FINANCING SOURCES (USES)			
Bond proceeds	-	-	-
Operating transfers in	2,964,468	4,400,000	-
Operating transfers out	(2,122,186)	(8,800,000)	-
Total other financing sources (uses)	<u>842,282</u>	<u>(4,400,000)</u>	<u>-</u>
Net change in cash balances	579,751	(1,278,142)	160,550
CASH BALANCES, beginning of year	<u>2,717,188</u>	<u>1,414,851</u>	<u>613,968</u>
CASH BALANCES, end of year	<u>\$3,296,939</u>	<u>\$ 136,709</u>	<u>\$ 774,518</u>
CASH BASIS FUND BALANCES			
Nonspendable - cemetery perpetual care	\$ -	\$ -	\$ -
Restricted for			
Urban renewal purposes	-	136,709	-
Debt service	-	-	-
Streets	-	-	774,518
Other purposes	-	-	-
Unassigned	<u>3,296,939</u>	<u>-</u>	<u>-</u>
Total cash basis fund balances	<u>\$3,296,939</u>	<u>\$ 136,709</u>	<u>\$ 774,518</u>

See Notes to Financial Statements.

<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
\$ 539,964	\$ -	\$ 779,622	\$ 4,386,598
-	-	-	3,827,119
85,476	-	158,447	1,389,552
-	-	-	319,180
403	14,405	669	80,930
13,779	107,275	25,542	1,629,602
-	-	-	294,199
-	-	17,427	126,856
<u>639,622</u>	<u>121,680</u>	<u>981,707</u>	<u>12,054,036</u>
-	-	2,078	2,790,107
-	-	-	1,132,235
-	-	-	10,423
-	-	-	974,014
-	-	-	1,321,359
-	-	-	1,065,090
658,907	-	-	658,907
-	3,989,106	-	3,989,106
<u>658,907</u>	<u>3,989,106</u>	<u>2,078</u>	<u>11,941,241</u>
<u>(19,285)</u>	<u>(3,867,426)</u>	<u>979,629</u>	<u>112,795</u>
-	2,113,530	-	2,113,530
39,350	4,400,000	-	11,803,818
-	(539,350)	(964,468)	(12,426,004)
<u>39,350</u>	<u>5,974,180</u>	<u>(964,468)</u>	<u>1,491,344</u>
20,065	2,106,754	15,161	1,604,139
<u>(16,583)</u>	<u>4,047,715</u>	<u>177,582</u>	<u>8,954,721</u>
<u>\$ 3,482</u>	<u>\$ 6,154,469</u>	<u>\$ 192,743</u>	<u>\$ 10,558,860</u>
\$ -	\$ -	\$ 70,588	\$ 70,588
-	-	-	136,709
3,482	-	-	3,482
-	-	-	774,518
-	6,154,469	122,155	6,276,624
-	-	-	3,296,939
<u>\$ 3,482</u>	<u>\$ 6,154,469</u>	<u>\$ 192,743</u>	<u>\$ 10,558,860</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 – CASH BASIS
 GOVERNMENTAL FUNDS
 As of and for the year ended June 30, 2016**

Total governmental funds cash balances (pages 15-16) \$10,558,860

***Amounts reported for governmental activities in the Statement of Activities
 and Net Position - Cash Basis are different because:***

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.

336,639

Cash basis net position of governmental activities (pages 13-14) \$10,895,499

Net change in cash balances (pages 15-16) \$ 1,604,139

***Amounts reported for governmental activities in the Statement of Activities
 and Net Position - Cash Basis are different because:***

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.

292,680

Change in cash basis net position of governmental activities (pages 13-14) \$ 1,896,819

City of Pleasant Hill
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
 CHANGES IN CASH BALANCES
 PROPRIETARY FUNDS**
 As of and for the year ended June 30, 2016

	<u>Enterprise Funds</u>			<u>Internal Service Fund Equipment Replacement</u>	
	<u>Sewer</u>	<u>Water</u>	<u>Nonmajor Enterprise Funds</u>		<u>Total</u>
OPERATING RECEIPTS					
Charges for service	\$1,245,709	\$ —	\$ 605,537	\$1,851,246	\$ —
OPERATING DISBURSEMENTS					
Governmental Activities					
Public safety	—	—	—	—	201,136
Public works	—	—	—	—	148,855
Culture and recreation	—	—	—	—	52,676
Business type activities	<u>1,146,484</u>	<u>—</u>	<u>467,280</u>	<u>1,613,764</u>	<u>—</u>
Total operating disbursements	<u>1,146,484</u>	<u>—</u>	<u>467,280</u>	<u>1,613,764</u>	<u>402,667</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>99,225</u>	<u>—</u>	<u>138,257</u>	<u>237,482</u>	<u>(402,667)</u>
NONOPERATING RECEIPTS (DISBURSEMENTS)					
Intergovernmental	—	55,686	—	55,686	16,000
Interest on investments	1,243	3,166	199	4,608	601
Miscellaneous	12,525	—	4,568	17,093	56,560
Debt service	(145,949)	—	—	(145,949)	—
Capital projects	<u>—</u>	<u>(346,089)</u>	<u>—</u>	<u>(346,089)</u>	<u>—</u>
Net nonoperating	<u>(132,181)</u>	<u>(287,237)</u>	<u>4,767</u>	<u>(414,651)</u>	<u>73,161</u>
Excess (deficiency) of receipts over (under) disbursements	(32,956)	(287,237)	143,024	(177,169)	(329,506)
TRANSFERS IN	1,442,500	1,000,000	—	2,442,500	622,186
TRANSFERS OUT	<u>(1,400,000)</u>	<u>(1,000,000)</u>	<u>(42,500)</u>	<u>(2,442,500)</u>	<u>—</u>
Net change in cash balances	9,544	(287,237)	100,524	(177,169)	292,680
CASH BALANCES, beginning of year	<u>1,980,071</u>	<u>2,700,943</u>	<u>110,475</u>	<u>4,791,489</u>	<u>43,959</u>
CASH BALANCES, end of year	<u>\$1,989,615</u>	<u>\$2,413,706</u>	<u>\$ 210,999</u>	<u>\$4,614,320</u>	<u>\$ 336,639</u>
CASH BASIS FUND BALANCES					
Restricted for meter deposits	\$ —	\$ 23,802	\$ —	\$ 23,802	\$ —
Unrestricted	<u>1,989,615</u>	<u>2,389,904</u>	<u>210,999</u>	<u>4,590,518</u>	<u>336,639</u>
Total cash basis fund balances	<u>\$1,989,615</u>	<u>\$2,413,706</u>	<u>\$ 210,999</u>	<u>\$4,614,320</u>	<u>\$ 336,639</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, water, storm water, 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 Emergency Management Commission
- Polk County Joint E911 Service Board
- Des Moines Area Metropolitan Planning Organization
- Des Moines Regional Transit Authority
- Metro Waste Authority
- Metro Advisory Council
- Central Iowa Regional Drinking Water Commission

Basis of Presentation

Government-wide Financial Statement

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

City of Pleasant Hill
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

Government-wide Financial Statement (continued)

The Statement of Activities and Net 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. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position often has 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. All remaining enterprise funds are aggregated and reported as nonmajor enterprise 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 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.

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

Fund Financial Statements (continued)

Debt Service Fund

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

Capital Projects Fund

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

The City reports the following major proprietary funds:

Sewer Fund

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

Water Fund

The Enterprise, 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 of Activities and Net Position – Cash Basis.

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 and then by general receipts.

City of Pleasant Hill
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting (continued)

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.

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 are imposed by law through constitutional provisions or enabling legislation.

Unassigned

All amounts not included in the preceding classifications.

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2016 disbursements did not exceed the amounts budgeted in any function.

NOTE 2 CASH AND INVESTMENTS

The City's deposits in banks at June 30, 2016, 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.

At June 30, 2016, the City had investments in certificates of deposit valued at \$1,261,274.

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

NOTE 2 CASH AND INVESTMENTS (continued)

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.

NOTE 3 GENERAL OBLIGATION BONDS AND OTHER LONG-TERM DEBT

A summary of changes in general obligation bonds for the year ended June 30, 2016 is as follows:

	<u>Balance June 30, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2016</u>
Governmental activities				
General obligation bonds	\$1,960,000	\$2,120,000	\$ 495,000	\$3,585,000
Business type activities				
General obligation bonds	<u>360,000</u>	<u>—</u>	<u>55,000</u>	<u>305,000</u>
	<u>\$2,320,000</u>	<u>\$2,120,000</u>	<u>\$ 550,000</u>	<u>\$3,890,000</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>	<u>Total</u>
2017	\$ 645,000	\$ 77,070	\$ 722,070
2018	640,000	64,540	704,540
2019	655,000	55,240	710,240
2020	305,000	44,590	349,590
2021	310,000	38,390	348,390
2022-2026	<u>1,335,000</u>	<u>98,400</u>	<u>1,433,400</u>
	<u>\$3,890,000</u>	<u>\$ 378,230</u>	<u>\$4,268,230</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 \$550,000 and interest expense paid was \$84,281 for the year ended June 30, 2016. Interest rates on debt range from 1.00% to 4.10%.

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. Payments made by the City on the agreement during the year ended June 30, 2016 was \$22,376. Balance owed on the agreement at June 30, 2016 were \$67,129.

City of Pleasant Hill
NOTES TO FINANCIAL STATEMENTS

NOTE 3 GENERAL OBLIGATION BONDS AND OTHER LONG-TERM DEBT (continued)

As of June 30, 2016, the future minimum payments on the agreement are as follows:

Year ending
June 30

2017	\$ 22,376
2018	22,376
2019	<u>22,377</u>
Total	<u>\$ 67,129</u>

NOTE 4 JOINT VENTURE AND COMMITMENTS

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

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

The City retains an ongoing financial responsibility to the WRA since it is obligated in some manner for the debts of the joint venture through the annual allocation. Although the debt of the WRA is to be paid solely and only from WRA revenues, the participating communities in the joint venture cannot withdraw from the joint venture while any of the bonds issued during the time the communities were a participating community are still outstanding.

In May of 2013, the WRA issued Sewer Revenue Bonds Series 2013B for the purpose of refunding Series 2004B. The WRA Agreement requires the debt service of 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, 2016, the Series 2013B bonds had a balance of \$52,405,000 and the City of Pleasant Hill's estimated future allocation based on the WRA flows is currently \$417,551.

In May of 2015, the WRA issued Sewer Revenue Bonds Series 2015E for the purpose of refunding Series 2006A. The WRA Agreement requires the debt service of 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, 2016, the Series 2015E bonds had a balance of \$31,865,000 and the City of Pleasant Hill's estimated future allocation based on the WRA flows is currently \$303,698.

The WRA Agreement requires the debt service on all State Revolving Loan issues after July 1, 2004 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, 2016, the outstanding balance of State Revolving Loan issues after July 1, 2004 totaled \$264,697,879 and the City of Pleasant Hill's estimated future allocation is currently \$2,548,713.

The State Revolving Loans assumed by the WRA in 2004 are to be paid by the participating communities based on the existing allocations under the prior I.C.A. agreement. As of June 30, 2016, the balance of State Revolving Loans assumed in 2004 totaled \$1,199,987 of which \$18,663 of future principal debt service is a commitment of the City of Pleasant Hill.

City of Pleasant Hill
NOTES TO FINANCIAL STATEMENTS

NOTE 4 JOINT VENTURE AND COMMITMENTS (continued)

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, 2016, the City paid the WRA \$400,082 for operations, maintenance, equipment replacements and debt service payments.

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

NOTE 5 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 are payable through the fiscal year ending June 30, 2022. Payments totaling \$127,485 were made during the year ended June 30, 2016 under these agreements.

The outstanding balance of these development rebate agreements was approximately \$95,000 at June 30, 2016. 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, 2016 is \$244,000.

In October 2015 the City authorized a \$575,000 loan to a developer for the purpose of constructing a low to moderate income senior apartment complex. The loan does not bear interest and is secured by a subordinate mortgage on the property. The loan is payable in full on November 1, 2034.

NOTE 6 PENSION PLAN

Plan Description

IPERS is a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System. Membership is mandatory for employees of the City, except for those covered by another retirement system. IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

City of Pleasant Hill
NOTES TO FINANCIAL STATEMENTS

NOTE 6 PENSION PLAN (continued)

Pension Benefits

A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary. For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.

Protection occupation members may retire at normal retirement age which is generally at age 55. The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for years of service greater than 22 but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits

A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions

The contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

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

NOTE 6 PENSION PLAN (continued)

Contributions (continued)

In fiscal year 2016, pursuant to the required rate, Regular members contributed 5.95 percent of covered payroll and the City contributed 8.93 percent of covered payroll for a total rate of 14.88 percent. Protection occupation members contributed 6.56 percent of covered payroll and the City contributed 9.84 percent of covered payroll, for a total rate of 16.40 percent.

The City's total contributions to IPERS for the year ended June 30, 2016 were \$313,176.

Net Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the City's liability for its proportionate share of the net pension liability totaled \$952,263. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. The following table summarizes the change in the City's proportionate share:

	June 30		Change
	2015	2014	
City's proportionate share	0.019275%	0.013841%	0.005434%

For the year ended June 30, 2016 the City's pension expense, deferred outflows and deferred inflows totaled \$170,784, \$429,447 and \$234,804, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, as follows:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent compounded annually, net of investment expense, including inflation
Wage growth (effective June 30, 1990)	4.00 percent per annum, based on 3.00 percent inflation and 1.00 percent real wage inflation

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

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

NOTE 6 PENSION PLAN (continued)

Actuarial Assumptions (continued)

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Core Plus Fixed Income	28%	2.04%
Domestic Equity	24	6.29
International Equity	16	6.75
Private Equity/debt	11	11.32
Real Estate	8	3.48
Credit Opportunities	5	3.63
U.S. TIPS	5	1.91
Other Real Assets	2	6.24
Cash	<u>1</u>	(0.71)
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, the IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	<u>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
City's proportionate share of the net pension liability (asset)	\$ <u>2,570,267</u>	\$ <u>952,263</u>	\$ <u>(412,299)</u>

IPERS' Fiduciary Net Position

Detailed information about the IPERS' fiduciary net position is available in the separately issued IPERS' financial report which is available on IPERS' website at www.ipers.org.

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

NOTE 7 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. The retirement fund consists of previously accrued sick hours which were allocated for use by the employee upon retirement under a former City policy. 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, 2016, primarily relating to the General Fund, is as follows:

<u>Type of benefit</u>	<u>Amount</u>
Vacation	\$ 184,331
Sick leave	104,450
Compensatory time	41,428
Retirement fund	<u>55,807</u>
 Total	 <u>\$ 386,016</u>

This liability has been computed based on rates of pay in effect at June 30, 2016.

NOTE 8 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 746 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 casualty 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 basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal 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, 2016 were \$98,975.

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 through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

City of Pleasant Hill
NOTES TO FINANCIAL STATEMENTS

NOTE 8 RISK MANAGEMENT (continued)

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

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. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

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 9 INDUSTRIAL DEVELOPMENT REVENUE BONDS

The City has issued a total of \$15,957,040 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa, of which approximately \$13,000,000 is outstanding at June 30, 2016. 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 10 CONSTRUCTION CONTRACTS

The City has entered into various construction contracts totaling approximately \$4,100,000. The unpaid contract balances as of June 30, 2016 totaled approximately \$1,100,000 which will be paid from cash reserves and other sources as work progresses.

NOTE 11 CONTINGENCIES

The City is involved in lawsuits arising in the ordinary course of activities, including claims regarding property condemnation proceedings and suits contesting the legality of certain taxes. While these cases may have future financial effect, management, based on advice of counsel, believes that their ultimate outcome will not be material to the financial statements.

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

NOTE 12 INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2016 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General fund	Special Revenue	
	Urban renewal tax increment fund	\$ 2,000,000
	Nonmajor governmental	
	Employee benefits fund	964,193
	Permanent	
	Cemetery perpetual care fund	<u>275</u>
		<u>2,964,468</u>
Capital projects fund	Special Revenue	
	Urban renewal tax increment fund	<u>4,400,000</u>
Special Revenue		
Urban renewal tax increment fund	General fund	2,000,000
	Enterprise	
	Water fund	1,000,000
	Sewer fund	<u>1,400,000</u>
		<u>4,400,000</u>
Debt Service	Capital projects fund	<u>39,350</u>
Internal Service		
Equipment replacement fund	General fund	122,186
	Capital projects fund	<u>500,000</u>
		<u>622,186</u>
Enterprise		
Water fund	Urban renewal tax increment fund	<u>1,000,000</u>
Sewer fund	Urban renewal tax increment fund	1,400,000
	Storm water fund	<u>42,500</u>
		<u>1,442,500</u>
Total		<u>\$14,868,504</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources and for interfund loans for capital improvement projects.

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

NOTE 13 OTHER POST-EMPLOYMENT BENEFITS

Upon retirement, full-time employees who are at least 63 years of age and have worked for the City for a minimum of 15 years are offered the following post-employment benefits:

Health insurance - The City will continue to pay the employer's share of major medical health insurance for the employee and their spouse, until the employee reaches the age of 65 or becomes eligible for Medicare.

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 – Under a previous City policy, employees were allowed to set aside accrued leave for the purpose of paying health insurance premiums upon retirement. The balance of the health insurance bank was valued at \$55,807 at June 30, 2016.

At June 30, 2016 there were 48 active and 2 retired members of the Plan.

Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are approximately \$1,250 per month. The same monthly premiums apply to retirees. For the year ended June 30, 2016, the City contributed approximately \$27,000 to the plan.

The City has entered into agreements with the City Manager, Police Chief and Fire 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 termination benefits of up to nine months of wages and medical insurance benefits. The terms of the severance agreement vary by position and length of service. The compensation rate is based upon the compensation paid to the applicable employees at the time of termination.

NOTE 14 DUE FROM AND DUE TO OTHER FUNDS

The detail of interfund receivables and payables at June 30, 2016 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Urban Renewal Tax Increment	\$ <u>230,933</u>

These balances result from interfund loans to finance projects. Repayments will be made from future revenues.

In November, 2015 City Council authorized a \$3,850,000 loan to the Urban Renewal Tax Increment Fund from the General, Water, and Sewer Funds. The City anticipates drawing down on these funds during fiscal year 2017. Repayments will be made from future tax increment revenues.

City of Pleasant Hill
NOTES TO FINANCIAL STATEMENTS

NOTE 15 SALE OF EXCESS WATER CAPACITY

The City entered into an agreement on September 24, 2013 to sell 700,000 gallons of purchased water capacity to the City of Bondurant for \$1,257,000 up front and \$500,000 payable over 10 years at 2 percent interest. The total future payments receivable under the agreement is as follows:

Year ending June 30

2017	\$ 55,654
2018	55,704
2019	55,634
2020	55,646
2021	55,638
2022-2024	<u>166,964</u>
Total	<u>\$ 445,240</u>

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, 2016

	<u>Governmental funds actual</u>	<u>Proprietary funds actual</u>	<u>Adjustments to budget basis</u>	<u>Total</u>
RECEIPTS				
Property tax	\$ 4,386,598	\$ -	\$ -	\$ 4,386,598
Tax increment financing collections	3,827,119	-	-	3,827,119
Other City tax	1,389,552	-	-	1,389,552
Licenses and permits	319,180	-	-	319,180
Use of money and property	80,930	5,209	(601)	85,538
Intergovernmental	1,629,602	71,686	(16,000)	1,685,288
Charges for service	294,199	1,851,246	-	2,145,445
Miscellaneous	<u>126,856</u>	<u>73,653</u>	<u>(56,560)</u>	<u>143,949</u>
Total receipts	<u>12,054,036</u>	<u>2,001,794</u>	<u>(73,161)</u>	<u>13,982,669</u>
DISBURSEMENTS				
Public safety	2,790,107	201,136	(201,136)	2,790,107
Public works	1,132,235	148,855	280,523	1,561,613
Health and social services	10,423	-	-	10,423
Culture and recreation	974,014	52,676	(52,676)	974,014
Community and economic development	1,321,359	-	-	1,321,359
General government	1,065,090	-	-	1,065,090
Debt service	658,907	-	-	658,907
Capital projects	3,989,106	-	-	3,989,106
Business type activities	-	<u>2,105,802</u>	<u>(429,378)</u>	<u>1,676,424</u>
Total disbursements	<u>11,941,241</u>	<u>2,508,469</u>	<u>(402,667)</u>	<u>14,047,043</u>
Excess (deficiency) of receipts over (under) disbursements	<u>112,795</u>	<u>(506,675)</u>	<u>329,506</u>	<u>(64,374)</u>
OTHER FINANCING SOURCES, net	<u>1,491,344</u>	<u>622,186</u>	<u>(622,186)</u>	<u>1,491,344</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	1,604,139	115,511	(292,680)	1,426,970
BALANCES, beginning of year	<u>8,954,721</u>	<u>4,835,448</u>	<u>(550,421)</u>	<u>13,239,748</u>
BALANCES, end of year	<u>\$10,558,860</u>	<u>\$4,950,959</u>	<u>\$ (843,101)</u>	<u>\$14,666,718</u>

See accompanying independent auditor's report.

Budgeted amounts		Final to actual variance- positive (negative)
Original	Final	
\$ 4,384,263	\$ 4,384,263	\$ 2,335
3,910,757	3,910,757	(83,638)
1,488,243	1,488,243	(98,691)
133,700	153,700	165,480
62,406	62,406	23,132
1,187,718	1,880,989	(195,701)
2,198,400	2,198,400	(52,955)
<u>82,400</u>	<u>149,200</u>	<u>(5,251)</u>
<u>13,447,887</u>	<u>14,227,958</u>	<u>(245,289)</u>
2,996,914	3,094,867	304,760
1,500,175	1,789,412	227,799
10,500	10,500	77
1,026,917	1,072,413	98,399
928,501	1,659,570	338,211
1,105,524	1,151,855	86,765
618,836	658,907	-
4,078,400	5,718,912	1,729,806
<u>1,502,300</u>	<u>2,043,369</u>	<u>366,945</u>
<u>13,768,067</u>	<u>17,199,805</u>	<u>3,152,762</u>
<u>(320,180)</u>	<u>(2,971,847)</u>	<u>2,907,473</u>
<u>-</u>	<u>2,169,216</u>	<u>(677,872)</u>
(320,180)	(802,631)	2,229,601
<u>10,591,398</u>	<u>10,591,398</u>	<u>2,648,350</u>
<u>\$10,271,218</u>	<u>\$ 9,788,767</u>	<u>\$4,877,951</u>

City of Pleasant Hill
NOTE TO OTHER INFORMATION - BUDGETARY REPORTING
June 30, 2016

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 the Internal Service Fund. 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. 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, two budget amendments increased budgeted disbursements by \$3,431,738. These budget amendments are reflected in the final budgeted amounts.

City of Pleasant Hill, Iowa
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Iowa Public Employees' Retirement System
For the Last Two Years*
(In Thousands)
Other Information

	June 30	
	2016	2015
City's proportion of the net pension liability	0.019275%	0.013841%
City's proportionate share of the net pension liability	\$952	\$548
City's covered employee payroll	\$3,243	\$3,178
City's proportionate share of the net pension liability as a percentage of its covered employee payroll	29.36%	17.24%
IPERS' net position as a percentage of the total pension liability	85.19%	87.61%

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full ten-year trend is compiled, the City will present information for those years for which information is available.

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditor's report.

City of Pleasant Hill, Iowa
SCHEDULE OF CITY CONTRIBUTIONS
Iowa Public Employees' Retirement System
(In Thousands)
Other Information

	Year ended June 30			
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Statutorily required contribution	\$ 313	\$ 300	\$ 268	\$ 246
Contributions in relation to the statutorily required contribution	<u>313</u>	<u>300</u>	<u>268</u>	<u>246</u>
Contribution deficiency (excess)	\$ <u>—</u>	\$ <u>—</u>	\$ <u>—</u>	\$ <u>—</u>
City's covered employee payroll	\$3,243	\$3,178	\$3,092	\$2,848
Contributions as a percentage of total payroll	9.7%	9.4%	8.7%	8.6%

See accompanying independent auditor's report.

Year ended June 30					
<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 227	\$ 188	\$ 174	\$ 147	\$ 134	\$ 129
<u>227</u>	<u>188</u>	<u>174</u>	<u>147</u>	<u>134</u>	<u>129</u>
<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
\$2,876	\$2,380	\$2,322	\$2,155	\$2,004	\$1,885
7.9%	7.9%	7.5%	6.8%	6.7%	6.8%

See accompanying independent auditor's report.

City of Pleasant Hill, Iowa
NOTE TO OTHER INFORMATION – PENSION LIABILITY
Year ended June 30, 2016

CHANGES OF BENEFIT TERMS

Legislation enacted in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

CHANGES OF ASSUMPTIONS

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

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, 2016

	Special revenue			
	Employee Benefit Tax	Drug Enforcement Agency	Avenue of Flags	Park & Recreation Complex
RECEIPTS				
Property tax	\$ 779,622	\$ -	\$ -	\$ -
Other City tax	158,447	-	-	-
Use of money and property	68	70	4	181
Intergovernmental	25,542	-	-	-
Miscellaneous	-	14,944	-	-
Total receipts	<u>963,679</u>	<u>15,014</u>	<u>4</u>	<u>181</u>
DISBURSEMENTS				
Operating				
Public safety	-	2,078	-	-
Total disbursements	<u>-</u>	<u>2,078</u>	<u>-</u>	<u>-</u>
Excess of receipts over disbursements	<u>963,679</u>	<u>12,936</u>	<u>4</u>	<u>181</u>
OTHER FINANCING (USES)				
Operating transfers out	(964,193)	-	-	-
Total other financing (uses)	<u>(964,193)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in cash balances	(514)	12,936	4	181
CASH BALANCES , beginning of year	<u>4,072</u>	<u>39,673</u>	<u>2,279</u>	<u>27,984</u>
CASH BALANCES , end of year	<u>\$ 3,558</u>	<u>\$ 52,609</u>	<u>\$ 2,283</u>	<u>\$ 28,165</u>
CASH BASIS FUND BALANCES				
Nonspendable - cemetery perpetual care	\$ -	\$ -	\$ -	\$ -
Restricted for other purposes	<u>3,558</u>	<u>52,609</u>	<u>2,283</u>	<u>28,165</u>
Total cash basis fund balances	<u>\$ 3,558</u>	<u>\$ 52,609</u>	<u>\$ 2,283</u>	<u>\$ 28,165</u>

Schedule 1

<u>Special revenue</u>		<u>Permanent Cemetery Perpetual Care</u>	<u>Total</u>
<u>Library</u>	<u>Memorial</u>		
\$ -	\$ -	\$ -	\$ 779,622
-	-	-	158,447
69	2	275	669
-	-	-	25,542
-	-	2,483	17,427
<u>69</u>	<u>2</u>	<u>2,758</u>	<u>981,707</u>
-	-	-	2,078
-	-	-	2,078
<u>69</u>	<u>2</u>	<u>2,758</u>	<u>979,629</u>
-	-	(275)	(964,468)
-	-	(275)	(964,468)
69	2	2,483	15,161
<u>34,190</u>	<u>1,279</u>	<u>68,105</u>	<u>177,582</u>
\$ <u>34,259</u>	\$ <u>1,281</u>	\$ <u>70,588</u>	\$ <u>192,743</u>
\$ -	\$ -	\$ 70,588	\$ 70,588
<u>34,259</u>	<u>1,281</u>	-	<u>122,155</u>
\$ <u>34,259</u>	\$ <u>1,281</u>	\$ <u>70,588</u>	\$ <u>192,743</u>

City of Pleasant Hill
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCES
Nonmajor Proprietary Funds
As of and for the year ended June 30, 2016

	<u>Solid Waste</u>	<u>Storm Water</u>	<u>Total</u>
OPERATING RECEIPTS			
Charges for services	\$ <u>414,516</u>	\$ <u>191,021</u>	\$ <u>605,537</u>
OPERATING DISBURSEMENTS			
Business type activities	<u>429,378</u>	<u>37,902</u>	<u>467,280</u>
Total operating disbursements	<u>429,378</u>	<u>37,902</u>	<u>467,280</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>(14,862)</u>	<u>153,119</u>	<u>138,257</u>
NONOPERATING RECEIPTS			
Interest on investments	141	58	199
Miscellaneous	<u>—</u>	<u>4,568</u>	<u>4,568</u>
Net nonoperating receipts	<u>141</u>	<u>4,626</u>	<u>4,767</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(14,721)</u>	<u>157,745</u>	<u>143,024</u>
TRANSFERS OUT			
Net change in cash balances	<u>—</u> <u>(14,721)</u>	<u>(42,500)</u> <u>115,245</u>	<u>(42,500)</u> <u>100,524</u>
CASH BALANCES , beginning of year	<u>110,475</u>	<u>—</u>	<u>110,475</u>
CASH BALANCES , end of year	<u>\$ 95,754</u>	<u>\$ 115,245</u>	<u>\$ 210,999</u>
CASH BASIS FUND BALANCES			
Unrestricted	<u>\$ 95,754</u>	<u>\$ 115,245</u>	<u>\$ 210,999</u>

**City of Pleasant Hill
SCHEDULE OF INDEBTEDNESS
For the year ended June 30, 2016**

<u>Obligation</u>	<u>Date of issue</u>	<u>Interest rates</u>	<u>Amount originally issued</u>
General Obligation Bonds			
Corporate Purpose and Refunding, Series 2009	April 13, 2009	3.30%	\$2,865,000
Sewer Improvement, Series 2009B	December 15, 2009	3.20 to 4.10%	620,000
Corporate Purpose, Series 2012	July 17, 2012	1.00 to 1.40%	2,000,000
Corporate Purpose, Series 2015	July 8, 2015	1.50 to 2.50%	2,120,000
28E Agreement Polk County	November 25, 2008	0.0%	\$ 223,762

See accompanying independent auditor's report.

Schedule 3

<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>
\$ 445,000	\$ —	\$ 255,000	\$ 190,000	\$ 14,175
360,000	—	55,000	305,000	12,935
1,515,000	—	240,000	1,275,000	17,850
<u>—</u>	<u>2,120,000</u>	<u>—</u>	<u>2,120,000</u>	<u>39,321</u>
<u>\$2,320,000</u>	<u>\$2,120,000</u>	<u>\$ 550,000</u>	<u>\$3,890,000</u>	<u>\$ 84,281</u>
<u>\$ 89,505</u>	<u>\$ —</u>	<u>\$ 22,376</u>	<u>\$ 67,129</u>	<u>\$ —</u>

**City of Pleasant Hill
BOND MATURITIES
June 30, 2016**

General Obligation Bonds					
Year ending June 30	Sewer Improvement Bonds Series 2009B		Corporate Purpose and Refunding Bonds Series 2009		
	Issued December 15, 2009		Issued April 13, 2009		
	Interest Rates	Amount	Interest Rates	Amount	
2017	3.20%	\$ 55,000	3.30%	\$ 190,000	
2018	3.40%	60,000		-	
2019	3.70%	60,000		-	
2020	4.00%	65,000		-	
2021	4.10%	65,000		-	
Totals		<u>\$ 305,000</u>		<u>\$ 190,000</u>	

Year ending June 30	Corporate Purpose Issued July 17, 2012		Corporate Purpose Series 2015 Issued July 8, 2015		Total
	Interest Rates	Amount	Interest Rates	Amount	
	2017	1.00%	\$ 300,000	1.50%	
2018	1.20%	480,000	1.50%	100,000	640,000
2019	1.40%	495,000	1.50%	100,000	655,000
2020		-	1.50%	240,000	305,000
2021		-	2.00%	245,000	310,000
2022		-	2.00%	250,000	250,000
2023		-	2.00%	260,000	260,000
2024		-	2.50%	265,000	265,000
2025		-	2.50%	275,000	275,000
2026		-	2.50%	285,000	285,000
Totals		<u>\$1,275,000</u>		<u>\$2,120,000</u>	<u>\$3,890,000</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			
	2016	2015	2014	2013
RECEIPTS				
Property and other City tax	\$ 5,776,150	\$ 5,441,744	\$ 5,293,621	\$ 4,826,850
Tax increment financing collections	3,827,119	4,299,527	4,410,520	4,581,527
Licenses and permits	319,180	180,312	117,608	93,131
Use of money and property	80,930	75,353	88,690	103,701
Intergovernmental	1,629,602	1,278,771	1,173,062	1,245,467
Charges for services	294,199	391,375	374,398	332,239
Special assessments	-	-	-	-
Miscellaneous	126,856	116,466	165,238	142,813
Total receipts	<u>\$12,054,036</u>	<u>\$11,783,548</u>	<u>\$11,623,137</u>	<u>\$11,325,728</u>
DISBURSEMENTS				
Operating				
Public safety	\$ 2,790,107	\$ 2,720,339	\$ 2,502,611	\$ 2,312,097
Public works	1,132,235	1,105,337	936,782	818,383
Health and social services	10,423	6,849	3,449	-
Culture and recreation	974,014	922,443	916,644	885,493
Community and economic development	1,321,359	907,038	810,365	816,212
General government	1,065,090	1,020,329	1,073,006	914,961
Debt service	658,907	624,142	4,860,416	8,894,747
Capital projects	<u>3,989,106</u>	<u>3,658,029</u>	<u>2,977,953</u>	<u>9,142,974</u>
Total disbursements	<u>\$11,941,241</u>	<u>\$10,964,506</u>	<u>\$14,081,226</u>	<u>\$23,784,867</u>

See accompanying independent auditor's report.

Schedule 5

Year ended June 30					
<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 4,673,562	\$ 4,261,584	\$ 3,850,081	\$ 3,806,311	\$ 3,313,909	\$ 3,207,163
4,513,164	4,758,779	5,248,999	4,275,494	3,630,261	2,959,637
120,838	65,175	143,578	194,591	168,778	265,340
109,420	100,538	68,402	96,504	188,217	154,136
1,198,255	1,359,347	1,062,857	1,099,505	1,312,547	1,127,217
362,370	293,963	219,557	234,296	322,878	322,187
—	—	545	32,661	9,691	3,811
<u>148,183</u>	<u>153,401</u>	<u>151,021</u>	<u>180,891</u>	<u>550,704</u>	<u>1,196,675</u>
<u>\$11,125,792</u>	<u>\$10,992,787</u>	<u>\$10,745,040</u>	<u>\$ 9,920,253</u>	<u>\$ 9,496,985</u>	<u>\$ 9,236,166</u>
\$ 2,301,054	\$ 1,970,745	\$ 1,905,802	\$ 1,717,222	\$ 1,745,604	\$ 1,419,971
938,896	835,004	803,504	960,336	761,155	827,456
3,056	25	—	5,682	—	6,461
864,297	796,184	755,784	699,371	557,622	585,022
825,945	691,156	862,193	890,370	781,384	698,486
961,909	919,745	959,653	836,204	1,017,406	576,011
2,885,161	2,875,520	3,392,696	3,746,851	2,172,134	1,568,262
<u>1,394,099</u>	<u>2,210,587</u>	<u>1,960,915</u>	<u>2,754,843</u>	<u>4,463,079</u>	<u>2,701,869</u>
<u>\$10,174,417</u>	<u>\$10,298,966</u>	<u>\$10,640,547</u>	<u>\$11,610,879</u>	<u>\$11,498,384</u>	<u>\$ 8,383,538</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**

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 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, 2016, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 16, 2016. 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'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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's financial statements will not be prevented or detected and corrected on a timely basis. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2016 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.

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 results 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
October 16, 2016

**City of Pleasant Hill
SCHEDULE OF FINDINGS
Year ended June 30, 2016**

Part I – Findings Related to Financial Statements

INSTANCES OF NONCOMPLIANCE

No matters were reported.

INTERNAL CONTROL DEFICIENCY

No matters were reported.

City of Pleasant Hill
SCHEDULE OF FINDINGS (continued)
Year ended June 30, 2016

Part II—Other Findings Related to Required Statutory Reporting

II-A-16 CERTIFIED BUDGET

Disbursements during the year ended June 30, 2016 did not exceed budgeted amounts, as amended.

II-B-16 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-16 TRAVEL EXPENSE

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

II-D-16 BUSINESS TRANSACTIONS

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

II-E-16 BOND COVERAGE

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

II-F-16 COUNCIL MINUTES

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

II-G-16 DEPOSITS AND INVESTMENTS

No instances of noncompliance with the deposits and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.

II-H-16 ANNUAL URBAN RENEWAL REPORT

The annual urban renewal report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.