

**City of Pleasant Hill**

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

**June 30, 2017**



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**City of Pleasant Hill  
OFFICIALS**

<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	Retired June 2017
Benjamin Champ	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, 2017, 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, 2017, 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 five years ended June 30, 2016 (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 four 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 the 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 13, 2017 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 13, 2017

## **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, 2017. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### **2017 FINANCIAL HIGHLIGHTS**

- The City's governmental activities' receipts increased 8.2% or approximately \$986,000 from fiscal year 2016. Property tax increased approximately \$330,000 and other general receipts increased approximately \$658,000.
- City program disbursements decreased 10.9% or approximately \$1,302,000 from fiscal year 2016. Decrease was due primarily to decreases in community and economic development and capital projects which decreased by approximately \$780,000 and \$1,414,000, respectively.
- The City's total cash basis net position at June 30, 2017 increased approximately 71.1% or approximately \$11,024,000 from June 30, 2016. Of this amount, the City's governmental funds cash basis net position increased approximately \$11,000,000 (104%), the assets of the enterprise funds increased approximately \$185,000 (4%), and the net position of the internal service fund decreased by approximately \$166,000 (49%).

### **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 \$10.8 million to \$21.7 million. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities (Expressed in Thousands)		
	Year ended June 30	
	<u>2017</u>	<u>2016</u>
Receipts:		
Program receipts:		
Charges for service	\$ 696	\$ 672
Operating grants, contributions and restricted interest	1,350	1,383
Capital grants, contributions and restricted interest	602	107
General receipts:		
Property tax	8,700	8,353
Hotel motel tax	199	175
Other tax	1,271	1,214
Unrestricted interest on investments	34	23
Bond proceeds	8,873	2,114
Other general receipts	<u>333</u>	<u>199</u>
Total receipts	<u>22,058</u>	<u>14,240</u>
Disbursements:		
Public safety	3,416	2,991
Public works	1,448	1,281
Health and social services	11	10
Culture and recreation	1,054	1,027
Community and economic development	566	1,321
General government	1,129	1,065
Debt service	1,020	659
Capital projects	<u>2,575</u>	<u>3,990</u>
Total disbursements	<u>11,219</u>	<u>12,344</u>
Change in cash basis net position	10,839	1,896
Cash basis net position beginning of year	<u>10,895</u>	<u>8,999</u>
Cash basis net position end of year	<u>\$ 21,734</u>	<u>\$ 10,895</u>

The City's total receipts for governmental activities increased by \$7,818,000 (55%). The total cost of all programs and services decreased by approximately \$1,125,000 (9%) primarily due to decreases 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, 2017.

Due to a reduction in tax increment financing receipts, property tax receipts are budgeted to decrease by \$380,000 next year.

The cost of all governmental activities this year was approximately \$11.2 million compared to \$12.3 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 \$8.6 million because some of the cost was paid by those who directly benefit from the programs (approximately \$696,000) or by other governments and organizations that subsidized certain programs with grants and contributions (approximately \$1,953,000). Overall, the City's governmental programs receipts, including intergovernmental aid and fees for services, increased in 2017 from approximately \$2,162,000 to approximately \$2,648,000. The city paid for the remaining "public benefit" portion of governmental activities with approximately \$10.17 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	
	2017	2016
Receipts:		
Program receipts:		
Charges for service:		
Sewer	\$ 1,412	\$ 1,246
Other	672	605
General Receipts:		
Unrestricted interest on investments	4	5
Other	81	73
Total receipts	<u>2,169</u>	<u>1,929</u>
Disbursements:		
Sewer	1,453	1,293
Water	-	346
Other	531	467
Total disbursements	<u>1,984</u>	<u>2,106</u>
Change in cash basis net position	185	(177)
Cash basis net position beginning of year	<u>4,614</u>	<u>4,791</u>
Cash basis net position end of year	<u>\$ 4,799</u>	<u>\$ 4,614</u>

Total business type activities receipts for the fiscal year were approximately \$2.17 million compared to \$1.93 million last year. This increase was due primarily to the increase in sewer charges. The cash basis net position increased by approximately \$185,000 from the prior year. Total disbursements for the fiscal year decreased by approximately 6 percent to a total of \$1.98 million due to decreases in water-related expenses.

## **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Pleasant Hill completed the year, its governmental funds reported a combined fund balance of approximately \$21,500,000, an increase of approximately \$11,000,000 from prior year's total of approximately \$10,500,000. The following are the major reasons for the changes in fund 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 fund balance of the General Fund was approximately \$3,900,000, an increase of \$600,000 from the prior year. This increase was mainly due to repayment 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 fund balance was approximately \$16,600,000, an increase of \$10,450,000 from the prior year. This increase was due to collection of bond proceeds and tax increment financing receipts transferred from the Special Revenue Urban Renewal Tax Increment Fund.

### **Individual Major Proprietary Fund Analysis**

- The cash balance of the Sewer Fund increased by \$21,000 to \$2,011,000 due primarily to interfund transfers.
- The cash balance of the Water Fund increased by \$59,000 to \$2,472,000 due primarily to receipts from excess capacity sales.

## **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 \$2,685,000 less than budgeted. This was primarily due to amounts budgeted for intergovernmental collections.

With the budget amendments, total disbursements were approximately \$17,200,000 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 \$15,162,000 less than the amended budget.

**DEBT ADMINISTRATION**

At June 30, 2017, the City had \$11,290,000 in bonds and other long-term debt compared to \$3,957,000 last year as shown below.

	Outstanding Debt at Year-End (Expressed in Thousands)	
	June 30	
	2017	2016
General obligation bonds	\$ 11,245	\$ 3,890
28E agreement	45	67
	<u>\$ 11,290</u>	<u>\$ 3,957</u>

Increase in debt obligations is due to the issuance of \$8,000,000 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 \$11,290,000 plus its tax increment financing rebate agreements of \$50,000 are below the City's \$58.15 million legal debt limit. The outstanding general obligation debt is 19.5% 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 2018 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 13 percent. Unemployment in the metro area as of June, 2017 stands at 3.0 percent. This compares with the state unemployment rate of 3.2 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, 2017 was 244.955. For the 12 month period that ended in June, 2017 the CPI-U increased 1.6 percent.

These indicators were taken into account when adopting the budget for 2018. Budgeted disbursements are expected to increase by approximately \$18.1 million and budgeted receipts are expected to increase approximately \$10.9 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 \$4,500,000 by the close of fiscal year 2018.

**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 Benjamin Champ, 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, 2017**

	<u>Disbursements</u>	<u>Program receipts</u>		
		<u>Charges for service</u>	<u>Operating grants, contributions, and restricted interest</u>	<u>Capital grants, contributions, and restricted interest</u>
<b>FUNCTIONS/PROGRAMS</b>				
Governmental activities				
Public safety	\$ 3,415,859	\$ 271,930	\$ 219,398	\$ -
Public works	1,448,384	-	1,090,602	-
Health and social services	10,723	-	-	-
Culture and recreation	1,054,144	69,252	40,451	-
Community and economic development	566,408	225,391	-	-
General government	1,128,677	128,969	-	-
Debt service	1,020,447	-	-	-
Capital projects	<u>2,574,669</u>	<u>-</u>	<u>-</u>	<u>602,443</u>
Total governmental activities	<u>11,219,311</u>	<u>695,542</u>	<u>1,350,451</u>	<u>602,443</u>
Business type activities				
Sewer	1,453,702	1,412,232	-	-
Other	<u>530,765</u>	<u>671,963</u>	<u>-</u>	<u>-</u>
Total business type activities	<u>1,984,467</u>	<u>2,084,195</u>	<u>-</u>	<u>-</u>
 Total	 <u>\$13,203,778</u>	 <u>\$2,779,737</u>	 <u>\$1,350,451</u>	 <u>\$ 602,443</u>

**GENERAL RECEIPTS AND TRANSFERS**

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 and transfers  
  Change in cash basis net assets

**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 assets

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>
\$ (2,924,531)	\$ —	\$ (2,924,531)
(357,782)	—	(357,782)
(10,723)	—	(10,723)
(944,441)	—	(944,441)
(341,017)	—	(341,017)
(999,708)	—	(999,708)
(1,020,447)	—	(1,020,447)
<u>(1,972,226)</u>	<u>—</u>	<u>(1,972,226)</u>
<u>(8,570,875)</u>	<u>—</u>	<u>(8,570,875)</u>
—	(41,470)	(41,470)
—	<u>141,198</u>	<u>141,198</u>
—	<u>99,728</u>	<u>99,728</u>
<u>\$ (8,570,875)</u>	<u>\$ 99,728</u>	<u>\$ (8,471,147)</u>
\$ 4,031,194	\$ —	\$ 4,031,194
685,551	—	685,551
3,854,476	—	3,854,476
199,384	—	199,384
1,271,287	—	1,271,287
128,234	—	128,234
33,646	4,264	37,909
8,873,361	—	8,873,361
<u>332,555</u>	<u>80,889</u>	<u>413,444</u>
<u>19,409,688</u>	<u>85,153</u>	<u>19,494,841</u>
10,838,813	184,881	11,023,694
<u>10,895,499</u>	<u>4,614,320</u>	<u>15,509,819</u>
<u>\$21,734,312</u>	<u>\$4,799,201</u>	<u>\$26,533,513</u>
\$ 75,475	\$ —	\$ 75,475
737,279	—	737,279
103,316	—	103,316
16,595,525	—	16,595,525
23,205	—	23,205
120,769	23,843	144,612
<u>4,078,743</u>	<u>4,775,358</u>	<u>8,854,101</u>
<u>\$21,734,312</u>	<u>\$4,799,201</u>	<u>\$26,533,513</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, 2017**

		<b>Special revenue</b>	
	<b>General</b>	<b>Urban Renewal Tax Increment</b>	<b>Road Use Tax</b>
<b>RECEIPTS</b>			
Property tax	\$3,284,470	\$ -	\$ -
Tax increment financing	-	3,854,476	-
Other city tax	1,193,122	-	-
Licenses and permits	290,812	-	-
Use of money and property	67,702	3,669	-
Intergovernmental	351,979	-	1,090,602
Charges for service	341,183	-	-
Special assessments	-	-	-
Miscellaneous	174,590	-	-
Total receipts	<u>5,703,858</u>	<u>3,858,145</u>	<u>1,090,602</u>
<b>DISBURSEMENTS</b>			
Operating			
Public safety	2,953,824	-	-
Public works	222,467	-	1,127,841
Health and social services	10,723	-	-
Culture and recreation	1,054,144	-	-
Community and economic development	499,499	41,537	-
General government	1,128,677	-	-
Debt service	-	88,315	-
Capital projects	-	-	-
Total disbursements	<u>5,869,334</u>	<u>129,852</u>	<u>1,127,841</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(165,476)</u>	<u>3,728,293</u>	<u>(37,239)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Bond proceeds	-	8,873,361	-
Sale of assets	-	-	-
Operating transfers in	2,358,982	3,850,000	-
Operating transfers out	(1,581,970)	(16,485,047)	-
Total other financing sources (uses)	<u>777,012</u>	<u>(3,761,686)</u>	<u>-</u>
Net change in cash balances	611,536	(33,393)	(37,239)
<b>CASH BALANCES</b> , beginning of year	<u>3,296,939</u>	<u>136,709</u>	<u>774,518</u>
<b>CASH BALANCES</b> , end of year	<u>\$3,908,475</u>	<u>\$ 103,316</u>	<u>\$ 737,279</u>
<b>CASH BASIS FUND BALANCES</b>			
Nonspendable - cemetery perpetual care	\$ -	\$ -	\$ -
Restricted for			
Urban renewal purposes	-	103,316	-
Debt service	-	-	-
Streets	-	-	737,279
Other purposes	-	-	-
Unassigned	<u>3,908,475</u>	<u>-</u>	<u>-</u>
Total cash basis fund balances	<u>\$3,908,475</u>	<u>\$ 103,316</u>	<u>\$ 737,279</u>

See Notes to Financial Statements.

<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
\$ 685,551	\$ -	\$ 746,724	\$ 4,716,745
-	-	-	3,854,476
101,520	-	140,524	1,435,166
-	-	-	290,812
555	23,966	903	96,795
15,143	602,443	20,960	2,081,127
-	-	-	341,183
-	35,505	-	35,505
-	5,000	9,024	188,614
<u>802,769</u>	<u>666,914</u>	<u>918,135</u>	<u>13,040,423</u>
-	-	5,652	2,959,476
-	-	-	1,350,308
-	-	-	10,723
-	-	-	1,054,144
-	-	-	541,036
-	-	-	1,128,677
932,132	-	-	1,020,447
-	<u>2,574,669</u>	-	<u>2,574,669</u>
<u>932,132</u>	<u>2,574,669</u>	<u>5,652</u>	<u>10,639,480</u>
<u>(129,363)</u>	<u>(1,907,755)</u>	<u>912,483</u>	<u>2,400,943</u>
-	-	-	8,873,361
-	-	-	-
188,436	12,489,211	-	18,886,629
<u>(39,350)</u>	<u>(140,400)</u>	<u>(908,982)</u>	<u>(19,155,749)</u>
<u>149,086</u>	<u>12,348,811</u>	<u>(908,982)</u>	<u>8,604,241</u>
19,723	10,441,056	3,501	11,005,184
<u>3,482</u>	<u>6,154,469</u>	<u>192,743</u>	<u>10,558,860</u>
\$ <u>23,205</u>	\$ <u>16,595,525</u>	\$ <u>196,244</u>	\$ <u>21,564,044</u>
\$ -	\$ -	\$ 75,475	\$ 75,475
-	-	-	103,316
23,205	-	-	23,205
-	-	-	737,279
-	16,595,525	120,769	16,716,294
-	-	-	3,908,475
\$ <u>23,205</u>	\$ <u>16,595,525</u>	\$ <u>196,244</u>	\$ <u>21,564,044</u>

See Notes to Financial Statements.

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, 2017**

<b>Total governmental funds cash balances (pages 15-16)</b>	<b>\$21,564,044</b>
 <i>Amounts reported for governmental activities in the Statement of Activities and Net Position - Cash Basis are different because:</i>	
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.	<u>170,268</u>
<b>Cash basis net position of governmental activities (pages 13-14)</b>	<b><u>\$21,734,312</u></b>
<b>Net change in cash balances (pages 15-16)</b>	<b>\$11,005,184</b>
 <i>Amounts reported for governmental activities in the Statement of Activities and Net Position - Cash Basis are different because:</i>	
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.	<u>(166,371)</u>
<b>Change in cash basis net position of governmental activities (pages 13-14)</b>	<b><u>\$10,838,813</u></b>

**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, 2017**

	<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>
<b>OPERATING RECEIPTS</b>					
Charges for service	\$1,412,232	\$ —	\$ 671,963	\$2,084,195	\$ —
<b>OPERATING DISBURSEMENTS</b>					
Governmental Activities					
Public safety	—	—	—	—	456,383
Public works	—	—	—	—	98,076
Community and economic development	—	—	—	—	25,372
Business type activities	<u>1,287,715</u>	<u>—</u>	<u>530,765</u>	<u>1,818,480</u>	<u>—</u>
Total operating disbursements	<u>1,287,715</u>	<u>—</u>	<u>530,765</u>	<u>1,818,480</u>	<u>579,831</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>124,517</u>	<u>—</u>	<u>141,198</u>	<u>265,715</u>	<u>(579,831)</u>
<b>NONOPERATING RECEIPTS (DISBURSEMENTS)</b>					
Intergovernmental	—	55,654	—	55,654	110,000
Interest on investments	893	2,965	406	4,264	399
Miscellaneous	19,789	—	5,446	25,235	33,941
Debt service	<u>(165,987)</u>	<u>—</u>	<u>—</u>	<u>(165,987)</u>	<u>—</u>
Net nonoperating receipts (disbursements)	<u>(145,305)</u>	<u>58,619</u>	<u>5,852</u>	<u>(80,834)</u>	<u>144,340</u>
Excess (deficiency) of receipts over (under) disbursements	(20,788)	58,619	147,050	184,881	(435,491)
<b>TRANSFERS IN</b>	1,442,500	1,000,000	—	2,442,500	269,120
<b>TRANSFERS OUT</b>	<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	21,712	58,619	104,550	184,881	(166,371)
<b>CASH BALANCES, beginning of year</b>	<u>1,989,615</u>	<u>2,413,706</u>	<u>210,999</u>	<u>4,614,320</u>	<u>336,639</u>
<b>CASH BALANCES, end of year</b>	<u>\$2,011,327</u>	<u>\$2,472,325</u>	<u>\$ 315,549</u>	<u>\$4,799,201</u>	<u>\$ 170,268</u>
<b>CASH BASIS FUND BALANCES</b>					
Restricted for meter deposits	\$ —	\$ 23,843	\$ —	\$ 23,843	\$ —
Unrestricted	<u>2,011,327</u>	<u>2,448,482</u>	<u>315,549</u>	<u>4,775,358</u>	<u>170,268</u>
Total cash basis fund balances	<u>\$2,011,327</u>	<u>\$2,472,325</u>	<u>\$ 315,549</u>	<u>\$4,799,201</u>	<u>\$ 170,268</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, 2017 disbursements did not exceed the amounts budgeted in any function.

**NOTE 2 CASH AND INVESTMENTS**

The City's deposits in banks at June 30, 2017, 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, 2017, the City had investments in certificates of deposit valued at \$1,268,708.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

**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, 2017 is as follows:

	<u>Balance June 30, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2017</u>
Governmental activities				
General obligation bonds	\$3,585,000	\$8,000,000	\$ 590,000	\$10,995,000
Business type activities				
General obligation bonds	<u>305,000</u>	<u>—</u>	<u>55,000</u>	<u>250,000</u>
	<u>\$3,890,000</u>	<u>\$8,000,000</u>	<u>\$ 645,000</u>	<u>\$11,245,000</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>
2018	\$ 2,980,000	\$ 428,840	\$ 3,408,840
2019	1,710,000	302,540	2,012,540
2020	1,415,000	239,140	1,654,140
2021	1,460,000	177,440	1,637,440
2022	1,405,000	112,375	1,517,375
2023-2026	<u>2,275,000</u>	<u>91,375</u>	<u>2,366,375</u>
	<u>\$11,245,000</u>	<u>\$1,351,710</u>	<u>\$12,596,710</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 \$645,000 and interest expense paid was \$262,256 for the year ended June 30, 2017. Interest rates on debt range from 1.20% to 5.00%.

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, 2017 was \$22,376. Balance owed on the agreement at June 30, 2017 were \$44,753.

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

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

As of June 30, 2017, the future minimum payments on the agreement are as follows:

**Year ending  
June 30**

2018	\$ 22,376
2019	<u>22,377</u>
Total	<u>\$ 44,753</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, with the second amended and restated agreement becoming effective on June 11, 2014. This agreement amended and restated the previous Integrated Community Area (I.C.A.) Agreement to provide continued operation, improvements and expansion. The WRA Agreement establishes the WRA as a separate legal entity with its own Board, creates an independent governance structure, establishes an independent bonding authority for the WRA and provides a framework for additional communities to participate.

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

The City retains an ongoing financial responsibility to the WRA since it is obligated in some manner for the debts of the joint venture through the annual allocation. Although the debt of the WRA is to be paid solely and only from WRA revenues, the participating communities in the joint venture cannot withdraw from the joint venture while any of the bonds issued during the time the communities were a participating community are still outstanding. The WRA Sewer Revenue Bonds Series 2013B and 2015E include provisions that place the WRA debt service requirements on the same parity and rank as other debts of the participating communities.

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, 2017, the Series 2013B bonds had a balance of \$50,590,000 and the City of Pleasant Hill's estimated future allocation based on the WRA flows is currently \$400,109.

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, 2017, the Series 2015E bonds had a balance of \$30,790,000 and the City of Pleasant Hill's estimated future allocation based on the WRA flows is currently \$340,567.

The WRA Agreement requires the debt service on all State Revolving Loans issued after July 1, 2004 to be allocated to the participating communities based on the WRA flow of the core communities and expansion communities of each calendar year. As of June 30, 2017, the outstanding balance of State Revolving Loan issues totaled \$270,869,479 and the City of Pleasant Hill's estimated future allocation is currently \$2,707,059.

**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, 2017, the City paid the WRA \$471,965 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, 2020. Payments totaling \$41,524 were made during the year ended June 30, 2017 under these agreements.

The outstanding balance of these development rebate agreements was approximately \$50,000 at June 30, 2017. 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. 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, 2017 is \$226,000.

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](http://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 percent 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 2017, 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, 2017 were \$325,457.

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

At June 30, 2017, the City's liability for its proportionate share of the net pension liability totaled \$1,676,667. The net pension liability was measured as of June 30, 2016, 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
	2017	2016	
City's proportionate share	0.026642%	0.019275%	0.007367%

For the year ended June 30, 2017 the City's pension expense, deferred outflows and deferred inflows totaled \$355,735, \$947,476 and \$58,708, respectively.

There were no non-employer contributing entities to IPERS.

**Actuarial Assumptions**

The total pension liability in the June 30, 2016 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, 2016 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%	1.90%
Domestic Equity	24	5.85
International Equity	16	6.32
Private Equity/debt	11	10.31
Real Estate	8	3.87
Credit Opportunities	5	4.48
U.S. TIPS	5	1.36
Other Real Assets	2	6.42
Cash	<u>1</u>	(0.26)
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>\$3,424,289</u>	<u>\$1,676,667</u>	<u>\$ 202,569</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](http://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, 2017, primarily relating to the General Fund, is as follows:

<u>Type of benefit</u>	<u>Amount</u>
Vacation	\$ 157,240
Sick leave	114,300
Compensatory time	37,833
Retirement fund	<u>59,832</u>
Total	<u>\$ 369,205</u>

This liability has been computed based on rates of pay in effect at June 30, 2017.

**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 753 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, 2017 were \$107,318.

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 \$500,000 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 City'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 \$12,300,000 is outstanding at June 30, 2017. 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 \$1,360,000. The unpaid contract balances as of June 30, 2017 totaled approximately \$418,000 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. 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, 2017 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General fund	Special revenue	
	Urban renewal tax increment fund	\$ 1,450,000
	Nonmajor governmental	
	Employee benefits fund	908,683
	Permanent	
	Cemetery perpetual care fund	<u>299</u>
		<u>2,358,982</u>
Capital projects fund	Debt service fund	39,350
	Special revenue	
	Urban renewal tax increment fund	<u>12,449,861</u>
		<u>12,489,211</u>
Special revenue		
Urban renewal tax increment fund	General fund	1,450,000
	Enterprise	
	Water fund	1,000,000
	Sewer fund	<u>1,400,000</u>
		<u>3,850,000</u>
Debt service fund	Special revenue	
	Urban renewal tax increment fund	185,186
	General fund	<u>3,250</u>
		<u>188,436</u>
Internal service fund		
Equipment replacement fund	General fund	128,720
	Capital projects fund	<u>140,400</u>
		<u>269,120</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>\$21,598,249</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 \$59,832 at June 30, 2017.

At June 30, 2017 there were 46 active and 3 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 \$1,200 per month. The same monthly premiums apply to retirees. For the year ended June 30, 2017, the City contributed approximately \$12,000 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, 2017 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.

**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**

2018	\$ 55,704
2019	55,634
2020	55,646
2021	55,638
2022	55,610
2023-2024	<u>111,354</u>
Total	<u>\$ 389,586</u>

**NOTE 16 TAX ABATEMENTS**

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

The City provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the Code of Iowa. For these types of projects, the City enters into agreements with developers which require the City, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant, or to pay the developers a predetermined dollar amount. No other commitments were made by the City as part of these agreements.

For the year ended June 30, 2017, the City abated \$4,141 of property tax under the urban renewal and economic development projects.

**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, 2017

	<u>Governmental funds actual</u>	<u>Proprietary funds actual</u>	<u>Adjustments to budget basis</u>	<u>Total</u>
<b>RECEIPTS</b>				
Property tax	\$ 4,716,745	\$ -	\$ -	\$ 4,716,745
Tax increment financing collections	3,854,476	-	-	3,854,476
Other city tax	1,435,166	-	-	1,435,166
Licenses and permits	290,812	-	-	290,812
Use of money and property	96,795	4,264	-	101,059
Intergovernmental	2,081,127	55,654	-	2,136,781
Charges for service	341,183	2,084,195	-	2,425,378
Special assessments	35,505	-	-	35,505
Miscellaneous	188,614	25,235	-	213,849
Total receipts	<u>13,040,423</u>	<u>2,169,348</u>	<u>-</u>	<u>15,209,771</u>
<b>DISBURSEMENTS</b>				
Public safety	2,959,476	-	-	2,959,476
Public works	1,350,308	-	-	1,350,308
Health and social services	10,723	-	-	10,723
Culture and recreation	1,054,144	-	-	1,054,144
Community and economic development	541,036	-	-	541,036
General government	1,128,677	-	-	1,128,677
Debt service	1,020,447	-	(88,315)	932,132
Capital projects	2,574,669	-	-	2,574,669
Business type activities	-	1,984,467	-	1,984,467
Total disbursements	<u>10,639,480</u>	<u>1,984,467</u>	<u>(88,315)</u>	<u>12,535,632</u>
Excess (deficiency) of receipts over (under) disbursements	<u>2,400,943</u>	<u>184,881</u>	<u>88,315</u>	<u>2,674,139</u>
<b>OTHER FINANCING SOURCES, net</b>	<u>8,604,241</u>	<u>-</u>	<u>(88,315)</u>	<u>8,515,926</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	11,005,184	184,881	-	11,190,065
<b>BALANCES, beginning of year</b>	<u>10,558,860</u>	<u>4,614,320</u>	<u>-</u>	<u>15,173,180</u>
<b>BALANCES, end of year</b>	<u>\$21,564,044</u>	<u>\$4,799,201</u>	<u>\$ -</u>	<u>\$26,363,245</u>

See accompanying independent auditor's report.

<b>Budgeted amounts</b>		<b>Final to actual variance- positive (negative)</b>
<b>Original</b>	<b>Final</b>	
\$ 4,698,694	\$ 4,698,694	\$ 18,051
3,909,849	3,909,849	(55,373)
1,425,706	1,425,706	9,460
154,750	179,750	111,062
65,906	65,906	35,153
4,909,458	4,909,458	(2,772,677)
2,458,480	2,458,480	(33,102)
1,000	1,000	34,505
<u>24,022</u>	<u>246,654</u>	<u>(32,805)</u>
<u>17,647,865</u>	<u>17,895,497</u>	<u>(2,685,726)</u>
3,263,153	3,340,153	380,677
1,240,528	1,510,528	160,220
11,600	11,600	877
1,110,160	1,131,092	76,948
600,236	679,236	138,200
1,132,161	1,265,861	137,184
746,446	932,383	251
17,539,000	17,736,314	15,161,645
<u>2,671,856</u>	<u>3,132,556</u>	<u>1,148,089</u>
<u>28,315,140</u>	<u>29,739,723</u>	<u>17,204,091</u>
(10,667,275)	(11,844,226)	14,518,365
<u>10,000,000</u>	<u>10,185,437</u>	<u>(1,669,511)</u>
(667,275)	(1,658,789)	12,848,854
<u>10,591,398</u>	<u>13,757,149</u>	<u>1,416,031</u>
<u>\$ 9,924,123</u>	<u>\$12,098,360</u>	<u>\$14,264,885</u>

**City of Pleasant Hill**  
**NOTE TO OTHER INFORMATION - BUDGETARY REPORTING**  
**June 30, 2017**

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 \$1,424,583. 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 Three Years\***  
**(In Thousands)**  
**Other Information**

	<b>June 30</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
City's proportion of the net pension liability	0.026642%	0.019275%	0.013841%
City's proportionate share of the net pension liability	\$1,677	\$952	\$548
City's covered employee payroll	\$3,361	\$3,243	\$3,178
City's proportionate share of the net pension liability as a percentage of its covered employee payroll	49.90%	29.36%	17.24%
IPERS' net position as a percentage of the total pension liability	81.82%	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**  
**For the Last Ten Years**  
**(In Thousands)**  
**Other Information**

	<u>Year ended June 30</u>			
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Statutorily required contribution	\$ 325	\$ 313	\$ 300	\$ 268
Contributions in relation to the statutorily required contribution	<u>325</u>	<u>313</u>	<u>300</u>	<u>268</u>
Contribution deficiency (excess)	\$ <u>—</u>	\$ <u>—</u>	\$ <u>—</u>	\$ <u>—</u>
City's covered employee payroll	\$3,361	\$3,243	\$3,178	\$3,092
Contributions as a percentage of covered employee payroll	9.7%	9.7%	9.4%	8.7%

See accompanying independent auditor's report.

**Year ended June 30**

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 246	\$ 227	\$ 188	\$ 174	\$ 147	\$ 134
<u>246</u>	<u>227</u>	<u>188</u>	<u>174</u>	<u>147</u>	<u>134</u>
<u>\$ —</u>					
\$2,848	\$2,876	\$2,380	\$2,322	\$2,155	\$2,004
8.6%	7.9%	7.9%	7.5%	6.8%	6.7%

See accompanying independent auditor's report.

**City of Pleasant Hill, Iowa**  
**NOTES TO OTHER INFORMATION – PENSION LIABILITY**  
**Year ended June 30, 2017**

**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.

**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, 2017**

	<b>Special revenue</b>			
	<b>Employee Benefit Tax</b>	<b>Drug Enforcement Agency</b>	<b>Avenue of Flags</b>	<b>Park &amp; Recreation Complex</b>
<b>RECEIPTS</b>				
Property tax	\$ 746,724	\$ -	\$ -	\$ -
Other city tax	140,524	-	-	-
Use of money and property	262	93	4	167
Intergovernmental	20,960	-	-	-
Miscellaneous	-	4,138	-	-
Total receipts	<u>908,470</u>	<u>4,231</u>	<u>4</u>	<u>167</u>
<b>DISBURSEMENTS</b>				
Operating				
Public safety	-	5,652	-	-
Total disbursements	<u>-</u>	<u>5,652</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	<u>908,470</u>	<u>(1,421)</u>	<u>4</u>	<u>167</u>
<b>OTHER FINANCING (USES)</b>				
Operating transfers out	<u>(908,683)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in cash balances	(213)	(1,421)	4	167
<b>CASH BALANCES, beginning of year</b>	<u>3,558</u>	<u>52,609</u>	<u>2,283</u>	<u>28,165</u>
<b>CASH BALANCES, end of year</b>	<u>\$ 3,345</u>	<u>\$ 51,188</u>	<u>\$ 2,287</u>	<u>\$ 28,332</u>
<b>CASH BASIS FUND BALANCES</b>				
Nonspendable, cemetery perpetual care	\$ -	\$ -	\$ -	\$ -
Restricted for other purposes	<u>3,345</u>	<u>51,188</u>	<u>2,287</u>	<u>28,332</u>
Total cash basis fund balances	<u>\$ 3,345</u>	<u>\$ 51,188</u>	<u>\$ 2,287</u>	<u>\$ 28,332</u>

Schedule 1

<u>Special revenue</u>		<u>Permanent Cemetery Perpetual Care</u>	<u>Total</u>
<u>Library</u>	<u>Memorial</u>		
\$ -	\$ -	\$ -	\$ 746,724
-	-	-	140,524
75	2	300	903
-	-	-	20,960
-	-	4,886	9,024
<u>75</u>	<u>2</u>	<u>5,186</u>	<u>918,135</u>
-	-	-	<u>5,652</u>
-	-	-	<u>5,652</u>
<u>75</u>	<u>2</u>	<u>5,186</u>	<u>912,483</u>
-	-	(299)	<u>(908,982)</u>
75	2	4,887	3,501
<u>34,259</u>	<u>1,281</u>	<u>70,588</u>	<u>192,743</u>
\$ <u>34,334</u>	\$ <u>1,283</u>	\$ <u>75,475</u>	\$ <u>196,244</u>
\$ -	\$ -	\$ 75,475	\$ 75,475
<u>34,334</u>	<u>1,283</u>	-	<u>120,769</u>
\$ <u>34,334</u>	\$ <u>1,283</u>	\$ <u>75,475</u>	\$ <u>196,244</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, 2017**

	<u>Solid Waste</u>	<u>Storm Water</u>	<u>Total</u>
<b>OPERATING RECEIPTS</b>			
Charges for services	\$ <u>442,716</u>	\$ <u>229,247</u>	\$ <u>671,963</u>
<b>OPERATING DISBURSEMENTS</b>			
Business type activities	<u>426,055</u>	<u>104,710</u>	<u>530,765</u>
Excess of operating receipts over operating disbursements	<u>16,661</u>	<u>124,537</u>	<u>141,198</u>
<b>NONOPERATING RECEIPTS</b>			
Interest on investments	171	235	406
Miscellaneous	<u>—</u>	<u>5,446</u>	<u>5,446</u>
Net nonoperating receipts	<u>171</u>	<u>5,681</u>	<u>5,852</u>
Excess of receipts over disbursements	16,832	130,218	147,050
<b>TRANSFERS OUT</b>	<u>—</u>	<u>(42,500)</u>	<u>(42,500)</u>
Net change in cash balances	16,832	87,718	104,550
<b>CASH BALANCES</b> , beginning of year	<u>95,754</u>	<u>115,245</u>	<u>210,999</u>
<b>CASH BALANCES</b> , end of year	\$ <u>112,586</u>	\$ <u>202,963</u>	\$ <u>315,549</u>
<b>CASH BASIS FUND BALANCES</b>			
Unrestricted	\$ <u>112,586</u>	\$ <u>202,963</u>	\$ <u>315,549</u>

**City of Pleasant Hill  
SCHEDULE OF INDEBTEDNESS  
For the year ended June 30, 2017**

<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	3.40 to 4.10%	620,000
Corporate Purpose, Series 2012	July 17, 2012	1.20 to 1.40%	2,000,000
Corporate Purpose, Series 2015	July 8, 2015	1.50 to 2.50%	2,120,000
Street Improvement, Series 2016	November 28, 2016	2.00 to 5.00%	8,000,000
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>
\$ 190,000	\$ —	\$ 190,000	\$ —	\$ 6,270
305,000	—	55,000	250,000	11,285
1,275,000	—	300,000	975,000	15,690
2,120,000	—	100,000	2,020,000	43,825
<u>—</u>	<u>8,000,000</u>	<u>—</u>	<u>8,000,000</u>	<u>185,186</u>
<u>\$3,890,000</u>	<u>\$8,000,000</u>	<u>\$ 645,000</u>	<u>\$11,245,000</u>	<u>\$ 262,256</u>
<u>\$ 67,129</u>	<u>—</u>	<u>\$ 22,376</u>	<u>\$ 44,753</u>	<u>—</u>



**City of Pleasant Hill  
BOND MATURITIES  
June 30, 2017**

<b>General Obligation Bonds</b>					
<b>Year ending June 30</b>	<b>Sewer Improvement Bonds Series 2009B Issued December 15, 2009</b>		<b>Street Improvement Bonds Series 2016 Issued November 28, 2016</b>		
	<b>Interest Rates</b>	<b>Amount</b>	<b>Interest Rates</b>	<b>Amount</b>	
	2018	3.40%	\$ 60,000	5.00%	
2019	3.70%	60,000	5.00%	1,055,000	
2020	4.00%	65,000	5.00%	1,110,000	
2021	4.10%	65,000	5.00%	1,150,000	
2022		-	5.00%	1,155,000	
2023		-	2.00%	1,190,000	
2024		-		-	
2025		-		-	
2026		-		-	
Totals		<u>\$ 250,000</u>		<u>\$8,000,000</u>	

  

<b>Year ending June 30</b>	<b>Corporate Purpose Issued July 17, 2012</b>		<b>Corporate Purpose Series 2015 Issued July 8, 2015</b>		<b>Total</b>
	<b>Interest Rates</b>	<b>Amount</b>	<b>Interest Rates</b>	<b>Amount</b>	
	2018	1.20%	\$ 480,000	1.50%	
2019	1.40%	495,000	1.50%	100,000	1,710,000
2020		-	1.50%	240,000	1,415,000
2021		-	2.00%	245,000	1,460,000
2022		-	2.00%	250,000	1,405,000
2023		-	2.00%	260,000	1,450,000
2024		-	2.50%	265,000	265,000
2025		-	2.50%	275,000	275,000
2026		-	2.50%	285,000	285,000
Totals		<u>\$ 975,000</u>		<u>\$2,020,000</u>	<u>\$11,245,000</u>

See accompanying independent auditor's report.

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

	<b>Year ended June 30</b>			
	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>RECEIPTS</b>				
Property and other City tax	\$ 6,151,911	\$ 5,776,150	\$ 5,441,744	\$ 5,293,621
Tax increment financing collections	3,854,476	3,827,119	4,299,527	4,410,520
Licenses and permits	290,812	319,180	180,312	117,608
Use of money and property	96,795	80,930	75,353	88,690
Intergovernmental	2,081,127	1,629,602	1,278,771	1,173,062
Charges for services	341,183	294,199	391,375	374,398
Special assessments	35,505	-	-	-
Miscellaneous	188,614	126,856	116,466	165,238
Total receipts	<u>\$13,040,423</u>	<u>\$12,054,036</u>	<u>\$11,783,548</u>	<u>\$11,623,137</u>
<b>DISBURSEMENTS</b>				
Operating				
Public safety	\$ 2,959,476	\$ 2,790,107	\$ 2,720,339	\$ 2,502,611
Public works	1,350,308	1,132,235	1,105,337	936,782
Health and social services	10,723	10,423	6,849	3,449
Culture and recreation	1,054,144	974,014	922,443	916,644
Community and economic development	541,036	1,321,359	907,038	810,365
General government	1,128,677	1,065,090	1,020,329	1,073,006
Debt service	1,020,447	658,907	624,142	4,860,416
Capital projects	<u>2,574,669</u>	<u>3,989,106</u>	<u>3,658,029</u>	<u>2,977,953</u>
Total disbursements	<u>\$10,639,480</u>	<u>\$11,941,241</u>	<u>\$10,964,506</u>	<u>\$14,081,226</u>

See accompanying independent auditor's report.

Schedule 5

Year ended June 30					
<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 4,826,850	\$ 4,673,562	\$ 4,261,584	\$ 3,850,081	\$ 3,806,311	\$ 3,313,909
4,581,527	4,513,164	4,758,779	5,248,999	4,275,494	3,630,261
93,131	120,838	65,175	143,578	194,591	168,778
103,701	109,420	100,538	68,402	96,504	188,217
1,245,467	1,198,255	1,359,347	1,062,857	1,099,505	1,312,547
332,239	362,370	293,963	219,557	234,296	322,878
—	—	—	545	32,661	9,691
<u>142,813</u>	<u>148,183</u>	<u>153,401</u>	<u>151,021</u>	<u>180,891</u>	<u>550,704</u>
<u>\$11,325,728</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>
\$ 2,312,097	\$ 2,301,054	\$ 1,970,745	\$ 1,905,802	\$ 1,717,222	\$ 1,745,604
818,383	938,896	835,004	803,504	960,336	761,155
—	3,056	25	—	5,682	—
885,493	864,297	796,184	755,784	699,371	557,622
816,212	825,945	691,156	862,193	890,370	781,384
914,961	961,909	919,745	959,653	836,204	1,017,406
8,894,747	2,885,161	2,875,520	3,392,696	3,746,851	2,172,134
<u>9,142,974</u>	<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>\$23,784,867</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>

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 *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, 2017, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 13, 2017. 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, 2017 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 13, 2017

**City of Pleasant Hill  
SCHEDULE OF FINDINGS  
Year ended June 30, 2017**

**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, 2017**

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

**II-A-17 CERTIFIED BUDGET**

Disbursements during the year ended June 30, 2017 did not exceed budgeted amounts, as amended.

**II-B-17 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-17 TRAVEL EXPENSE**

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

**II-D-17 BUSINESS TRANSACTIONS**

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

**II-E-17 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-17 COUNCIL MINUTES**

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

**II-G-17 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.