

CITY OF PLEASANT HILL, MISSOURI

FINANCIAL STATEMENTS

MARCH 31, 2014

DANA F. COLE & COMPANY, LLP  
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council Members  
City of Pleasant Hill, Missouri

**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, Missouri, as of and for the year ended March 31, 2014, and the related notes to the 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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 entity'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 entity'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 that 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 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, Missouri, as of March 31, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 - 13 and 45 - 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Pleasant Hill, Missouri's financial statements. The combining and individual nonmajor fund financial statements, schedule of long-term debt maturities, and schedule of financial information concerning the city are presented for additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," and is also not a required part of the basic financial statements.

The combining and individual fund financial statements, the schedule of long-term debt maturities, and the schedule of expenditures of federal awards on pages 50 - 54 are the responsibility of management and were derived from and relate 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 combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The schedule of financial information concerning the city on pages 55 - 56, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2014, on our consideration of the City of Pleasant Hill, Missouri's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 City of Pleasant Hill, Missouri's internal control over financial reporting and compliance.

Dana J Cole + Company, LLP

Overland Park, Kansas  
September 17, 2014

CITY OF PLEASANT HILL, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Pleasant Hill, Missouri, offers readers of the financial statements this narrative overview and analysis of the financial activities for the fiscal year ended March 31, 2014. We encourage readers to consider the information presented here in conjunction with the City's financial statements that follow this section. All amounts, unless otherwise indicated, are expressed in total dollars.

**FINANCIAL HIGHLIGHTS**

The assets of the City of Pleasant Hill, Missouri, exceeded its liabilities at the close of the most recent fiscal year by \$11,455,821. Of this amount, \$2,510,227 represents unrestricted net assets and may be used to fund ongoing obligations.

Total net assets increased by \$921,615. This increase is primarily attributable to the receipt of capital grants and contributions.

As of the close of the 2014 fiscal year, the City of Pleasant Hill, Missouri's combined governmental fund balances totaled \$3,822,460. This is an increase from the previous fiscal year of \$501,949, primarily due to proceeds from the issuance of debt that has not been fully spent on the related improvement project at fiscal year-end. Revenues for the year and unassigned balances from prior years of the City were sufficient to pay current debt obligations, capital outlay, and current operating expenses.

Total long-term debt for the City of Pleasant Hill, Missouri, increased during the current fiscal year by \$1,637,104, primarily due to the issuance of 2013 Certificates of Participation. The City serviced all long-term obligations as planned.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

**Government-Wide Financial Statements**

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

The statement of net position presents information on all of the City of Pleasant Hill, Missouri's assets and liabilities, with the difference between the two reported as net position. Over time and in consideration of other factors from the notes to the financial statements, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Pleasant Hill, Missouri, is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event

CITY OF PLEASANT HILL, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS

**OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)**

**Government-Wide Financial Statements** (Continued)

giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements distinguish functions of the City of Pleasant Hill, Missouri, that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Pleasant Hill, Missouri, include general government, public safety (police), transportation, codes, and recreation, among other departments. Business-type activities of the City of Pleasant Hill, Missouri, include trash, water, and sewer operations.

The government-wide financial statements can be found beginning on page 14 of this report.

**Fund Financial Statements**

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

Governmental Funds

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

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

The City of Pleasant Hill, Missouri, adopts an annual appropriated budget for its General Fund and other funds. The budgetary schedules for the major governmental funds are included in the required supplementary section following the notes to the financial statements beginning on page 45.

CITY OF PLEASANT HILL, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS

**OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)**

**Fund Financial Statements (Continued)**

Proprietary Funds

The City of Pleasant Hill, Missouri, uses the Enterprise Fund to account for its combined water, sewer, and trash operations. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found beginning on page 22 of this report.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 26 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. In the case of the City of Pleasant Hill, Missouri, assets exceeded liabilities by \$11,455,821 at the close of the fiscal year. The largest portion of the City of Pleasant Hill's net position, 51.1%, reflects its investment in capital assets (land, buildings, machinery, equipment, infrastructure), less any related debt and other liabilities used to acquire those assets that is still outstanding.

The City of Pleasant Hill, Missouri, uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Pleasant Hill, Missouri's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**City of Pleasant Hill, Missouri  
Statement of Net Position  
(in thousands of dollars)**

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
<b>ASSETS</b>						
Current and other assets	4,287	3,436	2,082	2,867	6,369	6,303
Capital assets	10,731	7,833	9,421	9,461	20,152	17,294
Total assets	15,018	11,269	11,503	12,328	26,521	23,597

CITY OF PLEASANT HILL, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

**City of Pleasant Hill, Missouri**  
**Statement of Net Position (Continued)**  
(in thousands of dollars)

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	2014	2013	2014	2013	2014	2013
<b>LIABILITIES</b>						
Other liabilities	547	149	422	454	969	603
Long-term debt	<u>10,063</u>	<u>8,157</u>	<u>4,034</u>	<u>4,303</u>	<u>14,097</u>	<u>12,460</u>
Total liabilities	<u>10,610</u>	<u>8,306</u>	<u>4,456</u>	<u>4,757</u>	<u>15,066</u>	<u>13,063</u>
<b>NET POSITION</b>						
Invested in capital assets, net of related debt	464	(181)	5,394	5,290	5,858	5,109
Restricted	1,744	906	1,343	1,757	3,087	2,663
Unrestricted	<u>2,200</u>	<u>2,238</u>	<u>310</u>	<u>524</u>	<u>2,510</u>	<u>2,762</u>
Total net position	<u>4,408</u>	<u>2,963</u>	<u>7,047</u>	<u>7,571</u>	<u>11,455</u>	<u>10,534</u>

**City of Pleasant Hill, Missouri's**  
**Statement of Changes in Net Position**  
(in thousands of dollars)

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	2014	2013	2014	2013	2014	2013
<b>REVENUES</b>						
Program revenues						
Charges for services	500	473	3,379	3,341	3,879	3,814
Operating grants and contributions	183	181			183	181
Capital grants and contributions	828				828	
General revenues						
Sales tax	1,686	1,593			1,686	1,593
Property tax	1,010	882			1,010	882
Other taxes	355	338			355	338
PILOT payments	325	1,526			325	1,526
Franchise fees	1,031	979			1,031	979
Transfers	220	243	(220)	(243)		
Other revenues	<u>23</u>	<u>43</u>	<u>31</u>	<u>58</u>	<u>54</u>	<u>101</u>
Total revenues	<u>6,161</u>	<u>6,258</u>	<u>3,190</u>	<u>3,156</u>	<u>9,351</u>	<u>9,414</u>

CITY OF PLEASANT HILL, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

**City of Pleasant Hill, Missouri's  
Statement of Changes in Net Position (Continued)**  
(in thousands of dollars)

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<b>EXPENSES</b>						
Administration	1,213	1,243			1,213	1,243
Police	1,498	1,539			1,498	1,539
Transportation	882	903			882	903
Recreation	482	497			482	497
Other governmental activities	187	202			187	202
Governmental debt issuance costs and interest/fiscal fees	454	415			454	415
Trash			432	426	432	426
Water			1,491	1,546	1,491	1,546
Sewer			1,791	1,743	1,791	1,743
Total expenses	<u>4,716</u>	<u>4,799</u>	<u>3,714</u>	<u>3,715</u>	<u>8,430</u>	<u>8,514</u>
 CHANGE IN NET POSITION	 1,445	 1,459	 (524)	 (559)	 921	 900
 BEGINNING NET POSITION	 <u>2,963</u>	 <u>1,504</u>	 <u>7,571</u>	 <u>8,130</u>	 <u>10,534</u>	 <u>9,634</u>
 ENDING NET POSITION	 <u>4,408</u>	 <u>2,963</u>	 <u>7,047</u>	 <u>7,571</u>	 <u>11,455</u>	 <u>10,534</u>

Governmental activities increased the City of Pleasant Hill, Missouri's net position by \$1,445,317 and a decrease in business-type activities of \$523,702, therefore leading to a current year increase of \$921,615 in total net position.

**Governmental Activities**

Revenues increased in the governmental activities funds, primarily due to increases in capital grants and contributions. Property, sales, and franchise tax revenues remained fairly steady while PILOT payments decreased due to the large amount received in the prior year.

Expenses in the governmental activities were down by a total of approximately \$83,000, or 1.7%.

**Business-Type Activities**

Revenues and expenses for all activities remained fairly steady as compared to the prior year.

CITY OF PLEASANT HILL, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS

**FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

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

**Governmental Funds**

The General Fund is the chief operating fund of the City of Pleasant Hill, Missouri. At the end of the current fiscal year, unassigned fund balance of the General Fund represented 87.8% of the entire \$1,845,002 General Fund balance. As a measure of the General Fund's liquidity, it may be useful to compare the total fund balance to total fund expenditures. Total fund balance represents 73.0% of the total General Fund expenditures of \$2,528,405.

The total fund balance in the City of Pleasant Hill, Missouri's General Fund increased \$44,578 for the current fiscal year as total revenues were similar to the total expenditures and net amount of transfers between funds.

The Transportation Fund has a total fund balance of \$277,757. The net decrease of \$143,021 was primarily due to the current year's capital outlay expenditures which were budgeted for and approved by City Council.

The Debt Service Fund has a total fund balance of \$473,750. The net decrease of \$38,306 was primarily due to the current year's debt service requirements which were budgeted for and approved by City Council.

The other nonmajor funds have a combined fund balance of \$1,225,951. The net increase of \$638,698 was primarily associated with the receipt of debt issuance proceeds that have not been fully spent on the improvement project which will be completed in the next fiscal year.

Actual revenues in the General Fund were more than budgeted by \$22,499 while actual expenditures were less than budgeted by \$66,311. Overall the actual in budgetary fund balance was a decrease of \$3,619 as compared to a budgeted decrease of \$92,429.

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

	Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Sales tax	659,000	646,839	(12,161)
Property tax	371,406	376,695	5,289
Other tax	23,150	21,755	(1,395)
PILOT payments	324,125	324,675	550
Franchise fees	997,937	1,014,465	16,528

CITY OF PLEASANT HILL, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS

**FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS (Continued)**

**Governmental Funds** (Continued)

**BUDGETARY COMPARISON SCHEDULE (Continued)**  
**GENERAL FUND**

	Final Budget	Actual	Variance Positive (Negative)
REVENUES (Continued)			
License and permits	51,500	69,930	18,430
Intergovernmental revenue	7,000	6,653	(347)
Fines and court costs	125,280	127,987	2,707
Grants and donations	58,680	129,367	70,687
Insurance rebates and proceeds	29,700	29,755	55
Interest	2,100	4,173	2,073
Sale of property	600	1,427	827
Other	<u>95,417</u>	<u>14,673</u>	<u>(80,744)</u>
Total revenues	<u>2,745,895</u>	<u>2,768,394</u>	<u>22,499</u>
EXPENDITURES			
Administration	1,158,051	1,124,603	33,448
Police	1,413,151	1,382,084	31,067
Capital outlay	<u>29,600</u>	<u>27,804</u>	<u>1,796</u>
Total expenditures	<u>2,600,802</u>	<u>2,534,491</u>	<u>66,311</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>145,093</u>	<u>233,903</u>	<u>88,810</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	306,803	306,803	
Transfers out	<u>(544,325)</u>	<u>(544,325)</u>	
Total other financing sources (uses)	<u>(237,522)</u>	<u>(237,522)</u>	
REVENUES AND OTHER FINANCING SOURCES UNDER EXPENDITURES AND OTHER FINANCING USES	<u>(92,429)</u>	<u>(3,619)</u>	<u>88,810</u>

**Proprietary Fund**

The City of Pleasant Hill, Missouri's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

CITY OF PLEASANT HILL, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS

**FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS (Continued)**

**Proprietary Fund** (Continued)

Unrestricted net position in this proprietary fund at the end of the year amounted to \$310,173. This is down from the previous year's amount of \$656,022. Total net position in this fund decreased by \$523,702. Other factors concerning the finances of this fund have already been addressed in the discussion of the City of Pleasant Hill, Missouri's business-type activities.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

The City of Pleasant Hill, Missouri's investment in capital assets for its governmental and business-type activities as of the end of the fiscal year was \$5,858,101 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and system improvements, machinery and equipment, park facilities, and roadway infrastructures.

The table listed below represents an increase of \$2,857,802 from the previous year. This increase is primarily attributable to construction projects capitalized during the year.

Additional information on the City's capital assets can be found in the Note 6 of this report.

**City of Pleasant Hill, Missouri**  
**Capital Assets**  
(in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	815	815	285	145	1,100	960
Construction in progress	1,919	258			1,919	258
Equipment	1,911	1,889	545	540	2,456	2,429
Buildings and land improvements	3,988	5,288			3,988	5,288
Water and sewer system Infrastructure	6,765	5,116	17,813	17,470	17,813	17,470
Accumulated depreciation	(4,667)	(5,533)	(9,222)	(8,694)	(13,889)	(14,227)
Total	<u>10,731</u>	<u>7,833</u>	<u>9,421</u>	<u>9,461</u>	<u>20,152</u>	<u>17,294</u>

**Long-Term Debt**

At the end of the current fiscal year, the City of Pleasant Hill, Missouri, had total long-term debt outstanding of \$14,093,459.

Additional information on the City's long-term debt can be found in Note 7 of this report.

CITY OF PLEASANT HILL, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS

**CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)**

**Long-Term Debt** (Continued)

**City of Pleasant Hill, Missouri**  
**Outstanding Debt**  
(in thousands of dollars)

	Governmental		Business-Type		Total	
	2014	2013	2014	2013	2014	2013
Capital leases	82	188			82	188
SRF loan			341	620	341	620
General obligation bonds	6,870	7,310			6,870	7,310
Revenue bonds			3,555	3,555	3,555	3,555
Certificates of Participation	<u>2,956</u>	<u>546</u>	<u>289</u>	<u>294</u>	<u>3,245</u>	<u>840</u>
Total	<u>9,908</u>	<u>8,044</u>	<u>4,185</u>	<u>4,469</u>	<u>14,093</u>	<u>12,513</u>

**ECONOMIC FACTORS, NEXT YEAR'S BUDGET, AND RATES**

General Fund revenues for fiscal year 2015 are projected to total \$3,009,363. This represents an overall growth of 0.3% over the prior year budget. The fiscal year 2015 budget anticipates a 2% increase even amidst volatility of this revenue stream based on imposed changes to the tax structure by the state legislature. The City's local sales tax has grown only modestly since 2008. The City anticipates a 4% growth in property taxes. Many other revenue sources will remain the same over the prior year's budget. It should be noted that the fiscal year 2015 budget will be the first of ten budget years to receive a reimbursement for utility relocation improvements at an industrial business location.<sup>3</sup>

General Fund budgeted expenditures are projected to total \$3,867,366 compared to \$3,093,447 in fiscal year 2014. This represents a 25% increase from the prior year budget. The numbers reflected above include transfers to other funds. The transfers out to other funds are projected to total \$1,396,353 compared to \$548,325 in fiscal year 2014. The higher transfer out amount can be attributed to prior year PILOT payments which were being held in the fund balance for the repayment of debt. The City has plans to retire the 2009 Certificates of Participation in fiscal year 2015 with a portion of this transfer. Another sizeable transfer is anticipated for the Water/Sewer Fund for the completion of a sewer interceptor project at the Duncan North Lift Station. The higher transfers out reflect one time payments and projects and do not reflect any transfers for operations. Aside from transfers, the operational budgeted expenditures represent a 2.9% decrease from the prior year budget.

Major capital projects will include the completion of the swimming pool project, a new sewer interceptor at the Duncan North Lift Station, \$600,000 street overlay project, roof repairs at City Hall and the Police Station, and the relining of a portion of sewer lines.

The City will continue to monitor and respond to the ongoing changes in the economy.

CITY OF PLEASANT HILL, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the City of Pleasant Hill, Missouri's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Pleasant Hill, Missouri, 203 Paul Street, Pleasant Hill, Missouri 64080.

CITY OF PLEASANT HILL, MISSOURI  
STATEMENT OF NET POSITION  
MARCH 31, 2014

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	1,708,409	202,339	1,910,748
Receivables			
Taxes	463,026		463,026
Unbilled revenue		21,714	21,714
Accounts		312,973	312,973
Prepaid expenses	29,201	6,463	35,664
Inventory	9,550	78,938	88,488
Restricted Assets			
Cash and cash equivalents	1,938,755	1,452,285	3,391,040
Taxes receivable	138,795		138,795
Capital Assets			
Land	815,046	284,836	1,099,882
Construction in progress	1,918,846		1,918,846
Equipment	1,911,055	544,787	2,455,842
Buildings and land improvements	3,988,238		3,988,238
Water and sewer system		17,813,487	17,813,487
Infrastructure	6,765,036		6,765,036
Accumulated depreciation	(4,667,219)	(9,222,138)	(13,889,357)
Other intangibles, net of amortization		7,342	7,342
<b>TOTAL ASSETS</b>	<u>15,018,738</u>	<u>11,503,026</u>	<u>26,521,764</u>
<b>LIABILITIES</b>			
Current Liabilities			
Accounts payable	387,679	202,134	589,813
Accrued expenses	159,898	66,921	226,819
Unearned revenue		42,927	42,927
Customer deposits		109,177	109,177
Current portion of long-term debt	706,715	291,720	998,435
Total current liabilities	<u>1,254,292</u>	<u>712,879</u>	<u>1,967,171</u>
Noncurrent liabilities			
Long-term debt, net of current portion	<u>9,356,068</u>	<u>3,742,704</u>	<u>13,098,772</u>
<b>TOTAL LIABILITIES</b>	<u>10,610,360</u>	<u>4,455,583</u>	<u>15,065,943</u>

CITY OF PLEASANT HILL, MISSOURI  
STATEMENT OF NET POSITION  
MARCH 31, 2014

	Governmental Activities	Business-Type Activities	Total
NET POSITION			
Invested in capital assets, net of related debt	463,939	5,394,162	5,858,101
Restricted	1,744,385	1,343,108	3,087,493
Unrestricted	<u>2,200,054</u>	<u>310,173</u>	<u>2,510,227</u>
TOTAL NET POSITION	<u>4,408,378</u>	<u>7,047,443</u>	<u>11,455,821</u>

See accompanying notes to the financial statements.

CITY OF PLEASANT HILL, MISSOURI  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED MARCH 31, 2014

Functions/programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary government							
Governmental activities							
Administration	1,213,179	102,162	97,030	32,337	(981,650)		(981,650)
Police	1,498,324	125,764	6,653		(1,365,907)		(1,365,907)
Transportation	882,115		79,292	541,996	(260,827)		(260,827)
Codes	73,368				(73,368)		(73,368)
Recreation	481,831	128,460		254,166	(99,205)		(99,205)
Special events	114,206	143,463			29,257		29,257
Bond issue costs	89,510				(89,510)		(89,510)
Interest on long-term debt	364,702				(364,702)		(364,702)
Total governmental activities	<u>4,717,235</u>	<u>499,849</u>	<u>182,975</u>	<u>828,499</u>	<u>(3,205,912)</u>		<u>(3,205,912)</u>
Business-type activities							
Trash	432,224	512,986				80,762	80,762
Water	1,490,833	1,430,563				(60,270)	(60,270)
Sewer	1,790,608	1,435,612				(354,996)	(354,996)
Total business-type activities	<u>3,713,665</u>	<u>3,379,161</u>				<u>(334,504)</u>	<u>(334,504)</u>
Total primary government	<u>8,430,900</u>	<u>3,879,010</u>	<u>182,975</u>	<u>828,499</u>	<u>(3,205,912)</u>	<u>(334,504)</u>	<u>(3,540,416)</u>
General revenues							
Taxes							
Sales tax					1,686,385		1,686,385
Property tax					1,010,418		1,010,418
Fuel and vehicle tax					296,956		296,956
Other tax					58,347		58,347
PILOT payments					324,675		324,675
Franchise fees					1,031,307		1,031,307
Interest and investment earnings					4,326	31,100	35,426
Miscellaneous					17,090		17,090
Transfers in (out)					220,298	(220,298)	
Gain on asset disposal					1,427		1,427
Total general revenues and transfers					<u>4,651,229</u>	<u>(189,198)</u>	<u>4,462,031</u>
CHANGE IN NET POSITION					1,445,317	(523,702)	921,615
NET POSITION, beginning of year (as restated)					<u>2,963,061</u>	<u>7,571,145</u>	<u>10,534,206</u>
NET POSITION, end of year					<u>4,408,378</u>	<u>7,047,443</u>	<u>11,455,821</u>

See accompanying notes to the financial statements.

CITY OF PLEASANT HILL, MISSOURI  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
MARCH 31, 2014

	General Fund	Transportation Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total
ASSETS						
ASSETS						
Cash and cash equivalents	1,431,865	120,502			156,042	1,708,409
Receivables, net of allowance for doubtful accounts						
Taxes	277,198	172,752			13,076	463,026
Inventories		9,550				9,550
Prepaid expenses	18,910	6,697			3,594	29,201
Restricted taxes receivable				3,905	134,890	138,795
Restricted cash and cash equivalents	<u>205,332</u>	<u>          </u>	<u>1,198,761</u>	<u>469,845</u>	<u>64,817</u>	<u>1,938,755</u>
17 TOTAL ASSETS	<u>1,933,305</u>	<u>309,501</u>	<u>1,198,761</u>	<u>473,750</u>	<u>372,419</u>	<u>4,287,736</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	28,742	21,857	333,165		3,915	387,679
Accrued expenses	<u>59,561</u>	<u>9,887</u>	<u>          </u>	<u>          </u>	<u>8,149</u>	<u>77,597</u>
Total liabilities	<u>88,303</u>	<u>31,744</u>	<u>333,165</u>	<u>          </u>	<u>12,064</u>	<u>465,276</u>
FUND BALANCES						
Nonspendable	18,910	16,247			3,594	38,751
Restricted	205,332		865,596	473,750	199,707	1,744,385
Assigned	1,536	261,510			157,054	420,100
Unassigned	<u>1,619,224</u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>1,619,224</u>
Total fund balances	<u>1,845,002</u>	<u>277,757</u>	<u>865,596</u>	<u>473,750</u>	<u>360,355</u>	<u>3,822,460</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>1,933,305</u>	<u>309,501</u>	<u>1,198,761</u>	<u>473,750</u>	<u>372,419</u>	<u>4,287,736</u>

See accompanying notes to the financial statements.

CITY OF PLEASANT HILL, MISSOURI  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
FOR THE YEAR ENDED MARCH 31, 2014

Total fund balance - total governmental funds	3,822,460
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	10,731,002
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(9,933,898)
Interest on long-term debt is not accrued in the governmental funds but, rather, is recognized as an expenditure when due.	(82,301)
Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(128,885)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>4,408,378</u>

See accompanying notes to the financial statements.

CITY OF PLEASANT HILL, MISSOURI  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED MARCH 31, 2014

	General Fund	Transportation Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Eliminations	Total
<b>REVENUES</b>							
Sales tax	673,493	301,560			711,332		1,686,385
Property tax	377,533	141,517		340,294	151,074		1,010,418
Fuel and vehicle tax		296,956					296,956
Other tax	21,755	9,322			27,270		58,347
PILOT payments	324,675						324,675
Franchise fees	1,031,307						1,031,307
License and permits	69,930				2,477		72,407
Charges for services					271,923		271,923
Intergovernmental revenue	6,653	79,292					85,945
Fines and court costs	125,764						125,764
Grants and donations	129,367	541,996	250,021		4,145		925,529
Insurance rebates and proceeds	29,755						29,755
Sale of property	1,427						1,427
Interest	4,173		153				4,326
Other	14,673	950			1,467		17,090
Total revenues	<u>2,810,505</u>	<u>1,371,593</u>	<u>250,174</u>	<u>340,294</u>	<u>1,169,688</u>		<u>5,942,254</u>
<b>EXPENDITURES</b>							
Current							
Administration	1,127,892				10,612		1,138,504
Police	1,372,709				3,155		1,375,864
Transportation		676,772					676,772
Codes					71,351		71,351
Recreation					395,834		395,834
Special events					114,206		114,206
Capital outlay	27,804	1,217,394	2,049,673		77,441		3,372,312
Debt principal				449,750	105,907		555,657
Debt interest and agent fees				308,026	7,756		315,782
Total expenditures	<u>2,528,405</u>	<u>1,894,166</u>	<u>2,049,673</u>	<u>757,776</u>	<u>786,262</u>		<u>8,016,282</u>

CITY OF PLEASANT HILL, MISSOURI  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED MARCH 31, 2014

	General Fund	Transportation Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Elimin- ations	Total
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	<u>282,100</u>	<u>(522,573)</u>	<u>(1,799,499)</u>	<u>(417,482)</u>	<u>383,426</u>	_____	<u>(2,074,028)</u>
OTHER FINANCING SOURCES (USES)							
Debt proceeds			2,420,000				2,420,000
Debt premium			25,189				25,189
Cost of debt issuance			(89,510)				(89,510)
Transfers in	306,803	415,008		388,185	223,000	(1,112,698)	220,298
Transfers out	<u>(544,325)</u>	<u>(35,456)</u>	<u>(25,008)</u>	<u>(9,009)</u>	<u>(498,900)</u>	<u>1,112,698</u>	_____
Total other financing sources (uses)	<u>(237,522)</u>	<u>379,552</u>	<u>2,330,671</u>	<u>379,176</u>	<u>(275,900)</u>	_____	<u>2,575,977</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDI- TURES AND OTHER FINANCING USES	44,578	(143,021)	531,172	(38,306)	107,526	_____	501,949
FUND BALANCE, beginning of year (as restated)	<u>1,800,424</u>	<u>420,778</u>	<u>334,424</u>	<u>512,056</u>	<u>252,829</u>	_____	<u>3,320,511</u>
FUND BALANCE, end of year	<u><u>1,845,002</u></u>	<u><u>277,757</u></u>	<u><u>865,596</u></u>	<u><u>473,750</u></u>	<u><u>360,355</u></u>	<u>_____</u>	<u><u>3,822,460</u></u>

See accompanying notes to the financial statements.

CITY OF PLEASANT HILL, MISSOURI  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED MARCH 31, 2014

Net change in fund balances - total governmental funds	501,949
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	
	2,898,058
The issuance of long-term debt (e.g., bonds, loans, leases) provides current financial resources to governmental funds, which the repayment of the principal of long-term debt consumes the current financial resources of gov- ernmental funds. Also, governmental funds report the effect of issuance premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This is the amount by which debt proceeds exceeded debt reduction in the current period.	
	(1,889,532)
Accrued interest on long-term debt is not reflected in the fund financial statements but recognized as an expenditure when paid.	
	(48,920)
Compensated absences in the statement of activities do not require the use of current financial resources and, there- fore, are not reported as expenditures in governmental funds.	
	<u>(16,238)</u>
<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<u><u>1,445,317</u></u>

See accompanying notes to the financial statements.

CITY OF PLEASANT HILL, MISSOURI  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
MARCH 31, 2014

ASSETS

Current Assets

Cash and cash equivalents	202,339
Prepaid expenses	6,463
Inventory	78,938
Receivable, net of allowance for doubtful accounts	
Unbilled revenue	21,714
Accounts	312,973
Total current assets	<u>622,427</u>

Restricted Assets

Cash and cash equivalents	<u>1,452,285</u>
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Capital Assets

Land	284,836
Equipment	544,787
Water and sewer system	17,813,487
Less accumulated depreciation	<u>(9,222,138)</u>
Net capital assets	<u>9,420,972</u>

Noncurrent Assets

Other intangible assets, net of amortization	<u>7,342</u>
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TOTAL ASSETS

11,503,026

LIABILITIES

Current Liabilities

Accounts payable	202,134
Accrued expenses	66,921
Deferred revenue	42,927
Customer deposits	109,177
Current portion of long-term debt	<u>291,720</u>
Total current liabilities	<u>712,879</u>

Noncurrent Liabilities

Long-term debt, net of current portion	<u>3,742,704</u>
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TOTAL LIABILITIES

4,455,583

NET POSITION

Invested in capital assets, net of related debt	5,394,162
Restricted	1,343,108
Unrestricted	<u>310,173</u>

TOTAL NET POSITION

7,047,443

See accompanying notes to the financial statements.

CITY OF PLEASANT HILL, MISSOURI  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED MARCH 31, 2014

REVENUES	
User charges - Water	1,376,981
User charges - Sewer	1,435,612
User charges - Trash	512,986
Penalties	43,263
Miscellaneous	<u>10,319</u>
Total revenues	<u>3,379,161</u>
EXPENSES	
MBC Customer fees	1,156,480
Water pumping expenses	661,602
Trash collection fees	432,224
Salaries	172,096
Payroll taxes	17,068
Health and life insurance	25,590
Pension expense	30,271
Supplies and materials	101,728
Repairs and maintenance	105,987
Insurance	19,771
Utilities	24,060
Professional services	184,648
Depreciation and amortization	548,596
Bad debts	27,609
Other expenses	<u>5,849</u>
Total expenses	<u>3,513,579</u>
OPERATING LOSS	<u>(134,418)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	31,100
Transfers out	(220,298)
Interest and bond fees	<u>(200,086)</u>
Total nonoperating revenues (expenses)	<u>(389,284)</u>
CHANGE IN NET POSITION	(523,702)
NET POSITION, beginning of year (as restated)	<u>7,571,145</u>
NET POSITION, end of year	<u>7,047,443</u>

See accompanying notes to the financial statements.

CITY OF PLEASANT HILL, MISSOURI  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED MARCH 31, 2014

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	3,366,673
Cash payments for materials and services	(2,762,680)
Cash payments to personnel	<u>(249,398)</u>
Net cash provided by operating activities	<u>354,595</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Cash received from interest	<u>31,100</u>
Net cash provided by investing activities	<u>31,100</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers to other funds	<u>(220,298)</u>
Net cash used in noncapital financing activities	<u>(220,298)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(488,380)
Cash received from Middle Big Creek	603,355
Interest and fees paid on revenue bonds	(200,306)
Payments on long-term debt	<u>(284,250)</u>
Net cash used in capital and related financing activities	<u>(369,581)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(204,184)
CASH AND CASH EQUIVALENTS, beginning of year	<u>1,858,808</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>1,654,624</u></u>
ALLOCATION OF CASH AND CASH EQUIVALENTS	
Unrestricted	202,339
Restricted	<u>1,452,285</u>
	<u><u>1,654,624</u></u>

CITY OF PLEASANT HILL, MISSOURI  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED MARCH 31, 2014

Reconciliation of Operating Loss to Net  
Cash Provided by Operating Activities

Operating Loss	<u>(134,418)</u>
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation and amortization	548,596
Increase in accounts receivable	(24,619)
Decrease in prepaid expenses	(770)
Decrease in inventory	1,697
Increase in accounts payable	(43,649)
Decrease in accrued expenses	(4,373)
Increase in meter deposits	<u>12,131</u>
Total adjustments	<u>489,013</u>
Net cash provided by operating activities	<u>354,595</u>

See accompanying notes to the financial statements.

CITY OF PLEASANT HILL, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The City of Pleasant Hill, Missouri, is a Special Charter City that operates under Missouri state statutes and is governed by an elected City Council and an elected Mayor. The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City of Pleasant Hill, Missouri, provides a range of municipal services, including general government administration, police service, recreation, street maintenance, and contracts for waterworks and sewerage.

In determining the financial reporting entity, the City complies with the provisions of Statement 14 of the Governmental Accounting Standards Board, *The Financial Reporting Entity*, as amended by Statement No. 39 of the Governmental Accounting Standards Board, *Determining Whether Certain Organizations are Component Units*. For financial reporting purposes, the City includes all funds, agencies, boards, commissions, and authorities that are controlled by or dependent on the City.

Government-Wide and Fund Financial Statements

The statement of net position and statement of activities report information on the City as a whole. They include all funds of the City. The effects of interfund activity have been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental receipts, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct disbursements of a given function or segment are offset by program receipts. Direct disbursements are those that are clearly identifiable with a specific function or segment. 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 or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general receipts. The City does not allocate indirect costs.

Fund Financial Statements

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues or receipts, and expenditures or expenses, as appropriate. Government resources are allocated to, and accounted for, in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled.

CITY OF PLEASANT HILL, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements (Continued)

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. GASB Statement No. 34 sets forth minimum criteria for the determination of major funds, which should have a specific community focus.

The funds of the City are described below:

Governmental Fund Types

Governmental funds are those through which most governmental functions of the City are financed. The acquisition, use, and balances of the City's expendable financial resources and the related liabilities (other than those in proprietary funds) are accounted for through governmental funds. The measurement focus is upon determination of changes in financial position. The following are the City's governmental fund types:

General Fund

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted, committed, or assigned to expenditures for specified purposes the purpose of which is determined by the fund name.

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs other than bonds payable from the operations of the enterprise funds.

Capital Projects Funds

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary funds.

Proprietary Fund Type

The proprietary fund is used to account for the City's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is based upon determination of net income.

The Water and Sanitary Sewer Fund accounts for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing water and sewer services on a continuing basis be financed or recovered primarily through user charges on where the periodic determination of net income or loss is deemed appropriate.

CITY OF PLEASANT HILL, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

In fiscal year 2014, the City adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which amends or supersedes the accounting and financial reporting guidance for certain items previously required to be reported as assets or liabilities. The objective is to either properly clarify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses) or inflows of resources (revenues). The implementation of GASB 65 resulted in the write-off of bond issuance costs, and the effect of adoption of GASB 65 is the reduction of beginning net position by \$142,659 in the governmental activities and \$131,922 in the business-type activities.

Government fund level financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Grant revenues availability period is generally considered to be one year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the liability has matured and payment is due.

Business-type activities and all proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's Water and Sewer Fund are charges to customers for sales and services. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CITY OF PLEASANT HILL, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Investments

Cash consists of amounts in demand deposits, savings accounts, and money market accounts. The City considers all highly liquid investments maturing within three months to be cash equivalents. Cash balances are held in certificates of deposit as determined appropriate by management.

The City is authorized to invest in U.S. Treasury Obligations, U.S. Government Agency Securities, and Instruments of Government Sponsored Corporations, certificates of deposit at Commercial Banks and S & L Associations, and Repurchase Agreements. Investments are reported at fair value.

Prepays and Inventories

Prepaid balances are for payments made by the City in the current year to provide services occurring in the subsequent fiscal year, and the reserve for prepaid items has been recognized to signify that a portion of fund balance is not available for other subsequent expenditures. Prepaid expenses are accounted for using the consumption method.

Inventories, consisting of materials and supplies, are valued at lower of cost or market. Cost is determined using estimated replacement cost basis which approximates actual cost.

Receivables

The City of Pleasant Hill, Missouri, recognizes receivables in its various funds based on the accounting basis required for that fund. Allowances are provided for possible uncollectible accounts.

Restricted Assets

Certain proceeds of special revenue funds and from the enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

Capital Assets

Under GASB Statement No. 34, all capital assets, whether owned by governmental activities or business-type activities, are recorded and depreciated in the government-wide financial statements. Under GASB No. 34, small cities have the option to capitalize infrastructure purchased in previous years. The City of Pleasant Hill, Missouri, has chosen not to capitalize existing infrastructure but will capitalize any future infrastructure that it acquires. No long-term capital assets or depreciation are shown in the governmental funds financial statements.

CITY OF PLEASANT HILL, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

Capital assets, including public domain infrastructure (e.g., roads, bridges, sidewalks, and other assets that are immovable and of value only to the City) are defined as assets with an individual cost of more than \$5,000 and an estimated useful life greater than one year. Donated fixed assets are valued at their estimated fair market value on the date donated.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

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

Equipment	5 - 30 years
Buildings and land improvements	7 - 50 years
Infrastructure	10 - 50 years
Water and sewer system	10 - 50 years

Capital assets transferred between funds are transferred at their net book value (cost less accumulated depreciation), as of the date of the transfer.

Compensated Absences

All full-time employees and part-time employees working more than 1,040 hours per year shall be allowed annual vacation leave with pay. Vacation leave shall be granted on the basis of the employee's continuous employment tenure and whether the employee is classified as full-time or part-time. Up to forty hours of vacation pay can carry over from one year to the next year to be used within 90 days of the following calendar year.

All full-time employees may accumulate sick leave up to a maximum of 480 hours. Upon retirement or termination in good standing, an employee may convert unused sick leave to vacation leave at the rate of 8 hours of sick leave to 1 hour of vacation leave.

Unused vacation and sick pay as of March 31, 2014, is accrued as a liability for the proprietary fund and also on the government-wide statement of net position.

Long-Term Debt

In the government-wide and proprietary fund financial statements, outstanding debt is reported as liabilities. The governmental fund financial statements recognize the proceeds and payments of debt as other financing sources and uses of the current period. Issuance costs are reported as expenditures.

CITY OF PLEASANT HILL, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Equity

Government-Wide Statements

Equity is classified as net position and displayed in three components:

Invested in capital assets, net of related debt, consists of capital assets including restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position consists of net position with constraints placed on the use either by external groups, such as creditors, grantors, contributors, or laws and regulations of other governments, or through constitutional provision or enabling legislation. It is the City's policy to use restricted net position first, prior to the use of unrestricted net position, when a disbursement is paid for purposes in which both restricted and unrestricted net position are available.

Unrestricted net position does not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

Fund Balance Classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable

This classification includes amounts that cannot be spent because they either (a) are not in spendable form or (b) are legally or contractually required to be maintained intact.

Restricted

This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

CITY OF PLEASANT HILL, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Equity (Continued)

Fund Financial Statements (Continued)

Fund Balance Classification (Continued)

Committed

This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council. These amounts cannot be used for any other purpose unless the Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The City currently has no amounts classified in this category.

Assigned

This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council or through the Council delegating this responsibility to the City Administrator through the budgetary process.

Unassigned

This classification includes the residual fund balance for the General Fund.

The City would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

Interfund Transfers

During the course of normal operations, the City has transactions between funds, including expenditures and transfers of resources, to provide services and construct assets. Legally authorized transfers are treated as operating transfers and are included in the results of operations of both governmental and proprietary funds.

Use of Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CITY OF PLEASANT HILL, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2. RESTRICTED ASSETS

The revenue bond ordinance authorizing the revenue bond issue established certain deposit requirements for bond and interest sinking funds, reserve funds, and depreciation and replacement funds. At March 31, 2014, the required deposits had been met.

The Water and Sewer Fund's restricted assets are stated at cost and are composed of the following at March 31, 2014:

	Business-Type Activities
Depreciation and Replacement Account	64,000
SRF Principal, Interest, and Reserve Accounts	234,312
Revenue Bond Principal and Interest Accounts	218,628
Reserve for Revenue Bonds	355,500
Reserve for Capital Projects	440,218
Reserve for Certificates of Participation	30,450
Meter deposits	<u>109,177</u>
	<u>1,452,285</u>

The governmental fund's restricted assets are stated at cost and are composed of the following at March 31, 2014:

	Governmental Type Activities
Risk Management	205,332
Reserve for Debt Service	546,774
Reserve for Capital Projects	<u>1,325,444</u>
	<u>2,077,550</u>

NOTE 3. CASH AND CASH EQUIVALENTS

The City may purchase any investments allowed by the State Treasurer. These include (a) obligations of the United States government or any agency or instrumentality thereof maturing and becoming payable not more than three years from the date of purchase or (b) repurchase agreements maturing and becoming payable within 90 days secured by the U.S. Treasury obligations or obligations of U.S. government agencies or instrumentalities of any maturity, as provided by law.

The City's general credit risk policy is to apply the prudent person rule: Investments shall be made with the exercise of that judgment and care, under circumstances then prevailing, which individuals of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital, as well as the probable income to be derived.

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City does not have a formal policy for interest rate risk. However, the City does manage its exposure to fair value loss arising from interest rate changes on internally invested funds by reviewing the portfolio on an ongoing basis for changes in effective yield amounts.

CITY OF PLEASANT HILL, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 3. CASH AND CASH EQUIVALENTS (Continued)

Custodial Credit Risk - The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The City's policy is to collateralize bank deposits with securities held by the financial institution's agent and in the City's name. As of March 31, 2014, all of the City's deposits with financial institutions were fully insured or collateralized by securities held in the City's name in the form of joint safe-keeping receipts.

Concentration of Credit Risk - The City places no limit on the amount the City may invest in any one issuer.

NOTE 4. RECEIVABLES

Taxes receivable include sales, property, and franchise taxes.

Accounts receivable in the Water and Sewer Fund reflect customer accounts receivable which have been billed by year-end and also for unbilled revenue for services rendered prior to year-end but billed in the next fiscal year.

NOTE 5. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; workers' compensation; and natural disasters. The City has a member representative on MPR (formerly MARCIT), a not-for-profit corporation consisting of governmental entities, incorporated in 1984 to acquire insurance for its members. MPR operates as a purchasing pool and is not a joint venture activity of the City. The City has no control over budgeting, financing, management selection, or the governing body. MPR provides both conventional and self-insurance coverage for its members including medical, dental, property, casualty, general liability, and workers' compensation. The City participates in medical, dental, property, casualty, general liability, and workers' compensation insurance coverages. MPR manages the cash and investment pool, funded by insurance premiums, on behalf of its members. MPR's investment pool consists of interest-bearing deposits, U.S. Treasury strips, U.S. governmental agency obligations, and collateralized mortgage obligations.

In the event that a deficit occurs with respect to any fiscal year of MPR for which the City was a participant at any time during the year; and in the event that MPR determines that an assessment is required in order to provide additional funds for the obligations of MPR for such year; and further, in the event that the City was covered by the types of benefits requiring the assessment during the time period in which the assessment arose, the City is obligated to pay its pro rata share of any such assessment. MPR was not in a deficit situation during the past year. MPR's financial statements are presented in its Comprehensive Annual Financial Report. There have been no significant reductions in insurance coverage from the prior year and no significant losses in the past three fiscal years.

CITY OF PLEASANT HILL, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2014, was as follows:

	Balance April 1, 2013	Increases	Decreases	Balance March 31, 2014
<u>Governmental Activities</u>				
Capital assets, not being depreciated				
Construction in progress	257,798	1,718,846	57,798	1,918,846
Land	<u>815,046</u>			<u>815,046</u>
Total capital assets, not being depreciated	<u>1,072,844</u>	<u>1,718,846</u>	<u>57,798</u>	<u>2,733,892</u>
Capital assets, being depreciated				
Equipment	1,888,888	61,745	39,578	1,911,055
Buildings and land improvements	5,288,238		1,300,000	3,988,238
Infrastructure	<u>5,115,517</u>	<u>1,649,519</u>		<u>6,765,036</u>
Total capital assets, being depreciated	<u>12,292,643</u>	<u>1,711,264</u>	<u>1,339,578</u>	<u>12,664,329</u>
Less accumulated depreciation for:				
Equipment	1,186,159	162,764	39,578	1,309,345
Buildings and land improvements	3,615,978	148,511	1,300,000	2,464,489
Infrastructure	<u>730,406</u>	<u>162,979</u>		<u>893,385</u>
Total accumulated depreciation	<u>5,532,543</u>	<u>474,254</u>	<u>1,339,578</u>	<u>4,667,219</u>
Governmental activities capital assets, net	<u>7,832,944</u>	<u>2,955,856</u>	<u>57,798</u>	<u>10,731,002</u>
<u>Business-Type Activities</u>				
Capital assets, not being depreciated				
Land	<u>144,775</u>	<u>140,060</u>		<u>284,835</u>
Capital assets, being depreciated				
Equipment	539,752	5,035		544,787
Water and sewer system	<u>17,470,202</u>	<u>343,285</u>		<u>17,813,487</u>
Total capital assets, being depreciated	<u>18,009,954</u>	<u>348,320</u>		<u>18,358,274</u>
Less accumulated depreciation for:				
Equipment	264,290	20,248		284,538
Water and sewer system	<u>8,429,211</u>	<u>508,388</u>		<u>8,937,599</u>
Total accumulated depreciation	<u>8,693,501</u>	<u>528,636</u>		<u>9,222,137</u>
Business-type activities capital assets, net	<u>9,461,228</u>	<u>(40,256)</u>		<u>9,420,972</u>

CITY OF PLEASANT HILL, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS (Continued)

The following table summarizes the depreciation by function for the year ended March 31, 2014:

	Governmental Activities	Business- Type Activities
Administration	72,422	
Police	113,289	
Recreation	84,972	
Transportation	201,955	
Codes	1,616	
Water		217,521
Sewer	<u>          </u>	<u>311,105</u>
Total	<u>474,254</u>	<u>528,626</u>

NOTE 7. LONG-TERM DEBT

Governmental Activities

Changes in the debt for the year ended March 31, 2014, consisted of the following:

	Balance April 1, 2013	Addi- tions	Retire- ments	Balance March 31, 2014	Due in One Year
Capital lease - wheel loader	66,969		66,969		
Capital lease - street sweeper	121,397		38,938	82,459	40,561
2005 GO refunding bonds	7,310,000		440,000	6,870,000	470,000
2009 Certificates of Participation	546,000		9,750	536,250	9,750
2013 Certificates of Participation		2,420,000		2,420,000	55,000
2013 premium on COP issue		25,189		25,189	2,519
Compensated absences	<u>112,647</u>	<u>128,885</u>	<u>112,647</u>	<u>128,885</u>	<u>128,885</u>
	<u>8,157,013</u>	<u>2,574,074</u>	<u>668,304</u>	<u>10,062,783</u>	<u>706,715</u>

CITY OF PLEASANT HILL, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (Continued)

Governmental Activities (Continued)

Compensated Absences

Compensated absences are payable upon and employee's separation from employment, which could occur at any time. The absences are, therefore, considered payable within one year and are liquidated by the governmental fund responsible for generating the liability. The liability is allocated to each fund as follows:

General	
Administration	18,464
Police	47,929
Dispatch	9,751
Community development	13,191
Buildings	3,038
Court	5,057
Codes	4,196
Recreation	7,946
Transportation	<u>19,313</u>
	<u>128,885</u>

Capital Leases

On March 6, 2008, the City entered into a lease-purchase agreement with Caterpillar Financial Services Corporation in the original amount of \$214,829 for the purchase of a wheel loader. The agreement requires annual payments of \$29,023 with the final payment of \$69,663 at maturity in 2014, including interest at a rate of 4.000%. - 0 -

On February 18, 2011, the City entered into a lease-purchase agreement with Environment Equipment financing in the original amount of \$202,776 for the purchase of a street sweeper. The agreement requires annual payments of \$44,000 with the final payment at maturity in 2016, including interest at a rate of 4.170%. 82,459

GO Refunding Bonds

On August 10, 2005, the City issued General Obligation Refunding Bonds in the original amount of \$8,835,000. The bonds require annual principal payments and semiannual interest payments at a rate of 3.780% until maturity in 2025. 6,870,000

CITY OF PLEASANT HILL, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (Continued)

Governmental Activities (Continued)

Certificates of Participation

On July 25, 2013, the City issued Certificates of Participation for the purpose of swimming pool improvements in the original amount of \$2,420,000. The certificates require annual payments of principal and interest at rates ranging from 2.70% to 4.65%. 2,420,000

On March 1, 2009, the City issued Certificates of Participation for the purpose of capital asset purchases, water line engineering, and extensions. The certificates require annual payments of principal and interest at a rate of 5.750% until maturity in 2029. 536,250

9,908,709

Business-Type Activities

Changes in the debt for the year ended March 31, 2014, consisted of the following:

	Balance April 1, 2013	Addi- tions	Retire- ments	Balance March 31, 2014	Due in One Year
<u>Business-Type Activities</u>					
SRF loan	620,000		279,000	341,000	298,000
2009 Certificates of Participation	294,000		5,250	288,750	5,250
Revenue bonds	3,555,000			3,555,000	
Deferred refunded revenue bonds	(177,084)		(19,144)	(157,940)	(19,144)
Compensated absences	11,174	7,614	11,174	7,614	7,614
	<u>4,303,090</u>	<u>7,614</u>	<u>276,280</u>	<u>4,034,424</u>	<u>291,720</u>

Compensated Absences

Compensated absences are payable upon and employee's separation from employment, which could occur at any time. The absences are, therefore, considered payable within one year and are liquidated by the department responsible for generating the liability. The liability is allocated to each department as follows:

Water	6,572
Sewer	<u>1,042</u>
	<u>7,614</u>

CITY OF PLEASANT HILL, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (Continued)

Business-Type Activities (Continued)

SRF Loan

On August 1, 1994, the City received proceeds from the State Revolving Fund Program for making improvements to the Waterworks and Sewerage System of the City. Annual principal payments and semiannual interest payments at rates ranging from 4.25% to 6.05% are required until maturity in 2016. 341,000

Certificates of Participation

On March 1, 2009, the City issued Certificates of Participation for the purpose of capital asset purchases, water line engineering, and extensions. The certificates require annual payments of principal and interest at a rate of 5.75% until maturity in 2029. 288,750

Revenue Bonds

On November 22, 2010, the City issued Combined Waterworks and Sewerage System Refunding Revenue Bonds in the amount of \$3,555,000. Annual principal payments are required with semiannual interest payments with rates at 4.45% until maturity in 2025. 3,555,000

4,184,750

Aggregate annual principal payments and debt service requirements are as follows:

Year Ending	Governmental Activities		Business-Type Activities		Total
	Principal	Interest	Principal	Interest	
March 31, 2015	575,311	417,361	303,250	186,267	1,482,189
2016	639,898	363,533	270,000	175,600	1,449,031
2017	641,250	339,573	288,750	164,053	1,433,626
2018	674,500	315,660	305,500	151,042	1,446,702
2019	709,500	290,521	310,500	137,310	1,447,831
2020 - 2024	4,096,750	1,027,876	1,743,250	464,358	7,332,234
2025 - 2029	1,594,750	365,547	895,250	90,422	2,945,969
2030 - 2034	976,750	134,998	68,250	1,962	1,181,960
Total	<u>9,908,709</u>	<u>3,255,069</u>	<u>4,184,750</u>	<u>1,371,014</u>	<u>18,719,542</u>

CITY OF PLEASANT HILL, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 8. INTERFUND TRANSACTIONS

<u>Transfers Out</u>	Transfers In			Total
	General	Special Revenue	Debt Service	
General		313,000	231,325	544,325
Special Revenue	96,561	325,008	137,795	559,364
Debt Service	9,009			9,009
Proprietary	<u>201,233</u>	<u>          </u>	<u>19,065</u>	<u>220,298</u>
Total	<u>306,803</u>	<u>638,008</u>	<u>388,185</u>	<u>1,332,996</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.

NOTE 9. RETIREMENT PLAN

Plan Description

The City of Pleasant Hill, Missouri, participates in the Missouri Local Government Employees Retirement System (LAGERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local government entities in Missouri. LAGERS is a defined benefit pension plan which provides retirement, disability, and death benefits to plan members and beneficiaries.

LAGERS was created and is governed by statute, section RSMo. 70.600 - 70.755. As such, it is the system's responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401(a) and it is tax-exempt.

The Missouri Local Government Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to LAGERS, P.O. Box 1665, Jefferson City, Missouri 65102 or by calling 1-800-447-4334.

Funding Status

Full-time employees of the City of Pleasant Hill, Missouri, do not contribute to the pension plan. The June 30 statutorily required rates are 17.3% (General), 18.4% (Police), and 18.5% (Fire) of annual covered payroll. The contribution requirements of plan members are determined by the governing body of the political subdivision. The contribution provisions of the political subdivision are established by state statute.

CITY OF PLEASANT HILL, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 9. RETIREMENT PLAN (Continued)

Annual Pension Cost (APC) and Net Pension Obligation (NPO)

For June 30, 2013, the political subdivision's annual pension cost was \$333,391. Actual contributions were \$325,848 and the net pension obligation (NPO) was \$59,873. The annual required contribution (ARC) was determined as part of the February 28, 2011, and February 29, 2012, annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions as of February 28, 2013, included: (a) a rate of return on the investment of present and future assets of 7.25% per year, compounded annually, (b) projected salary increases of 3.5% per year, compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.0% to 6.0% per year depending on age and division, attributable to seniority/merit, (d) preretirement mortality based on 75% of the RP-2000 Combined Healthy Table set back 0 years for men and 0 years for women and (e) postretirement mortality based on 105% of the 1994 Group Annuity Mortality table set back 0 years for men and 0 years for women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period as of February 28, 2011, was 30 years for the General division, 25 years for the Police division, and 30 years for the Fire division. The amortization period as of February 29, 2012, was 24 years for the General division, 17 years for the Police division and 30 years for the Fire division.

THREE-YEAR TREND INFORMATION

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/11	322,369	91.0%	37,430
6/30/12	305,183	95.1%	52,330
6/30/13	333,391	97.7%	59,873

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(b-a) Unfunded Accrued Liability (UAL)
2/28/11	3,313,212	5,118,303	1,805,091
2/29/12	3,734,327	5,228,887	1,494,560
2/28/13	4,273,624	5,524,206	1,250,582

CITY OF PLEASANT HILL, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 9. RETIREMENT PLAN (Continued)

SCHEDULE OF FUNDING PROGRESS (Continued)

Actuarial Valuation Date	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percent of Covered Payroll
2/28/11	65%	1,811,012	100%
2/29/12	71%	1,684,796	89%
2/28/13	77%	1,807,784	69%

Note: The above assets and actuarial accrued liability do not include the assets and present value of benefits associated with the Benefit Reserve Fund and the Casualty Reserve Fund. The actuarial assumptions were changed in conjunction with the February 28, 2011, annual actuarial valuations. For a complete description of the actuarial assumptions used in the annual valuations, please contact the LAGERS office in Jefferson City.

NOTE 10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

The City sponsors a single-employer, defined benefit health care plan that provides healthcare benefits to retirees and their dependents, including medical and dental coverage. Participants include retirees of the City.

The City requires the retirees to pay the carrier-charged premium. The rates being paid by retirees for benefits are typically lower than those for individual health insurance policies. The difference between these amounts is the implicit rate subsidy, which is considered other post-employment benefits (OPEB) under Governmental Accounting Standards Board Statement No. 45.

Retirees and their dependents have the same benefits as active employees. The retiree may continue coverage until death. Spousal coverage is available until the retiree becomes covered under another employer health plan, attains Medicare eligibility age, or 36 months after the death of the retiree under Cobra law.

Funding Policy

GASB Statement 45 does not require funding of the OPEB liability, and the City has chosen not to fund it. City policy dictates the payment of retiree claims as they become due.

CITY OF PLEASANT HILL, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

OPEB Cost and Net OPEB Obligation

The City's annual OPEB cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize the unfunded actuarial liability over a period not to exceed 30 years.

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation.

Normal cost	8,239
Amortization of unfunded Actuarial accrued liability	<u>6,338</u>
Annual required contribution (ARC)	14,577
Interest on net OPEB obligation	3,023
Adjustment to annual required contribution	<u>(3,746)</u>
Annual OPEB cost	13,854
Balance, April 1, 2013	60,458
Employer contributions (7.1%)	<u>(1,000)</u>
Net OPEB obligation, March 31, 2014	<u>73,312</u>

Funded Status and Funding Progress

The actuarial accrued liability was \$109,176 with a covered payroll of \$1,621,181, resulting in a ratio of 6.7%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health-care cost trend. Amounts determined regarding the funding status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

NOTE 11. RESTATEMENT

The following table reflects the restatement of assets for beginning of the year balances for the governmental funds:

	Transportation Fund
Prior year report	325,448
Road and bridge tax receivable	<u>95,330</u>
Restated beginning balance	<u>420,778</u>

CITY OF PLEASANT HILL, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 11. RESTATEMENT (Continued)

The following table reflects the restatement of assets for beginning of the year balances on the statement of net assets:

	Governmental Activities	Business Type Activities
Prior year report	3,010,390	7,703,067
Road and bridge tax receivable	95,330	
GASB 65	<u>(142,659)</u>	<u>(131,922)</u>
Restated beginning balances	<u>2,963,061</u>	<u>7,571,145</u>

NOTE 12. COMMITMENTS

As of March 31, 2014, the City was committed to construction and engineering services for approximately \$475,000 related to a swimming pool improvement project.

NOTE 13. SUBSEQUENT EVENTS

On August 25, 2014, the City Council authorized full payment of the 2009 Certificates of Participation by transfers from the General Fund to be effective on October 1, 2014.

In preparing the financial statements, the City has evaluated events and transactions for potential recognition or disclosure through September 17, 2014, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF PLEASANT HILL, MISSOURI  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
 YEAR ENDED MARCH 31, 2014

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>				
Sales tax	659,000	659,000	646,839	(12,161)
Property tax	371,406	371,406	376,695	5,289
Other tax	23,150	23,150	21,755	(1,395)
PILOT payments	324,125	324,125	324,675	550
Franchise fees	997,937	997,937	1,014,465	16,528
License and permits	51,500	51,500	69,930	18,430
Intergovernmental revenue	7,000	7,000	6,653	(347)
Fines and court costs	125,280	125,280	127,987	2,707
Grants and donations	58,680	58,680	129,367	70,687
Insurance rebates and proceeds	29,700	29,700	29,755	55
Interest	2,100	2,100	4,173	2,073
Sale of property	600	600	1,427	827
Other	60,500	95,417	14,673	(80,744)
Total revenues	<u>2,710,978</u>	<u>2,745,895</u>	<u>2,768,394</u>	<u>22,499</u>
<b>EXPENDITURES</b>				
Administration	1,115,842	1,158,051	1,124,603	33,448
Police	1,390,907	1,413,151	1,382,084	31,067
Capital outlay	29,600	29,600	27,804	1,796
Total expenditures	<u>2,536,349</u>	<u>2,600,802</u>	<u>2,534,491</u>	<u>66,311</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>174,629</u>	<u>145,093</u>	<u>233,903</u>	<u>88,810</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	306,803	306,803	306,803	
Transfers out	(544,325)	(544,325)	(544,325)	
Total other financing sources (uses)	<u>(237,522)</u>	<u>(237,522)</u>	<u>(237,522)</u>	
<b>REVENUES AND OTHER FINANCING SOURCES UNDER EXPENDITURES AND OTHER FINANCING USES</b>	<u>(62,893)</u>	<u>(92,429)</u>	(3,619)	<u>88,810</u>
Modified accrual adjustments			48,197	
FUND BALANCE, beginning of year			<u>1,800,424</u>	
FUND BALANCE, end of year			<u>1,845,002</u>	

See accompanying notes to required supplementary information.

CITY OF PLEASANT HILL, MISSOURI  
 BUDGETARY COMPARISON SCHEDULE  
 TRANSPORTATION FUND  
 YEAR ENDED MARCH 31, 2014

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Sales tax	290,500	290,500	292,323	1,823
Property tax	139,263	139,263	141,189	1,926
Fuel and vehicle tax	296,500	296,500	297,008	508
Other tax	9,800	9,800	9,322	(478)
Intergovernmental revenue	95,330	95,330	95,330	
Grants and donations	540,493	540,493	541,996	1,503
Other	55,000	55,000	950	(54,050)
Total revenues	<u>1,426,886</u>	<u>1,426,886</u>	<u>1,378,118</u>	<u>(48,768)</u>
Expenditures				
Transportation	678,353	690,853	692,253	(1,400)
Capital outlay	<u>1,220,000</u>	<u>1,220,000</u>	<u>1,217,394</u>	<u>2,606</u>
Total expenditures	<u>1,898,353</u>	<u>1,910,853</u>	<u>1,909,647</u>	<u>1,206</u>
DEFICIT OF REVENUES UNDER EXPENDITURES	<u>(471,467)</u>	<u>(483,967)</u>	<u>(531,529)</u>	<u>(47,562)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	415,008	415,008	415,008	
Transfers out	<u>(35,456)</u>	<u>(35,456)</u>	<u>(35,456)</u>	
Total other financing sources (uses)	<u>379,552</u>	<u>379,552</u>	<u>379,552</u>	
REVENUES AND OTHER FINANCING SOURCES UNDER EXPENDITURES AND OTHER FINANCING USES	<u>(91,915)</u>	<u>(104,415)</u>	(151,977)	<u>(47,562)</u>
Modified accrual adjustments			8,956	
FUND BALANCE, beginning of year (as restated)			<u>420,778</u>	
FUND BALANCE, end of year			<u>277,757</u>	

See accompanying notes to required supplementary information.

CITY OF PLEASANT HILL, MISSOURI  
 BUDGETARY COMPARISON SCHEDULE  
 CAPITAL PROJECTS FUND  
 YEAR ENDED MARCH 31, 2014

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Grants and donations	251,868	261,271	250,021	(11,250)
Interest			153	153
Total revenues	<u>251,868</u>	<u>261,271</u>	<u>250,174</u>	<u>(11,097)</u>
EXPENDITURES				
Capital outlay	<u>340,824</u>	<u>2,528,998</u>	<u>2,049,673</u>	<u>479,325</u>
DEFICIT OF REVENUES UNDER EXPENDITURES	<u>(88,956)</u>	<u>(2,267,727)</u>	<u>(1,799,499)</u>	<u>468,228</u>
OTHER FINANCING SOURCES (USES)				
Debt proceeds		2,420,000	2,420,000	
Debt premium		25,189	25,189	
Cost of debt issuance		(89,551)	(89,510)	41
Transfers out	<u>(25,008)</u>	<u>(25,008)</u>	<u>(25,008)</u>	
Total other financing sources (uses)	<u>(25,008)</u>	<u>2,330,630</u>	<u>2,330,671</u>	
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDI- TURES AND OTHER FINANCING USES	<u>(113,964)</u>	<u>62,903</u>	531,172	<u>468,269</u>
FUND BALANCE, beginning of year			<u>334,424</u>	
FUND BALANCE, end of year			<u>865,596</u>	

See accompanying notes to required supplementary information.

CITY OF PLEASANT HILL, MISSOURI  
 BUDGETARY COMPARISON SCHEDULE  
 DEBT SERVICE FUND  
 YEAR ENDED MARCH 31, 2014

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Property tax	<u>225,219</u>	<u>333,219</u>	<u>338,280</u>	<u>5,061</u>
EXPENDITURES				
Debt principal	449,750	449,750	449,750	
Debt interest and agent fees	<u>307,843</u>	<u>330,367</u>	<u>308,026</u>	<u>22,341</u>
Total expenditures	<u>757,593</u>	<u>780,117</u>	<u>757,776</u>	<u>22,341</u>
DEFICIT OF REVENUES UNDER EXPENDITURES	<u>(532,374)</u>	<u>(446,898)</u>	<u>(419,496)</u>	<u>27,402</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	388,185	388,185	388,185	
Transfers out	<u>(9,009)</u>	<u>(9,009)</u>	<u>(9,009)</u>	
Total other financing sources (uses)	<u>379,176</u>	<u>379,176</u>	<u>379,176</u>	
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDI- TURES AND OTHER FINANCING USES	<u>(153,198)</u>	<u>(67,722)</u>	(40,320)	<u>27,402</u>
Modified accrual adjustments			2,014	
FUND BALANCE, beginning of year			<u>512,056</u>	
FUND BALANCE, end of year			<u>473,750</u>	

See accompanying notes to required supplemental information.

CITY OF PLEASANT HILL, MISSOURI  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

NOTE 1. BUDGETARY INFORMATION

Budgets for the City are prepared and adopted on the cash basis of accounting, which differs from the fund financial statements. The City performs the following procedures in establishing the budget:

The Budget Committee submits to the City Council a proposed budget for the fiscal year commencing the following April 1.

Prior to April 1, the budget is legally enacted through the passage of an ordinance.

Any revisions that alter the total expenditures of any fund must be approved by the City Council. The fund level constitutes the City's legal level of budgetary control. Reported budgeted amounts are as originally adopted and amended by resolution.

Appropriations lapse at fiscal year-end but may be reappropriated in the following fiscal year.

OTHER SUPPLEMENTARY INFORMATION

CITY OF PLEASANT HILL, MISSOURI  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
MARCH 31, 2014

ASSETS	N.I.D. Fund	Capital Improvement Sales Tax Fund	Pool Capital Improvement Sales Tax Fund	Excise Tax Fund	Park/ Stormwater Sales Tax Fund	Codes/ Public Health Fund	Park Fund	Special Events Fund	Total
ASSETS									
Unrestricted Assets									
Cash and cash equivalents (claim on cash)	(3,256)			37,810		13,915	89,523	18,050	156,042
Prepaid expenses						531	3,063		3,594
Taxes receivable	<u>10,556</u>					<u>1,260</u>	<u>1,260</u>		<u>13,076</u>
Total unrestricted assets	<u>7,300</u>			<u>37,810</u>		<u>15,706</u>	<u>93,846</u>	<u>18,050</u>	<u>172,712</u>
Restricted Assets									
Cash and cash equivalents (claim on cash)		(2,592)	47,994		19,415				64,817
Taxes receivable		<u>59,742</u>	<u>25,030</u>		<u>50,118</u>				<u>134,890</u>
Total restricted assets		<u>57,150</u>	<u>73,024</u>		<u>69,533</u>				<u>199,707</u>
50 TOTAL ASSETS	<u>7,300</u>	<u>57,150</u>	<u>73,024</u>	<u>37,810</u>	<u>69,533</u>	<u>15,706</u>	<u>93,846</u>	<u>18,050</u>	<u>372,419</u>
LIABILITIES AND FUND BALANCES									
LIABILITIES									
Accounts payable						190	3,725		3,915
Accrued expenses						<u>1,857</u>	<u>6,292</u>		<u>8,149</u>
Total liabilities						<u>2,047</u>	<u>10,017</u>		<u>12,064</u>
FUND BALANCES									
Nonspendable						531	3,063		3,594
Restricted		57,150	73,024		69,533				199,707
Assigned	<u>7,300</u>			<u>37,810</u>		<u>13,128</u>	<u>80,766</u>	<u>18,050</u>	<u>157,054</u>
Total fund balances	<u>7,300</u>	<u>57,150</u>	<u>73,024</u>	<u>37,810</u>	<u>69,533</u>	<u>13,659</u>	<u>83,829</u>	<u>18,050</u>	<u>360,355</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>7,300</u>	<u>57,150</u>	<u>73,024</u>	<u>37,810</u>	<u>69,533</u>	<u>15,706</u>	<u>93,846</u>	<u>18,050</u>	<u>372,419</u>

CITY OF PLEASANT HILL, MISSOURI  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED MARCH 31, 2014

	N.I.D. Fund	Capital Improvement Sales Tax Fund	Pool Capital Improvement Sales Tax Fund	Excise Tax Fund	Park/ Stormwater Sales Tax Fund	Codes/ Public Health Fund	Park Fund	Special Events Fund	Total
<b>REVENUES</b>									
Taxes		336,748	73,024	27,270	301,560	75,537	75,537		889,676
Licenses and permits						2,477			2,477
Charges for services							128,460	143,463	271,923
Grants and donations							4,145		4,145
Other		135					1,332		1,467
Total revenues		<u>336,883</u>	<u>73,024</u>	<u>27,270</u>	<u>301,560</u>	<u>78,014</u>	<u>209,474</u>	<u>143,463</u>	<u>1,169,688</u>
<b>EXPENDITURES</b>									
Current									
Administration		10,612							10,612
Police		3,155							3,155
Codes						71,351			71,351
Recreation							395,834		395,834
Special events								114,206	114,206
Capital outlay		77,441							77,441
Debt service									
Principal		86,438			19,469				105,907
Interest		5,225			2,531				7,756
Total expenditures		<u>182,871</u>			<u>22,000</u>	<u>71,351</u>	<u>395,834</u>	<u>114,206</u>	<u>786,262</u>
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES</b>									
		<u>154,012</u>	<u>73,024</u>	<u>27,270</u>	<u>279,560</u>	<u>6,663</u>	<u>(186,360)</u>	<u>29,257</u>	<u>383,426</u>
<b>OTHER FINANCING SOURCES (USES)</b>									
Transfers in		21,000				2,000	200,000		223,000
Transfers out		(198,466)		(21,808)	(256,987)	(3,051)	(7,065)	(11,523)	(498,900)
Total other financing sources (uses)		<u>(177,466)</u>		<u>(21,808)</u>	<u>(256,987)</u>	<u>(1,051)</u>	<u>192,935</u>	<u>(11,523)</u>	<u>(275,900)</u>
<b>REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDI- TURES AND OTHER FINANCING USES</b>									
		<u>(23,454)</u>	<u>73,024</u>	<u>5,462</u>	<u>22,573</u>	<u>5,612</u>	<u>6,575</u>	<u>17,734</u>	<u>107,526</u>
FUND BALANCE, beginning of year	<u>7,300</u>	<u>80,604</u>		<u>32,348</u>	<u>46,960</u>	<u>8,047</u>	<u>77,254</u>	<u>316</u>	<u>252,829</u>
FUND BALANCE, end of year	<u>7,300</u>	<u>57,150</u>	<u>73,024</u>	<u>37,810</u>	<u>69,533</u>	<u>13,659</u>	<u>83,829</u>	<u>18,050</u>	<u>360,355</u>

CITY OF PLEASANT HILL, MISSOURI  
SCHEDULE OF LONG-TERM DEBT MATURITIES  
YEAR ENDED MARCH 31, 2014

Fiscal Year Ending March 31		2013 Certificates of Participation	Capital Lease Street Sweeper	2005 GO Refunding Bonds	2009 Certificates of Participation	SRF Loan	Revenue Bonds	Total
2015	Principal	55,000	40,561	470,000	15,000	298,000		878,561
	Interest	<u>123,681</u>	<u>3,439</u>	<u>259,686</u>	<u>47,007</u>	<u>11,616</u>	158,198	<u>603,627</u>
	Total	<u>178,681</u>	<u>44,000</u>	<u>729,686</u>	<u>62,007</u>	<u>309,616</u>	<u>158,198</u>	<u>1,482,188</u>
2016	Principal	95,000	41,898	490,000	20,000	43,000	220,000	909,898
	Interest	<u>89,965</u>	<u>1,747</u>	<u>241,920</u>	<u>46,001</u>	<u>1,301</u>	158,198	<u>539,132</u>
	Total	<u>184,965</u>	<u>43,645</u>	<u>731,920</u>	<u>66,001</u>	<u>44,301</u>	<u>378,198</u>	<u>1,449,030</u>
2017	Principal	95,000		530,000	25,000		280,000	930,000
	Interest	<u>87,115</u>		<u>223,398</u>	<u>44,707</u>		148,408	<u>503,628</u>
	Total	<u>182,115</u>		<u>753,398</u>	<u>69,707</u>		<u>428,408</u>	<u>1,433,628</u>
2018	Principal	95,000		560,000	30,000		295,000	980,000
	Interest	<u>84,265</u>		<u>203,364</u>	<u>43,125</u>		135,948	<u>466,702</u>
	Total	<u>179,265</u>		<u>763,364</u>	<u>73,125</u>		<u>430,948</u>	<u>1,446,702</u>
2019	Principal	100,000		590,000	30,000		300,000	1,020,000
	Interest	<u>81,415</u>		<u>182,196</u>	<u>41,400</u>		122,820	<u>427,831</u>
	Total	<u>181,415</u>		<u>772,196</u>	<u>71,400</u>		<u>422,820</u>	<u>1,447,831</u>
2020 - 2024	Principal	525,000		3,445,000	195,000		1,675,000	5,840,000
	Interest	<u>361,155</u>		<u>552,260</u>	<u>176,094</u>		402,725	<u>1,492,234</u>
	Total	<u>886,155</u>		<u>3,997,260</u>	<u>371,094</u>		<u>2,077,725</u>	<u>7,332,234</u>
2025 - 2029	Principal	605,000		785,000	315,000		785,000	2,490,000
	Interest	<u>267,945</u>		<u>29,672</u>	<u>104,507</u>		53,845	<u>455,969</u>
	Total	<u>872,945</u>		<u>814,672</u>	<u>419,507</u>		<u>838,845</u>	<u>2,945,969</u>
2030 - 2034	Principal	850,000			195,000			1,045,000
	Interest	<u>131,354</u>			<u>5,606</u>			<u>136,960</u>
	Total	<u>981,354</u>			<u>200,606</u>			<u>1,181,960</u>
Total	Principal	2,420,000	82,459	6,870,000	825,000	341,000	3,555,000	14,093,459
	Interest	<u>1,226,895</u>	<u>5,186</u>	<u>1,692,496</u>	<u>508,447</u>	<u>12,917</u>	<u>1,180,142</u>	<u>4,626,083</u>
	Total	<u>3,646,895</u>	<u>87,645</u>	<u>8,562,496</u>	<u>1,333,447</u>	<u>353,917</u>	<u>4,735,142</u>	<u>18,719,542</u>

CITY OF PLEASANT HILL, MISSOURI  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 YEAR ENDED MARCH 31, 2014

Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal CFDA Number	Federal Expenditures
<u>U.S. Department of Transportation</u>			
Pass-Through Missouri Department of Transportation			
Highway Planning and Construction Alcohol Impaired Driving Countermeasures Incentive Grants	STP 3301 (460, 476, and 450)  13-K8-03-010	20.205  20.601	792,017  <u>3,232</u> <u>795,249</u>
<u>U.S. Department of Housing and Urban Development</u>			
Pass-Through Mid-America Regional Council Sustainable Communities Regional Planning Grant Program			
	30-2-30-52700-5270700-14475	14.703	<u>48,000</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>843,249</u>

CITY OF PLEASANT HILL, MISSOURI  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED MARCH 31, 2014

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Pleasant Hill, Missouri, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

NOTE 2. SUBRECIPIENTS

The City of Pleasant Hill, Missouri, provided no federal awards to subrecipients.

NOTE 3. LOCAL GOVERNMENT CONTRIBUTIONS

Local cost sharing is required by certain federal grants. The amount of cost sharing varies with each program. Only the federal share of expenditures is presented in the schedule of expenditures of federal awards.

NOTE 4. ADDITIONAL AUDITS

Grantor agencies reserve the right to conduct additional audits of the City's grant programs for economy, efficiency, and program results which may result in disallowed costs to the City. However, City management does not believe such audits would result in any disallowed costs that would be material to the City's financial position at March 31, 2014.

CITY OF PLEASANT HILL, MISSOURI  
SCHEDULE OF FINANCIAL INFORMATION CONCERNING THE CITY  
(UNAUDITED)

PROPERTY VALUATIONS

Current Assessed Valuation

The following table shows the total assessed valuation and estimated actual valuation, by category, of all taxable tangible property in Cass County that is situated in the City (including state assessed railroad and utility property) according to the assessment for property owned as of July 19, 2013, as finally adjusted.

Type of Property	Total Assessed Valuation	Assessment Rate	Total Estimated Actual Valuation	% of Actual Valuation
Real				
Residential	65,759,940	19.00%	346,104,947	78.89
Agricultural	85,540	12.00%	712,833	0.16
Commercial	9,710,860	32.00%	30,346,438	6.92
Total Real	75,556,340		377,164,218	85.97
Personal	15,442,989	33.33%	46,333,600	10.56
Railroad and utility	4,871,141	32.00%	15,222,316	3.47
Total all property types	95,870,470		438,720,134	100.00

History of Property Valuation

The total assessed valuation of all taxable tangible property situated in the City, according to the assessments of January 1, as adjusted through December 31, in each of the following years, has been as follows:

Year	Assessed Valuation	% Change
2013	95,947,445	0.59
2012	95,384,288	2.18
2011	93,350,364	(0.88)
2010	94,148,621	0.54
2009	93,644,887	2.88
2008	91,057,445	NA

CITY OF PLEASANT HILL, MISSOURI  
 SCHEDULE OF FINANCIAL INFORMATION CONCERNING THE CITY  
 (UNAUDITED)

PROPERTY TAX RATES

Property Tax Levies

The following table shows the City's property tax levies (per \$100 of assessed valuation) for the last six fiscal years:

Fiscal Year Ended March 31	Tax Year	General Fund	Streets Fund	Parks and Recreation Fund	Health Fund	Debt Service Fund	Total Levy
2014	2013	0.3667	0.1375	0.0734	0.0734	0.3434	0.9944
2013	2012	0.3603	0.1351	0.0721	0.0721	0.2234	0.8630
2012	2011	0.3563	0.1327	0.0707	0.0707	0.1234	0.7538
2011	2010	0.3510	0.1316	0.0702	0.0702	0.1212	0.7442
2010	2009	0.3486	0.1307	0.0697	0.0697	0.1203	0.7390
2009	2008	0.3557	0.1334	0.0711	0.0711	0.1077	0.7390

Tax Collection Record

The following table sets forth tax collection information for the City for the last four fiscal years:

Fiscal Year Ended March 31	Tax Year	Total Levy	Total Taxes Levied	Current and Delinquent Taxes Collected	
			Amount		%
2014	2013	0.9944	954,101	1,006,884	105.5
2013	2012	0.8630	823,166	878,113	106.7
2012	2011	0.7538	703,675	767,829	109.1
2011	2010	0.7442	700,654	744,394	106.2

SALES TAXES

The City's revenue for the past four fiscal years from the sales tax levies are as follows:

Fiscal Year Ended March 31	General Sales Tax	Capital Improvement Sales Tax	Park/Stormwater Sales Tax	Transportation Sales Tax	Pool Capital Improvement Sales Tax
2014					
2013	658,626	329,313	290,500	290,500	290,500
2012	693,429	346,707	296,332	296,501	296,332
2011	647,116	323,142	273,894	274,881	273,894

INDEPENDENT AUDITORS' 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 City Council Members  
City of Pleasant Hill, Missouri

We have audited, in accordance with the 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, Missouri, as of and for the year ended March 31, 2014, and the related notes to the financial statements, which collectively comprise the City of Pleasant Hill, Missouri's basic financial statements and have issued our report thereon dated September 17, 2014.

**Internal Control Over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity'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 that 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, and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies as item 2014-001.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Pleasant Hill, Missouri's financial statements are free from 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*.

## **City of Pleasant Hill, Missouri's Response to Findings**

The City of Pleasant Hill, Missouri's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Pleasant Hill, Missouri's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

## **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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dana J Cole + Company, LLP

Overland Park, Kansas  
September 17, 2014

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Honorable Mayor and City Council Members  
City of Pleasant Hill, Missouri

**Report on Compliance for Each Major Federal Program**

We have audited the City of Pleasant Hill, Missouri's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the City of Pleasant Hill, Missouri's major federal programs for the year ended March 31, 2014. The City of Pleasant Hill, Missouri's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the City of Pleasant Hill, Missouri's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Pleasant Hill, Missouri's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the City of Pleasant Hill, Missouri's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the City of Pleasant Hill, Missouri, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2014.

## Report on Internal Control Over Compliance

Management of the City of Pleasant Hill, Missouri, is responsible for establishing and maintaining effective internal control over compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Pleasant Hill, Missouri's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Dana J Cole + Company, LLP

Overland Park, Kansas  
September 17, 2014

CITY OF PLEASANT HILL, MISSOURI  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 YEAR ENDED MARCH 31, 2014

SECTION I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness identified:  Yes  No

Significant deficiencies identified that are not considered to be material weaknesses:  Yes  No

Noncompliance matter to the financial statements disclosed:  Yes  No

Federal Awards

Internal control over major programs:

Material weakness identified:  Yes  No

Significant deficiencies identified that are not considered to be material weaknesses:  Yes  No

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133:  Yes  No

Identification of major programs: CFDA No.

Highway Planning and Construction 20.205

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as a low-risk auditee?  Yes  No

CITY OF PLEASANT HILL, MISSOURI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED MARCH 31, 2014

SECTION II. FINANCIAL STATEMENT FINDINGS

2014-001 RELIANCE UPON THE AUDITOR

Criteria

As described in our engagement letter, management is responsible for establishing and maintaining internal controls, including monitoring, and for the fair presentation of financial statements, including the notes to the financial statements, in conformity with accounting principles generally accepted in the United States of America and the schedule of expenditures of federal awards.

Condition and Context

Management should possess the ability to prepare financial statements in accordance with accounting principles generally accepted in the United States of America. The preparation of financial statements under this basis of accounting requires that management possess the ability to properly record and classify transactions in a general ledger, reconcile all accounts, measure and record needed adjustments to the accounts, and prepare the financial statements and related disclosures without the assistance from the auditors. During our audit, we compiled a working trial balance from financial records provided by the City.

Cause

City personnel do not obtain the expertise necessary to provide the auditors with a trial balance adjusted in accordance with accounting principles generally accepted in the United States of America and to draft the year-end financial statements, supplementary information, and notes to the financial statements.

Potential Effect

The potential exists that a material misstatement of the financial statements could occur and not be prevented or detected by the City's internal control.

Questioned Costs

None.

Recommendation

We recommend that the City review and approve the proposed auditor adjusting entries, the adequacy of financial statement disclosures prepared by the auditors, and apply analytic procedures to the draft financial statements to ensure that all assets and liabilities of the City are recorded, among other procedures as considered necessary by management.

CITY OF PLEASANT HILL, MISSOURI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED MARCH 31, 2014

SECTION II. FINANCIAL STATEMENT FINDINGS (Continued)

2014-001 RELIANCE UPON THE AUDITOR (Continued)

Management's Response

The City relies on the auditor to propose adjustments necessary to prepare the financial statements including the related note disclosures. The City reviews such financial statements and approves all adjustments. The City also uses analytic procedures among other procedures necessary to complete the Management Discussion and Analysis.

SECTION III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

CITY OF PLEASANT HILL, MISSOURI  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED MARCH 31, 2014

2013-001 RELIANCE UPON THE AUDITOR

Management should possess the ability to prepare financial statements in accordance with accounting principles generally accepted in the United States of America. The preparation of financial statements under this basis of accounting requires that management possess the ability to properly record and classify transactions in a general ledger, reconcile all accounts, measure and record needed adjustments to the accounts, and prepare the financial statements and related disclosures without the assistance from the auditors. As described in our engagement letter, management is responsible for establishing and maintaining internal controls, including monitoring, and for the fair presentation of financial statements, including the notes to the financial statements in conformity with accounting principles generally accepted in the United States of America and the schedule of expenditures of federal awards. The potential exists that a material misstatement of the financial statements could occur and not be prevented or detected by the City's internal control. We recommended that the City review and approve the proposed auditor adjusting entries and the adequacy of financial statement disclosures prepared by the auditors and apply analytic procedures to the draft financial statements among other procedures as considered necessary by management. This is a continuing finding as noted in the schedule of findings and questioned costs as item 2014-001 for the year ended March 31, 2014.