

CITY OF PLEASANT HILL, MISSOURI

FINANCIAL STATEMENTS

MARCH 31, 2015



**DANA F. COLE
& COMPANY** LLP
CERTIFIED PUBLIC ACCOUNTANTS

CITY OF PLEASANT HILL, MISSOURI
TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1 - 3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4 - 11
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Position	12 - 13
Statement of Activities	14
Fund Financial Statements	
Balance Sheet - Governmental Funds	15
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	16
Statement of Revenues, Expenditures, and Changes in in Fund Balances - Governmental Funds	17 - 18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	19 - 20
Statement of Net Position - Proprietary Funds	21 - 22
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds	23
Statement of Cash Flows - Proprietary Funds	24 - 25
Notes to Financial Statements	26 - 45
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - General Fund	46
Budgetary Comparison Schedule - Transportation Fund	47
Budgetary Comparison Schedule - Capital Projects Fund	48
Budgetary Comparison Schedule - Debt Service Fund	49
Notes to Required Supplementary Information	50
OTHER SUPPLEMENTARY INFORMATION	
Nonmajor Governmental Funds - Combining Balance Sheet	51
Nonmajor Governmental Funds - Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	52
Schedule of Long-Term Debt Maturities	53
Schedule of Financial Information Concerning the City (Unaudited)	54 - 56
REPORT REQUIRED UNDER GOVERNMENT AUDITING STANDARDS AND OFFICE OF MANAGEMENT AND BUDGET CIRCULAR A-133	
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 <i>Government Auditing Standards</i>	57 - 58
Schedule of Findings and Responses	59
Summary Schedule of Prior Audit Findings	60



**DANA F. COLE
& COMPANY^{LLP}**
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the 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, 2015, 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 opinions on these financial statements based on our audits. We conducted our audits 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.

Opinion

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, 2015, 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 - 11 and 46 - 50 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 combining and individual fund financial statements and the schedule of long-term debt maturities on pages 51 - 53 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 long-term debt maturities 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 54 - 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 August 31, 2015, 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
August 31, 2015

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, 2015. 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 \$12,451,344. Of this amount, \$2,137,103 represents unrestricted net assets and may be used to fund ongoing obligations.

Total net assets increased by \$995,523 which represents an increase of 8.7% over the prior year.

Total long-term debt for the City of Pleasant Hill, Missouri, decreased during the current fiscal year by \$1,345,580, primarily due to the early payoff of 2009 Certificates of Participation. The City serviced all other long-term obligations as planned.

As of the close of the 2015 fiscal year, the City of Pleasant Hill, Missouri's combined governmental fund balances totaled \$2,470,896. This is a decrease from the previous fiscal year by \$1,351,564, primarily due to payments of debt principal and capital outlay purchases. 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.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are 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 supplemental 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

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

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Government-Wide Financial Statements (Continued)

event 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 12 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 note to the financial statements beginning on page 46.

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 21 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 \$12,451,344 at the close of the fiscal year. The largest portion of the City of Pleasant Hill's net position, 71.5%, reflects its investment in capital assets (land, buildings, machinery, equipment, infrastructure), less any outstanding debt and other liabilities used to acquire those assets.

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		Business-Type		Total	
	Activities		Activities			
	2015	2014	2015	2014	2015	2014
ASSETS						
Current and other assets	2,560	4,287	1,661	2,082	4,221	6,369
Capital assets	<u>11,867</u>	<u>10,731</u>	<u>9,659</u>	<u>9,421</u>	<u>21,526</u>	<u>20,152</u>
Total assets	<u>14,427</u>	<u>15,018</u>	<u>11,320</u>	<u>11,503</u>	<u>25,747</u>	<u>26,521</u>

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)

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
LIABILITIES						
Other liabilities	140	547	405	422	545	969
Long-term debt	9,285	10,063	3,466	4,034	12,751	14,097
Total liabilities	<u>9,425</u>	<u>10,610</u>	<u>3,871</u>	<u>4,456</u>	<u>13,296</u>	<u>15,066</u>
NET POSITION						
Invested in capital assets, net of related debt	2,708	464	6,200	5,394	8,908	5,858
Restricted	994	1,744	743	1,343	1,737	3,087
Unrestricted	1,300	2,200	506	310	1,806	2,510
Total net position	<u>5,002</u>	<u>4,408</u>	<u>7,449</u>	<u>7,047</u>	<u>12,451</u>	<u>11,455</u>

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

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
REVENUES						
Programs revenues						
Charges for services	553	500	3,408	3,379	3,961	3,879
Operating grants and contributions	241	183			241	183
Capital grants and contributions	251	828			251	828
General revenues						
Sales tax	1,975	1,686			1,975	1,686
Property tax	1,030	1,010			1,030	1,010
Other taxes	358	355			358	355
PILOT payments	325	325			325	325
Franchise fees	1,069	1,031			1,069	1,031
Transfers	(469)	220	469	(220)		
Other revenues including loss on asset disposals	(6)	23	28	31	22	54
Total revenues	<u>5,327</u>	<u>6,161</u>	<u>3,905</u>	<u>3,190</u>	<u>9,232</u>	<u>9,351</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)

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
EXPENSES						
Administration	1,141	1,213			1,141	1,213
Police	1,495	1,498			1,495	1,498
Transportation	925	882			925	882
Recreation	588	482			588	482
Other governmental activities	204	187			204	187
Governmental debt interest	380	454			380	454
Trash			434	432	434	432
Water			1,169	1,491	1,169	1,491
Sewer			1,900	1,791	1,900	1,791
Total expenses	<u>4,733</u>	<u>4,716</u>	<u>3,503</u>	<u>3,714</u>	<u>8,236</u>	<u>8,430</u>
CHANGE IN NET POSITION	594	1,445	402	(524)	996	921
BEGINNING 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>
ENDING NET POSITION	<u>5,002</u>	<u>4,408</u>	<u>7,449</u>	<u>7,047</u>	<u>12,451</u>	<u>11,455</u>

Governmental activities increased the City of Pleasant Hill, Missouri's net position by \$593,723 and an increase in business-type activities of \$401,800, therefore leading to a total current-year increase of \$995,523 in total net position.

Governmental Activities

Revenues increased in the governmental activities funds, primarily due to the increase in sales tax. Property and franchise tax revenues remained fairly steady.

Expenses in the governmental activities increased by a total of approximately \$17,000 or 0.4%.

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 74.5% of the entire \$1,058,845 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 42.5% of the total General Fund expenditures of \$2,492,973.

The total fund balance in the City of Pleasant Hill, Missouri's General Fund decreased \$786,157 for the current fiscal year as the net amount of transfers between funds totaled an outflow of \$1,094,296 from the General Fund to other funds which are disclosed in Note 8 of the financial statements.

The Transportation Fund has a total fund balance of \$435,260. The net increase of \$157,503 was primarily due to the current year's transfers from the General Fund.

The Debt Service Fund has a total fund balance of \$102,024. The net decrease of \$371,726 was primarily due to the current year's debt service requirements which were budgeted for and approved by City Council.

The Capital Projects Fund has a total fund balance of \$402,365. The net decrease of \$463,231 was primarily due to the current year capital outlay purchases which were budgeted for and approved by City Council.

The other nonmajor funds have a combined fund balance of \$472,402. The net increase of \$112,047 was primarily associated with the increase in sales tax collections that exceeded budgeted expenditures.

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.

Unrestricted net position in this proprietary fund at the end of the year amounted to \$506,488. This is up from the previous year's amount of \$310,173. Total net assets in this fund increased by \$401,800. 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.

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

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 \$21,526,989 (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 \$1,375,015 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	
	2015	2014	2015	2014	2015	2014
	Land	1,055	815	285	285	1,340
Construction in progress	10	1,919	22		32	1,919
Equipment	2,121	1,911	545	545	2,666	2,456
Buildings and land improvements	6,367	3,988			6,367	3,988
Water and sewer system Infrastructure	7,352	6,765	18,579	17,813	18,579	17,813
Accumulated depreciation	(5,038)	(4,667)	(9,771)	(9,222)	(14,809)	(13,889)
Total	11,867	10,731	9,660	9,421	21,527	20,152

Long-Term Debt

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

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
	Capital leases	372	82			372
SRF loan			43	341	43	341
General obligation bonds	6,400	6,870			6,400	6,870
Revenue bonds			3,555	3,555	3,555	3,555
Certificates of participation	2,365	2,956		289	2,365	3,245
Total	9,137	9,908	3,598	4,185	12,735	14,093

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

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

Long-Term Debt (Continued)

At the end of the current fiscal year, the City of Pleasant Hill, Missouri, had total long-term debt outstanding of \$12,734,527.

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

ECONOMIC FACTORS, NEXT YEAR'S BUDGET, AND RATES

General Fund revenues for fiscal year 2016 are projected to total \$3,062,810. This represents an overall growth of 1.7% over the prior year budget. All fund total revenues excluding transfers shows no growth (0.0%) over the prior year budget. A 1.8% growth in property tax is anticipated for this fiscal year. Sales tax has been volatile from fiscal year to year. The City budgeted a 4% reduction in sales tax from fiscal year 2015 collections due to two sales tax providers who made an additional payment in fiscal year 2015. Many other revenue sources will remain the same over the prior year's budget.

General Fund budgeted expenditures are projected to total \$3,127,029 compared to \$3,867,366 budgeted in fiscal year 2015. This represents a 19% reduction from the prior year budget. The fiscal year 2015 budget included a large transfer to the debt service fund for a final payment on the 2009 COPS. The numbers above include transfers to other funds. The transfers out to other funds are projected to total \$541,175 as compared to \$1,396,353 in fiscal year 2015 which can be attributed to a final payment on debt and the completion of a sewer interceptor project. Aside from transfers, the operational budgeted expenditures represent a 4.6% increase from the prior year budget.

Major capital projects will include:

- \$600,000 contracted street overlay.

- \$90,000 for park improvements including parking lots, resurfacing of basketball and tennis courts, irrigation improvements, and replacement of awnings.

- A police car, police car cameras and radars, completion of the automated meter reading project, improvements at the Memorial Building, completion of the Best Friends Dog Park, stormwater improvements on Hidden Valley Drive, an emergency alert communication system at the Cass County Fairgrounds, and equipment purchases including a brush hog mower and jet paver.

The City has approved a 2.5% water rate increase which passes along the rate increase from Kansas City, Missouri, Water Services, the City's wholesale supplier.

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

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, 2015

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	1,084,890	342,290	1,427,180
Receivables			
Taxes	430,476		430,476
Unbilled revenue		21,714	21,714
Accounts		312,090	312,090
Prepaid expenses	32,371	15,438	47,809
Inventory	16,160	96,865	113,025
Restricted Assets			
Cash and cash equivalents	880,568	864,916	1,745,484
Taxes receivable	115,246		115,246
Capital Assets			
Land	1,055,046	284,836	1,339,882
Construction in progress	10,471	21,600	32,071
Equipment	2,120,936	544,787	2,665,723
Buildings and land improvements	6,366,634		6,366,634
Water and sewer system		18,578,946	18,578,946
Infrastructure	7,352,304		7,352,304
Accumulated depreciation	(5,037,841)	(9,770,730)	(14,808,571)
Other intangibles, net of amortization		7,342	7,342
	<u>14,427,261</u>	<u>11,320,094</u>	<u>25,747,355</u>
TOTAL ASSETS			
LIABILITIES			
Current Liabilities			
Accounts payable	65,584	187,268	252,852
Accrued expenses	74,060	52,149	126,209
Unearned revenue		42,927	42,927
Customer deposits		122,396	122,396
Current portion of long-term debt	755,736	250,763	1,006,499
Total current liabilities	<u>895,380</u>	<u>655,503</u>	<u>1,550,883</u>
Long-Term Liabilities, net of current portion			
Long-term debt	<u>8,529,780</u>	<u>3,215,348</u>	<u>11,745,128</u>
TOTAL LIABILITIES	<u>9,425,160</u>	<u>3,870,851</u>	<u>13,296,011</u>

CITY OF PLEASANT HILL, MISSOURI
STATEMENT OF NET POSITION
MARCH 31, 2015

	Governmental Activities	Business-Type Activities	Total
NET POSITION			
Invested in capital assets, net of related debt	2,708,353	6,200,235	8,908,588
Restricted	993,732	742,520	1,736,252
Unrestricted	<u>1,300,016</u>	<u>506,488</u>	<u>1,806,504</u>
 TOTAL NET POSITION	 <u>5,002,101</u>	 <u>7,449,243</u>	 <u>12,451,344</u>

See accompanying notes to the financial statements.

CITY OF PLEASANT HILL, MISSOURI
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2015

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	1,141,499	83,998	28,498	(1,029,003)			(1,029,003)
Police	1,494,745	126,627	6,789	(1,361,329)			(1,361,329)
Transportation	924,594		205,534	(719,060)			(719,060)
Codes	78,025			(78,025)			(78,025)
Recreation	587,498	178,818		(157,430)			(157,430)
Special events	125,601	163,315		37,714			37,714
Interest on long-term debt	380,585			(380,585)			(380,585)
Total governmental activities	<u>4,732,547</u>	<u>552,758</u>	<u>240,821</u>	<u>251,250</u>	<u>(3,687,718)</u>		<u>(3,687,718)</u>
Business-type activities							
Trash	434,012	531,309			97,297		97,297
Water	1,168,503	1,430,532			262,029		262,029
Sewer	1,900,156	1,445,676			(454,480)		(454,480)
Total business-type activities	<u>3,502,671</u>	<u>3,407,517</u>			<u>(95,154)</u>		<u>(95,154)</u>
Total primary government	<u>8,235,218</u>	<u>3,960,275</u>	<u>240,821</u>	<u>251,250</u>	<u>(3,687,718)</u>	<u>(95,154)</u>	<u>(3,782,872)</u>
General revenues							
Taxes							
Sales tax					1,974,782		1,974,782
Property tax					1,030,397		1,030,397
Fuel and vehicle tax					310,251		310,251
Other tax					47,317		47,317
PILOT payments					324,675		324,675
Franchise fees					1,068,764		1,068,764
Interest and investment earnings					3,501	28,156	31,657
Miscellaneous					9,316		9,316
Transfers in (out)					(468,798)	468,798	
Gain (Loss) on asset disposal					(18,764)		(18,764)
Total general revenues and transfers					<u>4,281,441</u>	<u>496,954</u>	<u>4,778,395</u>
CHANGE IN NET POSITION					593,723	401,800	995,523
NET POSITION, beginning of year					<u>4,408,378</u>	<u>7,047,443</u>	<u>11,455,821</u>
NET POSITION, end of year					<u>5,002,101</u>	<u>7,449,243</u>	<u>12,451,344</u>

See accompanying notes to the financial statements.

CITY OF PLEASANT HILL, MISSOURI
BALANCE SHEET
GOVERNMENTAL FUNDS
MARCH 31, 2015

	General Fund	Transportation Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total
ASSETS						
ASSETS						
Cash and cash equivalents	625,174	276,606			183,110	1,084,890
Receivables, net of allowance for doubtful accounts						
Taxes	247,371	170,365			12,740	430,476
Inventories		16,160				16,160
Prepaid expenses	21,518	7,021			3,832	32,371
Restricted taxes receivable				3,383	111,863	115,246
Restricted cash and cash equivalents	<u>209,655</u>	<u> </u>	<u>404,447</u>	<u>98,641</u>	<u>167,825</u>	<u>880,568</u>
15 TOTAL ASSETS	<u>1,103,718</u>	<u>470,152</u>	<u>404,447</u>	<u>102,024</u>	<u>479,370</u>	<u>2,559,711</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	26,744	31,518	2,082		5,240	65,584
Accrued expenses	<u>18,129</u>	<u>3,374</u>	<u> </u>	<u> </u>	<u>1,728</u>	<u>23,231</u>
Total liabilities	<u>44,873</u>	<u>34,892</u>	<u>2,082</u>	<u> </u>	<u>6,968</u>	<u>88,815</u>
FUND BALANCES						
Nonspendable	21,518	23,181			3,832	48,531
Restricted	209,655		402,365	102,024	279,688	993,732
Assigned	38,927	412,079			188,882	639,888
Unassigned	<u>788,745</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u>788,745</u>
Total fund balances	<u>1,058,845</u>	<u>435,260</u>	<u>402,365</u>	<u>102,024</u>	<u>472,402</u>	<u>2,470,896</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>1,103,718</u>	<u>470,152</u>	<u>404,447</u>	<u>102,024</u>	<u>479,370</u>	<u>2,559,711</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, 2015

Total fund balance - total governmental funds	2,470,896
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	11,867,550
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(9,159,197)
Interest on long-term debt is not accrued in the governmental funds but, rather, is recognized as an expenditure when due.	(50,829)
Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(126,319)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>5,002,101</u></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, 2015

	General Fund	Transportation Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Eliminations	Total
REVENUES							
Sales tax	748,921	340,763			885,098		1,974,782
Property tax	382,612	143,467		351,150	153,168		1,030,397
Fuel and vehicle tax		310,251					310,251
Other tax	21,627	9,213			16,477		47,317
PILOT payments	324,675						324,675
Franchise fees	1,068,764						1,068,764
License and permits	57,871				1,360		59,231
Charges for services					342,133		342,133
Intergovernmental revenue	6,789	186,573					193,362
Fines and court costs	126,627						126,627
Grants and donations	28,498	18,961	11,250				58,709
Insurance rebates and proceeds	24,767						24,767
Sale of property		3,893					3,893
Interest	3,211		290				3,501
Other	6,750	1,159		26	1,381		9,316
Total revenues	<u>2,801,112</u>	<u>1,014,280</u>	<u>11,540</u>	<u>351,176</u>	<u>1,399,617</u>		<u>5,577,725</u>
EXPENDITURES							
Current							
Administration	1,049,182				17,302		1,066,484
Police	1,381,086				8,603		1,389,689
Transportation Codes		669,451			76,474		669,451
Recreation			5,211		419,039		424,250
Special events					125,601		125,601
Capital outlay	62,705	572,739	469,560		87,151		1,192,155
Debt principal				1,061,250	40,561		1,101,811
Debt interest and agent fees				411,137	3,439		414,576
Total expenditures	<u>2,492,973</u>	<u>1,242,190</u>	<u>474,771</u>	<u>1,472,387</u>	<u>778,170</u>		<u>6,460,491</u>

CITY OF PLEASANT HILL, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2015

	General Fund	Transportation Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Eliminations	Total
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	<u>308,139</u>	<u>(227,910)</u>	<u>(463,231)</u>	<u>(1,121,211)</u>	<u>621,447</u>		<u>(882,766)</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	334,152	421,125		763,469	257,430	(1,776,176)	
Transfers out	<u>(1,428,448)</u>	<u>(35,712)</u>		<u>(13,984)</u>	<u>(766,830)</u>	<u>1,776,176</u>	<u>(468,798)</u>
Total other financing sources (uses)	<u>(1,094,296)</u>	<u>385,413</u>		<u>749,485</u>	<u>(509,400)</u>		<u>(468,798)</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(786,157)	157,503	(463,231)	(371,726)	112,047		(1,351,564)
FUND BALANCE, beginning of year	<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>
FUND BALANCE, end of year	<u>1,058,845</u>	<u>435,260</u>	<u>402,365</u>	<u>102,024</u>	<u>472,402</u>		<u>2,470,896</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, 2015

Net change in fund balances - total governmental funds	(1,351,564)
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.	589,576
Governmental funds report the proceeds from the disposal of assets as revenues. However, in the statement of activities, the revenues are reported less the amount of the non-depreciated cost. This is the amount by which the cost exceeded any proceeds.	(22,657)
Donated capital assets are not available for current financial resources and such revenue is not recorded in the fund financial statements.	240,000
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 governmental 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.	1,101,811
Accrued interest on long-term debt is not reflected in the fund financial statements but recognized as an expenditure when paid.	31,472
Compensated absences in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	2,566

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, 2015

Governmental funds report the effect of debt premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	<u>2,519</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>593,723</u></u>

See accompanying notes to the financial statements.

CITY OF PLEASANT HILL, MISSOURI
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
MARCH 31, 2015

ASSETS

Current Assets

Cash and cash equivalents	342,290
Prepaid expenses	15,438
Inventory	96,865
Receivable, net of allowance for doubtful accounts	
Unbilled revenue	21,714
Accounts	312,090
Total current assets	788,397

Restricted Assets

Cash and cash equivalents	864,916
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Capital Assets

Land	284,836
Construction in progress	21,600
Equipment	544,787
Water and sewer system	18,578,946
Less accumulated depreciation	(9,770,730)
Net capital assets	9,659,439

Noncurrent assets

Other intangible assets, net of amortization	7,342
----------------------------------------------	-------

TOTAL ASSETS

11,320,094

LIABILITIES

Current Liabilities

Accounts payable	187,268
Accrued expenses	52,149
Deferred revenue	42,927
Customer deposits	122,396
Current portion of long-term debt	250,763
Total current liabilities	655,503

Noncurrent liabilities

Long-term debt, net of current portion	3,215,348
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TOTAL LIABILITIES

3,870,851

CITY OF PLEASANT HILL, MISSOURI
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
MARCH 31, 2015

NET POSITION	
Invested in capital assets, net of related debt	6,200,235
Restricted	742,520
Unrestricted	<u>506,488</u>
 TOTAL NET POSITION	 <u><u>7,449,243</u></u>

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, 2015

REVENUES	
User charges - Water	1,356,518
User charges - Sewer	1,445,676
User charges - Trash	531,309
Penalties	36,625
Miscellaneous	<u>37,389</u>
Total revenues	<u>3,407,517</u>
EXPENSES	
MBC Customer fees	1,175,525
Water pumping expenses	604,864
Trash collection fees	434,012
Salaries	122,881
Payroll taxes	9,283
Health and life insurance	16,223
Pension expense	23,023
Supplies and materials	70,226
Repairs and maintenance	134,915
Insurance	20,435
Utilities	23,911
Professional services	99,187
Depreciation and amortization	567,736
Bad debts	8,380
Other expenses	<u>3,329</u>
Total expenses	<u>3,313,930</u>
OPERATING INCOME	<u>93,587</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	28,156
Transfers in	714,339
Transfers out	(245,541)
Interest and bond fees	<u>(188,741)</u>
Total nonoperating revenues (expenses)	<u>308,213</u>
CHANGE IN NET POSITION	401,800
NET POSITION, beginning of year	<u>7,047,443</u>
NET POSITION, end of year	<u>7,449,243</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, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	3,421,619
Cash payments for materials and services	(2,616,552)
Cash payments to personnel	<u>(186,182)</u>
Net cash provided by operating activities	<u>618,885</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Cash received from interest	<u>28,156</u>
Net cash provided by investing activities	<u>28,156</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	714,339
Transfers to other funds	<u>(245,541)</u>
Net cash provided by noncapital financing activities	<u>468,798</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(806,203)
Interest and fees paid on revenue bonds	(188,741)
Payments on long-term debt	<u>(568,313)</u>
Net cash used in capital and related financing activities	<u>(1,563,257)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(447,418)
CASH AND CASH EQUIVALENTS, beginning of year	<u>1,654,624</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>1,207,206</u></u>
ALLOCATION OF CASH AND CASH EQUIVALENTS	
Unrestricted	342,290
Restricted	864,916
	<u><u>1,207,206</u></u>

CITY OF PLEASANT HILL, MISSOURI
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED MARCH 31, 2015

Reconciliation of Operating Income to Net
Cash Provided by Operating Activities

Operating income	<u>93,587</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	567,736
Decrease in accounts receivable	883
Increase in prepaid expenses	(8,975)
Increase in inventory	(17,927)
Decrease in accounts payable	(14,866)
Decrease in accrued expenses	(14,772)
Increase in meter deposits	<u>13,219</u>
Total adjustments	<u>525,298</u>
 Net cash provided by operating activities	 <u><u>618,885</u></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, Trash, 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 in which 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.

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.

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.

CITY OF PLEASANT HILL, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

CITY OF PLEASANT HILL, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

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 40 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 sick leave to 1 hour vacation leave.

Unused vacation and sick pay as of March 31, 2015, 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.

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.

CITY OF PLEASANT HILL, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Equity (Continued)

Government-Wide Statements (Continued)

Restricted net position consists of net assets 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 assets first, prior to the use of unrestricted net assets, when a disbursement is paid for purposes in which both restricted and unrestricted net assets are available.

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

Fund 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.

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.

CITY OF PLEASANT HILL, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Equity (Continued)

Fund Statements (Continued)

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.

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.

Interfund Transactions

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.

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, 2015, the required deposits had been met.

CITY OF PLEASANT HILL, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2. RESTRICTED ASSETS (Continued)

The Water and Sewer Fund's restricted assets are stated at cost and are composed of the following at March 31, 2015:

	Business-Type Activities
Depreciation and Replacement Account	76,000
SRF Principal, Interest, and Reserve Accounts	71,627
Revenue Bond Principal and Interest Accounts	218,628
Reserve for revenue bonds	355,500
Reserve for capital projects	20,765
Meter deposits	122,396
	<u>864,916</u>

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

	Governmental Activities
Risk management	209,655
Reserve for debt service	102,026
Reserve for capital projects	684,133
	<u>995,814</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, 2015, 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 it 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, 2015, was as follows:

	Balance April 1, 2014	Increases	Decreases	Balance March 31, 2015
<u>Governmental Activities</u>				
Capital assets, not being depreciated				
Construction in progress	1,918,846	7,725	1,916,100	10,471
Land	<u>815,046</u>	<u>240,000</u>	<u> </u>	<u>1,055,046</u>
Total capital assets, not being depreciated	<u>2,733,892</u>	<u>247,725</u>	<u>1,916,100</u>	<u>1,065,517</u>
Capital assets, being depreciated				
Equipment	1,911,055	466,432	256,551	2,120,936
Buildings and land improvements	3,988,238	2,378,396		6,366,634
Infrastructure	<u>6,765,036</u>	<u>587,268</u>	<u> </u>	<u>7,352,304</u>
Total capital assets, being depreciated	<u>12,664,329</u>	<u>3,432,096</u>	<u>256,551</u>	<u>15,839,874</u>
Less accumulated depreciation for:				
Equipment	1,309,345	196,878	231,957	1,274,266
Buildings and land improvements	2,464,489	205,670		2,670,159
Infrastructure	<u>893,385</u>	<u>200,031</u>	<u> </u>	<u>1,093,416</u>
Total accumulated depreciation	<u>4,667,219</u>	<u>602,579</u>	<u>231,957</u>	<u>5,037,841</u>
Governmental activities capital assets, net	<u>10,731,002</u>	<u>3,077,242</u>	<u>1,940,694</u>	<u>11,867,550</u>
<u>Business-Type Activities</u>				
Capital assets, not being depreciated				
Construction in progress		21,600		21,600
Land	<u>284,836</u>	<u> </u>	<u> </u>	<u>284,836</u>
Total capital assets, not being depreciated	<u>284,836</u>	<u>21,600</u>	<u> </u>	<u>306,436</u>

CITY OF PLEASANT HILL, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS (Continued)

	Balance April 1, 2014	Increases	Decreases	Balance March 31, 2015
<u>Business-Type Activities (Continued)</u>				
Capital assets, being depreciated				
Equipment	544,787			544,787
Water and sewer system	17,813,485	765,461		18,578,946
Total capital assets, being depreciated	<u>18,358,272</u>	<u>765,461</u>		<u>19,123,733</u>
Less accumulated depreciation for:				
Equipment	284,538	22,761		307,299
Water and sewer system	8,937,599	525,832		9,463,431
Total accumulated depreciation	<u>9,222,137</u>	<u>548,593</u>		<u>9,770,730</u>
Business-type activities capital assets, net	<u>9,420,971</u>	<u>238,468</u>		<u>9,659,439</u>

The following table summarizes the depreciation by function for the year ended March 31, 2015:

	Governmental Activities	Business- Type Activities
Administration	77,914	
Police	106,182	
Recreation	164,329	
Transportation	252,522	
Codes	1,632	
Water		272,904
Sewer		<u>275,689</u>
Total	<u>602,579</u>	<u>548,593</u>

CITY OF PLEASANT HILL, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT

Governmental Activities

Changes in the debt for the year ended March 31, 2015, consisted of the following:

	Balance April 1, 2014	Addi- tions	Retire- ments	Balance March 31, 2015	Due in One Year
<u>Governmental Activities</u>					
Capital lease - wheel loader		196,822		196,822	
Capital lease - track loader		84,588		84,588	
Capital lease - skid steer		48,219		48,219	
Capital lease - street sweeper	82,459		40,561	41,898	41,898
'05 GO refunding bonds	6,870,000		470,000	6,400,000	490,000
'09 Certificates of Participation	536,250		536,250		
'13 Certificates of Participation	2,420,000		55,000	2,365,000	95,000
'13 premium on COP issue	25,189		2,519	22,670	2,519
Compensated absences	128,885	126,319	128,885	126,319	126,319
	<u>10,062,783</u>	<u>455,948</u>	<u>1,233,215</u>	<u>9,285,516</u>	<u>755,736</u>

Compensated Absences

Compensated absences are payable upon separation from employment which could occur at any time and 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	15,930
Police	44,962
Dispatch	11,525
Community development	12,657
Buildings	3,207
Court	5,124
Codes	4,115
Recreation	6,865
Transportation	<u>21,934</u>
	<u>126,319</u>

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.

6,400,000

CITY OF PLEASANT HILL, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (Continued)

Governmental Activities (Continued)

Capital Leases

On August 28, 2014, the City entered into a lease-purchase agreement with Caterpillar Financial Services Corporation in the original amount of \$196,822 for the purchase of a wheel loader. The agreement requires two annual payments of \$25,675 starting August 28, 2017; the next three annual payments of \$34,050; with the final payment of \$57,280 at maturity in 2022, including interest at a calculated rate of 1.90%.	196,822
On August 28, 2014, the City entered into a lease-purchase agreement with Caterpillar Financial Services Corporation in the original amount of \$84,588 for the purchase of a compact track loader. The agreement requires annual payments of \$11,252 starting August 28, 2017, with the final payment of \$26,480 at maturity in 2022, including interest at a calculated rate of 1.90%.	84,588
On August 28, 2014, the City entered into a lease-purchase agreement with Caterpillar Financial Services Corporation in the original amount of \$84,588 for the purchase of a skid steer loader. The agreement requires annual payments of \$6,980 starting August 28, 2017, with the final payment of \$17,120 at maturity in 2022, including interest at a calculated rate of 1.90%.	48,219
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%.	41,898

CITY OF PLEASANT HILL, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (Continued)

Governmental Activities (Continued)

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 5.750% until maturity in 2029. These certificates were paid in full during the year ended March 31, 2015.

- 0 -

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%.

2,365,000

9,136,527

Business-Type Activities

Changes in the debt for the year ended March 31, 2015, consisted of the following:

	Balance April 1, 2014	Addi- tions	Retire- ments	Balance March 31, 2015	Due in One Year
<u>Business-Type Activities</u>					
SRF loan	341,000		298,000	43,000	43,000
'09 Certificates of Participation	288,750		288,750		
Revenue bonds	3,555,000			3,555,000	220,000
Deferred refunded revenue bonds	(157,940)		(19,144)	(138,796)	(19,144)
Compensated absences	7,614	6,907	7,614	6,907	6,907
	<u>4,034,424</u>	<u>6,907</u>	<u>575,220</u>	<u>3,466,111</u>	<u>250,763</u>

Compensated Absences

Compensated absences are payable upon separation from employment which could occur at any time and 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	6,727
Sewer	<u>180</u>
	<u>6,907</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.

43,000

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 5.750% until maturity in 2029. These certificates were paid in full during the year ended March 31, 2015.

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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

3,598,000

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, 2016	626,898	333,632	263,000	159,499	1,383,029
2017	625,000	310,513	280,000	148,408	1,363,921
2018	694,251	293,892	295,000	135,948	1,419,091
2019	729,998	269,128	300,000	122,820	1,421,946
2020	774,131	243,067	310,000	109,470	1,436,668
2021 - 2025	4,346,249	774,499	1,725,000	328,187	7,173,935
2026 - 2030	625,000	244,342	425,000	18,913	1,313,255
2031 - 2034	715,000	92,652			807,652
Total	<u>9,136,527</u>	<u>2,561,725</u>	<u>3,598,000</u>	<u>1,023,245</u>	<u>16,319,497</u>

CITY OF PLEASANT HILL, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

NOTE 8. INTERFUND TRANSACTIONS

	Transfers In				Total
	General	Special Revenue	Debt Service	Proprietary	
<u>Transfers Out</u>					
General		300,000	719,948	408,500	1,428,448
Special Revenue	74,627	378,555	43,521	305,839	802,542
Debt Service	13,984				13,984
Proprietary	<u>245,541</u>				<u>245,541</u>
Total	<u>334,152</u>	<u>678,555</u>	<u>763,469</u>	<u>714,339</u>	<u>2,490,515</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 18.5% (General), 18.0% (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, 2014, the political subdivision's annual pension cost was \$343,387. Actual contributions were \$344,082 and the net pension obligation (NPO) was \$59,178. The annual required contribution (ARC) was determined as part of the February 29, 2012, and February 28, 2013, annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions as of February 28, 2014, 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 29, 2012, was 24 years for the General division, 17 years for the Police division, and 30 years for the Fire division. The amortization period as of February 28, 2013 was 17 years for the General division, 10 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
6/30/12	305,183	95.1%	52,330
6/30/13	333,391	97.7%	59,873
6/30/14	343,387	100.2%	59,178

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(b-a) Unfunded Accrued Liability (UAL)
2/29/12	3,734,327	5,228,887	1,494,560
2/28/13	4,273,624	5,524,206	1,250,582
2/28/14	4,957,417	5,907,693	950,276

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
2/29/12	71%	1,684,796	89%
2/28/13	77%	1,807,784	69%
2/28/14	84%	1,944,162	49%

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 postemployment 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.

Balance, April 1, 2014	73,312
Annual OPEB cost	<u>13,767</u>
Net OPEB obligation, March 31, 2014	<u>87,079</u>

Funded Status and Funding Progress

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 healthcare 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. COMPLIANCE WITH MISSOURI STATUTES

Missouri House Bill No. 103 amending RSMo Section 302.341.2 became effective on August 28, 2013. The amendments to the statute now require municipalities to report an accounting of the percent of annual general operating revenue from fines and costs for traffic violations.

Fines and costs for traffic violations	93,873
Annual general operating revenue	2,747,847
Fines and costs for traffic violations as a percentage of annual general operating revenue	3.4%

NOTE 12. PROPERTY TAXES

The City's property tax is levied each November on the assessed value as of the prior January 1 for all property located in the City. Assessed valuation are established by the Cass County Assessor. The county collects the property tax and remits it to the City monthly.

CITY OF PLEASANT HILL, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

NOTE 12. PROPERTY TAXES (Continued)

The assessed value for property located in the City as of January 1, 2014, that the levy was based on is as follows:

Real estate	76,339,475
Personal property	15,460,623
Railroad and utility	<u>5,367,466</u>
	<u>97,167,564</u>

The City is permitted by Missouri state statutes to levy taxes up to \$1.00 of assessed valuation for general governmental services other than payment of principal and interest on long-term debt, up to \$0.20 for recreation, and in unlimited amounts for the payment of principal and interest on long-term debt. The City's property tax levies for the year ended March 31, 2015, per \$100 assessed valuation, were as follows:

General	0.3667
Street	0.1375
Health	0.0734
Recreation	0.0734
Debt service	<u>0.3434</u>
	<u>0.9944</u>

Property taxes may attach as an enforceable lien on property as of January 1. Taxes are levied no later than November 1, and are due and payable at that time. All unpaid taxes levied by November 1 become delinquent January 1 of the following year.

NOTE 13. SUBSEQUENT EVENTS

In preparing the financial statements, the City has evaluated events and transactions for potential recognition or disclosure through August 31, 2015, 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, 2015

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Sales tax	672,500	672,500	773,253	100,753
Property tax	388,000	388,000	383,454	(4,546)
Other tax	23,000	23,000	21,627	(1,373)
PILOT payments	324,675	324,675	324,675	
Franchise fees	1,008,500	1,008,500	1,073,417	64,917
License and permits	72,650	72,650	57,871	(14,779)
Intergovernmental revenue	6,926	6,926	6,789	(137)
Fines and court costs	123,530	123,530	126,627	3,097
Grants and donations	50,828	60,828	28,498	(32,330)
Insurance rebates and proceeds	6,900	28,664	24,767	(3,897)
Interest	3,700	3,700	3,211	(489)
Sale of property	5,700	5,700		(5,700)
Other	15,000	15,000	6,750	(8,250)
Total revenues	<u>2,701,909</u>	<u>2,733,673</u>	<u>2,830,939</u>	<u>97,266</u>
EXPENDITURES				
Administration	1,065,298	1,082,695	1,064,220	18,475
Police	1,409,215	1,419,215	1,412,086	7,129
Capital outlay	48,000	96,000	62,705	33,295
Total expenditures	<u>2,522,513</u>	<u>2,597,910</u>	<u>2,539,011</u>	<u>58,899</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>179,396</u>	<u>135,763</u>	<u>291,928</u>	<u>156,165</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	314,354	314,354	334,152	19,798
Transfers out	(1,366,446)	(1,428,446)	(1,428,448)	(2)
Total other financing sources (uses)	<u>(1,052,092)</u>	<u>(1,114,092)</u>	<u>(1,094,296)</u>	<u>19,796</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDI- TURES AND OTHER FINANCING USES	<u>(872,696)</u>	<u>(978,329)</u>	(802,368)	<u>175,961</u>
Modified accrual adjustments			16,211	
FUND BALANCE, beginning of year			<u>1,845,002</u>	
FUND BALANCE, end of year			<u>1,058,845</u>	

See accompanying notes to required supplemental information.

CITY OF PLEASANT HILL, MISSOURI
 BUDGETARY COMPARISON SCHEDULE
 TRANSPORTATION FUND
 YEAR ENDED MARCH 31, 2015

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Sales tax	307,000	307,000	348,028	41,028
Property tax	145,500	145,500	143,783	(1,717)
Fuel and vehicle tax	301,000	301,000	310,251	9,251
Other tax	9,500	9,500	9,213	(287)
Intergovernmental revenue	129,773	129,773	181,379	51,606
Grants and donations	83,600	83,600	18,961	(64,639)
Sale of property			3,893	3,893
Other		15,959	1,159	(14,800)
Total revenues	<u>976,373</u>	<u>992,332</u>	<u>1,016,667</u>	<u>24,335</u>
Expenditures				
Transportation	745,555	707,815	673,237	34,578
Capital outlay	600,000	653,699	572,739	80,960
Total expenditures	<u>1,345,555</u>	<u>1,361,514</u>	<u>1,245,976</u>	<u>115,538</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	<u>(369,182)</u>	<u>(369,182)</u>	<u>(229,309)</u>	<u>139,873</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	421,125	421,125	421,125	
Transfers out	(35,711)	(35,711)	(35,712)	(1)
Total other financing sources (uses)	<u>385,414</u>	<u>385,414</u>	<u>385,413</u>	<u>(1)</u>
REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>16,232</u>	<u>16,232</u>	156,104	<u>139,872</u>
Modified accrual adjustments			1,399	
FUND BALANCE, beginning of year			<u>277,757</u>	
FUND BALANCE, end of year			<u>435,260</u>	

CITY OF PLEASANT HILL, MISSOURI
 BUDGETARY COMPARISON SCHEDULE
 CAPITAL PROJECTS FUND
 YEAR ENDED MARCH 31, 2015

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Grants and donations	11,250	11,250	11,250	
Interest			290	290
Total revenues	<u>11,250</u>	<u>11,250</u>	<u>11,540</u>	<u>290</u>
EXPENDITURES				
Recreation			5,211	(5,211)
Capital outlay	<u>1,119,800</u>	<u>1,119,800</u>	<u>800,643</u>	<u>319,157</u>
Total expenditures	<u>1,119,800</u>	<u>1,119,800</u>	<u>805,854</u>	<u>313,946</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	<u>(1,108,550)</u>	<u>(1,108,550)</u>	(794,314)	<u>314,236</u>
Modified accrual adjustments			331,083	
FUND BALANCE, beginning of year			<u>865,596</u>	
FUND BALANCE, end of year			<u>402,365</u>	

See accompanying notes to required supplemental information.

CITY OF PLEASANT HILL, MISSOURI
 BUDGETARY COMPARISON SCHEDULE
 DEBT SERVICE FUND
 YEAR ENDED MARCH 31, 2015

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Property tax	349,500	349,500	351,672	2,172
Other			26	26
Total revenues	<u>349,500</u>	<u>349,500</u>	<u>351,698</u>	<u>2,198</u>
EXPENDITURES				
Debt principal	1,350,000	1,350,000	1,061,250	288,750
Debt interest and agent fees	438,903	438,903	411,137	27,766
Total expenditures	<u>1,788,903</u>	<u>1,788,903</u>	<u>1,472,387</u>	<u>316,516</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	<u>(1,439,403)</u>	<u>(1,439,403)</u>	<u>(1,120,689)</u>	<u>318,714</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,069,043	1,069,043	763,469	(305,574)
Transfers out	(13,980)	(13,980)	(13,984)	(4)
Total other financing sources (uses)	<u>1,055,063</u>	<u>1,055,063</u>	<u>749,485</u>	<u>(305,578)</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDI- TURES AND OTHER FINANCING USES	<u>(384,340)</u>	<u>(384,340)</u>	<u>(371,204)</u>	<u>13,136</u>
Modified accrual adjustments			(522)	
FUND BALANCE, beginning of year			<u>473,750</u>	
FUND BALANCE, end of year			<u>102,024</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, 2015

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									
Cash and cash equivalents (claim on cash)	(3,256)			33,279		12,299	96,346	44,442	183,110
Prepaid expenses						611	3,221		3,832
Taxes receivable	10,556					1,092	1,092		12,740
Total unrestricted assets	<u>7,300</u>			<u>33,279</u>		<u>14,002</u>	<u>100,659</u>	<u>44,442</u>	<u>199,682</u>
Restricted Assets									
Cash and cash equivalents (claim on cash)		71,092	36,068		60,665				167,825
Taxes receivable		47,576	21,434		42,853				111,863
Total restricted assets		<u>118,668</u>	<u>57,502</u>		<u>103,518</u>				<u>279,688</u>
TOTAL ASSETS	<u>7,300</u>	<u>118,668</u>	<u>57,502</u>	<u>33,279</u>	<u>103,518</u>	<u>14,002</u>	<u>100,659</u>	<u>44,442</u>	<u>479,370</u>
LIABILITIES AND FUND BALANCES									
LIABILITIES									
Accounts payable							5,240		5,240
Accrued expenses						772	956		1,728
Total liabilities						<u>772</u>	<u>6,196</u>		<u>6,968</u>
FUND BALANCES									
Nonspendable						611	3,221		3,832
Restricted		118,668	57,502		103,518				279,688
Assigned	7,300			33,279		12,619	91,242	44,442	188,882
Total fund balances	<u>7,300</u>	<u>118,668</u>	<u>57,502</u>	<u>33,279</u>	<u>103,518</u>	<u>13,230</u>	<u>94,463</u>	<u>44,442</u>	<u>472,402</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>7,300</u>	<u>118,668</u>	<u>57,502</u>	<u>33,279</u>	<u>103,518</u>	<u>14,002</u>	<u>100,659</u>	<u>44,442</u>	<u>479,370</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, 2015

	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
REVENUES									
Taxes		374,462	169,875	16,477	340,761	76,584	76,584		1,054,743
Licenses and permits						1,360			1,360
Charges for services							178,818	163,315	342,133
Other		24					1,075	282	1,381
Total revenues		<u>374,486</u>	<u>169,875</u>	<u>16,477</u>	<u>340,761</u>	<u>77,944</u>	<u>256,477</u>	<u>163,597</u>	<u>1,399,617</u>
EXPENDITURES									
Current									
Administration		17,302							17,302
Police		8,603							8,603
Codes						76,474			76,474
Recreation		1,315					417,724		419,039
Special events								125,601	125,601
Capital outlay		81,151					6,000		87,151
Debt service									
Principal		20,281			20,280				40,561
Interest		1,719			1,720				3,439
Total expenditures		<u>130,371</u>			<u>22,000</u>	<u>76,474</u>	<u>423,724</u>	<u>125,601</u>	<u>778,170</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES									
		<u>244,115</u>	<u>169,875</u>	<u>16,477</u>	<u>318,761</u>	<u>1,470</u>	<u>(167,247)</u>	<u>37,996</u>	<u>621,447</u>
OTHER FINANCING SOURCES (USES)									
Transfers in		35,000				105	222,325		257,430
Transfers out		(217,597)	(185,397)	(21,008)	(284,776)	(2,004)	(44,444)	(11,604)	(766,830)
Total other financing sources (uses)		<u>(182,597)</u>	<u>(185,397)</u>	<u>(21,008)</u>	<u>(284,776)</u>	<u>(1,899)</u>	<u>177,881</u>	<u>(11,604)</u>	<u>(509,400)</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDI- TURES AND OTHER FINANCING USES									
		61,518	(15,522)	(4,531)	33,985	(429)	10,634	26,392	112,047
FUND BALANCE, beginning 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>
FUND BALANCE, end of year	<u>7,300</u>	<u>118,668</u>	<u>57,502</u>	<u>33,279</u>	<u>103,518</u>	<u>13,230</u>	<u>94,463</u>	<u>44,442</u>	<u>472,402</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	Capital Lease Skid Steer Loader	Capital Lease Compact Loader	Capital Lease Wheel Loader	'05 GO Refunding Bonds	SRF Loan	Revenue Bonds	Total
2016	Principal	95,000	41,898				490,000	43,000	220,000	889,898
	Interest	<u>89,965</u>	<u>1,747</u>				<u>241,920</u>	<u>1,301</u>	<u>158,198</u>	<u>493,131</u>
	Total	<u>184,965</u>	<u>43,645</u>				<u>731,920</u>	<u>44,301</u>	<u>378,198</u>	<u>1,383,029</u>
2017	Principal	95,000					530,000		280,000	905,000
	Interest	<u>87,115</u>					<u>223,398</u>		<u>148,408</u>	<u>458,921</u>
	Total	<u>182,115</u>					<u>753,398</u>		<u>428,408</u>	<u>1,363,921</u>
2018	Principal	95,000		6,063	11,252	21,936	560,000		295,000	989,251
	Interest	<u>84,265</u>		<u>916</u>	<u>1,607</u>	<u>3,740</u>	<u>203,364</u>		<u>135,948</u>	<u>429,840</u>
	Total	<u>179,265</u>		<u>6,979</u>	<u>12,859</u>	<u>25,676</u>	<u>763,364</u>		<u>430,948</u>	<u>1,419,091</u>
2019	Principal	100,000		6,179	11,466	22,353	590,000		300,000	1,029,998
	Interest	<u>81,415</u>		<u>801</u>	<u>1,393</u>	<u>3,323</u>	<u>182,196</u>		<u>122,820</u>	<u>391,948</u>
	Total	<u>181,415</u>		<u>6,980</u>	<u>12,859</u>	<u>25,676</u>	<u>772,196</u>		<u>422,820</u>	<u>1,421,946</u>
2020	Principal	100,000		6,296	11,683	31,152	625,000		310,000	1,084,131
	Interest	<u>78,415</u>		<u>684</u>	<u>1,176</u>	<u>2,898</u>	<u>159,894</u>		<u>109,470</u>	<u>352,537</u>
	Total	<u>178,415</u>		<u>6,980</u>	<u>12,859</u>	<u>34,050</u>	<u>784,894</u>		<u>419,470</u>	<u>1,436,668</u>
2021 - 2025	Principal	540,000		29,681	50,187	121,381	3,605,000		1,725,000	6,071,249
	Interest	<u>345,045</u>		<u>1,397</u>	<u>2,010</u>	<u>4,009</u>	<u>422,038</u>		<u>328,187</u>	<u>1,102,686</u>
	Total	<u>885,045</u>		<u>31,078</u>	<u>52,197</u>	<u>125,390</u>	<u>4,027,038</u>		<u>2,053,187</u>	<u>7,173,935</u>
2026 - 2030	Principal	625,000							425,000	1,050,000
	Interest	<u>244,342</u>							<u>18,913</u>	<u>263,255</u>
	Total	<u>869,342</u>							<u>443,913</u>	<u>1,313,255</u>
2031 - 2034	Principal	715,000								715,000
	Interest	<u>92,652</u>								<u>92,652</u>
	Total	<u>807,652</u>								<u>807,652</u>
Total	Principal	2,365,000	41,898	48,219	84,588	196,822	6,400,000	43,000	3,555,000	12,734,527
	Interest	<u>1,103,214</u>	<u>1,747</u>	<u>3,798</u>	<u>6,186</u>	<u>13,970</u>	<u>1,432,810</u>	<u>1,301</u>	<u>1,021,944</u>	<u>3,584,970</u>
	Total	<u>3,468,214</u>	<u>43,645</u>	<u>52,017</u>	<u>90,774</u>	<u>210,792</u>	<u>7,832,810</u>	<u>44,301</u>	<u>4,576,944</u>	<u>16,319,497</u>

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 15, 2014, as finally adjusted.

Type of Property	Total Assessed Valuation	Assessment Rate	Total Estimated Actual Valuation	% of Actual Valuation
Real				
Residential	66,350,210	19.00%	349,211,632	78.62
Agricultural	115,695	12.00%	964,125	0.22
Commercial	9,873,570	32.00%	30,854,906	6.95
Total Real	76,339,475		381,030,663	85.78
Personal	15,460,623	33.33%	46,386,508	10.44
Railroad and utility	5,367,466	32.00%	16,773,331	3.78
Total all property types	97,167,564		444,190,502	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
2014	97,096,408	1.19
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 seven fiscal years:

Fiscal Year Ended March 31	Tax Year	General Fund	Streets Fund	Parks and Recreation Fund	Health Fund	Debt Service Fund	Total Levy
2015	2014	0.3667	0.1375	0.0734	0.0734	0.3434	0.9944
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 five fiscal years:

Fiscal Year Ended March 31	Tax Year	Total Levy	Total Taxes Levied	Current and Delinquent Taxes Collected	
				Amount	%
2015	2014	0.9944	925,563	1,032,413	111.5
2014	2013	0.9944	905,819	1,006,884	111.2
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

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

SALES TAXES

The City's revenue for the past five 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
2015	748,921	374,462	340,762	340,763	169,875
2014	646,839	323,421	292,290	292,324	47,994
2013	666,206	333,104	296,712	296,747	- 0 -
2012	693,429	346,707	296,332	296,501	- 0 -
2011	647,116	323,142	273,894	274,881	- 0 -



**DANA F. COLE
& COMPANY^{LLP}**
CERTIFIED PUBLIC ACCOUNTANTS

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

To the 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, 2015, 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 August 31, 2015.

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 responses, that we consider to be significant deficiencies as item 2015-001.

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 responses. 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
August 31, 2015

CITY OF PLEASANT HILL, MISSOURI
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED MARCH 31, 2015

2015-001 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.

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, 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 and 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.

Views of Responsible Officials

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.

CITY OF PLEASANT HILL, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED MARCH 31, 2015

2014-001 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 responses as item 2015-001 for the year ended March 31, 2015.