

CITY OF SUNSET HILLS, MISSOURI

***FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2014***

CITY OF SUNSET HILLS, MISSOURI

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members
of the Board of Aldermen
CITY OF SUNSET HILLS, MISSOURI

We have audited the accompanying financial statements of the governmental activities and each major fund of the City of Sunset Hills, Missouri, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the City of Sunset Hills, Missouri, as of December 31, 2014, and the respective changes in financial position 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, schedule of funding progress and budgetary comparison information on pages 3 through 8 and 30 through 33 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.

Betz Deal & Company

St. Charles, Missouri
May 18, 2015

**CITY OF SUNSET HILLS, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014**

The discussion and analysis of the City of Sunset Hills' financial performance provides an overview and analysis of the City's financial activities for the fiscal year ended December 31, 2014. It should be read in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- The City's net position increased \$601,620 to \$21,832,957.
- Land improvements to the Kutin Dog Park were completed in 2014 for a total cost of \$340,724.
- Major capital expenditures included seven new vehicles for the public works, park, and police departments at a total cost of \$272,226 and disposal of six vehicles that had a cost of \$220,031 and replacement of the city wide phone system at a cost of \$100,479.
- The City acquired 15 acres of parkland through a donation.

REPORT LAYOUT

The report consists of the Management's Discussion and Analysis (MD&A), government-wide statements, fund financial statements, notes to the financial statements, and required supplementary information. The first group of statements is highly condensed and presents a government-wide view of the City's finances. Within this view, all City operations are categorized and reported as either governmental or business-type activities. Governmental activities include basic services such as police, public works, parks and recreation, pool, municipal courts, and general government administration. The City currently does not have any business-type activities. These government-wide statements are designed to be more corporate-like in that all activities are consolidated into a total for the City.

Basic Financial Statements

The Statement of Net Position focuses on resources available for future operation. In simple terms, this statement presents a snap-shot view of the assets the community owns, the liabilities it owes and the net difference. The net difference is further separated into amounts restricted for specific purposes and unrestricted amounts. The Statement of Net Position reflects capital assets including infrastructure and long-term liabilities and reports governmental activities on the accrual basis of accounting.

The Statement of Activities focuses gross and net costs of city programs and the extent to which such programs rely upon general tax and other revenues. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.

Fund financial statements focus separately on major governmental funds. Governmental fund statements follow the more traditional presentation of financial statements. The City's major governmental funds are presented in their own column and the remaining funds are combined into a column titled "Non-major". Budgetary comparisons for the General Fund and major special revenue funds are presented as required supplementary information. A budgetary comparison is presented for the General Fund, County Road Fund, and Storm Water/Parks Fund.

The notes to the financial statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the City's financial condition.

THE CITY AS A WHOLE

Government-wide Financial Analysis

The City's combined net position was \$21,832,957 as of December 31, 2014. This analysis focuses on the net position (Table 1) and changes in general revenues and significant expenses (table 2) of the City's governmental activities.

The City's net position consists of its investment in capital assets (e.g., land, buildings and improvements, vehicles and equipment, and infrastructure) less any related debt used to acquire those assets that is still outstanding and unrestricted balances. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its 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.

Table 1

	2014	2013	Increase (Decrease)
Current and other assets	\$ 12,976,496	\$ 12,703,412	\$ 273,084
Capital assets	21,574,227	21,773,298	(199,071)
Total assets	<u>34,550,723</u>	<u>34,476,710</u>	<u>74,013</u>
Current and other liabilities	763,284	720,814	42,470
Long-term liabilities	11,954,482	12,524,559	(570,077)
Total liabilities	<u>12,717,766</u>	<u>13,245,373</u>	<u>(527,607)</u>
Net position:			
Net investment in capital assets	11,255,028	12,424,373	(1,169,345)
Restricted	5,533,971	3,631,074	1,902,897
Unrestricted	5,043,958	5,175,890	(131,932)
Total net position	<u>\$ 21,832,957</u>	<u>\$ 21,231,337</u>	<u>\$ 601,620</u>

Depreciation exceeded the cost of capital purchases this year resulting in a net decrease in capital assets of approximately \$199,000. Total liabilities also and a net decrease of approximately \$200,000, mostly due to principal payments on long-term debt. Net position increased by \$601,620 as a result of revenues exceeding expenses during 2014 as reflected in the following table.

Government-wide Financial Analysis - continued

Table 2

	2014	2013	Increase (Decrease)
Revenues:			
Program revenues:			
Charges for service	\$ 2,163,943	\$ 2,151,910	\$ 12,033
Capital grants and contributions	470,218	221,899	248,319
General revenues:			
Taxes	7,615,181	7,370,916	244,265
Interest income	(49,424)	8,004	(57,428)
Miscellaneous	27,946	29,874	(1,928)
Total revenues	<u>10,227,864</u>	<u>9,782,603</u>	<u>445,261</u>
Expenses:			
General government	657,193	574,049	83,144
Public works	2,553,465	2,508,223	45,242
Public safety	3,238,179	3,216,690	21,489
Municipal court	210,227	211,138	(911)
Park and recreation	1,942,492	1,836,384	106,108
Pool	523,460	566,696	(43,236)
Interest and fiscal charges	501,228	560,453	(59,225)
Total expenses	<u>9,626,244</u>	<u>9,473,633</u>	<u>152,611</u>
Increase in net position	601,620	308,970	292,650
Net position, beginning of year	21,231,337	20,922,367	308,970
Net position, end of year	<u>\$ 21,832,957</u>	<u>\$ 21,231,337</u>	<u>\$ 601,620</u>

Total revenues for 2014 increased \$445,261 from total revenues in 2013. There was an increase of \$244,265 in taxes which was mainly a result of sales taxes due to new businesses opening in the City. There was an increase of \$248,319 in capital grants and contributions for 2014 compared to 2013 which was for new parks in the City.

The majority of the increase in expenditures was public safety related, and resulted from annual salary increases and increased building maintenance costs. The increase in parks and recreation are largely attributable to an increase in salaries as well as depreciation expense.

Governmental Funds

The following table presents the amount of revenues from various sources for all governmental funds on the modified accrual basis of accounting.

Table 3

	Fiscal Year Ending 2014	Fiscal Year Ending 2013	Increase (Decrease)	Percentage Change
Taxes	\$ 6,926,552	\$ 6,684,551	\$ 242,001	3.6 %
Intergovernmental	691,805	655,890	35,915	5.5
Licenses and permits	1,033,792	1,055,594	(21,802)	(2.1)
Fines and court costs	369,835	389,869	(20,034)	(5.1)
Investment income	(42,651)	8,004	(50,655)	(632.9)
Charges for service	760,316	706,447	53,869	7.6
Grants	470,218	221,899	248,319	111.9
Miscellaneous	27,946	29,874	(1,928)	(6.5)
Total general revenues	\$ <u>10,237,813</u>	\$ <u>9,752,128</u>	\$ <u>485,685</u>	

Approximately 68% of the revenue in the governmental funds comes from taxes, which include property tax, sales tax, utility gross receipt tax, and cigarette tax. Investment income decreased \$50,655 from the prior year, mainly due to an increase in market interest rates near year-end resulting in unrealized losses on investments held at year-end.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year 2014, the City had \$28,533,659 invested in a broad range of capital assets, including police and public works equipment, buildings, park facilities, and roads (see Table 4 below). This amount represents a net increase (including additions and deductions) of \$628,595 or 2.3% over the prior fiscal year.

Table 4

	2014	2013
Land	\$ 1,555,549	\$ 1,494,521
Construction in progress	187,019	122,466
Land improvements	1,843,847	1,503,123
Buildings and improvements	13,419,953	13,394,544
Vehicles and equipment	3,146,530	3,009,649
Infrastructure	8,380,761	8,380,761
Total	\$ <u>28,533,659</u>	\$ <u>27,905,064</u>

The most significant changes to capital assets this fiscal year related to the Kitun Dog Park and a new City wide phone system. More detailed information on the City's capital assets is presented in the notes to the financial statements.

DEBT

At year-end, the City had \$11,750,000 in outstanding debt compared to \$12,340,000 at the end of the prior fiscal year. The decrease was due to the City making required scheduled debt payments during the year.

Table 5

	<u>2014</u>	<u>2013</u>
Certificate of Participation	\$ 11,750,000	\$ 12,340,000

During the fiscal year, the City made principal payments totaling \$590,000. More detailed information on the City's long-term liabilities is presented in the notes to the financial statements.

THE CITY'S FUNDS

At the close of the City's fiscal year on December 31, 2014, the governmental funds of the City reported a combined fund balance of \$12,302,039. This ending balance includes an increase in fund balance of \$94,614 in the City's General Fund. It is the City's policy to maintain the General Fund balance within a range of 30% to 50% of the greater of prior year operating expense or revenue, excluding grant revenues. At December 31, 2014, the unassigned fund balance in the General Fund was 87% of revenues compared to 91% the previous year.

General Fund Budgetary Highlights

The City prepares its budget on a cash basis.

For 2014, actual revenues in the General Fund on a budgetary basis were \$7,697,966 compared to the budget amount of \$8,598,450. The City's original budget was amended to allow for additional grants awarded after the budget was passed.

For 2014, actual expenditures in the General Fund on a budgetary basis were \$7,566,149 compared to the budget amount of \$8,858,930. The City's original budget was amended to allow for construction costs relating to awarded grants.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The 2015 general fund budget includes a 5.3% increase in revenues and a 4.5% increase in expenditures in comparison to the 2014 final budget. The increase in revenue and expenditures can be attributed to an increase in federal grants and, therefore, an increase in capital expenditures.

The 2015 budget includes roadway and park projects.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives.

If you have questions about this report or need additional financial information, contact:

Finance Officer
City of Sunset Hills, Missouri Finance Department
3939 South Lindbergh Boulevard
Sunset Hills, Missouri 63127

CITY OF SUNSET HILLS, MISSOURI
STATEMENT OF NET POSITION
DECEMBER 31, 2014

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 9,772,841
Receivables:	
Property tax	101,686
Other tax	1,334,996
Interest	13,207
Other	70,077
Cash and investments - restricted	1,635,283
Prepaid expenses	48,406
Capital assets - net	
Nondepreciable	1,742,568
Depreciable	19,831,659
TOTAL ASSETS	<u>34,550,723</u>
LIABILITIES	
Accounts payable	20,397
Accrued wages and vacation	245,522
Deposits payable	5,912
Accrued interest payable	162,809
Other liabilities	36,337
Unearned revenue - business licenses	292,307
Noncurrent liabilities:	
Due in one year	605,000
Due in more than one year	11,349,482
TOTAL LIABILITIES	<u>12,717,766</u>
NET POSITION	
Net investment in capital assets	11,255,028
Restricted:	
Debt Service	1,638,698
Storm water and parks	2,684,767
Capital projects	1,187,807
Police	16,317
Swim / Dive team	6,382
Unrestricted	5,043,958
TOTAL NET POSITION	<u>\$ 21,832,957</u>

The accompanying notes are an integral part of these financial statements.

CITY OF SUNSET HILLS, MISSOURI
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Change in Net Position
		Charges for Services	Capital Grants and Contributions	Governmental Activities
Governmental Activities				
General government	\$ 657,193	\$ 961,117	\$ -	\$ 303,924
Public works	2,553,465	85,156	73,478	(2,394,831)
Public safety	3,238,179	379,451	-	(2,858,728)
Municipal court	210,227	-	-	(210,227)
Parks and recreation	1,942,492	451,653	396,740	(1,094,099)
Pool	523,460	286,566	-	(236,894)
Interest and fiscal charges	501,228	-	-	(501,228)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 9,626,244	\$ 2,163,943	\$ 470,218	(6,992,083)
Taxes:				
Sales				4,731,752
Utility				1,872,055
Property				184,545
Franchise				135,024
Intergovernmental				691,805
Investment income				(49,424)
Other miscellaneous revenue				27,946
TOTAL GENERAL REVENUES				7,593,703
CHANGE IN NET POSITION				601,620
NET POSITION - BEGINNING OF YEAR				21,231,337
NET POSITION - END OF YEAR				\$ 21,832,957

The accompanying notes are an integral part of these financial statements.

CITY OF SUNSET HILLS, MISSOURI
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2014

	General Fund	Capital Projects Fund	County Road Fund	Storm Water/ Parks Fund	Debt Service Fund	Total
ASSETS						
Cash and investments	\$ 6,446,033	\$ 840,149	\$ 71	\$ 2,486,588	\$ -	\$ 9,772,841
Receivables:						
Property tax	101,686	-	-	-	-	101,686
Other tax	781,950	168,452	186,415	198,179	-	1,334,996
Interest	8,445	-	-	-	4,762	13,207
Other	70,077	-	-	-	-	70,077
Cash and investments - restricted	-	-	-	1,347	1,633,936	1,635,283
Prepaid items	48,406	-	-	-	-	48,406
TOTAL ASSETS	<u>\$ 7,456,597</u>	<u>\$ 1,008,601</u>	<u>\$ 186,486</u>	<u>\$ 2,686,114</u>	<u>\$ 1,638,698</u>	<u>\$ 12,976,496</u>
LIABILITIES						
Account payable	\$ 15,467	\$ 4,930	\$ -	\$ -	\$ -	\$ 20,397
Accrued wages and vacation	245,522	-	-	-	-	245,522
Deposits payable	3,562	2,350	-	-	-	5,912
Other liabilities	36,337	-	-	-	-	36,337
TOTAL LIABILITIES	<u>300,888</u>	<u>7,280</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>308,168</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	318,470	-	47,819	-	-	366,289
FUND BALANCES						
Nonspendable:						
Reserved for prepaid items	48,406	-	-	-	-	48,406
Restricted:						
Capital projects fund	-	1,001,321	-	-	-	1,001,321
County road fund	-	-	138,667	-	-	138,667
Storm water / parks fund	-	-	-	2,686,114	-	2,686,114
Debt service	-	-	-	-	1,638,698	1,638,698
Police department training	11,912	-	-	-	-	11,912
Drug forfeiture	4,405	-	-	-	-	4,405
Swim / Dive team	6,382	-	-	-	-	6,382
Assigned:						
Landscaping memorial	2,643	-	-	-	-	2,643
Pool concession	42,728	-	-	-	-	42,728
Unassigned	6,720,763	-	-	-	-	6,720,763
TOTAL FUND BALANCES	<u>6,837,239</u>	<u>1,001,321</u>	<u>138,667</u>	<u>2,686,114</u>	<u>1,638,698</u>	<u>12,302,039</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 7,456,597</u>	<u>\$ 1,008,601</u>	<u>\$ 186,486</u>	<u>\$ 2,686,114</u>	<u>\$ 1,638,698</u>	<u>\$ 12,976,496</u>

The accompanying notes are an integral part of these financial statements.

CITY OF SUNSET HILLS, MISSOURI
RECONCILIATION OF THE STATEMENT OF NET POSITION
OF GOVERNMENTAL FUNDS TO THE BALANCE SHEET
AS OF DECEMBER 31, 2014

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balance per balance sheet	\$ 12,302,039
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	21,574,227
Receivables not collected in the current period are not available to pay current expenditures and, therefore, are deferred in the funds.	73,982
Certificates of participation discounts, net of accumulated amortization, are deferred and reported with the related debt in the statement of net position.	132,952
Interest payable recorded in the statement of net position does not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	(162,809)
Long-term liabilities, including certificates of participation and net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(12,087,434)</u>
Net position of governmental activities	<u><u>\$ 21,832,957</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF SUNSET HILLS, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	General Fund	Capital Projects Fund	County Road Fund	Storm Water/ Parks Fund	Debt Service Fund	Total
REVENUES						
Taxes	\$4,761,376	\$ 994,823	\$ -	\$ 1,170,353	\$ -	\$ 6,926,552
Intergovernmental	344,946	-	346,859	-	-	691,805
Licenses	1,033,792	-	-	-	-	1,033,792
Fines and court costs	369,835	-	-	-	-	369,835
Investment income	(55,648)	-	-	436	12,561	(42,651)
Charges for service	760,316	-	-	-	-	760,316
Grants	470,218	-	-	-	-	470,218
Miscellaneous	27,946	-	-	-	-	27,946
TOTAL REVENUES	<u>7,712,781</u>	<u>994,823</u>	<u>346,859</u>	<u>1,170,789</u>	<u>12,561</u>	<u>10,237,813</u>
EXPENDITURES						
Current:						
General government	427,381	-	-	-	-	427,381
Public works	1,326,672	33,876	-	-	-	1,360,548
Public safety	2,395,666	-	-	-	-	2,395,666
Municipal court	171,844	-	-	-	-	171,844
Parks and recreation	1,225,598	79,949	-	17,577	-	1,323,124
Pool	274,655	-	-	-	-	274,655
Non-departmental	1,262,284	-	-	-	-	1,262,284
Capital outlay	534,067	509,779	476,941	179,830	-	1,700,617
Debt service:						
Principal, interest and fiscal charges	-	-	-	-	1,093,312	1,093,312
TOTAL EXPENDITURES	<u>7,618,167</u>	<u>623,604</u>	<u>476,941</u>	<u>197,407</u>	<u>1,093,312</u>	<u>10,009,431</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	94,614	371,219	(130,082)	973,382	(1,080,751)	228,382
OTHER FINANCING SOURCES (USES)						
Operating transfer in (out)	-	-	-	(1,621,608)	1,621,608	-
NET CHANGE IN FUND BALANCE	94,614	371,219	(130,082)	(648,226)	540,857	228,382
FUND BALANCES - BEGINNING OF YEAR	<u>6,742,625</u>	<u>630,102</u>	<u>268,749</u>	<u>3,334,340</u>	<u>1,097,841</u>	<u>12,073,657</u>
FUND BALANCES - END OF YEAR	<u>\$6,837,239</u>	<u>\$1,001,321</u>	<u>\$ 138,667</u>	<u>\$2,686,114</u>	<u>\$1,638,698</u>	<u>\$12,302,039</u>

The accompanying notes are an integral part of these financial statements.

CITY OF SUNSET HILLS, MISSOURI
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

Amounts reported for governmental activities in the statement of activities are different because:

Change in fund balance-total governmental funds	\$ 228,382
Revenues that do not provide current financial resources are not included in the fund financial statements.	(3,176)
The acquisition of capital assets requires the use of current financial resources but has no effect on net position.	906,449
The proceeds from the disposal of capital assets is revenue in the governmental funds and the gain or loss on the disposal is recorded in the statement of activities.	(21,986)
The cost of capital assets is allocated over their estimated useful lives and reported as depreciation expense in the statement of activities.	(1,083,534)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	590,000
Some expenses do not require the use of current financial resources and, therefore, are not reported as an expenditure in governmental funds:	
Accrued interest	5,408
Amortization of discounts on the issuance of debt	(10,097)
Net pension obligation	(9,826)
	<hr/>
Change in net position of the statement of activities	<u>\$ 601,620</u>

The accompanying notes are an integral part of these financial statements.

CITY OF SUNSET HILLS, MISSOURI
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
DECEMBER 31, 2014

ASSETS

CURRENT ASSETS

Cash and investments

\$ 90,644

LIABILITIES

CURRENT LIABILITIES

Funds held in escrow

\$ 90,644

The accompanying notes are an integral part of these financial statements.

CITY OF SUNSET HILLS, MISSOURI
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Sunset Hills, Missouri (the City) was incorporated in June 1957. The City operates under a Mayor-Board of Aldermen form of government. The City's major operations include police protection, street maintenance and improvements, parks and recreation and general administrative services. The significant accounting policies applied by the City in the preparation of the accompanying financial statements are summarized below:

A. REPORTING ENTITY

The City applies the criteria set forth in GASB Statement No. 61, *The Financial Reporting Entity*, to determine which governmental organizations should be included in the reporting entity. The inclusion or exclusion of component units is based on the elected officials' accountability to their constituents. The financial reporting entity follows the same accountability. In addition, the financial statements of the reporting entity should allow the user to distinguish between the primary government (including its blended component units, which are, in substance, part of the primary government) and discretely presented component units. Criteria for inclusion of an entity into the primary governmental unit (in blended or discrete presentation) includes, but is not limited to, legal standing, fiscal dependency, imposition of will and the primary recipient of services.

B. BASIC FINANCIAL STATEMENTS

Basic financial statements consist of the following:

- Government-wide financial statements
- Fund financial statements, and
- Notes to the basic financial statements.

Government-Wide Financial Statements - The reporting model includes financial statements prepared using full accrual accounting for all the City's activities. This approach includes not just current assets and liabilities, but also capital and other long-term assets as well as long-term liabilities. Accrual accounting also reports all of the revenues and costs of providing services each year, not just those received or paid in the current year or soon thereafter. Government-wide financial statements include the following:

Statement of Net Position - The statement of net position is designed to display the financial position of the Primary Government (governmental and business-type activities). The City reports capital assets in the government-wide statement of net position and reports depreciation expense in the statement of activities. The net position of the City is broken down into three categories 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

B. **BASIC FINANCIAL STATEMENTS - continued**

Statement of Activities - The statement of activities reports expenses and revenues in a format that focuses on the cost of each of the City's functions. The expense of individual functions is compared to the revenue generated directly by the function. Accordingly, the City has recorded capital assets and certain other long-term assets and liabilities in the statement of net position and has reported all revenues and the cost of providing services under the accrual basis of accounting in the statement of revenues, expenses and changes in net position. The City has elected to implement the requirements of GASB 34 related to infrastructure assets from January 1, 2004 forward.

The government-wide financial statements report information on all of the nonfiduciary activities of the Primary Government and its component units. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. All internal balances in the statement of net position have been eliminated.

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenue includes: charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity and grants and contributions. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate fund based financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The major governmental funds are the General Fund, the Capital Projects Fund, Storm Water/ Parks Fund, Debt Service Fund and the County Road Fund. GASB No. 34 sets forth minimum criteria (percentage of assets and deferred outflows, liabilities and deferred inflows, revenues or expenditures/expenses of either fund category for the governmental and enterprise combined) for the determination of major funds. The nonmajor funds, if any, are combined in a single column in the fund financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. All assets and liabilities associated with the operation of the City are included on the statement of net position. Revenues are recorded when earned or, for property tax revenues, in the period for which levied. Expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The City records revenue for fines and court cost when paid, as they are not measurable or estimable before then. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

C. **MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION**

The City in general considers revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due.

For the governmental funds financial statements, the City considers all revenues susceptible to accrual and recognizes revenue if the accrual criteria are met. Specifically, sales taxes, franchise taxes, licenses, interest, special assessments, charges for services, and other miscellaneous revenue are considered to be susceptible to accrual and have been recognized as revenue in the current fiscal period.

The accounts of the City are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions.

The City reports the following major governmental funds:

The General Fund - The City's primary operating fund, which accounts for all the financial resources and the legally authorized activities of the City except those required to be accounted for in other specialized funds.

Capital Projects Fund - The City uses this fund to account for sales tax revenue designated for capital projects.

County Road Fund - The City uses this fund to account for property taxes collected for road projects.

Storm Water/Parks Fund - The City uses this fund to account for taxes collected for storm water and parks projects.

Debt Service Fund - The City uses this fund to accumulate resources used to pay its long-term debt.

D. **PREPAID ITEMS**

Payments made to vendors for services that will benefit periods beyond the fiscal year-end are recorded as prepaid items. The cost of prepaid items is recorded as expenditures or expenses when consumed rather than when purchased. Prepaid items are equally offset by a fund balance amount which indicates that they do not constitute "available spendable resources" even though they are a component of current assets.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

E. **CAPITAL ASSETS**

Capital assets, which include land, buildings and improvements, equipment, and infrastructure assets (e.g., roads, sidewalks, traffic lights, street lights, sewer lines and similar items), are reported in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of \$5,000 or more and an estimated useful life in excess of one year. Infrastructure assets with an initial cost of \$50,000 or more are also capitalized and depreciated. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives is not capitalized.

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

<u>Major Group</u>	<u>Life</u>
Buildings and improvements	15 - 50 years
Land improvements	15 - 50 years
Vehicles and equipment	2 - 30 years
Infrastructure	10 - 50 years

The government-wide financial statements do not reflect those infrastructure assets completed prior to January 1, 2004.

F. **ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect: (1) the reported amounts of assets and liabilities, (2) disclosures such as contingencies, and (3) the reported amounts of revenues and expenses included in such financial statements. Actual results could differ from those estimates.

G. **INTERFUND TRANSACTIONS**

Transactions that constitute reimbursements to a fund for expenditures initially made from it that are applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - continued

H. **COMPENSATED ABSENCES**

The City has adopted a formal personnel policy with policies in effect that relate to vacation and sick pay. City employees are allowed to carry forward vacation days past their anniversary date. In the event of termination, an employee is paid for accumulated vacation days. Therefore, vacation liability of \$131,656 has been accrued in the General Fund at December 31, 2014. Employees are not paid for accumulated sick leave upon termination; accordingly, the related potential liability has not been recorded.

I. **LONG-TERM LIABILITIES**

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Initial-issue premiums and discounts are deferred and amortized over the life of the debt using the straight-line method. Debt is reported net of the unamortized portion of applicable premium or discount. Amortization of premiums or discounts is included in interest expense. Debt issuance costs are expensed when incurred.

J. **NET POSITION AND FUND EQUITY**

In government-wide financial statements, net position is reported in three categories: net position investment in capital assets; restricted net position; and unrestricted net position. Net investment in capital assets represents capital assets less accumulated depreciation less outstanding principal on related debt. Net investment in capital assets does not include the unspent proceeds of capital debt. Restricted net position represents net position restricted by parties outside of the City (such as creditors, grantors, contributors, laws and regulations of other governments).

When both restricted and unrestricted sources are available for use, it is the government policy to use restricted first, then unrestricted resources as they are needed. The government-wide statement of net position reports \$5,533,971 of restricted net position, all of which is restricted by enabling legislation.

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 District 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 - Amounts that cannot be spent either because they are not in spendable form or because of legal or contractual requirements.

Restricted - Amounts that are constrained for specific purposes which are externally imposed by providers, such as those mandated by creditors, grantors, contributors, or laws and regulations.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - continued

J. **NET POSITION AND FUND EQUITY** - continued

Committed - Resources which are subject to limitations the government imposes upon itself at its highest level of decision making (ordinance), and that remain binding unless removed in the same manner.

Assigned - Resources which are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Intent can be established by the Board of Directors or an official to which the Board of Directors has delegated the authority to assign amounts for specific purposes.

Unassigned - All amounts not included in the other classifications.

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

K. **INVESTMENTS**

The City is authorized to invest funds not immediately needed for the purposes to which the funds are applicable, in obligations of the United States Treasury, United States Government Agencies, Repurchase Agreements, Certificates of Deposit and money market funds fully insured and/or collateralized, and Bankers' Acceptance issued by domestic commercial banks and Commercial Paper issued by domestic corporations having total assets in excess of five hundred million dollars, which have received the highest rating issued by Moody's Investor Services, Inc. or Standard and Poor's Corporation. The City's investments are carried at fair value.

2. **BUDGETS AND BUDGETARY ACCOUNTING**

The City adopts an annual operating budget on a cash basis for all governmental.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- Each department head submits a budget to the finance committee for the September board meeting.
- The finance committee presents two readings to the Board of Aldermen.
- The budget is adopted by the Board of Aldermen in December.
- The finance committee approves budget transfers as required during the year.
- A motion from the Board of Aldermen is required to amend the budget.

All appropriations lapse at fiscal year-end.

3. **CASH AND TEMPORARY INVESTMENTS**

The City's bank deposits are required by state law to be secured by the deposit of certain securities specified by RSMo 30.270 with the City or trustee institution. The value of the securities must amount to the total of the City's cash not insured by the Federal Deposit Insurance Corporation. As of December 31, 2014, the carrying amount of the City's bank deposits totaled \$4,876,411 with bank balances of \$5,147,654. The bank balance was covered by federal depository insurance or covered by an irrevocable, standby letter of credit issued by the Federal Home Loan Bank.

4. **PROPERTY TAX**

The City's property tax is levied each year on the assessed value listed as of the prior January 1 for all real and personal property located in the City. Taxes are levied on October 1 and payable by December 31. A lien is placed on the property on January 1 and is then subject to interest and penalties. The assessed value at January 1, 2014, upon which the 2014 levy was based on an assessed value for real, personal and public utility property of \$341,325,986.

The City's tax rate was levied at the following rates per \$100 of assessed valuation for the General Fund:

	<u>RATE</u>
Residential	\$.056
Agricultural	.060
Commercial	.058
Personal	.060

5. **COURT FINES AND FEES**

The City collected \$360,454 of court fines and costs for traffic violations which represents 4.7% of general operating revenues for the year ended December 31, 2014.

6. **INVESTMENTS**

The City has established and approved an Investment Policy Statement to apply to all financial assets of the City. The policy does not address custodial credit risk. In addition, the policy allows for the investment of debt proceeds held by bond trustees, to be invested in accordance with the bond documents.

Credit Risk: Credit risk is the risk of loss due to the failure of the security issuer or backer. The City's investment policy seeks to minimize credit risk by limiting investments in bankers' acceptances and commercial paper to the highest letter and numerical rating by Moody's Investor Services, Inc. or Standard and Poor's Corporation. Also, investments are limited to U.S. Treasury Bills, Notes and Bonds, U.S. Government Agencies, Repurchase Agreements, Certificates of Deposit and certain commercial paper. The City will reduce credit risk by pre-qualifying the financial institutions, brokers/dealers, intermediaries, and advisors with which the City will do business and diversifying the portfolio so that potential losses on individual securities will be minimized.

6. INVESTMENTS - continued

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. As of December 31, 2014, more than 5% of the City's investments are in Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, Private Export Funding, and Tennessee Valley Authority. These investments are 25%, 25%, 33%, and 8%, respectively, of the City's investments.

Interest Rate Risk: Interest rate risk is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates. The City will minimize the risk that the market value of securities in the portfolio will fall due to changes in general interest rates by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity and by maintaining a sufficient balance in liquid funds to adequately cover forecasted cash requirements.

Investment Type	Fair Value	Maturity Range (Years)	Rating Fitch/Moody's
U.S. Government Agency			
Private Export Funding Corporation	\$ 539,959	3-5	Aaa
Private Export Funding Corporation	1,656,265	6-10	
Municipal Bond Tennessee Valley	545,049	3-5	Aaa
Certificates of deposit	499,901	1	N/A
U.S. Treasuries			
Federal Home Loan Bank	1,659,088	3-5	Aaa
Federal Home Loan Mortgage Corporation	1,671,721	3-5	Aaa
Money Market Funds	50,374	0-2	Aaa-mf
Total Fair Value	\$ 6,622,357		

The City structures its investment portfolio so that securities mature to meet cash requirements for ongoing operations. As a means of limiting its exposure to fair value losses from rising interest rates, the City's investment policy limits its investment allocation as follows:

Investment Type	Maturity Range	Maximum Allocation
U.S. Treasury Bills, Notes, Bonds	Less than 10 years	100%
U.S. Government Agency and Instrumentality Obligations	Less than 3 years	75
Collateralized Repurchase	Less than 90 days	50
Certificates of Deposit	Less than 5 years	50
Commercial Paper	Less than 5 years	10
Bankers' Acceptances	Less than 180 days	10

7. CAPITAL ASSETS

Capital asset activity for the primary government for the year ended December 31, 2014 is as follows:

	BALANCE, BEGINNING OF YEAR	TRANSFERS AND ADDITIONS	TRANSFERS AND DELETIONS	BALANCE, END OF YEAR
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,494,521	\$ 61,028	\$ -	\$ 1,555,549
Construction in progress	122,466	64,553	-	187,019
Total capital assets, not being depreciated	<u>1,616,987</u>	<u>125,581</u>	<u>-</u>	<u>1,742,568</u>
Capital assets, being depreciated:				
Land improvements	1,503,123	340,724	-	1,843,847
Buildings and improvements	13,394,544	25,409	-	13,419,953
Vehicles and equipment	3,009,649	414,735	(277,854)	3,146,530
Infrastructure	8,380,761	-	-	8,380,761
Total capital assets, being depreciated	<u>26,288,077</u>	<u>780,868</u>	<u>(277,854)</u>	<u>26,791,091</u>
Less accumulated depreciation for:				
Land improvements	(486,763)	(93,515)	-	(580,278)
Buildings and improvements	(2,768,113)	(419,410)	-	(3,187,523)
Vehicles and equipment	(1,695,282)	(315,608)	255,868	(1,755,022)
Infrastructure	(1,181,608)	(255,001)	-	(1,436,609)
Total accumulated depreciation	<u>(6,131,766)</u>	<u>(1,083,534)</u>	<u>255,868</u>	<u>(6,959,432)</u>
Total capital assets, being depreciated, net	<u>20,156,311</u>	<u>(302,666)</u>	<u>(21,986)</u>	<u>19,831,659</u>
Total governmental activities	<u>\$ 21,773,298</u>	<u>\$ (177,085)</u>	<u>\$ (21,986)</u>	<u>\$ 21,574,227</u>

7. **CAPITAL ASSETS** - continued

Depreciation expense was charged to functions/programs of the Primary Government as follows:

Governmental activities:	
General government	\$ 2,097
Public works	436,514
Public safety	134,868
Municipal court	960
Parks and recreation	308,136
Pool	<u>200,959</u>
Total depreciation expense - governmental activities	<u>\$ 1,083,534</u>

8. **LONG-TERM LIABILITIES**

Certificate of Participation Notes Series 2009 - were issued totaling \$14,110,000 to fund capital improvements at interest rates ranging from 2% to 4.7%. Principal and interest payments are provided from proceeds of a storm water control and local park improvements tax levy. The indentures require a reserve balance of \$1,097,729. The fair market value of the reserve fund investments, along with accrued interest, was \$1,096,918 at December 31, 2014. The outstanding balance at December 31, 2014 was \$11,750,000.

Payments required on these certificates are as follows:

CERTIFICATES OF PARTICIPATION			
YEAR	PRINCIPAL	INTEREST	TOTAL
2015	\$ 605,000	\$ 479,351	\$ 1,084,351
2016	625,000	460,120	1,085,120
2017	645,000	438,676	1,083,676
2018	670,000	414,826	1,084,826
2019	695,000	388,364	1,083,364
2020-2024	3,905,000	1,486,778	5,391,778
2025-2028	4,605,000	495,433	5,100,433
Total	<u>\$ 11,750,000</u>	<u>\$ 4,163,548</u>	<u>\$ 15,913,548</u>

8. **LONG-TERM LIABILITIES** - continued

Long-term liability activity for the year ended December 31, 2014, was as follows:

	<u>BALANCE, BEGINNING OF YEAR</u>	<u>ADDITIONS</u>	<u>REDUCTIONS</u>	<u>BALANCE, END OF YEAR</u>	<u>WITHIN ONE YEAR</u>
Governmental activities:					
Certificates of					
Participation	\$ 12,340,000	\$ -	\$ (590,000)	\$ 11,750,000	\$ 605,000
Discount on Certificates of					
Participation	(143,049)	-	10,097	(132,952)	-
Net Pension Obligation	327,608	9,826	-	337,434	-
Total Long-Term Liabilities	<u>\$ 12,524,559</u>	<u>\$ 9,826</u>	<u>\$ (579,903)</u>	<u>\$ 11,954,482</u>	<u>\$ 605,000</u>

Legal Debt Margin - Under Article VI, Sections 26(b) and 26(c) of the Constitution of the State of Missouri, the City, by vote of 2/3 of the qualified electors voting thereon, may incur general obligation indebtedness for City purposes in an amount not to exceed 5% of the assessed valuation of taxable tangible property within the City ascertained by the last completed assessment for state or county purposes. A computation of the legal debt margin at December 31, 2014 follows:

Assessed valuation	\$ 341,325,986
Debt limit - 5% of assessed value	\$ 17,066,299
Total debt applicable to debt limit	-
Legal debt margin	<u>\$ 17,066,299</u>

9. **INTERFUND TRANSACTIONS**

The following transfers were made during the fiscal year ending December 31, 2014:

	<u>TRANSFER IN</u>	<u>TRANSFER OUT</u>
Storm Water/Parks Fund	\$ -	\$ 1,621,608
Debt Service Fund	1,621,608	-

Transfers were made into the Debt Service Fund. The transfers provided funds to retire bonds and establish debt service reserve.

10. **RISK MANAGEMENT**

The City is exposed to various risks of loss related to tort; theft of; damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The City purchases commercial insurance to cover risks related to building and other City property, crimes, business, travel, earthquakes, and employee blanket bonds. Settled claims resulting from these risks have not exceeded coverage in any of the past three years.

11. **RETIREMENT PLAN**

Plan Description - The City participates in the Missouri Local Government Employees Retirement System (LAGERS), an agent multiple-employer public 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.

LAGERS 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, MO 65102 or by calling 1-800-447-4334.

Funding Policy - The City's full-time employees do not contribute to the pension plan. The June 30th statutorily required contributions rates are 9.0% (general) and 7.8% (police) of annual covered payroll. The contribution requirements of plan members are determined by the governing body of the City. The contribution provisions of the City are established by state statute.

Funded Status - As of February 28, 2014, the most recent actuarial valuation date, the funded status of the plan was as follows:

Actuarial accrued liability (AAL)	\$ 9,295,998
Actuarial value of plan assets	<u>9,988,880</u>
Unfunded actuarial accrued liability	<u>\$ (692,882)</u>
Funded ratio (Actuarial value of plan assets/AAL)	107%
Covered payroll (annual payroll of active employees covered by the plan)	\$ 3,497,619
UAAL as a percentage of covered payroll	0%

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liabilities for benefits.

11. **RETIREMENT PLAN - continued**

Annual Pension Cost (APC) and Net Pension Obligation (NPO) - The City's annual pension cost and net pension obligation for the current year were as follows:

Annual required contribution	\$	305,176
Interest on net pension obligation		23,752
Adjustment to annual required contribution		<u>(27,659)</u>
Annual pension cost		301,269
Actual contributions		<u>(291,443)</u>
Increase (decrease) in NPO		9,826
NPO beginning of year		<u>327,608</u>
NPO end of year	\$	<u><u>337,434</u></u>

The annual required contribution (ARC) was determined as part of the February 29, 2012 and February 28, 2013 annual actuarial valuations using the entry of 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% to 6% per year, depending on age and division, attributable to seniority/merit; and (d) pre-retirement mortality based on 75% of the RP-2000 Combined Healthy Table set back 0 years for men and 0 years for women; and (e) post-retirement mortality based on 105% of the 1994 Group Annuity Mortality table set back 0 year 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 payrolls on an open basis. The amortization period at February 29, 2012 was 30 years for the General division and 30 years for the Police division. The amortization period as of February 28, 2013 was 14 years for the General division and 15 years for the Police division.

Three year trend information follows:

<u>For The Years Ended June 30</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2012	\$ 330,105	72.0%	\$ 271,498
2013	332,121	83.1	327,608
2014	301,269	96.7	337,434

12. DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The City makes no contribution to the Plan.

VOYA Life Insurance and Annuity Company administers the City's Deferred Compensation Plan. The City does not have significant administrative involvement in the Plan. With the adoption of Governmental Accounting Standards Board (GASB) No. 32, "*Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*" the City's Deferred Compensation Plan is not included in the basic financial statements. The City's Plan does not meet the criteria for reporting the Deferred Compensation Plan in a fiduciary fund.

13. CONTINGENCIES

From time to time, the City is a party to various pending claims and legal actions arising in the ordinary course of its operations. Although the outcome of such matters cannot be forecast with certainty, in the opinion of management, all such matters are adequately covered by insurance, or if not covered, are without merit or involve amounts such that an unfavorable disposition would not have a material effect on the financial statements of the City.

14. SUBSEQUENT EVENTS

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through May 18, 2015, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SUNSET HILLS, MISSOURI
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	BUDGET		BUDGETARY BASIS ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Taxes	\$ 4,977,945	4,977,945	\$ 5,098,856	\$ 120,911
Licenses and permits	1,058,100	1,058,100	967,066	(91,034)
Fines and court costs	375,000	375,000	369,835	(5,165)
Investment income	1,200	1,200	15,387	14,187
Charges for service	701,230	701,230	748,658	47,428
Grants	1,064,768	1,389,568	470,218	(919,350)
Miscellaneous	23,467	95,407	27,946	(67,461)
TOTAL REVENUES	<u>8,201,710</u>	<u>8,598,450</u>	<u>7,697,966</u>	<u>(900,484)</u>
EXPENDITURES				
Current:				
General government	446,870	446,870	425,523	21,347
Public works	1,331,503	1,313,303	1,312,121	1,182
Public safety	2,496,807	2,495,207	2,378,819	116,388
Municipal court	191,790	186,990	172,158	14,832
Parks and recreation	1,200,320	1,506,520	1,215,565	290,955
Pool	271,387	271,512	274,655	(3,143)
Non-departmental	1,367,648	1,367,648	1,253,241	114,407
Capital outlay	1,088,819	1,270,880	534,067	736,813
TOTAL EXPENDITURES	<u>8,395,144</u>	<u>8,858,930</u>	<u>7,566,149</u>	<u>1,292,781</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(193,434)	(260,480)	131,817	<u>\$ 392,297</u>
FUND BALANCES - BEGINNING OF YEAR	<u>6,393,739</u>	<u>6,393,739</u>	<u>6,393,696</u>	
FUND BALANCES - END OF YEAR	<u>\$ 6,200,305</u>	<u>\$ 6,133,259</u>	<u>\$ 6,525,513</u>	
FUND BALANCE - END OF YEAR - BUDGET BASIS			\$ 6,525,513	
Adjustments to the budget basis:				
Revenues			643,688	
Expenditures			(252,482)	
Unrealized loss on investments			(79,480)	
FUND BALANCE - END OF YEAR - GAAP BASIS			<u>\$ 6,837,239</u>	

CITY OF SUNSET HILLS, MISSOURI
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
COUNTY ROAD FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	BUDGET		BUDGETARY BASIS ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUE				
Taxes	\$ 355,000	\$ 355,000	\$ 374,587	\$ 19,587
EXPENDITURES				
Capital outlay	465,430	476,941	476,941	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(110,430)	(121,941)	(102,354)	<u>\$ 19,587</u>
FUND BALANCE - BEGINNING OF YEAR	102,424	102,424	102,424	
FUND BALANCE - END OF YEAR	<u>\$ (8,006)</u>	<u>\$ (19,517)</u>	<u>\$ 70</u>	
FUND BALANCE - END OF YEAR - BUDGET BASIS			\$ 70	
Adjustments to the budget basis:				
Revenue			(47,818)	
Expenditures			-	
FUND BALANCE - END OF YEAR - GAAP BASIS			<u>\$ (47,748)</u>	

CITY OF SUNSET HILLS, MISSOURI
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
STORM WATER/ PARKS FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	BUDGET		BUDGETARY BASIS ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Taxes	\$ 1,159,950	\$ 1,159,650	\$ 1,170,579	\$ 10,929
Investment income	-	300	436	136
TOTAL REVENUES	<u>1,159,950</u>	<u>1,159,950</u>	<u>1,171,015</u>	<u>11,065</u>
EXPENDITURES				
Parks and recreation	67,700	20,483	17,577	2,906
Capital outlay	-	182,040	179,830	2,210
TOTAL EXPENDITURES	<u>67,700</u>	<u>202,523</u>	<u>197,407</u>	<u>5,116</u>
OTHER FINANCING SOURCES (USES)				
Transfer out	(1,088,472)	(1,086,539)	(1,621,608)	535,069
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	3,778	(129,112)	(648,000)	<u>\$ (518,888)</u>
FUND BALANCE - BEGINNING OF YEAR	<u>3,135,935</u>	<u>3,135,935</u>	<u>3,135,935</u>	
FUND BALANCE - END OF YEAR	<u>\$ 3,139,713</u>	<u>\$ 3,006,823</u>	<u>\$ 2,487,935</u>	
FUND BALANCE - END OF YEAR - BUDGET BASIS			\$ 2,487,935	
Adjustments to the budget basis:				
Revenues			198,179	
Expenditures			-	
FUND BALANCE - END OF YEAR - GAAP BASIS			<u>\$ 2,686,114</u>	

CITY OF SUNSET HILLS, MISSOURI
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED DECEMBER 31, 2014

Defined Benefit Pension Plan

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(b-a) Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percentage of Covered Payroll
2/28/2005	\$ 5,794,299	\$ 4,812,468	\$ (981,831)	120 %	\$ 2,479,805	- %
2/28/2006	5,824,572	4,987,253	(837,319)	117	2,495,789	-
2/28/2007	6,219,193	5,208,655	(1,010,538)	119	2,526,810	-
2/29/2008	6,985,037	5,616,486	(1,368,551)	124	2,656,547	-
2/28/2009	5,658,041	5,931,518	273,477	95	2,967,109	9
2/28/2010	6,176,773	6,693,046	516,273	92	3,299,293	16
2/28/2011	6,949,265	7,535,692	586,427	92	3,296,544	18
2/29/2012	7,612,047	7,995,537	383,490	95	3,518,933	11
2/28/2013	8,625,975	8,589,056	(36,919)	100	3,500,975	-
2/28/2014	9,988,880	9,295,998	(692,882)	107	3,497,619	-

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.