

CITY OF HARRISONVILLE, MISSOURI  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
(AS REISSUED)  
FISCAL YEAR ENDED DECEMBER 31, 2012

Prepared by: Mike Tholen  
Director of Finance

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## INTRODUCTORY SECTION

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P.O. Box 367, 300 East Pearl Street- Harrisonville, Missouri 64701

July 16, 2013

**Honorable Mayor and Members of the Board of Aldermen:**

The Finance Department is pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Harrisonville, Missouri, for the fiscal year ended December 31, 2012. This report is required under RSMo. 105.145 and is submitted for your information and review.

The responsibility for accuracy, completeness, and fairness of the data presented, including all disclosures, rests with the City. I believe the report as presented is accurate in all material respects and is presented in a manner designed to fairly set forth the financial position and results of annual operations of the City, both on a government-wide and a fund basis.

The City of Harrisonville Finance Department prepares the year-end trial balances and supporting schedules and assists in the preparation of the financial statements, which undergo an annual audit by an independent certified public accountant. The City's financial statements have been audited by the accounting firm of Dana F. Cole & Company, LLP, and that audit resulted in an unmodified opinion that the City's financial statements for the fiscal year ended December 31, 2012, are fairly presented in conformity with accounting principles generally accepted in the United States of America. That opinion, and the procedures and testing that led to it, is found in the "Independent Auditors' Report" at the beginning of the Financial Section of the CAFR.

Following the independent auditors' report and opinion is management's discussion and analysis (MD&A) of the financial statements. This analysis, along with the basic financial statements and notes, provides an overview of the City's financial position and operating results. The supplemental and statistical sections help provide a broader understanding of Harrisonville and, along with the introductory section, provide context to the report.

**Profile of the City of Harrisonville**

The town of Harrisonville was established in 1837 and was named in honor of Albert G. Harrison, one of the first two U.S. Congressional representatives elected from the state of Missouri. Harrisonville became incorporated in 1851. S.G. "Squire" Allen was appointed the first mayor of the town in 1857, and Col. H. W. Younger, father of the infamous Cole Younger, was elected mayor in 1859. There is a rich local history of the Civil War era in Harrisonville, and in the decades following the war, the town grew in importance as the county seat of Cass County and as a transportation hub for the region.

Today, Harrisonville is home to approximately 10,000 residents, with manufacturing and distribution facilities representing several major national firms. It still serves as a transportation center, with Interstate 49 and several state highways providing access to the Kansas City metropolitan area as well as the recreation areas of south-central Missouri.

The City of Harrisonville, Missouri, is a fourth-class city organized under Missouri statutes and is governed by a Mayor and 8-member Board of Aldermen, two from each of the four wards. The Mayor and Board appoint a City Administrator to serve as the chief administrative officer of the City, and to oversee the operations of all City departments. Harrisonville provides a full complement of general governmental services including police and fire protection, emergency medical services, parks and recreation, public works services, an airport, and general administrative services. The City also provides electrical distribution, water, and sanitary sewer services, all of which are accounted for in the financial statements as business-type activities.

### **Factors affecting financial conditions**

Local economy - Overall retail sales have recovered to the levels enjoyed prior to the recession, and we see some local businesses investing in renewal. While housing remains stalled in the nationwide slump, economic development continues to focus on the creation and expansion of employment opportunities. Outside investors have continued to show interest in Harrisonville's location and workforce when considering potential business sites. Harrisonville's place as a regional trade center for basic goods and services has helped shelter the community from more severe economic downturns.

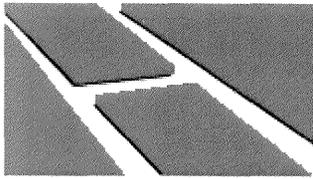
Long-term financial planning - The City of Harrisonville prepares a five-year Capital Improvement Plan (CIP) for constructing, maintaining, and replacing the City's physical infrastructure. These projects are reviewed annually and updated as conditions, prices, resources, and priorities change. These projections are included as a part of the five-year financial projection of each of the City's operating funds during the Board of Aldermen's annual budget process. By Board policy, the City maintains a reserve in each of the operating funds for budgetary and planning purposes.

Cash management and risk management - The primary concern of the City's cash management policy is the safety of principal. The City follows a conservative investment policy which is closely monitored by staff and reviewed annually. Investment yield remains low compared to historical averages, but the security of the investment principal is the City's overarching priority. Cash balances of the various funds are consolidated for maximum earnings flexibility. Following the close of the fiscal year, the City renewed all major insurance policies after a review and update of exposures and pricing. With both cost and risk on the increase, insurance coverage is an area which receives significant attention.

The preparation of this report would not have been possible without the year-round dedication and hard work of the staff of the Finance Department, with special recognition to our Accounting Specialist, Debra Goss. The City's independent audit firm of Dana F. Cole & Company, LLP, was instrumental in the preparation of this report and highly professional in their dealings with our staff. I would also like to thank Mayor Wood, the Board of Aldermen, and City Administrator Keith Moody for their continued interest in and support of the maintenance of the financial health of our City.

Respectfully submitted,

Michael E. Tholen  
Director of Finance

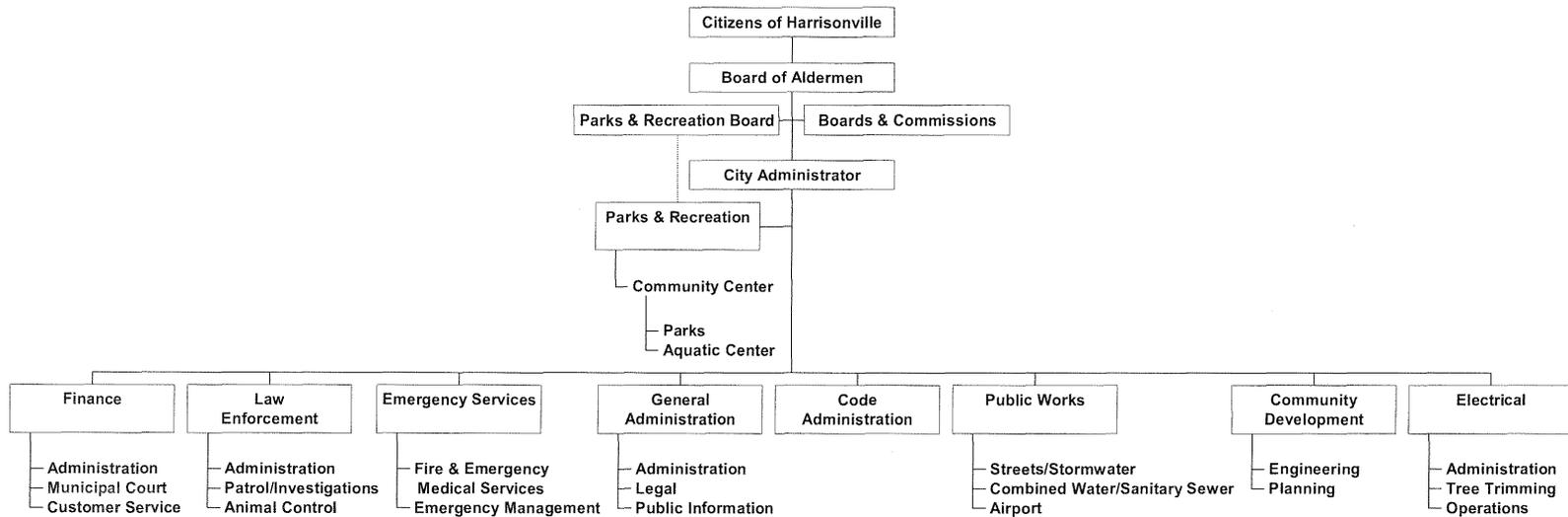


City of

# Harrisonville

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CITY OF HARRISONVILLE, MISSOURI  
PRINCIPAL OFFICIALS  
DECEMBER 31, 2012

MAYOR AND BOARD OF ALDERMEN

Kevin Wood	Mayor
Stacey Dahlman	Alderman Ward I
Doug Meyer	Alderman Ward I
Morris Coburn	Alderman Ward II
Marcia Milner	Alderman Ward II
David Dickerson	Alderman Ward III
Bret Reece	Alderman Ward III
Bill Mollenhour	Alderman Ward IV
Ivan Stull	Alderman Ward IV

ADMINISTRATOR AND DEPARTMENT HEADS

Keith Moody	City Administrator
Jerry Gibbs	Director of Public Works and Water/Sewer Superintendent
Keith Thomas	Electric Department Director
Rodney Jacobs	Street Superintendent
Chris Deal	Director of Parks and Recreation
Rick DeLuca	Director of Community Development
Kim Hubbard	City Clerk
Mike Tholen	Director of Finance
John Hofer	Chief of Police
Larry Francis	Fire Chief and Director of Emergency Management
Steven E. Mauer	City Attorney
Kevin Anderson	Municipal Judge
Joseph Cambiano	City Prosecuting Attorney

INDEPENDENT AUDITORS

Dana F. Cole & Company, LLP

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and  
Members of the Board of Aldermen  
City of Harrisonville, Missouri

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Harrisonville, Missouri, as of and for the year ended December 31, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditors' Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 our audit provides a reasonable basis for our opinions.

We revised the Schedule of Expenditures of Federal Awards to include CFDA Number 14.228 and to restate beginning balances for a prior-year grant receivable. These changes were audited on July 7, 2014, which resulted in the dual-dating of our audit report.

## ***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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Harrisonville, Missouri, as of December 31, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 8 through 14 and 58 through 61 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Harrisonville, Missouri's basic financial statements. The other supplemental information, pages 62 to 72, and the schedule of expenditures of federal awards, pages 93 to 95, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other supplemental information and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Harrisonville, Missouri's basic financial statements. The introductory and statistical sections are presented for purposes of additional analysis and are 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.

## **Report Issued in Accordance with *Government Auditing Standards***

In accordance with *Governmental Auditing Standards*, we have also issued our report dated July 16, 2013, on our consideration of the City of Harrisonville, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Dana J Cole + Company, LLP

Overland Park, Kansas  
July 16, 2013, except for additional reporting on  
the Schedule of Expenditures of Federal Awards  
and beginning balances for a prior year grant  
receivable as to which date is July 7, 2014

CITY OF HARRISONVILLE, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Harrisonville, Missouri, has prepared financial statements in accordance with GASB 34 guidelines since 2003. This section of the report is intended to provide a summary of the City's financial condition and outlook, and should be considered along with the transmittal letter and financial statements in any evaluation of the City's financial condition.

**Fiscal Year Highlights**

The City of Harrisonville, Missouri, continues to be a financially stable community, although the economic slump has affected our residents. Property tax revenues decreased in FY 2012 because of lower personal property tax valuations, but overall net assets have increased. The City of Harrisonville, Missouri's central location in the county and its status as a full-service city help maintain that stability and allow for many forward-looking investments:

The City continued to work on a new police station to replace the current cramped and aged facility. This is undertaken using existing reserves, as voters are reluctant to take on additional tax or debt burden at this time, even as they acknowledge the need to replace the facility. The new station is expected to be occupied in late 2013, with a total investment of approximately two million dollars.

These statements include the Towne Center TIF expenditures, which impact the net assets of the City. The anchor tenant opened in spring 2007. One additional padsite has been occupied, and a hotel has been opened on the south end. The two remaining padsites are still open for development. The City budgeted and contributed general funds to help meet the debt service schedule in 2012, but will need additional development to continue to service the debt without impacting other City funds.

The collection of sales tax revenues increased in 2012, compared to earlier years. While recovering from the downturn, the revenue from existing sales taxes had shown little overall growth in recent years. This could be an area of concern if continued over time since the sales tax is the largest single revenue source to the General Fund, and forms the basis of debt service payments for the Community Center. Sales tax revenues mirror national and regional economic trends, which are largely outside the City's control, but are important to both our community and our revenue stream. These trends are closely monitored by City staff for their effect on both present and projected expenditure plans.

The City's business-type activities (utility funds) showed stable sales and usage, reflecting the community growth patterns. Utility customer and load growth is a key indicator of community financial health, as the number of residents is tied directly to available revenues and demands for City services. Prior to FY 2012, the City revised its administrative charge schedule, which resulted in lower utility rates and reduced transfers to the General Fund. The City forecasts stable utility rates for the next few years.

The City advance refunded the 2003 Certificates of Participation used to construct the Community Center. Taking advantage of lower interest rates, and without extending the terms of the debt, the re-funding will save over \$800,000 in interest over the remaining life of the certificates.

CITY OF HARRISONVILLE, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS

**The Comprehensive Annual Financial Report**

This comprehensive annual financial report consists of six parts:

- Introductory section which includes the transmittal letter,
- Management's discussion and analysis (this part),
- Basic financial statements and accompanying notes,
- Required supplemental information,
- Other supplemental information, and
- Statistical information

In prior years, the principal focus of local governmental financial statements was to summarize fund-type information on a current financial resource basis. This current accounting model presents information in two ways. The government-wide financial statements provide both short- and long-term information about the City's overall financial status. These are prepared on a full accrual basis to present information in a format more familiar to corporate accounting users. Fund financial statements are still included to provide useful information on individual parts of the government.

**Government-Wide Financial Statements**

The basic financial statements include two government-wide financial statements: the statement of net position and the statement of activities. These statements can be found on pages 15 through 17. The government-wide financial statements report information about the City as a whole using accounting methods similar to those used by the private sector.

The City is divided into the following activities:

- Governmental activities - All of the City's basic services are considered governmental activities, including public safety, public works, general administration, and parks. These activities are supported primarily with general revenue such as sales and property taxes, fines, and permit fees.

- Business-type activities - The City's enterprise activities are included here. These operations charge a fee for services that is intended to recover the cost of operations.

**Fund Financial Statements**

Another major section of the basic financial statements is the fund financial statements, found on pages 18 to 28, along with their explanatory notes on pages 29 through 57. The fund financial statements provide detailed information about each of the City's most significant funds, called "major funds." All other funds are summarized and presented in a single column called "nonmajor."

CITY OF HARRISONVILLE, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Harrisonville, Missouri, currently has two kinds of funds:

Governmental funds - Most of the City's basic services are included in governmental funds. These statements are prepared on a modified accrual basis, meaning they measure current financial resources and uses. Capital assets and other long-lived assets, along with any long-term liabilities are not presented in the governmental fund statements, but additional information about them is provided at the bottom of the statements, and in the notes.

Proprietary funds - These statements include business-type enterprise funds. The statements for these funds are presented on the accrual basis and include all assets and liabilities, both current and long-term. This is the same basis used on the government-wide financial statements.

**Statement of Net Position**

The following table summarizes the combined statement of net position as of December 31, 2012, compared with the same information for the fiscal year ending December 31, 2011:

**City of Harrisonville, Missouri's Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
<b>ASSETS</b>						
Current and other assets	18,890,006	20,076,881	11,254,009	10,106,999	30,144,015	30,183,880
Deferred outflows of resources	983,964		100,727		1,084,691	
Capital assets	<u>22,610,092</u>	<u>22,742,202</u>	<u>34,810,179</u>	<u>34,321,543</u>	<u>57,420,271</u>	<u>57,063,745</u>
<b>TOTAL ASSETS</b>	<u>42,484,062</u>	<u>42,819,083</u>	<u>46,164,915</u>	<u>44,428,542</u>	<u>88,648,977</u>	<u>87,247,625</u>
<b>LIABILITIES</b>						
Other liabilities	1,558,846	880,359	1,550,331	1,344,082	3,109,177	2,224,441
Long-term liabilities	<u>24,735,021</u>	<u>26,183,181</u>	<u>12,155,871</u>	<u>12,323,350</u>	<u>36,890,892</u>	<u>38,506,531</u>
<b>TOTAL LIABILITIES</b>	<u>26,293,867</u>	<u>27,063,540</u>	<u>13,706,202</u>	<u>13,667,432</u>	<u>40,000,069</u>	<u>40,730,972</u>
<b>NET POSITION</b>						
Invested in capital assets, net of related debt	14,660,071	13,911,126	22,757,615	22,603,002	37,417,686	36,514,128
Restricted	1,186,071	2,662,683	2,194,593	2,557,484	3,380,664	5,220,167
Unrestricted	<u>344,053</u>	<u>(818,266)</u>	<u>7,506,505</u>	<u>5,600,624</u>	<u>7,850,558</u>	<u>4,782,358</u>
<b>TOTAL NET POSITION</b>	<u>16,190,195</u>	<u>15,755,543</u>	<u>32,458,713</u>	<u>30,761,110</u>	<u>48,648,908</u>	<u>46,516,653</u>

CITY OF HARRISONVILLE, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS

The summary reveals the overall balance in the City between governmental assets and business-type assets. The governmental activities capital assets includes the value of the community center, while the long-term obligations and restricted assets in the same column reveals the offsetting debt, final construction obligations, and financing reserves, as well as the debt associated with the Towne Center TIF.

**Statement of Activities**

The following table reflects the revenues and expenses for the City's activities for the fiscal year ending December 31, 2012, compared with the same information for the fiscal year ending December 31, 2011:

**City of Harrisonville, Missouri's Statement of Activities**

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
<b>REVENUES</b>						
Program revenues						
Charges for services	4,542,293	4,521,705	16,869,999	16,294,563	21,412,292	20,816,268
Operating grants and contributions	144,163	939,601			144,163	939,601
Capital grants and contributions		508,546	280,500	982,687	280,500	1,491,233
General revenues						
Taxes	6,884,801	6,776,932			6,884,801	6,776,932
Investment earnings	29,815	33,593	216,092	227,646	245,907	261,239
Transfers	(32,595)	(490,485)	32,595	490,485		
Other miscellaneous revenues	294,193	320,148			294,193	320,148
Total revenues	<u>11,862,670</u>	<u>12,610,040</u>	<u>17,399,186</u>	<u>17,995,381</u>	<u>29,261,856</u>	<u>30,605,421</u>
<b>EXPENSES</b>						
General Government	1,795,064	1,974,816			1,795,064	1,974,816
Administration of Justice	2,688,722	2,663,787			2,688,722	2,663,787
Street	871,419	1,217,982			871,419	1,217,982
Economic Development	225,041	191,704			225,041	191,704
Animal control	167,154	162,758			167,154	162,758
Airport	319,622	321,968			319,622	321,968
Emergency Services	2,472,147	2,489,922			2,472,147	2,489,922
Park	590,728	529,697			590,728	529,697
Community Center	1,506,078	1,450,404			1,506,078	1,450,404
Towne Center TIF	12,766	10,187			12,766	10,187
CDBG Pass-through	6,500	753,740			6,500	753,740
Interest on long-term debt	772,777	860,401			772,777	860,401

CITY OF HARRISONVILLE, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS

**City of Harrisonville, Missouri's Statement of Activities (Continued)**

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
EXPENSES (Continued)						
Electric			11,247,956	10,637,961	11,247,956	10,637,961
Water/Sewer			3,703,248	3,652,972	3,703,248	3,652,972
Aquatic Center			276,719	289,610	276,719	289,610
Refuse			473,660	466,719	473,660	466,719
Total expenses	<u>11,428,018</u>	<u>12,627,366</u>	<u>15,701,583</u>	<u>15,047,262</u>	<u>27,129,601</u>	<u>27,674,628</u>
 CHANGE IN NET POSITION	434,652	(17,326)	1,697,603	2,948,119	2,132,255	2,930,793
 NET POSITION, beginning of year	<u>15,755,543</u>	<u>15,772,869</u>	<u>30,761,110</u>	<u>27,812,991</u>	<u>46,516,653</u>	<u>43,585,860</u>
 NET POSITION, end of year	<u>16,190,195</u>	<u>15,755,543</u>	<u>32,458,713</u>	<u>30,761,110</u>	<u>48,648,908</u>	<u>46,516,653</u>

This summary shows that approximately 99% of program revenues are charges for services. The majority of the City's total revenue comes from the business-type activities of the Electric and Combined Water and Sanitary Sewer Utilities. Program revenues overall decreased 5.6% in 2012 from 2011, with the largest cuts stemming from lower operating and capital grants. In the governmental activities area, taxes were the largest single source of income, led by the sales tax revenues generated for the General Fund and the Community Center. Total tax revenue from all sources increased 1.6% primarily due to additional tax revenues in 2012.

Total program expenses for 2012 are \$27,129,601 with the majority, \$15,701,583, stemming from business-type activities. Governmental activities expenditures decreased 10.5% from the previous fiscal year primarily due to the CDBG pass-through grant with expenditures in the prior year of approximately \$750,000. The total of business-type activity spending increased 4.3%.

Public safety expenses, at \$5,160,869, totaled approximately 45% of the governmental activities, while the electric utility expenses comprise the majority of the business-type expenses.

The total net position of the City increased 4.6% in 2012.

**Fund Statements**

The City of Harrisonville, Missouri, fund statements can be found on pages 18 through 28 of the financial statements. Governmental funds ended the year with an overall increase in net position, the business-type funds showed an increase, and the overall City posted an increase in net position.

CITY OF HARRISONVILLE, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS

**Budget Variances**

There is one area of significant difference between the original adopted budget and the final approved budget for the City's General Fund in FY 2012. It is in capital projects, which reflects the amount of unfinished capital work from 2011, which was reappropriated into the 2012 budget, as well as several newly authorized construction projects and equipment purchases. All budget amendments are reviewed and approved by the Board of Aldermen.

**Capital Assets**

**City of Harrisonville, Missouri's Capital Assets**

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	890,750	890,750	1,588,031	1,588,031	2,478,781	2,478,781
Buildings	22,181,460	21,161,576	17,329,750	16,431,247	39,511,210	37,592,823
Machinery and equipment	5,913,699	5,739,569			5,913,699	5,739,569
Equipment and transmission			35,899,525	27,321,199	35,899,525	27,321,199
Streets	5,501,977	4,856,178			5,501,977	4,856,178
Construction-in-progress	341,814	1,192,513	1,614,106	9,562,914	1,955,920	10,755,427
	<u>34,829,700</u>	<u>33,840,586</u>	<u>56,431,412</u>	<u>54,903,391</u>	<u>91,261,112</u>	<u>88,743,977</u>
Less accumulated depreciation	12,219,608	11,098,384	21,621,233	20,671,848	33,840,841	31,770,232
Total	<u>22,610,092</u>	<u>22,742,202</u>	<u>34,810,179</u>	<u>34,231,543</u>	<u>57,420,271</u>	<u>56,973,745</u>

Major Capital Asset Events, FY 2012:

- Street, sidewalk, curb, and storm water projects in excess of \$309,000
- New transformer project for north substation began
- Over \$112,000 in electrical distribution improvements
- \$191,000 in water and sewer line improvements
- Over \$250,000 in water tower maintenance
- Over \$500,000 in wastewater treatment plant improvements
- \$239,000 in capital improvements at the community center

CITY OF HARRISONVILLE, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS

**Debt Administration**

During the year ended December 31, 2012, the City of Harrisonville, Missouri, received the final advance in Wastewater Revenue Bonds which began in 2009, for a total of approximately \$3,900,000. These bonds are utilized under the Missouri Department of Natural Resources State Revolving Fund. During the year ended December 31, 2012, the City of Harrisonville, Missouri, issued \$7,830,000 in refunding certificates of participation to advance refund the 2003 issuance. Details of the existing debt obligations of the City are discussed in Note 6 to the financial statements.

The City continues to have no general obligation debt.

**Economic Outlook**

The City of Harrisonville, Missouri, continues to benefit from a relatively stable economic situation and shows some signs of progress. Overall employment has remained steady, as has sales tax collection. Some new retail development is still under way, and the City of Harrisonville, Missouri, continues to be in the minds of potential commercial and industrial customers. The Board of Aldermen and City staff take a vigilant approach to monitoring the City's financial health, identifying and acting on trends in order to forestall any major problems.

**Financial Contact**

These financial statements are designed to provide a general overview of the City's finances and to demonstrate the City's accountability. Any questions or request for additional information should be directed to the Director of Finance, 300 E. Pearl Street, Harrisonville, Missouri 64701.

BASIC FINANCIAL STATEMENTS

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CITY OF HARRISONVILLE, MISSOURI  
STATEMENT OF NET POSITION  
DECEMBER 31, 2012

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
<b>ASSETS</b>				
Cash	128,226	950,785	1,079,011	181,036
Investments	6,335,714	4,601,292	10,937,006	
Accounts receivable, net of allow- ance for doubtful accounts	642,259	2,045,691	2,687,950	
Taxes receivable	913,631		913,631	176,682
Accrued interest receivable	12,230		12,230	
Inventories	86,414	627,757	714,171	
Prepaid expenses	163,669	57,646	221,315	
Restricted cash	763,163	287,157	1,050,320	198,761
Restricted investments	181,014	1,907,436	2,088,450	
Due from other funds		776,245	776,245	
Due from component unit	9,663,686		9,663,686	
Capital assets				
Land	890,750	1,588,031	2,478,781	
Construction-in-progress	341,814	1,614,107	1,955,921	
Other capital assets, net of accumulated depreciation	<u>21,377,528</u>	<u>31,608,041</u>	<u>52,985,569</u>	
<b>TOTAL ASSETS</b>	<u>41,500,098</u>	<u>46,064,188</u>	<u>87,564,286</u>	<u>556,479</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Debt issuance costs, net of amortization	458,814	100,727	559,541	
Unamortized payment to escrow agent on defeasance of long-term debt	<u>525,150</u>		<u>525,150</u>	
Total deferred outflows of resources	<u>983,964</u>	<u>100,727</u>	<u>1,084,691</u>	
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>42,484,062</u>	<u>46,164,915</u>	<u>88,648,977</u>	<u>556,479</u>

The notes to the financial statements are an integral part of this statement.

CITY OF HARRISONVILLE, MISSOURI  
STATEMENT OF NET POSITION  
DECEMBER 31, 2012

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
<b>LIABILITIES</b>				
Accounts payable	167,954	841,740	1,009,694	90,009
Accrued expenses	507,076	41,990	549,066	
Unearned revenue	90,424	49,224	139,648	
Liabilities payable from restricted assets	17,147		17,147	
Meter deposits		617,377	617,377	
Due to other funds	776,245		776,245	
Due to primary government				9,663,686
Due to developers				5,326,059
Noncurrent liabilities				
Due within one year	1,227,948	964,759	2,192,707	
Due in more than one year	<u>23,507,073</u>	<u>11,191,112</u>	<u>34,698,185</u>	
<b>TOTAL LIABILITIES</b>	<u>26,293,867</u>	<u>13,706,202</u>	<u>40,000,069</u>	<u>15,079,754</u>
 <b>NET POSITION</b>				
Invested in capital assets, net of related debt	14,660,071	22,757,615	37,417,686	
Restricted for:				
Capital improvements	181,014	151,200	332,214	
Debt service	987,820	2,043,393	3,031,213	
Other purposes	17,237		17,237	
Unrestricted	<u>344,053</u>	<u>7,506,505</u>	<u>7,850,558</u>	<u>(14,523,275)</u>
<b>TOTAL NET POSITION</b>	<u>16,190,195</u>	<u>32,458,713</u>	<u>48,648,908</u>	<u>(14,523,275)</u>
 <b>TOTAL LIABILITIES AND NET POSITION</b>				
	<u>42,484,062</u>	<u>46,164,915</u>	<u>88,648,977</u>	<u>556,479</u>

CITY OF HARRISONVILLE, MISSOURI  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2012

Functions/programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
Primary government								
Governmental activities								
General Government	1,795,064	1,936,801	144,163	285,900		285,900		
Administration of Justice	2,688,722	251,138		(2,437,584)		(2,437,584)		
Street	871,419			(871,419)		(871,419)		
Economic Development	225,041			(225,041)		(225,041)		
Animal Control	167,154			(167,154)		(167,154)		
Airport	319,622			(319,622)		(319,622)		
Emergency Services	2,472,147	1,399,295		(1,072,852)		(1,072,852)		
Park	590,728	28,807		(561,921)		(561,921)		
Community Center	1,506,078	926,252		(579,826)		(579,826)		
Towne Center Project	12,766			(12,766)		(12,766)		
CDBG pass-through expenses	6,500			(6,500)		(6,500)		
Interest on long-term debt	772,777			(772,777)		(772,777)		
Total governmental activities	<u>11,428,018</u>	<u>4,542,293</u>	<u>144,163</u>		<u>(6,741,562)</u>		<u>(6,741,562)</u>	
Business-type activities								
Electric	11,247,956	11,688,342				440,386	440,386	
Water/Sewer	3,703,248	4,581,605		280,500		1,158,857	1,158,857	
Aquatic Center	276,719	137,666				(139,053)	(139,053)	
Refuse	473,660	462,386				(11,274)	(11,274)	
Total business-type activities	<u>15,701,583</u>	<u>16,869,999</u>		<u>280,500</u>		<u>1,448,916</u>	<u>1,448,916</u>	
Total primary government	<u>27,129,601</u>	<u>21,412,292</u>	<u>144,163</u>	<u>280,500</u>	<u>(6,741,562)</u>	<u>1,448,916</u>	<u>(5,292,646)</u>	
Market Place Component Unit	<u>451,858</u>							<u>(451,858)</u>
General revenues								
Taxes								
Property tax					915,825		915,825	
Local sales tax					4,239,538		4,239,538	375,555
Franchise taxes					1,572,099		1,572,099	
Other taxes					157,339		157,339	182,280
Investment earnings					29,815	216,092	245,907	192
Transfers in (out)					(32,595)	32,595		
Other miscellaneous revenues					294,193		294,193	
Total general revenues					<u>7,176,214</u>	<u>248,687</u>	<u>7,424,901</u>	<u>558,027</u>
CHANGE IN NET POSITION					434,652	1,697,603	2,132,255	106,169
NET POSITION, beginning of year (as restated)					<u>15,755,543</u>	<u>30,761,110</u>	<u>46,516,653</u>	<u>(14,629,444)</u>
NET POSITION, end of year					<u>16,190,195</u>	<u>32,458,713</u>	<u>48,648,908</u>	<u>(14,523,275)</u>

The notes to the financial statements are an integral part of this statement.

CITY OF HARRISONVILLE, MISSOURI  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2012

	General Fund	Community Center Fund	Towne Center TIF Fund	Emergency Services Fund	Nonmajor Funds	Total Governmental Funds
ASSETS						
ASSETS						
Cash	19,487		107,734		1,005	128,226
Investments	5,378,283	421,587			535,844	6,335,714
Accrued interest receivable	12,230					12,230
Accounts receivable		55,511		463,118	123,630	642,259
Taxes receivable	630,102		153,673		129,856	913,631
Due from other funds	192,114					192,114
Due from component unit	275,000					275,000
Inventories	51,235			35,179		86,414
Prepaid insurance	97,600	15,102		43,361	7,606	163,669
Restricted cash	17,237		726,963		18,963	763,163
Restricted investments	<u>113,975</u>				<u>67,039</u>	<u>181,014</u>
<u>TOTAL ASSETS</u>	<u>6,787,263</u>	<u>492,200</u>	<u>988,370</u>	<u>541,658</u>	<u>883,943</u>	<u>9,693,434</u>
LIABILITIES AND FUND BALANCES (DEFICIT)						
LIABILITIES						
Accounts payable	83,840	20,174	550	24,281	39,109	167,954
Due to other funds		53,577		674,103	240,679	968,359
Accrued expenses	70,810	4,182		43,398		118,390
Deferred revenue	48,271	29,431			12,722	90,424
Liabilities payable from restricted assets	<u>17,147</u>					<u>17,147</u>
Total liabilities	<u>220,068</u>	<u>107,364</u>	<u>550</u>	<u>741,782</u>	<u>292,510</u>	<u>1,362,274</u>
FUND BALANCES (DEFICIT)						
Nonspendable	148,835	15,102		78,540	7,606	250,083
Restricted	114,065		987,820		86,002	1,187,887
Assigned		369,734			537,528	907,262
Unassigned (deficit)	<u>6,304,295</u>			<u>(278,664)</u>	<u>(39,703)</u>	<u>5,985,928</u>
Total fund balances (deficit)	<u>6,567,195</u>	<u>384,836</u>	<u>987,820</u>	<u>(200,124)</u>	<u>591,433</u>	<u>8,331,160</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	<u>6,787,263</u>	<u>492,200</u>	<u>988,370</u>	<u>541,658</u>	<u>883,943</u>	<u>9,693,434</u>

The notes to the financial statements are an integral part of this statement.

CITY OF HARRISONVILLE, MISSOURI  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
DECEMBER 31, 2012

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

Fund balance - total governmental funds		8,331,160
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		
Governmental capital assets	34,829,697	
Less accumulated depreciation	<u>(12,219,605)</u>	22,610,092
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Certificates of participation	(7,295,000)	
Tax increment revenue bonds	(7,785,000)	
Tax increment note payable	(9,000,000)	
Promissory note payable	(171,931)	
Accrued interest payable	(388,686)	
Capital lease payable	<u>(265,136)</u>	(24,905,753)
Governmental funds report the effect of issuance costs, premiums, and discounts when the debt is first issued, whereas these amounts are deferred and amortized in the government-wide statements.		
Bond discount	142,269	
Bond premium	(77,137)	
Unamortized payment to escrow agent for defeasance on long-term debt	525,150	
Bond cost, net of amortization	<u>458,814</u>	1,049,096
Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.		(283,086)
Assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		
Due from component unit for note payable and accrued interest		<u>9,388,686</u>
 NET POSITION OF GOVERNMENTAL ACTIVITIES		 <u>16,190,195</u>

The notes to the financial statements are an integral part of this statement.

CITY OF HARRISONVILLE, MISSOURI  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES (DEFICIT) - GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2012

	General Fund	Community Center	Towne Center TIF Fund	Emergency Services Fund	Nonmajor Funds	Total Governmental Funds
<b>REVENUES</b>						
Taxes						
Property	645,713		127,909		142,203	915,825
Sales	2,336,576		310,307		1,592,655	4,239,538
Franchise	1,572,099					1,572,099
Other	141,399				15,940	157,339
Licenses, fees and permits	161,692					161,692
Charges for services	1,775,109	926,252		1,399,295	28,807	4,129,463
Grants	144,163					144,163
Fines and forfeitures	251,138					251,138
Interest	25,222	1,701	233		2,659	29,815
Miscellaneous	237,128	15,238	125	36,177	5,525	294,193
Total revenues	<u>7,290,239</u>	<u>943,191</u>	<u>438,574</u>	<u>1,435,472</u>	<u>1,787,789</u>	<u>11,895,265</u>
<b>EXPENDITURES</b>						
Current						
General Government	1,667,057					1,667,057
Administration of Justice	2,581,042					2,581,042
Street	635,787					635,787
Economic Development	210,273					210,273
Animal Control	160,398					160,398
Airport	171,867					171,867
Emergency Services				2,389,722		2,389,722
Park					488,375	488,375
Community Center		1,197,703				1,197,703
Towne Center Project			12,766			12,766
CDBG pass-through expenses	6,500					6,500
Debt service						
Principal	35,940		245,000		535,000	815,940
Interest	17,095		370,219		312,382	699,696
Capital outlay	663,205	268,800		59,653	28,825	1,020,483
Total expenditures	<u>6,149,164</u>	<u>1,466,503</u>	<u>627,985</u>	<u>2,449,375</u>	<u>1,364,582</u>	<u>12,057,609</u>

CITY OF HARRISONVILLE, MISSOURI  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES (DEFICIT) - GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2012

	General Fund	Community Center	Towne Center TIF Fund	Emergency Services Fund	Nonmajor Funds	Total Governmental Funds
REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	<u>1,141,075</u>	<u>(523,312)</u>	<u>(189,411)</u>	<u>(1,013,903)</u>	<u>423,207</u>	<u>(162,344)</u>
OTHER FINANCING SOURCES (USES)						
Defeasance of Certificates of Participation to escrow agent:						
Payments to escrow agent		(1,283,500)				(1,283,500)
Proceeds to escrow agent		(7,802,185)				(7,802,185)
Issuance of refunding certificates of participation		7,830,000				7,830,000
Premium on issuance		85,707				85,707
Costs of issuance		(113,522)				(113,522)
Transfers in	231,770	204,450	165,042	811,251	1,165,580	2,578,093
Transfers out	<u>(987,449)</u>				<u>(1,623,239)</u>	<u>(2,610,688)</u>
Total other financing sources (uses)	<u>(755,679)</u>	<u>(1,079,050)</u>	<u>165,042</u>	<u>811,251</u>	<u>(457,659)</u>	<u>(1,316,095)</u>
NET CHANGE IN FUND BALANCES	385,396	(1,602,362)	(24,369)	(202,652)	(34,452)	(1,478,439)
FUND BALANCES, January 1, 2012 (as restated)	<u>6,181,799</u>	<u>1,987,198</u>	<u>1,012,189</u>	<u>2,528</u>	<u>625,885</u>	<u>9,809,599</u>
FUND BALANCES (DEFICIT), December 31, 2012	<u>6,567,195</u>	<u>384,836</u>	<u>987,820</u>	<u>(200,124)</u>	<u>591,433</u>	<u>8,331,160</u>

The notes to the financial statements are an integral part of this statement.

CITY OF HARRISONVILLE, MISSOURI  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES (DEFICIT) OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2012

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

Net change in fund balances - total governmental funds (1,478,439)

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.

Capital outlay	1,020,483	
Depreciation	<u>(1,152,593)</u>	(132,110)

The issuance of long-term debt (e.g., bonds, loans, leases) provides current financial resources to governmental funds, while 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 costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is reported when due. The following is the detail of the net effect of these differences in the treatment of long-term debt and related items:

Bond principal payments	245,000	
Proceeds of long-term debt	(7,830,000)	
Premium received on issuance on long-term debt	(85,707)	
Costs paid on issuance of long-term debt	113,522	
Net proceeds from issuance to escrow agent	7,802,185	
Payment to escrow agent	1,283,500	
Amount from proceeds to escrow agent to satisfy bond issuance costs and account for premium received	27,815	
Certificates of participation payments	535,000	
Capital lease payments	35,940	
Amortization of premiums and discounts	<u>(100,896)</u>	2,026,359

Some expenses in the statement of activities that do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences		<u>18,842</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		<u><u>434,652</u></u>
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The notes to the financial statements are an integral part of this statement.

CITY OF HARRISONVILLE, MISSOURI  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
DECEMBER 31, 2012

	Electric Fund	Water/ Sewer Fund	Nonmajor Enterprise Funds	Total
<b>ASSETS</b>				
Current Assets				
Cash	797,544	90,931	62,310	950,785
Investments	2,233,836	2,367,456		4,601,292
Accounts receivable	1,455,067	524,674	65,950	2,045,691
Due from other funds	102,142	674,103		776,245
Inventories	463,150	164,607		627,757
Prepaid insurance	20,931	33,202	3,513	57,646
Total current assets	<u>5,072,670</u>	<u>3,854,973</u>	<u>131,773</u>	<u>9,059,416</u>
Noncurrent Assets				
Restricted cash	146,299	89,715	51,143	287,157
Restricted investments	538,990	1,268,389	100,057	1,907,436
Bond cost, net of amortization	34,468	66,259		100,727
Capital assets				
Land	99,716	1,488,315		1,588,031
Construction-in-progress	9,347	1,604,760		1,614,107
Other capital assets, net of accumulated depreciation	<u>5,206,992</u>	<u>25,475,804</u>	<u>925,245</u>	<u>31,608,041</u>
Total noncurrent assets	<u>6,035,812</u>	<u>29,993,242</u>	<u>1,076,445</u>	<u>37,105,499</u>
<b>TOTAL ASSETS</b>	<u>11,108,482</u>	<u>33,848,215</u>	<u>1,208,218</u>	<u>46,164,915</u>
<b>LIABILITIES</b>				
Current Liabilities				
Accounts payable	769,376	72,263	101	841,740
Accrued expenses	24,161	17,829		41,990
Deferred revenue	49,224			49,224
Meter deposits	617,377			617,377
Current portion of long-term obligations	230,654	734,105		964,759
Total current liabilities	<u>1,690,792</u>	<u>824,197</u>	<u>101</u>	<u>2,515,090</u>
Noncurrent liabilities				
Noncurrent portion of long-term obligations	<u>1,506,355</u>	<u>9,684,757</u>		<u>11,191,112</u>
<b>TOTAL LIABILITIES</b>	<u>3,197,147</u>	<u>10,508,954</u>	<u>101</u>	<u>13,706,202</u>

CITY OF HARRISONVILLE, MISSOURI  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
DECEMBER 31, 2012

	Electric Fund	Water/ Sewer Fund	Nonmajor Enterprise Funds	Total
NET POSITION				
Invested in capital assets, net of related debt	3,610,936	18,221,434	925,245	22,757,615
Restricted for:				
Debt service	685,289	1,358,104		2,043,393
Capital improvements			151,200	151,200
Unrestricted	<u>3,615,110</u>	<u>3,759,723</u>	<u>131,672</u>	<u>7,506,505</u>
 TOTAL NET POSITION	 <u>7,911,335</u>	 <u>23,339,261</u>	 <u>1,208,117</u>	 <u>32,458,713</u>

The notes to the financial statements are an integral part of this statement.

CITY OF HARRISONVILLE, MISSOURI  
STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
YEAR ENDED DECEMBER 31, 2012

	Electric Fund	Water/Sewer Fund	Nonmajor Enterprise Funds	Total
REVENUES				
Charges for services	<u>11,688,342</u>	<u>4,581,605</u>	<u>600,052</u>	<u>16,869,999</u>
EXPENSES				
Production		1,303,350		1,303,350
Distribution	8,591,775	419,330		9,011,105
Administration	2,313,462	813,636	660,025	3,787,123
Depreciation	<u>261,116</u>	<u>790,229</u>	<u>90,354</u>	<u>1,141,699</u>
Total expenses	<u>11,166,353</u>	<u>3,326,545</u>	<u>750,379</u>	<u>15,243,277</u>
INCOME (LOSS) FROM OPERATIONS	<u>521,989</u>	<u>1,255,060</u>	<u>(150,327)</u>	<u>1,626,722</u>
NONOPERATING INCOME (EXPENSE)				
Transfers in			32,595	32,595
Interest income	10,407	204,703	982	216,092
Interest expense	<u>(81,603)</u>	<u>(376,703)</u>		<u>(458,306)</u>
Total nonoperating income (expense)	<u>(71,196)</u>	<u>(172,000)</u>	<u>33,577</u>	<u>(209,619)</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS	450,793	1,083,060	(116,750)	1,417,103
Capital grants and contributions		<u>280,500</u>		<u>280,500</u>
CHANGE IN NET POSITION	450,793	1,363,560	(116,750)	1,697,603
TOTAL NET POSITION, beginning of year	<u>7,460,542</u>	<u>21,975,701</u>	<u>1,324,867</u>	<u>30,761,110</u>
TOTAL NET POSITION, end of year	<u>7,911,335</u>	<u>23,339,261</u>	<u>1,208,117</u>	<u>32,458,713</u>

The notes to the financial statements are an integral part of this statement.

CITY OF HARRISONVILLE, MISSOURI  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED DECEMBER 31, 2012

	Electric Fund	Water/Sewer Fund	Nonmajor Enterprise Funds	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	11,723,975	4,641,812	605,120	16,970,907
Cash payments to suppliers	(10,186,453)	(1,690,816)	(589,707)	(12,466,976)
Cash payments to employees	<u>(546,058)</u>	<u>(827,513)</u>	<u>(71,023)</u>	<u>(1,444,594)</u>
Net cash provided by (used in) operating activities	<u>991,464</u>	<u>2,123,483</u>	<u>(55,610)</u>	<u>3,059,337</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Due from other funds	(102,142)	(478,144)		(580,286)
Transfers in			<u>32,595</u>	<u>32,595</u>
Net cash provided by (used in) noncapital financing activities	<u>(102,142)</u>	<u>(478,144)</u>	<u>32,595</u>	<u>(547,691)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition and construction of capital assets	(134,010)	(1,472,529)	(23,796)	(1,630,335)
Capital grants and contributions		280,500		280,500
Proceeds from long-term debt		612,231		612,231
Payments of long-term debt	(175,000)	(599,100)		(774,100)
Interest paid on bonds	<u>(76,059)</u>	<u>(376,703)</u>		<u>(452,762)</u>
Net cash used in capital and related financing activities	<u>(385,069)</u>	<u>(1,555,601)</u>	<u>(23,796)</u>	<u>(1,964,466)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Net investment activity	(54,223)	(320,251)	38,234	(336,240)
Interest on investments	<u>10,407</u>	<u>208,990</u>	<u>982</u>	<u>220,379</u>
Net cash provided by (used in) investing activities	<u>(43,816)</u>	<u>(111,261)</u>	<u>39,216</u>	<u>(115,861)</u>
NET INCREASE (DECREASE) IN CASH	460,437	(21,523)	(7,595)	431,319
CASH, January 1, 2012	<u>483,406</u>	<u>202,169</u>	<u>121,048</u>	<u>806,623</u>
CASH, December 31, 2012	<u>943,843</u>	<u>180,646</u>	<u>113,453</u>	<u>1,237,942</u>

CITY OF HARRISONVILLE, MISSOURI  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED DECEMBER 31, 2012

	Electric Fund	Water/Sewer Fund	Nonmajor Enterprise Funds	Total
ALLOCATION OF CASH				
Unrestricted	797,544	90,931	62,310	950,785
Restricted	146,299	89,715	51,143	287,157
	<u>943,843</u>	<u>180,646</u>	<u>113,453</u>	<u>1,237,942</u>
Reconciliation of Income (Loss) From Operations to Net Cash Provided by (Used in) Operating Activities				
Income (loss) from operations	<u>521,989</u>	<u>1,255,060</u>	<u>(150,327)</u>	<u>1,626,722</u>
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:				
Depreciation	261,116	790,229	90,354	1,141,699
Bond premium discount		(11,554)		(11,554)
(Increase) Decrease in assets:				
Accounts receivable	29,890	60,207	5,068	95,165
Inventories	17,005	(19,864)		(2,859)
Prepaid expenses	1,722	(1,749)	(766)	(793)
Increase (Decrease) in liabilities:				
Accounts payable	153,962	40,771	61	194,794
Accrued expenses	1,532	4,180		5,712
Compensated absences	(1,495)	6,203		4,708
Deferred revenue	(21,253)			(21,253)
Meter deposits payable	26,996			26,996
Total adjustments	<u>469,475</u>	<u>868,423</u>	<u>94,717</u>	<u>1,432,615</u>
Net cash provided by (used in) operating activities	<u>991,464</u>	<u>2,123,483</u>	<u>(55,610)</u>	<u>3,059,337</u>

The notes to the financial statements are an integral part of this statement.

CITY OF HARRISONVILLE, MISSOURI  
STATEMENT OF NET POSITION  
FIDUCIARY FUNDS  
DECEMBER 31, 2012

	Agency Fund
ASSETS	
Cash and cash equivalents	324,936
Investments	1,150,549
Taxes receivable	<u>85,365</u>
TOTAL ASSETS	<u>1,560,850</u>
LIABILITIES	
Deposits	1,544,876
Accounts payable	<u>15,974</u>
TOTAL LIABILITIES	<u>1,560,850</u>
NET POSITION	<u>                    </u>

See accompanying notes to financial statements.

CITY OF HARRISONVILLE, MISSOURI  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Harrisonville, Missouri, 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 is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. REPORTING ENTITY

The City of Harrisonville, Missouri, is a fourth-class city in which citizens elect the Mayor at large and eight council members by wards. The accompanying financial statements present the City's primary government and any component units over which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the City (as distinct from legal relationships). In determining the financial reporting entity, the City complies with the provisions of Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity," and includes all component units of which the City appointed a voting majority of the units' board and the City is either able to impose its will on the unit or a financial benefit or burden exists.

The City has developed criteria to determine whether outside agencies with activities which benefit the citizens of the City, including joint agreements, should be included within its financial reporting entity. The criteria include, but are not limited to, whether the City exercises oversight responsibility, which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters, scope of public service, and special financing relationships. Component units are reported in the City's financial statements as follows:

Blended Component Units

Towne Center TIF Fund

This fund accounts for the proceeds of the TIF notes issued to pay for the Towne Center Redevelopment Project along with the tax proceeds and uses generated by the District. The City has not adopted an annual budget for this fund.

Discretely Presented Component Unit

Market Place TIF District

This District accounts for the revenues and expenses associated with the Market Place Redevelopment Project.

CITY OF HARRISONVILLE, MISSOURI  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the activities of the City except the fiduciary funds. Governmental activities, which normally are supported by taxes and intergovernmental revenues, 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 expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from the goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The government reports the following major governmental funds:

General Fund - This fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Community Center Fund - This fund is responsible for the operations of the City's Community Center. The fund is financed by charges for services.

Towne Center TIF Fund - This fund accounts for the proceeds of the TIF notes issued to pay for the Towne Center Redevelopment Project along with the tax proceeds and uses generated by the District. The City has not adopted an annual budget for this fund.

Emergency Services Fund - This fund is responsible for the operations of the City's emergency services. The fund is financed by taxes and emergency service revenues.

The government reports the following major proprietary funds:

Electric Fund - The Electric Fund accounts for the billing and collection of charges for electric service for most city residents. Revenues are used to pay for both operations and capital outlay to maintain this service.

Water and Sewer Fund - The Water and Sewer Fund accounts for the billing and collection of charges for water and sanitary sewer services to the residents of the City and a limited number of customers outside of city limits. All activities necessary to provide such services are accounted for in this fund.

CITY OF HARRISONVILLE, MISSOURI  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

Additionally, the government reports the following funds:

Governmental Funds

Park Fund - The Park Fund is primarily used for the maintenance of the City's parks. The fund is financed by property and license fees.

Sales Tax Fund - The Sales Tax Fund is used to accumulate revenues from a special sales tax for capital improvements.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of financial resources for, and the payment of, the principal and interest for the 2012 Certificates of Participation which were issued for the use in the advance refunding of the 2003 Certificates of Participation.

Proprietary Funds

Aquatic Center Fund - The Aquatic Center Fund is used to account for the operations of the Aquatic Center.

Refuse Fund - The Refuse Fund is used to account for the provision of refuse collection to the residents of the City. All activities necessary to provide such services are accounted for in this fund.

Agency Fund

This fund accounts for the City's fiduciary responsibility to track receipts and disbursements associated with the Highway 71/291 Partners in Progress TDD.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND BASIS OF PRESENTATION

The government-wide financial statements are reported using the economic resources management focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using 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 collectible with the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be

CITY OF HARRISONVILLE, MISSOURI  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION (Continued)

available if they are collected within 60 days of the end of the current period. 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 payment is due.

Property tax, sales taxes, franchise taxes, licenses, and interest associated with the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

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 the fund's principal ongoing operations.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

The City applies all applicable pronouncements of the Financial Accounting Standards Board (FASB) in accounting and reporting for proprietary activities issued on or before November 30, 1989, unless the pronouncements conflict with applicable Governmental Accounting Standards Board (GASB) guidance as prescribed by GASB Statement No. 20, which has been superseded by GASB Statement No. 62 "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 1989 FASB and AICPA Pronouncements." No pronouncements of the FASB issued after November 30, 1989, have been adopted if they conflict with or contradict GASB pronouncements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in-lieu-of taxes and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

D. BUDGETS

Budgets for the City are prepared and adopted on the cash basis of accounting for all governmental and proprietary funds. The City Administrator may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the governing council. The City Council approved amendments to the budget during the year. The actual results of operations are presented in comparison to the budgets on the combined statement of revenues, expenditures, and changes in fund balances - budget and actual - all governmental fund types. All governmental funds have a legally adopted annual budget. Appropriations lapse at year-end, but may be reappropriated in the following year.

CITY OF HARRISONVILLE, MISSOURI  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. CASH AND INVESTMENTS

For the purpose of the statement of cash flows, the City considers all highly liquid investments (including restricted assets except for those held by trustees) with a maturity of three months or less when purchased to be cash equivalents, along with demand deposits and certificates of deposit. As of December 31, 2012, the City had no cash equivalents.

The City's investment policies are structured to conform to Missouri Statute 30.270. 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.

F. RESTRICTED CASH AND INVESTMENTS

Certain cash and investment accounts are restricted for construction projects, debt service, and compliance with bond covenants. Assets are also restricted in the proprietary funds for refunding customer meter deposits.

G. 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 for both governmental and proprietary funds.

H. PREPAIDS 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.

Inventories, consisting of materials and supplies, are valued at lower of cost or market. Cost is determined using first-in, first-out (FIFO) basis.

I. CAPITAL ASSETS

Prior to GASB Statement No. 34, capital assets for governmental funds were recorded in the General Fixed Asset Account Group and were not depreciated. The new model requires that all capital assets, whether owned by governmental activities or business-type activities be recorded and depreciated in the government-wide financial statements.

Capital assets, including infrastructure are defined as assets with an initial cost of \$5,000 or more and an estimated useful life of more than one year.

CITY OF HARRISONVILLE, MISSOURI  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. CAPITAL ASSETS (Continued)

Capital assets are stated at cost or at estimated fair value at time of donation. The accounting for property, plant and equipment, and accumulated depreciation in the Electric and the Water/Sewer Funds are recorded at cost less retirements in the manner prescribed by the Federal Power Commission and/or the National Association of Railroad and Utility Commissioners.

The City's policy is to capitalize interest on proprietary funds and construction projects until substantially completed. Major expenditures for property and those which substantially increased useful lives are capitalized. Maintenance, repairs, and minor renewals are expensed when incurred. When capital assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in income.

General infrastructure assets acquired prior to January 1, 2003, are not reported in the basic financial statements. General infrastructure assets include all roads, bridges, and other infrastructure assets acquired subsequent to January 1, 2003.

Depreciation of buildings, equipment, and vehicles is computed using the straight-line method over the following estimated useful lives:

Buildings and processing facilities	15 - 55 years
Machinery and equipment	5 - 20 years
Transmission lines and mains	50 years

J. COMPENSATED ABSENCES

Compensated absences are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The amount of accrued vacation benefits included in the government-wide financial statements, related to governmental activities, for the year ended December 31, 2012, is \$283,085. Business-type activity funds reported accrued vacation benefits for the year ended December 31, 2012, of \$103,307.

K. LONG-TERM OBLIGATIONS, BOND DISCOUNTS/PREMIUMS, AND AMORTIZATION OF BOND COSTS

In the government-wide and proprietary fund financial statements, outstanding debt is reported as liabilities. Bond issuance costs and bond discounts or premiums are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

CITY OF HARRISONVILLE, MISSOURI  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. LONG-TERM OBLIGATIONS, BOND DISCOUNTS/PREMIUMS, AND AMORTIZATION OF BOND COSTS (Continued)

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

L. NET POSITION

Government-Wide Statements

Net position is displayed in three components:

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

Restricted net position consists of net position with constraints placed on the use either by external groups, such as creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provision or enabling legislation.

Unrestricted net position does not meet the definition of restricted.

Fund Statements

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 are either (a) 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 by external groups such as creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or by law through constitutional provisions or enabling legislation.

CITY OF HARRISONVILLE, MISSOURI  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. NET POSITION (Continued)

Fund Statements (Continued)

Committed

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

Assigned

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

Unassigned

This classification includes the residual fund balance for the General Fund and any deficit balance in any other 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.

M. USE OF 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The more significant estimates in the financial statements are allowance for bad debts, depreciation, and accrued liabilities.

N. CAPITALIZATION OF INTEREST

Net interest cost on funds borrowed to finance the construction of capital assets are capitalized and depreciated over the life of the related asset for proprietary fund types. Interest is not capitalized for governmental fund types within the fund financial statements.

CITY OF HARRISONVILLE, MISSOURI  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. REVENUES

Billings for utility services are rendered on a monthly basis. Unbilled revenues from the last billing date to the end of the period are accrued in the period of usage and included in accounts receivable.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

P. INTERNAL AND INTERFUND BALANCES AND ACTIVITIES

In the process of aggregating the financial information for the government-wide statement of net assets and statement of activities, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

Interfund activity, if any, within and among the governmental and proprietary fund categories is reported as follows in the fund financial statements:

1. Interfund loans - Amounts provided with a requirement for repayment are reported as interfund receivables and payables.
2. Interfund services - Sales or purchases of goods and services between funds are reported as revenues and expenditures/expenses.
3. Interfund reimbursements - Repayments from funds responsible for certain expenditures/expense to the funds that initially paid for them are not reported as reimbursements but as adjustments to expenditures/expenses in the respective funds.
4. Interfund transfers - Flow of assets from one fund to another where repayment is not expected are reported as transfers in and out.

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

1. Interfund balances - Amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the governmental and business-type activities columns of the statement of net assets, except for the net residual amounts due between governmental and business-type activities, which are reported as Internal Balances.

CITY OF HARRISONVILLE, MISSOURI  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. INTERNAL AND INTERFUND BALANCES AND ACTIVITIES (Continued)

Government-Wide Financial Statements (Continued)

2. Internal activities - Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide statement of activities except for the net amount of transfers between governmental and business-type activities. The effects of interfund services between funds, if any, are not eliminated in the statement of activities.

NOTE 2. CASH AND INVESTMENTS

Cash

Custodial Credit Risk for deposits is the risk that in the event of bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City's bank deposits are required by state law to be secured by the deposit of certain securities specified at 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, 2012, all of the City's deposits with financial institutions were fully insured or collateralized.

Investments

The City's investments at December 31, 2012, are summarized below:

Investment	Unrestricted	Restricted
Investments held by trustee (Bond Reserves)		
Money market funds		1,033,440
Certificates of deposit	5,761,881	370,779
Federal Farm Credit Bank (AAA)	2,469,342	
Federal Home Loan Bank (AAA)	1,142,649	218,265
Federal National Mortgage Association (AAA)	1,563,134	465,966
	<u>10,937,006</u>	<u>2,088,450</u>
Maturities		
Less than six months	3,437,246	1,378,773
Six months to one year	1,137,850	193,725
Over one year	6,361,910	515,952
	<u>10,937,006</u>	<u>2,088,450</u>

CITY OF HARRISONVILLE, MISSOURI  
NOTES TO FINANCIAL STATEMENTS

NOTE 2. CASH AND INVESTMENTS (Continued)

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits the City's investment portfolio to maturities of less than two years without prior approval of the Board of Aldermen.

Credit Risk

The City's general investment policy is to apply the prudent-person rule: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments.

Concentration of Credit Risk

The City will diversify use of investment instruments to avoid incurring unreasonable risks inherent in overinvesting in specific instruments, individual financial institutions, or maturities.

Investments will be limited to the instruments listed below, unless approved by the Board of Aldermen.

Investment Instrument	Maximum Percent of Portfolio
U.S. Treasury Obligations	100%
U.S. Government Agency Securities	
Instruments of Government Sponsored Corporations	100%
Certificates of Deposit	
Commercial Banks	50%
Savings and Loan Associations	50%

NOTE 3. ACCOUNTS RECEIVABLE/TAXES RECEIVABLE

	Accounts	Taxes	Allowance for Doubtful Accounts	Receivables, Net
<u>Governmental Activities</u>				
General		630,102		630,102
Ambulance	2,263,118		(1,800,000)	463,118
Community Center	58,311		(2,800)	55,511
Park	84,087			84,087
Towne Center TIF		153,673		153,673
Sales tax	39,543	129,856		169,399
Total governmental activities	<u>2,445,059</u>	<u>913,631</u>	<u>(1,802,800)</u>	<u>1,555,890</u>

CITY OF HARRISONVILLE, MISSOURI  
NOTES TO FINANCIAL STATEMENTS

NOTE 3. ACCOUNTS RECEIVABLE/TAXES RECEIVABLE (Continued)

	Accounts	Taxes	Allowance for Doubtful Accounts	Receivables, Net
<u>Business-Type Activities</u>				
Electric	1,696,756		(241,689)	1,455,067
Water/Sewer	654,379		(129,705)	524,674
Refuse	85,384		(19,434)	65,950
Total business-type activities	<u>2,436,519</u>		<u>(390,828)</u>	<u>2,045,691</u>

NOTE 4. PROPERTY TAXES

The assessed valuation of the tangible property for the purpose of local taxation as of May 31, 2012, was as follows:

Real estate	95,845,535
Personal property	<u>22,091,806</u>
	<u>117,937,341</u>

The tax levy per \$100 of assessed valuation of tangible property for the calendar year 2012 was as follows:

General operating	0.5585
Park	<u>0.1264</u>
	<u>0.6849</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 5. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2012, was as follows:

	Balance January 1, 2012	Additions and Transfers	Retirements and Transfers	Balance December 31, 2012
<u>Governmental Activities</u>				
Capital assets, not being depreciated				
Land	890,750			890,750
Construction-in-progress	<u>1,192,513</u>	<u>185,944</u>	<u>(1,036,643)</u>	<u>341,814</u>
Total capital assets, not being depreciated	<u>2,083,263</u>	<u>185,944</u>	<u>(1,036,643)</u>	<u>1,232,564</u>

CITY OF HARRISONVILLE, MISSOURI  
NOTES TO FINANCIAL STATEMENTS

NOTE 5. CAPITAL ASSETS (Continued)

	Balance January 1, 2011	Additions and Transfers	Retirements and Transfers	Balance December 31, 2011
<u>Governmental Activities (Continued)</u>				
Capital assets, being depreciated				
Buildings and improvements	21,161,576	1,019,884		22,181,460
Streets	4,856,178	645,799		5,501,977
Machinery and equipment	<u>5,739,569</u>	<u>205,499</u>	<u>(31,369)</u>	<u>5,913,699</u>
Total capital assets, being depreciated	<u>31,757,323</u>	<u>1,871,182</u>	<u>(31,369)</u>	<u>33,597,136</u>
Less accumulated depreciation for:				
Buildings and improvements	(5,430,828)	(658,754)		(6,089,582)
Streets	(1,137,420)	(197,698)		(1,335,118)
Machinery and equipment	<u>(4,530,136)</u>	<u>(296,141)</u>	<u>31,369</u>	<u>(4,794,908)</u>
Total accumulated depreciation	<u>(11,098,384)</u>	<u>(1,152,593)</u>	<u>31,369</u>	<u>(12,219,608)</u>
Total capital assets, being depreciated, net	<u>20,658,939</u>	<u>718,589</u>	<u>                    </u>	<u>21,377,528</u>
Governmental activities capital assets, net	<u>22,742,202</u>	<u>904,533</u>	<u>(1,036,643)</u>	<u>22,610,092</u>
<u>Business-Type Activities -     Electric Fund</u>				
Capital assets, not being depreciated				
Land	99,716			99,716
Construction-in-progress	<u>                    </u>	<u>9,347</u>	<u>                    </u>	<u>9,347</u>
Total capital assets, not being depreciated	<u>99,716</u>	<u>9,347</u>	<u>                    </u>	<u>109,063</u>
Capital assets, being depreciated				
Buildings and improvements	3,701,257			3,701,257
Equipment and transmission lines	<u>8,215,000</u>	<u>124,662</u>	<u>(45,551)</u>	<u>8,294,111</u>
Total capital assets, being depreciated	<u>11,916,257</u>	<u>124,662</u>	<u>(45,551)</u>	<u>11,995,368</u>

CITY OF HARRISONVILLE, MISSOURI  
NOTES TO FINANCIAL STATEMENTS

NOTE 5. CAPITAL ASSETS (Continued)

	Balance January 1, 2012	Additions and Transfers	Retirements and Transfers	Balance December 31, 2012
<u>Business-Type Activities - Electric Fund (Continued)</u>				
Less accumulated depreciation for:				
Buildings and improvements	(1,909,983)	(68,227)		(1,978,210)
Equipment and transmission lines	<u>(4,662,829)</u>	<u>(192,889)</u>	45,551	<u>(4,810,167)</u>
Total accumulated depreciation	<u>(6,572,812)</u>	<u>(261,116)</u>	45,551	<u>(6,788,377)</u>
Total capital assets, being depreciated, net	<u>5,343,445</u>	<u>(136,454)</u>		<u>5,206,991</u>
Business-type activities - Electric Fund capital assets, net	<u>5,443,161</u>	<u>(127,107)</u>		<u>5,316,054</u>
<u>Business-Type Activities - Water/Sewer Fund</u>				
Capital assets, not being depreciated				
Land	1,488,315			1,488,315
Construction-in-progress	<u>9,652,914</u>	<u>273,721</u>	<u>(8,321,876)</u>	<u>1,604,759</u>
Total capital assets, not being depreciated	<u>11,141,229</u>	<u>273,721</u>	<u>(8,321,876)</u>	<u>3,093,074</u>
Capital assets, being depreciated				
Buildings and improvements	10,745,992	874,705		11,620,697
Equipment and transmission lines	<u>19,067,732</u>	<u>8,681,899</u>	<u>(182,684)</u>	<u>27,566,947</u>
Total capital assets, being depreciated	<u>29,813,724</u>	<u>9,556,604</u>	<u>(182,684)</u>	<u>39,187,644</u>
Less accumulated depreciation for:				
Buildings and improvements	(6,952,736)	(255,857)		(7,208,593)
Equipment and transmission lines	<u>(6,115,638)</u>	<u>(570,293)</u>	182,684	<u>(6,503,247)</u>
Total accumulated depreciation	<u>(13,068,374)</u>	<u>(826,150)</u>	182,684	<u>(13,711,840)</u>
Total capital assets, being depreciated, net	<u>16,745,350</u>	<u>8,730,454</u>		<u>25,475,804</u>
Business-type activities - Water/ Sewer Fund capital assets, net	<u>27,886,579</u>	<u>9,004,175</u>	<u>(8,321,876)</u>	<u>28,568,878</u>

CITY OF HARRISONVILLE, MISSOURI  
NOTES TO FINANCIAL STATEMENTS

NOTE 5. CAPITAL ASSETS (Continued)

	Balance January 1, 2012	Additions and Transfers	Retirements and Transfers	Balance December 31, 2012
<u>Business-Type Activities -</u>				
<u>    Aquatic Center</u>				
Capital assets, being depreciated				
Buildings and improvements	1,983,998	23,796		2,007,794
Equipment	<u>38,467</u>			<u>38,467</u>
Total capital assets, being depreciated	<u>2,022,465</u>	<u>23,796</u>		<u>2,046,261</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,013,296)	(88,958)		(1,102,254)
Equipment	<u>(17,366)</u>	<u>(1,396)</u>		<u>(18,762)</u>
Total accumulated depreciation	<u>(1,030,662)</u>	<u>(90,354)</u>		<u>(1,121,016)</u>
Business-type activities - Aquatic Center capital assets, net	<u>991,803</u>	<u>(66,558)</u>		<u>925,245</u>

The following table summarizes the depreciation by function for the year ended December 31, 2012:

	Governmental Activities	Business-Type Activities
General Government	139,444	
Administration of Justice	107,680	
Street	235,632	
Economic Development	14,768	
Animal Control	6,756	
Airport	147,755	
Emergency services	88,903	
Park	101,810	
Community Center	309,845	
Electric		261,116
Water and Sewer		790,229
Aquatic Center		<u>90,354</u>
	<u>1,152,593</u>	<u>1,141,699</u>

CITY OF HARRISONVILLE, MISSOURI  
NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT

Governmental Activities

Changes in the debt for the year ended December 31, 2012 consisted of the following:

	Balance January 1, 2012	Addi- tions	Retire- ments	Balance December 31, 2012	Due in One Year
Capital lease obligations	301,076		(35,940)	265,136	38,073
Tax Increment Revenue Bonds	8,030,000		(245,000)	7,785,000	265,000
Tax Increment Revenue Note	9,000,000			9,000,000	
Promissory Note	171,931			171,931	12,705
Certificates of Participation (COP)	8,530,000		(8,530,000)		
Refinanced Certificates of Participation (COP)		7,830,000	(535,000)	7,295,000	630,000
Compensated absences	301,928	283,085	(301,928)	283,085	283,085
COP premium		85,707	(8,570)	77,137	8,570
Less: note discount	(151,754)		9,485	(142,269)	(9,485)
Total governmental debt	<u>26,183,181</u>	<u>8,198,792</u>	<u>(9,646,953)</u>	<u>24,735,020</u>	<u>1,227,948</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	226,579
Park	11,703
Community Center	27,029
Ambulance	17,774
	<u>283,085</u>

Capital Lease Obligations

The City has entered into a capital lease agreement for the purchase of airport hangers. The lease agreement qualifies as a capital lease for financial reporting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of its inception. The cumulative amount of assets acquired under the capital lease described above amounted to \$596,729 as of December 31, 2012.

CITY OF HARRISONVILLE, MISSOURI  
NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (Continued)

Governmental Activities (Continued)

Capital Lease Obligations (Continued)

Future minimum lease payments under capital leases, together with the present value of net minimum lease payments, consist of the following:

Year Ending December 31,		
2013		53,034
2014		53,034
2015		53,034
2016		53,034
2017		53,034
Thereafter		<u>53,034</u>
Total minimum lease payments		318,204
Less amount representing interest		<u>53,068</u>
Present value of future minimum lease payments		<u><u>265,136</u></u>

Tax Increment Revenue Bonds

On June 1, 2007, the City issued \$8,630,000 in Tax Increment Revenue Bonds for the purpose of providing funds to refinance the 2005 Tax Increment Financing Temporary Notes, pay accrued interest on the Temporary Notes, fund a deposit to the debt service reserve for the bonds, and pay costs related to the issuance of the bonds. The City anticipates that it will pledge the incremental payments in-lieu-of taxes and, subject to annual appropriation, Economic Activity Taxes generated by the private development within the Towne Center TIF District. The Bonds do not constitute a general obligation of the City of Harrisonville, Missouri. Interest is paid semiannually on May 1 and November 1. Principal is due each year on November 1 through the maturity date of November 1, 2028. The interest rate on this issue ranges from 4.25% to 5.0%.

Aggregate annual principal and interest payments applicable to the TIF Bonds are:

Year Ending December 31,	Principal	Interest
2013	265,000	354,469
2014	300,000	341,219
2015	300,000	328,469
2016	335,000	315,719
2017	340,000	301,063
2018 - 2022	2,115,000	1,254,088
2023 - 2027	2,815,000	704,388
2028	<u>1,315,000</u>	<u>60,819</u>
	<u><u>7,785,000</u></u>	<u><u>3,660,234</u></u>

CITY OF HARRISONVILLE, MISSOURI  
NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (Continued)

Governmental Activities (Continued)

Tax Increment Revenue Notes

On December 18, 2009, the City issued \$9,000,000 in Tax Increment Revenue Notes for the purpose of providing funds to pay for certain reimbursable costs associated with the Cooperation, Financing, and Pledge Agreement (CFP Agreement) dated December 18, 2009, between the City; Harrisonville MP, LLC; The Harrisonville Market Place Transportation Development District A (TDD A); and The Harrisonville Market Place Transportation Development District B (TDD B).

The City has pledged the incremental payments in-lieu-of taxes and Economic Activity Taxes generated by the private development within the Market Place TIF District. Additional revenues generated by the TDD A and TDD B districts are also pledged to the repayment of the Note. The Note does not constitute a general obligation of the City.

From the date of this Note, the applicable interest rate on the unpaid principal balance of this Note was 6% per annum. During 2011, the interest rate on this note was adjusted to 4.75% with payments due annually. The restructured note does not call for regular principal payments, and no balloon payment is disclosed on the note. The City is required to submit collections of revenues for the district to a separate account, which is used to pay the required annual payment.

Annual interest payments applicable to the full balance of the TIF notes are \$427,500. The principal due for the year ended 2012 or thereafter is \$9,000,000.

Certificates of Participation

In August 2003, \$12,835,000 of insured Certificates of Participation were issued for the purpose of financing the acquisition of land and the construction and equipping and furnishing of the new community center facility, renovating and improving the City's existing City Hall building and its fire station and emergency medical services facility and to acquire an aerial ladder fire truck. Rental payments are due December 1 of each year with interest payments due June 1 and December 1. The final payment is due December 1, 2022. Rental payments are payable solely from amounts which may, but are not required to be, appropriated annually by the City. The City has not pledged general tax revenues, funds, or moneys to pay this obligation.

The base lease between the City as lessor and Commerce Bank, N.A., as lessee and trustee transfers a leasehold interest in certain real estate held by the City to the trustee. The term of the base lease is August 1, 2003, through December 1, 2022, or the date the Certificates have been paid in full, whichever is earlier. These were defeased with a transfer to the escrow trustee in addition to the net proceeds of issued debt to satisfy future principal and interest requirements until maturity.

CITY OF HARRISONVILLE, MISSOURI  
NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (Continued)

Governmental Activities (Continued)

Certificates of Participation (Continued)

On May 1, 2012, Refunding Certificates of Participation were issued to advance refund the 2003 issued Certificates of Participation disclosed above in the amount of \$7,830,000 at rates ranging from 2.000% to 2.750% and mature on December 1, 2022, with semiannual interest payments.

Aggregate annual principal and interest payments are as follows:

Year Ending December 31,	Principal	Interest
2013	630,000	177,163
2014	650,000	164,563
2015	665,000	151,563
2016	700,000	138,263
2017	720,000	117,263
2018 - 2022	<u>3,930,000</u>	<u>305,138</u>
	<u>7,295,000</u>	<u>1,053,953</u>

Promissory Note Payable

In 2011, the City entered into a promissory note payable with the Missouri Department of Natural Resources for the purpose of constructing and installing energy savings equipment. In December 2011, the City received \$171,931 to assist with upcoming costs for these expenses in the Community Center. The note bears interest at 2% and requires annual payments based on annual energy savings audits to be conducted by Siemens Industry. The payment is calculated to be one-half of the annual energy savings, which is approximately \$16,000 for the Community Center and is expected to be repaid within fifteen years.

Aggregate annual principal and interest payments are as follows:

Year Ending December 31,	Principal	Interest
2013	12,705	3,439
2014	12,959	3,185
2015	13,219	2,925
2016	13,483	2,661
2017	13,753	2,391
2018 - 2022	73,000	7,720
2023 - 2026	<u>32,812</u>	<u>1,033</u>
	<u>171,931</u>	<u>23,354</u>

CITY OF HARRISONVILLE, MISSOURI  
NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (Continued)

Business-Type Activities

Changes in the debt for the year ended December 31, 2012, consisted of the following:

	Balance January 1, 2012	Addi- tions	Retire- ments	Balance December 31, 2012	Due in One Year
2002 Waterworks and Sewerage Revenue Bonds	2,840,000		(200,000)	2,640,000	210,000
2003 Waterworks and Sewerage Revenue Bonds	2,435,000		(140,000)	2,295,000	145,000
2005 Waterworks and Sewerage Revenue Bonds	1,265,000		(75,000)	1,190,000	80,000
2007 Electric System Refunding Revenue Bonds	1,890,000		(175,000)	1,715,000	200,000
2010 Waterworks and Sewerage Revenue Bonds	3,288,541	612,231	(184,100)	3,716,672	187,800
Promissory Note	380,000			380,000	28,334
Compensated absences	<u>98,600</u>	<u>103,307</u>	<u>(98,600)</u>	<u>103,307</u>	<u>103,307</u>
	12,197,141	715,538	(872,700)	12,039,979	954,441
 Add: Bond premium	 137,326		 (11,554)	 125,772	 11,554
Less: Bond discount	<u>(11,117)</u>		<u>1,236</u>	<u>(9,881)</u>	<u>(1,236)</u>
 Total business-type activities debt	 <u>12,323,350</u>	 <u>715,538</u>	 <u>(883,018)</u>	 <u>12,155,870</u>	 <u>964,759</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:

Electric	31,890
Water/Sewer	<u>71,417</u>
	<u>103,307</u>

CITY OF HARRISONVILLE, MISSOURI  
NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (Continued)

Business-Type Activities (Continued)

Revenue Bonds

On October 23, 2002, the City issued \$4,370,000 in Combined Waterworks and Sewerage System Revenue Bonds (State Revolving Fund Program). Of the bonds, \$3,660,000 was issued for the purpose of extending and improving the City's combined waterworks and sewerage system and \$710,000 was issued to refund a prior issue of bonds of the City.

The bonds are to be paid by the net revenues of the system and are secured by a first lien on the revenues. Interest is paid semiannually on January 1 and July 1. Principal is due each year on July 1 through the maturity date of July 1, 2023. The interest rate on this issue ranges from 2.05% to 5.0%.

On April 1, 2003, the City issued \$3,295,000 in Combined Waterworks and Sewerage System Revenue Bonds (State Revolving Fund) for the purpose of financing certain improvements to the City's sewer system. The bonds are to be paid by the net revenues of the system and are secured by a first lien on the revenues. Interest is paid semiannually on January 1 and July 1. Principal is due each year on January 1 through the maturity date of January 1, 2024. The interest rate on this issue ranges from 2.0% to 5.25%.

On May 19, 2005, the City issued \$1,710,000 in Combined Waterworks and Sewerage System Revenue Bonds (State Revolving Fund) for the purpose of financing certain improvements to the City's sewer system. The bonds are to be paid by the net revenues of the system and are secured by a first lien on the revenues. Interest is paid semiannually on January 1 and July 1. Principal is due each year on July 1 through the maturity date of July 1, 2025. The interest rate on this issue ranges from 3.0% to 5.0%.

On September 1, 2007, the City issued \$2,730,000 in Electric System Refunding Revenue Bonds for the purpose of providing funds to refund outstanding Series 1999 Electric System Revenue Bonds. The bonds are to be paid by the net revenues of the system and are secured by a first lien on the revenues. Interest is paid semiannually on May 1 and November 1. Principal is due each year on November 1 through the maturity date of November 1, 2020. The interest rate on this issue ranges from 4.0% to 4.5%.

In March 2010, the City issued the Combined Waterworks and Sewerage System Revenue Bonds that can be drawn on for a maximum principal amount of \$4,300,000. Semiannual interest payments are due each January 1 and July 1, commencing July 1, 2010. Interest is determined by 30% of the Revenue Bond Index as published in The Bond Buyer. Principal payments are due each January 1 and July 1, commencing July 1, 2011, and maturing on July 1, 2030. As of December 31, 2012, the City has drawn down \$3,288,541 on this bond.

CITY OF HARRISONVILLE, MISSOURI  
NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (Continued)

Business-Type Activities (Continued)

Revenue Bonds (Continued)

Aggregate annual principal and interest payments applicable to the revenue bonds are:

Year Ending December 31,	Principal	Interest
2013	822,800	441,663
2014	836,600	409,181
2015	850,400	374,680
2016	874,400	339,559
2017	913,400	302,859
2018 - 2022	4,539,900	916,794
2023 - 2027	2,252,800	174,878
2028 - 2030	<u>466,372</u>	<u>20,374</u>
	<u>11,556,672</u>	<u>2,979,988</u>

As of December 31, 2012, the sinking funds and the reserve funds were adequately funded and the City was in compliance with its rate covenants for all bonds.

Promissory Note Payable

In 2011, the City entered into a promissory note payable with the Missouri Department of Natural Resources for the purpose of constructing and installing energy savings equipment. In December 2011, the City received \$380,000 to assist with upcoming costs for these expenses in the Water/Sewer facilities. The note bears interest at 2% and requires annual payments based on annual energy savings audits to be conducted by Siemens Industry. The payment is calculated to be one-half of the annual energy savings, which is approximately \$36,000 for the Water/Sewer facilities and is expected to be repaid within fifteen years.

Aggregate annual principal and interest payments applicable to the promissory note are:

Year Ending December 31,	Principal	Interest
2013	28,334	7,600
2014	28,901	7,033
2015	29,479	6,455
2016	30,068	5,866
2017	30,670	5,264
2018 - 2022	162,799	16,871
2023 - 2026	<u>69,749</u>	<u>2,099</u>
	<u>380,000</u>	<u>51,188</u>

CITY OF HARRISONVILLE, MISSOURI  
NOTES TO FINANCIAL STATEMENTS

NOTE 7. INTERFUND TRANSACTIONS

Transfers during the year ended December 31, 2012, were as follows:

	Transfers Out:		
	General	Sales Tax	Total
Transfers in:			
General		231,770	231,770
Community Center		204,450	204,450
Town Center TIF	165,042		165,042
Water/Sewer			
Emergency Services		811,251	811,251
Nonmajor proprietary funds	32,595		32,595
Nonmajor governmental funds	<u>789,812</u>	<u>375,768</u>	<u>1,165,580</u>
Total	<u>987,449</u>	<u>1,623,239</u>	<u>2,610,688</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 and to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 8. INTERFUND BALANCES

	Due from:			
	Community			Total
	Emergency	Center	Nonmajor	
Due to:				
Water/Sewer	674,103			674,103
Electric			102,142	102,142
General		<u>53,577</u>	<u>138,537</u>	<u>192,114</u>
Total	<u>674,103</u>	<u>53,577</u>	<u>240,679</u>	<u>968,359</u>

The balance of amounts due to the Water/Sewer, Electric, and General Funds are a result of the Funds having a negative claim on the City's pooled cash accounts. Governmental fund balances are not included in the government-wide statement of net assets.

NOTE 9. PENSION PLAN

Plan Description

The City 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

CITY OF HARRISONVILLE, MISSOURI  
NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLAN (Continued)

Plan Description (Continued)

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 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 Policy

The City's full-time employees do not contribute to the pension plan. The City is required to contribute at an actuarially determined rate; the current rates are 15.3% for police, 12.2% for general, and 14.6% for fire 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.

Annual Pension Cost

For 2012, the City's annual pension cost of \$757,176 was greater than the required and actual contribution by \$42,111 for an accumulated net pension obligation of \$151,908. The required contribution was determined as part of the February 28, 2010, and February 28, 2011, annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions as of February 29, 2012, 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 6.0% per year, depending on age and division, attributable to seniority/merit; and (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 at February 28, 2010, was 30 years for the general division, 22 years for the police division and 30 years for the fire division. The amortization period as of February 28, 2011, was 30 years for the general division, 17 years for the police division and 15 years for the fire division.

Note: The below 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 variations, please contact the LAGERS office in Jefferson City.

CITY OF HARRISONVILLE, MISSOURI  
NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLAN (Continued)

TREND INFORMATION

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
06/30/10	583,818	92.7%	42,619
06/30/11	699,594	90.4%	109,797
06/30/12	755,865	94.6%	151,908

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(b-a) Unfunded Accrued Liability (UAL)
02/28/10	9,150,219	11,307,123	2,156,904
02/28/11	9,201,007	11,717,760	2,516,753
02/28/12	10,580,458	12,548,285	1,967,827

Actuarial Valuation Date	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percent of Covered Payroll
02/28/10	81%	5,131,408	42.0%
02/28/11	79%	5,290,056	47.6%
02/28/12	84%	5,308,670	37.1%

NOTE 10. 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. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are solely the property of the participants. Investments are managed by the plan's trustee under several investment options. The choice of the investment options is made by the participants.

CITY OF HARRISONVILLE, MISSOURI  
NOTES TO FINANCIAL STATEMENTS

NOTE 11. COMMITMENTS

As of December 31, 2012, the City had outstanding commitments totaling \$926,944 for various contracts, including \$584,695 for an electrical substation transformer and \$157,400 for the police station capital building project.

NOTE 12. MAJOR SUPPLIERS

During the year ended December 31, 2012, the City relied upon two vendors for the generation and transmission of all electricity purchased for resale totaling \$7,383,541 and \$469,151, respectively. Accounts payable of \$697,542 for generation is included in the December 31, 2012, financial statements.

NOTE 13. LEASES RECEIVABLE

On June 13, 2005, the City entered into an agreement with Sprint Spectrum L.P. to the right to install, maintain, and operate the radio communications equipment, antennas, and appurtenances located on a portion of the City's water tower. This lease agreement is for five years and shall automatically be extended for two additional five-year terms unless Sprint Spectrum L.P. provides written notice to the City at least six months prior to the end of the then-current lease term; and for an additional two five-year terms after that unless either the City or Sprint Spectrum L.P. terminates by providing written notice to the other party at least six months prior to the end of the current lease term. If, at the end of the second five-year extension term, this agreement has not been terminated, the agreement shall continue for additional one-year terms. The lease calls for annual rental increases of 3% annually. This lease was extended for the first additional five-year term in the year ending December 31, 2010. This agreement provided lease income of \$19,817 for the year ended December 31, 2012.

On July 15, 2005, the City entered into an agreement with Verizon Wireless LLC to the right to construct, operate, and maintain a communications facility, including required antennas and equipment structures on a portion of the City's water tower. On September 11, 2008, this agreement was amended to increase the number of antennas and to amend the additional extension terms. The lease agreement is for five years and shall automatically be extended for four (5) year terms unless written notice is provided at least six months prior to the end of the then-current lease term. If, at the end of the fourth (5) year extension term, this agreement has not been terminated, the agreement shall continue for additional one-year terms until such time that proper notice is given by either party. This lease calls for annual rental increases of 3% annually. This lease was extended for the first additional five-year term in the year ending December 31, 2010. This agreement provided lease income of \$29,056 for the year ended December 31, 2012.

CITY OF HARRISONVILLE, MISSOURI  
NOTES TO FINANCIAL STATEMENTS

NOTE 13. LEASES RECEIVABLE (Continued)

The following is a schedule by years of minimum future rentals on the noncancellable operating leases as described above as of December 31, 2012:

Year Ending December 31,	
2013	45,587
2014	46,955
2015	26,335
	<u>118,877</u>

NOTE 14. SELF-INSURANCE

The City is a member of the MPR (Midwest Public Risk), a not-for-profit corporation consisting of governmental entities incorporated in 1984 to acquire insurance for its members. MARCIT 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 worker's compensation. The City participates in the worker's 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, and U.S. governmental agency 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 such 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, irrespective of whether or not the City is a member of MPR at the time of such assessment.

MPR's financial statements are presented in its Comprehensive Annual Financial Report.

NOTE 15. RISK MANAGEMENT

In its normal course of business, 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 for which the City carries commercial insurance. There have been no significant reductions in insurance coverage from the prior year and no significant losses in the past three years.

CITY OF HARRISONVILLE, MISSOURI  
NOTES TO FINANCIAL STATEMENTS

NOTE 16. WATER PURCHASE AGREEMENT

The City and the City of Kansas City, Missouri, have entered into an agreement to construct a transmission main, pump station, elevated tank, and metering/regulating facility for the purpose of future water purchases at a maximum rate consumption of 5 million gallons per day.

Based on the agreement, the City of Harrisonville is to submit monthly payments over a twenty-year term to the City of Kansas City, Missouri, for \$19,543. This payment is calculated for the future value of estimated construction costs incurred for transmission main, pump station, and elevated tank. During the year ending December 31, 2012, the City of Harrisonville, Missouri, provided the City of Kansas City, Missouri, with \$234,516.

The construction of the metering/regulating facility (meter vault) is to be paid solely from the City of Harrisonville, Missouri, for an estimated cost of \$60,000. The costs of construction for the transmission main, pump station, and elevated tank will be shared between both cities. The estimated share of costs for the City of Harrisonville, Missouri, is \$3,159,184. After completion of the project, the transmission main, pump station, and elevated tank will be owned by the City of Kansas City, Missouri. The City of Kansas City, Missouri, will be responsible for the operation and maintenance of said property. All payments made by the City of Harrisonville, Missouri, are accounted for as an intangible asset. After completion of the project, these costs will be amortized over the estimated life of the property. The project is expected to be completed by 2013. The following is a schedule by years of future payments on the agreement as described above:

Year Ending December 31,	
2013	234,516
2014	234,516
2015	234,516
2016	234,516
2017	234,516
2018 - 2022	1,172,580
2023 - 2027	1,172,580
2028 - 2029	39,086
	<u>3,556,826</u>

NOTE 17. DEFICIT FUND BALANCE

The Emergency Service Fund had a deficit fund balance of \$200,124. The City intends to restore this balance through transfers from the General Fund.

NOTE 18. RESTATEMENT

Beginning balances in the Park Fund and for the governmental activities have been restated to include a grant receivable in the prior year in the amount of \$85,219.

CITY OF HARRISONVILLE, MISSOURI  
NOTES TO FINANCIAL STATEMENTS

NOTE 19. SUBSEQUENT EVENTS

In preparing the financial statements, the City has evaluated events and transactions for potential recognition or disclosure through July 16, 2013, the date the financial statements were available to be issued and through July 7, 2014, the date the financial statements were reissued as noted in Note 18 and for the additional federal program listed in the schedule of expenditures of federal awards.

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REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF HARRISONVILLE, MISSOURI  
 REQUIRED SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
 YEAR ENDED DECEMBER 31, 2012

	General Fund			Variance Positive (Negative)
	Budget		Actual	
	Original	Final		
REVENUES				
Taxes	4,693,259	4,764,259	4,714,611	(49,648)
Licenses, fees, and permits	170,750	185,750	161,692	(24,058)
Charges for services	1,811,635	1,781,460	1,775,109	(6,351)
Grants	868,000	565,198	195,866	(369,332)
Fines and forfeitures	250,500	250,500	251,138	638
Interest	9,900	24,900	27,272	2,372
Miscellaneous	179,100	179,100	237,128	58,028
TOTAL REVENUES	<u>7,983,144</u>	<u>7,751,167</u>	<u>7,362,816</u>	<u>(388,351)</u>
EXPENDITURES				
General Government				
Mayor and Board	175,525	177,555	143,571	33,984
Finance	969,475	936,725	868,803	67,922
Administration	610,065	564,202	456,276	107,926
Codes enforcement	261,280	234,280	207,554	26,726
Property management	163,265	153,265	154,822	(1,557)
Total General Government	<u>2,179,610</u>	<u>2,066,027</u>	<u>1,831,026</u>	<u>235,001</u>
Administration of Justice				
Administration and dispatch	483,495	489,160	465,928	23,232
Patrol	2,111,820	2,068,257	1,938,861	129,396
Total Administration of Justice	<u>2,595,315</u>	<u>2,557,417</u>	<u>2,404,789</u>	<u>152,628</u>
Street	776,765	776,765	760,505	16,260
Economic Development	231,890	233,890	210,273	23,617
Animal Control	168,950	191,801	160,398	31,403
Airport	258,285	257,485	224,901	32,584
CDBG pass-through expenses		15,512	6,500	9,012
Capital outlay	1,222,000	2,965,426	512,934	2,452,492
TOTAL EXPENDITURES	<u>7,432,815</u>	<u>9,064,323</u>	<u>6,111,326</u>	<u>2,952,997</u>

CITY OF HARRISONVILLE, MISSOURI  
 REQUIRED SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
 YEAR ENDED DECEMBER 31, 2012

	General Fund			Variance Positive (Negative)
	Budget		Actual	
	Original	Final		
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>550,329</u>	<u>(1,313,156)</u>	<u>1,251,490</u>	<u>2,564,646</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	241,250	241,250	231,770	(9,480)
Transfers out	<u>(1,027,408)</u>	<u>(1,072,408)</u>	<u>(987,449)</u>	<u>84,959</u>
Total other financing sources (uses)	<u>(786,158)</u>	<u>(831,158)</u>	<u>(755,679)</u>	<u>75,479</u>
NET CHANGE IN FUND BALANCES	<u>(235,829)</u>	<u>(2,144,314)</u>	495,811	<u>2,640,125</u>
FUND BALANCE, beginning of year - budget basis			<u>5,500,285</u>	
FUND BALANCE, end of year - budget basis			5,996,096	
Accrual adjustments			<u>571,099</u>	
FUND BALANCE, end of year - fund basis			<u>6,567,195</u>	

CITY OF HARRISONVILLE, MISSOURI  
 REQUIRED SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE  
 MAJOR SPECIAL REVENUE FUNDS  
 YEAR ENDED DECEMBER 31, 2012

	Community Center				Emergency Services Fund			
	Budget		Actual	Variance Positive (Negative)	Budget		Actual	Variance Positive (Negative)
	Original	Final			Original	Final		
REVENUES								
Charges for services	965,930	948,345	920,059	(28,286)	1,377,600	1,377,600	1,210,594	(167,006)
Interest	400	400	1,701	1,301				
Miscellaneous	9,000	10,190	15,238	5,048	16,700	31,700	36,177	4,477
TOTAL REVENUES	<u>975,330</u>	<u>958,935</u>	<u>936,998</u>	<u>(21,937)</u>	<u>1,394,300</u>	<u>1,409,300</u>	<u>1,246,771</u>	<u>(162,529)</u>
EXPENDITURES								
Community Center	1,166,995	1,232,182	1,197,703	34,479				
Emergency Services					2,059,885	2,119,885	2,103,138	16,747
Capital outlay	76,630	266,188	268,800	(2,612)	119,625	119,625	59,653	59,972
TOTAL EXPENDITURES	<u>1,243,625</u>	<u>1,498,370</u>	<u>1,466,503</u>	<u>31,867</u>	<u>2,179,510</u>	<u>2,239,510</u>	<u>2,162,791</u>	<u>76,719</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(268,295)</u>	<u>(539,435)</u>	<u>(529,505)</u>	<u>9,930</u>	<u>(785,210)</u>	<u>(830,210)</u>	<u>(916,020)</u>	<u>(85,810)</u>
OTHER FINANCING SOURCES (USES)								
Transfers in	182,310	182,310	204,450	22,140	785,210	830,210	811,251	(18,959)
Payment to escrow agent			(1,283,500)	(1,283,500)				
Total other financing sources (uses)	<u>182,310</u>	<u>182,310</u>	<u>(1,079,050)</u>	<u>(1,261,360)</u>	<u>785,210</u>	<u>830,210</u>	<u>811,251</u>	<u>(18,959)</u>
NET CHANGE IN FUND BALANCES	<u>(85,985)</u>	<u>(357,125)</u>	<u>(1,608,555)</u>	<u>(1,251,430)</u>	<u>          </u>	<u>          </u>	<u>(104,769)</u>	<u>(104,769)</u>
FUND BALANCE (DEFICIT), beginning of year - budget basis			<u>1,976,565</u>				<u>(569,334)</u>	
FUND BALANCE (DEFICIT), end of year - budget basis			368,010				(674,103)	
Accrual adjustments			<u>16,826</u>				<u>473,979</u>	
FUND BALANCE (DEFICIT), end of year - fund basis			<u>384,836</u>				<u>(200,124)</u>	

Transactions related to the advance refunding for the Certificates of Participation were not budgeted, including the payment to the escrow agent in the Community Center Fund.

CITY OF HARRISONVILLE, MISSOURI  
NOTES TO BUDGETARY COMPARISON SCHEDULES  
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 1. BUDGETARY INFORMATION

An annual budget prepared under the cash basis of accounting is adopted in December prior to the beginning of each fiscal year for all revenues and expenditures of the General Fund of the City. The primary basis of budgetary control is at the department level. Departments may not legally exceed their total appropriation without the Board of Aldermen approval. A review of the current year's budget is made by the departments in December of each year and interdepartmental transfers are made with Board of Aldermen approval. Any remaining unencumbered appropriations lapse at fiscal year end unless reappropriated by the Board of Aldermen. Any increase in appropriations during the fiscal year must be approved by the Board of Aldermen.

NOTE 2. REAPPROPRIATIONS

It is the City's policy to reappropriate monies in the next fiscal year for projects or activities which were authorized in the previous year but not completed. The statements for 2012 show the General Fund with expenditures under budget in the amount of \$2,952,997, but the Board of Aldermen authorized the reappropriation of \$2,484,205 into the 2013 budget, primarily for incomplete capital projects.

OTHER SUPPLEMENTARY INFORMATION

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CITY OF HARRISONVILLE, MISSOURI  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
DECEMBER 31, 2012

	Park Fund	Sales Tax Fund	Debt Service Fund	Total Nonmajor Governmental Funds
<b>ASSETS</b>				
<b>ASSETS</b>				
Cash			1,005	1,005
Investments		535,844		535,844
Accounts receivable	84,087	39,543		123,630
Taxes receivable		129,856		129,856
Prepaid insurance	7,606			7,606
Restricted cash	541	18,422		18,963
Restricted investments	<u>67,039</u>			<u>67,039</u>
<b>TOTAL ASSETS</b>	<u>159,273</u>	<u>723,665</u>	<u>1,005</u>	<u>883,943</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Deferred revenue	12,722			12,722
Due to other funds	102,142	138,537		240,679
Accounts payable	<u>8,926</u>	<u>30,183</u>		<u>39,109</u>
<b>Total liabilities</b>	<u>123,790</u>	<u>168,720</u>		<u>292,510</u>
<b>FUND BALANCES</b>				
Nonspendable	7,606			7,606
Restricted	67,580	18,422		86,002
Assigned		536,523	1,005	537,528
Unassigned (deficit)	<u>(39,703)</u>			<u>(39,703)</u>
<b>Total fund balances</b>	<u>35,483</u>	<u>554,945</u>	<u>1,005</u>	<u>591,433</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>159,273</u>	<u>723,665</u>	<u>1,005</u>	<u>883,943</u>

CITY OF HARRISONVILLE, MISSOURI  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
YEAR ENDED DECEMBER 31, 2012

	Park Fund	Sales Tax Fund	Debt Service Fund	Total Nonmajor Governmental Funds
REVENUES				
Taxes				
Property	142,203			142,203
Sales		1,592,655		1,592,655
Other	15,940			15,940
Charges for services	28,807			28,807
Interest	215	2,442	2	2,659
Miscellaneous	5,525			5,525
Total revenues	<u>192,690</u>	<u>1,595,097</u>	<u>2</u>	<u>1,787,789</u>
EXPENDITURES				
Park	488,375			488,375
Debt service				
Principal			535,000	535,000
Interest			312,382	312,382
Capital outlay	28,825			28,825
Total expenditures	<u>517,200</u>		<u>847,382</u>	<u>1,364,582</u>
REVENUES OVER (UNDER) EXPENDI- TURES BEFORE OTHER FINANCING SOURCES (USES)	<u>(324,510)</u>	<u>1,595,097</u>	<u>(847,380)</u>	<u>423,207</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	319,699		845,881	1,165,580
Transfers out		(1,623,239)		(1,623,239)
Total other financing sources (uses)	<u>319,699</u>	<u>(1,623,239)</u>	<u>845,881</u>	<u>(457,659)</u>
NET CHANGE IN FUND BALANCES	(4,811)	(28,142)	(1,499)	(34,452)
FUND BALANCES, January 1, 2012 (as restated)	<u>40,294</u>	<u>583,087</u>	<u>2,504</u>	<u>625,885</u>
FUND BALANCES, December 31, 2012	<u>35,483</u>	<u>554,945</u>	<u>1,005</u>	<u>591,433</u>

CITY OF HARRISONVILLE, MISSOURI  
NONMAJOR ENTERPRISE FUNDS  
COMBINING STATEMENT OF NET POSITION  
DECEMBER 31, 2012

	Aquatic Center Fund	Refuse Fund	Total
ASSETS			
Current Assets			
Cash	37,584	24,726	62,310
Accounts receivable		65,950	65,950
Prepaid insurance	<u>3,513</u>		<u>3,513</u>
Total current assets	<u>41,097</u>	<u>90,676</u>	<u>131,773</u>
Noncurrent Assets			
Restricted cash	51,143		51,143
Restricted investments	100,057		100,057
Property and equipment	<u>925,245</u>		<u>925,245</u>
Total noncurrent assets	<u>1,076,445</u>		<u>1,076,445</u>
TOTAL ASSETS	<u>1,117,542</u>	<u>90,676</u>	<u>1,208,218</u>
LIABILITIES			
Current Liabilities			
Accounts payable	<u>101</u>		<u>101</u>
NET POSITION			
Invested in capital assets, net of related debt	925,245		925,245
Restricted for:			
Capital improvements	151,200		151,200
Unrestricted	<u>40,995</u>	<u>90,677</u>	<u>131,672</u>
TOTAL NET POSITION	<u>1,117,440</u>	<u>90,677</u>	<u>1,208,117</u>

CITY OF HARRISONVILLE, MISSOURI  
NONMAJOR ENTERPRISE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN NET POSITION  
YEAR ENDED DECEMBER 31, 2012

	Aquatic Center Fund	Refuse Fund	Total
REVENUES			
Charges for services	<u>137,666</u>	<u>462,386</u>	<u>600,052</u>
EXPENSES			
Administration	186,365	473,660	660,025
Depreciation	<u>90,354</u>	<u>          </u>	<u>90,354</u>
Total expenses	<u>276,719</u>	<u>473,660</u>	<u>750,379</u>
LOSS FROM OPERATIONS	<u>(139,053)</u>	<u>(11,274)</u>	<u>(150,327)</u>
NONOPERATING REVENUES			
Transfers in	32,595		32,595
Interest income	<u>944</u>	<u>38</u>	<u>982</u>
Total nonoperating revenues	<u>33,539</u>	<u>38</u>	<u>33,577</u>
CHANGE IN NET POSITION	(105,514)	(11,236)	(116,750)
TOTAL NET POSITION, beginning of year	<u>1,222,954</u>	<u>101,913</u>	<u>1,324,867</u>
TOTAL NET POSITION, end of year	<u>1,117,440</u>	<u>90,677</u>	<u>1,208,117</u>

CITY OF HARRISONVILLE, MISSOURI  
NONMAJOR ENTERPRISE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2012

	Aquatic Center Fund	Refuse Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	137,666	467,454	605,120
Cash payments to suppliers	(116,047)	(473,660)	(589,707)
Cash payments to employees	<u>(71,023)</u>	<u>          </u>	<u>(71,023)</u>
Net cash used in operating activities	<u>(49,404)</u>	<u>(6,206)</u>	<u>(55,610)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers in	<u>32,595</u>	<u>          </u>	<u>32,595</u>
Net cash provided by noncapital financing activities	<u>32,595</u>	<u>          </u>	<u>32,595</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition and construction of capital assets	<u>(23,796)</u>	<u>          </u>	<u>(23,796)</u>
Net cash used in capital and related financing activities	<u>(23,796)</u>	<u>          </u>	<u>(23,796)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest on investments	944	38	982
Net investment activity	<u>38,234</u>	<u>          </u>	<u>38,234</u>
Net cash provided by investing activities	<u>39,178</u>	<u>38</u>	<u>39,216</u>
NET DECREASE IN CASH	(1,427)	(6,168)	(7,595)
CASH, January 1, 2012	<u>90,154</u>	<u>30,894</u>	<u>121,048</u>
CASH, December 31, 2012	<u>88,727</u>	<u>24,726</u>	<u>113,453</u>
<b>ALLOCATION OF CASH</b>			
Unrestricted	37,584	24,726	62,310
Restricted	<u>51,143</u>	<u>          </u>	<u>51,143</u>
	<u>88,727</u>	<u>24,726</u>	<u>113,453</u>

CITY OF HARRISONVILLE, MISSOURI  
NONMAJOR ENTERPRISE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2012

	Aquatic Center Fund	Refuse Fund	Total
Reconciliation of Loss From Operations to Net Cash Used in Operating Activities			
Loss from operations	<u>(139,053)</u>	<u>(11,274)</u>	<u>(150,327)</u>
Adjustments to reconcile loss from operations to net cash used in operating activities:			
Depreciation and amortization	90,354		90,354
(Increase) Decrease in:			
Accounts receivable		5,068	5,068
Prepaid expenses	(766)		(766)
Increase in:			
Accounts payable	<u>61</u>		<u>61</u>
Total adjustments	<u>89,649</u>	<u>5,068</u>	<u>94,717</u>
Net cash used in operating activities	<u>(49,404)</u>	<u>(6,206)</u>	<u>(55,610)</u>

CITY OF HARRISONVILLE, MISSOURI  
NONMAJOR SPECIAL REVENUE FUNDS  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED DECEMBER 31, 2012

	Park Fund				Sales Tax Fund			
	Budget		Actual	Variance Positive (Negative)	Budget		Actual	Variance Positive (Negative)
	Original	Final			Original	Final		
REVENUES								
Taxes	157,874	157,874	155,468	(2,406)	1,776,250	1,776,250	1,657,307	(118,943)
Charges for services	21,620	21,620	28,807	7,187				
Grants			85,219	85,219				
Interest	1,200	1,200	215	(985)			2,442	2,442
Proceeds from the sale of assets			1,357	1,357				
Miscellaneous	3,000	3,000	4,168	1,168				
Total revenues	<u>183,694</u>	<u>183,694</u>	<u>275,234</u>	<u>91,540</u>	<u>1,776,250</u>	<u>1,776,250</u>	<u>1,659,749</u>	<u>(116,501)</u>
EXPENDITURES								
Park	452,855	451,855	428,912	22,943				
Capital outlay	50,000	99,572	86,254	13,318				
Total expenditures	<u>502,855</u>	<u>551,427</u>	<u>515,166</u>	<u>36,261</u>				
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(319,161)</u>	<u>(367,733)</u>	<u>(239,932)</u>	<u>127,801</u>	<u>1,776,250</u>	<u>1,776,250</u>	<u>1,659,749</u>	<u>(116,501)</u>
OTHER FINANCING SOURCES (USES)								
Transfers in	319,700	319,700	319,699	(1)				
Transfers out					(1,776,250)	(1,776,250)	(1,623,239)	153,011
Total other financing sources (uses)	<u>319,700</u>	<u>319,700</u>	<u>319,699</u>	<u>(1)</u>	<u>(1,776,250)</u>	<u>(1,776,250)</u>	<u>(1,623,239)</u>	<u>153,011</u>
NET CHANGE IN FUND BALANCES	<u>539</u>	<u>(48,033)</u>	<u>79,767</u>	<u>127,800</u>			<u>36,510</u>	<u>36,510</u>
FUND BALANCE (DEFICIT), beginning of year - budget basis			<u>(114,329)</u>				<u>379,219</u>	
FUND BALANCE (DEFICIT), end of year - budget basis			<u>(34,562)</u>				<u>415,729</u>	
Accrual adjustments			<u>70,045</u>				<u>139,216</u>	
FUND BALANCE, end of year - fund basis			<u>35,483</u>				<u>554,945</u>	

CITY OF HARRISONVILLE, MISSOURI  
NONMAJOR SPECIAL REVENUE FUNDS  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED DECEMBER 31, 2012

		Total			
		Budget		Actual	Variance Positive (Negative)
		Original	Final		
<b>REVENUES</b>					
	Taxes	1,934,124	1,934,124	1,812,775	(121,349)
	Charges for services	21,620	21,620	28,807	7,187
	Grants			85,219	85,219
	Interest	1,200	1,200	2,657	1,457
	Proceeds from the sale of assets			1,357	1,357
	Miscellaneous	3,000	3,000	4,168	1,168
	Total revenues	<u>1,959,944</u>	<u>1,959,944</u>	<u>1,934,983</u>	<u>(24,961)</u>
<b>EXPENDITURES</b>					
	Park	452,855	451,855	428,912	22,943
69	Capital outlay	<u>50,000</u>	<u>99,572</u>	<u>86,254</u>	<u>13,318</u>
	Total expenditures	<u>502,855</u>	<u>551,427</u>	<u>515,166</u>	<u>36,261</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>		<u>1,457,089</u>	<u>1,408,517</u>	<u>1,419,817</u>	<u>11,300</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
	Transfers in	319,700	319,700	319,699	(1)
	Transfers out	<u>(1,776,250)</u>	<u>(1,776,250)</u>	<u>(1,623,239)</u>	<u>153,011</u>
	Total other financing sources (uses)	<u>(1,456,550)</u>	<u>(1,456,550)</u>	<u>(1,303,540)</u>	<u>153,010</u>
<b>NET CHANGE IN FUND BALANCES</b>		<u>539</u>	<u>(48,033)</u>	116,277	<u>164,310</u>
<b>FUND BALANCE (DEFICIT), beginning of year - budget basis</b>				<u>264,890</u>	
<b>FUND BALANCE (DEFICIT), end of year - budget basis</b>				381,167	
Accrual adjustments				<u>209,261</u>	
<b>FUND BALANCE, end of year - fund basis</b>				<u>590,428</u>	

CITY OF HARRISONVILLE, MISSOURI  
DEBT SERVICE FUND  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED DECEMBER 31, 2012

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES				
Interest	<u>          </u>	<u>          </u>	<u>          2</u>	<u>          2</u>
EXPENDITURES				
Debt Service				
Principal	500,000	500,000	535,000	35,000
Interest	<u>402,590</u>	<u>402,590</u>	<u>312,382</u>	<u>(90,208)</u>
Total expenditures	<u>902,590</u>	<u>902,590</u>	<u>847,382</u>	<u>(55,208)</u>
EXCESS OF REVENUES UNDER EXPENDITURES	(902,590)	(902,590)	(847,380)	(55,206)
OTHER FINANCING SOURCES				
Transfers in	<u>905,090</u>	<u>905,090</u>	<u>845,881</u>	<u>(59,209)</u>
NET CHANGE IN FUND BALANCES	<u>          2,500</u>	<u>          2,500</u>	(1,499)	<u>(114,415)</u>
FUND BALANCE, beginning of year			<u>          2,504</u>	
FUND BALANCE, end of year, fund basis			<u>          1,005</u>	

CITY OF HARRISONVILLE, MISSOURI  
ALL PROPRIETARY FUNDS  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED DECEMBER 31, 2012

	Electric Fund				Water/Sewer Fund				Aquatic Center Fund			
	Budget		Actual	Actual Over (Under) Budget	Budget		Actual	Actual Over (Under) Budget	Budget		Actual	Actual Over (Under) Budget
	Original	Final			Original	Final			Original	Final		
REVENUES												
Charges for services	11,685,265	11,690,047	11,723,975	33,928	4,405,719	4,405,719	4,641,812	236,093	147,660	133,660	137,666	4,006
Grants						400,000	280,500	(119,500)				
Total revenues	<u>11,685,265</u>	<u>11,690,047</u>	<u>11,723,975</u>	<u>33,928</u>	<u>4,405,719</u>	<u>4,805,719</u>	<u>4,922,312</u>	<u>116,593</u>	<u>147,660</u>	<u>133,660</u>	<u>137,666</u>	<u>4,006</u>
EXPENSES												
Production					1,312,425	1,321,160	1,147,738	173,422				
Distribution	8,000,000	8,000,000	7,852,692	147,308	664,895	636,895	609,676	27,219				
Administration	3,035,435	2,339,960	2,879,819	(539,859)	783,795	783,795	760,915	22,880	157,555	194,555	187,069	7,486
Capital outlay	1,948,100	1,948,100	134,010	1,814,090	1,413,140	2,044,892	1,472,529	572,363	23,800	23,800	23,796	4
Total expenses	<u>12,983,535</u>	<u>12,288,060</u>	<u>10,866,521</u>	<u>1,421,539</u>	<u>4,174,255</u>	<u>4,786,742</u>	<u>3,990,858</u>	<u>795,884</u>	<u>181,355</u>	<u>218,355</u>	<u>210,865</u>	<u>7,490</u>
INCOME (LOSS) FROM OPERATIONS	<u>(1,298,270)</u>	<u>(598,013)</u>	<u>857,454</u>	<u>1,455,467</u>	<u>231,464</u>	<u>18,977</u>	<u>931,454</u>	<u>912,477</u>	<u>(33,695)</u>	<u>(84,695)</u>	<u>(73,199)</u>	<u>11,496</u>
OTHER INCOME (EXPENSE)												
Transfers in									32,595	32,595	32,595	
Interest income	6,000	6,000	10,407	4,407	6,500	6,500	208,990	202,490	1,100	1,100	944	(156)
Proceeds of long-term debt						612,231	612,231					
Payments of long-term debt	(175,000)	(175,000)	(175,000)		(599,100)	(599,100)	(599,100)					
Interest expense	(81,605)	(81,605)	(76,059)	5,546	(241,620)	(241,620)	(376,703)	(135,083)				
Total other income (expense)	<u>(250,605)</u>	<u>(250,605)</u>	<u>(240,652)</u>	<u>9,953</u>	<u>(834,220)</u>	<u>(221,989)</u>	<u>(154,582)</u>	<u>67,407</u>	<u>33,695</u>	<u>33,695</u>	<u>33,539</u>	<u>(156)</u>
REVENUES OVER (UNDER) EXPENSES	<u>(1,548,875)</u>	<u>(848,618)</u>	<u>616,802</u>	<u>1,465,420</u>	<u>(602,756)</u>	<u>(203,012)</u>	<u>776,872</u>	<u>979,884</u>	<u>(51,000)</u>	<u>(39,660)</u>	<u>11,340</u>	
NET POSITION, January 1, 2012, budget basis			<u>3,202,009</u>				<u>3,713,722</u>				<u>228,444</u>	
NET POSITION, December 31, 2012, budget basis			<u>3,818,811</u>				<u>4,490,594</u>				<u>188,784</u>	
Accrual adjustments			<u>4,092,524</u>				<u>18,848,667</u>				<u>928,656</u>	
NET POSITION, December 31, 2012			<u>7,911,335</u>				<u>23,339,261</u>				<u>1,117,440</u>	

CITY OF HARRISONVILLE, MISSOURI  
 ALL PROPRIETARY FUNDS  
 BUDGETARY COMPARISON SCHEDULE  
 YEAR ENDED DECEMBER 31, 2012

	Refuse Fund				Total			
	Budget		Actual	Actual Over (Under) Budget	Budget		Actual	Actual Over (Under) Budget
	Original	Final			Original	Final		
REVENUES								
Charges for services	477,435	477,435	467,454	(9,981)	16,716,079	16,706,861	16,970,907	264,046
Grants						400,000	280,500	(119,500)
Total revenues	<u>477,435</u>	<u>477,435</u>	<u>467,454</u>	<u>(9,981)</u>	<u>16,716,079</u>	<u>17,106,861</u>	<u>17,251,407</u>	<u>144,546</u>
EXPENSES								
Production					1,312,425	1,321,160	1,147,738	173,422
Distribution					8,664,895	8,636,895	8,462,368	174,527
Administration	477,435	477,435	473,660	3,775	4,454,220	3,795,745	4,301,463	(505,718)
Capital outlay					3,385,040	4,016,792	1,630,335	2,386,457
Total expenses	<u>477,435</u>	<u>477,435</u>	<u>473,660</u>	<u>3,775</u>	<u>17,816,580</u>	<u>17,770,592</u>	<u>15,541,904</u>	<u>2,228,688</u>
INCOME (LOSS) FROM OPERATIONS			(6,206)	(6,206)	(1,100,501)	(663,731)	1,709,503	2,373,234
OTHER INCOME (EXPENSE)								
Transfers in					32,595		32,595	32,595
Interest income	100	100	38	(62)	13,700	13,700	220,379	206,679
Proceeds of long-term debt						612,231	612,231	
Payments of long-term debt					(774,100)	(774,100)	(774,100)	
Interest expense					(323,225)	(323,225)	(452,762)	(129,537)
Total other income (expense)	<u>100</u>	<u>100</u>	<u>38</u>	<u>(62)</u>	<u>(1,051,030)</u>	<u>(471,394)</u>	<u>(361,657)</u>	<u>109,737</u>
REVENUES OVER (UNDER) (EXPENSES)	<u>100</u>	<u>100</u>	<u>(6,168)</u>	<u>(6,268)</u>	<u>(2,151,531)</u>	<u>(1,135,125)</u>	<u>1,347,846</u>	<u>2,482,971</u>
NET POSITION, January 1, 2012, budget basis			30,894				7,175,069	
NET POSITION, December 31, 2012, budget basis			24,726				8,522,915	
Accrual adjustments			65,950				23,935,797	
NET POSITION, December 31, 2012			<u>90,676</u>				<u>32,458,712</u>	

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STATISTICAL SECTION  
(Unaudited)

This part of the City of Harrisonville's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Contents	Page
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	73 - 78
Revenue Capacity These schedules contain information to help the reader assess the City's two most significant local revenue sources: sales tax and property tax.	79 - 84
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	85 - 87
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	88 - 90
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	91 - 92

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City fully implemented GASB Statement No. 34 in 2003; schedules presenting government-wide information include information beginning in that year. The City implemented GASB Statement No. 54 in 2011; schedules that include governmental fund balance classifications for years prior to 2011 are presented in pre-GASB 54 format.

Information presented in this section is required by GASB 44 to include current year plus nine years of subsequent data. In most cases, the City has not presented nine years of subsequent data as it is not readily available or has not been tracked by the City in the past.

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CITY OF HARRISONVILLE, MISSOURI  
NET POSITION BY COMPONENT  
LAST TEN FISCAL YEARS

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities										
Invested in capital assets, net of related debt	9,204,560	10,365,100	2,781,772	9,633,168	10,352,096	10,653,678	11,264,304	12,728,792	13,911,126	14,660,071
Restricted	4,604,770	4,604,770	9,074,255	2,163,749	2,914,819	2,959,767	2,180,313	2,184,248	2,662,683	1,186,071
Unrestricted	7,453,120	3,560,840	8,433,882	2,713,047	1,268,017	1,823,309	1,557,045	859,829	(818,266)	344,053
Total governmental activities net assets	<u>16,657,680</u>	<u>18,530,710</u>	<u>20,289,909</u>	<u>14,509,964</u>	<u>14,534,932</u>	<u>15,436,754</u>	<u>15,001,662</u>	<u>15,772,869</u>	<u>15,755,543</u>	<u>16,190,195</u>
Business-type activities										
Invested in capital assets, net of related debt	7,570,235	11,707,657	11,926,787	14,601,242	15,296,549	15,656,284	17,241,269	21,441,550	22,603,002	22,757,615
Restricted	7,827,300	4,472,772	5,062,744	2,106,963	1,947,727	2,131,131	2,044,493	2,054,861	2,557,484	2,194,593
Unrestricted	2,560,926	1,872,470	1,462,099	3,436,005	4,757,742	5,467,973	5,513,489	4,316,580	5,600,624	7,506,505
Total business-type activities net assets	<u>17,958,461</u>	<u>18,052,899</u>	<u>18,451,630</u>	<u>20,144,210</u>	<u>22,002,018</u>	<u>23,255,388</u>	<u>24,799,251</u>	<u>27,812,991</u>	<u>30,761,110</u>	<u>32,458,713</u>
Primary government										
Invested in capital assets, net of related debt	16,774,795	22,072,757	14,708,559	24,234,410	25,648,645	26,309,962	28,505,573	34,170,342	36,514,128	37,417,686
Restricted	7,827,300	9,077,542	14,136,999	4,270,712	4,862,546	5,090,898	4,224,806	4,239,109	5,220,167	3,380,664
Unrestricted	10,014,046	5,433,310	9,895,981	6,149,052	6,025,759	7,291,282	7,070,534	5,176,409	4,782,358	7,850,558
Total primary govern- ment net position	<u>34,616,141</u>	<u>36,583,609</u>	<u>38,741,539</u>	<u>34,654,174</u>	<u>36,536,950</u>	<u>38,692,142</u>	<u>39,800,913</u>	<u>43,585,860</u>	<u>46,516,653</u>	<u>48,648,908</u>

CITY OF HARRISONVILLE, MISSOURI  
CHANGES IN NET POSITION  
LAST TEN FISCAL YEARS

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>EXPENSES</b>										
Governmental activities										
General Government	1,239,192	1,367,852	1,493,889	1,603,302	1,710,746	1,774,334	1,794,612	1,787,553	1,974,816	1,795,064
Administration of Justice	2,023,094	2,069,482	2,107,865	2,285,891	2,461,933	2,816,808	2,592,948	2,643,954	2,663,787	2,688,722
Fire and Emergency	487,334	566,472	508,970	601,405	575,410	588,701	367,525			
Street	824,475	661,579	775,628	1,158,699	1,104,687	1,157,618	1,258,830	1,398,582	1,217,982	871,419
Economic Development	127,729	175,428	146,492	219,247	177,994	201,947	155,637	179,210	191,704	225,041
Animal Control	124,290	123,536	126,134	125,710	151,092	156,545	143,313	143,878	162,758	167,154
Airport	265,250	286,368	317,388	304,269	325,579	391,387	347,264	331,203	321,968	319,622
Ambulance	1,009,100	1,212,598	1,111,446	1,727,803	950,069	945,798	2,017,191	2,237,316	2,489,922	2,472,147
Park	461,456	448,005	384,071	412,841	452,080	466,886	470,549	530,106	529,697	590,728
Community Center		56,253	1,008,296	1,271,835	1,289,607	1,277,944	1,413,738	1,367,488	1,450,404	1,506,078
Towne Center Project				5,990,284	1,074,469	5,678	15,923	18,726	10,187	12,766
CDBG pass-through expenses									753,740	6,500
Interest on long-term debt	183,775	30,375	515,560	529,657	1,169,186	919,217	902,258	873,168	860,401	772,777
Total governmental activities expenses	<u>6,745,695</u>	<u>6,997,948</u>	<u>8,495,739</u>	<u>16,230,943</u>	<u>11,442,852</u>	<u>10,702,863</u>	<u>11,479,788</u>	<u>11,511,184</u>	<u>12,627,366</u>	<u>11,428,018</u>
Business-type activities										
Electric	7,014,723	7,920,827	9,399,627	10,493,071	11,320,839	11,171,665	10,820,766	11,029,794	10,637,961	11,247,956
Water and Sewer	2,870,247	3,302,385	3,380,979	3,673,566	3,908,279	4,245,705	4,031,290	4,214,590	3,652,972	3,703,248
Aquatic Center	260,106	244,723	212,027	205,686	204,045	233,572	252,734	229,978	289,610	276,719
Refuse	367,971	395,955	468,035	381,763	388,345	367,444	416,592	452,778	466,719	473,660
Total business-type activities expenses	<u>10,513,047</u>	<u>11,863,890</u>	<u>13,460,668</u>	<u>14,754,086</u>	<u>15,821,508</u>	<u>16,018,386</u>	<u>15,521,382</u>	<u>15,927,140</u>	<u>15,047,262</u>	<u>15,701,583</u>
Total primary government expenses	<u>17,258,742</u>	<u>18,861,838</u>	<u>21,956,407</u>	<u>30,985,029</u>	<u>27,264,360</u>	<u>26,721,249</u>	<u>27,001,170</u>	<u>27,438,324</u>	<u>27,674,628</u>	<u>27,129,601</u>
<b>PROGRAM REVENUES</b>										
Governmental activities										
Charges for services										
General Government	1,563,715	1,693,836	1,683,963	1,849,033	1,922,835	2,269,442	1,943,791	2,024,687	1,985,007	1,936,801
Administration of Justice	317,111	264,794	266,771	259,829	253,109	248,580	235,958	226,217	239,292	251,138
Ambulance	897,502	972,945	809,767	823,444	874,553	981,217	1,104,773	1,362,127	1,423,372	1,399,295
Park	40,783	38,973	11,570	13,192	28,503	25,313	23,276	22,609	24,015	28,807
Community Center			639,621	822,254	807,219	750,617	784,011	870,262	850,019	926,252
Operating grants and contributions	86,770	111,019	548,062	250,797	632,643	184,774	36,610	218,541	939,601	144,163
Capital grants and contributions								320,525	508,546	
Total governmental activities program revenues	<u>2,905,881</u>	<u>3,081,567</u>	<u>3,959,754</u>	<u>4,018,549</u>	<u>4,518,862</u>	<u>4,459,943</u>	<u>4,128,419</u>	<u>5,044,968</u>	<u>5,969,852</u>	<u>4,686,456</u>
Business-type activities										
Charges for services										
Electric	7,053,349	7,434,758	9,236,930	11,278,076	12,185,598	11,712,338	11,355,377	11,529,975	11,200,157	11,688,342
Water and Sewer	3,584,958	3,627,557	3,823,889	4,277,089	4,503,439	4,651,353	4,866,050	4,588,165	4,458,249	4,581,605

CITY OF HARRISONVILLE, MISSOURI  
CHANGES IN NET POSITION  
LAST TEN FISCAL YEARS

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>PROGRAM REVENUES</b>										
Business-type activities (Continued)										
Charges for services (Continued)										
Aquatic Center	182,536	138,370	127,512	141,807	135,088	133,344	125,189	125,450	166,394	137,666
Refuse	377,066	433,625	414,649	386,359	398,383	399,814	424,579	451,427	469,763	462,386
Capital grants and contributions								2,017,313	982,687	280,500
Total business-type activities program revenues	<u>11,197,909</u>	<u>11,634,310</u>	<u>13,602,980</u>	<u>16,083,331</u>	<u>17,222,508</u>	<u>16,896,849</u>	<u>16,771,195</u>	<u>18,712,330</u>	<u>17,277,250</u>	<u>17,150,499</u>
Total primary government program revenues	<u>14,103,790</u>	<u>14,715,877</u>	<u>17,562,734</u>	<u>20,101,880</u>	<u>21,741,370</u>	<u>21,356,792</u>	<u>20,899,614</u>	<u>23,757,298</u>	<u>23,247,102</u>	<u>21,836,955</u>
<b>NET (EXPENSE) REVENUE</b>										
Governmental activities	(3,839,814)	(3,916,381)	(4,535,985)	(12,212,394)	(6,923,990)	(6,242,920)	(7,351,369)	(6,466,216)	(6,657,514)	(6,741,562)
Business-type activities	684,862	(229,580)	142,312	1,329,245	1,401,000	878,463	1,249,813	2,785,190	2,229,988	1,448,916
Total primary government net expense	<u>(3,154,952)</u>	<u>(4,145,961)</u>	<u>(4,393,673)</u>	<u>(10,883,149)</u>	<u>(5,522,990)</u>	<u>(5,364,457)</u>	<u>(6,101,556)</u>	<u>(3,681,026)</u>	<u>(4,427,526)</u>	<u>(5,292,646)</u>
<b>GENERAL REVENUES AND OTHER CHANGES IN NET POSITION</b>										
Governmental activities										
Taxes	5,011,887	5,051,726	5,629,641							
Property taxes				745,358	867,421	906,279	864,193	896,169	816,771	915,825
Sales taxes				3,234,247	3,523,837	3,605,629	3,388,455	3,978,397	4,186,070	4,239,538
Franchise taxes				1,360,063	1,485,734	1,969,979	1,657,903	1,762,577	1,622,045	1,572,099
Other taxes				153,767	161,988	152,724	215,065	211,217	152,046	157,339
Unrestricted investment earnings	123,496	162,454	304,196	630,951	649,256	313,661	118,459	37,719	33,593	29,815
Miscellaneous	479,440	605,554	361,347	308,063	260,722	196,470	458,050	351,344	320,148	294,193
Transfers	(9,148)	(30,323)							(490,485)	(32,595)
Total governmental activities	<u>5,605,675</u>	<u>5,789,411</u>	<u>6,295,184</u>	<u>6,432,449</u>	<u>6,948,958</u>	<u>7,144,742</u>	<u>6,702,125</u>	<u>7,237,423</u>	<u>6,640,188</u>	<u>7,176,214</u>
Business-type activities										
Unrestricted investment earnings	278,297	293,695	260,171	363,335	456,808	374,907	294,050	228,550	227,646	216,092
Miscellaneous			(3,752)							
Transfers	9,148	30,323							490,485	32,595
Total business-type activities	<u>287,445</u>	<u>324,018</u>	<u>256,419</u>	<u>363,335</u>	<u>456,808</u>	<u>374,907</u>	<u>294,050</u>	<u>228,550</u>	<u>718,131</u>	<u>248,687</u>
Total primary government	<u>5,893,120</u>	<u>6,113,429</u>	<u>6,551,603</u>	<u>6,795,784</u>	<u>7,405,766</u>	<u>7,519,649</u>	<u>6,996,175</u>	<u>7,465,973</u>	<u>7,358,319</u>	<u>7,424,901</u>
<b>CHANGE IN NET POSITION</b>										
Governmental activities	1,765,861	1,873,030	1,759,199	(5,779,945)	24,968	901,822	(649,244)	771,207	(17,326)	434,652
Business-type activities	972,307	94,438	398,731	1,692,580	1,857,808	1,253,370	1,543,863	3,013,740	2,948,119	1,697,603
Total primary government	<u>2,738,168</u>	<u>1,967,468</u>	<u>2,157,930</u>	<u>(4,087,365)</u>	<u>1,882,776</u>	<u>2,155,192</u>	<u>894,619</u>	<u>3,784,947</u>	<u>2,930,793</u>	<u>2,132,255</u>

CITY OF HARRISONVILLE, MISSOURI  
 FUND BALANCES, GOVERNMENTAL FUNDS  
 LAST TEN FISCAL YEARS

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
GENERAL FUND										
Nonspendable									137,711	148,835
Restricted									113,630	114,065
Unassigned									5,930,458	6,304,295
Reserved	96,031	96,836	98,729	145,388	120,742	134,148	122,118	101,466		
Unreserved	<u>4,460,635</u>	<u>5,354,289</u>	<u>5,907,713</u>	<u>6,889,715</u>	<u>7,585,851</u>	<u>8,203,393</u>	<u>8,179,575</u>	<u>7,202,484</u>		
Total General Fund	<u>4,556,666</u>	<u>5,451,125</u>	<u>6,006,442</u>	<u>7,035,103</u>	<u>7,706,593</u>	<u>8,337,541</u>	<u>8,301,693</u>	<u>7,303,950</u>	<u>6,181,799</u>	<u>6,567,195</u>
ALL OTHER GOVERNMENTAL FUNDS										
Nonspendable									112,270	101,248
Restricted									2,549,053	1,073,822
Assigned									1,064,581	907,262
Unassigned									(98,104)	(318,367)
Reserved	13,021,963	4,488,718	8,975,526	3,145,133	1,150,442	1,020,234	1,081,070	1,107,459		
Unreserved, reported in:										
Special revenue funds	<u>1,753,096</u>	<u>1,986,099</u>	<u>1,951,151</u>	<u>1,367,780</u>	<u>3,380,010</u>	<u>3,532,205</u>	<u>2,350,584</u>	<u>2,523,616</u>		
Total all other governmental funds	<u>14,775,059</u>	<u>6,474,817</u>	<u>10,926,677</u>	<u>4,512,913</u>	<u>4,530,452</u>	<u>4,552,439</u>	<u>3,431,654</u>	<u>3,631,075</u>	<u>3,627,800</u>	<u>1,763,965</u>

CITY OF HARRISONVILLE, MISSOURI  
 CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS - MODIFIED ACCRUAL  
 LAST TEN FISCAL YEARS

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
REVENUES										
Taxes	5,150,857	5,218,302	5,655,312							
Property				838,427	848,607	911,262	874,222	923,255	891,842	915,825
Sales				3,234,247	3,523,837	3,605,629	3,388,455	3,978,397	4,186,070	4,239,538
Franchise				1,360,063	1,485,734	1,969,979	1,657,903	1,762,577	1,622,045	1,572,099
Other				153,767	156,076	152,724	215,065	211,217	152,046	157,339
Licenses, fees, and permits	175,018	218,957	168,712	177,356	225,187	411,668	140,049	193,055	162,417	161,692
Fines and forfeitures	317,111	264,794	266,771	259,829	253,109	248,580	235,958	226,217	239,292	251,138
Charges for services	2,326,982	2,486,797	2,976,209	3,330,567	3,407,923	3,614,921	3,715,802	4,086,630	4,119,996	4,129,463
Grants	86,770	111,019	548,062	250,797	632,643	184,774	36,610	539,066	1,448,147	144,163
Investment earnings	123,496	162,454	304,196	630,951	649,256	313,661	118,459	37,719	33,593	29,815
Miscellaneous	479,440	300,271	361,347	308,063	260,722	196,470	458,050	351,583	336,855	294,193
Total revenues	<u>8,659,674</u>	<u>8,762,594</u>	<u>10,280,609</u>	<u>10,544,067</u>	<u>11,443,094</u>	<u>11,609,668</u>	<u>10,840,573</u>	<u>12,309,716</u>	<u>13,192,303</u>	<u>11,895,265</u>
EXPENDITURES										
General Government	1,162,419	1,272,272	1,397,997	1,431,657	1,615,486	1,675,957	1,705,939	1,686,829	1,875,373	1,667,057
Administration of Justice	1,920,966	1,963,411	2,009,591	2,089,362	2,374,198	2,720,316	2,481,177	2,529,476	2,554,360	2,581,042
Fire and Emergency	402,584	493,252	436,963	468,515	494,272	514,913	305,195			
Street	722,383	523,318	605,250	919,331	860,268	888,273	986,420	1,139,023	962,085	635,787
Economic Development	124,763	174,691	140,205	202,192	161,770	186,738	140,428	164,220	176,936	210,273
Animal Control	122,572	120,403	123,001	114,109	145,331	149,789	136,557	137,122	156,002	160,398
Airport	157,181	219,711	220,636	209,147	222,207	275,850	232,654	219,903	180,079	171,867
Ambulance	945,909	1,112,618	1,022,975	1,631,773	865,527	859,740	1,914,395	2,087,034	2,324,734	2,389,722
Park	389,963	373,674	308,696	318,377	378,458	396,746	395,146	462,220	462,593	488,375
Community Center		56,253	840,759	965,729	994,485	979,138	1,112,725	1,066,878	1,151,513	1,197,703
Towne Center Project			34,300	5,955,984	1,248,099	5,678	15,923	18,726	10,187	12,766
CDBG pass-through expenses									753,740	6,500
Capital outlay	1,463,657	8,864,084	4,003,841	589,934	1,254,285	849,141	1,142,304	1,938,203	1,837,010	1,020,483
Debt service										
Principal	49,983	450,000	500,000	525,000	7,410,000	575,000	780,000	825,000	733,926	815,940
Interest and fiscal fees	183,775	534,407	515,560	508,060	1,165,574	879,454	862,495	833,404	820,637	699,696
Total expenditures	<u>7,646,155</u>	<u>16,158,094</u>	<u>12,159,774</u>	<u>15,929,170</u>	<u>19,189,960</u>	<u>10,956,733</u>	<u>12,211,358</u>	<u>13,108,038</u>	<u>13,999,175</u>	<u>12,057,609</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,013,519</u>	<u>(7,395,500)</u>	<u>(1,879,165)</u>	<u>(5,385,103)</u>	<u>(7,746,866)</u>	<u>652,935</u>	<u>(1,370,785)</u>	<u>(798,322)</u>	<u>(806,872)</u>	<u>(162,344)</u>

CITY OF HARRISONVILLE, MISSOURI  
 CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS - MODIFIED ACCRUAL  
 LAST TEN FISCAL YEARS

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
OTHER FINANCING SOURCES (USES)										
Proceeds from sale of assets		444,783								
Proceeds of long-term debt	12,835,000		6,886,342		8,435,895				171,931	
Payments to escrow agent										(1,283,500)
Transfers in	973,095	1,642,286	1,170,714	1,236,060	1,307,535	1,343,412	1,425,335	3,779,288	2,680,436	2,578,093
Transfers out	<u>(982,243)</u>	<u>(1,672,609)</u>	<u>(1,170,714)</u>	<u>(1,236,060)</u>	<u>(1,307,535)</u>	<u>(1,343,412)</u>	<u>(1,425,335)</u>	<u>(3,779,288)</u>	<u>(3,170,921)</u>	<u>(2,610,688)</u>
Total other financing sources (uses)	<u>12,825,852</u>	<u>414,460</u>	<u>6,886,342</u>		<u>8,435,895</u>				<u>(318,554)</u>	<u>(1,316,095)</u>
NET CHANGES IN FUND BALANCES	<u>13,839,371</u>	<u>(6,981,040)</u>	<u>5,007,177</u>	<u>(5,385,103)</u>	<u>689,029</u>	<u>652,935</u>	<u>(1,370,785)</u>	<u>(798,322)</u>	<u>(1,125,426)</u>	<u>(1,478,439)</u>
DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES	3.8%	13.5%	8.4%	6.7%	47.8%	14.4%	14.8%	14.8%	12.8%	13.7%

CITY OF HARRISONVILLE, MISSOURI  
 ASSESSED VALUE OF TAXABLE PROPERTY  
 LAST TEN FISCAL YEARS

Fiscal Year Ended December 31,	Real Property	Personal Property	Total Taxable Assessed Value	Total Direct Tax Rate
2003	81,770,408	25,139,884	106,910,292	0.75
2004	83,590,337	25,542,567	109,132,904	0.75
2005	90,182,211	24,702,214	114,884,425	0.75
2006	92,956,701	24,305,736	117,262,437	0.75
2007	91,927,554	23,243,342	115,170,896	0.77
2008	93,646,146	21,440,771	115,086,917	0.78
2009	93,250,444	25,538,774	118,789,218	0.66
2010	94,022,248	25,241,452	119,263,700	0.66
2011	94,424,728	23,546,390	117,971,118	0.67
2012	95,845,535	22,091,806	117,937,341	0.68

Source: Cass County Assessor's Office

Note: A statewide real property reassessment program was implemented January 1, 1985, to create a more equitable sharing of the property tax burden by owners of real property.

Assessed value was determined by applying one of three percentages to the "Market Value." Those percentages are 32 for commercial, 19 for residential, and 12 for agriculture.

Tax rates are per \$100 of assessed value.

CITY OF HARRISONVILLE, MISSOURI  
 DIRECT AND OVERLAPPING PROPERTY TAX RATES  
 LAST NINE FISCAL YEARS

Fiscal Year Ended December 31,	City Direct Rates				Overlapping Rates			Total Direct and Overlapping
	General Fund	Ambulance Fund	Park Fund	Total Direct	State	Other	Total Overlapping Rates	
2004	0.5129	0.1161	0.1161	0.7451	0.03	5.58	5.61	6.36
2005	0.5129	0.1161	0.1161	0.7451	0.03	6.00	6.03	6.78
2006	0.5129	0.1161	0.1161	0.7451	0.03	6.04	6.07	6.82
2007	0.5278	0.1195	0.1195	0.7668	0.03	6.04	6.07	6.84
2008	0.5358	0.1213	0.1213	0.7784	0.03	6.19	6.22	7.00
2009	0.5422	0.0000	0.1227	0.6649	0.03	6.19	6.22	6.88
2010	0.5422	0.0000	0.1227	0.6649	0.03	6.20	6.23	6.89
2011	0.5501	0.0000	0.1245	0.6746	0.03	6.20	6.23	6.90
2012	0.5585	0.0000	0.1264	0.6849	0.03	6.18	6.21	6.90

Source: Cass County Collector

Note: The City's direct property tax rate may be increased only by a majority vote of the City's residents.

CITY OF HARRISONVILLE, MISSOURI  
 PRINCIPAL PROPERTY TAXPAYERS  
 CURRENT YEAR AND TEN YEARS AGO

Taxpayer	2012			2003		
	Taxable Assessed Value	Rank	Percentages of Total Assessed Valuation	Taxable Assessed Value	Rank	Percentages of Total Assessed Valuation
Church & Dwight/USA Detergents	5,212,300	1	4.42	4,808,819	1	4.50
Wal-Mart	3,214,380	2	2.73	3,253,980	2	3.04
Harrisonville MP II LLC	2,334,710	3	1.98			
Sutherlands Lumber Co.	1,566,790	4	1.33			
HFMD Properties LLC	1,387,360	5	1.18			
Harrisonville MP LLC	1,377,660	6	1.17			
Mill-Walk Mall	1,373,200	7	1.16	1,447,390	3	1.35
Harrisonville Crossings Properties	930,640	8	0.79			
Universal Forest Products	798,290	9	0.68	923,815	6	0.86
H.V. Hotel Investment LLC	746,450	10	0.63			
AHG, Inc.				1,084,810	5	1.10
Crown Properties, LC				574,420	8	0.54
Eaglepicher Pharmaceutical				1,267,660	4	1.19
CHEP USA				670,115	7	0.63
Vista Productions				563,780	9	0.53
Camden Regency Healthcare				527,850	10	0.49
<b>TOTALS</b>	<u>18,941,780</u>		<u>15.88</u>	<u>15,122,639</u>		<u>13.86</u>

Data provided by the Cass County Collector

CITY OF HARRISONVILLE, MISSOURI  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Total Tax Collections as Percent of Current Levy	Outstanding Delinquent Taxes	Outstanding Delinquent Taxes as Percent of Current Levy
2003	806,103	699,505	86.78	80,082	779,587	96.71	208,632	25.88
2004	813,143	618,866	76.11	59,899	678,765	83.47	343,010	42.18
2005	856,078	767,070	89.60	52,999	820,069	95.79	379,019	44.27
2006	873,722	806,434	92.30	52,926	859,360	98.36	103,845	11.89
2007	883,130	728,365	82.48	79,768	808,133	91.51	24,077	2.73
2008	895,837	858,631	95.85	19,441	878,072	98.02	22,087	2.47
2009	789,830	763,896	96.72	16,587	780,483	98.82	33,796	4.28
2010	792,984	721,512	90.99	9,515	731,027	92.19	72,313	9.12
2011	795,833	746,929	93.85	13,051	759,980	95.49	61,198	7.69
2012	807,753	732,284	90.66	52,050	784,334	97.10	23,419	2.90

NOTES: Amounts relating to railroad and utility property taxes are not included above.

Taxes paid under protest are held by the respective County Collector until the protest is resolved. This schedule presents taxes paid under protest at June 30 as delinquent, and subsequent remittances to the City are included as delinquent tax collections.

CITY OF HARRISONVILLE, MISSOURI  
 DIRECT AND OVERLAPPING  
 SALES TAX RATES  
 LAST TEN FISCAL YEARS

Fiscal Year	City Rate	Cass County	State	Total
2003	1.500	1.250	4.225	6.975
2004	1.500	1.250	4.225	6.975
2005	1.500	1.250	4.225	6.975
2006	1.500	1.250	4.225	6.975
2007	1.500	1.250	4.225	6.975
2008	1.500	1.250	4.225	6.975
2009	1.875	1.250	4.225	7.350
2010	1.875	1.250	4.225	7.350
2011	1.875	1.250	4.225	7.350
2012	1.875	1.750	4.225	7.850

Source: Missouri Department of Revenue

CITY OF HARRISONVILLE, MISSOURI  
TAXABLE RETAIL SALES  
LAST TEN CALENDAR YEARS  
(in thousands of dollars)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
TOTAL RETAIL SALES	<u>172,140</u>	<u>177,596</u>	<u>188,185</u>	<u>189,753</u>	<u>199,144</u>	<u>200,585</u>	<u>198,251</u>	<u>192,046</u>	<u>201,671</u>	<u>204,736</u>

Note: This report does not break out taxable sales by retail category as some detail information is considered confidential by state law.

Source: Missouri Department of Revenue

CITY OF HARRISONVILLE, MISSOURI  
RATIOS OF OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS

Fiscal Year Ended December 31,	Governmental Activities				Business-Type Activities		Total Primary Government	Percentage of Personal Income	Per Capita
	Certificates of Participation	Revenue Bonds	Promissory Note	Capital Lease Payable	Revenue Bonds	Promissory Note			
2003	12,835,000			524,823	12,520,000		25,879,823	0.15	2,668
2004	12,385,000			502,164	11,730,000		24,617,164	0.13	2,462
2005	11,885,000			478,160	12,685,000		25,048,160	0.13	2,444
2006	11,360,000			452,732	11,860,000		23,672,732	0.12	2,287
2007	10,810,000	8,630,000		425,794	11,175,000		31,040,794	0.15	2,985
2008	10,235,000	8,630,000		397,257	10,290,000		29,552,257	0.15	2,842
2009	9,635,000	17,450,000		367,027	9,580,000		37,032,027	0.18	3,561
2010	9,010,000	17,250,000		335,002	9,059,375		35,654,377	0.18	3,428
2011	8,530,000	17,030,000	171,931	301,076	11,718,541	380,000	38,131,548	0.17	3,806
2012	7,295,000	16,785,000	171,931	265,136	11,556,672	380,000	36,453,739	0.16	3,634

CITY OF HARRISONVILLE, MISSOURI  
 COMPUTATION OF LEGAL DEBT MARGIN  
 DECEMBER 31, 2012  
 (UNAUDITED)

	General Obligation Bonds		Total
	Ordinary (1)	Additional (2)	
Assessed valuation	117,937,341	_____	117,937,341
Constitutional debt limit	11,793,734	11,793,734	23,587,468
Less general obligation bonds payable	11,793,734	11,793,734	23,587,468
Cash and securities available for retirement	11,793,734	11,793,734	23,587,468

- (1) Article VI, Sections 26(b) and (c) of the State Constitution permits the City, by vote of two-thirds of the voting electorate, to incur an indebtedness for City purposes not to exceed 10% of the taxable tangible property therein as shown by the last completed assessment.
- (2) Article VI, Sections 26(d) and (e) of the State Constitution provides that the City may become indebted not exceeding the aggregate and additional 10% for the purpose of acquiring rights-of-way, constructing, extending and improving streets and avenues and/or sanitary or storm systems, and purchasing or constructing waterworks, electric or other light plants, provided that the total general obligation indebtedness of the City does not exceed 20% of the assessed valuation.

CITY OF HARRISONVILLE, MISSOURI  
 COMPUTATION OF DIRECT AND ESTIMATED OVERLAPPING DEBT  
 DECEMBER 31, 2012

Taxing Jurisdiction	Gross Debt Less Sinking Fund (1)	Approximate Percentage Applicable to Harrisonville (1)	Approximate Amount Applicable to Harrisonville (1)
School Districts, Cass R-IX	26,130,000	65%	16,984,500
Direct debt obligations of the City of Harrisonville (general obligation bonds), net of debt service funds	_____	0%	_____
Total direct and estimated overlapping debt	<u>26,130,000</u>		<u>16,984,500</u>

(1) On the basis of assessed valuation.

NOTE: Other government entities whose boundaries overlap the City have outstanding bonds payable from ad valorem taxes. This schedule of direct and estimated overlapping ad valorem debt was compiled from information furnished by the jurisdictions responsible for debt. Except for the amounts relating to the City, the City has not independently verified the accuracy or completeness of such information, and no representation regarding the reliability of such information is made.

Furthermore, certain entities listed in the statement may have issued additional bonds and such entities may have programs requiring the issuance of substantial additional bonds, the amounts of which cannot be determined at this time.

Lease purchase agreements are not included in this schedule but have been included in the past. This change accounts for the significant difference among this year and previous years' schedules.

CITY OF HARRISONVILLE, MISSOURI  
 DEMOGRAPHIC STATISTICS  
 LAST TEN FISCAL YEARS

Fiscal Year	(1) Population	Personal Income	(2) Per Capita Personal Income	(3) School Enrollment	(2) Unemployment Rate
2003	9,700	175,570,000	18,100	2,409	4.00%
2004	10,000	185,000,000	18,500	2,442	4.00%
2005	10,250	194,750,000	19,000	2,436	4.30%
2006	10,350	201,825,000	19,500	2,507	4.30%
2007	10,400	205,920,000	19,800	2,500	4.30%
2008	10,400	201,040,000	19,331	2,504	6.10%
2009	10,400	201,040,000	19,331	2,580	10.00%
2010	10,400	201,040,000	19,331	2,580	10.00%
2011	10,019	218,915,150	21,850	2,580	7.90%
2012	10,030	230,630,000	23,063	2,585	6.40%

Data Sources:

- 1 Bureau of Census and City estimates
- 2 KCADC and City estimates
- 3 School District

CITY OF HARRISONVILLE, MISSOURI  
 PRINCIPAL EMPLOYERS  
 THIS FISCAL YEAR AND FOUR YEARS AGO

Employer	2012			2008	
	Employees	Rank	% of Total Employment	Employees	Rank
Wal-Mart Distribution Center	775	1	25.01%	775	1
Cass Medical Center	412	2	13.29%	330	4
Wal-Mart	397	3	12.81%	390	2
Cass R-IX Schools	386	4	12.46%	367	3
Cass County Government	285	5	9.20%	285	5
Church & Dwight Co., Inc.	231	6	7.45%	208	8
City of Harrisonville	214	7	6.91%	225	6
Casco Area Workshop	200	8	6.45%	220	7
Crown Care Center	101	9	3.26%	101	9
Family Center	98	10	3.16%	98	10
Total Employment	3,099			2,999	

Source: Harrisonville Area Chamber of Commerce and Economic Development

CITY OF HARRISONVILLE, MISSOURI  
 SCHEDULE OF PROPERTY VALUE, CONSTRUCTION PERMITS ISSUED,  
 AND TOTAL DOLLARS ON DEPOSIT AT YEAR-END  
 WITH LOCAL BANKS AND SAVINGS AND LOANS  
 LAST TEN YEARS

Year	Construction Permits and Value (1) and (2)				Total Year-End Deposits at Local Banks (Thousands)	Total Property Value (3)
	Residential		Commercial			
	Number	Value	Number	Value		
December 2003	285	6,649,324	130	9,240,581	226,089	106,910,292
December 2004	316	13,415,449	144	13,083,218	237,597	109,132,904
December 2005	355	7,176,302	189	3,676,090	286,990	114,894,425
December 2006	400	5,132,062	267	9,475,391	249,989	117,262,437
December 2007	861	6,049,296	154	14,936,040	339,313	115,170,896
December 2008	319	3,054,774	93	59,978,221	277,759	115,086,917
December 2009	245	1,672,246	68	1,180,815	295,081	118,789,218
December 2010	276	1,283,561	95	18,650,228	317,327	119,263,700
December 2011	318	1,403,626	98	3,392,188	329,770	117,971,118
December 2012	240	2,103,410	76	3,685,500	341,344	117,937,341

(1) Permit totals include additions to existing structures.

(2) Information obtained from Codes Administration Department.

(3) Assessed valuation.

CITY OF HARRISONVILLE, MISSOURI  
 CAPITAL ASSET STATISTICS  
 BY FUNCTION/PROGRAM  
 LAST SEVEN FISCAL YEARS

Function/Program	Fiscal Year						
	2006	2007	2008	2009	2010	2011	2012
Police							
Patrol units	23	23	23	23	23	20	20
Police stations	1	1	1	1	1	1	1
Fire							
Fire stations	1	1	1	1	1	1	1
Fire hydrants	660	660	670	678	678	678	678
Streets							
Miles	69	69	69	69	69	69	69
Streetlights	900	900	900	900	900	900	900
Miles of storm sewers	9	9	9	9	9	9	9
Parks							
Parks	6	6	6	6	6	6	6
Acreage	250	250	250	250	250	250	250
Golf courses	2	2	2	2	2	2	2
Swimming pools	2	2	2	2	2	2	2
Tennis courts	4	4	4	4	4	4	4
Community centers	7	7	7	7	7	7	7
Sewer							
Sanitary sewer (miles)	54.0	54.0	54.0	54.0	54.0	54.0	54.0
Plant capacity (mg/l)	1.3	1.3	1.5	1.5	2.0	2.0	2.0
Treatment plants	1	1	1	1	1	1	1
Service connections	4,079	4,094	4,102	4,084	4,071	4,037	4,062
Maximum daily capacity of treatment plant in gallons	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Water							
Miles of water mains	56	56	56	56	56	56	56
Service connections	4,152	3,984	3,992	3,978	3,966	3,923	3,937
Daily average consumption in gallons	1,300,000	1,300,000	1,300,000	950,000	950,000	950,000	950,000

Source: City Department Heads

CITY OF HARRISONVILLE, MISSOURI  
 FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES  
 BY FUNCTION/PROGRAM  
 LAST SEVEN FISCAL YEARS

Function/Program	Fiscal Year						
	2006	2007	2008	2009	2010	2011	2012
General Government							
Management	5	5	5	5	5	4	4
Finance	7	7	8	7	6	7	6
Codes	4	4	4	4	4	4	2
Community Development	2	2	1	2	2	2	3
Police							
Officers	20	20	20	21	23	25	23
Civilians	6	6	5	6	6	6	6
Animal control	2	2	1	2	2	2	1
Court	1	1	1	1	1	1	1
Fire/EMS							
Firefighters/Director	5	5	5	1	1	1	1
Firefighters/Paramedics/EMT's	4	2	3	19	17	15	19
Clerk	1	1	1	1	1	1	1
Public Works							
Engineering	1	1	1	1	1	1	1
Streets	8	8	8	8	7	7	8
Electric	9	9	9	9	8	8	7
Water	13	13	13	13	13	12	12
Wastewater	4	5	5	4	4	4	4
Airport	1	1	1	1	1	1	1
Community Center/Parks	<u>10</u>	<u>9</u>	<u>11</u>	<u>11</u>	<u>11</u>	<u>10</u>	<u>8</u>
Total	<u>103</u>	<u>101</u>	<u>102</u>	<u>116</u>	<u>113</u>	<u>111</u>	<u>108</u>

Source: Jan Harper, City of Harrisonville

ACCOMPANYING INFORMATION

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CITY OF HARRISONVILLE, MISSOURI  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 YEAR ENDED DECEMBER 31, 2012

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Pass-Through Entity Identifying Number	Federal CFDA Number	Federal Expenditures
<u>Environmental Protection Agency</u>			
Pass-through Missouri Department of Natural Resources			
ARRA - Capitalization Grants for Clean Water State Revolving Funds	C295365-05	66.458	55,500
State Energy Program		81.041	770,278
Energy Efficiency and Conservation Block Grant (EECBG) Program		81.128	<u>225,000</u>
			<u>1,050,778</u>
<u>Department of Housing and Urban Development</u>			
Pass-through Missouri Department of Economic Development			
Community Development Block Grants	2008 DI-34	14.228	<u>6,500</u>
<u>Department of Transportation</u>			
Pass-through Missouri Department of Transportation			
Airport Improvement Program	09-110C-1	20.106	37,860
State and Community Highway Safety		20.600	4,885
Alcohol Impaired Driving Countermeasures Incentive Grants I		20.601	<u>2,740</u>
			<u>45,485</u>
<u>Department of Homeland Security</u>			
Pass-through Missouri Department of Public Safety			
Disaster Grants - Public Assistance	1961-DR-MO	97.036	<u>1,363</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>1,104,126</u>

CITY OF HARRISONVILLE, MISSOURI  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2012

NOTE 1. BASIS OF PRESENTATION

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

NOTE 2. SUBRECIPIENTS

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

NOTE 3. PURPOSES OF FEDERAL PROGRAMS

A brief description of the purpose of each federal program follows:

Capitalization Grants for Clean Water State Revolving Funds (66.458)

To create State Revolving Funds (SRF's) through a program of capitalization grants to states which will provide a long-term source of State financing for construction of wastewater treatment facilities and implementation of other water quality management activities. The capitalization grant that is deposited in the state's SRF is used to provide loans and other types of financial assistance, but not grants, to local communities and intermunicipal and interstate agencies. The capitalization grant that is deposited from funds available under the American Recovery and Reinvestment Act of 2009 are considered grants and not loans to local communities.

Airport Improvement Program (20.106)

To assist sponsors, owners, or operators of public-use airports in the development of a nationwide system of airports adequate to meet the needs of civil aeronautics. The purpose of the law includes the investment in transportation, environmental protection, and airport infrastructure that will provide long-term economic benefits.

State and Community Highway Safety (20.600)

To provide a coordinated national highway safety program to reduce traffic crashes, deaths, injuries, and property damage.

Alcohol Impaired Driving Countermeasures Incentive Grants I (20.601)

To encourage States to adopt effective programs to reduce crashes resulting from persons driving while under the influence of alcohol.

CITY OF HARRISONVILLE, MISSOURI  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2012

NOTE 3. PURPOSES OF FEDERAL PROGRAMS (Continued)

Disaster Grants - Public Assistance (97.036)

To assist state and local governments in responding to and recovering from the devastating effects of disasters by providing assistance for debris removal, emergency protective measures, and the repair, restoration, reconstruction, or replacement of public facilities or infrastructure damaged or destroyed.

Community Development Block Grants (14.228)

The primary objective of this program is the development of viable urban communities by providing decent housing, a suitable living environment, and expanding economic opportunities, principally for persons of low and moderate income. Each activity funded must meet one of the program's National Objectives by: benefiting low- and moderate-income families; aiding in the prevention or elimination of slums or blight; or meeting other community development needs having a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community where other financial resources are not available.

State Energy Program (81.041)

The program provides financial and technical assistance to state governments to create and implement a variety of energy efficiency and conservation projects in order to provide leadership to maximize the benefits of energy efficiency and renewable energy through communications and outreach activities, technology deployment, and accessing new partnerships and resources across the geographic panorama of the United States and its territories.

Energy Efficiency and Conservation Block Grant Program - EECBG (81.128)

The program provides financial and technical assistance to assist state and local governments create and implement a variety of energy efficiency and conservation projects.

NOTE 4. LOCAL GOVERNMENT CONTRIBUTIONS

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

NOTE 5. ADDITIONAL AUDITS

Grantor agencies reserve the right to conduct additional audits of the City's grant programs for economy, efficiency, and program results which may result in disallowed costs to the City. However, City management does not believe such audits would result in any disallowed costs that would be material to the City's financial position at December 31, 2012.

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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  
Members of the Board of Aldermen  
City of Harrisonville, 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 City of Harrisonville, Missouri, which comprise the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information as of and for the year ended December 31, 2012, and have issued our report thereon dated July 16, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Harrisonville, 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of 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 over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs, that we consider to be significant deficiencies as item 2012-1.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Harrisonville, Missouri's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 that are required to be reported under *Government Auditing Standards*.

The City of Harrisonville, Missouri's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City of Harrisonville, Missouri's response, 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 F Cole + Company, LLP

Overland Park, Kansas  
July 16, 2013 and July 7, 2014, as reissued

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

To the Honorable Mayor  
and Members of the Board of Aldermen  
City of Harrisonville, Missouri

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

We have audited the City of Harrisonville, Missouri's compliance with the types of compliance requirements described in the OMB Circular A-133, *Compliance Supplement*, that could have a direct and material effect on each of the City of Harrisonville, Missouri's major federal programs for the year ended December 31, 2012. The City of Harrisonville, Missouri's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

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

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

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

In our opinion, the City of Harrisonville, Missouri, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

## Report on Internal Control Over Compliance

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

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

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

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

Dana F Cole + Company, LLP

Overland Park, Kansas  
July 16, 2013 and July 7, 2014, as reissued

CITY OF HARRISONVILLE, MISSOURI  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 YEAR ENDED DECEMBER 31, 2012

SECTION I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness identified:  Yes  No

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

Noncompliance matter to the financial statements disclosed:  Yes  No

Federal Awards

Internal control over major programs:

Material weakness identified:  Yes  No

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

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

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

Identification of major programs:

CFDA No.

State Energy Program 81.041

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

Auditee qualified as a low-risk auditee?  Yes  No

CITY OF HARRISONVILLE, MISSOURI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2012

SECTION II. FINANCIAL STATEMENT FINDINGS

2012-1 RELIANCE UPON THE AUDITOR

Condition

Management should possess the ability to reconcile all accounts and 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.

Criteria

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

Questioned Costs

None.

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.

Recommendation

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

Management's Response

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

CITY OF HARRISONVILLE, MISSOURI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2012

SECTION III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

CITY OF HARRISONVILLE, MISSOURI  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED DECEMBER 31, 2012

The prior audit findings are as follows:

FINANCIAL STATEMENT FINDINGS

2011-1 RELIANCE UPON THE AUDITOR

Management should possess the ability to reconcile all accounts and 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. See current year finding 2012-1.