

CITY OF HARRISONVILLE, MISSOURI
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED DECEMBER 31, 2013

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

June 26, 2014

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, 2013. 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, 2013, 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.

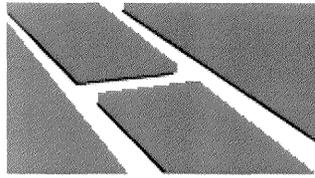
Long-term financial planning - The City of Harrisonville prepares a five-year Capital Improvement Plan (CIP) for constructing, maintaining, and replacing the City's physical infrastructure. These projects are reviewed annually and updated as conditions, prices, resources, and priorities change. These 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,

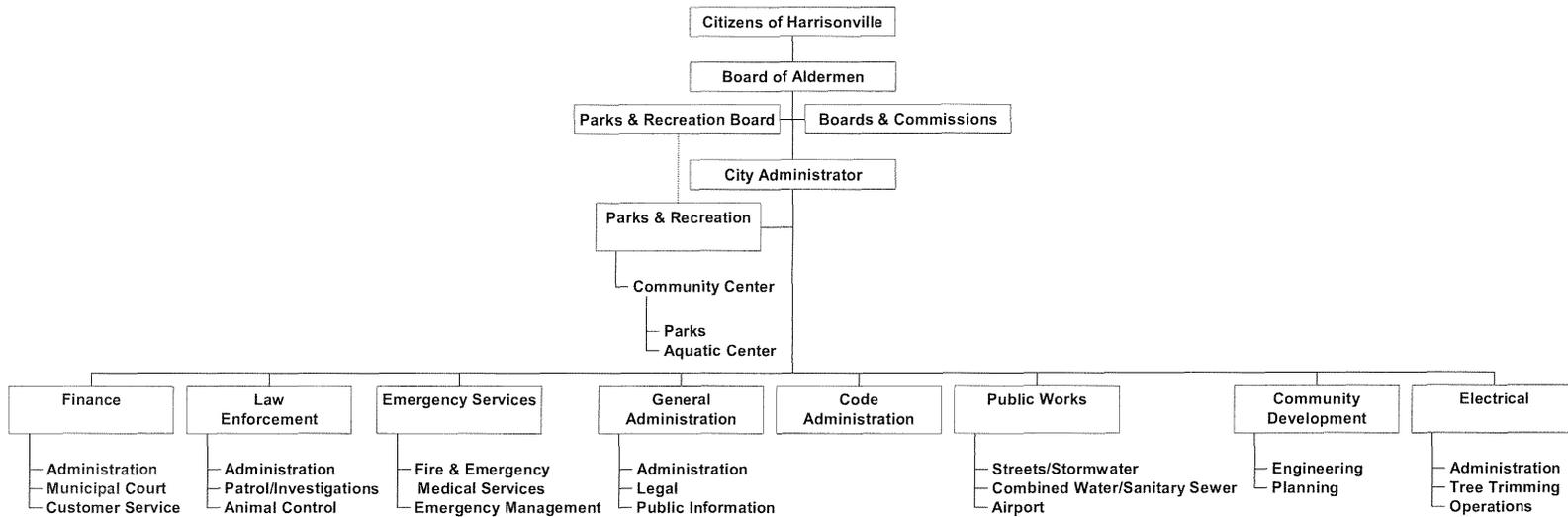
Michael E. Tholen
Director of Finance



City of

Harrisonville ^{est. 1836}

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CITY OF HARRISONVILLE, MISSOURI
PRINCIPAL OFFICIALS
DECEMBER 31, 2013

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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that our audit provides a reasonable basis for our opinion.

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, 2013, 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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 8 - 14 and 57 - 60 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Harrisonville, Missouri's basic financial statements. The introductory section, other supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information on pages 61 - 70 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information on pages 61 - 70 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have 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 them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2014, 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, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Harrisonville, Missouri's internal control over financial reporting and compliance.

Dana J Cole + Company, LLP

Overland Park, Kansas
June 26, 2014

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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 2013 because of lower personal property tax valuations, but overall net position has 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 spring 2014, with a total investment of approximately two million dollars.

These statements include the Towne Center TIF expenditures, which impact the net position 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 2013, but will need additional development to continue to service the debt without impacting other City funds.

The collection of sales tax revenues matched previous levels. 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 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

CITY OF HARRISONVILLE, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS

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 56. The fund financial statements provide detailed information about each of the City's most significant funds, called "major funds." For 2013, the Sales Tax Fund has been shown as a major fund. All other funds are summarized and presented in a single column called "nonmajor."

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.

CITY OF HARRISONVILLE, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS

Statement of Net Position

The following table summarizes the combined statement of net position as of December 31, 2013, compared with the same information for the fiscal year ending December 31, 2012:

City of Harrisonville, Missouri's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES						
Current and other assets	18,325,584	18,890,006	11,509,356	11,254,009	29,834,940	30,144,015
Deferred outflows of resources	466,800	983,964		100,727	466,800	1,084,691
Capital assets	<u>23,620,359</u>	<u>22,610,092</u>	<u>35,076,829</u>	<u>34,810,179</u>	<u>58,697,188</u>	<u>57,420,271</u>
 TOTAL ASSETS AND DEFERRED FLOWS OF RESOURCES	 <u>42,412,743</u>	 <u>42,484,062</u>	 <u>46,586,185</u>	 <u>46,164,915</u>	 <u>88,998,928</u>	 <u>88,648,977</u>
 LIABILITIES						
Other liabilities	2,389,850	1,558,846	1,654,058	1,550,331	4,043,908	3,109,177
Long-term liabilities	<u>23,813,113</u>	<u>24,735,021</u>	<u>11,202,552</u>	<u>12,155,871</u>	<u>35,015,665</u>	<u>36,890,892</u>
 TOTAL LIABILITIES	 <u>26,202,963</u>	 <u>26,293,867</u>	 <u>12,856,610</u>	 <u>13,706,202</u>	 <u>39,059,573</u>	 <u>40,000,069</u>
 NET POSITION						
Invested in capital assets, net of related debt	16,629,597	14,660,071	24,103,550	22,757,615	40,733,147	37,417,686
Restricted	1,007,888	1,186,071	2,170,113	2,194,593	3,178,001	3,380,664
Unrestricted (deficit)	<u>(1,427,705)</u>	<u>344,053</u>	<u>7,455,912</u>	<u>7,506,505</u>	<u>6,028,207</u>	<u>7,850,558</u>
 TOTAL NET POSITION	 <u>16,209,780</u>	 <u>16,190,195</u>	 <u>33,729,575</u>	 <u>32,458,713</u>	 <u>49,939,355</u>	 <u>48,648,908</u>

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

CITY OF HARRISONVILLE, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS

Statement of Activities

The following table reflects the revenues and expenses for the City's activities for the fiscal year ending December 31, 2013, compared with the same information for the fiscal year ending December 31, 2012:

City of Harrisonville, Missouri's Statement of Activities

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
REVENUES						
Program revenues						
Charges for services	4,503,660	4,542,293	16,908,881	16,869,999	21,412,541	21,412,292
Operating grants and contributions	187,359	144,163			187,359	144,163
Capital grants and contributions				280,500		280,500
General revenues						
Taxes	7,141,191	6,884,801			7,141,191	6,884,801
Investment earnings	36,838	29,815	149,424	216,092	186,262	245,907
Transfers	(33,265)	(32,595)	33,265	32,595		
Other miscellaneous revenues	169,275	294,193	130,771		300,046	294,193
Total revenues	<u>12,005,058</u>	<u>11,862,670</u>	<u>17,222,341</u>	<u>17,399,186</u>	<u>29,227,399</u>	<u>29,261,856</u>
EXPENSES						
General Government	1,905,925	1,795,064			1,905,925	1,795,064
Administration of Justice	2,662,905	2,688,722			2,662,905	2,688,722
Street	997,572	871,419			997,572	871,419
Economic Development	293,097	225,041			293,097	225,041
Animal control	176,656	167,154			176,656	167,154
Airport	359,292	319,622			359,292	319,622
Emergency Services	2,273,547	2,472,147			2,273,547	2,472,147
Park	578,777	590,728			578,777	590,728
Community Center	1,650,035	1,506,078			1,650,035	1,506,078
Towne Center TIF	13,046	12,766			13,046	12,766
CDBG Pass-through		6,500				6,500
Interest on long-term debt	615,807	772,777			615,807	772,777
Electric			11,427,822	11,247,956	11,427,822	11,247,956
Water/Sewer			3,693,731	3,703,248	3,693,731	3,703,248
Aquatic Center			260,514	276,719	260,514	276,719
Refuse			468,685	473,660	468,685	473,660
Total expenses	<u>11,526,659</u>	<u>11,428,018</u>	<u>15,850,752</u>	<u>15,701,583</u>	<u>27,377,411</u>	<u>27,129,601</u>

CITY OF HARRISONVILLE, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS

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

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
CHANGE IN NET POSITION	478,399	434,652	1,371,589	1,697,603	1,849,988	2,132,255
NET POSITION, beginning of year	16,190,195	15,755,543	32,458,713	30,761,110	48,648,908	46,516,653
GASB 65 RESTATEMENT	<u>(458,814)</u>	<u> </u>	<u>(100,727)</u>	<u> </u>	<u>(559,541)</u>	<u> </u>
NET POSITION, end of year	<u>16,209,780</u>	<u>16,190,195</u>	<u>33,729,575</u>	<u>32,458,713</u>	<u>49,939,355</u>	<u>48,648,908</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 1.5% in 2013 from 2012, 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 3.7% primarily due to additional tax revenues in 2013.

Total program expenses for 2013 are \$27,377,411 with the majority, \$15,850,752, stemming from business-type activities. Governmental activities expenditures increased 0.9% from the previous fiscal year and total of business-type activity spending increased 1.0%.

Public safety expenses, at \$4,936,452, totaled approximately 43% 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 2.7% in 2013.

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.

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 2013. It is in capital projects, which reflects the amount of unfinished capital work from 2012, which was reappropriated into the 2013 budget, as well as several newly authorized construction projects and equipment purchases. All budget amendments are reviewed and approved by the Board of Aldermen.

CITY OF HARRISONVILLE, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Assets

City of Harrisonville, Missouri's Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	890,750	890,750	1,588,031	1,588,031	2,478,781	2,478,781
Buildings	22,183,255	22,181,460	18,107,043	17,329,750	40,290,298	39,511,210
Machinery and equipment	6,184,947	5,913,699			6,184,947	5,913,699
Equipment and transmission			36,592,044	35,899,525	36,592,044	35,899,525
Streets	5,769,413	5,501,977			5,769,413	5,501,977
Construction-in-progress	1,954,255	341,814	1,691,933	1,614,106	3,646,188	1,955,920
	<u>36,982,620</u>	<u>34,829,700</u>	<u>57,979,051</u>	<u>56,431,412</u>	<u>94,961,671</u>	<u>91,261,112</u>
Less accumulated depreciation	13,362,261	12,219,608	22,902,222	21,621,233	36,264,483	33,840,841
Total	<u>23,620,359</u>	<u>22,610,092</u>	<u>35,076,829</u>	<u>34,810,179</u>	<u>58,697,188</u>	<u>57,420,271</u>

Major Capital Asset Events, FY 2013:

- Street, sidewalk, curb, and storm water projects in excess of \$250,000
- New transformer project for north substation for \$740,000
- Construction of the police building in excess of \$1.4 million
- Over \$300,000 in wastewater treatment plant improvements
- Over \$100,000 for construction of the Independence Bridge

Debt Administration

As of December 31, 2013, the City of Harrisonville, Missouri, had total long-term debt outstanding of \$34,565,548. 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.

	(in thousands of dollars)					
	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Tax Increment Revenue Note	9,000	9,000			9,000	9,000
Tax Increment Revenue Bonds	7,520	7,785			7,520	7,785
Revenue Bonds			10,712	11,557	10,712	11,557
Certificates of Participation	6,665	7,295			6,665	7,295
Capital Lease	227	265			227	265
Promissory Notes	163	172	279	380	442	552
	<u>23,575</u>	<u>24,517</u>	<u>10,991</u>	<u>11,937</u>	<u>34,566</u>	<u>36,454</u>

CITY OF HARRISONVILLE, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS

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 continues to be in the minds of potential commercial and industrial customers. The State of Missouri, in conjunction with local funding partners, is beginning significant improvements to the interchange at I-49 and MO-291, as well as to MO-7 through Harrisonville. These public infrastructure investments should help maintain and strengthen our commercial base. 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.

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BASIC FINANCIAL STATEMENTS

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CITY OF HARRISONVILLE, MISSOURI
STATEMENT OF NET POSITION
DECEMBER 31, 2013

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash	78,805	56,285	135,090	
Investments	5,550,912	5,154,768	10,705,680	
Accounts receivable, net of allow- ance for doubtful accounts	625,307	1,899,024	2,524,331	
Grants receivable	17,430		17,430	
Taxes receivable	1,073,638		1,073,638	176,890
Accrued interest receivable	15,761		15,761	
Inventories	84,050	667,920	751,970	
Prepaid expenses	200,498	61,667	262,165	
Restricted cash	829,376	705,568	1,534,944	320,807
Restricted investments	178,512	1,464,545	1,643,057	
Due from other funds		1,499,579	1,499,579	
Due from component unit	9,671,295		9,671,295	
Capital assets				
Land	890,750	1,588,031	2,478,781	
Construction-in-progress	1,954,255	1,691,933	3,646,188	
Other capital assets, net of accumulated depreciation	<u>20,775,354</u>	<u>31,796,865</u>	<u>52,572,219</u>	
TOTAL ASSETS	<u>41,945,943</u>	<u>46,586,185</u>	<u>88,532,128</u>	<u>497,697</u>
DEFERRED OUTFLOWS OF RESOURCES				
Unamortized payment to escrow agent on defeasance of long-term debt	<u>466,800</u>		<u>466,800</u>	
Total deferred outflows of resources	<u>466,800</u>		<u>466,800</u>	
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>42,412,743</u>	<u>46,586,185</u>	<u>88,998,928</u>	<u>497,697</u>

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

CITY OF HARRISONVILLE, MISSOURI
STATEMENT OF NET POSITION
DECEMBER 31, 2013

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
LIABILITIES				
Accounts payable	175,401	889,803	1,065,204	90,009
Accrued expenses	507,295	45,898	553,193	
Unearned revenue	127,050	65,589	192,639	
Liabilities payable from restricted assets	80,525		80,525	
Meter deposits		652,768	652,768	
Due to other funds	1,499,579		1,499,579	
Due to primary government				9,671,295
Due to developers				5,326,059
Noncurrent liabilities				
Due within one year	1,224,259	971,836	2,196,095	
Due in more than one year	<u>22,588,854</u>	<u>10,230,716</u>	<u>32,819,570</u>	
TOTAL LIABILITIES	<u>26,202,963</u>	<u>12,856,610</u>	<u>39,059,573</u>	<u>15,087,363</u>
NET POSITION				
Invested in capital assets, net of related debt	16,629,597	24,103,550	40,733,147	
Restricted for:				
Capital improvements	178,512	151,768	330,280	
Debt service	746,975	2,018,345	2,765,320	
Other purposes	82,401		82,401	
Unrestricted (deficit)	<u>(1,427,705)</u>	<u>7,455,912</u>	<u>6,028,207</u>	<u>(14,589,666)</u>
TOTAL NET POSITION	<u>16,209,780</u>	<u>33,729,575</u>	<u>49,939,355</u>	<u>(14,589,666)</u>
TOTAL LIABILITIES AND NET POSITION	<u>42,412,743</u>	<u>46,586,185</u>	<u>88,998,928</u>	<u>497,697</u>

CITY OF HARRISONVILLE, MISSOURI
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2013

Functions/programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position			Component Unit
		Charges for Services	Operating Grants and Contributions	Primary Government			
				Governmental Activities	Business-Type Activities	Total	
Primary government							
Governmental activities							
General Government	1,905,925	1,915,453	187,359	196,887		196,887	
Administration of Justice	2,662,905	293,448		(2,369,457)		(2,369,457)	
Street	997,572			(997,572)		(997,572)	
Economic Development	293,097			(293,097)		(293,097)	
Animal Control	176,656			(176,656)		(176,656)	
Airport	359,292			(359,292)		(359,292)	
Emergency Services	2,273,547	1,280,799		(992,748)		(992,748)	
Park	578,777	60,448		(518,329)		(518,329)	
Community Center	1,650,035	953,512		(696,523)		(696,523)	
Towne Center Project	13,046			(13,046)		(13,046)	
Interest on long-term debt	615,807			(615,807)		(615,807)	
Total governmental activities	<u>11,526,659</u>	<u>4,503,660</u>	<u>187,359</u>	<u>(6,835,640)</u>		<u>(6,835,640)</u>	
Business-type activities							
Electric	11,427,822	12,020,203			592,381	592,381	
Water/Sewer	3,693,731	4,313,059			619,328	619,328	
Aquatic Center	260,514	109,665			(150,849)	(150,849)	
Refuse	468,685	465,954			(2,731)	(2,731)	
Total business-type activities	<u>15,850,752</u>	<u>16,908,881</u>			<u>1,058,129</u>	<u>1,058,129</u>	
Total primary government	<u>27,377,411</u>	<u>21,412,541</u>	<u>187,359</u>	<u>(6,835,640)</u>	<u>1,058,129</u>	<u>(5,777,511)</u>	
Market Place Component Unit	<u>611,642</u>						<u>(611,642)</u>
General revenues							
Taxes							
Property tax				965,993		965,993	
Local sales tax				4,231,748		4,231,748	364,002
Franchise taxes				1,590,453		1,590,453	
Other taxes				352,997		352,997	181,101
Investment earnings				36,838	149,424	186,262	148
Transfers in (out)				(33,265)	33,265		
Other miscellaneous revenues				169,275	130,771	300,046	
Total general revenues				<u>7,314,039</u>	<u>313,460</u>	<u>7,627,499</u>	<u>545,251</u>
CHANGE IN NET POSITION				478,399	1,371,589	1,849,988	(66,391)
NET POSITION, beginning of year (as restated)				<u>15,731,381</u>	<u>32,357,986</u>	<u>48,089,367</u>	<u>(14,523,275)</u>
NET POSITION, end of year				<u>16,209,780</u>	<u>33,729,575</u>	<u>49,939,355</u>	<u>(14,589,666)</u>

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

CITY OF HARRISONVILLE, MISSOURI
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2013

	General Fund	Sales Tax Fund	Community Center Fund	Towne Center TIF Fund	Emergency Services Fund	Nonmajor Funds	Total Governmental Funds
ASSETS							
ASSETS							
Cash		78,805					78,805
Investments	4,916,499	434,387	200,026				5,550,912
Accrued interest receivable	15,761						15,761
Accounts receivable			62,815		562,492		625,307
Grants receivable	17,430						17,430
Taxes receivable	655,673	145,491		187,300		85,174	1,073,638
Due from component unit	275,000	7,609					282,609
Inventories	47,106				36,944		84,050
Prepaid insurance	123,379		16,742		51,605	8,772	200,498
Restricted cash	82,401	18,422		726,963		1,590	829,376
Restricted investments	112,283					66,229	178,512
18 TOTAL ASSETS	<u>6,245,532</u>	<u>684,714</u>	<u>279,583</u>	<u>914,263</u>	<u>651,041</u>	<u>161,765</u>	<u>8,936,898</u>
LIABILITIES AND FUND BALANCES (DEFICIT)							
LIABILITIES							
Accounts payable	141,071		15,271	1,750	10,878	6,431	175,401
Due to other funds	195,984		125,053	147,201	985,064	46,277	1,499,579
Accrued expenses	81,015		3,406		34,188		118,609
Deferred revenue	78,006		35,346			13,698	127,050
Liabilities payable from restricted assets	80,525						80,525
Total liabilities	<u>576,601</u>		<u>179,076</u>	<u>148,951</u>	<u>1,030,130</u>	<u>66,406</u>	<u>2,001,164</u>
FUND BALANCES (DEFICIT)							
Nonspendable	170,485		16,742		88,549	8,772	284,548
Restricted	114,159	18,422		765,312		67,819	965,712
Assigned		666,292	83,765			22,012	772,069
Unassigned (deficit)	5,384,287				(467,638)	(3,244)	4,913,405
Total fund balances (deficit)	<u>5,668,931</u>	<u>684,714</u>	<u>100,507</u>	<u>765,312</u>	<u>(379,089)</u>	<u>95,359</u>	<u>6,935,734</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	<u>6,245,532</u>	<u>684,714</u>	<u>279,583</u>	<u>914,263</u>	<u>651,041</u>	<u>161,765</u>	<u>8,936,898</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, 2013

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

Fund balance - total governmental funds		6,935,734
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		
Governmental capital assets	36,982,617	
Less accumulated depreciation	<u>(13,362,258)</u>	23,620,359
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Certificates of participation	(6,665,000)	
Tax increment revenue bonds	(7,520,000)	
Tax increment note payable	(9,000,000)	
Promissory note payable	(162,916)	
Accrued interest payable	(388,686)	
Capital lease payable	<u>(227,063)</u>	(23,963,665)
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	132,784	
Bond premium	(68,567)	
Unamortized payment to escrow agent for defeasance on long-term debt	466,800	531,017
Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.		(302,351)
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><u>16,209,780</u></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, 2013

	General Fund	Sales Tax Fund	Community Center	Towne Center TIF Fund	Emergency Services Fund	Nonmajor Funds	Total Governmental Funds
REVENUES							
Taxes							
Property	655,859			158,182		151,952	965,993
Sales	2,355,046	1,619,872		256,830			4,231,748
Franchise	1,590,453						1,590,453
Other	336,984					16,013	352,997
Licenses, fees, and permits	129,094						129,094
Charges for services	1,786,359		953,512		1,280,799	60,448	4,081,118
Grants	187,359						187,359
Fines and forfeitures	293,448						293,448
Interest	30,712	4,228	1,481	179		238	36,838
Miscellaneous	102,626		25,879	66	25,266	15,438	169,275
Total revenues	<u>7,467,940</u>	<u>1,624,100</u>	<u>980,872</u>	<u>415,257</u>	<u>1,306,065</u>	<u>244,089</u>	<u>12,038,323</u>
EXPENDITURES							
Current							
General Government	1,787,238						1,787,238
Administration of Justice	2,571,510						2,571,510
Street	770,736						770,736
Economic Development	275,794						275,794
Animal Control	171,273						171,273
Airport	210,681						210,681
Emergency Services					2,163,113		2,163,113
Park						463,459	463,459
Community Center			1,322,084				1,322,084
Towne Center Project				13,046			13,046
Debt service							
Principal	38,073		9,015	265,000		630,000	942,088
Interest	14,961		450	359,719		181,412	556,542
Capital outlay	1,987,914		54,652		110,354		2,152,920
Total expenditures	<u>7,828,180</u>		<u>1,386,201</u>	<u>637,765</u>	<u>2,273,467</u>	<u>1,274,871</u>	<u>13,400,484</u>

CITY OF HARRISONVILLE, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES (DEFICIT) - GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2013

	General Fund	Sales Tax Fund	Community Center Fund	Towne Center TIF Fund	Emergency Services Fund	Nonmajor Funds	Total Governmental Funds
REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	<u>(360,240)</u>	<u>1,624,100</u>	<u>(405,329)</u>	<u>(222,508)</u>	<u>(967,402)</u>	<u>(1,030,782)</u>	<u>(1,362,161)</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	229,056		121,000		788,437	1,089,653	2,228,146
Transfers out	<u>(767,080)</u>	<u>(1,494,331)</u>					<u>(2,261,411)</u>
Total other financing sources (uses)	<u>(538,024)</u>	<u>(1,494,331)</u>	<u>121,000</u>		<u>788,437</u>	<u>1,089,653</u>	<u>(33,265)</u>
NET CHANGE IN FUND BALANCES	(898,264)	129,769	(284,329)	(222,508)	(178,965)	58,871	(1,395,426)
FUND BALANCES (DEFICIT), January 1, 2013	<u>6,567,195</u>	<u>554,945</u>	<u>384,836</u>	<u>987,820</u>	<u>(200,124)</u>	<u>36,488</u>	<u>8,331,160</u>
FUND BALANCES (DEFICIT), December 31, 2013	<u>5,668,931</u>	<u>684,714</u>	<u>100,507</u>	<u>765,312</u>	<u>(379,089)</u>	<u>95,359</u>	<u>6,935,734</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, 2013

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

Net change in fund balances - total governmental funds	(1,395,426)
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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	2,152,920	
Depreciation	<u>(1,142,653)</u>	1,010,267

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	265,000	
Promissory note payments	9,015	
Certificates of participation payments	630,000	
Capital lease payments	38,073	
Amortization of premiums and discounts	<u>(59,265)</u>	882,823

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

Compensated absences	<u>(19,265)</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>478,399</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, 2013

	Electric Fund	Water/ Sewer Fund	Nonmajor Enterprise Funds	Elimina- tions	Total
ASSETS					
Current Assets					
Cash	30,903		25,382		56,285
Investments	2,036,194	3,118,574			5,154,768
Accounts receivable	1,359,722	476,694	62,608		1,899,024
Due from other funds	1,079,398	468,238		(48,057)	1,499,579
Inventories	504,471	163,449			667,920
Prepaid insurance	22,397	35,882	3,388		61,667
Total current assets	<u>5,033,085</u>	<u>4,262,837</u>	<u>91,378</u>	<u>(48,057)</u>	<u>9,339,243</u>
Noncurrent Assets					
Restricted cash	559,858	93,394	52,316		705,568
Restricted investments	127,000	1,238,093	99,452		1,464,545
Capital assets					
Land	99,716	1,488,315			1,588,031
Construction-in-progress		1,691,933			1,691,933
Other capital assets, net of accumulated depreciation	<u>5,729,224</u>	<u>25,206,797</u>	<u>860,844</u>		<u>31,796,865</u>
Total noncurrent assets	<u>6,515,798</u>	<u>29,718,532</u>	<u>1,012,612</u>		<u>37,246,942</u>
TOTAL ASSETS	<u>11,548,883</u>	<u>33,981,369</u>	<u>1,103,990</u>	<u>(48,057)</u>	<u>46,586,185</u>
LIABILITIES					
Current Liabilities					
Due to other funds		32,650	15,407	(48,057)	
Accounts payable	776,847	112,905	51		889,803
Accrued expenses	24,291	21,607			45,898
Deferred revenue	65,589				65,589
Meter deposits	652,768				652,768
Current portion of long-term obligations	<u>235,644</u>	<u>736,192</u>			<u>971,836</u>
Total current liabilities	<u>1,755,139</u>	<u>903,354</u>	<u>15,458</u>	<u>(48,057)</u>	<u>2,625,894</u>
Noncurrent liabilities					
Noncurrent portion of long-term obligations	<u>1,306,355</u>	<u>8,924,361</u>			<u>10,230,716</u>
TOTAL LIABILITIES	<u>3,061,494</u>	<u>9,827,715</u>	<u>15,458</u>	<u>(48,057)</u>	<u>12,856,610</u>

CITY OF HARRISONVILLE, MISSOURI
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2013

	Electric Fund	Water/ Sewer Fund	Nonmajor Enterprise Funds	Elimina- tions	Total
NET POSITION					
Invested in capital assets, net of related debt	4,331,230	18,911,476	860,844		24,103,550
Restricted for:					
Debt service	686,858	1,331,487			2,018,345
Capital improvements			151,768		151,768
Unrestricted	<u>3,469,301</u>	<u>3,910,691</u>	<u>75,920</u>		<u>7,455,912</u>
 TOTAL NET POSITION	 <u>8,487,389</u>	 <u>24,153,654</u>	 <u>1,088,532</u>		 <u>33,729,575</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, 2013

	Electric Fund	Water/Sewer Fund	Nonmajor Enterprise Funds	Total
REVENUES				
Charges for services	<u>12,020,203</u>	<u>4,313,059</u>	<u>575,619</u>	<u>16,908,881</u>
EXPENSES				
Production		1,145,906		1,145,906
Distribution	8,690,723	560,526		9,251,249
Administration	2,396,701	807,226	642,717	3,846,644
Depreciation	<u>265,827</u>	<u>928,680</u>	<u>86,482</u>	<u>1,280,989</u>
Total expenses	<u>11,353,251</u>	<u>3,442,338</u>	<u>729,199</u>	<u>15,524,788</u>
INCOME (LOSS) FROM OPERATIONS	<u>666,952</u>	<u>870,721</u>	<u>(153,580)</u>	<u>1,384,093</u>
NONOPERATING INCOME (EXPENSE)				
Transfers in			33,265	33,265
Other income	3,898	126,873		130,771
Interest income	14,243	134,451	730	149,424
Interest expense	<u>(74,571)</u>	<u>(251,393)</u>		<u>(325,964)</u>
Total nonoperating income (expense)	<u>(56,430)</u>	<u>9,931</u>	<u>33,995</u>	<u>(12,504)</u>
CHANGE IN NET POSITION	610,522	880,652	(119,585)	1,371,589
TOTAL NET POSITION, beginning of year (as restated)	<u>7,876,867</u>	<u>23,273,002</u>	<u>1,208,117</u>	<u>32,357,986</u>
TOTAL NET POSITION, end of year	<u>8,487,389</u>	<u>24,153,654</u>	<u>1,088,532</u>	<u>33,729,575</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, 2013

	Electric Fund	Water/Sewer Fund	Nonmajor Enterprise Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	12,167,304	4,361,039	578,962	17,107,305
Cash payments to suppliers	(10,612,560)	(1,730,144)	(588,591)	(12,931,295)
Cash payments to employees	<u>(506,296)</u>	<u>(752,822)</u>	<u>(54,052)</u>	<u>(1,313,170)</u>
Net cash provided by (used in) operating activities	<u>1,048,448</u>	<u>1,878,073</u>	<u>(63,681)</u>	<u>2,862,840</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Due to/from other funds	(977,256)	238,515	15,407	(723,334)
Transfers in	<u> </u>	<u> </u>	<u>33,265</u>	<u>33,265</u>
Net cash provided by (used in) noncapital financing activities	<u>(977,256)</u>	<u>238,515</u>	<u>48,672</u>	<u>(690,069)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(778,712)	(746,846)	(22,082)	(1,547,640)
Other income	3,898	126,873		130,771
Payments of long-term debt	(198,744)	(757,657)		(956,401)
Interest paid on bonds	<u>(74,591)</u>	<u>(239,839)</u>	<u> </u>	<u>(314,430)</u>
Net cash used in capital and related financing activities	<u>(1,048,149)</u>	<u>(1,617,469)</u>	<u>(22,082)</u>	<u>(2,687,700)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Net investment activity	609,632	(720,822)	606	(110,584)
Interest on investments	<u>14,243</u>	<u>134,451</u>	<u>730</u>	<u>149,424</u>
Net cash provided by (used in) investing activities	<u>623,875</u>	<u>(586,371)</u>	<u>1,336</u>	<u>38,840</u>
NET DECREASE IN CASH	(353,082)	(87,252)	(35,755)	(476,089)
CASH, January 1, 2013	<u>943,843</u>	<u>180,646</u>	<u>113,453</u>	<u>1,237,942</u>
CASH, December 31, 2013	<u>590,761</u>	<u>93,394</u>	<u>77,698</u>	<u>761,853</u>

CITY OF HARRISONVILLE, MISSOURI
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2013

	Electric Fund	Water/Sewer Fund	Nonmajor Enterprise Funds	Total
ALLOCATION OF CASH				
Unrestricted	30,903		25,382	56,285
Restricted	559,858	93,394	52,316	705,568
	<u>590,761</u>	<u>93,394</u>	<u>77,698</u>	<u>761,853</u>
Reconciliation of Income (Loss) From Operations to Net Cash Provided by (Used in) Operating Activities				
Income (loss) from operations	<u>666,952</u>	<u>870,721</u>	<u>(153,580)</u>	<u>1,384,093</u>
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:				
Depreciation	265,827	928,680	86,482	1,280,989
Bond premium discount		(11,554)		(11,554)
(Increase) Decrease in assets:				
Accounts receivable	95,345	47,980	3,343	146,668
Inventories	(41,321)	1,158		(40,163)
Prepaid expenses	(1,466)	(2,680)	125	(4,021)
Increase (Decrease) in liabilities:				
Accounts payable	7,471	40,642	(51)	48,062
Accrued expenses	130	3,778		3,908
Compensated absences	3,754	(652)		3,102
Deferred revenue	16,365			16,365
Meter deposits payable	35,391			35,391
Total adjustments	<u>381,496</u>	<u>1,007,352</u>	<u>89,899</u>	<u>1,478,747</u>
Net cash provided by (used in) operating activities	<u>1,048,448</u>	<u>1,878,073</u>	<u>(63,681)</u>	<u>2,862,840</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, 2013

	Agency Fund
ASSETS	
Cash and cash equivalents	261,528
Investments	836,016
Taxes receivable	<u>94,048</u>
TOTAL ASSETS	<u>1,191,592</u>
LIABILITIES	
Deposits	815,554
Accounts payable	<u>376,038</u>
TOTAL LIABILITIES	<u>1,191,592</u>
NET POSITION	<u> </u>

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

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 position and the statement of activities) 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.

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

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.

CITY OF HARRISONVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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.

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 and the Hospital Interchange 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.

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)

For the year ending December 31, 2013, the city adopted a new accounting standard as follows:

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, amends or supersedes the accounting and financial reporting guidance for certain items previously required to be reported as assets or liabilities. The objective is to either properly clarify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses) or inflows of resources (revenues). The implementation of GASB 65 resulted in the write-off of bond issuance costs, and the effect of adoption of GASB 65 is the reduction of beginning net position by \$458,814 in the governmental activities and \$100,727 in the business-type activities.

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 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.

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.

CITY OF HARRISONVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2013, 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.

CITY OF HARRISONVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Capital assets are stated at cost or at estimated fair value at time of donation.

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 - 50 years
Machinery and equipment	5 - 25 years
Transmission lines and mains	30 - 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, 2013, is \$302,351. Business-type activity funds reported accrued vacation benefits for the year ended December 31, 2013, of \$106,409.

K. LONG-TERM OBLIGATIONS AND BOND DISCOUNTS/PREMIUMS

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

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period.

CITY OF HARRISONVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 either (a) are not in spendable form or (b) are legally or contractually required to be maintained intact.

Restricted

This classification includes amounts for which constraints have been placed on the use of the resources either 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.

Committed

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

CITY OF HARRISONVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. NET POSITION (Continued)

Fund Statements (Continued)

Assigned

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

Unassigned

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

CITY OF HARRISONVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. INTERNAL AND INTERFUND BALANCES AND ACTIVITIES

In the process of aggregating the financial information for the government-wide statement of net position 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 position, except for the net residual amounts due between governmental and business-type activities, which are reported as Internal Balances.
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

CITY OF HARRISONVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE 2. CASH AND INVESTMENTS (Continued)

Cash (Continued)

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, 2013, all of the City's deposits with financial institutions were fully insured or collateralized.

Investments

The City's investments at December 31, 2013, are summarized below:

Investment	Unrestricted	Restricted
Investments held by trustee (Bond Reserves)		
Money market funds		1,020,403
Certificates of deposit	7,276,325	177,000
Federal Farm Credit Bank (AAA)	1,831,793	
Federal Home Loan Bank (AAA)	1,092,907	
Federal Home Loan Mortgage Corporation (AAA)	300,433	
Freddie Mac	302,719	
Federal National Mortgage Association (AAA)	737,519	445,654
	<u>11,541,696</u>	<u>1,643,057</u>
 Maturities		
Less than six months	2,716,747	1,020,403
Six months to one year	692,129	50,000
Over one year	8,132,820	572,654
	<u>11,541,696</u>	<u>1,643,057</u>

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.

CITY OF HARRISONVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE 2. CASH AND INVESTMENTS (Continued)

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

	Grants/ Accounts	Taxes	Allowance for Doubtful Accounts	Receivables, Net
<u>Governmental Activities</u>				
General	17,430	655,673		673,103
Ambulance	2,562,492		(2,000,000)	562,492
Community Center	69,888		(7,073)	62,815
Park	85,174			85,174
Towne Center TIF		187,300		187,300
Sales tax		145,491		145,491
Total governmental activities	<u>2,734,984</u>	<u>988,464</u>	<u>(2,007,073)</u>	<u>1,716,375</u>
<u>Business-Type Activities</u>				
Electric	1,614,601		(254,879)	1,359,722
Water/Sewer	611,450		(134,756)	476,694
Refuse	82,996		(20,388)	62,608
Total business-type activities	<u>2,309,047</u>	<u> </u>	<u>(410,023)</u>	<u>1,899,024</u>

NOTE 4. PROPERTY TAXES

The assessed valuation of the tangible property for the purpose of local taxation as of May 31, 2013, was as follows:

Real estate	94,552,735
Personal property	<u>22,682,321</u>
	<u>117,235,056</u>

CITY OF HARRISONVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE 4. PROPERTY TAXES (Continued)

The tax levy per \$100 of assessed valuation of tangible property for the calendar year 2013 was as follows:

General operating	0.5658
Park	<u>0.1280</u>
	<u>0.6938</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, 2013, was as follows:

	Balance January 1, 2013	Additions and Transfers	Retirements and Transfers	Balance December 31, 2013
<u>Governmental Activities</u>				
Capital assets, not being depreciated				
Land	890,750			890,750
Construction-in-progress	<u>341,814</u>	<u>1,612,441</u>		<u>1,954,255</u>
Total capital assets, not being depreciated	<u>1,232,564</u>	<u>1,612,441</u>		<u>2,845,005</u>
Capital assets, being depreciated				
Buildings and improvements	22,181,460	1,795		22,183,255
Streets	5,501,977	267,436		5,769,413
Machinery and equipment	<u>5,913,699</u>	<u>271,248</u>	<u>(83,487)</u>	<u>6,101,460</u>
Total capital assets, being depreciated	<u>33,597,136</u>	<u>540,479</u>	<u>(83,487)</u>	<u>34,054,128</u>
Less accumulated depreciation for:				
Buildings and improvements	(6,089,582)	(584,057)		(6,673,639)
Streets	(1,335,118)	(191,353)		(1,526,471)
Machinery and equipment	<u>(4,794,908)</u>	<u>(367,243)</u>	<u>83,487</u>	<u>(5,078,664)</u>
Total accumulated depreciation	<u>(12,219,608)</u>	<u>(1,142,653)</u>	<u>83,487</u>	<u>(13,278,774)</u>
Total capital assets, being depreciated, net	<u>21,377,528</u>	<u>(602,174)</u>		<u>20,775,354</u>
Governmental activities capital assets, net	<u>22,610,092</u>	<u>1,010,267</u>		<u>23,620,359</u>

CITY OF HARRISONVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE 5. CAPITAL ASSETS (Continued)

	Balance January 1, 2013	Additions and Transfers	Retirements and Transfers	Balance December 31, 2013
<u>Governmental Activities (Continued)</u>				
<u>Business-Type Activities -</u>				
<u>Electric Fund</u>				
Capital assets, not being depreciated				
Land	99,716			99,716
Construction-in-progress	9,347		(9,347)	
Total capital assets, not being depreciated	<u>109,063</u>		<u>(9,347)</u>	<u>99,716</u>
Capital assets, being depreciated				
Buildings and improvements	3,701,257	730,673		4,431,930
Equipment and transmission lines	<u>8,294,111</u>	<u>57,387</u>	<u>(35,585)</u>	<u>8,315,913</u>
Total capital assets, being depreciated	<u>11,995,368</u>	<u>788,060</u>	<u>(35,585)</u>	<u>12,747,843</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,978,210)	(79,301)		(2,057,511)
Equipment and transmission lines	<u>(4,810,167)</u>	<u>(186,526)</u>	<u>35,585</u>	<u>(4,961,108)</u>
Total accumulated depreciation	<u>(6,788,377)</u>	<u>(265,827)</u>	<u>35,585</u>	<u>(7,018,619)</u>
Total capital assets, being depreciated, net	<u>5,206,991</u>	<u>522,233</u>		<u>5,729,224</u>
Business-type activities - Electric Fund capital assets, net	<u>5,316,054</u>	<u>522,233</u>	<u>(9,347)</u>	<u>5,828,940</u>

CITY OF HARRISONVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE 5. CAPITAL ASSETS (Continued)

	Balance January 1, 2013	Additions and Transfers	Retirements and Transfers	Balance December 31, 2013
<u>Business-Type Activities -</u>				
<u>Water/Sewer Fund</u>				
Capital assets, not being depreciated				
Land	1,488,315			1,488,315
Construction-in-progress	<u>1,604,759</u>	<u>548,863</u>	<u>(461,689)</u>	<u>1,691,933</u>
Total capital assets, not being depreciated	<u>3,093,074</u>	<u>548,863</u>	<u>(461,689)</u>	<u>3,180,248</u>
Capital assets, being depreciated				
Buildings and improvements	11,620,697	46,622		11,667,319
Equipment and transmission lines	<u>27,566,947</u>	<u>613,050</u>		<u>28,179,997</u>
Total capital assets, being depreciated	<u>39,187,644</u>	<u>659,672</u>		<u>39,847,316</u>
Less accumulated depreciation for:				
Buildings and improvements	(7,208,593)	(221,631)		(7,430,224)
Equipment and transmission lines	<u>(6,503,247)</u>	<u>(707,049)</u>		<u>(7,210,296)</u>
Total accumulated depreciation	<u>(13,711,840)</u>	<u>(928,680)</u>		<u>(14,640,520)</u>
Total capital assets, being depreciated, net	<u>25,475,804</u>	<u>(269,008)</u>		<u>25,206,796</u>
Business-type activities - Water/ Sewer Fund capital assets, net	<u>28,568,878</u>	<u>279,855</u>	<u>(461,689)</u>	<u>28,387,044</u>
<u>Business-Type Activities -</u>				
<u>Aquatic Center</u>				
Capital assets, being depreciated				
Buildings and improvements	2,007,794			2,007,794
Equipment	<u>38,467</u>	<u>22,082</u>		<u>60,549</u>
Total capital assets, being depreciated	<u>2,046,261</u>	<u>22,082</u>		<u>2,068,343</u>

CITY OF HARRISONVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE 5. CAPITAL ASSETS (Continued)

	Balance January 1, 2013	Additions and Transfers	Retirements and Transfers	Balance December 31, 2013
<u>Business-Type Activities -</u>				
<u>Aquatic Center (Continued)</u>				
Less accumulated depreciation for:				
Buildings and improvements	(1,102,254)	(81,205)		(1,183,459)
Equipment	<u>(18,762)</u>	<u>(5,277)</u>		<u>(24,039)</u>
Total accumulated depreciation	<u>(1,121,016)</u>	<u>(86,482)</u>		<u>(1,207,498)</u>
Business-type activities - Aquatic Center capital assets, net	<u>925,245</u>	<u>(64,400)</u>		<u>860,845</u>

The following table summarizes the depreciation by function for the year ended December 31, 2013:

	Governmental Activities	Business-Type Activities
General Government	122,275	
Administration of Justice	88,278	
Street	225,616	
Economic Development	14,768	
Animal Control	4,193	
Airport	146,839	
Emergency services	105,352	
Park	109,274	
Community Center	326,058	
Electric		265,827
Water and Sewer		928,680
Aquatic Center		<u>86,482</u>
	<u>1,142,653</u>	<u>1,280,989</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, 2013, consisted of the following:

	Balance January 1, 2013	Addi- tions	Retire- ments	Balance December 31, 2013	Due in One Year
Capital lease obligations	265,136		(38,073)	227,063	38,073
Tax Increment Revenue Bonds	7,785,000		(265,000)	7,520,000	265,000
Tax Increment Revenue Note	9,000,000			9,000,000	
Promissory Note	171,931		(9,015)	162,916	12,705
Refinanced Certificates of Participation (COP)	7,295,000		(630,000)	6,665,000	630,000
Compensated absences	283,085	302,351	(283,085)	302,351	302,351
COP premium	77,137		(8,570)	68,567	8,570
Less: note discount	<u>(142,269)</u>		<u>9,485</u>	<u>(132,784)</u>	<u>(9,485)</u>
Total governmental debt	<u>24,735,020</u>	<u>302,351</u>	<u>(1,224,258)</u>	<u>23,813,113</u>	<u>1,247,214</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	232,826
Park	23,818
Community Center	13,597
Ambulance	<u>32,110</u>
	<u>302,351</u>

Capital Lease Obligations

The City has entered into a capital lease agreement for the purchase of airport hangars. 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, 2013.

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,		
2014		53,034
2015		53,034
2016		53,034
2017		53,034
2018		<u>53,034</u>
Total minimum lease payments		265,170
Less amount representing interest		<u>38,107</u>
Present value of future minimum lease payments		<u><u>227,063</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
2014	300,000	341,219
2015	300,000	328,469
2016	335,000	315,719
2017	340,000	301,063
2018	365,000	286,188
2019 - 2023	2,270,000	1,158,915
2024 - 2028	<u>3,610,000</u>	<u>574,196</u>
	<u><u>7,520,000</u></u>	<u><u>3,305,769</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 December 31, 2013, or thereafter is \$9,000,000.

Certificates of Participation

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
2014	650,000	164,563
2015	665,000	151,563
2016	700,000	138,263
2017	720,000	117,263
2018	745,000	95,662
2019 - 2022	<u>3,185,000</u>	<u>209,476</u>
	<u>6,665,000</u>	<u>876,790</u>

CITY OF HARRISONVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (Continued)

Governmental Activities (Continued)

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 semiannual payments of principal and interest until maturity on April 1, 2023.

Aggregate annual principal and interest payments are as follows:

Year Ending December 31,	Principal	Interest
2014	15,751	3,180
2015	16,068	2,864
2016	16,391	2,540
2017	16,720	2,211
2018	17,056	1,875
2019 - 2023	<u>80,930</u>	<u>3,285</u>
	<u>162,916</u>	<u>15,955</u>

Business-Type Activities

Changes in the debt for the year ended December 31, 2013, consisted of the following:

	Balance January 1, 2013	Addi- tions	Retire- ments	Balance December 31, 2013	Due in One Year
2002 Waterworks and Sewerage Revenue Bonds	2,640,000		(210,000)	2,430,000	210,000
2003 Waterworks and Sewerage Revenue Bonds	2,295,000		(145,000)	2,150,000	145,000
2005 Waterworks and Sewerage Revenue Bonds	1,190,000		(80,000)	1,110,000	80,000
2007 Electric System Refunding Revenue Bonds	1,715,000		(200,000)	1,515,000	200,000
2010 Waterworks and Sewerage Revenue Bonds	3,716,672		(209,972)	3,506,700	187,800
Promissory Note	380,000		(101,131)	278,869	28,334
Compensated absences	103,307	106,409	(103,307)	106,409	106,409
	<u>12,039,979</u>	<u>106,409</u>	<u>(1,049,410)</u>	<u>11,096,978</u>	<u>957,543</u>
Add: Bond premium	125,772		(11,554)	114,218	11,554
Less: Bond discount	<u>(9,881)</u>		<u>1,236</u>	<u>(8,645)</u>	<u>(1,236)</u>
Total business-type activities	<u>12,155,870</u>	<u>106,409</u>	<u>(1,059,728)</u>	<u>11,202,551</u>	<u>967,861</u>

CITY OF HARRISONVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (Continued)

Business-Type Activities (Continued)

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	35,644
Water/Sewer	<u>70,765</u>
	<u>106,409</u>

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%.

CITY OF HARRISONVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (Continued)

Business-Type Activities (Continued)

Revenue Bonds (Continued)

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, 2013, the City has drawn down \$3,288,541 on this bond.

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

Year Ending December 31,	Principal	Interest
2014	826,300	404,291
2015	840,000	369,945
2016	863,700	334,980
2017	902,500	298,430
2018	936,300	259,904
2019 - 2023	4,367,700	567,426
2024 - 2028	1,606,600	97,062
2029 - 2030	368,600	5,511
	<u>10,711,700</u>	<u>2,337,549</u>

As of December 31, 2013, 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 semiannual payments of principal and interest until maturity on April 1, 2023.

CITY OF HARRISONVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (Continued)

Promissory Note Payable (Continued)

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

Year Ending December 31,	Principal	Interest
2014	28,809	6,793
2015	29,534	6,068
2016	30,276	5,326
2017	31,039	4,563
2018	31,820	3,782
2019 - 2023	<u>127,391</u>	<u>6,923</u>
	<u>278,869</u>	<u>33,455</u>

NOTE 7. INTERFUND TRANSACTIONS

Transfers during the year ended December 31, 2013, were as follows:

	Transfers Out:		
	General	Sales Tax	Total
Transfers in:			
General		229,056	229,056
Community Center		121,000	121,000
Emergency Services		788,437	788,437
Nonmajor proprietary funds	33,265		33,265
Nonmajor governmental funds	<u>733,815</u>	<u>355,838</u>	<u>1,089,653</u>
Total	<u>767,080</u>	<u>1,494,331</u>	<u>2,261,411</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.

CITY OF HARRISONVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE 8. INTERFUND BALANCES

	Due to:		
	Water/ Sewer	Electric	Total
Due from:			
General	195,984		195,984
Community Center	125,053		125,053
Towne Center TIF	147,201		147,201
Emergency Services		985,064	985,064
Nonmajor governmental funds		46,277	46,277
Total	468,238	1,031,341	1,499,579

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 position.

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 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 14.8% for police, 13.2% for general, and 13.2% 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.

CITY OF HARRISONVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLAN (Continued)

Annual Pension Cost

For 2013, the City's annual pension cost of \$723,372 was greater than the required and actual contribution by \$18,857 for an accumulated net pension obligation of \$258,757. The required contribution was determined as part of the February 28, 2011, and February 28, 2012, annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions as of February 28, 2013, included (a) a rate of return on the investment of present and future assets of 7.25% per year, compounded annually; (b) projected salary increases of 3.5% per year, compounded annually, attributable to inflation; (c) additional projected salary increases, ranging from 0% 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, 2011, was 30 years for the general division, 17 years for the police division and 15 years for the fire division. The amortization period as of February 28, 2012, was 22 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.

TREND INFORMATION

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
06/30/11	699,594	90.4%	109,787
06/30/12	755,865	94.6%	151,908
06/30/13	723,372	97.4%	258,757

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(b-a) Unfunded Accrued Liability (UAL)
02/28/11	9,201,007	11,717,760	2,516,753
02/28/12	10,580,458	12,548,285	1,967,827
02/28/13	11,748,616	13,183,261	1,434,645

CITY OF HARRISONVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLAN (Continued)

Annual Pension Cost (Continued)

SCHEDULE OF FUNDING PROGRESS (Continued)

Actuarial Valuation Date	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percent of Covered Payroll
02/28/11	79%	5,290,056	47.6%
02/28/12	84%	5,308,690	37.1%
02/28/13	89%	5,233,747	27.4%

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.

NOTE 11. COMMITMENTS

As of December 31, 2013, the City had outstanding commitments totaling approximately \$420,000 for construction on the Police Department Building and the North Independence Bridge.

NOTE 12. MAJOR SUPPLIERS

During the year ended December 31, 2013, the City relied upon two vendors for the generation and transmission of all electricity purchased for resale totaling \$8,299,319 and \$391,404, respectively. Accounts payable of \$725,625 for generation is included in the December 31, 2013, 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

CITY OF HARRISONVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE 13. LEASES RECEIVABLE (Continued)

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 \$21,023 for the year ended December 31, 2013.

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 \$24,686 for the year ended December 31, 2013.

The following is a schedule by years of minimum future rentals on the noncancellable operating leases as described above as of December 31, 2013:

Year Ending December 31,	
2014	47,080
2015	<u>22,034</u>
	<u>69,114</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. MPR operates as a purchasing pool and is not a joint venture activity of the City. The City has no control over budgeting, financing, management selection, or the governing body. MPR provides both conventional and self-insurance coverage for its members including medical, dental, property, casualty, general liability, and workers' compensation. The City participates in the workers' compensation insurance coverages.

MPR manages the cash and investment pool, funded by insurance premiums, on behalf of its members. MPR's investment pool consists of interest-bearing deposits, U.S. Treasury, and U.S. governmental agency obligations.

CITY OF HARRISONVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE 14. SELF-INSURANCE (Continued)

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.

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, Missouri, 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, 2013, 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 2014.

CITY OF HARRISONVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE 16. WATER PURCHASE AGREEMENT (Continued)

The following is a schedule by years of future payments on the agreement as described above:

Year Ending December 31,	
2014	234,516
2015	234,516
2016	234,516
2017	234,516
2018	234,516
2019 - 2023	1,172,580
2024 - 2028	<u>1,172,580</u>
	<u>3,517,740</u>

NOTE 17. DEFICIT FUND BALANCE

The Emergency Service Fund had a deficit fund balance of \$379,089. The City intends to restore this balance through transfers from the General Fund.

NOTE 18. COMPLIANCE WITH MISSOURI STATUTES

The percentage of revenue that the City derived from traffic violations was less than 30 percent of its total revenue as shown on the basic financial statements and is in compliance with HB103.

NOTE 19. LITIGATION

As of June 26, 2014, the City had unsettled claims which are at various stages, and at this time, outcomes cannot be predicted. The City is vigorously defending each unsettled claim.

NOTE 20. SUBSEQUENT EVENTS

In preparing the financial statements, the City has evaluated events and transactions for potential recognition or disclosure through June 26, 2014, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF HARRISONVILLE, MISSOURI
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2013

	General Fund			Variance Positive (Negative)
	Budget		Actual	
	Original	Final		
REVENUES				
Taxes	4,801,700	4,721,700	4,942,506	220,806
Licenses, fees, and permits	138,650	138,650	129,094	(9,556)
Charges for services	1,864,725	1,782,725	1,786,359	3,634
Grants	772,800	434,400	169,929	(264,471)
Fines and forfeitures	239,500	269,500	293,448	23,948
Interest	30,000	30,000	27,181	(2,819)
Miscellaneous	119,000	119,000	102,626	(16,374)
TOTAL REVENUES	<u>7,966,375</u>	<u>7,495,975</u>	<u>7,451,143</u>	<u>(44,832)</u>
EXPENDITURES				
General Government				
Mayor and Board	193,545	189,812	164,642	25,170
Finance	768,810	772,770	716,794	55,976
Administration	539,900	577,751	473,869	103,882
Codes enforcement	207,195	209,155	179,319	29,836
Property management	152,520	153,400	143,450	9,950
Total General Government	<u>1,861,970</u>	<u>1,902,888</u>	<u>1,678,074</u>	<u>224,814</u>
Administration of Justice				
Administration and dispatch	497,585	496,385	477,509	18,876
Patrol	2,228,950	2,142,546	2,094,001	48,545
Total Administration of Justice	<u>2,726,535</u>	<u>2,638,931</u>	<u>2,571,510</u>	<u>67,421</u>
Street	843,805	832,805	770,736	62,069
Economic Development	292,275	292,435	275,794	16,641
Animal Control	187,410	218,347	171,273	47,074
Airport	302,490	265,990	263,715	2,275
Capital outlay	1,327,800	2,936,631	1,987,914	948,717
TOTAL EXPENDITURES	<u>7,542,285</u>	<u>9,088,027</u>	<u>7,719,016</u>	<u>1,369,011</u>

CITY OF HARRISONVILLE, MISSOURI
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 YEAR ENDED DECEMBER 31, 2013

	General Fund			Variance Positive (Negative)
	Budget		Actual	
	Original	Final		
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>424,090</u>	<u>(1,592,052)</u>	<u>(267,873)</u>	<u>1,324,179</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	234,940	224,940	229,056	4,116
Transfers out	<u>(1,015,465)</u>	<u>(1,015,465)</u>	<u>(767,080)</u>	<u>248,385</u>
Total other financing sources (uses)	<u>(780,525)</u>	<u>(790,525)</u>	<u>(538,024)</u>	<u>252,501</u>
NET CHANGE IN FUND BALANCES	<u>(356,435)</u>	<u>(2,382,577)</u>	<u>(805,897)</u>	<u>1,576,680</u>
FUND BALANCE, beginning of year - budget basis			<u>5,996,096</u>	
FUND BALANCE, end of year - budget basis			5,190,199	
Accrual adjustments			<u>478,732</u>	
FUND BALANCE, end of year - fund basis			<u>5,668,931</u>	

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

	Sales Tax Fund				Community Center Fund				Emergency Services Fund				
	Budget		Actual	Variance Positive (Negative)	Budget		Actual	Variance Positive (Negative)	Budget		Actual	Variance Positive (Negative)	
	Original	Final			Original	Final			Original	Final			
REVENUES													
Taxes	1,741,250	1,741,250	1,613,597	(127,653)									
Charges for services					918,660	979,350	952,123	(27,227)	1,422,500	1,422,500	1,181,425	(241,075)	
Interest			4,228	4,228	400	400	1,481	1,081					
Miscellaneous					10,920	30,820	25,879	(4,941)	30,500	30,500	25,266	(5,234)	
TOTAL REVENUES	<u>1,741,250</u>	<u>1,741,250</u>	<u>1,617,825</u>	<u>(123,425)</u>	<u>929,980</u>	<u>1,010,570</u>	<u>979,483</u>	<u>(31,087)</u>	<u>1,453,000</u>	<u>1,453,000</u>	<u>1,206,691</u>	<u>(246,309)</u>	
EXPENDITURES													
Community Center					1,232,945	1,338,974	1,338,868	106					
Emergency Services									2,171,500	2,226,500	2,195,735	30,765	
Capital outlay					56,800	63,501	54,652	8,849	75,050	130,180	110,354	19,826	
TOTAL EXPENDITURES					<u>1,289,745</u>	<u>1,402,475</u>	<u>1,393,520</u>	<u>8,955</u>	<u>2,246,550</u>	<u>2,356,680</u>	<u>2,306,089</u>	<u>50,591</u>	
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,741,250</u>	<u>1,741,250</u>	<u>1,617,825</u>	<u>(123,425)</u>	<u>(359,765)</u>	<u>(391,905)</u>	<u>(414,037)</u>	<u>(22,132)</u>	<u>(793,550)</u>	<u>(903,680)</u>	<u>(1,099,398)</u>	<u>(195,718)</u>	
OTHER FINANCING SOURCES (USES)													
Transfers in					251,085	279,290	121,000	(158,290)	800,200	800,200	788,437	(11,763)	
Transfers out	<u>(1,741,250)</u>	<u>(1,741,250)</u>	<u>(1,494,331)</u>	<u>246,919</u>									
Total other financing sources (uses)	<u>(1,741,250)</u>	<u>(1,741,250)</u>	<u>(1,494,331)</u>	<u>246,919</u>	<u>251,085</u>	<u>279,290</u>	<u>121,000</u>	<u>(158,290)</u>	<u>800,200</u>	<u>800,200</u>	<u>788,437</u>	<u>(11,763)</u>	
NET CHANGE IN FUND BALANCES			<u>123,494</u>	<u>123,494</u>	<u>(108,680)</u>	<u>(112,615)</u>	<u>(293,037)</u>	<u>(180,422)</u>	<u>6,650</u>	<u>(103,480)</u>	<u>(310,961)</u>	<u>(207,481)</u>	
FUND BALANCE (DEFICIT), beginning of year - budget basis			<u>415,729</u>				<u>368,010</u>				<u>(674,103)</u>		
FUND BALANCE (DEFICIT), end of year - budget basis			539,223				74,973				(985,064)		
Accrual adjustments			<u>145,491</u>				<u>25,534</u>				<u>605,975</u>		
FUND BALANCE (DEFICIT), end of year - fund basis			<u>684,714</u>				<u>100,507</u>				<u>(379,089)</u>		

CITY OF HARRISONVILLE, MISSOURI
NOTES TO BUDGETARY COMPARISON SCHEDULES
FOR THE YEAR ENDED DECEMBER 31, 2013

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.

OTHER SUPPLEMENTARY INFORMATION

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CITY OF HARRISONVILLE, MISSOURI
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2013

	Park Fund	Debt Service Fund	Total Nonmajor Governmental Funds
ASSETS			
ASSETS			
Taxes receivable	85,174		85,174
Prepaid insurance	8,772		8,772
Restricted cash	1,590		1,590
Restricted investments	<u>66,229</u>		<u>66,229</u>
TOTAL ASSETS	<u>161,765</u>		<u>161,765</u>
 LIABILITIES AND FUND BALANCES (DEFICIT)			
LIABILITIES			
Deferred revenue	13,698		13,698
Due to other funds	43,033	3,244	46,277
Accounts payable	<u>6,431</u>		<u>6,431</u>
Total liabilities	<u>63,162</u>	<u>3,244</u>	<u>66,406</u>
FUND BALANCES (DEFICIT)			
Nonspendable	8,772		8,772
Restricted	67,819		67,819
Assigned	22,012		22,012
Unassigned (deficit)	<u> </u>	<u>(3,244)</u>	<u>(3,244)</u>
Total fund balances (deficit)	<u>98,603</u>	<u>(3,244)</u>	<u>95,359</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	<u>161,765</u>		<u>161,765</u>

CITY OF HARRISONVILLE, MISSOURI
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES (DEFICIT)
YEAR ENDED DECEMBER 31, 2013

	Park Fund	Debt Service Fund	Total Nonmajor Governmental Funds
REVENUES			
Taxes			
Property	151,952		151,952
Other	16,013		16,013
Charges for services	60,448		60,448
Interest	238		238
Miscellaneous	15,438		15,438
Total revenues	<u>244,089</u>		<u>244,089</u>
EXPENDITURES			
Park	463,459		463,459
Debt service			
Principal		630,000	630,000
Interest		181,412	181,412
Total expenditures	<u>463,459</u>	<u>811,412</u>	<u>1,274,871</u>
REVENUES UNDER EXPENDITURES BEFORE OTHER FINANCING SOURCES	(219,370)	(811,412)	(1,030,782)
OTHER FINANCING SOURCES			
Transfers in	<u>282,490</u>	<u>807,163</u>	<u>1,089,653</u>
NET CHANGE IN FUND BALANCES	63,120	(4,249)	58,871
FUND BALANCES, January 1, 2013	<u>35,483</u>	<u>1,005</u>	<u>36,488</u>
FUND BALANCES (DEFICIT), December 31, 2013	<u>98,603</u>	<u>(3,244)</u>	<u>95,359</u>

CITY OF HARRISONVILLE, MISSOURI
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET POSITION
DECEMBER 31, 2013

	Aquatic Center Fund	Refuse Fund	Total
ASSETS			
Current Assets			
Cash		25,382	25,382
Accounts receivable		62,608	62,608
Prepaid insurance	3,388		3,388
Total current assets	<u>3,388</u>	<u>87,990</u>	<u>91,378</u>
Noncurrent Assets			
Restricted cash	52,316		52,316
Restricted investments	99,452		99,452
Property and equipment	860,844		860,844
Total noncurrent assets	<u>1,012,612</u>		<u>1,012,612</u>
TOTAL ASSETS	<u>1,016,000</u>	<u>87,990</u>	<u>1,103,990</u>
LIABILITIES			
Current Liabilities			
Due to other funds	15,407		15,407
Accounts payable	51		51
Total liabilities	<u>15,458</u>		<u>15,458</u>
NET POSITION			
Invested in capital assets, net of related debt	860,844		860,844
Restricted for:			
Capital improvements	151,768		151,768
Unrestricted (deficit)	<u>(12,070)</u>	<u>87,990</u>	<u>75,920</u>
TOTAL NET POSITION	<u>1,000,542</u>	<u>87,990</u>	<u>1,088,532</u>

CITY OF HARRISONVILLE, MISSOURI
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2013

	Aquatic Center Fund	Refuse Fund	Total
REVENUES			
Charges for services	<u>109,665</u>	<u>465,954</u>	<u>575,619</u>
EXPENSES			
Administration	174,032	468,685	642,717
Depreciation	<u>86,482</u>		<u>86,482</u>
Total expenses	<u>260,514</u>	<u>468,685</u>	<u>729,199</u>
LOSS FROM OPERATIONS	<u>(150,849)</u>	<u>(2,731)</u>	<u>(153,580)</u>
NONOPERATING REVENUES			
Transfers in	33,265		33,265
Interest income	<u>686</u>	<u>44</u>	<u>730</u>
Total nonoperating revenues	<u>33,951</u>	<u>44</u>	<u>33,995</u>
CHANGE IN NET POSITION	(116,898)	(2,687)	(119,585)
TOTAL NET POSITION, beginning of year	<u>1,117,440</u>	<u>90,677</u>	<u>1,208,117</u>
TOTAL NET POSITION, end of year	<u>1,000,542</u>	<u>87,990</u>	<u>1,088,532</u>

CITY OF HARRISONVILLE, MISSOURI
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2013

	Aquatic Center Fund	Refuse Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	109,665	469,297	578,962
Cash payments to suppliers	(119,906)	(468,685)	(588,591)
Cash payments to employees	<u>(54,052)</u>	<u> </u>	<u>(54,052)</u>
Net cash provided by (used in) operating activities	<u>(64,293)</u>	<u> 612</u>	<u>(63,681)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Due from other funds	15,407		15,407
Transfers in	<u>33,265</u>	<u> </u>	<u>33,265</u>
Net cash provided by noncapital financing activities	<u>48,672</u>	<u> </u>	<u>48,672</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	<u>(22,082)</u>	<u> </u>	<u>(22,082)</u>
Net cash used in capital and related financing activities	<u>(22,082)</u>	<u> </u>	<u>(22,082)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	686	44	730
Net investment activity	<u>606</u>	<u> </u>	<u>606</u>
Net cash provided by investing activities	<u>1,292</u>	<u> 44</u>	<u>1,336</u>
NET INCREASE (DECREASE) IN CASH	(36,411)	656	(35,755)
CASH, January 1, 2013	<u>88,727</u>	<u>24,726</u>	<u>113,453</u>
CASH, December 31, 2013	<u><u>52,316</u></u>	<u><u>25,382</u></u>	<u><u>77,698</u></u>

CITY OF HARRISONVILLE, MISSOURI
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2013

	Aquatic Center Fund	Refuse Fund	Total
ALLOCATION OF CASH			
Unrestricted		25,382	25,382
Restricted	<u>52,316</u>		<u>52,316</u>
	<u>52,316</u>	<u>25,382</u>	<u>77,698</u>
Reconciliation of Loss From Operations to Net Cash Provided by (Used in) Operating Activities			
Loss from operations	<u>(150,849)</u>	<u>(2,731)</u>	<u>(153,580)</u>
Adjustments to reconcile loss from operations to net cash (provided by) used in operating activities:			
Depreciation and amortization	86,482		86,482
(Increase) Decrease in:			
Accounts receivable		3,343	3,343
Prepaid expenses	125		125
Increase (Decrease) in:			
Accounts payable	<u>(51)</u>		<u>(51)</u>
Total adjustments	<u>86,556</u>	<u>3,343</u>	<u>89,899</u>
Net cash provided by (used in) operating activities	<u>(64,293)</u>	<u>612</u>	<u>(63,681)</u>

CITY OF HARRISONVILLE, MISSOURI
NONMAJOR SPECIAL REVENUE FUNDS
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED DECEMBER 31, 2013

	Park Fund			Variance Positive (Negative)
	Budget		Actual	
	Original	Final		
REVENUES				
Taxes	159,900	159,900	167,854	7,954
Charges for services	66,745	61,104	60,448	(656)
Interest	1,200	1,200	238	(962)
Miscellaneous	9,400	11,400	15,438	4,038
Total revenues	<u>237,245</u>	<u>233,604</u>	<u>243,978</u>	<u>10,374</u>
EXPENDITURES				
Park	501,450	497,780	467,120	30,660
Capital outlay		14,865		14,865
Total expenditures	<u>501,450</u>	<u>512,645</u>	<u>467,120</u>	<u>45,525</u>
EXCESS OF REVENUES UNDER EXPENDITURES	(264,205)	(279,041)	(223,142)	55,899
OTHER FINANCING SOURCES				
Transfers in	<u>282,490</u>	<u>282,490</u>	<u>282,490</u>	
NET CHANGE IN FUND BALANCES	<u>18,285</u>	<u>3,449</u>	59,348	<u>55,899</u>
FUND BALANCE (DEFICIT), beginning of year - budget basis			<u>(34,562)</u>	
FUND BALANCE, end of year - budget basis			24,786	
Accrual adjustments			<u>73,817</u>	
FUND BALANCE, end of year - fund basis			<u>98,603</u>	

CITY OF HARRISONVILLE, MISSOURI
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED DECEMBER 31, 2013

	Budget		Actual	Variance Positive (Negative)
	Original	Final	Actual	(Negative)
REVENUES				
Interest	_____	_____	_____	_____
EXPENDITURES				
Debt Service				
Principal	630,000	630,000	630,000	
Interest	<u>179,665</u>	<u>179,665</u>	<u>181,412</u>	<u>(1,747)</u>
Total expenditures	<u>809,665</u>	<u>809,665</u>	<u>811,412</u>	<u>(1,747)</u>
EXCESS OF REVENUES UNDER EXPENDITURES	(809,665)	(809,665)	(811,412)	(1,747)
OTHER FINANCING SOURCES				
Transfers in	<u>809,665</u>	<u>809,665</u>	<u>807,163</u>	<u>(2,502)</u>
NET CHANGE IN FUND BALANCES	_____	_____	(4,249)	<u>(4,249)</u>
FUND BALANCE, beginning of year			<u>1,005</u>	
FUND BALANCE (DEFICIT), end of year - fund basis			<u>(3,244)</u>	

CITY OF HARRISONVILLE, MISSOURI
ALL PROPRIETARY FUNDS
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED DECEMBER 31, 2013

	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	11,668,780	11,668,780	12,167,304	498,524	4,455,450	4,455,450	4,361,039	(94,411)	138,820	123,820	109,665	(14,155)
Grants						99,978		(99,978)				
Total revenues	<u>11,668,780</u>	<u>11,668,780</u>	<u>12,167,304</u>	<u>498,524</u>	<u>4,455,450</u>	<u>4,555,428</u>	<u>4,361,039</u>	<u>(194,389)</u>	<u>138,820</u>	<u>123,820</u>	<u>109,665</u>	<u>(14,155)</u>
EXPENSES												
Production					1,224,765	1,224,765	1,160,608	64,157				
Distribution	8,000,000	8,000,000	8,704,181	(704,181)	746,130	746,130	542,240	203,890				
Administration	2,883,885	2,884,365	2,414,675	469,690	800,935	800,935	780,118	20,817	178,210	224,710	173,958	50,752
Capital outlay	993,035	1,743,740	778,712	965,028	1,300,975	2,044,873	746,846	1,298,027	4,000	4,000	22,082	(18,082)
Total expenses	<u>11,876,920</u>	<u>12,628,105</u>	<u>11,897,568</u>	<u>730,537</u>	<u>4,072,805</u>	<u>4,816,703</u>	<u>3,229,812</u>	<u>1,586,891</u>	<u>182,210</u>	<u>228,710</u>	<u>196,040</u>	<u>32,670</u>
INCOME (LOSS) FROM OPERATIONS	<u>(208,140)</u>	<u>(959,325)</u>	<u>269,736</u>	<u>1,229,061</u>	<u>382,645</u>	<u>(261,275)</u>	<u>1,131,227</u>	<u>1,392,502</u>	<u>(43,390)</u>	<u>(104,890)</u>	<u>(86,375)</u>	<u>18,515</u>
OTHER INCOME (EXPENSE)												
Transfers in									33,265	33,265	33,265	
Interest income	8,400	8,400	14,243	5,843	6,500	6,500	134,451	127,951	1,100	1,100	687	(413)
Other income	17,700	17,700	3,898	(13,802)	5,000	5,000	126,873	121,873				
Payments of long-term debt	(200,000)	(200,000)	(198,744)	1,256	(757,657)	(757,657)	(757,657)					
Interest expense	(77,430)	(77,430)	(74,591)	2,839	(104,483)	(104,483)	(239,839)	(135,356)				
Total other income (expense)	<u>(251,330)</u>	<u>(251,330)</u>	<u>(255,194)</u>	<u>(3,864)</u>	<u>(850,640)</u>	<u>(850,640)</u>	<u>(736,172)</u>	<u>114,468</u>	<u>34,365</u>	<u>34,365</u>	<u>33,952</u>	<u>(413)</u>
REVENUES OVER (UNDER) EXPENSES	<u>(459,470)</u>	<u>(1,210,655)</u>	<u>14,542</u>	<u>1,225,197</u>	<u>(467,995)</u>	<u>(1,111,915)</u>	<u>395,055</u>	<u>1,506,970</u>	<u>(9,025)</u>	<u>(70,525)</u>	<u>(52,423)</u>	<u>18,102</u>
NET POSITION, January 1, 2013, budget basis			<u>3,818,811</u>				<u>4,490,594</u>				<u>188,784</u>	
NET POSITION, December 31, 2013, budget basis			<u>3,833,353</u>				<u>4,885,649</u>				<u>136,361</u>	
Accrual adjustments			<u>4,654,036</u>				<u>19,268,005</u>				<u>864,181</u>	
NET POSITION, December 31, 2013			<u>8,487,389</u>				<u>24,153,654</u>				<u>1,000,542</u>	

CITY OF HARRISONVILLE, MISSOURI
 ALL PROPRIETARY FUNDS
 BUDGETARY COMPARISON SCHEDULE
 YEAR ENDED DECEMBER 31, 2013

	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	469,297	(8,138)	16,740,485	16,725,485	17,107,305	381,820
Grants						99,978		(99,978)
Total revenues	<u>477,435</u>	<u>477,435</u>	<u>469,297</u>	<u>(8,138)</u>	<u>16,740,485</u>	<u>16,825,463</u>	<u>17,107,305</u>	<u>281,842</u>
EXPENSES								
Production					1,224,765	1,224,765	1,160,608	64,157
Distribution					8,746,130	8,746,130	9,246,421	(500,291)
Administration	472,205	472,205	468,685	3,520	4,335,235	4,382,215	3,837,436	544,779
Capital outlay					2,298,010	3,792,613	1,547,640	2,244,973
Total expenses	<u>472,205</u>	<u>472,205</u>	<u>468,685</u>	<u>3,520</u>	<u>16,604,140</u>	<u>18,145,723</u>	<u>15,792,105</u>	<u>2,353,618</u>
INCOME (LOSS) FROM OPERATIONS	<u>5,230</u>	<u>5,230</u>	<u>612</u>	<u>(4,618)</u>	<u>136,345</u>	<u>(1,320,260)</u>	<u>1,315,200</u>	<u>2,635,460</u>
OTHER INCOME (EXPENSE)								
Transfers in					33,265		33,265	33,265
Interest income	100	100	44	(56)	16,100	16,100	149,425	133,325
Other income					22,700	22,700	130,771	108,071
Payments of long-term debt					(957,657)	(957,657)	(956,401)	1,256
Interest expense					(181,913)	(181,913)	(314,430)	(132,517)
Total other income (expense)	<u>100</u>	<u>100</u>	<u>44</u>	<u>(56)</u>	<u>(1,067,505)</u>	<u>(1,100,770)</u>	<u>(957,370)</u>	<u>143,400</u>
REVENUES OVER (UNDER) EXPENSES	<u>5,330</u>	<u>5,330</u>	<u>656</u>	<u>(4,674)</u>	<u>(931,160)</u>	<u>(2,421,030)</u>	<u>357,830</u>	<u>2,778,860</u>
NET POSITION, January 1, 2013, budget basis			<u>24,726</u>				<u>8,522,915</u>	
NET POSITION, December 31, 2013, budget basis			25,382				8,880,745	
Accrual adjustments			<u>62,608</u>				<u>24,848,830</u>	
NET POSITION, December 31, 2013			<u>87,990</u>				<u>33,729,575</u>	

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.	71 - 76
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.	77 - 82
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.	83 - 85
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.	86 - 88
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.	89 - 90

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant 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 many 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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental activities										
Invested in capital assets, net of related debt	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	16,629,597
Restricted	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	1,007,888
Unrestricted (deficit)	<u>3,560,840</u>	<u>8,433,882</u>	<u>2,713,047</u>	<u>1,268,017</u>	<u>1,823,309</u>	<u>1,557,045</u>	<u>859,829</u>	<u>(818,266)</u>	<u>344,053</u>	<u>(1,427,705)</u>
Total governmental activities net position	<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>	<u>16,209,780</u>
Business-type activities										
Invested in capital assets, net of related debt	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	24,103,550
Restricted	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	2,170,113
Unrestricted	<u>1,872,470</u>	<u>1,462,099</u>	<u>3,436,005</u>	<u>4,757,742</u>	<u>5,467,973</u>	<u>5,513,489</u>	<u>4,316,580</u>	<u>5,600,624</u>	<u>7,506,505</u>	<u>7,455,912</u>
Total business-type activities net position	<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>	<u>33,729,575</u>
Primary government										
Invested in capital assets, net of related debt	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	40,733,147
Restricted	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	3,178,001
Unrestricted	<u>5,433,310</u>	<u>9,895,981</u>	<u>6,149,052</u>	<u>6,025,759</u>	<u>7,291,282</u>	<u>7,070,534</u>	<u>5,176,409</u>	<u>4,782,358</u>	<u>7,850,558</u>	<u>6,028,207</u>
Total primary govern- ment net position	<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>	<u>49,939,355</u>

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
EXPENSES										
Governmental activities										
General Government	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	1,905,925
Administration of Justice	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	2,662,905
Fire and Emergency	566,472	508,970	601,405	575,410	588,701	367,525				
Street	661,579	775,628	1,158,699	1,104,687	1,157,618	1,258,830	1,398,582	1,217,982	871,419	997,572
Economic Development	175,428	146,492	219,247	177,994	201,947	155,637	179,210	191,704	225,041	293,097
Animal Control	123,536	126,134	125,710	151,092	156,545	143,313	143,878	162,758	167,154	176,656
Airport	286,368	317,388	304,269	325,579	391,387	347,264	331,203	321,968	319,622	359,292
Ambulance	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	2,273,547
Park	448,005	384,071	412,841	452,080	466,886	470,549	530,106	529,697	590,728	578,777
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	1,650,035
Towne Center Project			5,990,284	1,074,469	5,678	15,923	18,726	10,187	12,766	13,046
CDBG pass-through expenses								753,740	6,500	
Interest on long-term debt	30,375	515,560	529,657	1,169,186	919,217	902,258	873,168	860,401	772,777	615,807
Total governmental activities expenses	<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>	<u>11,526,659</u>
Business-type activities										
Electric	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	11,427,822
Water and Sewer	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	3,693,731
Aquatic Center	244,723	212,027	205,686	204,045	233,572	252,734	229,978	289,610	276,719	260,514
Refuse	395,955	468,035	381,763	388,345	367,444	416,592	452,778	466,719	473,660	468,685
Total business-type activities expenses	<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>	<u>15,850,752</u>
Total primary government expenses	<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>	<u>27,377,411</u>
PROGRAM REVENUES										
Governmental activities										
Charges for services										
General Government	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	1,915,453
Administration of Justice	264,794	266,771	259,829	253,109	248,580	235,958	226,217	239,292	251,138	293,448
Ambulance	972,945	809,767	823,444	874,553	981,217	1,104,773	1,362,127	1,423,372	1,399,295	1,280,799
Park	38,973	11,570	13,192	28,503	25,313	23,276	22,609	24,015	28,807	60,448
Community Center		639,621	822,254	807,219	750,617	784,011	870,262	850,019	926,252	953,512
Operating grants and contributions	111,019	548,062	250,797	632,643	184,774	36,610	218,541	939,601	144,163	187,359
Capital grants and contributions							320,525	508,546		
Total governmental activities program revenues	<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>	<u>4,691,019</u>
Business-type activities										
Charges for services										
Electric	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	12,020,203
Water and Sewer	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	4,313,059

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
PROGRAM REVENUES										
Business-type activities (Continued)										
Charges for services (Continued)										
Aquatic Center	138,370	127,512	141,807	135,088	133,344	125,189	125,450	166,394	137,666	109,665
Refuse	433,625	414,649	386,359	398,383	399,814	424,579	451,427	469,763	462,386	465,954
Capital grants and contributions							2,017,313	982,687	280,500	
Total business-type activities program revenues	<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>	<u>16,908,881</u>
Total primary government program revenues	<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>	<u>21,599,900</u>
NET (EXPENSE) REVENUE										
Governmental activities	(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)	(6,835,640)
Business-type activities	(229,580)	142,312	1,329,245	1,401,000	878,463	1,249,813	2,785,190	2,229,988	1,448,916	1,058,129
Total primary government net expense	<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>	<u>(5,777,511)</u>
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION										
Governmental activities										
Taxes	5,051,726	5,629,641								
Property taxes			745,358	867,421	906,279	864,193	896,169	816,771	915,825	965,993
Sales taxes			3,234,247	3,523,837	3,605,629	3,388,455	3,978,397	4,186,070	4,239,538	4,231,748
Franchise taxes			1,360,063	1,485,734	1,969,979	1,657,903	1,762,577	1,622,045	1,572,099	1,590,453
Other taxes			153,767	161,988	152,724	215,065	211,217	152,046	157,339	352,997
Unrestricted investment earnings	162,454	304,196	630,951	649,256	313,661	118,459	37,719	33,593	29,815	36,838
Miscellaneous	605,554	361,347	308,063	260,722	196,470	458,050	351,344	320,148	294,193	169,275
Transfers	(30,323)							(490,485)	(32,595)	(33,265)
Total governmental activities	<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>	<u>7,314,039</u>
Business-type activities										
Unrestricted investment earnings	293,695	260,171	363,335	456,808	374,907	294,050	228,550	227,646	216,092	149,424
Miscellaneous		(3,752)								130,771
Transfers	30,323							490,485	32,595	33,265
Total business-type activities	<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>	<u>313,460</u>
Total primary government	<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>	<u>7,627,499</u>
CHANGE IN NET POSITION										
Governmental activities	1,873,030	1,759,199	(5,779,945)	24,968	901,822	(649,244)	771,207	(17,326)	434,652	478,399
Business-type activities	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	1,371,589
Total primary government	<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>	<u>1,849,988</u>

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
GENERAL FUND										
Nonspendable								137,711	148,835	170,485
Restricted								113,630	114,065	114,159
Unassigned								5,930,458	6,304,295	5,384,287
Reserved	96,836	98,729	145,388	120,742	134,148	122,118	101,466			
Unreserved	<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>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>	<u>5,668,931</u>
ALL OTHER GOVERNMENTAL FUNDS										
Nonspendable								112,270	101,248	114,063
Restricted								2,549,053	1,073,822	851,553
Assigned								1,064,581	907,262	772,069
Unassigned								(183,323)	(318,367)	(470,882)
Reserved	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>1,986,099</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>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>3,542,581</u>	<u>1,763,965</u>	<u>1,266,803</u>

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
REVENUES										
Taxes	5,218,302	5,655,312								
Property			838,427	848,607	911,262	874,222	923,255	891,842	915,825	965,993
Sales			3,234,247	3,523,837	3,605,629	3,388,455	3,978,397	4,186,070	4,239,538	4,231,748
Franchise			1,360,063	1,485,734	1,969,979	1,657,903	1,762,577	1,622,045	1,572,099	1,590,453
Other			153,767	156,076	152,724	215,065	211,217	152,046	157,339	352,997
Licenses, fees, and permits	218,957	168,712	177,356	225,187	411,668	140,049	193,055	162,417	161,692	129,094
Fines and forfeitures	264,794	266,771	259,829	253,109	248,580	235,958	226,217	239,292	251,138	293,448
Charges for services	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	4,081,118
Grants	111,019	548,062	250,797	632,643	184,774	36,610	539,066	1,362,928	229,382	187,359
Investment earnings	162,454	304,196	630,951	649,256	313,661	118,459	37,719	33,593	29,815	36,838
Miscellaneous	300,271	361,347	308,063	260,722	196,470	458,050	351,583	336,855	294,193	169,275
Total revenues	<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>13,107,084</u>	<u>11,980,484</u>	<u>12,038,323</u>
EXPENDITURES										
General Government	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	1,787,238
Administration of Justice	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	2,571,510
Fire and Emergency	493,252	436,963	468,515	494,272	514,913	305,195				
Street	523,318	605,250	919,331	860,268	888,273	986,420	1,139,023	962,085	635,787	770,736
Economic Development	174,691	140,205	202,192	161,770	186,738	140,428	164,220	176,936	210,273	275,794
Animal Control	120,403	123,001	114,109	145,331	149,789	136,557	137,122	156,002	160,398	171,273
Airport	219,711	220,636	209,147	222,207	275,850	232,654	219,903	180,079	171,867	210,681
Ambulance	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	2,163,113
Park	373,674	308,696	318,377	378,458	396,746	395,146	462,220	462,593	488,375	463,459
Community Center	56,253	840,759	965,729	994,485	979,138	1,112,725	1,066,878	1,151,513	1,197,703	1,322,084
Towne Center Project		34,300	5,955,984	1,248,099	5,678	15,923	18,726	10,187	12,766	13,046
CDBG pass-through expenses								753,740	6,500	
Capital outlay	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	2,152,920
Debt service										
Principal	450,000	500,000	525,000	7,410,000	575,000	780,000	825,000	733,926	815,940	942,088
Interest and fiscal fees	534,407	515,560	508,060	1,165,574	879,454	862,495	833,404	820,637	699,696	556,542
Total expenditures	<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>	<u>13,400,484</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<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>(892,091)</u>	<u>(77,125)</u>	<u>(1,362,161)</u>

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
OTHER FINANCING SOURCES (USES)										
Proceeds from sale of assets	444,783									
Proceeds of long-term debt		6,886,342		8,435,895				171,931		
Payments to escrow agent									(1,283,500)	
Transfers in	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	2,228,146
Transfers out	<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>	<u>(2,261,411)</u>
Total other financing sources (uses)	<u>414,460</u>	<u>6,886,342</u>		<u>8,435,895</u>				<u>(318,554)</u>	<u>(1,316,095)</u>	<u>(33,265)</u>
NET CHANGES IN FUND BALANCES	<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>(1,210,645)</u>	<u>(1,393,220)</u>	<u>(1,395,426)</u>
DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES	13.5%	8.4%	6.7%	47.8%	14.4%	14.8%	14.8%	12.8%	13.7%	13.3%

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
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
2013	94,552,735	22,682,321	117,235,056	0.69

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 TEN 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
2013	0.5658	0.0000	0.1280	0.6938	0.03	6.18	6.21	6.91

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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	2013			2004		
	Taxable Assessed Value	Rank	Percentages of Total Assessed Valuation	Taxable Assessed Value	Rank	Percentages of Total Assessed Valuation
Church & Dwight/USA Detergents	9,319,120	1	7.95	5,313,970	1	4.87
Wal-Mart	2,978,540	2	2.54	3,252,530	2	2.98
Harrisonville MP II LLC	1,995,180	3	1.70			
Sutherlands Lumber Co.	1,514,000	4	1.29			
HFMD Properties LLC	1,471,060	5	1.25			
Harrisonville MP LLC	1,377,660	6	1.18			
Mill-Walk Mall	1,372,800	7	1.17	1,447,390	3	1.33
Harrisonville Crossings Properties	930,630	8	0.79			
Universal Forest Products	798,290	9	0.68	912,640	6	0.84
H.V. Hotel Investment LLC	746,450	10	0.64			
Eaglepicher Pharmaceutical				1,322,150	4	1.21
AHG, Inc.				1,087,910	5	1.00
Vista Productions				622,781	7	0.57
Crown Properties, LC				573,050	8	0.53
Camden Regency Healthcare				527,850	9	0.48
Southern Union Co.				467,280	10	0.43
TOTALS	<u>22,503,730</u>		<u>18.87</u>	<u>15,527,551</u>		<u>14.23</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
2004	813,143	618,866	76.11	59,899	678,765	83.47	134,378	16.53
2005	856,078	767,070	89.60	52,999	820,069	95.79	36,009	4.21
2006	873,722	806,434	92.30	52,926	859,360	98.36	14,362	1.64
2007	883,130	728,365	82.48	79,768	808,133	91.51	74,997	2.73
2008	895,837	858,631	95.85	19,441	878,072	98.02	17,765	1.98
2009	789,830	763,896	96.72	16,587	780,483	98.82	9,347	1.18
2010	792,984	721,512	90.99	9,515	731,027	92.19	61,957	7.81
2011	795,833	746,929	93.85	13,051	759,980	95.49	35,853	4.51
2012	807,753	732,284	90.66	52,050	784,334	97.10	23,419	2.90
2013	813,377	728,785	89.60	79,026	807,811	99.32	5,566	0.68

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
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
2013	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)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
TOTAL RETAIL SALES	<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>	<u>203,559</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			
2004	12,385,000			502,164	11,730,000		0.13	2,462
2005	11,885,000			478,160	12,685,000		0.13	2,444
2006	11,360,000			452,732	11,860,000		0.12	2,287
2007	10,810,000	8,630,000		425,794	11,175,000		0.15	2,985
2008	10,235,000	8,630,000		397,257	10,290,000		0.15	2,842
2009	9,635,000	17,450,000		367,027	9,580,000		0.18	3,561
2010	9,010,000	17,250,000		335,002	9,059,375		0.18	3,428
2011	8,530,000	17,030,000	171,931	301,076	11,718,541	380,000	0.17	3,806
2012	7,295,000	16,785,000	171,931	265,136	11,556,672	380,000	0.16	3,634
2013	6,665,000	16,520,000	162,916	227,063	10,711,700	278,869	0.15	3,443

CITY OF HARRISONVILLE, MISSOURI
 COMPUTATION OF LEGAL DEBT MARGIN
 DECEMBER 31, 2013

	General Obligation Bonds		Total
	Ordinary (1)	Additional (2)	
Assessed valuation	117,235,056	_____	117,235,056
Constitutional debt limit	11,723,505	11,723,505	23,447,010
Less general obligation bonds payable	11,723,505	11,723,505	23,447,010
Cash and securities available for retirement	11,723,505	11,723,505	23,447,010

- (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, 2013

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	21,875,000	64%	14,000,000
Direct debt obligations of the City of Harrisonville (general obligation bonds), net of debt service funds	_____	0%	_____
Total direct and estimated overlapping debt	<u>21,875,000</u>		<u>14,000,000</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
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%
2013	10,040	235,000,000	23,400	2,590	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 SIX YEARS AGO

Employer	2013			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	<u>98</u>	10	3.16%	<u>98</u>	10
Total Employment	<u>3,099</u>			<u>2,999</u>	

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 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
December 2013	176	1,331,781	73	5,293,503	379,785	117,235,056

(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 EIGHT FISCAL YEARS

Function/Program	Fiscal Year							
	2006	2007	2008	2009	2010	2011	2012	2013
Police								
Patrol units	23	23	23	23	23	20	20	20
Police stations	1	1	1	1	1	1	1	1
Fire								
Fire stations	1	1	1	1	1	1	1	1
Fire hydrants	660	660	670	678	678	678	678	678
Streets								
Miles	69	69	69	69	69	69	69	69
Streetlights	900	900	900	900	900	900	900	900
Miles of storm sewers	9	9	9	9	9	9	9	9
Parks								
Parks	6	6	6	6	6	6	6	6
Acreage	250	250	250	250	250	250	250	250
Golf courses	2	2	2	2	2	2	2	2
Swimming pools	2	2	2	2	2	2	2	2
Tennis courts	4	4	4	4	4	4	4	4
Community centers	7	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	54.0
Plant capacity (mgl)	1.3	1.3	1.5	1.5	2.0	2.0	2.0	2.0
Treatment plants	1	1	1	1	1	1	1	1
Service connections	4,079	4,094	4,102	4,084	4,071	4,037	4,062	4,061
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	3,000,000
Water								
Miles of water mains	56	56	56	56	56	56	56	56
Service connections	4,152	3,984	3,992	3,978	3,966	3,923	3,937	3,950
Daily average consumption in gallons	1,300,000	1,300,000	1,300,000	950,000	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 EIGHT FISCAL YEARS

Function/Program	Fiscal Year							
	2006	2007	2008	2009	2010	2011	2012	2013
General Government								
Management	5	5	5	5	5	4	4	3
Finance	7	7	8	7	6	7	6	7
Codes	4	4	4	4	4	4	2	2
Community Development	2	2	1	2	2	2	3	3
Police								
Officers	20	20	20	21	23	25	23	23
Civilians	6	6	5	6	6	6	6	5
Animal control	2	2	1	2	2	2	1	2
Court	1	1	1	1	1	1	1	1
Fire/EMS								
Firefighters/Director	5	5	5	1	1	1	1	1
Firefighters/Paramedics/EMT's	4	2	3	19	17	15	19	21
Clerk	1	1	1	1	1	1	1	1
Public Works								
Engineering	1	1	1	1	1	1	1	1
Streets	8	8	8	8	7	7	8	8
Electric	9	9	9	9	8	8	7	8
Water	13	13	13	13	13	12	12	12
Wastewater	4	5	5	4	4	4	4	4
Airport	1	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>	<u>10</u>
Total	<u>103</u>	<u>101</u>	<u>102</u>	<u>116</u>	<u>113</u>	<u>111</u>	<u>108</u>	<u>113</u>

Source: Jan Harper, City of Harrisonville

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, 2013, and have issued our report thereon dated June 26, 2014.

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 responses, that we consider to be significant deficiencies as item 2013-001.

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*.

City of Harrisonville, Missouri's Response to Findings

The City of Harrisonville, Missouri's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. 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
June 26, 2014

CITY OF HARRISONVILLE, MISSOURI
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2013

2013-001 RELIANCE UPON THE AUDITOR

Criteria

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

Condition and Context

Management should possess the ability to 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. The auditors drafted the financial statements and related note disclosures from a trial balance and other documentation provided by City personnel.

Cause

City personnel do not obtain the expertise necessary to draft the year-end financial statements, supplementary information, and notes to the financial statements.

Potential Effect

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

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.

Views of Responsible Officials and Corrective Action Plan

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
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2013

2012-1 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 2013-001.