

CITY OF HARRISONVILLE, MISSOURI  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FISCAL YEAR ENDED DECEMBER 31, 2011

Prepared by: Mike Tholen  
Director of Finance

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

May 14, 2012

**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, 2011. 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 unqualified opinion that the City's financial statements for the fiscal year ended December 31, 2011 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, provide 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 US 71 (soon to become 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 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 are recovering 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. Harrisonville's place as a regional trade center for basic goods and services has helped shelter the community from more severe economic downturns.

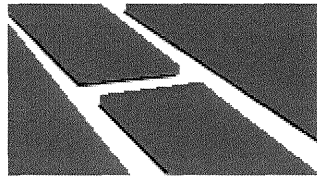
**Long-term financial planning** - The City of Harrisonville prepares a five-year Capital Improvement Plan (CIP) for constructing, maintaining and replacing the City's physical infrastructure. These projects are reviewed annually and updated as conditions, prices, resources and priorities change. These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

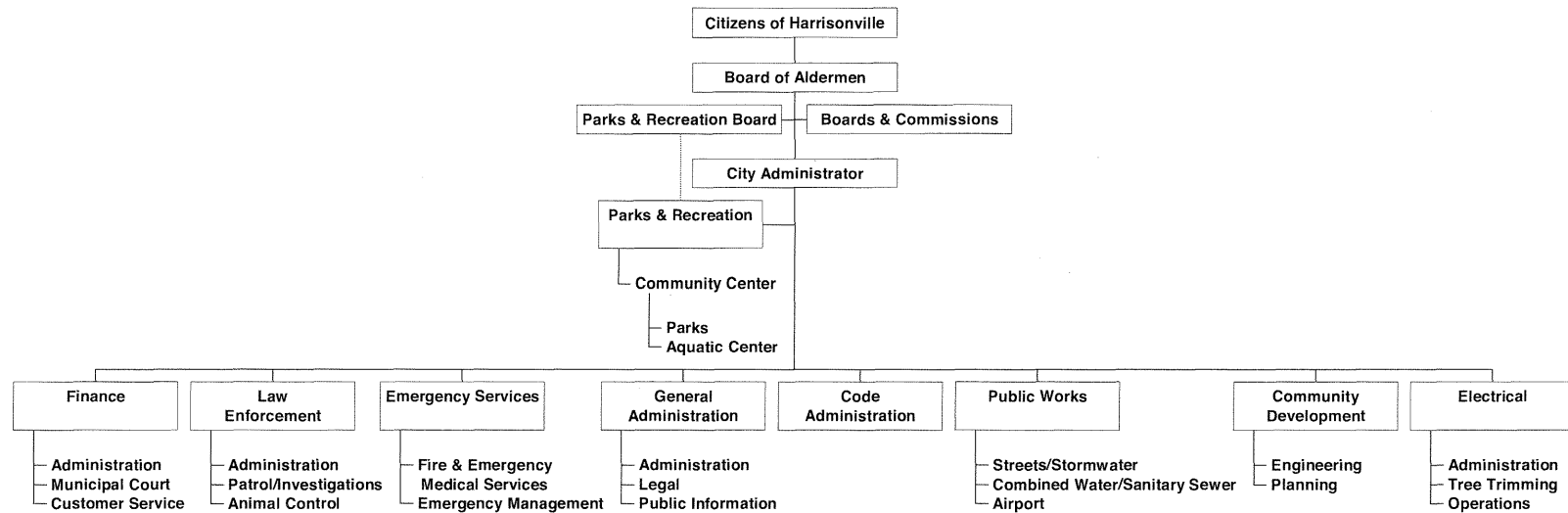
Respectfully submitted,

Michael E. Tholen  
Director of Finance



City of

Harrisonville<sup>est. 1836</sup>



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CITY OF HARRISONVILLE, MISSOURI  
PRINCIPAL OFFICIALS  
DECEMBER 31, 2011

MAYOR AND BOARD OF ALDERMEN

Kevin Wood  
Allison Licht (Light)  
Doug Meyer  
Morris Coburn  
Donna Pfautsch  
David Dickerson  
Bret Reece  
Bill Mollenhour  
Ivan Stull

Mayor  
Alderman Ward I  
Alderman Ward I  
Alderman Ward II  
Alderman Ward II  
Alderman Ward III  
Alderman Ward III  
Alderman Ward IV  
Alderman Ward IV

ADMINISTRATOR AND DEPARTMENT HEADS

Keith Moody  
Ted Martin  
Steve Rauscher  
Jerry Gibbs  
Keith Thomas  
Rodney Jacobs  
Chris Deal  
Rick DeLuca  
Kim Hubbard  
Mike Tholen  
John Hofer  
Larry Francis  
Steven E. Mauer  
Kevin Anderson  
Joseph Cambiano

City Administrator  
City Engineer  
Director of Codes Enforcement  
Director of Public Works and Water/Sewer Superintendent  
Electric Superintendent  
Street Superintendent  
Director of Parks and Recreation  
Director of Community Development  
City Clerk  
Director of Finance  
Chief of Police  
Fire Chief and Director of Emergency Management  
City Attorney  
Municipal Judge  
City Prosecuting Attorney

INDEPENDENT AUDITORS

Dana F. Cole & Company, LLP

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## FINANCIAL SECTION

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DANA F. COLE & COMPANY, LLP  
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

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

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, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Harrisonville, Missouri's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Governmental Auditing Standards, we have also issued our report dated May 14, 2012, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 7 through 13 and 55 through 58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required

supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Harrisonville, Missouri's basic financial statements. The other supplemental information, pages 59 to 69, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations", and is also not a required part of the basic financial statements. The other supplemental information, pages 59 to 69, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Harrisonville, Missouri's basic financial statements. The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Dana & Cole + Company, LLP

Overland Park, Kansas  
May 14, 2012

## 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**

Harrisonville continues to be a financially stable community, although the economic slump has affected our residents. Property tax revenues decreased in FY 2011 because of lower personal property tax valuations, but overall net assets have increased. Harrisonville'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:

In 2011, the City completed a major water/sewer/stormwater/street project in an older section of town, using accumulated reserves from the General and Water/Sewer Funds. The City also continued work on the wastewater treatment plant upgrades, which are funded by revenue bonds issued in 2009 and a \$3,000,000 ARRA grant.

The City also began design work on a new Police station to replace the current cramped and aged facility. This, too, 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. Construction should begin in mid-2012.

These statements include the Towne Center TIF expenditures, which impact the net assets of the City. The anchor tenant opened in spring 2007. One additional padsite has been occupied, and a hotel has been opened on the south end. The two remaining padsites are still open for development. The City budgeted and contributed General Funds to help meet the debt service schedule in 2011, but will need additional development to continue to service the debt without impacting other City funds.

The collection of sales tax revenues increased in 2011, compared to earlier years. While recovering from the downturn, the revenue from existing sales taxes has 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 2011, the City revised its administrative charge schedule, which will result in lower utility rates and reduced transfers to the General Fund.

CITY OF HARRISONVILLE, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS

**The Comprehensive Annual Financial Report**

This comprehensive annual financial report consists of seven 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,
- Statistical information, and
- Accompanying information, which includes Federal Fund compliance review.

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 assets and the statement of activities. These statements can be found on pages 14 through 16. 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 17 to 27, along with their explanatory notes on pages 28 through 54. The fund financial statements provide detailed information about each of the City's most significant funds, called "major funds." All other funds are summarized and presented in a single column called "nonmajor."

CITY OF HARRISONVILLE, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Harrisonville currently has two kinds of funds:

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

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

**Statement of Net Assets**

The following table summarizes the combined statement of net assets as of December 31, 2011, compared with the same information for the fiscal year ending December 31, 2010:

| <b>City of Harrisonville's Net Assets</b>             |                            |                   |                             |                   |                   |                   |
|-------------------------------------------------------|----------------------------|-------------------|-----------------------------|-------------------|-------------------|-------------------|
|                                                       | Governmental<br>Activities |                   | Business-Type<br>Activities |                   | Total             |                   |
|                                                       | 2011                       | 2010              | 2011                        | 2010              | 2011              | 2010              |
| <b>ASSETS</b>                                         |                            |                   |                             |                   |                   |                   |
| Current and other<br>assets                           | 19,991,662                 | 21,189,290        | 10,106,999                  | 8,956,189         | 30,098,661        | 30,145,479        |
| Capital assets                                        | <u>22,742,202</u>          | <u>22,073,794</u> | <u>34,321,543</u>           | <u>30,451,550</u> | <u>57,063,745</u> | <u>52,525,344</u> |
| <b>TOTAL ASSETS</b>                                   | <u>42,733,864</u>          | <u>43,263,084</u> | <u>44,428,542</u>           | <u>39,407,739</u> | <u>87,162,406</u> | <u>82,670,823</u> |
| <b>LIABILITIES</b>                                    |                            |                   |                             |                   |                   |                   |
| Other liabilities                                     | 880,359                    | 1,913,893         | 1,344,082                   | 2,989,165         | 2,224,441         | 4,903,058         |
| Long-term liabilities                                 | <u>26,183,181</u>          | <u>25,576,322</u> | <u>12,323,350</u>           | <u>8,605,583</u>  | <u>38,506,531</u> | <u>34,181,905</u> |
| <b>TOTAL LIABILITIES</b>                              | <u>27,063,540</u>          | <u>27,490,215</u> | <u>13,667,432</u>           | <u>11,594,748</u> | <u>40,730,972</u> | <u>39,084,963</u> |
| <b>NET ASSETS</b>                                     |                            |                   |                             |                   |                   |                   |
| Invested in capital<br>assets, net of<br>related debt | 13,911,126                 | 12,728,792        | 22,603,002                  | 21,441,550        | 36,514,128        | 34,170,342        |
| Restricted                                            | 2,662,683                  | 2,184,248         | 2,557,484                   | 2,054,861         | 5,220,167         | 4,239,109         |
| Unrestricted                                          | <u>(903,485)</u>           | <u>859,829</u>    | <u>5,600,624</u>            | <u>4,316,580</u>  | <u>4,697,139</u>  | <u>5,176,409</u>  |
| <b>TOTAL NET ASSETS</b>                               | <u>15,670,324</u>          | <u>15,772,869</u> | <u>30,761,110</u>           | <u>27,812,991</u> | <u>46,431,434</u> | <u>43,585,860</u> |

CITY OF HARRISONVILLE, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS

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

**Statement of Activities**

The following table reflects the revenues and expenses for the City's activities for the fiscal year ending December 31, 2011, compared with the same information for the fiscal year ending December 31, 2010:

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

|                                       | Governmental<br>Activities |                   | Business-Type<br>Activities |                   | Total             |                   |
|---------------------------------------|----------------------------|-------------------|-----------------------------|-------------------|-------------------|-------------------|
| REVENUES                              | 2011                       | 2010              | 2011                        | 2010              | 2011              | 2010              |
| Program revenues                      |                            |                   |                             |                   |                   |                   |
| Charges for services                  | 4,521,705                  | 4,505,902         | 16,294,563                  | 16,695,017        | 20,816,268        | 21,200,919        |
| Operating grants<br>and contributions | 939,601                    | 218,541           |                             |                   | 939,601           | 218,541           |
| Capital grants<br>and contributions   | 423,327                    | 320,525           | 982,687                     | 2,017,313         | 1,406,014         | 2,337,838         |
| General revenues                      |                            |                   |                             |                   |                   |                   |
| Taxes                                 | 6,776,932                  | 6,848,360         |                             |                   | 6,776,932         | 6,848,360         |
| Investment earnings                   | 33,593                     | 37,719            | 227,646                     | 228,550           | 261,239           | 266,269           |
| Transfers                             | (490,485)                  |                   | 490,485                     |                   |                   |                   |
| Other miscellaneous<br>revenues       | 320,148                    | 351,344           |                             |                   | 320,148           | 351,344           |
| Total revenues                        | <u>12,524,821</u>          | <u>12,282,391</u> | <u>17,995,381</u>           | <u>18,940,880</u> | <u>30,520,202</u> | <u>31,223,271</u> |
| EXPENSES                              |                            |                   |                             |                   |                   |                   |
| General Government                    | 1,974,816                  | 1,787,553         |                             |                   | 1,974,816         | 1,787,553         |
| Administration of Justice             | 2,663,787                  | 2,643,954         |                             |                   | 2,663,787         | 2,643,954         |
| Street                                | 1,217,982                  | 1,398,582         |                             |                   | 1,217,982         | 1,398,582         |
| Economic Development                  | 191,704                    | 179,210           |                             |                   | 191,704           | 179,210           |
| Animal control                        | 162,758                    | 143,878           |                             |                   | 162,758           | 143,878           |
| Airport                               | 321,968                    | 331,203           |                             |                   | 321,968           | 331,203           |
| Emergency Services                    | 2,489,922                  | 2,237,316         |                             |                   | 2,489,922         | 2,237,316         |
| Park                                  | 529,697                    | 530,106           |                             |                   | 529,697           | 530,106           |
| Community Center                      | 1,450,404                  | 1,367,488         |                             |                   | 1,450,404         | 1,367,488         |
| Towne Center TIF                      | 10,187                     | 18,726            |                             |                   | 10,187            | 18,726            |
| CDBG Pass-through                     | 753,740                    |                   |                             |                   | 753,740           |                   |
| Interest on long-term debt            | 860,401                    | 873,168           |                             |                   | 860,401           | 873,168           |
| Electric                              |                            |                   | 10,637,961                  | 11,029,794        | 10,637,961        | 11,029,794        |
| Water/Sewer                           |                            |                   | 3,652,972                   | 4,214,590         | 3,652,972         | 4,214,590         |

CITY OF HARRISONVILLE, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS

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

|                               | Activities        |                   | Activities        |                   | Total             |                   |
|-------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|                               | 2011              | 2010              | 2011              | 2010              | 2011              | 2010              |
| EXPENSES (Continued)          |                   |                   |                   |                   |                   |                   |
| Aquatic Center                |                   |                   | 289,610           | 229,978           | 289,610           | 229,978           |
| Refuse                        |                   |                   | 466,719           | 452,778           | 466,719           | 452,778           |
| Total expenses                | <u>12,627,366</u> | <u>11,511,184</u> | <u>15,047,262</u> | <u>15,927,140</u> | <u>27,674,628</u> | <u>27,438,324</u> |
| CHANGE IN NET ASSETS          | (102,545)         | 771,207           | 2,948,119         | 3,013,740         | 2,845,574         | 3,784,947         |
| NET ASSETS, beginning of year | <u>15,772,869</u> | <u>15,001,662</u> | <u>27,812,991</u> | <u>24,799,251</u> | <u>43,585,860</u> | <u>39,800,913</u> |
| NET ASSETS, end of year       | <u>15,670,324</u> | <u>15,772,869</u> | <u>30,761,110</u> | <u>27,812,991</u> | <u>46,431,434</u> | <u>43,585,860</u> |

This summary shows that approximately 67% 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 2.5% in 2011 from 2010 with the largest cuts stemming from lower 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 decreased 1.4% primarily due to extraordinary franchise tax revenue in 2010.

Total program expenses for 2011 are \$27,674,628 with the majority, \$15,047,262, stemming from business-type activities. Governmental activities expenditures increased 9.7% from the previous fiscal year due to a CDBG pass-through grant, while the total of business-type activity spending decreased 5.5%. Utility revenues and expenses were reduced in 2011 as a result of the revised administrative fee structure, and this also reflects capital investments in the city utility systems. Public safety expenses, at \$5,153,709, totaled approximately 41% of the governmental activities, while the electric utility expenses comprise the majority of the business-type expenses.

The total net assets of the City increased 6.5% in 2011.

#### **Fund Statements**

The City of Harrisonville fund statements can be found on pages 17 through 27 of the financial statements. Governmental funds ended the year with an overall decrease in net assets and the business-type funds showed an increase, and the overall City posted an increase in net assets.

CITY OF HARRISONVILLE, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS

**Budget Variances**

There is one area of significant difference between the original adopted budget and the final approved budget for the City's General Fund in FY 2011. It is in capital projects, which reflects the amount of unfinished capital work from 2010 which was reappropriated into the 2011 budget, as well as several newly authorized construction projects and equipment purchases. All budget amendments are reviewed and approved by the Board of Aldermen.

**Capital Assets**

**City of Harrisonville Capital Assets**

|                                  | Governmental<br>Activities |                   | Business-Type<br>Activities |                   | Total             |                   |
|----------------------------------|----------------------------|-------------------|-----------------------------|-------------------|-------------------|-------------------|
|                                  | 2011                       | 2010              | 2011                        | 2010              | 2011              | 2010              |
| Land                             | 890,750                    | 887,285           | 1,588,031                   | 1,588,031         | 2,478,781         | 2,475,316         |
| Buildings                        | 21,161,576                 | 21,129,636        | 16,431,247                  | 16,419,347        | 37,592,823        | 37,548,983        |
| Machinery and<br>equipment       | 5,739,569                  | 5,542,037         |                             |                   | 5,739,569         | 5,542,037         |
| Equipment and<br>transmission    |                            |                   | 27,321,199                  | 26,820,813        | 27,321,199        | 26,820,813        |
| Streets                          | 4,856,178                  | 3,274,538         |                             |                   | 4,856,178         | 3,274,538         |
| Construction-in-progress         | 1,192,513                  | 1,409,179         | 9,562,914                   | 5,325,998         | 10,755,427        | 6,735,177         |
|                                  | 33,840,586                 | 32,242,675        | 54,903,391                  | 50,154,189        | 88,743,977        | 82,396,864        |
| Less accumulated<br>depreciation | 11,098,384                 | 10,168,881        | 20,671,848                  | 19,702,639        | 31,770,232        | 29,871,520        |
| Total                            | <u>22,742,202</u>          | <u>22,073,794</u> | <u>34,231,543</u>           | <u>30,451,550</u> | <u>56,973,745</u> | <u>52,525,344</u> |

**Major Capital Asset Events FY 2011**

Over \$1,400,000 in water and sewer line improvements.

\$2,800,000 in upgrades to the Wastewater Treatment Plant.

Street overlay, sidewalk and curb reconstruction programs were completed in excess of \$772,000.

Several stormwater control projects totaling over \$286,000 were completed.

Over \$134,000 of electrical distribution system upgrades.

CITY OF HARRISONVILLE, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS

**Debt Administration**

The City of Harrisonville issued \$4,300,000 in Wastewater Revenue Bonds in 2009, out of \$7,000,000 authorized. These bonds are utilized under the Missouri Department of Natural Resources State Revolving Fund, and drawdown of those funds began in late 2010. No bonded debt was authorized during fiscal year 2011, and only the normal scheduled payments were made. Details of the existing debt obligations of the City are discussed in Note 6 to the financial statements.

The City continues to have no general obligation debt.

**Economic Outlook**

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

**Financial Contact**

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

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## BASIC FINANCIAL STATEMENTS

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CITY OF HARRISONVILLE, MISSOURI  
STATEMENT OF NET ASSETS  
DECEMBER 31, 2011

|                                                                  | Primary Government         |                             |                   | Component<br>Unit |
|------------------------------------------------------------------|----------------------------|-----------------------------|-------------------|-------------------|
|                                                                  | Governmental<br>Activities | Business-Type<br>Activities | Total             |                   |
| ASSETS                                                           |                            |                             |                   |                   |
| Cash                                                             | 145,187                    | 680,292                     | 825,479           | 176,967           |
| Investments                                                      | 5,570,496                  | 4,121,334                   | 9,691,830         |                   |
| Accounts receivable, net of allow-<br>ance for doubtful accounts | 626,049                    | 2,140,857                   | 2,766,906         |                   |
| Grants receivable                                                | 51,703                     |                             | 51,703            |                   |
| Taxes receivable                                                 | 1,068,474                  |                             | 1,068,474         | 158,895           |
| Accrued interest receivable                                      | 14,280                     |                             | 14,280            |                   |
| Inventories                                                      | 86,229                     | 624,898                     | 711,127           |                   |
| Prepaid expenses                                                 | 163,752                    | 56,853                      | 220,605           |                   |
| Bond cost, net of amortization                                   | 386,923                    | 109,322                     | 496,245           |                   |
| Restricted cash                                                  | 756,484                    | 126,331                     | 882,815           | 114,448           |
| Restricted investments                                           | 1,458,399                  | 2,051,153                   | 3,509,552         |                   |
| Due from other funds                                             |                            | 195,959                     | 195,959           |                   |
| Due from component unit                                          | 9,663,686                  |                             | 9,663,686         |                   |
| Capital assets                                                   |                            |                             |                   |                   |
| Land                                                             | 890,750                    | 1,588,031                   | 2,478,781         |                   |
| Construction-in-progress                                         | 1,192,513                  | 9,652,914                   | 10,845,427        |                   |
| Other capital assets, net of<br>accumulated depreciation         | <u>20,658,939</u>          | <u>23,080,598</u>           | <u>43,739,537</u> |                   |
| TOTAL ASSETS                                                     | <u>42,733,864</u>          | <u>44,428,542</u>           | <u>87,162,406</u> | <u>450,310</u>    |
| LIABILITIES                                                      |                            |                             |                   |                   |
| Accounts payable                                                 | 104,987                    | 646,946                     | 751,933           | 90,009            |
| Accrued expenses                                                 | 480,134                    | 36,278                      | 516,412           |                   |
| Unearned revenue                                                 | 89,922                     | 70,477                      | 160,399           |                   |
| Liabilities payable from restricted<br>assets                    | 9,357                      |                             | 9,357             |                   |
| Meter deposits                                                   |                            | 590,381                     | 590,381           |                   |
| Due to other funds                                               | 195,959                    |                             | 195,959           |                   |
| Due to primary government                                        |                            |                             |                   | 9,663,686         |
| Due to developers                                                |                            |                             |                   | 5,326,059         |
| Noncurrent liabilities                                           |                            |                             |                   |                   |
| Due within one year                                              | 1,086,088                  | 911,352                     | 1,997,440         |                   |
| Due in more than one year                                        | <u>25,097,093</u>          | <u>11,411,998</u>           | <u>36,509,091</u> |                   |
| TOTAL LIABILITIES                                                | <u>27,063,540</u>          | <u>13,667,432</u>           | <u>40,730,972</u> | <u>15,079,754</u> |

CITY OF HARRISONVILLE, MISSOURI  
STATEMENT OF NET ASSETS  
DECEMBER 31, 2011

|                                                    | Primary Government         |                             |                   | Component<br>Unit   |
|----------------------------------------------------|----------------------------|-----------------------------|-------------------|---------------------|
|                                                    | Governmental<br>Activities | Business-Type<br>Activities | Total             |                     |
| NET ASSETS                                         |                            |                             |                   |                     |
| Invested in capital assets, net of<br>related debt | 13,911,126                 | 22,603,002                  | 36,514,128        |                     |
| Restricted for:                                    |                            |                             |                   |                     |
| Capital improvements                               | 239,297                    | 530,487                     | 769,784           |                     |
| Debt service                                       | 2,309,756                  | 2,026,997                   | 4,336,753         |                     |
| Other purposes                                     | 113,630                    |                             | 113,630           |                     |
| Unrestricted                                       | <u>(903,485)</u>           | <u>5,600,624</u>            | <u>4,697,139</u>  | <u>(14,629,444)</u> |
| TOTAL NET ASSETS                                   | <u>15,670,324</u>          | <u>30,761,110</u>           | <u>46,431,434</u> | <u>(14,629,444)</u> |

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

CITY OF HARRISONVILLE, MISSOURI  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2011

| Functions/programs             | Expenses          | Program Revenues           |                                             |                                        | Net (Expense) Revenue and<br>Changes in Net Assets |                             |                    |                     |
|--------------------------------|-------------------|----------------------------|---------------------------------------------|----------------------------------------|----------------------------------------------------|-----------------------------|--------------------|---------------------|
|                                |                   | Charges<br>for<br>Services | Operating<br>Grants<br>and<br>Contributions | Capital<br>Grants and<br>Contributions | Primary Government                                 |                             |                    | Component<br>Unit   |
|                                |                   |                            |                                             |                                        | Governmental<br>Activities                         | Business-Type<br>Activities | Total              |                     |
|                                |                   |                            |                                             |                                        |                                                    |                             |                    |                     |
| Primary government             |                   |                            |                                             |                                        |                                                    |                             |                    |                     |
| Governmental activities        |                   |                            |                                             |                                        |                                                    |                             |                    |                     |
| General Government             | 1,974,816         | 1,985,007                  | 153,555                                     |                                        | 163,746                                            |                             | 163,746            |                     |
| Administration of Justice      | 2,663,787         | 239,292                    |                                             |                                        | (2,424,495)                                        |                             | (2,424,495)        |                     |
| Street                         | 1,217,982         |                            |                                             |                                        | (1,217,982)                                        |                             | (1,217,982)        |                     |
| Economic Development           | 191,704           |                            |                                             |                                        | (191,704)                                          |                             | (191,704)          |                     |
| Animal Control                 | 162,758           |                            |                                             |                                        | (162,758)                                          |                             | (162,758)          |                     |
| Airport                        | 321,968           |                            |                                             | 423,327                                | 101,359                                            |                             | 101,359            |                     |
| Emergency Services             | 2,489,922         | 1,423,372                  |                                             |                                        | (1,066,550)                                        |                             | (1,066,550)        |                     |
| Park                           | 529,697           | 24,015                     | 29,056                                      |                                        | (476,626)                                          |                             | (476,626)          |                     |
| Community Center               | 1,450,404         | 850,019                    |                                             |                                        | (600,385)                                          |                             | (600,385)          |                     |
| Towne Center Project           | 10,187            |                            |                                             |                                        | (10,187)                                           |                             | (10,187)           |                     |
| CDBG pass-through expenses     | 753,740           |                            | 756,990                                     |                                        | 3,250                                              |                             | 3,250              |                     |
| Interest on long-term debt     | 860,401           |                            |                                             |                                        | (860,401)                                          |                             | (860,401)          |                     |
| Total governmental activities  | <u>12,627,366</u> | <u>4,521,705</u>           | <u>939,601</u>                              | <u>423,327</u>                         | <u>(6,742,733)</u>                                 |                             | <u>(6,742,733)</u> |                     |
| Business-type activities       |                   |                            |                                             |                                        |                                                    |                             |                    |                     |
| Electric                       | 10,637,961        | 11,200,157                 |                                             |                                        |                                                    | 562,196                     | 562,196            |                     |
| Water/Sewer                    | 3,652,972         | 4,458,249                  |                                             | 982,687                                |                                                    | 1,787,964                   | 1,787,964          |                     |
| Aquatic Center                 | 289,610           | 166,394                    |                                             |                                        |                                                    | (123,216)                   | (123,216)          |                     |
| Refuse                         | 466,719           | 469,763                    |                                             |                                        |                                                    | 3,044                       | 3,044              |                     |
| Total business-type activities | <u>15,047,262</u> | <u>16,294,563</u>          |                                             | <u>982,687</u>                         |                                                    | <u>2,229,988</u>            | <u>2,229,988</u>   |                     |
| Total primary government       | <u>27,674,628</u> | <u>20,816,268</u>          | <u>939,601</u>                              | <u>1,406,014</u>                       | <u>(6,742,733)</u>                                 | <u>2,229,988</u>            | <u>(4,512,745)</u> |                     |
| Market Place Component Unit    | <u>442,603</u>    |                            |                                             |                                        |                                                    |                             |                    | (442,603)           |
| General revenues               |                   |                            |                                             |                                        |                                                    |                             |                    |                     |
| Taxes                          |                   |                            |                                             |                                        |                                                    |                             |                    |                     |
| Property tax                   |                   |                            |                                             |                                        | 816,771                                            |                             | 816,771            |                     |
| Local sales tax                |                   |                            |                                             |                                        | 4,186,070                                          |                             | 4,186,070          | 346,003             |
| Franchise taxes                |                   |                            |                                             |                                        | 1,622,045                                          |                             | 1,622,045          |                     |
| Other taxes                    |                   |                            |                                             |                                        | 152,046                                            |                             | 152,046            | 130,495             |
| Investment earnings            |                   |                            |                                             |                                        | 33,593                                             | 227,646                     | 261,239            | 79                  |
| Transfers in (out)             |                   |                            |                                             |                                        | (490,485)                                          | 490,485                     |                    |                     |
| Other miscellaneous revenues   |                   |                            |                                             |                                        | 320,148                                            |                             | 320,148            |                     |
| Total general revenues         |                   |                            |                                             |                                        | <u>6,640,188</u>                                   | <u>718,131</u>              | <u>7,358,319</u>   | <u>476,577</u>      |
| CHANGE IN NET ASSETS           |                   |                            |                                             |                                        | (102,545)                                          | 2,948,119                   | 2,845,574          | 33,974              |
| NET ASSETS, beginning of year  |                   |                            |                                             |                                        | <u>15,772,869</u>                                  | <u>27,812,991</u>           | <u>43,585,860</u>  | <u>(14,663,418)</u> |
| NET ASSETS, end of year        |                   |                            |                                             |                                        | <u>15,670,324</u>                                  | <u>30,761,110</u>           | <u>46,431,434</u>  | <u>(14,629,444)</u> |

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

CITY OF HARRISONVILLE, MISSOURI  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2011

|                                            | General<br>Fund  | Community<br>Center<br>Fund | Towne<br>Center<br>TIF Fund | Emergency<br>Services<br>Fund | Nonmajor<br>Funds | Total<br>Governmental<br>Funds |
|--------------------------------------------|------------------|-----------------------------|-----------------------------|-------------------------------|-------------------|--------------------------------|
| ASSETS                                     |                  |                             |                             |                               |                   |                                |
| ASSETS                                     |                  |                             |                             |                               |                   |                                |
| Cash                                       | 82,277           |                             |                             | 50                            | 62,860            | 145,187                        |
| Investments                                | 4,845,883        | 426,676                     |                             |                               | 297,937           | 5,570,496                      |
| Accrued interest receivable                | 14,280           |                             |                             |                               |                   | 14,280                         |
| Accounts receivable                        |                  | 45,532                      |                             | 545,430                       | 35,087            | 626,049                        |
| Grants receivable                          | 51,703           |                             |                             |                               |                   | 51,703                         |
| Taxes receivable                           | 650,560          |                             | 177,492                     |                               | 240,422           | 1,068,474                      |
| Due from other funds                       | 174,138          | 270,744                     | 107,734                     |                               | 2,504             | 555,120                        |
| Due from component unit                    | 275,000          |                             |                             |                               |                   | 275,000                        |
| Inventories                                | 50,052           |                             |                             | 36,177                        |                   | 86,229                         |
| Prepaid insurance                          | 87,659           | 11,636                      |                             | 29,885                        | 7,498             | 136,678                        |
| Prepaid sales tax remittance               |                  |                             |                             |                               | 27,074            | 27,074                         |
| Restricted cash                            | 10,368           |                             | 726,963                     |                               | 19,153            | 756,484                        |
| Restricted investments                     | 112,619          | 1,279,145                   |                             |                               | 66,635            | 1,458,399                      |
| <b>TOTAL ASSETS</b>                        | <b>6,354,539</b> | <b>2,033,733</b>            | <b>1,012,189</b>            | <b>611,542</b>                | <b>759,170</b>    | <b>10,771,173</b>              |
| LIABILITIES AND FUND BALANCES              |                  |                             |                             |                               |                   |                                |
| LIABILITIES                                |                  |                             |                             |                               |                   |                                |
| Accounts payable                           | 54,059           | 11,738                      |                             | 13,674                        | 25,516            | 104,987                        |
| Due to other funds                         |                  |                             |                             | 569,384                       | 181,695           | 751,079                        |
| Accrued expenses                           | 59,419           | 6,073                       |                             | 25,956                        |                   | 91,448                         |
| Deferred revenue                           | 49,905           | 28,724                      |                             |                               | 11,293            | 89,922                         |
| Liabilities payable from restricted assets | 9,357            |                             |                             |                               |                   | 9,357                          |
| <b>Total liabilities</b>                   | <b>172,740</b>   | <b>46,535</b>               |                             | <b>609,014</b>                | <b>218,504</b>    | <b>1,046,793</b>               |
| FUND BALANCES                              |                  |                             |                             |                               |                   |                                |
| Nonspendable                               | 137,711          | 11,636                      |                             | 66,062                        | 34,572            | 249,981                        |
| Restricted                                 | 113,630          | 1,451,076                   | 1,012,189                   |                               | 85,788            | 2,662,683                      |
| Assigned                                   |                  | 524,486                     |                             |                               | 540,095           | 1,064,581                      |
| Unassigned                                 | 5,930,458        |                             |                             | (63,534)                      | (119,789)         | 5,747,135                      |
| <b>Total fund balances</b>                 | <b>6,181,799</b> | <b>1,987,198</b>            | <b>1,012,189</b>            | <b>2,528</b>                  | <b>540,666</b>    | <b>9,724,380</b>               |
| <b>TOTAL LIABILITIES AND FUND BALANCES</b> | <b>6,354,539</b> | <b>2,033,733</b>            | <b>1,012,189</b>            | <b>611,542</b>                | <b>759,170</b>    | <b>10,771,173</b>              |

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 ASSETS  
DECEMBER 31, 2011

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

|                                         |           |
|-----------------------------------------|-----------|
| Fund balance - total governmental funds | 9,724,380 |
|-----------------------------------------|-----------|

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.

|                               |                     |            |
|-------------------------------|---------------------|------------|
| Governmental capital assets   | 33,840,583          |            |
| Less accumulated depreciation | <u>(11,098,381)</u> |            |
|                               |                     | 22,742,202 |

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

|                               |                  |              |
|-------------------------------|------------------|--------------|
| Certificates of participation | (8,530,000)      |              |
| Tax increment revenue bonds   | (8,030,000)      |              |
| Tax increment note payable    | (9,000,000)      |              |
| Promissory note payable       | (171,931)        |              |
| Accrued interest payable      | (388,686)        |              |
| Capital lease payable         | <u>(301,076)</u> |              |
|                               |                  | (26,421,693) |

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                  | 151,754        |         |
| Bond cost, net of amortization | <u>386,923</u> |         |
|                                |                | 538,677 |

|                                                                                                                   |           |
|-------------------------------------------------------------------------------------------------------------------|-----------|
| Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds. | (301,928) |
|-------------------------------------------------------------------------------------------------------------------|-----------|

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> |
|---------------------------------------------------------------|------------------|

|                                       |                  |                   |
|---------------------------------------|------------------|-------------------|
|                                       | <u>9,388,686</u> |                   |
| NET ASSETS OF GOVERNMENTAL ACTIVITIES |                  | <u>15,670,324</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 - GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2011

|                                  | General<br>Fund  | Community<br>Center | Towne<br>Center<br>TIF Fund | Emergency<br>Services<br>Fund | Nonmajor<br>Funds | Total<br>Governmental<br>Funds |
|----------------------------------|------------------|---------------------|-----------------------------|-------------------------------|-------------------|--------------------------------|
| REVENUES                         |                  |                     |                             |                               |                   |                                |
| Taxes                            |                  |                     |                             |                               |                   |                                |
| Property                         | 609,619          |                     | 144,267                     |                               | 137,956           | 891,842                        |
| Sales                            | 2,266,474        |                     | 312,959                     |                               | 1,606,637         | 4,186,070                      |
| Franchise                        | 1,607,081        |                     |                             |                               | 14,964            | 1,622,045                      |
| Other                            | 128,031          |                     |                             |                               | 24,015            | 152,046                        |
| Licenses, fees and permits       | 162,417          |                     |                             |                               |                   | 162,417                        |
| Charges for services             | 1,846,605        | 850,019             |                             | 1,423,372                     |                   | 4,119,996                      |
| Grants                           | 1,333,872        |                     |                             |                               | 29,056            | 1,362,928                      |
| Fines and forfeitures            | 239,292          |                     |                             |                               |                   | 239,292                        |
| Interest                         | 28,699           | 1,389               | 97                          |                               | 3,408             | 33,593                         |
| Proceeds from the sale of assets |                  |                     |                             |                               | 33,726            | 33,726                         |
| Miscellaneous                    | 248,257          | 11,457              |                             | 34,294                        | 9,121             | 303,129                        |
| Total revenues                   | <u>8,470,347</u> | <u>862,865</u>      | <u>457,323</u>              | <u>1,457,666</u>              | <u>1,858,883</u>  | <u>13,107,084</u>              |
| EXPENDITURES                     |                  |                     |                             |                               |                   |                                |
| Current                          |                  |                     |                             |                               |                   |                                |
| General Government               | 1,875,373        |                     |                             |                               |                   | 1,875,373                      |
| Administration of Justice        | 2,554,360        |                     |                             |                               |                   | 2,554,360                      |
| Street                           | 962,085          |                     |                             |                               |                   | 962,085                        |
| Economic Development             | 176,936          |                     |                             |                               |                   | 176,936                        |
| Animal Control                   | 156,002          |                     |                             |                               |                   | 156,002                        |
| Airport                          | 180,079          |                     |                             |                               |                   | 180,079                        |
| Emergency Services               |                  |                     |                             | 2,324,734                     |                   | 2,324,734                      |
| Park                             |                  |                     |                             |                               | 462,593           | 462,593                        |
| Community Center                 |                  | 1,151,513           |                             |                               |                   | 1,151,513                      |
| Towne Center Project             |                  |                     | 10,187                      |                               |                   | 10,187                         |
| CDBG pass-through expenses       | 753,740          |                     |                             |                               |                   | 753,740                        |

CITY OF HARRISONVILLE, MISSOURI  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2011

|                                                                                   | General<br>Fund    | Community<br>Center | Towne<br>Center<br>TIF Fund | Emergency<br>Services<br>Fund | Nonmajor<br>Funds  | Total<br>Governmental<br>Funds |
|-----------------------------------------------------------------------------------|--------------------|---------------------|-----------------------------|-------------------------------|--------------------|--------------------------------|
| EXPENDITURES (Continued)                                                          |                    |                     |                             |                               |                    |                                |
| Debt service                                                                      |                    |                     |                             |                               |                    |                                |
| Principal                                                                         | 33,926             |                     | 220,000                     |                               | 480,000            | 733,926                        |
| Interest                                                                          | 19,108             |                     | 377,719                     |                               | 423,810            | 820,637                        |
| Capital outlay                                                                    | <u>1,533,528</u>   | <u>19,684</u>       | <u></u>                     | <u>119,204</u>                | <u>164,594</u>     | <u>1,837,010</u>               |
| Total expenditures                                                                | <u>8,245,137</u>   | <u>1,171,197</u>    | <u>607,906</u>              | <u>2,443,938</u>              | <u>1,530,997</u>   | <u>13,999,175</u>              |
| REVENUES OVER (UNDER)<br>EXPENDITURES BEFORE<br>OTHER FINANCING<br>SOURCES (USES) | <u>225,210</u>     | <u>(308,332)</u>    | <u>(150,583)</u>            | <u>(986,272)</u>              | <u>327,886</u>     | <u>(892,091)</u>               |
| OTHER FINANCING SOURCES (USES)                                                    |                    |                     |                             |                               |                    |                                |
| Transfers in                                                                      | 227,474            | 157,587             | 188,182                     | 833,858                       | 1,273,335          | 2,680,436                      |
| Proceeds of long-term debt                                                        |                    | 171,931             |                             |                               |                    | 171,931                        |
| Transfers out                                                                     | <u>(1,574,835)</u> | <u></u>             | <u></u>                     | <u></u>                       | <u>(1,596,086)</u> | <u>(3,170,921)</u>             |
| Total other financing sources (uses)                                              | <u>(1,347,361)</u> | <u>329,518</u>      | <u>188,182</u>              | <u>833,858</u>                | <u>(322,751)</u>   | <u>(318,554)</u>               |
| NET CHANGE IN FUND BALANCES                                                       | (1,122,151)        | 21,186              | 37,599                      | (152,414)                     | 5,135              | (1,210,645)                    |
| FUND BALANCES, January 1, 2011                                                    | <u>7,303,950</u>   | <u>1,966,012</u>    | <u>974,590</u>              | <u>154,942</u>                | <u>535,531</u>     | <u>10,935,025</u>              |
| FUND BALANCES, December 31, 2011                                                  | <u>6,181,799</u>   | <u>1,987,198</u>    | <u>1,012,189</u>            | <u>2,528</u>                  | <u>540,666</u>     | <u>9,724,380</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 OF GOVERNMENTAL FUNDS TO  
THE STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2011

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

|                                                        |             |
|--------------------------------------------------------|-------------|
| Net change in fund balances - total governmental funds | (1,210,645) |
|--------------------------------------------------------|-------------|

Governmental funds report capital outlays as expenditures.  
However, in the statement of activities, the cost of those  
assets is allocated over their estimated useful lives and  
reported as depreciation expense. This is the amount  
by which capital outlay exceeded depreciation in the  
current period.

|                |                    |         |
|----------------|--------------------|---------|
| Capital outlay | 1,837,010          |         |
| Depreciation   | <u>(1,151,895)</u> | 685,115 |

Governmental funds report the proceeds from the disposal of  
assets as revenues. However, in the statement of activities,  
the revenues are reported less the amount of nondepreciated  
cost. This is the amount by which the cost exceeded any  
proceeds.

|                          |                |          |
|--------------------------|----------------|----------|
| Cost                     | (239,099)      |          |
| Accumulated depreciation | <u>222,392</u> | (16,707) |

The issuance of long-term debt (e.g., bonds, loan, 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  
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 out-  
standing 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                | 700,000         |         |
| Proceeds of long-term debt             | (171,931)       |         |
| Capital lease payments                 | 33,926          |         |
| Amortization of premiums and discounts | <u>(39,764)</u> | 522,231 |

CITY OF HARRISONVILLE, MISSOURI  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO  
THE STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2011

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

|                      |         |
|----------------------|---------|
| Compensated absences | (7,468) |
|----------------------|---------|

Deferred revenues previously recognized in the statement  
of activities that are reported as revenues in the govern-  
mental funds in the current year.

|  |                 |
|--|-----------------|
|  | <u>(75,071)</u> |
|--|-----------------|

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

|  |                  |
|--|------------------|
|  | <u>(102,545)</u> |
|--|------------------|

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

CITY OF HARRISONVILLE, MISSOURI  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
DECEMBER 31, 2011

|                                                          | Electric<br>Fund  | Water/<br>Sewer<br>Fund | Nonmajor<br>Enterprise<br>Funds | Total             |
|----------------------------------------------------------|-------------------|-------------------------|---------------------------------|-------------------|
| <b>ASSETS</b>                                            |                   |                         |                                 |                   |
| Current Assets                                           |                   |                         |                                 |                   |
| Cash                                                     | 459,652           | 111,789                 | 108,851                         | 680,292           |
| Investments                                              | 2,060,890         | 2,060,444               |                                 | 4,121,334         |
| Accounts receivable                                      | 1,484,957         | 584,881                 | 71,019                          | 2,140,857         |
| Due from other funds                                     |                   | 195,959                 |                                 | 195,959           |
| Inventories                                              | 480,155           | 144,743                 |                                 | 624,898           |
| Prepaid insurance                                        | 22,653            | 31,453                  | 2,747                           | 56,853            |
| Total current assets                                     | <u>4,508,307</u>  | <u>3,129,269</u>        | <u>182,617</u>                  | <u>7,820,193</u>  |
| Noncurrent Assets                                        |                   |                         |                                 |                   |
| Restricted cash                                          | 23,754            | 90,380                  | 12,197                          | 126,331           |
| Restricted investments                                   | 657,713           | 1,255,150               | 138,290                         | 2,051,153         |
| Bond cost, net of amortization                           | 38,776            | 70,546                  |                                 | 109,322           |
| Capital assets                                           |                   |                         |                                 |                   |
| Land                                                     | 99,716            | 1,488,315               |                                 | 1,588,031         |
| Construction-in-progress                                 |                   | 9,652,914               |                                 | 9,652,914         |
| Other capital assets, net of<br>accumulated depreciation | <u>5,343,445</u>  | <u>16,745,350</u>       | <u>991,803</u>                  | <u>23,080,598</u> |
| Total noncurrent assets                                  | <u>6,163,404</u>  | <u>29,302,655</u>       | <u>1,142,290</u>                | <u>36,608,349</u> |
| <b>TOTAL ASSETS</b>                                      | <u>10,671,711</u> | <u>32,431,924</u>       | <u>1,324,907</u>                | <u>44,428,542</u> |
| <b>LIABILITIES</b>                                       |                   |                         |                                 |                   |
| Current Liabilities                                      |                   |                         |                                 |                   |
| Accounts payable                                         | 615,414           | 31,492                  | 40                              | 646,946           |
| Accrued expenses                                         | 22,629            | 13,649                  |                                 | 36,278            |
| Deferred revenue                                         | 70,477            |                         |                                 | 70,477            |
| Meter deposits                                           | 590,381           |                         |                                 | 590,381           |
| Current portion of long-term obligations                 | <u>207,149</u>    | <u>704,203</u>          |                                 | <u>911,352</u>    |
| Total current liabilities                                | <u>1,506,050</u>  | <u>749,344</u>          | <u>40</u>                       | <u>2,255,434</u>  |
| Noncurrent liabilities                                   |                   |                         |                                 |                   |
| Noncurrent portion of long-term obligations              | <u>1,705,119</u>  | <u>9,706,879</u>        |                                 | <u>11,411,998</u> |
| <b>TOTAL LIABILITIES</b>                                 | <u>3,211,169</u>  | <u>10,456,223</u>       | <u>40</u>                       | <u>13,667,432</u> |
| <b>NET ASSETS</b>                                        |                   |                         |                                 |                   |
| Invested in capital assets, net of related debt          | 3,553,161         | 18,058,038              | 991,803                         | 22,603,002        |
| Restricted for:                                          |                   |                         |                                 |                   |
| Debt service                                             | 681,467           | 1,345,530               |                                 | 2,026,997         |
| Capital improvements                                     |                   | 380,000                 | 150,487                         | 530,487           |
| Unrestricted                                             | <u>3,225,914</u>  | <u>2,192,133</u>        | <u>182,577</u>                  | <u>5,600,624</u>  |
| <b>TOTAL NET ASSETS</b>                                  | <u>7,460,542</u>  | <u>21,975,701</u>       | <u>1,324,867</u>                | <u>30,761,110</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 ASSETS  
PROPRIETARY FUNDS  
YEAR ENDED DECEMBER 31, 2011

|                                        | Electric<br>Fund  | Water/Sewer<br>Fund | Nonmajor<br>Enterprise<br>Funds | Total             |
|----------------------------------------|-------------------|---------------------|---------------------------------|-------------------|
| REVENUES                               |                   |                     |                                 |                   |
| Charges for services                   | <u>11,200,157</u> | <u>4,458,249</u>    | <u>636,157</u>                  | <u>16,294,563</u> |
| EXPENSES                               |                   |                     |                                 |                   |
| Production                             |                   | 1,251,683           |                                 | 1,251,683         |
| Distribution                           | 7,977,582         | 588,496             |                                 | 8,566,078         |
| Administration                         | 2,303,475         | 799,559             | 661,444                         | 3,764,478         |
| Depreciation                           | <u>263,637</u>    | <u>656,609</u>      | <u>94,885</u>                   | <u>1,015,131</u>  |
| Total expenses                         | <u>10,544,694</u> | <u>3,296,347</u>    | <u>756,329</u>                  | <u>14,597,370</u> |
| INCOME (LOSS) FROM OPERATIONS          | <u>655,463</u>    | <u>1,161,902</u>    | <u>(120,172)</u>                | <u>1,697,193</u>  |
| NONOPERATING INCOME (EXPENSE)          |                   |                     |                                 |                   |
| Transfers in                           |                   | 448,597             | 41,888                          | 490,485           |
| Interest income                        | 9,854             | 216,182             | 1,610                           | 227,646           |
| Interest expense                       | <u>(93,267)</u>   | <u>(356,625)</u>    |                                 | <u>(449,892)</u>  |
| Total nonoperating income<br>(expense) | <u>(83,413)</u>   | <u>308,154</u>      | <u>43,498</u>                   | <u>268,239</u>    |
| INCOME (LOSS) BEFORE<br>CONTRIBUTIONS  | 572,050           | 1,470,056           | (76,674)                        | 1,965,432         |
| Capital grants and contributions       |                   | <u>982,687</u>      |                                 | <u>982,687</u>    |
| CHANGE IN NET ASSETS                   | 572,050           | 2,452,743           | (76,674)                        | 2,948,119         |
| TOTAL NET ASSETS, January 1, 2011      | <u>6,888,492</u>  | <u>19,522,958</u>   | <u>1,401,541</u>                | <u>27,812,991</u> |
| TOTAL NET ASSETS, December 31, 2011    | <u>7,460,542</u>  | <u>21,975,701</u>   | <u>1,324,867</u>                | <u>30,761,110</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, 2011

|                                                              | Electric<br>Fund            | Water/Sewer<br>Fund | Nonmajor<br>Enterprise<br>Funds | Total              |
|--------------------------------------------------------------|-----------------------------|---------------------|---------------------------------|--------------------|
| CASH FLOWS FROM OPERATING<br>ACTIVITIES                      |                             |                     |                                 |                    |
| Cash received from customers                                 | 11,262,197                  | 5,014,329           | 635,259                         | 16,911,785         |
| Cash payments to suppliers                                   | (9,803,519)                 | (2,735,288)         | (592,083)                       | (13,130,890)       |
| Cash payments to employees                                   | <u>(533,211)</u>            | <u>(849,656)</u>    | <u>(68,428)</u>                 | <u>(1,451,295)</u> |
| Net cash provided by (used in)<br>operating activities       | <u>925,467</u>              | <u>1,429,385</u>    | <u>(25,252)</u>                 | <u>2,329,600</u>   |
| CASH FLOWS FROM NONCAPITAL<br>FINANCING ACTIVITIES           |                             |                     |                                 |                    |
| Due from other funds                                         |                             | (195,959)           |                                 | (195,959)          |
| Transfers in                                                 | <u>                    </u> | <u>448,597</u>      | <u>41,888</u>                   | <u>490,485</u>     |
| Net cash provided by noncapital<br>financing activities      | <u>                    </u> | <u>252,638</u>      | <u>41,888</u>                   | <u>294,526</u>     |
| CASH FLOWS FROM CAPITAL AND<br>RELATED FINANCING ACTIVITIES  |                             |                     |                                 |                    |
| Acquisition and construction of<br>capital assets            | (140,130)                   | (4,733,095)         | (11,900)                        | (4,885,125)        |
| Capital grants and contributions                             |                             | 982,687             |                                 | 982,687            |
| Proceeds from long-term debt                                 |                             | 3,709,866           |                                 | 3,709,866          |
| Payments of long-term debt                                   | (175,000)                   | (495,700)           |                                 | (670,700)          |
| Interest paid on bonds                                       | <u>(87,723)</u>             | <u>(356,625)</u>    | <u>                    </u>     | <u>(444,348)</u>   |
| Net cash used in capital and<br>related financing activities | <u>(402,853)</u>            | <u>(892,867)</u>    | <u>(11,900)</u>                 | <u>(1,307,620)</u> |
| CASH FLOWS FROM INVESTING<br>ACTIVITIES                      |                             |                     |                                 |                    |
| Net investment activity                                      | (750,878)                   | (1,477,782)         | 61,519                          | (2,167,141)        |
| Interest on investments                                      | <u>9,854</u>                | <u>220,469</u>      | <u>1,610</u>                    | <u>231,933</u>     |
| Net cash provided by (used in)<br>investing activities       | <u>(741,024)</u>            | <u>(1,257,313)</u>  | <u>63,129</u>                   | <u>(1,935,208)</u> |
| NET INCREASE (DECREASE) IN CASH                              | (218,410)                   | (468,157)           | 67,865                          | (618,702)          |
| CASH, January 1, 2011                                        | <u>701,816</u>              | <u>670,326</u>      | <u>53,183</u>                   | <u>1,425,325</u>   |
| CASH, December 31, 2011                                      | <u>483,406</u>              | <u>202,169</u>      | <u>121,048</u>                  | <u>806,623</u>     |

CITY OF HARRISONVILLE, MISSOURI  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED DECEMBER 31, 2011

|                                                                                                              | Electric<br>Fund | Water/Sewer<br>Fund | Nonmajor<br>Enterprise<br>Funds | Total            |
|--------------------------------------------------------------------------------------------------------------|------------------|---------------------|---------------------------------|------------------|
| ALLOCATION OF CASH                                                                                           |                  |                     |                                 |                  |
| Unrestricted                                                                                                 | 459,652          | 111,789             | 108,851                         | 680,292          |
| Restricted                                                                                                   | <u>23,754</u>    | <u>90,380</u>       | <u>12,197</u>                   | <u>126,331</u>   |
|                                                                                                              | <u>483,406</u>   | <u>202,169</u>      | <u>121,048</u>                  | <u>806,623</u>   |
| Reconciliation of Income (Loss) From<br>Operations to Net Cash Provided by<br>(Used in) Operating Activities |                  |                     |                                 |                  |
| Income (loss) from operations                                                                                | <u>655,463</u>   | <u>1,161,902</u>    | <u>(120,172)</u>                | <u>1,697,193</u> |
| Adjustments to reconcile net income<br>(loss) to net cash provided by<br>(used in) operating activities:     |                  |                     |                                 |                  |
| Depreciation and amortization                                                                                | 263,637          | 656,609             | 94,885                          | 1,015,131        |
| Bond premium discount                                                                                        |                  | (11,554)            |                                 | (11,554)         |
| (Increase) Decrease in assets:                                                                               |                  |                     |                                 |                  |
| Accounts receivable                                                                                          | 27,841           | (38,372)            | (898)                           | (11,429)         |
| Grants receivable                                                                                            |                  | 594,452             |                                 | 594,452          |
| Inventories                                                                                                  | 5,713            | (16,590)            |                                 | (10,877)         |
| Prepaid expenses                                                                                             | 5,023            | 6,803               | 1,022                           | 12,848           |
| Increase (Decrease) in liabilities:                                                                          |                  |                     |                                 |                  |
| Accounts payable                                                                                             | (71,679)         | (927,133)           | (89)                            | (998,901)        |
| Accrued expenses                                                                                             | (2,279)          | (1,337)             |                                 | (3,616)          |
| Compensated absences                                                                                         | 7,549            | 4,605               |                                 | 12,154           |
| Deferred revenue                                                                                             | (5,364)          |                     |                                 | (5,364)          |
| Meter deposits payable                                                                                       | <u>39,563</u>    |                     |                                 | <u>39,563</u>    |
| Total adjustments                                                                                            | <u>270,004</u>   | <u>267,483</u>      | <u>94,920</u>                   | <u>632,407</u>   |
| Net cash provided by (used in)<br>operating activities                                                       | <u>925,467</u>   | <u>1,429,385</u>    | <u>(25,252)</u>                 | <u>2,329,600</u> |

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

CITY OF HARRISONVILLE, MISSOURI  
STATEMENT OF NET ASSETS  
FIDUCIARY FUNDS  
DECEMBER 31, 2011

|                           | Agency<br>Fund                  |
|---------------------------|---------------------------------|
| ASSETS                    |                                 |
| Cash and cash equivalents | 87,889                          |
| Investments               | 905,194                         |
| Taxes receivable          | <u>91,070</u>                   |
| <br>TOTAL ASSETS          | <br><u>1,084,153</u>            |
| <br>LIABILITIES           |                                 |
| Deposits                  | 1,081,479                       |
| Accounts payable          | <u>2,674</u>                    |
| <br>TOTAL LIABILITIES     | <br><u>1,084,153</u>            |
| <br>NET ASSETS            | <br><u>                    </u> |

See accompanying notes to financial statements.

CITY OF HARRISONVILLE, MISSOURI  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Harrisonville, Missouri have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. REPORTING ENTITY

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

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

Blended Component Units

Towne Center TIF Fund

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

Discretely Presented Component Unit

Market Place TIF District

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

CITY OF HARRISONVILLE, MISSOURI  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the activities of the City except the fiduciary funds. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from the goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

The government reports the following major governmental funds:

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

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

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

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

The government reports the following major proprietary funds:

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

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

CITY OF HARRISONVILLE, MISSOURI  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Additionally, the government reports the following funds:

Governmental Funds

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

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

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of financial resources for, and the payment of, the principal and interest for the 2003 Certificates of Participation.

Proprietary Funds

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

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

Agency Fund

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

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

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

Governmental fund financial statements are reported using current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible with the current period or soon enough thereafter to

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)

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.

The City applies all applicable pronouncements of the Financial Accounting Standards Board (FASB) in accounting and reporting for proprietary activities issued on or before November 30, 1989, unless the pronouncements conflict with applicable Governmental Accounting Standards Board (GASB) guidance as prescribed by GASB Statement No. 20. No pronouncements of the FASB issued after November 30, 1989 have been adopted.

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

D. BUDGETS

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

CITY OF HARRISONVILLE, MISSOURI  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. CASH AND INVESTMENTS

For the purpose of the statement of cash flows, the City considers all highly liquid investments (including restricted assets except for those held by trustees) with a maturity of three months or less when purchased to be cash equivalents, along with demand deposits and certificates of deposit. As of December 31, 2011, the City had no cash equivalents.

The City's investment policies are structured to conform to Missouri Statute 30.270. The City is authorized to invest in U.S. Treasury Obligations, U.S. Government Agency Securities and Instruments of Government Sponsored Corporations, Certificates of Deposit at Commercial Banks and S & L Associations, and Repurchase Agreements. Investments are reported at fair value.

F. RESTRICTED CASH AND INVESTMENTS

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

G. INTERFUND TRANSACTIONS

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

H. PREPAIDS AND INVENTORIES

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

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

I. CAPITAL ASSETS

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

CITY OF HARRISONVILLE, MISSOURI  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. CAPITAL ASSETS (Continued)

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

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

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

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

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

J. COMPENSATED ABSENCES

Compensated absences are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The amount of accrued vacation benefits included in the government-wide financial statements, related to governmental activities, for the year ended December 31, 2011 is \$301,928. Business-type activity funds reported accrued vacation benefits for the year ended December 31, 2011 of \$98,600.

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

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

CITY OF HARRISONVILLE, MISSOURI  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

L. NET ASSETS

Government-Wide Statements

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

Unrestricted net assets do not meet the definition of "restricted."

Fund Statements

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

Nonspendable

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

Restricted

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

CITY OF HARRISONVILLE, MISSOURI  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. NET ASSETS (Continued)

Fund Statements (Continued)

Committed

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

Assigned

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

Unassigned

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

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

M. USE OF ESTIMATES

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

N. CAPITALIZATION OF INTEREST

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

CITY OF HARRISONVILLE, MISSOURI  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. REVENUES

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

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

NOTE 2. CASH AND INVESTMENTS

Cash

Custodial Credit Risk for deposits is the risk that in the event of bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City's bank deposits are required by state law to be secured by the deposit of certain securities specified at RSMo 30.270 with the City or trustee institution. The value of the securities must amount to the total of the City's cash not insured by the Federal Deposit Insurance Corporation.

As of December 31, 2011, all of the City's deposits with financial institutions were fully insured or collateralized.

Investments

The City's investments at December 31, 2011 are summarized below:

| Investment                                   | Unrestricted     | Restricted       |
|----------------------------------------------|------------------|------------------|
| Investments held by trustee (Bond Reserves)  |                  |                  |
| Money market funds                           |                  | 2,186,042        |
| Fixed income securities                      |                  | 114,870          |
| Certificates of deposit                      | 3,270,275        | 533,725          |
| Federal Farm Credit Bank (AAA)               | 771,261          |                  |
| Federal Home Loan Bank (AAA)                 | 3,247,132        | 674,915          |
| Federal Home Loan Mortgage Corporation (AAA) | 250,440          |                  |
| Federal National Mortgage Association (AAA)  | <u>2,152,722</u> |                  |
|                                              | <u>9,691,830</u> | <u>3,509,552</u> |
| Maturities                                   |                  |                  |
| Less than six months                         | 3,412,395        | 2,670,635        |
| Six months to one year                       | 4,047,084        | 619,928          |
| Over one year                                | <u>2,232,351</u> | <u>218,989</u>   |
|                                              | <u>9,691,830</u> | <u>3,509,552</u> |

CITY OF HARRISONVILLE, MISSOURI  
NOTES TO FINANCIAL STATEMENTS

NOTE 2. CASH AND INVESTMENTS (Continued)

Interest Rate Risk

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

Credit Risk

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

Concentration of Credit Risk

The City will diversify use of investment instruments to avoid incurring unreasonable risks inherent in over investing 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<br>of Portfolio |
|--------------------------------------------------|---------------------------------|
| U.S. Treasury Obligations                        | 100%                            |
| U.S. Government Agency Securities                |                                 |
| Instruments of Government Sponsored Corporations | 100%                            |
| Certificates of Deposit                          |                                 |
| Commercial Banks                                 | 50%                             |
| Savings and Loan Associations                    | 50%                             |

NOTE 3. ACCOUNTS RECEIVABLE/TAXES RECEIVABLE

|                                | Accounts         | Taxes            | Allowance<br>for<br>Doubtful<br>Accounts | Receivables,<br>Net |
|--------------------------------|------------------|------------------|------------------------------------------|---------------------|
| <u>Governmental Activities</u> |                  |                  |                                          |                     |
| General                        |                  | 650,560          |                                          | 650,560             |
| Ambulance                      | 2,095,430        |                  | (1,550,000)                              | 545,430             |
| Community Center               | 52,394           |                  | (6,862)                                  | 45,532              |
| Park                           |                  | 79,983           |                                          | 79,983              |
| Towne Center TIF               |                  | 177,492          |                                          | 177,492             |
| Sales tax                      | 35,087           | 160,439          |                                          | 195,526             |
| Total governmental activities  | <u>2,182,911</u> | <u>1,068,474</u> | <u>(1,556,862)</u>                       | <u>1,694,523</u>    |

CITY OF HARRISONVILLE, MISSOURI  
NOTES TO FINANCIAL STATEMENTS

NOTE 3. ACCOUNTS RECEIVABLE/TAXES RECEIVABLE (Continued)

|                                 | Accounts         | Taxes | Allowance<br>for<br>Doubtful<br>Accounts | Receivables,<br>Net |
|---------------------------------|------------------|-------|------------------------------------------|---------------------|
| <u>Business-Type Activities</u> |                  |       |                                          |                     |
| Electric                        | 1,716,957        |       | (232,000)                                | 1,484,957           |
| Water/Sewer                     | 697,881          |       | (113,000)                                | 584,881             |
| Refuse                          | 88,019           |       | (17,000)                                 | 71,019              |
| Total business-type activities  | <u>2,502,857</u> |       | <u>(362,000)</u>                         | <u>2,140,857</u>    |

NOTE 4. PROPERTY TAXES

The assessed valuation of the tangible property for the purpose of local taxation as of May 31, 2011 was as follows:

|                   |                    |
|-------------------|--------------------|
| Real estate       | 94,424,728         |
| Personal property | <u>23,546,390</u>  |
|                   | <u>117,971,118</u> |

The tax levy per \$100 of assessed valuation of tangible property for the calendar year 2011 was as follows:

|                   |               |
|-------------------|---------------|
| General operating | 0.5501        |
| Park              | <u>0.1245</u> |
|                   | <u>0.6746</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, 2011 was as follows:

|                                                | Balance<br>January 1,<br>2011 | Additions<br>and<br>Transfers | Retirements<br>and<br>Transfers | Balance<br>December 31,<br>2011 |
|------------------------------------------------|-------------------------------|-------------------------------|---------------------------------|---------------------------------|
| <u>Governmental Activities</u>                 |                               |                               |                                 |                                 |
| Capital assets, not being depreciated          |                               |                               |                                 |                                 |
| Land                                           | 887,285                       | 3,465                         |                                 | 890,750                         |
| Construction-in-progress                       | <u>1,409,179</u>              | <u>513,492</u>                | <u>(730,158)</u>                | <u>1,192,513</u>                |
| Total capital assets, not<br>being depreciated | <u>2,296,464</u>              | <u>516,957</u>                | <u>(730,158)</u>                | <u>2,083,263</u>                |

CITY OF HARRISONVILLE, MISSOURI  
NOTES TO FINANCIAL STATEMENTS

NOTE 5. CAPITAL ASSETS (Continued)

|                                                         | Balance<br>January 1,<br>2011 | Additions<br>and<br>Transfers | Retirements<br>and<br>Transfers | Balance<br>December 31,<br>2011 |
|---------------------------------------------------------|-------------------------------|-------------------------------|---------------------------------|---------------------------------|
| <u>Governmental Activities (Continued)</u>              |                               |                               |                                 |                                 |
| Capital assets, being depreciated                       |                               |                               |                                 |                                 |
| Buildings and improvements                              | 21,129,636                    | 31,940                        |                                 | 21,161,576                      |
| Streets                                                 | 3,274,538                     | 1,581,640                     |                                 | 4,856,178                       |
| Machinery and equipment                                 | <u>5,542,037</u>              | <u>436,631</u>                | <u>(239,099)</u>                | <u>5,739,569</u>                |
| Total capital assets, being<br>depreciated              | <u>29,946,211</u>             | <u>2,050,211</u>              | <u>(239,099)</u>                | <u>31,757,323</u>               |
| Less accumulated depreciation for:                      |                               |                               |                                 |                                 |
| Buildings and improvements                              | (4,800,394)                   | (630,434)                     |                                 | (5,430,828)                     |
| Streets                                                 | (934,655)                     | (202,765)                     |                                 | (1,137,420)                     |
| Machinery and equipment                                 | <u>(4,433,832)</u>            | <u>(318,696)</u>              | <u>222,392</u>                  | <u>(4,530,136)</u>              |
| Total accumulated<br>depreciation                       | <u>(10,168,881)</u>           | <u>(1,151,895)</u>            | <u>222,392</u>                  | <u>(11,098,384)</u>             |
| Total capital assets,<br>being depreciated,<br>net      | <u>19,777,330</u>             | <u>898,316</u>                | <u>(16,707)</u>                 | <u>20,658,939</u>               |
| Governmental activities capital<br>assets, net          | <u>22,073,794</u>             | <u>1,415,273</u>              | <u>(746,865)</u>                | <u>22,742,202</u>               |
| <u>Business-Type Activities -<br/>    Electric Fund</u> |                               |                               |                                 |                                 |
| Capital assets, not being depreciated                   |                               |                               |                                 |                                 |
| Land                                                    | <u>99,716</u>                 |                               |                                 | <u>99,716</u>                   |
| Capital assets, being depreciated                       |                               |                               |                                 |                                 |
| Buildings and improvements                              | 3,701,257                     |                               |                                 | 3,701,257                       |
| Equipment and transmission<br>lines                     | <u>8,084,876</u>              | <u>140,124</u>                | <u>(10,000)</u>                 | <u>8,215,000</u>                |
| Total capital assets, being<br>depreciated              | <u>11,786,133</u>             | <u>140,124</u>                | <u>(10,000)</u>                 | <u>11,916,257</u>               |

CITY OF HARRISONVILLE, MISSOURI  
NOTES TO FINANCIAL STATEMENTS

NOTE 5. CAPITAL ASSETS (Continued)

|                                                                       | Balance<br>January 1,<br>2011 | Additions<br>and<br>Transfers | Retirements<br>and<br>Transfers | Balance<br>December 31,<br>2011 |
|-----------------------------------------------------------------------|-------------------------------|-------------------------------|---------------------------------|---------------------------------|
| <u>Business-Type Activities -</u><br><u>Electric Fund (Continued)</u> |                               |                               |                                 |                                 |
| Less accumulated depreciation for:                                    |                               |                               |                                 |                                 |
| Buildings and improvements                                            | (1,841,751)                   | (68,232)                      |                                 | (1,909,983)                     |
| Equipment and transmission<br>lines                                   | <u>(4,477,429)</u>            | <u>(195,400)</u>              | <u>10,000</u>                   | <u>(4,662,829)</u>              |
| Total accumulated<br>depreciation                                     | <u>(6,319,180)</u>            | <u>(263,632)</u>              | <u>10,000</u>                   | <u>(6,572,812)</u>              |
| Total capital assets,<br>being depreciated,<br>net                    | <u>5,466,953</u>              | <u>(123,508)</u>              | <u>          </u>               | <u>5,343,445</u>                |
| Business-type activities - Electric<br>Fund capital assets, net       | <u>5,566,669</u>              | <u>(123,508)</u>              | <u>          </u>               | <u>5,443,161</u>                |
| <u>Business-Type Activities -</u><br><u>Water/Sewer Fund</u>          |                               |                               |                                 |                                 |
| Capital assets, not being depreciated                                 |                               |                               |                                 |                                 |
| Land                                                                  | 1,488,315                     |                               |                                 | 1,488,315                       |
| Construction-in-progress                                              | <u>5,325,998</u>              | <u>4,326,916</u>              | <u>          </u>               | <u>9,652,914</u>                |
| Total capital assets, not<br>being depreciated                        | <u>6,814,313</u>              | <u>4,326,916</u>              | <u>          </u>               | <u>11,141,229</u>               |
| Capital assets, being depreciated                                     |                               |                               |                                 |                                 |
| Buildings and improvements                                            | 10,745,992                    |                               |                                 | 10,745,992                      |
| Equipment and transmission lines                                      | <u>18,697,470</u>             | <u>406,179</u>                | <u>(35,917)</u>                 | <u>19,067,732</u>               |
| Total capital assets, being<br>depreciated                            | <u>29,443,462</u>             | <u>406,179</u>                | <u>(35,917)</u>                 | <u>29,813,724</u>               |
| Less accumulated depreciation for:                                    |                               |                               |                                 |                                 |
| Buildings and improvements                                            | (6,728,750)                   | (223,986)                     |                                 | (6,952,736)                     |
| Equipment and transmission lines                                      | <u>(5,718,932)</u>            | <u>(432,623)</u>              | <u>35,917</u>                   | <u>(6,115,638)</u>              |
| Total accumulated<br>depreciation                                     | <u>(12,447,682)</u>           | <u>(656,609)</u>              | <u>35,917</u>                   | <u>(13,068,374)</u>             |
| Total capital assets,<br>being depreciated,<br>net                    | <u>16,995,780</u>             | <u>(250,430)</u>              | <u>          </u>               | <u>16,745,350</u>               |
| Business-type activities - Water/<br>Sewer Fund capital assets, net   | <u>23,810,093</u>             | <u>4,076,486</u>              | <u>          </u>               | <u>27,886,579</u>               |

CITY OF HARRISONVILLE, MISSOURI  
NOTES TO FINANCIAL STATEMENTS

NOTE 5. CAPITAL ASSETS (Continued)

|                                                                  | Balance<br>January 1,<br>2011 | Additions<br>and<br>Transfers | Retirements<br>and<br>Transfers | Balance<br>December 31,<br>2011 |
|------------------------------------------------------------------|-------------------------------|-------------------------------|---------------------------------|---------------------------------|
| <u>Business-Type Activities -</u>                                |                               |                               |                                 |                                 |
| <u>Aquatic Center</u>                                            |                               |                               |                                 |                                 |
| Capital assets, being depreciated                                |                               |                               |                                 |                                 |
| Buildings and improvements                                       | 1,972,098                     | 11,900                        |                                 | 1,983,998                       |
| Equipment                                                        | <u>38,467</u>                 | <u>          </u>             | <u>          </u>               | <u>38,467</u>                   |
| Total capital assets, being<br>depreciated                       | <u>2,010,565</u>              | <u>11,900</u>                 | <u>          </u>               | <u>2,022,465</u>                |
| Less accumulated depreciation for:                               |                               |                               |                                 |                                 |
| Buildings and improvements                                       | (919,807)                     | (93,489)                      |                                 | (1,013,296)                     |
| Equipment                                                        | <u>(15,970)</u>               | <u>(1,396)</u>                | <u>          </u>               | <u>(17,366)</u>                 |
| Total accumulated<br>depreciation                                | <u>(935,777)</u>              | <u>(94,885)</u>               | <u>          </u>               | <u>(1,030,662)</u>              |
| Business-type activities - Aquatic<br>Center capital assets, net | <u>1,074,788</u>              | <u>(82,985)</u>               | <u>          </u>               | <u>991,803</u>                  |

The following table summarizes the depreciation by function for the year ended December 31, 2011:

|                           | Governmental<br>Activities | Business-Type<br>Activities |
|---------------------------|----------------------------|-----------------------------|
| General Government        | 93,008                     |                             |
| Administration of Justice | 109,427                    |                             |
| Street                    | 255,897                    |                             |
| Economic Development      | 14,768                     |                             |
| Animal Control            | 6,756                      |                             |
| Airport                   | 141,889                    |                             |
| Emergency services        | 158,897                    |                             |
| Park                      | 71,938                     |                             |
| Community Center          | 299,315                    |                             |
| Electric                  |                            | 284,344                     |
| Water and Sewer           |                            | 653,167                     |
| Aquatic Center            |                            | <u>90,499</u>               |
|                           | <u>1,151,895</u>           | <u>1,028,010</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, 2011 consisted of the following:

|                                  | Balance<br>January 1,<br>2011 | Addi-<br>tions | Retire-<br>ments   | Balance<br>December 31,<br>2011 | Due in<br>One<br>Year |
|----------------------------------|-------------------------------|----------------|--------------------|---------------------------------|-----------------------|
| Capital lease obligations        | 335,002                       |                | (33,926)           | 301,076                         | 35,940                |
| Tax Increment Revenue<br>Bonds   | 8,250,000                     |                | (220,000)          | 8,030,000                       | 245,000               |
| Tax Increment Revenue<br>Note    | 9,000,000                     |                |                    | 9,000,000                       |                       |
| Promissory Note                  |                               | 171,931        |                    | 171,931                         | 12,705                |
| Certificates of<br>Participation | 9,010,000                     |                | (480,000)          | 8,530,000                       | 500,000               |
| Compensated absences             | 294,460                       | 301,928        | (294,460)          | 301,928                         | 301,928               |
| Less: note discount              | (161,239)                     |                | 9,485              | (151,754)                       | (9,485)               |
| Total governmental debt          | <u>26,728,223</u>             | <u>473,859</u> | <u>(1,018,901)</u> | <u>26,183,181</u>               | <u>1,086,088</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          | 238,017        |
| Park             | 17,231         |
| Community Center | 13,173         |
| Ambulance        | <u>33,507</u>  |
|                  | <u>301,928</u> |

Capital Lease Obligations

The City has entered into a capital lease agreement for the purchase of airport hangers. The lease agreement qualifies as a capital lease for financial reporting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of its inception. The cumulative amount of assets acquired under the capital lease described above amounted to \$596,729 as of December 31, 2011.

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<br>December 31,                    |                |
|------------------------------------------------|----------------|
| 2012                                           | 53,034         |
| 2013                                           | 53,034         |
| 2014                                           | 53,034         |
| 2015                                           | 53,034         |
| 2016                                           | 53,034         |
| Thereafter                                     | <u>106,068</u> |
| Total minimum lease payments                   | 371,238        |
| Less amount representing interest              | <u>70,162</u>  |
| Present value of future minimum lease payments | <u>301,076</u> |

Tax Increment Revenue Bonds

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. 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<br>December 31, | Principal        | Interest         |
|-----------------------------|------------------|------------------|
| 2012                        | 245,000          | 366,719          |
| 2013                        | 265,000          | 354,469          |
| 2014                        | 300,000          | 341,219          |
| 2015                        | 300,000          | 328,469          |
| 2016                        | 335,000          | 315,719          |
| 2017 - 2021                 | 1,970,000        | 1,342,315        |
| 2022 - 2026                 | 2,685,000        | 827,965          |
| 2027 - 2028                 | <u>1,930,000</u> | <u>150,082</u>   |
|                             | <u>8,030,000</u> | <u>4,026,957</u> |

CITY OF HARRISONVILLE, MISSOURI  
NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (Continued)

Governmental Activities (Continued)

Tax Increment Revenue Note

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

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

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

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

Certificates of Participation

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

The base lease between the City as lessor and Commerce Bank, N.A. as lessee and trustee transfers a leasehold interest in certain real estate held by the City to the trustee. The term of the base lease is August 1, 2003 through December 1, 2022, or the date the Certificates have been paid in full, whichever is earlier.

CITY OF HARRISONVILLE, MISSOURI  
NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (Continued)

Governmental Activities (Continued)

Certificates of Participation (Continued)

Aggregate annual principal and interest payments are as follows:

| Year Ending<br>December 31, | Principal        | Interest         |
|-----------------------------|------------------|------------------|
| 2012                        | 500,000          | 402,590          |
| 2013                        | 525,000          | 382,590          |
| 2014                        | 550,000          | 361,065          |
| 2015                        | 580,000          | 337,965          |
| 2016                        | 625,000          | 313,025          |
| 2017 - 2021                 | 3,620,000        | 1,092,150        |
| 2022                        | <u>2,130,000</u> | <u>106,500</u>   |
|                             | <u>8,530,000</u> | <u>2,995,885</u> |

Promissory Note Payable

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

Aggregate annual principal and interest payments are as follows:

| Year Ending<br>December 31, | Principal      | Interest      |
|-----------------------------|----------------|---------------|
| 2012                        | 12,705         | 3,439         |
| 2013                        | 12,959         | 3,185         |
| 2014                        | 13,219         | 2,925         |
| 2015                        | 13,483         | 2,661         |
| 2016                        | 13,753         | 2,391         |
| 2017 - 2021                 | 73,000         | 7,720         |
| 2022 - 2026                 | <u>32,812</u>  | <u>1,033</u>  |
|                             | <u>171,931</u> | <u>23,354</u> |

CITY OF HARRISONVILLE, MISSOURI  
NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (Continued)

Business-Type Activities

Changes in the debt for the year ended December 31, 2011 consisted of the following:

|                                                 | Balance<br>January 1,<br>2011 | Addi-<br>tions   | Retire-<br>ments | Balance<br>December 31,<br>2011 | Due in<br>One<br>Year |
|-------------------------------------------------|-------------------------------|------------------|------------------|---------------------------------|-----------------------|
| 2002 Waterworks and<br>Sewerage Revenue Bonds   | 3,035,000                     |                  | (195,000)        | 2,840,000                       | 200,000               |
| 2003 Waterworks and<br>Sewerage Revenue Bonds   | 2,570,000                     |                  | (135,000)        | 2,435,000                       | 140,000               |
| 2005 Waterworks and<br>Sewerage Revenue Bonds   | 1,340,000                     |                  | (75,000)         | 1,265,000                       | 75,000                |
| 2007 Electric System<br>Refunding Revenue Bonds | 2,065,000                     |                  | (175,000)        | 1,890,000                       | 175,000               |
| 2010 Waterworks and<br>Sewerage Revenue Bonds   | 49,375                        | 3,329,866        | (90,700)         | 3,288,541                       | 184,100               |
| Promissory Note                                 |                               | 380,000          |                  | 380,000                         | 28,334                |
| Compensated absences                            | 86,446                        | 98,600           | (86,446)         | 98,600                          | 98,600                |
|                                                 | 9,145,821                     | 3,808,466        | (757,146)        | 12,197,141                      | 901,034               |
| Add: Bond premium                               | 148,880                       |                  | (11,554)         | 137,326                         | 11,554                |
| Less: Bond discount                             | (12,353)                      |                  | 1,236            | (11,117)                        | (1,236)               |
| Total business-type activities<br>debt          | <u>9,282,348</u>              | <u>3,808,466</u> | <u>(767,464)</u> | <u>12,323,350</u>               | <u>911,352</u>        |

Compensated Absences

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

|             |               |
|-------------|---------------|
| Electric    | 33,385        |
| Water/Sewer | <u>65,215</u> |
|             | <u>98,600</u> |

Revenue Bonds

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

CITY OF HARRISONVILLE, MISSOURI  
NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (Continued)

Business-Type Activities (Continued)

Revenue Bonds (Continued)

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%.

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%.

August 15, 2004, the City issued \$1,475,000 in Combined Waterworks and Sewerage System Refunding Revenue Bonds to provide funds to refund a portion of the City's outstanding Combined Waterworks and Sewerage System Refunding and Improvement Revenue Bonds, Series 1996 in the original principal amount of \$3,870,000, dated May 1, 1996 and to pay the costs of issuance of the 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 March 1 and September 1. Principal is due each year on September 1 through the maturity date of September 1, 2009. The interest rate on this issue ranges from 2.5% to 3.25%.

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%.

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%.

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, 2011, the City has drawn down \$3,288,541 on this bond.

CITY OF HARRISONVILLE, MISSOURI  
NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (Continued)

Business-Type Activities (Continued)

Revenue Bonds (Continued)

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

| Year Ending<br>December 31, | Principal         | Interest         |
|-----------------------------|-------------------|------------------|
| 2012                        | 774,100           | 479,019          |
| 2013                        | 822,800           | 460,296          |
| 2014                        | 836,600           | 430,551          |
| 2015                        | 850,400           | 397,911          |
| 2016                        | 874,400           | 386,484          |
| 2017 - 2021                 | 4,638,600         | 1,378,488        |
| 2022 - 2026                 | 2,819,300         | 499,473          |
| 2027 - 2030                 | 102,341           | 39,948           |
|                             | <u>11,718,541</u> | <u>4,072,170</u> |

As of December 31, 2011, the sinking funds and the reserve funds were adequately funded and the City was in compliance with its rate covenants for all bonds.

Promissory Note Payable

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

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

| Year Ending<br>December 31, | Principal      | Interest      |
|-----------------------------|----------------|---------------|
| 2012                        | 28,334         | 7,600         |
| 2013                        | 28,901         | 7,033         |
| 2014                        | 29,479         | 6,455         |
| 2015                        | 30,068         | 5,866         |
| 2016                        | 30,670         | 5,264         |
| 2017 - 2021                 | 162,799        | 16,871        |
| 2022 - 2026                 | <u>69,749</u>  | <u>2,099</u>  |
|                             | <u>380,000</u> | <u>51,188</u> |

CITY OF HARRISONVILLE, MISSOURI  
NOTES TO FINANCIAL STATEMENTS

NOTE 7. INTERFUND TRANSACTIONS

Transfers during the year ended December 31, 2011 were as follows:

|                             | Transfers out:   |                  |                  |
|-----------------------------|------------------|------------------|------------------|
|                             | General          | Sales<br>Tax     | Total            |
| Transfers in:               |                  |                  |                  |
| General                     |                  | 227,474          | 227,474          |
| Community Center            |                  | 157,587          | 157,587          |
| Town Center TIF             | 188,182          |                  | 188,182          |
| Water/Sewer                 | 448,597          |                  | 448,597          |
| Emergency Services          |                  | 833,858          | 833,858          |
| Nonmajor proprietary funds  | 41,888           |                  | 41,888           |
| Nonmajor governmental funds | 896,168          | 377,167          | 1,273,335        |
| Total                       | <u>1,574,835</u> | <u>1,596,086</u> | <u>3,170,921</u> |

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 8. INTERFUND BALANCES

|                             | Due from:      |                |                |
|-----------------------------|----------------|----------------|----------------|
|                             | Emergency      | Nonmajor       | Total          |
| Due to:                     |                |                |                |
| Water/Sewer                 | 195,959        |                | 195,959        |
| General                     | 174,138        |                | 174,138        |
| Community Center            | 196,783        | 73,961         | 270,744        |
| Town Center TIF             |                | 107,734        | 107,734        |
| Nonmajor governmental funds | 2,504          |                | 2,504          |
| Total                       | <u>569,384</u> | <u>181,695</u> | <u>751,079</u> |

The balance of \$751,079 due to the Water/Sewer, General, Community Center, Towne Center TIF and various nonmajor funds from the Emergency Services and Park Funds are a result of the Funds having a negative claim on the City's pooled cash accounts. Governmental fund balances are not included in the government-wide statement of net assets.

NOTE 9. PENSION PLAN

Plan Description

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

CITY OF HARRISONVILLE, MISSOURI  
NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLAN (Continued)

Plan Description (Continued)

benefits to plan members and beneficiaries. LAGERS was created and is governed by statute, section RSMo. 70.600 - 70.755. As such, it is the system's responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under Internal Revenue Code Section 401(a) and it is tax exempt. The Missouri Local Government Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to LAGERS, P.O. Box 1665, Jefferson City, Missouri 65102 or by calling 1-800-447-4334.

Funding Policy

The City's full-time employees do not contribute to the pension plan. The City is required to contribute at an actuarially determined rate; the current rates are 14.7% for police, 11.2% for general and 14.8% for fire of annual covered payroll. The contribution requirements of plan members are determined by the governing body of the City. The contribution provisions of the City are established by state statute.

Annual Pension Cost

For 2011, the City's annual pension cost of \$699,594 was greater than the required and actual contribution by \$67,178 for an accumulated net pension obligation of \$109,797. The required contribution was determined as part of the February 28, 2009 and February 28, 2010 annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions as of February 28, 2010 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) pre-retirement mortality based on 75% of the RP-2000 Combined Healthy Table set back 0 years for men and 0 years for women and (e) post-retirement mortality based on 105% of the 1994 Group Annuity Mortality table set back 0 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, 2009 was 30 years for the General division, 30 years for the Police division and 30 years for the Fire division. The amortization period as of February 28, 2010 was 30 years for the General division, 22 years for the Police division and 30 years for the Fire division.

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

CITY OF HARRISONVILLE, MISSOURI  
NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLAN (Continued)

TREND INFORMATION

| Fiscal<br>Year<br>Ending | Annual Pension<br>Cost (APC) | Percentage of<br>APC<br>Contributed | Net Pension<br>Obligation |
|--------------------------|------------------------------|-------------------------------------|---------------------------|
| 06/30/09                 | 474,205                      | 100.0%                              | - 0 -                     |
| 06/30/10                 | 583,818                      | 92.7%                               | 42,619                    |
| 06/30/11                 | 699,594                      | 90.4%                               | 109,797                   |

SCHEDULE OF FUNDING PROGRESS

| Actuarial<br>Valuation<br>Date | (a)<br>Actuarial Value<br>of Assets | (b)<br>Entry Age<br>Actuarial<br>Accrued<br>Liability | (b-a)<br>Unfunded<br>Accrued<br>Liability (UAL) |
|--------------------------------|-------------------------------------|-------------------------------------------------------|-------------------------------------------------|
| 02/28/09                       | 8,405,558                           | 10,515,593                                            | 2,110,035                                       |
| 02/28/10                       | 9,150,219                           | 11,307,123                                            | 2,156,904                                       |
| 02/28/11                       | 9,201,007                           | 11,717,760                                            | 2,516,753                                       |

| Actuarial<br>Valuation<br>Date | (a/b)<br>Funded Ratio | (c)<br>Annual<br>Covered<br>Payroll | [(b-a)/c]<br>UAL as a<br>Percent of<br>Covered Payroll |
|--------------------------------|-----------------------|-------------------------------------|--------------------------------------------------------|
| 02/28/09                       | 80%                   | 4,704,779                           | 44.8%                                                  |
| 02/28/10                       | 81%                   | 5,131,408                           | 42.0%                                                  |
| 02/28/11                       | 79%                   | 5,290,056                           | 47.6%                                                  |

NOTE 10. DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are solely the property of the participants. Investments are managed by the plan's trustee under several investment options. The choice of the investment options is made by the participants.

CITY OF HARRISONVILLE, MISSOURI  
NOTES TO FINANCIAL STATEMENTS

NOTE 11. COMMITMENTS

As of December 31, 2011, the City had outstanding commitments totaling \$1,775,775 for various contracts, which includes \$1,011,459 for the improvements at the wastewater treatment plant (SRF/ARRA project) and \$764,316 for the energy savings equipment and installation project.

NOTE 12. MAJOR SUPPLIERS

During the year ended December 31, 2011, the City relied upon two vendors for the generation and transmission of all electricity purchased for resale totaling \$7,561,154 and \$416,428, respectively. Accounts payable of \$598,522 for generation is included in the December 31, 2011 financial statements.

NOTE 13. LEASES RECEIVABLE

On June 13, 2005, the City entered into an agreement with Sprint Spectrum L.P., to the right to install, maintain and operate the radio communications equipment, antennas and appurtenances located on a portion of the City's water tower. This lease agreement is for five years and shall automatically be extended for two additional five year terms unless Sprint Spectrum L.P. provides written notice to the City at least six months prior to the end of the then current lease term; and for an additional two five year terms after that unless either the City or Sprint Spectrum LP terminates provides written notice to the other party at least six months prior to the end of the current lease term. If at the end of the second five-year extension term this agreement has not been terminated, the agreement shall continue for additional one-year terms. The lease calls for annual rental increases of 3% annually. This lease was extended for the first additional five year term in the year ending December 31, 2010. This agreement provided lease income of \$19,817 for the year ended December 31, 2011.

On July 15, 2005, the City entered into an agreement with Verizon Wireless LLC to the right to construct, operate and maintain a communications facility, including required antennas and equipment structures on a portion of the City's water tower. On September 11, 2008, this agreement was amended to increase the number of antennas and to amend the additional extension terms. The lease agreement is for five years and shall automatically be extended for four (5) year terms unless written notice is provided at least six months prior to the end of the then current lease term. If at the end of the fourth (5) year extension term this agreement has not been terminated, the agreement shall continue for additional one year terms until such time that proper notice is given by either party. This lease calls for annual rental increases of 3% annually. This lease was extended for the first additional five year term in the year ending December 31, 2010. This agreement provided lease income of \$29,056 for the year ended December 31, 2011.

CITY OF HARRISONVILLE, MISSOURI  
NOTES TO FINANCIAL STATEMENTS

NOTE 13. LEASES RECEIVABLE (Continued)

The following is a schedule by years of minimum future rentals on the noncancellable operating leases as described above as of December 31, 2011:

| Year Ending<br>December 31, |                |
|-----------------------------|----------------|
| 2012                        | 44,259         |
| 2013                        | 45,587         |
| 2014                        | 46,955         |
| 2015                        | <u>26,335</u>  |
|                             | <u>163,136</u> |

NOTE 14. SELF-INSURANCE

The City is a member of the MPR (Midwest Public Risk), a not-for-profit corporation consisting of governmental entities incorporated in 1984 to acquire insurance for its members. MARCIT operates as a purchasing pool and is not a joint venture activity of the City. The City has no control over budgeting, financing, management selection, or the governing body. MPR provides both conventional and self-insurance coverage for its members including medical, dental, property, casualty, general liability and worker's compensation. The City participates in the worker's compensation insurance coverages.

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

In the event that a deficit occurs with respect to any fiscal year of MPR for which the City was a participant at any time during such year, and in the event that MPR determines that an assessment is required in order to provide additional funds for the obligations of MPR for such year, and further, in the event that the City was covered by the types of benefits requiring the assessment during the time period in which the assessment arose, the City is obligated to pay its pro rata share of any such assessment, irrespective of whether or not the City is a member of MPR at the time of such assessment.

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

NOTE 15. RISK MANAGEMENT

In its normal course of business, the City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; workers' compensation and natural disasters for which the City carries commercial insurance. There have been no significant reductions in insurance coverage from the prior year and no significant losses in the past three years.

CITY OF HARRISONVILLE, MISSOURI  
NOTES TO FINANCIAL STATEMENTS

NOTE 16. WATER PURCHASE AGREEMENT

The City and the City of Kansas City, Missouri, have entered into an agreement to construct a transmission main, pump station, elevated tank, and metering/regulating facility for the purpose of future water purchases at a maximum rate consumption of 5.0 million gallons per day.

Based on the agreement, the City of Harrisonville is to submit monthly payments over a twenty-year term to the City of Kansas City, Missouri for \$19,543. This payment is calculated for the future value of estimated construction costs incurred for transmission main, pump station, and elevated tank. During the year ending December 31, 2011, the City of Harrisonville provided the City of Kansas City, Missouri \$234,516.

The construction of the metering/regulating facility (meter vault) is to be paid solely from the City of Harrisonville 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 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 are accounted for as an intangible asset. After completion of the project, these costs will be amortized over the estimated life of the property. The project is expected to be completed by 2013.

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

| Year Ending<br>December 31, |                  |
|-----------------------------|------------------|
| 2012                        | 234,516          |
| 2013                        | 234,516          |
| 2014                        | 234,516          |
| 2015                        | 234,516          |
| 2016                        | 234,516          |
| 2017 - 2021                 | 1,172,580        |
| 2022 - 2026                 | 1,172,580        |
| 2027 - 2029                 | 273,602          |
|                             | <u>3,791,342</u> |

NOTE 17. SUBSEQUENT EVENTS

In preparing the financial statements, the City has evaluated events and transactions for potential recognition or disclosure through May 14, 2012, the date the financial statements were available to be issued.

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## REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF HARRISONVILLE, MISSOURI  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED DECEMBER 31, 2011

|                                 | General Fund       |                   |                  | Variance<br>Positive<br>(Negative) |
|---------------------------------|--------------------|-------------------|------------------|------------------------------------|
|                                 | Budget<br>Original | Budget<br>Final   | Actual           |                                    |
| REVENUES                        |                    |                   |                  |                                    |
| Taxes                           | 4,920,143          | 5,005,143         | 4,541,676        | (463,467)                          |
| Licenses, fees and permits      | 151,700            | 150,200           | 162,417          | 12,217                             |
| Charges for services            | 1,992,728          | 2,069,920         | 1,846,605        | (223,315)                          |
| Grants                          | 617,000            | 1,513,852         | 1,299,069        | (214,783)                          |
| Fines and forfeitures           | 272,050            | 272,050           | 239,292          | (32,758)                           |
| Interest                        | 50,000             | 15,000            | 15,351           | 351                                |
| Miscellaneous                   | 458,500            | 87,500            | 248,257          | 160,757                            |
| TOTAL REVENUES                  | <u>8,462,121</u>   | <u>9,113,665</u>  | <u>8,352,667</u> | <u>(760,998)</u>                   |
| EXPENDITURES                    |                    |                   |                  |                                    |
| General Government              |                    |                   |                  |                                    |
| Mayor and Board                 | 165,175            | 165,175           | 136,833          | 28,342                             |
| Finance                         | 1,348,857          | 951,502           | 845,872          | 105,630                            |
| Administration                  | 581,295            | 666,467           | 649,861          | 16,606                             |
| Codes enforcement               | 364,385            | 365,385           | 344,473          | 20,912                             |
| Property management             | 158,893            | 143,893           | 107,300          | 36,593                             |
| Total General Government        | <u>2,618,605</u>   | <u>2,292,422</u>  | <u>2,084,339</u> | <u>208,083</u>                     |
| Administration of Justice       |                    |                   |                  |                                    |
| Administration and dispatch     | 630,840            | 640,440           | 501,701          | 138,739                            |
| Patrol                          | 1,973,285          | 2,009,358         | 1,882,395        | 126,963                            |
| Total Administration of Justice | <u>2,604,125</u>   | <u>2,649,798</u>  | <u>2,384,096</u> | <u>265,702</u>                     |
| Street                          | 976,245            | 985,487           | 962,085          | 23,402                             |
| Economic Development            | 180,420            | 180,420           | 176,936          | 3,484                              |
| Animal Control                  | 176,545            | 193,492           | 156,002          | 37,490                             |
| Airport                         | 244,525            | 263,325           | 233,113          | 30,212                             |
| CDBG pass-through expenses      |                    | 769,252           | 753,740          | 15,512                             |
| Capital outlay                  | <u>2,511,500</u>   | <u>3,751,507</u>  | <u>1,533,528</u> | <u>2,217,979</u>                   |
| TOTAL EXPENDITURES              | <u>9,311,965</u>   | <u>11,085,703</u> | <u>8,283,839</u> | <u>2,801,864</u>                   |

CITY OF HARRISONVILLE, MISSOURI  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED DECEMBER 31, 2011

|                                                 | General Fund       |                    |                    | Variance<br>Positive<br>(Negative) |
|-------------------------------------------------|--------------------|--------------------|--------------------|------------------------------------|
|                                                 | Budget<br>Original | Budget<br>Final    | Actual             |                                    |
| EXCESS OF REVENUES OVER (UNDER)<br>EXPENDITURES | <u>(849,844)</u>   | <u>(1,972,038)</u> | <u>68,828</u>      | <u>2,040,866</u>                   |
| OTHER FINANCING SOURCES (USES)                  |                    |                    |                    |                                    |
| Transfers in                                    |                    |                    | 227,474            | 227,474                            |
| Transfers out                                   | <u>(1,262,157)</u> | <u>(1,615,754)</u> | <u>(1,574,835)</u> | <u>40,919</u>                      |
| Total other financing sources (uses)            | <u>(1,262,157)</u> | <u>(1,615,754)</u> | <u>(1,347,361)</u> | <u>268,393</u>                     |
| NET CHANGE IN FUND BALANCES                     | <u>(2,112,001)</u> | <u>(3,587,792)</u> | <u>(1,278,533)</u> | <u>2,309,259</u>                   |
| FUND BALANCE, beginning of year                 |                    |                    | <u>6,778,818</u>   |                                    |
| FUND BALANCE, end of year, budget basis         |                    |                    | 5,500,285          |                                    |
| Accrual adjustments                             |                    |                    | <u>681,514</u>     |                                    |
| FUND BALANCE, end of year, fund basis           |                    |                    | <u>6,181,799</u>   |                                    |

CITY OF HARRISONVILLE, MISSOURI  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
MAJOR SPECIAL REVENUE FUNDS  
YEAR ENDED DECEMBER 31, 2011

|                                                   | Community Center |           |           |                                    | Emergency Services Fund |           |             |                                    |
|---------------------------------------------------|------------------|-----------|-----------|------------------------------------|-------------------------|-----------|-------------|------------------------------------|
|                                                   | Budget           |           | Actual    | Variance<br>Positive<br>(Negative) | Budget                  |           | Actual      | Variance<br>Positive<br>(Negative) |
|                                                   | Original         | Final     |           |                                    | Original                | Final     |             |                                    |
| REVENUES                                          |                  |           |           |                                    |                         |           |             |                                    |
| Charges for services                              | 933,022          | 883,867   | 836,507   | (47,360)                           | 1,723,250               | 2,045,178 | 1,787,088   | (258,090)                          |
| Interest                                          | 7,000            | 7,000     | 1,389     | (5,611)                            |                         |           |             |                                    |
| Miscellaneous                                     | 44,025           | 24,025    | 11,457    | (12,568)                           | 5,700                   | 5,700     | 34,294      | 28,594                             |
| TOTAL REVENUES                                    | 984,047          | 914,892   | 849,353   | (65,539)                           | 1,728,950               | 2,050,878 | 1,821,382   | (229,496)                          |
| EXPENDITURES                                      |                  |           |           |                                    |                         |           |             |                                    |
| Community Center                                  | 1,234,385        | 1,224,865 | 1,164,185 | 60,680                             |                         |           |             |                                    |
| Emergency Services                                |                  |           |           |                                    | 2,521,561               | 2,760,061 | 2,740,604   | 19,457                             |
| Capital outlay                                    | 20,000           | 20,000    | 19,684    | 316                                | 138,400                 | 138,400   | 119,204     | 19,196                             |
| TOTAL EXPENDITURES                                | 1,254,385        | 1,244,865 | 1,183,869 | 60,996                             | 2,659,961               | 2,898,461 | 2,859,808   | 38,653                             |
| EXCESS OF REVENUES OVER (UNDER)<br>EXPENDITURES   | (270,338)        | (329,973) | (334,516) | (4,543)                            | (931,011)               | (847,583) | (1,038,426) | (190,843)                          |
| OTHER FINANCING SOURCES (USES)                    |                  |           |           |                                    |                         |           |             |                                    |
| Transfers in                                      | 199,923          | 199,923   | 157,587   | (42,336)                           | 453,011                 | 358,011   | 833,858     | 475,847                            |
| Proceeds of long-term debt                        |                  |           | 171,931   | 171,931                            |                         |           |             |                                    |
| Total other financing sources (uses)              | 199,923          | 199,923   | 329,518   | 129,595                            | 453,011                 | 358,011   | 833,858     | 475,847                            |
| NET CHANGE IN FUND BALANCES                       | (70,415)         | (130,050) | (4,998)   | 125,052                            | (478,000)               | (489,572) | (204,568)   | 285,004                            |
| FUND BALANCE (DEFICIT), beginning of year         |                  |           | 1,981,563 |                                    |                         |           | (364,766)   |                                    |
| FUND BALANCE (DEFICIT), end of year, budget basis |                  |           | 1,976,565 |                                    |                         |           | (569,334)   |                                    |
| Accrual adjustments                               |                  |           | 10,633    |                                    |                         |           | 571,862     |                                    |
| FUND BALANCE, end of year, fund basis             |                  |           | 1,987,198 |                                    |                         |           | 2,528       |                                    |

CITY OF HARRISONVILLE, MISSOURI  
NOTES TO BUDGETARY COMPARISON SCHEDULES  
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 1. BUDGETARY INFORMATION

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

NOTE 2. REAPPROPRIATIONS

It is the City's policy to reappropriate monies in the next fiscal year for projects or activities which were authorized in the previous year but not completed. The statements for 2011 show the General Fund with expenditures under budget in the amount of \$2,786,352, but the Board of Aldermen authorized the reappropriation of \$2,334,863 into the 2012 budget, primarily for incomplete capital projects of \$2,278,438 and the rest for operating purposes.

## OTHER SUPPLEMENTARY INFORMATION

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CITY OF HARRISONVILLE, MISSOURI  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
DECEMBER 31, 2011

|                                        | Park<br>Fund     | Sales Tax<br>Fund | Debt<br>Service<br>Fund | Total<br>Nonmajor<br>Governmental<br>Funds |
|----------------------------------------|------------------|-------------------|-------------------------|--------------------------------------------|
| ASSETS                                 |                  |                   |                         |                                            |
| ASSETS                                 |                  |                   |                         |                                            |
| Cash                                   |                  | 62,860            |                         | 62,860                                     |
| Investments                            |                  | 297,937           |                         | 297,937                                    |
| Accounts receivable                    |                  | 35,087            |                         | 35,087                                     |
| Taxes receivable                       | 79,983           | 160,439           |                         | 240,422                                    |
| Due from other funds                   |                  |                   | 2,504                   | 2,504                                      |
| Prepaid insurance                      | 7,498            |                   |                         | 7,498                                      |
| Prepaid sales tax remittance           |                  | 27,074            |                         | 27,074                                     |
| Restricted cash                        | 731              | 18,422            |                         | 19,153                                     |
| Restricted investments                 | <u>66,635</u>    | <u>          </u> | <u>          </u>       | <u>66,635</u>                              |
| TOTAL ASSETS                           | <u>154,847</u>   | <u>601,819</u>    | <u>2,504</u>            | <u>759,170</u>                             |
| LIABILITIES<br>AND FUND BALANCES       |                  |                   |                         |                                            |
| LIABILITIES                            |                  |                   |                         |                                            |
| Deferred revenue                       | 11,293           |                   |                         | 11,293                                     |
| Due to other funds                     | 181,695          |                   |                         | 181,695                                    |
| Accounts payable                       | <u>6,784</u>     | <u>18,732</u>     | <u>          </u>       | <u>25,516</u>                              |
| Total liabilities                      | <u>199,772</u>   | <u>18,732</u>     | <u>          </u>       | <u>218,504</u>                             |
| FUND BALANCES (DEFICIT)                |                  |                   |                         |                                            |
| Nonspendable                           | 7,498            | 27,074            |                         | 34,572                                     |
| Restricted                             | 67,366           | 18,422            |                         | 85,788                                     |
| Assigned                               |                  | 537,591           | 2,504                   | 540,095                                    |
| Unassigned                             | <u>(119,789)</u> | <u>          </u> | <u>          </u>       | <u>(119,789)</u>                           |
| Total fund balances (deficit)          | <u>(44,925)</u>  | <u>583,087</u>    | <u>2,504</u>            | <u>540,666</u>                             |
| TOTAL LIABILITIES AND<br>FUND BALANCES | <u>154,847</u>   | <u>601,819</u>    | <u>2,504</u>            | <u>759,170</u>                             |

CITY OF HARRISONVILLE, MISSOURI  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
YEAR ENDED DECEMBER 31, 2011

|                                                                                  | Park<br>Fund     | Sales<br>Tax<br>Fund | Debt<br>Service<br>Fund | Total<br>Nonmajor<br>Governmental<br>Funds |
|----------------------------------------------------------------------------------|------------------|----------------------|-------------------------|--------------------------------------------|
| REVENUES                                                                         |                  |                      |                         |                                            |
| Taxes                                                                            |                  |                      |                         |                                            |
| Property                                                                         | 137,956          |                      |                         | 137,956                                    |
| Sales                                                                            |                  | 1,606,637            |                         | 1,606,637                                  |
| Other                                                                            | 14,964           |                      |                         | 14,964                                     |
| Charges for services                                                             | 24,015           |                      |                         | 24,015                                     |
| Grants                                                                           | 29,056           |                      |                         | 29,056                                     |
| Interest                                                                         | 325              | 3,081                | 2                       | 3,408                                      |
| Proceeds from sale of assets                                                     | 33,726           |                      |                         | 33,726                                     |
| Miscellaneous                                                                    | 9,121            |                      |                         | 9,121                                      |
| Total revenues                                                                   | <u>249,163</u>   | <u>1,609,718</u>     | <u>2</u>                | <u>1,858,883</u>                           |
| EXPENDITURES                                                                     |                  |                      |                         |                                            |
| Park                                                                             | 462,593          |                      |                         | 462,593                                    |
| Debt service                                                                     |                  |                      |                         |                                            |
| Principal                                                                        |                  |                      | 480,000                 | 480,000                                    |
| Interest                                                                         |                  |                      | 423,810                 | 423,810                                    |
| Capital outlay                                                                   | 164,594          |                      |                         | 164,594                                    |
| Total expenditures                                                               | <u>627,187</u>   |                      | <u>903,810</u>          | <u>1,530,997</u>                           |
| REVENUES OVER (UNDER) EXPENDI-<br>TURES BEFORE OTHER FINANCING<br>SOURCES (USES) | <u>(378,024)</u> | <u>1,609,718</u>     | <u>(903,808)</u>        | <u>327,886</u>                             |
| OTHER FINANCING SOURCES (USES)                                                   |                  |                      |                         |                                            |
| Transfers in                                                                     | 372,025          |                      | 901,310                 | 1,273,335                                  |
| Transfers out                                                                    |                  | (1,596,086)          |                         | (1,596,086)                                |
| Total other financing sources (uses)                                             | <u>372,025</u>   | <u>(1,596,086)</u>   | <u>901,310</u>          | <u>(322,751)</u>                           |
| NET CHANGE IN FUND BALANCES                                                      | (5,999)          | 13,632               | (2,498)                 | 5,135                                      |
| FUND BALANCES (DEFICIT),<br>January 1, 2011                                      | <u>(38,926)</u>  | <u>569,455</u>       | <u>5,002</u>            | <u>535,531</u>                             |
| FUND BALANCES (DEFICIT),<br>December 31, 2011                                    | <u>(44,925)</u>  | <u>583,087</u>       | <u>2,504</u>            | <u>540,666</u>                             |

CITY OF HARRISONVILLE, MISSOURI  
NONMAJOR ENTERPRISE FUNDS  
COMBINING STATEMENT OF NET ASSETS  
DECEMBER 31, 2011

|                                                 | Aquatic<br>Center<br>Fund | Refuse<br>Fund | Total            |
|-------------------------------------------------|---------------------------|----------------|------------------|
| ASSETS                                          |                           |                |                  |
| Current Assets                                  |                           |                |                  |
| Cash                                            | 77,957                    | 30,894         | 108,851          |
| Accounts receivable                             |                           | 71,019         | 71,019           |
| Prepaid insurance                               | <u>2,747</u>              |                | <u>2,747</u>     |
| Total current assets                            | <u>80,704</u>             | <u>101,913</u> | <u>182,617</u>   |
| Noncurrent Assets                               |                           |                |                  |
| Restricted cash                                 | 12,197                    |                | 12,197           |
| Restricted investments                          | 138,290                   |                | 138,290          |
| Property and equipment                          | <u>991,803</u>            |                | <u>991,803</u>   |
| Total noncurrent assets                         | <u>1,142,290</u>          |                | <u>1,142,290</u> |
| TOTAL ASSETS                                    | <u>1,222,994</u>          | <u>101,913</u> | <u>1,324,907</u> |
| LIABILITIES                                     |                           |                |                  |
| Current Liabilities                             |                           |                |                  |
| Accounts payable                                | <u>40</u>                 |                | <u>40</u>        |
| NET ASSETS                                      |                           |                |                  |
| Invested in capital assets, net of related debt | 991,803                   |                | 991,803          |
| Restricted for:                                 |                           |                |                  |
| Capital improvements                            | 150,487                   |                | 150,487          |
| Unrestricted                                    | <u>80,664</u>             | <u>101,913</u> | <u>182,577</u>   |
| TOTAL NET ASSETS                                | <u>1,222,954</u>          | <u>101,913</u> | <u>1,324,867</u> |

CITY OF HARRISONVILLE, MISSOURI  
NONMAJOR ENTERPRISE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
YEAR ENDED DECEMBER 31, 2011

|                                     | Aquatic<br>Center<br>Fund | Refuse<br>Fund | Total            |
|-------------------------------------|---------------------------|----------------|------------------|
| REVENUES                            |                           |                |                  |
| Charges for services                | <u>166,394</u>            | <u>469,763</u> | <u>636,157</u>   |
| EXPENSES                            |                           |                |                  |
| Administration                      | 194,725                   | 466,719        | 661,444          |
| Depreciation                        | <u>94,885</u>             |                | <u>94,885</u>    |
| Total expenses                      | <u>289,610</u>            | <u>466,719</u> | <u>756,329</u>   |
| INCOME (LOSS) FROM OPERATIONS       | <u>(123,216)</u>          | <u>3,044</u>   | <u>(120,172)</u> |
| NONOPERATING REVENUES               |                           |                |                  |
| Transfers in                        | 41,888                    |                | 41,888           |
| Interest income                     | <u>1,589</u>              | <u>21</u>      | <u>1,610</u>     |
| Total nonoperating revenues         | <u>43,477</u>             | <u>21</u>      | <u>43,498</u>    |
| CHANGE IN NET ASSETS                | (79,739)                  | 3,065          | (76,674)         |
| TOTAL NET ASSETS, January 1, 2011   | <u>1,302,693</u>          | <u>98,848</u>  | <u>1,401,541</u> |
| TOTAL NET ASSETS, December 31, 2011 | <u>1,222,954</u>          | <u>101,913</u> | <u>1,324,867</u> |

CITY OF HARRISONVILLE, MISSOURI  
NONMAJOR ENTERPRISE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2011

|                                                                 | Aquatic<br>Center<br>Fund   | Refuse<br>Fund              | Total                        |
|-----------------------------------------------------------------|-----------------------------|-----------------------------|------------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                     |                             |                             |                              |
| Cash received from customers                                    | 166,394                     | 468,865                     | 635,259                      |
| Cash payments to suppliers                                      | (125,364)                   | (466,719)                   | (592,083)                    |
| Cash payments to employees                                      | <u>(68,428)</u>             | <u>          </u>           | <u>(68,428)</u>              |
| Net cash provided by (used in) operating activities             | <u>(27,398)</u>             | <u>2,146</u>                | <u>(25,252)</u>              |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>          |                             |                             |                              |
| Transfers in                                                    | <u>41,888</u>               | <u>          </u>           | <u>41,888</u>                |
| Net cash provided by noncapital financing activities            | <u>41,888</u>               | <u>          </u>           | <u>41,888</u>                |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b> |                             |                             |                              |
| Acquisition and construction of capital assets                  | <u>(11,900)</u>             | <u>          </u>           | <u>(11,900)</u>              |
| Net cash used in capital and related financing activities       | <u>(11,900)</u>             | <u>          </u>           | <u>(11,900)</u>              |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                     |                             |                             |                              |
| Interest on investments                                         | 1,589                       | 21                          | 1,610                        |
| Net investment activity                                         | <u>61,519</u>               | <u>          </u>           | <u>61,519</u>                |
| Net cash provided by investing activities                       | <u>63,108</u>               | <u>21</u>                   | <u>63,129</u>                |
| <b>NET INCREASE IN CASH</b>                                     | <b>65,698</b>               | <b>2,167</b>                | <b>67,865</b>                |
| <b>CASH, January 1, 2011</b>                                    | <u><b>24,456</b></u>        | <u><b>28,727</b></u>        | <u><b>53,183</b></u>         |
| <b>CASH, December 31, 2011</b>                                  | <u><u><b>90,154</b></u></u> | <u><u><b>30,894</b></u></u> | <u><u><b>121,048</b></u></u> |
| <b>ALLOCATION OF CASH</b>                                       |                             |                             |                              |
| Unrestricted                                                    | 77,957                      | 30,894                      | 108,851                      |
| Restricted                                                      | <u>12,197</u>               | <u>          </u>           | <u>12,197</u>                |
|                                                                 | <u><u>90,154</u></u>        | <u><u>30,894</u></u>        | <u><u>121,048</u></u>        |

CITY OF HARRISONVILLE, MISSOURI  
NONMAJOR ENTERPRISE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2011

|                                                                                                              | Aquatic<br>Center<br>Fund | Refuse<br>Fund | Total            |
|--------------------------------------------------------------------------------------------------------------|---------------------------|----------------|------------------|
| Reconciliation of Income (Loss) From<br>Operations to Net Cash Provided by<br>(Used in) Operating Activities |                           |                |                  |
| Income (Loss) from operations                                                                                | <u>(123,216)</u>          | <u>3,044</u>   | <u>(120,172)</u> |
| Adjustments to reconcile net income (loss)<br>to net cash provided by (used in)<br>operating activities:     |                           |                |                  |
| Depreciation and amortization                                                                                | 94,885                    |                | 94,885           |
| (Increase) Decrease in:                                                                                      |                           |                |                  |
| Accounts receivable                                                                                          |                           | (898)          | (898)            |
| Prepaid expenses                                                                                             | 1,022                     |                | 1,022            |
| Increase (Decrease) in:                                                                                      |                           |                |                  |
| Accounts payable                                                                                             | <u>(89)</u>               | <u></u>        | <u>(89)</u>      |
| Total adjustments                                                                                            | <u>95,818</u>             | <u>(898)</u>   | <u>94,920</u>    |
| Net cash provided by (used in) operating activities                                                          | <u>(27,398)</u>           | <u>2,146</u>   | <u>(25,252)</u>  |

CITY OF HARRISONVILLE, MISSOURI  
NONMAJOR SPECIAL REVENUE FUNDS  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED DECEMBER 31, 2011

|                                                   | Park Fund        |                  |                  |                                    | Sales Tax Fund     |                    |                    |                                    |
|---------------------------------------------------|------------------|------------------|------------------|------------------------------------|--------------------|--------------------|--------------------|------------------------------------|
|                                                   | Budget           |                  | Actual           | Variance<br>Positive<br>(Negative) | Budget             |                    | Actual             | Variance<br>Positive<br>(Negative) |
|                                                   | Original         | Final            |                  |                                    | Original           | Final              |                    |                                    |
| REVENUES                                          |                  |                  |                  |                                    |                    |                    |                    |                                    |
| Taxes                                             | 151,036          | 151,036          | 114,369          | (36,667)                           | 1,750,000          | 1,750,000          | 1,565,764          | (184,236)                          |
| Charges for services                              | 25,320           | 22,320           | 24,015           | 1,695                              |                    |                    |                    |                                    |
| Grants                                            |                  | 143,508          | 69,529           | (73,979)                           |                    |                    |                    |                                    |
| Interest                                          | 1,200            | 1,200            | 325              | (875)                              | 5,000              | 5,000              | 3,081              | (1,919)                            |
| Proceeds from the sale of assets                  |                  |                  | 33,726           | 33,726                             |                    |                    |                    |                                    |
| Miscellaneous                                     |                  |                  | 9,121            | 9,121                              |                    |                    |                    |                                    |
| Total revenues                                    | <u>177,556</u>   | <u>318,064</u>   | <u>251,085</u>   | <u>(66,979)</u>                    | <u>1,755,000</u>   | <u>1,755,000</u>   | <u>1,568,845</u>   | <u>(186,155)</u>                   |
| EXPENDITURES                                      |                  |                  |                  |                                    |                    |                    |                    |                                    |
| Park                                              | 465,081          | 463,581          | 513,704          | (50,123)                           |                    |                    |                    |                                    |
| Capital outlay                                    | <u>84,500</u>    | <u>252,465</u>   | <u>164,594</u>   | <u>87,871</u>                      |                    |                    |                    |                                    |
| Total expenditures                                | <u>549,581</u>   | <u>716,046</u>   | <u>678,298</u>   | <u>37,748</u>                      |                    |                    |                    |                                    |
| EXCESS OF REVENUES OVER (UNDER)<br>EXPENDITURES   | <u>(372,025)</u> | <u>(397,982)</u> | <u>(427,213)</u> | <u>(29,231)</u>                    | <u>1,755,000</u>   | <u>1,755,000</u>   | <u>1,568,845</u>   | <u>(186,155)</u>                   |
| OTHER FINANCING SOURCES (USES)                    |                  |                  |                  |                                    |                    |                    |                    |                                    |
| Transfers in                                      |                  |                  | 372,025          | 372,025                            |                    |                    |                    |                                    |
| Transfers out                                     |                  |                  |                  |                                    | <u>(1,750,000)</u> | <u>(1,750,000)</u> | <u>(1,596,086)</u> | <u>153,914</u>                     |
| Total other financing sources (uses)              |                  |                  | <u>372,025</u>   | <u>372,025</u>                     | <u>(1,750,000)</u> | <u>(1,750,000)</u> | <u>(1,596,086)</u> | <u>153,914</u>                     |
| NET CHANGE IN FUND BALANCES                       | <u>(372,025)</u> | <u>(397,982)</u> | <u>(55,188)</u>  | <u>342,794</u>                     | <u>5,000</u>       | <u>5,000</u>       | <u>(27,241)</u>    | <u>(32,241)</u>                    |
| FUND BALANCE (DEFICIT), beginning of year         |                  |                  | <u>(59,141)</u>  |                                    |                    |                    | <u>406,460</u>     |                                    |
| FUND BALANCE (DEFICIT), end of year, budget basis |                  |                  | (114,329)        |                                    |                    |                    | 379,219            |                                    |
| Accrual adjustments                               |                  |                  | <u>69,404</u>    |                                    |                    |                    | <u>203,868</u>     |                                    |
| FUND BALANCE (DEFICIT), end of year, fund basis   |                  |                  | <u>(44,925)</u>  |                                    |                    |                    | <u>583,087</u>     |                                    |

CITY OF HARRISONVILLE, MISSOURI  
NONMAJOR SPECIAL REVENUE FUNDS  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED DECEMBER 31, 2011

|                                                 | Total              |                    |                    | Variance         |
|-------------------------------------------------|--------------------|--------------------|--------------------|------------------|
|                                                 | Budget             |                    |                    | Positive         |
|                                                 | Original           | Final              | Actual             | (Negative)       |
| REVENUES                                        |                    |                    |                    |                  |
| Taxes                                           | 1,901,036          | 1,901,036          | 1,680,133          | (220,903)        |
| Charges for services                            | 25,320             | 22,320             | 24,015             | 1,695            |
| Grants                                          |                    | 143,508            | 69,529             | (73,979)         |
| Interest                                        | 6,200              | 6,200              | 3,406              | (2,794)          |
| Proceeds from the sale of assets                |                    |                    | 33,726             | 33,726           |
| Miscellaneous                                   |                    |                    | 9,121              | 9,121            |
| Total revenues                                  | <u>1,932,556</u>   | <u>2,073,064</u>   | <u>1,819,930</u>   | <u>(253,134)</u> |
| EXPENDITURES                                    |                    |                    |                    |                  |
| Park                                            | 465,081            | 463,581            | 513,704            | (50,123)         |
| Capital outlay                                  | <u>84,500</u>      | <u>252,465</u>     | <u>164,594</u>     | <u>87,871</u>    |
| Total expenditures                              | <u>549,581</u>     | <u>716,046</u>     | <u>678,298</u>     | <u>37,748</u>    |
| EXCESS OF REVENUES OVER (UNDER)<br>EXPENDITURES | <u>1,382,975</u>   | <u>1,357,018</u>   | <u>1,141,632</u>   | <u>(215,386)</u> |
| OTHER FINANCING SOURCES (USES)                  |                    |                    |                    |                  |
| Transfers in                                    |                    |                    | 372,025            | 372,025          |
| Transfers out                                   | <u>(1,750,000)</u> | <u>(1,750,000)</u> | <u>(1,596,086)</u> | <u>153,914</u>   |
| Total other financing sources (uses)            | <u>(1,750,000)</u> | <u>(1,750,000)</u> | <u>(1,224,061)</u> | <u>525,939</u>   |
| NET CHANGE IN FUND BALANCES                     | <u>(367,025)</u>   | <u>(392,982)</u>   | <u>(82,429)</u>    | <u>310,553</u>   |
| FUND BALANCE, beginning of the year             |                    |                    | <u>347,319</u>     |                  |
| FUND BALANCE, end of year, budget basis         |                    |                    | 264,890            |                  |
| Accrual adjustments                             |                    |                    | <u>273,272</u>     |                  |
| FUND BALANCE, end of year, fund basis           |                    |                    | <u>538,162</u>     |                  |

CITY OF HARRISONVILLE, MISSOURI  
DEBT SERVICE FUND  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED DECEMBER 31, 2011

|                                          | Budget            |                   |                | Variance               |
|------------------------------------------|-------------------|-------------------|----------------|------------------------|
|                                          | Original          | Final             | Actual         | Positive<br>(Negative) |
| REVENUES                                 |                   |                   |                |                        |
| Interest                                 | <u>2,500</u>      | <u>2,500</u>      | <u>2</u>       | <u>(2,498)</u>         |
| EXPENDITURES                             |                   |                   |                |                        |
| Debt Service                             |                   |                   |                |                        |
| Principal                                | 480,000           | 480,000           | 480,000        |                        |
| Interest                                 | <u>423,810</u>    | <u>423,810</u>    | <u>423,810</u> | <u>          </u>      |
| Total expenditures                       | <u>903,810</u>    | <u>903,810</u>    | <u>903,810</u> | <u>          </u>      |
| EXCESS OF REVENUES UNDER<br>EXPENDITURES | (901,310)         | (901,310)         | (903,808)      | (2,498)                |
| OTHER FINANCING SOURCES (USES)           |                   |                   |                |                        |
| Transfers in                             | <u>901,310</u>    | <u>901,310</u>    | <u>901,310</u> | <u>          </u>      |
| NET CHANGE IN FUND BALANCES              | <u>          </u> | <u>          </u> | (2,498)        | <u>(2,498)</u>         |
| FUND BALANCE, beginning of year          |                   |                   | <u>5,002</u>   |                        |
| FUND BALANCE, end of year, fund basis    |                   |                   | <u>2,504</u>   |                        |

CITY OF HARRISONVILLE, MISSOURI  
ALL PROPRIETARY FUNDS  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED DECEMBER 31, 2011

|                                             | Electric Fund     |                   |                   |                           | Water/Sewer Fund |                  |                    |                           | Aquatic Center Fund |                 |                  |                           |
|---------------------------------------------|-------------------|-------------------|-------------------|---------------------------|------------------|------------------|--------------------|---------------------------|---------------------|-----------------|------------------|---------------------------|
|                                             | Budget            |                   | Actual            | Over<br>(Under)<br>Budget | Budget           |                  | Actual             | Over<br>(Under)<br>Budget | Budget              |                 | Actual           | Over<br>(Under)<br>Budget |
|                                             | Original          | Final             |                   |                           | Original         | Final            |                    |                           | Original            | Final           |                  |                           |
| REVENUES                                    |                   |                   |                   |                           |                  |                  |                    |                           |                     |                 |                  |                           |
| Charges for services                        | 11,881,092        | 11,786,092        | 11,262,197        | (523,895)                 | 4,574,125        | 4,414,125        | 5,014,329          | 600,204                   | 160,575             | 163,575         | 166,394          | 2,819                     |
| Grants                                      |                   |                   |                   |                           |                  | 982,687          | 982,687            |                           |                     |                 |                  |                           |
| Total revenues                              | <u>11,881,092</u> | <u>11,786,092</u> | <u>11,262,197</u> | <u>(523,895)</u>          | <u>4,574,125</u> | <u>5,396,812</u> | <u>5,997,016</u>   | <u>600,204</u>            | <u>160,575</u>      | <u>163,575</u>  | <u>166,394</u>   | <u>2,819</u>              |
| EXPENSES                                    |                   |                   |                   |                           |                  |                  |                    |                           |                     |                 |                  |                           |
| Production                                  |                   |                   |                   |                           | 1,333,945        | 1,322,209        | 1,465,715          | (143,506)                 |                     |                 |                  |                           |
| Distribution                                | 8,126,400         | 8,126,400         | 7,977,582         | 148,818                   | 652,625          | 635,115          | 588,496            | 46,619                    |                     |                 |                  |                           |
| Administration                              | 2,331,460         | 2,339,960         | 2,359,146         | (19,186)                  | 1,048,169        | 1,050,269        | 799,559            | 250,710                   | 212,002             | 213,002         | 193,792          | 19,210                    |
| Capital outlay                              | 871,200           | 838,462           | 140,130           | 698,332                   | 819,050          | 2,232,528        | 5,660,228          | (3,427,700)               | 12,000              | 12,000          | 11,900           | 100                       |
| Total expenses                              | <u>11,329,060</u> | <u>11,304,822</u> | <u>10,476,858</u> | <u>827,964</u>            | <u>3,853,789</u> | <u>5,240,121</u> | <u>8,513,998</u>   | <u>(3,273,877)</u>        | <u>224,002</u>      | <u>225,002</u>  | <u>205,692</u>   | <u>19,310</u>             |
| INCOME (LOSS) FROM OPERATIONS               | <u>552,032</u>    | <u>481,270</u>    | <u>785,339</u>    | <u>304,069</u>            | <u>720,336</u>   | <u>156,691</u>   | <u>(2,516,982)</u> | <u>(2,673,673)</u>        | <u>(63,427)</u>     | <u>(61,427)</u> | <u>(39,298)</u>  | <u>22,129</u>             |
| OTHER INCOME (EXPENSE)                      |                   |                   |                   |                           |                  |                  |                    |                           |                     |                 |                  |                           |
| Transfers in                                |                   |                   |                   |                           |                  | 448,597          | 448,597            |                           | 41,888              | 41,888          | 41,888           |                           |
| Interest income                             | 25,000            | 6,000             | 9,854             | 3,854                     | 35,000           | 8,000            | 220,469            | 212,469                   | 1,100               | 1,100           | 1,589            | 489                       |
| Proceeds of long-term debt                  |                   |                   |                   |                           |                  | 4,300,000        | 3,709,866          | (590,134)                 |                     |                 |                  |                           |
| Payments of long-term debt                  | (175,000)         | (175,000)         | (175,000)         |                           | (495,700)        | (495,700)        | (495,700)          |                           |                     |                 |                  |                           |
| Interest expense                            | (88,603)          | (88,603)          | (87,723)          | 880                       | (345,020)        | (345,020)        | (356,625)          | (11,605)                  |                     |                 |                  |                           |
| Total other income (expense)                | <u>(238,603)</u>  | <u>(257,603)</u>  | <u>(252,869)</u>  | <u>4,734</u>              | <u>(805,720)</u> | <u>3,915,877</u> | <u>3,526,607</u>   | <u>(389,270)</u>          | <u>42,988</u>       | <u>42,988</u>   | <u>43,477</u>    | <u>489</u>                |
| REVENUES OVER (UNDER) EXPENSES              | <u>313,429</u>    | <u>223,667</u>    | <u>532,470</u>    | <u>308,803</u>            | <u>(85,384)</u>  | <u>4,072,568</u> | <u>1,009,625</u>   | <u>(3,062,943)</u>        | <u>(20,439)</u>     | <u>(18,439)</u> | <u>4,179</u>     | <u>22,618</u>             |
| NET ASSETS, January 1, 2011                 |                   |                   | <u>2,669,539</u>  |                           |                  |                  | <u>2,508,138</u>   |                           |                     |                 | <u>224,265</u>   |                           |
| NET ASSETS, December 31, 2011, budget basis |                   |                   | <u>3,202,009</u>  |                           |                  |                  | <u>3,517,763</u>   |                           |                     |                 | <u>228,444</u>   |                           |
| Accrual adjustments                         |                   |                   | <u>4,258,533</u>  |                           |                  |                  | <u>18,457,938</u>  |                           |                     |                 | <u>994,510</u>   |                           |
| NET ASSETS, December 31, 2011               |                   |                   | <u>7,460,542</u>  |                           |                  |                  | <u>21,975,701</u>  |                           |                     |                 | <u>1,222,954</u> |                           |

In the Water/Sewer Fund, capital outlay expenditures budgeted in the prior year were \$6,478,000 with an encumbered amount of \$6,636,800. The remaining encumbrance moving into 2011 was \$3,936,253.

CITY OF HARRISONVILLE, MISSOURI  
ALL PROPRIETARY FUNDS  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED DECEMBER 31, 2011

|                                                | Refuse Fund    |                |                |                           | Total              |                   |                    |                           |
|------------------------------------------------|----------------|----------------|----------------|---------------------------|--------------------|-------------------|--------------------|---------------------------|
|                                                | Budget         |                | Actual         | Over<br>(Under)<br>Budget | Budget             |                   | Actual             | Over<br>(Under)<br>Budget |
|                                                | Original       | Final          |                |                           | Original           | Final             |                    |                           |
| REVENUES                                       |                |                |                |                           |                    |                   |                    |                           |
| Charges for services                           | 467,505        | 467,505        | 468,865        | 1,360                     | 17,083,297         | 16,831,297        | 16,911,785         | 80,488                    |
| Grants                                         |                |                |                |                           |                    | 982,687           | 982,687            |                           |
| Total revenues                                 | <u>467,505</u> | <u>467,505</u> | <u>468,865</u> | <u>1,360</u>              | <u>17,083,297</u>  | <u>17,813,984</u> | <u>17,894,472</u>  | <u>80,488</u>             |
| EXPENSES                                       |                |                |                |                           |                    |                   |                    |                           |
| Production                                     |                |                |                |                           | 1,333,945          | 1,322,209         | 1,465,715          | (143,506)                 |
| Distribution                                   |                |                |                |                           | 8,779,025          | 8,761,515         | 8,566,078          | 195,437                   |
| Administration                                 | 467,504        | 467,504        | 466,719        | 785                       | 4,059,135          | 4,070,735         | 3,819,216          | 251,519                   |
| Capital outlay                                 |                |                |                |                           | 1,702,250          | 3,082,990         | 5,812,258          | (2,729,268)               |
| Total expenses                                 | <u>467,504</u> | <u>467,504</u> | <u>466,719</u> | <u>785</u>                | <u>15,874,355</u>  | <u>17,237,449</u> | <u>19,663,267</u>  | <u>(2,425,818)</u>        |
| INCOME (LOSS) FROM OPERATIONS                  | <u>1</u>       | <u>1</u>       | <u>2,146</u>   | <u>2,145</u>              | <u>1,208,942</u>   | <u>576,535</u>    | <u>(1,768,795)</u> | <u>(2,345,330)</u>        |
| OTHER INCOME (EXPENSE)                         |                |                |                |                           |                    |                   |                    |                           |
| Transfers in                                   |                |                |                |                           | 41,888             |                   | 490,485            | 490,485                   |
| Interest income                                | 100            | 100            | 21             | (79)                      | 61,200             | 15,200            | 231,933            | 216,733                   |
| Proceeds of long-term debt                     |                |                |                |                           |                    | 4,300,000         | 3,709,866          | (590,134)                 |
| Payments of long-term debt                     |                |                |                |                           | (670,700)          | (670,700)         | (670,700)          |                           |
| Interest expense                               |                |                |                |                           | (433,623)          | (433,623)         | (444,348)          | (10,725)                  |
| Total other income (expense)                   | <u>100</u>     | <u>100</u>     | <u>21</u>      | <u>(79)</u>               | <u>(1,001,235)</u> | <u>3,210,877</u>  | <u>3,317,236</u>   | <u>106,359</u>            |
| REVENUES OVER (UNDER) (EXPENSES)               | <u>101</u>     | <u>101</u>     | <u>2,167</u>   | <u>2,066</u>              | <u>207,707</u>     | <u>3,787,412</u>  | <u>1,548,441</u>   | <u>(2,238,971)</u>        |
| NET ASSETS, January 1, 2011                    |                |                | <u>28,727</u>  |                           |                    |                   | <u>5,430,669</u>   |                           |
| NET ASSETS, December 31, 2011,<br>budget basis |                |                | 30,894         |                           |                    |                   | 6,979,110          |                           |
| Accrual adjustments                            |                |                | <u>71,019</u>  |                           |                    |                   | <u>23,782,000</u>  |                           |
| NET ASSETS, December 31, 2011                  |                |                | <u>101,913</u> |                           |                    |                   | <u>30,761,110</u>  |                           |

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STATISTICAL SECTION  
(Unaudited)

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

| Contents                                                                                                                                                                                                                                    | Page    |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|
| Financial Trends<br>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.                                                                     | 70 - 75 |
| Revenue Capacity<br>These schedules contain information to help the reader assess the City's two most significant local revenue sources: sales tax and property tax.                                                                        | 76 - 81 |
| Debt Capacity<br>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.                            | 82 - 84 |
| Demographic and Economic Information<br>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.                                    | 85 - 87 |
| Operating Information<br>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. | 88 - 89 |

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

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

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CITY OF HARRISONVILLE, MISSOURI  
NET ASSETS BY COMPONENT  
LAST NINE FISCAL YEARS

|                                                    | Fiscal Year       |                   |                   |                   |                   |                   |                   |                   |                   |
|----------------------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|                                                    | 2003              | 2004              | 2005              | 2006              | 2007              | 2008              | 2009              | 2010              | 2011              |
| Governmental activities                            |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Invested in capital assets,<br>net of related debt | 9,204,560         | 10,365,100        | 2,781,772         | 9,633,168         | 10,352,096        | 10,653,678        | 11,264,304        | 12,728,792        | 13,911,126        |
| 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         |
| Unrestricted                                       | <u>7,453,120</u>  | <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>(903,485)</u>  |
| Total governmental<br>activities net assets        | <u>16,657,680</u> | <u>18,530,710</u> | <u>20,289,909</u> | <u>14,509,964</u> | <u>14,534,932</u> | <u>15,436,754</u> | <u>15,001,662</u> | <u>15,772,869</u> | <u>15,670,324</u> |
| Business-type activities                           |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Invested in capital assets,<br>net of related debt | 7,570,235         | 11,707,657        | 11,926,787        | 14,601,242        | 15,296,549        | 15,656,284        | 17,241,269        | 21,441,550        | 22,603,002        |
| Restricted                                         | 7,827,300         | 4,472,772         | 5,062,744         | 2,106,963         | 1,947,727         | 2,131,131         | 2,044,493         | 2,054,861         | 2,557,484         |
| Unrestricted                                       | <u>2,560,926</u>  | <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>  |
| Total business-type<br>activities net assets       | <u>17,958,461</u> | <u>18,052,899</u> | <u>18,451,630</u> | <u>20,144,210</u> | <u>22,002,018</u> | <u>23,255,388</u> | <u>24,799,251</u> | <u>27,812,991</u> | <u>30,761,110</u> |
| Primary government                                 |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Invested in capital assets,<br>net of related debt | 16,774,795        | 22,072,757        | 14,708,559        | 24,234,410        | 25,648,645        | 26,309,962        | 28,505,573        | 34,170,342        | 36,514,128        |
| Restricted                                         | 7,827,300         | 9,077,542         | 14,136,999        | 4,270,712         | 4,862,546         | 5,090,898         | 4,224,806         | 4,239,109         | 5,220,167         |
| Unrestricted                                       | <u>10,014,046</u> | <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>4,697,139</u>  |
| Total primary government<br>net assets             | <u>34,616,141</u> | <u>36,583,609</u> | <u>38,741,539</u> | <u>34,654,174</u> | <u>36,536,950</u> | <u>38,692,142</u> | <u>39,800,913</u> | <u>43,585,860</u> | <u>46,431,434</u> |

CITY OF HARRISONVILLE, MISSOURI  
CHANGES IN NET ASSETS  
LAST NINE FISCAL YEARS

|                                                |  | Fiscal Year       |                   |                   |                   |                   |                   |                   |                   |                   |
|------------------------------------------------|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|                                                |  | 2003              | 2004              | 2005              | 2006              | 2007              | 2008              | 2009              | 2010              | 2011              |
| EXPENSES                                       |  |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Governmental activities                        |  |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| General Government                             |  | 1,239,192         | 1,367,852         | 1,493,889         | 1,603,302         | 1,710,746         | 1,774,334         | 1,794,612         | 1,787,553         | 1,974,816         |
| Administration of Justice                      |  | 2,023,094         | 2,069,482         | 2,107,865         | 2,285,891         | 2,461,933         | 2,816,808         | 2,592,948         | 2,643,954         | 2,663,787         |
| Fire and Emergency                             |  | 487,334           | 566,472           | 508,970           | 601,405           | 575,410           | 588,701           | 367,525           |                   |                   |
| Street                                         |  | 824,475           | 661,579           | 775,628           | 1,158,699         | 1,104,687         | 1,157,618         | 1,258,830         | 1,398,582         | 1,217,982         |
| Economic Development                           |  | 127,729           | 175,428           | 146,492           | 219,247           | 177,994           | 201,947           | 155,637           | 179,210           | 191,704           |
| Animal Control                                 |  | 124,290           | 123,536           | 126,134           | 125,710           | 151,092           | 156,545           | 143,313           | 143,878           | 162,758           |
| Airport                                        |  | 265,250           | 286,368           | 317,388           | 304,269           | 325,579           | 391,387           | 347,264           | 331,203           | 321,968           |
| Ambulance                                      |  | 1,009,100         | 1,212,598         | 1,111,446         | 1,727,803         | 950,069           | 945,798           | 2,017,191         | 2,237,316         | 2,489,922         |
| Park                                           |  | 461,456           | 448,005           | 384,071           | 412,841           | 452,080           | 466,886           | 470,549           | 530,106           | 529,697           |
| 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         |
| Towne Center Project                           |  |                   |                   |                   | 5,990,284         | 1,074,469         | 5,678             | 15,923            | 18,726            | 10,187            |
| CDBG pass-through expenses                     |  |                   |                   |                   |                   |                   |                   |                   |                   | 753,740           |
| Interest on long-term debt                     |  | 183,775           | 30,375            | 515,560           | 529,657           | 1,169,186         | 919,217           | 902,258           | 873,168           | 860,401           |
| Total governmental activities expenses         |  | <u>6,745,695</u>  | <u>6,997,948</u>  | <u>8,495,739</u>  | <u>16,230,943</u> | <u>11,442,852</u> | <u>10,702,863</u> | <u>11,479,788</u> | <u>11,511,184</u> | <u>12,627,366</u> |
| Business-type activities                       |  |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Electric                                       |  | 7,014,723         | 7,920,827         | 9,399,627         | 10,493,071        | 11,320,839        | 11,171,665        | 10,820,766        | 11,029,794        | 10,637,961        |
| Water and Sewer                                |  | 2,870,247         | 3,302,385         | 3,380,979         | 3,673,566         | 3,908,279         | 4,245,705         | 4,031,290         | 4,214,590         | 3,652,972         |
| Aquatic Center                                 |  | 260,106           | 244,723           | 212,027           | 205,686           | 204,045           | 233,572           | 252,734           | 229,978           | 289,610           |
| Refuse                                         |  | 367,971           | 395,955           | 468,035           | 381,763           | 388,345           | 367,444           | 416,592           | 452,778           | 466,719           |
| Total business-type activities expenses        |  | <u>10,513,047</u> | <u>11,863,890</u> | <u>13,460,668</u> | <u>14,754,086</u> | <u>15,821,508</u> | <u>16,018,386</u> | <u>15,521,382</u> | <u>15,927,140</u> | <u>15,047,262</u> |
| Total primary government expenses              |  | <u>17,258,742</u> | <u>18,861,838</u> | <u>21,956,407</u> | <u>30,985,029</u> | <u>27,264,360</u> | <u>26,721,249</u> | <u>27,001,170</u> | <u>27,438,324</u> | <u>27,674,628</u> |
| PROGRAM REVENUES                               |  |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Governmental activities                        |  |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Charges for services                           |  |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| General Government                             |  | 1,563,715         | 1,693,836         | 1,683,963         | 1,849,033         | 1,922,835         | 2,269,442         | 1,943,791         | 2,024,687         | 1,985,007         |
| Administration of Justice                      |  | 317,111           | 264,794           | 266,771           | 259,829           | 253,109           | 248,580           | 235,958           | 226,217           | 239,292           |
| Ambulance                                      |  | 897,502           | 972,945           | 809,767           | 823,444           | 874,553           | 981,217           | 1,104,773         | 1,362,127         | 1,423,372         |
| Park                                           |  | 40,783            | 38,973            | 11,570            | 13,192            | 28,503            | 25,313            | 23,276            | 22,609            | 24,015            |
| Community Center                               |  |                   |                   | 639,621           | 822,254           | 807,219           | 750,617           | 784,011           | 870,262           | 850,019           |
| Operating grants and contributions             |  | 86,770            | 111,019           | 548,062           | 250,797           | 632,643           | 184,774           | 36,610            | 218,541           | 939,601           |
| Capital grants and contributions               |  |                   |                   |                   |                   |                   |                   |                   | 320,525           | 423,327           |
| Total governmental activities program revenues |  | <u>2,905,881</u>  | <u>3,081,567</u>  | <u>3,959,754</u>  | <u>4,018,549</u>  | <u>4,518,862</u>  | <u>4,459,943</u>  | <u>4,128,419</u>  | <u>5,044,968</u>  | <u>5,884,633</u>  |
| Business-type activities                       |  |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Charges for services                           |  |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Electric                                       |  | 7,053,349         | 7,434,758         | 9,236,930         | 11,278,076        | 12,185,598        | 11,712,338        | 11,355,377        | 11,529,975        | 11,200,157        |
| Water and Sewer                                |  | 3,584,958         | 3,627,557         | 3,823,889         | 4,277,089         | 4,503,439         | 4,651,353         | 4,866,050         | 4,588,165         | 4,458,249         |

CITY OF HARRISONVILLE, MISSOURI  
CHANGES IN NET ASSETS  
LAST NINE FISCAL YEARS

|                                                 | Fiscal Year        |                    |                    |                     |                    |                    |                    |                    |                    |
|-------------------------------------------------|--------------------|--------------------|--------------------|---------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
|                                                 | 2003               | 2004               | 2005               | 2006                | 2007               | 2008               | 2009               | 2010               | 2011               |
| PROGRAM REVENUES                                |                    |                    |                    |                     |                    |                    |                    |                    |                    |
| Business-type activities (Continued)            |                    |                    |                    |                     |                    |                    |                    |                    |                    |
| Charges for services (Continued)                |                    |                    |                    |                     |                    |                    |                    |                    |                    |
| Aquatic Center                                  | 182,536            | 138,370            | 127,512            | 141,807             | 135,088            | 133,344            | 125,189            | 125,450            | 166,394            |
| Refuse                                          | 377,066            | 433,625            | 414,649            | 386,359             | 398,383            | 399,814            | 424,579            | 451,427            | 469,763            |
| Capital grants and contributions                |                    |                    |                    |                     |                    |                    |                    | 2,017,313          | 982,687            |
| Total business-type activities program revenues | <u>11,197,909</u>  | <u>11,634,310</u>  | <u>13,602,980</u>  | <u>16,083,331</u>   | <u>17,222,508</u>  | <u>16,896,849</u>  | <u>16,771,195</u>  | <u>18,712,330</u>  | <u>17,277,250</u>  |
| Total primary government program revenues       | <u>14,103,790</u>  | <u>14,715,877</u>  | <u>17,562,734</u>  | <u>20,101,880</u>   | <u>21,741,370</u>  | <u>21,356,792</u>  | <u>20,899,614</u>  | <u>23,757,298</u>  | <u>23,161,883</u>  |
| NET (EXPENSE) REVENUE                           |                    |                    |                    |                     |                    |                    |                    |                    |                    |
| Governmental activities                         | (3,839,814)        | (3,916,381)        | (4,535,985)        | (12,212,394)        | (6,923,990)        | (6,242,920)        | (7,351,369)        | (6,466,216)        | (6,742,733)        |
| Business-type activities                        | <u>684,862</u>     | <u>(229,580)</u>   | <u>142,312</u>     | <u>1,329,245</u>    | <u>1,401,000</u>   | <u>878,463</u>     | <u>1,249,813</u>   | <u>2,785,190</u>   | <u>2,229,988</u>   |
| Total primary government net expense            | <u>(3,154,952)</u> | <u>(4,145,961)</u> | <u>(4,393,673)</u> | <u>(10,883,149)</u> | <u>(5,522,990)</u> | <u>(5,364,457)</u> | <u>(6,101,556)</u> | <u>(3,681,026)</u> | <u>(4,512,745)</u> |
| GENERAL REVENUES AND OTHER                      |                    |                    |                    |                     |                    |                    |                    |                    |                    |
| CHANGES IN NET ASSETS                           |                    |                    |                    |                     |                    |                    |                    |                    |                    |
| Governmental activities                         |                    |                    |                    |                     |                    |                    |                    |                    |                    |
| Taxes                                           | 5,011,887          | 5,051,726          | 5,629,641          |                     |                    |                    |                    |                    |                    |
| Property taxes                                  |                    |                    |                    | 745,358             | 867,421            | 906,279            | 864,193            | 896,169            | 816,771            |
| Sales taxes                                     |                    |                    |                    | 3,234,247           | 3,523,837          | 3,605,629          | 3,388,455          | 3,978,397          | 4,186,070          |
| Franchise taxes                                 |                    |                    |                    | 1,360,063           | 1,485,734          | 1,969,979          | 1,657,903          | 1,762,577          | 1,622,045          |
| Other taxes                                     |                    |                    |                    | 153,767             | 161,988            | 152,724            | 215,065            | 211,217            | 152,046            |
| Unrestricted investment earnings                | 123,496            | 162,454            | 304,196            | 630,951             | 649,256            | 313,661            | 118,459            | 37,719             | 33,593             |
| Miscellaneous                                   | 479,440            | 605,554            | 361,347            | 308,063             | 260,722            | 196,470            | 458,050            | 351,344            | 320,148            |
| Transfers                                       | (9,148)            | (30,323)           |                    |                     |                    |                    |                    |                    | (490,485)          |
| Total governmental activities                   | <u>5,605,675</u>   | <u>5,789,411</u>   | <u>6,295,184</u>   | <u>6,432,449</u>    | <u>6,948,958</u>   | <u>7,144,742</u>   | <u>6,702,125</u>   | <u>7,237,423</u>   | <u>6,640,188</u>   |
| Business-type activities                        |                    |                    |                    |                     |                    |                    |                    |                    |                    |
| Unrestricted investment earnings                | 278,297            | 293,695            | 260,171            | 363,335             | 456,808            | 374,907            | 294,050            | 228,550            | 227,646            |
| Miscellaneous                                   |                    |                    | (3,752)            |                     |                    |                    |                    |                    |                    |
| Transfers                                       | 9,148              | 30,323             |                    |                     |                    |                    |                    |                    | 490,485            |
| Total business-type activities                  | <u>287,445</u>     | <u>324,018</u>     | <u>256,419</u>     | <u>363,335</u>      | <u>456,808</u>     | <u>374,907</u>     | <u>294,050</u>     | <u>228,550</u>     | <u>718,131</u>     |
| Total primary government                        | <u>5,893,120</u>   | <u>6,113,429</u>   | <u>6,551,603</u>   | <u>6,795,784</u>    | <u>7,405,766</u>   | <u>7,519,649</u>   | <u>6,996,175</u>   | <u>7,465,973</u>   | <u>7,358,319</u>   |
| CHANGE IN NET ASSETS                            |                    |                    |                    |                     |                    |                    |                    |                    |                    |
| Governmental activities                         | 1,765,861          | 1,873,030          | 1,759,199          | (5,779,945)         | 24,968             | 901,822            | (649,244)          | 771,207            | (102,545)          |
| Business-type activities                        | <u>972,307</u>     | <u>94,438</u>      | <u>398,731</u>     | <u>1,692,580</u>    | <u>1,857,808</u>   | <u>1,253,370</u>   | <u>1,543,863</u>   | <u>3,013,740</u>   | <u>2,948,119</u>   |
| Total primary government                        | <u>2,738,168</u>   | <u>1,967,468</u>   | <u>2,157,930</u>   | <u>(4,087,365)</u>  | <u>1,882,776</u>   | <u>2,155,192</u>   | <u>894,619</u>     | <u>3,784,947</u>   | <u>2,845,574</u>   |

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

|                                    | 2003              | 2004             | 2005              | 2006             | 2007             | 2008             | 2009             | 2010             | 2011             |
|------------------------------------|-------------------|------------------|-------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| GENERAL FUND                       |                   |                  |                   |                  |                  |                  |                  |                  |                  |
| Nonspendable                       |                   |                  |                   |                  |                  |                  |                  |                  | 137,711          |
| Restricted                         |                   |                  |                   |                  |                  |                  |                  |                  | 113,630          |
| Unassigned                         |                   |                  |                   |                  |                  |                  |                  |                  | 5,930,458        |
| Reserved                           | 96,031            | 96,836           | 98,729            | 145,388          | 120,742          | 134,148          | 122,118          | 101,466          |                  |
| Unreserved                         | <u>4,460,635</u>  | <u>5,354,289</u> | <u>5,907,713</u>  | <u>6,889,715</u> | <u>7,585,851</u> | <u>8,203,393</u> | <u>8,179,575</u> | <u>7,202,484</u> |                  |
| Total General Fund                 | <u>4,556,666</u>  | <u>5,451,125</u> | <u>6,006,442</u>  | <u>7,035,103</u> | <u>7,706,593</u> | <u>8,337,541</u> | <u>8,301,693</u> | <u>7,303,950</u> | <u>6,181,799</u> |
| ALL OTHER GOVERNMENTAL FUNDS       |                   |                  |                   |                  |                  |                  |                  |                  |                  |
| Nonspendable                       |                   |                  |                   |                  |                  |                  |                  |                  | 112,270          |
| Restricted                         |                   |                  |                   |                  |                  |                  |                  |                  | 2,549,053        |
| Assigned                           |                   |                  |                   |                  |                  |                  |                  |                  | 1,064,581        |
| Unassigned                         |                   |                  |                   |                  |                  |                  |                  |                  | (183,323)        |
| Reserved                           | 13,021,963        | 4,488,718        | 8,975,526         | 3,145,133        | 1,150,442        | 1,020,234        | 1,081,070        | 1,107,459        |                  |
| Unreserved, reported in:           |                   |                  |                   |                  |                  |                  |                  |                  |                  |
| Special revenue funds              | <u>1,753,096</u>  | <u>1,986,099</u> | <u>1,951,151</u>  | <u>1,367,780</u> | <u>3,380,010</u> | <u>3,532,205</u> | <u>2,350,584</u> | <u>2,523,616</u> |                  |
| Total all other governmental funds | <u>14,775,059</u> | <u>6,474,817</u> | <u>10,926,677</u> | <u>4,512,913</u> | <u>4,530,452</u> | <u>4,552,439</u> | <u>3,431,654</u> | <u>3,631,075</u> | <u>3,542,581</u> |

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

|                            | 2003             | 2004              | 2005              | 2006              | 2007              | 2008              | 2009              | 2010              | 2011              |
|----------------------------|------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| REVENUES                   |                  |                   |                   |                   |                   |                   |                   |                   |                   |
| Taxes                      | 5,150,857        | 5,218,302         | 5,655,312         |                   |                   |                   |                   |                   |                   |
| Property                   |                  |                   |                   | 838,427           | 848,607           | 911,262           | 874,222           | 923,255           | 891,842           |
| Sales                      |                  |                   |                   | 3,234,247         | 3,523,837         | 3,605,629         | 3,388,455         | 3,978,397         | 4,186,070         |
| Franchise                  |                  |                   |                   | 1,360,063         | 1,485,734         | 1,969,979         | 1,657,903         | 1,762,577         | 1,622,045         |
| Other                      |                  |                   |                   | 153,767           | 156,076           | 152,724           | 215,065           | 211,217           | 152,046           |
| Licenses, fees and permits | 175,018          | 218,957           | 168,712           | 177,356           | 225,187           | 411,668           | 140,049           | 193,055           | 162,417           |
| Fines and forfeitures      | 317,111          | 264,794           | 266,771           | 259,829           | 253,109           | 248,580           | 235,958           | 226,217           | 239,292           |
| Charges for services       | 2,326,982        | 2,486,797         | 2,976,209         | 3,330,567         | 3,407,923         | 3,614,921         | 3,715,802         | 4,086,630         | 4,119,996         |
| Grants                     | 86,770           | 111,019           | 548,062           | 250,797           | 632,643           | 184,774           | 36,610            | 539,066           | 1,362,928         |
| Investment earnings        | 123,496          | 162,454           | 304,196           | 630,951           | 649,256           | 313,661           | 118,459           | 37,719            | 33,593            |
| Miscellaneous              | 479,440          | 300,271           | 361,347           | 308,063           | 260,722           | 196,470           | 458,050           | 351,583           | 336,855           |
| Total revenues             | <u>8,659,674</u> | <u>8,762,594</u>  | <u>10,280,609</u> | <u>10,544,067</u> | <u>11,443,094</u> | <u>11,609,668</u> | <u>10,840,573</u> | <u>12,309,716</u> | <u>13,107,084</u> |
| EXPENDITURES               |                  |                   |                   |                   |                   |                   |                   |                   |                   |
| General Government         | 1,162,419        | 1,272,272         | 1,397,997         | 1,431,657         | 1,615,486         | 1,675,957         | 1,705,939         | 1,686,829         | 1,875,373         |
| Administration of Justice  | 1,920,966        | 1,963,411         | 2,009,591         | 2,089,362         | 2,374,198         | 2,720,316         | 2,481,177         | 2,529,476         | 2,554,360         |
| Fire and Emergency         | 402,584          | 493,252           | 436,963           | 468,515           | 494,272           | 514,913           | 305,195           |                   |                   |
| Street                     | 722,383          | 523,318           | 605,250           | 919,331           | 860,268           | 888,273           | 986,420           | 1,139,023         | 962,085           |
| Economic Development       | 124,763          | 174,691           | 140,205           | 202,192           | 161,770           | 186,738           | 140,428           | 164,220           | 176,936           |
| Animal Control             | 122,572          | 120,403           | 123,001           | 114,109           | 145,331           | 149,789           | 136,557           | 137,122           | 156,002           |
| Airport                    | 157,181          | 219,711           | 220,636           | 209,147           | 222,207           | 275,850           | 232,654           | 219,903           | 180,079           |
| Ambulance                  | 945,909          | 1,112,618         | 1,022,975         | 1,631,773         | 865,527           | 859,740           | 1,914,395         | 2,087,034         | 2,324,734         |
| Park                       | 389,963          | 373,674           | 308,696           | 318,377           | 378,458           | 396,746           | 395,146           | 462,220           | 462,593           |
| Community Center           |                  | 56,253            | 840,759           | 965,729           | 994,485           | 979,138           | 1,112,725         | 1,066,878         | 1,151,513         |
| Towne Center Project       |                  |                   | 34,300            | 5,955,984         | 1,248,099         | 5,678             | 15,923            | 18,726            | 10,187            |
| CDBG pass-through expenses |                  |                   |                   |                   |                   |                   |                   |                   | 753,740           |
| Capital outlay             | 1,463,657        | 8,864,084         | 4,003,841         | 589,934           | 1,254,285         | 849,141           | 1,142,304         | 1,938,203         | 1,837,010         |
| Debt service               |                  |                   |                   |                   |                   |                   |                   |                   |                   |
| Principal                  | 49,983           | 450,000           | 500,000           | 525,000           | 7,410,000         | 575,000           | 780,000           | 825,000           | 733,926           |
| Interest and fiscal fees   | 183,775          | 534,407           | 515,560           | 508,060           | 1,165,574         | 879,454           | 862,495           | 833,404           | 820,637           |
| Total expenditures         | <u>7,646,155</u> | <u>16,158,094</u> | <u>12,159,774</u> | <u>15,929,170</u> | <u>19,189,960</u> | <u>10,956,733</u> | <u>12,211,358</u> | <u>13,108,038</u> | <u>13,999,175</u> |

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

|                                                                 | 2003              | 2004               | 2005               | 2006               | 2007               | 2008               | 2009               | 2010               | 2011               |
|-----------------------------------------------------------------|-------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| EXCESS OF REVENUES OVER<br>(UNDER) EXPENDITURES                 | <u>1,013,519</u>  | <u>(7,395,500)</u> | <u>(1,879,165)</u> | <u>(5,385,103)</u> | <u>(7,746,866)</u> | <u>652,935</u>     | <u>(1,370,785)</u> | <u>(798,322)</u>   | <u>(892,091)</u>   |
| OTHER FINANCING SOURCES<br>(USES)                               |                   |                    |                    |                    |                    |                    |                    |                    |                    |
| Proceeds from sale of assets                                    |                   | 444,783            |                    |                    |                    |                    |                    |                    |                    |
| Proceeds of long-term debt                                      | 12,835,000        |                    | 6,886,342          |                    | 8,435,895          |                    |                    |                    | 171,931            |
| Transfers in                                                    | 973,095           | 1,642,286          | 1,170,714          | 1,236,060          | 1,307,535          | 1,343,412          | 1,425,335          | 3,779,288          | 2,680,436          |
| Transfers out                                                   | <u>(982,243)</u>  | <u>(1,672,609)</u> | <u>(1,170,714)</u> | <u>(1,236,060)</u> | <u>(1,307,535)</u> | <u>(1,343,412)</u> | <u>(1,425,335)</u> | <u>(3,779,288)</u> | <u>(3,170,921)</u> |
| Total other financing<br>sources (uses)                         | <u>12,825,852</u> | <u>414,460</u>     | <u>6,886,342</u>   |                    | <u>8,435,895</u>   |                    |                    |                    | <u>(318,554)</u>   |
| NET CHANGES IN FUND<br>BALANCES                                 | 13,839,371        | (6,981,040)        | 5,007,177          | (5,385,103)        | 689,029            | 652,935            | (1,370,785)        | (798,322)          | (1,210,645)        |
| DEBT SERVICE AS A PER-<br>CENTAGE OF NONCAPITAL<br>EXPENDITURES | 3.8%              | 13.5%              | 8.4%               | 6.7%               | 47.8%              | 14.4%              | 14.8%              | 14.8%              | 12.8%              |

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

| Fiscal Year<br>Ended<br>December 31, | Real<br>Property | Personal<br>Property | Total Taxable<br>Assessed<br>Value | Total Direct<br>Tax Rate |
|--------------------------------------|------------------|----------------------|------------------------------------|--------------------------|
| 2002                                 | 73,732,234       | 22,772,888           | 96,505,122                         | 0.75                     |
| 2003                                 | 81,770,408       | 25,139,884           | 106,910,292                        | 0.75                     |
| 2004                                 | 83,590,337       | 25,542,567           | 109,132,904                        | 0.75                     |
| 2005                                 | 90,182,211       | 24,702,214           | 114,884,425                        | 0.75                     |
| 2006                                 | 92,956,701       | 24,305,736           | 117,262,437                        | 0.75                     |
| 2007                                 | 91,927,554       | 23,243,342           | 115,170,896                        | 0.77                     |
| 2008                                 | 93,646,146       | 21,440,771           | 115,086,917                        | 0.78                     |
| 2009                                 | 93,250,444       | 25,538,774           | 118,789,218                        | 0.66                     |
| 2010                                 | 94,022,248       | 25,241,452           | 119,263,700                        | 0.66                     |
| 2011                                 | 94,424,728       | 23,546,390           | 117,971,118                        | 0.67                     |

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 EIGHT FISCAL YEARS

| Fiscal Year<br>Ended<br>December 31, | City Direct Rates |                   |              |                 | Overlapping Rates |       |                               | Total<br>Direct and<br>Overlapping |
|--------------------------------------|-------------------|-------------------|--------------|-----------------|-------------------|-------|-------------------------------|------------------------------------|
|                                      | General<br>Fund   | Ambulance<br>Fund | Park<br>Fund | Total<br>Direct | State             | Other | Total<br>Overlapping<br>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                               |

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 NINE YEARS AGO

| Taxpayer                           | 2011                         |      |                                                  | 2003                         |      |                                                  |
|------------------------------------|------------------------------|------|--------------------------------------------------|------------------------------|------|--------------------------------------------------|
|                                    | Taxable<br>Assessed<br>Value | Rank | Percentages<br>of Total<br>Assessed<br>Valuation | Taxable<br>Assessed<br>Value | Rank | Percentages<br>of Total<br>Assessed<br>Valuation |
| Church & Dwight/USA Detergents     | 6,601,360                    | 1    | 5.60                                             | 4,808,819                    | 1    | 4.50                                             |
| Wal-Mart                           | 3,340,180                    | 2    | 2.83                                             | 3,253,980                    | 2    | 3.04                                             |
| Harrisonville MP II LLC            | 1,992,520                    | 3    | 1.69                                             |                              |      |                                                  |
| Sutherlands Lumber Co.             | 1,624,010                    | 4    | 1.38                                             |                              |      |                                                  |
| Harrisonville MP LLC               | 1,377,660                    | 5    | 1.17                                             |                              |      |                                                  |
| Mill-Walk Mall                     | 1,373,200                    | 6    | 1.16                                             | 1,447,390                    | 3    | 1.35                                             |
| Universal Forest Products          | 1,128,000                    | 7    | 0.96                                             | 923,815                      | 6    | 0.86                                             |
| Harrisonville Crossings Properties | 930,640                      | 8    | 0.79                                             |                              |      |                                                  |
| H.V. Hotel Investment LLC          | 746,450                      | 9    | 0.63                                             |                              |      |                                                  |
| AHG, Inc.                          | 660,260                      | 10   | 0.56                                             | 1,084,810                    | 5    | 1.10                                             |
| Crown Properties, LC               |                              |      |                                                  | 574,420                      | 8    | 0.54                                             |
| Eaglepicher Pharmaceutical         |                              |      |                                                  | 1,267,660                    | 4    | 1.19                                             |
| CHEP USA                           |                              |      |                                                  | 670,115                      | 7    | 0.63                                             |
| Vista Productions                  |                              |      |                                                  | 563,780                      | 9    | 0.53                                             |
| Camden Regency Healthcare          |                              |      |                                                  | 527,850                      | 10   | 0.49                                             |
| TOTALS                             | <u>19,774,280</u>            |      | <u>16.58</u>                                     | <u>15,122,639</u>            |      | <u>13.86</u>                                     |

Data provided by the Cass County Collector

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

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

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 NINE FISCAL YEARS

| Fiscal<br>Year | City<br>Rate | Cass<br>County | State | Total |
|----------------|--------------|----------------|-------|-------|
| 2003           | 1.500        | 1.250          | 4.225 | 6.975 |
| 2004           | 1.500        | 1.250          | 4.225 | 6.975 |
| 2005           | 1.500        | 1.250          | 4.225 | 6.975 |
| 2006           | 1.500        | 1.250          | 4.225 | 6.975 |
| 2007           | 1.500        | 1.250          | 4.225 | 6.975 |
| 2008           | 1.500        | 1.250          | 4.225 | 6.975 |
| 2009           | 1.875        | 1.250          | 4.225 | 7.350 |
| 2010           | 1.875        | 1.250          | 4.225 | 7.350 |
| 2011           | 1.875        | 1.250          | 4.225 | 7.350 |

Source: Missouri Department of Revenue

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

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

Note: This report does not breakout 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 EIGHT FISCAL YEARS

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

CITY OF HARRISONVILLE, MISSOURI  
COMPUTATION OF LEGAL DEBT MARGIN  
DECEMBER 31, 2011  
(UNAUDITED)

|                                              | General<br>Obligation Bonds |                             |                    |
|----------------------------------------------|-----------------------------|-----------------------------|--------------------|
|                                              | Ordinary<br>(1)             | Additional<br>(2)           | Total              |
| Assessed valuation                           | <u>117,971,118</u>          | <u>                    </u> | <u>117,971,118</u> |
| Constitutional debt limit                    | 11,797,111                  | 11,797,111                  | 23,594,222         |
| Less general obligation bonds payable        | <u>11,797,111</u>           | <u>11,797,111</u>           | <u>23,594,222</u>  |
| Cash and securities available for retirement | <u>11,797,111</u>           | <u>11,797,111</u>           | <u>23,594,222</u>  |

- (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 construction 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, 2011

| Taxing Jurisdiction                                                                                              | Gross Debt<br>Less<br>Sinking Fund (1) | Approximate<br>Percentage<br>Applicable to<br>Harrisonville (1) | Approximate<br>Amount<br>Applicable to<br>Harrisonville (1) |
|------------------------------------------------------------------------------------------------------------------|----------------------------------------|-----------------------------------------------------------------|-------------------------------------------------------------|
| School Districts, Cass R-IX                                                                                      | 26,285,000                             | 65%                                                             | 17,085,250                                                  |
| Direct debt obligations of the City of<br>Harrisonville (general obligation bonds),<br>net of debt service funds | <u>                    </u>            | 0%                                                              | <u>                    </u>                                 |
| Total direct and estimated<br>overlapping debt                                                                   | <u>26,285,000</u>                      |                                                                 | <u>17,085,250</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<br>Year | (1)<br>Population | Personal<br>Income | (2)<br>Per Capita<br>Personal<br>Income | (3)<br>School<br>Enrollment | (2)<br>Unemployment<br>Rate |
|----------------|-------------------|--------------------|-----------------------------------------|-----------------------------|-----------------------------|
| 2002           | 9,410             | 166,557,000        | 17,700                                  | 2,328                       | 3.70%                       |
| 2003           | 9,700             | 175,570,000        | 18,100                                  | 2,409                       | 4.00%                       |
| 2004           | 10,000            | 185,000,000        | 18,500                                  | 2,442                       | 4.00%                       |
| 2005           | 10,250            | 194,750,000        | 19,000                                  | 2,436                       | 4.30%                       |
| 2006           | 10,350            | 201,825,000        | 19,500                                  | 2,507                       | 4.30%                       |
| 2007           | 10,400            | 205,920,000        | 19,800                                  | 2,500                       | 4.30%                       |
| 2008           | 10,400            | 201,040,000        | 19,331                                  | 2,504                       | 6.10%                       |
| 2009           | 10,400            | 201,040,000        | 19,331                                  | 2,580                       | 10.00%                      |
| 2010           | 10,400            | 201,040,000        | 19,331                                  | 2,580                       | 10.00%                      |
| 2011           | 10,019            | 218,915,150        | 21,850                                  | 2,580                       | 7.90%                       |

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 THREE YEARS AGO

| Employer                     | 2011      |      |                       | 2008      |      |
|------------------------------|-----------|------|-----------------------|-----------|------|
|                              | Employees | Rank | % of Total Employment | Employees | Rank |
| Wal-Mart Distribution Center | 775       | 1    | 25.01%                | 775       | 1    |
| Wal-Mart                     | 397       | 3    | 12.81%                | 390       | 2    |
| Cass R-IX Schools            | 386       | 4    | 12.46%                | 367       | 3    |
| Cass Medical Center          | 412       | 2    | 13.29%                | 330       | 4    |
| Cass County Government       | 285       | 5    | 9.20%                 | 285       | 5    |
| City of Harrisonville        | 214       | 7    | 6.91%                 | 225       | 6    |
| Casco Area Workshop          | 200       | 8    | 6.45%                 | 220       | 7    |
| Church & Dwight Co., Inc.    | 231       | 6    | 7.45%                 | 208       | 8    |
| Crown Care Center            | 101       | 9    | 3.26%                 | 101       | 9    |
| Family Center                | 98        | 10   | 3.16%                 | 98        | 10   |
| Total Employment             | 3,099     |      |                       | 2,999     |      |

Source: Harrisonville Area Chamber of Commerce and Economic Development

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

| Year          | Construction Permits and Value<br>(1) and (2) |                      |                      |                     | Total<br>Year End Deposits<br>at Local Banks<br>(Thousands) | Total<br>Property<br>Value<br>(3) |
|---------------|-----------------------------------------------|----------------------|----------------------|---------------------|-------------------------------------------------------------|-----------------------------------|
|               | Residential<br>Number                         | Residential<br>Value | Commercial<br>Number | Commercial<br>Value |                                                             |                                   |
| December 2001 | 303                                           | 8,212,999            | 125                  | 38,440,405          | 253,651                                                     | 96,855,690                        |
| December 2002 | 318                                           | 12,259,290           | 130                  | 3,957,351           | 242,804                                                     | 96,505,122                        |
| December 2003 | 285                                           | 6,649,324            | 130                  | 9,240,581           | 226,089                                                     | 106,910,292                       |
| December 2004 | 316                                           | 13,415,449           | 144                  | 13,083,218          | 237,597                                                     | 109,132,904                       |
| December 2005 | 355                                           | 7,176,302            | 189                  | 3,676,090           | 286,990                                                     | 114,894,425                       |
| December 2006 | 400                                           | 5,132,062            | 267                  | 9,475,391           | 249,989                                                     | 117,262,437                       |
| December 2007 | 861                                           | 6,049,296            | 154                  | 14,936,040          | 339,313                                                     | 115,170,896                       |
| December 2008 | 319                                           | 3,054,774            | 93                   | 59,978,221          | 277,759                                                     | 115,086,917                       |
| December 2009 | 245                                           | 1,672,246            | 68                   | 1,180,815           | 295,081                                                     | 118,789,218                       |
| December 2010 | 276                                           | 1,283,561            | 95                   | 18,650,228          | 317,327                                                     | 119,263,700                       |
| December 2011 | 318                                           | 1,403,626            | 98                   | 3,392,188           | 329,770                                                     | 117,971,118                       |

(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 SIX FISCAL YEARS

| Function/Program                                           | Fiscal Year |           |           |           |           |           |
|------------------------------------------------------------|-------------|-----------|-----------|-----------|-----------|-----------|
|                                                            | 2006        | 2007      | 2008      | 2009      | 2010      | 2011      |
| Police                                                     |             |           |           |           |           |           |
| Patrol units                                               | 23          | 23        | 23        | 23        | 23        | 20        |
| Police stations                                            | 1           | 1         | 1         | 1         | 1         | 1         |
| Fire                                                       |             |           |           |           |           |           |
| Fire stations                                              | 1           | 1         | 1         | 1         | 1         | 1         |
| Fire hydrants                                              | 660         | 660       | 670       | 678       | 678       | 678       |
| Streets                                                    |             |           |           |           |           |           |
| Miles                                                      | 69          | 69        | 69        | 69        | 69        | 69        |
| Street lights                                              | 900         | 900       | 900       | 900       | 900       | 900       |
| Miles of storm sewers                                      | 9           | 9         | 9         | 9         | 9         | 9         |
| Parks                                                      |             |           |           |           |           |           |
| Parks                                                      | 6           | 6         | 6         | 6         | 6         | 6         |
| Acreage                                                    | 250         | 250       | 250       | 250       | 250       | 250       |
| Golf courses                                               | 2           | 2         | 2         | 2         | 2         | 2         |
| Swimming pools                                             | 2           | 2         | 2         | 2         | 2         | 2         |
| Tennis courts                                              | 4           | 4         | 4         | 4         | 4         | 4         |
| Community centers                                          | 7           | 7         | 7         | 7         | 7         | 7         |
| Sewer                                                      |             |           |           |           |           |           |
| Sanitary sewer (miles)                                     | 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       |
| Treatment plants                                           | 1           | 1         | 1         | 1         | 1         | 1         |
| Service connections                                        | 4,079       | 4,094     | 4,102     | 4,084     | 4,071     | 4,037     |
| Maximum daily capacity<br>of treatment plant in<br>gallons | 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        |
| Service connections                                        | 4,152       | 3,984     | 3,992     | 3,978     | 3,966     | 3,923     |
| Daily average consump-<br>tion in gallons                  | 1,300,000   | 1,300,000 | 1,300,000 | 950,000   | 950,000   | 950,000   |

Source: City Department Heads

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

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

Source: Jan Harper, City of Harrisonville

CITY OF HARRISONVILLE, MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2011

| Federal Grantor/Pass-Through Grantor/<br>Program or Cluster Title     | Pass-Through<br>Entity Identifying<br>Number | Federal<br>CFDA<br>Number | Federal<br>Expenditures |
|-----------------------------------------------------------------------|----------------------------------------------|---------------------------|-------------------------|
| <u>Environmental Protection Agency</u>                                |                                              |                           |                         |
| Pass-through Missouri Department of Natural<br>Resources              |                                              |                           |                         |
| ARRA - Capitalization Grants for Clean Water<br>State Revolving Funds | C295365-05                                   | 66.458                    | <u>2,900,444</u>        |
| <u>Department of Transportation</u>                                   |                                              |                           |                         |
| Pass-through Missouri Department of Transportation                    |                                              |                           |                         |
| Airport Improvement Program                                           | 09-110C-1                                    | 20.106                    | 332,258                 |
| State and Community Highway Safety                                    |                                              | 20.600                    | 2,613                   |
| Alcohol Impaired Driving Countermeasures<br>Incentive Grants I        |                                              | 20.601                    | <u>1,363</u>            |
|                                                                       |                                              |                           | <u>336,234</u>          |
| <u>Department of Homeland Security</u>                                |                                              |                           |                         |
| Pass-through Missouri Department of Public Safety                     |                                              |                           |                         |
| Disaster Grants - Public Assistance                                   | 1961-DR-MO                                   | 97.036                    | <u>1,363</u>            |
| <u>Department of Housing and Urban Development</u>                    |                                              |                           |                         |
| Pass-through Missouri Department of Economic<br>Development           |                                              |                           |                         |
| Community Development Block Grants                                    | 2008-DI-34                                   | 14.228                    | <u>753,740</u>          |
|                                                                       |                                              |                           | <u>753,740</u>          |
| TOTAL EXPENDITURES OF FEDERAL AWARDS                                  |                                              |                           | <u><u>3,991,781</u></u> |

CITY OF HARRISONVILLE, MISSOURI  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2011

NOTE 1. BASIS OF PRESENTATION

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

NOTE 2. SUBRECIPIENTS

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

NOTE 3. PURPOSES OF FEDERAL PROGRAMS

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

Capitalization Grants for Clean Water State Revolving Funds (66.458)

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

Airport Improvement Program (20.106)

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

State and Community Highway Safety (20.600)

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

Alcohol Impaired Driving Countermeasures Incentive Grants I (20.601)

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

CITY OF HARRISONVILLE, MISSOURI  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2011

NOTE 3. PURPOSES OF FEDERAL PROGRAMS (Continued)

Disaster Grants - Public Assistance (97.036)

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

Community Development Block Grants (14.228)

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

NOTE 4. LOCAL GOVERNMENT CONTRIBUTIONS

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

NOTE 5. ADDITIONAL AUDITS

Grantor agencies reserve the right to conduct additional audits of the City's grant programs for economy, efficiency and program results which may result in disallowed costs to the City. However, City management does not believe such audits would result in any disallowed costs that would be material to the City's financial position at December 31, 2011.

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DANA F. COLE & COMPANY, LLP  
CERTIFIED PUBLIC ACCOUNTANTS

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 the 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, 2011, which collectively comprise the City of Harrisonville, Missouri's basic financial statements and have issued our report thereon dated May 14, 2012. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Harrisonville, Missouri's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting as item 2011-1. 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.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Harrisonville, Missouri's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

The City of Harrisonville, Missouri's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City of Harrisonville, Missouri's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the audit committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Dana F Cole + Company, LLP

Overland Park, Kansas  
May 14, 2012

DANA F. COLE & COMPANY, LLP  
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL  
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the City of Harrisonville, Missouri's compliance with the types of compliance requirements described in the OMB Circular A-133 "Compliance Supplement" that could have a direct and material effect on each of the City of Harrisonville, Missouri's major federal programs for the year ended December 31, 2011. The City of Harrisonville, Missouri's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Harrisonville, Missouri's management. Our responsibility is to express an opinion on the City of Harrisonville, Missouri's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations". Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Harrisonville, Missouri's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Harrisonville, Missouri's compliance with those requirements.

In our opinion, the City of Harrisonville, Missouri complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs identified in the accompanying schedule of findings and questioned costs for the year ended December 31, 2011.

### Internal Control Over Compliance

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

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

This report is intended solely for the information and use of the governing body, administration, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Dana F Cole + Company, LLP

Overland Park, Kansas  
May 14, 2012

CITY OF HARRISONVILLE, MISSOURI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2011

SECTION I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness identified: ☐ Yes ☒ No

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

Noncompliance matter to the financial  
statements disclosed: ☐ Yes ☒ No

Federal Awards

Internal control over major programs:

Material weakness identified: ☐ Yes ☒ No

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

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

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

Identification of major programs:

|                                                                       | CFDA No. |
|-----------------------------------------------------------------------|----------|
| Capitalization Grants for Clean Water<br>ARRA - State Revolving Funds | 66.458   |
| Airport Improvement Program                                           | 20.106   |
| Community Development Block Grants                                    | 14.228   |

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

Auditee qualified as a low-risk auditee? ☐ Yes ☒ No

CITY OF HARRISONVILLE, MISSOURI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2011

SECTION II. FINANCIAL STATEMENT FINDINGS

2011-1 RELIANCE UPON THE AUDITOR

Condition

Management should possess the ability to reconcile all accounts and prepare financial statements in accordance accounting principles generally accepted in the United States of America. The preparation of financial statements under this basis of accounting requires that management possess the ability to properly record and classify transactions in a general ledger, reconcile all accounts, measure and record needed adjustments to the accounts, and prepare the financial statements and related disclosures without the assistance from the auditors.

Criteria

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

Questioned Costs

None.

Effect

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

Recommendation

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

Management's Response

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

CITY OF HARRISONVILLE, MISSOURI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2011

SECTION III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

CITY OF HARRISONVILLE, MISSOURI  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED DECEMBER 31, 2011

The prior audit findings are as follows:

FINANCIAL STATEMENT FINDINGS

2010-1 RELIANCE UPON THE AUDITOR

Management should possess the ability to reconcile all accounts and prepare financial statements in accordance 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 2011-1.