

CITY OF HARRISONVILLE, MISSOURI  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FISCAL YEAR ENDED DECEMBER 31, 2009

Prepared by: Mike Tholen  
Director of Finance

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June 18, 2010

**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, 2009. 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, 2009 are fairly presented in conformity with generally accepted accounting principles. That opinion, and the procedures and testing that led to it, is found in the "Independent Auditor's Report" at the beginning of the Financial Section of the CAFR.

Following the independent auditor's 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 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 dipped slightly, but were buoyed by the spring opening of a new grocery store, two drug stores, a gas station/convenience store and fast food restaurant in a new commercial district on the west side. Smaller ancillary tenants are also locating in the area in 2010. 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.

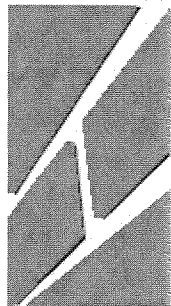
**Long-term financial planning** - The City of Harrisonville prepares a five-year Capital Improvement Plan (CIP) for constructing, maintaining and replacing the City's physical infrastructure. These projects are reviewed annually and updated as conditions, prices, resources and priorities change. These 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 is down significantly, 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. During the year, the City renewed all major insurance policies after a review and update of exposures. 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.

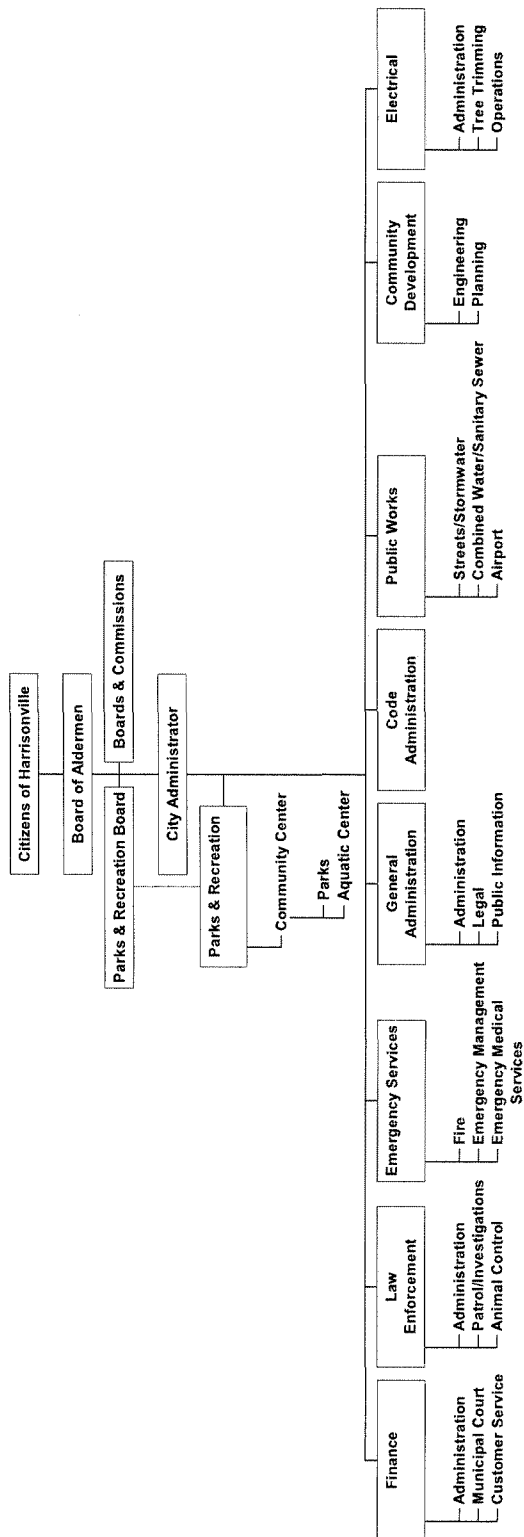
Respectfully submitted,

Michael E. Tholen  
Director of Finance



City of

est. 1836  
**Harrisonville**



CITY OF HARRISONVILLE, MISSOURI  
PRINCIPAL OFFICIALS  
DECEMBER 31, 2009

MAYOR AND BOARD OF ALDERMEN

|                       |                   |
|-----------------------|-------------------|
| Kevin Wood            | Mayor             |
| Allison Licht (Light) | Alderman Ward I   |
| Lane Hammonds         | Alderman Ward I   |
| Morris Coburn         | Alderman Ward II  |
| Dorothy Young         | Alderman Ward II  |
| David Dickerson       | Alderman Ward III |
| Bret Reece            | Alderman Ward III |
| Bill Mollenhour       | Alderman Ward IV  |
| Mike Fools            | Alderman Ward IV  |

ADMINISTRATOR AND DEPARTMENT HEADS

|                 |                                                         |
|-----------------|---------------------------------------------------------|
| Keith Moody     | City Administrator                                      |
| Ted Martin      | City Engineer                                           |
| Steve Rauscher  | Director of Codes Enforcement                           |
| Robert Surber   | Director of Public Works and Water/Sewer Superintendent |
| Keith Thomas    | Electric Superintendent                                 |
| Jim Proctor     | Street Superintendent                                   |
| Chris Cotten    | Director of Parks and Recreation                        |
| Rick DeLuca     | Director of Community Development                       |
| Debbie Grant    | City Clerk                                              |
| Mike Tholen     | Director of Finance                                     |
| John Hofer      | Chief of Police                                         |
| Larry Francis   | Fire Chief and Director of Emergency Management         |
| Steven E. Mauer | City Attorney                                           |
| Kevin Anderson  | Municipal Judge                                         |
| Joseph Cambiano | City Prosecuting Attorney                               |

INDEPENDENT AUDITORS

Dana F. Cole & Company, LLP

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Harrisonville  
Missouri

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
December 31, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

## FINANCIAL SECTION

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, 2009, 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, 2009, 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 June 18, 2010, 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.

The Management's Discussion and Analysis and budgetary comparison information on pages 8 through 14 and 52 through 55, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, other supplementary information on pages 56 through 66, statistical schedules on pages 67 through 86, and the Schedule of Expenditures of Federal Awards as required by U.S. Office of Management and Budget Circular A-133 "Audits of States, Local Governments, and Non-Profit Organizations" are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining individual nonmajor fund financial statements and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section, budgetary comparison schedules on pages 62 through 66, and statistical schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Dana F Cole + Company, LLP

Overland Park, Kansas  
June 18, 2010

## 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 2009 because the City eliminated the ambulance tax levy, but overall net assets are 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:

2009 saw the engineering of a new water supply connection with the Kansas City, Missouri Water Department. This project is currently in easement acquisition stage. The City also began work on the wastewater treatment plant upgrades, which are funded by revenue bonds issued in 2010, and a \$3,000,000 ARRA grant.

The Community Center completed its fourth full year of business in 2009, and has developed a base of both revenue and expenses. This facility is supported by the half-cent parks sales tax, as well as memberships and user fees, and opened to the public at the end of January 2005. With a heavy reliance on user fees, this facility is continually scrutinized by both City staff and Boards to see that operating costs are covered. Increased marketing has led to a greater utilization of the building, and correspondingly increased usage fees.

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 project has met the debt service schedule so far, but will need additional development to continue to service the debt without impacting other City funds.

Voters in 2009 approved a one-eighth percent public safety sales tax to support additional police patrol. The tax became effective October 1, 2009, and the first additional officers began their duties in January 2010. Voters also approved a one-quarter percent public safety sales tax to support a fulltime fire department, and that tax was also effective October 1, 2009. The City began 24-hour fire coverage July 1, 2009, and formally merged the operations of the Fire Department and the EMS fund January 1, 2010.

The collection of sales tax revenues decreased slightly in 2009, compared to earlier years. The revenue has shown little overall growth in recent years, which will 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.

## 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 15 and 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 26, along with their explanatory notes on pages 27 through 51. 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, 2009, compared with the same information for the fiscal year ending December 31, 2008:

**City of Harrisonville's Net Assets**

|                                                       | Governmental<br>Activities |                   | Business-type<br>Activities |                   | Total             |                   |
|-------------------------------------------------------|----------------------------|-------------------|-----------------------------|-------------------|-------------------|-------------------|
|                                                       | 2008                       | 2009              | 2008                        | 2009              | 2008              | 2009              |
| Current and other assets                              | 14,167,129                 | 21,650,602        | 9,183,636                   | 9,210,382         | 23,350,765        | 30,860,984        |
| Capital Assets                                        | <u>21,285,935</u>          | <u>21,266,331</u> | <u>26,103,448</u>           | <u>26,821,269</u> | <u>47,389,383</u> | <u>48,087,600</u> |
| Total assets                                          | <u>35,453,064</u>          | <u>42,916,933</u> | <u>35,287,084</u>           | <u>36,031,651</u> | <u>70,740,148</u> | <u>78,948,584</u> |
| Other Liabilities                                     | 1,520,855                  | 1,481,569         | 2,304,850                   | 2,085,874         | 3,825,705         | 3,567,443         |
| Long-term obligations                                 | <u>18,281,303</u>          | <u>26,433,702</u> | <u>9,726,846</u>            | <u>9,146,526</u>  | <u>28,008,149</u> | <u>35,580,228</u> |
| Total liabilities                                     | <u>19,802,158</u>          | <u>27,915,271</u> | <u>12,031,696</u>           | <u>11,232,400</u> | <u>31,833,854</u> | <u>39,147,671</u> |
| Net Assets                                            |                            |                   |                             |                   |                   |                   |
| Invested in capital<br>assets, net of<br>related debt | 10,653,678                 | 11,264,304        | 15,656,284                  | 17,241,269        | 26,309,962        | 28,505,573        |
| Restricted                                            | <u>2,959,767</u>           | <u>2,180,313</u>  | <u>2,131,131</u>            | <u>2,044,493</u>  | <u>5,090,868</u>  | <u>4,224,806</u>  |
| Unrestricted                                          | <u>2,037,461</u>           | <u>1,557,045</u>  | <u>5,467,973</u>            | <u>5,513,489</u>  | <u>7,505,434</u>  | <u>7,070,534</u>  |
| Total net assets                                      | <u>15,650,906</u>          | <u>15,001,662</u> | <u>23,255,388</u>           | <u>24,799,251</u> | <u>38,906,294</u> | <u>39,800,913</u> |

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.

CITY OF HARRISONVILLE, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS

**Statement of Activities**

The following table reflects the revenues and expenses for the City's activities for the fiscal year ending December 31, 2009, compared with the same information for the fiscal year ending December 31, 2008:

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

|                                       | Governmental<br>Activities |                   | Business-type<br>Activities |                   | Total             |                   |
|---------------------------------------|----------------------------|-------------------|-----------------------------|-------------------|-------------------|-------------------|
|                                       | 2008                       | 2009              | 2008                        | 2009              | 2008              | 2009              |
| <b>Revenues</b>                       |                            |                   |                             |                   |                   |                   |
| Program revenues                      |                            |                   |                             |                   |                   |                   |
| Charges for services                  | 4,275,169                  | 4,091,809         | 16,896,849                  | 16,771,195        | 21,172,018        | 20,863,004        |
| Operating grants<br>and contributions | 184,774                    | 36,610            |                             |                   | 184,774           | 36,610            |
| General revenues                      |                            |                   |                             |                   |                   |                   |
| Taxes                                 | 6,848,763                  | 6,125,616         |                             |                   | 6,848,763         | 6,125,616         |
| Unrestricted invest-<br>ment earnings | 313,661                    | 118,459           | 374,907                     | 294,050           | 688,568           | 412,509           |
| Other miscellaneous<br>revenues       | <u>196,470</u>             | <u>458,050</u>    |                             |                   | <u>196,470</u>    | <u>458,050</u>    |
| Total revenues                        | <u>11,818,837</u>          | <u>10,830,544</u> | <u>17,271,756</u>           | <u>17,065,245</u> | <u>29,090,593</u> | <u>27,895,789</u> |
| <b>Expenses</b>                       |                            |                   |                             |                   |                   |                   |
| General government                    | 1,774,334                  | 1,794,612         |                             |                   | 1,774,334         | 1,794,612         |
| Administration of justice             | 2,816,808                  | 2,592,948         |                             |                   | 2,816,808         | 2,592,948         |
| Fire and emergency                    | 588,701                    | 367,525           |                             |                   | 588,701           | 367,525           |
| Street                                | 1,157,618                  | 1,258,830         |                             |                   | 1,157,618         | 1,258,830         |
| Economic Development                  | 201,947                    | 155,637           |                             |                   | 201,947           | 155,637           |
| Animal control                        | 156,545                    | 143,313           |                             |                   | 156,545           | 143,313           |
| Airport                               | 391,387                    | 347,264           |                             |                   | 391,387           | 347,264           |
| Ambulance                             | 945,798                    | 2,017,191         |                             |                   | 945,798           | 2,017,191         |
| Park                                  | 466,886                    | 470,549           |                             |                   | 466,886           | 470,549           |
| Community Center                      | 1,277,944                  | 1,413,738         |                             |                   | 1,277,944         | 1,413,738         |
| Towne Center TIF                      | 5,678                      | 15,923            |                             |                   | 5,678             | 15,923            |
| Interest on long-term debt            | 919,217                    | 902,258           |                             |                   | 919,217           | 902,258           |
| Electric                              |                            |                   | 11,171,665                  | 10,820,766        | 11,171,665        | 10,820,766        |
| Water/Sewer                           |                            |                   | 4,245,705                   | 4,031,290         | 4,245,705         | 4,031,290         |
| Aquatic Center                        |                            |                   | 233,572                     | 252,734           | 233,572           | 252,734           |
| Refuse                                |                            |                   | <u>367,444</u>              | <u>416,592</u>    | <u>367,444</u>    | <u>416,592</u>    |
|                                       | <u>10,702,863</u>          | <u>11,479,788</u> | <u>16,018,386</u>           | <u>15,521,382</u> | <u>26,721,249</u> | <u>27,001,170</u> |
| Change in net assets                  | 1,115,974                  | (649,244)         | 1,253,370                   | 1,543,863         | 2,369,344         | 894,619           |
| Net assets, beginning of<br>year      | <u>14,534,932</u>          | <u>15,650,906</u> | <u>22,002,018</u>           | <u>23,255,388</u> | <u>36,536,950</u> | <u>38,906,294</u> |
| Net assets, end of year               | <u>15,650,906</u>          | <u>15,001,662</u> | <u>23,255,388</u>           | <u>24,799,251</u> | <u>38,906,294</u> | <u>39,800,913</u> |

## CITY OF HARRISONVILLE, MISSOURI MANAGEMENT'S DISCUSSION AND ANALYSIS

This summary shows that almost all 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 fell .7% in 2009 over 2008, with the largest drop coming in charges for service in the Electric fund. This decreased usage was related to milder than expected weather. 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 10.6%, primarily due to decreased sales tax revenues, and the elimination of the Ambulance property tax levy. The Public safety sales tax revenue will replace the property tax, but 2009 will reflect the timing gap between the collection of the two different types of revenue.

Total program expenses for 2009 are \$27,001,170 with the majority, \$15,521,382, stemming from business-type activities. Governmental activities expenses increased 7.3% from the previous fiscal year, while the total of business-type activity spending decreased 3.1%. In addition to load growth and normal increases in operating expenses, this also reflects capital investments in the city utility systems. Public safety expenses, at \$4,977,664, totaled approximately 43.4% 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 2.3% in 2009.

### **Fund Statements**

The City of Harrisonville fund statements can be found on pages 17 through 26 of the financial statements. Governmental funds ended the year with an overall decrease in net assets, business-type funds showed an increase, and the overall City posted an increase in net assets. The Emergency Services Fund will begin showing the increased revenue from the new one-quarter public safety sales tax, but will be impacted in ways not yet known by the legislative and administrative changes stemming from health care reform.

### **Budget Variances**

There are three areas of significant difference between the original adopted budget and the final approved budget for the City's General Fund in FY 2009. In the first, Legal Services, additional funds were allocated to pursue a claim for reimbursement of costs the City incurred cleaning up a leaking underground fuel spill that had contaminated a City project, as well as arranging the financing of the Harrisonville Marketplace project. The second area, Fire, resulted from the transfer of Fire Department personnel costs for the second half of 2009 from the General fund to the Emergency Services fund. The final area of change is in capital projects, which is increased the amount of unfinished capital work from 2008 which was reappropriated into the 2009 budget, as well as several newly authorized construction projects and equipment purchases. All budget amendments are reviewed and approved by the Board of Aldermen.

CITY OF HARRISONVILLE, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS

**Capital Assets**

**City of Harrisonville Capital Assets**

|                               | Governmental<br>Activities |                   | Business-type<br>Activities |                   | Total             |                   |
|-------------------------------|----------------------------|-------------------|-----------------------------|-------------------|-------------------|-------------------|
|                               | 2008                       | 2009              | 2008                        | 2009              | 2008              | 2009              |
| Land                          | 837,057                    | 837,057           | 3,482,970                   | 1,588,031         | 4,320,027         | 2,425,088         |
| Buildings                     | 20,362,197                 | 20,544,521        | 14,417,777                  | 16,312,716        | 34,779,974        | 36,857,237        |
| Machinery and equipment       | 5,350,458                  | 5,606,746         |                             |                   | 5,350,458         | 5,606,746         |
| Equipment and transmission    |                            |                   | 25,364,217                  | 25,577,012        | 25,364,217        | 25,577,012        |
| Streets                       | 2,821,284                  | 3,189,080         |                             |                   | 2,821,284         | 3,189,080         |
| Construction in progress      | <u>163,769</u>             | <u>376,907</u>    | <u>576,681</u>              | <u>2,116,568</u>  | <u>740,450</u>    | <u>2,493,475</u>  |
| Subtotal                      | 29,534,765                 | 30,554,311        | 43,841,645                  | 45,594,327        | 73,376,410        | 76,148,638        |
| Less accumulated depreciation | <u>8,248,830</u>           | <u>9,287,980</u>  | <u>17,738,197</u>           | <u>18,773,058</u> | <u>25,987,027</u> | <u>28,061,038</u> |
| Total                         | <u>21,285,935</u>          | <u>21,266,331</u> | <u>26,103,448</u>           | <u>26,821,269</u> | <u>47,389,383</u> | <u>48,087,600</u> |

**Major Capital Asset Events FY 2009**

Over \$657,000 in water and sewer line improvements.

Street overlay, sidewalk and curb reconstruction programs were completed in excess of \$309,000.

Several stormwater control projects totaling over \$373,000 were completed.

Over \$260,000 of electrical distribution system upgrades.

Please refer to Note 4 for more detailed information regarding capital asset activity during the fiscal year ended December 31, 2009.

**Debt Administration**

Harrisonville voters authorized \$7,000,000 in Wastewater Revenue bonds in 2009; however, the City was subsequently awarded a matching grant to defray a large part of the expenses. As a result, the City has issued \$4,300,000 in revenue bonds in 2010. The City also issued \$9,000,000 in TIF notes as a part of the Harrisonville Marketplace project financing, but the City has no responsibilities for repayment other than ministerial. No other bonded debt was authorized during the year, and only the normal scheduled payments were made. Final payment was made on the 2004 CWSS Refunding Revenue Bonds. Details of the existing debt obligations of the City are discussed in Note 5 to the financial statements.

The City continues to have no general obligation debt.

CITY OF HARRISONVILLE, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS

**Economic Outlook**

The City of Harrisonville, Missouri continues to benefit from a stable economic situation, in spite of the worldwide economic slowdown. Overall employment has remained steady, while sales tax collection has slightly dropped. Some new retail development is still under way, with a new small strip center under construction complementing the Marketplace development on the west side. In addition to the earlier-referenced improvements to City infrastructure, a new county hospital opened in 2009. The Board of Aldermen and city staff take a vigilant approach to monitoring the City's financial health, identifying and acting on trends in order to forestall any major problems.

**Financial Contact**

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

## BASIC FINANCIAL STATEMENTS

CITY OF HARRISONVILLE, MISSOURI  
STATEMENT OF NET ASSETS  
DECEMBER 31, 2009

|                                                                | Primary Government         |                             |            | Component<br>Unit |
|----------------------------------------------------------------|----------------------------|-----------------------------|------------|-------------------|
|                                                                | Governmental<br>Activities | Business-Type<br>Activities | Total      |                   |
| ASSETS                                                         |                            |                             |            |                   |
| Cash                                                           | 50                         | 585,777                     | 585,827    | 135,762           |
| Investments                                                    | 8,022,914                  | 3,501,612                   | 11,524,526 |                   |
| Accounts receivable, net of allowance<br>for doubtful accounts | 545,400                    | 2,299,741                   | 2,845,141  |                   |
| Taxes receivable                                               | 877,118                    |                             | 877,118    | 63,187            |
| Accrued interest receivable                                    | 6,157                      |                             | 6,157      |                   |
| Inventories                                                    | 86,954                     | 627,490                     | 714,444    |                   |
| Prepaid insurance                                              | 178,602                    | 76,600                      | 255,202    |                   |
| Bond cost, net of amortization                                 | 447,481                    | 74,669                      | 522,150    |                   |
| Restricted cash                                                | 755,192                    | 345,246                     | 1,100,438  |                   |
| Restricted investments                                         | 1,455,734                  | 1,699,247                   | 3,154,981  |                   |
| Due from component unit                                        | 9,275,000                  |                             | 9,275,000  |                   |
| Capital assets                                                 |                            |                             |            |                   |
| Land                                                           | 837,057                    | 1,588,031                   | 2,425,088  |                   |
| Construction-in-progress                                       | 376,907                    | 2,116,568                   | 2,493,475  |                   |
| Other capital assets, net of<br>accumulated depreciation       | 20,052,367                 | 23,116,670                  | 43,169,037 |                   |
| TOTAL ASSETS                                                   | 42,916,933                 | 36,031,651                  | 78,948,584 | 198,949           |
| LIABILITIES                                                    |                            |                             |            |                   |
| Accounts payable                                               | 280,312                    | 757,588                     | 1,037,900  | 105,085           |
| Accrued expenses                                               | 58,168                     | 33,142                      | 91,310     |                   |
| Unearned revenue                                               | 20,498                     | 86,530                      | 107,028    |                   |
| Liabilities payable from restricted assets                     | 8,640                      |                             | 8,640      |                   |
| Meter deposits                                                 |                            | 543,241                     | 543,241    |                   |
| Due to primary government                                      |                            |                             |            | 9,275,000         |
| Due to developers                                              |                            |                             |            | 5,326,059         |
| Noncurrent liabilities                                         |                            |                             |            |                   |
| Due within one year                                            | 1,113,951                  | 665,373                     | 1,779,324  |                   |
| Due in more than one year                                      | 26,433,702                 | 9,146,526                   | 35,580,228 |                   |
| TOTAL LIABILITIES                                              | 27,915,271                 | 11,232,400                  | 39,147,671 | 14,706,144        |
| NET ASSETS                                                     |                            |                             |            |                   |
| Invested in capital assets, net of<br>related debt             | 11,264,304                 | 17,241,269                  | 28,505,573 |                   |
| Restricted for:                                                |                            |                             |            |                   |
| Capital improvements                                           | 176,448                    | 147,936                     | 324,384    |                   |
| Debt service                                                   | 2,002,335                  | 1,896,557                   | 3,898,892  | 198,949           |
| Other purposes                                                 | 1,530                      |                             | 1,530      |                   |
| Unrestricted                                                   | 1,557,045                  | 5,513,489                   | 7,070,534  | (14,706,144)      |
| TOTAL NET ASSETS                                               | 15,001,662                 | 24,799,251                  | 39,800,913 | (14,507,195)      |

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

CITY OF HARRISONVILLE, MISSOURI  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2009

| Functions/programs                                  | Program Revenues |                            | Net (Expense) Revenue and                   |                                    |                   |
|-----------------------------------------------------|------------------|----------------------------|---------------------------------------------|------------------------------------|-------------------|
|                                                     | Expenses         | Charges<br>for<br>Services | Changes in Net Assets                       |                                    | Component<br>Unit |
|                                                     |                  |                            | Operating<br>Grants<br>and<br>Contributions | Primary Governmental<br>Activities | Total             |
| Primary government                                  |                  |                            |                                             |                                    |                   |
| Governmental activities                             |                  |                            |                                             |                                    |                   |
| General Government                                  | 1,794,612        | 1,943,791                  | 36,610                                      | 185,789                            | 185,789           |
| Administration of Justice                           | 2,592,948        | 235,958                    |                                             | (2,356,990)                        | (2,356,990)       |
| Fire and Emergency                                  | 367,525          |                            |                                             | (367,525)                          | (367,525)         |
| Street                                              | 1,258,830        |                            |                                             | (1,258,830)                        | (1,258,830)       |
| Economic Development                                | 155,637          |                            |                                             | (155,637)                          | (155,637)         |
| Animal Control                                      | 143,313          |                            |                                             | (143,313)                          | (143,313)         |
| Airport                                             | 347,264          |                            |                                             | (347,264)                          | (347,264)         |
| Ambulance                                           | 2,017,191        | 1,104,773                  |                                             | (912,418)                          | (912,418)         |
| Park                                                | 470,549          | 23,276                     |                                             | (447,273)                          | (447,273)         |
| Community Center                                    | 1,413,738        | 784,011                    |                                             | (629,727)                          | (629,727)         |
| Towne Center Project                                | 15,923           |                            |                                             | (15,923)                           | (15,923)          |
| Interest on long-term debt                          | 902,258          |                            |                                             | (902,258)                          | (902,258)         |
| Total governmental activities                       | 11,479,788       | 4,091,809                  | 36,610                                      | (7,351,369)                        | (7,351,369)       |
| Business-type activities                            |                  |                            |                                             |                                    |                   |
| Electric                                            | 10,820,766       | 11,355,377                 |                                             | 534,611                            | 534,611           |
| Water/Sewer                                         | 4,031,290        | 4,866,050                  |                                             | 834,760                            | 834,760           |
| Aquatic Center                                      | 252,734          | 125,189                    |                                             | (127,545)                          | (127,545)         |
| Refuse                                              | 416,592          | 424,579                    |                                             | 7,987                              | 7,987             |
| Total business-type activities                      | 15,521,382       | 16,771,195                 |                                             | 1,249,813                          | 1,249,813         |
| Total primary government                            | 27,001,170       | 20,863,004                 | 36,610                                      | (6,101,556)                        | (6,101,556)       |
| Market Place Component Unit                         | 14,616,879       |                            |                                             |                                    | (14,616,879)      |
| General revenues                                    |                  |                            |                                             |                                    |                   |
| Taxes                                               |                  |                            |                                             |                                    |                   |
| Property tax                                        |                  |                            |                                             | 864,193                            | 864,193           |
| Local sales tax                                     |                  |                            |                                             | 3,388,455                          | 3,388,455         |
| Franchise taxes                                     |                  |                            |                                             | 1,657,903                          | 1,657,903         |
| Other taxes                                         |                  |                            |                                             | 215,065                            | 215,065           |
| Unrestricted investment earnings                    |                  |                            |                                             | 294,050                            | 412,509           |
| Other miscellaneous revenues                        |                  |                            |                                             | 458,050                            | 458,050           |
| Total general revenues                              |                  |                            |                                             | 6,996,175                          | 109,684           |
| CHANGE IN NET ASSETS                                |                  |                            |                                             | 1,543,863                          | (14,507,195)      |
| NET ASSETS, beginning of year, as previously stated |                  |                            |                                             | 15,436,754                         | 38,692,142        |
| Restatement of net assets                           |                  |                            |                                             | 214,152                            | 214,152           |
| NET ASSETS, beginning of year, as restated          |                  |                            |                                             | 15,650,906                         | 38,906,294        |
| NET ASSETS, end of year                             |                  |                            |                                             | 15,001,662                         | 39,800,913        |

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

CITY OF HARRISONVILLE, MISSOURI  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2009

|                                            | General Fund     | Community Center Fund | Towne Center TIF Fund | Nonmajor Funds   | Total Governmental Funds |
|--------------------------------------------|------------------|-----------------------|-----------------------|------------------|--------------------------|
| <b>ASSETS</b>                              |                  |                       |                       |                  |                          |
| Cash                                       | 6,816,137        | 30,034                |                       | 50               | 50                       |
| Investments                                | 6,157            |                       |                       | 1,176,743        | 8,022,914                |
| Accrued interest receivable                |                  |                       |                       |                  | 6,157                    |
| Accounts receivable                        | 486,685          | 32,593                |                       | 512,807          | 545,400                  |
| Taxes receivable                           | 665,688          |                       | 183,732               | 206,701          | 877,118                  |
| Due from other funds                       | 275,000          | 157,681               | 46,022                | 14,113           | 883,504                  |
| Due from component unit                    | 69,731           |                       |                       |                  | 275,000                  |
| Inventories                                | 120,621          | 16,371                |                       | 17,223           | 86,954                   |
| Prepaid insurance                          | 10,137           |                       | 727,050               | 41,610           | 178,602                  |
| Restricted cash                            | 110,000          | 1,279,286             |                       | 18,005           | 755,192                  |
| Restricted investments                     |                  |                       |                       | 66,448           | 1,455,734                |
| <b>TOTAL ASSETS</b>                        | <b>8,560,156</b> | <b>1,515,965</b>      | <b>956,804</b>        | <b>2,053,700</b> | <b>13,086,625</b>        |
| <b>LIABILITIES AND FUND BALANCES</b>       |                  |                       |                       |                  |                          |
| <b>LIABILITIES</b>                         |                  |                       |                       |                  |                          |
| Accounts payable                           | 127,622          | 111,012               | 292                   | 41,386           | 280,312                  |
| Due to other funds                         |                  |                       |                       | 883,504          | 883,504                  |
| Accrued expenses                           | 38,897           | 7,042                 |                       | 12,229           | 58,168                   |
| Deferred revenue                           | 83,304           | 20,498                |                       | 18,852           | 122,654                  |
| Liabilities payable from restricted assets | 8,640            |                       |                       |                  | 8,640                    |
| <b>Total liabilities</b>                   | <b>258,463</b>   | <b>138,552</b>        | <b>292</b>            | <b>955,971</b>   | <b>1,353,278</b>         |
| <b>FUND BALANCES</b>                       |                  |                       |                       |                  |                          |
| Reserved for:                              |                  |                       |                       |                  |                          |
| Prepaid items                              | 120,621          | 16,371                |                       | 41,610           | 178,602                  |
| Capital projects                           |                  |                       |                       |                  |                          |
| Debt service                               |                  |                       |                       |                  |                          |
| Other purposes                             | 1,497            |                       |                       |                  |                          |
| Unreserved                                 | 8,179,575        | 1,361,042             | 956,512               | 66,577           | 9,540,617                |
| Unreserved, reported in nonmajor:          |                  |                       |                       |                  |                          |
| Special revenue funds                      |                  |                       |                       |                  |                          |
| Special revenue funds                      | 8,301,693        | 1,377,413             | 956,512               | 989,542          | 989,542                  |
| <b>Total fund balances</b>                 | <b>8,560,156</b> | <b>1,515,965</b>      | <b>956,804</b>        | <b>2,053,700</b> | <b>13,086,625</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, 2009

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

|                                         |            |
|-----------------------------------------|------------|
| Fund balance - total governmental funds | 11,733,347 |
|-----------------------------------------|------------|

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

|                               |                    |
|-------------------------------|--------------------|
| Governmental capital assets   | 30,554,311         |
| Less accumulated depreciation | <u>(9,287,980)</u> |
|                               | 21,266,331         |

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

|                               |                  |
|-------------------------------|------------------|
| Certificates of participation | (9,635,000)      |
| Tax increment revenue bonds   | (8,450,000)      |
| Tax increment note payable    | (9,000,000)      |
| Capital lease payable         | <u>(367,027)</u> |
|                               | (27,452,027)     |

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                  | 170,724        |
| Bond cost, net of amortization | <u>447,481</u> |
|                                | 618,205        |

|                                                                                                                   |           |
|-------------------------------------------------------------------------------------------------------------------|-----------|
| Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds. | (266,351) |
|-------------------------------------------------------------------------------------------------------------------|-----------|

Assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.

|                         |                  |
|-------------------------|------------------|
| Taxes receivable        | 102,157          |
| Due from component unit | <u>9,000,000</u> |
|                         | <u>9,102,157</u> |

|                                       |                   |
|---------------------------------------|-------------------|
| NET ASSETS OF GOVERNMENTAL ACTIVITIES | <u>15,001,662</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, 2009

| REVENUES                   | General<br>Fund  | Community<br>Center | Towne<br>Center<br>TIF Fund | Nonmajor<br>Funds | Total<br>Governmental<br>Funds |
|----------------------------|------------------|---------------------|-----------------------------|-------------------|--------------------------------|
| Taxes                      |                  |                     |                             |                   |                                |
| Property                   | 616,897          |                     | 103,232                     | 154,093           | 874,222                        |
| Sales                      | 2,112,535        |                     | 327,882                     | 948,038           | 3,388,455                      |
| Franchise                  | 1,657,903        |                     |                             |                   | 1,657,903                      |
| Other                      | 178,647          |                     |                             | 36,418            | 215,065                        |
| Licenses, fees and permits | 140,049          |                     |                             |                   | 140,049                        |
| Charges for services       | 1,803,742        | 784,011             |                             | 1,128,049         | 3,715,802                      |
| Grants                     | 15,510           |                     |                             | 21,100            | 36,610                         |
| Fines and forfeitures      | 235,958          |                     |                             |                   | 235,958                        |
| Interest                   | 107,456          | 3,946               | 411                         | 6,646             | 118,459                        |
| Miscellaneous              | 326,376          | 106,684             |                             | 24,990            | 458,050                        |
| Total revenues             | <u>7,195,073</u> | <u>894,641</u>      | <u>431,525</u>              | <u>2,319,334</u>  | <u>10,840,573</u>              |

EXPENDITURES

|                           |           |           |        |           |           |
|---------------------------|-----------|-----------|--------|-----------|-----------|
| Current                   |           |           |        |           |           |
| General Government        | 1,705,939 |           |        |           | 1,705,939 |
| Administration of Justice | 2,481,177 |           |        |           | 2,481,177 |
| Fire and Emergency        | 305,195   |           |        |           | 305,195   |
| Street                    | 986,420   |           |        |           | 986,420   |
| Economic Development      | 140,428   |           |        |           | 140,428   |
| Animal Control            | 136,557   |           |        |           | 136,557   |
| Airport                   | 232,654   |           |        |           | 232,654   |
| Ambulance                 |           |           |        |           |           |
| Park                      |           |           |        |           |           |
| Community Center          |           | 1,112,725 |        | 1,914,395 | 1,914,395 |
| Towne Center Project      |           |           |        | 395,146   | 395,146   |
|                           |           |           | 15,923 |           | 1,112,725 |
|                           |           |           |        |           | 15,923    |

CITY OF HARRISONVILLE, MISSOURI  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2009

|                                                      | General<br>Fund  | Community<br>Center | Towne<br>Center<br>TIF Fund | Nonmajor<br>Funds  | Total<br>Governmental<br>Funds |
|------------------------------------------------------|------------------|---------------------|-----------------------------|--------------------|--------------------------------|
| EXPENDITURES (Continued)                             |                  |                     |                             |                    |                                |
| Debt service                                         |                  |                     |                             |                    |                                |
| Principal                                            |                  |                     | 180,000                     | 600,000            | 780,000                        |
| Interest                                             |                  |                     | 397,010                     | 465,485            | 862,495                        |
| Capital outlay                                       | 802,403          | 13,979              |                             | 325,922            | 1,142,304                      |
| Total expenditures                                   | <u>6,790,773</u> | <u>1,126,704</u>    | <u>592,933</u>              | <u>3,700,948</u>   | <u>12,211,358</u>              |
| REVENUES OVER (UNDER)                                |                  |                     |                             |                    |                                |
| EXPENDITURES BEFORE                                  |                  |                     |                             |                    |                                |
| OTHER FINANCING                                      |                  |                     |                             |                    |                                |
| SOURCES (USES)                                       | <u>404,300</u>   | <u>(232,063)</u>    | <u>(161,408)</u>            | <u>(1,381,614)</u> | <u>(1,370,785)</u>             |
| OTHER FINANCING SOURCES (USES)                       |                  |                     |                             |                    |                                |
| Transfers in                                         | 13,065           |                     |                             | 1,412,270          | 1,425,335                      |
| Transfers out                                        | <u>(453,213)</u> | <u>(644,308)</u>    |                             | <u>(327,814)</u>   | <u>(1,425,335)</u>             |
| Total other financing sources (uses)                 | <u>(440,148)</u> | <u>(644,308)</u>    |                             | <u>1,084,456</u>   |                                |
| NET CHANGE IN FUND BALANCES                          | <u>(35,848)</u>  | <u>(876,371)</u>    | <u>(161,408)</u>            | <u>(297,158)</u>   | <u>(1,370,785)</u>             |
| FUND BALANCES, January 1, 2009, as previously stated | <u>8,337,541</u> | <u>2,253,784</u>    | <u>903,768</u>              | <u>1,394,887</u>   | <u>12,889,980</u>              |
| Restatement of fund balance                          |                  |                     | 214,152                     |                    | 214,152                        |
| FUND BALANCES, January 1, 2009, restated             | <u>8,337,541</u> | <u>2,253,784</u>    | <u>1,117,920</u>            | <u>1,394,887</u>   | <u>13,104,132</u>              |
| FUND BALANCES, December 31, 2009                     | <u>8,301,693</u> | <u>1,377,413</u>    | <u>956,512</u>              | <u>1,097,729</u>   | <u>11,733,347</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, 2009

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

|                                                        |             |
|--------------------------------------------------------|-------------|
| Net change in fund balances - total governmental funds | (1,370,785) |
|--------------------------------------------------------|-------------|

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 depreciation exceeded capital outlay in the  
current period.

|                |                    |          |
|----------------|--------------------|----------|
| Capital outlay | 1,142,304          |          |
| Depreciation   | <u>(1,161,908)</u> | (19,604) |

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                | 780,000         |         |
| Capital lease payments                 | 30,230          |         |
| Amortization of premiums and discounts | <u>(39,763)</u> | 770,467 |

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 | (19,293) |
|----------------------|----------|

|                                                                                                                                                           |                 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|
| Deferred revenues previously recognized in the statement<br>of activities that are reported as revenues in the<br>governmental funds in the current year. | <u>(10,029)</u> |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|

|                                                 |                  |
|-------------------------------------------------|------------------|
| CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES | <u>(649,244)</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, 2009

|                                                          | Electric<br>Fund | Water/<br>Sewer<br>Fund | Nonmajor<br>Enterprise<br>Funds | Total             |
|----------------------------------------------------------|------------------|-------------------------|---------------------------------|-------------------|
| <b>ASSETS</b>                                            |                  |                         |                                 |                   |
| Current Assets                                           |                  |                         |                                 |                   |
| Cash                                                     | 371,882          | 105,130                 | 108,765                         | 585,777           |
| Investments                                              | 1,489,916        | 1,927,743               | 83,953                          | 3,501,612         |
| Accounts receivable                                      | 1,609,318        | 615,829                 | 74,594                          | 2,299,741         |
| Inventories                                              | 473,896          | 153,594                 |                                 | 627,490           |
| Prepaid insurance                                        | 22,966           | 50,404                  | 3,230                           | 76,600            |
| Total current assets                                     | <u>3,967,978</u> | <u>2,852,700</u>        | <u>270,542</u>                  | <u>7,091,220</u>  |
| Noncurrent Assets                                        |                  |                         |                                 |                   |
| Restricted cash                                          | 156,008          | 88,302                  | 100,936                         | 345,246           |
| Restricted investments                                   | 524,227          | 1,128,020               | 47,000                          | 1,699,247         |
| Bond cost, net of amortization                           | 47,392           | 27,277                  |                                 | 74,669            |
| Capital assets                                           |                  |                         |                                 |                   |
| Land                                                     | 99,716           | 1,488,315               |                                 | 1,588,031         |
| Construction-in-progress                                 | 91,396           | 2,025,172               |                                 | 2,116,568         |
| Other capital assets, net of<br>accumulated depreciation | <u>5,108,722</u> | <u>16,919,820</u>       | <u>1,088,128</u>                | <u>23,116,670</u> |
| Total noncurrent assets                                  | <u>6,027,461</u> | <u>21,676,906</u>       | <u>1,236,064</u>                | <u>28,940,431</u> |
| <b>TOTAL ASSETS</b>                                      | <u>9,995,439</u> | <u>24,529,606</u>       | <u>1,506,606</u>                | <u>36,031,651</u> |
| <b>LIABILITIES</b>                                       |                  |                         |                                 |                   |
| Current Liabilities                                      |                  |                         |                                 |                   |
| Accounts payable                                         | 708,714          | 48,791                  | 83                              | 757,588           |
| Accrued expenses                                         | 22,759           | 10,383                  |                                 | 33,142            |
| Deferred revenue                                         | 86,530           |                         |                                 | 86,530            |
| Meter deposits                                           | 543,241          |                         |                                 | 543,241           |
| Current portion of long-term obligations                 | <u>199,308</u>   | <u>466,065</u>          |                                 | <u>665,373</u>    |
| Total current liabilities                                | <u>1,560,552</u> | <u>525,239</u>          | <u>83</u>                       | <u>2,085,874</u>  |
| Noncurrent liabilities                                   |                  |                         |                                 |                   |
| Noncurrent portion of long-term<br>obligations           | <u>2,052,645</u> | <u>7,093,881</u>        |                                 | <u>9,146,526</u>  |
| <b>TOTAL LIABILITIES</b>                                 | <u>3,613,197</u> | <u>7,619,120</u>        | <u>83</u>                       | <u>11,232,400</u> |
| <b>NET ASSETS</b>                                        |                  |                         |                                 |                   |
| Invested in capital assets, net of related debt          | 3,059,834        | 13,093,307              | 1,088,128                       | 17,241,269        |
| Restricted for:                                          |                  |                         |                                 |                   |
| Debt service                                             | 680,235          | 1,216,322               |                                 | 1,896,557         |
| Capital improvements                                     |                  |                         | 147,936                         | 147,936           |
| Unrestricted                                             | <u>2,642,173</u> | <u>2,600,857</u>        | <u>270,459</u>                  | <u>5,513,489</u>  |
| <b>TOTAL NET ASSETS</b>                                  | <u>6,382,242</u> | <u>16,910,486</u>       | <u>1,506,523</u>                | <u>24,799,251</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, 2009

|                                        | Electric<br>Fund  | Water/Sewer<br>Fund | Nonmajor<br>Enterprise<br>Funds | Total             |
|----------------------------------------|-------------------|---------------------|---------------------------------|-------------------|
| REVENUES                               |                   |                     |                                 |                   |
| Charges for services                   | <u>11,355,377</u> | <u>4,866,050</u>    | <u>549,768</u>                  | <u>16,771,195</u> |
| EXPENSES                               |                   |                     |                                 |                   |
| Production                             |                   | 1,317,155           |                                 | 1,317,155         |
| Distribution                           | 7,923,272         | 389,935             |                                 | 8,313,207         |
| Administration                         | 2,495,726         | 1,282,705           | 582,445                         | 4,360,876         |
| Depreciation                           | <u>294,312</u>    | <u>658,178</u>      | <u>86,881</u>                   | <u>1,039,371</u>  |
| Total expenses                         | <u>10,713,310</u> | <u>3,647,973</u>    | <u>669,326</u>                  | <u>15,030,609</u> |
| INCOME (LOSS) FROM OPERATIONS          | <u>642,067</u>    | <u>1,218,077</u>    | <u>(119,558)</u>                | <u>1,740,586</u>  |
| NONOPERATING INCOME (EXPENSE)          |                   |                     |                                 |                   |
| Interest income                        | 14,803            | 275,119             | 4,128                           | 294,050           |
| Interest expense                       | <u>(107,456)</u>  | <u>(383,317)</u>    |                                 | <u>(490,773)</u>  |
| Total nonoperating income<br>(expense) | <u>(92,653)</u>   | <u>(108,198)</u>    | <u>4,128</u>                    | <u>(196,723)</u>  |
| CHANGE IN NET ASSETS                   | 549,414           | 1,109,879           | (115,430)                       | 1,543,863         |
| TOTAL NET ASSETS, January 1, 2009      | <u>5,832,828</u>  | <u>15,800,607</u>   | <u>1,621,953</u>                | <u>23,255,388</u> |
| TOTAL NET ASSETS, December 31, 2009    | <u>6,382,242</u>  | <u>16,910,486</u>   | <u>1,506,523</u>                | <u>24,799,251</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, 2009

|                                                              | Electric<br>Fund | Water/Sewer<br>Fund | Nonmajor<br>Enterprise<br>Funds | Total              |
|--------------------------------------------------------------|------------------|---------------------|---------------------------------|--------------------|
| CASH FLOWS FROM OPERATING<br>ACTIVITIES                      |                  |                     |                                 |                    |
| Cash received from customers                                 | 11,267,019       | 4,977,741           | 543,660                         | 16,788,420         |
| Cash payments to suppliers                                   | (10,029,027)     | (2,254,340)         | (519,477)                       | (12,802,844)       |
| Cash payments to employees                                   | (444,000)        | (807,634)           | (62,841)                        | (1,314,475)        |
| Net cash provided by (used in)<br>operating activities       | <u>793,992</u>   | <u>1,915,767</u>    | <u>(38,658)</u>                 | <u>2,671,101</u>   |
| CASH FLOWS FROM CAPITAL AND<br>RELATED FINANCING ACTIVITIES  |                  |                     |                                 |                    |
| Acquisition and construction of<br>capital assets            | (263,747)        | (1,493,445)         |                                 | (1,757,192)        |
| Payment on bonds payable                                     | (165,000)        | (545,000)           |                                 | (710,000)          |
| Interest paid on bonds                                       | (101,912)        | (388,462)           |                                 | (490,374)          |
| Net cash used in capital and<br>related financing activities | <u>(530,659)</u> | <u>(2,426,907)</u>  |                                 | <u>(2,957,566)</u> |
| CASH FLOWS FROM INVESTING<br>ACTIVITIES                      |                  |                     |                                 |                    |
| Net investment activity                                      | 7,589            | 341,311             | 196,222                         | 545,122            |
| Interest on investments                                      | <u>14,803</u>    | <u>275,119</u>      | <u>4,128</u>                    | <u>294,050</u>     |
| Net cash provided by investing<br>activities                 | <u>22,392</u>    | <u>616,430</u>      | <u>200,350</u>                  | <u>839,172</u>     |
| NET INCREASE IN CASH                                         | 285,725          | 105,290             | 161,692                         | 552,707            |
| CASH, January 1, 2009                                        | <u>242,165</u>   | <u>88,142</u>       | <u>48,009</u>                   | <u>378,316</u>     |
| CASH, December 31, 2009                                      | <u>527,890</u>   | <u>193,432</u>      | <u>209,701</u>                  | <u>931,023</u>     |
| ALLOCATION OF CASH                                           |                  |                     |                                 |                    |
| Unrestricted                                                 | 371,882          | 105,130             | 108,765                         | 585,777            |
| Restricted                                                   | <u>156,008</u>   | <u>88,302</u>       | <u>100,936</u>                  | <u>345,246</u>     |
|                                                              | <u>527,890</u>   | <u>193,432</u>      | <u>209,701</u>                  | <u>931,023</u>     |

CITY OF HARRISONVILLE, MISSOURI  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED DECEMBER 31, 2009

|                                                                                                              | Electric<br>Fund | Water/Sewer<br>Fund | Nonmajor<br>Enterprise<br>Funds | Total            |
|--------------------------------------------------------------------------------------------------------------|------------------|---------------------|---------------------------------|------------------|
| Reconciliation of Income (Loss) From<br>Operations to Net Cash Provided by<br>(Used in) Operating Activities |                  |                     |                                 |                  |
| Income (loss) from operations                                                                                | <u>642,067</u>   | <u>1,218,077</u>    | <u>(119,558)</u>                | <u>1,740,586</u> |
| Adjustments to reconcile net income<br>(loss) to net cash provided by<br>(used in) operating activities:     |                  |                     |                                 |                  |
| Depreciation and amortization                                                                                | 294,312          | 658,178             | 86,881                          | 1,039,371        |
| (Increase) Decrease in assets:                                                                               |                  |                     |                                 |                  |
| Accounts receivable                                                                                          | (130,089)        | 111,691             | (6,108)                         | (24,506)         |
| Inventories                                                                                                  | (6,745)          | (478)               |                                 | (7,223)          |
| Prepaid expenses                                                                                             | 2,443            | (969)               | 376                             | 1,850            |
| Increase (Decrease) in liabilities:                                                                          |                  |                     |                                 |                  |
| Accounts payable                                                                                             | (33,962)         | (50,181)            | (249)                           | (84,392)         |
| Accrued expenses                                                                                             | (15,819)         | (24,005)            |                                 | (39,824)         |
| Compensated absences                                                                                         | 54               | 3,454               |                                 | 3,508            |
| Deferred revenue                                                                                             | 18,216           |                     |                                 | 18,216           |
| Meter deposits payable                                                                                       | <u>23,515</u>    |                     |                                 | <u>23,515</u>    |
| Total adjustments                                                                                            | <u>151,925</u>   | <u>697,690</u>      | <u>80,900</u>                   | <u>930,515</u>   |
| Net cash provided by (used in)<br>operating activities                                                       | <u>793,992</u>   | <u>1,915,767</u>    | <u>(38,658)</u>                 | <u>2,671,101</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, 2009

|                           |                       |
|---------------------------|-----------------------|
|                           | Agency<br>Fund        |
| ASSETS                    |                       |
| Cash and cash equivalents | 308,577               |
| Taxes receivable          | <u>103,005</u>        |
| <br>TOTAL ASSETS          | <br><u>411,582</u>    |
| <br>LIABILITIES           |                       |
| Deposits                  | 408,492               |
| Accounts payable          | <u>3,090</u>          |
| <br>TOTAL LIABILITIES     | <br><u>411,582</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 generally accepted accounting principles (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). 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.

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.

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. 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.

CITY OF HARRISONVILLE, MISSOURI  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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 operating 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.

Additionally, the government reports the following funds:

Governmental Funds

Ambulance Fund - This fund is responsible for the operations of the City's ambulance service. The fund is financed by taxes and ambulance service revenues.

CITY OF HARRISONVILLE, MISSOURI  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Governmental Funds (Continued)

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 pay liabilities of the current period. For this purpose, the City considers revenues to be

CITY OF HARRISONVILLE, MISSOURI  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

available if they are collected within 60 days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the fund's principal ongoing operations.

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

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

CITY OF HARRISONVILLE, MISSOURI  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. CASH AND INVESTMENTS

For the purpose of the statement of cash flows, the City considers all highly liquid investments (including restricted assets) 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, 2009, 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. 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.

H. CAPITAL ASSETS

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

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

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

CITY OF HARRISONVILLE, MISSOURI  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. CAPITAL ASSETS (Continued)

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      |

I. 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, 2009 is \$266,351. Business-type activity funds reported accrued vacation benefits for the year ended December 31, 2009 of \$85,054.

J. 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.

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.

CITY OF HARRISONVILLE, MISSOURI  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. NET ASSETS

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."

L. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles 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.

M. 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.

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, 2009, all of the City's deposits with financial institutions were fully insured or collateralized.

CITY OF HARRISONVILLE, MISSOURI  
NOTES TO FINANCIAL STATEMENTS

NOTE 2. CASH AND INVESTMENTS (Continued)

Investments

The City's investments at December 31, 2009 are summarized below:

| <u>Investment</u>                            | <u>Unrestricted</u> | <u>Restricted</u> |
|----------------------------------------------|---------------------|-------------------|
| Investments held by trustee (Bond Reserves)  |                     | 2,176,306         |
| Certificates of Deposit                      | 2,759,011           |                   |
| Federal Home Loan Bank (AAA)                 | 6,596,114           | 978,675           |
| Federal Home Loan Mortgage Corporation (AAA) | 1,913,855           |                   |
| Federal National Mortgage Association (AAA)  | <u>255,546</u>      |                   |
|                                              | <u>11,524,526</u>   | <u>3,154,981</u>  |
| <br>Maturities                               |                     |                   |
| Less than six months                         | 4,672,915           | 2,817,721         |
| Six months to one year                       | 5,479,784           | 337,260           |
| Over one year                                | <u>1,371,827</u>    |                   |
|                                              | <u>11,524,526</u>   | <u>3,154,981</u>  |

Interest Rate Risk

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

Credit Risk

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

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.

| <u>Investment Instrument</u>                     | <u>Maximum Percent<br/>of Portfolio</u> |
|--------------------------------------------------|-----------------------------------------|
| 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%                                     |

CITY OF HARRISONVILLE, MISSOURI  
NOTES TO FINANCIAL STATEMENTS

NOTE 3. ACCOUNTS RECEIVABLE

|                                 | <u>Accounts</u>  | <u>Taxes</u>   | Allowance<br>for<br>Doubtful<br>Accounts | Receivables,<br>Net |
|---------------------------------|------------------|----------------|------------------------------------------|---------------------|
| <u>Governmental Activities</u>  |                  |                |                                          |                     |
| General                         |                  | 486,685        |                                          | 486,685             |
| Ambulance                       | 1,480,574        |                | (1,000,000)                              | 480,574             |
| Community Center                | 32,593           |                |                                          | 32,593              |
| Park                            |                  | 64,348         |                                          | 64,348              |
| Towne Center TIF                |                  | 183,732        |                                          | 183,732             |
| Sales tax                       | <u>32,233</u>    | <u>142,353</u> |                                          | <u>174,586</u>      |
| Total governmental activities   | <u>1,545,400</u> | <u>877,118</u> | <u>(1,000,000)</u>                       | <u>1,422,518</u>    |
| <u>Business-Type Activities</u> |                  |                |                                          |                     |
| Electric                        | 1,634,319        |                | (25,000)                                 | 1,609,319           |
| Water/Sewer                     | 615,828          |                |                                          | 615,828             |
| Refuse                          | <u>74,594</u>    |                |                                          | <u>74,594</u>       |
| Total business-type activities  | <u>2,324,741</u> |                | <u>(25,000)</u>                          | <u>2,299,741</u>    |

NOTE 4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2009 was as follows:

|                                                | <u>Balance<br/>January 1,<br/>2009</u> | <u>Additions<br/>and<br/>Transfers</u> | <u>Retire-<br/>ments<br/>and<br/>Transfers</u> | <u>Balance<br/>December 31,<br/>2009</u> |
|------------------------------------------------|----------------------------------------|----------------------------------------|------------------------------------------------|------------------------------------------|
| <u>Governmental Activities</u>                 |                                        |                                        |                                                |                                          |
| Capital assets, not being depreciated          |                                        |                                        |                                                |                                          |
| Land                                           | 837,057                                |                                        |                                                | 837,057                                  |
| Construction-in-progress                       | <u>163,769</u>                         | <u>294,540</u>                         | <u>(81,402)</u>                                | <u>376,907</u>                           |
| Total capital assets, not<br>being depreciated | <u>1,000,826</u>                       | <u>294,540</u>                         | <u>(81,402)</u>                                | <u>1,213,964</u>                         |
| Capital assets, being depreciated              |                                        |                                        |                                                |                                          |
| Buildings and improvements                     | 20,362,197                             | 182,324                                |                                                | 20,544,521                               |
| Streets                                        | 2,821,284                              | 367,796                                |                                                | 3,189,080                                |
| Machinery and equipment                        | <u>5,350,458</u>                       | <u>379,046</u>                         | <u>(122,758)</u>                               | <u>5,606,746</u>                         |
| Total capital assets, being<br>depreciated     | <u>28,533,939</u>                      | <u>929,166</u>                         | <u>(122,758)</u>                               | <u>29,340,347</u>                        |

CITY OF HARRISONVILLE, MISSOURI  
NOTES TO FINANCIAL STATEMENTS

NOTE 4. CAPITAL ASSETS (Continued)

|                                                              | Balance<br>January 1,<br>2009 | Additions<br>and<br>Transfers | Retire-<br>ments<br>and<br>Transfers | Balance<br>December 31,<br>2009 |
|--------------------------------------------------------------|-------------------------------|-------------------------------|--------------------------------------|---------------------------------|
| <u>Governmental Activities (Continued)</u>                   |                               |                               |                                      |                                 |
| Less accumulated depreciation for:                           |                               |                               |                                      |                                 |
| Buildings and improvements                                   | (3,548,322)                   | (626,886)                     |                                      | (4,175,208)                     |
| Streets                                                      | (565,191)                     | (181,212)                     |                                      | (746,403)                       |
| Machinery and equipment                                      | (4,135,317)                   | (353,810)                     | 122,758                              | (4,366,369)                     |
| Total accumulated depreciation                               | (8,248,830)                   | (1,161,908)                   | 122,758                              | (9,287,980)                     |
| Total capital assets, being depreciated, net                 | 20,285,109                    | (232,742)                     |                                      | 20,052,367                      |
| Governmental activities capital assets, net                  | 21,285,935                    | 61,798                        | (81,402)                             | 21,266,331                      |
| <u>Business-Type Activities - Electric Fund</u>              |                               |                               |                                      |                                 |
| Capital assets, not being depreciated                        |                               |                               |                                      |                                 |
| Land                                                         | 99,716                        |                               |                                      | 99,716                          |
| Construction-in-progress                                     |                               | 91,396                        |                                      | 91,396                          |
| Total capital assets, not being depreciated                  | 99,716                        | 91,396                        |                                      | 191,112                         |
| Capital assets, being depreciated                            |                               |                               |                                      |                                 |
| Buildings and improvements                                   | 3,701,257                     |                               |                                      | 3,701,257                       |
| Equipment and transmission lines                             | 7,334,909                     | 172,351                       | (2,447)                              | 7,504,813                       |
| Total capital assets, being depreciated                      | 11,036,166                    | 172,351                       | (2,447)                              | 11,206,070                      |
| Less accumulated depreciation for:                           |                               |                               |                                      |                                 |
| Buildings and improvements                                   | (1,704,958)                   | (68,551)                      |                                      | (1,773,509)                     |
| Equipment and transmission lines                             | (4,100,525)                   | (225,761)                     | 2,447                                | (4,323,839)                     |
| Total accumulated depreciation                               | (5,805,483)                   | (294,312)                     | 2,447                                | (6,097,348)                     |
| Total capital assets, being depreciated, net                 | 5,230,683                     | (121,961)                     |                                      | 5,108,722                       |
| Business-type activities - Electric Fund capital assets, net | 5,330,399                     | (30,565)                      |                                      | 5,299,834                       |

CITY OF HARRISONVILLE, MISSOURI  
NOTES TO FINANCIAL STATEMENTS

NOTE 4. CAPITAL ASSETS (Continued)

|                                                                       | Balance<br>January 1,<br>2009 | Additions<br>and<br>Transfers | Retire-<br>ments<br>and<br>Transfers | Balance<br>December 31,<br>2009 |
|-----------------------------------------------------------------------|-------------------------------|-------------------------------|--------------------------------------|---------------------------------|
| <u>Business-Type Activities - Water/<br/>Sewer Fund</u>               |                               |                               |                                      |                                 |
| Capital assets, not being depreciated                                 |                               |                               |                                      |                                 |
| Land                                                                  | 1,488,315                     |                               |                                      | 1,488,315                       |
| Construction-in-progress                                              | <u>576,681</u>                | <u>1,448,491</u>              |                                      | <u>2,025,172</u>                |
| Total capital assets, not<br>being depreciated                        | <u>2,064,996</u>              | <u>1,448,491</u>              |                                      | <u>3,513,487</u>                |
| Capital assets, being depreciated                                     |                               |                               |                                      |                                 |
| Buildings and improvements                                            | 10,716,520                    |                               |                                      | 10,716,520                      |
| Equipment and transmission<br>lines                                   | <u>17,990,240</u>             | <u>44,954</u>                 | <u>(1,462)</u>                       | <u>18,033,732</u>               |
| Total capital assets, being<br>depreciated                            | <u>28,706,760</u>             | <u>44,954</u>                 | <u>(1,462)</u>                       | <u>28,750,252</u>               |
| Less accumulated depreciation for:                                    |                               |                               |                                      |                                 |
| Buildings and improvements                                            | (6,273,859)                   | (225,198)                     |                                      | (6,499,057)                     |
| Equipment and transmission<br>lines                                   | <u>(4,899,857)</u>            | <u>(432,980)</u>              | <u>1,462</u>                         | <u>(5,331,375)</u>              |
| Total accumulated<br>depreciation                                     | <u>(11,173,716)</u>           | <u>(658,178)</u>              | <u>1,462</u>                         | <u>(11,830,432)</u>             |
| Total capital assets,<br>being depreciated,<br>net                    | <u>17,533,044</u>             | <u>(613,224)</u>              |                                      | <u>16,919,820</u>               |
| Business-type activities -Water/<br>Sewer Fund capital assets,<br>net | <u>19,598,040</u>             | <u>835,267</u>                |                                      | <u>20,433,307</u>               |
| <u>Business-Type Activities - Aquatic<br/>Center</u>                  |                               |                               |                                      |                                 |
| Capital assets, being depreciated                                     |                               |                               |                                      |                                 |
| Buildings and improvements                                            | 1,894,939                     |                               |                                      | 1,894,939                       |
| Equipment                                                             | <u>39,068</u>                 |                               | <u>(601)</u>                         | <u>38,467</u>                   |
| Total capital assets, being<br>depreciated                            | <u>1,934,007</u>              |                               | <u>(601)</u>                         | <u>1,933,406</u>                |

CITY OF HARRISONVILLE, MISSOURI  
NOTES TO FINANCIAL STATEMENTS

NOTE 4. CAPITAL ASSETS (Continued)

|                                                                  | Balance<br>January 1,<br><u>2009</u> | Additions<br>and<br><u>Transfers</u> | Retire-<br>ments<br>and<br><u>Transfers</u> | Balance<br>December 31,<br><u>2009</u> |
|------------------------------------------------------------------|--------------------------------------|--------------------------------------|---------------------------------------------|----------------------------------------|
| <u>Business-Type Activities - Aquatic<br/>Center (Continued)</u> |                                      |                                      |                                             |                                        |
| Less accumulated depreciation for:                               |                                      |                                      |                                             |                                        |
| Buildings and improvements                                       | (745,891)                            | (85,029)                             |                                             | (830,920)                              |
| Equipment                                                        | <u>(13,107)</u>                      | <u>(1,852)</u>                       | <u>601</u>                                  | <u>(14,358)</u>                        |
| Total accumulated<br>depreciation                                | <u>(758,998)</u>                     | <u>(86,881)</u>                      | <u>601</u>                                  | <u>(845,278)</u>                       |
| Business-type activities - Aquatic<br>Center capital assets, net | <u>1,175,009</u>                     | <u>(86,881)</u>                      | <u>        </u>                             | <u>1,088,128</u>                       |

The following table summarizes the depreciation by function for the year ended December 31, 2009:

|                           | Governmental<br><u>Activities</u> | Business-Type<br><u>Activities</u> |
|---------------------------|-----------------------------------|------------------------------------|
| General Government        | 88,385                            |                                    |
| Administration of Justice | 111,771                           |                                    |
| Fire and Emergency        | 62,330                            |                                    |
| Street                    | 272,410                           |                                    |
| Economic Development      | 15,209                            |                                    |
| Animal Control            | 6,756                             |                                    |
| Airport                   | 144,840                           |                                    |
| Ambulance                 | 85,303                            |                                    |
| Park                      | 75,915                            |                                    |
| Community Center          | 298,989                           |                                    |
| Electric                  |                                   | 294,312                            |
| Water and Sewer           |                                   | 658,178                            |
| Aquatic Center            |                                   | <u>86,881</u>                      |
|                           | <u>1,161,908</u>                  | <u>1,039,371</u>                   |

CITY OF HARRISONVILLE, MISSOURI  
NOTES TO FINANCIAL STATEMENTS

NOTE 5. LONG-TERM DEBT

Governmental Activities

Changes in the debt for the year ended December 31, 2009, consisted of the following:

|                                  | Balance<br>January 1,<br><u>2009</u> | <u>Additions</u> | Retire-<br>ments   | Balance<br>December 31,<br><u>2009</u> | Due in<br>One<br>Year |
|----------------------------------|--------------------------------------|------------------|--------------------|----------------------------------------|-----------------------|
| Capital Lease Obligations        | 397,257                              |                  | (30,230)           | 367,027                                | 32,025                |
| Tax Increment Revenue<br>Bonds   | 8,630,000                            |                  | (180,000)          | 8,450,000                              | 200,000               |
| Tax Increment Revenue<br>Note    |                                      | 9,000,000        |                    | 9,000,000                              | - 0 -                 |
| Certificates of<br>Participation | 10,235,000                           |                  | (600,000)          | 9,635,000                              | 625,000               |
| Compensated absences             | 247,058                              | 266,351          | (247,058)          | 266,351                                | 266,351               |
| Less: Note discount              | <u>(180,209)</u>                     |                  | <u>9,485</u>       | <u>(170,724)</u>                       | <u>(9,425)</u>        |
| Total governmental debt          | <u>19,329,106</u>                    | <u>9,266,351</u> | <u>(1,047,803)</u> | <u>27,547,654</u>                      | <u>1,113,951</u>      |

Compensated Absences

Compensated absences are liquidated by the governmental fund responsible for generating the liability. The liability is allocated to each fund as follows:

|                  |                |
|------------------|----------------|
| General          | 208,736        |
| Park             | 19,344         |
| Community Center | 12,850         |
| Ambulance        | <u>25,421</u>  |
|                  | <u>266,351</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, 2009.

CITY OF HARRISONVILLE, MISSOURI  
NOTES TO FINANCIAL STATEMENTS

NOTE 5. 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,                    |                |
|------------------------------------------------|----------------|
| 2010                                           | 53,034         |
| 2011                                           | 53,034         |
| 2012                                           | 53,034         |
| 2013                                           | 53,034         |
| 2014                                           | 53,034         |
| Thereafter                                     | <u>212,137</u> |
| Total minimum lease payments                   | 477,307        |
| Less amount representing interest              | <u>110,280</u> |
| Present value of future minimum lease payments | <u>367,027</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, | <u>Principal</u> | <u>Interest</u>  |
|-----------------------------|------------------|------------------|
| 2010                        | 200,000          | 387,719          |
| 2011                        | 220,000          | 377,719          |
| 2012                        | 245,000          | 366,719          |
| 2013                        | 265,000          | 354,469          |
| 2014                        | 300,000          | 341,219          |
| 2015 - 2019                 | 1,730,000        | 1,501,202        |
| 2020 - 2024                 | 2,440,000        | 1,056,115        |
| 2025 - 2028                 | <u>3,050,000</u> | <u>407,233</u>   |
|                             | <u>8,450,000</u> | <u>4,792,395</u> |

CITY OF HARRISONVILLE, MISSOURI  
NOTES TO FINANCIAL STATEMENTS

NOTE 5. LONG-TERM DEBT (Continued)

Governmental Activities (Continued)

Tax Increment Revenue Note

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 until March 31, 2015, the applicable interest rate on the unpaid principal balance of this Note shall be 6% per annum. On April 1, 2015, 2020, and 2025 the Note Rate shall be adjusted to an amount equal to 350 basis points plus the five-year swap rate for a fixed rate payer in return for receiving three-month LIBOR as reported in the Federal Reserve Statistical Release.

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

| <u>Year Ending</u><br><u>December 31,</u> | <u>Principal</u> | <u>Interest</u>  |
|-------------------------------------------|------------------|------------------|
| 2010                                      |                  | 405,000          |
| 2011                                      | 66,000           | 540,000          |
| 2012                                      | 274,000          | 529,950          |
| 2013                                      | 290,000          | 513,150          |
| 2014                                      | 307,000          | 495,390          |
| 2015 - 2019                               | 1,844,000        | 2,169,825        |
| 2020 - 2024                               | 2,480,000        | 1,530,495        |
| 2025 - 2029                               | 3,346,000        | 669,615          |
| 2030                                      | <u>393,000</u>   | <u>8,865</u>     |
|                                           | <u>9,000,000</u> | <u>6,862,290</u> |

The above interest amounts are estimated based on 6% interest over the life of the note and the actual interest amounts due could vary based on the scheduled interest rate adjustments as described above.

CITY OF HARRISONVILLE, MISSOURI  
NOTES TO FINANCIAL STATEMENTS

NOTE 5. LONG-TERM DEBT (Continued)

Governmental Activities (Continued)

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, 2042, or the date the Certificates have been paid in full, whichever is earlier.

Future minimum lease payments are as follows:

| <u>Year Ending<br/>December 31,</u> | <u>Rental<br/>Payment</u> | <u>Interest</u>  |
|-------------------------------------|---------------------------|------------------|
| 2010                                | 625,000                   | 443,185          |
| 2011                                | 480,000                   | 421,310          |
| 2012                                | 500,000                   | 402,590          |
| 2013                                | 525,000                   | 382,590          |
| 2014                                | 550,000                   | 361,065          |
| 2015 - 2019                         | 3,260,000                 | 1,411,640        |
| 2020 - 2022                         | <u>3,695,000</u>          | <u>438,000</u>   |
|                                     | <u>9,635,000</u>          | <u>3,860,380</u> |

Business-Type Activities

Changes in the debt for the year ended December 31, 2009, consisted of the following:

|                                               | <u>Balance<br/>December 31,<br/>2008</u> | <u>Addi-<br/>tions</u> | <u>Reduc-<br/>tions</u> | <u>Balance<br/>December 31,<br/>2009</u> | <u>Due in<br/>One<br/>Year</u> |
|-----------------------------------------------|------------------------------------------|------------------------|-------------------------|------------------------------------------|--------------------------------|
| 2002 Waterworks and<br>Sewerage Revenue Bonds | 3,420,000                                |                        | (195,000)               | 3,225,000                                | 190,000                        |
| 2003 Waterworks and<br>Sewerage Revenue Bonds | 2,825,000                                |                        | (125,000)               | 2,700,000                                | 130,000                        |

CITY OF HARRISONVILLE, MISSOURI  
NOTES TO FINANCIAL STATEMENTS

NOTE 5. LONG-TERM DEBT (Continued)

Business-Type Activities (Continued)

|                                                 | Balance<br>December 31,<br><u>2008</u> | Addi-<br>tions    | Reduc-<br>tions      | Balance<br>December 31,<br><u>2009</u> | Due in<br>One<br>Year |
|-------------------------------------------------|----------------------------------------|-------------------|----------------------|----------------------------------------|-----------------------|
| 2004 Waterworks and<br>Sewerage Revenue Bonds   | 150,000                                |                   | (150,000)            | - 0 -                                  | - 0 -                 |
| 2005 Waterworks and<br>Sewerage Revenue Bonds   | 1,490,000                              |                   | (75,000)             | 1,415,000                              | 75,000                |
| 2007 Electric System<br>Refunding Revenue Bonds | 2,405,000                              |                   | (165,000)            | 2,240,000                              | 175,000               |
| Compensated absences                            | <u>81,545</u>                          | <u>85,054</u>     | <u>(81,545)</u>      | <u>85,054</u>                          | <u>85,054</u>         |
|                                                 | 10,371,545                             | 85,054            | (791,545)            | 9,665,054                              | 655,054               |
| <br>Add: Bond premium                           | <br>171,988                            |                   | (11,554)             | <br>160,434                            | <br>11,554            |
| Less: Bond discount                             | <u>(14,824)</u>                        | <u>      </u>     | <u>1,235</u>         | <u>(13,589)</u>                        | <u>(1,235)</u>        |
| <br>Total business-type<br>activities debt      | <br><u>10,528,709</u>                  | <br><u>85,054</u> | <br><u>(801,864)</u> | <br><u>9,811,899</u>                   | <br><u>665,373</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. 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%.

CITY OF HARRISONVILLE, MISSOURI  
NOTES TO FINANCIAL STATEMENTS

NOTE 5. LONG-TERM DEBT (Continued)

Revenue Bonds (Continued)

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%.

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

| <u>Year Ending<br/>December 31,</u> | <u>Principal</u> | <u>Interest</u>  |
|-------------------------------------|------------------|------------------|
| 2010                                | 570,000          | 456,422          |
| 2011                                | 580,000          | 433,174          |
| 2012                                | 590,000          | 408,191          |
| 2013                                | 635,000          | 382,383          |
| 2014                                | 645,000          | 352,713          |
| 2015 - 2019                         | 3,535,000        | 1,266,834        |
| 2020 - 2024                         | 2,920,000        | 385,882          |
| 2025                                | <u>105,000</u>   | <u>5,250</u>     |
|                                     | <u>9,580,000</u> | <u>3,690,849</u> |

As of December 31, 2009, the sinking funds and the reserve funds were adequately funded and the City was in compliance with its rate covenants for all bonds.

NOTE 6. PROPERTY TAXES

The assessed valuation of the tangible property for the purpose of local taxation as of May 31, 2009 was as follows:

|                   |                    |
|-------------------|--------------------|
| Real estate       | 93,250,444         |
| Personal property | <u>25,538,774</u>  |
|                   | <u>118,789,218</u> |

CITY OF HARRISONVILLE, MISSOURI  
NOTES TO FINANCIAL STATEMENTS

NOTE 6. PROPERTY TAXES (Continued)

The tax levy per \$100 of assessed valuation of tangible property for the calendar year 2009 was as follows:

|                   |               |
|-------------------|---------------|
| General operating | 0.5422        |
| Park              | <u>0.1227</u> |
|                   | <u>0.6649</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 7. INTERFUND TRANSACTIONS

Transfers during the year ended December 31, 2009 were as follows:

|                  | Transfers in  |                  |                  |
|------------------|---------------|------------------|------------------|
|                  | General       | Debt Service     | Nonmajor Funds   |
| Transfers out:   |               |                  |                  |
| General          |               | 137,588          | 315,625          |
| Sales Tax        | 13,065        | 238,574          | 26,160           |
| Community Center |               | 644,308          |                  |
| Ambulance        |               | 50,015           |                  |
| Total            | <u>13,065</u> | <u>1,070,485</u> | <u>341,785</u>   |
|                  |               |                  | <u>1,425,335</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       |                |                |
|------------------|----------------|----------------|----------------|
|                  | Ambulance      | Park           | Total          |
| Due to:          |                |                |                |
| General          | 665,688        |                | 665,688        |
| Community Center | 56,911         | 100,770        | 157,681        |
| Towne Center TIF |                | 46,022         | 46,022         |
| Nonmajor funds   |                | 14,113         | 14,113         |
| Total            | <u>722,599</u> | <u>160,905</u> | <u>883,504</u> |

The balance of \$883,504 due to the General, Community Center, and various nonmajor funds from the Ambulance and Park Funds are a result of the Funds having a negative claim on the City's pooled cash accounts. Interfund balances are not included in the government-wide statement of net assets.

CITY OF HARRISONVILLE, MISSOURI  
NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLAN

Plan Description

The City participates in the Missouri Local Government Employees Retirement System (LAGERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local government entities in Missouri. LAGERS is a defined benefit pension plan, which provides retirement, disability and death benefits to plan members and beneficiaries. LAGERS was created and is governed by statute, section RSMo. 70.600 - 70.755. As such, it is the system's responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under Internal Revenue Code Section 401(a) and it is tax exempt.

The Missouri Local Government Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to LAGERS, P.O. Box 1665, Jefferson City, Missouri 65102 or by calling 1-800-447-4334.

Funding Policy

The City's full-time employees do not contribute to the pension plan. The City is required to contribute at an actuarially determined rate; the current rates are 12.7% for police, 9.2% for general and 12.8% 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 2009, the City's annual pension cost of \$474,205 was equal to the required and actual contributions. The required contribution was determined as part of the February 29, 2007 and/or February 29, 2008 annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions as of February 28, 2009 included (a) a rate of return on the investment of present and future assets of 7.5% per year, compounded annually; (b) projected salary increases of 4% 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 the RP-2000 Combined Healthy Table set back 0 years for men and 0 years for women and (e) post-retirement mortality based on the 1971 Group Annuity Mortality table projected to 2000 set back 1 year for men and 7 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 15 years.

CITY OF HARRISONVILLE, MISSOURI  
NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLAN (Continued)

Trend Information

| <u>Fiscal<br/>Year<br/>Ending</u> | <u>Annual<br/>Pension<br/>Cost (APC)</u> | <u>Percentage<br/>of APC<br/>Contributed</u> | <u>Net<br/>Pension<br/>Obligation</u> |
|-----------------------------------|------------------------------------------|----------------------------------------------|---------------------------------------|
| 6/30/07                           | 435,727                                  | 100                                          | - 0 -                                 |
| 6/30/08                           | 442,600                                  | 100                                          | - 0 -                                 |
| 6/30/09                           | 474,205                                  | 100                                          | - 0 -                                 |

Schedule of Funding Progress

|                                | (a)                             | (b)                                            | (b-a)                                     |                          | (c)                          | [(b-a)/c]                                       |
|--------------------------------|---------------------------------|------------------------------------------------|-------------------------------------------|--------------------------|------------------------------|-------------------------------------------------|
| Actuarial<br>Valuation<br>Date | Actuarial<br>Value<br>of Assets | Entry Age<br>Actuarial<br>Accrued<br>Liability | Unfunded<br>Accrued<br>Liability<br>(UAL) | (a/b)<br>Funded<br>Ratio | Annual<br>Covered<br>Payroll | UAL as a<br>Percentage of<br>Covered<br>Payroll |
| 2/28/07                        | 9,538,508                       | 9,343,821                                      | (194,687)                                 | 102%                     | 4,494,474                    | (4.3)%                                          |
| 2/28/08                        | 10,183,355                      | 10,201,208                                     | 17,853                                    | 100%                     | 4,784,933                    | 0.3%                                            |
| 2/28/09                        | 8,405,558                       | 10,515,593                                     | 2,110,035                                 | 80%                      | 4,704,779                    | 44.8%                                           |

Note: The above assets and actuarial accrued liability do not include the assets and present value of benefits associated with the Benefit Reserve Fund and the Casualty Reserve Fund. The actuarial assumptions were changes in conjunction with the February 28, 2006 annual actuarial valuations. For a complete description of the actuarial assumptions used in the annual variations, please contact the LAGERS office in Jefferson City.

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 option(s) is made by the participants.

NOTE 11. COMMITMENTS

As of December 31, 2009, the City had outstanding commitments totaling \$1,084,362 for various contracts.

CITY OF HARRISONVILLE, MISSOURI  
NOTES TO FINANCIAL STATEMENTS

NOTE 12. MAJOR SUPPLIERS

During the year ended December 31, 2009, the City relied upon two vendors for the generation and transmission of all electricity purchased for resale totaling \$7,591,467 and \$340,081, respectively. Accounts payable of \$661,037 for generation and \$28,164 for transmission are included in the December 31, 2009 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 then 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 agreement provided lease income of \$18,679 for the year ended December 31, 2009.

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 agreement provided lease income of \$19,192 for the year ended December 31, 2009.

The following is a schedule by years of minimum future rentals on the noncancellable operating leases as described above as of December 31, 2009:

Years Ending  
December 31,

2010

17,616

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

CITY OF HARRISONVILLE, MISSOURI  
NOTES TO FINANCIAL STATEMENTS

NOTE 14. SELF-INSURANCE (Continued)

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.

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, 2009, the City of Harrisonville provided the City of Kansas City, Missouri \$429,936, which includes payments for prior periods. The City is current with its payments as of December 31, 2009.

CITY OF HARRISONVILLE, MISSOURI  
NOTES TO FINANCIAL STATEMENTS

NOTE 16. WATER PURCHASE AGREEMENT (Continued)

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:

| Years Ending<br><u>December 31,</u> |                  |
|-------------------------------------|------------------|
| 2010                                | 234,516          |
| 2011                                | 234,516          |
| 2012                                | 234,516          |
| 2013                                | 234,516          |
| 2014                                | 234,516          |
| 2015 - 2019                         | 1,117,580        |
| 2020 - 2024                         | 1,117,580        |
| 2025 - 2029                         | <u>888,091</u>   |
| Total                               | <u>4,295,831</u> |

NOTE 17. SUBSEQUENT EVENTS

The City is extending and improving its combined waterworks and sewerage system for an estimated project cost of \$7,470,200. Primary funding for this project is expected to be made from federal awards from the Missouri Department of Natural Resources. These awards include a grant in the amount of \$3,000,000 as made possible by the American Recovery and Reinvestment Act of 2009 and a bond issuance of \$4,300,000 from State Revolving Funds. Remaining project costs are expected to come from City resources. At December 31, 2009, \$558,398 in expenditures for the project has been incurred. However, no reimbursements have been requested by the City for project costs as of the fieldwork date. The City expects to request reimbursement for these costs later in 2010 as the construction on the project begins. These reimbursements will be requested from the State Revolving Fund loan as only construction costs will be reimbursed for the grant proceeds. As of June 18, 2010, the City has not sought reimbursement of the \$954,337 in expenditures incurred for the project.

The bonds call for particular covenants of the City, of which, the City is expecting to comply with. Construction on the project is expected to be completed by December 31, 2010.

CITY OF HARRISONVILLE, MISSOURI  
NOTES TO FINANCIAL STATEMENTS

NOTE 17. SUBSEQUENT EVENTS (Continued)

The Combined Waterworks and Sewerage System Revenue Bonds Series 2010 (the "Bonds") can be drawn on for a maximum principal amount of \$4,300,000. Semi-annual 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. Expected aggregate annual principal payments applicable to the bonds, if such funding totals \$4,300,000, are as follows:

| <u>Year Ending<br/>December 31,</u> | <u>Principal</u> |
|-------------------------------------|------------------|
| 2011                                | 90,700           |
| 2012                                | 184,100          |
| 2013                                | 187,800          |
| 2014                                | 191,600          |
| 2015                                | 195,400          |
| 2016 - 2020                         | 1,037,700        |
| 2021 - 2025                         | 1,146,400        |
| 2026 - 2030                         | <u>1,266,300</u> |
|                                     | <u>4,300,000</u> |

Management has evaluated subsequent events through June 18, 2010, the date on which the financial statements were available for issue.

NOTE 18. RESTATEMENT OF NET ASSETS

The City has restated net assets to record \$214,152 in taxes receivable as of December 31, 2008.

## REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HARRISONVILLE, MISSOURI  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED DECEMBER 31, 2009

|                                     | General Fund |           |           | Variance    |
|-------------------------------------|--------------|-----------|-----------|-------------|
|                                     | Budget       |           |           | Positive    |
|                                     | Original     | Final     | Actual    | (Negative)  |
| REVENUES                            |              |           |           |             |
| Taxes                               | 4,816,815    | 4,656,136 | 4,624,711 | (31,425)    |
| Licenses, fees and permits          | 219,650      | 137,700   | 140,049   | 2,349       |
| Charges for services                | 1,873,360    | 1,807,085 | 1,803,742 | (3,343)     |
| Grants                              | 538,372      | 968,122   | 15,510    | (952,612)   |
| Fines and forfeitures               | 267,000      | 250,500   | 235,958   | (14,542)    |
| Interest                            | 330,000      | 115,000   | 124,155   | 9,155       |
| Miscellaneous                       | 159,150      | 437,345   | 356,532   | (80,813)    |
| TOTAL REVENUES                      | 8,204,347    | 8,371,888 | 7,300,657 | (1,071,231) |
| EXPENDITURES                        |              |           |           |             |
| General Government                  |              |           |           |             |
| Mayor and Board                     | 163,564      | 221,764   | 150,074   | 71,690      |
| Finance                             | 656,807      | 664,207   | 590,984   | 73,223      |
| Administration                      | 442,456      | 453,657   | 402,931   | 50,726      |
| Public Works                        | 166,842      | 166,842   | 172,328   | (5,486)     |
| Codes enforcement                   | 304,409      | 307,227   | 294,515   | 12,712      |
| Property management                 | 87,310       | 90,510    | 81,580    | 8,930       |
| Total General Government            | 1,821,388    | 1,904,207 | 1,692,412 | 211,795     |
| Administration of Justice           |              |           |           |             |
| Municipal court                     | 208,887      | 208,887   | 170,906   | 37,981      |
| Legal                               | 120,000      | 232,095   | 195,176   | 36,919      |
| Police                              | 504,524      | 519,681   | 438,038   | 81,643      |
| Police Department patrol/investment | 1,825,367    | 1,806,537 | 1,833,959 | (27,422)    |
| Total Administration of Justice     | 2,658,778    | 2,767,200 | 2,638,079 | 129,121     |
| Fire and Emergency                  |              |           |           |             |
| Fire                                | 1,019,390    | 788,066   | 298,551   | 489,515     |
| Emergency                           | 18,290       | 18,290    | 6,644     | 11,646      |
| Total Fire and Emergency            | 1,037,680    | 806,356   | 305,195   | 501,161     |
| Street                              | 968,501      | 1,134,650 | 986,420   | 148,230     |
| Economic Development                | 180,488      | 191,453   | 140,428   | 51,025      |
| Animal Control                      | 183,361      | 174,916   | 136,557   | 38,359      |

CITY OF HARRISONVILLE, MISSOURI  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED DECEMBER 31, 2009

|                                                 | General Fund       |                    |                  | Variance<br>Positive<br>(Negative) |
|-------------------------------------------------|--------------------|--------------------|------------------|------------------------------------|
|                                                 | Budget<br>Original | Budget<br>Final    | Actual           |                                    |
| EXPENDITURES (Continued)                        |                    |                    |                  |                                    |
| Airport                                         | 300,097            | 241,897            | 232,654          | 9,243                              |
| Capital outlay                                  | <u>1,232,114</u>   | <u>2,881,110</u>   | <u>802,403</u>   | <u>2,078,707</u>                   |
| TOTAL EXPENDITURES                              | <u>8,382,407</u>   | <u>10,101,789</u>  | <u>6,934,148</u> | <u>3,167,641</u>                   |
| EXCESS OF REVENUES OVER (UNDER)<br>EXPENDITURES | (178,060)          | (1,729,901)        | 366,509          | 2,096,410                          |
| OTHER FINANCING SOURCES (USES)                  |                    |                    |                  |                                    |
| Transfers in                                    |                    |                    | 13,065           | 13,065                             |
| Transfers out                                   | <u>(449,128)</u>   | <u>(855,452)</u>   | <u>(453,213)</u> | <u>402,239</u>                     |
| Total other financing sources (uses)            | <u>(449,128)</u>   | <u>(855,452)</u>   | <u>(440,148)</u> | <u>415,304</u>                     |
| NET CHANGE IN FUND BALANCES                     | <u>(627,188)</u>   | <u>(2,585,353)</u> | <u>(73,639)</u>  | <u>2,511,714</u>                   |
| FUND BALANCE, beginning of year                 |                    |                    | <u>8,337,541</u> |                                    |
| FUND BALANCE, end of year, budget basis         |                    |                    | 8,263,902        |                                    |
| Accrual adjustments                             |                    |                    | <u>37,791</u>    |                                    |
| FUND BALANCE, end of year, fund basis           |                    |                    | <u>8,301,693</u> |                                    |

CITY OF HARRISONVILLE, MISSOURI  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
MAJOR SPECIAL REVENUE FUNDS  
YEAR ENDED DECEMBER 31, 2009

|                                                 | Community Center |           |           | Variance   |
|-------------------------------------------------|------------------|-----------|-----------|------------|
|                                                 | Budget           |           |           | Positive   |
|                                                 | Original         | Final     | Actual    | (Negative) |
| REVENUES                                        |                  |           |           |            |
| Charges for services                            | 888,589          | 851,965   | 776,443   | (75,522)   |
| Interest                                        | 27,000           | 6,400     | 4,803     | (1,597)    |
| Miscellaneous                                   | 13,377           | 12,477    | 106,684   | 94,207     |
| TOTAL REVENUES                                  | 928,966          | 870,842   | 887,930   | 17,088     |
| EXPENDITURES                                    |                  |           |           |            |
| Community Center                                | 1,154,344        | 1,088,926 | 1,039,507 | 49,419     |
| Capital outlay                                  | 89,285           | 123,285   | 13,979    | 109,306    |
| TOTAL EXPENDITURES                              | 1,243,629        | 1,212,211 | 1,053,486 | 158,725    |
| EXCESS OF REVENUES OVER (UNDER)<br>EXPENDITURES | (314,663)        | (341,369) | (165,556) | 175,813    |
| OTHER FINANCING SOURCES (USES)                  |                  |           |           |            |
| Transfers in                                    | 281,535          | 204,035   |           | (204,035)  |
| Transfers out                                   |                  |           | (644,308) | (644,308)  |
| Total other financing sources (uses)            | 281,535          | 204,035   | (644,308) | (848,343)  |
| NET CHANGE IN FUND BALANCES                     | (33,128)         | (137,334) | (809,864) | (672,530)  |
| FUND BALANCE, beginning of year                 |                  |           | 2,253,784 |            |
| FUND BALANCE, end of year, budget basis         |                  |           | 1,443,920 |            |
| Accrual adjustments                             |                  |           | (66,507)  |            |
| FUND BALANCE, end of year, fund basis           |                  |           | 1,377,413 |            |

CITY OF HARRISONVILLE, MISSOURI  
NOTES TO BUDGETARY COMPARISON SCHEDULES  
FOR THE YEAR ENDED DECEMBER 31, 2009

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 2009 show the General Fund with expenditures under budget in the amount of \$3,167,341, but the Board of Aldermen authorized the reappropriation of \$2,676,499 into the 2010 budget, primarily for incomplete capital projects.

## OTHER SUPPLEMENTARY INFORMATION

CITY OF HARRISONVILLE, MISSOURI  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
DECEMBER 31, 2009

|                                        | Park<br>Fund    | Ambulance<br>Fund | Sales Tax<br>Fund | Debt<br>Service<br>Fund | Total<br>Nonmajor<br>Governmental<br>Funds |
|----------------------------------------|-----------------|-------------------|-------------------|-------------------------|--------------------------------------------|
| ASSETS                                 |                 |                   |                   |                         |                                            |
| ASSETS                                 |                 |                   |                   |                         |                                            |
| Cash                                   | -               | 50                |                   |                         | 50                                         |
| Investments                            |                 |                   | 1,176,743         |                         | 1,176,743                                  |
| Accounts receivable                    |                 | 480,574           | 32,233            |                         | 512,807                                    |
| Taxes receivable                       | 64,348          |                   | 142,353           |                         | 206,701                                    |
| Due from other funds                   |                 |                   | 14,113            |                         | 14,113                                     |
| Inventories                            |                 | 17,223            |                   |                         | 17,223                                     |
| Prepaid insurance                      | 10,386          | 31,224            |                   |                         | 41,610                                     |
| Restricted cash                        | 129             |                   | 17,876            |                         | 18,005                                     |
| Restricted investments                 | 66,448          |                   |                   |                         | 66,448                                     |
| TOTAL ASSETS                           | <u>141,311</u>  | <u>529,071</u>    | <u>1,383,318</u>  |                         | <u>2,053,700</u>                           |
| LIABILITIES<br>AND FUND BALANCES       |                 |                   |                   |                         |                                            |
| LIABILITIES                            |                 |                   |                   |                         |                                            |
| Deferred revenue                       | 18,852          |                   |                   |                         | 18,852                                     |
| Due to other funds                     | 160,905         | 722,599           |                   |                         | 883,504                                    |
| Accounts payable                       | 4,704           | 22,300            | 14,382            |                         | 41,386                                     |
| Accrued salaries                       | 1,926           | 10,303            |                   |                         | 12,229                                     |
| Total liabilities                      | <u>186,387</u>  | <u>755,202</u>    | <u>14,382</u>     |                         | <u>955,971</u>                             |
| FUND BALANCES (DEFICIT)                |                 |                   |                   |                         |                                            |
| Reserved for:                          |                 |                   |                   |                         |                                            |
| Prepaid items                          | 10,386          | 31,224            |                   |                         | 41,610                                     |
| Other purposes                         | 66,577          |                   |                   |                         | 66,577                                     |
| Unreserved                             | (122,039)       | (257,355)         | 1,368,936         |                         | 989,542                                    |
| Total fund balances<br>(deficit)       | <u>(45,076)</u> | <u>(226,131)</u>  | <u>1,368,936</u>  |                         | <u>1,097,729</u>                           |
| TOTAL LIABILITIES AND<br>FUND BALANCES | <u>141,311</u>  | <u>529,071</u>    | <u>1,383,318</u>  |                         | <u>2,053,700</u>                           |

CITY OF HARRISONVILLE, MISSOURI  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
YEAR ENDED DECEMBER 31, 2009

|                                                                                   | Park<br>Fund     | Ambulance        | Sales<br>Tax<br>Fund | Debt<br>Service<br>Fund | Total<br>Nonmajor<br>Governmental<br>Funds |
|-----------------------------------------------------------------------------------|------------------|------------------|----------------------|-------------------------|--------------------------------------------|
| REVENUES                                                                          |                  |                  |                      |                         |                                            |
| Taxes                                                                             |                  |                  |                      |                         |                                            |
| Property                                                                          | 139,610          | 14,483           |                      |                         | 154,093                                    |
| Sales                                                                             |                  |                  | 948,038              |                         | 948,038                                    |
| Other                                                                             | 34,300           | 2,118            |                      |                         | 36,418                                     |
| Charges for services                                                              | 23,276           | 1,104,773        |                      |                         | 1,128,049                                  |
| Grants                                                                            | 21,100           |                  |                      |                         | 21,100                                     |
| Interest                                                                          | 886              |                  | 5,760                |                         | 6,646                                      |
| Miscellaneous                                                                     | 12,075           | 12,915           |                      |                         | 24,990                                     |
| Total revenues                                                                    | <u>231,247</u>   | <u>1,134,289</u> | <u>953,798</u>       |                         | <u>2,319,334</u>                           |
| EXPENDITURES                                                                      |                  |                  |                      |                         |                                            |
| Park                                                                              | 395,146          |                  |                      |                         | 395,146                                    |
| Ambulance Services                                                                |                  | 1,914,395        |                      |                         | 1,914,395                                  |
| Debt service                                                                      |                  |                  |                      |                         |                                            |
| Principal                                                                         |                  |                  |                      | 600,000                 | 600,000                                    |
| Interest                                                                          |                  |                  |                      | 465,485                 | 465,485                                    |
| Capital outlay                                                                    | <u>154,868</u>   | <u>171,054</u>   |                      |                         | <u>325,922</u>                             |
| Total expenditures                                                                | <u>550,014</u>   | <u>2,085,449</u> |                      | <u>1,065,485</u>        | <u>3,700,948</u>                           |
| REVENUES OVER (UNDER)<br>EXPENDITURES BEFORE<br>OTHER FINANCING<br>SOURCES (USES) | <u>(318,767)</u> | <u>(951,160)</u> | <u>953,798</u>       | <u>(1,065,485)</u>      | <u>(1,381,614)</u>                         |
| OTHER FINANCING SOURCES<br>(USES)                                                 |                  |                  |                      |                         |                                            |
| Transfers in                                                                      | 181,164          | 160,621          |                      | 1,070,485               | 1,412,270                                  |
| Transfers out                                                                     |                  | (50,015)         | (277,799)            |                         | (327,814)                                  |
| Total other financing<br>sources (uses)                                           | <u>181,164</u>   | <u>110,606</u>   | <u>(277,799)</u>     | <u>1,070,485</u>        | <u>1,084,456</u>                           |
| NET CHANGE IN FUND<br>BALANCES                                                    | (137,603)        | (840,554)        | 675,999              | 5,000                   | (297,158)                                  |
| FUND BALANCES,<br>January 1, 2009                                                 | <u>92,527</u>    | <u>614,423</u>   | <u>692,937</u>       | <u>(5,000)</u>          | <u>1,394,887</u>                           |
| FUND BALANCES,<br>December 31, 2009                                               | <u>(45,076)</u>  | <u>(226,131)</u> | <u>1,368,936</u>     |                         | <u>1,097,729</u>                           |

CITY OF HARRISONVILLE, MISSOURI  
NONMAJOR ENTERPRISE FUNDS  
COMBINING STATEMENT OF NET ASSETS  
DECEMBER 31, 2009

|                                                 | Aquatic<br>Center<br>Fund | Refuse<br>Fund | Total            |
|-------------------------------------------------|---------------------------|----------------|------------------|
| ASSETS                                          |                           |                |                  |
| Current Assets                                  |                           |                |                  |
| Cash                                            | 83,178                    | 25,587         | 108,765          |
| Investments                                     | 83,953                    |                | 83,953           |
| Accounts receivable                             |                           | 74,594         | 74,594           |
| Prepaid insurance                               | 3,230                     |                | 3,230            |
| Total current assets                            | <u>170,361</u>            | <u>100,181</u> | <u>270,542</u>   |
| Noncurrent Assets                               |                           |                |                  |
| Restricted cash                                 | 100,936                   |                | 100,936          |
| Restricted investments                          | 47,000                    |                | 47,000           |
| Property and equipment                          | <u>1,088,128</u>          |                | <u>1,088,128</u> |
| Total noncurrent assets                         | <u>1,236,064</u>          |                | <u>1,236,064</u> |
| TOTAL ASSETS                                    | <u>1,406,425</u>          | <u>100,181</u> | <u>1,506,606</u> |
| LIABILITIES                                     |                           |                |                  |
| Current Liabilities                             |                           |                |                  |
| Accounts payable                                | <u>83</u>                 |                | <u>83</u>        |
| TOTAL LIABILITIES                               | <u>83</u>                 |                | <u>83</u>        |
| NET ASSETS                                      |                           |                |                  |
| Invested in capital assets, net of related debt | 1,088,128                 |                | 1,088,128        |
| Restricted for:                                 |                           |                |                  |
| Capital improvements                            | 147,936                   |                | 147,936          |
| Unrestricted                                    | <u>170,278</u>            | <u>100,181</u> | <u>270,459</u>   |
| TOTAL NET ASSETS                                | <u>1,406,342</u>          | <u>100,181</u> | <u>1,506,523</u> |

CITY OF HARRISONVILLE, MISSOURI  
NONMAJOR ENTERPRISE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
YEAR ENDED DECEMBER 31, 2009

|                                     | Aquatic<br>Center<br>Fund | Refuse<br>Fund    | Total            |
|-------------------------------------|---------------------------|-------------------|------------------|
| REVENUES                            |                           |                   |                  |
| Charges for services                | <u>125,189</u>            | <u>424,579</u>    | <u>549,768</u>   |
| EXPENSES                            |                           |                   |                  |
| Administration                      | 165,853                   | 416,592           | 582,445          |
| Depreciation                        | <u>86,881</u>             | <u>          </u> | <u>86,881</u>    |
| Total expenses                      | <u>252,734</u>            | <u>416,592</u>    | <u>669,326</u>   |
| INCOME (LOSS) FROM OPERATIONS       | (127,545)                 | 7,987             | (119,558)        |
| NONOPERATING REVENUES (EXPENSES)    |                           |                   |                  |
| Interest income                     | <u>4,087</u>              | <u>41</u>         | <u>4,128</u>     |
| CHANGE IN NET ASSETS                | (123,458)                 | 8,028             | (115,430)        |
| TOTAL NET ASSETS, January 1, 2009   | <u>1,529,800</u>          | <u>92,153</u>     | <u>1,621,953</u> |
| TOTAL NET ASSETS, December 31, 2009 | <u>1,406,342</u>          | <u>100,181</u>    | <u>1,506,523</u> |

CITY OF HARRISONVILLE, MISSOURI  
NONMAJOR ENTERPRISE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2009

|                                                     | Aquatic<br>Center<br>Fund | Refuse<br>Fund | Total           |
|-----------------------------------------------------|---------------------------|----------------|-----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES                |                           |                |                 |
| Cash received from customers                        | 125,189                   | 418,471        | 543,660         |
| Cash payments to suppliers                          | (102,885)                 | (416,592)      | (519,477)       |
| Cash payments to employees                          | (62,841)                  |                | (62,841)        |
| Net cash provided by (used in) operating activities | <u>(40,537)</u>           | <u>1,879</u>   | <u>(38,658)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES                |                           |                |                 |
| Interest on investments                             | 4,087                     | 41             | 4,128           |
| Net investment activity                             | <u>196,222</u>            |                | <u>196,222</u>  |
| Net cash provided by investing activities           | <u>200,309</u>            | <u>41</u>      | <u>200,350</u>  |
| NET INCREASE IN CASH                                | 159,772                   | 1,920          | 161,692         |
| CASH, January 1, 2009                               | <u>24,342</u>             | <u>23,667</u>  | <u>48,009</u>   |
| CASH, December 31, 2009                             | <u>184,114</u>            | <u>25,587</u>  | <u>209,701</u>  |
| ALLOCATION OF CASH                                  |                           |                |                 |
| Unrestricted                                        | 83,178                    | 25,587         | 108,765         |
| Restricted                                          | <u>100,936</u>            |                | <u>100,936</u>  |
|                                                     | <u>184,114</u>            | <u>25,587</u>  | <u>209,701</u>  |

CITY OF HARRISONVILLE, MISSOURI  
NONMAJOR ENTERPRISE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2009

|                                                                                                              | <u>Aquatic<br/>Center<br/>Fund</u> | <u>Refuse<br/>Fund</u> | <u>Total</u>           |
|--------------------------------------------------------------------------------------------------------------|------------------------------------|------------------------|------------------------|
| Reconciliation of Income (Loss) From<br>Operations to Net Cash Provided by<br>(Used in) Operating Activities |                                    |                        |                        |
| Income (Loss) from operations                                                                                | <u>(127,545)</u>                   | <u>7,987</u>           | <u>(119,558)</u>       |
| Adjustments to reconcile net income (loss)<br>to net cash provided by (used in)<br>operating activities:     |                                    |                        |                        |
| Depreciation and amortization                                                                                | 86,881                             |                        | 86,881                 |
| (Increase) Decrease in:                                                                                      |                                    |                        |                        |
| Accounts receivable                                                                                          |                                    | (6,108)                | (6,108)                |
| Prepaid expenses                                                                                             | 376                                |                        | 376                    |
| Increase (Decrease) in:                                                                                      |                                    |                        |                        |
| Accounts payable                                                                                             | <u>(249)</u>                       |                        | <u>(249)</u>           |
| Total adjustments                                                                                            | <u>87,008</u>                      | <u>(6,108)</u>         | <u>80,900</u>          |
| Net cash provided by (used in) operating activities                                                          | <u><u>(40,537)</u></u>             | <u><u>1,879</u></u>    | <u><u>(38,658)</u></u> |

CITY OF HARRISONVILLE, MISSOURI  
NONMAJOR SPECIAL REVENUE FUNDS  
BUDGETARY COMPARISON SCHEDULE (UNAUDITED)  
YEAR ENDED DECEMBER 31, 2009

|                                                          | Park Fund        |                  |                        | Ambulance Fund   |                  |                        |
|----------------------------------------------------------|------------------|------------------|------------------------|------------------|------------------|------------------------|
|                                                          | Budget           |                  | Variance               | Budget           |                  | Variance               |
|                                                          | Original         | Final            | Positive<br>(Negative) | Original         | Final            | Positive<br>(Negative) |
| <b>REVENUES</b>                                          |                  |                  |                        |                  |                  |                        |
| Taxes                                                    | 150,100          | 150,100          | 15,040                 | 150,101          | 150,101          | 54,697                 |
| Charges for services                                     | 25,974           | 26,000           | (1,354)                | 975,000          | 975,000          | 1,477,573              |
| Grants                                                   |                  | 170,000          | (148,900)              |                  |                  |                        |
| Interest                                                 | 2,000            | 1,150            | (264)                  |                  |                  |                        |
| Miscellaneous                                            | 4,500            | 9,602            | 2,473                  | 25,500           | 25,500           | 12,915                 |
| Total revenues                                           | <u>182,574</u>   | <u>356,852</u>   | <u>(133,005)</u>       | <u>1,150,601</u> | <u>1,150,601</u> | <u>1,545,185</u>       |
| <b>EXPENDITURES</b>                                      |                  |                  |                        |                  |                  |                        |
| Ambulance                                                |                  |                  |                        | 1,280,162        | 1,516,095        | 1,925,749              |
| Park                                                     | 415,183          | 419,923          | 15,684                 |                  |                  |                        |
| Capital outlay                                           | 46,500           | 335,456          | 180,588                | 4,900            | 175,291          | 171,054                |
| Total expenditures                                       | <u>461,683</u>   | <u>755,379</u>   | <u>196,272</u>         | <u>1,285,062</u> | <u>1,691,386</u> | <u>2,096,803</u>       |
| <b>EXCESS OF REVENUES OVER (UNDER)</b>                   | <u>(279,109)</u> | <u>(398,527)</u> | <u>63,267</u>          | <u>(134,461)</u> | <u>(540,785)</u> | <u>(110,833)</u>       |
| <b>OTHER FINANCING SOURCES (USES)</b>                    |                  |                  |                        |                  |                  |                        |
| Transfers in                                             | 181,164          | 281,164          | (100,000)              | 134,461          | 540,785          | 160,621                |
| Transfers out                                            |                  |                  |                        |                  |                  | (50,015)               |
| Total other financing sources (uses)                     | <u>181,164</u>   | <u>281,164</u>   | <u>(100,000)</u>       | <u>134,461</u>   | <u>540,785</u>   | <u>(430,179)</u>       |
| <b>NET CHANGE IN FUND BALANCES</b>                       | <u>(97,945)</u>  | <u>(117,363)</u> | <u>(36,733)</u>        |                  |                  | <u>(441,012)</u>       |
| <b>FUND BALANCE, beginning of year</b>                   |                  | <u>92,527</u>    |                        |                  |                  | <u>614,423</u>         |
| <b>FUND BALANCE (DEFICIT), end of year, budget basis</b> |                  | <u>(61,569)</u>  |                        |                  |                  | <u>173,411</u>         |
| Accrual adjustments                                      |                  | <u>16,493</u>    |                        |                  |                  | <u>(399,542)</u>       |
| <b>FUND BALANCE (DEFICIT), end of year, fund basis</b>   |                  | <u>(45,076)</u>  |                        |                  |                  | <u>(226,131)</u>       |

CITY OF HARRISONVILLE, MISSOURI  
NONMAJOR SPECIAL REVENUE FUNDS  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED DECEMBER 31, 2009

|                                                          | Sales Tax Fund     |                  |                  | Total            |                  |                            |
|----------------------------------------------------------|--------------------|------------------|------------------|------------------|------------------|----------------------------|
|                                                          | Budget             |                  | Actual           | Budget           |                  | Variance                   |
|                                                          | Original           | Final            |                  | Original         | Final            | Positive<br>(Negative)     |
| <b>REVENUES</b>                                          |                    |                  |                  |                  |                  |                            |
| Taxes                                                    | 1,040,000          | 987,500          | 914,403          | 1,340,201        | 1,287,701        | 1,134,240 (153,461)        |
| Charges for services                                     |                    |                  |                  | 1,000,974        | 1,001,000        | 1,502,219 501,219          |
| Grants                                                   |                    |                  |                  |                  | 170,000          | 21,100 (148,900)           |
| Interest                                                 | 36,000             | 11,000           | 5,760            | 38,000           | 12,150           | 6,646 (5,504)              |
| Miscellaneous                                            |                    |                  |                  | 30,000           | 35,102           | 24,990 (10,112)            |
| Total revenues                                           | <u>1,076,000</u>   | <u>998,500</u>   | <u>920,163</u>   | <u>2,409,175</u> | <u>2,505,953</u> | <u>2,689,195 183,242</u>   |
| <b>EXPENDITURES</b>                                      |                    |                  |                  |                  |                  |                            |
| Ambulance                                                |                    |                  |                  | 1,280,162        | 1,516,095        | 1,925,749 (409,654)        |
| Park                                                     |                    |                  |                  | 415,183          | 419,923          | 404,239 15,684             |
| Capital outlay                                           |                    |                  |                  | 51,400           | 510,747          | 325,922 184,825            |
| Total expenditures                                       |                    |                  |                  | <u>1,746,745</u> | <u>2,446,765</u> | <u>2,655,910 (209,145)</u> |
| <b>EXCESS OF REVENUES OVER (UNDER)</b>                   | <u>1,076,000</u>   | <u>998,500</u>   | <u>920,163</u>   | <u>662,430</u>   | <u>59,188</u>    | <u>33,285 (25,903)</u>     |
| <b>EXPENDITURES</b>                                      |                    |                  |                  |                  |                  |                            |
| <b>OTHER FINANCING SOURCES (USES)</b>                    |                    |                  |                  |                  |                  |                            |
| Transfers in                                             |                    |                  |                  | 315,625          | 821,949          | 341,785 (480,164)          |
| Transfers out                                            | (1,076,000)        | (998,500)        | (277,799)        | (1,076,000)      | (998,500)        | (327,814) 670,686          |
| Total other financing sources (uses)                     | <u>(1,076,000)</u> | <u>(998,500)</u> | <u>(277,799)</u> | <u>(760,375)</u> | <u>(176,551)</u> | <u>13,971 190,522</u>      |
| <b>NET CHANGE IN FUND BALANCES</b>                       |                    |                  | 642,364          | <u>(97,945)</u>  | <u>(117,363)</u> | <u>47,256 164,619</u>      |
| <b>FUND BALANCE, beginning of the year</b>               |                    |                  | <u>692,937</u>   |                  |                  | <u>1,399,887</u>           |
| <b>FUND BALANCE (DEFICIT), end of year, budget basis</b> |                    |                  | 1,335,301        |                  |                  | 1,447,143                  |
| Accrual adjustments                                      |                    |                  | <u>33,635</u>    |                  |                  | <u>(349,414)</u>           |
| <b>FUND BALANCE (DEFICIT), end of year, fund basis</b>   |                    |                  | <u>1,368,936</u> |                  |                  | <u>1,097,729</u>           |

CITY OF HARRISONVILLE, MISSOURI  
DEBT SERVICE FUND  
BUDGETARY COMPARISON SCHEDULE (UNAUDITED)  
YEAR ENDED DECEMBER 31, 2009

|                                                 | Budget            |                   |                   | Variance               |
|-------------------------------------------------|-------------------|-------------------|-------------------|------------------------|
|                                                 | Original          | Final             | Actual            | Positive<br>(Negative) |
| REVENUES                                        | <u>- 0 -</u>      | <u>- 0 -</u>      | <u>- 0 -</u>      | <u>      </u>          |
| EXPENDITURES                                    |                   |                   |                   |                        |
| Debt Service                                    |                   |                   |                   |                        |
| Principal                                       | 600,000           | 600,000           | 600,000           |                        |
| Interest                                        | <u>465,485</u>    | <u>465,485</u>    | <u>465,485</u>    | <u>      </u>          |
| Total expenditures                              | <u>1,065,485</u>  | <u>1,065,485</u>  | <u>1,065,485</u>  | <u>      </u>          |
| EXCESS OF REVENUES OVER<br>(UNDER) EXPENDITURES | (1,065,485)       | (1,065,485)       | (1,065,485)       |                        |
| OTHER FINANCING SOURCES (USES)                  |                   |                   |                   |                        |
| Transfers in                                    | <u>1,065,485</u>  | <u>1,065,485</u>  | <u>1,070,485</u>  | <u>5,000</u>           |
| NET CHANGE IN FUND BALANCES                     | <u>          </u> | <u>          </u> | 5,000             | <u>5,000</u>           |
| FUND BALANCE, beginning of year                 |                   |                   | <u>(5,000)</u>    |                        |
| FUND BALANCE, end of year, budget basis         |                   |                   |                   |                        |
| Accrual adjustments                             |                   |                   | <u>- 0 -</u>      |                        |
| FUND BALANCE, end of year, fund basis           |                   |                   | <u>          </u> |                        |

CITY OF HARRISONVILLE, MISSOURI  
ALL PROPRIETARY FUNDS  
BUDGETARY COMPARISON SCHEDULE (UNAUDITED)  
YEAR ENDED DECEMBER 31, 2009

|                                             | Electric Fund      |                   |                                     | Water/Sewer Fund   |                   |                                     | Aquatic Center Fund |                 |                                     |
|---------------------------------------------|--------------------|-------------------|-------------------------------------|--------------------|-------------------|-------------------------------------|---------------------|-----------------|-------------------------------------|
|                                             | Budget<br>Original | Budget<br>Final   | Actual<br>Over<br>(Under)<br>Budget | Budget<br>Original | Budget<br>Final   | Actual<br>Over<br>(Under)<br>Budget | Budget<br>Original  | Budget<br>Final | Actual<br>Over<br>(Under)<br>Budget |
| REVENUES                                    |                    |                   |                                     |                    |                   |                                     |                     |                 |                                     |
| Charges for services                        | 12,784,387         | 11,953,500        | 11,267,019                          | 5,147,029          | 5,114,675         | 4,977,741                           | 139,635             | 133,100         | 125,189                             |
| Grants                                      |                    |                   |                                     |                    | 7,300,000         | (7,300,000)                         |                     |                 | (7,911)                             |
| Total revenues                              | <u>12,784,387</u>  | <u>11,953,500</u> | <u>11,267,019</u>                   | <u>5,147,029</u>   | <u>12,414,675</u> | <u>4,977,741</u>                    | <u>139,635</u>      | <u>133,100</u>  | <u>125,189</u>                      |
| EXPENSES                                    |                    |                   |                                     |                    |                   |                                     |                     |                 |                                     |
| Production                                  |                    |                   |                                     | 1,610,305          | 1,576,210         | 1,391,341                           |                     |                 | 184,869                             |
| Distribution                                | 8,550,914          | 7,850,914         | 7,968,751                           | 429,802            | 429,585           | 391,382                             |                     |                 | 38,203                              |
| Administration                              | 2,783,087          | 2,704,087         | 2,495,726                           | 1,304,091          | 1,311,335         | 1,282,705                           | 180,410             | 178,510         | 165,726                             |
| Capital outlay                              | 891,350            | 1,593,850         | 263,747                             | 1,584,006          | 8,589,263         | 1,493,445                           |                     |                 | 7,095,818                           |
| Total expenses                              | <u>12,225,351</u>  | <u>12,148,851</u> | <u>10,728,224</u>                   | <u>4,928,204</u>   | <u>11,906,393</u> | <u>4,558,873</u>                    | <u>180,410</u>      | <u>178,510</u>  | <u>12,784</u>                       |
| INCOME (LOSS) FROM OPERATIONS               | <u>559,036</u>     | <u>(195,351)</u>  | <u>538,795</u>                      | <u>218,825</u>     | <u>508,282</u>    | <u>418,868</u>                      | <u>(40,775)</u>     | <u>(45,410)</u> | <u>4,873</u>                        |
| OTHER INCOME (EXPENSE)                      |                    |                   |                                     |                    |                   |                                     |                     |                 |                                     |
| Interest income                             |                    | 20,000            | 14,803                              | 80,000             | 33,500            | 275,119                             |                     |                 |                                     |
| Bond principal payment                      | (165,000)          | (165,000)         | (165,000)                           | (545,000)          | (545,000)         | (545,000)                           | 14,000              | 5,350           | 4,087                               |
| Interest expense                            | (105,203)          | (105,203)         | (103,146)                           | (339,651)          | (333,243)         | (383,317)                           |                     |                 |                                     |
| Total other income (expense)                | <u>(200,203)</u>   | <u>(250,203)</u>  | <u>(253,343)</u>                    | <u>(804,651)</u>   | <u>(844,743)</u>  | <u>(653,198)</u>                    | <u>14,000</u>       | <u>5,350</u>    | <u>(1,263)</u>                      |
| REVENUES OVER (UNDER) EXPENSES              | <u>358,833</u>     | <u>(445,554)</u>  | <u>285,452</u>                      | <u>(585,826)</u>   | <u>(336,461)</u>  | <u>(234,330)</u>                    | <u>(26,775)</u>     | <u>(40,060)</u> | <u>3,610</u>                        |
| NET ASSETS, January 1, 2009                 |                    |                   | <u>5,832,828</u>                    |                    |                   | <u>15,800,607</u>                   |                     |                 | <u>1,529,800</u>                    |
| NET ASSETS, December 31, 2009, budget basis |                    |                   | 6,118,280                           |                    |                   | 15,566,277                          |                     |                 | 1,493,350                           |
| Accrual adjustments                         |                    |                   | <u>263,962</u>                      |                    |                   | <u>1,344,209</u>                    |                     |                 | <u>(87,008)</u>                     |
| NET ASSETS, December 31, 2009,              |                    |                   | <u>6,382,242</u>                    |                    |                   | <u>16,910,486</u>                   |                     |                 | <u>1,406,342</u>                    |

CITY OF HARRISONVILLE, MISSOURI  
ALL PROPRIETARY FUNDS  
BUDGETARY COMPARISON SCHEDULE (UNAUDITED)  
YEAR ENDED DECEMBER 31, 2009

|                                                | Refuse Fund        |                 |                | Actual<br>Over<br>(Under)<br>Budget | Total              |                    |                                     |
|------------------------------------------------|--------------------|-----------------|----------------|-------------------------------------|--------------------|--------------------|-------------------------------------|
|                                                | Budget<br>Original | Budget<br>Final | Actual         |                                     | Budget<br>Original | Budget<br>Final    | Actual<br>Over<br>(Under)<br>Budget |
| REVENUES                                       |                    |                 |                |                                     |                    |                    |                                     |
| Charges for services                           | 419,823            | 419,823         | 418,471        | (1,352)                             | 18,490,874         | 17,621,098         | 16,788,420                          |
| Grants                                         |                    |                 |                |                                     |                    | 7,300,000          | (7,300,000)                         |
| Total revenues                                 | <u>419,823</u>     | <u>419,823</u>  | <u>418,471</u> | <u>(1,352)</u>                      | <u>18,490,874</u>  | <u>24,921,098</u>  | <u>16,788,420</u>                   |
| EXPENSES                                       |                    |                 |                |                                     |                    |                    |                                     |
| Production                                     |                    |                 |                |                                     | 1,610,305          | 1,576,210          | 1,391,341                           |
| Distribution                                   |                    |                 |                |                                     | 8,980,716          | 8,280,499          | 8,360,133                           |
| Administration                                 | 419,823            | 419,823         | 416,592        | 3,231                               | 4,687,411          | 4,613,755          | 4,360,749                           |
| Capital outlay                                 |                    |                 |                |                                     | 2,475,356          | 10,183,113         | 1,757,192                           |
| Total expenses                                 | <u>419,823</u>     | <u>419,823</u>  | <u>416,592</u> | <u>3,231</u>                        | <u>17,753,788</u>  | <u>24,653,577</u>  | <u>15,869,415</u>                   |
| INCOME (LOSS) FROM<br>OPERATIONS               |                    |                 | <u>1,879</u>   | <u>1,879</u>                        | <u>737,086</u>     | <u>267,521</u>     | <u>919,005</u>                      |
| OTHER INCOME (EXPENSE)                         |                    |                 |                |                                     |                    |                    |                                     |
| Interest income                                | 900                | 100             | 41             | (59)                                | 164,900            | 58,950             | 294,050                             |
| Bond principal payment                         |                    |                 |                |                                     | (710,000)          | (710,000)          | (710,000)                           |
| Interest expense                               |                    |                 |                |                                     | (444,854)          | (438,446)          | (486,463)                           |
| Total other income (expense)                   | <u>900</u>         | <u>100</u>      | <u>41</u>      | <u>(59)</u>                         | <u>(989,954)</u>   | <u>(1,089,496)</u> | <u>(902,413)</u>                    |
| REVENUES OVER (UNDER)<br>(EXPENSES)            | <u>900</u>         | <u>100</u>      | <u>1,920</u>   | <u>1,820</u>                        | <u>(252,868)</u>   | <u>(821,975)</u>   | <u>16,592</u>                       |
| NET ASSETS, January 1, 2009                    |                    |                 | <u>92,153</u>  |                                     |                    |                    | <u>23,255,388</u>                   |
| NET ASSETS, December 31, 2009,<br>budget basis |                    |                 | <u>94,073</u>  |                                     |                    |                    | <u>23,271,980</u>                   |
| Accrual adjustments                            |                    |                 | <u>6,108</u>   |                                     |                    |                    | <u>1,527,271</u>                    |
| NET ASSETS, December 31, 2009,                 |                    |                 | <u>100,181</u> |                                     |                    |                    | <u>24,799,251</u>                   |

STATISTICAL SECTION  
(Unaudited)

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

| <u>Contents</u>                                                                                                                                                                                                                             | <u>Page</u> |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|
| 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.                                                                     | 67 - 72     |
| 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.                                                                        | 72 - 78     |
| 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.                            | 79 - 81     |
| 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.                                    | 82 - 84     |
| 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. | 85 - 86     |

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 fiscal 2003 schedules presenting government-wide information beginning in that year.

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.

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

|                                                    | Fiscal Year       |                   |                   |                   |                   |                   |                   |
|----------------------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|                                                    | 2003              | 2004              | 2005              | 2006              | 2007              | 2008              | 2009              |
| 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        |
| Restricted                                         |                   | 4,604,770         | 9,074,255         | 2,163,749         | 2,914,819         | 2,959,767         | 2,180,313         |
| Unrestricted                                       | 7,453,120         | 3,560,840         | 8,433,882         | 2,713,047         | 1,268,017         | 1,823,309         | 1,557,045         |
| 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> |
| 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        |
| Restricted                                         | 7,827,300         | 4,472,772         | 5,062,744         | 2,106,963         | 1,947,727         | 2,131,131         | 2,044,493         |
| Unrestricted                                       | 2,560,926         | 1,872,470         | 1,462,099         | 3,436,005         | 4,757,742         | 5,467,973         | 5,513,489         |
| 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> |
| 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        |
| Restricted                                         | 7,827,300         | 9,077,542         | 14,136,999        | 4,270,712         | 4,862,546         | 5,090,898         | 4,224,806         |
| Unrestricted                                       | 10,014,046        | 5,433,310         | 9,895,981         | 6,149,052         | 6,025,759         | 7,291,282         | 7,070,534         |
| 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> |

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

|                                                | Fiscal Year       |                   |                   |                   |                   |                   |                   |
|------------------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|                                                | 2003              | 2004              | 2005              | 2006              | 2007              | 2008              | 2009              |
| <b>EXPENSES</b>                                |                   |                   |                   |                   |                   |                   |                   |
| Governmental activities                        |                   |                   |                   |                   |                   |                   |                   |
| General Government                             | 1,239,192         | 1,367,852         | 1,493,889         | 1,603,302         | 1,710,746         | 1,774,334         | 1,794,612         |
| Administration of Justice                      | 2,023,094         | 2,069,482         | 2,107,865         | 2,285,891         | 2,461,933         | 2,816,808         | 2,592,948         |
| 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         |
| Economic Development                           | 127,729           | 175,428           | 146,492           | 219,247           | 177,994           | 201,947           | 155,637           |
| Animal Control                                 | 124,290           | 123,536           | 126,134           | 125,710           | 151,092           | 156,545           | 143,313           |
| Airport                                        | 265,250           | 286,368           | 317,388           | 304,269           | 325,579           | 391,387           | 347,264           |
| Ambulance                                      | 1,009,100         | 1,212,598         | 1,111,446         | 1,727,803         | 950,069           | 945,798           | 2,017,191         |
| Park                                           | 461,456           | 448,005           | 384,071           | 412,841           | 452,080           | 466,886           | 470,549           |
| Community Center                               |                   | 56,253            | 1,008,296         | 1,271,835         | 1,289,607         | 1,277,944         | 1,413,738         |
| Towne Center Project                           |                   |                   |                   | 5,990,284         | 1,074,469         | 5,678             | 15,923            |
| Interest on long-term debt                     | 183,775           | 30,375            | 515,560           | 529,657           | 1,169,186         | 919,217           | 902,258           |
| 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> |
| 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        |
| Water and Sewer                                | 2,870,247         | 3,302,385         | 3,380,979         | 3,673,566         | 3,908,279         | 4,245,705         | 4,031,290         |
| Aquatic Center                                 | 260,106           | 244,723           | 212,027           | 205,686           | 204,045           | 233,572           | 252,734           |
| Refuse                                         | 367,971           | 395,955           | 468,035           | 381,763           | 388,345           | 367,444           | 416,592           |
| 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> |
| 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> |
| <b>PROGRAM REVENUES</b>                        |                   |                   |                   |                   |                   |                   |                   |
| Governmental activities                        |                   |                   |                   |                   |                   |                   |                   |
| Charges for services                           |                   |                   |                   |                   |                   |                   |                   |
| General Government                             | 1,563,715         | 1,693,836         | 1,683,963         | 1,849,033         | 1,922,835         | 2,269,442         | 1,943,791         |
| Administration of Justice                      | 317,111           | 264,794           | 266,771           | 259,829           | 253,109           | 248,580           | 235,958           |
| Ambulance                                      | 897,502           | 972,945           | 809,767           | 823,444           | 874,553           | 981,217           | 1,104,773         |
| Park                                           | 40,783            | 38,973            | 11,570            | 13,192            | 28,503            | 25,313            | 23,276            |
| Community Center                               |                   |                   | 639,621           | 822,254           | 807,219           | 750,617           | 784,011           |
| Operating grants and contributions             | 86,770            | 111,019           | 548,062           | 250,797           | 632,643           | 184,774           | 36,610            |
| 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>  |
| Business-type activities                       |                   |                   |                   |                   |                   |                   |                   |
| Charges for services                           | 7,053,349         | 7,434,758         | 9,236,930         | 11,278,076        | 12,185,598        | 11,712,338        | 11,355,377        |
| Electric                                       | 3,584,958         | 3,627,557         | 3,823,889         | 4,277,089         | 4,503,439         | 4,651,353         | 4,866,050         |
| Water and Sewer                                |                   |                   |                   |                   |                   |                   |                   |

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

|                                                 | Fiscal Year        |                    |                    |                     |                    |                    |                    |
|-------------------------------------------------|--------------------|--------------------|--------------------|---------------------|--------------------|--------------------|--------------------|
|                                                 | 2003               | 2004               | 2005               | 2006                | 2007               | 2008               | 2009               |
| <b>PROGRAM REVENUES</b>                         |                    |                    |                    |                     |                    |                    |                    |
| Business-type activities (Continued)            |                    |                    |                    |                     |                    |                    |                    |
| Charges for services (Continued)                |                    |                    |                    |                     |                    |                    |                    |
| Aquatic Center                                  | 182,536            | 138,370            | 127,512            | 141,807             | 135,088            | 133,344            | 125,189            |
| Refuse                                          | 377,066            | 433,625            | 414,649            | 386,359             | 398,383            | 399,814            | 424,579            |
| 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>  |
| 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>  |
| <b>NET (EXPENSE) REVENUE</b>                    |                    |                    |                    |                     |                    |                    |                    |
| Governmental activities                         | (3,839,814)        | (3,916,381)        | (4,535,985)        | (12,212,394)        | (6,923,990)        | (6,242,920)        | (7,351,369)        |
| Business-type activities                        | 684,862            | (229,580)          | 142,312            | 1,329,245           | 1,401,000          | 878,463            | 1,249,813          |
| 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> |
| <b>GENERAL REVENUES AND OTHER</b>               |                    |                    |                    |                     |                    |                    |                    |
| <b>CHANGES IN NET ASSETS</b>                    |                    |                    |                    |                     |                    |                    |                    |
| Governmental activities                         |                    |                    |                    |                     |                    |                    |                    |
| Taxes                                           | 5,011,887          | 5,051,726          | 5,629,641          |                     |                    |                    |                    |
| Property taxes                                  |                    |                    | 745,358            |                     | 867,421            | 906,279            | 864,193            |
| Sales taxes                                     |                    |                    | 3,234,247          |                     | 3,523,837          | 3,605,629          | 3,388,455          |
| Franchise taxes                                 |                    |                    | 1,360,063          |                     | 1,485,734          | 1,969,979          | 1,657,903          |
| Other taxes                                     |                    |                    | 153,767            |                     | 161,988            | 152,724            | 215,065            |
| Unrestricted investment earnings                | 123,496            | 162,454            | 304,196            | 630,951             | 649,256            | 313,661            | 118,459            |
| Miscellaneous                                   | 479,440            | 605,554            | 361,347            | 308,063             | 260,722            | 196,470            | 458,050            |
| Transfers                                       | (9,148)            | (30,323)           |                    |                     |                    |                    |                    |
| 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>   |
| Business-type activities                        |                    |                    |                    |                     |                    |                    |                    |
| Unrestricted investment earnings                | 278,297            | 293,695            | 260,171            | 363,335             | 456,808            | 374,907            | 294,050            |
| Miscellaneous                                   |                    |                    | (3,752)            |                     |                    |                    |                    |
| Transfers                                       | 9,148              | 30,323             |                    |                     |                    |                    |                    |
| 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>     |
| 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>   |
| <b>CHANGE IN NET ASSETS</b>                     |                    |                    |                    |                     |                    |                    |                    |
| Governmental activities                         | 1,765,861          | 1,873,030          | 1,759,199          | (5,779,945)         | 24,968             | 901,822            | (649,244)          |
| Business-type activities                        | 972,307            | 94,438             | 398,731            | 1,692,580           | 1,857,808          | 1,253,370          | 1,543,863          |
| 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>     |

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

|                                    | 2003              | 2004             | 2005              | 2006             | 2007             | 2008             | 2009             |
|------------------------------------|-------------------|------------------|-------------------|------------------|------------------|------------------|------------------|
| GENERAL FUND                       |                   |                  |                   |                  |                  |                  |                  |
| Reserved                           | 96,031            | 96,836           | 98,729            | 145,388          | 120,742          | 134,148          | 122,118          |
| Unreserved                         | 4,460,635         | 5,354,289        | 5,907,713         | 6,889,715        | 7,585,851        | 8,203,393        | 8,179,575        |
| 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> |
| ALL OTHER GOVERNMENTAL FUNDS       |                   |                  |                   |                  |                  |                  |                  |
| Reserved                           | 13,021,963        | 4,488,718        | 8,975,526         | 3,145,133        | 1,150,442        | 1,020,234        | 1,081,070        |
| 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> |
| 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> |

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

|                            | 2003             | 2004             | 2005              | 2006              | 2007              | 2008              | 2009              |
|----------------------------|------------------|------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| <b>REVENUES</b>            |                  |                  |                   |                   |                   |                   |                   |
| Taxes                      | 5,150,857        | 5,218,302        | 5,655,312         |                   |                   |                   |                   |
| Property                   |                  |                  |                   | 838,427           | 848,607           | 911,262           | 874,222           |
| Sales                      |                  |                  |                   | 3,234,247         | 3,523,837         | 3,605,629         | 3,388,455         |
| Franchise                  |                  |                  |                   | 1,360,063         | 1,485,734         | 1,969,979         | 1,657,903         |
| Other                      |                  |                  |                   | 153,767           | 156,076           | 152,724           | 215,065           |
| Licenses, fees and permits | 175,018          | 218,957          | 168,712           | 177,356           | 225,187           | 411,668           | 140,049           |
| Fines and forfeitures      | 317,111          | 264,794          | 266,771           | 259,829           | 253,109           | 248,580           | 235,958           |
| Charges for services       | 2,326,982        | 2,486,797        | 2,976,209         | 3,330,567         | 3,407,923         | 3,614,921         | 3,715,802         |
| Grants                     | 86,770           | 111,019          | 548,062           | 250,797           | 632,643           | 184,774           | 36,610            |
| Investment earnings        | 123,496          | 162,454          | 304,196           | 630,951           | 649,256           | 313,661           | 118,459           |
| Miscellaneous              | 479,440          | 300,271          | 361,347           | 308,063           | 260,722           | 196,470           | 458,050           |
| 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> |

|                           |                  |                   |                   |                   |                   |                   |                   |
|---------------------------|------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| <b>EXPENDITURES</b>       |                  |                   |                   |                   |                   |                   |                   |
| General Government        | 1,162,419        | 1,272,272         | 1,397,997         | 1,431,657         | 1,615,486         | 1,675,957         | 1,705,939         |
| Administration of Justice | 1,920,966        | 1,963,411         | 2,009,591         | 2,089,362         | 2,374,198         | 2,720,316         | 2,481,177         |
| 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           |
| Economic Development      | 124,763          | 174,691           | 140,205           | 202,192           | 161,770           | 186,738           | 140,428           |
| Animal Control            | 122,572          | 120,403           | 123,001           | 114,109           | 145,331           | 149,789           | 136,557           |
| Airport                   | 157,181          | 219,711           | 220,636           | 209,147           | 222,207           | 275,850           | 232,654           |
| Ambulance                 | 945,909          | 1,112,618         | 1,022,975         | 1,631,773         | 865,527           | 859,740           | 1,914,395         |
| Park                      | 389,963          | 373,674           | 308,696           | 318,377           | 378,458           | 396,746           | 395,146           |
| Community Center          |                  | 56,253            | 840,759           | 965,729           | 994,485           | 979,138           | 1,112,725         |
| Towne Center Project      |                  |                   | 34,300            | 5,955,984         | 1,248,099         | 5,678             | 15,923            |
| Capital outlay            | 1,463,657        | 8,864,084         | 4,003,841         | 589,934           | 1,254,285         | 849,141           | 1,142,304         |
| Debt service              |                  |                   |                   |                   |                   |                   |                   |
| Principal                 | 49,983           | 450,000           | 500,000           | 525,000           | 7,410,000         | 575,000           | 780,000           |
| Interest and fiscal fees  | 183,775          | 534,407           | 515,560           | 508,060           | 1,165,574         | 879,454           | 862,495           |
| 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> |

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

|                                                            | 2003              | 2004               | 2005               | 2006               | 2007               | 2008           | 2009               |
|------------------------------------------------------------|-------------------|--------------------|--------------------|--------------------|--------------------|----------------|--------------------|
| 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> |
| OTHER FINANCING SOURCES<br>(USES)                          |                   | 444,783            |                    |                    |                    |                |                    |
| Proceeds from sale of assets                               | 12,835,000        |                    | 6,886,342          |                    | 8,435,895          |                |                    |
| Debt proceeds                                              | 973,095           | 1,642,286          | 1,170,714          | 1,236,060          | 1,307,535          | 1,343,412      | 1,425,335          |
| Transfers in                                               | (982,243)         | (1,672,609)        | (1,170,714)        | (1,236,060)        | (1,307,535)        | (1,343,412)    | (1,425,335)        |
| Transfers out                                              |                   |                    |                    |                    |                    |                |                    |
| 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>   |                |                    |
| NET CHANGES IN FUND BALANCES                               | 13,839,371        | (6,981,040)        | 5,007,177          | (5,385,103)        | 689,029            | 652,935        | (1,370,785)        |
| DEBT SERVICE AS A PERCENTAGE<br>OF NONCAPITAL EXPENDITURES | 3.8%              | 13.5%              | 8.4%               | 6.7%               | 47.8%              | 14.4%          | 14.8%              |

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

| <u>Fiscal Year<br/>Ended<br/>December 31,</u> | <u>Real<br/>Property</u> | <u>Personal<br/>Property</u> | <u>Total Taxable<br/>Assessed<br/>Value</u> | <u>Total Direct<br/>Tax Rate</u> |
|-----------------------------------------------|--------------------------|------------------------------|---------------------------------------------|----------------------------------|
| 2000                                          | 66,752,538               | 23,671,133                   | 90,423,671                                  | 0.77                             |
| 2001                                          | 74,251,884               | 22,603,806                   | 96,855,690                                  | 0.75                             |
| 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                             |

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

| Fiscal Year<br>Ended<br>December 31, | City Direct Rates |           |        |              | Overlapping Rates |       |       | Total<br>Direct and<br>Overlapping |                               |
|--------------------------------------|-------------------|-----------|--------|--------------|-------------------|-------|-------|------------------------------------|-------------------------------|
|                                      | General<br>Fund   | Ambulance |        | Park<br>Fund | Total<br>Direct   | State | Other |                                    | Total<br>Overlapping<br>Rates |
|                                      |                   | Fund      | Fund   |              |                   |       |       |                                    |                               |
| 2003                                 | 0.5129            | 0.1161    | 0.1161 | 0.7451       | 0.03              | 5.66  | 5.69  | 6.44                               |                               |
| 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                               |                               |

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 SEVEN YEARS AGO

| Taxpayer                           | 2009                         |      |                                                  | 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                    | 8,269,790                    | 1    | 6.96                                             | 4,808,819                    | 1    | 4.50                                             |
| Wal-Mart                           | 3,627,990                    | 2    | 3.05                                             | 3,253,980                    | 2    | 3.04                                             |
| Sutherlands Lumber Co.             | 1,384,690                    | 3    | 1.17                                             |                              |      |                                                  |
| Mill-Walk Mall                     | 1,373,200                    | 4    | 1.16                                             | 1,447,390                    | 3    | 1.35                                             |
| APTUIT (Kansas City), LLC          | 1,076,610                    | 5    | 0.91                                             |                              |      |                                                  |
| Universal Forest Products          | 1,028,280                    | 6    | 0.87                                             | 923,815                      | 6    | 0.86                                             |
| Harrisonville Crossings Properties | 986,850                      | 7    | 0.83                                             |                              |      |                                                  |
| AHG, Inc.                          | 839,990                      | 8    | 0.71                                             | 1,084,810                    | 5    | 1.01                                             |
| Thunderbird Investors-YARCO        | 646,950                      | 9    | 0.54                                             |                              |      |                                                  |
| Crown Properties, LC               | 624,790                      | 10   | 0.53                                             | 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>19,859,140</u>            |      | <u>16.72</u>                                     | <u>15,122,639</u>            |      | <u>14.15</u>                                     |

Data provided by the Cass County Collector

CITY OF HARRISONVILLE, MISSOURI  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST SEVEN 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        | 806,621                 | 102.13                    | 16,587                     | 823,208               | 104.23                                           | 33,796                       | 4.28                                                    |

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 SEVEN FISCAL YEARS

| <u>Fiscal<br/>Year</u> | <u>City<br/>Rate</u> | <u>Cass<br/>County</u> | <u>State</u> | <u>Total</u> |
|------------------------|----------------------|------------------------|--------------|--------------|
| 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        |

Source: Missouri Department of Revenue

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

|                    | 2003           | 2004           | 2005           | 2006           | 2007           | 2008           | 2009           |
|--------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| 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> |

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 SEVEN 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 | Capital<br>Lease<br>Payable | Revenue<br>Bonds            |  |                                |                                     |               |
| 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         |

CITY OF HARRISONVILLE, MISSOURI  
COMPUTATION OF LEGAL DEBT MARGIN  
DECEMBER 31, 2009  
(UNAUDITED)

|                                              | General<br>Obligation Bonds |                             | Total              |
|----------------------------------------------|-----------------------------|-----------------------------|--------------------|
|                                              | Ordinary<br>(1)             | Additional<br>(2)           |                    |
| Assessed valuation                           | <u>118,789,218</u>          | <u>                    </u> | <u>118,789,218</u> |
| Constitutional debt limit                    | 11,878,922                  | 11,878,922                  | 23,757,844         |
| Less general obligation bonds payable        | <u>11,878,922</u>           | <u>11,878,922</u>           | <u>23,757,844</u>  |
| Cash and securities available for retirement | <u>11,878,922</u>           | <u>11,878,922</u>           | <u>23,757,844</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, 2009

| <u>Taxing Jurisdiction</u>                                                                                       | <u>Gross Debt<br/>Less<br/>Sinking Fund (1)</u> | <u>Approximate<br/>Percentage<br/>Applicable to<br/>Harrisonville (1)</u> | <u>Approximate<br/>Amount<br/>Applicable to<br/>Harrisonville (1)</u> |
|------------------------------------------------------------------------------------------------------------------|-------------------------------------------------|---------------------------------------------------------------------------|-----------------------------------------------------------------------|
| School Districts, Cass R-IX                                                                                      | 28,035,000                                      | 64%                                                                       | 17,942,400                                                            |
| Direct debt obligations of the City of<br>Harrisonville (general obligation bonds),<br>net of debt service funds | <u>                    </u>                     | 100%                                                                      | <u>                    </u>                                           |
| Total direct and estimated<br>overlapping debt                                                                   | <u>28,035,000</u>                               |                                                                           | <u>17,942,400</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

| <u>Fiscal<br/>Year</u> | <u>(1)<br/>Population</u> | <u>Personal<br/>Income</u> | <u>(2)<br/>Per Capita<br/>Personal<br/>Income</u> | <u>(3)<br/>School<br/>Enrollment</u> | <u>(2)<br/>Unemployment<br/>Rate</u> |
|------------------------|---------------------------|----------------------------|---------------------------------------------------|--------------------------------------|--------------------------------------|
| 2000                   | 8,946                     | 134,190,000                | 15,000                                            | 2,314                                | 2.60%                                |
| 2001                   | 8,946                     | 152,082,000                | 17,000                                            | 2,324                                | 3.30%                                |
| 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%                               |

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 TWO YEARS AGO

| <u>Employer</u>              | <u>2009</u>      |             | <u>2007</u>      |             |
|------------------------------|------------------|-------------|------------------|-------------|
|                              | <u>Employees</u> | <u>Rank</u> | <u>Employees</u> | <u>Rank</u> |
| Wal-Mart Distribution Center | 775              | 1           | 550              | 1           |
| Cass Medical Center          | 412              | 2           | 215              | 4           |
| Wal-Mart                     | 397              | 3           | 450              | 2           |
| Cass R-IX Schools            | 386              | 4           | 310              | 3           |
| Cass County Government       | 285              | 5           | 237              | 5           |
| Church & Dwight Co., Inc.    | 231              | 6           | 125              | 8           |
| City of Harrisonville        | 214              | 7           | 200              | 6           |
| Casco Area Workshop          | 200              | 8           | 200              | 7           |
| Crown Care Center            | 101              | 9           | 120              | 9           |
| Family Center                | 98               | 10          | 100              | 10          |

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 2000 | 286                                           | 5,757,421            | 116                  | 25,663,091          | 244,194                                                     | 90,423,671                        |
| 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                       |

- (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 FOUR FISCAL YEARS

| Function/Program                                        | Fiscal Year |           |           |           |
|---------------------------------------------------------|-------------|-----------|-----------|-----------|
|                                                         | 2006        | 2007      | 2008      | 2009      |
| Police                                                  |             |           |           |           |
| Patrol units                                            | 23          | 23        | 23        | 23        |
| Police stations                                         | 1           | 1         | 1         | 1         |
| Fire                                                    |             |           |           |           |
| Fire stations                                           | 1           | 1         | 1         | 1         |
| Fire hydrants                                           | 660         | 660       | 670       | 678       |
| Streets                                                 |             |           |           |           |
| Miles                                                   | 69          | 69        | 69        | 69        |
| Street lights                                           | 900         | 900       | 900       | 900       |
| Miles of storm sewers                                   | 9           | 9         | 9         | 9         |
| Parks                                                   |             |           |           |           |
| Parks                                                   | 6           | 6         | 6         | 6         |
| Acreage                                                 | 250         | 250       | 250       | 250       |
| Golf courses                                            | 2           | 2         | 2         | 2         |
| Swimming pools                                          | 2           | 2         | 2         | 2         |
| Tennis courts                                           | 4           | 4         | 4         | 4         |
| Community centers                                       | 7           | 7         | 7         | 7         |
| Sewer                                                   |             |           |           |           |
| Sanitary sewer (miles)                                  | 54          | 54.0      | 54.0      | 54.0      |
| Plant capacity (mgd)                                    | 1           | 1.3       | 1.5       | 1.5       |
| Treatment plants                                        | 1           | 1         | 1         | 1         |
| Service connections                                     | 4,079       | 4,094     | 4,102     | 4,084     |
| Maximum daily capacity<br>of treatment plant in gallons | 3,000,000   | 3,000,000 | 3,000,000 | 3,000,000 |
| Water                                                   |             |           |           |           |
| Miles of water mains                                    | 56          | 56        | 56        | 56        |
| Service connections                                     | 4,152       | 3,984     | 3,992     | 3,978     |
| Daily average consumption in gallons                    | 1,300,000   | 1,300,000 | 1,300,000 | 950,000   |

Source: City Department Heads

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

| Function/Program       | Fiscal Year |      |      |      |
|------------------------|-------------|------|------|------|
|                        | 2006        | 2007 | 2008 | 2009 |
| General Government     |             |      |      |      |
| Management             | 5           | 5    | 5    | 5    |
| Finance                | 7           | 7    | 8    | 7    |
| Codes                  | 4           | 4    | 4    | 4    |
| Community Development  | 2           | 2    | 1    | 2    |
| Police                 |             |      |      |      |
| Officers               | 20          | 20   | 20   | 21   |
| Civilians              | 6           | 6    | 5    | 6    |
| Animal control         | 2           | 2    | 1    | 2    |
| Court                  | 1           | 1    | 1    | 1    |
| Fire/EMS               |             |      |      |      |
| Firefighters           | 5           | 5    | 5    | 1    |
| Director/Paramedics    | 4           | 2    | 3    | 19   |
| Clerk                  | 1           | 1    | 1    | 1    |
| Public Works           |             |      |      |      |
| Engineering            | 1           | 1    | 1    | 1    |
| Streets                | 8           | 8    | 8    | 8    |
| Electric               | 9           | 9    | 9    | 9    |
| Water                  | 13          | 13   | 13   | 13   |
| Wastewater             | 4           | 5    | 5    | 4    |
| Airport                | 1           | 1    | 1    | 1    |
| Community Center/Parks | 10          | 9    | 11   | 11   |
| Total                  | 103         | 101  | 102  | 116  |

Source: Jan Harper, City of Harrisonville

CITY OF HARRISONVILLE, MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2009

| Federal Grantor/Pass-Through Grantor/<br>Program or Cluster Title                                                       | Federal<br>CFDA<br>Number | Federal<br>Expenditures |
|-------------------------------------------------------------------------------------------------------------------------|---------------------------|-------------------------|
| <u>Environmental Protection Agency</u>                                                                                  |                           |                         |
| Pass-Through Missouri Department of Natural Resources<br>Capitalization Grants for Clean Water State<br>Revolving Funds | 66.458                    | <u>558,398</u>          |
| <u>Department of Transportation</u>                                                                                     |                           |                         |
| Pass-Through Missouri Department of Transportation<br>State and Community Highway Safety                                | 20.600                    | 8,734                   |
| Alcohol Impaired Driving Countermeasures<br>Incentive Grants I                                                          | 20.601                    | 1,913                   |
| Alcohol Open Container Requirements                                                                                     | 20.607                    | <u>3,958</u>            |
|                                                                                                                         |                           | <u>14,605</u>           |
| Pass-Through University of Central Missouri<br>Alcohol Open Container Requirements                                      | 20.607                    | 379                     |
| Child Safety and Child Booster Seats<br>Incentive Grants                                                                | 20.613                    | <u>526</u>              |
|                                                                                                                         |                           | <u>905</u>              |
| Total Department of Transportation                                                                                      |                           | <u>15,510</u>           |
| TOTAL EXPENDITURES OF FEDERAL AWARDS                                                                                    |                           | <u>573,908</u>          |

CITY OF HARRISONVILLE, MISSOURI  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2009

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.

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.

Alcohol Open Container Requirements (20.607)

To encourage States to enact and enforce an alcohol open container law.

Child Safety and Child Booster Seats Incentive Grants (20.613)

To encourage States to enact and enforce a child restraint law that requires children up to 65 pounds and under 8 years of age to be properly secured in a child restraint, unless they are 4'9" tall.

CITY OF HARRISONVILLE, MISSOURI  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2009

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, 2009.

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 general-purpose financial statements of City of Harrisonville, Missouri as of and for the year ended December 31, 2009, and have issued our report thereon dated June 18, 2010. 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 (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more inconsequential will not be prevented or detected by the City's internal control. We consider the deficiency in internal control over financial reporting described in the accompanying schedule of findings and responses as items 2009-1 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control. We do not consider the deficiency described in the accompanying schedule of findings and responses to be a material weaknesses.

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

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  
June 18, 2010

DANA F. COLE & COMPANY, LLP  
CERTIFIED PUBLIC ACCOUNTANTS

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE  
TO EACH MAJOR PROGRAM AND 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 compliance of the City of Harrisonville, Missouri with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2009. 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 grant agreements applicable to each of its major federal programs is the responsibility of the City of Harrisonville, Missouri's administration. 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 contain 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 requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2009.

Internal Control Over Compliance

The management of the City of Harrisonville, Missouri is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Harrisonville, Missouri's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of

expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Harrisonville, Missouri 's internal control on compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses. 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  
June 18, 2010

CITY OF HARRISONVILLE, MISSOURI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2009

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 deficiency identified  
that is not considered to be a  
material weakness: ☐ 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  
State Revolving Funds 66.458

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, 2009

SECTION II. FINANCIAL STATEMENT FINDINGS

2009-1 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, 2009

SECTION III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

CITY OF HARRISONVILLE, MISSOURI  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED DECEMBER 31, 2009

None reported.