

Town of Harrisburg, North Carolina

Basic Financial Statements and Accompanying Information

For Fiscal Year Ended
June 30, 2012



Town Council Members

Timothy Hagler, Mayor
Rick Russo, Mayor Pro Tem
Chad Baucom
Jeff Phillips
Phil Cowherd
Brian Leopard
Steve Sciascia
David Issacs

Administrative and Financial Staff

Michael Rose, Town Administrator
Lee Connor, Finance Director

Town of Harrisburg, North Carolina

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Town of Harrisburg, North Carolina

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FINANCIAL SECTION

MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

"A Professional Association of Certified Public Accountants and Management Consultants"

INDEPENDENT AUDITORS' REPORT

To The Honorable Mayor and
Members of the Town Council
Town of Harrisburg, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund, of the Town of Harrisburg, North Carolina, as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these basic 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 basic 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 opinions.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and each major fund of the Town of Harrisburg, North Carolina, as of June 30, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 7, 2012, on our consideration of the Town of Harrisburg's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Town of Harrisburg, North Carolina basic financial statements as a whole. The combining and individual fund financial statements, budget and actual schedules and supplemental ad valorem tax schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements, budget and actual schedules, and supplemental ad valorem tax schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
September 7, 2012

Town of Harrisburg, North Carolina

Management's Discussion and Analysis

As management of the Town of Harrisburg (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2012. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

- The assets of the Town of Harrisburg exceeded its liabilities at the close of the fiscal year by \$23,043,521 (*net assets*). Of this amount, \$6,284,858 (*unrestricted net assets*) may be used to meet the Town's needs.
- The Town's total net assets increased by \$2,216,100, due to increases in both the governmental and business-type activities net assets.
- As of the close of the current fiscal year, the Town of Harrisburg's governmental funds reported combined ending fund balances of \$3,141,544, with a net change of \$1,326,739 in fund balance. Approximately 25 percent of this total amount, or \$775,238, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,366,306, or 36.06 percent, of total General Fund expenditures for the fiscal year.
- The Town of Harrisburg's total long-term outstanding liabilities increased by \$7,426,697 (235%) during the current fiscal year. The key factors in this change were a financed purchase of a significant water system and construction of two new water wells.

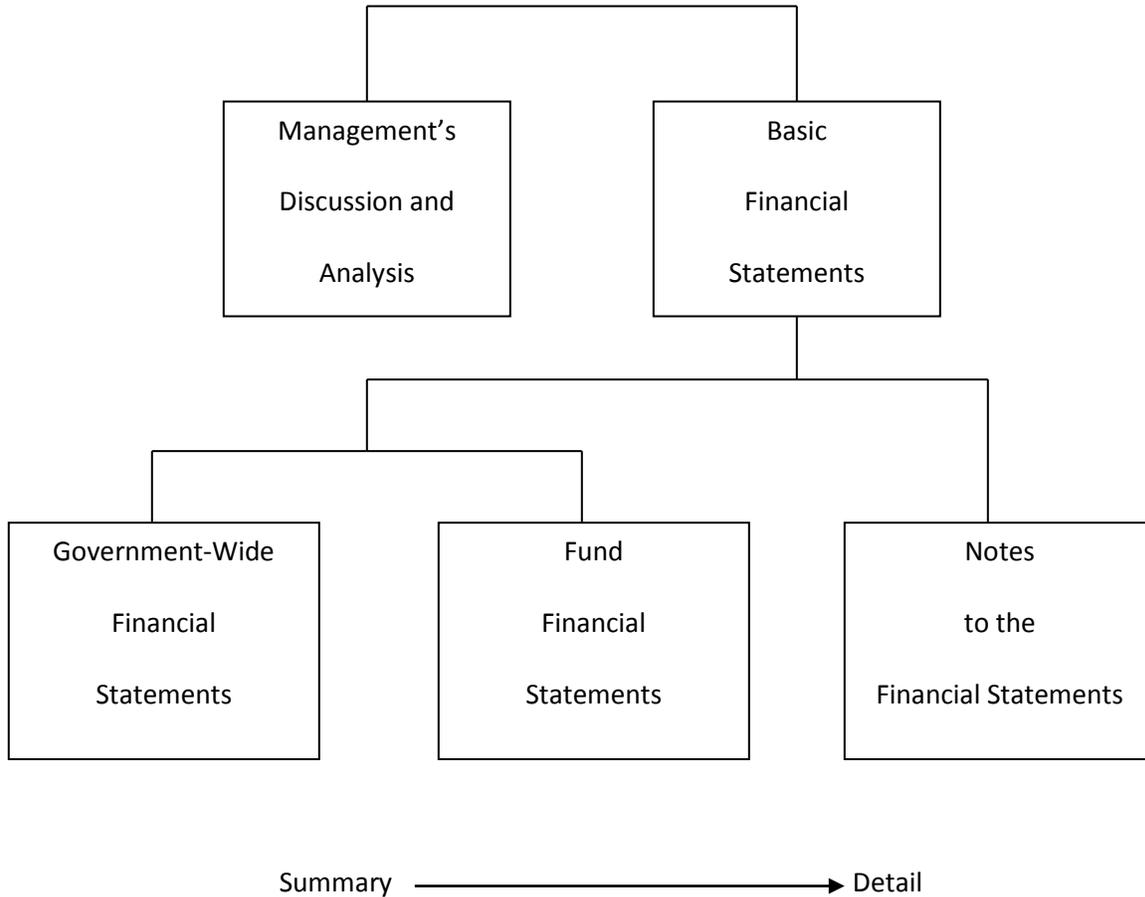
Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town of Harrisburg's basic financial statements. The Town's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the Town through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Town of Harrisburg.

Town of Harrisburg, North Carolina

Management's Discussion and Analysis (continued)

Required Components of Annual Financial Report
Figure 1



Basic Financial Statements

The first two statements (Exhibits A and B) in the basic financial statements are the **Government-Wide Financial Statements**. They provide both short and long-term information about the Town's financial status.

The next statements (Exhibits C through H) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the fund financial statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

The next section of the basic financial statements is the **Notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **Supplemental Information** is provided to show details about the Town's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Town of Harrisburg, North Carolina

Management's Discussion and Analysis (continued)

Government-Wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Town's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the Town's financial status as a whole.

The two government-wide statements report the Town's net assets and how they have changed. Net assets are the difference between the Town's total assets and total liabilities. Measuring net assets is one way to gauge the Town's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities and 2) business-type activities. The governmental activities include most of the Town's basic services, such as general government, planning and zoning, public safety, transportation, environmental protection, and cultural and recreational. Property taxes and State-collected local taxes and utility franchise taxes finance most of these activities. The business-type activities are those that the Town charges customers to provide. This includes the water and sewer services offered by the Town of Harrisburg.

The government-wide financial statements are on Exhibits A and B of this report.

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Harrisburg, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town of Harrisburg can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town of Harrisburg adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Town Council about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the Town Council; 2) the final budget as amended by the Town Council; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

Town of Harrisburg, North Carolina

Management's Discussion and Analysis (continued)

Fund Financial Statements (continued)

Proprietary Funds – The Town of Harrisburg has only one type of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Harrisburg uses enterprise funds to account for its water and sewer activity, along with its stormwater activity. These funds are the same as those functions shown in the business-type activities in the Statement of Net Assets and the Statement of Activities.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 23-45 of this report.

Government-Wide Financial Analysis

**The Town of Harrisburg's Net Assets
Figure 2**

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 4,021,527	\$ 2,591,986	\$ 4,172,227	\$ 3,310,615	\$ 8,193,754	\$ 5,902,601
Capital assets	<u>10,160,579</u>	<u>10,205,746</u>	<u>16,244,878</u>	<u>8,891,691</u>	<u>26,405,457</u>	<u>19,097,437</u>
Total assets	<u>14,182,106</u>	<u>12,797,732</u>	<u>20,417,105</u>	<u>12,202,306</u>	<u>34,599,211</u>	<u>25,000,038</u>
Long-term liabilities outstanding	2,432,512	2,572,968	8,162,527	595,374	10,595,039	3,168,342
Other liabilities	<u>591,544</u>	<u>491,372</u>	<u>369,107</u>	<u>512,903</u>	<u>960,651</u>	<u>1,004,275</u>
Total liabilities	<u>3,024,056</u>	<u>3,064,340</u>	<u>8,531,634</u>	<u>1,108,277</u>	<u>11,555,690</u>	<u>4,172,617</u>
Net assets:						
Invested in capital assets, net of related debt	7,951,025	7,772,753	8,139,014	8,338,163	16,090,039	16,110,916
Restricted	668,624	519,654	-	-	668,624	519,654
Unrestricted	<u>2,538,401</u>	<u>1,440,985</u>	<u>3,746,457</u>	<u>2,755,866</u>	<u>6,284,858</u>	<u>4,196,851</u>
Total net assets	<u>\$ 11,158,050</u>	<u>\$ 9,733,392</u>	<u>\$ 11,885,471</u>	<u>\$ 11,094,029</u>	<u>\$ 23,043,521</u>	<u>\$ 20,827,421</u>

As noted earlier, net assets may serve, over time, as one useful indicator of a government's financial condition. The assets of the Town of Harrisburg exceeded liabilities by \$23,043,521 as of June 30, 2012. The Town's net assets increased by \$2,216,100 for the fiscal year ended June 30, 2012. However, the largest portion (70%) reflects the Town's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The Town of Harrisburg uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Harrisburg's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town's net assets, \$668,624, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$6,284,858, may be used to meet the Town's ongoing obligations to citizens and creditors.

Town of Harrisburg, North Carolina

Management's Discussion and Analysis (continued)

Government-Wide Financial Analysis (continued)

Several particular aspects of the Town's financial operations positively influenced the total unrestricted governmental net assets:

- Continued diligence in the collection of property taxes by maintaining a current levy collection percentage of 96.78%, which is comparable to the statewide average of 97.42%.
- A continued increase was seen in athletics revenues of more than \$100,000.
- Water, sewer and stormwater operations generated additional revenue of more than \$250,000.
- Revenues based on population generated an additional \$300,000.

Town of Harrisburg Changes in Net Assets Figure 3

Program revenues:						
Charges for services	\$ 480,218	\$ 397,031	\$ 5,827,381	\$ 5,568,760	\$ 6,307,599	\$ 5,965,791
Operating grants and contributions	1,435,414	894,510	-	-	1,435,414	894,510
General revenues:						
Property taxes	4,220,600	3,514,737	-	-	4,220,600	3,514,737
Other taxes	11,558	7,391	-	-	11,558	7,391
Grants and contributions not restricted to specific programs	1,590,635	1,396,127	-	-	1,590,635	1,396,127
Other	406,005	413,385	33,510	26,117	439,515	439,502
Total revenues	8,144,430	6,623,181	5,860,891	5,594,877	14,005,321	12,218,058
Expenses:						
General government	1,115,810	1,189,530	-	-	1,115,810	1,189,530
Planning and zoning	157,334	159,957	-	-	157,334	159,957
Public safety	3,266,522	2,969,585	-	-	3,266,522	2,969,585
Transportation	244,997	230,723	-	-	244,997	230,723
Environmental protection	728,696	612,375	-	-	728,696	612,375
Cultural and recreational	1,106,970	982,813	-	-	1,106,970	982,813
Water and sewer	-	-	4,752,616	4,386,048	4,752,616	4,386,048
Stormwater	-	-	271,276	59,529	271,276	59,529
Interest	99,443	110,254	45,557	25,320	145,000	135,574
Total expenses	6,719,772	6,255,237	5,069,449	4,470,897	11,789,221	10,726,134
Increase in net assets	1,424,658	367,944	791,442	1,123,980	2,216,100	1,491,924
Net assets, beginning as reported	9,733,392	9,292,318	11,094,029	9,970,049	20,827,421	19,262,367
Prior period adjustment	-	73,130	-	-	-	73,130
Net assets, beginning as restated	9,733,392	9,365,448	11,094,029	9,970,049	20,827,421	19,335,497
Net assets, June 30	\$ 11,158,050	\$ 9,733,392	\$ 11,885,471	\$ 11,094,029	\$ 23,043,521	\$ 20,827,421

Town of Harrisburg, North Carolina

Management's Discussion and Analysis (continued)

Government-Wide Financial Analysis (continued)

Governmental Activities. Governmental activities increased the Town of Harrisburg's net assets by \$1,424,658, thereby accounting for 15% of the total growth in the net assets of the Town. Key elements of this increase are as follows:

- Tax revenues increased approximately 20%, or \$690,000.
- Parks and recreation athletics revenue increased over \$100,000.
- Fire grants revenue increased by nearly \$200,000.

Business-Type Activities. Business-type activities increased the Town of Harrisburg's net assets by \$791,442, accounting for 8% of the total growth in the Town's net assets. Key elements of this increase are as follows:

- Net income from direct revenue and expenses with water consumption increased nearly \$360,000, spurred largely by the new Town-operated water wells and new water system that was purchased.
- Stormwater operations added net income of approximately \$175,000.

Financial Analysis of the Town's Funds

As noted earlier, the Town of Harrisburg uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the Town of Harrisburg's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of Harrisburg's financing requirements. Specifically, unassigned (available) fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the Town of Harrisburg. At the end of the current fiscal year, available fund balance in the General Fund was \$2,574,485, while total fund balance reached \$3,141,544. As a measure of the General Fund's liquidity, it may be useful to compare both available fund balance and total fund balance to total fund expenditures. Available fund balance represents 39.22% of total General Fund expenditures, while total fund balance represents 47.87% of that same amount.

At June 30, 2012, the governmental funds of the Town of Harrisburg reported a combined fund balance of \$3,141,544, a 73% increase from last year.

General Fund Budgetary Highlights. During the fiscal year, the Town revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as federal and State grants; and 3) increases in appropriations that become necessary to maintain services and to prevent budget overruns.

Revenues were more than the budgeted amounts primarily because the Town did not anticipate receiving the level of funding from tax collections and unrestricted intergovernmental funds. Additionally, the Town did not fully anticipate the continued increase in demand for athletics programs. While there were some variations of budgeted to actual expenditures at the line item level, at the department level (based on the approved budget ordinance), the Town was able to comply with its budgetary requirements.

Town of Harrisburg, North Carolina

Management's Discussion and Analysis (continued)

Financial Analysis of the Town's Funds (continued)

Proprietary Funds. The Town of Harrisburg's proprietary funds provide the same type of information found in the government-wide statements, but in more detail. Unrestricted net assets of the Water and Sewer Fund at the end of the fiscal year amounted to \$3,248,209, and those for the Stormwater Fund amounted to \$498,248. The total change in net assets for both funds was \$596,894 and \$194,548, respectively. Other factors concerning the finances of these funds have already been addressed in the discussion of the Town of Harrisburg's business-type activities.

Revenues were more than budgeted amounts primarily because the development charges, connection fees, penalties and stormwater fees were all greater than anticipated during the year. Expenditures were less than budgeted amounts, but within a small variance.

Capital Asset and Debt Administration

Capital Assets. The Town of Harrisburg's investment in capital assets for its governmental and business-type activities as of June 30, 2012 totals \$26,405,457 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, water and sewer facilities, and vehicles.

Major capital asset transactions during the year include the following additions (there were no significant demolitions or disposals):

- Purchase of vehicles and equipment.
- Construction of water well projects.
- Purchase of existing water system.

**The Town of Harrisburg's Capital Assets
(net of depreciation)
Figure 4**

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Construction in progress	\$ 291,620	\$ 151,278	\$ 200,658	\$ 142,429	\$ 492,278	\$ 293,707
Land	1,250,231	1,209,431	459,753	459,753	1,709,984	1,669,184
Buildings and systems	4,084,146	4,065,360	34,991	36,195	4,119,137	4,101,555
Improvements other than buildings	1,949,820	2,014,602	-	-	1,949,820	2,014,602
Water lines	-	-	10,489,069	4,848,418	10,489,069	4,848,418
Machinery and equipment	1,272,082	1,423,807	255,205	285,107	1,527,287	1,708,914
Interceptors	-	-	267,053	291,201	267,053	291,201
Collection system	-	-	4,538,149	2,828,589	4,538,149	2,828,589
Infrastructure	1,312,680	1,341,268	-	-	1,312,680	1,341,268
Total	\$ 10,160,579	\$ 10,205,746	\$ 16,244,878	\$ 8,891,692	\$ 26,405,457	\$ 19,097,438

Additional information on the Town's capital assets can be found in note II.A on pages 32-33 of this report.

Town of Harrisburg, North Carolina

Management's Discussion and Analysis (continued)

Capital Asset and Debt Administration (continued)

Long-Term Debt. As of June 30, 2012, the Town of Harrisburg had total debt outstanding of \$10,315,418. Of this debt, \$8,105,864 is secured by the assets of the water and sewer system. However, in the event water and sewer revenues are insufficient to repay the debt, the total outstanding debt, and including the remainder of the debt (\$2,209,554), is backed by the full faith and credit of the Town.

Long-Term Obligations Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Notes payable	\$ 2,209,554	\$ 2,432,993	\$ 8,105,864	\$ 553,528	\$10,315,418	\$ 2,986,521
Total	<u>\$ 2,209,554</u>	<u>\$ 2,432,993</u>	<u>\$ 8,105,864</u>	<u>\$ 553,528</u>	<u>\$10,315,418</u>	<u>\$ 2,986,521</u>

The Town of Harrisburg's Outstanding Debt

The Town of Harrisburg's total long-term outstanding debt increased by \$7,328,897 (245%) during the past fiscal year, primarily due to continued principal payments and new water and sewer debt resulting from the purchase of water infrastructure of an existing system and construction of two new water wells..

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Harrisburg is \$144,937,496.

Additional information regarding the Town of Harrisburg's long-term debt can be found in note II.B on pages 37-43 of this report.

Economic Factors and Next Year's Budgets and Rates

The following key economic factors reflect the growth and general prosperity of the Town:

- Both commercial and residential growth are expected to continue to pick up and drive overall growth of the Town.
- The Town is beginning to see a pick-up in planned residential development, primarily in single-family and multi-family structures. There are a number of residential developments that have either been approved or are under construction that, in total, would add over 5,000 housing units to the Town's total.
- The Town has expanded the square footage allowed for retail space which will help to attract more retail opportunities.

Town of Harrisburg, North Carolina

Management's Discussion and Analysis (continued)

Budget Highlights for the Fiscal Year Ending June 30, 2013

Governmental Activities. Federal fire grants and loan proceeds for a new fire engine are expected to lead an increase in budgeted revenue of 33 percent. The Town will use these increases in revenues to finance programs currently in place, address the expected inflationary impacts on program costs, and address current capital and equipment needs.

Budgeted expenditures in the General Fund are expected to rise approximately 33% to \$9,429,400. The largest increments are in Public Safety and Cultural Resources expenditures, which represent additional expenditures for equipment, fire grants, and capital reserves. A Capital Projects Fund in the amount of \$1,197,000 is being utilized to account for costs associated with the construction of a new fire station.

Business-Type Activities. The water and sewer rates, along with stormwater rates, are budgeted to remain at FY2012 rates, due largely to the anticipated reduced cost of operations after the wells are activated. General operating expenses will decrease by 3%. Capital projects funds are being utilized to account for the costs associated replacing and extending various water lines throughout the Town, purchase of a sewer system, and various stormwater projects. Debt service expense will increase by approximately 63% to cover additional costs associated with repaying new debt associated with the water line projects, as well as full-year costs associated with new FY2012 debt relating to the wells project and an inter-local agreement associated with the anticipated purchase of water and sewer lines to new customers. Stormwater expenses are expected to increase significantly as implementation of the Stormwater Master Plan begins.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director of Finance, Lee Connor, Town of Harrisburg, 4100 Main Street, Suite 101, Harrisburg, North Carolina 28075.

BASIC FINANCIAL STATEMENTS

Town of Harrisburg, North Carolina

Statement of Net Assets June 30, 2012

	Governmental Activities	Business-Type Activities	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 2,750,451	\$ 2,976,347	\$ 5,726,798
Taxes receivables (net)	266,256	-	266,256
Accrued interest receivable on taxes	41,055	-	41,055
Accounts receivable (net)	-	943,418	943,418
Due from other governments	460,444	-	460,444
Prepaid expenses	106,614	2,999	109,613
Restricted cash and cash equivalents	396,707	249,463	646,170
Total current assets	<u>4,021,527</u>	<u>4,172,227</u>	<u>8,193,754</u>
Capital assets:			
Non-depreciable	1,541,851	660,411	2,202,262
Depreciable, net of accumulated depreciation	8,618,728	15,584,467	24,203,195
Total capital assets	<u>10,160,579</u>	<u>16,244,878</u>	<u>26,405,457</u>
Total assets	<u>14,182,106</u>	<u>20,417,105</u>	<u>34,599,211</u>
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	361,339	119,644	480,983
Performance bond deposits	188,528	-	188,528
Unearned revenue	41,677	-	41,677
Customer deposits	-	195,939	195,939
Refundable tap fees	-	53,524	53,524
Long-term liabilities-due within one year	456,845	762,166	1,219,011
Total current liabilities	<u>1,048,389</u>	<u>1,131,273</u>	<u>2,179,662</u>
Long-term liabilities:			
Long-term liabilities-due in more than one year	1,975,667	7,400,361	9,376,028
Total liabilities	<u>3,024,056</u>	<u>8,531,634</u>	<u>11,555,690</u>
Net assets			
Invested in capital assets, net of related debt	7,951,025	8,139,014	16,090,039
Restricted for:			
Stabilization by State statute	460,445	-	460,445
Streets	123,771	-	123,771
Public safety	84,408	-	84,408
Unrestricted	2,538,401	3,746,457	6,284,858
Total net assets	<u>\$ 11,158,050</u>	<u>\$ 11,885,471</u>	<u>\$ 23,043,521</u>

See notes to financial statements.

Town of Harrisburg, North Carolina

Statement of Activities For the Fiscal Year Ended June 30, 2012

Functions/Programs	Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions
Governmental activities:			
General government	\$ 1,115,810	\$ 8,457	\$ -
Planning and zoning	157,334	-	-
Public safety	3,266,522	32,256	1,096,737
Transportation	244,997	-	337,669
Environmental protection	728,696	-	1,008
Cultural and recreational	1,106,970	439,505	-
Interest on long-term debt	99,443	-	-
Total governmental activities	6,719,772	480,218	1,435,414
Business-type activities:			
Water and sewer	4,798,173	5,366,502	-
Stormwater	271,276	460,879	-
Total business-type activities	5,069,449	5,827,381	-
Total government	\$ 11,789,221	\$ 6,307,599	\$ 1,435,414

General revenues:

Taxes:

Property taxes, levied for general purpose

Other taxes and licenses

Unrestricted intergovernmental

Investment earnings

Miscellaneous

Total general revenues and special items

Change in net assets

Net assets, beginning

Net assets, ending

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (1,107,353)	\$ -	\$ (1,107,353)
(157,334)	-	(157,334)
(2,137,529)	-	(2,137,529)
92,672	-	92,672
(727,688)	-	(727,688)
(667,465)	-	(667,465)
(99,443)	-	(99,443)
<u>(4,804,140)</u>	<u>-</u>	<u>(4,804,140)</u>
-	568,329	568,329
-	189,603	189,603
-	757,932	757,932
<u>(4,804,140)</u>	<u>757,932</u>	<u>(4,046,208)</u>
4,220,600	-	4,220,600
11,558	-	11,558
1,590,635	-	1,590,635
30,661	33,510	64,171
375,344	-	375,344
<u>6,228,798</u>	<u>33,510</u>	<u>6,262,308</u>
1,424,658	791,442	2,216,100
<u>9,733,392</u>	<u>11,094,029</u>	<u>20,827,421</u>
<u>\$ 11,158,050</u>	<u>\$ 11,885,471</u>	<u>\$ 23,043,521</u>

Town of Harrisburg, North Carolina

Balance Sheet
Governmental Funds
June 30, 2012

	<u>General</u>	<u>Total Governmental Funds</u>
Assets		
Cash and cash equivalents	\$ 2,750,451	\$ 2,750,451
Restricted cash and cash equivalents	396,707	396,707
Receivables, net:		
Property taxes	266,256	266,256
Due from other governments	460,444	460,444
Prepaid items	106,614	106,614
	<u>3,980,472</u>	<u>3,980,472</u>
Total assets	<u>\$ 3,980,472</u>	<u>\$ 3,980,472</u>
Liabilities and fund balance		
Liabilities:		
Accounts payable and accrued liabilities	\$ 342,468	\$ 342,468
Performance bonds on deposit	188,528	188,528
Deferred revenue	266,255	266,255
Unearned revenue	41,677	41,677
Total liabilities	<u>838,928</u>	<u>838,928</u>
Fund balance:		
Nonspendable:		
Prepays	106,614	106,614
Restricted:		
Stabilization by State statute	460,445	460,445
Streets	123,771	123,771
Public safety	84,408	84,408
Unassigned	2,366,306	2,366,306
Total fund balance	<u>3,141,544</u>	<u>3,141,544</u>
Total liabilities and fund balance	<u>\$ 3,980,472</u>	<u>\$ 3,980,472</u>

Town of Harrisburg, North Carolina

Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Assets June 30, 2012

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Ending fund balance - governmental funds	\$ 3,141,544
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	10,160,579
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds:	
Unearned revenue	266,255
Accrued interest on taxes receivable	41,055
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Accrued interest payable	(18,871)
Compensated absences	(222,958)
Notes payable	<u>(2,209,554)</u>
Net assets of governmental activities	<u>\$ 11,158,050</u>

Town of Harrisburg, North Carolina

Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2012

	<u>General</u>	<u>Total Governmental Funds</u>
Revenues		
Ad valorem taxes	\$ 4,218,613	\$ 4,218,613
Other taxes and licenses	11,558	11,558
Unrestricted intergovernmental	1,590,635	1,590,635
Restricted intergovernmental	1,183,164	1,183,164
Permits and fees	40,713	40,713
Sales and services	439,505	439,505
Investment earnings	30,661	30,661
Other general revenues	375,344	375,344
Total revenues	<u>7,890,193</u>	<u>7,890,193</u>
Expenditures		
Current:		
General government	1,057,854	1,057,854
Planning and zoning	155,426	155,426
Public safety	2,959,440	2,959,440
Transportation	354,312	354,312
Environmental protection	710,757	710,757
Cultural and recreational	1,002,140	1,002,140
Debt service:		
Principal retirement	223,439	223,439
Interest	100,086	100,086
Total expenditures	<u>6,563,454</u>	<u>6,563,454</u>
Revenues over (under) expenditures	<u>1,326,739</u>	<u>1,326,739</u>
Net change in fund balance	1,326,739	1,326,739
Fund balance:		
Beginning of year	<u>1,814,805</u>	<u>1,814,805</u>
End of year	<u>\$ 3,141,544</u>	<u>\$ 3,141,544</u>

Town of Harrisburg, North Carolina

**Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balance of the Governmental Funds to the
Statement of Activities
For the Fiscal Year Ended June 30, 2012**

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

Net changes in fund balances - total governmental funds		\$ 1,326,739
<p>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.</p>		
Capital outlay expenditures	170,153	
Depreciation expense	<u>(467,570)</u>	(297,417)
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Other	(1,676)	
Change in deferred revenue for tax revenues	<u>3,663</u>	1,987
<p>The issuance of long-term debt 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. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.</p>		
Debt service payments	223,439	
Contributions of land, building, and equipment	252,250	
Compensated absences	<u>(82,983)</u>	392,706
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Accrued interest payable		<u>643</u>
Changes in net assets of governmental activities		<u><u>\$ 1,424,658</u></u>

Town of Harrisburg, North Carolina

Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual - General Fund For the Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over / (Under)
	Original	Final		
Revenues				
Ad valorem taxes	\$ 3,999,566	\$ 3,999,566	\$ 4,218,613	\$ 219,047
Other taxes and licenses	10,000	10,000	11,558	1,558
Unrestricted intergovernmental	1,030,000	1,150,000	1,590,635	440,635
Restricted intergovernmental	1,005,990	1,180,990	1,183,164	2,174
Permits and fees	23,500	23,500	40,713	17,213
Sales and services	297,280	309,291	439,505	130,214
Investment earnings	15,000	15,000	30,661	15,661
Other general revenues	407,673	407,675	375,344	(32,331)
Total revenues	<u>6,789,009</u>	<u>7,096,022</u>	<u>7,890,193</u>	<u>794,171</u>
Expenditures				
Current:				
General government	1,437,880	1,312,521	1,057,854	254,667
Planning and zoning	159,460	159,460	155,426	4,034
Public safety	3,024,360	3,062,043	2,959,440	102,603
Transportation	412,500	412,500	354,312	58,188
Environmental protection	650,000	720,000	710,757	9,243
Cultural and recreational	1,104,811	1,116,822	1,002,140	114,682
Debt service:				
Principal retirement	227,198	227,198	223,439	3,759
Interest	85,478	85,478	100,086	(14,608)
Total expenditures	<u>7,101,687</u>	<u>7,096,022</u>	<u>6,563,454</u>	<u>532,568</u>
Revenues over (under) expenditures	<u>(312,678)</u>	<u>-</u>	<u>1,326,739</u>	<u>1,326,739</u>
Other financing sources (uses)				
Appropriated fund balance	312,678	-	-	-
Total other financing sources	<u>312,678</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>1,326,739</u>	<u>\$ 1,326,739</u>
Fund balance:				
Beginning of year			<u>1,814,805</u>	
End of year			<u>\$ 3,141,544</u>	

Town of Harrisburg, North Carolina

Statements of Net Assets Proprietary Funds June 30, 2012

	Major Enterprise Funds		
	Water and Sewer	Stormwater	Total
	Fund	Fund	
Assets			
Current assets:			
Cash and cash equivalents	\$ 2,537,660	\$ 438,687	\$ 2,976,347
Accounts receivable (net) - customers	720,328	59,561	779,889
Accounts receivable - other	163,529	-	163,529
Prepaid expenses	2,999	-	2,999
Restricted cash and cash equivalents	249,463	-	249,463
Total current assets	<u>3,673,979</u>	<u>498,248</u>	<u>4,172,227</u>
Non-current assets:			
Capital assets:			
Non-depreciable	660,411	-	660,411
Depreciable, net of accumulated depreciation	15,564,053	20,414	15,584,467
Total non-current assets	<u>16,224,464</u>	<u>20,414</u>	<u>16,244,878</u>
Total assets	<u>19,898,443</u>	<u>518,662</u>	<u>20,417,105</u>
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	119,644	-	119,644
Long-term debt, current portion	705,503	-	705,503
Compensated absences, current portion	56,663	-	56,663
Customer deposits	195,939	-	195,939
Refundable tap fees	53,524	-	53,524
Total current liabilities	<u>1,131,273</u>	<u>-</u>	<u>1,131,273</u>
Non-current liabilities:			
Long-term debt, non-current portion	7,400,361	-	7,400,361
Total liabilities	<u>8,531,634</u>	<u>-</u>	<u>8,531,634</u>
Net assets			
Invested in capital assets, net of related debt	8,118,600	20,414	8,139,014
Unrestricted	3,248,209	498,248	3,746,457
Total net assets	<u>\$ 11,366,809</u>	<u>\$ 518,662</u>	<u>\$ 11,885,471</u>

Statements of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2012

	Major Enterprise Funds		
	Water and Sewer Fund	Stormwater Fund	Total
Operating revenues			
Charges for services	\$ 4,656,314	\$ 410,879	\$ 5,067,193
Water and sewer taps	117,196	-	117,196
Water and sewer development charges	168,185	-	168,185
Service connection fees	220,115	-	220,115
Other operating revenues	204,692	-	204,692
Total operating revenues	<u>5,366,502</u>	<u>410,879</u>	<u>5,777,381</u>
Operating expenses			
Water administration and distribution	4,187,108	-	4,187,108
Stormwater operations	-	270,631	270,631
Depreciation and amortization	565,508	645	566,153
Total operating expenses	<u>4,752,616</u>	<u>271,276</u>	<u>5,023,892</u>
Operating income	<u>613,886</u>	<u>139,603</u>	<u>753,489</u>
Non-operating revenues (expenses)			
Grants received	-	50,000	50,000
Investment earnings	28,565	4,945	33,510
Interest and other charges	(45,557)	-	(45,557)
Total non-operating expenses	<u>(16,992)</u>	<u>54,945</u>	<u>37,953</u>
Change in net assets	596,894	194,548	791,442
Net assets			
Beginning of year	<u>10,769,915</u>	<u>324,114</u>	<u>11,094,029</u>
End of year	<u>\$ 11,366,809</u>	<u>\$ 518,662</u>	<u>\$ 11,885,471</u>

Statements of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2012

	Major Enterprise Funds		
	Water and Sewer Fund	Stormwater Fund	Total
Cash flows from operating activities			
Cash received from customers	\$ 5,266,451	\$ 325,627	\$ 5,592,078
Cash paid for goods and services	-	(201,763)	(201,763)
Cash paid to or on behalf of employees for services	(3,205,893) (1,263,382)	-	(3,205,893) (1,263,382)
Customer deposits received and returned	10,614	-	10,614
Net cash provided (used) by operating activities	<u>807,790</u>	<u>123,864</u>	<u>931,654</u>
Cash flows from capital and related financing activities			
Acquisition and construction of capital assets	(7,898,281)	(21,058)	(7,919,339)
Principal paid on long-term debt	(293,005)	-	(293,005)
Interest paid on long-term debt	(45,557)	-	(45,557)
Contributions - State grant	-	50,000	50,000
Proceeds from debt financing	7,845,341	-	7,845,341
Net cash provided (used) by capital and related financing activities	<u>(391,502)</u>	<u>28,942</u>	<u>(362,560)</u>
Cash flows from investing activities			
Interest on investments	28,565	4,945	33,510
Net increase in cash and cash equivalents	444,853	157,751	602,604
Cash and cash equivalents			
Beginning of year	2,342,270	280,936	2,623,206
End of year	<u>\$ 2,787,123</u>	<u>\$ 438,687</u>	<u>\$ 3,225,810</u>
Reconciliation of operating income to net cash provided (used) by operating activities			
Operating income	\$ 613,886	\$ 139,603	\$ 753,489
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation and amortization	565,508	645	566,153
Changes in assets and liabilities:			
Increase in accounts receivable - customers	(100,051)	(2,554)	(102,605)
Decrease in allowance for doubtful accounts	(2,200)	-	(2,200)
Increase in accounts receivable - other	(153,936)	-	(153,936)
Increase in prepaid items	(268)	-	(268)
Decrease in accounts payable and accrued liabilities	(75,291)	(13,830)	(89,121)
Increase in compensated absences	14,817	-	14,817
Decrease in customer deposits	10,614	-	10,614
Decrease in refundable tap fees	(65,289)	-	(65,289)
Total adjustments	<u>193,904</u>	<u>(15,739)</u>	<u>178,165</u>
Net cash provided (used) by operating activities	<u>\$ 807,790</u>	<u>\$ 123,864</u>	<u>\$ 931,654</u>

See notes to financial statements.

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012

I. Summary of Significant Accounting Policies:

The accounting policies of the Town of Harrisburg (the "Town") conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Town is a municipal corporation, which is governed by an elected Mayor and a seven-member Council.

B. Basis of Presentation

Government-Wide Financial Statements: The Statement of Net Assets and the Statement of Activities display information about the Town. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type* activities of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed, in whole or in part, by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect expense allocations that have been made in the funds have been reversed for the Statement of Activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Town's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The Town reports the following major governmental fund:

General Fund - The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for public safety, street maintenance and construction, sanitation services, parks and recreation, and other general government services.

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012

I. Summary of Significant Accounting Policies (continued):

B. Basis of Presentation - Fund Accounting (continued)

The Town reports the following major enterprise funds:

Water and Sewer Fund – The Water and Sewer Fund is used to account for the Town’s water and sewer operations.

Stormwater Fund – The Stormwater Fund is used to account for the Town’s stormwater operations.

C. Measurement Focus and Basis of Accounting

In accordance with North Carolina General Statutes, all funds of the Town are maintained during the year using the modified accrual basis of accounting.

Government-Wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. Property taxes are recognized as revenues in the fiscal year for which the taxes are levied. Revenue from grant entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the Town’s Enterprise Fund are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for the Enterprise Fund include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 90 days of the end of the current fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012

I. Summary of Significant Accounting Policies (continued):

C. Measurement Focus and Basis of Accounting (continued)

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Cabarrus County (the "County") is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County, including the Town of Harrisburg. For motor vehicles registered under the staggered system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the Town's vehicle taxes for vehicles registered in the County from March 2011 through February 2012 apply to the fiscal year ended June 30, 2012. Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town, are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because, generally, they are not measurable until received in cash. Grant revenues, which are unearned at year-end, are recorded as unearned revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

As permitted by accounting principles generally accepted in the United States of America, the Town has elected to apply only applicable FASB Statements and Interpretations issued on or before November 30, 1989 that do not contradict GASB pronouncements in its accounting and reporting practices for its proprietary operations.

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

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the enterprise funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the enterprise capital projects funds. The Enterprise Fund projects are consolidated with their respective operating fund for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the department level for all annually budgeted funds and at the project level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change departmental appropriations. The budget ordinance must be adopted by July 1 of the fiscal year, or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012

I. Summary of Significant Accounting Policies (continued):

E. Assets, Liabilities, and Fund Equity

Deposits and Investments

All deposits of the Town are made in Board-designated official depositories and are secured as required by State law [G.S. 159-31]. The Town may designate as an official depository any bank or savings and loan association whose principal office is located in North Carolina. Also, the Town may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT).

The Town's investments with a maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, an SEC-registered (2a7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value.

Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

Restricted Assets

The North Carolina Firemen's Relief Fund funds are classified as restricted cash and cash equivalents because it can be expended only for the purposes of financially assisting firefighters that have been injured or killed while performing fire department duties, educational benefits, supplemental retirement, purchase other insurance, and pension protection per G.S. 58-84-1 through 58-84-60. Customer deposits, refundable tap fees and performance bond deposits held by the Town before any services are supplied or completed are restricted to the service for which the deposit was collected. Powell Bill funds are also classified as restricted cash because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing, or widening of local streets per G.S. 136-41.1 through 136-41.4.

Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2008. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

Utility Service Revenues – Unbilled Usage

An estimated amount has been recorded for utility services provided, but not billed, as of the end of the year, and is included in accounts receivable, net of uncollectible amounts.

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012

I. Summary of Significant Accounting Policies (continued):

E. Assets, Liabilities, and Fund Equity (continued)

Allowances for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and expensed as the items are used.

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and are defined by the Town as assets with an initial individual cost of more than a certain amount and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, \$10,000; buildings, improvements, substations, lines, and other plant and distribution systems, \$15,000; infrastructure, \$20,000; furniture and equipment, \$5,000; and vehicles, \$10,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Capital assets are depreciated using the straight-line method. Interest expense is capitalized on construction in progress to the extent that it exceeds income.

The estimated useful lives are as follows:

<u>Asset</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Improvements	25 years
Vehicles	5-6 years
Furniture and equipment	10 years
Computer equipment	3 years
Infrastructure and distribution systems	30-40 years

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-type activities, or proprietary fund type Statement of Net Assets.

In the fund financial statements for governmental fund types, the face amount of debt issued is reported as other financing sources.

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012

I. Summary of Significant Accounting Policies (continued):

E. Assets, Liabilities, and Fund Equity (continued)

Compensated Absences

The vacation policy of the Town provides for the accumulation of up to twenty-four days of earned vacation leave to full-time employees based upon the number of years of service, with such leave being fully vested when earned. Years of service are determined, and vacation time is earned based on each employee's hire date. An employee has not earned any paid vacation days until he/she completes their six months' probationary period with the Town. An employee can carry vacation time over into the following year. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and salary related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of accumulated compensated time. Since accrued vacation time may be carried over no more than one year, the entire liability has been designated as a current liability in the government-wide financial statements.

The Town's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Town has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

The Town's compensatory time policy provides for up to 240 hours of accumulated compensatory time for non-exempt employees and up to 80 hours for exempt employees. Compensatory leave only vests with non-exempt employees, which their accumulated time may be paid upon separation. Exempt employees' compensatory time does not vest and any accumulated time at separation is forfeited. Since non-exempt employees' accrued compensatory time is payable upon separation, the entire liability has been designated as a current liability in the government-wide financial statements. As the Town has no obligation for exempt employees' accrued compensatory time until it is actually taken, no accrual for this time has been made.

Net Assets/Fund Balances

Net Assets

Net assets in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent constraints on resources that are either externally imposed by creditors, grantors, contributors, laws or regulations of other governments, or imposed by law through State statute.

Fund Balances

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

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

Prepays – portion of fund balance that is not an available resource because it represents the year-end balance of prepaid expenditures, which are not spendable resources.

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012

I. Summary of Significant Accounting Policies (continued):

E. Assets, Liabilities, and Fund Equity (continued)

Net Assets/Fund Balances (continued)

Fund Balances (continued)

Restricted fund balance – This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

Restricted for Stabilization by State statute – portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

Restricted for streets – Powell Bill portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

Restricted for public safety – portion of fund balance that is restricted by revenue source for certain Firemen’s Relief Fund expenditures.

Committed fund balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town’s governing body (highest level of decision-making authority). Any changes or removal of specific purpose requires majority action by the governing body.

Assigned fund balance – portion of fund balance that the Town intends to use for specific purposes.

Unassigned fund balance – the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

The Town has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-Town funds, and Town funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance, and lastly, unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Town. The Town has not adopted a formal fund balance policy.

The following schedule provides management and citizens with information on the portion of General fund balance that is available for appropriation:

Total fund balance - General Fund	\$ 3,141,544
Less:	
Prepays	106,614
Stabilization by State statute	460,445
Streets	123,771
Public safety - Firemen's Relief Fund	84,408
Remaining fund balance	<u>\$ 2,366,306</u>

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012

I. Summary of Significant Accounting Policies (continued):

F. Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

II. Detail Notes On All Funds:

A. Assets

Deposits

All deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in the Town's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agents in its name. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

The Town has no policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2012, the Town's deposits had a carrying amount of \$5,888,004 and a bank balance of \$6,107,048. Of the bank balance, \$307,455 was covered by federal depository insurance, and the remainder was covered by collateral held under the Pooling Method. At June 30, 2012, the Town's petty cash totaled \$900.

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012

II. Detail Notes On All Funds (continued):

A. Assets (continued)

Investments

At June 30, 2012, the Town's investment balances were as follows:

<u>Investment Type</u>	<u>Fair Vaue</u>	<u>Maturity</u>	<u>Rating</u>
NC Capital Management Trust - Cash Portfolio	\$ 457,111	N/A	AAAm
MetLife Portfolio Architect Plus Annuity	<u>26,953</u>	N/A	AA-
Total	<u>\$ 484,064</u>		

The Town has no investment policy regarding credit or interest rate risk.

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements June 30, 2012

II. Detail Notes on All Funds (continued):

A. Assets (continued)

Capital Assets

Capital asset activity for the year ended June 30, 2012 was as follows:

	<u>July 1, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2012</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,209,431	\$ 40,800	\$ -	\$ 1,250,231
Construction in progress	<u>151,278</u>	<u>140,342</u>	-	<u>291,620</u>
Total capital assets not being depreciated	<u>1,360,709</u>	<u>181,142</u>	-	<u>1,541,851</u>
Capital assets being depreciated:				
Buildings	4,610,020	111,450	-	4,721,470
Other improvements	2,418,820	-	-	2,418,820
Equipment	2,949,312	129,811	-	3,079,123
Infrastructure	<u>1,429,316</u>	-	-	<u>1,429,316</u>
Total capital assets being depreciated	<u>11,407,468</u>	<u>241,261</u>	-	<u>11,648,729</u>
Less accumulated depreciation for:				
Buildings	544,659	92,665	-	637,324
Other improvements	404,219	64,781	-	469,000
Equipment	1,525,503	281,538	-	1,807,041
Infrastructure	<u>88,050</u>	<u>28,586</u>	-	<u>116,636</u>
Total accumulated depreciation	<u>2,562,431</u>	<u>\$ 467,570</u>	<u>\$ -</u>	<u>3,030,001</u>
Total capital assets being depreciated, net	<u>8,845,037</u>			<u>8,618,728</u>
Governmental activity capital assets, net	<u>\$ 10,205,746</u>			<u>\$ 10,160,579</u>

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

General government	\$ 56,550
Public safety	264,600
Transportation	31,027
Environmental protection	17,939
Cultural and recreation	<u>97,454</u>
Total	<u>\$ 467,570</u>

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012

II. Detail Notes On All Funds (continued):

A. Assets (continued)

Capital Assets (continued)

The following is a summary of the Town's business-type assets:

	<u>July 1, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2012</u>
Business-type activities:				
Stormwater Fund:				
Capital assets being depreciated:				
Equipment	\$ -	\$ 21,059	\$ -	\$ 21,059
Total capital assets being depreciated	-	21,059	-	21,059
Less accumulated depreciation for:				
Equipment	-	645	-	645
Total accumulated depreciation	-	\$ 645	\$ -	645
Total capital assets being depreciated, net	-			20,414
Stormwater fund capital assets, net	\$ -			\$ 20,414
	<u>July 1, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2012</u>
Business-type activities:				
Water and Sewer Fund				
Capital assets not being depreciated:				
Land and rights of way	\$ 459,753	\$ -	\$ -	\$ 459,753
Construction in progress	142,429	1,935,436	1,877,207	200,658
Total capital assets not being depreciated	602,182	1,935,436	1,877,207	660,411
Capital assets being depreciated:				
Buildings	60,187	-	-	60,187
Water lines	7,247,304	5,945,341	-	13,192,645
Equipment	1,181,536	17,504	-	1,199,040
Interceptors	724,436	-	-	724,436
Collection system	4,920,569	1,877,207	-	6,797,776
Total capital assets being depreciated	14,134,032	7,840,052	-	21,974,084
Less accumulated depreciation for:				
Buildings	23,992	1,204	-	25,196
Water lines	2,398,886	304,690	-	2,703,576
Equipment	896,430	67,819	-	964,249
Interceptors	433,235	24,148	-	457,383
Collection system	2,091,980	167,647	-	2,259,627
Total accumulated depreciation	5,844,523	\$ 565,508	\$ -	6,410,031
Total capital assets being depreciated, net	8,289,509			15,564,053
Water and sewer fund capital assets, net	8,891,691			16,224,464
Business-type activities capital assets, net	\$ 8,891,692			\$ 16,244,878

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012

II. Detail Notes On All Funds (continued):

A. Assets (continued)

Receivables - Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Assets are net of the following allowances for doubtful accounts:

	June 30, 2012
General Fund:	
Taxes receivable	\$ 14,013
Enterprise Fund:	
Accounts receivable	5,000
Total	\$ 19,013

B. Liabilities

Accounts Payable and Accrued Items

Payables at the government-wide level at June 30, 2012 were as follows:

	Vendors	Other	Total
Governmental activities:			
General Fund	\$ 259,558	\$ 101,781	\$ 361,339
Total governmental activities	\$ 259,558	\$ 101,781	\$ 361,339
Business-type activities			
Water and Sewer Fund	\$ 74,920	\$ 44,724	\$ 119,644
Total business-type activities	\$ 74,920	\$ 44,724	\$ 119,644

Pension Plan Obligations

Local Governmental Employees' Retirement System

Plan Description. The Town of Harrisburg contributes to the State-wide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The LGERS is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012

II. Detail Notes On All Funds (continued):

B. Liabilities (continued)

Local Governmental Employees' Retirement System (continued)

Pension Plan Obligations (continued)

Funding Policy. Plan members are required to contribute six percent of their annual covered salary. The Town is required to contribute at an actuarially determined rate. For the Town, the current rate for employees not engaged in law enforcement is 8.53%, of annual covered payroll. The contribution requirements of members and of the Town are established and may be amended by the North Carolina General Assembly. The Town's contributions to LGERS for the years ended June 30, 2012, 2011, and 2010 were \$240,389, \$217,209, and \$163,801, respectively. The contributions made by the Town equaled the required contributions for each year.

Firemen's and Rescue Squad Workers' Pension Fund

Plan Description. The State of North Carolina contributes, on behalf of the Town, to the Firemen's and Rescue Squad Workers' Pension Fund (Fund), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. The Fund provides pension benefits for eligible fire and rescue squad workers that have elected to become members of the Fund. Article 86 of G.S. Chapter 58 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Plan members are required to contribute \$10 per month to the Fund. The State, a non-employer contributor, funds the plan through appropriations. The Town does not contribute to the Fund. Contribution requirements of plan members and the State of North Carolina are established and may be amended by the North Carolina General Assembly.

Deferred/Unearned Revenues

The balance in deferred revenues at year-end is composed of the following elements:

	<u>Deferred Revenues</u>	<u>Unearned Revenues</u>
Taxes receivable - net	\$ 266,255	\$ -
Prepaid taxes	-	3,207
July 4th celebration revenue	-	38,470
Total	<u>\$ 266,255</u>	<u>\$ 41,677</u>

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012

II. Detail Notes On All Funds (continued):

B. Liabilities (continued)

Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability coverage of \$2 million per occurrence, auto liability coverage of \$1 million per occurrence, public officials liability coverage of \$1 million each claim and, annual property coverage up to the total insurance values of the property policy, workers' compensation coverage up to statutory limits, boiler and machinery coverage of \$5 million comprehensive coverage, and employee health coverage up to a \$1 million lifetime limit. The pools are re-insured through commercial companies for single occurrence claims against general liability, auto liability, and property in excess of \$500,000 and \$300,000 up to statutory limits for workers' compensation. The pools are re-insured for annual employee health claims in excess of \$150,000. The property liability pool has an aggregate limit for the total property losses in a single year, with the re-insurance limit based upon a percentage of the total insurance values.

The Town carries flood insurance through the Interlocal Risk Financing Fund of North Carolina in the amount of \$5 million for a single occurrence.

The Town carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The Finance Officer and Tax Collector are each individually bonded for \$50,000 and \$10,000, respectively. The remaining employees that have access to funds are bonded under a blanket bond for \$10,000.

Claims and Judgments

The Town periodically is subject to claims and lawsuits that arise in the ordinary course of business. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits, if any, will not have a material adverse effect on the financial position of the Town.

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012

II. Detail Notes On All Funds (continued):

B. Liabilities (continued)

Operating Leases

The Town leases certain office equipment, temporary buildings, and a park under operating leases. Lease expenditures for these and other rental agreements during the year ended June 30, 2012 totaled \$55,655.

Future minimum lease payments are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2013	\$ 25,618	\$ 20,294
2014	21,068	8,294
2015	3,598	5,894
2016	1,667	5,895
2017	695	1,965
2018-2022	5	-
2023-2027	5	-
2028-2032	5	-
2033-2036	4	-
Total	<u>\$ 52,665</u>	<u>\$ 42,342</u>

Long-Term Obligations

Installment loans

Serviced by General Fund:

A

In the year ended June 30, 2001, the Town borrowed \$430,135 to finish construction of a library. The note is collateralized by various commercial properties. Semi-annual payments of \$8,529 are due through December 15, 2020. The interest rate on the loan is 5.02%.

The future minimum payments of the installment purchase as of June 30, 2012 are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2013	\$ 22,987	11,131
2014	24,162	9,955
2015	25,398	8,719
2016	26,698	7,420
2017	28,063	6,054
2018-2021	96,898	9,395
Total	<u>\$ 224,206</u>	<u>\$ 52,674</u>

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012

II. Detail Notes On All Funds (continued):

B. Liabilities (continued)

Long-Term Obligations (continued)

Installment loans (continued)

B

As part of the merger of the Harrisburg Volunteer Fire Department on July 1, 2006, the Town assumed debt related to the fire department's earlier purchase of a Spartan Gladiator Chassis. The note is collateralized by the chassis. Monthly payments of \$3,580 are due through May 2015, with the remaining balance due June 29, 2015. The interest rate on the loan is 3.75%.

The future minimum payments of the installment purchase as of June 30, 2012 are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2013	\$ 32,535	\$ 10,430
2014	33,776	9,189
2015	231,243	7,900
Total	\$ 297,554	\$ 27,519

C

As part of the merger of the Harrisburg Volunteer Fire Department on July 1, 2006, the Town assumed debt related to the fire department's earlier purchase of a Spartan Gladiator Chassis. The note is collateralized by the chassis. Monthly payments of \$2,360 are due through September 2015, with the remaining balance due October 19, 2015. The interest rate on the loan is 3.95%.

The future minimum payments of the installment purchase as of June 30, 2012 are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2013	\$ 20,767	\$ 7,553
2014	21,603	6,717
2015	22,472	5,848
2016	136,026	1,750
Total	\$ 200,868	\$ 21,868

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012

II. Detail Notes On All Funds (continued):

B. Liabilities (continued)

Long-Term Obligations (continued)

Installment loans (continued)

As part of the merger of the Harrisburg Volunteer Fire Department on July 1, 2006, the Town assumed debt related to the fire department's earlier purchase of a fire truck. The note is collateralized by the Laverne truck. Monthly payments of \$2,202 are due through August 11, 2016. The interest rate on the loan is 3.50%.

The future minimum payments of the installment purchase as of June 30, 2012 are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2013	\$ 23,247	\$ 3,177
2014	24,074	2,350
2015	24,930	1,493
2016	23,232	620
Total	<u>\$ 95,483</u>	<u>\$ 7,640</u>

D

As part of the merger of the Harrisburg Volunteer Fire Department on July 1, 2006, the Town assumed debt evidenced by a promissory note. Monthly payments of \$1,725 are due through September 2015 with the remaining balance due October 8, 2015. The interest rate on the loan is 3.95%. The loan is secured by land.

The future minimum payments of the installment purchase as of June 30, 2012 are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2013	\$ 10,201	\$ 10,499
2014	10,611	10,089
2015	11,038	9,662
2016	237,735	3,123
Total	<u>\$ 269,585</u>	<u>\$ 33,373</u>

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012

II. Detail Notes On All Funds (continued):

B. Liabilities (continued)

Long-Term Obligations (continued)

Installment loans (continued)

E

In January 2008, the Town borrowed \$1,050,000 from a local financial institution to complete the purchase of a portion of the building that houses Town Hall. The terms of the loan state that the interest will accrue at the rate of 4.28% per annum. Principal and interest payments are payable semi-annually beginning in July 2008 and ending in January 2023. The debt is secured by the property.

The future minimum payments of the installment purchase as of June 30, 2012 are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2013	\$ 70,000	\$ 32,207
2014	70,000	29,211
2015	70,000	26,215
2016	70,000	23,219
2017	70,000	20,223
2018-2022	350,000	56,175
2023	69,601	2,247
Total	\$ 769,601	\$ 189,497

F

In April 2008, the Town borrowed \$552,373 from a local financial institution to purchase a rescue truck for the fire department. The terms of the loan state that interest will accrue at the rate of 4.50% per annum. Principal and interest payments of \$5,742 are payable monthly, beginning May 2008 and continuing through April 21, 2018. The debt is secured by the rescue truck.

The future minimum payments of the installment purchase as of June 30, 2012 are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2013	\$ 54,150	\$ 14,757
2014	56,637	12,270
2015	59,239	9,668
2016	61,960	6,946
2017	64,807	4,100
2018	55,464	1,148
Total	\$ 352,257	\$ 48,889

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012

II. Detail Notes On All Funds (continued):

B. Liabilities (continued)

Long-Term Obligations (continued)

Installment loans (continued)

Serviced by the Water and Sewer Fund:

In December 1998, the Town borrowed \$1,500,000 from a local financial institution to upgrade its water and sewer system. The terms of the loan state that interest will accrue at the rate of 4.24% per annum. Principal and interest payments of \$70,068 are payable each July 1 and January 1, through January 1, 2014. The debt is secured by water and sewer equipment.

The future minimum payments of the installment purchase as of June 30, 2012 are as follows:

Year Ending June 30	Business-type Activities	
	Principal	Interest
2013	\$ 133,339	\$ 6,797
2014	133,280	1,084
Total	\$ 266,619	\$ 7,881

In December 2002, the Town entered into a sewer asset purchase agreement with Richard Goodman. The agreement obligates the Town to pay \$8,000 to Mr. Goodman by December 31st each year through December 2014. The agreement states that no interest shall accrue for each payment except that each payment that is past due shall bear interest at 8.00% per year from the date of such payment was due.

The future minimum payments of the installment purchase as of June 30, 2012 are as follows:

Year Ending June 30,	Business-Type Activities	
	Principal	Interest
2013	\$ 8,000	-
2014	8,000	-
Total	\$ 16,000	-

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012

II. Detail Notes On All Funds (continued):

B. Liabilities (continued)

Long-Term Obligation (continued)

Installment loans (continued)

In January 2012, the Town entered into a water asset purchase agreement with the City of Charlotte, North Carolina, in the amount of \$5,945,341. The agreement obligates the Town to pay \$247,722 semi-annually, through January 31, 2024. The agreement states that no interest shall accrue for each payment except that each payment that is past due shall bear interest at the current Charlotte water and sewer revenue bond rate for the period the installment is delinquent.

The future minimum payments of the installment purchase as of June 30, 2012 are as follows:

<u>Year Ending June 30</u>	<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2013	\$ 495,444	\$ -
2014	495,444	-
2015	495,444	-
2016	495,444	-
2017	495,444	-
2018-2022	2,477,220	-
2023-2024	990,901	-
Total	<u>\$ 5,945,341</u>	<u>\$ -</u>

In March 2012, the Town borrowed \$1,900,000 from a local financial institution to finance construction of two water wells. The terms of the loan state that interest will accrue at the rate of 3.99% per annum. Principal and interest payments of \$11,866 are payable monthly, through March 2, 2031. The debt is secured by certain property and improvements.

The future minimum payments of the installment purchase as of June 30, 2012 are as follows:

<u>Year Ending June 30</u>	<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2013	\$ 68,720	\$ 73,672
2014	71,512	70,880
2015	74,418	67,974
2016	77,443	64,949
2017	80,590	61,802
2018-2022	454,817	257,143
2023-2027	555,054	156,906
2028-2031	495,350	38,745
Total	<u>\$ 1,877,904</u>	<u>\$ 792,071</u>

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012

II. Detail Notes On All Funds (continued):

B. Liabilities (continued)

Long-Term Obligation (continued)

Installment loans (continued)

The following tables summarize the annual requirements to amortize notes payable to maturity:

Fiscal Year	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2013	\$ 233,887	\$ 89,754	\$ 705,503	\$ 80,469
2014	240,863	79,781	708,236	71,964
2015	444,320	69,505	569,862	67,974
2016	555,651	43,078	572,887	64,949
2017	162,870	30,377	576,034	61,802
2018-2022	502,362	66,718	2,932,037	257,143
2023-2027	69,601	2,247	1,545,955	156,906
2028-2032	-	-	495,350	38,745
Total	<u>\$ 2,209,554</u>	<u>\$ 381,460</u>	<u>\$ 8,105,864</u>	<u>\$ 799,952</u>

The Town's legal debt margin at June 30, 2012 is \$144,937,496.

Changes in Long-Term Liabilities:

	July 1, 2011	Additions	Retirements	June 30, 2012	Current Portion of Balance
Governmental activities:					
Notes payable	\$ 2,432,993	\$ -	\$ 223,439	\$ 2,209,554	\$ 233,887
Compensated absences	139,975	151,131	68,148	222,958	222,958
Total	<u>2,572,968</u>	<u>151,131</u>	<u>291,587</u>	<u>2,432,512</u>	<u>456,845</u>
Business-type activities:					
Notes payable	553,528	7,845,341	293,005	8,105,864	705,503
Compensated absences	41,846	50,572	35,755	56,663	56,663
Total	<u>595,374</u>	<u>7,895,913</u>	<u>328,760</u>	<u>8,162,527</u>	<u>762,166</u>
Total	<u>\$ 3,168,342</u>	<u>\$ 8,047,044</u>	<u>\$ 620,347</u>	<u>\$ 10,595,039</u>	<u>\$ 1,219,011</u>

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012

II. Detail Notes On All Funds (continued):

D. On-Behalf Payments for Fringe Benefits and Salaries

For the fiscal year ended June 30, 2012, the Town has recognized on-behalf payments for pension contributions made by the State as revenue and an expenditure of \$1,146 for three volunteer and employed firemen who perform firefighting duties for the Town's fire department. The volunteers and employees elected to be members of the Firemen and Rescue Squad Worker's Pension Fund, a cost-sharing, multiple-employer public employee retirement system, established and administered by the State of North Carolina. The plan is funded by a \$10 monthly contribution paid by each member, investment income, and a State appropriation.

III. Summary Disclosure of Significant Contingencies:

Federal and State-Assisted Programs

The Town has received proceeds from several federal and State grants. Periodic audits of these grants are required, and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

IV. Charges for Services - Water and Sewer Fund:

The Water and Sewer Fund had charges of \$4,656,314 for the year ended June 30, 2012, with charges to one customer of \$123,332, or 3% of total charges.

V. Significant Dependence:

The Town is dependent upon other government entities for water purchases and sewer transportation services in the Water and Sewer Fund. The Town purchases the majority of its water from the City of Concord and all of its sewer transportation services from WSACC.

VI. Jointly Governed Organizations:

The Town, Cabarrus County, and three other municipalities established the Water and Sewer Authority of Cabarrus County (WSACC). WSACC was established to provide water and sewer services to the citizens of Cabarrus County. The Town appoints one member to the nine-member Board. In the year ending June 30, 2012, the Town purchased sewer transportation services amounting to \$674,340 from WSACC. At June 30, 2012, \$400 was due to WSACC and is reflected in accounts payable of the Water and Sewer Fund.

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012

VII. Joint Ventures:

The Town and the members of the Town's fire department each appoint two members to the five-member local Board of Trustees for the Firemen's Relief Fund. The State Insurance Commissioner appoints one additional member to the local Board of Trustees. The Firemen's Relief Fund is funded by a portion of the fire and lightning insurance premiums that insurers remit to the State. The State passes these monies to the local Board of the Firemen's Relief Fund. The funds are used to assist firefighters in various ways. During the fiscal year ended June 30, 2012, the Town reported no revenues and expenditures for the payments of \$7,917 made through the Firemen's Relief Fund. The participating governments do not have any equity interest in the joint venture, so no equity has been reflected in the financial statements at June 30, 2012. The Firemen's Relief Fund does not issue separate audited financial statements. Instead, the local Board of Trustees files an annual financial report with the State Firemen's Association. This report can be obtained from the Association at 323 West Jones Street, Suite 401, Raleigh, North Carolina 27603.

VIII. Subsequent Events:

Subsequent to June 30, 2012, the Town entered into contracts in the amount of \$1,468,688 to construct water line extensions and replacements.

Management has evaluated the subsequent events through September 7, 2012, the date the financial statements were available to be issued.

INDIVIDUAL
FUND FINANCIAL STATEMENTS AND SCHEDULES

Town of Harrisburg, North Carolina

General Fund
Comparative Balance Sheets
June 30, 2012 and 2011

	June 30, 2012	June 30, 2011
Assets		
Cash and cash equivalents	\$ 2,750,451	\$ 1,726,768
Restricted cash and cash equivalents	396,707	83,954
Receivables - net:		
Property taxes	266,256	267,931
Due from government agencies	460,444	435,700
Prepaid items	106,614	40,241
Total assets	\$ 3,980,472	\$ 2,554,594
 Liabilities and fund balance		
Liabilities:		
Accounts payable and accrued liabilities	\$ 342,468	\$ 238,159
Performance bonds on deposit	188,528	195,073
Deferred revenue	266,255	267,931
Unearned revenue	41,677	38,626
Total liabilities	838,928	739,789
 Fund balance:		
Non-spendable:		
Prepays	106,614	40,241
Restricted:		
Stabilization by State statute	460,445	435,700
Streets	123,771	-
Public safety	84,408	83,954
Unassigned	2,366,306	1,254,910
Total fund balance	3,141,544	1,814,805
 Total liabilities and fund balance	 \$ 3,980,472	 \$ 2,554,594

Town of Harrisburg, North Carolina

General Fund
Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2012
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2011)

	2012			2011
	Budget	Actual	Variance Over/(Under)	Actual
Revenues:				
Ad valorem taxes:				
Current year	\$ 3,964,566	\$ 4,090,632	\$ 126,066	\$ 3,419,883
Prior years	25,000	92,628	67,628	81,447
Penalties and interest	10,000	35,353	25,353	27,700
Total	<u>3,999,566</u>	<u>4,218,613</u>	<u>219,047</u>	<u>3,529,030</u>
Other taxes and licenses:				
Privilege licenses	10,000	11,558	1,558	7,391
Unrestricted intergovernmental:				
Local option sales tax	770,000	945,185	175,185	833,706
Utility franchise tax	380,000	589,857	209,857	534,430
Beer and wine tax	-	55,593	55,593	27,991
Total	<u>1,150,000</u>	<u>1,590,635</u>	<u>440,635</u>	<u>1,396,127</u>
Restricted intergovernmental:				
Powell Bill allocation	314,000	337,669	23,669	198,198
Fire taxes	661,990	638,516	(23,474)	652,377
Fire grants	205,000	204,825	(175)	20,000
SAFER Grant	-	-	-	18,655
On-behalf payments - fire	-	1,146	1,146	1,003
Solid waste disposal	-	1,008	1,008	4,277
Total	<u>1,180,990</u>	<u>1,183,164</u>	<u>2,174</u>	<u>894,510</u>
Permits and fees:				
Compliance permits	15,000	32,156	17,156	26,572
Vision Cable franchise fee	7,500	8,457	957	10,924
Inspection fees and fines	1,000	100	(900)	500
Total	<u>23,500</u>	<u>40,713</u>	<u>17,213</u>	<u>37,996</u>
Sales and services:				
Parks and recreation shelter rental	3,000	4,401	1,401	5,206
Parks and recreation athletics	261,291	426,853	165,562	317,833
Recreation program fees	25,000	8,251	(16,749)	30,885
Sale of surplus property	20,000	-	(20,000)	-
Total	<u>309,291</u>	<u>439,505</u>	<u>130,214</u>	<u>359,035</u>

Town of Harrisburg, North Carolina

General Fund

Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual

For the Fiscal Year Ended June 30, 2012

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2011)

	2012			2011
	Budget	Actual	Variance Over/(Under)	Actual
Revenues (continued):				
Investment earnings	15,000	30,661	15,661	24,300
Other general revenues:				
Traffic review	-	2,427	2,427	-
July 4th celebration	45,000	70,271	25,271	74,444
Tower lease	6,000	-	(6,000)	11,577
Municipal complex rental	5,000	2,725	(2,275)	6,440
Salvage income	500	2,198	1,698	910
Parks and recreation - field rentals	3,000	215	(2,785)	3,073
Parks and recreation - concessions	-	9,866	9,866	11,695
Parks and recreation - special events	3,000	1,060	(1,940)	5,802
Council chamber rental	3,000	2,125	(875)	3,275
Donations	-	35	35	4,392
Fire department miscellaneous	-	6,752	6,752	21,775
Cabarrus County - EMS facilities at Station 2 reimbursement	10,800	10,800	-	10,800
Cabarrus County - EMS Decontamination trailer reimbursement	6,500	5,000	(1,500)	5,000
Administrative charges	317,373	238,686	(78,687)	225,441
Miscellaneous	7,502	23,184	15,682	4,461
Total	407,675	375,344	(32,331)	389,085
Total revenues	7,096,022	7,890,193	794,171	6,637,474
Expenditures:				
General government:				
Mayor and Council:				
Salaries	42,000	43,170	(1,170)	40,913
Employee benefits	3,129	3,234	(105)	3,121
Special projects	79,190	30,312	48,878	18,671
Total	124,319	76,716	47,603	62,705
Administration and finance:				
Salaries	416,039	385,816	30,223	435,150
Employee benefits	195,538	138,273	57,265	169,245
Annual maintenance	1,100	1,040	60	824
Workers compensation	1,000	762	238	9,399
Insurance and bonds	30,000	13,840	16,160	29,639
Credit card fees	-	-	-	10
Traffic review	-	2,861	-	-
Employee relations	3,000	1,305	1,695	2,332

Town of Harrisburg, North Carolina

General Fund
Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2012
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2011)

	2012		Variance Over/(Under)	2011
	Budget	Actual		Actual
Expenditures (continued):				
General government (continued):				
Administration and finance (continued):				
Uniforms	3,500	3,684	(184)	2,410
Training	5,900	4,549	1,351	2,445
Travel	1,140	150	990	151
Fuel	11,500	18,596	(7,096)	16,295
Maintenance and repairs - buildings	11,700	11,669	31	4,974
Maintenance and repairs - vehicles	11,000	10,788	212	47,799
Miscellaneous	100	83	17	169
Dues and subscriptions	6,250	3,347	2,903	5,505
Pre-employment	2,000	527	1,473	1,016
Vehicle replacement	-	-	-	5,737
Advertising	3,500	3,286	214	2,201
Tires	4,000	3,999	1	2,730
Department supplies	5,500	5,186	314	5,541
Legal services	35,000	65,837	(30,837)	103,878
Printing	2,600	2,797	(197)	2,970
Telephone	20,000	27,377	(7,377)	19,524
Postage	6,500	6,432	68	6,371
Utilities - electric	32,000	34,122	(2,122)	30,576
Utilities - street lights	125,613	124,924	689	101,693
Contracted services	-	571	(571)	17,461
Professional services	26,000	45,446	(19,446)	6,366
Technology services	13,203	21,283	(8,080)	12,631
Buildings and grounds contracted services	20,000	18,374	1,626	23,006
Maintenance and repair - equipment	2,000	672	1,328	1,449
Construction	-	-	-	1,330
Shipping and handling	1,000	1,005	(5)	128
Copier lease	13,000	13,750	(750)	12,879
Capital outlay	167,269	-	167,269	-
Total	<u>1,176,952</u>	<u>972,351</u>	<u>207,462</u>	<u>1,083,834</u>

Town of Harrisburg, North Carolina

General Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2012
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2011)

	2012		Variance Over\ (Under)	2011
	Budget	Actual		Actual
Expenditures (continued):				
General government (continued):				
Public relations:				
Contributions	-	425	(425)	1,185
EDC	5,000	6,716	(1,716)	5,216
Employee relations	1,250	1,041	209	803
Technology services	5,000	605	4,395	13,878
Total	11,250	8,787	2,463	21,082
Total general government	1,312,521	1,057,854	257,528	1,167,621
Planning and zoning:				
Salaries	103,687	99,661	4,026	96,236
Employee benefits	37,490	33,946	3,544	32,937
Insurance and bonds	-	1,507	(1,507)	-
Credit card fees	-	-	-	10
Training	500	211	289	514
Travel	900	644	256	485
Fuel	1,750	3,308	(1,558)	1,991
Maintenance and repair - vehicles	200	276	(76)	60
Dues and subscriptions	760	514	246	494
Pre-employment	140	105	35	140
Advertising	1,500	1,533	(33)	4,961
Tires	-	-	-	-
Supplies	1,000	1,081	(81)	1,060
Legal services	5,000	6,600	(1,600)	6,990
Printing	200	-	200	-
Telephone	1,200	2,092	(892)	1,454
Postage	800	-	800	207
Uniforms	150	-	150	-
Contracted services	-	-	-	10,000
Professional services	233	509	(276)	204
Technology services	3,900	3,439	461	1,023
Shipping and handling	50	-	50	17
Maintenance and repairs - grounds	-	-	-	105
Total planning and zoning	159,460	155,426	4,034	158,888

Town of Harrisburg, North Carolina

General Fund
Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2012
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2011)

	2012		Variance Over/(Under)	2011
	Budget	Actual		Actual
Expenditures (continued):				
Public safety:				
Police:				
County contract - deputy salaries	620,000	586,272	33,728	537,114
Fuel	25,000	38,528	(13,528)	37,930
Maintenance and repairs - vehicles	10,000	18,294	(8,294)	18,776
Maintenance and repairs - grounds	-	20	(20)	-
Vehicle replacement	29,227	29,811	(584)	28,293
Supplies	3,000	1,595	1,405	2,411
Telephone	1,000	1,031	(31)	1,021
Utilities	-	76	(76)	-
Shipping and handling	670	417	253	256
Technology services	5,000	2,396	2,604	-
Copier Lease	-	18	(18)	-
Special programs	-	300	(300)	-
Special equipment	15,000	8,495	6,505	11,056
Total	708,897	687,253	21,644	636,857
Fire:				
Salaries	1,306,915	1,294,262	12,653	1,326,027
Employee benefits	464,973	439,071	25,902	428,429
Workers compensation	43,500	41,225	2,275	44,508
Insurance and bonds	40,000	41,137	(1,137)	35,428
Uniforms	25,000	5,622	19,378	2,963
Training	10,500	8,329	2,171	3,878
Travel	4,500	650	3,850	1,315
Fuel	20,000	29,139	(9,139)	26,296
Maintenance and repair - vehicles	20,000	42,351	(22,351)	43,084
Maintenance and repair - grounds	20,000	29,318	(9,318)	19,355
Miscellaneous	1,850	705	1,145	985
Dues and subscriptions	3,000	5,049	(2,049)	5,139
Pre-employment	700	17,732	(17,032)	1,390
Public education	2,000	1,278	722	879
Tires	3,000	3,848	(848)	2,137
Supplies	3,000	1,551	1,449	2,199
Legal services	300	5,426	(5,126)	425
Printing	500	726	(226)	391
Telephone	31,860	24,793	7,067	24,524
Postage	300	55	245	125
Utilities - electric	25,000	24,441	559	24,504
Utilities - water	200	791	(591)	231
Professional services	8,000	7,457	543	7,947

Town of Harrisburg, North Carolina

General Fund

Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual

For the Fiscal Year Ended June 30, 2012

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2011)

	2012		Variance Over/(Under)	2011
	Budget	Actual		Actual
Expenditures (continued):				
Public Safety (continued):				
Fire (continued):				
Technology services	7,000	10,694	(3,694)	3,813
Maintenance and repairs - signage	100	124	(24)	-
Maintenance and repairs - fire hydrants	750	-	750	-
Maintenance and repairs - equipment	15,000	16,341	(1,341)	13,323
Shipping and handling	1,600	1,512	88	859
Copier lease	4,300	2,648	1,652	4,844
Office/building lease	-	-	-	-
Special equipment	197,900	207,168	(9,268)	10,514
Medical supplies	4,000	5,063	(1,063)	4,946
Physicals	20,000	2,535	17,465	16,221
Reserves	67,398	-	67,398	-
On-behalf of payments	-	1,146	(1,146)	1,003
Total	<u>2,353,146</u>	<u>2,272,187</u>	<u>80,959</u>	<u>2,057,682</u>
Total public safety	<u>3,062,043</u>	<u>2,959,440</u>	<u>102,603</u>	<u>2,694,539</u>
Transportation:				
Streets and highways:				
Contributions	1,500	-	1,500	-
Small tools	450	345	105	1,191
Chemicals	950	1,208	(258)	-
Contracted services	200,000	189,329	10,671	189,457
Professional services	-	6,822	(6,822)	1,000
Street maintenance and repair	5,000	2,596	2,404	2,880
Signs	2,000	1,604	396	822
Special equipment	20,600	19,272	1,328	40,475
Capital outlay	182,000	133,136	48,864	235,317
Total transportation	<u>412,500</u>	<u>354,312</u>	<u>58,188</u>	<u>471,142</u>
Environmental protection:				
Sanitation:				
Sanitation services	720,000	710,757	9,243	594,436
Total environmental protection	<u>720,000</u>	<u>710,757</u>	<u>9,243</u>	<u>594,436</u>

Town of Harrisburg, North Carolina

General Fund

Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual

For the Fiscal Year Ended June 30, 2012

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2011)

	2012			2011
	Budget	Actual	Variance Over/(Under)	Actual
Expenditures (continued):				
Cultural and recreational:				
Parks and recreation:				
Salaries	289,088	312,938	(23,850)	284,310
Employee benefits	96,818	100,443	(3,625)	83,026
Employee relations	200	114	86	98
Workers' compensation	-	1,000	(1,000)	-
Insurance and bonds	150	9,977	(9,827)	147
Uniforms	4,000	4,712	(712)	4,061
Training	3,000	2,447	553	1,099
Travel	1,400	1,232	168	-
Fuel	9,000	14,607	(5,607)	9,681
Dues and subscriptions	-	194	(194)	544
Pre-employment	750	1,517	(767)	573
Vehicle replacement	-	-	-	7,683
Advertising	1,600	1,035	565	2,323
Tires	500	1,425	(925)	1,395
Supplies	2,500	3,048	(548)	3,122
Small tools	1,500	1,311	189	1,150
Pipe and fittings	500	357	143	148
Legal services	500	980	(480)	850
Chemicals	1,500	422	1,078	5,270
Printing	1,500	1,222	278	975
Telephone	9,300	8,880	420	8,873
Postage	2,000	7,564	(5,564)	4,317
Utilities - electric	6,500	9,648	(3,148)	7,085
Contracted services	250	-	250	225
Professional services	1,500	6,818	(5,318)	9,955
Technology services	2,750	3,973	(1,223)	223
Construction	1,500	55	1,445	2,007
Maintenance and repairs - equipment	3,500	3,624	(124)	2,485
Maintenance and repairs - vehicles	2,000	1,870	130	2,716
Maintenance and repairs - buildings	15,000	13,867	1,133	13,243
Shipping and handling	1,750	487	1,263	2,118
Copier lease	1,700	2,481	(781)	2,321
Office/building lease	8,040	8,311	(271)	8,214
Miscellaneous	299	90	209	(259)
Athletics	1,200	-	-	-
Special projects	50,000	17,883	32,117	27,719
July 4th event	100,000	110,722	(10,722)	111,979
Physicals	300	150	150	-

Town of Harrisburg, North Carolina

General Fund

Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual

For the Fiscal Year Ended June 30, 2012

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2011)

	2012			2011
	Budget	Actual	Variance Over/(Under)	Actual
Expenditures (continued):				
Cultural and recreational:				
Reserves	134,181	-	134,181	-
Special equipment	5,000	2,040	2,960	102
Medical supplies	500	129	371	231
Capital outlay:				
Improvements	12,011	-	12,011	-
Total	<u>773,787</u>	<u>657,573</u>	<u>116,214</u>	<u>610,009</u>
Athletics:				
Salaries	43,000	32,978	10,022	12,171
Employee benefits	11,162	5,453	5,709	3,824
Maintenance and repairs - grounds	5,000	4,909	91	4,916
Athletics	1,500	541	959	-
Concessions	500	6,298	(5,798)	6,189
Operating costs	209,660	233,996	(24,336)	193,130
Chemicals	11,213	8,482	2,731	866
Utilities - electric	60,000	46,885	13,115	51,625
Shipping and handling	-	5,012	(5,012)	-
Contracted services	1,000	13	987	1,047
Total	<u>343,035</u>	<u>344,567</u>	<u>(1,532)</u>	<u>273,768</u>
Total cultural and recreational	<u>1,116,822</u>	<u>1,002,140</u>	<u>114,682</u>	<u>883,777</u>
Total expenditures	<u>6,783,346</u>	<u>6,239,929</u>	<u>543,417</u>	<u>5,970,403</u>
Revenues over (under) expenditures	<u>312,676</u>	<u>1,650,264</u>	<u>1,337,588</u>	<u>667,071</u>
Other financing sources (uses):				
Debt service:				
Principal retirement	(227,198)	(223,439)	3,759	(215,722)
Interest	(85,478)	(100,086)	(14,608)	(110,878)
Total other financing uses	<u>(312,676)</u>	<u>(323,525)</u>	<u>(10,849)</u>	<u>(326,600)</u>
Net change in fund balance	<u>\$ -</u>	<u>1,326,739</u>	<u>\$ 1,326,739</u>	<u>340,471</u>
Fund balance				
Beginning of year		<u>1,814,805</u>		<u>1,474,334</u>
End of year		<u>\$ 3,141,544</u>		<u>\$ 1,814,805</u>

Town of Harrisburg, North Carolina

**Water and Sewer Fund
Comparative Balance Sheets
June 30, 2012 and 2011**

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,537,660	\$ 2,342,270
Accounts receivable (net) - customers	720,328	618,077
Accounts receivable - other	163,529	9,593
Prepaid expenses	2,999	2,731
Restricted cash and cash equivalents	<u>249,463</u>	<u>304,138</u>
Total current assets	<u>3,673,979</u>	<u>3,276,809</u>
Non-current assets:		
Capital assets, net of depreciation	<u>16,224,464</u>	<u>8,891,691</u>
Total assets	<u>19,898,443</u>	<u>12,168,500</u>
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	119,644	194,935
Long-term debt, current portion	705,503	175,299
Compensated absences, current portion	56,663	41,846
Customer deposits	195,939	185,325
Refundable tap fees	<u>53,524</u>	<u>118,813</u>
Total current liabilities	<u>1,131,273</u>	<u>716,218</u>
Non-current liabilities:		
Long-term debt, non-current portion	<u>7,400,361</u>	<u>378,229</u>
Total liabilities	<u>8,531,634</u>	<u>1,094,447</u>
Net assets		
Invested in capital assets, net of related debt	8,118,600	8,338,163
Unrestricted net assets	<u>3,248,209</u>	<u>2,431,752</u>
Total net assets	<u>\$ 11,366,809</u>	<u>\$ 10,769,915</u>

Town of Harrisburg, North Carolina

Water and Sewer Fund

Schedule of Revenues and Expenditures

Budget and Actual (Non-GAAP)

For the Fiscal Year Ended June 30, 2012

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2011)

	2012		Variance Over/(Under)	2011
	Budget	Actual		Actual
Revenues:				
Operating revenues:				
Water sales	\$ 2,863,437	\$ 2,559,899	\$ (303,538)	\$ 2,461,606
Sewer charges	2,496,399	2,096,415	(399,984)	2,039,520
Water and sewer taps	100,000	117,196	17,196	123,626
Water and sewer development charges	75,000	168,185	93,185	196,296
Set-up fees	5,500	13,550	8,050	11,725
Service connection fees	179,461	220,115	40,654	212,772
Penalties	50,000	106,662	56,662	80,222
Rental fees	64,500	72,232	7,732	56,813
Sales of surplus equipment	-	2,000	2,000	-
Miscellaneous revenues	3,867	10,248	6,381	3,545
Total operating revenues	5,838,164	5,366,502	(471,662)	5,186,125
Non-operating revenues:				
Interest income	20,000	28,565	8,565	25,109
Total revenues	5,858,164	5,395,067	(463,097)	5,211,234
Expenditures:				
Water administration and distribution:				
Salaries	875,648	922,788	(47,140)	874,898
Employee benefits	330,248	325,777	4,471	302,870
Workers' compensation	-	74	(74)	678
Annual maintenance	824	780	44	824
Inspections	50,000	14,255	35,745	13,100
Maintenance and repairs	60,100	62,961	(2,861)	37,411
Casualty insurance/bonds	23,000	25,267	(2,267)	22,704
Credit card fees	-	-	-	10
Employee relations	500	500	-	-
Water purchases	1,150,000	1,193,480	(43,480)	1,366,677
Sewer treatment	917,000	660,187	256,813	689,332
Bad debts	1,000	(2,155)	3,155	1,700
Vehicle replacement	17,755	17,505	250	27,463
Uniforms	15,000	17,620	(2,620)	15,621
Training	9,315	6,311	3,004	4,115
Travel	5,000	3,152	1,848	3,286

Town of Harrisburg, North Carolina

Water and Sewer Fund

Schedule of Revenues and Expenditures

Budget and Actual (Non-GAAP) (continued)

For the Fiscal Year Ended June 30, 2012

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2011)

	2012		Variance Over/(Under)	2011
	Budget	Actual		Actual
Expenditures (continued):				
Water administration and distribution (continued):				
Fuel	31,000	50,544	(19,544)	36,337
Maintenance and repairs - vehicles	4,200	2,684	1,516	4,647
Maintenance and repairs - building and ground	9,500	8,511	989	3,013
Miscellaneous	501	351	150	1,082
Dues and subscriptions	8,010	9,255	(1,245)	8,982
Pre-employment	1,500	1,138	362	1,455
Public education	2,000	-	2,000	-
Advertising	-	708	(708)	998
Tires	6,450	7,485	(1,035)	3,247
Department supplies	4,500	5,069	(569)	3,755
Meter services	178,700	158,927	19,773	32,280
Small tools	4,000	3,962	38	3,405
Pipe and fittings	3,500	3,067	433	1,562
Legal services	5,000	33,281	(28,281)	5,890
Chemicals	32,000	41,133	(9,133)	5,180
Printing	8,900	8,809	91	6,559
Telephone	32,000	37,615	(5,615)	32,082
Postage	27,900	35,118	(7,218)	28,830
Utilities - electric	78,000	70,094	7,906	39,899
Contracted services	32,400	33,365	(965)	95
Professional services	247,600	172,277	75,323	39,195
Technology services	13,350	19,272	(5,922)	5,112
B&G - contracted services	400	300	100	599
Maintenance and repairs - signage	550	560	(10)	162
Maintenance and repairs - equipment	12,000	12,572	(572)	11,592
New services	8,800	8,030	770	7,296
Shipping and handling	2,000	3,672	(1,672)	996
Computer lease	-	4,494	(4,494)	-
Building lease	14,760	14,892	(132)	15,081
Permits	5,500	1,110	4,390	6,434
Fire hydrants	1,500	1,462	38	-
Fines and penalties	850	1,557	(707)	1,099
Special equipment	62,700	61,927	773	-
Medical supplies	600	508	92	549
Physicals	865	525	340	456
Capital furniture and equipment	5,000	4,943	57	-
Administrative charges - General Fund	317,373	238,686	78,687	225,256
Reserves	236,365	-	236,365	(6,924)
Total administration and distribution	4,855,664	4,306,405	549,259	3,886,890

Town of Harrisburg, North Carolina

Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP) (continued)
For the Fiscal Year Ended June 30, 2012

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2011)

	<u>2012</u>		<u>Variance Over/(Under)</u>	<u>2011</u>
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Expenditures (continued):				
Debt service:				
Principal retirement	523,000	293,005	229,995	105,893
Interest expense	71,500	42,551	28,949	17,028
Total debt service	<u>602,500</u>	<u>335,556</u>	<u>266,944</u>	<u>122,921</u>
Capital outlay:				
Equipment	6,350,000	5,956,641	393,359	30,920
Total capital outlay	<u>6,350,000</u>	<u>5,956,641</u>	<u>393,359</u>	<u>30,920</u>
Total expenditures	<u>11,808,164</u>	<u>10,598,602</u>	<u>1,209,562</u>	<u>4,040,731</u>
Revenues over expenditures	<u>(5,950,000)</u>	<u>(5,203,535)</u>	<u>746,465</u>	<u>1,170,503</u>
Other financing sources (uses):				
Loan proceeds	5,950,000	5,945,341	(4,659)	-
Total other financing sources	<u>5,950,000</u>	<u>5,945,341</u>	<u>(4,659)</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>741,806</u>	<u>\$ 741,806</u>	<u>1,170,503</u>
Reconciliation of modified accrual basis with accrual basis:				
Reconciling items:				
Payment of debt principal		293,005		105,893
Capital outlay		6,090,752		27,326
Increase in accrued vacation pay		(14,814)		(1,017)
Increase in interest expense accrual		(3,006)		(8,292)
Depreciation and amortization		(565,508)		(494,547)
Loan proceeds		(5,945,341)		4,659
		<u>(144,912)</u>		<u>(365,978)</u>
Change in net assets (Exhibit G)		<u>\$ 596,894</u>		<u>\$ 804,525</u>

Town of Harrisburg, North Carolina

Water and Sewer Capital Projects Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
From Inception and for the Fiscal Year Ended June 30, 2012

	Actual			Variance Positive (Negative)	
	Project Authorization	Prior Years	Current Year		Total to Date
Expenditures - Well Projects					
Engineering	\$ 116,725	\$ 57,078	\$ 46,661	\$ 103,739	\$ 12,986
Construction	1,803,275	12,600	1,760,868	1,773,468	29,807
Total expenditures	<u>1,920,000</u>	<u>69,678</u>	<u>1,807,529</u>	<u>1,877,207</u>	<u>42,793</u>
Revenues under expenditures	<u>(1,920,000)</u>	<u>(69,678)</u>	<u>(1,807,529)</u>	<u>(1,877,207)</u>	<u>42,793</u>
Other financing sources:					
Debt issued	<u>1,920,000</u>	<u>-</u>	<u>1,900,000</u>	<u>1,900,000</u>	<u>(20,000)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (69,678)</u>	<u>\$ 92,471</u>	<u>\$ 22,793</u>	<u>\$ 22,793</u>

Town of Harrisburg, North Carolina

Stormwater Fund

Schedule of Revenues and Expenditures

Budget and Actual (Non-GAAP)

For the Fiscal Year Ended June 30, 2012

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2011)

	2012			2011
	Budget	Actual	Variance Over/(Under)	Actual
Revenues:				
Operating revenues:				
Stormwater services	\$ 401,652	\$ 410,879	\$ 9,227	\$ 382,635
Total operating revenues	401,652	410,879	9,227	382,635
Non-operating revenues:				
Grant income	-	50,000	50,000	-
Interest income	-	4,945	4,945	1,008
Total non-operating revenues	-	54,945	54,945	1,008
Total revenues	401,652	465,824	64,172	383,643
Expenditures:				
Salaries	30,000	-	30,000	-
Employee benefits	11,694	-	11,694	-
Inspection	20,000	20,000	-	-
Maintenance and repairs	-	-	-	51
Uniforms	375	-	375	77
Training	2,330	594	1,736	90
Fuel	3,600	87	3,513	-
Miscellaneous	1,700	-	1,700	-
Vehicle replacement	26,925	21,059	5,866	-
Advertising	500	337	163	-
Dept supplies	1,000	-	1,000	-
Legal services	2,500	-	2,500	-
Telephone	700	245	455	-
Technology services	8,500	2,983	5,517	-
Contract services	10,000	-	10,000	-
Maintenance and repairs - drainage	25,000	139	24,861	-
Shipping and handling	250	-	250	-
Contingency	8,178	-	8,178	-
Travel	1,000	-	1,000	224
Dues and subscriptions	500	1,950	(1,450)	500
Public education	7,000	-	7,000	610
Printing	4,000	-	4,000	665
Postage	10,000	-	10,000	-
Contracted services	50,000	46,875	3,125	11,767
Professional services	175,000	196,561	(21,561)	44,685
Permits	900	860	40	860
Total expenditures	401,652	291,690	109,962	59,529
Revenues over/(under) expenditures	\$ -	174,134	\$ 174,134	\$ 443,172

Town of Harrisburg, North Carolina

**Stormwater Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP) (continued)
For the Fiscal Year Ended June 30, 2012
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2011)**

	<u>2012</u>		<u>2011</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
		<u>Variance</u>	
		<u>Over/(Under)</u>	
Revenues over/(under) expenditures		\$ 174,134	\$ 443,172
Reconciling items:			
Capital outlay		21,059	-
Depreciation and amortization		(645)	-
		<u>20,414</u>	<u>-</u>
Change in net assets (Exhibit G)		\$ 194,548	\$ 443,172

Town of Harrisburg, North Carolina

Schedule of Ad Valorem Taxes Receivable
June 30, 2012

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2011</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2012</u>
2003	\$ 9	\$ 9	\$ 9	\$ 9
2004	252	252	252	252
2005	107	16	105	18
2006	5,407	3,113	4,831	3,689
2007	8,826	3,340	7,959	4,207
2008	13,215	4,613	12,386	5,442
2009	35,945	20,656	33,245	23,356
2010	58,921	29,839	58,149	30,611
2011	159,351	34,225	114,912	78,664
2012	<u>-</u>	<u>4,157,442</u>	<u>4,023,421</u>	<u>134,021</u>
Total	<u>\$ 282,033</u>	<u>\$ 4,253,505</u>	<u>\$ 4,255,269</u>	280,269
Less allowance for uncollectible ad valorem taxes receivable				<u>(14,013)</u>
Ad valorem taxes receivable - net				<u>\$ 266,256</u>
Reconciliation with revenues:				
Taxes - ad valorem - General Fund (Exhibit D)				\$ 4,218,613
Less penalties and interest collected				(35,353)
Net additions and releases from prior years				82,411
Taxes written off and refunded				<u>(10,402)</u>
Total collections and credits				<u>\$ 4,255,269</u>

Town of Harrisburg, North Carolina

**Schedule of Current Tax Levy
For the Fiscal Year Ended June 30, 2012**

	Town-Wide		Total Levy		
	Property Valuation	Rate	Amount of Levy	Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 1,785,619,791	\$ 0.230	\$ 4,106,926	\$ 3,933,371	\$ 173,555
Property taxed at prior year's rate	43,366,740	0.200	86,733	-	86,733
Penalties	-		3,499	3,499	-
Total	1,828,986,531		4,197,158	3,936,870	260,288
Discoveries					
Current year taxes	13,475,217	0.230	30,993	28,733	2,260
Abatements	<u>(30,743,043)</u>	0.230	<u>(70,709)</u>	<u>(66,094)</u>	<u>(4,615)</u>
Total property valuation	<u>\$ 1,811,718,705</u>				
Net levy			4,157,442	3,899,509	257,933
Uncollected taxes at June 30, 2012			<u>(134,021)</u>	<u>(116,925)</u>	<u>(17,096)</u>
Current year's taxes collected			<u>\$ 4,023,421</u>	<u>\$ 3,782,584</u>	<u>\$ 240,837</u>
Current levy collection percentage			<u>96.78%</u>	<u>97.00%</u>	<u>93.37%</u>

MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

"A Professional Association of Certified Public Accountants and Management Consultants"

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 Town Council
Town of Harrisburg, North Carolina

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Harrisburg as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements and have issued our report thereon dated September 7, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Town of Harrisburg is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Town of Harrisburg's internal control over financial reporting 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 Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Harrisburg's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance 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 non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Town of Harrisburg in a separate letter dated September 7, 2012.

This report is intended for the information and use of management, others within the organization, members of the Town Board, federal and State awarding agencies, and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P. A.
September 7, 2012

TOWN OF HARRISBURG, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

1. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? No

Non-compliance material to financial statements noted? No

TOWN OF HARRISBURG, NORTH CAROLINA
SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

None Reported

TOWN OF HARRISBURG, NORTH CAROLINA

**SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012**

Finding 2011-01 - Corrected

Finding 2011-02 - Corrected

