

# Town of Harrisburg, North Carolina

## Basic Financial Statements and Accompanying Information

For Fiscal Year Ended  
June 30, 2010



### Town Council Members

Timothy Hagler, Mayor  
Jeff Phillips, Mayor Pro Tem  
Chad Baucom  
Rhonda Poppen  
Jeffrey Redfern  
Bob Scaggs  
Steve Sciascia  
Bill Williams

### Administrative and Financial Staff

Michele Reapsmith, Town Administrator  
Lee Connor, Finance Director



# Town of Harrisburg, North Carolina

## Table of Contents June 30, 2010

|  | <u>Exhibit</u> | <u>Page(s)</u> |
|--|----------------|----------------|
| <b>FINANCIAL SECTION</b>   |                |                |
| Independent Auditors' Report   |                | 1-2            |
| Management's Discussion and Analysis   |                | 3-11           |
| Basic Financial Statements:  |                |                |
| Government-wide Financial Statements:  |                |                |
| Statement of Net Assets  | A              | 12             |
| Statement of Activities  | B              | 13-14          |
| Fund Financial Statements:   |                |                |
| Balance Sheet – Governmental Funds   | C              | 15             |
| Reconciliation of the Balance Sheet of the Governmental Funds to the<br>Statement of Net Assets  | C              | 16             |
| Statement of Revenues, Expenditures and Changes in Fund<br>Balances – Governmental Funds   | D              | 17             |
| Reconciliation of the Statement of Revenues, Expenditures, and<br>Changes in Fund Balances of the Governmental Funds to the<br>Statement of Activities | D              | 18             |
| Statement of Revenues, Expenditures, and Changes in Fund<br>Balances – Budget and Actual – General Fund  | E              | 19             |
| Proprietary Fund:  |                |                |
| Statement of Net Assets – Water and Sewer Fund   | F              | 20             |
| Statement of Revenues, Expenses, and Changes in Fund Net Assets<br>– Water and Sewer Fund  | G              | 21             |
| Statement of Cash Flows – Water and Sewer Fund   | H              | 22             |
| Notes to the Basic Financial Statements  |                | 23-42          |

# Town of Harrisburg, North Carolina

## Table of Contents June 30, 2010

|  | <u>Schedule</u> | <u>Page(s)</u> |
|--|-----------------|----------------|
| <b>FINANCIAL SECTION (CONTINUED)</b>   |                 |                |
| <b>Combining and Individual Fund Financial Statements and Schedules:</b>   |                 |                |
| General Fund:  |                 |                |
| Comparative Balance Sheets   | 1               | 43             |
| Schedule of Revenues, Expenditures, and Changes in Fund<br>Balance – Budget and Actual (With Comparative Actual Amounts<br>For the Fiscal Year Ended June 30, 2009)  | 2               | 44-51          |
| Enterprise Fund:   |                 |                |
| Water & Sewer Fund:  |                 |                |
| Comparative Balance Sheets   | 3               | 52             |
| Schedule of Revenues and Expenditures – Budget and<br>Actual (Non-GAAP) (With Comparative Actual Amounts for the<br>Fiscal Year Ended June 30, 2009)   | 4               | 53-56          |
| Other Schedules:   |                 |                |
| Schedule of Ad Valorem Taxes Receivable  | 5               | 57             |
| Schedule of Current Tax Levy   | 6               | 58             |
| <br><b>COMPLIANCE SECTION:</b>   |                 |                |
| Independent Auditors’ Report on Internal Control over Financial<br>Reporting and on Compliance and Other Matters<br>Based on an Audit of Financial Statements Performed in<br>Accordance with <i>Government Auditing Standards</i> |                 | 59-60          |

## FINANCIAL SECTION



# SHERRILL & SMITH, CPAs, PA

524 West Innes Street  
P. O. Box 1327  
Salisbury, NC 28145-1327  
Voice (704) 636-5211 Fax (704) 636-5245

## INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and 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, 2010, 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 of Harrisburg's management. Our responsibility is to express an opinion 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Harrisburg, North Carolina as of June 30, 2010, and the respective changes in financial position and cash flows, where appropriate, 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 October 23, 2010 on our consideration of the Town of Harrisburg, North Carolina's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of the 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 read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion on it.



The CPA. Never Underestimate The Value.®

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of the Town of Harrisburg, North Carolina. The combining and individual fund financial statements and 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 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The prior year partial comparative information has been derived from the Town's 2009 financial statements on which, in our report dated January 29, 2010, we expressed an unqualified opinion. That information was subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Sherrill and Smith, CPAs, PA

October 23, 2010

# 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, 2010. 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 \$19,262,367 (*net assets*). Of this amount, \$2,715,154 (*unrestricted net assets*) may be used to meet the Town's needs.
- The government's total net assets increased by \$355,092, 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 \$1,401,204, a decrease of \$176,488 in comparison with the prior year. Approximately 50 percent of this total amount, or \$689,575, is available for spending at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$689,575 or 10.7 percent of total general fund expenditures for the fiscal year.
- The Town of Harrisburg's total long-term outstanding debt increased by \$244,166 (6%) during the current fiscal year. The key factors in this change were continued regular principal payments, along with a new water and sewer installment purchase of \$200,000.

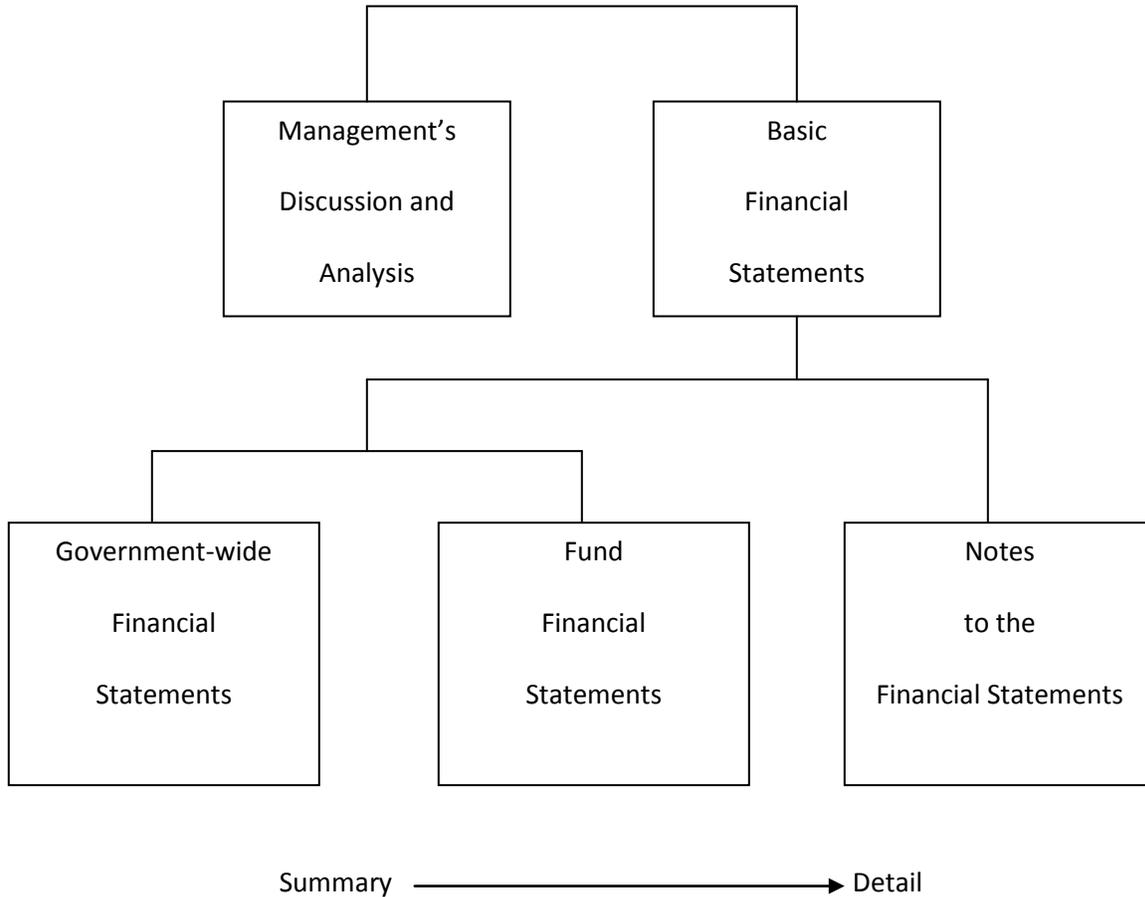
### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to 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 recreation. 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 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** – 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. Town of Harrisburg uses enterprise funds to account for its water and sewer activity. This fund is the same as that function 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 23-42 of this report.

### Government-Wide Financial Analysis

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

|  | Governmental<br>Activities |                     | Business-type<br>Activities |                     | Total                |                      |
|--|----------------------------|---------------------|-----------------------------|---------------------|----------------------|----------------------|
|  | 2010                       | 2009                | 2010                        | 2009                | 2010                 | 2009                 |
| Current and other assets                           | \$ 2,306,589               | \$ 2,378,029        | \$ 1,904,765                | \$ 1,298,590        | \$ 4,211,354         | \$ 3,676,619         |
| Capital assets                                     | <u>10,350,427</u>          | <u>10,285,173</u>   | <u>9,289,234</u>            | <u>9,763,583</u>    | <u>19,639,661</u>    | <u>20,048,756</u>    |
| Total assets                                       | <u>12,657,016</u>          | <u>12,663,202</u>   | <u>11,193,999</u>           | <u>11,062,173</u>   | <u>23,851,015</u>    | <u>23,725,375</u>    |
| Long-term liabilities outstanding                  | 2,758,791                  | 2,302,439           | 700,250                     | 483,276             | 3,459,041            | 2,785,715            |
| Other liabilities                                  | <u>605,907</u>             | <u>1,271,602</u>    | <u>523,700</u>              | <u>760,783</u>      | <u>1,129,607</u>     | <u>2,032,385</u>     |
| Total liabilities                                  | <u>3,364,698</u>           | <u>3,574,041</u>    | <u>1,223,950</u>            | <u>1,244,059</u>    | <u>4,588,648</u>     | <u>4,818,100</u>     |
| Net assets:  |                            |                     |                             |                     |                      |                      |
| Invested in capital assets, net of<br>related debt | 7,701,712                  | 7,375,350           | 8,629,813                   | 9,155,347           | 16,331,525           | 16,530,697           |
| Restricted   | 215,688                    | 242,662             | -                           | -                   | 215,688              | 242,662              |
| Unrestricted                                       | <u>1,374,918</u>           | <u>1,471,149</u>    | <u>1,340,236</u>            | <u>662,767</u>      | <u>2,715,154</u>     | <u>2,133,916</u>     |
| Total net assets                                   | <u>\$ 9,292,318</u>        | <u>\$ 9,089,161</u> | <u>\$ 9,970,049</u>         | <u>\$ 9,818,114</u> | <u>\$ 19,262,367</u> | <u>\$ 18,907,275</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 \$19,262,367 as of June 30, 2010. The Town's net assets increased by \$355,092 for the fiscal year ended June 30, 2010. However, the largest portion (85%) 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 (1.12%) represents reserves that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$2,715,154 may be used to meet the government'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 96.36%, which is comparable to the statewide average of 97.42%. Collection of current year taxes increased by more than \$109,000 for the year ending June 30, 2010.
- A notable increase was seen in athletics revenues of more than \$130,000.

**Town of Harrisburg Changes in Net Assets  
Figure 3**

|   | Governmental<br>Activities |              | Business-type<br>Activities |              | Total         |               |
|---|----------------------------|--------------|-----------------------------|--------------|---------------|---------------|
|   | 2010                       | 2009         | 2010                        | 2009         | 2010          | 2009          |
| Revenues:   |                            |              |                             |              |               |               |
| Program revenues:   |                            |              |                             |              |               |               |
| Charges for services  | \$ 335,957                 | \$ 197,681   | \$ 4,416,564                | \$ 3,726,425 | \$ 4,752,521  | \$ 3,924,106  |
| Operating grants and contributions                              | 979,723                    | 1,074,476    | -                           | -            | 979,723       | 1,074,476     |
| General revenues:   |                            |              |                             |              |               |               |
| Property taxes  | 3,434,287                  | 3,314,156    | -                           | -            | 3,434,287     | 3,314,156     |
| Other taxes   | 3,120                      | 8,062        | -                           | -            | 3,120         | 8,062         |
| Grants and contributions not<br>restricted to specific programs | 1,349,187                  | 1,371,509    | -                           | -            | 1,349,187     | 1,371,509     |
| Other   | 154,570                    | 157,304      | 5,117                       | 8,618        | 159,687       | 165,922       |
| Total revenues  | 6,256,844                  | 6,123,188    | 4,421,681                   | 3,735,043    | 10,678,525    | 9,858,231     |
| Expenses:   |                            |              |                             |              |               |               |
| General government  | 1,111,216                  | 1,323,452    | -                           | -            | 1,111,216     | 1,323,452     |
| Planning and zoning   | 150,163                    | 150,610      | -                           | -            | 150,163       | 150,610       |
| Public safety   | 3,009,296                  | 3,074,257    | -                           | -            | 3,009,296     | 3,074,257     |
| Transportation  | 257,452                    | 243,624      | -                           | -            | 257,452       | 243,624       |
| Environmental protection  | 591,327                    | 599,318      | -                           | -            | 591,327       | 599,318       |
| Cultural and recreational                                       | 891,863                    | 473,337      | -                           | -            | 891,863       | 473,337       |
| Water and sewer   | -                          | -            | 4,140,193                   | 4,174,131    | 4,140,193     | 4,174,131     |
| Interest  | 142,370                    | 127,892      | 29,553                      | 28,116       | 171,923       | 156,008       |
| Total expenses  | 6,153,687                  | 5,992,490    | 4,169,746                   | 4,202,247    | 10,323,433    | 10,194,737    |
| Increase (decrease) in net assets<br>before transfers           | 103,157                    | 130,698      | 251,935                     | (467,204)    | 355,092       | (336,506)     |
| Transfers   | 100,000                    | -            | (100,000)                   | -            | -             | -             |
| Increase (decrease) in net assets                               | 203,157                    | 130,698      | 151,935                     | (467,204)    | 355,092       | (336,506)     |
| Net assets, July 1  | 9,089,161                  | 8,958,463    | 9,818,114                   | 10,285,318   | 18,907,275    | 19,243,781    |
| Net assets, June 30   | \$ 9,292,318               | \$ 9,089,161 | \$ 9,970,049                | \$ 9,818,114 | \$ 19,262,367 | \$ 18,907,275 |

# 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 \$203,157, thereby accounting for 58% of the total growth in the net assets of the Town. Key elements of this increase are as follows:

- Tax revenues increased approximately 4%.
- Parks and recreation athletics revenue increased over \$130,000.

**Business-type activities.** Business-type activities increased the Town of Harrisburg's net assets by \$151,935, accounting for 42% 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 13%.
- Tap fees and connection fees nearly doubled.

### 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, unreserved 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, unreserved fund balance of the General Fund was \$689,575, while total fund balance was \$1,401,204. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 11 percent of total General Fund expenditures, while total fund balance represents 22 percent of that same amount.

At June 30, 2010, the governmental funds of Town of Harrisburg reported a combined fund balance of \$1,401,204, an 11% decrease 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 unrestricted intergovernmental funds. Additionally, the Town did not fully anticipate the local demand for the 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.

**Proprietary Funds.** The Town of Harrisburg's proprietary fund provides 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 \$9,970,049. Total net assets increased by \$151,935. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town of Harrisburg's business-type activities.

# Town of Harrisburg, North Carolina

## Management's Discussion and Analysis (continued)

### Financial Analysis of the Town's Funds (continued)

**Proprietary Funds (continued).** Revenues were more than budgeted amounts primarily because the taps fees, connection fees and penalties were all greater than anticipated during the year. Expenditures were less than budgeted amounts, but within a small variance. The largest items over budget, in detail, were salaries and water purchase, which is reflective of the water revenue being higher than anticipated amounts as well.

### 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, 2010, totals \$19,639,661 (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 fire department administration building.

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

|                                   | Governmental<br>Activities |                      | Business-type<br>Activities |                     | Total                |                      |
|-----------------------------------|----------------------------|----------------------|-----------------------------|---------------------|----------------------|----------------------|
|                                   | 2010                       | 2009                 | 2010                        | 2009                | 2010                 | 2009                 |
| Construction in progress          | \$ 151,278                 | \$ 173,158           | \$ 72,751                   | \$ 72,751           | \$ 224,029           | \$ 245,909           |
| Land                              | 1,203,078                  | 1,203,078            | 459,753                     | 459,753             | 1,662,831            | 1,662,831            |
| Buildings and systems             | 4,157,842                  | 3,729,293            | 37,399                      | 38,602              | 4,195,241            | 3,767,895            |
| Improvements other than buildings | 2,079,382                  | 2,144,163            | -                           | -                   | 2,079,382            | 2,144,163            |
| Water lines                       | -                          | -                    | 5,071,823                   | 5,295,228           | 5,071,823            | 5,295,228            |
| Machinery and equipment           | 1,562,784                  | 1,814,252            | 351,522                     | 425,067             | 1,914,306            | 2,239,319            |
| Interceptors                      | -                          | -                    | 315,349                     | 339,497             | 315,349              | 339,497              |
| Collection system                 | -                          | -                    | 2,980,637                   | 3,132,685           | 2,980,637            | 3,132,685            |
| Infrastructure                    | 1,196,063                  | 1,221,229            | -                           | -                   | 1,196,063            | 1,221,229            |
| <b>Total</b>                      | <u>\$ 10,350,427</u>       | <u>\$ 10,285,173</u> | <u>\$ 9,289,234</u>         | <u>\$ 9,763,583</u> | <u>\$ 19,639,661</u> | <u>\$ 20,048,756</u> |

Additional information on the Town's capital assets can be found in note III.A.3 of the Basic Financial Statements.

**Long-term Debt.** As of June 30, 2010, the Town of Harrisburg had total debt outstanding of \$3,308,136. Of this debt, \$659,421 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 (\$2,648,715), is backed by the full faith and credit of the Town.

# Town of Harrisburg, North Carolina

## Management's Discussion and Analysis (continued)

### Long-term Obligations Figure 5

|               | Governmental<br>Activities |              | Business-type<br>Activities |            | Total        |              |
|---------------|----------------------------|--------------|-----------------------------|------------|--------------|--------------|
|               | 2010                       | 2009         | 2010                        | 2009       | 2010         | 2009         |
| Notes payable | \$ 2,648,715               | \$ 2,909,823 | \$ 659,421                  | \$ 608,236 | \$ 3,308,136 | \$ 3,518,059 |
| Total         | \$ 2,648,715               | \$ 2,909,823 | \$ 659,421                  | \$ 608,236 | \$ 3,308,136 | \$ 3,518,059 |

#### Town of Harrisburg's Outstanding Debt

The Town of Harrisburg's total long-term outstanding debt decreased by \$209,923 (6%) during the past fiscal year, primarily due to continued principal payments and the new water and sewer installment note in the amount of \$200,000.

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 Town of Harrisburg is \$135,634,120.

Additional information regarding the Town of Harrisburg's long-term debt can be found in note II.B.7 on pages 35-41 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:

- A new middle school, Harrisburg Middle School, opened in August 2010. Furthermore, there are several annexations slated for proposal in the new fiscal year. Additional property tax and water and sewer fees will result from these annexations.
- 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 3,000 housing units to the Town's total.
- Water and sewer rates are continuing to be analyzed and a revised structure to hedge reduced water usage, primarily in times of severe drought, is currently being completed.

# Town of Harrisburg, North Carolina

## Management's Discussion and Analysis (continued)

### Budget Highlights for the Fiscal Year Ending June 30, 2011

**Governmental Activities:** Property taxes (benefiting from annexations and residential building) are expected to lead the increase in budgeted revenue by 17 percent. Additionally, another 14 percent increase in budgeted revenues will be from additional borrowing. The Town will use these increases in revenues to finance programs currently in place, address the expected inflationary impacts on program costs, address current capital needs, and provide enhanced service provision through staff additions in certain departmental areas.

Budgeted expenditures in the General Fund are expected to rise approximately 13% to \$6,942,037. The largest increments are in Powell Bill expenditures, which represent street and sidewalk improvements, and street lighting.

**Business-type Activities:** The water and sewer rates in the Town will increase by 11%, primarily to cover increased costs of operations. General operating expense will increase by 32% to cover the capital outlay costs associated with putting the three wells back on-line to provide water to our residents with decreased reliance on external water purchases. Debt service expense will increase by approximately 18% to cover additional costs associated with issuing and repaying revenue bonds associated with the wells project.

### 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, 2010

|   | Governmental<br>Activities | Business-type<br>Activities | Total                    |
|---|----------------------------|-----------------------------|--------------------------|
| <b>Assets</b>                                   |                            |                             |                          |
| Current assets:                                 |                            |                             |                          |
| Cash and cash equivalents                       | \$ 1,497,362               | \$ 1,449,143                | \$ 2,946,505             |
| Taxes receivables (net)                         | 267,731                    | -                           | 267,731                  |
| Accrued interest receivable on taxes            | 51,885                     | -                           | 51,885                   |
| Accounts receivable (net)                       | 33,057                     | 455,154                     | 488,211                  |
| Due from other governments                      | 398,980                    | -                           | 398,980                  |
| Prepaid expenses                                | 57,574                     | 468                         | 58,042                   |
| Total current assets                            | <u>2,306,589</u>           | <u>1,904,765</u>            | <u>4,211,354</u>         |
| Capital assets:                                 |                            |                             |                          |
| Nondepreciable                                  | 1,354,356                  | 532,504                     | 1,886,860                |
| Depreciable, net of accumulated depreciation    | 8,996,071                  | 8,756,730                   | 17,752,801               |
| Total capital assets                            | <u>10,350,427</u>          | <u>9,289,234</u>            | <u>19,639,661</u>        |
| <br>Total assets                                | <br><u>12,657,016</u>      | <br><u>11,193,999</u>       | <br><u>23,851,015</u>    |
| <b>Liabilities</b>                              |                            |                             |                          |
| Current liabilities:                            |                            |                             |                          |
| Accounts payable and accrued liabilities        | 285,397                    | 188,975                     | 474,372                  |
| Performance bond deposits                       | 277,422                    | -                           | 277,422                  |
| Unearned revenue                                | 43,088                     | -                           | 43,088                   |
| Customer deposits                               | -                          | 185,822                     | 185,822                  |
| Refundable tap fees                             | -                          | 148,903                     | 148,903                  |
| Long-term liabilities-due within one year       | 826,880                    | 209,142                     | 1,036,022                |
| Total current liabilities                       | <u>1,432,787</u>           | <u>732,842</u>              | <u>2,165,629</u>         |
| Long-term liabilities:                          |                            |                             |                          |
| Long-term liabilities-due in more than one year | 1,931,911                  | 491,108                     | 2,423,019                |
| Total liabilities                               | <u>3,364,698</u>           | <u>1,223,950</u>            | <u>4,588,648</u>         |
| <b>Net assets</b>                               |                            |                             |                          |
| Invested in capital assets, net of related debt | 7,701,712                  | 8,629,813                   | 16,331,525               |
| Restricted for:                                 |                            |                             |                          |
| Reserved for other purposes                     | 215,688                    | -                           | 215,688                  |
| Unrestricted                                    | 1,374,918                  | 1,340,236                   | 2,715,154                |
| <br>Total net assets                            | <br><u>\$ 9,292,318</u>    | <br><u>\$ 9,970,049</u>     | <br><u>\$ 19,262,367</u> |

# Town of Harrisburg, North Carolina

## Statement of Activities For the Fiscal Year Ended June 30, 2010

| Functions/Programs             | Expenses      | Program Revenues        |                                       |
|--------------------------------|---------------|-------------------------|---------------------------------------|
|                                |               | Charges for<br>Services | Operating Grants<br>and Contributions |
| Governmental activities:       |               |                         |                                       |
| General government             | \$ 1,111,216  | \$ 8,970                | \$ -                                  |
| Planning and zoning            | 150,163       | -                       | -                                     |
| Public safety                  | 3,009,296     | 25,710                  | 785,725                               |
| Transportation                 | 257,452       | -                       | 189,765                               |
| Environmental protection       | 591,327       | -                       | 4,233                                 |
| Cultural and recreation        | 891,863       | 301,277                 | -                                     |
| Interest on long-term debt     | 142,370       | -                       | -                                     |
| Total governmental activities  | 6,153,687     | 335,957                 | 979,723                               |
| Business-type activities:      |               |                         |                                       |
| Water and sewer                | 4,169,746     | 4,416,564               | -                                     |
| Total business-type activities | 4,169,746     | 4,416,564               | -                                     |
| Total government               | \$ 10,323,433 | \$ 4,752,521            | \$ 979,723                            |

General revenues:

Taxes:

Property taxes, levied for general purpose

Other taxes and licenses

Unrestricted intergovernmental

Unrestricted investment earnings

Miscellaneous

Transfers

Total general revenues and special items

Change in net assets

Net assets-beginning

Net assets-ending

| <b>Net (Expense) Revenue and Changes in Net Assets</b> |                                     |                      |
|--|-------------------------------------|----------------------|
| <b>Governmental<br/>Activities</b>                     | <b>Business-type<br/>Activities</b> | <b>Total</b>         |
| \$ (1,102,246)   | \$ -                                | \$ (1,102,246)       |
| (150,163)  | -                                   | (150,163)            |
| (2,197,861)  | -                                   | (2,197,861)          |
| (67,687)   | -                                   | (67,687)             |
| (587,094)  | -                                   | (587,094)            |
| (590,586)  | -                                   | (590,586)            |
| (142,370)  | -                                   | (142,370)            |
| <u>(4,838,007)</u>                                     | <u>-</u>                            | <u>(4,838,007)</u>   |
| -  | 246,818                             | 246,818              |
| -  | 246,818                             | 246,818              |
| <u>(4,838,007)</u>                                     | <u>246,818</u>                      | <u>(4,591,189)</u>   |
| 3,434,287  | -                                   | 3,434,287            |
| 3,120  | -                                   | 3,120                |
| 1,349,187  | -                                   | 1,349,187            |
| 3,923  | 5,117                               | 9,040                |
| 150,647  | -                                   | 150,647              |
| 100,000  | (100,000)                           | -                    |
| <u>5,041,164</u>                                       | <u>(94,883)</u>                     | <u>4,946,281</u>     |
| 203,157  | 151,935                             | 355,092              |
| <u>9,089,161</u>                                       | <u>9,818,114</u>                    | <u>18,907,275</u>    |
| <u>\$ 9,292,318</u>                                    | <u>\$ 9,970,049</u>                 | <u>\$ 19,262,367</u> |

Town of Harrisburg, North Carolina

Balance Sheet  
Governmental Funds  
June 30, 2010

|  | <u>General</u>      | <u>Total<br/>Governmental<br/>Funds</u> |
|--|---------------------|---|
| <b>Assets</b>                            |                     |   |
| Cash and cash equivalents                | \$ 1,497,362        | \$ 1,497,362                            |
| Receivables, net:                        |                     |   |
| Property taxes                           | 267,731             | 267,731                                 |
| Sales and use taxes                      | 33,057              | 33,057                                  |
| Due from other governments               | 398,980             | 398,980                                 |
| Prepaid expenses                         | 57,574              | 57,574                                  |
|  | <u>2,254,704</u>    | <u>2,254,704</u>                        |
| Total assets                             | <u>\$ 2,254,704</u> | <u>\$ 2,254,704</u>                     |
| <b>Liabilities and fund balances</b>     |                     |   |
| Liabilities:                             |                     |   |
| Accounts payable and accrued liabilities | \$ 265,259          | \$ 265,259                              |
| Performance bonds on deposit             | 277,422             | 277,422                                 |
| Unearned revenue                         | 267,731             | 267,731                                 |
| Deferred revenue                         | 43,088              | 43,088                                  |
| Total liabilities                        | <u>853,500</u>      | <u>853,500</u>                          |
| Fund balances:                           |                     |   |
| Reserved by State statute                | 438,367             | 438,367                                 |
| Reserved for streets - Powell Bill       | 215,688             | 215,688                                 |
| Reserved for deposits and prepaids       | 57,574              | 57,574                                  |
| Unreserved:                              |                     |   |
| Undesignated                             | 689,575             | 689,575                                 |
| Total fund balances                      | <u>1,401,204</u>    | <u>1,401,204</u>                        |
| Total liabilities and fund balances      | <u>\$ 2,254,704</u> | <u>\$ 2,254,704</u>                     |

**Town of Harrisburg, North Carolina**

**Reconciliation of the Balance Sheet of the Governmental  
Funds to the Statement of Net Assets  
June 30, 2010**

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

|   |                     |
|---|---------------------|
| Ending fund balance - governmental funds  | \$ 1,401,204        |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds  | 10,350,427          |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds |                     |
| Unearned revenue  | 267,731             |
| Accrued interest on taxes receivable  | 51,885              |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds           |                     |
| Accrued interest payable  | (20,138)            |
| Compensated absences  | (110,076)           |
| Note payable  | <u>(2,648,715)</u>  |
| Net assets of governmental activities   | <u>\$ 9,292,318</u> |

Town of Harrisburg, North Carolina

Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2010

|                                 | <u>General</u>      | <u>Total<br/>Governmental<br/>Funds</u> |
|---------------------------------|---------------------|---|
| <b>Revenues</b>                 |                     |   |
| Ad valorem taxes                | \$ 3,367,363        | \$ 3,367,363                            |
| Other taxes and licenses        | 3,120               | 3,120                                   |
| Unrestricted intergovernmental  | 1,349,187           | 1,349,187                               |
| Restricted intergovernmental    | 979,723             | 979,723                                 |
| Permits and fees                | 34,680              | 34,680                                  |
| Sales and services              | 301,277             | 301,277                                 |
| Investment earnings             | 3,923               | 3,923                                   |
| Other general revenues          | 150,647             | 150,647                                 |
| Total revenues                  | <u>6,189,920</u>    | <u>6,189,920</u>                        |
| <b>Expenditures</b>             |                     |   |
| Current:                        |                     |   |
| General government              | 1,084,611           | 1,084,611                               |
| Planning and zoning             | 150,514             | 150,514                                 |
| Public safety                   | 3,246,987           | 3,246,987                               |
| Transportation                  | 237,575             | 237,575                                 |
| Environmental protection        | 573,389             | 573,389                                 |
| Cultural and recreation         | 789,992             | 789,992                                 |
| Debt service:                   |                     |   |
| Principal retirement            | 261,108             | 261,108                                 |
| Interest                        | 122,232             | 122,232                                 |
| Total expenditures              | <u>6,466,408</u>    | <u>6,466,408</u>                        |
| Revenues under expenditures     | <u>(276,488)</u>    | <u>(276,488)</u>                        |
| <b>Other financing sources:</b> |                     |   |
| Transfers from other funds      | <u>100,000</u>      | <u>100,000</u>                          |
| Net change in fund balance      | (176,488)           | (176,488)                               |
| Fund balances-beginning         | <u>1,577,692</u>    | <u>1,577,692</u>                        |
| Fund balances-ending            | <u>\$ 1,401,204</u> | <u>\$ 1,401,204</u>                     |

**Town of Harrisburg, North Carolina**

**Reconciliation of the Statement of Revenues, Expenditures, and  
Changes in Fund Balances of the Governmental Funds to the  
Statement of Activities  
For the Fiscal Year Ended June 30, 2010**

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

|  |                  |                   |
|--|------------------|-------------------|
| Net changes in fund balances - total governmental funds  |                  | \$ (176,488)      |
| <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  | 535,348          |                   |
| Depreciation expense   | <u>(470,094)</u> | 65,254            |
| <p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>  |                  |                   |
| Other  | 13,890           |                   |
| Change in deferred revenue for tax revenues  | <u>53,034</u>    | 66,924            |
| <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 simialr items when debt is first issued, whereass these amounts are deferred and amortized in the statement of activities.</p> |                  |                   |
| Debt service payments  | 261,108          |                   |
| Compensated absences   | <u>6,497</u>     | 267,605           |
| <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>(20,138)</u>   |
| Changes in net assets of governmental activities   |                  | <u>\$ 203,157</u> |

## Town of Harrisburg, North Carolina

### Statement of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual - General Fund For the Fiscal Year Ended June 30, 2010

|                                   | Budgeted Amounts |                  | Actual Amounts      | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
|-----------------------------------|------------------|------------------|---------------------|---|
|                                   | Original         | Final            |                     |   |
| <b>Revenues</b>                   |                  |                  |                     |   |
| Ad valorem taxes                  | \$ 3,400,808     | \$ 3,400,808     | \$ 3,367,363        | \$ (33,445)   |
| Other taxes and licenses          | 2,000            | 2,000            | 3,120               | 1,120   |
| Unrestricted intergovernmental    | 783,121          | 783,121          | 1,349,187           | 566,066   |
| Restricted intergovernmental      | 975,047          | 975,047          | 979,723             | 4,676   |
| Permits and fees                  | 19,571           | 19,571           | 34,680              | 15,109  |
| Sales and services                | 48,000           | 48,000           | 301,277             | 253,277   |
| Investment earnings               | 25,000           | 25,000           | 3,923               | (21,077)  |
| Other general revenues            | 278,200          | 278,200          | 150,647             | (127,553)   |
| Total revenues                    | <u>5,531,747</u> | <u>5,531,747</u> | <u>6,189,920</u>    | <u>658,173</u>  |
| <b>Expenditures</b>               |                  |                  |                     |   |
| Current:                          |                  |                  |                     |   |
| General government                | 1,398,977        | 1,092,577        | 1,084,611           | 7,966   |
| Planning and zoning               | 155,975          | 155,975          | 150,514             | 5,461   |
| Public safety                     | 2,741,243        | 3,248,055        | 3,246,987           | 1,068   |
| Transportation                    | 158,700          | 238,700          | 237,575             | 1,125   |
| Environmental protection          | 565,000          | 575,000          | 573,389             | 1,611   |
| Cultural and recreation           | 814,593          | 792,293          | 789,992             | 2,301   |
| Debt service:                     |                  |                  |                     |   |
| Principal retirement              | 226,118          | 261,118          | 261,108             | 10  |
| Interest                          | 65,061           | 122,361          | 122,232             | 129   |
| Total expenditures                | <u>6,125,667</u> | <u>6,486,079</u> | <u>6,466,408</u>    | <u>19,671</u>   |
| Revenues under expenditures       | <u>(593,920)</u> | <u>(954,332)</u> | <u>(276,488)</u>    | <u>677,844</u>  |
| <b>Other financing sources</b>    |                  |                  |                     |   |
| Transfers from other funds        | 100,000          | 100,000          | 100,000             | -   |
| Appropriated fund balance         | 493,920          | 854,332          | -                   | (854,332)   |
| Total other financing sources     | <u>593,920</u>   | <u>954,332</u>   | <u>100,000</u>      | <u>(854,332)</u>  |
| Net change in fund balance        | <u>\$ -</u>      | <u>\$ -</u>      | (176,488)           | <u>\$ (176,488)</u>                                       |
| Fund balances - beginning of year |                  |                  | <u>1,577,692</u>    |   |
| Fund balances - end of year       |                  |                  | <u>\$ 1,401,204</u> |   |

## Town of Harrisburg, North Carolina

### Statement of Net Assets Water and Sewer Fund June 30, 2010

#### Assets

##### Current assets:

|                                       |              |
|---------------------------------------|--------------|
| Cash and cash equivalents             | \$ 1,449,143 |
| Accounts receivable (net) - customers | 445,686      |
| Accounts receivable - other           | 9,468        |
| Prepaid expenses                      | 468          |
| Total current assets                  | 1,904,765    |

##### Capital assets:

|  |            |
|--|------------|
| Nondepreciable                               | 532,504    |
| Depreciable, net of accumulated depreciation | 8,756,730  |
| Total noncurrent assets                      | 9,289,234  |
| Total assets                                 | 11,193,999 |

#### Liabilities

##### Current liabilities:

|  |         |
|--|---------|
| Accounts payable and accrued liabilities | 188,975 |
| Long-term debt, current portion          | 168,313 |
| Compensated absences, current portion    | 40,829  |
| Customer deposits                        | 185,822 |
| Refundable tap fees                      | 148,903 |
| Total current liabilities                | 732,842 |

##### Noncurrent liabilities:

|                                    |           |
|------------------------------------|-----------|
| Long-term debt, noncurrent portion | 491,108   |
| Total liabilities                  | 1,223,950 |

#### Net assets

|   |              |
|---|--------------|
| Invested in capital assets, net of related debt | 8,629,813    |
| Unrestricted                                    | 1,340,236    |
| Total net assets                                | \$ 9,970,049 |

**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Water and Sewer Fund**  
**For the Fiscal Year Ended June 30, 2010**

|   |                            |
|---|----------------------------|
| <b>Operating revenues</b>               |                            |
| Charges for services                    | \$ 4,046,929               |
| Water and sewer taps                    | 186,225                    |
| Other operating revenues                | 183,410                    |
| Total operating revenues                | <u>4,416,564</u>           |
| <b>Operating expenses</b>               |                            |
| Water administration and distribution   | 3,637,633                  |
| Depreciation and amortization           | 502,560                    |
| Total operating expenses                | <u>4,140,193</u>           |
| <b>Operating income</b>                 | <u>276,371</u>             |
| <b>Nonoperating revenues (expenses)</b> |                            |
| Investment earnings                     | 5,117                      |
| Interest and other charges              | (29,553)                   |
| Transfers to other funds                | <u>(100,000)</u>           |
| Total nonoperating expenses             | <u>(124,436)</u>           |
| <b>Change in net assets</b>             | 151,935                    |
| <b>Total net assets - beginning</b>     | <u>9,818,114</u>           |
| <b>Total net assets - ending</b>        | <u><u>\$ 9,970,049</u></u> |

**Statement of Cash Flows**  
**Water and Sewer Fund**  
**For the Fiscal Year Ended June 30, 2010**

|   |                     |
|---|---------------------|
| <b>Cash flows from operating activities</b>   |                     |
| Cash received from customers  | \$ 4,416,564        |
| Cash paid for goods and services  | (2,709,498)         |
| Cash paid to or on behalf of employees for services                                     | (1,163,810)         |
| Customer deposits received and returned   | 7,951               |
| <b>Net cash provided by operating activities</b>  | <u>551,207</u>      |
| <b>Cash flows from noncapital financing activities</b>                                  |                     |
| Decrease in due from other funds  | 9,425               |
| Transfers from other funds  | (100,000)           |
| <b>Total cash flows used in noncapital financing activities</b>                         | <u>(90,575)</u>     |
| <b>Cash flows from capital and related financing activities</b>                         |                     |
| Proceeds from installment purchase  | 200,000             |
| Acquisition and construction of capital assets  | (28,211)            |
| Principal paid on long term debt  | (148,815)           |
| Interest paid on long-term debt   | (29,553)            |
| <b>Net cash used in capital and related financing activities</b>                        | <u>(6,579)</u>      |
| <b>Cash flows from investing activities</b>   |                     |
| Interest on investments   | 5,117               |
| <b>Net increase in cash and cash equivalents</b>  | 459,170             |
| <b>Cash and cash equivalents</b>  |                     |
| Beginning of year   | 989,973             |
| End of year   | <u>\$ 1,449,143</u> |
| <b>Reconciliation of operating income to net cash provided by operating activities</b>  |                     |
| Operating income  | \$ 276,371          |
| Adjustments to reconcile operating income to net cash provided by operating activities: |                     |
| Depreciation and amortization   | 502,560             |
| Changes in assets and liabilities:  |                     |
| Increase in accounts receivable - customers   | (165,565)           |
| Increase in allowance for doubtful accounts   | 5,500               |
| Decrease in accounts receivable - other   | 4,103               |
| Increase in prepaid items   | (468)               |
| Decrease in accounts payable and accrued liabilities                                    | (34,595)            |
| Decrease in compensated absences  | (7,746)             |
| Increase in customer deposits   | 7,951               |
| Decrease in refundable tap fees   | (36,904)            |
| <b>Total adjustments</b>  | <u>274,836</u>      |
| <b>Net cash provided by operating activities</b>  | <u>\$ 551,207</u>   |



# Town of Harrisburg, North Carolina

## Notes to the Basic Financial Statements June 30, 2010

### I. Summary of Significant Accounting Policies:

The accounting policies of the Town of Harrisburg 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 of Harrisburg (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 non-major 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 June 30, 2010

### I. Summary of Significant Accounting Policies (continued):

#### B. Basis of Presentation - Fund Accounting (continued)

The Town reports the following major enterprise fund:

Water and Sewer Fund – The Water and Sewer Fund is used to account for the Town’s water and sewer 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 June 30, 2010

### 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 2009 through February 2010 apply to the fiscal year ended June 30, 2010. 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 Water and Sewer Enterprise Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Capital Projects Funds. All budget ordinances are prepared on the modified accrual basis of accounting. During the year ended June 30, 2010 several amendments to the original budget were necessary.

Budgetary amounts are presented as originally adopted, or amended as required by the provisions of GASB Statement No. 34. Expenditures may not legally exceed appropriations at the department level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional 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 June 30, 2010

### I. Summary of Significant Accounting Policies (continued):

#### E. Assets, Liabilities and Fund Equity

##### 1. 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 nonguaranteed 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, a 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.

##### 2. 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.

##### 3. 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 City 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.

##### 4. 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.

##### 5. 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.

# Town of Harrisburg, North Carolina

## Notes to the Basic Financial Statements June 30, 2010

### I. Summary of Significant Accounting Policies (continued):

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

##### 6. 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.

##### 7. 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:

|   |             |
|---|-------------|
| 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 |

##### 8. 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, or proprietary fund type statement of net assets.

##### 9. Compensated Absences

The vacation policy of the Town provides for the accumulation of up to twenty 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 one full year of service 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.

# Town of Harrisburg, North Carolina

## Notes to the Basic Financial Statements June 30, 2010

### I. Summary of Significant Accounting Policies (continued):

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

##### 9. Compensated Absences (continued)

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.

##### 10. 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 or laws or regulations of other governments or imposed by law through State statute.

###### Fund Balances

In the governmental fund financial statements, reservations of fund balance represent amounts that cannot be appropriated or are legally segregated for a specific purpose. Designations of unreserved fund balance represent tentative management plans that are subject to change.

State law [G.S. 159-13(b)(16)] restricts appropriation of fund balance for the subsequent year's budget to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts as those amounts stand at the close of the fiscal year preceding the budget year.

The governmental fund types classify fund balances as follows:

###### Reserved:

Reserved by State statute – portion of fund balance, in addition to reserves for encumbrances and reserves for inventories, which is not available for appropriation under State law [G.S. 159-8(a)]. This amount is usually comprised of accounts receivable and inter-fund receivables which have not been offset by deferred revenues.

Reserved for streets – Powell Bill – portion of fund balance that is available for appropriation but legally segregated for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

###### Unreserved:

Designated for subsequent year's expenditures – portion of total fund balance available for appropriation that has been designated for the adopted 2010-2011 budget ordinance.

Undesignated – portion of total fund balance available for appropriation that is uncommitted at year-end.

# Town of Harrisburg, North Carolina

## Notes to the Basic Financial Statements June 30, 2010

### 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

##### 1. 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 noninterest-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 under-collateralization, 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.

At June 30, 2010, the Town's deposits had a carrying amount of \$733,926 and a bank balance of \$1,012,868. Of the bank balance, \$318,972 was covered by federal depository insurance and \$693,896 was covered by collateral held under the Pooling Method. At June 30, 2010, the Town's petty cash totaled \$850.

##### 2. Investments

At June 30, 2010, the Town had \$2,211,097 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk.

# Town of Harrisburg, North Carolina

## Notes to the Basic Financial Statements June 30, 2010

II. Detail Notes on All Funds (continued):

A. Assets (continued)

3. Capital Assets

Capital asset activity for the year ended June 30, 2010 was as follows:

|   | <b>Beginning<br/>Balances</b> | <b>Increases</b> | <b>Decreases</b> | <b>Ending<br/>Balances</b> |
|---|-------------------------------|------------------|------------------|----------------------------|
| Governmental activities:                    |                               |                  |                  |                            |
| Capital assets not being depreciated:       |                               |                  |                  |                            |
| Land  | \$ 1,203,078                  | \$ -             | \$ -             | \$ 1,203,078               |
| Construction in progress                    | 173,158                       | -                | 21,880           | 151,278                    |
| Total capital assets not being depreciated  | 1,376,236                     | -                | 21,880           | 1,354,356                  |
| Capital assets being depreciated:           |                               |                  |                  |                            |
| Buildings                                   | 4,094,998                     | 515,022          | -                | 4,610,020                  |
| Other improvements                          | 2,418,820                     | -                | -                | 2,418,820                  |
| Equipment                                   | 2,747,392                     | 42,206           | -                | 2,789,598                  |
| Infrastructure                              | 1,258,292                     | -                | -                | 1,258,292                  |
| Total capital assets being depreciated      | 10,519,502                    | 557,228          | -                | 11,076,730                 |
| Less accumulated depreciation for:          |                               |                  |                  |                            |
| Buildings                                   | 365,705                       | 86,473           | -                | 452,178                    |
| Other improvements                          | 274,657                       | 64,781           | -                | 339,438                    |
| Equipment                                   | 933,140                       | 293,674          | -                | 1,226,814                  |
| Infrastructure                              | 37,063                        | 25,166           | -                | 62,229                     |
| Total accumulated depreciation              | 1,610,565                     | 470,094          | -                | 2,080,659                  |
| Total capital assets being depreciated, net | 8,908,937                     |                  |                  | 8,996,071                  |
| Governmental activity capital assets, net   | \$ 10,285,173                 |                  |                  | \$ 10,350,427              |

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

|                          |            |
|--------------------------|------------|
| General government       | \$ 56,133  |
| Public safety            | 278,691    |
| Transportation           | 19,877     |
| Environmental protection | 17,939     |
| Cultural and recreation  | 97,454     |
| Total                    | \$ 470,094 |

# Town of Harrisburg, North Carolina

## Notes to the Basic Financial Statements June 30, 2010

II. Detail Notes on All Funds (continued):

A. Assets (continued)

3. Capital Assets (continued)

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

|  | <b>Beginning<br/>Balances</b> | <b>Increases</b> | <b>Decreases</b> | <b>Ending<br/>Balances</b> |
|--|-------------------------------|------------------|------------------|----------------------------|
| Business-type activities:                    |                               |                  |                  |                            |
| Capital assets not being depreciated:        |                               |                  |                  |                            |
| Land and rights of way                       | \$ 459,753                    | \$ -             | \$ -             | \$ 459,753                 |
| Construction in progress                     | <u>72,751</u>                 | <u>-</u>         | <u>-</u>         | <u>72,751</u>              |
| Total capital assets not being depreciated   | <u>532,504</u>                | <u>-</u>         | <u>-</u>         | <u>532,504</u>             |
| Capital assets being depreciated:            |                               |                  |                  |                            |
| Buildings                                    | 60,187                        | -                | -                | 60,187                     |
| Water lines                                  | 7,247,304                     | -                | -                | 7,247,304                  |
| Equipment                                    | 1,125,999                     | 28,211           | -                | 1,154,210                  |
| Interceptors                                 | 724,436                       | -                | -                | 724,436                    |
| Collection system                            | <u>4,920,569</u>              | <u>-</u>         | <u>-</u>         | <u>4,920,569</u>           |
| Total capital assets being depreciated       | <u>14,078,495</u>             | <u>28,211</u>    | <u>-</u>         | <u>14,106,706</u>          |
| Less accumulated depreciation for:           |                               |                  |                  |                            |
| Buildings                                    | 21,585                        | 1,203            | -                | 22,788                     |
| Water lines                                  | 1,952,076                     | 223,405          | -                | 2,175,481                  |
| Equipment                                    | 700,932                       | 101,756          | -                | 802,688                    |
| Interceptors                                 | 384,939                       | 24,148           | -                | 409,087                    |
| Collection system                            | <u>1,787,884</u>              | <u>152,048</u>   | <u>-</u>         | <u>1,939,932</u>           |
| Total accumulated depreciation               | <u>4,847,416</u>              | <u>502,560</u>   | <u>-</u>         | <u>5,349,976</u>           |
| Total capital assets being depreciated, net  | <u>9,231,079</u>              |                  |                  | <u>8,756,730</u>           |
| Business-type activities capital assets, net | <u>\$ 9,763,583</u>           |                  |                  | <u>\$ 9,289,234</u>        |

4. 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:

| <b>Funds</b>        | <b>June 30,<br/>2010</b> |
|---------------------|--------------------------|
| General Fund:       |                          |
| Taxes receivable    | \$ 13,655                |
| Enterprise Fund:    |                          |
| Accounts receivable | <u>5,500</u>             |
| Total               | <u>\$ 19,155</u>         |

# Town of Harrisburg, North Carolina

## Notes to the Basic Financial Statements June 30, 2010

II. Detail Notes on All Funds (continued):

B. Liabilities

1. Accounts Payable and Accrued Items

Payables and accrued items at June 30, 2010, were as follows:

|  | Government-wide Financial Statements |                        |            |                                   |            |
|--|--------------------------------------|------------------------|------------|-----------------------------------|------------|
|  | Fund Financial Statements            |                        |            | Adjustments<br>to Full<br>Accrual | Total      |
|  | General                              | Water<br>and<br>Sewer* | Total      |                                   |            |
| Payables and accrued items:                    |                                      |                        |            |                                   |            |
| Vendors  | \$ 178,312                           | \$ 129,264             | \$ 307,576 | \$ -                              | \$ 307,576 |
| Accrued payroll and related liabilities        | 64,471                               | 26,014                 | 90,485     | -                                 | 90,485     |
| Accrued interest payable                       | -                                    | 330                    | 330        | 20,138                            | 20,468     |
| Other  | 20,116                               | 33,213                 | 53,329     | -                                 | 53,329     |
| Total accounts payable and accrued liabilities | \$ 262,899                           | \$ 188,821             | \$ 451,720 | \$ 20,138                         | \$ 471,858 |

\*Water and sewer fund reported at full accrual.

2. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town of Belmont contributes to the statewide 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 Local Governmental Employees' Retirement System 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.

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 6.45%, 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, 2010, 2009 and 2008 were \$163,801, \$165,614 and \$147,738, respectively. The contributions made by the Town equaled the required contributions for each year.

# Town of Harrisburg, North Carolina

## Notes to the Basic Financial Statements June 30, 2010

### II. Detail Notes on All Funds (continued):

#### B. Liabilities (continued)

##### 2. Pension Plan Obligations (continued)

###### b. 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 Firemen's and Rescue Squad Workers' Pension 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 nonemployer 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.

##### 3. Deferred/Unearned Revenues

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

|                              | <u>Deferred</u>   | <u>Unearned</u>  |
|------------------------------|-------------------|------------------|
| Taxes receivable - net       | \$ 267,731        | \$ -             |
| Prepaid taxes                | -                 | 5,948            |
| July 4th celebration revenue | -                 | 37,140           |
| Total                        | <u>\$ 267,731</u> | <u>\$ 43,088</u> |

# Town of Harrisburg, North Carolina

## Notes to the Basic Financial Statements June 30, 2010

II. Detail Notes on All Funds (continued):

B. Liabilities (continued)

4. 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.

5. Operating Leases

The Town leases certain office equipment and temporary buildings under operating leases. Lease expenditures for these and other rental agreements during the year ended June 30, 2010 totaled \$48,035.

Future minimum lease payments are as follows:

| <b>Year Ending<br/>June 30,</b> | <b>Governmental<br/>Activities</b> | <b>Business-type<br/>Activities</b> |
|---------------------------------|------------------------------------|-------------------------------------|
| 2011                            | \$ 20,660                          | \$ 14,400                           |
| 2012                            | 18,124                             | 14,400                              |
| 2013                            | 14,224                             | 2,400                               |
| 2014                            | 3,243                              | -                                   |
| 2015                            | 2,172                              | -                                   |
|                                 | \$ 58,423                          | \$ 31,200                           |

# Town of Harrisburg, North Carolina

## Notes to the Basic Financial Statements June 30, 2010

II. Detail Notes on All Funds (continued):

B. Liabilities (continued)

6. 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.

7. Long-Term Obligations

a. Installment loans

**Serviced by General Fund:**

1. 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, 2010. The interest rate on the loan is 5.02%.

The future minimum payments of the installment purchase as of June 30, 2010 are as follows:

| Year Ending<br>June 30, | Governmental Activities |           |
|-------------------------|-------------------------|-----------|
|                         | Principal               | Interest  |
| 2011                    | \$ 20,804               | \$ 13,314 |
| 2012                    | 21,868                  | 12,249    |
| 2013                    | 22,987                  | 11,131    |
| 2014                    | 24,162                  | 9,955     |
| 2015                    | 25,398                  | 8,719     |
| 2016-2020               | 147,861                 | 22,726    |
| 2021                    | 3,983                   | 142       |
|                         | \$ 267,063              | \$ 78,236 |

2. For the year ending June 30, 2007, the Town borrowed \$23,612 to finance a portion of the purchase of a vehicle for use by the fire department. The note is collateralized by the vehicle. Monthly payments of \$706 are due through September 2009. The interest rate on the loan is 4.75%. As of June 30, 2010, this installment agreement had been paid in full.

# Town of Harrisburg, North Carolina

## Notes to the Basic Financial Statements June 30, 2010

II. Detail Notes on All Funds (continued):

B. Liabilities (continued)

7. Long-Term Obligations (continued)

a. Installment loans (continued)

3. 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 \$4,775 are due through May 2009, with the remaining balance due June 1, 2010. The interest rate on the loan is 3.50%.

The future minimum payments of the installment purchase as of June 30, 2010 are as follows:

| Year Ending<br>June 30, | Governmental Activities |           |
|-------------------------|-------------------------|-----------|
|                         | Principal               | Interest  |
| 2011                    | \$ 30,188               | \$ 12,777 |
| 2012                    | 31,339                  | 11,626    |
| 2013                    | 32,535                  | 10,430    |
| 2014                    | 33,776                  | 9,186     |
| 2015                    | 226,631                 | 7,900     |
|                         | \$ 354,469              | \$ 51,919 |

4. 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 \$3,144 are due through September 2010, with the remaining balance due October 20, 2010. The interest rate on the loan is 4.40%.

The future minimum payments of the installment purchase as of June 30, 2010 are as follows:

| Year Ending<br>June 30, | Governmental Activities |          |
|-------------------------|-------------------------|----------|
|                         | Principal               | Interest |
| 2011                    | \$ 239,128              | \$ 3,390 |

# Town of Harrisburg, North Carolina

## Notes to the Basic Financial Statements June 30, 2010

II. Detail Notes on All Funds (continued):

B. Liabilities (continued)

7. Long-Term Obligations (continued)

a. Installment loans (continued)

5. 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 July 2016, with the remaining balance due August 11, 2016. The interest rate on the loan is 3.50%.

The future minimum payments of the installment purchase as of June 30, 2010 are as follows:

| Year Ending<br>June 30, | Governmental Activities |           |
|-------------------------|-------------------------|-----------|
|                         | Principal               | Interest  |
| 2011                    | \$ 21,678               | \$ 4,746  |
| 2012                    | 22,449                  | 3,975     |
| 2013                    | 23,247                  | 3,177     |
| 2014                    | 24,074                  | 2,350     |
| 2015                    | 24,930                  | 1,493     |
| 2016-2017               | 23,503                  | 619       |
|                         | \$ 139,881              | \$ 16,360 |

6. As part of the merger of the Harrisburg Volunteer Fire Department on July 1, 2006, the Town assumed debt evidenced by a promissory note. At June 30, 2010, the note called for monthly payments of interest only through October 8, 2010, at which time the entire principal amount of \$285,509 was due. The interest rate on the loan is variable. The loan is secured by land.
7. As part of the merger of the Harrisburg Volunteer Fire Department on July 1, 2006, the Town assumed a note payable to Eugene J. and Elizabeth F. Boelte. The note is payable in three equal payments of \$17,009 due on June 30, 2007, June 30, 2008 and June 30, 2009 with one final installment of \$6,964 due on June 30, 2010. The payment due June 30, 2008 was not paid until July 2008. There is no interest being charged. The note is secured by land. The remaining balance of \$23,973 was paid in full by June 30, 2010.

# Town of Harrisburg, North Carolina

## Notes to the Basic Financial Statements June 30, 2010

II. Detail Notes on All Funds (continued):

B. Liabilities (continued)

7. Long-Term Obligations (continued)

a. Installment loans (continued)

8. 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, 2010 are as follows:

| <u>Year Ending<br/>June 30,</u> | <b>Governmental Activities</b> |                 |
|---------------------------------|--------------------------------|-----------------|
|                                 | <b>Principal</b>               | <b>Interest</b> |
| 2011                            | \$ 70,000                      | \$ 38,199       |
| 2012                            | 70,000                         | 35,203          |
| 2013                            | 70,000                         | 32,207          |
| 2014                            | 70,000                         | 29,211          |
| 2015                            | 70,000                         | 26,215          |
| 2016-2020                       | 350,000                        | 86,135          |
| 2021-2023                       | 209,601                        | 15,729          |
|                                 | \$ 909,601                     | \$ 262,899      |

9. 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 4.5% per annum. Principal and interest payments are payable monthly, beginning May 2008 and continuing through April 2018. The debt is secured by the rescue truck.

The future minimum payments of the installment purchase as of June 30, 2010 are as follows:

| <u>Year Ending<br/>June 30,</u> | <b>Governmental Activities</b> |                 |
|---------------------------------|--------------------------------|-----------------|
|                                 | <b>Principal</b>               | <b>Interest</b> |
| 2011                            | \$ 49,497                      | \$ 19,409       |
| 2012                            | 51,771                         | 17,135          |
| 2013                            | 54,150                         | 14,757          |
| 2014                            | 56,637                         | 12,270          |
| 2015                            | 59,239                         | 9,668           |
| 2016-2018                       | 181,770                        | 12,194          |
|                                 | \$ 453,064                     | \$ 85,433       |

# Town of Harrisburg, North Carolina

## Notes to the Basic Financial Statements June 30, 2010

II. Detail Notes on All Funds (continued):

B. Liabilities (continued)

7. Long-Term Obligations (continued)

a. Installment loans (continued)

**Serviced by the Water and Sewer Fund:**

1. 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 are payable July 1 and January 1, through January 2014. The debt is secured by water and sewer equipment.

The future minimum payments of the installment purchase as of June 30, 2010 are as follows:

| Year Ending<br>June 30, | Business-type Activities |           |
|-------------------------|--------------------------|-----------|
|                         | Principal                | Interest  |
| 2011                    | \$ 122,607               | \$ 17,529 |
| 2012                    | 127,860                  | 12,276    |
| 2013                    | 133,339                  | 6,797     |
| 2014                    | 67,593                   | 1,084     |
|                         | \$ 451,399               | \$ 37,686 |

2. 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 31<sup>st</sup> 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% per year from the date of such payment was due.

The future minimum payments of the installment purchase as of June 30, 2010 are as follows:

| Year Ending<br>June 30, | Business-type Activities |          |
|-------------------------|--------------------------|----------|
|                         | Principal                | Interest |
| 2011                    | \$ 8,000                 | \$ -     |
| 2012                    | 8,000                    | -        |
| 2013                    | 8,000                    | -        |
| 2014                    | 8,000                    | -        |
|                         | \$ 32,000                | \$ -     |

# Town of Harrisburg, North Carolina

## Notes to the Basic Financial Statements June 30, 2010

II. Detail Notes on All Funds (continued):

B. Liabilities (continued)

7. Long-Term Obligation (continued)

a. Installment loans (continued)

3. In October 2009, the Town borrowed \$200,000 from a local financial institution to finance working capital for a water and sewer study. The terms of the loan state that interest will accrue at the rate of 4.50% per annum. Principal and interest payments are payable monthly, through October 2014. The debt is secured by certain property and improvements.

The future minimum payments of the installment purchase as of June 30, 2010 are as follows:

| <u>Year Ending<br/>June 30,</u> | <b>Business-type Activities</b> |                 |
|---------------------------------|---------------------------------|-----------------|
|                                 | <b>Principal</b>                | <b>Interest</b> |
| 2011                            | \$ 37,706                       | \$ 7,147        |
| 2012                            | 39,439                          | 5,145           |
| 2013                            | 41,250                          | 3,603           |
| 2014                            | 43,145                          | 1,708           |
| 2015                            | 14,482                          | 133             |
|                                 | \$ 176,022                      | \$ 17,736       |

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

| <u>Fiscal Year</u> | <b>Governmental Activities</b> |                 | <b>Business-type Activities</b> |                 |
|--------------------|--------------------------------|-----------------|---------------------------------|-----------------|
|                    | <b>Principal</b>               | <b>Interest</b> | <b>Principal</b>                | <b>Interest</b> |
| 2011               | \$ 716,804                     | \$ 96,273       | \$ 168,313                      | \$ 24,676       |
| 2012               | 197,427                        | 80,188          | 175,299                         | 17,421          |
| 2013               | 202,919                        | 71,702          | 182,589                         | 10,400          |
| 2014               | 208,649                        | 62,972          | 118,738                         | 2,792           |
| 2015               | 406,198                        | 53,995          | 14,482                          | 133             |
| 2016-2020          | 703,134                        | 121,674         | -                               | -               |
| 2021-2025          | 213,584                        | 15,871          | -                               | -               |
|                    | \$ 2,648,715                   | \$ 502,675      | \$ 659,421                      | \$ 55,422       |

The Town's legal debt margin at June 30, 2010 is \$135,634,120.

# Town of Harrisburg, North Carolina

## Notes to the Basic Financial Statements June 30, 2010

II. Detail Notes on All Funds (continued):

B. Liabilities (continued)

7. Long-Term Obligations (continued)

b. Changes in Long-Term Liabilities:

|                           | <u>Beginning<br/>Balance</u> | <u>Increases</u>  | <u>Decreases</u>  | <u>Ending<br/>Balance</u> | <u>Current Portion<br/>of Balance</u> |
|---------------------------|------------------------------|-------------------|-------------------|---------------------------|---------------------------------------|
| Governmental activities:  |                              |                   |                   |                           |                                       |
| Notes payable             | \$ 2,909,823                 | \$ -              | \$ 261,108        | \$ 2,648,715              | \$ 716,804                            |
| Compensated absences      | 116,573                      | 117,963           | 124,460           | 110,076                   | 110,076                               |
|                           | <u>3,026,396</u>             | <u>117,963</u>    | <u>385,568</u>    | <u>2,758,791</u>          | <u>826,880</u>                        |
| Business-type activities: |                              |                   |                   |                           |                                       |
| Notes payable             | 608,236                      | 200,000           | 148,815           | 659,421                   | 168,313                               |
| Compensated absences      | 48,575                       | 40,526            | 48,272            | 40,829                    | 40,829                                |
|                           | <u>656,811</u>               | <u>240,526</u>    | <u>197,087</u>    | <u>700,250</u>            | <u>209,142</u>                        |
| Total                     | <u>\$ 3,683,207</u>          | <u>\$ 358,489</u> | <u>\$ 582,655</u> | <u>\$ 3,459,041</u>       | <u>\$ 1,036,022</u>                   |

C. Revenues, Expenditures, and Expenses

On-Behalf of Payments for Fringe Benefits and Salaries

For the fiscal year ended June 30, 2010, the Town has recognized on-behalf of payments for pension contributions made by the State as revenue and an expenditure of \$854 for the 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.

D. Interfund Balances and Activity

Transfers to/from other funds at June 30, 2010, consist of the following:

From the Water and Sewer Fund to the General Fund \$100,000

Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided matching funds for various grant programs.

During the year ending June 30, 2010, the Town made a one-time transfer from the Water and Sewer Fund to the General fund to supplement operations.

# Town of Harrisburg, North Carolina

## Notes to the Basic Financial Statements June 30, 2010

### 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 moneys 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 moneys.

### IV. Charges for Services - Water and Sewer Fund:

The Water and Sewer Fund had charges of \$4,046,925 for the year ended June 30, 2010, with charges to one customer of \$200,893 or 5% 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, in conjunction with eight counties and fifty other municipalities, established the Centralina Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The Town paid membership fees of \$1,489 to the Council during the fiscal year ended June 30, 2010.

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, 2010, the Town purchased sewer transportation services amounting to \$607,676 from WSACC. At June 30, 2010, \$52,105 was due to WSACC and is reflected in accounts payable of the Water and Sewer Fund.

### VII. Subsequent Events:

Management has evaluated the subsequent events through October 23, 2010, 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, 2010 and 2009**

|  | <u>June 30,</u><br><u>2010</u> | <u>June 30,</u><br><u>2009</u> |
|--|--------------------------------|--------------------------------|
| <b>Assets</b>                            |                                |                                |
| Cash and cash equivalents                | \$ 1,497,362                   | \$ 1,694,698                   |
| Receivables - net:                       |                                |                                |
| Property taxes                           | 267,731                        | 214,697                        |
| Sales and use taxes                      | 33,057                         | 35,398                         |
| Due from government agencies             | 398,980                        | 364,210                        |
| Prepaid expenses                         | 57,574                         | 40,456                         |
| Total assets                             | <u>\$ 2,254,704</u>            | <u>\$ 2,349,459</u>            |
| <br>                                     |                                |                                |
| <b>Liabilities and fund balances</b>     |                                |                                |
| Liabilities:                             |                                |                                |
| Accounts payable and accrued liabilities | \$ 265,259                     | \$ 188,530                     |
| Performance bonds on deposit             | 277,422                        | 324,565                        |
| Due to other funds                       | -                              | 9,425                          |
| Deferred revenue                         | 267,731                        | 214,697                        |
| Unearned revenue                         | 43,088                         | 34,550                         |
| Total liabilities                        | <u>853,500</u>                 | <u>771,767</u>                 |
| <br>                                     |                                |                                |
| Fund balances:                           |                                |                                |
| Reserved by State statute                | 438,367                        | 430,638                        |
| Reserved for streets - Powell Bill       | 215,688                        | 242,662                        |
| Reserved for deposits and prepaids       | 57,574                         | 40,456                         |
| Unreserved:                              |                                |                                |
| Undesignated                             | 689,575                        | 863,936                        |
| Total fund balances                      | <u>1,401,204</u>               | <u>1,577,692</u>               |
| <br>                                     |                                |                                |
| Total liabilities and fund balances      | <u>\$ 2,254,704</u>            | <u>\$ 2,349,459</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, 2010**  
**(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2009)**

|  | 2010         |              | Variance<br>Positive<br>(Negative) | 2009         |
|--|--------------|--------------|------------------------------------|--------------|
|  | Budget       | Actual       |                                    | Actual       |
| <b>Revenues:</b>                       |              |              |                                    |              |
| <b>Ad valorem taxes:</b>               |              |              |                                    |              |
| Current year                           | \$ 3,325,132 | \$ 3,307,421 | \$ (17,711)                        | \$ 3,208,615 |
| Prior years                            | 68,076       | 39,871       | (28,205)                           | 20,407       |
| Penalties and interest                 | 7,600        | 20,071       | 12,471                             | 15,308       |
|  | 3,400,808    | 3,367,363    | (33,445)                           | 3,244,330    |
| <b>Other taxes and licenses:</b>       |              |              |                                    |              |
| Privilege licenses                     | 2,000        | 3,120        | 1,120                              | 8,062        |
| <b>Unrestricted intergovernmental:</b> |              |              |                                    |              |
| Local option sales tax                 | 523,121      | 825,261      | 302,140                            | 840,421      |
| Utility franchise tax                  | 260,000      | 515,109      | 255,109                            | 504,348      |
| Beer and wine tax                      | -            | 8,817        | 8,817                              | 26,739       |
|  | 783,121      | 1,349,187    | 566,066                            | 1,371,508    |
| <b>Restricted intergovernmental:</b>   |              |              |                                    |              |
| Powell Bill allocation                 | 190,578      | 189,765      | (813)                              | 194,468      |
| Fire taxes                             | 705,375      | 704,135      | (1,240)                            | 741,472      |
| Fire grants                            | 30,000       | 32,500       | 2,500                              | 32,400       |
| SAFER grant                            | 49,094       | 48,236       | (858)                              | 102,548      |
| On-behalf of payments - fire           | -            | 854          | 854                                | 816          |
| Solid waste disposal                   | -            | 4,233        | 4,233                              | 2,771        |
|  | 975,047      | 979,723      | 4,676                              | 1,074,475    |
| <b>Permits and fees:</b>               |              |              |                                    |              |
| Compliance permits                     | 10,571       | 22,835       | 12,264                             | 19,714       |
| Vision Cable franchise fee             | 7,500        | 8,970        | 1,470                              | 7,315        |
| Inspection fees and fines              | 1,500        | 2,875        | 1,375                              | 1,878        |
|  | 19,571       | 34,680       | 15,109                             | 28,907       |
| <b>Sales and services:</b>             |              |              |                                    |              |
| Parks and recreation shelter rental    | 1,000        | 2,805        | 1,805                              | 2,150        |
| Parks and recreation athletics         | -            | 262,827      | 262,827                            | 128,413      |
| Recreation program fees                | 45,000       | 35,070       | (9,930)                            | 37,006       |
| Park lighting rentals                  | 2,000        | 575          | (1,425)                            | 1,205        |
|  | 48,000       | 301,277      | 253,277                            | 168,774      |

## 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, 2010

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2009)

|  | 2010             |                  | Variance<br>Positive<br>(Negative) | 2009             |
|--|------------------|------------------|------------------------------------|------------------|
|  | Budget           | Actual           |                                    | Actual           |
| <b>Revenues (continued):</b>                                   |                  |                  |                                    |                  |
| Investment earnings  | \$ 25,000        | \$ 3,923         | \$ (21,077)                        | \$ 35,541        |
| <b>Other general revenues:</b>                                 |                  |                  |                                    |                  |
| Traffic review   | -                | 4,369            | 4,369                              | 11,996           |
| July 4th celebration   | 125,000          | 57,360           | (67,640)                           | 53,218           |
| Tower lease  | 1,500            | 7,418            | 5,918                              | 1,851            |
| Building lease - Hibernian Hall                                | 112,200          | 1,200            | (111,000)                          | -                |
| Salvage income   | -                | 215              | 215                                | 6,030            |
| Parks and recreation - field rentals                           | -                | 2,715            | 2,715                              | 170              |
| HYA subsidy  | -                | -                | -                                  | 6,000            |
| Parks and recreation concessions                               | 10,000           | 17,689           | 7,689                              | 12,353           |
| Parks and recreation special events                            | 3,000            | 3,606            | 606                                | 1,100            |
| Council chamber lease  | 2,700            | 3,300            | 600                                | 1,583            |
| Donations  | -                | 1,743            | 1,743                              | 1,225            |
| Fire department miscellaneous                                  | -                | 9,795            | 9,795                              | 10,592           |
| Cabarrus County - EMS facilities at<br>Station 2 reimbursement | 10,800           | 7,800            | (3,000)                            | -                |
| Cabarrus County - EMS Decontamination<br>trailer reimbursement | 6,500            | 5,000            | (1,500)                            | 6,500            |
| Miscellaneous  | 6,500            | 28,437           | 21,937                             | 9,148            |
|  | <u>278,200</u>   | <u>150,647</u>   | <u>(127,553)</u>                   | <u>121,766</u>   |
| <b>Total revenues</b>  | <u>5,531,747</u> | <u>6,189,920</u> | <u>658,173</u>                     | <u>6,053,363</u> |
| <b>Expenditures:</b>   |                  |                  |                                    |                  |
| <b>General government:</b>                                     |                  |                  |                                    |                  |
| Mayor and council:   |                  |                  |                                    |                  |
| Salaries   | 42,000           | 43,113           | (1,113)                            | 40,800           |
| Employee benefits  | 3,213            | 3,178            | 35                                 | 3,121            |
| Special projects   | 22,876           | 20,704           | 2,172                              | -                |
| Total  | <u>68,089</u>    | <u>66,995</u>    | <u>1,094</u>                       | <u>43,921</u>    |
| Administration and finance:                                    |                  |                  |                                    |                  |
| Salaries   | 405,768          | 402,461          | 3,307                              | 487,384          |
| Employee benefits  | 143,484          | 139,432          | 4,052                              | 175,460          |
| Security   | 1,000            | -                | 1,000                              | 10,294           |
| Annual maintenance   | 535              | 524              | 11                                 | -                |
| Insurance and bonds  | 30,000           | 29,017           | 983                                | 46,352           |
| Credit card fees   | -                | (10)             | 10                                 | 1,023            |
| Traffic review   | 2,000            | 17,795           | (15,795)                           | 11,564           |
| Contributions  | -                | -                | -                                  | 419              |
| Employee relations   | 5,000            | 3,417            | 1,583                              | 2,096            |

## 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, 2010**  
**(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2009)**

|   | 2010      |           | Variance<br>Positive<br>(Negative) | 2009      |
|---|-----------|-----------|------------------------------------|-----------|
|   | Budget    | Actual    |                                    | Actual    |
| <b>Expenditures (continued):</b>          |           |           |                                    |           |
| <b>General government (continued):</b>    |           |           |                                    |           |
| Administration and finance (continued):   |           |           |                                    |           |
| Uniforms                                  | \$ 3,400  | \$ 2,041  | \$ 1,359                           | \$ 1,441  |
| Training                                  | 5,200     | 5,435     | (235)                              | 2,895     |
| Travel                                    | 4,000     | 2,185     | 1,815                              | 4,988     |
| Fuel                                      | 11,000    | 10,447    | 553                                | 3,352     |
| Maintenance and repairs - buildings       | 10,000    | 11,484    | (1,484)                            | 20,478    |
| Maintenance and repairs - vehicles        | 3,822     | 2,767     | 1,055                              | 85        |
| Miscellaneous                             | 1,967     | 698       | 1,269                              | 19,302    |
| Dues and subscriptions                    | 8,539     | 8,539     | -                                  | 8,918     |
| Pre-employment                            | 532       | 1,053     | (521)                              | 1,179     |
| Advertising                               | 4,800     | 2,759     | 2,041                              | 4,420     |
| Tires                                     | 2,178     | 2,128     | 50                                 | -         |
| Department supplies                       | 4,000     | 3,838     | 162                                | 8,749     |
| Meter services                            | -         | -         | -                                  | 41,350    |
| Legal services                            | 30,740    | 31,868    | (1,128)                            | 93,018    |
| Printing                                  | 2,500     | 2,400     | 100                                | 7,958     |
| Telephone                                 | 20,000    | 17,905    | 2,095                              | 18,428    |
| Postage                                   | 11,111    | 9,981     | 1,130                              | 10,101    |
| Utilities - electric                      | 36,000    | 35,145    | 855                                | 127,153   |
| Utilities - street lights                 | 102,813   | 113,702   | (10,889)                           | 27,858    |
| Contracted services                       | 28,000    | 26,499    | 1,501                              | 4,934     |
| Professional services                     | 7,500     | 5,736     | 1,764                              | 26,188    |
| Technology services                       | 10,000    | 9,312     | 688                                | 15,683    |
| Buildings and grounds contracted service: | 24,352    | 23,673    | 679                                | -         |
| Maintenance and repairs - streets         | 5,004     | 3,359     | 1,645                              | 1,304     |
| Maintenance and repair - signage          | 500       | 210       | 290                                | 353       |
| Maintenance and repair - equipment        | 1,500     | 1,472     | 28                                 | 17        |
| Construction                              | 4,100     | 4,032     | 68                                 | -         |
| Copier lease                              | 15,500    | 13,009    | 2,491                              | 11,932    |
| Office/building lease                     | 910       | 680       | 230                                | 450       |
| Special equipment                         | 4,000     | 2,210     | 1,790                              | 9,568     |
| Charges                                   | 58,233    | 36,182    | 22,051                             | -         |
| Capital outlay                            | -         | 21,000    | (21,000)                           | 18,086    |
| Total                                     | 1,009,988 | 1,004,385 | 5,603                              | 1,224,780 |

## 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, 2010**  
**(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2009)**

|  | 2010      |           | Variance<br>Positive<br>(Negative) | 2009      |
|--|-----------|-----------|------------------------------------|-----------|
|  | Budget    | Actual    |                                    | Actual    |
| <b>Expenditures (continued):</b>       |           |           |                                    |           |
| <b>General government (continued):</b> |           |           |                                    |           |
| Public relations:                      |           |           |                                    |           |
| Contributions                          | \$ 3,000  | \$ 2,754  | \$ 246                             | \$ 3,980  |
| EDC                                    | 4,000     | 5,246     | (1,246)                            | 3,912     |
| Employee relations                     | 3,500     | 1,324     | 2,176                              | 944       |
| Technology services                    | 4,000     | 3,907     | 93                                 | 161       |
| Total                                  | 14,500    | 13,231    | 1,269                              | 8,997     |
| Total general government               | 1,092,577 | 1,084,611 | 7,966                              | 1,277,698 |
| <b>Planning and zoning:</b>            |           |           |                                    |           |
| Salaries                               | 89,327    | 91,925    | (2,598)                            | 94,225    |
| Employee benefits                      | 30,838    | 30,846    | (8)                                | 31,002    |
| Insurance and bonds                    | 10        | 10        | -                                  | 10        |
| Credit card fees                       | 10        | -         | 10                                 | -         |
| Uniforms                               | 80        | -         | 80                                 | 551       |
| Training                               | 1,468     | 340       | 1,128                              | 330       |
| Travel                                 | 1,920     | 634       | 1,286                              | 715       |
| Fuel                                   | 2,080     | 1,125     | 955                                | 1,384     |
| Maintenance and repair - vehicles      | 500       | 34        | 466                                | 109       |
| Zoning vehicle                         | -         | -         | -                                  | -         |
| Miscellaneous                          | -         | -         | -                                  | 175       |
| Dues and subscriptions                 | 292       | 290       | 2                                  | 14        |
| Pre-employment                         | 100       | -         | 100                                | -         |
| Advertising                            | 2,500     | 730       | 1,770                              | 1,730     |
| Tires                                  | 500       | 500       | -                                  | -         |
| Supplies                               | 2,000     | 1,903     | 97                                 | 206       |
| Legal services                         | 5,993     | 6,000     | (7)                                | 6,970     |
| Printing                               | 100       | 167       | (67)                               | 85        |
| Telephone                              | 1,600     | 1,151     | 449                                | 267       |
| Postage                                | 1,500     | 466       | 1,034                              | -         |
| Contracted services                    | 10,000    | 10,000    | -                                  | -         |
| Professional services                  | 400       | 171       | 229                                | 83        |
| Technology services                    | 3,500     | 3,028     | 472                                | 116       |
| Maintenance and repairs - equipment    | 1,107     | 1,107     | -                                  | 367       |
| Maintenance and repairs - grounds      | 150       | 87        | 63                                 | -         |
| Reserves                               | -         | -         | -                                  | 10,000    |
| Total planning and zoning              | 155,975   | 150,514   | 5,461                              | 148,339   |

## 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, 2010**  
**(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2009)**

|                                    | 2010       |            | Variance<br>Positive<br>(Negative) | 2009       |
|------------------------------------|------------|------------|------------------------------------|------------|
|                                    | Budget     | Actual     |                                    | Actual     |
| <b>Expenditures (continued):</b>   |            |            |                                    |            |
| <b>Public safety:</b>              |            |            |                                    |            |
| Police:                            |            |            |                                    |            |
| County contract - deputy salaries  | \$ 500,000 | \$ 490,609 | \$ 9,391                           | \$ 486,873 |
| Fuel                               | 36,000     | 29,912     | 6,088                              | 30,710     |
| Maintenance and repairs - vehicles | 15,000     | 12,716     | 2,284                              | 18,008     |
| Vehicle replacement                | 36,027     | 37,446     | (1,419)                            | 11,178     |
| Supplies                           | 4,500      | 4,115      | 385                                | 61         |
| Telephone                          | -          | 326        | (326)                              | 84         |
| Technology services                | 3,500      | 1,597      | 1,903                              | 3,296      |
| Special equipment                  | 27,500     | 19,283     | 8,217                              | 15,934     |
| Capital outlay                     | 2,500      | -          | 2,500                              | 50,738     |
| Total                              | 625,027    | 596,004    | 29,023                             | 616,882    |
| Fire:                              |            |            |                                    |            |
| Salaries                           | 1,324,232  | 1,322,748  | 1,484                              | 1,285,130  |
| Employee benefits                  | 416,538    | 415,424    | 1,114                              | 420,085    |
| Workers compensation               | 43,076     | 42,320     | 756                                | 40,543     |
| Insurance and bonds                | 45,000     | 29,472     | 15,528                             | 14,488     |
| Uniforms                           | 55,967     | 57,620     | (1,653)                            | 48,828     |
| Training                           | 10,000     | 6,686      | 3,314                              | 12,687     |
| Travel                             | 1,000      | -          | 1,000                              | -          |
| Fuel                               | 30,000     | 25,490     | 4,510                              | 9,899      |
| Maintenance and repair - vehicles  | 56,700     | 55,162     | 1,538                              | 38,875     |
| Maintenance and repair - grounds   | 25,000     | 24,248     | 752                                | 71,501     |
| Dues and subscriptions             | 5,200      | 3,228      | 1,972                              | 6,941      |
| Pre-employment                     | 1,422      | 2,288      | (866)                              | 207        |
| Public education                   | 3,000      | 1,852      | 1,148                              | 1,844      |
| Tires                              | 5,100      | 2,942      | 2,158                              | 394        |
| Supplies                           | 5,050      | 5,464      | (414)                              | 6,420      |
| Legal services                     | 140        | -          | 140                                | 140        |
| Chemicals                          | 1,000      | -          | 1,000                              | -          |
| Printing                           | 2,500      | 1,566      | 934                                | 1,235      |
| Telephone                          | 19,760     | 22,474     | (2,714)                            | 11,489     |
| Postage                            | 600        | 521        | 79                                 | 116        |
| Utilities - electric               | 26,000     | 26,586     | (586)                              | 25,049     |
| Professional services              | 6,502      | 5,799      | 703                                | 10,813     |

## 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, 2010**  
**(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2009)**

|   | 2010      |           |                                    | 2009      |
|---|-----------|-----------|------------------------------------|-----------|
|   | Budget    | Actual    | Variance<br>Positive<br>(Negative) | Actual    |
| <b>Expenditures (continued):</b>        |           |           |                                    |           |
| <b>Public Safety (continued):</b>       |           |           |                                    |           |
| Fire (continued):                       |           |           |                                    |           |
| Technology services                     | \$ 8,650  | \$ 9,131  | \$ (481)                           | \$ 7,867  |
| Maintenance and repairs - signage       | 150       | -         | 150                                | -         |
| Maintenance and repairs - fire hydrants | 250       | -         | 250                                | 71        |
| Maintenance and repairs - equipment     | 20,860    | 18,550    | 2,310                              | 10,842    |
| Copier lease                            | 4,600     | 4,094     | 506                                | 6,311     |
| Office/building lease                   | 5,500     | 5,500     | -                                  | 12,100    |
| Special equipment                       | 24,351    | 20,361    | 3,990                              | 102,362   |
| Medical supplies                        | 6,813     | 5,319     | 1,494                              | 5,610     |
| Physicals                               | 26,059    | 6,961     | 19,098                             | 29,842    |
| Non-capital reserves                    | 68,609    | 26,593    | 42,016                             | -         |
| On-behalf of payments                   | -         | 854       | (854)                              | 816       |
| Capital outlay                          | 373,399   | 501,730   | (128,331)                          | 48,029    |
| Total                                   | 2,623,028 | 2,650,983 | (27,955)                           | 2,230,534 |
| Total public safety                     | 3,248,055 | 3,246,987 | 1,068                              | 2,847,416 |
| <b>Transportation:</b>                  |           |           |                                    |           |
| Streets and highways:                   |           |           |                                    |           |
| Contributions                           | 1,200     | -         | 1,200                              | -         |
| Professional services                   | 95,000    | 154,890   | (59,890)                           | -         |
| Street maintenance and repair           | 14,000    | 5,458     | 8,542                              | 167,556   |
| Signs                                   | 3,000     | 1,141     | 1,859                              | 2,142     |
| Construction                            | 85,500    | 67,739    | 17,761                             | 41,314    |
| Drainage                                | 40,000    | 8,347     | 31,653                             | 11,500    |
| Total transportation                    | 238,700   | 237,575   | 1,125                              | 222,512   |
| <b>Environmental protection:</b>        |           |           |                                    |           |
| Sanitation:                             |           |           |                                    |           |
| Sanitation services                     | 575,000   | 573,389   | 1,611                              | 581,379   |
| Total environmental protection          | 575,000   | 573,389   | 1,611                              | 581,379   |

## 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, 2010**  
**(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2009)**

|                                     | 2010       |            |                                    | 2009      |
|-------------------------------------|------------|------------|------------------------------------|-----------|
|                                     | Budget     | Actual     | Variance<br>Positive<br>(Negative) | Actual    |
| <b>Expenditures (continued):</b>    |            |            |                                    |           |
| <b>Cultural and recreation:</b>     |            |            |                                    |           |
| Parks and recreation:               |            |            |                                    |           |
| Salaries                            | \$ 223,736 | \$ 237,564 | \$ (13,828)                        | \$ 90,377 |
| Employee benefits                   | 40,597     | 50,327     | (9,730)                            | 30,421    |
| Employee relations                  | 300        | 155        | 145                                | 463       |
| Uniforms                            | 6,000      | 4,649      | 1,351                              | 1,709     |
| Training                            | 4,000      | 2,820      | 1,180                              | 314       |
| Travel                              | 2,000      | 5          | 1,995                              | -         |
| Fuel                                | 10,000     | 6,132      | 3,868                              | 1,312     |
| Athletics                           | 198,500    | 196,117    | 2,383                              | 56,651    |
| Concessions                         | -          | 1,149      | (1,149)                            | 8,421     |
| Dues and subscriptions              | 1,200      | 960        | 240                                | 179       |
| Pre-employment                      | -          | 1,186      | (1,186)                            | 185       |
| Advertising                         | 2,500      | 2,467      | 33                                 | 118       |
| Supplies                            | 5,000      | 3,791      | 1,209                              | 253       |
| Small tools                         | 1,500      | 1,465      | 35                                 | 44        |
| Pipe and fittings                   | 1,500      | 1,152      | 348                                | -         |
| Legal services                      | 500        | 680        | (180)                              | 1,080     |
| Chemicals                           | 20,000     | 19,304     | 696                                | 36        |
| Printing                            | 2,500      | 202        | 2,298                              | 85        |
| Telephone                           | 5,500      | 4,895      | 605                                | 1,892     |
| Postage                             | 1,500      | 698        | 802                                | 398       |
| Utilities - electric                | 45,000     | 43,950     | 1,050                              | 4,701     |
| Contracted services                 | -          | 400        | (400)                              | -         |
| Professional services               | 15,000     | 31,722     | (16,722)                           | 83        |
| Technology services                 | 4,000      | 3,982      | 18                                 | 222       |
| Construction                        | 4,500      | 3,083      | 1,417                              | 4,261     |
| Maintenance and repairs - equipment | 5,000      | 4,912      | 88                                 | -         |
| Maintenance and repairs - vehicles  | 3,000      | 2,341      | 659                                | -         |
| Maintenance and repairs - buildings | 38,000     | 35,097     | 2,903                              | 29,418    |
| Office/building lease               | 3,010      | 4,339      | (1,329)                            | 450       |
| Miscellaneous                       | 500        | 535        | (35)                               | -         |
| Special projects                    | 32,250     | 28,493     | 3,757                              | 37,965    |
| July 4th event                      | 97,700     | 86,293     | 11,407                             | 91,922    |
| Special equipment                   | 16,000     | 9,127      | 6,873                              | 13,596    |
| Medical supplies                    | 1,500      | -          | 1,500                              | -         |
| Capital outlay:                     |            |            |                                    |           |
| Improvements                        | -          | -          | -                                  | 61,865    |
| Total cultural and recreation       | 792,293    | 789,992    | 2,301                              | 438,421   |

## 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, 2010

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2009)

|   | 2010         |              | Variance<br>Positive<br>(Negative) | 2009         |
|---|--------------|--------------|------------------------------------|--------------|
|   | Budget       | Actual       |                                    | Actual       |
| <b>Expenditures (continued):</b>  |              |              |                                    |              |
| Total expenditures  | \$ 6,102,600 | \$ 6,083,068 | \$ 19,532                          | \$ 5,515,765 |
| Revenues over (under)<br>expenditures   | (570,853)    | 106,852      | 677,705                            | 537,598      |
| <b>Other financing sources (uses):</b>  |              |              |                                    |              |
| Debt service  |              |              |                                    |              |
| Principal retirement  | (261,118)    | (261,108)    | 10                                 | (259,117)    |
| Interest  | (122,361)    | (122,232)    | 129                                | (127,892)    |
| Transfers from other funds:   |              |              |                                    |              |
| Water and sewer   | 100,000      | 100,000      | -                                  | -            |
| Total other financing uses  | (283,479)    | (283,340)    | 139                                | (387,009)    |
| <b>Revenues and other sources over<br/>expenditures and other uses</b>  | (854,332)    | (176,488)    | 677,844                            | 150,589      |
| Appropriated fund balance   | 854,332      | -            | (854,332)                          | -            |
| <b>Revenues, other sources and<br/>appropriated fund balance over<br/>(under) expenditures and other uses</b> | \$ -         | (176,488)    | \$ (176,488)                       | 150,589      |
| <b>Fund balance</b>   |              |              |                                    |              |
| Beginning of year, July 1   |              | 1,577,692    |                                    | 1,427,103    |
| End of year, June 30  |              | \$ 1,401,204 |                                    | \$ 1,577,692 |

## Town of Harrisburg, North Carolina

**Water and Sewer Fund  
Comparative Balance Sheets  
June 30, 2010 and 2009**

|   | <u>June 30,<br/>2010</u> | <u>June 30,<br/>2009</u> |
|---|--------------------------|--------------------------|
| <b>Assets</b>                                   |                          |                          |
| Current assets:                                 |                          |                          |
| Cash and cash equivalents                       | \$ 1,449,143             | \$ 989,973               |
| Accounts receivable (net) - customers           | 445,686                  | 285,621                  |
| Accounts receivable - other                     | 9,468                    | 13,571                   |
| Due from other funds                            | -                        | 9,425                    |
| Prepaid expenses                                | 468                      | -                        |
| Total current assets                            | <u>1,904,765</u>         | <u>1,298,590</u>         |
| Noncurrent assets:                              |                          |                          |
| Capital assets, net of depreciation             | <u>9,289,234</u>         | <u>9,763,583</u>         |
| Total assets                                    | <u>11,193,999</u>        | <u>11,062,173</u>        |
| <b>Liabilities</b>                              |                          |                          |
| Current liabilities:                            |                          |                          |
| Accounts payable and accrued liabilities        | 188,975                  | 223,570                  |
| Long-term debt, current portion                 | 168,313                  | 124,960                  |
| Compensated absences, current portion           | 40,829                   | 48,575                   |
| Customer deposits                               | 185,822                  | 177,871                  |
| Refundable tap fees                             | 148,903                  | 185,807                  |
| Total current liabilities                       | <u>732,842</u>           | <u>760,783</u>           |
| Noncurrent liabilities:                         |                          |                          |
| Long-term debt, noncurrent portion              | <u>491,108</u>           | <u>483,276</u>           |
| Total liabilities                               | <u>1,223,950</u>         | <u>1,244,059</u>         |
| <b>Net assets</b>                               |                          |                          |
| Invested in capital assets, net of related debt | 8,629,813                | 9,155,347                |
| Unrestricted net assets                         | <u>1,340,236</u>         | <u>662,767</u>           |
| Total net assets                                | <u>\$ 9,970,049</u>      | <u>\$ 9,818,114</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, 2010**  
**(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2009)**

|   | 2010             |                  | Variance<br>Positive<br>(Negative) | 2009             |
|---|------------------|------------------|------------------------------------|------------------|
|   | Budget           | Actual           |                                    | Actual           |
| <b>Revenues:</b>                              |                  |                  |                                    |                  |
| <b>Operating revenues:</b>                    |                  |                  |                                    |                  |
| Water sales                                   | \$ 2,033,648     | \$ 2,180,516     | \$ 146,868                         | \$ 1,864,697     |
| Sewer charges                                 | 1,788,190        | 1,866,413        | 78,223                             | 1,610,295        |
| Water and sewer taps                          | 48,494           | 186,225          | 137,731                            | 99,588           |
| Set up fees                                   | 10,000           | 14,875           | 4,875                              | 15,072           |
| Service connection fees                       | -                | 30,001           | 30,001                             | 9,139            |
| Penalties                                     | 10,000           | 82,993           | 72,993                             | 87,521           |
| Rental fees                                   | 25,000           | 51,996           | 26,996                             | -                |
| Miscellaneous revenues                        | 1,000            | 3,545            | 2,545                              | 40,113           |
| Total operating revenues                      | <u>3,916,332</u> | <u>4,416,564</u> | <u>500,232</u>                     | <u>3,726,425</u> |
| <b>Nonoperating revenues:</b>                 |                  |                  |                                    |                  |
| Interest income                               | 15,000           | 5,117            | (9,883)                            | 15,270           |
| <b>Total revenues</b>                         | <u>3,931,332</u> | <u>4,421,681</u> | <u>490,349</u>                     | <u>3,741,695</u> |
| <b>Expenditures:</b>                          |                  |                  |                                    |                  |
| <b>Water administration and distribution:</b> |                  |                  |                                    |                  |
| Salaries                                      | 794,324          | 867,738          | (73,414)                           | 880,440          |
| Employee benefits                             | 319,416          | 296,072          | 23,344                             | 334,131          |
| Annual maintenance                            | 535              | 514              | 21                                 | 1,440            |
| Inspections                                   | 16,000           | 15,380           | 620                                | 19,185           |
| Maintenance and repairs                       | 71,500           | 33,784           | 37,716                             | 86,362           |
| Casualty insurance/bonds                      | 44,500           | 20,634           | 23,866                             | 43,040           |
| Tap Fee Reimbursements                        | 36,904           | -                | 36,904                             | -                |
| Credit card fees                              | 10               | 10               | -                                  | 5,433            |
| Employee relations                            | 1,000            | 78               | 922                                | 223              |
| Water purchases                               | 1,015,000        | 1,308,005        | (293,005)                          | 1,026,675        |
| Sewer treatment                               | 618,000          | 694,130          | (76,130)                           | 689,671          |
| Square one adjustment - WSACC                 | 79,599           | -                | 79,599                             | 39,804           |
| Stormwater services                           | 20,085           | 19,594           | 491                                | 38,694           |
| Bad debts                                     | -                | 5,500            | (5,500)                            | -                |
| Uniforms                                      | 19,200           | 17,870           | 1,330                              | 17,075           |
| Training                                      | 6,000            | 5,518            | 482                                | 17,688           |
| Travel  | 4,000            | 3,129            | 871                                | 2,749            |

## 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, 2010

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2009)

|   | 2010             |                  | Variance<br>Positive<br>(Negative) | 2009             |
|---|------------------|------------------|------------------------------------|------------------|
|   | Budget           | Actual           |                                    | Actual           |
| <b>Expenditures (continued):</b>                          |                  |                  |                                    |                  |
| <b>Water administration and distribution (continued):</b> |                  |                  |                                    |                  |
| Fuel  | \$ 39,000        | \$ 27,123        | \$ 11,877                          | \$ 39,260        |
| Maintenance and repairs - vehicles                        | 18,500           | 4,504            | 13,996                             | 37,304           |
| Maintenance and repairs - building and grounds            | 5,500            | 2,443            | 3,057                              | 17,598           |
| Miscellaneous   | 878              | 169              | 709                                | 4,886            |
| Dues and subscriptions                                    | 7,490            | 7,685            | (195)                              | 6,393            |
| Pre-employment  | 650              | 1,009            | (359)                              | 371              |
| Public education  | 2,032            | 2,000            | 32                                 | -                |
| Advertising   | 1,000            | 516              | 484                                | 86               |
| Tires   | 6,000            | 3,269            | 2,731                              | 759              |
| Department supplies                                       | 7,000            | 3,477            | 3,523                              | 6,103            |
| Meter services  | 38,000           | 32,347           | 5,653                              | 6,091            |
| Small tools   | 6,100            | 2,544            | 3,556                              | 1,158            |
| Pipe and fittings   | 5,000            | 744              | 4,256                              | 160              |
| Legal services  | 5,000            | 5,767            | (767)                              | 12,042           |
| Chemicals   | 13,500           | 6,916            | 6,584                              | 988              |
| Printing  | 22,000           | 5,919            | 16,081                             | 7,787            |
| Telephone   | 28,500           | 30,903           | (2,403)                            | 32,539           |
| Postage   | 36,000           | 31,520           | 4,480                              | 21,065           |
| Utilities - electric                                      | 56,000           | 40,138           | 15,862                             | 44,192           |
| Utilities - street lights                                 | -                | -                | -                                  | 200              |
| Contracted services                                       | 8,500            | (35)             | 8,535                              | 1,456            |
| Professional services                                     | 116,700          | 72,334           | 44,366                             | 145,878          |
| Technology services                                       | 15,800           | 8,982            | 6,818                              | 6,884            |
| B&G - contracted services                                 | 5,700            | 1,427            | 4,273                              | 875              |
| Maintenance and repairs - signage                         | -                | 210              | (210)                              | -                |
| Maintenance and repairs - fire hydrants                   | -                | -                | -                                  | 321              |
| Maintenance and repairs - equipment                       | 7,500            | 7,060            | 440                                | 808              |
| New services  | 13,000           | 2,072            | 10,928                             | -                |
| Office / building lease                                   | 17,000           | 17,048           | (48)                               | 7,039            |
| Permits   | 5,000            | 5,150            | (150)                              | 3,780            |
| Bad debt collection                                       | 1,200            | -                | 1,200                              | -                |
| Fines and penalties                                       | 5                | 659              | (654)                              | 200              |
| Special projects  | 20,000           | 15,200           | 4,800                              | -                |
| Special equipment   | 3,710            | 3,710            | -                                  | 21,187           |
| Medical supplies  | 500              | 455              | 45                                 | 105              |
| Physicals   | -                | -                | -                                  | 475              |
| Stormwater phase II                                       | -                | 85               | (85)                               | -                |
| Administrative charges - general fund                     | 127,016          | -                | 127,016                            | -                |
| Total administration and distribution                     | <u>3,685,854</u> | <u>3,631,306</u> | <u>54,548</u>                      | <u>3,630,600</u> |

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, 2010

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2009)

|   | 2010             |                   | Variance<br>Positive<br>(Negative) | 2009                |
|---|------------------|-------------------|------------------------------------|---------------------|
|   | Budget           | Actual            |                                    | Actual              |
| <b>Expenditures (continued):</b>                                      |                  |                   |                                    |                     |
| Debt service:   |                  |                   |                                    |                     |
| Principal retirement  | \$ 160,068       | \$ 148,815        | \$ 11,253                          | \$ 120,020          |
| Interest expense  | 36,214           | 29,223            | 6,991                              | 28,116              |
| Total debt service  | <u>196,282</u>   | <u>178,038</u>    | <u>18,244</u>                      | <u>148,136</u>      |
| Capital outlay:   |                  |                   |                                    |                     |
| Contract improvements   | 21,590           | 12,679            | 8,911                              | -                   |
| Equipment   | 29,606           | 29,605            | 1                                  | 86,103              |
| Total capital outlay  | <u>51,196</u>    | <u>42,284</u>     | <u>8,912</u>                       | <u>86,103</u>       |
| Total expenditures  | <u>3,933,332</u> | <u>3,851,628</u>  | <u>81,704</u>                      | <u>3,864,839</u>    |
| Revenues under expenditures   | <u>(2,000)</u>   | <u>570,053</u>    | <u>572,053</u>                     | <u>(123,144)</u>    |
| <b>Other financing sources (uses):</b>                                |                  |                   |                                    |                     |
| Loan proceeds   | -                | 200,000           | 200,000                            | -                   |
| Transfer to other funds   | <u>(100,000)</u> | <u>(100,000)</u>  | <u>-</u>                           | <u>-</u>            |
| Total other financing sources   | <u>(100,000)</u> | <u>100,000</u>    | <u>200,000</u>                     | <u>-</u>            |
| <b>Revenues and other financing sources over (under) expenditures</b> | <u>(102,000)</u> | <u>670,053</u>    | <u>772,053</u>                     | <u>(123,144)</u>    |
| Appropriated fund balance   | <u>102,000</u>   | <u>-</u>          | <u>(102,000)</u>                   | <u>-</u>            |
| <b>Revenues and other sources over (under) expenditures</b>           | <u>\$ -</u>      | <u>\$ 670,053</u> | <u>\$ 670,053</u>                  | <u>\$ (123,144)</u> |

## 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, 2010 (With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2009)

|   | 2010   |                                    | 2009         |
|---|--------|------------------------------------|--------------|
| Budget  | Actual | Variance<br>Positive<br>(Negative) | Actual       |
| <b>Revenues and other sources over (under) expenditures</b> |        | \$ 670,053                         | \$ (123,144) |
| <b>Reconciling items:</b>                                   |        |                                    |              |
| Payment of debt principal                                   |        | 148,815                            | 120,020      |
| Capital outlay  |        | 28,211                             | 86,103       |
| Increase in accrued vacation pay                            |        | 7,746                              | (32,294)     |
| Increase in interest expense accrual                        |        | (330)                              | -            |
| Depreciation and amortization                               |        | (502,560)                          | (511,237)    |
| Loss on disposal of capital asset                           |        | -                                  | (6,652)      |
| Loan proceeds   |        | (200,000)                          | -            |
|   |        | (518,118)                          | (344,060)    |
| <br>Change in net assets (Exhibit G)                        |        | \$ 151,935                         | \$ (467,204) |

## Town of Harrisburg, North Carolina

### Schedule of Ad Valorem Taxes Receivable June 30, 2010

| Year<br>of<br>Levy            | Uncollected<br>Balance<br>June 30, 2009 | Additions           | Collections<br>and<br>Credits | Uncollected<br>Balance<br>June 30, 2010 |
|-------------------------------|---|---------------------|-------------------------------|---|
| 2000                          | \$ 652                                  | \$ -                | \$ 652                        | \$ -                                    |
| 2001                          | 228                                     | -                   | 145                           | 83                                      |
| 2002                          | 178                                     | -                   | 30                            | 148                                     |
| 2003                          | 21,860                                  | -                   | 248                           | 21,612                                  |
| 2004                          | 5,419                                   | -                   | 142                           | 5,277                                   |
| 2005                          | 2,940                                   | -                   | 928                           | 2,012                                   |
| 2006                          | 10,624                                  | -                   | 772                           | 9,852                                   |
| 2007                          | 26,332                                  | -                   | 5,789                         | 20,543                                  |
| 2008                          | 20,946                                  | -                   | 5,062                         | 15,884                                  |
| 2009                          | 126,391                                 | -                   | 52,294                        | 74,097                                  |
| 2010                          | <u>-</u>                                | <u>3,397,738</u>    | <u>3,274,153</u>              | <u>123,585</u>                          |
|                               | <u>\$ 215,570</u>                       | <u>\$ 3,397,738</u> | <u>\$ 3,340,215</u>           | 273,093                                 |
|                               |   |                     |                               | (13,655)                                |
|                               |   |                     |                               | <u>8,293</u>                            |
|                               |   |                     |                               | <u>\$ 267,731</u>                       |
| Reconciliation with revenues: |   |                     |                               |   |
|                               |   |                     |                               | \$ 3,367,363                            |
|                               |   |                     |                               | (20,071)                                |
|                               |   |                     |                               | <u>(7,077)</u>                          |
|                               |   |                     |                               | <u>\$ 3,340,215</u>                     |

## Town of Harrisburg, North Carolina

**Schedule of Current Tax Levy  
For the Fiscal Year Ended June 30, 2010**

|  | Town-Wide                             |       |                            | Total Levy                                   |                                 |
|--|---------------------------------------|-------|----------------------------|--|---------------------------------|
|  | Property<br>Valuation                 | Rate  | Amount<br>of Levy          | Excluding<br>Registered<br>Motor<br>Vehicles | Registered<br>Motor<br>Vehicles |
| Original levy:                           |                                       |       |                            |  |                                 |
| Property taxed at current<br>year's rate | \$ 1,647,373,000                      | 0.200 | \$ 3,294,746               | \$ 3,160,620                                 | \$ 134,126                      |
| Property taxed at prior<br>year's rate   | 41,235,000                            | 0.200 | 82,470                     | -  | 82,470                          |
| Penalties                                | -                                     |       | 6,885                      | 6,885  | -                               |
| <b>Total</b>                             | <b>1,688,608,000</b>                  |       | <b>3,384,101</b>           | <b>3,167,505</b>                             | <b>216,596</b>                  |
| Discoveries                              |                                       |       |                            |  |                                 |
| Current year taxes                       | 8,835,500                             | 0.200 | 17,671                     | 16,113                                       | 1,558                           |
| Abatements                               | <u>(2,017,000)</u>                    | 0.200 | <u>(4,034)</u>             | <u>(1,931)</u>                               | <u>(2,103)</u>                  |
| <b>Total property valuation</b>          | <b><u><u>\$ 1,695,426,500</u></u></b> |       |                            |  |                                 |
| Net levy                                 |                                       |       | 3,397,738                  | 3,181,687                                    | 216,051                         |
| Uncollected taxes at June 30, 2010       |                                       |       | <u>(123,585)</u>           | <u>(111,379)</u>                             | <u>(12,206)</u>                 |
| Current year's taxes collected           |                                       |       | <u><u>\$ 3,274,153</u></u> | <u><u>\$ 3,070,308</u></u>                   | <u><u>\$ 203,845</u></u>        |
| Current levy collection percentage       |                                       |       | <u><u>96.36%</u></u>       | <u><u>96.50%</u></u>                         | <u><u>94.35%</u></u>            |

# SHERRILL & SMITH, CPAs, PA

524 West Innes Street  
P. O. Box 1327  
Salisbury, NC 28145-1327  
Voice (704) 636-5211 Fax (704) 636-5245

## 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

The Honorable Mayor and 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, 2010, which collectively comprises the Town of Harrisburg's basic financial statements, and have issued our report thereon dated October 23, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Harrisburg's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Harrisburg'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.

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

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 the 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 that might be deficiencies, significant deficiencies or material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following to be a significant deficiency in internal control over financial reporting:

**Monitoring Service Provider**

The Town has chosen Cabarrus County to provide significant services in preparing the tax scroll, creating the tax levy and tax bills, collection of vehicle taxes, and preparation of the detailed underlying accounting for this process. Monitoring is a process that assesses whether the controls used by the service provider are operating as intended, controls at the Town are modified as appropriate for changed conditions, monthly reports received are reviewed and reconciled, and that information recorded in the Towns accounting system reflects the activity that transpires. Because limited monitoring activities now occur, the Town should develop a monitoring plan to accomplish the above objective.

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, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly we do not express such an opinion. The results of our test disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, others within the organization, the governing board, and 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.

Sherrill & Smith, CPAs, PA

October 23, 2010