

# Town of Harrisburg, North Carolina

## Basic Financial Statements and Accompanying Information

For Fiscal Year Ended  
June 30, 2011



### 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

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## FINANCIAL SECTION



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

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

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund, of the Town of Harrisburg, North Carolina, as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatements. 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, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and each major fund of the Town of Harrisburg, North Carolina, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable 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 August 31, 2011, on our consideration of the Town of Harrisburg's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Town of Harrisburg, North Carolina's basic financial statements. The combining and individual fund financial statements and schedules, budgetary schedules and other schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been 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.

*Martin Starnes & Associates, CPAs, P.A.*

Martin Starnes & Associates, CPAs, P.A.  
August 31, 2011

# 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, 2011. 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 \$20,827,421 (*net assets*). Of this amount, \$4,196,851 (*unrestricted net assets*) may be used to meet the Town's needs.
- The Town's total net assets increased by \$1,491,924, 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 \$1,814,805, with a net change of \$340,471 in fund balance. Approximately 31 percent of this total amount, or \$559,895, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,254,910 or 19.93 percent of total General Fund expenditures for the fiscal year.
- The Town of Harrisburg's total long-term outstanding liabilities decreased by \$290,699 (9%) during the current fiscal year. The key factors in this change were continued regular principal payments, along with refinancing interest-only notes to include paying principal.

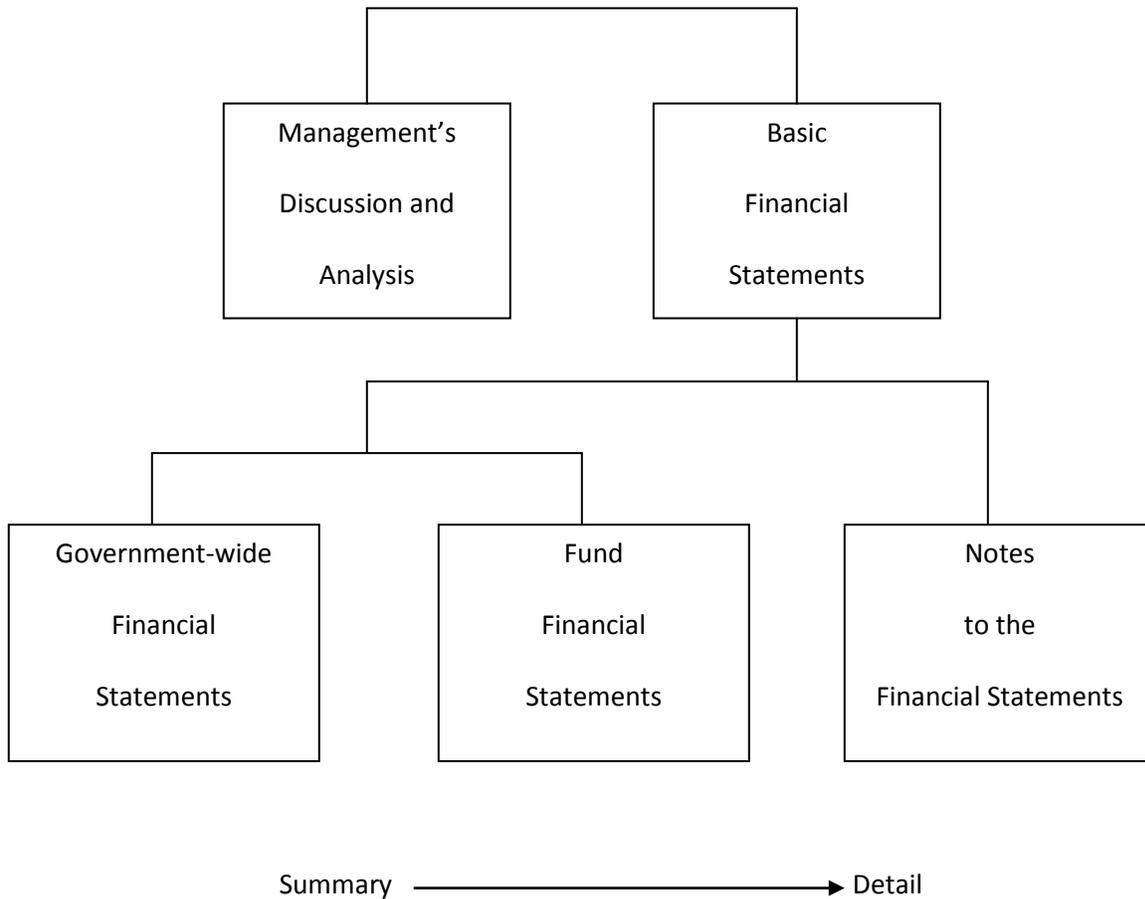
### Overview of the Financial Statements

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. The Town of Harrisburg uses enterprise funds to account for its water and sewer activity, along with its stormwater activity. These funds are the same as those functions shown in the business-type activities in the Statement of Net Assets and the Statement of Activities.

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

### Government-Wide Financial Analysis

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

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 2,591,986	\$ 2,379,719	\$ 3,310,615	\$ 1,904,765	\$ 5,902,601	\$ 4,284,484
Capital assets	<u>10,205,746</u>	<u>10,350,427</u>	<u>8,891,691</u>	<u>9,289,234</u>	<u>19,097,437</u>	<u>19,639,661</u>
Total assets	<u>12,797,732</u>	<u>12,730,146</u>	<u>12,202,306</u>	<u>11,193,999</u>	<u>25,000,038</u>	<u>23,924,145</u>
Long-term liabilities outstanding	2,572,968	2,758,791	595,374	700,250	3,168,342	3,459,041
Other liabilities	<u>491,372</u>	<u>605,907</u>	<u>512,903</u>	<u>523,700</u>	<u>1,004,275</u>	<u>1,129,607</u>
Total liabilities	<u>3,064,340</u>	<u>3,364,698</u>	<u>1,108,277</u>	<u>1,223,950</u>	<u>4,172,617</u>	<u>4,588,648</u>
<b>Net assets:</b>						
Invested in capital assets, net of related debt	7,772,753	7,701,712	8,338,163	8,629,813	16,110,916	16,331,525
Restricted	519,654	727,185	-	-	519,654	727,185
Unrestricted	<u>1,440,985</u>	<u>936,551</u>	<u>2,755,866</u>	<u>1,340,236</u>	<u>4,196,851</u>	<u>2,276,787</u>
Total net assets	<u>\$ 9,733,392</u>	<u>\$ 9,365,448</u>	<u>\$ 11,094,029</u>	<u>\$ 9,970,049</u>	<u>\$ 20,827,421</u>	<u>\$ 19,335,497</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 \$20,827,421 as of June 30, 2011. The Town's net assets increased by \$1,491,924 for the fiscal year ended June 30, 2011. However, the largest portion (77%) 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 \$519,654 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$4,196,851 may be used to meet the Town's ongoing obligations to citizens and creditors.

# Town of Harrisburg, North Carolina

## Management's Discussion and Analysis (continued)

### Government-Wide Financial Analysis (continued)

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

- Continued diligence in the collection of property taxes by maintaining a current levy collection percentage of 97.40% (adjusted for annexation detailed below), which is comparable to the statewide average of 97.42%. Collection of current year taxes increased by more than \$161,000 for the year ending June 30, 2011. As reported on Schedule 8, the reported collection rate is 95.47%. This is diluted due to the addition of over \$69,000 in new tax bills being issued near year-end for those newly annexed residents.
- A continued increase was seen in athletics revenues of more than \$50,000.
- Water, sewer and stormwater operations generated additional revenue of more than \$1.1M.

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

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 397,031	\$ 335,957	\$ 5,568,760	\$ 4,416,564	\$ 5,965,791	\$ 4,752,521
Operating grants and contributions	894,510	979,723	-	-	894,510	979,723
General revenues:						
Property taxes	3,514,737	3,434,287	-	-	3,514,737	3,434,287
Other taxes	7,391	3,120	-	-	7,391	3,120
Grants and contributions not restricted to specific programs	1,396,127	1,349,187	-	-	1,396,127	1,349,187
Other	413,385	158,308	26,117	5,117	439,502	163,425
Total revenues	<u>6,623,181</u>	<u>6,260,582</u>	<u>5,594,877</u>	<u>4,421,681</u>	<u>12,218,058</u>	<u>10,682,263</u>
<b>Expenses:</b>						
General government	1,189,530	1,111,216	-	-	1,189,530	1,111,216
Planning and zoning	159,957	150,163	-	-	159,957	150,163
Public safety	2,969,585	3,014,521	-	-	2,969,585	3,014,521
Transportation	230,723	257,452	-	-	230,723	257,452
Environmental protection	612,375	591,327	-	-	612,375	591,327
Cultural and recreational	982,813	891,863	-	-	982,813	891,863
Water and sewer	-	-	4,386,048	4,140,193	4,386,048	4,140,193
Stormwater	-	-	59,529	-	59,529	-
Interest	110,254	142,370	25,320	29,553	135,574	171,923
Total expenses	<u>6,255,237</u>	<u>6,158,912</u>	<u>4,470,897</u>	<u>4,169,746</u>	<u>10,726,134</u>	<u>10,328,658</u>
Increase in net assets before transfers	367,944	101,670	1,123,980	251,935	1,491,924	353,605
Transfers	-	100,000	-	(100,000)	-	-
Increase in net assets	367,944	201,670	1,123,980	151,935	1,491,924	353,605
Net assets, beginning as reported	9,365,448	9,089,161	9,970,049	9,818,114	19,335,497	18,907,275
Prior period adjustment	-	74,617	-	-	-	-
Net assets, beginning as restated	<u>9,365,448</u>	<u>9,163,778</u>	<u>9,970,049</u>	<u>9,818,114</u>	<u>19,335,497</u>	<u>18,907,275</u>
Net assets, June 30	<u>\$ 9,733,392</u>	<u>\$ 9,365,448</u>	<u>\$ 11,094,029</u>	<u>\$ 9,970,049</u>	<u>\$ 20,827,421</u>	<u>\$ 19,260,880</u>

# 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 \$367,944, thereby accounting for 25% of the total growth in the net assets of the Town. Key elements of this increase are as follows:

- Tax revenues increased approximately 5%.
- Parks and recreation athletics revenue increased over \$50,000.
- Administrative costs were allocated more appropriately to account for support functions in multiple funds.

**Business-Type Activities.** Business-type activities increased the Town of Harrisburg's net assets by \$1,123,980, accounting for 75% of the total growth in the Town's net assets. Key elements of this increase are as follows:

- Net income from direct revenue and expenses with water consumption increased nearly \$650,000, spurred largely by an 11% increase in water and sewer rates.
- Stormwater operations added first year net income of approximately \$325,000.

### Financial Analysis of the Town's Funds

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

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

The General Fund is the chief operating fund of the Town of Harrisburg. At the end of the current fiscal year, available fund balance in the General Fund was \$1,338,864, while total fund balance reached \$1,814,805. As a measure of the General Fund's liquidity, it may be useful to compare both available fund balance and total fund balance to total fund expenditures. Available fund balance represents 21.29% of total General Fund expenditures, while total fund balance represents 28.82% of that same amount.

At June 30, 2011, the governmental funds of Town of Harrisburg reported a combined fund balance of \$1,814,805, a 23% increase from last year.

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

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

# Town of Harrisburg, North Carolina

## Management's Discussion and Analysis (continued)

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

**Proprietary Funds.** The Town of Harrisburg's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets of the Water and Sewer Fund at the end of the fiscal year amounted to \$2,431,752 and those for the Stormwater Fund amounted to \$324,114. The total change in net assets for both funds was \$799,866 and \$324,114, respectively. Other factors concerning the finances of these funds have already been addressed in the discussion of the Town of Harrisburg's business-type activities.

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

### Capital Asset and Debt Administration

**Capital Assets.** The Town of Harrisburg's investment in capital assets for its governmental and business-type activities as of June 30, 2011, totals \$19,097,437 (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 sidewalks and start of well projects.

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

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Construction in progress	\$ 151,278	\$ 151,278	\$ 142,429	\$ 72,751	\$ 293,707	\$ 224,029
Land	1,209,431	1,203,078	459,753	459,753	1,669,184	1,662,831
Buildings and systems	4,065,360	4,157,842	36,194	37,399	4,101,554	4,195,241
Improvements other than buildings	2,014,602	2,079,382	-	-	2,014,602	2,079,382
Water lines	-	-	4,848,418	5,071,823	4,848,418	5,071,823
Machinery and equipment	1,423,807	1,562,784	285,107	351,522	1,708,914	1,914,306
Interceptors	-	-	291,201	315,349	291,201	315,349
Collection system	-	-	2,828,589	2,980,637	2,828,589	2,980,637
Infrastructure	1,341,268	1,196,063	-	-	1,341,268	1,196,063
<b>Total</b>	<b>\$ 10,205,746</b>	<b>\$ 10,350,427</b>	<b>\$ 8,891,691</b>	<b>\$ 9,289,234</b>	<b>\$ 19,097,437</b>	<b>\$ 19,639,661</b>

Additional information on the Town's capital assets can be found in note III.A.3 on pages 32-33 of this report.

# Town of Harrisburg, North Carolina

## Management's Discussion and Analysis (continued)

### Capital Asset and Debt Administration (continued)

**Long-Term Debt.** As of June 30, 2011, the Town of Harrisburg had total debt outstanding of \$2,986,521. Of this debt, \$553,528 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 (\$2,432,993), is backed by the full faith and credit of the Town.

#### Long-Term Obligations Figure 5

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Notes payable	\$ 2,432,993	\$ 2,648,715	\$ 553,528	\$ 659,421	\$ 2,986,521	\$ 3,308,136
Total	<u>\$ 2,432,993</u>	<u>\$ 2,648,715</u>	<u>\$ 553,528</u>	<u>\$ 659,421</u>	<u>\$ 2,986,521</u>	<u>\$ 3,308,136</u>

#### Town of Harrisburg's Outstanding Debt

The Town of Harrisburg's total long-term outstanding debt decreased by \$321,615 (10%) during the past fiscal year, primarily due to continued principal payments and the refinancing of interest-only loans to principal and interest instruments.

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 \$140,453,582.

Additional information regarding the Town of Harrisburg's long-term debt can be found in note III.B.7 on pages 37-43 of this report.

#### Economic Factors and Next Year's Budgets and Rates

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

- New census numbers, as reported by the 2010 US Census, show the Town now officially with a population of 11,526, which after further considering FY2011 annexations not included in the census will put the population over 13,000. After the State certifies the numbers, all intergovernmental revenues based on population will increase accordingly.
- 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.
- The Town has expanded the square footage allowed for retail space which will help to attract more retail opportunities.

# Town of Harrisburg, North Carolina

## Management's Discussion and Analysis (continued)

### Budget Highlights for the Fiscal Year Ending June 30, 2012

**Governmental Activities:** Property taxes (benefiting from increased tax rates, annexations and residential building) are expected to lead an increase in budgeted revenue of 16 percent. 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 8% to \$6,789,011. The largest increments are in Public Safety and Cultural Resources expenditures, which represent additional expenditures for equipment, personnel and capital reserves.

**Business-Type Activities:** The water and sewer rates, along with stormwater rates are budgeted to remain at FY2011 rates, due largely to the anticipated reduced cost of operations after the wells are activated. General operating expenses will increase by 35% to cover the proposed purchase of a sewer system, capital reserves and increased costs of sewer operations with the anticipated purchase of new customers. A capital projects fund is being utilized to account for the 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 84% to cover additional costs associated with repaying new debt associated with the wells project and an inter-local agreement associated with the anticipated purchase of water and sewer lines to new customers. Stormwater expenses are expected to increase significantly as the Stormwater Master Plan is developed and new staff are put in place to facilitate the implementation of the plan.

### 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, 2011

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 1,726,768	\$ 2,623,206	\$ 4,349,974
Taxes receivables (net)	267,931	-	267,931
Accrued interest receivable on taxes	37,392	-	37,392
Accounts receivable (net)	-	684,678	684,678
Due from other governments	435,700	-	435,700
Prepaid expenses	40,241	2,731	42,972
Restricted cash and cash equivalents	83,954	-	83,954
Total current assets	<u>2,591,986</u>	<u>3,310,615</u>	<u>5,902,601</u>
Capital assets:			
Non-depreciable	1,360,709	602,182	1,962,891
Depreciable, net of accumulated depreciation	8,845,037	8,289,509	17,134,546
Total capital assets	<u>10,205,746</u>	<u>8,891,691</u>	<u>19,097,437</u>
 Total assets	 <u>12,797,732</u>	 <u>12,202,306</u>	 <u>25,000,038</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable and accrued liabilities	257,673	208,765	466,438
Performance bond deposits	195,073	-	195,073
Unearned revenue	38,626	-	38,626
Customer deposits	-	185,325	185,325
Refundable tap fees	-	118,813	118,813
Long-term liabilities-due within one year	367,172	217,145	584,317
Total current liabilities	<u>858,544</u>	<u>730,048</u>	<u>1,588,592</u>
Long-term liabilities:			
Long-term liabilities-due in more than one year	2,205,796	378,229	2,584,025
Total liabilities	<u>3,064,340</u>	<u>1,108,277</u>	<u>4,172,617</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	7,772,753	8,338,163	16,110,916
Restricted for:			
Stabilization by State Statute	435,700	-	435,700
Public safety	83,954	-	83,954
Unrestricted	1,440,985	2,755,866	4,196,851
 Total net assets	 <u>\$ 9,733,392</u>	 <u>\$ 11,094,029</u>	 <u>\$ 20,827,421</u>

# Town of Harrisburg, North Carolina

## Statement of Activities For the Fiscal Year Ended June 30, 2011

Functions/Programs	Program Revenues		
Expenses	Charges for Services	Operating Grants and Contributions	
<b>Governmental activities:</b>			
General government	\$ 1,189,530	\$ 10,924	\$ -
Planning and zoning	159,957	-	-
Public safety	2,969,585	27,072	692,035
Transportation	230,723	-	198,198
Environmental protection	612,375	-	4,277
Cultural and recreation	982,813	359,035	-
Interest on long-term debt	110,254	-	-
Total governmental activities	6,255,237	397,031	894,510
<b>Business-type activities:</b>			
Water and sewer	4,411,368	5,186,125	-
Stormwater	59,529	382,635	-
Total business-type activities	4,470,897	5,568,760	-
Total government	\$ 10,726,134	\$ 5,965,791	\$ 894,510

**General revenues:**

Taxes:

Property taxes, levied for general purpose

Other taxes and licenses

Unrestricted intergovernmental

Investment earnings

Miscellaneous

Total general revenues and special items

Change in net assets

Net assets, beginning as previously reported

Prior period adjustment

Net assets, beginning as restated

Net assets, ending

<b>Net (Expense) Revenue and Changes in Net Assets</b>		
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (1,178,606)	\$ -	\$ (1,178,606)
(159,957)	-	(159,957)
(2,250,478)	-	(2,250,478)
(32,525)	-	(32,525)
(608,098)	-	(608,098)
(623,778)	-	(623,778)
(110,254)	-	(110,254)
<u>(4,963,696)</u>	<u>-</u>	<u>(4,963,696)</u>
-	774,757	774,757
-	323,106	323,106
-	<u>1,097,863</u>	<u>1,097,863</u>
<u>(4,963,696)</u>	<u>1,097,863</u>	<u>(3,865,833)</u>
3,514,737	-	3,514,737
7,391	-	7,391
1,396,127	-	1,396,127
24,300	26,117	50,417
389,085	-	389,085
<u>5,331,640</u>	<u>26,117</u>	<u>5,357,757</u>
367,944	1,123,980	1,491,924
9,292,318	9,970,049	19,262,367
73,130	-	73,130
<u>9,365,448</u>	<u>9,970,049</u>	<u>19,335,497</u>
<u>\$ 9,733,392</u>	<u>\$ 11,094,029</u>	<u>\$ 20,827,421</u>

Town of Harrisburg, North Carolina

Balance Sheet  
Governmental Funds  
June 30, 2011

	<u>General</u>	<u>Total Governmental Funds</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 1,726,768	\$ 1,726,768
Restricted cash and cash equivalents	83,954	83,954
Receivables, net:		
Property taxes	267,931	267,931
Due from other governments	435,700	435,700
Prepaid items	40,241	40,241
	<u>40,241</u>	<u>40,241</u>
Total assets	<u>\$ 2,554,594</u>	<u>\$ 2,554,594</u>
<b>Liabilities and fund balance</b>		
<b>Liabilities:</b>		
Accounts payable and accrued liabilities	\$ 238,159	\$ 238,159
Performance bonds on deposit	195,073	195,073
Deferred revenue	267,931	267,931
Unearned revenue	38,626	38,626
Total liabilities	<u>739,789</u>	<u>739,789</u>
<b>Fund balance:</b>		
Nonspendable:		
Prepays	40,241	40,241
Restricted:		
Stabilization by State statute	435,700	435,700
Public safety	83,954	83,954
Unassigned	1,254,910	1,254,910
Total fund balance	<u>1,814,805</u>	<u>1,814,805</u>
Total liabilities and fund balance	<u>\$ 2,554,594</u>	<u>\$ 2,554,594</u>

**Town of Harrisburg, North Carolina**

**Reconciliation of the Balance Sheet of the Governmental  
Funds to the Statement of Net Assets  
June 30, 2011**

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

Ending fund balance - governmental funds	\$ 1,814,805
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	10,205,746
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds	
Unearned revenue	267,931
Accrued interest on taxes receivable	37,392
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	
Accrued interest payable	(19,514)
Compensated absences	(139,975)
Notes payable	<u>(2,432,993)</u>
Net assets of governmental activities	<u>\$ 9,733,392</u>

Town of Harrisburg, North Carolina

Statement of Revenues, Expenditures, and Changes in Fund Balance  
Governmental Funds  
For the Fiscal Year Ended June 30, 2011

	General	Total Governmental Funds
<b>Revenues</b>		
Ad valorem taxes	\$ 3,529,030	\$ 3,529,030
Other taxes and licenses	7,391	7,391
Unrestricted intergovernmental	1,396,127	1,396,127
Restricted intergovernmental	894,510	894,510
Permits and fees	37,996	37,996
Sales and services	359,035	359,035
Investment earnings	24,300	24,300
Other general revenues	389,085	389,085
Total revenues	<u>6,637,474</u>	<u>6,637,474</u>
<b>Expenditures</b>		
Current:		
General government	1,167,621	1,167,621
Planning and zoning	158,888	158,888
Public safety	2,694,539	2,694,539
Transportation	471,142	471,142
Environmental protection	594,436	594,436
Cultural and recreation	883,777	883,777
Debt service:		
Principal retirement	215,722	215,722
Interest	110,878	110,878
Total expenditures	<u>6,297,003</u>	<u>6,297,003</u>
Excess of revenues over expenditures	<u>340,471</u>	<u>340,471</u>
Net change in fund balance	340,471	340,471
Fund balance, beginning as previously stated	1,401,204	1,401,204
Prior period adjustment	73,130	73,130
Fund balance, beginning as restated	<u>1,474,334</u>	<u>1,474,334</u>
Fund balance, ending	<u>\$ 1,814,805</u>	<u>\$ 1,814,805</u>

**Town of Harrisburg, North Carolina**

**Reconciliation of the Statement of Revenues, Expenditures, and  
Changes in Fund Balance of the Governmental Funds to the  
Statement of Activities  
For the Fiscal Year Ended June 30, 2011**

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

Net changes in fund balances - total governmental funds		\$ 340,471
<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	337,091	
Depreciation expense	<u>(481,772)</u>	(144,681)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Other	(14,493)	
Change in deferred revenue for tax revenues	<u>200</u>	(14,293)
<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	215,722	
Compensated absences	<u>(29,899)</u>	185,823
<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>624</u>
Changes in net assets of governmental activities		<u>\$ 367,944</u>

## Town of Harrisburg, North Carolina

### Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual - General Fund For the Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Ad valorem taxes	\$ 3,424,215	\$ 3,424,215	\$ 3,529,030	\$ 104,815
Other taxes and licenses	2,000	2,000	7,391	5,391
Unrestricted intergovernmental	620,763	1,270,763	1,396,127	125,364
Restricted intergovernmental	1,377,783	1,027,783	894,510	(133,273)
Permits and fees	23,500	23,500	37,996	14,496
Sales and services	281,850	301,850	359,035	57,185
Investment earnings	6,951	6,951	24,300	17,349
Other general revenues	121,950	201,950	389,085	187,135
Total revenues	5,859,012	6,259,012	6,637,474	378,462
<b>Expenditures</b>				
Current:				
General government	1,387,520	1,447,866	1,167,621	280,245
Planning and zoning	159,218	159,218	158,888	330
Public safety	2,962,714	2,928,214	2,694,539	233,675
Transportation	603,622	603,622	471,142	132,480
Environmental protection	630,000	630,000	594,436	35,564
Cultural and recreation	903,363	923,363	883,777	39,586
Debt service:				
Principal retirement	195,600	218,100	215,722	2,378
Interest	100,000	112,000	110,878	1,122
Total expenditures	6,942,037	7,022,383	6,297,003	725,380
Revenues over (under) expenditures	(1,083,025)	(763,371)	340,471	1,103,842
<b>Other financing sources (uses)</b>				
Proceeds from note	761,000	-	-	-
Transfers from other funds	71,139	-	-	-
Appropriated fund balance	250,886	763,371	-	(763,371)
Total other financing sources	1,083,025	763,371	-	(763,371)
Net change in fund balance	\$ -	\$ -	340,471	\$ 340,471
Fund balance, beginning as previously reported			1,401,204	
Prior period adjustment			73,130	
Fund balance, beginning as restated			1,474,334	
Fund balance, ending			\$ 1,814,805	

## Town of Harrisburg, North Carolina

**Statements of Net Assets**  
**Proprietary Funds**  
**June 30, 2011**

	<b>Major Enterprise Funds</b>		
	<b>Water and Sewer Fund</b>	<b>Stormwater Fund</b>	<b>Total</b>
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 2,342,270	\$ 280,936	\$ 2,623,206
Accounts receivable (net) - customers	618,077	57,008	675,085
Accounts receivable - other	9,593	-	9,593
Prepaid expenses	2,731	-	2,731
Total current assets	<u>2,972,671</u>	<u>337,944</u>	<u>3,310,615</u>
Capital assets:			
Non-depreciable	602,182	-	602,182
Depreciable, net of accumulated depreciation	8,289,509	-	8,289,509
Total non-current assets	<u>8,891,691</u>	<u>-</u>	<u>8,891,691</u>
Total assets	<u>11,864,362</u>	<u>337,944</u>	<u>12,202,306</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable and accrued liabilities	194,935	13,830	208,765
Long-term debt, current portion	175,299	-	175,299
Compensated absences, current portion	41,846	-	41,846
Customer deposits	185,325	-	185,325
Refundable tap fees	118,813	-	118,813
Total current liabilities	<u>716,218</u>	<u>13,830</u>	<u>730,048</u>
Non-current liabilities:			
Long-term debt, non-current portion	378,229	-	378,229
Total liabilities	<u>1,094,447</u>	<u>13,830</u>	<u>1,108,277</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	8,338,163	-	8,338,163
Unrestricted	2,431,752	324,114	2,755,866
Total net assets	<u>\$ 10,769,915</u>	<u>\$ 324,114</u>	<u>\$ 11,094,029</u>

**Statements of Revenues, Expenses, and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2011**

	Major Enterprise Funds		
	Water and Sewer Fund	Stormwater Fund	Total
<b>Operating revenues</b>			
Charges for services	\$ 4,501,126	\$ 382,635	\$ 4,883,761
Water and sewer taps	123,626	-	123,626
Water and sewer development charges	196,296	-	196,296
Service connection fees	212,772	-	212,772
Other operating revenues	152,305	-	152,305
Total operating revenues	<u>5,186,125</u>	<u>382,635</u>	<u>5,568,760</u>
<b>Operating expenses</b>			
Water administration and distribution	3,891,501	-	3,891,501
Stormwater operations	-	59,529	59,529
Depreciation and amortization	494,547	-	494,547
Total operating expenses	<u>4,386,048</u>	<u>59,529</u>	<u>4,445,577</u>
Operating income	<u>800,077</u>	<u>323,106</u>	<u>1,123,183</u>
<b>Non-operating revenues (expenses)</b>			
Investment earnings	25,109	1,008	26,117
Interest and other charges	(25,320)	-	(25,320)
Total non-operating expenses	<u>(211)</u>	<u>1,008</u>	<u>797</u>
Change in net assets	799,866	324,114	1,123,980
<b>Total net assets - beginning</b>	<u>9,970,049</u>	<u>-</u>	<u>9,970,049</u>
<b>Total net assets - ending</b>	<u>\$ 10,769,915</u>	<u>\$ 324,114</u>	<u>\$ 11,094,029</u>

**Statements of Cash Flows**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2011**

	<b>Major Enterprise Funds</b>		
	<b>Water and Sewer Fund</b>	<b>Stormwater Fund</b>	<b>Total</b>
<b>Cash flows from operating activities</b>			
Cash received from customers	\$ 5,015,434	\$ 325,627	\$ 5,341,061
Cash paid for goods and services	(2,739,917)	(45,699)	(2,785,616)
Cash paid to or on behalf of employees for services	(1,178,785)	-	(1,178,785)
Customer deposits received and returned	(497)	-	(497)
Net cash provided by operating activities	<u>1,096,235</u>	<u>279,928</u>	<u>1,376,163</u>
<b>Cash flows from capital and related financing activities</b>			
Acquisition and construction of capital assets	(97,004)	-	(97,004)
Prinicipal paid on long-term debt	(105,893)	-	(105,893)
Interest paid on long-term debt	(25,320)	-	(25,320)
Net cash used in capital and related financing activities	<u>(228,217)</u>	<u>-</u>	<u>(228,217)</u>
<b>Cash flows from investing activities</b>			
Interest on investments	25,109	1,008	26,117
Net increase in cash and cash equivalents	893,127	280,936	1,174,063
<b>Cash and cash equivalents</b>			
Beginning of year	1,449,143	-	1,449,143
End of year	<u>\$ 2,342,270</u>	<u>\$ 280,936</u>	<u>\$ 2,623,206</u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities</b>			
Operating income	\$ 800,077	\$ 323,106	\$ 1,123,183
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation and amortization	494,547	-	494,547
Changes in assets and liabilities:			
Increase in accounts receivable - customers	(174,091)	(57,008)	(231,099)
Increase in allowance for doubtful accounts	1,700	-	1,700
Increase in accounts receivable - other	(125)	-	(125)
Increase in prepaid items	(2,263)	-	(2,263)
Increase in accounts payable and accrued liabilities	5,960	13,830	19,790
Increase in compensated absences	1,017	-	1,017
Decrease in customer deposits	(497)	-	(497)
Decrease in refundable tap fees	(30,090)	-	(30,090)
Total adjustments	<u>296,158</u>	<u>(43,178)</u>	<u>252,980</u>
Net cash provided by operating activities	<u>\$ 1,096,235</u>	<u>\$ 279,928</u>	<u>\$ 1,376,163</u>



# Town of Harrisburg, North Carolina

## Notes to the Basic Financial Statements June 30, 2011

### 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 nonmajor funds.

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

The Town reports the following major governmental fund:

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

# Town of Harrisburg, North Carolina

## Notes to the Basic Financial Statements June 30, 2011

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

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

The Town reports the following major enterprise funds:

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

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

#### C. Measurement Focus and Basis of Accounting

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

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

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

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

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

# Town of Harrisburg, North Carolina

## Notes to the Basic Financial Statements

June 30, 2011

### 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 2010 through February 2011 apply to the fiscal year ended June 30, 2011. Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues.

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

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

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

#### D. Budgetary Data

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

# Town of Harrisburg, North Carolina

## Notes to the Basic Financial Statements June 30, 2011

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

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

##### Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain 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.

##### Cash and Cash Equivalents

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

##### Restricted Assets

The North Carolina Firemen's Relief Fund funds are classified as restricted cash and cash equivalents because it can be expended only for the purposes of financially assisting firefighters that have been injured or killed while performing fire department duties, educational benefits, supplemental retirement, purchase other insurance and pension protection per G.S. 58-84-1 through 58-84-60.

##### Ad Valorem Taxes Receivable

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

##### Utility Service Revenues – Unbilled Usage

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

# Town of Harrisburg, North Carolina

## Notes to the Basic Financial Statements June 30, 2011

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

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

##### Allowances for Doubtful Accounts

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

##### Prepaid items

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

##### Capital Assets

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

The estimated useful lives are as follows:

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

##### Long-Term Obligations

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

# Town of Harrisburg, North Carolina

## Notes to the Basic Financial Statements June 30, 2011

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

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

##### Compensated Absences

The vacation policy of the Town provides for the accumulation of up to twenty 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.

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.

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

The governmental fund types classify fund balances as follows:

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

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

# Town of Harrisburg, North Carolina

## Notes to the Basic Financial Statements June 30, 2011

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

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

##### Net Assets/Fund Balances (continued)

##### Fund Balances (continued)

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

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

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

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

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

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

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

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

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

<b>Total fund balance - General Fund</b>	<b><u>\$ 1,814,805</u></b>
Less:	
Prepays	40,241
Stabilization by State Statute	435,700
Public Safety - Firemen's Relief Fund	83,954
Remaining fund balance	1,254,910

# Town of Harrisburg, North Carolina

## Notes to the Basic Financial Statements June 30, 2011

### 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. Stewardship, Compliance and Accountability:

#### A. Significant Violations of Finance-Related Legal and Contractual Provisions

##### Non-compliance with North Carolina General Statutes

The Town was in violation of North Carolina General Statutes 159-25 and 159-30, related to the existence of a checking account, certificate of deposit and investment account that were under the control of the Fire Department. The accounts were not reflected in the General Fund budget, but the transactions have been included in the June 30, 2011 financial statements. The authorized signers on the checking account were not deputized by the Town Council to serve in the Finance Officer function. The funds in the investment account were invested in unallowed investment types as stated in the North Carolina General Statute 159-30.

The Town issued an installment purchase loan for working capital for a water and sewer rate study. The loan is not a valid financing agreement and is in violation of North Carolina General Statute 159-148.

### III. Detail Notes on All Funds:

#### A. Assets

##### Deposits

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

# Town of Harrisburg, North Carolina

## Notes to the Basic Financial Statements June 30, 2011

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

#### A. Assets (continued)

##### Deposits (continued)

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

At June 30, 2011, the Town's deposits had a carrying amount of \$4,079,185 and a bank balance of \$4,121,169. Of the bank balance, \$307,172 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method. At June 30, 2011, the Town's petty cash totaled \$900.

##### Investments

At June 30, 2011, the Town's investment balances were as follows:

<u>Investment Type</u>	<u>Fair Vaue</u>	<u>Maturity</u>	<u>Rating</u>
NC Capital Management Trust - Cash Portfolio	\$ 327,061	N/A	AAAm
MetLife Portfolio Architect Plus Annuity	<u>26,782</u>	N/A	AA-
Total	<u>\$ 353,843</u>		

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

# Town of Harrisburg, North Carolina

## Notes to the Basic Financial Statements June 30, 2011

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

#### A. Assets (continued)

##### Capital Assets

Capital asset activity for the year ended June 30, 2011 was as follows:

	<u>July 1, 2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2011</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,203,078	\$ 6,353	\$ -	\$ 1,209,431
Construction in progress	151,278	-	-	151,278
Total capital assets not being depreciated	1,354,356	6,353	-	1,360,709
Capital assets being depreciated:				
Buildings	4,610,020	-	-	4,610,020
Other improvements	2,418,820	-	-	2,418,820
Equipment	2,789,598	159,714	-	2,949,312
Infrastructure	1,258,292	171,024	-	1,429,316
Total capital assets being depreciated	11,076,730	330,738	-	11,407,468
Less accumulated depreciation for:				
Buildings	452,178	64,781	-	516,959
Other improvements	339,438	92,481	-	431,919
Equipment	1,226,814	298,689	-	1,525,503
Infrastructure	62,229	25,821	-	88,050
Total accumulated depreciation	2,080,659	\$ 481,772	\$ -	2,562,431
Total capital assets being depreciated, net	8,996,071			8,845,037
Governmental activity capital assets, net	\$ 10,350,427			\$ 10,205,746

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

General government	\$ 60,438
Public safety	279,504
Transportation	26,438
Environmental protection	17,939
Cultural and recreation	97,453
Total	\$ 481,772

# Town of Harrisburg, North Carolina

## Notes to the Basic Financial Statements June 30, 2011

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

#### A. Assets (continued)

##### Capital Assets (continued)

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

	<u>July 1, 2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2011</u>
Business-type activities:				
Capital assets not being depreciated:				
Land and rights of way	\$ 459,753	\$ -	\$ -	\$ 459,753
Construction in progress	72,751	69,678	-	142,429
Total capital assets not being depreciated	532,504	69,678	-	602,182
Capital assets being depreciated:				
Buildings	60,187	-	-	60,187
Water lines	7,247,304	-	-	7,247,304
Equipment	1,154,210	27,326	-	1,181,536
Interceptors	724,436	-	-	724,436
Collection system	4,920,569	-	-	4,920,569
Total capital assets being depreciated	14,106,706	27,326	-	14,134,032
Less accumulated depreciation for:				
Buildings	22,788	1,204	-	23,992
Water lines	2,175,481	223,405	-	2,398,886
Equipment	802,688	93,742	-	896,430
Interceptors	409,087	24,148	-	433,235
Collection system	1,939,932	152,048	-	2,091,980
Total accumulated depreciation	5,349,976	\$ 494,547	\$ -	5,844,523
Total capital assets being depreciated, net	8,756,730			8,289,509
Business-type activities capital assets, net	\$ 9,289,234			\$ 8,891,691

##### 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:

<u>Funds</u>	<u>June 30, 2011</u>
General Fund:	
Taxes receivable	\$ 14,102
Enterprise Fund:	
Accounts receivable	7,200
Total	\$ 21,302

# Town of Harrisburg, North Carolina

## Notes to the Basic Financial Statements June 30, 2011

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

#### B. Liabilities

##### Accounts Payable and Accrued Items

Payables at the government-wide level at June 30, 2011, were as follows:

	<b>Vendors</b>	<b>Other</b>	<b>Total</b>
Governmental activities:			
General fund	\$ 178,312	\$ 79,361	\$ 257,673
Total governmental activities	\$ 178,312	\$ 79,361	\$ 257,673
Business-type activities			
Water and sewer fund	\$ 155,657	\$ 39,278	\$ 194,935
Stormwater fund	13,830	-	13,830
Total business-type activities	\$ 169,487	\$ 39,278	\$ 208,765

##### Pension Plan Obligations

###### Local Governmental Employees' Retirement System

**Plan Description.** The Town of Harrisburg 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 8.00%, 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, 2011, 2010 and 2009 were \$217,209, \$163,801 and \$165,614, 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, 2011

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

#### B. Liabilities (continued)

##### Pension Plan Obligations (continued)

###### 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 non-employer contributor, funds the plan through appropriations. The Town does not contribute to the Fund. Contribution requirements of plan members and the State of North Carolina are established and may be amended by the North Carolina General Assembly.

##### Deferred/Unearned Revenues

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

	<u>Deferred Revenues</u>	<u>Unearned Revenues</u>
Taxes receivable - net	\$ 267,931	\$ -
Prepaid taxes	-	2,396
July 4th celebration revenue	-	36,230
Total	<u>\$ 267,931</u>	<u>\$ 38,626</u>

# Town of Harrisburg, North Carolina

## Notes to the Basic Financial Statements June 30, 2011

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

#### B. Liabilities (continued)

##### Risk Management

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

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

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

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

##### Claims and Judgments

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

# Town of Harrisburg, North Carolina

## Notes to the Basic Financial Statements June 30, 2011

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

#### B. Liabilities (continued)

##### Operating Leases

The Town leases certain office equipment, temporary buildings and a park under operating leases. Lease expenditures for these and other rental agreements during the year ended June 30, 2011 totaled \$42,160.

Future minimum lease payments are as follows:

<u>June 30,</u>	<u>Activities</u>	<u>Activities</u>
2012	\$ 20,540	\$ 14,400
2013	14,875	14,400
2014	10,325	2,400
2015	1,932	-
2016	1	-
2017-2021	5	-
2022-2026	5	-
2027-2031	5	-
2032-2035	4	-
	<u>\$ 47,692</u>	<u>\$ 31,200</u>

##### Long-Term Obligations

###### Installment loans

###### **Serviced by General Fund:**

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

The future minimum payments of the installment purchase as of June 30, 2011 are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 21,868	\$ 12,249
2013	22,987	11,131
2014	24,162	9,955
2015	25,398	8,719
2016	26,698	7,420
2017-2021	125,043	15,448
	<u>\$ 246,156</u>	<u>\$ 64,922</u>

# Town of Harrisburg, North Carolina

## Notes to the Basic Financial Statements June 30, 2011

**III. Detail Notes on All Funds (continued):**

**B. Liabilities (continued)**

**Long-Term Obligations (continued)**

**Installment loans (continued)**

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

The future minimum payments of the installment purchase as of June 30, 2011 are as follows:

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2012	\$ 31,339	\$ 11,626
2013	32,535	10,430
2014	33,776	9,189
2015	227,765	7,900
	\$ 325,415	\$ 39,145

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

The future minimum payments of the installment purchase as of June 30, 2011 are as follows:

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2012	\$ 19,964	\$ 8,356
2013	20,767	7,553
2014	21,603	6,717
2015	22,472	5,848
2016	135,893	1,750
	\$ 220,699	\$ 30,224

# Town of Harrisburg, North Carolina

## Notes to the Basic Financial Statements June 30, 2011

**III. Detail Notes on All Funds (continued):**

**B. Liabilities (continued)**

**Long-Term Obligations (continued)**

**Installment loans (continued)**

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

The future minimum payments of the installment purchase as of June 30, 2011 are as follows:

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2012	\$ 22,449	\$ 3,975
2013	23,247	3,177
2014	24,074	2,350
2015	24,930	1,493
2016	23,373	620
	\$ 118,073	\$ 11,615

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

The future minimum payments of the installment purchase as of June 30, 2011 are as follows:

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2012	\$ 9,806	\$ 10,894
2013	10,201	10,499
2014	10,611	10,089
2015	11,038	9,662
2016	237,594	3,123
	\$ 279,250	\$ 44,267

# Town of Harrisburg, North Carolina

## Notes to the Basic Financial Statements June 30, 2011

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

#### B. Liabilities (continued)

##### Long-Term Obligations (continued)

##### Installment loans (continued)

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, 2011 are as follows:

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2012	\$ 70,000	\$ 5,203
2013	70,000	32,207
2014	70,000	29,211
2015	70,000	26,215
2016	70,000	23,219
2017-2021	350,000	71,155
2022-2023	139,601	7,490
	\$ 839,601	\$ 194,700

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

The future minimum payments of the installment purchase as of June 30, 2011 are as follows:

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2012	\$ 51,771	\$ 17,135
2013	54,150	14,757
2014	56,637	12,270
2015	59,239	9,668
2016	61,960	6,946
2017-2018	120,040	5,248
	\$ 403,797	\$ 66,024

# Town of Harrisburg, North Carolina

## Notes to the Basic Financial Statements June 30, 2011

**III. Detail Notes on All Funds (continued):**

**B. Liabilities (continued)**

**Long-Term Obligations (continued)**

**Installment loans (continued)**

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

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

The future minimum payments of the installment purchase as of June 30, 2011 are as follows:

<u>Year Ending June 30,</u>	<b>Business-type Activities</b>	
	<b>Principal</b>	<b>Interest</b>
2012	\$ 127,860	\$ 12,276
2013	133,339	6,797
2014	129,921	1,084
	<b>\$ 391,120</b>	<b>\$ 20,157</b>

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 8.00% per year from the date of such payment was due.

The future minimum payments of the installment purchase as of June 30, 2011 are as follows:

<u>Year Ending June 30,</u>	<b>Business-type Activities</b>	
	<b>Principal</b>	<b>Interest</b>
2012	\$ 8,000	\$ -
2013	8,000	-
2014	8,000	-
	<b>\$ 24,000</b>	<b>\$ -</b>

# Town of Harrisburg, North Carolina

## Notes to the Basic Financial Statements June 30, 2011

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

#### B. Liabilities (continued)

##### Long-Term Obligation (continued)

##### Installment loans (continued)

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 of \$3,738 are payable monthly, through October 15, 2014. The debt is secured by certain property and improvements.

The future minimum payments of the installment purchase as of June 30, 2011 are as follows:

<u>Year Ending June 30,</u>	<b>Business-type Activities</b>	
	<b>Principal</b>	<b>Interest</b>
2012	\$ 39,439	\$ 5,415
2013	41,250	3,603
2014	43,145	1,708
2015	14,574	132
	\$ 138,408	\$ 10,858

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>
2012	\$ 227,197	\$ 99,438	\$ 175,299	\$ 17,691
2013	233,887	89,754	182,589	10,400
2014	240,863	79,781	181,066	2,792
2015	440,842	69,505	14,574	132
2016	555,518	43,078	-	-
2017-2021	595,085	91,851	-	-
2022-2023	139,601	7,490	-	-
	\$ 2,432,993	\$ 480,897	\$ 553,528	\$ 31,015

The Town's legal debt margin at June 30, 2011 is \$140,453,582.

# Town of Harrisburg, North Carolina

## Notes to the Basic Financial Statements June 30, 2011

**III. Detail Notes on All Funds (continued):**

**B. Liabilities (continued)**

**Long-Term Obligations (continued)**

**Changes in Long-Term Liabilities:**

	<u>July 1, 2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2011</u>	<u>Current Portion of Balance</u>
Governmental activities:					
Notes payable	\$ 2,648,715	\$ -	\$ 215,722	\$ 2,432,993	\$ 227,197
Compensated absences	110,076	77,183	47,284	139,975	139,975
	<u>2,758,791</u>	<u>77,183</u>	<u>263,006</u>	<u>2,572,968</u>	<u>367,172</u>
Business-type activities:					
Notes payable	659,421	-	105,893	553,528	175,299
Compensated absences	40,829	11,955	10,938	41,846	41,846
	<u>700,250</u>	<u>11,955</u>	<u>116,831</u>	<u>595,374</u>	<u>217,145</u>
Total	<u>\$ 3,459,041</u>	<u>\$ 89,138</u>	<u>\$ 379,837</u>	<u>\$ 3,168,342</u>	<u>\$ 584,317</u>

**C. Prior Period Adjustment**

During the fiscal year ended June 30, 2011, the Town determined that the amounts held in the Firemen’s Relief Fund bank accounts and related investments were not recorded on the books of the Town. Therefore, an adjustment to beginning fund balance (increase) was made for \$73,130. This also required a net adjustment to beginning net assets (increase) in the government-wide statements of \$73,130.

**D. On-Behalf of Payments for Fringe Benefits and Salaries**

For the fiscal year ended June 30, 2011, the Town has recognized on-behalf of payments for pension contributions made by the State as revenue and an expenditure of \$1,003 for three volunteer and employed firemen who perform firefighting duties for the Town's fire department. The volunteers and employees elected to be members of the Firemen and Rescue Squad Worker's Pension Fund, a cost-sharing, multiple-employer public employee retirement system established and administered by the State of North Carolina. The plan is funded by a \$10 monthly contribution paid by each member, investment income, and a State appropriation.

# Town of Harrisburg, North Carolina

## Notes to the Basic Financial Statements June 30, 2011

### IV. Summary Disclosure of Significant Contingencies:

#### Federal and State-Assisted Programs

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

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

The Water and Sewer Fund had charges of \$4,501,126 for the year ended June 30, 2011, with charges to one customer of \$219,405 or 5% of total charges.

### VI. 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.

### VII. 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, 2011.

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, 2011, the Town purchased sewer transportation services amounting to \$689,332 from WSACC. At June 30, 2011, \$58,857 was due to WSACC and is reflected in accounts payable of the Water and Sewer Fund.

# Town of Harrisburg, North Carolina

## Notes to the Basic Financial Statements June 30, 2011

### VIII. Joint Ventures:

The Town and the members of the Town's fire department each appoint two members to the five-member local board of trustees for the Firemen's Relief Fund. The State Insurance Commissioner appoints one additional member to the local board of trustees. The Firemen's Relief Fund is funded by a portion of the fire and lightning insurance premiums that insurers remit to the State. The State passes these moneys to the local board of the Firemen's Relief Fund. The funds are used to assist fire fighters in various ways. During the fiscal year ended June 30, 2011, the Town reported revenues and expenditures for the payments of \$17,424 and \$6,600, respectively, made through the Firemen's Relief Fund. The participating governments do not have any equity interest in the joint venture, so no equity has been reflected in the financial statements at June 30, 2011. The Firemen's Relief Fund does not issue separate audited financial statements. Instead, the local board of trustees files an annual financial report with the State Firemen's Association. This report can be obtained from the Association at 323 West Jones Street, Suite 401, Raleigh, North Carolina 27603.

### IX. Subsequent Events:

Subsequent to June 30, 2011, the Town entered into contracts in the amount of \$1,643,454 to construct water treatment facilities.

Subsequent to June 30, 2011, a 501( c ) ( 3 ) organization was created to facilitate fundraising for the parks and recreation department of the Town. Financial activity will be presented in the future financial statements of the Town.

Management has evaluated the subsequent events through August 31, 2011, 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, 2011 and 2010**

	<b>June 30, 2011</b>	<b>June 30, 2010</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 1,726,768	\$ 1,497,362
Restricted cash and cash equivalents	83,954	73,130
Receivables - net:		
Property taxes	267,931	267,731
Due from government agencies	435,700	432,037
Prepaid items	40,241	57,574
Total assets	\$ 2,554,594	\$ 2,327,834
 <b>Liabilities and fund balance</b>		
Liabilities:		
Accounts payable and accrued liabilities	\$ 238,159	\$ 265,259
Performance bonds on deposit	195,073	277,422
Deferred revenue	267,931	267,731
Unearned revenue	38,626	43,088
Total liabilities	739,789	853,500
Fund balance:		
Nonspendable:		
Prepays	40,241	57,574
Restricted:		
Stabilization by State Statute	435,700	438,367
Streets	-	215,688
Public safety	83,954	73,130
Unassigned	1,254,910	689,575
Total fund balance	1,814,805	1,474,334
Total liabilities and fund balance	\$ 2,554,594	\$ 2,327,834

## 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, 2011**  
**(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2010)**

	2011		Variance Positive (Negative)	2010
	Budget	Actual		Actual
<b>Revenues:</b>				
<b>Ad valorem taxes:</b>				
Current year	\$ 3,392,439	\$ 3,419,883	\$ 27,444	\$ 3,307,421
Prior years	24,276	81,447	57,171	39,871
Penalties and interest	7,500	27,700	20,200	20,071
	3,424,215	3,529,030	104,815	3,367,363
<b>Other taxes and licenses:</b>				
Privilege licenses	2,000	7,391	5,391	3,120
<b>Unrestricted intergovernmental:</b>				
Local option sales tax	770,763	833,706	62,943	825,261
Utility franchise tax	500,000	534,430	34,430	515,109
Beer and wine tax	-	27,991	27,991	8,817
	1,270,763	1,396,127	125,364	1,349,187
<b>Restricted intergovernmental:</b>				
Powell Bill allocation	207,000	198,198	(8,802)	189,765
Fire taxes	688,455	652,377	(36,078)	704,135
Fire grants	30,000	20,000	(10,000)	32,500
SAFER grant	52,328	18,655	(33,673)	48,236
PARTF grant	50,000	-	(50,000)	-
On-behalf of payments - fire	-	1,003	1,003	854
Solid waste disposal	-	4,277	4,277	4,233
	1,027,783	894,510	(133,273)	979,723
<b>Permits and fees:</b>				
Compliance permits	15,000	26,572	11,572	22,835
Vision Cable franchise fee	7,500	10,924	3,424	8,970
Inspection fees and fines	1,000	500	(500)	2,875
	23,500	37,996	14,496	34,680
<b>Sales and services:</b>				
Parks and recreation shelter rental	1,000	5,206	4,206	2,805
Parks and recreation athletics	270,000	317,833	47,833	262,827
Recreation program fees	30,000	30,885	885	35,070
Park lighting rentals	850	5,111	4,261	575
	301,850	359,035	57,185	301,277

## 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, 2011**  
**(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2010)**

	2011		Variance Positive (Negative)	2010
	Budget	Actual		Actual
<b>Revenues (continued):</b>				
Investment earnings	\$ 6,951	\$ 24,300	\$ 17,349	\$ 7,661
<b>Other general revenues:</b>				
Traffic review	-	-	-	4,369
July 4th celebration	40,000	74,444	34,444	57,360
Tower lease	-	11,577	11,577	7,418
Municipal complex rental	25,000	6,440	(18,560)	1,200
Salvage income	300	910	610	215
Parks and recreation - field rentals	-	3,073	3,073	2,715
Parks and recreation concessions	10,000	11,695	1,695	17,689
Parks and recreation special events	3,000	5,802	2,802	3,606
Council chamber rental	2,800	3,275	475	3,300
Donations	1,000	4,392	3,392	1,743
Fire department miscellaneous	7,550	21,775	14,225	9,795
Cabarrus County - EMS facilities at Station 2 reimbursement	10,800	10,800	-	7,800
Cabarrus County - EMS Decontamination trailer reimbursement	6,500	5,000	(1,500)	5,000
Administrative charges	80,000	225,441	145,441	-
Miscellaneous	15,000	4,461	(10,539)	28,437
	<u>201,950</u>	<u>389,085</u>	<u>187,135</u>	<u>150,647</u>
Total revenues	<u>6,259,012</u>	<u>6,637,474</u>	<u>378,462</u>	<u>6,193,658</u>
<b>Expenditures:</b>				
<b>General government:</b>				
Mayor and council:				
Salaries	46,800	40,913	5,887	43,113
Employee benefits	3,487	3,121	366	3,178
Special projects	19,190	18,671	519	20,704
Total	<u>69,477</u>	<u>62,705</u>	<u>6,772</u>	<u>66,995</u>
Administration and finance:				
Salaries	446,539	435,150	11,389	402,461
Employee benefits	193,275	169,245	24,030	139,432
Annual maintenance	825	824	1	524
Workers compensation	10,000	9,399	601	-
Insurance and bonds	30,000	29,639	361	29,017
Credit card fees	10	10	-	(10)
Traffic review	-	-	-	17,795
Employee relations	2,400	2,332	68	3,417

## 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, 2011**  
**(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2010)**

	2011		Variance Positive (Negative)	2010
	Budget	Actual		Actual
<b>Expenditures (continued):</b>				
<b>General government (continued):</b>				
Administration and finance (continued):				
Uniforms	\$ 4,200	\$ 2,410	\$ 1,790	\$ 2,041
Training	3,250	2,445	805	5,435
Travel	2,761	151	2,610	2,185
Fuel	15,000	16,295	(1,295)	10,447
Maintenance and repairs - buildings	7,500	4,974	2,526	11,484
Maintenance and repairs - vehicles	49,270	47,799	1,471	2,767
Miscellaneous	100	169	(69)	698
Dues and subscriptions	5,880	5,505	375	8,539
Pre-employment	2,150	1,016	1,134	1,053
Vehicle replacement	6,000	5,737	263	-
Advertising	3,500	2,201	1,299	2,759
Tires	2,730	2,730	-	2,128
Department supplies	5,500	5,541	(41)	3,838
Legal services	95,346	103,878	(8,532)	31,868
Printing	5,700	2,970	2,730	2,400
Telephone	20,000	19,524	476	17,905
Postage	6,500	6,371	129	9,981
Utilities - electric	31,500	30,576	924	35,145
Utilities - street lights	110,613	101,693	8,920	113,702
Contracted services	17,500	17,461	39	26,499
Professional services	7,000	6,366	634	5,736
Technology services	12,590	12,631	(41)	9,312
Buildings and grounds contracted services	8,000	23,006	(15,006)	23,673
Maintenance and repairs - streets	-	-	-	3,359
Maintenance and repair - signage	-	-	-	210
Maintenance and repair - equipment	2,000	1,449	551	1,472
Construction	1,500	1,330	170	4,032
Shipping and handling	250	128	122	-
Copier lease	15,000	12,879	2,121	13,009
Office/building lease	-	-	-	680
Special equipment	-	-	-	2,210
Reserves	231,500	-	231,500	36,182
Capital outlay	-	-	-	21,000
Total	1,355,889	1,083,834	272,055	1,004,385

## 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, 2011**  
**(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2010)**

	2011		Variance Positive (Negative)	2010
	Budget	Actual		Actual
<b>Expenditures (continued):</b>				
<b>General government (continued):</b>				
Public relations:				
Contributions	\$ 1,250	\$ 1,185	\$ 65	\$ 2,754
EDC	6,000	5,216	784	5,246
Employee relations	1,250	803	447	1,324
Technology services	14,000	13,878	122	3,907
Total	22,500	21,082	1,418	13,231
Total general government	1,447,866	1,167,621	280,245	1,084,611
<b>Planning and zoning:</b>				
Salaries	97,227	96,236	991	91,925
Employee benefits	33,241	32,937	304	30,846
Insurance and bonds	-	-	-	10
Credit card fees	20	10	10	-
Training	585	514	71	340
Travel	800	485	315	634
Fuel	1,500	1,991	(491)	1,125
Maintenance and repair - vehicles	110	60	50	34
Dues and subscriptions	451	494	(43)	290
Pre-employment	200	140	60	-
Advertising	4,500	4,961	(461)	730
Tires	100	-	100	500
Supplies	1,239	1,060	179	1,903
Legal services	5,000	6,990	(1,990)	6,000
Printing	-	-	-	167
Telephone	1,500	1,454	46	1,151
Postage	500	207	293	466
Contracted services	10,000	10,000	-	10,000
Professional services	325	204	121	171
Technology services	1,850	1,023	827	3,028
Shipping and handling	20	17	3	-
Maintenance and repairs - equipment	-	-	-	1,107
Maintenance and repairs - grounds	50	105	(55)	87
Total planning and zoning	159,218	158,888	330	150,514

## 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, 2011**  
**(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2010)**

	2011		Variance Positive (Negative)	2010
	Budget	Actual		Actual
<b>Expenditures (continued):</b>				
<b>Public safety:</b>				
Police:				
County contract - deputy salaries	\$ 568,850	\$ 537,114	\$ 31,736	\$ 490,609
Fuel	26,000	37,930	(11,930)	29,912
Maintenance and repairs - vehicles	17,000	18,776	(1,776)	12,716
Vehicle replacement	29,227	28,293	934	37,446
Supplies	3,000	2,411	589	4,115
Telephone	1,100	1,021	79	326
Shipping and handling	150	256	(106)	-
Technology services	1,000	-	1,000	1,597
Special equipment	15,000	11,056	3,944	19,283
Total	661,327	636,857	24,470	596,004
Fire:				
Salaries	1,340,979	1,326,027	14,952	1,322,748
Employee benefits	436,005	428,429	7,576	415,424
Workers compensation	45,100	44,508	592	42,320
Insurance and bonds	30,000	35,428	(5,428)	34,697
Uniforms	31,910	2,963	28,947	57,620
Training	8,620	3,878	4,742	6,686
Travel	3,970	1,315	2,655	-
Fuel	24,500	26,296	(1,796)	25,490
Maintenance and repair - vehicles	35,000	43,084	(8,084)	55,162
Maintenance and repair - grounds	20,000	19,355	645	24,248
Miscellaneous	750	748	2	-
Dues and subscriptions	5,000	5,139	(139)	3,228
Pre-employment	2,700	1,390	1,310	2,288
Public education	2,000	879	1,121	1,852
Advertising	1,000	237	763	-
Tires	3,000	2,137	863	2,942
Supplies	4,000	2,199	1,801	5,464
Legal services	1,200	425	775	-
Chemicals	1,000	-	1,000	-
Printing	1,500	391	1,109	1,566
Telephone	31,860	24,524	7,336	22,474
Postage	500	125	375	521
Utilities - electric	25,000	24,504	496	26,586
Utilities - water	500	231	269	-
Professional services	8,500	7,947	553	5,799

## 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, 2011

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

	2011			2010
	Budget	Actual	Variance Positive (Negative)	Actual
<b>Expenditures (continued):</b>				
<b>Public Safety (continued):</b>				
Fire (continued):				
Technology services	\$ 5,930	\$ 3,813	\$ 2,117	\$ 9,131
Maintenance and repairs - signage	100	-	100	-
Maintenance and repairs - fire hydrants	750	-	750	-
Maintenance and repairs - equipment	15,000	13,323	1,677	18,550
Shipping and handling	1,000	859	141	-
Copier lease	5,000	4,844	156	4,094
Office/building lease	-	-	-	5,500
Special equipment	38,850	10,514	28,336	20,361
Medical supplies	3,500	4,946	(1,446)	5,319
Physicals	20,000	16,221	3,779	6,961
Reserves	112,163	-	112,163	26,593
On-behalf of payments	-	1,003	(1,003)	854
Capital outlay	-	-	-	501,730
Total	2,266,887	2,057,682	209,205	2,656,208
Total public safety	2,928,214	2,694,539	233,675	3,252,212
<b>Transportation:</b>				
Streets and highways:				
Contributions	1,400	-	1,400	-
Small tools	1,300	1,191	109	-
Chemicals	250	-	250	-
Contracted services	200,000	189,457	10,543	-
Professional services	15,000	1,000	14,000	154,890
Street maintenance and repair	6,052	2,880	3,172	5,458
Signs	1,548	822	726	1,141
Construction	60,000	-	60,000	67,739
Drainage	10,000	-	10,000	8,347
Special equipment	45,000	40,475	4,525	-
Capital outlay	263,072	235,317	27,755	-
Total transportation	603,622	471,142	132,480	237,575
<b>Environmental protection:</b>				
Sanitation:				
Sanitation services	630,000	594,436	35,564	573,389
Total environmental protection	630,000	594,436	35,564	573,389

## 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, 2011

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

	2011		Variance Positive (Negative)	2010
	Budget	Actual		Actual
<b>Expenditures (continued):</b>				
<b>Cultural and recreation:</b>				
Parks and recreation:				
Salaries	\$ 281,279	\$ 284,310	\$ (3,031)	\$ 237,564
Employee benefits	85,894	83,026	2,868	50,327
Employee relations	300	98	202	155
Insurance and bonds	150	147	3	-
Uniforms	5,500	4,061	1,439	4,649
Training	2,000	1,099	901	2,820
Travel	500	-	500	5
Fuel	9,000	9,681	(681)	6,132
Dues and subscriptions	1,150	544	606	960
Pre-employment	900	573	327	1,186
Vehicle replacement	7,750	7,683	67	-
Advertising	2,500	2,323	177	2,467
Tires	1,500	1,395	105	-
Supplies	4,000	3,122	878	3,791
Small tools	1,500	1,150	350	1,465
Pipe and fittings	1,000	148	852	1,152
Legal services	500	850	(350)	680
Chemicals	9,050	5,270	3,780	19,304
Printing	2,500	975	1,525	202
Telephone	9,500	8,873	627	4,895
Postage	3,300	4,317	(1,017)	698
Utilities - electric	5,500	7,085	(1,585)	43,950
Contracted services	250	225	25	400
Professional services	24,250	9,955	14,295	31,722
Technology services	1,770	223	1,547	3,982
Construction	3,500	2,007	1,493	3,083
Maintenance and repairs - equipment	3,500	2,485	1,015	4,912
Maintenance and repairs - vehicles	3,000	2,716	284	2,341
Maintenance and repairs - buildings	25,000	13,243	11,757	35,097
Shipping and handling	2,500	2,118	382	-
Copier lease	2,000	2,321	(321)	-
Office/building lease	8,810	8,214	596	4,339
Miscellaneous	310	(259)	569	535
Special projects	36,500	27,719	8,781	28,493
July 4th event	99,500	111,979	(12,479)	86,293
Special equipment	250	102	148	9,127
Medical supplies	500	231	269	-
Total	646,913	610,009	36,904	592,726

## 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, 2011**  
**(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2010)**

	2011			2010
	Budget	Actual	Variance Positive (Negative)	Actual
<b>Expenditures (continued):</b>				
<b>Cultural and recreation:</b>				
Athletics:				
Salaries	\$ 13,000	\$ 12,171	\$ 829	\$ -
Employee benefits	6,300	3,824	2,476	-
Maintenance and repairs - grounds	4,700	4,916	(216)	64
Concessions	8,000	6,189	1,811	2,791
Operating costs	197,150	193,130	4,020	194,411
Chemicals	1,750	866	884	-
Utilities - electric	44,500	51,625	(7,125)	-
Contracted services	1,050	1,047	3	-
Total	<u>276,450</u>	<u>273,768</u>	<u>2,682</u>	<u>197,266</u>
Total cultural and recreation	<u>923,363</u>	<u>883,777</u>	<u>39,586</u>	<u>789,992</u>
Total expenditures	<u>\$ 6,692,283</u>	<u>\$ 5,970,403</u>	<u>\$ 721,880</u>	<u>\$ 6,088,293</u>
Revenues over (under) expenditures	<u>(433,271)</u>	<u>667,071</u>	<u>1,100,342</u>	<u>105,365</u>
<b>Other financing sources (uses):</b>				
Debt service:				
Principal retirement	(218,100)	(215,722)	2,378	(261,108)
Interest	(112,000)	(110,878)	1,122	(122,232)
Transfers from other funds:				
Water and sewer	-	-	-	100,000
Total other financing uses	<u>(330,100)</u>	<u>(326,600)</u>	<u>3,500</u>	<u>(283,340)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	(763,371)	340,471	1,103,842	(177,975)
Appropriated fund balance	<u>763,371</u>	<u>-</u>	<u>(763,371)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>340,471</u>	<u>\$ 340,471</u>	<u>(177,975)</u>
<b>Fund balance</b>				
Beginning of year, as previously reported		1,474,334		1,577,692
Prior period adjustment		-		74,617
Beginning of year, as restated		<u>1,474,334</u>		<u>1,652,309</u>
End of year		<u>\$ 1,814,805</u>		<u>\$ 1,474,334</u>

## Town of Harrisburg, North Carolina

**Water and Sewer Fund  
Comparative Balance Sheets  
June 30, 2011 and 2010**

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 2,342,270	\$ 1,449,143
Accounts receivable (net) - customers	618,077	445,686
Accounts receivable - other	9,593	9,468
Prepaid expenses	2,731	468
Total current assets	<u>2,972,671</u>	<u>1,904,765</u>
Non-current assets:		
Capital assets, net of depreciation	<u>8,891,691</u>	<u>9,289,234</u>
Total assets	<u>11,864,362</u>	<u>11,193,999</u>
 <b>Liabilities</b>		
Current liabilities:		
Accounts payable and accrued liabilities	194,935	188,975
Long-term debt, current portion	175,299	168,313
Compensated absences, current portion	41,846	40,829
Customer deposits	185,325	185,822
Refundable tap fees	118,813	148,903
Total current liabilities	<u>716,218</u>	<u>732,842</u>
Non-current liabilities:		
Long-term debt, noncurrent portion	<u>378,229</u>	<u>491,108</u>
Total liabilities	<u>1,094,447</u>	<u>1,223,950</u>
 <b>Net assets</b>		
Invested in capital assets, net of related debt	8,338,163	8,629,813
Unrestricted net assets	<u>2,431,752</u>	<u>1,340,236</u>
Total net assets	<u>\$ 10,769,915</u>	<u>\$ 9,970,049</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, 2011**  
**(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2010)**

	2011		Variance Positive (Negative)	2010
	Budget	Actual		Actual
<b>Revenues:</b>				
<b>Operating revenues:</b>				
Water sales	\$ 2,174,239	\$ 2,461,606	\$ 287,367	\$ 2,180,516
Sewer charges	1,828,530	2,039,520	210,990	1,866,413
Water and sewer taps	53,343	123,626	70,283	186,225
Water and sewer development charges	-	196,296	196,296	-
Set up fees	11,000	11,725	725	14,875
Service connection fees	-	212,772	212,772	30,001
Penalties	11,000	80,222	69,222	82,993
Rental fees	27,500	56,813	29,313	51,996
Miscellaneous revenues	1,100	3,545	2,445	3,545
Total operating revenues	<u>4,106,712</u>	<u>5,186,125</u>	<u>1,079,413</u>	<u>4,416,564</u>
<b>Non-operating revenues:</b>				
Interest income	16,500	25,109	8,609	5,117
<b>Total revenues</b>	<u>4,123,212</u>	<u>5,211,234</u>	<u>1,088,022</u>	<u>4,421,681</u>
<b>Expenditures:</b>				
<b>Water administration and distribution:</b>				
Salaries	875,648	874,898	750	867,738
Employee benefits	312,013	302,870	9,143	296,072
Workers compensation	-	678	(678)	-
Annual maintenance	824	824	-	514
Inspections	16,500	13,100	3,400	15,380
Maintenance and repairs	40,000	37,411	2,589	33,784
Casualty insurance/bonds	22,705	22,704	1	20,634
Credit card fees	20	10	10	10
Security	500	-	500	-
Employee relations	1,000	-	1,000	78
Water purchases	1,373,800	1,366,677	7,123	1,308,005
Sewer treatment	694,438	689,332	5,106	694,130
Stormwater services	-	-	-	19,594
Bad debts	1,000	1,700	(700)	5,500
Vehicle replacement	27,556	27,463	93	-
Uniforms	18,000	15,621	2,379	17,870
Training	5,150	4,115	1,035	5,518
Travel	3,200	3,286	(86)	3,129

## 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, 2011

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

	2011		Variance Positive (Negative)	2010
	Budget	Actual		Actual
<b>Expenditures (continued):</b>				
<b>Water administration and distribution (continued):</b>				
Fuel	\$ 32,000	\$ 36,337	\$ (4,337)	\$ 27,123
Maintenance and repairs - vehicles	6,000	4,647	1,353	4,504
Maintenance and repairs - building and grounds	3,350	3,013	337	2,443
Miscellaneous	488	1,082	(594)	169
Dues and subscriptions	8,200	8,982	(782)	7,685
Pre-employment	1,600	1,455	145	1,009
Public education	-	-	-	2,000
Advertising	800	998	(198)	516
Tires	4,000	3,247	753	3,269
Department supplies	4,500	3,755	745	3,477
Meter services	37,500	32,280	5,220	32,347
Small tools	3,500	3,405	95	2,544
Pipe and fittings	5,000	1,562	3,438	744
Legal services	6,000	5,890	110	5,767
Chemicals	7,000	5,180	1,820	6,916
Printing	6,500	6,559	(59)	5,919
Telephone	31,050	32,082	(1,032)	30,903
Postage	30,042	28,830	1,212	31,520
Utilities - electric	36,000	39,899	(3,899)	40,138
Contracted services	100	95	5	(35)
Professional services	45,000	39,195	5,805	72,334
Technology services	7,000	5,112	1,888	8,982
B&G - contracted services	1,663	599	1,064	1,427
Maintenance and repairs - signage	162	162	-	210
Maintenance and repairs - equipment	10,000	11,592	(1,592)	7,060
New services	6,500	7,296	(796)	2,072
Shipping and handling	1,200	996	204	-
Office / building lease	15,500	15,081	419	17,048
Permits	4,900	6,434	(1,534)	5,150
Fines and penalties	1,200	1,099	101	659
Special projects	-	-	-	15,200
Special equipment	-	-	-	3,710
Medical supplies	600	549	51	455
Physicals	800	456	344	-
Stormwater phase II	-	-	-	85
Administrative charges - General Fund	220,000	225,256	(5,256)	-
Reserves	-	(6,924)	6,924	-
Total administration and distribution	<u>3,930,509</u>	<u>3,886,890</u>	<u>43,619</u>	<u>3,631,306</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, 2011**  
**(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2010)**

	2011		Variance Positive (Negative)	2010
	Budget	Actual		Actual
<b>Expenditures (continued):</b>				
Debt service:				
Principal retirement	\$ 113,850	\$ 105,893	\$ 7,957	\$ 148,815
Interest expense	25,200	17,028	8,172	29,223
Total debt service	<u>139,050</u>	<u>122,921</u>	<u>16,129</u>	<u>178,038</u>
Capital outlay:				
Contract improvements	-	-	-	12,679
Equipment	53,653	30,920	22,733	29,605
Total capital outlay	<u>53,653</u>	<u>30,920</u>	<u>22,733</u>	<u>42,284</u>
Total expenditures	<u>4,123,212</u>	<u>4,040,731</u>	<u>82,481</u>	<u>3,851,628</u>
Revenues over expenditures	<u>-</u>	<u>1,170,503</u>	<u>1,170,503</u>	<u>570,053</u>
<b>Other financing sources (uses):</b>				
Loan proceeds	-	-	-	200,000
Transfer to other funds	-	-	-	(100,000)
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,000</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>1,170,503</u>	<u>\$ 1,170,503</u>	<u>670,053</u>
<b>Reconciliation of modified accrual basis with accrual basis:</b>				
Reconciling items:				
Payment of debt principal		105,893		148,815
Capital outlay		27,326		28,211
(Increase) decrease in accrued vacation pay		(1,017)		7,746
Increase in interest expense accrual		(8,292)		(330)
Depreciation and amortization		(494,547)		(502,560)
Loan proceeds		-		(200,000)
		<u>(370,637)</u>		<u>(518,118)</u>
Change in net assets (Exhibit G)		<u>\$ 799,866</u>		<u>\$ 151,935</u>

## Town of Harrisburg, North Carolina

**Water and Sewer Capital Projects Fund**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non-GAAP)**  
**From Inception and for the Fiscal Year Ended June 30, 2011**

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
<b>Expenditures - Well Projects</b>					
Engineering	\$ 116,725	\$ -	\$ 57,078	\$ 57,078	\$ 59,647
Construction	1,383,275	-	12,600	12,600	1,370,675
Total expenditures	<u>1,500,000</u>	<u>-</u>	<u>69,678</u>	<u>69,678</u>	<u>1,430,322</u>
<b>Revenues under expenditures</b>	<u>(1,500,000)</u>	<u>-</u>	<u>(69,678)</u>	<u>(69,678)</u>	<u>1,430,322</u>
<b>Other financing sources:</b>					
Proceeds from borrowing	<u>1,500,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,500,000)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (69,678)</u>	<u>\$ (69,678)</u>	<u>\$ (69,678)</u>

## Town of Harrisburg, North Carolina

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
<b>Operating revenues:</b>			
Stormwater services	\$ 320,000	\$ 382,635	\$ 62,635
Total operating revenues	<u>320,000</u>	<u>382,635</u>	<u>62,635</u>
<b>Non-operating revenues:</b>			
Interest income	-	1,008	1,008
<b>Total revenues</b>	<u>320,000</u>	<u>383,643</u>	<u>63,643</u>
<b>Expenditures:</b>			
Maintenance and repairs	1,000	51	949
Uniforms	-	77	(77)
Training	500	90	410
Travel	500	224	276
Dues and subscriptions	-	500	(500)
Public education	5,000	610	4,390
Printing	5,000	665	4,335
Postage	2,500	-	2,500
Contracted services	49,000	11,767	37,233
Professional services	200,000	44,685	155,315
Permits	-	860	(860)
Reserves	56,500	-	56,500
Total expenditures	<u>320,000</u>	<u>59,529</u>	<u>260,471</u>
<b>Revenues over expenditures</b>	<u>\$ -</u>	<u>324,114</u>	<u>\$ 324,114</u>
<b>Change in net assets (Exhibit G)</b>		<u>\$ 324,114</u>	

## Town of Harrisburg, North Carolina

Schedule of Ad Valorem Taxes Receivable  
June 30, 2011

Fiscal Year	Uncollected Balance June 30, 2010	Additions	Collections and Credits	Uncollected Balance June 30, 2011
2001	\$ 83	\$ -	\$ 83	\$ -
2002	148	-	148	-
2003	21,612	-	21,603	9
2004	5,277	-	5,025	252
2005	2,012	-	1,905	107
2006	9,852	458	4,903	5,407
2007	20,543	1,366	13,083	8,826
2008	15,884	932	3,601	13,215
2009	74,097	1,488	39,640	35,945
2010	123,585	17,165	81,829	58,921
2011	<u>-</u>	<u>3,514,724</u>	<u>3,355,373</u>	<u>159,351</u>
	<u>\$ 273,093</u>	<u>\$ 3,536,133</u>	<u>\$ 3,527,193</u>	282,033
Less allowance for uncollectible ad valorem taxes receivable				<u>(14,102)</u>
Ad valorem taxes receivable - net				<u>\$ 267,931</u>
<b>Reconciliation with revenues:</b>				
Taxes - ad valorem - General Fund (Exhibit D)				\$ 3,529,030
Less penalties and interest collected				(31,585)
Net additions and releases from prior years				38,065
Taxes written off and refunded				<u>(8,317)</u>
Total collections and credits				<u>\$ 3,527,193</u>

## Town of Harrisburg, North Carolina

**Schedule of Current Tax Levy  
For the Fiscal Year Ended June 30, 2011**

	Town-Wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Excluding Registered Motor Vehicles	Registered Motor Vehicles
<b>Original levy:</b>					
Property taxed at current year's rate	\$ 1,674,815,000	0.200	\$ 3,349,630	\$ 3,211,942	\$ 137,688
Property taxed at prior year's rate	40,842,273	0.200	81,685	-	81,685
Penalties	-		3,384	3,384	-
<b>Total</b>	<b>1,715,657,273</b>		<b>3,434,699</b>	<b>3,215,326</b>	<b>219,373</b>
<b>Discoveries</b>					
Current year taxes	68,008,500	0.200	136,017	135,286	731
Abatements	<u>(27,996,000)</u>	0.200	<u>(55,992)</u>	<u>(53,073)</u>	<u>(2,919)</u>
<b>Total property valuation</b>	<b><u><u>\$ 1,755,669,773</u></u></b>				
<b>Net levy</b>			3,514,724	3,297,539	217,185
Uncollected taxes at June 30, 2011			<u>(159,351)</u>	<u>(147,408)</u>	<u>(11,943)</u>
<b>Current year's taxes collected</b>			<b><u><u>\$ 3,355,373</u></u></b>	<b><u><u>\$ 3,150,131</u></u></b>	<b><u><u>\$ 205,242</u></u></b>
<b>Current levy collection percentage</b>			<b><u><u>95.47%</u></u></b>	<b><u><u>95.53%</u></u></b>	<b><u><u>94.50%</u></u></b>



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

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

## **Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards**

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

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Harrisburg as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements and have issued our report thereon dated August 31, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

Management of the Town of Harrisburg is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Town of Harrisburg's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Responses that we consider to be significant deficiencies in internal control over financial reporting. We consider 2011-01 and 2011-02 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.

## 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 tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Town of Harrisburg's responses to the finding identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit the Town's response and, accordingly, we express no opinion on it.

This report is intended for the information and use of management, others within the organization, members of the Town 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.

*Martin Starnes & Associates, CPAs, P.A.*

Martin Starnes & Associates, CPAs, P. A.  
August 31, 2011

# TOWN OF HARRISBURG, NORTH CAROLINA

## SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2011

### Finding 2011-01:

**Criteria:** Management should have a system in place to reduce the likelihood of errors in financial reporting.

**Condition:** The Harrisburg Fire Department Relief Fund checking account, Certificate of Deposit, and investment account, which include funding from the NC State Firemen's Association, were not under the control of the Town's Finance Department during the year ending June 30, 2011. The activity in these accounts was not included in the General Fund budget; however, at year end the activity in these accounts was accounted for in the financial records of the Town. The authorized signers on the accounts were not deputized by Town Council to serve in the Finance Officer function.

**Context:** While documenting internal controls related to cash receipts and disbursements, the above conditions were noted.

**Effect:** The bank accounts are in violation of NC General Statutes for the following reasons:

- The Finance Officer is not preauditing or signing disbursements from the accounts.
- The Finance Officer is not supervising idle funds.
- The disbursements of the account are not cosigned by a designated Deputy Finance Officer.
- The expenditures were not pre-audited in accordance with North Carolina General Statute 159-25, nor were they included in the General Fund budget.
- The funds in the investment account were invested in unallowable investment types as stated in North Carolina General Statute 159-30.
- A prior period adjustment to beginning General Fund fund balance and governmental beginning net assets has been made to include the accounts mentioned above.

**Cause:**

The Fire Department maintains accounts independent of the Finance Department.

**Recommendation:** The Town's Finance Officer should be made the authorized signer on all accounts. The accounts should be maintained directly by the finance department in accordance with NC General Statutes. The activity in these accounts should be included in the General Fund budget and accounted for in the financial records of the Town. The investment account should be closed immediately and reinvested in investment types allowable per North Carolina General Statute 159-30.

The Finance Officer will only disburse funds from the Firemen's Relief accounts that have been approved by the Board of the NC State Firemen's Association as required by G.S. 58-84.

**Name of Contact Person:** Michele Reapsmith, Town Manager

**Management Response:** Management concurs and will take prompt action as directed by the Town Council.

**Finding 2011-02:**

**Criteria:** Management should have a system in place to reduce the likelihood of errors in financial reporting.

**Condition:** In October of 2009, the Town issued an invalid installment purchase loan for working capital for a water and sewer rate study.

**Context:** While documenting internal controls related to and debt issuance requirements, the above conditions were noted.

**Effect:** The installment purchase loan is in violation of NC General Statute 159-148.

**Cause:** The loan is not a valid financing agreement.

**Recommendation:** The Town should pay off the loan immediately to avoid future NC General State Violations.

**Name of Contact Person:** Michele Reapsmith, Town Manager

**Management Response:** Management concurs and will take prompt action to pay off the loan.

**TOWN OF HARRISBURG, NORTH CAROLINA**

**SCHEDULE OF PRIOR YEAR FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2011**

**Finding 2010-01 - Corrected**