

Town of Harrisburg
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June 30, 2009

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Town Council
Town of Harrisburg, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Harrisburg, North Carolina as of and for the year ended June 30, 2009, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Harrisburg's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Harrisburg, North Carolina as of June 30, 2009, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated January 29, 2010 on our consideration of the Town of Harrisburg, North Carolina's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

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



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Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of the Town of Harrisburg, North Carolina. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Sherrill and Smith, CPAs, PA

January 29, 2010

Management's Discussion and Analysis

As management of the Town of Harrisburg, we offer readers of the Town of Harrisburg's financial statements this narrative overview and analysis of the financial activities of the Town of Harrisburg for the fiscal year ended June 30, 2009. 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

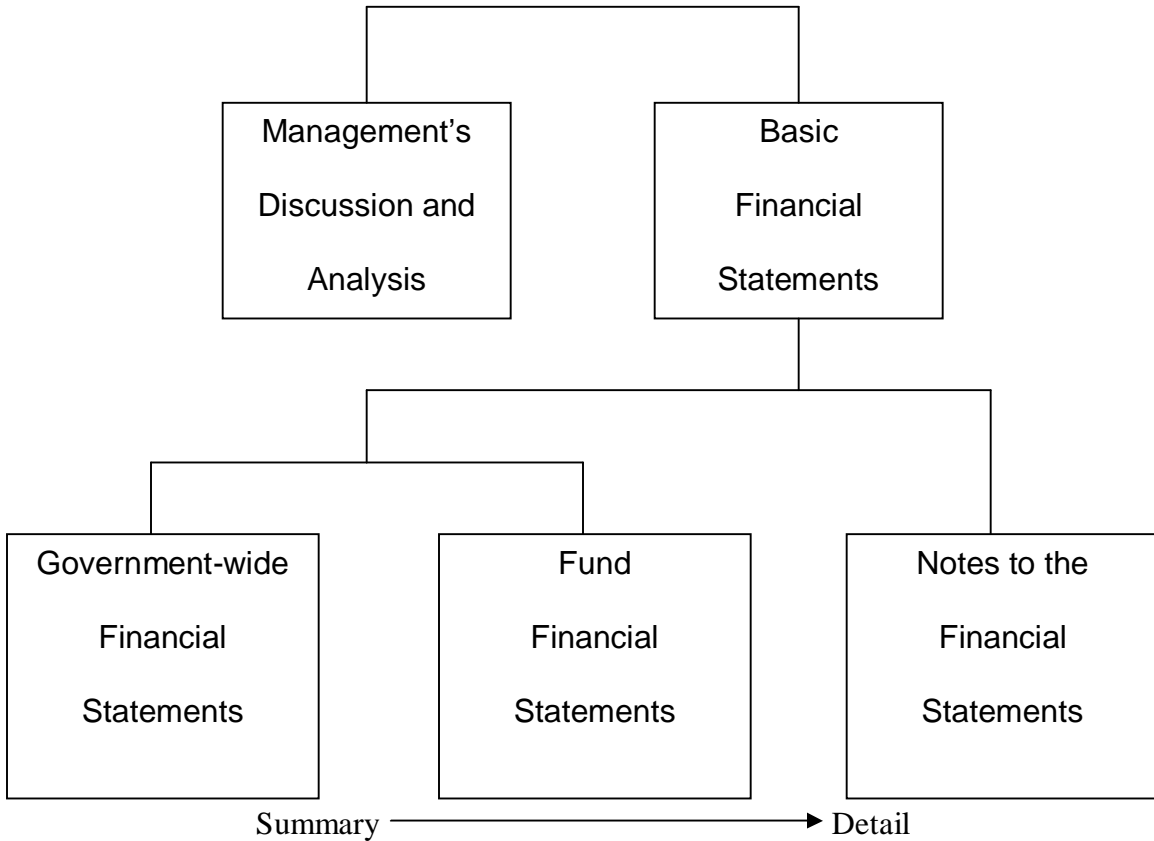
- The assets of the Town of Harrisburg exceeded its liabilities at the close of the fiscal year by \$18,907,275 (*net assets*).
- As of the close of the current fiscal year, the Town of Harrisburg's governmental funds reported combined ending fund balances of \$1,562,375, an increase of \$135,272 in comparison with the prior year. Approximately 57.89 percent of this total amount, or \$904,391, is available for spending at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$904,391, or 1.53 percent of total general fund expenditures for the fiscal year.
- The Town of Harrisburg's total debt decreased by \$379,136 (9.73%) during the current fiscal year. The key factor in this decrease was regular principal payments.
- At June 30, 2009, the Town of Harrisburg had a legal debt margin of \$128,003,037.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits 1 and 2) 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 3 through 8) 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 (exhibits 3&4), 2) the budgetary comparison statements (exhibit 5) and 3) the proprietary fund statements (exhibits 6,7&8).

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 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 gage 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 public safety, parks and recreation, and general administration. Property taxes, local sales taxes, and utility franchise taxes fund most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water and sewer services offered by the Town of Harrisburg. The significant revenues include water/sewer tap fees for new construction as well as the monthly billing to all customers. These two sources provide approximately 98.92% of the annual revenues.

The government-wide financial statements are on Exhibits 1 and 2 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.

Management Discussion and Analysis Town of Harrisburg

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 Board 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 board; 2) the final budget as amended by the board; 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.

Proprietary Funds – The Town of Harrisburg has one type of proprietary funds. *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. 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 begin on page 22 of this report.

Government-Wide Financial Analysis
Town of Harrisburg's Net Assets

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 2,378,029	\$ 2,181,556	\$ 1,298,590	\$ 1,347,653	\$ 3,676,619	\$ 3,529,209
Capital assets	10,285,173	10,565,436	9,763,583	10,195,370	20,048,756	20,760,806
Total assets	12,663,202	12,746,992	11,062,173	11,543,023	23,725,375	24,290,015
Long-term liabilities outstanding	2,302,439	2,568,088	483,276	596,936	2,785,715	3,165,024
Other liabilities	1,271,602	1,220,441	760,783	660,769	2,032,385	1,881,210
Total liabilities	3,574,041	3,788,529	1,244,059	1,257,705	4,818,100	5,046,234
Net assets:						
Invested in capital assets, net of related debt	7,375,350	7,396,495	9,155,347	9,467,114	16,530,697	16,863,609
Restricted	242,662	258,486	-	-	242,662	258,486
Unrestricted	1,471,149	1,303,482	662,767	818,204	2,133,916	2,121,686
Total net assets	\$ 9,089,161	\$ 8,958,463	\$ 9,818,114	\$ 10,285,318	\$ 18,907,275	\$ 19,243,781

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 \$18,907,275 as of June 30, 2009. The Town's net assets increased by \$336,506 for the fiscal year ended June 30, 2009. However, the largest portion (87.43%) 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 of Harrisburg's net assets (1.28%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$2,133,916 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a current levy collection percentage of 96.16 %, which is comparable to the statewide average of 97.38%.
- Decreased revenues from franchise taxes, sales taxes, vehicle levy, interest income and compliance permits are expected due to economic conditions.
- Business-type activities operating costs are minimized by purchase of water from the City of Concord, which eliminates the need for operation costs of a water production and treatment facility.

Management Discussion and Analysis
Town of Harrisburg

- All sewer transport and treatment service is provided under contract by the Water and Sewer Authority of Cabarrus County, thus locking in a rate for services without the overhead of a treatment plant.

Town of Harrisburg Changes in Net Assets
Figure 3

	Governmental Activities		Business Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Program revenues:						
Charges for services	\$ 197,681	\$ 82,580	\$ 3,726,425	\$ 3,610,764	\$ 3,924,106	\$ 3,693,344
Operating grants and contributions	1,074,476	1,066,303	-	-	1,074,476	1,066,303
Capital grants and contributions	-	1,225,796	-	-	-	1,225,796
General revenues:						
Property taxes	3,314,156	2,666,810	-	-	3,314,156	2,666,810
Other taxes and licenses	8,062	3,396	-	-	8,062	3,396
Grants and contributions not restricted to specific programs	1,371,509	1,147,459	-	599,676	1,371,509	1,747,135
Other	157,304	208,317	8,618	70,751	165,922	279,068
Transfers	-	20,549	-	(20,549)	-	-
Total revenues	6,123,188	6,421,210	3,735,043	4,260,642	9,858,231	10,681,852
Expenses:						
General government	1,323,452	1,227,514	-	-	1,323,452	1,227,514
Cultural and recreation	473,337	399,832	-	-	473,337	399,832
Public safety	3,074,257	2,627,172	-	-	3,074,257	2,627,172
Planning and zoning	150,610	-	-	-	150,610	-
Transportation	243,624	276,374	-	-	243,624	276,374
Environmental protection	599,318	540,935	-	-	599,318	540,935
Interest on long-term debt	127,892	79,525	-	-	127,892	79,525
Water and sewer	-	-	4,202,247	4,007,340	4,202,247	4,007,340
Total expenses	5,992,490	5,151,352	4,202,247	4,007,340	10,194,737	9,158,692
Increase in net assets	130,698	1,269,858	(467,204)	253,302	(336,506)	1,523,160
Net assets, July 1	8,958,463	6,848,493	10,285,318	10,032,016	19,243,781	16,880,509
Prior period adjustment- correction of an error	-	840,112	-	-	-	840,112
Net assets, June 30	\$ 9,089,161	\$ 8,958,463	\$ 9,818,114	\$ 10,285,318	\$ 18,907,275	\$ 19,243,781

Governmental activities. Governmental activities marginally increased the Town's net assets by \$130,698 (which exceeded the total net asset growth), which is lower than the prior year primarily due to the Town not receiving any grants or other contributions in the current year.

Business-type activities: Business-type activities decreased the Town of Harrisburg's net assets by \$467,204. Key elements of this decrease are lower water and sewer revenue than expected and unanticipated water purchases and sewer treatment charges.

Financial Analysis of the Town's Funds

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

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

The general fund is the chief operating fund of the Town of Harrisburg. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$863,936, while total fund balance reached \$1,577,692. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 14.64 percent of total General Fund expenditures of \$5,902,774, while total fund balance represents 26.73 percent of that same amount.

At June 30, 2009, the governmental funds of the Town of Harrisburg reported a combined fund balance of \$1,577,692 with a net increase in fund balance of \$150,589. Included in this increase in fund balance is an increase in the General fund

General Fund Budgetary Highlights: During the fiscal year, the Town had few revisions to the budget. 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 and 3) increases in appropriations that became necessary to maintain services, including transfers within budgets to adjust for expense changes.

Revenues were slightly more (2.33%) than the budgeted amounts anticipated. Expenditures were over budget in General Government and Environmental Protection. These over expenditures occurred because of increases in the costs of contracted services and materials, for which no sufficient additional budgetary appropriations were made. Debt Service was also over budget due to underestimating the amount of the required payments and failing to make the necessary budget amendments when the budgeted amount was reached.

Management Discussion and Analysis
Town of Harrisburg

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 \$662,767. The total change in net assets for the fund was \$467,204.

Revenues in the Water and Sewer fund were less than budgeted (\$134,880). Expenditures were under budget in water treatment and distribution, but over in capital outlay. In total, the water and Sewer fund expenditures were under budget. The over expenditures in the Water and Sewer fund were the result of capital outlay expenditure being budgeted as non-capital expenditures.

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, 2009, totals \$20,407,590 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, water and sewer facilities and vehicles. Major additions during the year were water and sewer facilities.

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

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Construction in progress	\$ 173,158	\$ 151,278	\$ 72,751	\$ 72,751	\$ 245,909	\$ 224,029
Land	1,203,078	1,173,115	459,753	459,753	1,662,831	1,632,868
Buildings and system	3,729,293	3,811,474	38,602	39,806	3,767,895	3,851,280
Improvements other than buildings	2,144,163	2,189,709	-	-	2,144,163	2,189,709
Machinery and equipment	1,814,252	1,993,465	425,067	496,816	2,239,319	2,490,281
Infrastructure	1,221,229	1,246,395	8,767,410	9,126,244	9,988,639	10,372,639
Total	\$ 10,285,173	\$ 10,565,436	\$ 9,763,583	\$ 10,195,370	\$ 20,048,756	\$ 20,760,806

Additional information on the Town’s Capital Assets can be found in Note I.E.6 of the basic financial statements.

Management Discussion and Analysis
Town of Harrisburg

Long-term Debt. As of June 30, 2009, the Town of Harrisburg had total long term outstanding obligations of \$3,518,059. All of the debt is installment debt, which is secured by the related assets.

General Obligation and Installment Loans

Figure 5

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Installment Loans	\$ 2,909,823	\$ 3,168,940	\$ 608,236	\$ 728,255	\$ 3,518,059	\$ 3,897,195
Total	\$ 2,909,823	\$ 3,168,940	\$ 608,236	\$ 728,255	\$ 3,518,059	\$ 3,897,195

Town of Harrisburg’s Outstanding Debt

The Town of Harrisburg’s total debt decreased by \$379,136 (9.73%) during the past fiscal year, primarily due to regular principal payments.

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 \$128,003,037.

Additional information on the Town’s Long Term Debt can be found in Note III.B.6 of the basic financial statements

Economic Factors and Next Year’s Budgets and Rates

- It is anticipated that new housing starts will be down for the coming year.
- We do not expect any significant development projects due to the economic decline.
- It is projected that water and sewer rates will have to be increased to cover the cost of increased water rates from the City of Concord and increased sewer transport rates from the Water and Sewer Authority of Cabarrus County.

Administrative Changes

Subsequent to year end, the Town has been without a permanent Town Administrator. Michele W. Reapsmith is serving as the Interim Town Administrator to oversee the operation of the Town. Since January 2009, she has taken various steps to strengthen the Town’s internal controls over financial matters and has implemented new procedures to help safeguard the Town’s assets. The Town is working through its segregation of duties with a limited staff, but has implemented a pre-audit and review process. Purchasing policies are now in place and being implemented.

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 Town Administrator, Michele W. Reapsmith, at the Town of Harrisburg, 4100 Main Street, Suite 101, Harrisburg, North Carolina 28075. (704) 455-5614.

TOWN OF HARRISBURG, NORTH CAROLINA
STATEMENT OF NET ASSETS
June 30, 2009

Exhibit 1

Assets	Primary Government		Total
	Governmental Activities	Business-type Activities	
Current assets:			
Cash and cash equivalents	\$ 1,694,698	\$ 989,973	\$ 2,684,671
Taxes receivable (net)	214,697	-	214,697
Accrued interest receivable	37,995	-	37,995
Accounts receivable (net)	35,398	299,192	334,590
Due from other governments	364,210	-	364,210
Internal balances	(9,425)	9,425	-
Prepaid expenses	40,456	-	40,456
Total current assets	<u>2,378,029</u>	<u>1,298,590</u>	<u>3,676,619</u>
Capital assets:			
Land, non-depreciable improvements, and construction in progress	1,376,236	532,504	1,908,740
Other capital assets, net of depreciation	8,908,937	9,231,079	18,140,016
Total capital assets	<u>10,285,173</u>	<u>9,763,583</u>	<u>20,048,756</u>
Total assets	<u>12,663,202</u>	<u>11,062,173</u>	<u>23,725,375</u>
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	188,530	223,570	412,100
Performance bond deposits	324,565	-	324,565
Unearned revenue	34,550	-	34,550
Customer deposits	-	177,871	177,871
Refundable tap fees	-	185,807	185,807
Current portion of long-term liabilities	723,957	173,535	897,492
Long-term liabilities:			
Due in more than one year	2,302,439	483,276	2,785,715
Total liabilities	<u>3,574,041</u>	<u>1,244,059</u>	<u>4,818,100</u>
Net Assets			
Invested in capital assets, net of related debt	7,375,350	9,155,347	16,530,697
Restricted for:			
Reserved for other purposes	242,662	-	242,662
Unrestricted	1,471,149	662,767	2,133,916
Total net assets	<u>\$ 9,089,161</u>	<u>\$ 9,818,114</u>	<u>\$ 18,907,275</u>

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

TOWN OF HARRISBURG, NORTH CAROLINA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2009

Exhibit 2

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental Activities:							
General government	\$ 1,323,452	\$ 7,315	\$ -	\$ -	\$ (1,316,137)	\$ -	\$ (1,316,137)
Cultural and recreational	473,337	168,774	-	-	(304,563)	-	(304,563)
Public safety	3,074,257	21,592	877,237	-	(2,175,428)	-	(2,175,428)
Planning and zoning	150,610	-	-	-	(150,610)	-	(150,610)
Transportation	243,624	-	194,468	-	(49,156)	-	(49,156)
Environmental protection	599,318	-	2,771	-	(596,547)	-	(596,547)
Interest on long-term debt	127,892	-	-	-	(127,892)	-	(127,892)
Total governmental activities (See Note 1)	5,992,490	197,681	1,074,476	-	(4,720,333)	-	(4,720,333)
Business-type activities:							
Water and sewer	4,202,247	3,726,425	-	-	-	(475,822)	(475,822)
Total business-type activities	4,202,247	3,726,425	-	-	-	(475,822)	(475,822)
Total primary government	\$ 10,194,737	\$ 3,924,106	\$ 1,074,476	\$ -	(4,720,333)	(475,822)	(5,196,155)
General revenues:							
Taxes:							
Property taxes, levied for general purpose					3,314,156	-	3,314,156
Other taxes and licenses					8,062	-	8,062
Grants and contributions not restricted to specific programs					1,371,509	-	1,371,509
Unrestricted investment earnings					35,541	15,270	50,811
Loss on disposal of fixed assets					-	(6,652)	(6,652)
Miscellaneous					121,763	-	121,763
Total general revenues and transfers					4,851,031	8,618	4,859,649
Change in net assets					130,698	(467,204)	(336,506)
Net assets, beginning					8,958,463	10,285,318	19,243,781
Net assets, ending					\$ 9,089,161	\$ 9,818,114	\$ 18,907,275

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

TOWN OF HARRISBURG, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2009

Exhibit 3

Assets	General	Totals Governmental Funds
	General	Totals Governmental Funds
Cash and cash equivalents	\$ 1,694,698	\$ 1,694,698
Receivables, net:		
Property taxes	214,697	214,697
Sales and use taxes	35,398	35,398
Due from other governments	364,210	364,210
Prepaid expenses	40,456	40,456
	2,349,459	2,349,459
Liabilities and Fund Balances		
Liabilities		
Accounts payable and accrued liabilities	188,530	188,530
Performance bonds on deposit	324,565	324,565
Due to other funds	9,425	9,425
Deferred revenue	214,697	214,697
Unearned revenue	34,550	34,550
	771,767	771,767
Fund balances		
Reserved by State statute	430,638	430,638
Reserved for streets-Powell Bill	242,662	242,662
Reserved for deposits and prepaids	40,456	40,456
Unreserved, General Fund	863,936	863,936
	1,577,692	1,577,692
Total liabilities and fund balances	\$ 2,349,459	

Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:

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

Gross capital assets at historical cost	\$ 11,895,738	
Accumulated depreciation	(1,610,565)	10,285,173

Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are deferred in the funds. 37,995

Liabilities for earned but deferred revenue in fund statements 214,697

Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds. (3,026,396)

Net assets of governmental activities \$ 9,089,161

TOWN OF HARRISBURG, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2009

Exhibit 4

	<u>General Fund</u>	<u>Total Governmental Funds</u>
Revenues:		
Ad valorem taxes	\$ 3,244,330	\$ 3,244,330
Other taxes and licenses	8,062	8,062
Unrestricted intergovernmental	1,371,508	1,371,508
Restricted intergovernmental	1,074,475	1,074,475
Investment earnings	35,541	35,541
Permits and fees	28,907	28,907
Sales and services	168,774	168,774
Miscellaneous	121,766	121,766
	<u>6,053,363</u>	<u>6,053,363</u>
Total revenues		
Expenditures:		
Current		
General government	1,277,698	1,277,698
Parks and recreation	438,421	438,421
Public safety	2,847,416	2,847,416
Planning and zoning	148,339	148,339
Transportation	222,512	222,512
Environmental protection	581,379	581,379
Debt service		
Principal retirement	259,117	259,117
Interest	127,892	127,892
	<u>5,902,774</u>	<u>5,902,774</u>
Total expenditures		
Net change in fund balance	150,589	150,589
Fund balances, beginning of year	<u>1,427,103</u>	<u>1,427,103</u>
Fund balance, end of year	<u>\$ 1,577,692</u>	<u>\$ 1,577,692</u>

TOWN OF HARRISBURG, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2009

Exhibit 4

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

Net changes in fund balances - total governmental funds	\$	150,589
<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. This is the amount by which capital outlays exceeded depreciation in the current period</p>		
Capital outlay expenditures which were capitalized	\$	178,718
Depreciation expense for governmental assets	<u>(458,981)</u>	(280,263)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund</p>		
Change in deferred revenue for tax revenues		69,827
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items</p>		
Compensated absences		(68,572)
Principal payments on long-term debt		<u>259,117</u>
		<u>190,545</u>
Total changes in net assets of governmental activities	<u>\$</u>	<u>130,698</u>

TOWN OF HARRISBURG, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
For the Year Ended June 30, 2009

Exhibit 5

	General Fund			Variance with Final Budget- Positive (Negative)
	Budget		Actual Amounts	
	Original	Final		
Revenues:				
Ad valorem taxes	\$3,330,621	\$ 3,330,621	\$ 3,244,330	\$ (86,291)
Other taxes and licenses	2,400	2,400	8,062	5,662
Unrestricted intergovernmental	905,000	905,000	1,371,508	466,508
Restricted intergovernmental	1,289,024	1,289,024	1,074,475	(214,549)
Investment earnings	58,000	58,000	35,541	(22,459)
Permits and fees	45,000	45,000	28,907	(16,093)
Sales and service	49,888	49,888	168,774	118,886
Miscellaneous	235,500	235,500	121,766	(113,734)
	<u>5,915,433</u>	<u>5,915,433</u>	<u>6,053,363</u>	<u>137,930</u>
Expenditures:				
Current				
General government	1,260,412	1,247,206	1,277,698	(30,492)
Parks and recreation	369,500	502,307	438,421	63,886
Public safety	3,021,946	3,021,946	2,847,416	174,530
Planning and zoning	172,348	172,348	148,339	24,009
Transportation	266,700	266,700	222,512	44,188
Environmental protection	535,000	535,000	581,379	(46,379)
Debt service				
Principal retirement	305,000	305,000	259,117	45,883
Interest	71,050	71,050	127,892	(56,842)
	<u>6,001,956</u>	<u>6,121,557</u>	<u>5,902,774</u>	<u>218,783</u>
Revenues over (under) expenditures	<u>(86,523)</u>	<u>(206,124)</u>	<u>150,589</u>	<u>356,713</u>
Other financing sources (uses):				
Fund balance appropriated	86,523	206,124	-	(206,124)
	<u>86,523</u>	<u>206,124</u>	<u>-</u>	<u>(206,124)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>150,589</u>	<u>\$ 150,589</u>
Fund balances, beginning of year			<u>1,427,103</u>	
Fund balance, end of year			<u>\$ 1,577,692</u>	

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

TOWN OF HARRISBURG, NORTH CAROLINA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2009

Exhibit 6

Assets	<u>Water and Sewer Fund</u>	<u>Total Proprietary Funds</u>
Current Assets:		
Cash and cash equivalents	\$ 989,973	\$ 989,973
Accounts receivable (net) - customers	285,621	285,621
Accounts receivable (net) - other	13,571	13,571
Due from other funds	<u>9,425</u>	<u>9,425</u>
Total current assets	<u>1,298,590</u>	<u>1,298,590</u>
Capital Assets:		
Land and other non depreciable assets	532,504	532,504
Other capital assets, net of depreciation	<u>9,231,079</u>	<u>9,231,079</u>
Capital assets (net)	<u>9,763,583</u>	<u>9,763,583</u>
Total Assets	<u>11,062,173</u>	<u>11,062,173</u>
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	223,570	223,570
Customer deposits	177,871	177,871
Refundable tap fees	185,807	185,807
Compensated absences-current	48,575	48,575
Installment purchase - current	<u>124,960</u>	<u>124,960</u>
Current liabilities	760,783	760,783
Noncurrent Liabilities		
Long-term debt - non-current	<u>483,276</u>	<u>483,276</u>
Total liabilities	<u>1,244,059</u>	<u>1,244,059</u>
Net Assets		
Invested in capital assets, net of related debt	9,155,347	9,155,347
Unrestricted	<u>662,767</u>	<u>662,767</u>
Total net assets	<u>\$ 9,818,114</u>	<u>\$ 9,818,114</u>

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

TOWN OF HARRISBURG, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended June 30, 2009

Exhibit 7

	<u>Water and Sewer Fund</u>	<u>Total Proprietary Funds</u>
Operating revenues:		
Charges for services	\$ 3,586,724	\$ 3,586,724
Water and sewer taps	99,588	99,588
Other operating revenues	<u>40,113</u>	<u>40,113</u>
Total operating revenues	<u>3,726,425</u>	<u>3,726,425</u>
Operating expenses:		
Water treatment and distribution and waste water collection	3,662,894	3,662,894
Depreciation	<u>511,237</u>	<u>511,237</u>
Total operating expenses	<u>4,174,131</u>	<u>4,174,131</u>
Operating income (loss)	<u>(447,706)</u>	<u>(447,706)</u>
Nonoperating revenues (expenses):		
Investment earnings	15,270	15,270
Interest expense	(28,116)	(28,116)
Loss on disposal of fixed asset	<u>(6,652)</u>	<u>(6,652)</u>
Total nonoperating revenues (expenses)	<u>(19,498)</u>	<u>(19,498)</u>
Change in net assets	(467,204)	(467,204)
Total net assets, beginning	<u>10,285,318</u>	<u>10,285,318</u>
Total net assets, ending	<u><u>\$ 9,818,114</u></u>	<u><u>\$ 9,818,114</u></u>

TOWN OF HARRISBURG, NORTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2009

Exhibit 8

Cash flows from operating activities:	
Cash received from customers	\$ 3,679,223
Cash paid for goods and services	(2,309,032)
Cash paid to employees	(1,215,524)
Customer deposits received and returned	<u>5,748</u>
Net cash provided by (used in) operating activities	<u>160,415</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(86,103)
Principal payments on installment debt	(120,020)
Interest paid on installment debt	<u>(28,116)</u>
Net cash provided by (used in) capital and related financing activities	<u>(234,239)</u>
Cash flows from investing activities:	
Interest on investments	<u>15,270</u>
Net increase (decrease) in cash and cash equivalents	(58,554)
Cash and cash equivalents at beginning of year	<u>1,048,527</u>
Cash and cash equivalents at end of year	<u><u>989,973</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income (loss)	<u>(447,706)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	511,237
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	(33,009)
(Increase) decrease in other receivables	23,518
Increase (decrease) in accounts payable and accrued liabilities	82,526
Increase (decrease) in customer deposits	5,748
Increase (decrease) in refundable tap fees	(14,193)
Increase (decrease) in compensated absences	<u>32,294</u>
Total adjustments	<u>608,121</u>
Net cash provided by (used in) operating activities	<u><u>\$ 160,415</u></u>

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

TOWN OF HARRISBURG, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Harrisburg conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Town of Harrisburg is a municipal corporation, which is governed by an elected mayor and a seven-member Town Council. These financial statements present financial information of the Town as required by generally accepted accounting principles.

B. Basis of Presentation

Government-wide Statements- The statement of net assets and the statement of activities display information about the primary government. 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 specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. 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. Nonoperating revenues, such as subsidies and investment earnings, result from non-exchange transactions. Other non-operating revenues are ancillary activities such as investment earnings.

The Town reports the following major governmental funds:

General Fund- The General Fund is the general operating fund of the Town. The General Fund accounts 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, and sanitation services.

The Town reports the following major enterprise funds:

Water and Sewer Fund- This fund is used to account for the Town's water and sewer operations.

TOWN OF HARRISBURG, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

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. The government-wide and proprietary fund financial statements are reported using 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. Nonexchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is 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 nonoperating 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 enterprise funds 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 enterprise funds 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 nonoperating 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 when measurable and available. 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 FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

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 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 Cabarrus County from March 2008 through February 2009 apply to the fiscal year ended June 30, 2009. 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 collected 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 generally accepted accounting principles, 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.

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. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$2,500. All amendments must be approved by the governing board. 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 FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

E. Assets, Liabilities, and Fund Equity

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, a SEC-registered (2a7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value.

2. Cash and Cash Equivalents

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

3. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2008. As allowed by State law, the 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.

4. 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.

5. 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.

TOWN OF HARRISBURG, NORTH CAROLINA
 NOTES TO THE FINANCIAL STATEMENTS
 For the Year Ended June 30, 2009

6. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost 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. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The cost 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 over the following estimated useful lives:

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

7. 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 governmental activities, business-type activities, or proprietary fund type statement of net assets.

8. Compensated Absences

The vacation policy of the Town provides for up to twenty days earned vacation time per year based on years of service. Years of service are determined and vacation time is earned based on each employees 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 the salary-related payments is recorded. 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 accumulation of earned sick leave. Sick leave does not vest. Since the Town has no obligation for the accumulated sick leave until it is actually taken, no accrual of sick leave has been made.

TOWN OF HARRISBURG, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

9. Net Assets/Fund Balances

Net Assets

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

Fund Balances

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

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

The governmental fund types classify fund balances as follows:

Reserved

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

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

Unreserved

Designated for subsequent year's expenditures - portion of total fund balance available for appropriation that has been designated for the adopted 2009-2010 budget ordinance.

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

TOWN OF HARRISBURG, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

II. Stewardship, Compliance, and Accountability

A. Material Violations of Finance-Related Legal and Contractual Provisions

1. Noncompliance with North Carolina General Statutes: None.

2. Contractual Violations: None.

B. Deficit Fund Balance or Retained Earnings of Individual Funds: None.

C. Excess of Expenditures Over Appropriations: For the fiscal year ended June 30, 2009, the expenditures made in the Town's General Fund exceeded the authorized appropriations made by the governing board for general government and debt service expenses. These over-expenditures occurred because of unanticipated expenditures for which no sufficient additional appropriations were made. The expenditures made in the Town's Water and Sewer Fund for capital outlay exceeded the authorized appropriations made by the governing board. This was the result of capital outlay expenditures being budgeted as non-capital expenditures. The total expenditures for the Water and Sewer Fund, not including debt service, exceeded the total amount budgeted as a result of unanticipated expenditures for which no sufficient additional appropriations were made. Management and the Board will more closely monitor the budget vs. actual reports to ensure compliance in future years.

III. Detail Notes on All Funds and Account Groups

A. Assets

1. Deposits

All the 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 agent 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 agent in the Town's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal 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, 2009, the Town's deposits had a carrying amount of \$339,136 and a bank balance of \$594,601. The entire bank balance of \$594,601 was covered by federal depository insurance. At June 30, 2009, the Town's petty cash fund totaled \$850.

2. Investments

At June 30, 2009, the Town of Harrisburg had \$2,344,685 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk.

TOWN OF HARRISBURG, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

3. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2009, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 1,173,115	\$ 29,963	\$ -	\$ 1,203,078
Construction in progress	151,278	21,880	-	173,158
	1,324,393	51,843	-	1,376,236
Capital assets being depreciated:				
Other improvements	2,400,325	18,495	-	2,418,820
Buildings	4,094,998	-	-	4,094,998
Equipment	2,639,011	108,381	-	2,747,392
Infrastructure	1,258,292	-	-	1,258,292
	10,392,626	126,876	-	10,519,502
Less accumulated depreciation for:				
Other improvements	210,616	64,041	-	274,657
Buildings	283,524	82,181	-	365,705
Equipment	645,546	287,594	-	933,140
Infrastructure	11,897	25,166	-	37,063
	1,151,583	\$ 458,982	\$ -	1,610,565
	9,241,043			8,908,937
	\$ 10,565,436			\$ 10,285,173

Depreciation expense was charged to functions of the primary government as follows:

General government	\$ 54,369
Public safety	269,853
Transportation	21,112
Environmental protection	17,939
Cultural and recreational	95,709
Total depreciation expense	\$ 458,982

TOWN OF HARRISBURG, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2009, was as follows-continued:

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Capital assets not being depreciated:				
Construction in progress	\$ 72,751	\$ -	\$ -	\$ 72,751
Land and rights of way	459,753	-	-	459,753
Total capital assets not being depreciated	532,504	-	-	532,504
Capital assets being depreciated:				
Buildings	60,187	-	-	60,187
Water lines	7,207,423	39,881	-	7,247,304
Equipment	1,171,710	46,223	91,934	1,125,999
Interceptors	724,436	-	-	724,436
Collection system	4,920,569	-	-	4,920,569
Total capital assets being depreciated	14,084,325	86,104	91,934	14,078,495
Less accumulated depreciation for:				
Buildings	20,381	1,204	-	21,585
Water lines	1,729,558	222,518	-	1,952,076
Equipment	674,894	111,319	85,281	700,932
Interceptors	360,790	24,149	-	384,939
Collection system	1,635,836	152,048	-	1,787,884
Total accumulated depreciation	4,421,459	\$ 511,238	\$ 85,281	4,847,416
Total capital assets being depreciated, net	9,662,866			9,231,079
Business-type activities capital assets, net	\$ 10,195,370			\$ 9,763,583

Construction Commitments

On June 15, 2009, the Town entered into a contract for the construction of a new administration building for the fire department for the sum of \$499,750. As of June 30, 2009, construction had not yet begun.

TOWN OF HARRISBURG, NORTH CAROLINA
 NOTES TO THE FINANCIAL STATEMENTS
 For the Year Ended June 30, 2009

B. Liabilities

1. Pension Plan Obligations

a. 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 Road, 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 is 6.45% of annual covered payroll. The contribution requirements of members and of the Town of Harrisburg are established and may be amended by the North Carolina General Assembly. The Town's contributions to LGERS for the years ended June 30, 2009, 2008, and 2007 were \$165,614, \$147,738, and \$119,717, respectively. The contributions made by the Town equaled the required contributions for each year.

b. Firemen's and Rescue Squad Workers' Pension Fund

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

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

2. Deferred / Unearned Revenues

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

	Deferred Revenue	Unearned Revenue
July 4 th celebration revenue	\$ -	\$ 29,425
Prepaid taxes (General Fund)	-	5,125
Taxes receivable (General Fund)	214,697	-
	\$ 214,697	\$ 34,550

TOWN OF HARRISBURG, NORTH CAROLINA
 NOTES TO THE FINANCIAL STATEMENTS
 For the Year Ended June 30, 2009

3. 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 and 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, worker's compensation coverage up to the statutory limits, boiler and machinery coverage of \$5 million comprehensive coverage, and employee health coverage up to \$1 million lifetime limit. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability and property in excess of \$500,000 and \$300,000 statutory limits for workers' compensation. The pools are reinsured 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 reinsurance limit based upon a percentage of the total insurance values.

The Town does not have flood insurance coverage.

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.

4. Reconciliation of Powell Bill Expenditures:

The following is a reconciliation of Powell Bill expenditures:

Per financial statements-transportation	\$ 222,512
Add accounts payable 6-30-08	2,628
Deduct Non-Powell transportation expenses	<u>(11,500)</u>
Per Powell Bill report	<u><u>\$ 213,640</u></u>

5. Operating Lease

In March of 2005, the Town leased a copier. The five year lease calls for payments of \$495.59 per month. Future payments under the lease are as follows:

2010	<u>\$ 4,460</u>
	<u><u>\$ 4,460</u></u>

TOWN OF HARRISBURG, NORTH CAROLINA
 NOTES TO THE FINANCIAL STATEMENTS
 For the Year Ended June 30, 2009

6. Long-Term Obligations

a. Installment Loan

In the 2000-2001 fiscal year, the Town borrowed \$430,135 to finish construction of a library. The note is collateralized by various commercial properties. Semi-annual payments of \$8,529.34 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, 2009 are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2010	\$ 19,440	\$ 14,677
2011	20,449	13,668
2012	21,475	12,642
2013	22,624	11,494
2014	23,798	10,320
2015-2019	138,813	31,774
2020-2021	40,347	2,210
	<u>\$ 286,946</u>	<u>\$ 96,785</u>

b. Installment Loan

During the fiscal year ended June 30, 2007, the Town borrowed \$23,612 finance a portion of the purchase of a vehicle for use by the fire department. The note is collateralized by the vehicle. Monthly payments of \$705.90 are due through September, 2009. The interest rate on the loan is 4.75%.

The future minimum payments of the installment purchase as of June 30, 2009 are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2010	\$ 1,592	\$ 10
	<u>\$ 1,592</u>	<u>\$ 10</u>

TOWN OF HARRISBURG, NORTH CAROLINA
 NOTES TO THE FINANCIAL STATEMENTS
 For the Year Ended June 30, 2009

c. Installment Loan

As part of the merger of the Harrisburg Volunteer Fire Department on July 1, 2006, the Town assumed debt related to the Fire Department's earlier purchase of a Spartan Gladiator Chassis. The note is collateralized by the chassis. Monthly payments of \$4,775 were due through May, 2009 with the remaining balance due June 1, 2010. The interest rate on the loan is 3.50%.

The future minimum payments of the installment purchase as of June 30, 2009 are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2010	\$ 393,549	\$ 13,396
	\$ 393,549	\$ 13,396

d. Installment Loan

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 pumper truck. Monthly payments of \$3,143.52 are due through September, 2009 with the remaining balance due October 20, 2010. The interest rate on the loan is 4.40%.

The future minimum payments of the installment purchase as of June 30, 2009 are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2010	\$ 26,450	\$ 11,272
2011	242,304	3,562
	\$ 268,754	\$ 14,834

TOWN OF HARRISBURG, NORTH CAROLINA
 NOTES TO THE FINANCIAL STATEMENTS
 For the Year Ended June 30, 2009

e. Installment Loan

As part of the merger of the Harrisburg Volunteer Fire Department on July 1, 2006, the Town assumed this debt related to the Fire Department's earlier purchase of a fire truck. The note is collateralized by the Laverne truck. Monthly payments of \$2,201.98 are due through July, 2016 with the remaining balance due August 11, 2016. The interest rate on the loan is 3.50%.

The future minimum payments of the installment purchase as of June 30, 2009 are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2010	\$ 20,921	\$ 5,503
2011	21,665	4,759
2012	22,435	3,988
2013	23,233	3,190
2014	24,060	2,364
2015-2017	53,047	2,146
	\$ 165,361	\$ 21,950

f. Installment Loan

As part of the merger of the Harrisburg Volunteer Fire Department on July 1, 2006, the Town assumed debt evidenced by a promissory note. At June 30, 2009, the note called for monthly payments of interest only through September 15, 2009 at which time the entire principal amount of \$289,906 was due. The interest rate on the loan is variable. The loan is secured by land.

TOWN OF HARRISBURG, NORTH CAROLINA
 NOTES TO THE FINANCIAL STATEMENTS
 For the Year Ended June 30, 2009

g. Installment Loan

As part of the merger of the Harrisburg Volunteer Fire Department on July 1, 2006, the Town assumed a note payable to Eugene J. and Elizabeth F. Boelte. The note is payable in three equal payments of \$17,008.92 due on June 30, 2007, June 30, 2008, and June 30, 2009 with one final installment of \$6,964.32 due on June 30, 2010. The payment due June 30, 2008 was not paid until July 2008. There is no interest being charged. The note is secured by land.

The future minimum payments of the installment purchase as of June 30, 2009 are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2010	\$ 23,973	\$ -
	<u>\$ 23,973</u>	<u>\$ -</u>

h. Installment Loan

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 the Town Hall. The terms of the loan state that 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 as of June 30, 2009 are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2010	\$ 70,000	\$ 41,761
2011	70,000	38,723
2012	70,000	35,686
2013	70,000	32,740
2014	70,000	29,610
2015-2019	350,000	102,546
2020-2023	279,601	27,338
	<u>\$ 979,601</u>	<u>\$ 308,404</u>

TOWN OF HARRISBURG, NORTH CAROLINA
 NOTES TO THE FINANCIAL STATEMENTS
 For the Year Ended June 30, 2009

i. Installment Loan

In April 2008, the Town borrowed \$552,373 from a local financial institution to purchase a rescue truck for the fire department. The terms of the loan state that interest will accrue at the rate of 4.5% per annum. Principal and interest payments are payable monthly beginning May 2008 and continuing through April 2018. The debt is secured by rescue truck.

The future minimum payments as of June 30, 2009 are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2010	\$ 47,062	\$ 21,844
2011	49,255	19,652
2012	51,503	17,404
2013	53,949	14,957
2014	56,463	12,444
2015-2018	241,909	22,255
	<u>\$ 500,141</u>	<u>\$ 108,556</u>

j. Installment Loan

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

The future minimum payments as of June 30, 2009 are as follows:

Year Ending June 30	Business-type Activities	
	Principal	Interest
2010	\$ 116,960	\$ 23,177
2011	122,042	18,095
2012	127,313	12,823
2013	132,876	7,260
2014	69,045	1,486
	<u>\$ 568,236</u>	<u>\$ 62,841</u>

TOWN OF HARRISBURG, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

k. Installment Loan

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 each year through the year 2014. The agreement states that no interest shall accrue for each payment except that each payment that is past due shall bear interest at 8% per year from the date such payment was due.

The future minimum payments as of June 30, 2009 are as follows:

Year Ending June 30	Business-type Activities	
	Principal	Interest
2010	\$ 8,000	\$ -
2011	8,000	-
2012	8,000	-
2013	8,000	-
2014	8,000	-
	<u>\$ 40,000</u>	<u>\$ -</u>

At June 30, 2009 the Town of Harrisburg, North Carolina had a legal debt margin of \$128,003,037.

l. Changes in Long-Term Liabilities

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Governmental activities:					
Installment loans	\$ 3,168,940	\$ -	\$ 259,117	\$ 2,909,823	\$ 607,384
Compensated absences	48,001	68,572	-	116,573	116,573
Governmental activities long-term liabilities	<u>3,216,941</u>	<u>68,572</u>	<u>259,117</u>	<u>3,026,396</u>	<u>723,957</u>
Business type activities:					
Installment loans	728,255	-	120,019	608,236	124,960
Compensated absences	16,281	32,294	-	48,575	48,575
Business-type activities long-term liabilities	<u>\$ 744,536</u>	<u>\$ 32,294</u>	<u>\$ 120,019</u>	<u>\$ 656,811</u>	<u>\$ 173,535</u>

TOWN OF HARRISBURG, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

C. Interfund Balances and Activity

Balances due to/from other funds at June 30, 2009, consist of the following:

From the General Fund to the Water and Sewer Fund	\$ 9,425
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The interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

There were no transfers to/from other funds during the year ended June 30, 2009.

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

D. On-Behalf Of Payments for Fringe Benefits and Salaries

For the fiscal year ended June 30, 2009, the Town of Harrisburg has recognized on-behalf of payments for pension contributions made by the State as revenue and an expenditure of \$816 for the volunteer and employed firemen who perform firefighting duties for the Town's fire department. The volunteers 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 FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

E. 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 \$1,595 to the Council during the fiscal year ended June 30, 2009.

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, 2009, the Town purchased sewer transportation services amounting to \$689,187 from WSACC. At June 30, 2009, \$131,136 was due to WSACC and is reflected in accounts payable of the Water and Sewer Fund.

F. Significant Economic 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.

IV. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

TOWN OF HARRISBURG, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended June 30, 2009

	Budget	Actual	Variance Positive (Negative)
Revenues			
Ad valorem taxes			
Taxes	\$ 3,321,621	\$ 3,229,022	\$ (92,599)
Penalties and interest	9,000	15,308	6,308
Total	<u>3,330,621</u>	<u>3,244,330</u>	<u>(86,291)</u>
Other taxes and licenses			
Privilege licenses	2,400	8,062	5,662
Total	<u>2,400</u>	<u>8,062</u>	<u>5,662</u>
Unrestricted intergovernmental			
Local option sales tax	500,000	840,421	340,421
Excise tax on piped natural gas	-	78,411	78,411
Franchise tax on electric power	380,000	289,758	(90,242)
Sales tax on telecommunication service	-	76,821	76,821
Sales tax on video programming	-	59,358	59,358
Beer and wine tax	25,000	26,739	1,739
Total	<u>905,000</u>	<u>1,371,508</u>	<u>466,508</u>
Restricted intergovernmental			
Powell Bill allocation	192,177	194,468	2,291
Fire taxes	973,005	741,472	(231,533)
Fire Department staffing grant - Cabarrus County	30,000	32,400	2,400
EMS grant	1,000	-	(1,000)
SAFER grant	92,842	102,548	9,706
On-behalf of payments - Fire	-	816	816
Solid waste disposal	-	2,771	2,771
Total	<u>1,289,024</u>	<u>1,074,475</u>	<u>(214,549)</u>
Investment earnings	58,000	35,541	(22,459)
Permits and fees			
Compliance permits	25,000	19,714	(5,286)
Vision Cable franchise fee	10,000	7,315	(2,685)
Inspection fees and fines	10,000	1,878	(8,122)
Total	<u>45,000</u>	<u>28,907</u>	<u>(16,093)</u>
Sales and services			
Parks and recreation shelter rental	-	2,150	2,150
Parks and recreation athletics	-	128,413	128,413
Recreation program fees	43,388	37,006	(6,382)
Park lighting rentals	1,500	1,205	(295)
Old post office store sales	5,000	-	(5,000)
Total	<u>\$ 49,888</u>	<u>\$ 168,774</u>	<u>\$ 118,886</u>

TOWN OF HARRISBURG, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended June 30, 2009

	Budget	Actual	Variance Positive (Negative)
Miscellaneous			
Traffic review	\$ -	\$ 11,996	\$ 11,996
July 4th celebration	101,500	53,218	(48,282)
Tower lease	-	1,851	1,851
Building lease-Hibernian Hall	112,200	-	(112,200)
Salvage income	-	6,030	6,030
Parks and recreation-field rentals	-	170	170
HYA subsidy	-	6,000	6,000
Parks and recreation concessions	-	12,353	12,353
Parks and recreation special events	-	1,100	1,100
Council chamber lease	-	1,583	1,583
Donations	2,000	1,225	(775)
Fire department miscellaneous	-	10,592	10,592
Cabarrus County-EMS facilities at Station 2 reimbursement	10,800	-	(10,800)
Cabarrus County-EMS Decontamination trailer reimbursement	5,000	6,500	1,500
Miscellaneous	4,000	9,148	5,148
	<u>235,500</u>	<u>121,766</u>	<u>(113,734)</u>
Total			
	<u>\$ 5,915,433</u>	<u>\$ 6,053,363</u>	<u>\$ 137,930</u>

TOWN OF HARRISBURG, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended June 30, 2009

Expenditures	Budget	Actual	Variance Positive (Negative)
General government			
Council			
Mayor and council salaries and employee benefits	\$ 45,200	\$ 43,921	\$ 1,279
Administration			
Salaries and employee benefits	745,521	662,844	82,677
Security	15,500	10,294	5,206
NCCM reserves	41,847	-	41,847
Insurance and bonds	37,000	46,352	(9,352)
Credit card fees	2,000	1,023	977
Traffic review	-	11,564	(11,564)
Contributions	-	419	(419)
Employee relations	1,750	2,096	(346)
Uniforms	-	1,441	(1,441)
Training	3,000	2,895	105
Travel	7,000	4,988	2,012
Fuel	(2,000)	3,352	(5,352)
Maintenance and repairs-vehicles	-	85	(85)
Maintenance and repairs-building and grounds	38,500	20,478	18,022
Miscellaneous	5,000	19,302	(14,302)
Dues and subscriptions	12,000	8,918	3,082
Pre-employment	1,200	1,179	21
Advertising	4,500	4,420	80
Department supplies	10,750	8,749	2,001
Meter services	-	41,350	(41,350)
Legal services	20,000	93,018	(73,018)
Printing	7,500	7,958	(458)
Telephone	17,600	18,428	(828)
Postage	8,900	10,101	(1,201)
Utilities-electric	142,400	127,153	15,247
Utilities-street lights	-	27,858	(27,858)
Contracted services	900	4,934	(4,034)
Professional services	7,500	26,188	(18,688)
Technology services	5,000	15,683	(10,683)
Maintenance and repair-streets	-	1,304	(1,304)
Maintenance and repair-signage	-	353	(353)
Maintenance and repair-equipment	-	17	(17)
Copier lease	10,200	11,932	(1,732)
Office/building lease	-	450	(450)
Special equipment	25,000	9,568	15,432
Reserves	22,188	-	22,188
Capital outlay	-	18,086	(18,086)
Total administration	\$ 1,190,756	\$ 1,224,780	\$ (34,024)

TOWN OF HARRISBURG, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended June 30, 2009

	Budget	Actual	Variance Positive (Negative)
Public relations			
Contributions	\$ 3,750	\$ 3,980	\$ (230)
EDC	5,500	3,912	1,588
Employee relations	2,000	944	1,056
Technology services	-	161	(161)
Total public relations	<u>11,250</u>	<u>8,997</u>	<u>2,253</u>
Total general government	<u>1,247,206</u>	<u>1,277,698</u>	<u>(30,492)</u>
Parks and recreation			
Salaries and employee benefits	129,100	120,798	8,302
Employee relations	386	463	(77)
Uniforms	750	1,709	(959)
Training	1,500	314	1,186
Travel	1,500	-	1,500
Fuel	-	1,312	(1,312)
Maintenance and repairs-building and grounds	60,000	29,418	30,582
Athletics	70,000	56,651	13,349
Concessions	15,000	8,421	6,579
Dues and subscriptions	15	179	(164)
Pre-employment	75	185	(110)
Advertising	150	118	32
Supplies	200	253	(53)
Small tools	150	44	106
Legal services	330	1,080	(750)
Chemicals	-	36	(36)
Printing	-	85	(85)
Telephone	1,168	1,892	(724)
Postage	500	398	102
Utilities-electric	10,694	4,701	5,993
Professional services	100	83	17
Technology services	250	222	28
Construction	10,922	4,261	6,661
Maintenance and repairs-equipment	13,407	-	13,407
Office/building lease	500	450	50
Special projects	36,500	37,965	(1,465)
July 4th event	125,000	91,922	33,078
Special equipment	24,110	13,596	10,514
Capital outlay	-	61,865	(61,865)
Total parks and recreation	<u>\$ 502,307</u>	<u>\$ 438,421</u>	<u>\$ 63,886</u>

TOWN OF HARRISBURG, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended June 30, 2009

	Budget	Actual	Variance Positive (Negative)
Public safety			
Police department			
County contract-deputy salaries	\$ 486,872	\$ 486,873	\$ (1)
Fuel	36,000	30,710	5,290
Maintenance and repairs-vehicles	20,000	18,008	1,992
Vehicle replacement	62,000	11,178	50,822
Supplies	-	61	(61)
Telephone	-	84	(84)
Technology services	3,296	3,296	-
Special equipment	37,912	15,934	21,978
Capital outlay	-	50,738	(50,738)
Total police department	<u>646,080</u>	<u>616,882</u>	<u>29,198</u>
Fire department			
Salaries and benefits	1,558,926	1,705,215	\$ (146,289)
Workers compensation	23,456	40,543	(17,087)
Insurance and bonds	45,398	14,488	30,910
Uniforms	63,067	48,828	14,239
Training	21,500	12,687	8,813
Travel	5,500	-	5,500
Fuel	-	9,899	(9,899)
Maintenance and repair-vehicles	46,850	38,875	7,975
Maintenance and repair-grounds	33,500	71,501	(38,001)
Dues and subscriptions	5,000	6,941	(1,941)
Pre-employment	-	207	(207)
Public education	2,000	1,844	156
Tires	-	394	(394)
Supplies	7,769	6,420	1,349
Legal services	-	140	(140)
Printing	1,500	1,235	265
Telephone	24,800	11,489	13,311
Postage	500	116	384
Utilities-electric	18,500	25,049	(6,549)
Professional services	-	10,813	(10,813)
Technology services	2,000	7,867	(5,867)
Maintenance and repairs-signage	150	-	150
Maintenance and repairs-fire hydrants	250	71	179
Maintenance and repairs-equipment	13,092	10,842	2,250
Copier lease	5,500	6,311	(811)
Office/building lease	13,200	12,100	1,100
Special equipment	166,890	102,362	64,528
Medical supplies	8,500	5,610	2,890
Physicals	15,500	29,842	(14,342)
Reserves	292,518	-	292,518
On-behalf of payments	-	816	(816)
Capital outlay	-	48,029	(48,029)
Total fire department	<u>2,375,866</u>	<u>2,230,534</u>	<u>145,332</u>
Total public safety	<u>\$ 3,021,946</u>	<u>\$ 2,847,416</u>	<u>\$ 174,530</u>

TOWN OF HARRISBURG, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended June 30, 2009

	Budget	Actual	Variance Positive (Negative)
Planning and zoning			
Salaries and benefits	\$ 132,148	\$ 125,227	\$ 6,921
Insurance and bonds	-	10	(10)
Uniforms	600	551	49
Training	500	330	170
Travel	700	715	(15)
Fuel	2,000	1,384	616
Maintenance and repair-vehicles	-	109	(109)
Zoning vehicle	117	-	117
Miscellaneous	283	175	108
Dues and subscriptions	-	14	(14)
Advertising	3,500	1,730	1,770
Supplies	-	206	(206)
Legal services	12,000	6,970	5,030
Printing	-	85	(85)
Telephone	-	267	(267)
Professional services	-	83	(83)
Technology services	100	116	(16)
Maintenance and repairs-equipment	400	367	33
Reserves	20,000	10,000	10,000
	<u>172,348</u>	<u>148,339</u>	<u>24,009</u>
Total planning and zoning			
Transportation			
Streets and highways			
Contributions	1,200	-	1,200
Street maintenance and repair	198,000	167,556	30,444
Signs	1,000	2,142	(1,142)
Construction	55,000	41,314	13,686
Drainage	11,500	11,500	-
	<u>266,700</u>	<u>222,512</u>	<u>44,188</u>
Total transportation			
Environmental protection			
Sanitation services	535,000	581,379	(46,379)
	<u>535,000</u>	<u>581,379</u>	<u>(46,379)</u>
Total environmental protection			
Debt service			
Principal retirement	305,000	259,117	45,883
Interest	71,050	127,892	(56,842)
	<u>376,050</u>	<u>387,009</u>	<u>(10,959)</u>
Total debt service			
Total expenditures	<u>6,121,557</u>	<u>5,902,774</u>	<u>218,783</u>
Revenues over (under) expenditures	<u>\$ (206,124)</u>	<u>\$ 150,589</u>	<u>\$ 356,713</u>

TOWN OF HARRISBURG, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended June 30, 2009

	Budget	Actual	Variance Positive (Negative)
Other financing sources (uses)			
Fund balance appropriated	\$ 206,124	\$ -	\$ (206,124)
Total other financing sources (uses)	206,124	-	(206,124)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	150,589	\$ 150,589
Fund balances			
Beginning, of year		1,427,103	
Fund balance, end of year		\$ 1,577,692	

TOWN OF HARRISBURG, NORTH CAROLINA
WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES-
BUDGET AND ACTUAL (NON-GAAP)
For the Year Ended June 30, 2009

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Charges for services:			
Water sales	\$ 1,910,322	\$ 1,864,697	\$ (45,625)
Sewer sales	1,763,653	1,610,295	(153,358)
Set up fee	14,000	15,072	1,072
Penalty	55,000	87,521	32,521
Meters and connections	30,000	9,139	(20,861)
	<u>3,772,975</u>	<u>3,586,724</u>	<u>(186,251)</u>
Water and sewer taps	-	99,588	99,588
Other operating revenues:			
Miscellaneous	21,600	40,113	18,513
	<u>21,600</u>	<u>40,113</u>	<u>18,513</u>
Total other operating revenues	<u>21,600</u>	<u>40,113</u>	<u>18,513</u>
Total operating revenues	<u>3,794,575</u>	<u>3,726,425</u>	<u>(68,150)</u>
Nonoperating revenues:			
Investment earnings	82,000	15,270	(66,730)
	<u>82,000</u>	<u>15,270</u>	<u>(66,730)</u>
Total nonoperating revenues	<u>82,000</u>	<u>15,270</u>	<u>(66,730)</u>
Total revenues	<u>\$ 3,876,575</u>	<u>\$ 3,741,695</u>	<u>\$ (134,880)</u>

TOWN OF HARRISBURG, NORTH CAROLINA
WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES-
BUDGET AND ACTUAL (NON-GAAP)
For the Year Ended June 30, 2009

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures			
Water treatment and distribution and waste water collection:			
Salaries and employee benefits	\$ 1,222,828	\$ 1,214,571	\$ 8,257
Annual maintenance	6,900	1,440	5,460
Inspections	13,500	19,185	(5,685)
Maintenance and repairs	291,100	86,362	204,738
Casualty insurance/bonds	40,000	43,040	(3,040)
Credit card fees	6,000	5,433	567
Employee relations	1,000	223	777
Water purchases	738,912	1,026,675	(287,763)
Sewer treatment	557,000	689,671	(132,671)
Square one adjustment-WSACC	39,804	39,804	-
Stormwater services	66,500	38,694	27,806
Uniforms	25,000	17,075	7,925
Training	35,000	17,688	17,312
Travel	7,000	2,749	4,251
Fuel	90,000	39,260	50,740
Maintenance and repairs-vehicles	58,000	37,304	20,696
Maintenance and repairs-building and grounds	35,000	17,598	17,402
Miscellaneous	4,424	4,886	(462)
Dues and subscriptions	5,000	6,393	(1,393)
Pre-employment	2,000	371	1,629
Advertising	2,500	86	2,414
Tires	2,000	759	1,241
Department supplies	7,300	6,103	1,197
Meter services	106,000	6,091	99,909
Small tools	-	1,158	(1,158)
Pipe and fittings	-	160	(160)
Legal services	4,500	12,042	(7,542)
Chemicals	-	988	(988)
Printing	10,700	7,787	2,913
Telephone	32,150	32,539	(389)
Postage	21,100	21,065	35
Utilities-electric	52,850	44,192	8,658
Utilities-street lights	-	200	(200)
Contracted services	8,000	1,456	6,544
Professional services	\$ 73,264	\$ 145,878	\$ (72,614)

TOWN OF HARRISBURG, NORTH CAROLINA
WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES-
BUDGET AND ACTUAL (NON-GAAP)
For the Year Ended June 30, 2009

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Technology services	\$ 7,500	\$ 6,884	\$ 616
B&G-contracted services	-	875	(875)
Maintenance and repairs-fire hydrants	-	321	(321)
Maintenance and repairs-equipment	-	808	(808)
Office/building lease	-	7,039	(7,039)
Permits expense	5,000	3,780	1,220
Fines and penalties expense	-	200	(200)
Special equipment	120,000	21,187	98,813
Medical supplies	-	105	(105)
Physicals	-	475	(475)
	<u>3,697,832</u>	<u>3,630,600</u>	<u>67,232</u>
Debt service:			
Principal retirement	144,664	120,020	24,644
Interest expense	52,000	28,116	23,884
	<u>196,664</u>	<u>148,136</u>	<u>48,528</u>
Capital outlay:			
Equipment	-	86,103	(86,103)
	<u>-</u>	<u>86,103</u>	<u>(86,103)</u>
Total capital outlay	-	86,103	(86,103)
	<u>-</u>	<u>86,103</u>	<u>(86,103)</u>
Total expenditures	3,894,496	3,864,839	29,657
	<u>3,894,496</u>	<u>3,864,839</u>	<u>29,657</u>
Revenues over (under) expenditures	(17,921)	(123,144)	(105,223)
	<u>(17,921)</u>	<u>(123,144)</u>	<u>(105,223)</u>
Other financing sources (uses):			
Fund balance appropriated	17,921	-	(17,921)
	<u>17,921</u>	<u>-</u>	<u>(17,921)</u>
Total other financing sources (uses)	17,921	-	(17,921)
	<u>17,921</u>	<u>-</u>	<u>(17,921)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (123,144)</u>	<u>\$ (123,144)</u>

TOWN OF HARRISBURG, NORTH CAROLINA
WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES-
BUDGET AND ACTUAL (NON-GAAP)
For the Year Ended June 30, 2009

	Budget	Actual	Variance Positive (Negative)
Reconciliation from budgetary basis (modified accrual) to full accrual			
Revenues over (under) expenditures		\$ (123,144)	
Reconciling items			
Principal retirement		120,020	
Capital outlay		86,103	
Loss on disposal of fixed asset		(6,652)	
Change in accrued compensated absences		(32,294)	
Depreciation		(511,237)	
Total reconciling items		(344,060)	
Net income (loss)		\$ (467,204)	

TOWN OF HARRISBURG, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
June 30, 2009

Fiscal Year	Uncollected Balance June 30, 2008	Additions	Collections and Credits	Uncollected Balance June 30, 2009
2008-2009		\$ 3,291,027	\$ 3,164,636	\$ 126,391
2007-2008	\$ 62,444	-	41,498	20,946
2006-2007	44,930	-	18,598	26,332
2005-2006	13,293	-	2,669	10,624
2004-2005	4,494	-	1,554	2,940
2003-2004	5,978	-	559	5,419
2002-2003	22,252	-	392	21,860
2001-2002	215	-	37	178
2000-2001	228	-	-	228
1999-2000	915	-	263	652
1998-1999	110	-	110	-
	\$ 154,859	\$ 3,291,027	\$ 3,230,316	215,570
Plus: uncollected 2008-2009 ad valorem taxes receivable on annually registered vehicles				7,597
Less allowance for uncollectible accounts: General Fund				8,470
Ad valorem taxes receivable-net				214,697
Reconcilement with revenues:				
Ad valorem taxes - General Fund				3,244,330
Reconciling items				
Interest collected				(15,308)
Discounts allowed				-
Taxes written off				1,294
Total collections and credits				\$ 3,230,316

TOWN OF HARRISBURG, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
TOWN-WIDE LEVY
For the Year Ended June 30, 2009

	Town-wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$1,583,036,248	0.200	\$3,166,159	\$ 3,043,072	\$ 123,087
Registered motor vehicles taxed at prior year's rate	43,247,306	0.210	90,819	-	90,819
Penalties	-		5,016	5,016	-
Total	<u>1,626,283,554</u>		<u>3,261,994</u>	<u>3,048,088</u>	<u>213,906</u>
Discoveries:					
Current year taxes at current year's rate	15,640,966	0.200	31,282	11,725	19,557
Prior years			757	-	757
Penalties	-		-	-	-
Total	<u>15,640,966</u>		<u>32,039</u>	<u>11,725</u>	<u>20,314</u>
Abatements	<u>(1,712,295)</u>		<u>(3,006)</u>	-	<u>(3,006)</u>
Total property valuation	<u>\$1,640,212,225</u>				
Net levy			3,291,027	3,059,813	231,214
Uncollected taxes at June 30, 2009			<u>126,391</u>	<u>113,235</u>	<u>13,156</u>
Current year's taxes collected			<u>\$3,164,636</u>	<u>\$ 2,946,578</u>	<u>\$ 218,058</u>
Current levy collection percentage			<u>96.16%</u>	<u>96.30%</u>	<u>94.31%</u>

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Honorable Mayor and Town Council
Town of Harrisburg, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Harrisburg, North Carolina, as of and for the year ended June 30, 2009, which collectively comprises the Town of Harrisburg's basic financial statements, and have issued our report thereon dated January 29, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town's financial statements that is more than inconsequential will not be prevented or detected by the Town's internal control. We consider the following to be significant deficiencies in internal control over financial reporting:

Provide Oversight of the Preparation of Financial Statements

Management is responsible for establishing and maintaining internal controls and for the fair presentation of the financial position, results of operations, cash flows, and disclosures in the financial statements, in conformity with U.S. generally accepted accounting principles (GAAP). The Town does not have a system of internal controls that would enable management to conclude the financial statements and related disclosures are complete and presented in accordance with GAAP. As such, management requested us to prepare a draft of the financial statements, including the related footnote disclosures. The outsourcing of these services is not unusual in entities of your size and is a result of management's cost benefit decision to rely on our accounting expertise rather than incurring this internal resource cost.

Approve Journal Entries

Our review of the general journal entries revealed that many entries lack proper approval by a responsible employee. We recommend the adoption of a policy whereby all journal entries will be approved by the Town Administrator or other designated member of management. All entries should be initialed by the preparer and the individual approving them in order to attribute responsibility to the appropriate individuals. We also noted that the explanations accompanying the entries were inadequate in many instances. All journal entries should be accompanied by full explanation and by reference to adequate supporting data.

Monitoring Service Provider

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town's internal control. We believe that the following deficiencies constitute material weaknesses:

Improve Financial Records

During the course of our engagement we found numerous errors in recording and reconciling the accounting records that resulted in a large number of adjusting and audit entries. Certain receipts and disbursements were not recorded properly in the general ledger, nor were all transactions recorded on the books. This resulted in a failure to make necessary budget amendments because of incorrect account balances being compared to budgeted amounts. The importance of a good accounting system cannot be overemphasized. Without adequate financial records, management is basing its decisions on incomplete and/or inaccurate information during the year, and excessive time is spent at year end in preparing and auditing the financial statements.

Compliance and Other Matters

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

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

Sherrill & Smith, CPAs, PA

January 29, 2010