

Town of Harrisburg, North Carolina

Basic Financial Statements and Accompanying Information

For Fiscal Year Ended
June 30, 2013



Town Council Members

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

Administrative and Financial Staff

Michael Rose, Town Administrator
Lee Connor, Finance Director

Town of Harrisburg, North Carolina

Table of Contents For Fiscal Year June 30, 2013

	<u>Exhibit</u>	<u>Page(s)</u>
FINANCIAL SECTION		
Independent Auditors' Report		1-3
Management's Discussion and Analysis		4-12
Basic Financial Statements:		
Government-Wide Financial Statements:		
Statement of Net Position	A	13
Statement of Activities	B	14-15
Fund Financial Statements:		
Balance Sheet – Governmental Funds	C	16
Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Position	C	17
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds	D	18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of the Governmental Funds to the Statement of Activities	D	19
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	E	20
Statements of Net Position – Proprietary Funds	F	21
Statements of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	G	22
Statements of Cash Flows – Proprietary Funds	H	23
Notes to the Basic Financial Statements		24-47

Town of Harrisburg, North Carolina

Table of Contents For Fiscal Year June 30, 2013

	<u>Schedule</u>	<u>Page(s)</u>
FINANCIAL SECTION (CONTINUED)		
Combining and Individual Fund Financial Statements and Schedules:		
General Fund:		
Comparative Balance Sheets	1	48
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (With Comparative Actual Amounts For the Fiscal Year Ended June 30, 2012)	2	49-57
Combining Balance Sheets – Nonmajor Governmental Funds	3	58
Combining Statements of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds - For the Fiscal Year Ended June 30, 2013	4	59
Capital Projects Fund - Streets:		
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - From Inception and for the Fiscal Year Ended June 30, 2013	5	60
Capital Projects Fund – Public Safety:		
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - From Inception and for the Fiscal Year Ended June 30, 2013	6	61
Capital Reserve Fund:		
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - For the Fiscal Year Ended June 30, 2013	7	62
Enterprise Funds:		
Water and Sewer Fund:		
Comparative Statement of Net Position	8	63
Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP) (With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2012)	9	64-66
Water and Sewer Capital Projects Fund:		
Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP) – From Inception and for the Fiscal Year Ended June 30, 2013	10	67
Stormwater Fund:		
Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP) (With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2012)	11	68-69
Stormwater Capital Projects Fund:		
Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP) – From Inception and for the Fiscal Year Ended June 30, 2013	12	70

Town of Harrisburg, North Carolina

Table of Contents For Fiscal Year June 30, 2013

	<u>Schedule</u>	<u>Page(s)</u>
FINANCIAL SECTION (CONTINUED)		
Other Schedules:		
Schedule of Ad Valorem Taxes Receivable	13	71
Schedule of Current Tax Levy	14	72
COMPLIANCE SECTION:		
Report On Internal Control Over Financial Reporting and On Compliance and Other Matters Based On An Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		73-74
Report On Compliance for Each Major Federal Program; Report on Internal Control over Compliance; In Accordance with OMB Circular A-133; And the State Single Audit Implementation Act		75-77
Schedule of Findings and Questioned Costs		78-79
Summary Schedule of Prior Year Audit Findings		80
Schedule of Expenditures of Federal and State Awards		81

TOWN OF HARRISBURG, NORTH CAROLINA

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FINANCIAL SECTION

TOWN OF HARRISBURG, NORTH CAROLINA

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

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Harrisburg, North Carolina, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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, each major fund, and the aggregate remaining fund information of the Town of Harrisburg, North Carolina, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Harrisburg's basic financial statements. The combining and individual fund financial statements, budgetary schedules, supplemental ad valorem tax schedules, as well as the accompanying Schedule of Expenditures of Federal and State Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of State and Local Governments and Non-Profit Organizations* and the State Single Audit Implementation Act, 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, budgetary schedules, supplemental ad valorem tax schedules, and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements, budgetary schedules, supplemental ad valorem tax schedules, and the Schedule of Expenditures of Federal and State Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2013 on our consideration of the Town of Harrisburg's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Harrisburg's internal control over financial reporting and compliance.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, NC
August 28, 2013

TOWN OF HARRISBURG, NORTH CAROLINA

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Town of Harrisburg, North Carolina

Management's Discussion and Analysis

As management of the Town of Harrisburg (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2013. 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 and deferred outflows of resources of the Town of Harrisburg exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$26,133,393 (*net position*). Of this amount, \$8,616,708 (*unrestricted net position*) may be used to meet the Town's needs.
- The Town's total net position increased by \$3,089,872, due to increases in both the governmental and business-type activities net position.
- As of the close of the current fiscal year, the Town of Harrisburg's governmental funds reported combined ending fund balances of \$4,790,599, with a net change of \$1,649,055 in fund balance. Approximately 22 percent of this total amount, or \$1,018,950, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,156,649, or 38.88 percent, of total General Fund expenditures for the fiscal year.
- The Town of Harrisburg's total long-term outstanding liabilities increased by \$480,055 (4.53%) during the current fiscal year. The key factors in this change were a financed purchase of a significant water system and construction of water lines throughout town.

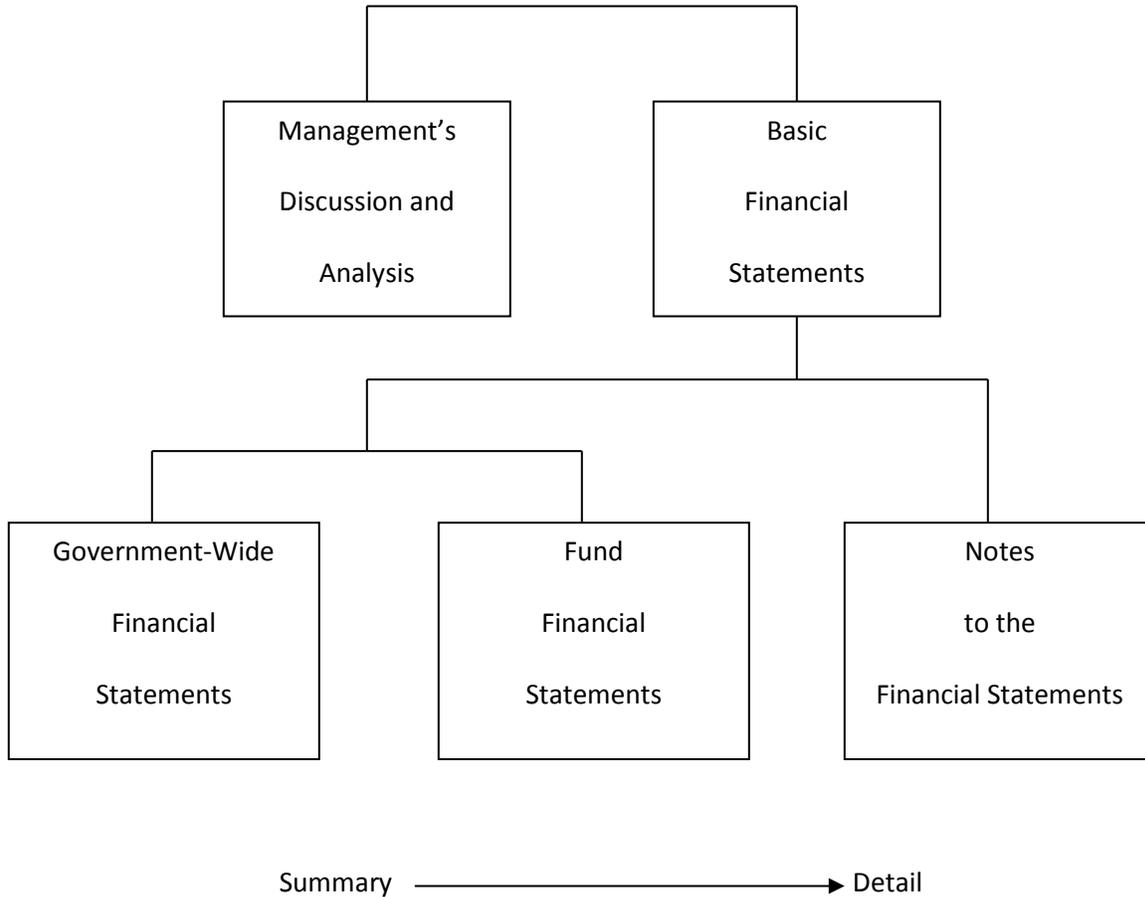
Overview of the Financial Statements

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

Town of Harrisburg, North Carolina

Management's Discussion and Analysis (continued)

Required Components of Annual Financial Report
Figure 1



Basic Financial Statements

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

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

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

Town of Harrisburg, North Carolina

Management's Discussion and Analysis (continued)

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

Town of Harrisburg, North Carolina

Management's Discussion and Analysis (continued)

Fund Financial Statements (continued)

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 24-47 of this report.

Government-Wide Financial Analysis

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

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 5,573,465	\$ 4,021,527	\$ 5,246,507	\$ 4,172,227	\$ 10,819,972	\$ 8,193,754
Capital assets	9,979,462	10,160,579	17,464,328	16,244,878	27,443,790	26,405,457
Total assets	<u>15,552,927</u>	<u>14,182,106</u>	<u>22,710,835</u>	<u>20,417,105</u>	<u>38,263,762</u>	<u>34,599,211</u>
Long-term liabilities outstanding	2,153,074	2,432,512	8,922,020	8,162,527	11,075,094	10,595,039
Other liabilities	517,159	549,867	501,292	369,107	1,018,451	918,974
Deferred inflows of resources	36,824	41,677	-	-	36,824	41,677
Total liabilities and deferred inflows of resources	<u>2,707,057</u>	<u>3,024,056</u>	<u>9,423,312</u>	<u>8,531,634</u>	<u>12,130,369</u>	<u>11,555,690</u>
Net position:						
Net investment in capital assets	8,000,282	7,951,025	8,590,717	8,139,014	16,590,999	16,090,039
Restricted	925,686	668,624	-	-	925,686	668,624
Unrestricted	3,919,902	2,538,401	4,696,806	3,746,457	8,616,708	6,284,858
Total net position	<u>\$ 12,845,870</u>	<u>\$ 11,158,050</u>	<u>\$ 13,287,523</u>	<u>\$ 11,885,471</u>	<u>\$ 26,133,393</u>	<u>\$ 23,043,521</u>

As noted earlier, net position may serve, over time, as one useful indicator of a government's financial condition. The assets and deferred outflows of resources of the Town of Harrisburg exceeded liabilities and deferred inflows of resources by \$26,133,393 as of June 30, 2013. The Town's net position increased by \$3,089,872 for the fiscal year ended June 30, 2013. However, the largest portion (64%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). 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 net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town's net position, \$925,686, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$8,616,708, may be used to meet the Town's ongoing obligations to citizens and creditors.

Town of Harrisburg, North Carolina

Management's Discussion and Analysis (continued)

Government-Wide Financial Analysis (continued)

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

- Continued diligence in the collection of property taxes by maintaining a current levy collection percentage of 98.11%, which is comparable to the statewide average of 97.42%.
- Water, sewer and stormwater operations generated additional revenue of more than \$600,000.
- Revenues based on population generated an additional \$300,000.

**The Town of Harrisburg Changes in Net Position
Figure 3**

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$ 467,458	\$ 480,218	\$ 6,451,966	\$ 5,827,381	\$ 6,919,424	\$ 6,307,599
Operating grants and contributions	2,573,925	1,435,414	-	-	2,573,925	1,435,414
General revenues:						
Property taxes	4,366,816	4,220,600	-	-	4,366,816	4,220,600
Other taxes	17,489	11,558	-	-	17,489	11,558
Grants and contributions not restricted to specific programs	1,921,293	1,590,635	-	-	1,921,293	1,590,635
Other	386,781	406,005	32,903	33,510	419,684	439,515
Total revenues	<u>9,733,762</u>	<u>8,144,430</u>	<u>6,484,869</u>	<u>5,860,891</u>	<u>16,218,631</u>	<u>14,005,321</u>
Expenses:						
General government	1,082,247	1,115,810	-	-	1,082,247	1,115,810
Planning and zoning	159,250	157,334	-	-	159,250	157,334
Public safety	4,334,123	3,266,522	-	-	4,334,123	3,266,522
Transportation	262,975	244,997	-	-	262,975	244,997
Environmental protection	940,394	728,696	-	-	940,394	728,696
Cultural and recreational	1,183,324	1,106,970	-	-	1,183,324	1,106,970
Water and sewer	-	-	4,886,085	4,752,616	4,886,085	4,752,616
Stormwater	-	-	89,504	271,276	89,504	271,276
Interest	83,629	99,443	107,228	45,557	190,857	145,000
Total expenses	<u>8,045,942</u>	<u>6,719,772</u>	<u>5,082,817</u>	<u>5,069,449</u>	<u>13,128,759</u>	<u>11,789,221</u>
Increase in net position	1,687,820	1,424,658	1,402,052	791,442	3,089,872	2,216,100
Net position, July 1	<u>11,158,050</u>	<u>9,733,392</u>	<u>11,885,471</u>	<u>11,094,029</u>	<u>23,043,521</u>	<u>20,827,421</u>
Net position, June 30	<u>\$ 12,845,870</u>	<u>\$ 11,158,050</u>	<u>\$ 13,287,523</u>	<u>\$ 11,885,471</u>	<u>\$ 26,133,393</u>	<u>\$ 23,043,521</u>

Town of Harrisburg, North Carolina

Management's Discussion and Analysis (continued)

Government-Wide Financial Analysis (continued)

Governmental Activities. Governmental activities increased the Town of Harrisburg's net position by \$1,687,820, thereby accounting for 54.63% of the total growth in the net position of the Town. Key elements of this increase are as follows:

- Tax revenues increased approximately 5%, or \$210,000.
- Sales and franchise tax increased approximately 21% or \$330,000.

Business-Type Activities. Business-type activities increased the Town of Harrisburg's net position by \$1,402,052, accounting for 45.37% of the total growth in the Town's net assets. Key elements of this increase are as follows:

- Water and sewer charges increased approximately \$430,000, due largely to the water and sewer system purchased in the prior fiscal year.
- Taps, development charges, and service connection revenue increased approximately \$240,000, due to increase in residential and commercial building.

Financial Analysis of the Town's Funds

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

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

The General Fund is the chief operating fund of the Town of Harrisburg. At the end of the current fiscal year, available fund balance in the General Fund was \$3,465,379, while total fund balance reached \$4,173,775. The Town Council of the Town of Harrisburg has determined that the Town should maintain an available fund balance of 40% of General Fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the Town. The Town currently has an available fund balance of 39.54% of General Fund expenditures, while total fund balance represents 47.63% of the same amount.

At June 30, 2013, the governmental funds of the Town of Harrisburg reported a combined fund balance of \$4,790,599, a 53% increase from last year.

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

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

Town of Harrisburg, North Carolina

Management’s Discussion and Analysis (continued)

Financial Analysis of the Town’s Funds (continued)

Proprietary Funds. The Town of Harrisburg’s proprietary funds provide the same type of information found in the government-wide statements, but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$4,176,677, and those for the Stormwater Fund amounted to \$520,129. The total change in net position for both funds was \$1,076,102 and \$325,950, respectively. Other factors concerning the finances of these funds have already been addressed in the discussion of the Town of Harrisburg’s business-type activities.

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

Capital Asset and Debt Administration

Capital Assets. The Town of Harrisburg’s investment in capital assets for its governmental and business–type activities as of June 30, 2013 totals \$27,443,790 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, water and sewer facilities, and vehicles.

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

- Purchase of vehicles and equipment.
- Construction, repair and replacement of water lines throughout Town.

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

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Construction in progress	\$ 179,454	\$ 291,620	\$ 341,031	\$ 200,658	\$ 520,485	\$ 492,278
Land	1,250,231	1,250,231	459,753	459,753	1,709,984	1,709,984
Buildings and systems	3,989,437	4,084,146	33,788	34,991	4,023,225	4,119,137
Improvements other than buildings	1,885,039	1,949,820	-	-	1,885,039	1,949,820
Water lines	-	-	11,584,939	10,489,069	11,584,939	10,489,069
Machinery and equipment	1,078,061	1,272,082	478,382	255,205	1,556,443	1,527,287
Interceptors	-	-	242,905	267,053	242,905	267,053
Collection system	-	-	4,323,530	4,538,149	4,323,530	4,538,149
Infrastructure	1,597,240	1,312,680	-	-	1,597,240	1,312,680
Total	\$ 9,979,462	\$ 10,160,579	\$ 17,464,328	\$ 16,244,878	\$ 27,443,790	\$ 26,405,457

Additional information on the Town’s capital assets can be found in note II.A on pages 33-34 of this report.

Town of Harrisburg, North Carolina

Management's Discussion and Analysis (continued)

Capital Asset and Debt Administration (continued)

Long-Term Debt. As of June 30, 2013, the Town of Harrisburg had total debt outstanding of \$10,852,791. Of this debt, \$8,873,611 is secured by the assets of the water and sewer system. However, in the event water and sewer revenues are insufficient to repay the debt, the total outstanding debt, and including the remainder of the debt (\$1,979,180), is backed by the full faith and credit of the Town.

Long-Term Obligations Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Notes payable	\$ 1,979,180	\$ 2,209,554	\$ 8,873,611	\$ 8,105,864	\$10,852,791	\$10,315,418
Total	<u>\$ 1,979,180</u>	<u>\$ 2,209,554</u>	<u>\$ 8,873,611</u>	<u>\$ 8,105,864</u>	<u>\$10,852,791</u>	<u>\$10,315,418</u>

The Town of Harrisburg's Outstanding Debt

The Town of Harrisburg's total long-term outstanding debt increased by \$537,373 (5%) during the past fiscal year, primarily due to continued principal payments and new water and sewer debt resulting from the construction of water lines throughout town.

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Harrisburg is \$128,597,000.

Additional information regarding the Town of Harrisburg's long-term debt can be found in note II.B on pages 38-44 of this report.

Economic Factors and Next Year's Budgets and Rates

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

- **New Residential Growth.** The Town is experiencing a significant increase in both actual and planned residential growth over previous years. This includes new construction in previously approved developments which had slowed during the recession, as well as new subdivisions approved and planned for construction to begin in FY2014.
- **Non-Residential Growth.** The Town is also experiencing renewed interest in non-residential development, highlighted by the construction of a new medical office building and beginning construction on a new hospital by Carolinas Medical Center. The Town has included new Economic Development strategies in the FY2014 budget to help in targeting new growth sectors and recruitment and retention of businesses.
- **Governmental Projects.** Harrisburg has several significant projects planned for FY2014, including a new fire station, road improvements, and new water and sewer lines. These improvements will create more opportunity for new development within the Town. In addition, several State and federal projects are planned, most notably the construction of a new high-speed rail line through the Town.

Town of Harrisburg, North Carolina

Management's Discussion and Analysis (continued)

Budget Highlights for the Fiscal Year Ending June 30, 2014

The Town Council adopted a balanced budget totaling \$16,040,875 for the General Fund, restricted funds, and the two enterprise funds; Water and Sewer and Stormwater. In addition, there is \$3,617,000 in projects from the Capital Projects Fund FY13-15 scheduled for this year and \$2,472,200 from the proposed Capital Projects Fund FY14-15, making the total budget impact \$22,130,075. This compares to \$22,819,500 in FY2013, equaling a 3.1% decrease from last year. The proposed budget maintains a stable tax rate of \$0.27 per \$100 valuation, with no increase to the current water and sewer rates. The FY2014 budget was prepared with the current economic conditions in mind in an effort to minimize the financial impact on the citizens and businesses of the Town of Harrisburg while still providing the high level of service that the Town has strived to accomplish in years past.

Overview:

When preparing a budget the Town is mindful of the primary goal, which is providing the services our citizens deserve through cost-effective and efficient use of taxpayer dollars. Many factors are considered when we look at operating costs, capital needs, and projected revenues. Our budget is impacted by the actions of both the federal and North Carolina State governments. Mandatory program requirements (such as Phase II Storm Water Permits) and other regulatory actions have a direct impact on the Town and its budget. New initiatives, such as an economic development plan, are also part of the budget process as we continue to strive for ways to keep Harrisburg a desirable home for its residents and businesses.

This year's budget incorporates the goals and vision of the current Council. Emphasis is on the provision of services to the citizens and businesses of Harrisburg to ensure they are receiving value for their tax dollars. Focus on core services and recreational opportunities for the citizens have been a guideline for the preparation of this document. Increased recreational opportunities for all ages, smarter and more proactive economic development efforts, and improved communication outlets are a few of the efforts that Council has incorporated into the provision of services. But these initiatives must also be met through prudent use of the tax dollars. As mentioned previously, this year's budget is based on maintaining the existing tax rate of \$0.27 per \$100 valuation. Additionally, there are no proposed increases in other fees or taxes within this budget. Of the \$16,040,875 budget, Governmental Activities makes up \$9,161,600, while Business-Type Activities comprises \$6,879,275.

The Capital Improvement Plan identifies future needs and allows the Town to plan ahead financially to ensure needs are met while providing for the best cost management. These funds are designated for a variety of needs, including but not limited to the replacement of equipment for Public Works and the Fire Department, as well as new vehicles for the Police Department and equipment for the park. There are also funds for planned road improvements in FY2014. Within the CIP for this budget, there is \$2,990,000 budgeted for Governmental Activities capital needs, \$1,970,000 for Utilities, and \$1,129,000 for Stormwater.

Requests for Information

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

TOWN OF HARRISBURG, NORTH CAROLINA

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BASIC FINANCIAL STATEMENTS

TOWN OF HARRISBURG, NORTH CAROLINA

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Town of Harrisburg, North Carolina

Statement of Net Position
June 30, 2013

	Governmental Activities	Business-Type Activities	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 4,130,420	\$ 3,755,475	\$ 7,885,895
Taxes receivables (net)	199,360	-	199,360
Privilege licenses receivable (net)	6,678	-	6,678
Accrued interest receivable on taxes	38,479	-	38,479
Accounts receivable (net)	5,369	782,857	788,226
Due from other governments	609,763	-	609,763
Prepaid expenses	93,264	14,644	107,908
Restricted cash and cash equivalents	490,132	693,531	1,183,663
Total current assets	<u>5,573,465</u>	<u>5,246,507</u>	<u>10,819,972</u>
Capital assets:			
Non-depreciable	1,429,685	800,784	2,230,469
Depreciable, net of accumulated depreciation	8,549,777	16,663,544	25,213,321
Total capital assets	<u>9,979,462</u>	<u>17,464,328</u>	<u>27,443,790</u>
Total assets	<u>15,552,927</u>	<u>22,710,835</u>	<u>38,263,762</u>
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	337,581	266,406	603,987
Payables from restricted assets			
Accounts payable and accrued liabilities	-	27,145	27,145
Performance bond deposits	179,578	-	179,578
Customer deposits	-	203,355	203,355
Refundable tap fees	-	4,386	4,386
Long-term liabilities-due within one year	480,973	870,325	1,351,298
Total current liabilities	<u>998,132</u>	<u>1,371,617</u>	<u>2,369,749</u>
Long-term liabilities:			
Long-term liabilities-due in more than one year	1,672,101	8,051,695	9,723,796
Total liabilities	<u>2,670,233</u>	<u>9,423,312</u>	<u>12,093,545</u>
Deferred inflows of resources			
Prepaid taxes	6,491	-	6,491
July 4th celebration revenue	30,333	-	30,333
Total deferred inflows of resources	<u>36,824</u>	<u>-</u>	<u>36,824</u>
Net position			
Net investment in capital assets	8,000,282	8,590,717	16,590,999
Restricted for:			
Stabilization by State statute	615,132	-	615,132
Streets	222,580	-	222,580
Public safety	87,974	-	87,974
Unrestricted	3,919,902	4,696,806	8,616,708
Total net position	<u>\$ 12,845,870</u>	<u>\$ 13,287,523</u>	<u>\$ 26,133,393</u>

See notes to financial statements.

Town of Harrisburg, North Carolina

Statement of Activities For the Fiscal Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental activities:			
General government	\$ 1,082,247	\$ -	\$ -
Planning and zoning	159,250	-	-
Public safety	4,334,123	38,537	1,982,882
Transportation	262,975	-	581,864
Environmental protection	940,394	-	9,179
Cultural and recreational	1,183,324	428,921	-
Interest on long-term debt	83,629	-	-
Total governmental activities	8,045,942	467,458	2,573,925
Business-type activities:			
Water and sewer	4,993,313	6,040,785	-
Stormwater	89,504	411,181	-
Total business-type activities	5,082,817	6,451,966	-
Total government	\$ 13,128,759	\$ 6,919,424	\$ 2,573,925

General revenues:

Taxes:

Property taxes, levied for general purpose

Other taxes and licenses

Unrestricted intergovernmental

Investment earnings

Miscellaneous

Total general revenues

Change in net position

Net position, beginning

Net position, ending

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (1,082,247)	\$ -	\$ (1,082,247)
(159,250)	-	(159,250)
(2,312,704)	-	(2,312,704)
318,889	-	318,889
(931,215)	-	(931,215)
(754,403)	-	(754,403)
(83,629)	-	(83,629)
<u>(5,004,559)</u>	<u>-</u>	<u>(5,004,559)</u>
-	1,047,472	1,047,472
-	321,677	321,677
-	<u>1,369,149</u>	<u>1,369,149</u>
<u>(5,004,559)</u>	<u>1,369,149</u>	<u>(3,635,410)</u>
4,366,816	-	4,366,816
17,489	-	17,489
1,921,293	-	1,921,293
36,961	32,903	69,864
349,820	-	349,820
<u>6,692,379</u>	<u>32,903</u>	<u>6,725,282</u>
1,687,820	1,402,052	3,089,872
<u>11,158,050</u>	<u>11,885,471</u>	<u>23,043,521</u>
<u>\$ 12,845,870</u>	<u>\$ 13,287,523</u>	<u>\$ 26,133,393</u>

Town of Harrisburg, North Carolina

Balance Sheet
Governmental Funds
June 30, 2013

	General	Nonmajor Governmental Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 3,515,420	\$ 615,000	\$ 4,130,420
Restricted cash and cash equivalents	488,308	1,824	490,132
Receivables, net:			
Property taxes	199,360	-	199,360
Privilege licenses	6,678	-	6,678
Other	5,369	-	5,369
Due from other governments	609,763	-	609,763
Prepaid items	93,264	-	93,264
	<u>4,918,162</u>	<u>616,824</u>	<u>5,534,986</u>
Total assets	<u>\$ 4,918,162</u>	<u>\$ 616,824</u>	<u>\$ 5,534,986</u>
Liabilities, deferred inflows of resources, and fund balances			
Liabilities:			
Accounts payable and accrued liabilities	\$ 321,947	\$ -	\$ 321,947
Payable from restricted assets			
Performance bonds on deposit	179,578	-	179,578
Deferred revenue	-	-	-
Unearned revenue	-	-	-
Total liabilities	<u>501,525</u>	<u>-</u>	<u>501,525</u>
Deferred inflows of resources:			
Property taxes receivable	199,360	-	199,360
Privilege licenses receivable	6,678	-	6,678
Prepaid taxes	6,491	-	6,491
July 4th celebration revenue	30,333	-	30,333
Total deferred inflows of resources	<u>242,862</u>	<u>-</u>	<u>242,862</u>
Fund balances:			
Non-spendable:			
Prepays	93,264	-	93,264
Restricted:			
Stabilization by State statute	615,132	-	615,132
Streets	220,756	1,824	222,580
Public safety	87,974	-	87,974
Committed:			
Capital Projects	-	615,000	615,000
Unassigned	3,156,649	-	3,156,649
Total fund balances	<u>4,173,775</u>	<u>616,824</u>	<u>4,790,599</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,918,162</u>	<u>\$ 616,824</u>	<u>\$ 5,534,986</u>

Town of Harrisburg, North Carolina

**Reconciliation of the Balance Sheet of the Governmental
Funds to the Statement of Net Position
June 30, 2013**

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

Ending fund balance - governmental funds	\$ 4,790,599
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	9,979,462
Other long-term assets are not available to pay for current-period expenditures and, therefore, are inflows of resources in the funds:	
Accrued interest on taxes receivable	38,479
Liabilities for earned reserves considered deferred inflows of resources in fund statements.	206,038
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Accrued interest payable	(15,634)
Compensated absences	(173,894)
Notes payable	<u>(1,979,180)</u>
Net position of governmental activities	<u>\$ 12,845,870</u>

Town of Harrisburg, North Carolina

Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2013

	General	Nonmajor Governmental Funds	Total Governmental Funds
Revenues			
Ad valorem taxes	\$ 4,429,609	\$ -	\$ 4,429,609
Other taxes and licenses	17,489	-	17,489
Unrestricted intergovernmental	1,921,293	-	1,921,293
Restricted intergovernmental	2,573,925	-	2,573,925
Permits and fees	38,537	-	38,537
Sales and services	428,921	-	428,921
Investment earnings	36,961	-	36,961
Other general revenues	349,820	-	349,820
Total revenues	<u>9,796,555</u>	<u>-</u>	<u>9,796,555</u>
Expenditures			
Current:			
General government	1,012,536	-	1,012,536
Planning and zoning	160,932	-	160,932
Public safety	4,230,010	-	4,230,010
Transportation	405,490	28,176	433,666
Environmental protection	915,631	-	915,631
Cultural and recreational	1,077,485	-	1,077,485
Debt service:			
Principal retirement	230,374	-	230,374
Interest	86,866	-	86,866
Total expenditures	<u>8,119,324</u>	<u>28,176</u>	<u>8,147,500</u>
Revenues over (under) expenditures	<u>1,677,231</u>	<u>(28,176)</u>	<u>1,649,055</u>
Other financing sources			
Transfers from other funds	-	645,000	645,000
Transfers to other funds	<u>(645,000)</u>	<u>-</u>	<u>(645,000)</u>
Total other financing sources	<u>(645,000)</u>	<u>645,000</u>	<u>-</u>
Net change in fund balance	1,032,231	616,824	1,649,055
Fund balance:			
Beginning of year	<u>3,141,544</u>	<u>-</u>	<u>3,141,544</u>
End of year	<u>\$ 4,173,775</u>	<u>\$ 616,824</u>	<u>\$ 4,790,599</u>

Town of Harrisburg, North Carolina

**Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balance of the Governmental Funds to the
Statement of Activities
For the Fiscal Year Ended June 30, 2013**

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

Net changes in fund balances - total governmental funds		\$ 1,649,055
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay expenditures	307,357	
Depreciation expense	<u>(488,474)</u>	(181,117)
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Other	(2,576)	
Change in unavailable revenue for tax revenues	<u>(60,217)</u>	(62,793)
<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 position. This amount is the net effect of those differences in the treatment of long-term debt and related items.</p>		
Debt service payments	230,374	
Compensated absences	<u>49,064</u>	279,438
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Accrued interest payable		<u>3,237</u>
Changes in net position of governmental activities		<u>\$ 1,687,820</u>

Town of Harrisburg, North Carolina

Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual - General Fund For the Fiscal Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over / (Under)
	Original	Final		
Revenues				
Ad valorem taxes	\$ 4,205,500	\$ 4,205,500	\$ 4,429,609	\$ 224,109
Other taxes and licenses	25,000	25,000	17,489	(7,511)
Unrestricted intergovernmental	1,515,000	1,712,800	1,921,293	208,493
Restricted intergovernmental	2,339,900	2,519,900	2,573,925	54,025
Permits and fees	28,000	28,000	38,537	10,537
Sales and services	531,000	531,000	428,921	(102,079)
Investment earnings	18,500	18,500	36,961	18,461
Other general revenues	296,500	296,500	349,820	53,320
Total revenues	<u>8,959,400</u>	<u>9,337,200</u>	<u>9,796,555</u>	<u>459,355</u>
Expenditures				
Current:				
General government	1,001,350	1,051,350	1,012,536	38,814
Planning and zoning	160,950	160,950	160,932	18
Public safety	4,731,450	4,731,450	4,230,010	501,440
Transportation	209,200	389,200	405,490	(16,290)
Environmental protection	776,250	926,250	915,631	10,619
Cultural and recreational	1,135,000	1,085,000	1,077,485	7,515
Debt service:				
Principal retirement	298,000	298,000	230,374	67,626
Interest	174,000	174,000	86,866	87,134
Total expenditures	<u>8,486,200</u>	<u>8,816,200</u>	<u>8,119,324</u>	<u>696,876</u>
Revenues over expenditures	<u>473,200</u>	<u>521,000</u>	<u>1,677,231</u>	<u>1,156,231</u>
Other financing sources (uses)				
Proceeds from note	470,000	470,000	-	(470,000)
Transfers to other funds	(141,000)	(941,000)	(645,000)	296,000
Contingency	(802,200)	(50,000)	-	50,000
Total other financing sources (uses)	<u>(473,200)</u>	<u>(521,000)</u>	<u>(645,000)</u>	<u>(124,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	1,032,231	<u>\$ 1,032,231</u>
Fund balance:				
Beginning of year			<u>3,141,544</u>	
End of year			<u>\$ 4,173,775</u>	

Town of Harrisburg, North Carolina

Statements of Net Position Proprietary Funds June 30, 2013

	Major Enterprise Funds		
	Water and Sewer Fund	Stormwater Fund	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 3,288,608	\$ 466,867	\$ 3,755,475
Accounts receivable (net) - customers	655,612	63,491	719,103
Accounts receivable - other	63,383	371	63,754
Prepaid expenses	14,644	-	14,644
Restricted cash and cash equivalents	693,531	-	693,531
Total current assets	<u>4,715,778</u>	<u>530,729</u>	<u>5,246,507</u>
Non-current assets:			
Capital assets:			
Non-depreciable	685,954	114,830	800,784
Depreciable, net of accumulated depreciation	16,453,891	209,653	16,663,544
Total non-current assets	<u>17,139,845</u>	<u>324,483</u>	<u>17,464,328</u>
Total assets	<u>21,855,623</u>	<u>855,212</u>	<u>22,710,835</u>
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	255,806	10,600	266,406
Long-term debt, current portion	821,916	-	821,916
Compensated absences, current portion	48,409	-	48,409
Payable from restricted assets			
Accounts payable and accrued liabilities	27,145	-	27,145
Customer deposits	203,355	-	203,355
Refundable tap fees	4,386	-	4,386
Total current liabilities	<u>1,361,017</u>	<u>10,600</u>	<u>1,371,617</u>
Non-current liabilities:			
Long-term debt, non-current portion	8,051,695	-	8,051,695
Total liabilities	<u>9,412,712</u>	<u>10,600</u>	<u>9,423,312</u>
Net position			
Net investment in capital assets	8,266,234	324,483	8,590,717
Unrestricted	4,176,677	520,129	4,696,806
Total net position	<u>\$ 12,442,911</u>	<u>\$ 844,612</u>	<u>\$ 13,287,523</u>

**Statements of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2013**

	Major Enterprise Funds		
	Water and Sewer Fund	Stormwater Fund	Total
Operating revenues			
Charges for services	\$ 5,086,017	\$ 411,181	\$ 5,497,198
Water and sewer taps	131,558	-	131,558
Water and sewer development charges	252,888	-	252,888
Service connection fees	359,054	-	359,054
Other operating revenues	211,268	-	211,268
Total operating revenues	<u>6,040,785</u>	<u>411,181</u>	<u>6,451,966</u>
Operating expenses			
Water administration and distribution	4,140,196	-	4,140,196
Stormwater operations	-	79,349	79,349
Depreciation and amortization	745,889	10,155	756,044
Total operating expenses	<u>4,886,085</u>	<u>89,504</u>	<u>4,975,589</u>
Operating income	<u>1,154,700</u>	<u>321,677</u>	<u>1,476,377</u>
Non-operating revenues (expenses)			
Investment earnings	28,630	4,273	32,903
Interest and other charges	(107,228)	-	(107,228)
Total non-operating expenses	<u>(78,598)</u>	<u>4,273</u>	<u>(74,325)</u>
Change in net position	1,076,102	325,950	1,402,052
Net position			
Beginning of year	<u>11,366,809</u>	<u>518,662</u>	<u>11,885,471</u>
End of year	<u>\$ 12,442,911</u>	<u>\$ 844,612</u>	<u>\$ 13,287,523</u>

Statements of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2013

	Major Enterprise Funds		
	Water and Sewer Fund	Stormwater Fund	Total
Cash flows from operating activities			
Cash received from customers	\$ 6,102,501	\$ 475,897	\$ 6,578,398
Cash paid for goods and services	(2,872,540)	(137,766)	(3,010,306)
Cash paid to or on behalf of employees for services	(1,070,240)	-	(1,070,240)
Customer deposits received and returned	7,416	-	7,416
Net cash provided by operating activities	<u>2,167,137</u>	<u>338,131</u>	<u>2,505,268</u>
Cash flows from capital and related financing activities			
Acquisition and construction of capital assets	(1,661,270)	(314,224)	(1,975,494)
Principal paid on long-term debt	(732,253)	-	(732,253)
Interest paid on long-term debt	(107,228)	-	(107,228)
Proceeds from debt financing	1,500,000	-	1,500,000
Net cash used by capital and related financing activities	<u>(1,000,751)</u>	<u>(314,224)</u>	<u>(1,314,975)</u>
Cash flows from investing activities			
Interest on investments	28,630	4,273	32,903
Net increase in cash and cash equivalents	1,195,016	28,180	1,223,196
Cash and cash equivalents			
Beginning of year	2,787,123	438,687	3,225,810
End of year	<u>\$ 3,982,139</u>	<u>\$ 466,867</u>	<u>\$ 4,449,006</u>
Reconciliation of operating income to net cash provided (used) by operating activities			
Operating income	\$ 1,154,700	\$ 321,677	\$ 1,476,377
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation and amortization	745,889	10,155	756,044
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable - customers	61,716	(3,930)	57,786
Increase in allowance for doubtful accounts	3,000	-	3,000
(Increase) decrease in accounts receivable - other	100,146	(371)	99,775
Increase in prepaid items	(11,645)	-	(11,645)
Increase in accounts payable and accrued liabilities	163,307	10,600	173,907
Decrease in compensated absences	(8,254)	-	(8,254)
Increase in customer deposits	7,416	-	7,416
Decrease in refundable tap fees	(49,138)	-	(49,138)
Total adjustments	<u>1,012,437</u>	<u>16,454</u>	<u>1,028,891</u>
Net cash provided by operating activities	<u>\$ 2,167,137</u>	<u>\$ 338,131</u>	<u>\$ 2,505,268</u>

See notes to financial statements.

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2013

I. Summary of Significant Accounting Policies:

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

A. Reporting Entity

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

B. Basis of Presentation

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

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

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

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

The Town reports the following major governmental fund:

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

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2013

I. Summary of Significant Accounting Policies (continued):

B. Basis of Presentation - Fund Accounting (continued)

The Town reports the following non-major governmental funds:

Capital Project Fund - Streets – This fund is used to account for the construction of the Roberta Road Sidewalk Project.

Capital Project Fund – Public Safety – This fund is used to account for the construction of Fire Station #3.

Capital Reserve Fund – This fund is established to accumulate funds to be used for future capital expenditures.

The Town reports the following major enterprise funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2013

I. Summary of Significant Accounting Policies (continued):

C. Measurement Focus and Basis of Accounting (continued)

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Cabarrus County (the "County") is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County, including the Town of Harrisburg. For motor vehicles registered under the staggered system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the Town's vehicle taxes for vehicles registered in the County from March 2012 through February 2013 apply to the fiscal year ended June 30, 2013. Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

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

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

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, Capital Reserve Fund, and the enterprise funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Capital Project Fund – Streets, Capital Project Fund – Public Safety, and the enterprise capital projects funds. The enterprise fund projects are consolidated with their respective operating fund for reporting purposes.

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2013

I. Summary of Significant Accounting Policies (continued):

D. Budgetary Data (continued)

All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the department level for all annually budgeted funds and at the project level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change departmental appropriations. The budget ordinance must be adopted by July 1 of the fiscal year, or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity

Deposits and Investments

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

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

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

Cash and Cash Equivalents

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

Restricted Assets

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

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2013

I. Summary of Significant Accounting Policies (continued):

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)

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, 2012. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

Utility Service Revenues – Unbilled Usage

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

Allowances for Doubtful Accounts

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

Prepaid items

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

Capital Assets

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

The estimated useful lives are as follows:

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

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2013

I. Summary of Significant Accounting Policies (continued):

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town does not have any items that meet this criterion. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has four items that meet the criterion for this category – prepaid taxes, property taxes receivable, privilege licenses receivable, and July 4th celebration revenue.

Long-Term Obligations

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

In the fund financial statements for governmental fund types, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Compensated Absences

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

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

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

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2013

I. Summary of Significant Accounting Policies (continued):

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)

Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

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

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

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

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

Committed for capital projects - portion of fund balance that has been budgeted by Town Council for future General Fund capital expenditures.

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

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

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2013

I. Summary of Significant Accounting Policies (continued):

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)

Net Position/Fund Balances (continued)

Fund Balances (continued)

The Town has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-Town funds, and Town funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance, and lastly, unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Town.

The Town has also adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 40% of expenditures. Any portion of the General Fund balance in excess of 40% of expenditures may be transferred to the Capital Reserve Fund for future capital expenditures.

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

Total fund balance - General Fund	\$ 4,173,775
Less:	
Prepays	93,264
Stabilization by State statute	615,132
Streets	220,756
Public safety - Firemen's Relief Fund	87,974
Remaining fund balance	<u>\$ 3,156,649</u>

F. Management Estimates

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

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2013

II. Detail Notes On All Funds:

A. Assets

Deposits

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

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

At June 30, 2013, the Town's deposits had a carrying amount of \$8,237,017 and a bank balance of \$8,290,203. Of the bank balance, \$488,866 was covered by federal depository insurance, and the remainder was covered by collateral held under the Pooling Method. At June 30, 2013, the Town's petty cash totaled \$900.

Investments

At June 30, 2013, the Town's investment balances were as follows:

<u>Investment Type</u>	<u>Fair Vaue</u>	<u>Maturity</u>	<u>Rating</u>
NC Capital Management Trust - Cash Portfolio	\$ 801,076	N/A	AAAm
MetLife Portfolio Architect Plus Annuity	<u>30,565</u>	N/A	AA-
Total	<u>\$ 831,641</u>		

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

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2013

II. Detail Notes On All Funds (continued):

A. Assets (continued)

Capital Assets

Capital asset activity for the year ended June 30, 2013 was as follows:

	<u>July 1, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2013</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,250,231	\$ -	\$ -	\$ 1,250,231
Construction in progress	291,620	28,176	140,342	179,454
Total capital assets not being depreciated	1,541,851	28,176	140,342	1,429,685
Capital assets being depreciated:				
Buildings	4,721,470	-	-	4,721,470
Other improvements	2,418,820	-	-	2,418,820
Equipment	3,079,123	103,216	66,443	3,115,896
Infrastructure	1,429,316	316,307	-	1,745,623
Total capital assets being depreciated	11,648,729	419,523	66,443	12,001,809
Less accumulated depreciation for:				
Buildings	637,324	94,709	-	732,033
Other improvements	469,000	64,781	-	533,781
Equipment	1,807,041	297,237	66,443	2,037,835
Infrastructure	116,636	31,747	-	148,383
Total accumulated depreciation	3,030,001	\$ 488,474	\$ 66,443	3,452,032
Total capital assets being depreciated, net	8,618,728			8,549,777
Governmental activity capital assets, net	\$ 10,160,579			\$ 9,979,462

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

General government	\$ 57,299
Public safety	282,335
Transportation	33,450
Environmental protection	17,938
Cultural and recreational	97,452
Total	\$ 488,474

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2013

II. Detail Notes On All Funds (continued):

A. Assets (continued)

Capital Assets (continued)

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

	<u>July 1, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2013</u>
Business-type activities:				
<i>Stormwater Fund:</i>				
Capital assets not being depreciated:				
Construction in progress	\$ -	\$ 114,830	\$ -	\$ 114,830
Total capital assets not being depreciated	-	114,830	-	114,830
Capital assets being depreciated:				
Equipment	21,059	199,394	-	220,453
Total capital assets being depreciated	21,059	199,394	-	220,453
Less accumulated depreciation for:				
Equipment	645	10,155	-	10,800
Total accumulated depreciation	645	\$ 10,155	\$ -	10,800
Total capital assets being depreciated, net	20,414			209,653
Stormwater fund capital assets, net	\$ 20,414			\$ 324,483

	<u>July 1, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2013</u>
Business-type activities:				
<i>Water and Sewer Fund</i>				
Capital assets not being depreciated:				
Land and rights of way	\$ 459,753	\$ -	\$ -	\$ 459,753
Construction in progress	200,658	1,559,103	1,533,560	226,201
Total capital assets not being depreciated	660,411	1,559,103	1,533,560	685,954
Capital assets being depreciated:				
Buildings	60,187	-	-	60,187
Water lines	13,192,645	1,533,560	-	14,726,205
Equipment	1,199,040	102,167	-	1,301,207
Interceptors	724,436	-	-	724,436
Collection system	6,797,776	-	-	6,797,776
Total capital assets being depreciated	21,974,084	1,635,727	-	23,609,811
Less accumulated depreciation for:				
Buildings	25,196	1,203	-	26,399
Water lines	2,703,576	437,690	-	3,141,266
Equipment	964,249	68,229	-	1,032,478
Interceptors	457,383	24,148	-	481,531
Collection system	2,259,627	214,619	-	2,474,246
Total accumulated depreciation	6,410,031	\$ 745,889	\$ -	7,155,920
Total capital assets being depreciated, net	15,564,053			16,453,891
Water and sewer fund capital assets, net	16,224,464			17,139,845
Business-type activities capital assets, net	<u>\$ 16,244,878</u>			<u>\$ 17,464,328</u>

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2013

II. Detail Notes On All Funds (continued):

A. Assets (continued)

Net Investment in Capital Assets

	Governmental Activities	Business-Type Activities
Capital assets, net of accumulated depreciation	\$ 9,979,462	\$ 17,464,328
Less:		
Capital debt	(1,979,180)	(8,873,611)
Net investment in capital assets	\$ 8,000,282	\$ 8,590,717

Receivables - Allowances for Doubtful Accounts

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

	June 30, 2013
General Fund:	
Taxes receivable	\$ 10,493
Enterprise Fund:	
Accounts receivable	8,000
Total	\$ 18,493

B. Liabilities

Accounts Payable and Accrued Items

Payables at the government-wide level at June 30, 2013 were as follows:

	Vendors	Other	Total
Governmental activities:			
General Fund	\$ 226,415	\$ 111,166	\$ 337,581
Total governmental activities	\$ 226,415	\$ 111,166	\$ 337,581
Business-type activities			
Water and Sewer Fund	\$ 246,834	\$ 36,117	\$ 282,951
Stormwater Fund	10,600	-	10,600
Total business-type activities	\$ 257,434	\$ 36,117	\$ 293,551

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2013

II. Detail Notes On All Funds (continued):

B. Liabilities (continued)

Pension Plan Obligations

Local Governmental Employees' Retirement System

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

Funding Policy. Plan members are required to contribute six percent of their annual covered salary. The Town is required to contribute at an actuarially determined rate. For the Town, the current rate for employees not engaged in law enforcement is 6.74%, of annual covered payroll. The contribution requirements of members and of the Town are established and may be amended by the North Carolina General Assembly. The Town's contributions to LGERS for the years ended June 30, 2013, 2012, and 2011 were \$200,340, \$240,389, and \$217,209, respectively. The contributions made by the Town equaled the required contributions for each year.

Firemen's and Rescue Squad Workers' Pension Fund

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

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

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2013

II. Detail Notes On All Funds (continued):

B. Liabilities (continued)

Deferred Outflows and Inflows of Resources

Deferred inflows of resources at year-end are comprised of the following:

	Unavailable Revenue	Unearned Revenue
General Fund		
Taxes receivable, less penalties	\$ 199,360	\$ -
Privilege licenses receivable	6,678	-
Prepaid taxes	-	6,491
July 4th celebration revenue	-	30,333
Total	\$ 206,038	\$ 36,824

Risk Management

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

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

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

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

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2013

II. Detail Notes On All Funds (continued):

B. Liabilities (continued)

Claims and Judgments

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

Operating Leases

The Town leases certain office equipment, temporary buildings, and a park under operating leases. Lease expenditures for these and other rental agreements during the year ended June 30, 2013 totaled \$55,655.

Future minimum lease payments are as follows:

Year Ending June 30	Governmental Activities	Business-Type Activities
2014	\$ 14,426	\$ 14,014
2015	4,214	8,074
2016	3,490	8,074
2017	3,490	4,144
2018	2,909	1,850
2019-2023	5	-
2024-2028	5	-
2029-2033	5	-
2034-2036	3	-
Total	\$ 28,547	\$ 36,156

Long-Term Obligations

Installment loans

Serviced by General Fund:

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

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2013

II. Detail Notes On All Funds (continued):

B. Liabilities (continued)

Long-Term Obligations (continued)

Installment loans (continued)

The future minimum payments of the installment purchase as of June 30, 2013 are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$ 24,162	\$ 9,955
2015	25,398	8,719
2016	26,698	7,420
2017	28,063	6,054
2018	29,499	4,619
2019-2021	67,266	4,776
Total	<u>\$ 201,086</u>	<u>\$ 41,543</u>

As part of the merger of the Harrisburg Volunteer Fire Department on July 1, 2006, the Town assumed debt related to the fire department’s earlier purchase of a Spartan Gladiator Chassis. The note is collateralized by the chassis. Monthly payments of \$3,580 are due through May 2015, with the remaining balance due June 29, 2015. The interest rate on the loan is 3.75%. In May 2013, this loan was consolidated with similar fire equipment loans outstanding.

As part of the merger of the Harrisburg Volunteer Fire Department on July 1, 2006, the Town assumed debt related to the fire department’s earlier purchase of a Spartan Gladiator Chassis. The note is collateralized by the chassis. Monthly payments of \$2,360 are due through September 2015, with the remaining balance due October 19, 2015. The interest rate on the loan is 3.95%. In May 2013, this loan was consolidated with similar fire equipment loans outstanding.

As part of the merger of the Harrisburg Volunteer Fire Department on July 1, 2006, the Town assumed debt related to the fire department’s earlier purchase of a fire truck. The note is collateralized by the Laverne truck. Monthly payments of \$2,202 are due through August 11, 2016. The interest rate on the loan is 3.50%. In May 2013, this loan was consolidated with similar fire equipment loans outstanding.

In April 2008, the Town borrowed \$552,373 from a local financial institution to purchase a rescue truck for the fire department. The terms of the loan state that interest will accrue at the rate of 4.50% per annum. Principal and interest payments of \$5,742 are payable monthly, beginning May 2008 and continuing through April 21, 2018. The debt is secured by the rescue truck. In May 2013, this loan was consolidated with similar fire equipment loans outstanding.

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2013

II. Detail Notes On All Funds (continued):

B. Liabilities (continued)

Long-Term Obligations (continued)

Installment loans (continued)

In May 2013, the Town consolidated four fire vehicle loans with a combined balance of \$835,759 with a local financial institution. These vehicles include a rescue truck, Laverne truck, and two Spartan trucks. The terms of the loan state that interest will accrue at a rate of 1.48% per annum. Principal and interest payments of \$14,460 are payable monthly, beginning June 2013 and continuing through May 2018. The debt is secured by the aforementioned vehicles.

The future minimum payments of the installment purchase as of June 30, 2013 are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$ 162,444	\$ 11,072
2015	164,865	8,651
2016	167,321	6,194
2017	169,815	3,701
2018	157,885	1,171
Total	<u>\$ 822,330</u>	<u>\$ 30,789</u>

As part of the merger of the Harrisburg Volunteer Fire Department on July 1, 2006, the Town assumed debt evidenced by a promissory note. The note was refinanced in May 2013 with a local financial institution. The terms of the loan state that interest will accrue at a rate of 1.61% per annum. Principal and interest payments of \$4,519 are payable monthly, beginning June 2013 and continuing through May 2018. The debt is secured by land.

The future minimum payments of the installment purchase as of June 30, 2013 are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$ 50,473	\$ 3,753
2015	51,291	2,934
2016	52,123	2,102
2017	52,969	1,257
2018	49,308	398
Total	<u>\$ 256,164</u>	<u>\$ 10,444</u>

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2013

II. Detail Notes On All Funds (continued):

B. Liabilities (continued)

Long-Term Obligations (continued)

Installment loans (continued)

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

The future minimum payments of the installment purchase as of June 30, 2013 are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2014	\$ 70,000	\$ 29,211
2015	70,000	26,215
2016	70,000	23,219
2017	70,000	20,223
2018	70,000	17,227
2019-2023	349,600	38,948
Total	\$ 699,600	\$ 155,043

Serviced by the Water and Sewer Fund:

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

The future minimum payments of the installment purchase as of June 30, 2013 are as follows:

Year Ending June 30	Business-Type Activities	
	Principal	Interest
2014	\$ 136,794	\$ 1,084

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2013

II. Detail Notes On All Funds (continued):

B. Liabilities (continued)

Long-Term Obligations (continued)

Installment loans (continued)

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

The future minimum payments of the installment purchase as of June 30, 2013 are as follows:

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

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

The future minimum payments of the installment purchase as of June 30, 2013 are as follows:

Year Ending June 30	Business-Type Activities	
	Principal	Interest
2014	\$ 495,444	\$ -
2015	495,444	-
2016	495,444	-
2017	495,444	-
2018	495,444	-
2019-2023	2,477,220	-
2024	495,444	-
Total	\$ 5,449,884	\$ -

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2013

II. Detail Notes On All Funds (continued):

B. Liabilities (continued)

Long-Term Obligation (continued)

Installment loans (continued)

In March 2012, the Town borrowed \$1,900,000 from a local financial institution to finance construction of two water wells. The terms of the loan state that interest will accrue at the rate of 3.99% per annum. Principal and interest payments of \$11,866 are payable monthly, through March 2, 2031. The debt is secured by certain property and improvements. In July 2013, the loan terms were modified by the financial institution. The new terms state that interest will accrue at a rate of 2.90% per annum. Principal and interest payments of \$12,374 are payable monthly, through August 2, 2028.

The future minimum payments of the installment purchase as of June 30, 2013 are as follows:

Year Ending June 30	Business-Type Activities	
	Principal	Interest
2014	\$ 79,983	\$ 55,766
2015	99,800	48,687
2016	102,733	45,754
2017	105,752	42,735
2018	108,860	39,627
2019-2023	594,213	148,225
2024-2028	686,815	55,625
2029-2031	26,201	97
Total	\$ 1,804,357	\$ 436,516

In October 2012, the Town borrowed \$1,500,000 from a local financial institution to finance the extension and replacement of water lines in town. The terms of the loan state that interest will accrue at the rate of 3.15% per annum. Principal payments in the amount of \$8,475 plus applicable interest payments are payable monthly, through December 31, 2027. The debt is secured by certain property and improvements.

The future minimum payments of the installment purchase as of June 30, 2013 are as follows:

Year Ending June 30	Business-Type Activities	
	Principal	Interest
2014	\$ 101,695	\$ 44,981
2015	101,695	41,778
2016	101,695	38,574
2017	101,695	35,371
2018	101,695	32,167
2019-2023	508,475	112,786
2024-2028	457,626	33,035
Total	\$ 1,474,576	\$ 338,692

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2013

II. Detail Notes On All Funds (continued):

B. Liabilities (continued)

Long-Term Obligation (continued)

Installment loans (continued)

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

Fiscal Year	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2014	\$ 307,079	\$ 53,991	\$ 821,916	\$ 101,831
2015	311,554	46,519	696,939	90,465
2016	316,142	38,935	699,872	84,328
2017	320,846	31,235	702,891	78,106
2018	306,693	23,415	705,999	71,794
2019-2023	416,866	43,724	3,579,908	261,011
2024-2028	-	-	1,639,885	88,660
2029-2031	-	-	26,201	97
Total	<u>\$ 1,979,180</u>	<u>\$ 237,819</u>	<u>\$ 8,873,611</u>	<u>\$ 776,292</u>

The Town's legal debt margin at June 30, 2013 is \$128,597,000.

Changes in Long-Term Liabilities:

	July 1, 2012	Additions	Retirements	June 30, 2013	Current Portion of Balance
Governmental activities:					
Notes payable	\$ 2,209,554	\$ -	\$ 230,374	\$ 1,979,180	\$ 307,079
Compensated absences	222,958	180,652	229,716	173,894	173,894
Total	<u>2,432,512</u>	<u>180,652</u>	<u>460,090</u>	<u>2,153,074</u>	<u>480,973</u>
Business-type activities:					
Notes payable	8,105,864	1,500,000	732,253	8,873,611	821,916
Compensated absences	56,663	18,956	27,210	48,409	48,409
Total	<u>8,162,527</u>	<u>1,518,956</u>	<u>759,463</u>	<u>8,922,020</u>	<u>870,325</u>
Total	<u>\$ 10,595,039</u>	<u>\$ 1,699,608</u>	<u>\$ 1,219,553</u>	<u>\$ 11,075,094</u>	<u>\$ 1,351,298</u>

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2013

II. Detail Notes On All Funds (continued):

C. Interfund Balances and Activity

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.

Transfers to/from other funds at June 30, 2013, consist of the following:

From the General Fund to the Capital Project Fund – Streets	\$ 30,000
From the General Fund to the Capital Reserve Fund	615,000
From the Water and Sewer Fund to the Water and Sewer Capital Project Fund – Huntwick	500,000
From the Stormwater Fund to the Stormwater Capital Project Fund	<u>100,000</u>
Total	<u>\$ 1,245,000</u>

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 Payments for Fringe Benefits and Salaries

For the fiscal year ended June 30, 2013, the Town has recognized on-behalf payments for pension contributions made by the State as revenue and an expenditure of \$1,107 for three volunteer and employed firemen who perform firefighting duties for the Town's fire department. The volunteers and employees elected to be members of the Firemen and Rescue Squad Worker's Pension Fund, a cost-sharing, multiple-employer public employee retirement system, established and administered by the State of North Carolina. The plan is funded by a \$10 monthly contribution paid by each member, investment income, and a State appropriation.

III. Summary Disclosure of Significant Contingencies:

Federal and State-Assisted Programs

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

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2013

IV. Charges for Services - Water and Sewer Fund:

The Water and Sewer Fund had charges of \$5,086,017 for the year ended June 30, 2013, with charges to one customer of \$125,571, or 2.5% of total charges.

V. Significant Dependence:

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

VI. Jointly Governed Organizations:

The Town, 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, 2013, the Town purchased sewer transportation services amounting to \$788,175 from WSACC. At June 30, 2013, there was no amount due to WSACC which would need to be reflected in accounts payable of the Water and Sewer Fund.

VII. Joint Ventures:

The Town and the members of the Town's fire department each appoint two members to the five-member local Board of Trustees for the Firemen's Relief Fund. The State Insurance Commissioner appoints one additional member to the local Board of Trustees. The Firemen's Relief Fund is funded by a portion of the fire and lightning insurance premiums that insurers remit to the State. The State passes these monies to the local Board of the Firemen's Relief Fund. The funds are used to assist firefighters in various ways. During the fiscal year ended June 30, 2013, the Town reported revenues of \$13,397 and expenditures for the payments of \$5,870 made through the Firemen's Relief Fund. The participating governments do not have any equity interest in the joint venture, so no equity has been reflected in the financial statements at June 30, 2013. The Firemen's Relief Fund does not issue separate audited financial statements. Instead, the local Board of Trustees files an annual financial report with the State Firemen's Association. This report can be obtained from the Association at 323 West Jones Street, Suite 401, Raleigh, North Carolina 27603.

VIII. Subsequent Events:

In July 2013, the Town took effective control over Harrisburg Youth Association (HYA), a 501(c)(3) nonprofit organization, which originally ran the Town's athletics programs. In 2006, the Town began providing the athletics programs directly through the Town's Parks & Recreation Department. Since that time, HYA has been predominantly a booster and fundraising organization. HYA's Board voted to turn the organization over to the Town and elected Town employees as the new Board. The financial activity of HYA will be included as a component unit of the Town in future financial statements.

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2013

IX. Change in Accounting Principles/Restatement:

The Town implemented Governmental Accounting Standards Board (GASB) Statement 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position, and Statement 65, Items Previously Reported as Assets and Liabilities, in the fiscal year ending June 30, 2013. In accordance with GASB Statement 63, the Statement of Net Assets has been replaced with the Statement of Net Position. Items on the Statement of Net Position are now classified into Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position. Additionally, GASB Statement 65 requires that deferred costs from the refunding of debt, which were previously deferred and amortized, be presented as deferred outflows of resources.

TOWN OF HARRISBURG, NORTH CAROLINA

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INDIVIDUAL
FUND FINANCIAL STATEMENTS AND SCHEDULES

TOWN OF HARRISBURG, NORTH CAROLINA

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Town of Harrisburg, North Carolina

General Fund
Comparative Balance Sheets
June 30, 2013 and 2012

	<u>June 30,</u> <u>2013</u>	<u>June 30,</u> <u>2012</u>
Assets		
Cash and cash equivalents	\$ 3,515,420	\$ 2,750,451
Restricted cash and cash equivalents	488,308	396,707
Receivables - net:		
Property taxes	199,360	266,256
Privilege licenses	6,678	-
Other	5,369	-
Due from government agencies	609,763	460,444
Prepaid items	93,264	106,614
Total assets	<u>\$ 4,918,162</u>	<u>\$ 3,980,472</u>
 Liabilities, deferred inflows of resources and fund balance		
Liabilities:		
Accounts payable and accrued liabilities	\$ 321,947	\$ 342,468
Payable from restricted assets		
Performance bonds on deposit	<u>179,578</u>	<u>188,528</u>
Total liabilities	<u>501,525</u>	<u>530,996</u>
 Deferred inflows of resources:		
Property taxes receivable	199,360	266,255
Privilege licenses receivable	6,678	-
Prepaid taxes	6,491	3,207
July 4th celebration revenue	30,333	38,470
Total deferred inflows of resources	<u>242,862</u>	<u>307,932</u>
 Fund balance:		
Non-spendable:		
Prepays	93,264	106,614
Restricted:		
Stabilization by State statute	615,132	460,445
Streets	220,756	123,771
Public safety	87,974	84,408
Unassigned	<u>3,156,649</u>	<u>2,366,306</u>
Total fund balance	<u>4,173,775</u>	<u>3,141,544</u>
 Total liabilities, deferred inflows of resources and fund balance	 <u>\$ 4,918,162</u>	 <u>\$ 3,980,472</u>

Town of Harrisburg, North Carolina

General Fund
Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2013
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2012)

	2013			2012
	Budget	Actual	Variance Over/(Under)	Actual
Revenues:				
Ad valorem taxes:				
Current year	\$ 4,165,500	\$ 4,318,079	\$ 152,579	\$ 4,090,632
Prior years	25,000	82,335	57,335	92,628
Penalties and interest	15,000	29,195	14,195	35,353
Total	<u>4,205,500</u>	<u>4,429,609</u>	<u>224,109</u>	<u>4,218,613</u>
Other taxes and licenses:				
Privilege licenses	25,000	17,489	(7,511)	11,558
Unrestricted intergovernmental:				
Local option sales tax	1,107,800	1,237,261	129,461	945,185
Utility franchise tax	575,000	631,287	56,287	589,857
Beer and wine tax	30,000	52,745	22,745	55,593
Total	<u>1,712,800</u>	<u>1,921,293</u>	<u>208,493</u>	<u>1,590,635</u>
Restricted intergovernmental:				
Powell Bill allocation	335,000	356,391	21,391	337,669
Sidewalk grant	180,000	225,473	45,473	-
Fire taxes	765,000	755,890	(9,110)	638,516
Fire grants	1,228,900	1,225,885	(3,015)	204,825
On-behalf payments - fire	1,000	1,107	107	1,146
Solid waste disposal	10,000	9,179	(821)	1,008
Total	<u>2,519,900</u>	<u>2,573,925</u>	<u>54,025</u>	<u>1,183,164</u>
Permits and fees:				
Compliance permits	15,000	32,597	17,597	32,156
Vision Cable franchise fee	11,000	-	(11,000)	8,457
Inspection fees and fines	2,000	5,940	3,940	100
Total	<u>28,000</u>	<u>38,537</u>	<u>10,537</u>	<u>40,713</u>
Sales and services:				
Parks and recreation shelter rental	5,000	4,660	(340)	4,401
Parks and recreation athletics	435,500	394,355	(41,145)	426,853
Recreation program fees	25,000	14,864	(10,136)	8,251
Sale of surplus property	65,500	15,042	(50,458)	2,198
Total	<u>531,000</u>	<u>428,921</u>	<u>(102,079)</u>	<u>441,703</u>

Town of Harrisburg, North Carolina

General Fund
Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2013
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2012)

	2013			2012
	Budget	Actual	Variance Over/(Under)	Actual
Revenues (continued):				
Investment earnings	18,500	36,961	18,461	30,661
Other general revenues:				
Traffic review	-	-	-	2,427
July 4th celebration	75,000	67,477	(7,523)	70,271
Municipal complex rental	5,000	4,679	(321)	2,725
Parks and recreation - field rentals	1,000	-	(1,000)	215
Parks and recreation - concessions	11,000	3,753	(7,247)	9,866
Parks and recreation - special events	3,000	5,106	2,106	1,060
Council chamber rental	3,000	3,825	825	2,125
Donations	-	-	-	35
Fire department miscellaneous	5,200	18,277	13,077	6,752
Cabarrus County - EMS facilities at Station 2 reimbursement	10,800	9,900	(900)	10,800
Cabarrus County - EMS Decontamination trailer reimbursement	5,000	5,000	-	5,000
Administrative charges	175,000	190,000	15,000	238,686
Miscellaneous	2,500	41,803	39,303	23,184
Total	296,500	349,820	53,320	373,146
Total revenues	9,337,200	9,796,555	459,355	7,890,193
Expenditures:				
General government:				
Mayor and Council:				
Salaries	42,000	40,913	1,087	43,170
Employee benefits	3,500	3,123	377	3,234
Contracted services	4,500	4,950	(450)	-
Special projects	9,600	5,187	4,413	30,312
Total	59,600	54,173	5,427	76,716
Administration and finance:				
Salaries	410,000	408,318	1,682	385,816
Employee benefits	117,000	111,680	5,320	138,273
Annual maintenance	-	-	-	1,040
Workers' compensation	6,500	7,007	(507)	762
Insurance and bonds	7,000	5,096	1,904	13,840
Traffic review	-	-	-	2,861
Employee relations	7,000	7,126	(126)	1,305

Town of Harrisburg, North Carolina

General Fund

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

For the Fiscal Year Ended June 30, 2013

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2012)

	2013			2012
	Budget	Actual	Variance Over/(Under)	Actual
Expenditures (continued):				
General government (continued):				
Administration and finance (continued):				
Uniforms	-	-	-	3,684
Training	4,500	3,647	853	4,549
Travel	1,200	475	725	150
Fuel	250	176	74	18,596
Maintenance and repairs - buildings	5,000	5,762	(762)	11,669
Maintenance and repairs - vehicles	200	131	69	10,788
Miscellaneous	100	394	(294)	83
Dues and subscriptions	6,500	8,112	(1,612)	3,347
Pre-employment	1,000	207	793	527
Advertising	3,500	2,215	1,285	3,286
Tires	-	-	-	3,999
Department supplies	5,500	10,925	(5,425)	5,186
Small tools	-	23	(23)	-
Legal services	50,000	30,910	19,090	65,837
Printing	6,500	5,233	1,267	2,797
Telephone	20,000	20,940	(940)	27,377
Postage	7,000	6,271	729	6,432
Utilities - electric	35,000	28,825	6,175	34,122
Utilities - street lights	125,000	130,201	(5,201)	124,924
Contracted services	-	-	-	571
Professional services	25,000	37,798	(12,798)	45,446
Technology services	20,000	26,027	(6,027)	21,283
Buildings and grounds contracted services	25,000	21,772	3,228	18,374
Maintenance and repair - equipment	1,000	-	1,000	672
Shipping and handling	1,000	890	110	1,005
Copier lease	13,000	8,107	4,893	13,750
Computer lease	2,500	657	1,843	-
Total	906,250	888,925	17,325	972,351

Town of Harrisburg, North Carolina

General Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2013
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2012)

	2013		Variance Over\ (Under)	2012
	Budget	Actual		Actual
Expenditures (continued):				
General government (continued):				
Public relations:				
Contributions	-	79	(79)	425
EDC	34,000	19,780	14,220	6,716
Employee relations	1,500	1,204	296	1,041
Incentive grants	50,000	48,354	1,646	-
Technology services	-	21	(21)	605
Total	<u>85,500</u>	<u>69,438</u>	<u>16,062</u>	<u>8,787</u>
Total general government	<u>1,051,350</u>	<u>1,012,536</u>	<u>38,814</u>	<u>1,057,854</u>
Planning and zoning:				
Salaries	102,000	103,046	(1,046)	99,661
Employee benefits	31,000	30,356	644	33,946
Insurance and bonds	2,300	719	1,581	1,507
Training	1,100	605	495	211
Travel	1,000	55	945	644
Fuel	3,500	2,270	1,230	3,308
Maintenance and repair - vehicles	300	245	55	276
Dues and subscriptions	800	596	204	514
Pre-employment	150	-	150	105
Advertising	2,000	1,267	733	1,533
Tires	-	560	(560)	-
Supplies	2,000	1,829	171	1,081
Small tools	-	346	(346)	-
Legal services	7,500	12,343	(4,843)	6,600
Telephone	1,800	1,847	(47)	2,092
Postage	800	-	800	-
Uniforms	150	126	24	-
Professional services	300	418	(118)	509
Technology services	4,200	3,238	962	3,439
Shipping and handling	50	48	2	-
Computer lease	-	588	(588)	-
Maintenance and repairs - grounds	-	430	(430)	-
Total planning and zoning	<u>160,950</u>	<u>160,932</u>	<u>18</u>	<u>155,426</u>

Town of Harrisburg, North Carolina

General Fund
Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2013
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2012)

	2013			2012
	Budget	Actual	Variance Over/(Under)	Actual
Expenditures (continued):				
Public safety:				
Police:				
County contract - deputy salaries	650,000	632,582	17,418	586,272
Insurance and bonds	5,000	3,605	1,395	-
Fuel	30,000	33,918	(3,918)	38,528
Maintenance and repairs - vehicles	18,000	19,099	(1,099)	18,294
Maintenance and repairs - grounds	-	3,434	(3,434)	20
Vehicle replacement	66,000	65,705	295	29,811
Supplies	4,000	3,395	605	1,595
Telephone	1,000	1,244	(244)	1,031
Utilities	-	-	-	76
Shipping and handling	1,000	368	632	417
Technology services	11,800	4,928	6,872	2,396
Copier Lease	-	-	-	18
Computer lease	-	598	(598)	-
Special programs	-	581	(581)	300
Special equipment	14,550	14,953	(403)	8,495
Total	801,350	784,410	16,940	687,253
Fire:				
Salaries	1,341,000	1,337,072	3,928	1,294,262
Employee benefits	387,000	381,915	5,085	439,071
Workers compensation	43,000	52,645	(9,645)	41,225
Insurance and bonds	34,000	26,656	7,344	41,137
Security	500	-	500	-
Uniforms	25,000	14,107	10,893	5,622
Training	10,500	11,144	(644)	8,329
Travel	4,500	1,259	3,241	650
Fuel	32,000	31,017	983	29,139
Maintenance and repair - vehicles	35,000	50,917	(15,917)	42,351
Maintenance and repair - grounds	38,000	44,766	(6,766)	29,318
Miscellaneous	500	456	44	705
Dues and subscriptions	3,000	5,893	(2,893)	5,049
Pre-employment	1,500	1,463	37	17,732
Public education	2,000	2,145	(145)	1,278
Vehicle replacement	530,000	58,922	471,078	-
Advertising	500	226	274	-
Tires	4,000	2,238	1,762	3,848
Supplies	1,000	3,006	(2,006)	1,551
Legal services	2,500	8,950	(6,450)	5,426
Chemicals	1,000	-	1,000	-
Printing	1,000	2,340	(1,340)	726

Town of Harrisburg, North Carolina

General Fund

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

For the Fiscal Year Ended June 30, 2013

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2012)

	2013			2012
	Budget	Actual	Variance Over/(Under)	Actual
Expenditures (continued):				
Public Safety (continued):				
Fire (continued):				
Telephone	22,500	13,231	9,269	24,793
Postage	300	-	300	55
Utilities - electric	26,000	33,293	(7,293)	24,441
Utilities - water	500	2,037	(1,537)	791
Professional services	24,500	21,711	2,789	7,457
Technology services	3,500	6,149	(2,649)	10,694
Maintenance and repairs - signage	150	-	150	124
Maintenance and repairs - fire hydrants	750	-	750	-
Maintenance and repairs - equipment	16,050	27,530	(11,480)	16,341
Shipping and handling	1,600	1,602	(2)	1,512
Copier lease	2,400	2,092	308	2,648
Computer lease	5,200	3,029	2,171	-
Special equipment	1,267,350	1,272,340	(4,990)	207,168
Medical supplies	3,500	5,765	(2,265)	5,063
Physicals	20,000	18,577	1,423	2,535
Reserves	37,300	-	37,300	-
On-behalf of payments	1,000	1,107	(107)	1,146
Total	3,930,100	3,445,600	484,500	2,272,187
Total public safety	4,731,450	4,230,010	501,440	2,959,440
Transportation:				
Streets and highways:				
Small tools	200	214	(14)	345
Chemicals	1,000	358	642	1,208
Contracted services	200,000	205,091	(5,091)	189,329
Professional services	-	-	-	6,822
Street maintenance and repair	5,000	10,660	(5,660)	2,596
Signs	3,000	5,695	(2,695)	1,604
Equipment rental	-	7,507	(7,507)	-
Special equipment	-	-	-	19,272
Capital outlay	180,000	175,965	4,035	133,136
Total transportation	389,200	405,490	(16,290)	354,312
Environmental protection:				
Sanitation:				
Sanitation services	710,000	686,404	23,596	710,757

Town of Harrisburg, North Carolina

General Fund

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

For the Fiscal Year Ended June 30, 2013

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2012)

	2013			2012
	Budget	Actual	Variance Over/(Under)	Actual
Expenditures (continued):				
Environmental protection (continued):				
Public works:				
Salaries	127,000	132,879	(5,879)	-
Employee benefits	41,700	42,645	(945)	-
Workers' compensation	8,600	6,763	1,837	-
Employee relations	100	-	100	-
Uniforms	4,500	3,652	848	-
Training	50	-	50	-
Travel	50	-	50	-
Fuel	15,600	19,839	(4,239)	-
Maintenance and repair - vehicles	13,000	13,306	(306)	-
Maintenance and repair - equipment	1,000	709	291	-
Pre-employment	500	165	335	-
Tires	3,500	3,176	324	-
Professional services	-	625	(625)	-
Computer lease	500	-	500	-
Physicals	150	100	50	-
Capital outlay	-	5,368	(5,368)	-
Total	216,250	229,227	(12,977)	-
Total environmental protection	926,250	915,631	10,619	710,757
Cultural and recreational:				
Parks and recreation:				
Salaries	326,000	334,344	(8,344)	312,938
Employee benefits	106,000	112,309	(6,309)	100,443
Employee relations	200	201	(1)	114
Workers' compensation	10,000	8,846	1,154	1,000
Insurance and bonds	10,000	3,342	6,658	9,977
Uniforms	5,000	4,927	73	4,712
Training	4,300	2,265	2,035	2,447
Travel	4,000	2,336	1,664	1,232
Fuel	15,000	12,943	2,057	14,607
Dues and subscriptions	200	531	(331)	194
Pre-employment	750	-	750	1,517
Advertising	1,600	1,549	51	1,035
Tires	1,950	636	1,314	1,425
Supplies	3,000	2,939	61	3,048

Town of Harrisburg, North Carolina

General Fund
Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2013
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2012)

	2013			2012
	Budget	Actual	Variance Over/(Under)	Actual
Expenditures (continued):				
Cultural and recreational (continued):				
Parks and recreation (continued):				
Small tools	1,500	1,165	335	1,311
Pipe and fittings	300	-	300	357
Legal services	500	1,580	(1,080)	980
Chemicals	4,800	4,730	70	422
Printing	1,500	(449)	1,949	1,222
Telephone	9,500	8,898	602	8,880
Postage	2,000	1,041	959	7,564
Utilities - electric	10,000	10,612	(612)	9,648
Professional services	1,500	1,324	176	6,818
Technology services	1,500	5,377	(3,877)	3,973
Construction	5,000	5,195	(195)	55
Maintenance and repairs - equipment	3,500	3,613	(113)	3,624
Maintenance and repairs - vehicles	2,000	1,674	326	1,870
Maintenance and repairs - buildings	16,500	17,015	(515)	13,867
Shipping and handling	2,000	1,275	725	487
Copier lease	2,500	2,927	(427)	2,481
Computer lease	1,000	867	133	-
Office/building lease	9,000	8,383	617	8,311
Miscellaneous	-	-	-	90
Special projects	21,500	20,885	615	17,883
July 4th event	100,000	95,941	4,059	110,722
Physicals	300	150	150	150
Special equipment	1,500	1,837	(337)	2,040
Medical supplies	500	456	44	129
Capital outlay:				
Grant match	-	12,011	(12,011)	-
Improvements	12,000	7,591	4,409	-
Total	<u>698,400</u>	<u>701,266</u>	<u>(2,866)</u>	<u>657,573</u>
Athletics:				
Salaries	41,000	45,645	(4,645)	32,978
Employee benefits	12,000	15,991	(3,991)	5,453
Maintenance and repairs - grounds	7,700	5,210	2,490	4,909
Athletics	1,500	1,386	114	541
Concessions	-	-	-	6,298
Operating costs	249,050	247,900	1,150	233,996

Town of Harrisburg, North Carolina

General Fund

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

For the Fiscal Year Ended June 30, 2013

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2012)

	2013		Variance Positive Over/(Under)	2012
	Budget	Actual		Actual
Expenditures (continued):				
Cultural and recreational (continued):				
Athletics (continued):				
Chemicals	10,350	9,941	409	8,482
Utilities - electric	60,000	47,384	12,616	46,885
Professional services	-	191	(191)	-
Technology services	-	246	(246)	-
Shipping and handling	5,000	2,325	2,675	5,012
Contracted services	-	-	-	13
Total	<u>386,600</u>	<u>376,219</u>	<u>10,381</u>	<u>344,567</u>
Total cultural and recreational	<u>1,085,000</u>	<u>1,077,485</u>	<u>7,515</u>	<u>1,002,140</u>
Total expenditures	<u>8,344,200</u>	<u>7,802,084</u>	<u>542,116</u>	<u>6,239,929</u>
Revenues over (under) expenditures	<u>993,000</u>	<u>1,994,471</u>	<u>1,001,471</u>	<u>1,650,264</u>
Other financing sources (uses):				
Debt service:				
Principal retirement	(298,000)	(230,374)	67,626	(223,439)
Interest	(174,000)	(86,866)	87,134	(100,086)
Transfers to other funds:				
Capital Reserve	(800,000)	(615,000)	185,000	-
Capital Project Fund - Streets	(141,000)	(30,000)	111,000	-
Contingency	(50,000)	-	50,000	-
Proceeds from note	470,000	-	(470,000)	-
Total other financing uses	<u>(993,000)</u>	<u>(962,240)</u>	<u>30,760</u>	<u>(323,525)</u>
Net change in fund balance	<u>\$ -</u>	<u>1,032,231</u>	<u>\$ 1,032,231</u>	<u>1,326,739</u>
Fund balance				
Beginning of year		<u>3,141,544</u>		<u>1,814,805</u>
End of year		<u>\$ 4,173,775</u>		<u>\$ 3,141,544</u>

Town of Harrisburg, North Carolina

**Combining Balance Sheets
Nonmajor Governmental Funds
June 30, 2013**

	Capital Project Fund - Streets	Capital Project Fund - Public Safety	Capital Reserve Fund	Total Nonmajor Governmental Funds
Assets				
Cash and cash equivalents	\$ -	\$ -	\$ 615,000	\$ 615,000
Restricted cash and cash equivalents	1,824	-	-	1,824
Total assets	\$ 1,824	\$ -	\$ 615,000	\$ 616,824
Fund balance				
Restricted:				
Streets	\$ 1,824	\$ -	\$ -	\$ 1,824
Committed:				
Capital Projects	-	-	615,000	615,000
Total fund balances	1,824	-	615,000	616,824
Total fund balance	\$ 1,824	\$ -	\$ 615,000	\$ 616,824

Town of Harrisburg, North Carolina

Combining Statements of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds For the Fiscal Year Ended June 30, 2013

	Capital Project Fund - Streets	Capital Project Fund - Public Safety	Capital Reserve Fund	Total Nonmajor Governmental Funds
Expenditures				
Current:				
Transportation	\$ 28,176	\$ -	\$ -	\$ 28,176
Total expenditures	<u>28,176</u>	<u>-</u>	<u>-</u>	<u>28,176</u>
Revenues under expenditures	<u>(28,176)</u>	<u>-</u>	<u>-</u>	<u>(28,176)</u>
Other financing sources				
Transfers from other funds	<u>30,000</u>	<u>-</u>	<u>615,000</u>	<u>645,000</u>
Total other financing sources	<u>30,000</u>	<u>-</u>	<u>615,000</u>	<u>645,000</u>
Net change in fund balance	1,824	-	615,000	616,824
Fund balance				
Beginning of year - July 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
End of year - June 30	<u>\$ 1,824</u>	<u>\$ -</u>	<u>\$ 615,000</u>	<u>\$ 616,824</u>

Town of Harrisburg, North Carolina

Capital Project Fund - Streets
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2013

	Project Authorization	Actual			Variance Over / (Under)
		Prior Years	Current Year	Total to Date	
Expenditures - Roberta Road Sidewalk					
Engineering	\$ 45,000	\$ -	\$ 28,176	\$ 28,176	\$ 16,824
Construction	227,000	-	-	-	227,000
Total expenditures	272,000	-	28,176	28,176	243,824
Revenues over (under) expenditures	(272,000)	-	(28,176)	(28,176)	243,824
Other financing sources:					
Transfers from other funds	272,000	-	30,000	30,000	(242,000)
Total other financing sources	272,000	-	30,000	30,000	(242,000)
Net change in fund balance	\$ -	\$ -	1,824	\$ 1,824	\$ 1,824
Fund balance					
Beginning of year - July 1			-		
End of year - June 30			\$ 1,824		

Town of Harrisburg, North Carolina

Capital Project Fund - Public Safety
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2013

	Project Authorization	Actual			Variance Over / (Under)
		Prior Years	Current Year	Total to Date	
Expenditures - Fire Station #3					
Construction	\$ 1,197,000	\$ -	\$ -	\$ -	\$ 1,197,000
Total expenditures	<u>1,197,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,197,000</u>
Revenues over / (under) expenditures	<u>(1,197,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,197,000</u>
Other financing sources					
Debt issued	1,197,000	-	-	-	(1,197,000)
Total other financing sources	<u>1,197,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,197,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ 1,197,000</u>
Fund balance					
Beginning of year - July 1			<u>-</u>		
End of year - June 30			<u>\$ -</u>		

Town of Harrisburg, North Carolina

Capital Reserve Fund Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual For the Fiscal Year Ended June 30, 2013

	Budget	Actual	Variance Over/(Under)
Expenditures			
Reserve for expenditures	\$ 750,000	\$ -	\$ 750,000
Total expenditures	750,000	-	750,000
Revenues under expenditures	(750,000)	-	(750,000)
Other financing sources (uses)			
Transfer from General Fund	750,000	615,000	(135,000)
Total other financing sources (uses)	750,000	615,000	(135,000)
Net change in fund balance	\$ -	615,000	\$ 615,000
Fund balance:			
Beginning of year - July 1		-	
End of year - June 30		\$ 615,000	

Town of Harrisburg, North Carolina

Water and Sewer Fund
Comparative Statement of Net Position
June 30, 2013 and 2012

	<u>June 30,</u> <u>2013</u>	<u>June 30,</u> <u>2012</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 3,288,608	\$ 2,537,660
Accounts receivable (net) - customers	655,612	720,328
Accounts receivable - other	63,383	163,529
Prepaid expenses	14,644	2,999
Restricted cash and cash equivalents	<u>693,531</u>	<u>249,463</u>
Total current assets	<u>4,715,778</u>	<u>3,673,979</u>
Non-current assets:		
Capital assets, net of depreciation	<u>17,139,845</u>	<u>16,224,464</u>
Total assets	<u>21,855,623</u>	<u>19,898,443</u>
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	255,806	119,644
Long-term debt, current portion	821,916	705,503
Compensated absences, current portion	48,409	56,663
Payables due from restricted assets		
Accounts payable and accrued liabilities	27,145	-
Customer deposits	203,355	195,939
Refundable tap fees	<u>4,386</u>	<u>53,524</u>
Total current liabilities	<u>1,361,017</u>	<u>1,131,273</u>
Non-current liabilities:		
Long-term debt, non-current portion	<u>8,051,695</u>	<u>7,400,361</u>
Total liabilities	<u>9,412,712</u>	<u>8,531,634</u>
Net position		
Net investment in capital assets	8,266,234	8,118,600
Unrestricted	<u>4,176,677</u>	<u>3,248,209</u>
Total net position	<u>\$ 12,442,911</u>	<u>\$ 11,366,809</u>

Town of Harrisburg, North Carolina

Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2013
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2012)

	2013		Variance Over/(Under)	2012
	Budget	Actual		Actual
Revenues:				
Operating revenues:				
Water sales	\$ 2,692,000	\$ 2,693,176	\$ 1,176	\$ 2,559,899
Sewer charges	2,448,000	2,392,841	(55,159)	2,096,415
Water and sewer taps	144,000	131,558	(12,442)	117,196
Water and sewer development charges	197,000	252,888	55,888	168,185
Set-up fees	13,000	15,325	2,325	13,550
Service connection fees	246,000	359,054	113,054	220,115
Penalties	114,500	100,417	(14,083)	106,662
Rental fees	73,000	70,629	(2,371)	72,232
Sales of surplus equipment	-	23,100	23,100	2,000
Miscellaneous revenues	10,100	1,797	(8,303)	10,248
Total operating revenues	<u>5,937,600</u>	<u>6,040,785</u>	<u>103,185</u>	<u>5,366,502</u>
Non-operating revenues:				
Interest income	23,000	28,630	5,630	28,565
Total revenues	<u>5,960,600</u>	<u>6,069,415</u>	<u>108,815</u>	<u>5,395,067</u>
Expenditures:				
Water administration and distribution:				
Salaries	815,000	816,334	(1,334)	922,788
Employee benefits	280,000	262,160	17,840	325,777
Workers' compensation	15,000	15,358	(358)	74
Annual maintenance	1,000	-	1,000	780
Inspections	55,400	31,189	24,211	14,255
Maintenance and repairs	53,500	65,163	(11,663)	62,961
Casualty insurance/bonds	10,500	28,610	(18,110)	25,267
Employee relations	500	450	50	500
Incentive payments	65,000	30,940	34,060	500
Water purchases	975,500	1,343,545	(368,045)	1,193,480
Sewer treatment	917,000	788,175	128,825	660,187
Bad debts	-	3,000	(3,000)	(2,155)
Vehicle replacement	-	191	(191)	17,505
Uniforms	18,250	18,912	(662)	17,620
Training	10,500	4,277	6,223	6,311
Travel	5,000	1,478	3,522	3,152

Town of Harrisburg, North Carolina

Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP) (continued)
For the Fiscal Year Ended June 30, 2013
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2012)

	2013		Variance Over/(Under)	2012
	Budget	Actual		Actual
Expenditures (continued):				
Water administration and distribution (continued):				
Fuel	50,000	51,340	(1,340)	50,544
Maintenance and repairs - vehicles	7,500	12,373	(4,873)	2,684
Maintenance and repairs - building and grounds	18,500	14,412	4,088	8,511
Miscellaneous	500	11,634	(11,134)	351
Dues and subscriptions	8,500	9,789	(1,289)	9,255
Pre-employment	1,500	150	1,350	1,138
Public education	2,000	-	2,000	-
Advertising	500	585	(85)	708
Tires	9,600	7,403	2,197	7,485
Department supplies	4,500	4,539	(39)	5,069
Meter services	52,500	51,770	730	158,927
Small tools	10,300	7,886	2,414	3,962
Pipe and fittings	4,300	4,398	(98)	3,067
Legal services	20,000	23,378	(3,378)	33,281
Chemicals	71,900	36,683	35,217	41,133
Printing	8,550	5,995	2,555	8,809
Telephone	49,400	29,434	19,966	37,615
Postage	38,400	43,893	(5,493)	35,118
Utilities - electric	57,400	93,373	(35,973)	70,094
Contracted services	45,000	57,987	(12,987)	33,365
Professional services	4,400	28,237	(23,837)	172,277
Technology services	9,900	15,466	(5,566)	19,272
B&G - contracted services	400	297	103	300
Maintenance and repairs - signage	-	-	-	560
Maintenance and repairs - equipment	12,300	11,612	688	12,572
New services	11,000	11,490	(490)	8,030
Shipping and handling	3,500	2,505	995	3,672
Computer lease	3,000	3,052	(52)	4,494
Copier lease	4,500	8,568	(4,068)	-
Building lease	15,000	13,255	1,745	14,892
Permits	300	4,065	(3,765)	1,110
Fire hydrants	1,000	190	810	1,462
Fines and penalties	500	1,888	(1,388)	1,557
Special equipment	37,500	39,108	(1,608)	61,927
Medical supplies	600	770	(170)	508
Physicals	600	640	(40)	525
Capital furniture and equipment	-	-	-	4,943
Administrative charges - General Fund	130,500	130,500	-	238,686
Reserves	411,550	-	411,550	-
	4,329,550	4,148,447	181,103	4,306,905
Total administration and distribution				

Town of Harrisburg, North Carolina

Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP) (continued)
For the Fiscal Year Ended June 30, 2013
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2012)

	<u>2013</u>		<u>Variance Over/(Under)</u>	<u>2012</u>
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Expenditures (continued):				
Debt service:				
Principal retirement	803,000	732,253	70,747	293,005
Interest expense	175,000	115,894	59,106	42,551
Total debt service	<u>978,000</u>	<u>848,147</u>	<u>129,853</u>	<u>335,556</u>
Capital outlay:				
Equipment	112,050	102,167	9,883	5,956,641
Total capital outlay	<u>112,050</u>	<u>102,167</u>	<u>9,883</u>	<u>5,956,641</u>
Total expenditures	<u>5,419,600</u>	<u>5,098,761</u>	<u>320,839</u>	<u>10,599,102</u>
Revenues over(under) expenditures	<u>541,000</u>	<u>970,654</u>	<u>429,654</u>	<u>(5,204,035)</u>
Other financing sources (uses):				
Loan proceeds	400,000	-	(400,000)	5,945,341
Transfer to other funds	(941,000)	(500,000)	441,000	-
Total other financing sources	<u>(541,000)</u>	<u>(500,000)</u>	<u>41,000</u>	<u>5,945,341</u>
Revenues and other sources over expenditures	<u>\$ -</u>	<u>470,654</u>	<u>\$ 470,654</u>	<u>741,306</u>
Reconciliation of modified accrual basis with accrual basis:				
Reconciling items:				
Payment of debt principal		732,253		293,005
Capital outlay		102,167		6,090,752
Decrease in accrued vacation pay		8,251		(14,814)
Decrease in interest expense accrual		8,666		(3,006)
Depreciation and amortization		(745,889)		(565,508)
Transfer to Water and Sewer Capital Project Fund		500,000		-
Loan proceeds		-		(5,945,341)
		<u>605,448</u>		<u>(144,912)</u>
Change in net position (Exhibit G)		<u>\$ 1,076,102</u>		<u>\$ 596,394</u>

Town of Harrisburg, North Carolina

Water and Sewer Capital Projects Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
From Inception and for the Fiscal Year Ended June 30, 2013

	Actual			Total to Date	Variance Over / (Under)
	Project Authorization	Prior Years	Current Year		
<u>Expenditures - Water Lines</u>					
Engineering	\$ -	\$ 127,908	\$ 163,279	\$ 291,187	\$ (291,187)
Construction	2,348,000	-	1,242,373	1,242,373	1,105,627
Total expenditures	<u>2,348,000</u>	<u>127,908</u>	<u>1,405,652</u>	<u>1,533,560</u>	<u>814,440</u>
<u>Expenditures - Bradford Park Pump Station</u>					
Engineering	37,700	-	32,960	32,960	4,740
Construction	400,000	-	-	-	400,000
Total expenditures	<u>437,700</u>	<u>-</u>	<u>32,960</u>	<u>32,960</u>	<u>404,740</u>
<u>Expenditures - Farmington Ridge Pressure Reducing Valve</u>					
Engineering	22,000	-	20,801	20,801	1,199
Construction	60,000	-	-	-	60,000
Total expenditures	<u>82,000</u>	<u>-</u>	<u>20,801</u>	<u>20,801</u>	<u>61,199</u>
<u>Expenditures - Steeplechase Sewer Extension</u>					
Engineering	14,000	-	-	-	14,000
Construction	140,000	-	-	-	140,000
Total expenditures	<u>154,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>154,000</u>
<u>Expenditures - Rocky River Road Water Line</u>					
Engineering	127,000	-	85,480	85,480	41,520
Construction	1,000,000	-	-	-	1,000,000
Total expenditures	<u>1,127,000</u>	<u>-</u>	<u>85,480</u>	<u>85,480</u>	<u>1,041,520</u>
<u>Expenditures - Huntwick Sewer</u>					
Construction	500,000	-	14,210	14,210	485,790
Total expenditures	<u>500,000</u>	<u>-</u>	<u>14,210</u>	<u>14,210</u>	<u>485,790</u>
Revenues over (under) expenditures	<u>(4,648,700)</u>	<u>(127,908)</u>	<u>(1,559,103)</u>	<u>(1,687,011)</u>	<u>2,961,689</u>
Other financing sources:					
Debt issued	3,610,000	-	1,500,000	1,500,000	(2,110,000)
Transfers from other funds	1,038,700	-	500,000	500,000	(538,700)
Total other financing sources	<u>4,648,700</u>	<u>-</u>	<u>2,000,000</u>	<u>2,000,000</u>	<u>(2,648,700)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (127,908)</u>	<u>\$ 440,897</u>	<u>\$ 312,989</u>	<u>\$ 312,989</u>

Town of Harrisburg, North Carolina

Stormwater Fund

Schedule of Revenues and Expenditures

Budget and Actual (Non-GAAP)

For the Fiscal Year Ended June 30, 2013

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2012)

	2013		Variance Over/(Under)	2012
	Budget	Actual		Actual
Revenues:				
Operating revenues:				
Stormwater services	\$ 500,000	\$ 411,181	\$ (88,819)	\$ 410,879
Total operating revenues	500,000	411,181	(88,819)	410,879
Non-operating revenues:				
Grant income	-	-	-	50,000
Interest income	3,500	4,273	773	4,945
Total non-operating revenues	3,500	4,273	773	54,945
Total revenues	503,500	415,454	(88,046)	465,824
Administration:				
Inspection	8,000	-	8,000	20,000
Maintenance and repairs	500	88	412	-
Training	2,950	1,142	1,808	594
Fuel	3,600	2,234	1,366	87
Miscellaneous	1,200	365	835	-
Vehicle replacement	-	-	-	21,059
Advertising	500	-	500	337
Dept supplies	1,000	1,022	(22)	-
Legal services	2,500	640	1,860	-
Telephone	-	-	-	245
Technology services	1,400	1,190	210	2,983
Contract services	5,500	-	5,500	-
Maintenance and repairs - drainage	10,000	6,037	3,963	139
Shipping and handling	250	89	161	-
Contingency	60,200	-	60,200	-
Travel	1,000	287	713	-
Dues and subscriptions	2,000	1,950	50	1,950
Public education	5,000	-	5,000	-
Printing	3,000	-	3,000	-
Postage	2,500	-	2,500	-
Contracted services	20,000	2,794	17,206	46,875
Professional services	-	100	(100)	196,561
Administration charges	59,500	59,500	-	-
Permits	900	860	40	860
Total administration	191,500	78,298	113,202	291,690

Town of Harrisburg, North Carolina

Stormwater Fund

Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP) (continued)

For the Fiscal Year Ended June 30, 2013

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2012)

	2013		Variance Over/(Under)	2012
	Budget	Actual		Actual
Expenditures (continued):				
Capital outlay:				
Equipment	201,000	200,445	555	-
Total capital outlay	201,000	200,445	555	-
Total expenditures	392,500	278,743	113,757	291,690
Revenues over expenditures	111,000	136,711	25,711	174,134
Other financing sources (uses):				
Transfer to other funds	(235,000)	(100,000)	135,000	-
Total other financing sources (uses)	(235,000)	(100,000)	135,000	-
Revenues and other financing sources over (under) expenditures and other financing uses	(124,000)	36,711	160,711	174,134
Appropriated fund balance	124,000	-	(124,000)	-
Revenues and other sources over (under) expenditures	<u>\$ -</u>	36,711	<u>\$ 36,711</u>	<u>\$ 174,134</u>
Reconciling items:				
Capital outlay		199,394		21,059
Transfer to Stormwater Capital Projects Fund		100,000		-
Depreciation and amortization		(10,155)		(645)
		<u>289,239</u>		<u>20,414</u>
Change in net position (Exhibit G)		<u>\$ 325,950</u>		<u>\$ 194,548</u>

Town of Harrisburg, North Carolina

Stormwater Capital Projects Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
From Inception and for the Fiscal Year Ended June 30, 2013

	Actual			Variance Over / (Under)	
	Project Authorization	Prior Years	Current Year		Total to Date
<u>Expenditures - Buckingham Lane</u>					
Engineering	\$ 39,000	\$ 127,908	\$ -	\$ 127,908	\$ (88,908)
Construction	189,250	-	-	-	189,250
Total expenditures	<u>228,250</u>	<u>127,908</u>	<u>-</u>	<u>127,908</u>	<u>100,342</u>
<u>Expenditures - Caldwell Road</u>					
Engineering	28,000	-	910	910	27,090
Construction	228,750	-	-	-	228,750
Total expenditures	<u>256,750</u>	<u>-</u>	<u>910</u>	<u>910</u>	<u>255,840</u>
<u>Expenditures - Hillcrest Drive</u>					
Engineering	10,000	-	8,142	8,142	1,858
Construction	28,000	-	-	-	28,000
Total expenditures	<u>38,000</u>	<u>-</u>	<u>8,142</u>	<u>8,142</u>	<u>29,858</u>
<u>Expenditures - Carving Tree Drive</u>					
Engineering	18,000	-	15,221	15,221	2,779
Construction	53,000	-	-	-	53,000
Total expenditures	<u>71,000</u>	<u>-</u>	<u>15,221</u>	<u>15,221</u>	<u>55,779</u>
<u>Expenditures - Leatherwood Lane</u>					
Engineering	25,000	-	20,142	20,142	4,858
Construction	73,000	-	-	-	73,000
Total expenditures	<u>98,000</u>	<u>-</u>	<u>20,142</u>	<u>20,142</u>	<u>77,858</u>
<u>Expenditures - System A</u>					
Engineering	-	-	52,340	52,340	(52,340)
Construction	1,200,000	-	-	-	1,200,000
Total expenditures	<u>1,200,000</u>	<u>-</u>	<u>52,340</u>	<u>52,340</u>	<u>1,147,660</u>
<u>Expenditures - System B</u>					
Engineering	-	-	18,075	18,075	(18,075)
Construction	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>18,075</u>	<u>18,075</u>	<u>(18,075)</u>
Revenues over (under) expenditures	<u>(1,892,000)</u>	<u>(127,908)</u>	<u>(114,830)</u>	<u>(242,738)</u>	<u>1,649,262</u>
Other financing sources:					
Grant proceeds	1,100,000	-	-	-	(1,100,000)
Transfers from other funds	792,000	-	100,000	100,000	(692,000)
Total other financing sources	<u>1,892,000</u>	<u>-</u>	<u>100,000</u>	<u>100,000</u>	<u>(1,792,000)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (127,908)</u>	<u>\$ (14,830)</u>	<u>\$ (142,738)</u>	<u>\$ 957,262</u>

Town of Harrisburg, North Carolina

Schedule of Ad Valorem Taxes Receivable
June 30, 2013

Fiscal Year	Uncollected Balance June 30, 2012	Additions	Collections and Credits	Uncollected Balance June 30, 2013
2003	\$ 9	\$ -	\$ 9	\$ -
2004	252	-	244	8
2005	18	-	2	16
2006	3,689	51	1,069	2,671
2007	4,207	-	1,411	2,796
2008	5,442	5,148	8,520	2,070
2009	23,356	2,727	7,014	19,069
2010	30,611	3,393	12,222	21,782
2011	78,664	3,611	56,131	26,144
2012	134,021	10,307	90,785	53,543
2013	<u>-</u>	<u>4,327,008</u>	<u>4,245,254</u>	<u>81,754</u>
Total	<u>\$ 280,269</u>	<u>\$ 4,352,245</u>	<u>\$ 4,422,661</u>	209,853
Less allowance for uncollectible ad valorem taxes receivable				<u>(10,493)</u>
Ad valorem taxes receivable - net				<u>\$ 199,360</u>
Reconciliation with revenues:				
Taxes - ad valorem - General Fund (Exhibit D)				\$ 4,429,609
Less penalties and interest collected				(29,195)
Net releases and discounts allowed				7,041
Taxes written off and refunded				<u>15,206</u>
Total collections and credits				<u>\$ 4,422,661</u>

Town of Harrisburg, North Carolina

**Schedule of Current Tax Levy
For the Fiscal Year Ended June 30, 2013**

	Town-Wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 1,542,489,996	\$ 0.270	\$ 4,164,723	\$ 3,967,332	\$ 197,391
Property taxed at prior year's rate	45,814,353	0.230	105,373	-	105,373
Penalties	-		5,185	5,185	-
Total	1,588,304,349		4,275,281	3,972,517	302,764
Discoveries					
Current year taxes	29,400,000	0.270	79,380	46,056	33,324
Abatements	(10,241,852)	0.270	(27,653)	(21,863)	(5,790)
Total property valuation	<u>\$ 1,607,462,497</u>				
Net levy			4,327,008	3,996,710	330,298
Uncollected taxes at June 30, 2013			(81,754)	(65,773)	(15,981)
Current year's taxes collected			<u>\$ 4,245,254</u>	<u>\$ 3,930,937</u>	<u>\$ 314,317</u>
Current levy collection percentage			<u>98.11%</u>	<u>98.35%</u>	<u>95.16%</u>

TOWN OF HARRISBURG, NORTH CAROLINA

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COMPLIANCE SECTION

TOWN OF HARRISBURG, NORTH CAROLINA

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

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

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Harrisburg, North Carolina, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town of Harrisburg's basic financial statements, and have issued our report thereon dated August 28, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Harrisburg's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P. A.
Hickory, NC
August 28, 2013

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

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

Report On Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; In Accordance with OMB Circular A-133; and the State Single Audit Implementation Act

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited the Town of Harrisburg, North Carolina's compliance with the types of compliance requirements described in the OMB Circular *A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Town of Harrisburg's major federal programs for the year ended June 30, 2013. The Town of Harrisburg's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Harrisburg's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A 133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Harrisburg's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town of Harrisburg's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town of Harrisburg complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the Town of Harrisburg is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Harrisburg's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, non-compliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material non-compliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P. A.
Hickory, NC
August 28, 2013

TOWN OF HARRISBURG, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

1. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? No

Non-compliance material to financial statements noted? No

Federal Awards

Internal control over federal programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? No

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? No

Identification of major federal programs:

<u>Program Name</u>	<u>CFDA#</u>
Assistance to Firefighters Grant Program	97.044

Dollar threshold used to distinguish between Type A and Type B programs? \$300,000

Auditee qualified as low-risk auditee? No

TOWN OF HARRISBURG, NORTH CAROLINA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

2. Financial Statement Findings

None Reported

3. Federal Award Findings and Questioned Costs

None Reported

TOWN OF HARRISBURG, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013

None Reported

Town of Harrisburg, North Carolina

Schedule of Expenditures of Federal and State Awards Year Ended June 30, 2013

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Federal (Direct & Pass-through) Expenditures</u>	<u>State Expenditures</u>
Federal grants:				
Cash programs:				
<u>U.S. Department of Homeland Security</u>				
Assistance to Firefighters Grant Program	97.044		\$ 1,246,745	\$ -
<u>U.S. Department of Transportation</u>				
Passed-through the N.C. Department of Transportation:				
CMAQ	20.205	C-4921	175,965	-
Passed-through the N.C. Department of Transportation:				
Passed-through Cabarrus County:				
NC Governor's Highway Safety Program Grant	20.600		82,562	-
Total assistance - federal programs			<u>1,505,272</u>	<u>-</u>
State grants:				
Cash assistance:				
<u>N.C. Department of Transportation</u>				
Powell Bill		38570	-	257,698
Total assistance - State programs			<u>-</u>	<u>257,698</u>
Total assistance			<u>\$ 1,505,272</u>	<u>\$ 257,698</u>

Notes to the Schedule of Expenditures of Federal and State Awards

The accompanying Schedule of Expenditures of Federal and State Awards includes the federal and state grant activity of the Town of Harrisburg and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.