

# Town of Harrisburg, North Carolina

## Basic Financial Statements and Accompanying Information

For Fiscal Year Ended  
June 30, 2014



### Town Council Members

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

### Administrative and Financial Staff

Michael Rose, Town Administrator  
Lee Connor, Finance Director



# 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.

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*"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, the discretely presented component unit, 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, 2014, 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. The Harrisburg Youth Association was not audited in accordance with *Government Auditing Standards*.

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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Harrisburg, North Carolina, as of June 30, 2014, 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, and supplemental ad valorem tax schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements, budgetary schedules, and supplemental ad valorem tax schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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, and supplemental ad valorem tax schedules are 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 November 25, 2014 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 the 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  
November 25, 2014

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, 2014. 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 \$30,476,975 (*net position*). Of this amount, \$10,607,614 (*unrestricted net position*) may be used to meet the Town's needs.
- The Town's total net position increased by \$4,343,582, 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 \$5,394,968, with a net change of \$604,369 in fund balance. Approximately 37.95 percent of this total amount, or \$2,047,017, is non-spendable, restricted or committed.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,512,755, or 42.87 percent, of total General Fund expenditures for the fiscal year.
- The Town of Harrisburg's total long-term outstanding liabilities increased by \$1,176,541 (10.62%) 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.

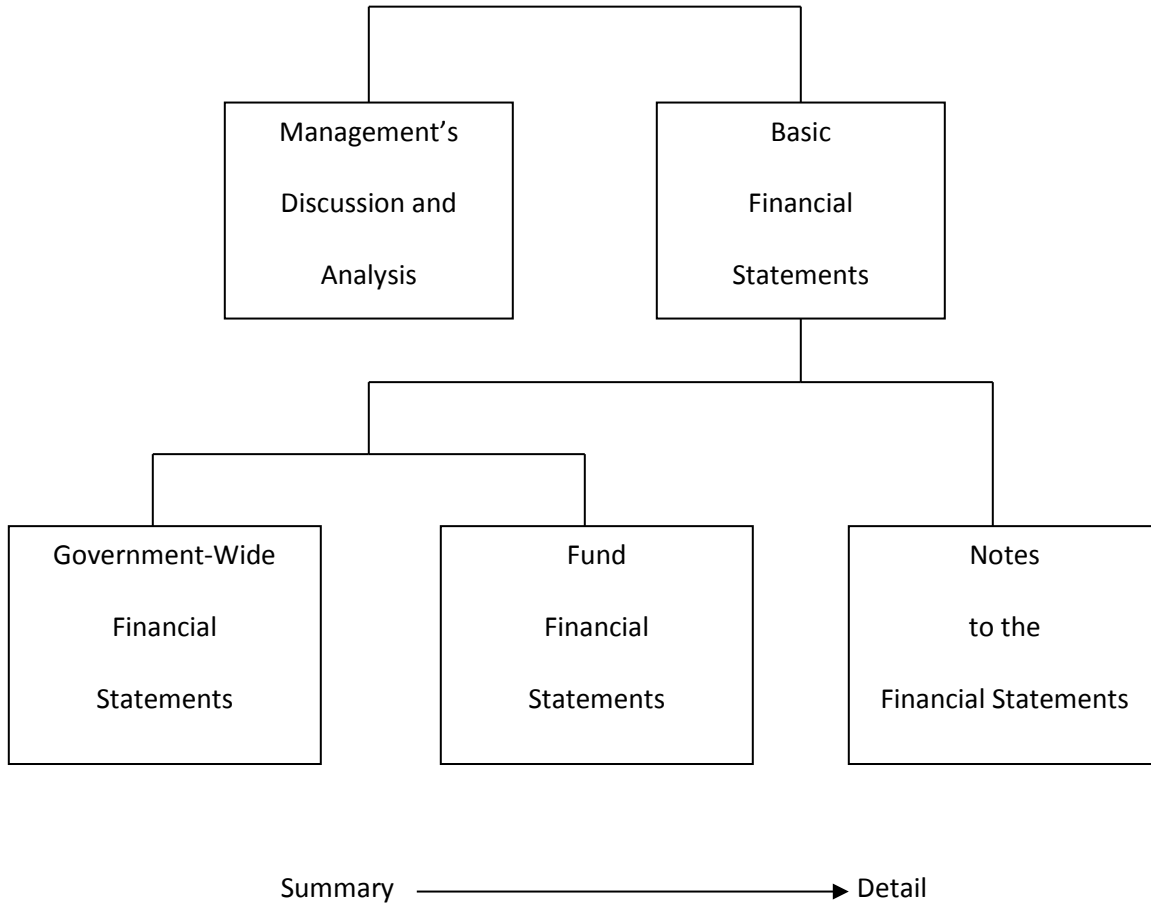
### Overview of the Financial Statements

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 storm water 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 24-48 of this report.

### Government-Wide Financial Analysis

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

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 6,056,178	\$ 5,573,465	\$ 6,669,844	\$ 5,246,507	\$ 12,726,022	\$ 10,819,972
Capital assets	11,247,307	9,979,462	19,594,048	17,464,328	30,841,355	27,443,790
Total assets	<u>17,303,485</u>	<u>15,552,927</u>	<u>26,263,892</u>	<u>22,710,835</u>	<u>43,567,377</u>	<u>38,263,762</u>
Long-term liabilities outstanding	2,385,310	2,153,074	9,866,325	8,922,020	12,251,635	11,075,094
Other liabilities	505,670	517,159	332,308	501,292	837,978	1,018,451
Total liabilities	<u>2,890,980</u>	<u>2,670,233</u>	<u>10,198,633</u>	<u>9,423,312</u>	<u>13,089,613</u>	<u>12,093,545</u>
Deferred inflows of resources	789	36,824	-	-	789	36,824
<b>Net position:</b>						
Net investment in capital assets	9,089,327	8,000,282	9,803,621	8,590,717	18,892,948	16,590,999
Restricted	976,413	925,686	-	-	976,413	925,686
Unrestricted	4,345,976	3,919,902	6,261,638	4,696,806	10,607,614	8,616,708
Total net position	<u>\$ 14,411,716</u>	<u>\$ 12,845,870</u>	<u>\$ 16,065,259</u>	<u>\$ 13,287,523</u>	<u>\$ 30,476,975</u>	<u>\$ 26,133,393</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 \$30,476,975 as of June 30, 2014. The Town's net position increased by \$4,343,582 for the fiscal year ended June 30, 2014. However, the largest portion (62%) 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, \$976,413, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$10,607,614, 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 98.53% which is comparable to the statewide average of 97.42%.
- Growth in the tax base, particularly in new residential growth combined with strong collection rates helped strengthen the Town's financial position.
- New Residential and Commercial growth positively impacted water and sewer receipts.
- Key state-shared revenues increased by 5.2% over FY 2013.

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

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
<b>Revenues:</b>						
Program revenues						
Charges for services	\$ 411,381	\$ 467,458	\$ 7,167,231	\$ 6,451,966	\$ 7,578,612	\$ 6,919,424
Operating grants and contributions	1,176,882	2,573,925	215,000	-	1,391,882	2,573,925
Capital grants and contributions	847,320	-	485,000	-	1,332,320	-
General revenues:						
Property taxes	4,602,277	4,366,816	-	-	4,602,277	4,366,816
Other taxes	14,734	17,489	-	-	14,734	17,489
Grants and contributions not restricted to specific programs	1,987,370	1,921,293	-	-	1,987,370	1,921,293
Other	159,481	386,781	26,602	32,903	186,083	419,684
Total revenues	<u>9,199,445</u>	<u>9,733,762</u>	<u>7,893,833</u>	<u>6,484,869</u>	<u>17,093,278</u>	<u>16,218,631</u>
<b>Expenses:</b>						
General government	1,155,539	1,082,247	-	-	1,155,539	1,082,247
Planning and zoning	162,767	159,250	-	-	162,767	159,250
Public safety	3,335,259	4,334,123	-	-	3,335,259	4,334,123
Transportation	457,589	262,975	-	-	457,589	262,975
Environmental protection	1,214,776	940,394	-	-	1,214,776	940,394
Cultural and recreational	1,248,290	1,183,324	-	-	1,248,290	1,183,324
Water and sewer	-	-	4,833,039	4,886,085	4,833,039	4,886,085
Storm water	-	-	158,084	89,504	158,084	89,504
Interest	59,379	83,629	124,974	107,228	184,353	190,857
Total expenses	<u>7,633,599</u>	<u>8,045,942</u>	<u>5,116,097</u>	<u>5,082,817</u>	<u>12,749,696</u>	<u>13,128,759</u>
Increase in net position	1,565,846	1,687,820	2,777,736	1,402,052	4,343,582	3,089,872
Net position, July 1	<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>
Net position, June 30	<u>\$ 14,411,716</u>	<u>\$ 12,845,870</u>	<u>\$ 16,065,259</u>	<u>\$ 13,287,523</u>	<u>\$ 30,476,975</u>	<u>\$ 26,133,393</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 \$1,565,846 thereby accounting for 36.05% of the total growth in the net position of the Town. Key elements of this increase are as follows:

- Tax revenues increased approximately 6%, or \$250,000.
- Sales and franchise tax increased approximately 4% or \$66,000.

**Business-Type Activities.** Business-type activities increased the Town of Harrisburg's net position by \$2,777,736, accounting for 63.95% of the total growth in the Town's net position. Key elements of this increase are as follows:

- Water and sewer charges increased approximately \$150,000, due largely to the new residential and commercial developments.
- Taps, development charges, and service connection revenue increased approximately \$440,000, 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 \$3,721,222, while total fund balance reached \$4,444,092. 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 40.26% of General Fund expenditures, while total fund balance represents 48.08% of the same amount.

At June 30, 2014, the governmental funds of the Town of Harrisburg reported a combined fund balance of \$5,394,968, a 13% 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 \$5,867,873, and those for the Storm Water Fund amounted to \$393,765. The total change in net position for both funds was \$2,497,532 and \$280,204, 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 of the continued growth in new development. This growth impacted the receipt of development charges, connection fees, penalties and storm water fees. With the addition of goal-setting efforts in the budgetary process, more efficient use of funds allowed for expenditures to be lower than the anticipated budgeted amounts.

### 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, 2014 totals \$30,841,355 (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, including a new fire engine.
- Infrastructure improvements including water and sewer lines, street signage program, and new sidewalks.
- Contributions of capital including a concession stand and water and sewer lines.

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

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Construction in progress	\$ 274,359	\$ 179,454	\$ 233,623	\$ 341,031	\$ 507,982	\$ 520,485
Land	1,250,231	1,250,231	459,753	459,753	1,709,984	1,709,984
Buildings and systems	3,993,254	3,989,437	32,584	33,788	4,025,838	4,023,225
Improvements other than buildings	1,820,258	1,885,039	-	-	1,820,258	1,885,039
Water lines	-	-	12,991,589	11,584,939	12,991,589	11,584,939
Machinery and equipment	1,518,695	1,078,061	914,999	478,382	2,433,694	1,556,443
Interceptors	-	-	218,757	242,905	218,757	242,905
Collection system	-	-	4,742,743	4,323,530	4,742,743	4,323,530
Infrastructure	2,390,510	1,597,240	-	-	2,390,510	1,597,240
Total	<u>\$ 11,247,307</u>	<u>\$ 9,979,462</u>	<u>\$ 19,594,048</u>	<u>\$ 17,464,328</u>	<u>\$ 30,841,355</u>	<u>\$ 27,443,790</u>

Additional information on the Town's capital assets can be found in note III.A on pages 33-35 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, 2014, the Town of Harrisburg had total debt outstanding of \$11,948,407. Of this debt, \$9,790,427 is secured by the assets of the water and sewer system. However, in the event water and sewer revenues are insufficient to repay the debt, the total outstanding debt, and including the remainder of the debt (\$2,157,978), is backed by the full faith and credit of the Town.

### Long-Term Obligations Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Notes payable	\$ 2,157,980	\$ 1,979,180	\$ 9,790,427	\$ 8,873,611	\$ 11,948,407	\$ 10,852,791
Total	\$ 2,157,980	\$ 1,979,180	\$ 9,790,427	\$ 8,873,611	\$ 11,948,407	\$ 10,852,791

### The Town of Harrisburg's Outstanding Debt

The Town of Harrisburg's total long-term outstanding debt increased by \$1,095,616 (10%) 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 \$134,214,461.

Additional information regarding the Town of Harrisburg's long-term debt can be found in note III.B on pages 39-46 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 continues to experience significant increases in both actual and planned residential growth over previous years. Over the last four years (2010-2014) Harrisburg was the fastest growing municipality in the Charlotte region. New projects are already proposed or underway for FY 2015.
- **Non-Residential Growth.** FY 2014 saw the opening of a new hospital and the completion of new medical offices. The approval of several new commercial developments, including an 85,000 square foot shopping center, will increase the amount of retail space for the Town. In FY 2015, the Town will complete a Market Analysis to help guide future growth.
- **Governmental Projects.** Harrisburg will continue to work on several significant projects 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 underway, most notably the construction of a double track 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, 2015

The approved budget for FY 2015 is a balanced budget totaling \$16,237,600 for the General Fund, Restricted Funds and the two enterprise funds; Water and Sewer; and Stormwater. This compares to \$16,040,875 in FY 2013 – 2014, an increase of approximately \$200,000. Although there are several variables that go into a budget, a large portion of this increase can be found in the proposed capital outlay for the Utilities Department. The General Fund, which comprises the core services provided by the Town, accounts for \$8,779,400 of the total budget, while Powell Bill transportation-related improvements (\$375,000), Water and Sewer Fund (\$6,609,200), and Stormwater (\$474,000) account for the remainder of the budget.

#### Overview:

As one of the fastest growing communities in the Charlotte region, Harrisburg finds itself on the verge of new opportunities and challenges. The Town recognizes the need to prepare for these changes in order to promote smart, sustainable growth for the future. In addition, the Town faces significant impacts related to the Piedmont Improvement Program, better known as the "rail project." This project has already included road closings and traffic delays as well as direct costs related to utility relocation and infrastructure improvements. This and future budgets must take into consideration these challenges as we move forward. Communicating these changes to our citizens is a key role for the newly created communications position, and the reason for the new communications budget developed for this fiscal year. But the new communications efforts go beyond just the rail project and are an outreach for many different needs, including a branding study and implementation process already underway.

Like communications, Council has identified the need for increased economic development efforts as we continue to grow. Working closely with our existing businesses, as well as recruiting new businesses, is a critical goal of this budget and vital to the future of Harrisburg. This budget highlights the economic development efforts planned for this fiscal year.

Excellent customer service and good stewardship of taxpayer money are the essential components of the Town's operations. Like those in the past, this budget focuses on strong fiscal practices while maintaining a high level of service. The provision of core services, such as administration, public safety, planning and code enforcement, public works (including utilities, street maintenance and storm water) and sanitation services continues to be a critical component of the budget, while emphasis is also placed on the "Quality of Place" services such as parks, events and recreation. Services like brush and limb pick-up, festivals like the Fourth of July, the Christmas Tree Lighting, and Market on Main are just some of the efforts this budget includes so that Harrisburg can provide the hometown feel we cherish. The budget is one of the management tools that the Council and staff use to make Harrisburg a safe, clean, and healthy community.

#### 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, 2014

	Primary Government			Harrisburg Youth Association, Inc.
	Governmental Activities	Business-Type Activities	Total	
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 4,756,793	\$ 5,527,692	\$ 10,284,485	\$ 42,407
Taxes receivables (net)	137,852	-	137,852	-
Privilege licenses receivable (net)	5,953	-	5,953	-
Accrued interest receivable on taxes	25,620	-	25,620	-
Accounts receivable (net)	1,929	925,724	927,653	-
Due from other governments	578,088	-	578,088	-
Prepaid expenses	49,610	283	49,893	-
Restricted cash and cash equivalents	500,333	216,145	716,478	-
Total current assets	<u>6,056,178</u>	<u>6,669,844</u>	<u>12,726,022</u>	<u>42,407</u>
Capital assets:				
Non-depreciable	1,524,590	693,376	2,217,966	-
Depreciable, net of accumulated depreciation	9,722,717	18,900,672	28,623,389	-
Total capital assets	<u>11,247,307</u>	<u>19,594,048</u>	<u>30,841,355</u>	<u>-</u>
Total assets	<u>17,303,485</u>	<u>26,263,892</u>	<u>43,567,377</u>	<u>42,407</u>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable and accrued liabilities	277,232	116,163	393,395	-
Prepaid fees	30,595	-	30,595	-
Payables from restricted assets				
Performance bond deposits	197,843	-	197,843	-
Customer deposits	-	216,145	216,145	-
Long-term liabilities-due within one year	610,430	869,692	1,480,122	-
Total current liabilities	<u>1,116,100</u>	<u>1,202,000</u>	<u>2,318,100</u>	<u>-</u>
Long-term liabilities:				
Long-term liabilities-due in more than one year	1,774,880	8,996,633	10,771,513	-
Total liabilities	<u>2,890,980</u>	<u>10,198,633</u>	<u>13,089,613</u>	<u>-</u>
<b>Deferred inflows of resources</b>				
Prepaid taxes	789	-	789	-
Total deferred inflows of resources	<u>789</u>	<u>-</u>	<u>789</u>	<u>-</u>
<b>Net position</b>				
Net investment in capital assets	9,089,327	9,803,621	18,892,948	-
Restricted for:				
Stabilization by State statute	673,923	-	673,923	-
Streets	219,227	-	219,227	-
Public safety	83,263	-	83,263	-
Cultural and recreational	-	-	-	25,000
Unrestricted	<u>4,345,976</u>	<u>6,261,638</u>	<u>10,607,614</u>	<u>17,407</u>
Total net position	<u>\$ 14,411,716</u>	<u>\$ 16,065,259</u>	<u>\$ 30,476,975</u>	<u>\$ 42,407</u>

# Town of Harrisburg, North Carolina

## Statement of Activities For the Fiscal Year Ended June 30, 2014

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Primary government:</b>				
<b>Governmental activities:</b>				
General government	\$ 1,155,539	\$ -	\$ -	\$ -
Planning and zoning	162,767	-	-	-
Public safety	3,335,259	42,360	799,485	-
Transportation	457,589	-	369,892	746,781
Environmental protection	1,214,776	-	7,505	-
Cultural and recreational	1,248,290	369,021	-	100,539
Interest on long-term debt	59,379	-	-	-
Total governmental activities	7,633,599	411,381	1,176,882	847,320
<b>Business-type activities:</b>				
Water and sewer	4,958,013	6,685,782	215,000	485,000
Stormwater	158,084	437,671	-	-
Total business-type activities	5,116,097	7,123,453	215,000	485,000
Total primary government	\$ 12,749,696	\$ 7,534,834	\$ 1,391,882	\$ 1,332,320
<b>Component unit:</b>				
Harrisburg Youth Association, Inc.	\$ 117,920	\$ -	\$ 41,435	\$ 45,635
Total component unit	\$ 117,920	\$ -	\$ 41,435	\$ 45,635

**General revenues:**

Taxes:

- Property taxes, levied for general purpose
- Other taxes and licenses
- Unrestricted intergovernmental
- Gain on sale of capital assets
- Investment earnings
- Miscellaneous
- Total general revenues

Change in net position

Net position, beginning

Net position, ending

<b>Net (Expense) Revenue and Changes in Net Position</b>			
<b>Primary Government</b>			
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>Harrisburg Youth Association, Inc.</b>
\$ (1,155,539)	\$ -	\$ (1,155,539)	\$ -
(162,767)	-	(162,767)	-
(2,493,414)	-	(2,493,414)	-
659,084	-	659,084	-
(1,207,271)	-	(1,207,271)	-
(778,730)	-	(778,730)	-
(59,379)	-	(59,379)	-
<u>(5,198,016)</u>	<u>-</u>	<u>(5,198,016)</u>	<u>-</u>
-	2,427,769	2,427,769	-
-	279,587	279,587	-
-	2,707,356	2,707,356	-
<u>(5,198,016)</u>	<u>2,707,356</u>	<u>(2,490,660)</u>	<u>-</u>
-	-	-	(30,850)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(30,850)</u>
4,602,277	-	4,602,277	-
14,734	-	14,734	-
1,987,370	-	1,987,370	-
1,714	43,778	45,492	-
38,844	26,602	65,446	-
118,923	-	118,923	-
<u>6,763,862</u>	<u>70,380</u>	<u>6,834,242</u>	<u>-</u>
1,565,846	2,777,736	4,343,582	(30,850)
<u>12,845,870</u>	<u>13,287,523</u>	<u>26,133,393</u>	<u>73,257</u>
<u>\$ 14,411,716</u>	<u>\$ 16,065,259</u>	<u>\$ 30,476,975</u>	<u>\$ 42,407</u>

Town of Harrisburg, North Carolina

Balance Sheet  
Governmental Funds  
June 30, 2014

	General	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Cash and cash equivalents	\$ 3,735,799	\$ 1,020,994	\$ 4,756,793
Restricted cash and cash equivalents	406,310	94,023	500,333
Receivables, net:			
Property taxes	137,852	-	137,852
Privilege licenses	5,953	-	5,953
Other	1,929	-	1,929
Due from other funds	93,906	-	93,906
Due from other governments	577,425	663	578,088
Prepaid items	49,610	-	49,610
	<u>5,008,784</u>	<u>1,115,680</u>	<u>6,124,464</u>
Total assets	<u>\$ 5,008,784</u>	<u>\$ 1,115,680</u>	<u>\$ 6,124,464</u>
<b>Liabilities, deferred inflows of resources, and fund balances</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	\$ 191,660	\$ 70,898	\$ 262,558
Prepaid fees	30,595	-	30,595
Payable from restricted assets			
Performance bonds on deposit	197,843	-	197,843
Due to other funds	-	93,906	93,906
Total liabilities	<u>420,098</u>	<u>164,804</u>	<u>584,902</u>
<b>Deferred inflows of resources:</b>			
Property taxes receivable	137,852	-	137,852
Privilege licenses receivable	5,953	-	5,953
Prepaid taxes	789	-	789
Total deferred inflows of resources	<u>144,594</u>	<u>-</u>	<u>144,594</u>
<b>Fund balances:</b>			
Non-spendable:			
Prepays	49,610	-	49,610
Restricted:			
Stabilization by State statute	673,260	663	673,923
Streets	125,204	94,023	219,227
Public safety	83,263	-	83,263
Committed	-	1,020,994	1,020,994
Unassigned	3,512,755	(164,804)	3,347,951
Total fund balances	<u>4,444,092</u>	<u>950,876</u>	<u>5,394,968</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,008,784</u>	<u>\$ 1,115,680</u>	<u>\$ 6,124,464</u>

**Town of Harrisburg, North Carolina**

**Reconciliation of the Balance Sheet of the Governmental  
Funds to the Statement of Net Position  
June 30, 2014**

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

Ending fund balance - governmental funds	\$ 5,394,968
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	11,247,307
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	25,620
Liabilities for earned reserves considered deferred inflows of resources in fund statements.	143,805
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Accrued interest payable	(14,674)
Compensated absences	(227,330)
Notes payable	<u>(2,157,980)</u>
Net position of governmental activities	<u>\$ 14,411,716</u>

Town of Harrisburg, North Carolina

Statement of Revenues, Expenditures, and Changes in Fund Balance  
Governmental Funds  
For the Fiscal Year Ended June 30, 2014

	General	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Ad valorem taxes	\$ 4,677,369	\$ -	\$ 4,677,369
Other taxes and licenses	14,734	-	14,734
Unrestricted intergovernmental	1,987,370	-	1,987,370
Restricted intergovernmental	1,176,882	-	1,176,882
Permits and fees	42,360	-	42,360
Sales and services	384,873	-	384,873
Investment earnings	35,765	3,079	38,844
Other general revenues	120,637	-	120,637
Total revenues	<u>8,439,990</u>	<u>3,079</u>	<u>8,443,069</u>
<b>Expenditures</b>			
Current:			
General government	1,111,219	-	1,111,219
Planning and zoning	160,034	-	160,034
Public safety	3,729,645	93,906	3,823,551
Transportation	396,079	78,121	474,200
Environmental protection	1,195,256	-	1,195,256
Cultural and recreational	1,192,901	-	1,192,901
Debt service:			
Principal retirement	348,200	-	348,200
Interest	60,339	-	60,339
Total expenditures	<u>8,193,673</u>	<u>172,027</u>	<u>8,365,700</u>
Revenues over (under) expenditures	<u>246,317</u>	<u>(168,948)</u>	<u>77,369</u>
<b>Other financing sources (uses)</b>			
Transfers from other funds	547,000	1,050,000	1,597,000
Transfers to other funds	(1,050,000)	(547,000)	(1,597,000)
Installment note issued	527,000	-	527,000
Total other financing sources (uses)	<u>24,000</u>	<u>503,000</u>	<u>527,000</u>
Net change in fund balance	270,317	334,052	604,369
Fund balance:			
Beginning of year	<u>4,173,775</u>	<u>616,824</u>	<u>4,790,599</u>
End of year	<u>\$ 4,444,092</u>	<u>\$ 950,876</u>	<u>\$ 5,394,968</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, 2014

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

Net changes in fund balances - total governmental funds	\$	604,369
<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	986,526	
Depreciation expense	(550,149)	
Sale of property	(15,852)	
		420,525
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Amount of donated assets	847,320	
Other	(12,859)	
Change in unavailable revenue for tax revenues	(62,233)	
		772,228
<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	348,200	
Long-term debt issuance	(527,000)	
Compensated absences	(53,436)	
		(232,236)
<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		960
Changes in net position of governmental activities	\$	1,565,846

## 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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over / (Under)
	Original	Final		
<b>Revenues</b>				
Ad valorem taxes	\$ 4,290,500	\$ 4,290,500	\$ 4,677,369	\$ 386,869
Other taxes and licenses	20,000	20,000	14,734	(5,266)
Unrestricted intergovernmental	1,600,000	1,600,000	1,987,370	387,370
Restricted intergovernmental	1,122,000	1,122,000	1,176,882	54,882
Permits and fees	37,500	37,500	42,360	4,860
Sales and services	471,800	471,800	384,873	(86,927)
Investment earnings	18,500	18,500	35,765	17,265
Other general revenues	149,300	149,300	120,637	(28,663)
Total revenues	<u>7,709,600</u>	<u>7,709,600</u>	<u>8,439,990</u>	<u>730,390</u>
<b>Expenditures</b>				
Current:				
General government	1,194,100	1,235,600	1,111,219	124,381
Planning and zoning	166,150	166,150	160,034	6,116
Public safety	3,782,905	3,842,905	3,729,645	113,260
Transportation	470,000	417,500	396,079	21,421
Environmental protection	1,214,950	1,214,950	1,195,256	19,694
Cultural and recreational	1,625,550	1,625,550	1,192,901	432,649
Debt service:				
Principal retirement	410,000	410,000	348,200	61,800
Interest	85,000	85,000	60,339	24,661
Total expenditures	<u>8,948,655</u>	<u>8,997,655</u>	<u>8,193,673</u>	<u>803,982</u>
Revenues over (under) expenditures	<u>(1,239,055)</u>	<u>(1,288,055)</u>	<u>246,317</u>	<u>1,534,372</u>
<b>Other financing sources (uses)</b>				
Proceeds from note	820,000	880,000	527,000	(353,000)
Transfers from other funds	512,000	547,000	547,000	-
Transfers to other funds	-	(1,050,000)	(1,050,000)	-
Contingency	(212,945)	(158,945)	-	158,945
Appropriated fund balance	120,000	1,070,000	-	(1,070,000)
Total other financing sources (uses)	<u>1,239,055</u>	<u>1,288,055</u>	<u>24,000</u>	<u>(1,264,055)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>270,317</u>	<u>\$ 270,317</u>
Fund balance:				
Beginning of year			<u>4,173,775</u>	
End of year			<u>\$ 4,444,092</u>	



## Town of Harrisburg, North Carolina

### Statements of Net Position Proprietary Funds June 30, 2014

	Major Enterprise Funds		
	Water and Sewer Fund	Stormwater Fund	Total
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 5,204,390	\$ 323,302	\$ 5,527,692
Accounts receivable (net) - customers	800,366	64,692	865,058
Accounts receivable - other	54,658	6,008	60,666
Prepaid expenses	283	-	283
Restricted cash and cash equivalents	216,145	-	216,145
Total current assets	<u>6,275,842</u>	<u>394,002</u>	<u>6,669,844</u>
Non-current assets:			
Capital assets:			
Non-depreciable	562,264	131,112	693,376
Depreciable, net of accumulated depreciation	18,300,733	599,939	18,900,672
Total non-current assets	<u>18,862,997</u>	<u>731,051</u>	<u>19,594,048</u>
Total assets	<u>25,138,839</u>	<u>1,125,053</u>	<u>26,263,892</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable and accrued liabilities	115,926	237	116,163
Long-term debt, current portion	793,794	-	793,794
Compensated absences, current portion	75,898	-	75,898
Payable from restricted assets			
Customer deposits	216,145	-	216,145
Total current liabilities	<u>1,201,763</u>	<u>237</u>	<u>1,202,000</u>
Non-current liabilities:			
Long-term debt, non-current portion	8,996,633	-	8,996,633
Total liabilities	<u>10,198,396</u>	<u>237</u>	<u>10,198,633</u>
<b>Net position</b>			
Net investment in capital assets	9,072,570	731,051	9,803,621
Unrestricted	5,867,873	393,765	6,261,638
Total net position	<u>\$ 14,940,443</u>	<u>\$ 1,124,816</u>	<u>\$ 16,065,259</u>

**Statements of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2014**

	Major Enterprise Funds		
	Water and Sewer Fund	Stormwater Fund	Total
<b>Operating revenues</b>			
Charges for services	\$ 5,236,132	\$ 437,671	\$ 5,673,803
Water and sewer taps	152,109	-	152,109
Water and sewer development charges	473,228	-	473,228
Service connection fees	559,253	-	559,253
Other operating revenues	263,110	-	263,110
Total operating revenues	<u>6,683,832</u>	<u>437,671</u>	<u>7,121,503</u>
<b>Operating expenses</b>			
Water administration and distribution	4,047,139	-	4,047,139
Stormwater operations	-	128,568	128,568
Depreciation and amortization	785,900	29,516	815,416
Total operating expenses	<u>4,833,039</u>	<u>158,084</u>	<u>4,991,123</u>
Operating income	<u>1,850,793</u>	<u>279,587</u>	<u>2,130,380</u>
<b>Non-operating revenues (expenses)</b>			
Investment earnings	25,985	617	26,602
Interest and other charges	(124,974)	-	(124,974)
Gain on sale of capital assets	43,778	-	43,778
Third party reimbursements	215,000	-	215,000
Contribution of water lines	485,000	-	485,000
Other	1,950	-	1,950
Total non-operating revenues (expenses)	<u>646,739</u>	<u>617</u>	<u>647,356</u>
Change in net position	2,497,532	280,204	2,777,736
<b>Net position</b>			
Beginning of year	<u>12,442,911</u>	<u>844,612</u>	<u>13,287,523</u>
End of year	<u>\$ 14,940,443</u>	<u>\$ 1,124,816</u>	<u>\$ 16,065,259</u>

**Statements of Cash Flows**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2014**

	<b>Major Enterprise Funds</b>		
	<b>Water and Sewer</b>	<b>Stormwater</b>	<b>Total</b>
	<b>Fund</b>	<b>Fund</b>	
<b>Cash flows from operating activities</b>			
Cash received from customers	\$ 6,537,078	\$ 292,917	\$ 6,829,995
Cash paid for goods and services	(2,993,060)	(1,015)	(2,994,075)
Cash paid to or on behalf of employees for services	(1,170,954)	-	(1,170,954)
Customer deposits received and returned	12,790	-	12,790
Net cash provided by operating activities	<u>2,385,854</u>	<u>291,902</u>	<u>2,677,756</u>
<b>Cash flows from capital and related financing activities</b>			
Proceeds from sale of capital assets	61,641	-	61,641
Acquisition and construction of capital assets	(2,041,915)	(436,084)	(2,477,999)
Principal paid on long-term debt	(883,184)	-	(883,184)
Interest paid on long-term debt	(126,935)	-	(126,935)
Capital contributions	215,000	-	215,000
Other	1,950	-	1,950
Proceeds from debt financing	1,800,000	-	1,800,000
Net cash used by capital and related financing activities	<u>(973,443)</u>	<u>(436,084)</u>	<u>(1,409,527)</u>
<b>Cash flows from investing activities</b>			
Interest on investments	25,985	617	26,602
Net increase (decrease) in cash and cash equivalents	1,438,396	(143,565)	1,294,831
<b>Cash and cash equivalents</b>			
Beginning of year	3,982,139	466,867	4,449,006
End of year	<u>\$ 5,420,535</u>	<u>\$ 323,302</u>	<u>\$ 5,743,837</u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities</b>			
Operating income	\$ 1,850,793	\$ 279,587	\$ 2,130,380
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation and amortization	785,900	29,516	815,416
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable - customers	(146,754)	(1,201)	(147,955)
(Increase) decrease in allowance for doubtful accounts	2,000	-	2,000
(Increase) decrease in accounts receivable - other	8,725	(5,637)	3,088
(Increase) decrease in prepaid items	14,361	-	14,361
Increase (decrease) in accounts payable and accrued liabilities	(165,064)	(10,363)	(175,427)
Increase (decrease) in compensated absences	27,489	-	27,489
Increase (decrease) in customer deposits	12,790	-	12,790
Increase (decrease) in refundable tap fees	(4,386)	-	(4,386)
Total adjustments	<u>535,061</u>	<u>12,315</u>	<u>547,376</u>
Net cash provided by operating activities	<u>\$ 2,385,854</u>	<u>\$ 291,902</u>	<u>\$ 2,677,756</u>

**Noncash investing, capital and financing activities:**

The Town received noncash capital contributions in the Water and Sewer Fund in the amount of \$485,000 representing donated assets.

# Town of Harrisburg, North Carolina

## Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014

### I. Summary of Significant Accounting Policies:

The accounting policies of the Town of Harrisburg (the "Town") and its discretely presented component unit 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. As required by generally accepted accounting principles, these financial statements present the Town and its component unit, a legally separate entity, for which the Town is financially accountable. The discretely presented component unit presented below is reported in a separate column in the Town's financial statements in order to emphasize that it is legally separate from the Town.

Harrisburg Youth Association, Inc.

The members of the Harrisburg Youth Association, Inc.'s (HYA) governing board are designated within HYA's bylaws to include specified current employees of the Town. HYA, which has a December 31 year-end, is presented as if it were a governmental fund (discrete presentation). Complete financial statements for HYA may be obtained from the entity's administrative offices at Town of Harrisburg, 4100 Main Street, Suite 101, Harrisburg, NC 28075.

#### 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.

# Town of Harrisburg, North Carolina

## Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014

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

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

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.

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.

# Town of Harrisburg, North Carolina

## Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014

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

#### C. Measurement Focus and Basis of Accounting (continued)

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

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

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 for property other than motor vehicles are materially past due and area not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, 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, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements 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.

# Town of Harrisburg, North Carolina

## Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014

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

#### 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.

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 and HYA are made in Board-designated official depositories and are secured as required by State law [G.S. 159-31]. The Town and HYA may designate as an official depository any bank or savings and loan association whose principal office is located in North Carolina. Also, the Town and HYA 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 and HYA 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.

# Town of Harrisburg, North Carolina

## Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014

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

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

**Restricted Assets (continued)**

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 Restricted Cash**

Governmental Activities	<u>General Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Public safety	\$ 83,263	\$ -	\$ 83,263
Streets	125,204	94,023	219,227
Performance bonds	<u>197,843</u>	<u>-</u>	<u>197,843</u>
Total governmental activities	<u>\$ 406,310</u>	<u>\$ 94,023</u>	<u>\$ 500,333</u>
Business-type Activities			
Water and Sewer Fund			
Customer deposits			<u>\$ 216,145</u>
Total business-type activities			
Total restricted cash			<u>\$ 716,478</u>

**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, 2013. 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.



# Town of Harrisburg, North Carolina

## Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014

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

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

##### 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

##### 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 three items that meet the criterion for this category – prepaid taxes, property taxes receivable, and privilege licenses receivable.

##### 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.

# Town of Harrisburg, North Carolina

## Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014

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

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

**Compensated Absences**

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

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

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

**Net 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.

**Net Investment in Capital Assets**

Net investment in capital assets at June 30, 2014 are computed as follows:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
Capital assets, net of accumulated depreciation	\$ 11,247,307	\$ 19,594,048
Long-term debt	(2,157,980)	(9,790,427)
Net investment in capital assets	\$ 9,089,327	\$ 9,803,621

# Town of Harrisburg, North Carolina

## Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014

### 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

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.

Assigned fund balance – portion of fund balance that the Town intends to use for specific purposes. The Town Council has the authority to assign fund balance.

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

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

# Town of Harrisburg, North Carolina

## Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014

### 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 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	\$ 4,444,092
Less:	
Prepays	49,610
Stabilization by State statute	673,260
Streets	125,204
Public safety - Firemen's Relief Fund	83,263
Fund balance policy	<u>3,277,469</u>
Remaining fund balance	<u>\$ 235,286</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.

### II. Stewardship, Compliance, and Accountability:

#### A. Deficit in Fund Balance or Net Position of Individual Funds

As of June 30, 2014, the Capital Project Fund – Public Safety has a deficit fund balance of \$93,906. This includes funds associated with construction of Fire Station #3. The Town plans to utilize installment financing to fund the project and repay any expenditures prior to closing with the financing proceeds.

# Town of Harrisburg, North Carolina

## Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014

### III. Detail Notes On All Funds:

#### A. Assets

##### Deposits

All deposits of the Town and HYA 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 and HYA'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 and HYA, 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, HYA or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town and HYA 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. HYA has no formal policy regarding custodial credit risk for deposits.

At June 30, 2014, the Town's deposits had a carrying amount of \$10,534,764 and a bank balance of \$11,256,603. Of the bank balance, \$297,664 was covered by federal depository insurance, and the remainder was covered by collateral held under the Pooling Method. The carrying amount of deposits for HYA was \$42,407 and the bank balance was \$47,407. All of the bank balance was covered by federal depository insurance. At June 30, 2014, the Town's petty cash totaled \$900.

##### Investments

At June 30, 2014, the Town's investment balances were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Rating</u>
NC Capital Management Trust - Cash Portfolio	\$ 429,700	N/A	AAAm
MetLife Portfolio Architect Plus Annuity	<u>35,599</u>	N/A	AA-
Total	<u>\$ 465,299</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, 2014

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

#### A. Assets (continued)

##### Investments (continued)

*Concentration of credit risk.* The Town Council places no limit on the amount that the Town may invest in any one issuer. More than 5 percent of the Town's investments are in MetLife Portfolio Architect Plus annuities. This investment is 8% of the Town's total investments.

##### Capital Assets

Primary Government

Capital asset activity for the year ended June 30, 2014 was as follows:

	<u>July 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2014</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,250,231	\$ -	\$ -	\$ 1,250,231
Construction in progress	179,454	201,202	106,297	274,359
Total capital assets not being depreciated	<u>1,429,685</u>	<u>201,202</u>	<u>106,297</u>	<u>1,524,590</u>
Capital assets being depreciated:				
Buildings	4,721,470	100,539	-	4,822,009
Other improvements	2,418,820	-	-	2,418,820
Equipment	3,115,896	785,324	45,624	3,855,596
Infrastructure	1,745,623	853,078	-	2,598,701
Total capital assets being depreciated	<u>12,001,809</u>	<u>1,738,941</u>	<u>45,624</u>	<u>13,695,126</u>
Less accumulated depreciation for:				
Buildings	732,033	96,722	-	828,755
Other improvements	533,781	64,781	-	598,562
Equipment	2,037,835	328,838	29,772	2,336,901
Infrastructure	148,383	59,808	-	208,191
Total accumulated depreciation	<u>3,452,032</u>	<u>\$ 550,149</u>	<u>\$ 29,772</u>	<u>3,972,409</u>
Total capital assets being depreciated, net	<u>8,549,777</u>			<u>9,722,717</u>
Governmental activity capital assets, net	<u>\$ 9,979,462</u>			<u>\$ 11,247,307</u>

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

General government	\$ 54,372
Public safety	312,853
Transportation	61,510
Environmental protection	17,144
Cultural and recreational	104,270
Total	<u>\$ 550,149</u>

# Town of Harrisburg, North Carolina

## Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014

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

#### A. Assets (continued)

##### Capital Assets (continued)

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

	July 1, 2013	Additions	Retirements	June 30, 2014
Business-type activities:				
<b>Storm Water Fund:</b>				
Capital assets not being depreciated:				
Construction in progress	\$ 114,830	\$ 436,084	\$ 419,802	\$ 131,112
Total capital assets not being depreciated	114,830	436,084	419,802	131,112
Capital assets being depreciated:				
Equipment	220,453	-	-	220,453
Infrastructure	-	419,802	-	419,802
Total capital assets being depreciated	220,453	419,802	-	640,255
Less accumulated depreciation for:				
Equipment	10,800	23,450	-	34,250
Infrastructure	-	6,066	-	6,066
Total accumulated depreciation	10,800	\$ 29,516	\$ -	40,316
Total capital assets being depreciated, net	209,653			599,939
Storm water fund capital assets, net	\$ 324,483			\$ 731,051
	July 1, 2013	Additions	Retirements	June 30, 2014
Business-type activities:				
<b>Water and Sewer Fund:</b>				
Capital assets not being depreciated:				
Land and rights of way	\$ 459,753	\$ -	\$ -	\$ 459,753
Construction in progress	226,201	1,904,316	2,028,006	102,511
Total capital assets not being depreciated	685,954	1,904,316	2,028,006	562,264
Capital assets being depreciated:				
Buildings	60,187	-	-	60,187
Water lines	14,726,205	1,879,176	-	16,605,381
Equipment	1,301,207	137,597	146,134	1,292,670
Interceptors	724,436	-	-	724,436
Collection system	6,797,776	633,832	-	7,431,608
Total capital assets being depreciated	23,609,811	2,650,605	146,134	26,114,282
Less accumulated depreciation for:				
Buildings	26,399	1,204	-	27,603
Water lines	3,141,266	472,526	-	3,613,792
Equipment	1,032,478	73,403	128,271	977,610
Interceptors	481,531	24,148	-	505,679
Collection system	2,474,246	214,619	-	2,688,865
Total accumulated depreciation	7,155,920	\$ 785,900	\$ 128,271	7,813,549
Total capital assets being depreciated, net	16,453,891			18,300,733
Water and sewer fund capital assets, net	\$ 17,139,845			\$ 18,862,997
<b>Business-type activities capital assets, net</b>	\$ 17,464,328			\$ 19,594,048

# Town of Harrisburg, North Carolina

## Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014

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

#### A. Assets (continued)

##### Receivables - Allowances for Doubtful Accounts

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

	<b>June 30, 2014</b>
General Fund:	
Taxes receivable	\$ 7,255
Enterprise Fund:	
Accounts receivable	10,000
Total	\$ 17,255

#### B. Liabilities

##### Accounts Payable and Accrued Items

Payables at the government-wide level at June 30, 2014 were as follows:

	<b>Vendors</b>	<b>Other</b>	<b>Total</b>
<b>Governmental activities:</b>			
General Fund	\$ 136,504	\$ 140,728	\$ 277,232
<b>Total governmental activities</b>	\$ 136,504	\$ 140,728	\$ 277,232
<b>Business-type activities</b>			
Water and Sewer Fund	\$ 69,088	\$ 46,838	\$ 115,926
Storm Water Fund	237	-	237
<b>Total business-type activities</b>	\$ 69,325	\$ 46,838	\$ 116,163



# Town of Harrisburg, North Carolina

## Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014

### III. 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 7.07%, 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, 2014, 2013, and 2012 were \$223,998, \$200,340, and \$240,389, respectively. The contributions made by the Town equaled the required contributions for each year.

###### Firefighter's and Rescue Squad Workers' Pension Fund

**Plan Description.** The State of North Carolina contributes, on behalf of the Town, to the Firefighter'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, 2014

### III. 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:

	<b>Unavailable Revenue</b>	<b>Unearned Revenue</b>
General Fund		
Taxes receivable, less penalties	\$ 137,852	\$ -
Privilege licenses receivable	5,953	-
Prepaid taxes	-	789
Total	\$ 143,805	\$ 789

##### 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 liability and property exposures are re-insured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

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, 2014

### III. 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, 2014 totaled \$60,539.

Future minimum lease payments are as follows:

Year Ending June 30	Governmental Activities	Business-type Activities
2015	\$ 27,773	\$ 21,372
2016	12,170	9,492
2017	11,198	5,563
2018	8,757	3,237
2019	1	1,181
2020-2024	5	-
2025-2029	5	-
2030-2034	5	-
2035-2036	2	-
	\$ 59,916	\$ 40,845

##### 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, 2014

### III. 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, 2014 are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 25,398	\$ 8,719
2016	26,698	7,420
2017	28,063	6,054
2018	29,499	4,619
2019	31,008	3,110
2020-2021	36,086	1,666
	<u>\$ 176,752</u>	<u>\$ 31,588</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, 2014

### III. 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, 2014 are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 164,865	\$ 8,651
2016	167,321	6,194
2017	169,815	3,701
2018	157,885	1,171
	<u>\$ 659,886</u>	<u>\$ 19,717</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, 2014 are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 51,291	\$ 2,934
2016	52,123	2,102
2017	52,969	1,257
2018	49,309	398
	<u>\$ 205,692</u>	<u>\$ 6,691</u>

# Town of Harrisburg, North Carolina

## Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014

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

#### B. Liabilities (continued)

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

##### Installment loans (continued)

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

The future minimum payments of the installment purchase as of June 30, 2014 are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 70,000	\$ 26,215
2016	70,000	23,219
2017	70,000	20,223
2018	70,000	17,227
2019	70,000	14,231
2020-2023	279,601	24,717
	<u>\$ 629,601</u>	<u>\$ 125,832</u>

In October 2013, the Town borrowed \$527,000 from a local financial institution to purchase a new fire engine. The terms of the loan state that the interest will accrue at the rate of 2.00% per annum. Principal and interest payments are payable semi-annually beginning in November 2013 and ending in November 2020. The debt is secured by the property.

The future minimum payments of the installment purchase as of June 30, 2014 are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 71,546	\$ 9,196
2016	72,989	7,755
2017	74,504	6,238
2018	76,028	4,713
2019	77,584	3,157
2020-2021	113,398	1,749
	<u>\$ 486,049</u>	<u>\$ 32,808</u>

# Town of Harrisburg, North Carolina

## Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014

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

**B. Liabilities (continued)**

**Long-Term Obligations (continued)**

**Installment loans (continued)**

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

In December 1998, the Town borrowed \$1,500,000 from a local financial institution to upgrade its water and sewer system. The terms of the loan state that interest will accrue at the rate of 4.24% per annum. Principal and interest payments of \$70,068 are payable each July 1 and January 1, through January 1, 2014. The debt is secured by water and sewer equipment. On December 31, 2013, this obligation was paid in full.

In December 2002, the Town entered into a sewer asset purchase agreement with Richard Goodman. The agreement obligates the Town to pay \$8,000 to Mr. Goodman by December 31<sup>st</sup> each year through December 2014. The agreement states that no interest shall accrue for each payment except that each payment that is past due shall bear interest at 8.00% per year from the date of such payment was due. This obligation was paid in full in July 1, 2013.

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, 2014 are as follows:

<u>Year Ending June 30</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 495,444	\$ -
2016	495,444	-
2017	495,444	-
2018	495,444	-
2019	495,444	-
2020-2024	2,477,220	-
	<u>\$ 4,954,440</u>	<u>\$ -</u>

# Town of Harrisburg, North Carolina

## Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014

**III. 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, 2014 are as follows:

<u>Year Ending June 30</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 99,094	\$ 48,687
2016	101,920	45,754
2017	105,084	42,735
2018	108,216	39,627
2019	111,441	36,428
2020-2024	608,894	130,763
2025-2029	576,576	36,756
	<u>\$ 1,711,225</u>	<u>\$ 380,750</u>

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, 2014 are as follows:

<u>Year Ending June 30</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 101,695	\$ 41,778
2016	101,695	38,574
2017	101,695	35,371
2018	101,695	32,167
2019	101,695	28,964
2020-2024	508,475	96,769
2025-2028	347,460	20,089
	<u>\$ 1,364,410</u>	<u>\$ 293,712</u>



# Town of Harrisburg, North Carolina

## Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014

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

**B. Liabilities (continued)**

**Long-Term Obligation (continued)**

**Installment loans (continued)**

In January 2014, the Town borrowed \$1,800,000 from a local financial institution to finance the extension of water lines in town and the decommissioning of two sewer treatment plants. The terms of the loan state that interest will accrue at the rate of 3.02% per annum. Principal and interest payments in the amount of \$12,448 are payable monthly, through January 23, 2029. The debt is secured by certain property and improvements.

The future minimum payments of the installment purchase as of June 30, 2014 are as follows:

<u>Year Ending June 30</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 97,561	\$ 51,815
2016	100,548	48,828
2017	103,627	45,749
2018	106,800	42,576
2019	110,071	39,305
2020-2024	603,024	143,856
2025-2029	638,721	46,013
	\$ 1,760,352	\$ 418,142

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

<u>Year Ending June 30</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 383,100	\$ 55,715	\$ 793,794	\$ 142,280
2016	389,131	46,690	799,607	133,156
2017	395,351	37,473	805,850	123,855
2018	382,721	28,128	812,155	114,370
2019	178,592	20,498	818,651	104,697
2020-2024	429,085	28,132	4,197,613	371,388
2025-2029	-	-	1,562,757	102,858
	\$ 2,157,980	\$ 216,636	\$ 9,790,427	\$ 1,092,604

The Town's legal debt margin at June 30, 2014 is \$134,214,461.

# Town of Harrisburg, North Carolina

## Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014

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

#### B. Liabilities (continued)

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

##### Changes in Long-Term Liabilities:

	<u>July 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2014</u>	<u>Current Portion of Balance</u>
Governmental activities:					
Notes payable	\$ 1,979,180	\$ 527,000	\$ 348,200	\$ 2,157,980	\$ 383,100
Compensated absences	173,894	250,212	196,776	227,330	227,330
Total	<u>2,153,074</u>	<u>777,212</u>	<u>544,976</u>	<u>2,385,310</u>	<u>610,430</u>
Business-type activities:					
<u>Water and Sewer Fund</u>					
Notes payable	8,873,611	1,800,000	883,184	9,790,427	793,794
Compensated absences	48,409	95,394	67,905	75,898	75,898
Total	<u>8,922,020</u>	<u>1,895,394</u>	<u>951,089</u>	<u>9,866,325</u>	<u>869,692</u>
Total	<u>\$ 11,075,094</u>	<u>\$ 2,672,606</u>	<u>\$ 1,496,065</u>	<u>\$ 12,251,635</u>	<u>\$ 1,480,122</u>

#### C. Interfund Balances and Activity

Balances due to/from other funds at June 30, 2014, consist of the following:

Due from Capital Project Fund – Public Safety to fund expenditures prior for other financing being established to the General Fund in the amount of \$93,906.

Due from Water and Sewer Capital Projects Fund to fund expenditures prior for other financing being established to the Water and Sewer Fund in the amount of \$112,096.

Due from Storm Water Capital Projects Fund to fund expenditures prior for other financing being established to the Storm Water Fund in the amount of \$5,820.

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, 2014, consist of the following:

From the General Fund to the Capital Project Fund - Streets	\$ 100,000
From the General Fund to the Capital Reserve Fund	950,000
From the Capital Reserve Fund to the General Fund	547,000
From the Storm Water Fund to the Storm Water Capital Project Fund	<u>450,500</u>
	<u>\$ 2,047,500</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.

# Town of Harrisburg, North Carolina

## Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014

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

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

For the fiscal year ended June 30, 2014, the Town has recognized on-behalf payments for pension contributions made by the State as revenue and an expenditure of \$1,073 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.

### IV. Summary Disclosure of Significant Contingencies:

#### Federal and State-Assisted Programs

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

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

The Water and Sewer Fund had charges of \$5,236,132 for the year ended June 30, 2014, with charges to one customer of \$125,125, or 2.4% of total charges.

### VI. Significant Dependence:

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

### VII. Jointly Governed Organizations:

The Town, 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, 2014, the Town purchased sewer transportation services amounting to \$796,314 from WSACC. At June 30, 2014, there was no amount due to WSACC which would need to be reflected in accounts payable of the Water and Sewer Fund.

# Town of Harrisburg, North Carolina

## Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014

### VIII. Joint Ventures:

The Town and the members of the Town's fire department each appoint two members to the five-member local Board of Trustees for the Firemen's Relief Fund. The State Insurance Commissioner appoints one additional member to the local Board of Trustees. The Firemen's Relief Fund is funded by a portion of the fire and lightning insurance premiums that insurers remit to the State. The State passes these 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 \$5,377 and expenditures for the payments of \$10,089 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, 2014. The Firemen's Relief Fund does not issue separate audited financial statements. Instead, the local Board of Trustees files an annual financial report with the State Firemen's Association. This report can be obtained from the Association at 323 West Jones Street, Suite 401, Raleigh, North Carolina 27603.

### IX. Subsequent Events:

Management has evaluated the subsequent events through November 25, 2014, the date the financial statements were available to be issued.

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, 2014 and 2013**

	<u>June 30,</u> <u>2014</u>	<u>June 30,</u> <u>2013</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 3,735,799	\$ 3,515,420
Restricted cash and cash equivalents	406,310	488,308
Receivables - net:		
Property taxes	137,852	199,360
Privilege licenses	5,953	6,678
Other	1,929	5,369
Due from other funds	93,906	-
Due from government agencies	577,425	609,763
Prepaid items	49,610	93,264
Total assets	<u>\$ 5,008,784</u>	<u>\$ 4,918,162</u>
 <b>Liabilities, deferred inflows of resources and fund balance</b>		
Liabilities:		
Accounts payable and accrued liabilities	\$ 191,660	\$ 321,947
July 4th celebration revenue	30,595	30,333
Payable from restricted assets		
Performance bonds on deposit	<u>197,843</u>	<u>179,578</u>
Total liabilities	<u>420,098</u>	<u>531,858</u>
 Deferred inflows of resources:		
Property taxes receivable	137,852	199,360
Privilege licenses receivable	5,953	6,678
Prepaid taxes	789	6,491
Total deferred inflows of resources	<u>144,594</u>	<u>212,529</u>
 Fund balance:		
Non-spendable:		
Prepays	49,610	93,264
Restricted:		
Stabilization by State statute	673,260	615,132
Streets	125,204	220,756
Public safety	83,263	87,974
Unassigned	<u>3,512,755</u>	<u>3,156,649</u>
Total fund balance	<u>4,444,092</u>	<u>4,173,775</u>
 Total liabilities, deferred inflows of resources and fund balance		
	<u>\$ 5,008,784</u>	<u>\$ 4,918,162</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, 2014  
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2013)

	2014			2013
	Budget	Actual	Variance Over/(Under)	Actual
<b>Revenues:</b>				
<b>Ad valorem taxes:</b>				
Current year	\$ 4,225,500	\$ 4,613,551	\$ 388,051	\$ 4,318,079
Prior years	40,000	43,191	3,191	82,335
Penalties and interest	25,000	20,627	(4,373)	29,195
Total	<u>4,290,500</u>	<u>4,677,369</u>	<u>386,869</u>	<u>4,429,609</u>
<b>Other taxes and licenses:</b>				
Privilege licenses	<u>20,000</u>	<u>14,734</u>	<u>(5,266)</u>	<u>17,489</u>
<b>Unrestricted intergovernmental:</b>				
Local option sales tax	995,000	1,286,811	291,811	1,237,261
Utility franchise tax	575,000	641,926	66,926	631,287
Beer and wine tax	30,000	58,633	28,633	52,745
Total	<u>1,600,000</u>	<u>1,987,370</u>	<u>387,370</u>	<u>1,921,293</u>
<b>Restricted intergovernmental:</b>				
Powell Bill allocation	350,000	369,892	19,892	356,391
Sidewalk grant	-	-	-	225,473
Fire taxes	760,000	796,937	36,937	755,890
Fire grants	1,000	1,475	475	1,225,885
On-behalf payments - fire	1,000	1,073	73	1,107
Solid waste disposal	10,000	7,505	(2,495)	9,179
Total	<u>1,122,000</u>	<u>1,176,882</u>	<u>54,882</u>	<u>2,573,925</u>
<b>Permits and fees:</b>				
Compliance permits	30,000	41,010	11,010	32,597
Inspection fees and fines	7,500	1,350	(6,150)	5,940
Total	<u>37,500</u>	<u>42,360</u>	<u>4,860</u>	<u>38,537</u>
<b>Sales and services:</b>				
Parks and recreation shelter rental	3,000	5,355	2,355	4,660
Parks and recreation athletics	408,800	358,318	(50,482)	394,355
Recreation program fees	5,000	2,312	(2,688)	14,864
Sale of surplus property	55,000	18,888	(36,112)	15,042
Total	<u>471,800</u>	<u>384,873</u>	<u>(86,927)</u>	<u>428,921</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, 2014  
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2013)

	2014			2013
	Budget	Actual	Variance Over/(Under)	Actual
<b>Revenues (continued):</b>				
Investment earnings	18,500	35,765	17,265	36,961
<b>Other general revenues:</b>				
July 4th celebration	70,000	52,244	(17,756)	67,477
Municipal complex rental	2,500	3,430	930	4,679
Parks and recreation - field rentals	-	(180)	(180)	-
Parks and recreation - concessions	2,000	5,146	3,146	3,753
Parks and recreation - special events	3,500	4,753	1,253	5,106
Council chamber rental	3,000	2,384	(616)	3,825
HYA contributions	25,000	10,034	(14,966)	-
Donations	20,000	130	(19,870)	-
Fire department miscellaneous	5,000	16,196	11,196	18,277
Cabarrus County - EMS facilities at Station 2 reimbursement	10,800	10,800	-	9,900
Cabarrus County - EMS Decontamination trailer reimbursement	5,000	-	(5,000)	5,000
Administrative charges	-	-	-	190,000
Miscellaneous	2,500	15,700	13,200	41,803
Total	149,300	120,637	(28,663)	349,820
Total revenues	7,709,600	8,439,990	730,390	9,796,555
<b>Expenditures:</b>				
<b>General government:</b>				
Mayor and Council:				
Salaries	42,000	42,841	(841)	40,913
Employee benefits	3,500	3,283	217	3,123
Contracted services	5,000	7,000	(2,000)	4,950
Travel and training	2,000	874	1,126	-
Sponsorships	7,500	5,800	1,700	-
Technology services	-	2,081	(2,081)	-
Special projects	25,000	19,718	5,282	5,187
Total	85,000	81,597	3,403	54,173
Administration and finance:				
Salaries	462,500	452,086	10,414	408,318
Employee benefits	140,500	152,234	(11,734)	111,680
Cost allocation	(196,000)	(196,008)	8	-
Workers' compensation	9,500	215	9,285	7,007
Insurance and bonds	6,500	3,588	2,912	5,096
Employee relations	7,500	8,553	(1,053)	7,126

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, 2014  
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2013)

	2014		Variance Over/(Under)	2013
	Budget	Actual		Actual
<b>Expenditures (continued):</b>				
<b>General government (continued):</b>				
Administration and finance (continued):				
Uniforms	2,000	1,293	707	-
Training	8,000	2,671	5,329	3,647
Travel	4,000	4,874	(874)	475
Fuel	1,000	702	298	176
Maintenance and repairs - buildings	46,000	48,365	(2,365)	5,762
Maintenance and repairs - vehicles	200	911	(711)	131
Miscellaneous	500	88	412	394
Dues and subscriptions	9,000	9,413	(413)	8,112
Pre-employment	1,000	187	813	207
Advertising	3,500	5,762	(2,262)	2,215
Tires	200	-	200	-
Department supplies	8,000	12,770	(4,770)	10,925
Small tools	-	-	-	23
Legal services	50,000	23,370	26,630	30,910
Printing	18,000	5,935	12,065	5,233
Telephone	23,000	22,852	148	20,940
Postage	10,000	8,408	1,592	6,271
Utilities - electric	30,000	29,532	468	28,825
Utilities - street lights	136,500	142,825	(6,325)	130,201
Contracted services	-	886	(886)	-
Professional services	24,500	28,031	(3,531)	37,798
Technology services	42,500	46,938	(4,438)	26,027
Buildings and grounds contracted services	26,600	34,494	(7,894)	21,772
Maintenance and repair - equipment	1,000	-	1,000	-
Shipping and handling	1,000	933	67	890
Copier lease	9,000	9,289	(289)	8,107
Computer lease	2,500	689	1,811	657
Fines and penalties	-	578	(578)	-
Capital outlay	87,000	69,729	17,271	-
Total	975,500	932,193	43,307	888,925

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, 2014**  
**(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2013)**

	2014			2013
	Budget	Actual	Variance Over\ (Under)	Actual
<b>Expenditures (continued):</b>				
<b>General government (continued):</b>				
Economic development:				
Salaries	30,000	25,892	4,108	-
Employee benefits	9,000	6,121	2,879	-
Meetings and conferences	-	514	(514)	-
Uniforms	250	159	91	-
Training	3,300	2,052	1,248	-
Travel	3,300	-	3,300	-
Dues and subscriptions	7,500	4,356	3,144	-
Advertising	-	1,683	(1,683)	-
Supplies	-	203	(203)	-
Legal services	-	740	(740)	-
Telephone	500	341	159	-
Contract services	69,000	31,186	37,814	-
Professional services	-	48	(48)	-
Contributions	-	-	-	79
EDC	-	17,977	(17,977)	19,780
Employee relations	-	-	-	1,204
Incentive grants	-	370	(370)	48,354
Designated for EDC	39,450	33	39,417	-
Technology services	2,800	5,754	(2,954)	21
Capital outlay	10,000	-	10,000	-
Total	175,100	97,429	77,671	69,438
Total general government	1,235,600	1,111,219	124,381	1,012,536
<b>Planning and zoning:</b>				
Salaries	107,800	105,545	2,255	103,046
Employee benefits	33,500	32,896	604	30,356
Cost allocation	(7,000)	(6,996)	(4)	-
Workers' compensation	-	2,187	(2,187)	-
Insurance and bonds	2,800	1,074	1,726	719
Training	1,200	574	626	605
Travel	1,000	941	59	55
Fuel	2,500	2,423	77	2,270
Maintenance and repair - vehicles	400	70	330	245
Dues and subscriptions	800	751	49	596
Pre-employment	100	-	100	-
Advertising	2,000	1,651	349	1,267
Tires	600	-	600	560
Supplies	3,000	666	2,334	1,829
Small tools	-	-	-	346

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, 2014  
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2013)

	2014			2013
	Budget	Actual	Variance Over/(Under)	Actual
<b>Expenditures (continued):</b>				
<b>Planning and zoning (continued):</b>				
Legal services	8,000	14,946	(6,946)	12,343
Printing	-	69	(69)	-
Telephone	2,000	1,297	703	1,847
Postage	800	-	800	-
Uniforms	450	308	142	126
Miscellaneous	-	98	(98)	-
Professional services	300	418	(118)	418
Technology services	4,500	489	4,011	3,238
Shipping and handling	50	-	50	48
Computer lease	1,200	627	573	588
Maintenance and repairs - grounds	150	-	150	430
Total planning and zoning	166,150	160,034	6,116	160,932
<b>Public safety:</b>				
Police:				
County contract - deputy salaries	650,000	659,817	(9,817)	632,582
Insurance and bonds	5,000	5,571	(571)	3,605
Fuel	40,000	34,165	5,835	33,918
Maintenance and repairs - vehicles	28,000	22,040	5,960	19,099
Maintenance and repairs - grounds	-	-	-	3,434
Vehicle replacement	-	-	-	65,705
Supplies	5,745	5,684	61	3,395
Telephone	1,800	1,241	559	1,244
Utilities	-	220	(220)	-
Shipping and handling	500	190	310	368
Technology services	11,300	3,055	8,245	4,928
Computer lease	600	630	(30)	598
Special programs	-	-	-	581
Special equipment	12,740	13,741	(1,001)	14,953
Capital outlay	80,000	79,537	463	-
Total	835,685	825,891	9,794	784,410
Fire:				
Salaries	1,409,000	1,378,322	30,678	1,337,072
Employee benefits	437,000	441,704	(4,704)	381,915
Cost allocation	14,000	14,004	(4)	-
Workers compensation	61,000	46,324	14,676	52,645
Insurance and bonds	34,000	28,138	5,862	26,656

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, 2014  
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2013)

	2014		Variance Over/(Under)	2013
	Budget	Actual		Actual
<b>Expenditures (continued):</b>				
<b>Public Safety (continued):</b>				
Fire (continued):				
Uniforms	26,750	28,603	(1,853)	14,107
Training	18,800	18,726	74	11,144
Travel	4,500	3,467	1,033	1,259
Fuel	32,000	30,987	1,013	31,017
Maintenance and repair - vehicles	48,000	38,399	9,601	50,917
Maintenance and repair - grounds	36,900	39,904	(3,004)	44,766
Miscellaneous	600	515	85	456
Dues and subscriptions	6,000	3,629	2,371	5,893
Pre-employment	1,500	25	1,475	1,463
Public education	2,200	1,447	753	2,145
Vehicle replacement	-	-	-	58,922
Advertising	500	-	500	226
Tires	9,000	8,030	970	2,238
Supplies	8,000	2,596	5,404	3,006
Legal services	5,200	380	4,820	8,950
Chemicals	1,000	-	1,000	-
Printing	1,000	420	580	2,340
Telephone	22,500	18,389	4,111	13,231
Postage	300	-	300	-
Utilities - electric	32,520	32,886	(366)	33,293
Utilities - water	900	3,860	(2,960)	2,037
Professional services	4,500	5,561	(1,061)	21,711
Technology services	18,900	18,495	405	6,149
Maintenance and repairs - signage	100	-	100	-
Maintenance and repairs - fire hydrants	750	208	542	-
Maintenance and repairs - equipment	18,000	21,385	(3,385)	27,530
Shipping and handling	1,600	2,424	(824)	1,602
Copier lease	2,400	1,310	1,090	2,092
Computer lease	5,200	3,188	2,012	3,029
Special equipment	26,100	24,260	1,840	1,272,340
Medical supplies	3,500	7,618	(4,118)	5,765
Physicals	20,000	19,303	697	18,577
Fines and penalties	-	772	(772)	-
On-behalf of payments	-	1,073	(1,073)	1,107
Capital outlay	693,000	657,402	35,598	-
Total	3,007,220	2,903,754	103,466	3,445,600
Total public safety	3,842,905	3,729,645	113,260	4,230,010

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, 2014**  
**(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2013)**

	2014			2013
	Budget	Actual	Variance Over/(Under)	Actual
<b>Expenditures (continued):</b>				
<b>Transportation:</b>				
Streets and highways:				
Small tools	500	498	2	214
Chemicals	1,000	743	257	358
Contracted services	12,500	6,250	6,250	205,091
Street maintenance and repair	82,200	70,768	11,432	10,660
Signs	8,000	7,814	186	5,695
Construction	-	4,277	(4,277)	-
Equipment rental	8,000	8,975	(975)	7,507
Shipping and handling	300	39	261	-
Capital outlay	305,000	296,715	8,285	175,965
Total transportation	<u>417,500</u>	<u>396,079</u>	<u>21,421</u>	<u>405,490</u>
<b>Environmental protection:</b>				
Sanitation:				
Sanitation services	615,000	612,139	2,861	686,404
Public works:				
Salaries	130,000	112,007	17,993	132,879
Employee benefits	49,000	47,618	1,382	42,645
Cost allocation	295,000	294,996	4	-
Workers' compensation	8,000	7,749	251	6,763
Insurance and bonds	-	3,654	(3,654)	-
Employee relations	100	-	100	-
Uniforms	1,450	2,453	(1,003)	3,652
Training	50	-	50	-
Travel	50	-	50	-
Fuel	25,200	22,509	2,691	19,839
Maintenance and repair - vehicles	13,000	12,858	142	13,306
Maintenance and repair - equipment	1,000	696	304	709
Pre-employment	500	25	475	165
Tires	3,800	3,602	198	3,176
Printing	-	6,291	(6,291)	-
Professional services	150	520	(370)	625
Computer lease	500	-	500	-
Physicals	150	-	150	100
Capital outlay	72,000	68,139	3,861	5,368
Total	<u>599,950</u>	<u>583,117</u>	<u>16,833</u>	<u>229,227</u>
Total environmental protection	<u>1,214,950</u>	<u>1,195,256</u>	<u>19,694</u>	<u>915,631</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, 2014  
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2013)

	2014			2013
	Budget	Actual	Variance Over/(Under)	Actual
<b>Expenditures (continued):</b>				
<b>Cultural and recreational:</b>				
Parks and recreation:				
Salaries	344,000	348,409	(4,409)	334,344
Employee benefits	119,000	115,171	3,829	112,309
Cost allocation	(66,000)	(66,000)	-	-
Employee relations	300	171	129	201
Workers' compensation	10,000	9,855	145	8,846
Insurance and bonds	12,250	12,159	91	3,342
Uniforms	2,250	1,265	985	4,927
Training	4,500	518	3,982	2,265
Travel	4,000	2,232	1,768	2,336
Fuel	15,000	13,506	1,494	12,943
Dues and subscriptions	500	2,867	(2,367)	531
Pre-employment	750	127	623	-
Advertising	2,000	280	1,720	1,549
Tires	1,000	1,318	(318)	636
Supplies	3,000	2,482	518	2,939
Small tools	1,500	1,295	205	1,165
Legal services	1,000	1,620	(620)	1,580
Chemicals	5,000	3,157	1,843	4,730
Printing	3,000	2,920	80	(449)
Telephone	9,700	8,910	790	8,898
Postage	2,000	1,565	435	1,041
Utilities - electric	10,000	13,527	(3,527)	10,612
Utilities - water	-	623	(623)	-
Professional services	4,800	1,382	3,418	1,324
Technology services	4,000	4,036	(36)	5,377
Construction	-	-	-	5,195
Maintenance and repairs - equipment	4,500	5,103	(603)	3,613
Maintenance and repairs - vehicles	2,000	1,652	348	1,674
Maintenance and repairs - buildings	16,500	12,129	4,371	17,015
Shipping and handling	2,000	1,401	599	1,275
Copier lease	3,500	3,720	(220)	2,927
Computer lease	1,000	918	82	867
Office/building lease	9,500	9,817	(317)	8,383
Miscellaneous	-	(344)	344	-
Special projects	23,000	22,464	536	20,885

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, 2014  
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2013)

	2014		Variance Positive Over/(Under)	2013
	Budget	Actual		Actual
<b>Expenditures (continued):</b>				
<b>Cultural and recreational (continued):</b>				
Parks and recreation (continued):				
July 4th event	100,000	106,066	(6,066)	95,941
Physicals	300	-	300	150
Special equipment	3,500	2,359	1,141	1,837
Medical supplies	500	-	500	456
Capital outlay:				
Grant match	-	-	-	12,011
Improvements	450,000	71,545	378,455	7,591
Total	<u>1,109,850</u>	<u>720,225</u>	<u>389,625</u>	<u>701,266</u>
Athletics:				
Salaries	43,000	43,033	(33)	45,645
Employee benefits	20,000	17,293	2,707	15,991
Cost allocation	66,000	66,000	-	-
Casualty insurance and bonds	-	1,436	(1,436)	-
Maintenance and repairs - grounds	10,500	11,628	(1,128)	5,210
Athletics	1,500	1,300	200	1,386
Operating costs	295,700	268,721	26,979	247,900
Chemicals	14,000	11,475	2,525	9,941
Utilities - electric	60,000	48,827	11,173	47,384
Professional services	-	176	(176)	191
Technology services	-	887	(887)	246
Computer lease	-	68	(68)	-
Shipping and handling	5,000	1,832	3,168	2,325
Total	<u>515,700</u>	<u>472,676</u>	<u>43,024</u>	<u>376,219</u>
Total cultural and recreational	<u>1,625,550</u>	<u>1,192,901</u>	<u>432,649</u>	<u>1,077,485</u>
Total expenditures	<u>8,502,655</u>	<u>7,785,134</u>	<u>717,521</u>	<u>7,802,084</u>
Revenues over (under) expenditures	<u>(793,055)</u>	<u>654,856</u>	<u>1,447,911</u>	<u>1,994,471</u>



Town of Harrisburg, North Carolina

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

	2014		Variance Positive Over/(Under)	2013
	Budget	Actual		Actual
<b>Other financing sources (uses):</b>				
Debt service:				
Principal retirement	(410,000)	(348,200)	61,800	(230,371)
Interest	(85,000)	(60,339)	24,661	(86,869)
Transfers to other funds:				
Capital Reserve	(950,000)	(950,000)	-	(615,000)
Capital Project Fund - Streets	(100,000)	(100,000)	-	(30,000)
Transfers from other funds:				
Capital reserve	547,000	547,000	-	-
Contingency	(158,945)	-	158,945	-
Debt issued	880,000	527,000	(353,000)	-
	<u>(276,945)</u>	<u>(384,539)</u>	<u>(107,594)</u>	<u>(962,240)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	(1,070,000)	270,317	1,340,317	1,032,231
Appropriated fund balance	<u>1,070,000</u>	<u>-</u>	<u>(1,070,000)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>270,317</u>	<u>\$ 270,317</u>	<u>1,032,231</u>
<b>Fund balance</b>				
Beginning of year		<u>4,173,775</u>		<u>3,141,544</u>
End of year		<u>\$ 4,444,092</u>		<u>\$ 4,173,775</u>

## Town of Harrisburg, North Carolina

**Combining Balance Sheets**  
**Nonmajor Governmental Funds**  
**June 30, 2014**

	<b>Capital Project Fund - Streets</b>	<b>Capital Project Fund - Public Safety</b>	<b>Capital Reserve Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Assets</b>				
Cash and cash equivalents	\$ -	\$ -	\$ 1,020,994	\$ 1,020,994
Restricted cash and cash equivalents	94,023	-	-	94,023
Due from other governments	663	-	-	663
	<u>94,686</u>	<u>-</u>	<u>1,020,994</u>	<u>1,115,680</u>
Total assets	<u>\$ 94,686</u>	<u>\$ -</u>	<u>\$ 1,020,994</u>	<u>\$ 1,115,680</u>
<b>Liabilities</b>				
Accounts payable and accrued liabilities	\$ 70,898	\$ -	\$ -	\$ 70,898
Due to other funds	-	93,906	-	93,906
Total liabilities	<u>70,898</u>	<u>93,906</u>	<u>-</u>	<u>164,804</u>
<b>Fund balance</b>				
Restricted:				
Stabilization by State statute	663	-	-	663
Streets	94,023	-	-	94,023
Committed	-	-	1,020,994	1,020,994
Unassigned	(70,898)	(93,906)	-	(164,804)
Total fund balances	<u>23,788</u>	<u>(93,906)</u>	<u>1,020,994</u>	<u>950,876</u>
Total liabilities and fund balance	<u>\$ 94,686</u>	<u>\$ -</u>	<u>\$ 1,020,994</u>	<u>\$ 1,115,680</u>

## 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, 2014**

	Capital Project Fund - Streets	Capital Project Fund - Public Safety	Capital Reserve Fund	Total Nonmajor Governmental Funds
<b>Revenues</b>				
Investment earnings	\$ 85	\$ -	\$ 2,994	\$ 3,079
Total revenues	<u>85</u>	<u>-</u>	<u>2,994</u>	<u>3,079</u>
<b>Expenditures</b>				
Current:				
Public safety	-	93,906	-	93,906
Transportation	78,121	-	-	78,121
Total expenditures	<u>78,121</u>	<u>93,906</u>	<u>-</u>	<u>172,027</u>
Revenues under expenditures	<u>(78,036)</u>	<u>(93,906)</u>	<u>2,994</u>	<u>(168,948)</u>
<b>Other financing sources</b>				
Transfers from other funds	100,000	-	950,000	1,050,000
Transfers to other funds	-	-	(547,000)	(547,000)
Total other financing sources	<u>100,000</u>	<u>-</u>	<u>403,000</u>	<u>503,000</u>
Net change in fund balance	21,964	(93,906)	405,994	334,052
<b>Fund balance</b>				
Beginning of year - July 1	<u>1,824</u>	<u>-</u>	<u>615,000</u>	<u>616,824</u>
End of year - June 30	<u>\$ 23,788</u>	<u>\$ (93,906)</u>	<u>\$ 1,020,994</u>	<u>\$ 950,876</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, 2014**

	Project Authorization	Actual			Variance Over / (Under)
		Prior Years	Current Year	Total to Date	
<b>Revenues</b>					
Investment earnings	\$ -	\$ -	\$ 85	\$ 85	\$ 85
Total	-	-	85	85	85
<b>Expenditures - Roberta Road Sidewalk</b>					
Engineering	45,000	28,176	7,886	36,062	8,938
Construction	227,000	-	70,235	70,235	156,765
Total expenditures	272,000	28,176	78,121	106,297	165,703
<b>Revenues over (under) expenditures</b>	<u>(272,000)</u>	<u>(28,176)</u>	<u>(78,036)</u>	<u>(106,212)</u>	<u>(165,618)</u>
<b>Other financing sources:</b>					
Transfers from other funds	272,000	30,000	100,000	130,000	(142,000)
Total other financing sources	272,000	30,000	100,000	130,000	(142,000)
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ 1,824</u>	21,964	<u>\$ 23,788</u>	<u>\$ (307,618)</u>
<b>Fund balance</b>					
Beginning of year - July 1			1,824		
End of year - June 30			<u>\$ 23,788</u>		

## 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, 2014**

	Actual			Variance Over / (Under)
	Project Authorization	Prior Years	Current Year	
<b>Expenditures - Fire Station #3</b>				
Engineering	\$ -	\$ -	\$ 93,906	\$ (93,906)
Construction	1,197,000	-	-	1,197,000
Total expenditures	<u>1,197,000</u>	<u>-</u>	<u>93,906</u>	<u>1,103,094</u>
<b>Revenues over / (under) expenditures</b>	<u>(1,197,000)</u>	<u>-</u>	<u>(93,906)</u>	<u>1,103,094</u>
<b>Other financing sources</b>				
Debt issued	1,197,000	-	-	(1,197,000)
Total other financing sources	<u>1,197,000</u>	<u>-</u>	<u>-</u>	<u>(1,197,000)</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>(93,906)</u>	<u>\$ 1,103,094</u>
<b>Fund balance</b>				
Beginning of year - July 1			<u>-</u>	
End of year - June 30			<u>\$ (93,906)</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, 2014**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/(Under)</u>
<b>Revenues:</b>			
<b>Non-operating revenues:</b>			
Interest income	\$ -	\$ 2,994	\$ 2,994
Total non-operating revenues	<u>-</u>	<u>2,994</u>	<u>2,994</u>
<b>Total revenues</b>	<u>-</u>	<u>2,994</u>	<u>2,994</u>
<b>Expenditures</b>			
Reserve for expenditures	950,000	-	950,000
Total expenditures	<u>950,000</u>	<u>-</u>	<u>950,000</u>
Revenues over (under) expenditures	<u>(950,000)</u>	<u>2,994</u>	<u>(947,006)</u>
<b>Other financing sources (uses)</b>			
Transfer from General Fund	950,000	950,000	-
Transfer to General Fund	<u>(547,000)</u>	<u>(547,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>403,000</u>	<u>403,000</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>(547,000)</u>	<u>(544,006)</u>	<u>(947,006)</u>
Appropriated fund balance	<u>547,000</u>	<u>-</u>	<u>(547,000)</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>405,994</u>	<u>\$ 405,994</u>
<b>Fund balance:</b>			
Beginning of year - July 1		<u>615,000</u>	
End of year - June 30		<u>\$ 1,020,994</u>	

## Town of Harrisburg, North Carolina

**Water and Sewer Fund**  
**Comparative Statements of Net Position**  
**June 30, 2014 and 2013**

	<u>June 30,</u> <u>2014</u>	<u>June 30,</u> <u>2013</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 5,204,390	\$ 3,288,608
Accounts receivable (net) - customers	800,366	655,612
Accounts receivable - other	54,658	63,383
Prepaid expenses	283	14,644
Restricted cash and cash equivalents	216,145	693,531
Total current assets	<u>6,275,842</u>	<u>4,715,778</u>
Non-current assets:		
Capital assets, net of depreciation	<u>18,862,997</u>	<u>17,139,845</u>
Total assets	<u>25,138,839</u>	<u>21,855,623</u>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable and accrued liabilities	115,926	255,806
Long-term debt, current portion	793,794	821,916
Compensated absences, current portion	75,898	48,409
Payables due from restricted assets		
Accounts payable and accrued liabilities	-	27,145
Customer deposits	216,145	203,355
Refundable tap fees	-	4,386
Total current liabilities	<u>1,201,763</u>	<u>1,361,017</u>
Non-current liabilities:		
Long-term debt, non-current portion	<u>8,996,633</u>	<u>8,051,695</u>
Total liabilities	<u>10,198,396</u>	<u>9,412,712</u>
<b>Net position</b>		
Net investment in capital assets	9,072,570	8,266,234
Unrestricted	<u>5,867,873</u>	<u>4,176,677</u>
Total net position	<u>\$ 14,940,443</u>	<u>\$ 12,442,911</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, 2014**  
**(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2013)**

	2014		Variance Over/(Under)	2013
	Budget	Actual		Actual
<b>Revenues:</b>				
<b>Operating revenues:</b>				
Water sales	\$ 3,035,000	\$ 2,862,737	\$ (172,263)	\$ 2,693,176
Sewer charges	2,375,000	2,373,395	(1,605)	2,392,841
Water and sewer taps	77,000	152,109	75,109	131,558
Water and sewer development charges	210,000	473,228	263,228	252,888
Set-up fees	15,000	18,750	3,750	15,325
Service connection fees	335,000	559,253	224,253	359,054
Penalties	100,000	111,713	11,713	100,417
Rental fees	75,000	78,845	3,845	70,629
Miscellaneous revenues	1,000	53,802	52,802	1,797
Total operating revenues	<u>6,223,000</u>	<u>6,683,832</u>	<u>460,832</u>	<u>6,017,685</u>
<b>Non-operating revenues:</b>				
Interest income	35,000	21,569	(13,431)	28,630
Gain on sale of capital assets	25,000	43,778	18,778	23,100
Total non-operating revenues	<u>60,000</u>	<u>65,347</u>	<u>5,347</u>	<u>51,730</u>
<b>Total revenues</b>	<u>6,283,000</u>	<u>6,749,179</u>	<u>466,179</u>	<u>6,069,415</u>
<b>Expenditures:</b>				
<b>Water administration and distribution:</b>				
Salaries	853,000	845,403	7,597	816,334
Employee benefits	300,000	298,062	1,938	262,160
Cost allocation	(186,000)	(186,000)	-	-
Workers' compensation	20,000	22,732	(2,732)	15,358
Inspections	55,800	17,255	38,545	31,189
Maintenance and repairs	174,300	91,420	82,880	65,163
Casualty insurance/bonds	30,000	30,238	(238)	28,610
Employee relations	500	452	48	450
Incentive payments	-	73,390	(73,390)	30,940
Water purchases	1,370,000	1,320,375	49,625	1,343,545
Sewer treatment	917,000	842,871	74,129	788,175
Bad debts	-	2,000	(2,000)	3,000
Vehicle replacement	-	-	-	191
Uniforms	3,000	2,962	38	18,912
Training	9,000	3,208	5,792	4,277
Travel	4,500	1,801	2,699	1,478



## 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, 2014

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2013)

	2014		Variance Over/(Under)	2013
	Budget	Actual		Actual
<b>Expenditures (continued):</b>				
<b>Water administration and distribution (continued):</b>				
Fuel	55,000	53,166	1,834	51,340
Maintenance and repairs - vehicles	13,000	8,519	4,481	12,373
Maintenance and repairs - building and grounds	23,100	17,756	5,344	14,412
Miscellaneous	500	423	77	11,634
Dues and subscriptions	12,200	10,861	1,339	9,789
Pre-employment	500	35	465	150
Public education	1,000	37	963	-
Advertising	600	650	(50)	585
Tires	10,000	8,836	1,164	7,403
Department supplies	6,100	5,471	629	4,539
Meter services	54,000	78,210	(24,210)	51,770
Small tools	10,000	9,961	39	7,886
Pipe and fittings	5,000	3,779	1,221	4,398
Legal services	20,000	18,955	1,045	23,378
Chemicals	61,800	31,236	30,564	36,683
Printing	19,800	8,036	11,764	5,995
Telephone	30,000	28,649	1,351	29,434
Postage	39,600	27,459	12,141	43,893
Utilities - electric	90,400	95,952	(5,552)	93,373
Utilities - water	-	2,138	(2,138)	-
Contracted services	110,000	53,651	56,349	57,987
Professional services	53,800	22,809	30,991	28,237
Technology services	48,900	55,444	(6,544)	15,466
B&G - contracted services	600	444	156	297
Maintenance and repairs - equipment	12,450	13,033	(583)	11,612
New services	16,000	12,659	3,341	11,490
Shipping and handling	3,500	3,004	496	2,505
Computer lease	4,000	9,113	(5,113)	3,052
Copier lease	3,100	3,186	(86)	8,568
Building lease	13,000	13,097	(97)	13,255
Permits	5,500	4,065	1,435	4,065
Fire hydrants	1,000	1,064	(64)	190
Fines and penalties	500	2,421	(1,921)	1,888
Special equipment	33,300	35,389	(2,089)	39,108
Medical supplies	1,000	832	168	770
Physicals	700	172	528	640
Safety	7,950	7,054	896	-
Administrative charges - General Fund	-	-	-	130,500
Reserves	270,000	-	270,000	-
Total administration and distribution	4,589,000	4,013,735	575,265	4,148,447

## 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, 2014**  
**(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2013)**

	<u>2014</u>		<u>Variance Over/(Under)</u>	<u>2013</u>
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
<b>Expenditures (continued):</b>				
Debt service:				
Principal retirement	851,000	883,184	(32,184)	732,253
Interest expense	135,000	126,934	8,066	115,894
Total debt service	<u>986,000</u>	<u>1,010,118</u>	<u>(24,118)</u>	<u>848,147</u>
Capital outlay:				
Equipment	370,000	143,512	226,488	102,167
Total capital outlay	<u>370,000</u>	<u>143,512</u>	<u>226,488</u>	<u>102,167</u>
Total expenditures	<u>5,945,000</u>	<u>5,167,365</u>	<u>777,635</u>	<u>5,098,761</u>
Revenues over(under) expenditures	<u>338,000</u>	<u>1,581,814</u>	<u>1,243,814</u>	<u>970,654</u>
<b>Other financing sources (uses):</b>				
Transfer to other funds	(338,000)	-	338,000	(500,000)
Total other financing sources	<u>(338,000)</u>	<u>-</u>	<u>338,000</u>	<u>(500,000)</u>
<b>Revenues and other sources over expenditures</b>	<u>\$ -</u>	<u>1,581,814</u>	<u>\$ 1,581,814</u>	<u>470,654</u>
<b>Reconciliation of modified accrual basis with accrual basis:</b>				
Reconciling items:				
Payment of debt principal		883,184		732,253
Capital outlay		137,597		102,167
Increase in accrued vacation pay		(27,489)		8,251
Decrease in interest expense accrual		1,960		8,666
Depreciation and amortization		(785,900)		(745,889)
Contribution of water lines		485,000		-
Transfer to Water and Sewer Capital Project Fund		-		500,000
Interest earned in Water and Sewer Capital Projects Fund		4,416		-
Third party reimbursements in Water and Sewer Capital Projects Fund		215,000		-
Other revenue in Water and Sewer Capital Projects Fund		1,950		-
		<u>915,718</u>		<u>605,448</u>
Change in net position (Exhibit G)		<u>\$ 2,497,532</u>		<u>\$ 1,076,102</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, 2014**

	Actual			Total to Date	Variance Over / (Under)
	Project Authorization	Prior Years	Current Year		
<b>Revenues</b>					
Investment earnings	\$ -	\$ -	\$ 4,416	\$ 4,416	\$ 4,416
Total	-	-	4,416	4,416	4,416
<b>Expenditures - Bradford Park Pump Station</b>					
Engineering	74,700	32,960	35,591	68,551	6,149
Construction	505,000	-	421,195	421,195	83,805
Total expenditures	579,700	32,960	456,786	489,746	89,954
<b>Expenditures - Farmington Ridge Pressure Reducing Valve</b>					
Engineering	22,000	20,801	11,044	31,845	(9,845)
Construction	60,000	-	36,170	36,170	23,830
Total expenditures	82,000	20,801	47,214	68,015	13,985
<b>Expenditures - Steeplechase Sewer Extension</b>					
Engineering	30,000	-	16,223	16,223	13,777
Construction	192,000	-	127,863	127,863	64,137
Total expenditures	222,000	-	144,086	144,086	77,914
<b>Expenditures - Rocky River Road Water Line</b>					
Engineering	157,000	85,480	79,243	164,723	(7,723)
Construction	1,286,000	-	1,161,436	1,161,436	124,564
Total expenditures	1,443,000	85,480	1,240,679	1,326,159	116,841
<b>Expenditures - Huntwick Sewer</b>					
Construction	500,000	14,210	15,553	29,763	470,237
Total expenditures	500,000	14,210	15,553	29,763	470,237
<b>Revenues over (under) expenditures</b>	<b>(2,826,700)</b>	<b>(153,451)</b>	<b>(1,899,902)</b>	<b>(2,053,353)</b>	<b>(764,515)</b>
<b>Other financing sources:</b>					
Debt issued	1,637,000	-	1,800,000	1,800,000	163,000
Third party reimbursements	215,000	-	215,000	215,000	-
Other	-	-	1,950	1,950	1,950
Transfers from other funds	974,700	500,000	-	500,000	(474,700)
Total other financing sources	2,826,700	500,000	2,016,950	2,516,950	(309,750)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 346,549	\$ 117,048	\$ 463,597	\$ (1,074,265)

## Town of Harrisburg, North Carolina

## Stormwater Fund

## Schedule of Revenues and Expenditures

## Budget and Actual (Non-GAAP)

## For the Fiscal Year Ended June 30, 2014

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2013)

	2014		Variance Over/(Under)	2013
	Budget	Actual		Actual
<b>Revenues:</b>				
<b>Operating revenues:</b>				
Stormwater services	\$ 450,000	\$ 437,671	\$ (12,329)	\$ 411,181
Total operating revenues	450,000	437,671	(12,329)	411,181
<b>Non-operating revenues:</b>				
Interest income	3,500	617	(2,883)	4,273
Total non-operating revenues	3,500	617	(2,883)	4,273
<b>Total revenues</b>	<b>453,500</b>	<b>438,288</b>	<b>(15,212)</b>	<b>415,454</b>
<b>Administration:</b>				
Cost allocation	80,000	80,004	(4)	-
Inspection	8,000	-	8,000	-
Casualty insurance/bonds	-	1,046	(1,046)	-
Maintenance and repairs	-	-	-	88
Uniforms	375	76	299	-
Training	2,000	1,400	600	1,142
Fuel	3,800	5,185	(1,385)	2,234
Miscellaneous	800	638	162	365
Advertising	500	-	500	-
Dept supplies	750	482	268	1,022
Legal services	2,500	-	2,500	640
Technology services	1,400	1,783	(383)	1,190
Maintenance and repairs - vehicles	2,000	526	1,474	-
Maintenance and repairs - drainage	11,000	8,615	2,385	6,037
Shipping and handling	250	85	165	89
Travel	1,000	109	891	287
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	22,500	25,809	(3,309)	2,794
Professional services	-	-	-	100
Administration charges	-	-	-	59,500
Permits	900	860	40	860
Total administration	150,275	128,568	21,707	78,298

## 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, 2014

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2013)

	2014		Variance Over/(Under)	2013
	Budget	Actual		Actual
<b>Expenditures (continued):</b>				
Capital outlay:				
Equipment	-	-	-	200,445
Total capital outlay	-	-	-	200,445
Total expenditures	150,275	128,568	21,707	278,743
Revenues over expenditures	303,225	309,720	6,495	136,711
<b>Other financing sources (uses):</b>				
Transfer to other funds	(446,000)	(450,500)	(4,500)	(100,000)
Total other financing sources (uses)	(446,000)	(450,500)	(4,500)	(100,000)
Revenues and other financing sources over (under) expenditures and other financing uses	(142,775)	(140,780)	1,995	36,711
Appropriated fund balance	142,775	-	(142,775)	-
<b>Revenues and other sources   over (under) expenditures</b>	<u>\$ -</u>	<u>(140,780)</u>	<u>\$ (140,780)</u>	<u>36,711</u>
<b>Reconciling items:</b>				
Capital outlay		-		199,394
Transfer to Stormwater Capital Projects Fund		450,500		100,000
Depreciation and amortization		(29,516)		(10,155)
		<u>420,984</u>		<u>289,239</u>
Change in net position (Exhibit G)		<u>\$ 280,204</u>		<u>\$ 325,950</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, 2014**

	Actual			Variance Over / (Under)	
	Project Authorization	Prior Years	Current Year		Total to Date
<b><u>Expenditures - Buckingham Lane</u></b>					
Engineering	\$ 39,000	\$ -	\$ -	\$ -	\$ 39,000
Construction	189,250	-	165,159	165,159	24,091
Total expenditures	<u>228,250</u>	<u>-</u>	<u>165,159</u>	<u>165,159</u>	<u>63,091</u>
<b><u>Expenditures - Caldwell Road</u></b>					
Engineering	28,000	910	4,452	5,362	22,638
Construction	228,750	-	206,936	206,936	21,814
Total expenditures	<u>256,750</u>	<u>910</u>	<u>211,388</u>	<u>212,298</u>	<u>44,452</u>
<b><u>Expenditures - Hillcrest Drive</u></b>					
Engineering	10,000	8,142	-	8,142	1,858
Construction	28,000	-	3,875	3,875	24,125
Total expenditures	<u>38,000</u>	<u>8,142</u>	<u>3,875</u>	<u>12,017</u>	<u>25,983</u>
<b><u>Expenditures - Carving Tree Drive</u></b>					
Engineering	18,000	15,221	4,345	19,566	(1,566)
Construction	53,000	-	22,780	22,780	30,220
Total expenditures	<u>71,000</u>	<u>15,221</u>	<u>27,125</u>	<u>42,346</u>	<u>28,654</u>
<b><u>Expenditures - Leatherwood Lane</u></b>					
Engineering	25,000	20,142	1,800	21,942	3,058
Construction	73,000	-	-	-	73,000
Total expenditures	<u>98,000</u>	<u>20,142</u>	<u>1,800</u>	<u>21,942</u>	<u>76,058</u>
<b><u>Expenditures - System A</u></b>					
Engineering	-	52,340	10,615	62,955	(62,955)
Construction	1,200,000	-	-	-	1,200,000
Total expenditures	<u>1,200,000</u>	<u>52,340</u>	<u>10,615</u>	<u>62,955</u>	<u>1,137,045</u>
<b><u>Expenditures - System B</u></b>					
Engineering	40,000	18,075	6,855	24,930	15,070
Construction	460,000	-	-	-	460,000
Total expenditures	<u>500,000</u>	<u>18,075</u>	<u>6,855</u>	<u>24,930</u>	<u>475,070</u>
<b><u>Expenditures - Ford Street</u></b>					
Engineering	7,500	-	2,317	2,317	5,183
Construction	35,000	-	-	-	35,000
Total expenditures	<u>42,500</u>	<u>-</u>	<u>2,317</u>	<u>2,317</u>	<u>40,183</u>
<b><u>Expenditures - Autumn Lane</u></b>					
Engineering	12,000	-	2,317	2,317	9,683
Construction	50,000	-	-	-	50,000
Total expenditures	<u>62,000</u>	<u>-</u>	<u>2,317</u>	<u>2,317</u>	<u>59,683</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, 2014**

	Actual			Variance Over / (Under)	
	Project Authorization	Prior Years	Current Year		Total to Date
<b>Expenditures - Pine Street</b>					
Engineering	6,500	-	2,317	2,317	4,183
Construction	35,000	-	-	-	35,000
Total expenditures	<u>41,500</u>	<u>-</u>	<u>2,317</u>	<u>2,317</u>	<u>39,183</u>
<b>Expenditures - Willow Lane</b>					
Engineering	13,000	-	2,317	2,317	10,683
Construction	50,000	-	-	-	50,000
Total expenditures	<u>63,000</u>	<u>-</u>	<u>2,317</u>	<u>2,317</u>	<u>60,683</u>
<b>Revenues over (under) expenditures</b>	<u>(2,601,000)</u>	<u>(114,830)</u>	<u>(436,085)</u>	<u>(550,915)</u>	<u>(2,050,085)</u>
<b>Other financing sources:</b>					
Grant proceeds	1,560,000	-	-	-	(1,560,000)
Transfers from other funds	1,041,000	100,000	450,500	550,500	(490,500)
Total other financing sources	<u>2,601,000</u>	<u>100,000</u>	<u>450,500</u>	<u>550,500</u>	<u>(2,050,500)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (14,830)</u>	<u>\$ 14,415</u>	<u>\$ (415)</u>	<u>\$ (2,540,585)</u>

## Town of Harrisburg, North Carolina

Schedule of Ad Valorem Taxes Receivable  
June 30, 2014

Fiscal Year	Uncollected Balance June 30, 2013	Additions	Collections and Credits	Uncollected Balance June 30, 2014
2004	\$ 8	\$ -	\$ 8	\$ -
2005	16	-	-	16
2006	2,671	-	2,427	244
2007	2,796	-	1,682	1,114
2008	2,070	-	1,148	922
2009	19,069	-	13,065	6,004
2010	21,782	698	12,925	9,555
2011	26,144	1,010	13,866	13,288
2012	53,543	1,772	33,908	21,407
2013	81,754	4,156	59,837	26,073
2014	<u>-</u>	<u>4,535,057</u>	<u>4,468,573</u>	<u>66,484</u>
Total	<u>\$ 209,853</u>	<u>\$ 4,542,693</u>	<u>\$ 4,607,439</u>	145,107
Less allowance for uncollectible ad valorem taxes receivable				<u>(7,255)</u>
Ad valorem taxes receivable - net				<u>\$ 137,852</u>
<b>Reconciliation with revenues:</b>				
Taxes - ad valorem - General Fund (Exhibit D)				\$ 4,677,369
Less penalties and interest collected				(20,626)
Net releases and discounts allowed				2,310
Taxes written off and refunded				<u>(51,614)</u>
Total collections and credits				<u>\$ 4,607,439</u>



## Town of Harrisburg, North Carolina

**Schedule of Current Tax Levy  
For the Fiscal Year Ended June 30, 2014**

	Town-Wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Excluding Registered Motor Vehicles	Registered Motor Vehicles
<b>Original levy:</b>					
Property taxed at current year's rate	\$ 1,660,484,074	\$ 0.270	\$ 4,483,307	\$ 4,038,962	\$ 444,345
Property taxed at prior year's rate	426,752	0.230	982	-	982
Penalties	-		5,821	5,821	-
Total	1,660,910,826		4,490,110	4,044,783	445,327
<b>Discoveries</b>					
Current year taxes	15,940,370	0.270	43,039	7,791	35,248
Prior years' rates	829,565	0.230	1,908	-	1,908
Total property valuation	<u>\$ 1,677,680,761</u>				
<b>Net levy</b>			4,535,057	4,052,574	482,483
Uncollected taxes at June 30, 2014			(66,484)	(56,571)	(9,913)
<b>Current year's taxes collected</b>			<u>\$ 4,468,573</u>	<u>\$ 3,996,003</u>	<u>\$ 472,570</u>
<b>Current levy collection percentage</b>			<u>98.53%</u>	<u>98.60%</u>	<u>97.95%</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, the discretely presented component unit, 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, 2014, 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 November 25, 2014. The Harrisburg Youth Association was not audited in accordance with *Government Auditing Standards*.

### **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 to be 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 an instance of non-compliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as item 2014-001.

We noted certain matters that we reported to management of the Town of Harrisburg in a separate letter dated November 25, 2014.

### **Town of Harrisburg's Response to Finding**

The Town of Harrisburg's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

### **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  
November 25, 2014

# TOWN OF HARRISBURG, NORTH CAROLINA

## SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2014

### 1. Summary of Auditor's Results

#### Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weaknesses identified?	No
• Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Non-compliance material to financial statements noted?	Yes

# TOWN OF HARRISBURG, NORTH CAROLINA

## SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2014

### 2. Findings Related to the Audit of the Basic Financial Statements

#### **Finding 2014-001**

**Criteria:** North Carolina General Statutes preclude units from having funds that operate in a deficit.

**Condition:** In the current year, there was a violation of the General Statutes with operating the Capital Project Fund – Public Safety Fund with deficit fund equity.

**Effect:** The Town was in violation of North Carolina General Statutes.

**Cause:** The Town adopted balanced budgets; however, revenues were insufficient to cover the cost of operations.

**Context:** During our review of the drafted financial statements, we noted that there was a fund that had deficit fund equity.

**Recommendation:** The Town should transfer monies to cover the deficit fund equities.

**Name of Contact Person:** Lee Connor, Finance Director

**Corrective Action/Management Response:** The expenditures of this fund will be funded through installment financing proceeds. The Town has been awaiting final project estimates to secure financing for this project. In December 2014, the Town will hold a public hearing to have Town Council authorize submitting the installment financing to the LGC for approval, along with a resolution to fund all expenditures relating to the project prior to the financing. The Town expects to receive installment financing proceeds by February 2015.



**TOWN OF HARRISBURG, NORTH CAROLINA**  
**SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

None reported