

**TOWN OF HARRISBURG,
NORTH CAROLINA**

**BASIC FINANCIAL
STATEMENTS
AND
ACCOMPANYING
INFORMATION**

FOR FISCAL YEAR ENDED JUNE 30, 2018

TOWN COUNCIL MEMBERS

**STEVE SCIASCIA, MAYOR
JOHN BOOTH, MAYOR PRO TEM
CHRISTOPHER BARFIELD
BENITA CONRAD
RICK RUSSO
TROY SELBERG
RON SMITH
DIAMOND STATON-WILLIAMS**

ADMINISTRATION AND FINANCIAL STAFF

**HAYNES BRIGMAN, TOWN MANAGER
LEE CONNOR, ASST. TOWN MANAGER/FINANCE DIRECTOR
BRIAN LEE, DEPUTY FINANCE DIRECTOR**



Town of Harrisburg, North Carolina

Table of Contents For Fiscal Year June 30, 2018

	<u>Exhibit</u>	<u>Page(s)</u>
FINANCIAL SECTION		
Independent Auditor's Report		1-2
Management's Discussion and Analysis		3-11
Basic Financial Statements:		
Government-Wide Financial Statements:		
Statement of Net Position	A	12
Statement of Activities	B	13-14
Fund Financial Statements:		
Balance Sheet – Governmental Funds	C	15
Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Position	C	16
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds	D	17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of the Governmental Funds to the Statement of Activities	D	18
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	E	19
Statements of Net Position – Proprietary Funds	F	20
Statements of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	G	21
Statements of Cash Flows – Proprietary Funds	H	22
Notes to the Basic Financial Statements		23-54
Required Supplementary Financial Data:		
Schedule of the Proportionate Share of the Net Pension Liability- Local Government Employees' Retirement System	A-1	55
Schedule of Contributions – Local Government Employees' Retirement System	A-2	56

Town of Harrisburg, North Carolina

Table of Contents For Fiscal Year June 30, 2018

	<u>Schedule</u>	<u>Page(s)</u>
FINANCIAL SECTION (CONTINUED)		
Combining and Individual Fund Financial Statements and Schedules:		
General Fund:		
Comparative Balance Sheets	1	57
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (With Comparative Actual Amounts For the Fiscal Year Ended June 30, 2017)	2	58-68
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, 2018	3	69
Combining Balance Sheets – Nonmajor Governmental Funds	4	70
Combining Statements of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds - For the Fiscal Year Ended June 30, 2018	5	71
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, 2018	6	72
Capital Reserve Fund – General Services:		
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - For the Fiscal Year Ended June 30, 2018	7	73
Capital Reserve Fund – Fire Services:		
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - For the Fiscal Year Ended June 30, 2018	8	74
Capital Reserve Fund – Parks and Recreation:		
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - For the Fiscal Year Ended June 30, 2018	9	75
Capital Reserve Fund – Economic Development:		
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - For the Fiscal Year Ended June 30, 2018	10	76
Enterprise Funds:		
Water and Sewer Fund:		
Comparative Statements of Net Position	11	77
Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP) (With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2017)	12	78-80

Town of Harrisburg, North Carolina

Table of Contents For Fiscal Year June 30, 2018

	<u>Schedule</u>	<u>Page(s)</u>
FINANCIAL SECTION (CONTINUED)		
Combining and Individual Fund Financial Statements and Schedules:		
Enterprise Funds (continued):		
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, 2018	13	81
Water and Sewer Capital Reserve Fund: Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP) – From Inception and for the Fiscal Year Ended June 30, 2018	14	82
Storm Water Fund: Comparative Statements of Net Position	15	83
Storm Water Fund: Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP) (With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2017)	16	84-85
Storm Water Capital Projects Fund: Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP) – From Inception and for the Fiscal Year Ended June 30, 2018	17	86-87
Other Schedules:		
Schedule of Ad Valorem Taxes Receivable	18	88
Schedule of Current Tax Levy	19	89
COMPLIANCE SECTION:		
Report On Internal Control Over Financial Reporting and On Compliance and Other Matters Based On An Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		90-91
Schedule of Findings		92
Corrective Action Plan		93
Summary Schedule of Prior Year’s Audit Findings		94

TOWN OF HARRISBURG, NORTH CAROLINA

(This Page Intentionally Left Blank)

FINANCIAL SECTION

TOWN OF HARRISBURG, NORTH CAROLINA

(This Page Intentionally Left Blank)

Independent Auditor's Report

The Honorable Mayor and
Members of 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 (the "Town") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit includes 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 Town'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 Town'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, based on our audit, 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, as of June 30, 2018, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of the Proportionate Share of the Net Pension Liability – Local Government Employees' Retirement System, and Schedule of Contributions – Local Government Employee's Retirement System, as listed in the Table of Contents, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining and individual fund financial statements, budget to actual comparisons, schedule of ad valorem taxes receivable, and schedule of current tax levy, as listed in the Table of Contents are presented for the purpose of additional analysis and are not a required part of the financial statements.

The combining and individual fund financial statements, budget to actual comparisons, schedule of ad valorem taxes receivable, and schedule of current tax levy are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the combining and individual fund financial statements, budget to actual comparisons, schedule of ad valorem taxes receivable, and schedule of current tax levy 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 October 31, 2018, on our consideration of the Town'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.



Raleigh, North Carolina
October 31, 2018

TOWN OF HARRISBURG, NORTH CAROLINA

(This Page Intentionally Left Blank)

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 of Harrisburg for the fiscal year ended June 30, 2018. 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 \$52,837,644 (*net position*). Of this amount, \$18,320,583 (*unrestricted net position*) may be used to meet the Town's needs.
- The Town's total net position increased by \$7,612,159, 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 \$13,360,021, with a net change of \$5,199,477 in fund balance. Approximately 58.72% of this total amount, or \$7,844,878, is non-spendable, restricted or committed.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,713,469, or 40.16%, of total General Fund expenditures for the fiscal year.
- The Town of Harrisburg's total long-term outstanding liabilities increased by \$9,477,870 (60.21%) during the current fiscal year. The key factor in this change was the financing the construction of Fire Station #2 and the Public Works facility.

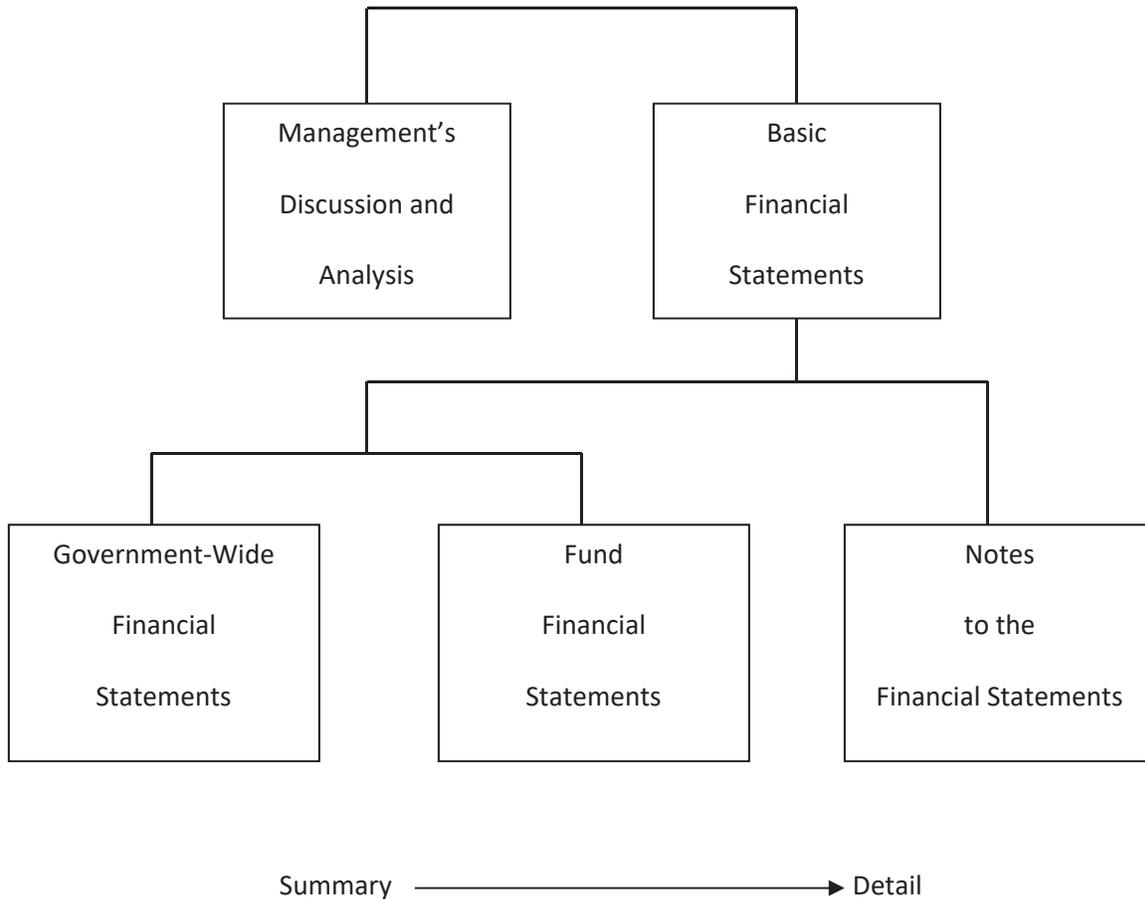
Overview of the Financial Statements

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

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 it has 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 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 24-55 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Harrisburg's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 56 of this report.

Interdependence with Other Entities – The Town depends on the financial resources flowing from, or associated with, both the federal government and the State of North Carolina. Because of this dependency, the Town is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and State laws and federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign governments and other holders of publicly held U.S. Treasury Securities.

Government-Wide Financial Analysis

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

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 13,892,086	\$ 8,542,749	\$ 13,152,368	\$ 11,614,321	\$ 27,044,454	\$ 20,157,070
Capital assets	19,612,982	17,473,577	31,746,330	23,323,134	51,359,312	40,796,711
Deferred outflows of resources	781,910	992,252	260,216	326,639	1,042,126	1,318,891
Total assets and deferred outflows of resources	<u>34,286,978</u>	<u>27,008,578</u>	<u>45,158,914</u>	<u>35,264,094</u>	<u>79,445,892</u>	<u>62,272,672</u>
Long-term liabilities outstanding	10,361,105	5,533,020	14,857,820	8,641,738	25,218,925	14,174,758
Other liabilities	534,022	1,529,255	710,856	1,133,322	1,244,878	2,662,577
Total liabilities	<u>10,895,127</u>	<u>7,062,275</u>	<u>15,568,676</u>	<u>9,775,060</u>	<u>26,463,803</u>	<u>16,837,335</u>
Deferred inflows of resources	98,188	147,897	46,257	61,955	144,445	209,852
Net position:						
Net investment in capital assets	15,493,660	12,797,917	17,921,905	14,789,485	33,415,565	27,587,402
Restricted	1,101,496	2,017,658	-	-	1,101,496	2,017,658
Unrestricted	6,698,507	4,982,831	11,622,076	10,637,594	18,320,583	15,620,425
Total net position	<u>\$ 23,293,663</u>	<u>\$ 19,798,406</u>	<u>\$ 29,543,981</u>	<u>\$ 25,427,079</u>	<u>\$ 52,837,644</u>	<u>\$ 45,225,485</u>

Town of Harrisburg, North Carolina

Management's Discussion and Analysis (continued)

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 \$52,837,644 as of June 30, 2018. The Town's net position increased by \$7,612,159 for the fiscal year ended June 30, 2018. However, the largest portion (63.24%) 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, \$1,101,496, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$18,320,583, may be used to meet the Town's ongoing obligations to citizens and creditors.

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 99.64%, which is comparable to the statewide average in fiscal year 2018 of 98.78%.
- 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.

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

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues						
Charges for services	\$ 1,140,542	\$ 613,918	\$ 9,426,494	\$ 8,809,328	\$ 10,567,036	\$ 9,423,246
Operating grants and contributions	1,748,123	2,231,940	3,968	-	1,752,091	2,231,940
Capital grants and contributions	2,713,069	521,537	1,616,190	114,500	4,329,259	636,037
General revenues:						
Property taxes	6,188,636	5,871,603	-	-	6,188,636	5,871,603
Grants and contributions not restricted to specific programs	2,622,205	2,645,784	-	-	2,622,205	2,645,784
Other	444,316	236,733	82,891	144,289	527,207	381,022
Total revenues	<u>14,856,891</u>	<u>12,121,515</u>	<u>11,129,543</u>	<u>9,068,117</u>	<u>25,986,434</u>	<u>21,189,632</u>
Expenses:						
General government	1,510,762	1,603,133	-	-	1,510,762	1,603,133
Planning and zoning	476,467	380,825	-	-	476,467	380,825
Public safety	4,719,879	4,593,261	-	-	4,719,879	4,593,261
Transportation	872,668	634,462	-	-	872,668	634,462
Environmental protection	1,498,275	1,284,361	-	-	1,498,275	1,284,361
Cultural and recreational	1,648,872	1,532,710	-	-	1,648,872	1,532,710
Water and sewer	-	-	7,293,549	7,315,772	7,293,549	7,315,772
Storm water	-	-	195,001	207,373	195,001	207,373
Interest	158,802	81,816	-	-	158,802	81,816
Total expenses	<u>10,885,725</u>	<u>10,110,568</u>	<u>7,488,550</u>	<u>7,523,145</u>	<u>18,374,275</u>	<u>17,633,713</u>
Transfers	<u>(475,909)</u>	<u>-</u>	<u>475,909</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase in net position	3,495,257	2,010,947	4,116,902	1,544,972	7,612,159	3,555,919
Net position, beginning	<u>19,798,406</u>	<u>17,787,459</u>	<u>25,427,079</u>	<u>23,882,107</u>	<u>45,225,485</u>	<u>41,669,566</u>
Net position, ending	<u>\$ 23,293,663</u>	<u>\$ 19,798,406</u>	<u>\$ 29,543,981</u>	<u>\$ 25,427,079</u>	<u>\$ 52,837,644</u>	<u>\$ 45,225,485</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 \$3,495,257 thereby accounting for 45.92% of the total growth in the net position of the Town. Key elements of this increase are as follows:

- Tax revenues increased approximately 4.79%, or \$282,000.
- Permits and fees revenues increased by approximately 185.72%, or \$277,500.

Business-Type Activities. Business-type activities increased the Town of Harrisburg's net position by \$4,116,902 accounting for 54.08% of the total growth in the Town's net position. Key elements of this increase are as follows:

- Water and sewer charges increased approximately \$207,000, due largely to the new residential and commercial developments.
- Taps, development charges, and service connection revenue increased approximately \$500,000, due to new residential and commercial developments.

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 \$4,713,469, while total fund balance reached \$5,931,088. 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 40.16% of General Fund expenditures, while total fund balance represents 50.53% of the same amount.

At June 30, 2018, the governmental funds of the Town of Harrisburg reported a combined fund balance of \$13,360,021, a 63.71% 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 of tax collections, permits and fees, and sales and services revenues coming in at higher levels than were budgeted. While there were some variations of budgeted to actual expenditures at the line item level, the Town was able to comply with its budgetary requirements based on an approved budget ordinance at the department level.

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 \$9,993,578, and those for the Storm Water Fund amounted to \$1,628,498. The total change in net position for both funds was \$3,714,069 and \$402,833, 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 an increase in water and sewer fees and 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, 2018, totals \$51,359,312 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, water and sewer facilities, and vehicles.

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

- Purchase of vehicles and equipment.
- Construction nearing completion on the Public Works Facility.
- Contributions of capital including streets and related infrastructure.
- Purchase of a Fire Engine.
- Park and Recreation land improvements and walking trails.

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

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Construction in progress	\$ 1,024,242	\$ 287,716	\$ 6,538,832	\$ 848,223	\$ 7,563,074	\$ 1,135,939
Land	1,693,537	1,693,537	858,549	890,575	2,552,086	2,584,112
Buildings and systems	6,829,628	8,669,115	1,671,057	28,972	8,500,685	8,698,087
Improvements other than buildings	1,828,572	1,751,717	10,094	10,575	1,838,666	1,762,292
Water lines	-	-	15,422,779	14,977,297	15,422,779	14,977,297
Machinery and equipment	2,035,994	1,459,437	1,069,617	921,424	3,105,611	2,380,861
Interceptors	-	-	122,168	146,316	122,168	146,316
Collection system	-	-	5,645,329	5,076,029	5,645,329	5,076,029
Infrastructure	6,201,009	3,612,055	407,905	423,723	6,608,914	4,035,778
Total	<u>\$ 19,612,982</u>	<u>\$ 17,473,577</u>	<u>\$ 31,746,330</u>	<u>\$ 23,323,134</u>	<u>\$ 51,359,312</u>	<u>\$ 40,796,711</u>

Additional information on the Town’s capital assets can be found in note III.A on pages 36-37 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, 2018, the Town of Harrisburg had total debt outstanding of \$23,307,792. Of this debt, \$14,385,188 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, including the remainder of the debt (\$8,922,604), is backed by the full faith and credit of the Town.

Long-Term Obligations Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
	Notes payable	\$ 8,922,604	\$ 5,254,160	\$ 14,385,188	\$ 8,533,649	\$ 23,307,792
Total	\$ 8,922,604	\$ 5,254,160	\$ 14,385,188	\$ 8,533,649	\$ 23,307,792	\$ 13,787,809

The Town of Harrisburg's Outstanding Debt

The Town of Harrisburg's total long-term outstanding debt increased by \$9,519,983 (69.05%) during the past fiscal year, primarily due to new General Fund debt resulting from construction of Fire Station #2 and the Public Works Facility.

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Harrisburg is \$170,904,996.

Additional information regarding the Town of Harrisburg's long-term debt can be found in note II.B on pages 45-53 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. With several residential subdivisions currently under construction and several proposed plans being considered, the Town is in great position to grow and strengthen its residential market with low-density, high quality homes.
- **Non-Residential Growth.** The Town awaits the construction of the Farmington mixed-use development along Rocky River Road and I-485, as the southern portion of Town needs more commercial growth to support the continued residential growth in the area. The Harris Square Shopping Center on Highway 49 has generated several new businesses, with outparcels beginning to sprout up around the new development. The Town's economic development initiative in the Morehead West area will also help to jump-start development in this currently underutilized section of Town.

Town of Harrisburg, North Carolina

Management's Discussion and Analysis (continued)

Economic Factors and Next Year's Budgets and Rates (continued)

- **Governmental Projects.** The Town recently completed construction on the new Public Works Facility and have begun construction on Fire Station #2. The Town is also in the process of designing improvements to Harrisburg Park, where we expect to construct an amphitheater, splash-pad, additional multipurpose fields, shelters, bike trails, and other active amenities within the park. The Town also continues to invest in our aging utility infrastructure by replacing or up-sizing existing water and sewer lines in the older portions of our community.

Budget Highlights for the Fiscal Year Ending June 30, 2019

The approved FY2019 General Operating Budget is a balanced budget totaling \$25,876,450 for the General Fund and the two enterprise funds; Water and Sewer; and Storm Water. This compares to \$22,471,570 in FY2018, an increase of approximately \$3,315,000. The General Fund, which comprises the core services provided by the Town, accounts for \$14,768,450 of the total budget, Water and Sewer Fund, \$10,465,000, and Storm Water Fund, \$643,000, account for the remainder of the budget. The budget addresses current departmental needs and anticipates future needs as the Town continues to experience growth.

Overview:

The Town continues to make exponential strides in improving our internal operations. Investment in our personnel, our greatest asset, has been a focus of the Town Council and management of the Town, and that helps to continue to improve our service delivery to our residents, while also making Harrisburg an attractive and competitive workplace. The continued refinement and commitment to our capital improvement plan outlines the needs and priorities of the Town moving forward; and with the recent completion of the Harrisburg Area Land Use Plan and the upcoming start of the Transportation Plan, the Town will have placed itself in a great position to navigate the roads ahead. Significant efforts must be made to ensure community engagement and education remains a priority of the Town, as growth and development within Town can draw polarizing opinions. Making smart growth decisions, becoming more transparent, promoting and strengthening our local businesses, generating new economic development buzz within our stagnant Town Center, and being proactive in our decision making ensures that what we do today will prepare and protect the Town now and into the future.

We want to maintain the small-town feel of Harrisburg, but operate the Town with the efficiencies and effectiveness of a larger city. Financial stability and security are paramount to the future success of the Town, and the continued development and implementation of financial policies and modeling will help ensure we successfully meet all of our goals, and at the same time maintaining and building upon our solid financial standing.

The budget represents a commitment to not only maintain, but to further improve the wonderful qualities Harrisburg offers its residents and businesses. High-quality, efficient, and customer-service oriented operations are Harrisburg's most important objectives, and the budget reflects those efforts by providing the resources necessary to make Harrisburg a safe and prosperous 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 Assistant Town Manager/Finance Director, Lee Connor, Town of Harrisburg, 4100 Main Street, Suite 101, Harrisburg, North Carolina 28075.

BASIC FINANCIAL STATEMENTS

TOWN OF HARRISBURG, NORTH CAROLINA

(This Page Intentionally Left Blank)

Town of Harrisburg, North Carolina

Statement of Net Position
June 30, 2018

	Primary Government			Harrisburg Youth Association, Inc.
	Governmental Activities	Business-Type Activities	Total	
Assets				
Current assets:				
Cash and cash equivalents	\$ 7,861,245	\$ 10,793,295	\$ 18,654,540	\$ 49,316
Taxes receivables (net)	38,769	-	38,769	-
Accrued interest receivable on taxes	9,011	-	9,011	-
Accounts receivable (net)	959	1,532,157	1,533,116	-
Due from other governments	593,473	-	593,473	-
Prepaid expenses	116,123	-	116,123	-
Restricted cash and cash equivalents	5,272,506	826,916	6,099,422	-
Total current assets	13,892,086	13,152,368	27,044,454	49,316
Noncurrent assets:				
Capital assets:				
Non-depreciable	2,717,779	7,397,381	10,115,160	-
Depreciable, net of accumulated depreciation	16,895,203	24,348,949	41,244,152	-
Total noncurrent assets	19,612,982	31,746,330	51,359,312	-
Total assets	33,505,068	44,898,698	78,403,766	49,316
Deferred outflows of resources				
Pension deferrals	781,910	260,216	1,042,126	-
Total deferred outflows of resources	781,910	260,216	1,042,126	-
Liabilities				
Current liabilities:				
Accounts payable and accrued liabilities	321,115	444,703	765,818	-
Prepaid fees	12,740	-	12,740	-
Payables from restricted assets:				
Performance bond deposits	200,167	-	200,167	-
Customer deposits	-	266,153	266,153	-
Long-term liabilities-due within one year	1,048,199	1,488,261	2,536,460	-
Total current liabilities	1,582,221	2,199,117	3,781,338	-
Long-term liabilities:				
Net pension liability	1,090,258	363,232	1,453,490	-
Long-term liabilities-due in more than one year	8,222,648	13,006,327	21,228,975	-
Total long-term liabilities	9,312,906	13,369,559	22,682,465	-
Total liabilities	10,895,127	15,568,676	26,463,803	-
Deferred inflows of resources				
Pension deferrals	98,188	46,257	144,445	-
Total deferred inflows of resources	98,188	46,257	144,445	-
Net position				
Net investment in capital assets	15,493,660	17,921,905	33,415,565	-
Restricted for:				
Stabilization by State statute	861,270	-	861,270	-
Streets	150,982	-	150,982	-
Public safety	89,244	-	89,244	-
Cultural and recreational	-	-	-	49,316
Unrestricted	6,698,507	11,622,076	18,320,583	-
Total net position	\$ 23,293,663	\$ 29,543,981	\$ 52,837,644	\$ 49,316

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

Town of Harrisburg, North Carolina

Statement of Activities
For the Fiscal Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 1,510,762	\$ 19,770	\$ -	\$ -
Planning and zoning	476,467	83,184	-	-
Public safety	4,719,879	323,964	1,314,767	-
Transportation	872,668	-	422,207	2,713,069
Environmental protection	1,498,275	-	11,149	-
Cultural and recreational	1,648,872	713,624	-	-
Interest on long-term debt	158,802	-	-	-
Total governmental activities	<u>10,885,725</u>	<u>1,140,542</u>	<u>1,748,123</u>	<u>2,713,069</u>
Business-type activities:				
Water and sewer	7,293,549	8,836,650	-	1,616,190
Storm water	195,001	589,844	-	-
Total business-type activities	<u>7,488,550</u>	<u>9,426,494</u>	<u>-</u>	<u>1,616,190</u>
Total primary government	<u>\$ 18,374,275</u>	<u>\$ 10,567,036</u>	<u>\$ 1,748,123</u>	<u>\$ 4,329,259</u>
Component unit:				
Harrisburg Youth Association, Inc.	\$ 9,361	\$ -	\$ 25,000	\$ -
Total component unit	<u>\$ 9,361</u>	<u>\$ -</u>	<u>\$ 25,000</u>	<u>\$ -</u>

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

Town of Harrisburg, North Carolina

Statement of Activities
For the Fiscal Year Ended June 30, 2018

Functions/Programs	Net (Expense) Revenue and Changes in Net Position			
	Primary Government			Harrisburg Youth Association, Inc.
	Governmental Activities	Business-Type Activities	Total	
Primary government:				
Governmental activities:				
General government	\$ (1,490,992)	\$ -	\$ (1,490,992)	\$ -
Planning and zoning	(393,283)	-	(393,283)	-
Public safety	(3,081,148)	-	(3,081,148)	-
Transportation	2,262,608	-	2,262,608	-
Environmental protection	(1,487,126)	-	(1,487,126)	-
Cultural and recreational	(935,248)	-	(935,248)	-
Interest on long-term debt	(158,802)	-	(158,802)	-
Total governmental activities	(5,283,991)	-	(5,283,991)	-
Business-type activities:				
Water and sewer	-	3,159,291	3,159,291	-
Stormwater	-	394,843	394,843	-
Total business-type activities	-	3,554,134	3,554,134	-
Total primary government	(5,283,991)	3,554,134	(1,729,857)	-
Component unit:				
Harrisburg Youth Association, Inc.	-	-	-	15,639
Total component unit	-	-	-	15,639
General revenues:				
Taxes:				
Property taxes, levied for general purpose	6,188,636	-	6,188,636	-
Unrestricted intergovernmental	2,622,205	-	2,622,205	-
Gain on sale of capital assets	18,329	13,903	32,232	-
Investment earnings	170,865	68,988	239,853	-
Miscellaneous	255,122	3,968	259,090	-
Total general revenues not including transfers	9,255,157	86,859	9,342,016	-
Transfers	(475,909)	475,909	-	-
Total general revenues and transfers	8,779,248	562,768	9,342,016	-
Change in net position	3,495,257	4,116,902	7,612,159	15,639
Net position, beginning	19,798,406	25,427,079	45,225,485	33,677
Net position, ending	\$ 23,293,663	\$ 29,543,981	\$ 52,837,644	\$ 49,316

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

Town of Harrisburg, North Carolina

Balance Sheet
Governmental Funds
June 30, 2018

	General	Capital Project Fund - Public Safety	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 5,253,447	\$ -	\$ 2,607,798	\$ 7,861,245
Restricted cash and cash equivalents	440,393	4,832,113	-	5,272,506
Receivables, net:				
Property taxes	38,769	-	-	38,769
Other	959	-	-	959
Due from other governments	593,473	-	-	593,473
Prepaid items	116,123	-	-	116,123
Total assets	<u>6,443,164</u>	<u>4,832,113</u>	<u>2,607,798</u>	<u>13,883,075</u>
Liabilities				
Accounts payable and accrued liabilities	260,400	10,978	-	271,378
July 4th Celebration unearned revenue	12,740	-	-	12,740
Payable from restricted assets:				
Performance bonds on deposit	200,167	-	-	200,167
Total liabilities	<u>473,307</u>	<u>10,978</u>	<u>-</u>	<u>484,285</u>
Deferred inflows of resources				
Property taxes receivable	38,769	-	-	38,769
Total deferred inflows of resources	<u>38,769</u>	<u>-</u>	<u>-</u>	<u>38,769</u>
Fund balances				
Non-spendable				
Prepays	116,123	-	-	116,123
Restricted				
Stabilization by State statute	861,270	-	-	861,270
Streets	150,982	-	-	150,982
Public safety	89,244	4,821,135	-	4,910,379
Committed	-	-	1,806,123	1,806,123
Assigned	-	-	801,675	801,675
Unassigned	4,713,469	-	-	4,713,469
Total fund balances	<u>5,931,088</u>	<u>4,821,135</u>	<u>2,607,798</u>	<u>13,360,021</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 6,443,164</u>	<u>\$ 4,832,113</u>	<u>\$ 2,607,798</u>	<u>\$ 13,883,075</u>

Town of Harrisburg, North Carolina

**Reconciliation of the Balance Sheet of the Governmental
Funds to the Statement of Net Position
June 30, 2018**

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

Ending fund balance - governmental funds	\$ 13,360,021
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	19,612,982
Deferred outflows of resources related to pensions are not reported in the funds.	781,910
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	9,011
Earned revenues considered deferred inflows of resources in fund statements	38,769
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Accrued interest payable	(49,737)
Compensated absences	(348,243)
Notes payable	(8,922,604)
Net pension liability	(1,090,258)
Deferred inflows of resources related to pensions are not reported in the funds.	<u>(98,188)</u>
Net position of governmental activities	<u>\$ 23,293,663</u>

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

Town of Harrisburg, North Carolina

Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2018

	General	Capital Project Fund - Public Safety	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Ad valorem taxes	\$ 6,184,430	\$ -	\$ -	\$ 6,184,430
Unrestricted intergovernmental	2,622,205	-	-	2,622,205
Restricted intergovernmental	1,748,123	-	-	1,748,123
Permits and fees	426,918	-	-	426,918
Sales and services	713,624	-	-	713,624
Investment earnings	147,904	20,498	2,463	170,865
Other general revenues	255,122	-	-	255,122
Total revenues	<u>12,098,326</u>	<u>20,498</u>	<u>2,463</u>	<u>12,121,287</u>
Expenditures				
Current:				
General government	1,356,238	-	-	1,356,238
Planning and zoning	505,401	-	-	505,401
Engineering	64,575	-	-	64,575
Public safety	4,977,032	702,804	-	5,679,836
Transportation	748,273	-	-	748,273
Environmental protection	1,587,210	-	-	1,587,210
Cultural and recreational	1,747,596	-	-	1,747,596
Debt service:				
Principal retirement	627,312	-	-	627,312
Interest	123,698	-	-	123,698
Total expenditures	<u>11,737,335</u>	<u>702,804</u>	<u>-</u>	<u>12,440,139</u>
Excess (deficiency) of revenues over expenditures	<u>360,991</u>	<u>(682,306)</u>	<u>2,463</u>	<u>(318,852)</u>
Other financing sources (uses)				
Transfers from other funds	560,050	-	2,298,550	2,858,600
Transfers to other funds	(2,190,000)	-	(668,600)	(2,858,600)
Proceeds from sale of assets	18,329	-	-	18,329
Installment note issued	-	5,500,000	-	5,500,000
Total other financing sources (uses)	<u>(1,611,621)</u>	<u>5,500,000</u>	<u>1,629,950</u>	<u>5,518,329</u>
Net change in fund balances	(1,250,630)	4,817,694	1,632,413	5,199,477
Fund balances, beginning	<u>7,181,718</u>	<u>3,441</u>	<u>975,385</u>	<u>8,160,544</u>
Fund balances, ending	<u>\$ 5,931,088</u>	<u>\$ 4,821,135</u>	<u>\$ 2,607,798</u>	<u>\$ 13,360,021</u>

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

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, 2018**

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

Net changes in fund balances - total governmental funds		\$ 5,199,477
<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	1,805,282	
Depreciation expense	<u>(698,793)</u>	
		1,106,489
<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	2,713,069	
Other	240	
Change in unavailable revenue for tax revenues	<u>3,966</u>	
		2,717,275
<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	627,312	
Long-term debt issuance	(5,500,000)	
Pension expense	(74,900)	
Compensated absences	<u>(69,383)</u>	
		(5,016,971)
<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>		
Change in accrued interest payable		(35,104)
<p>Transfer of capital assets and related debt from governmental activities to Water and Sewer Fund</p>		
		<u>(475,909)</u>
Changes in net position of governmental activities		<u><u>\$ 3,495,257</u></u>

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

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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 6,085,000	\$ 6,085,000	\$ 6,184,430	\$ 99,430
Unrestricted intergovernmental	2,646,000	2,646,000	2,622,205	(23,795)
Restricted intergovernmental	1,924,500	1,884,100	1,748,123	(135,977)
Permits and fees	309,000	309,000	426,918	117,918
Sales and services	642,800	666,300	713,624	47,324
Investment earnings	38,000	38,000	147,904	109,904
Other general revenues	245,600	308,850	273,451	(35,399)
Total revenues	<u>11,890,900</u>	<u>11,937,250</u>	<u>12,116,655</u>	<u>179,405</u>
Expenditures:				
Current:				
General government	1,379,450	1,633,800	1,356,238	277,562
Planning and zoning	486,010	622,110	505,401	116,709
Engineering	213,140	213,790	64,575	149,215
Public safety	4,383,215	5,161,915	4,977,032	184,883
Transportation	741,800	824,700	748,273	76,427
Environmental protection	1,618,625	1,620,825	1,587,210	33,615
Cultural and recreational	1,707,600	1,916,200	1,747,596	168,604
Debt service:				
Principal retirement	874,750	874,750	627,312	247,438
Interest	228,800	228,800	123,698	105,102
Contingency	683,010	339,960	-	339,960
Total expenditures	<u>12,316,400</u>	<u>13,436,850</u>	<u>11,737,335</u>	<u>1,699,515</u>
Revenues over (under) expenditures	<u>(425,500)</u>	<u>(1,499,600)</u>	<u>379,320</u>	<u>1,878,920</u>
Other financing sources (uses)				
Proceeds from note	155,000	155,000	-	(155,000)
Transfers from other funds	370,500	612,650	560,050	(52,600)
Transfers to other funds	(100,000)	(2,190,000)	(2,190,000)	-
Appropriated fund balance	-	2,921,950	-	(2,921,950)
Total other financing sources (uses)	<u>425,500</u>	<u>1,499,600</u>	<u>(1,629,950)</u>	<u>(3,129,550)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(1,250,630)</u>	<u>\$ (1,250,630)</u>
Fund balance, beginning			<u>7,181,718</u>	
Fund balance, ending (Exhibit D)			<u>\$ 5,931,088</u>	

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

Town of Harrisburg, North Carolina

Statements of Net Position
Proprietary Funds
June 30, 2018

	Major Enterprise Funds		
	Water and Sewer Fund	Storm Water Fund	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 9,262,370	\$ 1,530,925	\$ 10,793,295
Accounts receivable (net) - customers	1,345,395	97,183	1,442,578
Accounts receivable - other	89,146	433	89,579
Restricted cash and cash equivalents	826,916	-	826,916
Total current assets	<u>11,523,827</u>	<u>1,628,541</u>	<u>13,152,368</u>
Non-current assets:			
Capital assets:			
Non-depreciable	7,069,727	327,654	7,397,381
Depreciable, net of accumulated depreciation	23,804,832	544,117	24,348,949
Total non-current assets	<u>30,874,559</u>	<u>871,771</u>	<u>31,746,330</u>
Total assets	<u>42,398,386</u>	<u>2,500,312</u>	<u>44,898,698</u>
Deferred outflows of resources			
Pension deferrals	260,216	-	260,216
Total deferred outflows of resources	<u>260,216</u>	<u>-</u>	<u>260,216</u>
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	444,660	43	444,703
Long-term debt, current portion	1,378,861	-	1,378,861
Compensated absences, current portion	109,400	-	109,400
Payable from restricted assets:			
Customer deposits	266,153	-	266,153
Total current liabilities	<u>2,199,074</u>	<u>43</u>	<u>2,199,117</u>
Non-current liabilities:			
Long-term debt, non-current portion	13,006,327	-	13,006,327
Net pension liability	363,232	-	363,232
Total noncurrent liabilities	<u>13,369,559</u>	<u>-</u>	<u>13,369,559</u>
Total liabilities	<u>15,568,633</u>	<u>43</u>	<u>15,568,676</u>
Deferred inflows of resources			
Pension deferrals	46,257	-	46,257
Total deferred inflows of resources	<u>46,257</u>	<u>-</u>	<u>46,257</u>
Net position			
Net investment in capital assets	17,050,134	871,771	17,921,905
Unrestricted	9,993,578	1,628,498	11,622,076
Total net position	<u>\$ 27,043,712</u>	<u>\$ 2,500,269</u>	<u>\$ 29,543,981</u>

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

Town of Harrisburg, North Carolina

Statements of Revenues, Expenses, and Changes in Fund Net Position Proprietary Funds For the Fiscal Year Ended June 30, 2018

	Major Enterprise Funds		
	Water and Sewer	Storm Water	Total
	Fund	Fund	
Operating revenues			
Charges for services	\$ 7,050,566	\$ 586,894	\$ 7,637,460
Water and sewer taps	8,480	-	8,480
Water and sewer development charges	1,317,135	-	1,317,135
Service connection fees	122,644	-	122,644
Plan review fees	-	2,950	2,950
Other operating revenues	337,825	-	337,825
Total operating revenues	<u>8,836,650</u>	<u>589,844</u>	<u>9,426,494</u>
Operating expenses			
Water administration and distribution	5,854,344	-	5,854,344
Storm water operations	-	155,338	155,338
Depreciation and amortization	1,165,794	39,663	1,205,457
Total operating expenses	<u>7,020,138</u>	<u>195,001</u>	<u>7,215,139</u>
Operating income	<u>1,816,512</u>	<u>394,843</u>	<u>2,211,355</u>
Non-operating revenues (expenses)			
Investment earnings	60,998	7,990	68,988
Interest and other charges	(273,411)	-	(273,411)
Gain on sale of capital assets	13,903	-	13,903
Insurance proceeds	3,968	-	3,968
Total non-operating revenues (expenses)	<u>(194,542)</u>	<u>7,990</u>	<u>(186,552)</u>
Income before contributions and transfers	1,621,970	402,833	2,024,803
Transfers from other funds	475,909	-	475,909
Contributions of infrastructure	1,616,190	-	1,616,190
Change in net position	3,714,069	402,833	4,116,902
Total net position, beginning	<u>23,329,643</u>	<u>2,097,436</u>	<u>25,427,079</u>
Total net position, ending	<u>\$ 27,043,712</u>	<u>\$ 2,500,269</u>	<u>\$ 29,543,981</u>

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

Town of Harrisburg, North Carolina

Statements of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2018

	Major Enterprise Funds		
	Water and Sewer Fund	Storm Water Fund	Total
Cash flows from operating activities			
Cash received from customers	\$ 8,493,383	\$ 577,039	\$ 9,070,422
Cash paid for goods and services	(4,527,118)	(155,831)	(4,682,949)
Cash paid to or on behalf of employees for services	(1,347,917)	-	(1,347,917)
Customer deposits received and returned, net	10,533	-	10,533
Net cash provided by operating activities	<u>2,628,881</u>	<u>421,208</u>	<u>3,050,089</u>
Cash flows from capital and related financing activities			
Proceeds from sale of capital assets	50,382	-	50,382
Proceeds from insurance settlements	3,968	-	3,968
Acquisition and construction of capital assets	(6,329,383)	(39,406)	(6,368,789)
Principal paid on long-term debt	(1,252,705)	-	(1,252,705)
Proceeds from issuance of long-term debt	5,900,000	-	5,900,000
Interest paid on long-term debt	(269,957)	-	(269,957)
Net cash used by capital and related financing activities	<u>(1,897,695)</u>	<u>(39,406)</u>	<u>(1,937,101)</u>
Cash flows from investing activities			
Interest on investments	60,998	7,990	68,988
Net increase (decrease) in cash and cash equivalents	792,184	389,792	1,181,976
Balances, beginning	9,297,102	1,141,133	10,438,235
Balances, ending	<u>\$ 10,089,286</u>	<u>\$ 1,530,925</u>	<u>\$ 11,620,211</u>
Reconciliation of operating income to net cash provided (used) by operating activities			
Operating income	\$ 1,816,512	\$ 394,843	\$ 2,211,355
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation and amortization	1,165,794	39,663	1,205,457
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable - customers	(292,105)	(12,558)	(304,663)
(Increase) decrease in accounts receivable - other	(51,162)	(247)	(51,409)
Increase (decrease) in accounts payable and accrued liabilities	(45,653)	(493)	(46,146)
Increase (decrease) in compensated absences	1,311	-	1,311
(Increase) decrease in deferred outflows of resources for pensions	66,423	-	66,423
Increase (decrease) in deferred inflows of resources for pensions	(15,698)	-	(15,698)
Increase (decrease) in net pension liability	(27,074)	-	(27,074)
Increase (decrease) in customer deposits	10,533	-	10,533
Total adjustments	<u>812,369</u>	<u>26,365</u>	<u>838,734</u>
Net cash provided by operating activities	<u>\$ 2,628,881</u>	<u>\$ 421,208</u>	<u>\$ 3,050,089</u>

Noncash investing, capital, and financing activities:

The Town received noncash capital contributions in the Water and Sewer Fund in the amount of \$1,616,190 representing donated assets.

The Town transferred capital assets with net book value of \$1,680,153 and long-term debt with outstanding principal of \$1,204,244 from governmental activities to the Water and Sewer Fund.

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2018

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Harrisburg (the "Town") and its discretely presented component unit conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Town 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 is presented discretely in the government wide statements. Complete financial statements for HYA may be obtained from the entity's administrative offices at the Town of Harrisburg, 4100 Main Street, Suite 101, Harrisburg, NC 28075.

B. Basis of Presentation

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

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

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

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

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2018

I. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

The Town reports the following major governmental funds:

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

Capital Project Fund – Public Safety – This fund is used to account for the construction of Fire Station #2.

The Town reports the following non-major governmental funds:

Capital Project Fund – Streets – This fund is used to account for the construction of streets and sidewalks through the CMAQ grant program.

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

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

Capital Reserve Fund – Parks and Recreation – This fund is established to accumulate development-related funds to be used for Parks and Recreation per Town Ordinance.

Capital Reserve Fund – Economic Development – This fund is established to accumulate funds to be used for future capital expenditures for economic development/economic incentives.

The Town reports the following major enterprise funds:

Water and Sewer Fund – This fund is used to account for the Town's water and sewer operations. A Water and Sewer Capital Projects Fund and a Water and Sewer Capital Reserve Fund have been consolidated into the Water and Sewer Fund for financial reporting purposes. The budgetary comparisons for the Water and Sewer Capital Projects Fund and the Water and Sewer Capital Reserve Fund have been included in the supplemental information.

Storm Water Fund – This fund is used to account for the Town's storm water operations. A Storm Water Capital Projects Fund has been consolidated into the Storm Water Fund for financial reporting purposes. The budgetary comparison for the Storm Water Capital Projects Fund has been included in the supplemental information.

C. Measurement Focus and Basis of Accounting

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

Government-Wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide,

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2018

I. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

Proprietary funds distinguish operating revenues and expenses from 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 funds are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of development fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as 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 when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance 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 are 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 and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the beer and wine tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Harrisburg because the tax is levied by Cabarrus County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2018

I. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

for specific purposes are reported as general revenues rather than program 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 is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

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

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, Capital Reserve Funds, and the Enterprise Funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Capital Projects Fund – Streets, Capital Projects Fund – Public Safety, and the Enterprise Funds 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 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 and HYA's investments are reported at fair value. Non-participating interest earning investment contracts are accounted for at cost. The NCCMT Government Portfolio, a SEC-registered (2a-7) external pool, is measured at amortized cost, 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 and considers all cash and investments to be cash and cash equivalents.

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2018

I. Summary of Significant Accounting Policies (continued)

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

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.

The unexpended debt proceeds of the General Fund are classified as restricted assets because their use is completely restricted to the purpose for which the debt was originally issued. 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.

Town of Harrisburg Restricted Cash

	General Fund	Total
Governmental Activities		
Public safety	\$ 89,244	\$ 89,244
Streets	150,982	150,982
Performance bonds	200,167	200,167
Unspent debt proceeds	4,803,282	4,803,282
Total governmental activities	\$ 5,243,675	5,243,675
Business-type Activities		
Water and Sewer Fund		
Customer deposits		266,153
Unspent debt proceeds		560,763
Total business-type activities		826,916
Total restricted cash		\$ 6,070,591

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 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2017. 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.

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2018

I. Summary of Significant Accounting Policies (continued)

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

Utility Service Revenues – Unbilled Usage

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

Allowances for Doubtful Accounts

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

Prepaid items

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

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and are defined by the Town as assets with an initial individual cost of more than a certain amount and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, \$10,000; buildings, improvements, substations, lines, and other plant and distribution systems, \$15,000; infrastructure, \$20,000; furniture and equipment, \$5,000; and vehicles, \$10,000. Donated capital assets received prior to June 30, 2015, are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015, are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. 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 over the following estimated useful lives:

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

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2018

I. Summary of Significant Accounting Policies (continued)

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial 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 has one item that meets this criterion, pension deferrals for the 2018 fiscal year. In addition to liabilities, the statement of financial 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 two items that meet the criteria for this category – property taxes receivable and pension deferrals.

Long-Term Obligations

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

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

Compensated Absences

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

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2018

I. Summary of Significant Accounting Policies (continued)

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

Net Position/Fund Balances

Net Position

Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets, restricted, and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or 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, 2018, is computed as follows:

	Governmental Activities	Business-Type Activities
Capital assets, net of accumulated depreciation	\$ 19,612,982	\$ 31,746,330
Long-term debt	(8,922,604)	(14,385,188)
Unspent debt proceeds	4,803,282	560,763
Net investment in capital assets	\$ 15,493,660	\$ 17,921,905

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 totaling \$89,244 that is restricted by revenue source for certain Firemen’s Relief Fund expenditures.

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2018

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)

Restricted for Public Safety – portion of fund balance totaling \$4,821,135 that represents proceeds for debt issuance and other amounts that has not been spent for the designated project.

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). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Committed for Capital Outlay – portion of fund balance that is committed, per the fund balance policy, to fund future capital outlay.

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

Subsequent Year’s Expenditures – portion of fund balance that is appropriated in the next year’s budget that is not already classified as restricted or committed. The governing body approves the appropriation; however, the budget ordinance authorizes the manager to modify the appropriations by resource or appropriation within funds up to \$50,000.

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

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

The Town has also adopted a minimum fund balance policy for the General Fund and the Water and Sewer 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 operating and debt service expenditures. The Town will adjust this minimum as appropriate based upon recommendation from the LGC and the current financial outlook. Once the forty percent (40%) goal is realized, all revenues in excess of expenditures realized at the end of any given fiscal year will be credited as capital reserves. Should the available fund balance fall below the forty percent (40%) threshold, a plan shall be created, with Town Council approval, to restore the reserves within two (2) years. If the restoration cannot be accomplished within such time period without severe hardship to the Town, then the Council will establish a different but appropriate time period.

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2018

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 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	\$ 5,931,088
Less:	
Prepays	116,123
Stabilization by State statute	861,270
Streets	150,982
Public safety - Firemen's Relief Fund	89,244
Fund balance policy	<u>4,709,090</u>
Remaining fund balance	<u>\$ 4,379</u>

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. The outstanding encumbrances for the General Fund were \$266,838.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS), and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town of Harrisburg's employer contributions are recognized when due and the Town of Harrisburg has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

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, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2018

II. Stewardship, Compliance, and Accountability

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

Non-Compliance with North Carolina General Statutes

In accordance with G.S. {159-13}(b)(3) a contingency appropriation shall not exceed five (5)% of the total of all other appropriations in the same fund. In the current year, there was a violation of the N.C. General Statute with regard to the contingency appropriation exceeding the aforementioned passage in the General Fund.

Budget Amendments were made during the year to correct the violation. The original budget for the General Fund and Storm Water Fund included the contingency appropriation budgeted at 5.82% and 9.68%, respectively, of all other total budgeted appropriations. As of June 30, 2018, the contingency appropriation for the General Fund was budgeted at 1.84% of all other total budgeted appropriations.

III. Detail Notes On All Funds

A. Assets

Deposits

All the 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 or HYA's agents in these units' names. 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 and HYA's agents in their names. 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 under-collateralization. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. HYA has no formal policy regarding custodial credit risk for deposits.

At June 30, 2018, the Town's deposits had a carrying amount of \$4,838,515 and a bank balance of \$4,021,659. Of the bank balance, \$339,244 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 \$49,316 and the bank balance was \$49,316. All of the bank balance was covered by federal depository insurance. At June 30, 2018, the Town's petty cash totaled \$390.

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2018

III. Detail Notes On All Funds (continued)

A. Assets (continued)

Investments

At June 30, 2018, the Town's investment balances were as follows:

<u>Investment Type</u>	<u>Valuation Measurement Method</u>	<u>Book Value at 6/30/2018</u>	<u>Maturity</u>	<u>Rating</u>
NC Capital Management Trust - Government Portfolio	Amortized Cost	\$ 605,747	N/A	AAAm
Term Portfolio	Fair Value Level 1	<u>19,309,310</u>	.09 Years	Unrated
Total		<u>\$ 19,915,057</u>		

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

Level of fair value hierarchy: Level 1 debt securities are valued using directly observable, quoted prices (unadjusted) in active markets for identical assets.

The Town has no formal investment policies regarding credit, interest rate, or custodial credit risks.

Receivables - Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2018, are net of the following allowances for doubtful accounts:

General Fund:	
Taxes receivable	\$ 2,192
Water and Sewer Fund:	
Accounts receivable	<u>10,000</u>
Total	<u>\$ 12,192</u>

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2018

III. Detail Notes On All Funds (continued)

A. Assets (continued)

Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2018, was as follows:

	<u>July 1, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2018</u>
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 1,693,537	\$ -	\$ -	\$ -	\$ 1,693,537
Construction in progress	287,716	742,782	-	(6,256)	1,024,242
Total capital assets not being depreciated	1,981,253	742,782	-	(6,256)	2,717,779
Capital assets being depreciated:					
Buildings	9,859,114	1,289	-	(1,843,191)	8,017,212
Other improvements	2,550,199	149,101	-	-	2,699,300
Equipment	4,779,389	912,110	112,382	6,256	5,585,373
Infrastructure	4,092,739	2,713,069	-	-	6,805,808
Total capital assets being depreciated	21,281,441	3,775,569	112,382	(1,836,935)	23,107,693
Less accumulated depreciation for:					
Buildings	1,189,999	160,623	-	(163,038)	1,187,584
Other improvements	798,482	72,246	-	-	870,728
Equipment	3,319,952	341,809	112,382	-	3,549,379
Infrastructure	480,684	124,115	-	-	604,799
Total accumulated depreciation	5,789,117	\$ 698,793	\$ 112,382	\$ (163,038)	6,212,490
Total capital assets being depreciated, net	15,492,324				16,895,203
Governmental activity capital assets, net	\$ 17,473,577				\$ 19,612,982

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

General government	\$ 84,166
Public safety	298,232
Transportation	124,395
Environmental protection	55,563
Cultural and recreational	136,437
Total	\$ 698,793

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2018

III. Detail Notes On All Funds (continued)

A. Assets (continued)

Capital Assets (continued)

	<u>July 1, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2018</u>
Business-type activities:				
Storm Water Fund:				
Capital assets not being depreciated:				
Construction in progress	\$ 321,874	\$ 5,780	\$ -	\$ 327,654
Total capital assets not being depreciated	<u>321,874</u>	<u>5,780</u>	<u>-</u>	<u>327,654</u>
Capital assets being depreciated:				
Land Improvements	12,017	-	-	12,017
Equipment	220,453	33,626	21,058	233,021
Infrastructure	474,504	-	-	474,504
Total capital assets being depreciated	<u>706,974</u>	<u>33,626</u>	<u>21,058</u>	<u>719,542</u>
Less accumulated depreciation for:				
Land Improvements	1,442	481	-	1,923
Equipment	104,597	23,364	21,058	106,903
Infrastructure	50,781	15,818	-	66,599
Total accumulated depreciation	<u>156,820</u>	<u>\$ 39,663</u>	<u>\$ 21,058</u>	<u>175,425</u>
Total capital assets being depreciated, net	<u>550,154</u>			<u>544,117</u>
Storm water fund capital assets, net	<u>\$ 872,028</u>			<u>\$ 871,771</u>

	<u>July 1, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2018</u>
Business-type activities:					
Water and Sewer Fund:					
Capital assets not being depreciated:					
Land and rights-of-way	\$ 890,575	\$ -	\$ 32,026	\$ -	\$ 858,549
Construction in progress	526,349	5,684,829	-	-	6,211,178
Total capital assets not being depreciated	<u>1,416,924</u>	<u>5,684,829</u>	<u>32,026</u>	<u>-</u>	<u>7,069,727</u>
Capital assets being depreciated:					
Buildings	60,187	-	-	1,843,191	1,903,378
Water lines	20,403,142	1,106,333	-	-	21,509,475
Equipment	1,741,032	310,259	141,685	-	1,909,606
Interceptors	724,436	-	-	-	724,436
Collection system	8,534,337	844,152	-	-	9,378,489
Total capital assets being depreciated	<u>31,463,134</u>	<u>2,260,744</u>	<u>141,685</u>	<u>1,843,191</u>	<u>35,425,384</u>
Less accumulated depreciation for:					
Buildings	31,215	38,068	-	163,038	232,321
Water lines	5,425,845	660,851	-	-	6,086,696
Equipment	935,464	167,875	137,232	-	966,107
Interceptors	578,120	24,148	-	-	602,268
Collection system	3,458,308	274,852	-	-	3,733,160
Total accumulated depreciation	<u>10,428,952</u>	<u>\$ 1,165,794</u>	<u>\$ 137,232</u>	<u>\$ 163,038</u>	<u>11,620,552</u>
Total capital assets being depreciated, net	<u>21,034,182</u>				<u>23,804,832</u>
Water and sewer fund capital assets, net	<u>\$ 22,451,106</u>				<u>\$ 30,874,559</u>
Business-type activities capital assets, net	<u>\$ 23,323,134</u>				<u>\$ 31,746,330</u>

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2018

III. Detail Notes On All Funds (continued)

A. Assets (continued)

Construction Commitments

The government has active construction projects as of June 30, 2018. At year-end, the government's commitments with contractors are as follows:

Project	Spent-to-date	Remaining Commitment
Fire Station #2	\$ 728,194	\$ 4,771,806
Public Works Facility	5,306,557	1,293,443
Total	\$ 6,034,751	\$ 6,065,249

B. Liabilities

Accounts Payable and Accrued Items

Payables at the government-wide level at June 30, 2018 were as follows:

	Vendors	Accrued Interest	Total
Governmental activities:			
General Fund	\$ 460,567	\$ 49,737	\$ 510,304
Capital Project Fund - Public Safety	10,978	-	10,978
Total governmental activities	\$ 471,545	\$ 49,737	\$ 521,282
Business-type activities			
Water and Sewer Fund	\$ 435,351	\$ 9,309	\$ 444,660
Storm Water Fund	43	-	43
Total business-type activities	\$ 435,394	\$ 9,309	\$ 444,703

Pension Plan Obligations

Local Governmental Employees' Retirement System

Plan Description. The Town of Harrisburg is a participating employer in 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 membership is comprised of general employees and local law enforcement officers (LEOSs) of participating local government entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer of State Superintendent who serve as ex-officio members. 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, 1140 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2018

III. Detail Notes On All Funds (continued)

B. Liabilities (continued)

Pension Plan Obligations (continued)

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Harrisburg employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Harrisburg's contractually required contribution rate for the year ended June 30, 2018, was 7.50% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Harrisburg were \$350,956 for the year ended June 30, 2018.

Refunds of Contributions – Town employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By State law, refunds to members with at least five years of service include 4% interest. State law requires a 60-day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

Town of Harrisburg, North Carolina

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018**

III. Detail Notes On All Funds (continued)

B. Liabilities (continued)

Pension Plan Obligations (continued)

Local Governmental Employees' Retirement System (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the Town reported a liability of \$1,453,490 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2017, the Town's proportion was 0.09514%, which was an increase of 0.02134% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Town recognized pension expense of \$449,507. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 83,734	\$ 41,143
Changes of assumptions	207,576	-
Net difference between projected and actual earnings on pension plan investments	352,906	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	46,954	103,302
Town contributions subsequent to the measurement date	350,956	-
Total	\$ 1,042,126	\$ 144,445

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2018

III. Detail Notes On All Funds (continued)

B. Liabilities (continued)

Pension Plan Obligations (continued)

Local Governmental Employees' Retirement System (continued)

\$350,956 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending June 30:</u>	
2019	\$ 37,553
2020	399,990
2021	205,759
2022	(96,577)
2023	-
Thereafter	-
	<u>\$ 546,725</u>

Actuarial Assumptions. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.20 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer), and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2016, valuation were based on the results of an actuarial experience study for the period January 1, 2010, through December 31, 2014.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2018

III. Detail Notes On All Funds (continued)

B. Liabilities (continued)

Pension Plan Obligations (continued)

Local Governmental Employees' Retirement System (continued)

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2017, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	100%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount Rate. The discount rate used to measure the total pension liability was 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2018

III. Detail Notes On All Funds (continued)

B. Liabilities (continued)

Pension Plan Obligations (continued)

Local Governmental Employees' Retirement System (continued)

Sensitivity of the Town's proportionate share of the net pension liability to changes in the discount rate. The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.20%, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.20%) or one percentage point higher (8.20%) than the current rate:

	1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
Town's proportionate share of the net pension liability (asset)	\$ 4,363,367	\$ 1,453,490	\$ (975,365)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

Deferred Outflows and Inflows of Resources

The Town has several deferred outflows of resources. Deferred outflows of resources is comprised of following:

<u>Source</u>	<u>Amount</u>
Contributions to pension plan in current fiscal year	\$ 350,956
Differences between expected and actual experience	83,734
Changes of assumptions	207,576
Net difference between projected and actual earnings on pension plan investments	352,906
Changes in proportion and differences between Town contributions and proportionate share of contributions	46,954
Total	\$ 1,042,126

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

	Statement of Net Position	General Fund Balance Sheet
Taxes receivable, less penalties (General Fund)	\$ -	\$ 38,769
Differences between expected and actual experience	41,143	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	103,302	-
Total	\$ 144,445	\$ 38,769

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2018

III. Detail Notes On All Funds (continued)

B. Liabilities (continued)

Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability coverage of \$3 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 reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Excess insurance coverage is purchased by the Board of Trustees to protect against large workers' compensation claims that exceed certain dollar cost levels. Medical 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, 2018

III. Detail Notes On All Funds (continued)

B. Liabilities (continued)

Operating Leases

The Town leases certain office equipment, temporary buildings, and a park under operating leases. Lease expenditures for these and other rental agreements during the year ended June 30, 2018 totaled \$47,579.

Future minimum lease payments are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2019	\$ 8,813	\$ 1,181
2020	8,551	-
2021	7,763	-
2022	5,962	-
2023	1	-
2024-2028	5	-
2029-2033	5	-
2034-2038	5	-
	<u>\$ 31,105</u>	<u>\$ 1,181</u>

Long-Term Obligations

Installment Purchases

Serviced by General Fund:

In the year ended June 30, 2001, the Town borrowed \$430,135 to finish construction of a library. Semi-annual payments of \$8,529 are due through December 15, 2019. The interest rate on the loan is 5.00% per annum. The note is collateralized by various commercial properties.

The future minimum payments of the installment purchase as of June 30, 2018 are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 31,759	\$ 2,359
2020	26,640	722
	<u>\$ 58,399</u>	<u>\$ 3,081</u>

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2018

III. Detail Notes On All Funds (continued)

B. Liabilities (continued)

Long-Term Obligations (continued)

Installment Purchases (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 debt is serviced equally by the General Fund and the Water and Sewer Fund.

The General Fund's portion of the future minimum payments of the installment purchase as of June 30, 2018, is as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2019	\$ 35,000	\$ 7,126
2020	35,000	5,609
2021	35,000	4,111
2022	35,000	2,613
2023	34,800	1,115
	\$ 174,800	\$ 20,574

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, 2018 are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2019	\$ 77,611	\$ 3,130
2020	79,197	1,544
2021	34,167	173
	\$ 190,975	\$ 4,847

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2018

III. Detail Notes On All Funds (continued)

B. Liabilities (continued)

Long-Term Obligations (continued)

Installment Purchases (continued)

In May 2015, the Town borrowed \$2,000,000 from a local financial institution to construct Fire Station #3. The terms of the loan state that the interest will accrue at the rate of 2.80% per annum. Principal and interest payments are payable monthly beginning in July 2015 and ending in June 2030. The debt is secured by the property.

The future minimum payments of the installment purchase as of June 30, 2018 are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 133,333	\$ 43,212
2020	133,333	39,356
2021	133,333	35,622
2022	133,333	31,889
2023	133,333	28,156
2024-2028	666,667	84,778
2029-2030	266,668	7,777
	<u>\$ 1,600,000</u>	<u>\$ 270,790</u>

In January 2017, the Town borrowed \$582,000 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 1.97% per annum. Principal and interest payments are payable monthly beginning in February 2017 and ending in January 2024. The debt is secured by the property.

The future minimum payments of the installment purchase as of June 30, 2018, are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 80,586	\$ 8,572
2020	82,214	6,945
2021	83,848	5,310
2022	85,515	3,643
2023	87,215	1,943
2024	51,271	336
	<u>\$ 470,649</u>	<u>\$ 26,749</u>

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2018

III. Detail Notes On All Funds (continued)

B. Liabilities (continued)

Long-Term Obligation (continued)

Installment Purchases (continued)

In May 2017, the Town borrowed \$2,000,000 from a local financial institution to purchase the remaining portion of the building that houses Town Hall. The terms of the loan state that the interest will accrue at the rate of 2.96% per annum. Principal and interest payments are payable monthly beginning in May 2017 and ending in May 2032. The debt is secured by the property. The debt is serviced equally by the General Fund and the Water and Sewer Fund.

The General Fund's portion of the future minimum payments of the installment purchase as of June 30, 2018 is as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 66,667	\$ 26,633
2020	66,667	24,585
2021	66,667	22,611
2022	66,667	20,638
2023	66,667	18,665
2024-2028	333,334	63,722
2029-2032	261,112	15,458
	<u>\$ 927,781</u>	<u>\$ 192,312</u>

In April 2018, the Town borrowed \$5,500,000 from a financial institution to construct Fire Station #2. The terms of the loan state that the interest will accrue at the rate of 3.90% per annum. Principal and interest payments are payable semi-annually beginning in September 2018 and ending in March 2038. The debt is secured by the property.

<u>Year Ending</u> <u>June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 275,000	\$ 183,229
2020	276,000	201,084
2021	276,000	190,320
2022	276,000	179,556
2023	276,000	168,792
2024-2028	1,380,000	682,500
2029-2034	1,371,000	414,102
2035-2038	1,370,000	146,932
	<u>\$ 5,500,000</u>	<u>\$ 2,166,515</u>

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2018

III. Detail Notes On All Funds (continued)

B. Liabilities (continued)

Long-Term Obligation (continued)

Installment Purchases (continued)

Serviced by the Water and Sewer Fund:

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 debt is serviced equally by the General Fund and the Water and Sewer Fund.

The Water and Sewer Fund's portion of the future minimum payments of the installment purchase as of June 30, 2018 is as follows:

<u>Year Ending June 30</u>	<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 35,000	\$ 7,125
2020	35,000	5,609
2021	35,000	4,111
2022	35,000	2,613
2023	34,800	1,115
	<u>\$ 174,800</u>	<u>\$ 20,573</u>

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, 2018, are as follows:

<u>Year Ending June 30</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 495,444	\$ -
2020	495,444	-
2021	495,444	-
2022	495,444	-
2023	495,444	-
2024	495,457	-
	<u>\$ 2,972,677</u>	<u>\$ -</u>

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2018

III. Detail Notes On All Funds (continued)

B. Liabilities (continued)

Long-Term Obligation (continued)

Installment Purchases (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, 2018, are as follows:

<u>Year Ending June 30</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 111,930	\$ 36,558
2020	115,431	33,056
2021	118,824	29,664
2022	122,316	26,172
2023	125,911	22,577
2024-2028	687,281	55,157
2029	22,736	79
	<u>\$ 1,304,429</u>	<u>\$ 203,263</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, 2018, are as follows:

<u>Year Ending June 30</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 101,695	\$ 28,409
2020	101,695	25,123
2021	101,695	21,920
2022	101,695	18,716
2023	101,695	15,513
2024-2028	437,385	30,205
	<u>\$ 945,860</u>	<u>\$ 139,886</u>

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2018

III. Detail Notes On All Funds (continued)

B. Liabilities (continued)

Long-Term Obligation (continued)

Installment Purchases (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, 2018, are as follows:

<u>Year Ending June 30</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 109,861	\$ 39,515
2020	113,340	36,036
2021	116,810	32,566
2022	120,387	28,989
2023	124,074	25,302
2024-2028	679,740	67,140
2029	90,564	946
	<u>\$ 1,354,776</u>	<u>\$ 230,494</u>

In January 2016, the Town borrowed \$1,300,000 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 2.39% per annum. Principal and interest payments in the amount of \$12,217 are payable monthly, through February 5, 2026. The debt is secured by certain property and improvements.

The future minimum payments of the installment purchase as of June 30, 2018, are as follows:

<u>Year Ending June 30</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 123,287	\$ 23,311
2020	126,115	20,483
2021	129,260	17,338
2022	132,427	14,171
2023	135,672	10,926
2024-2026	378,246	12,683
	<u>\$ 1,025,007</u>	<u>\$ 98,912</u>

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2018

III. Detail Notes On All Funds (continued)

B. Liabilities (continued)

Long-Term Obligation (continued)

Installment Purchases (continued)

In May 2017, the Town borrowed \$2,000,000 from a local financial institution to purchase the remaining portion of the building that houses Town Hall. The terms of the loan state that the interest will accrue at the rate of 2.96% per annum. Principal and interest payments are payable monthly beginning in May 2017 and ending in May 2032. The debt is secured by the property. The debt is serviced equally by the General Fund and the Water and Sewer Fund.

The Water and Sewer Fund's portion of the future minimum payments of the installment purchase as of June 30, 2018, is as follows:

<u>Year Ending June 30</u>	<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 66,666	\$ 26,633
2020	66,666	24,584
2021	66,666	22,611
2022	66,666	20,638
2023	66,666	18,664
2024-2028	333,333	63,722
2029-2032	261,111	15,458
	<u>\$ 927,774</u>	<u>\$ 192,310</u>

In October 2017, the Town borrowed \$5,900,000 from a local financial institution to construct the Public Works Facility. The terms of the loan state that the interest will accrue at the rate of 2.45% per annum. Principal and interest payments are payable monthly beginning in November 2017 and ending in October 2032. The debt is secured by the property.

The future minimum payments of the installment purchase as of June 30, 2018, are as follows:

<u>Year Ending June 30</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 334,978	\$ 135,444
2020	343,278	127,145
2021	351,783	118,639
2022	360,499	109,923
2023	369,431	100,991
2024-2028	1,989,078	363,033
2029-2033	1,930,818	106,349
	<u>\$ 5,679,865</u>	<u>\$ 1,061,524</u>

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2018

III. Detail Notes On All Funds (continued)

B. Liabilities (continued)

Long-Term Obligation (continued)

Installment Purchases (continued)

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

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2019	\$ 699,956	\$ 274,261	\$ 1,378,861	\$ 296,996
2020	699,056	279,843	1,396,970	272,036
2021	629,015	258,148	1,415,483	246,848
2022	596,515	238,339	1,434,435	221,221
2023	598,015	218,670	1,453,693	195,089
2024-2028	2,431,271	831,335	5,000,521	591,939
2029-2033	1,898,776	437,337	2,305,225	122,834
2034-2038	1,370,000	146,933	-	-
	<u>\$ 8,922,604</u>	<u>\$ 2,684,866</u>	<u>\$ 14,385,188</u>	<u>\$ 1,946,963</u>

The Town's legal debt margin at June 30, 2018, is \$147,597,204.

Changes in Long-Term Liabilities:

	Beginning Balance	Transfer	Increases	Decreases	Ending Balance	Current Portion of Balance
Governmental activities:						
Notes payable	\$ 5,254,160	\$ (1,204,244)	\$ 5,500,000	\$ 627,312	\$ 8,922,604	\$ 699,956
Compensated absences	278,860	-	331,927	262,544	348,243	348,243
Net pension obligation (LRS)	1,175,991	-	-	85,733	1,090,258	-
Total	<u>6,709,011</u>	<u>(1,204,244)</u>	<u>5,831,927</u>	<u>975,589</u>	<u>10,361,105</u>	<u>1,048,199</u>
Business-type activities:						
<u>Water and Sewer Fund</u>						
Notes payable	8,533,649	1,204,244	5,900,000	1,252,705	14,385,188	1,378,861
Compensated absences	108,089	-	88,119	86,808	109,400	109,400
Net pension obligation (LRS)	390,306	-	-	27,074	363,232	-
Total	<u>9,032,044</u>	<u>1,204,244</u>	<u>5,988,119</u>	<u>1,366,587</u>	<u>14,857,820</u>	<u>1,488,261</u>
Total	<u>\$ 15,741,055</u>	<u>\$ -</u>	<u>\$ 11,820,046</u>	<u>\$ 2,342,176</u>	<u>\$ 25,218,925</u>	<u>\$ 2,536,460</u>

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2018

III. Detail Notes On All Funds (continued)

C. Interfund Balances and Activity

Transfers to/from other funds at June 30, 2018, consist of the following:

From the General Fund to the Capital Reserve Fund - General Services to fund the Capital Reserve Fund per Fund Balance Policy	\$ 2,090,000
From the General Fund to the Capital Reserve Fund - Economic Development to fund the Capital Reserve Fund used for future capital expenditures and economic incentives	100,000
From the Water Sewer Fund to the Water Sewer Capital Reserve Fund to fund Water/Sewer Capital Projects	5,000,000
From the Water Sewer Capital Reserve Fund to the Water Sewer Fund to fund Water/Sewer Capital Projects	535,800
From the Capital Reserve Fund - General Services to the General Fund to fund actual Capital Outlay expenditures per the Fund Balance Policy	487,500
From the Capital Reserve Fund - General Services to the Capital Project Fund - Streets to fund actual Capital Outlay expenditures	108,550
From the Capital Reserve Fund - Fire Services to the General Fund to fund actual Capital Outlay expenditures per the Fund Balance Policy	61,000
From the Capital Reserve Fund - Economic Development to the General Fund to fund façade grants and other economic development projects	11,550
From the Storm Water Fund to the Storm Water Capital Project Fund to fund Storm Water Capital Projects	200,000
From Governmental Activities to Water and Sewer Fund for transfers of capital assets and related debt	475,909
	\$ 9,070,309

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 as subsidies or matching funds for various grant programs.

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.

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2018

V. Significant Dependence

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

VI. Jointly Governed Organizations

The Town, Cabarrus County, and three other municipalities established the Water and Sewer Authority of Cabarrus County (WSACC). WSACC was established to provide water and sewer services to the citizens of Cabarrus County. The Town appoints one member to the nine-member Board. In the year ended June 30, 2018, the Town purchased sewer treatment services amounting to \$1,036,468 from WSACC. At June 30, 2018, there was no amount due to WSACC, which would need to be reflected in accounts payable of the Water and Sewer Fund.

VII. Joint Ventures

The Town and the members of the Town's fire department each appoint two members to the five-member local Board of Trustees for the Firemen's Relief Fund. The State Insurance Commissioner appoints one additional member to the local Board of Trustees. The Firemen's Relief Fund is funded by a portion of the fire and lightning insurance premiums that insurers remit to the State. The State passes these monies to the local Board of the Firemen's Relief Fund. The funds are used to assist firefighters in various ways. The Town obtains an ongoing financial benefit from the Fund for the on-behalf of payments for salaries and fringe benefits made to members of the Town's fire department by the Board of Trustees. During the fiscal year ended June 30, 2018, the Town made no payments through the Firemen's Relief Fund and reported no revenues and expenditures. 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, 2018. 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.

VII. Claims, Judgments and Contingent Liabilities

At June 30, 2018, the Town was involved in various lawsuits involving damages and potential claims. It is the opinion of the Attorney and Town management that none of these lawsuits would have any adverse financial impact upon the Town or its financial position.

TOWN OF HARRISBURG, NORTH CAROLINA

(This Page Intentionally Left Blank)

REQUIRED SUPPLEMENTARY FINANCIAL DATA

This section contains additional information required by accounting principles generally accepted in the United States of America.

- Schedule of Proportionate Share of Net Pension Liability for Local Government Employees' Retirement System
- Schedule of Contributions to Local Government Employees' Retirement System

Town of Harrisburg, North Carolina

**Town of Harrisburg's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Five Fiscal Years***

Local Government Employees' Retirement System

	2018	2017	2016	2015	2014
Harrisburg's proportion of the net pension liability (asset) (%)	0.095140%	0.073800%	0.080200%	0.077430%	0.077000%
Harrisburg's proportion of the net pension liability (asset) (\$)	\$ 1,453,490	\$ 1,566,297	\$ 359,920	\$ (456,640)	\$ 928,146
Harrisburg's covered-employee payroll	\$ 4,623,537	\$ 3,786,002	\$ 3,533,569	\$ 3,329,996	\$ 2,897,960
Harrisburg's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	31.44%	41.37%	10.19%	-13.71%	32.03%
Plan fiduciary net position as a percentage of the total pension liability**	94.18%	91.47%	98.09%	102.64%	94.35%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

** This will be the same percentage for all participant employers in the LGERS plan.

This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

Town of Harrisburg, North Carolina

**Town of Harrisburg's Contributions
Required Supplementary Information
Last Five Fiscal Years**

Local Government Employees' Retirement System

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 350,956	\$ 316,231	\$ 252,632	\$ 232,442	\$ 222,421
Contributions in relation to the contractually required contribution	<u>350,956</u>	<u>316,231</u>	<u>252,632</u>	<u>232,442</u>	<u>222,421</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Harrisburg's covered-employee payroll	\$ 4,679,408	\$ 4,623,537	\$ 3,786,002	\$ 3,533,569	\$ 3,329,996
Contributions as a percentage of covered-employee payroll	7.50%	6.84%	6.67%	6.58%	6.68%

This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

TOWN OF HARRISBURG, NORTH CAROLINA

(This Page Intentionally Left Blank)

INDIVIDUAL
FUND FINANCIAL STATEMENTS AND SCHEDULES

TOWN OF HARRISBURG, NORTH CAROLINA

(This Page Intentionally Left Blank)

Town of Harrisburg, North Carolina

**General Fund
Comparative Balance Sheets
June 30, 2018 and 2017**

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Assets		
Cash and cash equivalents	\$ 5,253,447	\$ 5,415,876
Restricted cash and cash equivalents	440,393	1,012,017
Receivables - net:		
Property taxes	38,769	34,803
Other	959	-
Due from government agencies	593,473	1,008,755
Prepaid items	<u>116,123</u>	<u>81,035</u>
 Total assets	 <u><u>\$ 6,443,164</u></u>	 <u><u>\$ 7,552,486</u></u>
 Liabilities, deferred inflows of resources and fund balance		
Liabilities:		
Accounts payable and accrued liabilities	\$ 260,400	\$ 121,816
July 4th celebration revenue	12,740	7,585
Payable from restricted assets		
Performance bonds on deposit	<u>200,167</u>	<u>206,564</u>
Total liabilities	<u>473,307</u>	<u>335,965</u>
 Deferred inflows of resources:		
Property taxes receivable	<u>38,769</u>	<u>34,803</u>
Total deferred inflows of resources	<u>38,769</u>	<u>34,803</u>
 Fund balance:		
Non-spendable:		
Prepays	116,123	81,035
Restricted:		
Stabilization by State statute	861,270	1,790,705
Streets	150,982	153,514
Public safety	89,244	73,439
Unspent debt proceeds	-	578,500
Unassigned	<u>4,713,469</u>	<u>4,504,525</u>
Total fund balance	<u>5,931,088</u>	<u>7,181,718</u>
 Total liabilities, deferred inflows of resources and fund balance	 <u><u>\$ 6,443,164</u></u>	 <u><u>\$ 7,552,486</u></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, 2018

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2017)

	2018		Variance Over/(Under)	2017
	Budget	Actual		Actual
Revenues:				
Ad valorem taxes:				
Current year	\$ 6,035,000	\$ 6,112,829	\$ 77,829	\$ 5,838,558
Prior years	32,000	60,525	28,525	45,415
Penalties and interest	18,000	11,076	(6,924)	17,983
Total	<u>6,085,000</u>	<u>6,184,430</u>	<u>99,430</u>	<u>5,901,956</u>
Unrestricted intergovernmental:				
Local option sales tax	1,750,000	1,695,734	(54,266)	1,740,007
Utility franchise tax	830,000	856,395	26,395	836,133
Beer and wine tax	66,000	70,076	4,076	69,644
Total	<u>2,646,000</u>	<u>2,622,205</u>	<u>(23,795)</u>	<u>2,645,784</u>
Restricted intergovernmental:				
Powell Bill allocation	410,000	422,207	12,207	419,182
Grants - other	9,600	14,550	4,950	5,000
Fire taxes	1,055,000	1,005,456	(49,544)	1,058,621
SAFER Grant	399,500	294,761	(104,739)	738,671
Solid waste disposal	10,000	11,149	1,149	10,466
Total	<u>1,884,100</u>	<u>1,748,123</u>	<u>(135,977)</u>	<u>2,231,940</u>
Permits and fees:				
Compliance permits	71,000	53,784	(17,216)	61,624
Passport acceptance fees	35,000	19,770	(15,230)	30,875
Traffic review fees	75,000	29,400	(45,600)	34,000
Plan review fees	74,000	317,829	243,829	17,869
Inspection fees and fines	54,000	6,135	(47,865)	5,050
Total	<u>309,000</u>	<u>426,918</u>	<u>117,918</u>	<u>149,418</u>
Sales and services:				
Parks and recreation shelter rental	4,000	8,055	4,055	5,885
Rental income - Town Hall	265,300	250,870	(14,430)	23,634
Parks and recreation athletics	332,000	400,263	68,263	382,367
Recreation program fees	62,500	48,275	(14,225)	52,614
Concessions and merchandise	2,500	5,601	3,101	-
Facility usage fees	-	560	560	-
Total	<u>666,300</u>	<u>713,624</u>	<u>47,324</u>	<u>464,500</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, 2018
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2017)

	2018		Variance Over/(Under)	2017
	Budget	Actual		Actual
Revenues (continued):				
Investment earnings	38,000	147,904	109,904	37,260
Other general revenues:				
July 4th celebration	55,000	34,335	(20,665)	61,550
Municipal complex rental	-	3,392	3,392	-
Parks and recreation - special events	10,000	16,097	6,097	6,686
HYA contributions	25,000	9,361	(15,639)	25,000
Contributions - other	-	67,883	67,883	-
Donations	2,500	16,505	14,005	200
Cabarrus County - EMS facilities at Station 3 reimbursement	11,000	10,490	(510)	7,720
Insurance proceeds	39,000	42,943	3,943	24,184
Sale of surplus property	121,100	18,329	(102,771)	1,474
Miscellaneous	45,250	54,116	8,866	68,297
Total	308,850	273,451	(35,399)	195,111
Total revenues	11,937,250	12,116,655	179,405	11,625,969
Expenditures:				
General government:				
Mayor and Council:				
Salaries	48,000	48,731	(731)	48,192
Employee benefits	4,000	3,708	292	3,609
Employee relations	1,000	636	364	-
Uniforms	1,200	269	931	-
Workers' compensation	150	137	13	128
Department supplies	1,585	1,213	372	365
Travel and training	2,100	1,241	859	201
Meetings and conferences	2,284	2,216	68	916
Dues and subscriptions	44,520	33,171	11,349	15,458
Sponsorships	7,200	7,065	135	7,065
Technology services	9,910	8,965	945	7,511
Telephone	13,300	10,781	2,519	3,725
Special projects	2,731	3,000	(269)	2,938
Total	137,980	121,133	16,847	90,108
Administration:				
Salaries	830,500	796,003	34,497	552,560
Employee benefits	283,400	252,719	30,681	150,192
Cost allocation	(487,000)	(486,996)	(4)	(277,250)

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, 2018
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2017)

	2018			2017
	Budget	Actual	Variance Over/(Under)	Actual
Expenditures (continued):				
General government (continued):				
Administration (continued):				
Workers' compensation	3,250	3,170	80	1,683
Insurance and bonds	9,950	10,857	(907)	6,829
Employee relations	15,800	14,629	1,171	8,979
Uniforms	1,500	1,443	57	1,341
Training	19,325	15,565	3,760	4,309
Travel	9,650	5,255	4,395	1,820
Meetings and conferences	5,200	5,235	(35)	2,038
Fuel	2,000	1,785	215	898
Maintenance and repairs - buildings	63,250	56,053	7,197	20,688
Maintenance and repairs - vehicles	525	375	150	345
Dues and subscriptions	6,925	6,047	878	4,643
Pre-employment	1,000	302	698	2,489
Advertising	2,500	5,382	(2,882)	6,599
Tires	2,250	-	2,250	-
Department supplies	23,675	20,307	3,368	21,315
Small tools	7,250	1,240	6,010	1,670
Legal services	45,000	70,675	(25,675)	30,995
Printing	17,250	10,185	7,065	10,830
Telephone	28,250	43,801	(15,551)	30,954
Postage	13,800	12,557	1,243	7,379
Utilities - electric	49,400	54,708	(5,308)	30,561
Utilities - water	8,000	5,806	2,194	-
Utilities - street lights	-	-	-	159,894
Contracted services	11,000	8,539	2,461	16,824
Professional services	61,600	44,229	17,371	44,987
Technology services	50,190	43,865	6,325	91,067
Buildings and grounds contracted services	16,070	21,438	(5,368)	121,783
Shipping and handling	500	704	(204)	1,123
Copier lease	7,200	12,803	(5,603)	6,671
Lease - other	1,200	1,105	95	1,123
Fines and penalties	23,500	11,818	11,682	3,195
Capital outlay	-	-	-	2,022,727
Debt service:				
Principal retirement	130,250	131,839	(1,589)	109,802
Interest	42,500	41,606	894	22,991
Total	1,306,660	1,225,049	81,611	3,224,054

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, 2018
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2017)

	2018		Variance Over\{(Under)	2017
	Budget	Actual		Actual
Expenditures (continued):				
General government (continued):				
Communications:				
Salaries	54,000	41,837	12,163	54,001
Employee benefits	21,450	13,281	8,169	17,384
Cost allocation	-	-	-	(18,750)
Workers' compensation	150	140	10	151
Meetings and conferences	2,250	1,970	280	172
Uniforms	150	139	11	-
Training	-	-	-	140
Travel	1,700	1,480	220	855
Dues and subscriptions	745	840	(95)	1,688
Pre-employment	105	104	1	-
Advertising	9,680	4,646	5,034	7,297
Supplies	1,700	1,831	(131)	1,519
Small tools & equipment	6,270	5,742	528	1,987
Postage	250	-	250	176
Shipping and handling	250	530	(280)	184
Printing	15,700	10,414	5,286	7,249
Telephone	1,400	1,173	227	1,237
Casualty insurance/bonds	425	379	46	275
Professional services	53,130	32,318	20,812	22,357
Maintenance and repairs - branded signage	7,500	7,603	(103)	-
Programming	4,830	-	4,830	804
Technology services	57,555	23,900	33,655	7,126
Capital outlay	73,000	-	73,000	85,790
Total	312,240	148,327	163,913	191,642
Economic development:				
Salaries	3,300	5,729	(2,429)	75,561
Employee benefits	1,970	1,945	25	23,954
Workers' compensation	-	-	-	151
Meetings and conferences	2,850	1,170	1,680	3,502
Uniforms	-	-	-	139
Training	-	-	-	49
Contracted services	800	-	800	-
Dues and subscriptions	10,000	9,400	600	8,396
Advertising	7,000	-	7,000	-
Supplies	-	-	-	502
Shipping and handling	-	-	-	189
Legal services	-	-	-	80
Telephone	-	-	-	1,413

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, 2018
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2017)

	2018		Variance Positive Over\{(Under)	2017
	Budget	Actual		Actual
Expenditures (continued):				
General government (continued):				
Economic development:				
Casualty insurance/bonds	-	-	-	550
Professional services	-	-	-	122
Incentive grants	14,150	14,082	68	26,631
Technology services	-	-	-	1,099
Capital outlay	9,600	2,848	6,752	6,256
Total	<u>49,670</u>	<u>35,174</u>	<u>14,496</u>	<u>148,594</u>
Total general government	<u>1,806,550</u>	<u>1,529,683</u>	<u>276,867</u>	<u>3,654,398</u>
Planning and zoning:				
Salaries	240,600	213,833	26,767	197,516
Employee benefits	79,850	67,965	11,885	60,997
Cost allocation	-	-	-	(8,800)
Workers' compensation	3,500	3,241	259	2,458
Insurance and bonds	1,300	1,256	44	1,300
Pre-employment	100	50	50	-
Training	3,450	1,185	2,265	1,456
Travel	4,500	2,349	2,151	2,449
Meetings and conferences	1,300	1,516	(216)	1,108
Fuel	2,500	951	1,549	819
Maintenance and repair - equipment	-	-	-	30
Maintenance and repair - signage	1,500	-	1,500	829
Maintenance and repair - vehicles	400	800	(400)	-
Dues and subscriptions	2,000	370	1,630	746
Advertising	4,000	4,741	(741)	2,037
Tires	600	-	600	-
Supplies	4,500	5,306	(806)	2,883
Legal services	20,000	12,945	7,055	12,906
Printing	1,000	508	492	-
Telephone	4,500	3,862	638	3,768
Postage	750	374	376	162
Uniforms	1,000	908	92	718
Professional services	203,900	148,986	54,914	88,842
Technology services	10,810	8,649	2,161	6,687
Shipping and handling	50	28	22	8
Utilities - electric	-	-	-	140
Capital outlay	30,000	25,578	4,422	-
Total	<u>622,110</u>	<u>505,401</u>	<u>116,709</u>	<u>379,059</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, 2018
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2017)

	2018			2017
	Budget	Actual	Variance Over/(Under)	Actual
Expenditures (continued):				
Engineering:				
Salaries	151,000	150,822	178	-
Employee benefits	47,900	49,943	(2,043)	-
Insurance and bonds	650	616	34	-
Cost allocation	(185,000)	(185,004)	4	-
Meetings and conferences	2,100	299	1,801	-
Travel	600	205	395	-
Training	2,800	1,678	1,122	-
Department supplies	1,300	1,300	-	-
Small tools and equipment	400	692	(292)	-
Uniforms	350	335	15	-
Telephone	2,120	2,831	(711)	-
Maintenance and repairs - vehicles	-	1,780	(1,780)	-
Fuel	2,040	1,572	468	-
Dues and subscriptions	750	555	195	-
Professional services	131,910	991	130,919	-
Technology services	19,370	5,356	14,014	-
Legal services	2,000	250	1,750	-
Postage	300	21	279	-
Shipping and handling	200	73	127	-
Printing	500	462	38	-
Capital outlay	32,500	29,798	2,702	-
Total	213,790	64,575	149,215	-
Public safety:				
Police:				
County contract - deputy salaries	789,000	785,035	3,965	684,478
Insurance and bonds	7,800	7,777	23	5,602
Fuel	30,000	31,714	(1,714)	19,846
Maintenance and repairs - vehicles	21,000	24,647	(3,647)	35,164
Maintenance and repairs - equipment	1,250	33	1,217	282
Supplies	5,500	5,287	213	5,541
Telephone	3,450	2,518	932	2,263
Training	1,600	707	893	-
Shipping and handling	600	20	580	293
Technology services	7,370	356	7,014	6,804
Special equipment	3,400	2,976	424	2,937
Capital outlay	92,000	888	91,112	62,141
Total	962,970	861,958	101,012	825,351

Town of Harrisburg, North Carolina

General Fund
Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2018
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2017)

	2018		Variance Over/(Under)	2017
	Budget	Actual		Actual
Expenditures (continued):				
Public Safety (continued):				
Fire:				
Salaries	2,051,000	2,037,788	13,212	2,093,016
Employee benefits	755,500	708,601	46,899	700,479
Cost allocation	25,000	24,996	4	-
Workers compensation	80,000	76,805	3,195	80,434
Insurance and bonds	25,000	22,531	2,469	25,510
Uniforms	59,075	60,871	(1,796)	50,311
Training	27,400	25,784	1,616	24,460
Travel	6,950	5,884	1,066	5,496
Fuel	25,000	38,833	(13,833)	27,590
Maintenance and repair - vehicles	64,850	69,331	(4,481)	47,223
Maintenance and repair - grounds	75,260	81,673	(6,413)	79,199
Miscellaneous	1,000	28	972	493
Dues and subscriptions	4,820	3,637	1,183	4,908
Pre-employment	800	267	533	316
Public education	6,700	6,400	300	5,732
Advertising	700	-	700	-
Tires	12,800	14,251	(1,451)	9,648
Security	3,800	1,042	2,758	1,080
Supplies	5,000	4,858	142	2,632
Legal services	1,500	4,965	(3,465)	50
Chemicals	3,400	2,340	1,060	64
Printing	2,100	1,085	1,015	1,386
Telephone	31,700	39,027	(7,327)	25,009
Postage	300	-	300	30
Utilities - electric	38,000	32,752	5,248	32,506
Utilities - water	5,700	5,658	42	3,605
Professional services	52,300	51,032	1,268	32,350
Technology services	30,695	18,955	11,740	65,635
Maintenance and repairs - signage	100	-	100	-
Maintenance and repairs - fire hydrants	2,750	2,085	665	5,012
Maintenance and repairs - equipment	40,960	34,368	6,592	34,464
Shipping and handling	4,400	3,060	1,340	4,269
Copier lease	1,860	3,647	(1,787)	2,604
Special equipment	50,725	52,730	(2,005)	29,199
Medical supplies	10,100	8,465	1,635	9,629
Employee relations	-	-	-	6,725
Physicals	28,200	25,859	2,341	29,680
Capital outlay	663,500	645,466	18,034	176,969
Debt service:				
Principal retirement	724,000	495,473	228,527	463,074
Interest	181,300	82,092	99,208	48,901
Total	5,104,245	4,692,639	411,606	4,129,688
Total public safety	6,067,215	5,554,597	512,618	4,955,039

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, 2018
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2017)

	2018			2017
	Budget	Actual	Variance Over/(Under)	Actual
Expenditures (continued):				
Transportation:				
Streets and highways:				
Utilities - street lights	223,450	261,459	(38,009)	-
Small tools	500	515	(15)	193
Chemicals	14,350	2,413	11,937	5,397
Street maintenance and repair	134,750	92,635	42,115	98,134
Signs	27,500	23,126	4,374	17,518
Equipment rental	13,000	7,315	5,685	8,413
Professional services	9,000	8,200	800	-
Shipping and handling	300	107	193	2,934
Capital outlay	401,850	352,503	49,347	482,853
Total transportation	<u>824,700</u>	<u>748,273</u>	<u>76,427</u>	<u>615,442</u>
Environmental Protection:				
Sanitation:				
Sanitation services	838,200	848,132	(9,932)	731,175
Public works:				
Cost allocation	546,000	546,000	-	468,010
Seasonal salaries	5,000	2,424	2,576	2,949
Workers' compensation	13,000	11,403	1,597	12,235
Insurance and bonds	7,000	7,496	(496)	4,800
Employee relations	100	-	100	81
Small tools & equipment	1,500	1,500	-	693
Travel and training	1,000	499	501	-
Uniforms	2,225	1,963	262	1,381
Shipping & handling	500	286	214	471
Fuel	23,000	3,495	19,505	4,520
Utilities - electric	-	23	(23)	-
Maintenance and repair - vehicles	14,500	9,081	5,419	11,660
Maintenance and repair - equipment	2,000	1,560	440	1,455
Pre-employment	500	-	500	-
Tires	5,500	4,021	1,479	3,771
Physicals	1,000	-	1,000	-
Printing	1,000	708	292	949
Technology services	2,500	4,052	(1,552)	2,143
Professional services	300	69	231	283
Legal services	1,000	-	1,000	-
Other	-	-	-	50
Capital outlay	155,000	144,498	10,502	22,780
Debt service:				
Principal retirement	20,500	-	20,500	-
Interest	5,000	-	5,000	-
Total	<u>808,125</u>	<u>739,078</u>	<u>69,047</u>	<u>538,231</u>
Total environmental protection	<u>1,646,325</u>	<u>1,587,210</u>	<u>59,115</u>	<u>1,269,406</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, 2018
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2017)

	2018		Variance Over/(Under)	2017
	Budget	Actual		Actual
Expenditures (continued):				
Cultural and recreational:				
Parks and recreation:				
Salaries	460,000	456,166	3,834	410,578
Employee benefits	169,800	150,040	19,760	137,942
Cost allocation	(297,000)	(297,000)	-	(242,500)
Employee relations	700	292	408	532
Workers' compensation	11,000	10,019	981	10,751
Insurance and bonds	12,050	12,021	29	10,922
Uniforms	3,200	2,541	659	2,736
Training	2,700	2,797	(97)	1,211
Travel	1,900	715	1,185	171
Fuel	15,000	12,479	2,521	7,787
Dues and subscriptions	2,000	1,935	65	1,280
Pre-employment	1,300	1,156	144	429
Advertising	3,000	1,582	1,418	1,663
Tires	1,550	1,441	109	99
Supplies	3,000	4,274	(1,274)	2,639
Small tools	2,500	1,760	740	2,652
Legal services	5,000	3,176	1,824	6,350
Chemicals	5,000	3,021	1,979	4,040
Printing	4,000	3,168	832	4,050
Programs	45,400	45,752	(352)	43,344
Telephone	12,200	13,467	(1,267)	16,732
Postage	2,000	-	2,000	34
Utilities - electric	10,000	15,540	(5,540)	6,106
Utilities - water	7,500	7,615	(115)	5,899
Professional services	5,850	4,489	1,361	2,994
Technology services	5,760	8,471	(2,711)	1,024
Maintenance and repairs - equipment	6,500	5,312	1,188	5,212
Maintenance and repairs - vehicles	4,500	4,234	266	2,504
Maintenance and repairs - buildings	38,750	39,121	(371)	48,171
Shipping and handling	2,000	559	1,441	4,604
Copier lease	3,600	6,362	(2,762)	3,939
Office/building lease	6,320	8,790	(2,470)	20,651
Taxes and licenses	-	-	-	14,416
Special projects	96,100	92,030	4,070	71,843

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, 2018
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2017)

	2018		Variance Positive Over/(Under)	2017
	Budget	Actual		Actual
Expenditures (continued):				
Cultural and Recreational (continued):				
Parks and recreation (continued):				
July 4th event	135,550	123,352	12,198	116,881
Physicals	300	40	260	845
Special equipment	850	1,066	(216)	9,311
Medical supplies	1,250	265	985	140
Capital outlay	334,000	257,540	76,460	357,424
Total	1,125,130	1,005,588	119,542	1,095,406
Athletics:				
Salaries	83,500	82,328	1,172	51,582
Employee benefits	23,800	18,810	4,990	15,647
Cost allocation	267,900	266,230	1,670	242,250
Maintenance and repairs - grounds	16,500	17,128	(628)	21,986
Athletics	-	-	-	4,757
Contributions - HYA	25,000	11,359	13,641	11,669
Operating costs	307,750	292,330	15,420	249,636
Chemicals	11,050	11,413	(363)	14,093
Utilities - electric	50,000	37,161	12,839	46,737
Professional services	910	449	461	453
Technology services	1,750	1,552	198	-
Telephone	910	1,235	(325)	698
Shipping and handling	2,000	2,013	(13)	773
Total	791,070	742,008	49,062	660,281
Total cultural and recreational	1,916,200	1,747,596	168,604	1,755,687
Contingency	339,960	-	339,960	-
Total expenditures	13,436,850	11,737,335	1,699,515	12,629,031
Revenues over (under) expenditures	(1,499,600)	379,320	1,878,920	(1,003,062)

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, 2018
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2017)

	2018		Variance Positive Over/(Under)	2017
	Budget	Actual		Actual
Other Financing Sources (Uses):				
Transfers to other funds:				
Capital Reserve - General Services	(2,090,000)	(2,090,000)	-	(664,000)
Capital Reserve - Fire Services	-	-	-	(61,000)
Capital Reserve - Economic Development	(100,000)	(100,000)	-	(60,000)
Capital Project Fund - Streets	-	-	-	(57,000)
Transfers from other funds:				
Capital Reserve - General Services	487,500	487,500	-	1,057,600
Capital Reserve - Fire Services	61,000	61,000	-	-
Capital Reserve - Economic Development	14,150	11,550	(2,600)	6,500
Capital Reserve - Parks and Recreation	50,000	-	(50,000)	-
Debt issued	155,000	-	(155,000)	2,582,000
Total other financing sources (uses)	(1,422,350)	(1,629,950)	(207,600)	2,804,100
Revenues and other financing sources over (under) expenditures and other financing uses	(2,921,950)	(1,250,630)	1,671,320	1,801,038
Appropriated fund balance	2,921,950	-	(2,921,950)	-
Net change in fund balance	\$ -	(1,250,630)	\$ (1,250,630)	1,801,038
Fund balance				
Fund Balance - beginning		7,181,718		5,380,680
Fund Balance - ending		\$ 5,931,088		\$ 7,181,718

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, 2018

	Project Authorization	Actual			Variance Over / (Under)
		Prior Years	Current Year	Total to Date	
Revenues					
Investment earnings	\$ -	\$ 5,239	\$ 20,498	\$ 25,737	\$ 25,737
Other general revenues	-	23,592	-	23,592	23,592
Total	-	28,831	20,498	49,329	49,329
Expenditures - Fire Station #2					
Engineering	300,000	25,390	192,156	217,546	(82,454)
Construction	5,200,000	-	510,648	510,648	(4,689,352)
Total expenditures	5,500,000	25,390	702,804	728,194	(4,771,806)
Revenues over / (under) expenditures	(5,500,000)	3,441	(682,306)	(678,865)	4,821,135
Other financing sources					
Debt issued	5,500,000	-	5,500,000	5,500,000	-
Total other financing sources	5,500,000	-	5,500,000	5,500,000	-
Net change in fund balance	\$ -	\$ 3,441	4,817,694	\$ 4,821,135	\$ 4,821,135
Fund balance					
Fund Balance - beginning			3,441		
Fund Balance - ending			\$ 4,821,135		

Town of Harrisburg, North Carolina

Combining Balance Sheets
Nonmajor Governmental Funds
June 30, 2018

	Capital Projects Fund - Streets	Capital Reserve Fund - General Services	Capital Reserve Fund - Fire Services	Capital Reserve Fund - Parks and Recreation	Capital Reserve Fund - Economic Development	Total Nonmajor Governmental Funds
Assets						
Cash and cash equivalents	\$ 165,783	\$ 2,145,340	\$ 92	\$ 154,406	\$ 142,177	\$ 2,607,798
Total assets	165,783	2,145,340	92	154,406	142,177	2,607,798
Fund balance						
Committed	165,783	1,343,665	92	154,406	142,177	1,806,123
Assigned	-	801,675	-	-	-	801,675
Total fund balances	165,783	2,145,340	92	154,406	142,177	2,607,798
Total liabilities and fund balance	\$ 165,783	\$ 2,145,340	\$ 92	\$ 154,406	\$ 142,177	\$ 2,607,798

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, 2018

	Capital Projects Fund - Streets	Capital Reserve Fund - General Services	Capital Reserve Fund - Fire Services	Capital Reserve Fund - Parks and Recreation	Capital Reserve Fund - Economic Development	Total Nonmajor Governmental Funds
Revenues						
Investment earnings	\$ 233	\$ 1,340	\$ 92	\$ 629	\$ 169	\$ 2,463
Total revenues	233	1,340	92	629	169	2,463
Other financing sources (uses)						
Transfers from other funds	108,550	2,090,000	-	-	100,000	2,298,550
Transfers to other funds	-	(596,050)	(61,000)	-	(11,550)	(668,600)
Total other financing sources	108,550	1,493,950	(61,000)	-	88,450	1,629,950
Net change in fund balance	108,783	1,495,290	(60,908)	629	88,619	1,632,413
Fund balance						
Beginning of year - July 1	57,000	650,050	61,000	153,777	53,558	975,385
End of year - June 30	\$ 165,783	\$ 2,145,340	\$ 92	\$ 154,406	\$ 142,177	\$ 2,607,798

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, 2018

	Project Authorization	Actual			Variance Over / (Under)
		Prior Years	Current Year	Total to Date	
Revenues					
Investment earnings	\$ -	\$ -	\$ 233	\$ 233	\$ (233)
Grant proceeds	451,000	-	-	-	451,000
Total	451,000	-	233	233	450,767
Expenditures - CMAQ Sidewalk Project					
Engineering	195,000	-	-	-	195,000
Construction	530,000	-	-	-	530,000
Total expenditures	725,000	-	-	-	725,000
Revenues over (under) expenditures	(274,000)	-	233	233	(274,233)
Other financing sources:					
Transfers from other funds	274,000	-	108,550	108,550	165,450
Total other financing sources	274,000	-	108,550	108,550	165,450
Net change in fund balance	\$ -	\$ -	108,783	\$ 108,783	\$ (108,783)
Fund balance					
Fund Balance - beginning			57,000		
Fund Balance - ending			\$ 165,783		

Town of Harrisburg, North Carolina

Capital Reserve Fund - General Services
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2018

	Budget	Actual	Variance Over/(Under)
Revenues:			
Non-operating revenues:			
Interest income	\$ 5,000	\$ 1,340	\$ (3,660)
Total non-operating revenues	5,000	1,340	(3,660)
Other financing sources (uses)			
Transfer from General Fund	2,090,000	2,090,000	-
Transfer to General Fund	(487,500)	(487,500)	-
Transfer to GFCPF - Streets	(108,550)	(108,550)	-
Total other financing sources (uses)	1,493,950	1,493,950	-
Revenues and other financing sources over (under) expenditures and other financing uses	1,498,950	1,495,290	(3,660)
Appropriated fund balance	(1,498,950)	-	1,498,950
Net change in fund balance	\$ -	1,495,290	\$ 1,495,290
Fund balance:			
Fund Balance - beginning		650,050	
Fund Balance - ending		\$ 2,145,340	

Town of Harrisburg, North Carolina

Capital Reserve Fund - Fire Services
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2018

	Budget	Actual	Variance Over/(Under)
Revenues:			
Non-operating revenues:			
Interest income	\$ -	\$ 92	\$ 92
Total non-operating revenues	-	92	92
Other financing sources (uses)			
Transfer to General Fund	(61,000)	(61,000)	-
Total other financing sources (uses)	(61,000)	(61,000)	-
Revenues and other financing sources over (under) expenditures and other financing uses	(61,000)	(60,908)	92
Appropriated fund balance	61,000	-	(61,000)
Net change in fund balance	\$ -	(60,908)	\$ 92
Fund balance:			
Fund Balance - beginning		61,000	
Fund Balance - ending		\$ 92	

Town of Harrisburg, North Carolina

Capital Reserve Fund - Parks and Recreation Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual For the Fiscal Year Ended June 30, 2018

	Budget	Actual	Variance Over/(Under)
Revenues:			
Non-operating revenues:			
Interest income	\$ -	\$ 629	\$ 629
Contributions - Fee in lieu of	50,000	-	(50,000)
Total non-operating revenues	50,000	629	(49,371)
Revenues over (under) expenditures	50,000	629	(49,371)
Other financing sources (uses)			
Transfer to General Fund Capital Projects			
Fund - Parks and Recreation	(50,000)	-	50,000
Total other financing sources (uses)	(50,000)	-	50,000
Revenues and other financing sources over (under) expenditures and other financing uses	-	629	629
Net change in fund balance	\$ -	629	\$ 629
Fund Balance - beginning		153,777	
Fund Balance - ending		\$ 154,406	

Town of Harrisburg, North Carolina

Capital Reserve Fund - Economic Development
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2018

	Budget	Actual	Variance Over/(Under)
Non-operating revenues:			
Interest income	\$ -	\$ 169	\$ 169
Total non-operating revenues	-	169	169
Expenditures:			
Contingency	85,850	-	85,850
Total expenditures	85,850	-	85,850
Revenues over (under) expenditures	(85,850)	169	86,019
Other financing sources (uses)			
Transfer from General Fund	100,000	100,000	-
Transfer to General Fund	(14,150)	(11,550)	2,600
Total other financing sources (uses)	85,850	88,450	2,600
Net change in fund balance	\$ -	88,619	\$ 88,619
Fund Balance - beginning		53,558	
Fund Balance - ending		\$ 142,177	

Town of Harrisburg, North Carolina

Water and Sewer Fund
Comparative Statements of Net Position
June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 9,262,370	\$ 9,041,482
Accounts receivable (net) - customers	1,345,395	1,053,290
Accounts receivable - other	89,146	37,984
Restricted cash and cash equivalents	826,916	255,620
Total current assets	<u>11,523,827</u>	<u>10,388,376</u>
Non-current assets:		
Capital assets, net of depreciation	<u>30,874,559</u>	<u>22,451,106</u>
Total assets	<u>42,398,386</u>	<u>32,839,482</u>
Deferred outflows of resources		
Pension deferrals	<u>260,216</u>	<u>326,639</u>
Total deferred outflows of resources	<u>260,216</u>	<u>326,639</u>
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	444,660	486,859
Long-term debt, current portion	1,378,861	932,337
Compensated absences, current portion	109,400	108,089
Payables due from restricted assets:		
Customer deposits	<u>266,153</u>	<u>255,620</u>
Total current liabilities	<u>2,199,074</u>	<u>1,782,905</u>
Non-current liabilities:		
Long-term debt, non-current portion	13,006,327	7,601,312
Net pension liability	<u>363,232</u>	<u>390,306</u>
Total noncurrent liabilities	<u>13,369,559</u>	<u>7,991,618</u>
Total liabilities	<u>15,568,633</u>	<u>9,774,523</u>
Deferred inflows of resources		
Pension deferrals	<u>46,257</u>	<u>61,955</u>
	<u>46,257</u>	<u>61,955</u>
Net position		
Net investment in capital assets	17,050,134	13,917,457
Unrestricted	<u>9,993,578</u>	<u>9,412,186</u>
Total net position	<u>\$ 27,043,712</u>	<u>\$ 23,329,643</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, 2018
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2017)

	2018			2017
	Budget	Actual	Variance Over/(Under)	Actual
Revenues:				
Operating revenues:				
Water sales	\$ 4,275,000	\$ 3,792,419	\$ (482,581)	\$ 3,649,081
Sewer charges	3,360,000	3,258,147	(101,853)	3,194,729
Water and sewer taps	60,000	8,480	(51,520)	406,198
Water and sewer development charges	545,750	1,317,135	771,385	422,763
Set-up fees	24,000	20,470	(3,530)	23,750
Service connection fees	187,500	122,644	(64,856)	197,923
Penalties	162,000	122,680	(39,320)	158,199
Plan review fees	20,000	300	(19,700)	43,592
Rental fees	81,120	80,171	(949)	83,406
Credit card fees	60,000	13,676	(46,324)	-
Miscellaneous revenues	-	100,528	100,528	30,028
Total operating revenues	8,775,370	8,836,650	61,280	8,209,669
Non-operating revenues:				
Interest income	65,000	55,415	(9,585)	52,456
Insurance proceeds	4,000	3,968	(32)	-
Gain on sale of capital assets	50,000	50,382	382	81,928
Total non-operating revenues	119,000	109,765	(9,235)	134,384
Total revenues	8,894,370	8,946,415	52,045	8,344,053
Expenditures:				
Water administration and distribution:				
Salaries	1,029,000	1,000,145	28,855	1,072,387
Employee benefits	379,100	347,772	31,328	363,331
Cost allocation	(21,000)	(21,000)	-	(293,950)
Workers' compensation	22,000	22,297	(297)	22,644
Inspections	29,000	18,594	10,406	15,200
M/R - water/sewer	102,000	77,032	24,968	136,202
Casualty insurance/bonds	23,400	25,334	(1,934)	20,461
Employee relations	600	585	15	199
Water purchases	2,116,200	1,730,644	385,556	1,996,837
Sewer treatment	927,000	1,036,468	(109,468)	729,734
Uniforms	6,750	6,686	64	5,515
Training	6,200	6,322	(122)	3,561
Travel	3,500	3,254	246	364
Fuel	54,000	53,071	929	39,906
Maintenance and repairs - vehicles	14,900	9,062	5,838	7,003
Maintenance and repairs - building and grounds	20,700	20,322	378	2,879
Miscellaneous	500	-	500	2,700

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, 2018
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2017)

	2018		Variance Over/(Under)	2017
	Budget	Actual		Actual
Expenditures (continued):				
Water administration and distribution (continued):				
Dues and subscriptions	16,010	6,688	9,322	9,494
Pre-employment	500	413	87	4,288
Public education	1,000	980	20	488
Advertising	2,200	103	2,097	-
Tires	10,500	4,793	5,707	6,451
Department supplies	5,800	6,053	(253)	4,587
Meter services	60,000	40,202	19,798	47,724
Small tools	6,000	5,113	887	3,180
Pipe and fittings	6,500	4,897	1,603	5,734
Legal services	50,000	23,768	26,232	50,553
Chemicals	41,100	22,860	18,240	25,969
Printing	13,500	13,779	(279)	14,395
Telephone and internet	14,900	34,431	(19,531)	30,008
Postage	38,000	30,135	7,865	38,727
Utilities - electric	85,800	72,665	13,135	91,726
Utilities - water	4,000	2,537	1,463	2,541
Contracted services	4,955	80	4,875	6,568
Professional services	98,650	86,604	12,046	93,719
Technology services	18,270	12,189	6,081	57,810
Contracted services - buildings & grounds	30,700	297	30,403	139,213
Maintenance and repairs - equipment	15,900	15,008	892	13,645
New services	81,000	60,137	20,863	177,459
Shipping and handling	5,700	2,144	3,556	2,452
Copier lease	1,500	2,937	(1,437)	4,844
Building lease	13,200	11,934	1,266	12,954
Permits	5,500	4,835	665	860
Fire hydrants	7,000	7,235	(235)	12
Fines and penalties	5,000	16,235	(11,235)	3,782
Credit card & Insite fees	60,000	70,645	(10,645)	50,631
Special equipment	10,150	10,027	123	12,409
Medical supplies	1,000	864	136	953
Physicals	500	240	260	210
Safety	7,000	4,208	2,792	6,910
Security	540	540	-	-
Contingency	288,245	-	288,245	-
Lawsuit settlements	902,000	902,000	-	915,000
Total administration and distribution	6,626,470	5,814,164	812,306	5,960,269

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, 2018
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2017)

	2018		Variance Over/(Under)	2017
	Budget	Actual		Actual
Expenditures (continued):				
Debt service:				
Principal retirement	1,285,250	1,252,705	32,545	675,338
Interest expense	324,500	269,957	54,543	173,756
Total debt service	<u>1,609,750</u>	<u>1,522,662</u>	<u>87,088</u>	<u>849,094</u>
Capital outlay:				
Equipment	1,000,550	714,662	285,888	361,922
Total capital outlay	<u>1,000,550</u>	<u>714,662</u>	<u>285,888</u>	<u>361,922</u>
Total expenditures	<u>9,236,770</u>	<u>8,051,488</u>	<u>1,185,282</u>	<u>7,171,285</u>
Revenues over(under) expenditures	<u>(342,400)</u>	<u>894,927</u>	<u>1,237,327</u>	<u>1,172,768</u>
Other financing sources (uses):				
Transfer from capital reserve fund	610,800	535,800	(75,000)	-
Transfer to other funds:				
Capital reserve funds	(5,000,000)	(5,000,000)	-	(1,250,000)
Capital project funds	-	-	-	(265,000)
Total other financing sources (uses)	<u>(4,389,200)</u>	<u>(4,464,200)</u>	<u>(75,000)</u>	<u>(1,515,000)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>(4,731,600)</u>	<u>(3,569,273)</u>	<u>1,162,327</u>	<u>(342,232)</u>
Appropriated fund balance	<u>4,731,600</u>	<u>-</u>	<u>(4,731,600)</u>	<u>-</u>
Revenues and other sources over expenditures	<u>\$ -</u>	<u>(3,569,273)</u>	<u>\$ (3,569,273)</u>	<u>(342,232)</u>
Reconciliation of modified accrual basis with accrual basis:				
Reconciling items:				
Payment of debt principal		1,252,705		675,338
Capital outlay		699,444		312,773
(Increase) decrease in accrued vacation pay		(1,311)		(39,416)
Increase (decrease) in pension expense		-		(14,449)
(Increase) decrease in interest expense accrual		(3,454)		484
Depreciation and amortization		(1,165,794)		(1,079,217)
Retirements of assets		(36,479)		-
Contribution of water lines		1,616,190		114,500
Increase (decrease) in deferred outflows of resources - pensions		(66,423)		-
(Increase) decrease in net pension liability		27,074		-
(Increase) decrease in deferred inflows of resources - pensions		15,698		-
Transfer from Water and Sewer Capital Reserve Fund		(535,800)		-
Transfer to Water and Sewer Capital Project Fund		-		265,000
Transfer to Water and Sewer Capital Reserve Fund		5,000,000		1,250,000
Interest earned in Water and Sewer Capital Reserve Fund		5,024		-
Interest earned in Water and Sewer Capital Projects Fund		559		3,088
Transfer of capital assets and debt from Governmental Activities		475,909		-
		<u>7,283,342</u>		<u>1,488,101</u>
Change in net position (Exhibit G)		<u>\$ 3,714,069</u>		<u>\$ 1,145,869</u>

Town of Harrisburg, North Carolina

Capital Projects Fund - Water and Sewer
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)

From Inception and for the Fiscal Year Ended June 30, 2018

	Actual			Variance Over / (Under)
	Project Authorization	Prior Years	Current Year	
Revenues				
Investment earnings	\$ -	\$ 8,633	\$ 559	\$ 9,192
Total	-	8,633	559	9,192
Expenditures - Williams Road 6-inch Main Upgrade				
Engineering	40,000	19,006	4,833	23,839
Construction	225,000	-	217,380	7,620
Total expenditures	265,000	19,006	222,213	23,781
Expenditures - Lakeview Drive 6-inch Main Upgrade				
Engineering	40,000	19,006	4,833	23,839
Construction	220,000	-	210,986	9,014
Total expenditures	260,000	19,006	215,819	25,175
Expenditures - Hudson Drive 6-inch Main Upgrade A				
Engineering	35,000	16,631	4,229	20,860
Construction	175,000	-	166,232	8,768
Total expenditures	210,000	16,631	170,461	22,908
Expenditures - Hudson Drive 6-inch Main Upgrade B				
Engineering	10,000	4,752	1,208	5,960
Construction	50,000	-	44,755	5,245
Total expenditures	60,000	4,752	45,963	9,285
Expenditures - Public Works Facility				
Engineering	475,000	204,121	20,189	224,310
Construction	6,600,000	126,953	4,955,294	5,082,247
Total expenditures	7,075,000	331,074	4,975,483	1,768,443
Revenues over (under) expenditures	(7,870,000)	(381,836)	(5,629,380)	(6,011,216)
Other financing sources:				
Installment financing	5,900,000	-	5,900,000	-
Transfers from other funds	1,970,000	1,277,612	-	(692,388)
Total other financing sources	7,870,000	1,277,612	5,900,000	(692,388)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 895,776	\$ 270,620	\$ 1,166,396
	-	895,776	270,620	(2,551,172)

Town of Harrisburg, North Carolina

Capital Reserve Fund - Water and Sewer Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual For the Fiscal Year Ended June 30, 2018

	Budget	Actual	Variance Over/(Under)
Revenues:			
Non-operating revenues:			
Interest income	\$ -	\$ 5,024	\$ 5,024
Total non-operating revenues	-	5,024	5,024
Expenditures:			
Contingency	94,200	-	94,200
Total expenditures	94,200	-	94,200
Revenues over (under) expenditures	(94,200)	5,024	99,224
Other financing sources (uses)			
Transfer from Water and Sewer Fund	5,000,000	5,000,000	-
Transfer to Water and Sewer Fund	(1,405,800)	(535,800)	870,000
Total other financing sources (uses)	3,594,200	4,464,200	870,000
Revenues and other financing sources over (under) expenditures and other financing uses	3,500,000	4,469,224	969,224
Net change in fund balance	\$ 3,500,000	4,469,224	\$ 969,224
Fund Balance - beginning		1,250,000	
Fund Balance - ending		\$ 5,719,224	

Town of Harrisburg, North Carolina

Storm Water Fund
Comparative Statements of Net Position
June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,530,925	\$ 1,141,133
Accounts receivable (net) - customers	97,183	84,625
Accounts receivable - other	433	186
Total current assets	<u>1,628,541</u>	<u>1,225,944</u>
Non-current assets:		
Capital assets, net of depreciation	<u>871,771</u>	<u>872,028</u>
Total assets	<u>2,500,312</u>	<u>2,097,972</u>
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	<u>43</u>	<u>536</u>
Total liabilities	<u>43</u>	<u>536</u>
Net position		
Net investment in capital assets	871,771	872,028
Unrestricted	<u>1,628,498</u>	<u>1,225,408</u>
Total net position	<u>\$ 2,500,269</u>	<u>\$ 2,097,436</u>

Town of Harrisburg, North Carolina

Storm Water Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2018
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2017)

	2018		Variance Over/(Under)	2017
	Budget	Actual		Actual
Revenues:				
Operating revenues:				
Storm water plan review fees	\$ 20,000	\$ 2,950	\$ (17,050)	\$ 18,765
Streetsweeping	2,000	-	(2,000)	-
Storm water services	602,000	586,894	(15,106)	580,894
Total operating revenues	<u>624,000</u>	<u>589,844</u>	<u>(34,156)</u>	<u>599,659</u>
Non-operating revenues:				
Interest income	5,000	5,816	816	4,171
Total non-operating revenues	<u>5,000</u>	<u>5,816</u>	<u>816</u>	<u>4,171</u>
Total revenues	<u>629,000</u>	<u>595,660</u>	<u>(33,340)</u>	<u>603,830</u>
Administration:				
Cost allocation	122,000	122,004	(4)	122,000
Casualty insurance/bonds	2,100	2,077	23	1,100
Uniforms	350	339	11	350
Training	2,500	250	2,250	1,014
Fuel	5,000	1,326	3,674	1,441
Advertising	500	-	500	-
Tires	1,750	-	1,750	-
Department supplies	1,000	325	675	471
Small tools	2,000	920	1,080	182
Legal services	6,000	680	5,320	2,560
Technology services	1,400	-	1,400	-
Maintenance and repairs - vehicles	2,100	1,854	246	480
Maintenance and repairs - drainage	22,500	3,520	18,980	621
Shipping and handling	250	110	140	50
Travel	1,500	-	1,500	-
Dues and subscriptions	4,500	860	3,640	575
Public education	2,000	-	2,000	-
Printing	1,000	179	821	-
Telephone	-	-	-	1,188
Postage	500	-	500	-
Contracted services	68,000	20,894	47,106	35,594
Contingency	62,550	-	62,550	-
Total administration	<u>309,500</u>	<u>155,338</u>	<u>154,162</u>	<u>167,626</u>

Town of Harrisburg, North Carolina

Storm Water Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP) (continued)
For the Fiscal Year Ended June 30, 2018
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2017)

	2018		Variance Over/(Under)	2017
	Budget	Actual		Actual
Expenditures (continued):				
Debt service:				
Principal retirement	64,000	-	64,000	-
Interest expense	28,000	-	28,000	-
Total debt service	<u>92,000</u>	<u>-</u>	<u>92,000</u>	<u>-</u>
Capital outlay:				
Equipment	35,500	33,626	1,874	-
Total capital outlay	<u>35,500</u>	<u>33,626</u>	<u>1,874</u>	<u>-</u>
Total expenditures	<u>437,000</u>	<u>188,964</u>	<u>248,036</u>	<u>167,626</u>
Revenues over expenditures	<u>192,000</u>	<u>406,696</u>	<u>214,696</u>	<u>436,204</u>
Other financing sources (uses):				
Transfer to other funds	(200,000)	(200,000)	-	(228,000)
Total other financing sources (uses)	<u>(200,000)</u>	<u>(200,000)</u>	<u>-</u>	<u>(228,000)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>(8,000)</u>	<u>206,696</u>	<u>214,696</u>	<u>208,204</u>
Appropriated fund balance	<u>8,000</u>	<u>-</u>	<u>(8,000)</u>	<u>-</u>
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>206,696</u>	<u>\$ 206,696</u>	<u>208,204</u>
Reconciling items:				
Capital outlay		33,626		-
Transfer to Storm Water Capital Projects Fund		200,000		228,000
Interest earned in Storm Water Capital Projects Fund		2,174		2,646
Depreciation and amortization		(39,663)		(39,747)
		<u>196,137</u>		<u>190,899</u>
Change in net position (Exhibit G)		<u>\$ 402,833</u>		<u>\$ 399,103</u>

Town of Harrisburg, North Carolina

Storm Water Capital Projects Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
From Inception and for the Fiscal Year Ended June 30, 2018

	Project Authorization	Actual			Variance Over / (Under)
		Prior Years	Current Year	Total to Date	
Revenues					
Investment earnings	\$ -	\$ 3,751	\$ 2,174	\$ 5,925	\$ 5,925
Grant proceeds	500,000	-	-	-	(500,000)
Total	500,000	3,751	2,174	5,925	(494,075)
Expenditures - Hillcrest Drive					
Engineering	10,000	8,142	-	8,142	1,858
Construction	28,000	3,875	-	3,875	24,125
Total expenditures	38,000	12,017	-	12,017	25,983
Expenditures - Leatherwood Lane					
Engineering	25,000	21,942	-	21,942	3,058
Construction	73,000	32,760	-	32,760	40,240
Total expenditures	98,000	54,702	-	54,702	43,298
Expenditures - System A					
Engineering	103,000	182,026	5,780	187,806	(84,806)
Construction	1,510,000	107,967	-	107,967	1,402,033
Total expenditures	1,613,000	289,993	5,780	295,773	1,317,227
Expenditures - System B					
Engineering	40,000	24,930	-	24,930	15,070
Construction	460,000	-	-	-	460,000
Total expenditures	500,000	24,930	-	24,930	475,070
Expenditures - Autumn Lane					
Engineering	12,000	2,317	-	2,317	9,683
Construction	50,000	-	-	-	50,000
Total expenditures	62,000	2,317	-	2,317	59,683

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, 2018

	Project Authorization	Actual			Variance Over / (Under)
		Prior Years	Current Year	Total to Date	
Expenditures - Pine Street					
Engineering	6,500	2,317	-	2,317	4,183
Construction	35,000	-	-	-	35,000
Total expenditures	41,500	2,317	-	2,317	39,183
Expenditures - Willow Lane					
Engineering	13,000	2,317	-	2,317	10,683
Construction	50,000	-	-	-	50,000
Total expenditures	63,000	2,317	-	2,317	60,683
Revenues over (under) expenditures	(1,915,500)	(384,842)	(3,606)	(388,448)	1,527,052
Other financing sources:					
Installment financing	900,000	-	-	-	(900,000)
Transfers from other funds	1,015,500	823,697	200,000	1,023,697	8,197
Total other financing sources	1,915,500	823,697	200,000	1,023,697	(891,803)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 438,855	\$ 196,394	\$ 635,249	\$ 635,249

Town of Harrisburg, North Carolina

Schedule of Ad Valorem Taxes Receivable
June 30, 2018

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2017</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2018</u>
2007-2008	\$ 69	\$ -	\$ 69	\$ -
2008-2009	996	-	8	988
2009-2010	985	-	90	895
2010-2011	1,138	-	27	1,111
2011-2012	2,268	-	-	2,268
2012-2013	4,405	-	2,099	2,306
2013-2014	4,134	-	2,620	1,514
2014-2015	3,222	-	173	3,049
2015-2016	3,938	-	617	3,321
2016-2017	15,480	-	12,336	3,144
2017-2018	<u>-</u>	<u>6,205,514</u>	<u>6,183,149</u>	<u>22,365</u>
Total	<u>\$ 36,635</u>	<u>\$ 6,205,514</u>	<u>\$ 6,201,188</u>	40,961
Less allowance for uncollectible ad valorem taxes receivable				<u>(2,192)</u>
Ad valorem taxes receivable - net				<u>\$ 38,769</u>
Reconciliation with revenues:				
Taxes - ad valorem - General Fund (Exhibit D)				\$ 6,184,430
Less penalties and interest collected				(11,076)
Net releases and discounts allowed				<u>27,834</u>
Total collections and credits				<u>\$ 6,201,188</u>

Town of Harrisburg, North Carolina

Analysis of Current Tax Levy
Town-Wide Levy
June 30, 2018

	Town-Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 2,116,555,703	\$ 0.290	\$ 6,138,748	\$ 5,566,894	\$ 571,854
Penalties	-		11,837	11,837	-
Total	2,116,555,703		6,150,585	5,578,731	571,854
Discoveries					
Current year taxes	8,690,110	0.290	25,201	25,201	-
Prior years' rates	13,601,869		36,705	36,705	-
Abatements	(2,535,231)	0.290	(6,977)	(6,977)	-
Total property valuation	<u>\$ 2,136,312,451</u>				
Net levy			6,205,514	5,633,660	571,854
Unpaid (by taxpayer) taxes at June 30, 2018			(22,365)	(22,365)	-
Current year's taxes collected			<u>\$ 6,183,149</u>	<u>\$ 5,611,295</u>	<u>\$ 571,854</u>
Current levy collection percentage			<u>99.64%</u>	<u>99.60%</u>	<u>100.00%</u>

TOWN OF HARRISBURG, NORTH CAROLINA

(This Page Intentionally Left Blank)

COMPLIANCE SECTION

**Independent Auditor’s Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with
Government Auditing Standards**

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

We have audited, 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, the financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Harrisburg, North Carolina (the “Town”) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town’s basic financial statements, and have issued our report thereon dated October 31, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town’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’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 over financial reporting was for the limited purposes 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 and therefore, material weaknesses or significant deficiencies in internal control may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying Schedule of Findings as item 2018-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings as item 2018-001.

The Town's Response to Findings

The Town's response to the finding identified in our audit is described in the accompanying Schedule of Findings. 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 Town'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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Elliott Davis, PLLC". The signature is written in a cursive style with a long, sweeping underline.

Raleigh, North Carolina
October 31, 2018

Town of Harrisburg, North Carolina

Schedule of Findings

For the year ended June 30, 2018

I. SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified? Yes None reported

Noncompliance material to the financial statements noted? Yes No

II. FINANCIAL STATEMENT FINDING

Finding 2018-001 (repeat finding from the immediate previous audit 2017-002):

Significant Deficiency

Criteria: Management should have a system in place to ensure the Town complies with State statutes. Per North Carolina State Statute [159-13](b)(3), a contingency appropriation shall not exceed five (5) percent of the total of all other appropriations in the same fund.

Condition: In the current year, there were violations of the N.C. General Statute with regards to contingency appropriation exceeding the aforementioned percentage in the General Fund. The original budget included the contingency appropriation budgeted at 5.82 percent of the General fund.

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

Cause: Insufficient monitoring controls during budget preparation by management.

Recommendation: Continue stringent budgetary monitoring controls implemented for the fiscal year 2019 to prevent exceeding allowable contingency percentages.

Views of Responsible Officials and Corrective Action Plan: Management concurs with this finding and will adhere to the corrective action plan in this audit report.



Town of Harrisburg, North Carolina

Corrective Action Plan For the Fiscal Year Ended June 30, 2018

Financial Statement Findings

Significant Deficiency

Finding 2018-001

Name of Contact Person: Lee Connor

Corrective Action: Management concurs and has implemented stringent budget monitoring controls to prevent exceeding allowable contingency percentages. This additional monitoring has been performed for the FY2019 budget by the newly created position of Assistant Town Manager along with the Finance department. It is important to note that while the General Fund contingency exceeded the 5% threshold of budgeted appropriations by 0.82% in its original budget, by the end of the year, the contingency budget amounted to 1.84% of all other budgeted appropriations. There are no budget violations in the FY2019 original budget.

Proposed Completion Date: Immediately

Town of Harrisburg, North Carolina

**Summary Schedule of Prior Year's Audit Findings
For the Fiscal Year Ended June 30, 2018**

Finding 2017-001:

Status: Corrected

Finding 2017-002:

Status: Repeated as finding 2018-001