

**TOWN OF HARRISBURG,
NORTH CAROLINA**

**BASIC
FINANCIAL
STATEMENTS &
ACCOMPANYING
INFORMATION**

FOR FISCAL YEAR ENDED JUNE 30, 2019

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 & FINANCIAL STAFF

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



HarrisburgNC

The right side of opportunity

Town of Harrisburg, North Carolina

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FINANCIAL SECTION

TOWN OF HARRISBURG, NORTH CAROLINA

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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, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of Harrisburg Community and Youth Association, Inc. were not audited in accordance with *Government Auditing Standards*.

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, 2019, 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 25, 2019, 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 25, 2019

TOWN OF HARRISBURG, NORTH CAROLINA

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Town of Harrisburg, North Carolina

Management's Discussion and Analysis

As management of the Town of Harrisburg (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town of Harrisburg for the fiscal year ended June 30, 2019. 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 \$60,716,269 (*net position*). Of this amount, \$18,713,777 (*unrestricted net position*) may be used to meet the Town's needs.
- The Town's total net position increased by \$7,878,625, 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 \$10,956,514, with a net decrease of \$2,403,507 in fund balance. Approximately 60.30% of this total amount, or \$6,606,318, is non-spendable, restricted, committed or assigned.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,350,196, or 36.18%, of total General Fund expenditures for the fiscal year.
- The Town of Harrisburg's total long-term outstanding liabilities decreased by \$1,239,875 (4.92%) during the current fiscal year. The key factors in this change consists of the servicing of installment notes payable and the increase in the net pension obligation (LGRS).

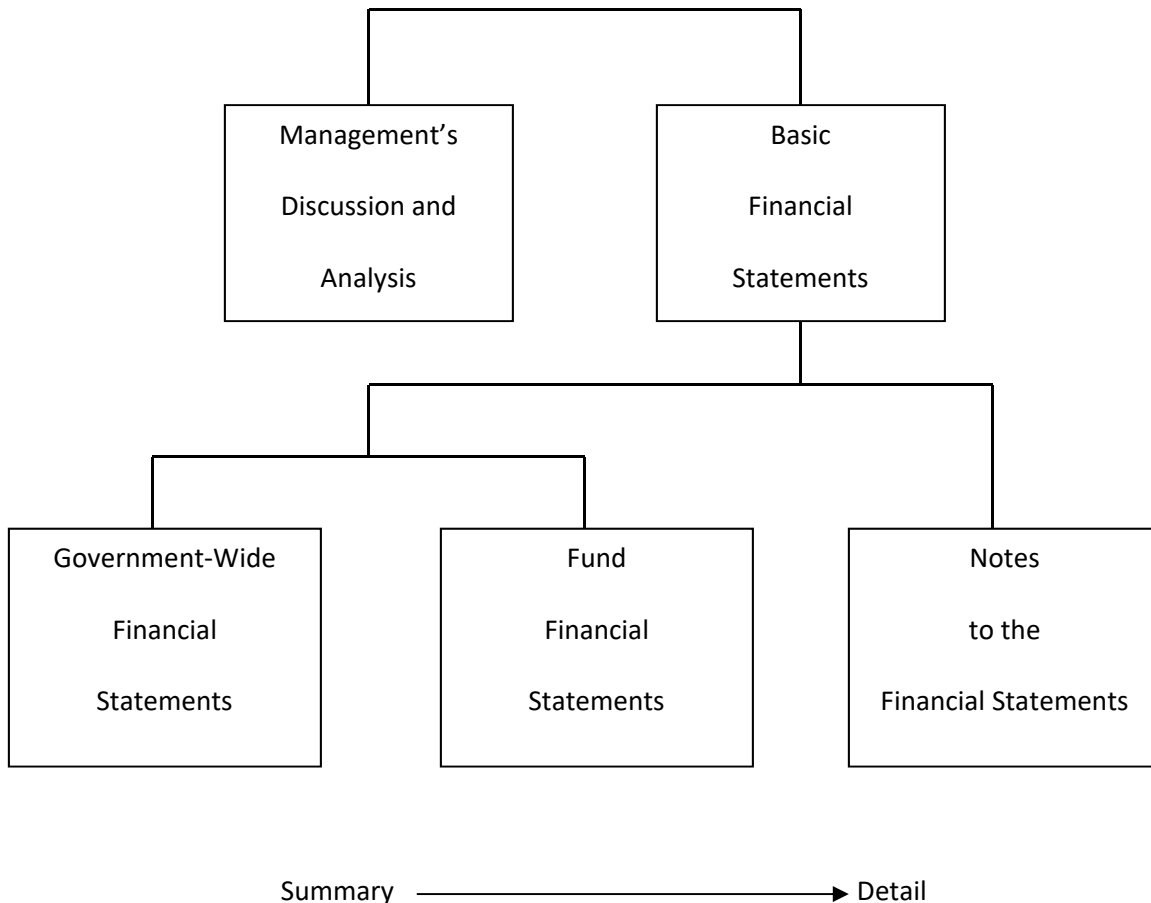
Overview of the Financial Statements

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 and storm water 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 23-58 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 59 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	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 11,559,794	\$ 13,892,086	\$ 12,210,705	\$ 13,152,368	\$ 23,770,499	\$ 27,044,454
Capital assets	26,331,114	19,612,982	34,502,966	31,746,330	60,834,080	51,359,312
Deferred outflows of resources	1,258,140	781,910	418,959	260,216	1,677,099	1,042,126
Total assets and deferred outflows of resources	39,149,048	34,286,978	47,132,630	45,158,914	86,281,678	79,445,892
Long-term liabilities outstanding	10,299,605	10,361,105	13,679,445	14,857,820	23,979,050	25,218,925
Other liabilities	624,791	534,022	800,390	710,856	1,425,181	1,244,878
Total liabilities	10,924,396	10,895,127	14,479,835	15,568,676	25,404,231	26,463,803
Deferred inflows of resources	111,785	98,188	49,393	46,257	161,178	144,445
Net position:						
Net investment in capital assets	18,668,809	15,493,660	21,496,098	17,921,905	40,164,907	33,415,565
Restricted	1,819,152	1,101,496	18,433	-	1,837,585	1,101,496
Unrestricted	7,624,906	6,698,507	11,088,871	11,622,076	18,713,777	18,320,583
Total net position	\$ 28,112,867	\$ 23,293,663	\$ 32,603,402	\$ 29,543,981	\$ 60,716,269	\$ 52,837,644

Town of Harrisburg, North Carolina

Management's Discussion and Analysis (continued)

Government-Wide Financial 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 \$60,716,269 as of June 30, 2019. The Town's net position increased by \$7,878,625 for the fiscal year ended June 30, 2019. However, the largest portion (66.15%) 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, \$1,819,152, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$18,713,777, 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 99.66%, which is greater than the statewide average in fiscal year 2019 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	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues						
Charges for services	\$ 791,531	\$ 1,140,542	\$ 9,294,092	\$ 9,426,494	\$ 10,085,623	\$ 10,567,036
Operating grants and contributions	1,663,276	1,748,123	-	3,968	1,663,276	1,752,091
Capital grants and contributions	2,183,597	2,713,069	2,035,225	1,616,190	4,218,822	4,329,259
General revenues:						
Property taxes	7,928,116	6,188,636	-	-	7,928,116	6,188,636
Grants and contributions not restricted to specific programs	3,093,767	2,622,205	-	-	3,093,767	2,622,205
Other	754,894	444,316	41,583	82,891	796,477	527,207
Total revenues	16,415,181	14,856,891	11,370,900	11,129,543	27,786,081	25,986,434
Expenses:						
General government	1,467,024	1,510,762	-	-	1,467,024	1,510,762
Planning and zoning	420,841	476,467	-	-	420,841	476,467
Public safety	5,025,300	4,719,879	-	-	5,025,300	4,719,879
Transportation	912,504	872,668	-	-	912,504	872,668
Environmental protection	1,648,186	1,498,275	-	-	1,648,186	1,498,275
Cultural and recreational	1,823,042	1,648,872	-	-	1,823,042	1,648,872
Water and sewer	-	-	8,025,802	7,293,549	8,025,802	7,293,549
Storm water	-	-	285,677	195,001	285,677	195,001
Interest	299,080	158,802	-	-	299,080	158,802
Total expenses	11,595,977	10,885,725	8,311,479	7,488,550	19,907,456	18,374,275
Transfers	-	(475,909)	-	475,909	-	-
Increase in net position	4,819,204	3,495,257	3,059,421	4,116,902	7,878,625	7,612,159
Net position, beginning	23,293,663	19,798,406	29,543,981	25,427,079	52,837,644	45,225,485
Net position, ending	\$ 28,112,867	\$ 23,293,663	\$ 32,603,402	\$ 29,543,981	\$ 60,716,269	\$ 52,837,644

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 \$4,819,204 thereby accounting for 61.17% of the total growth in the net position of the Town. Key elements of this increase are as follows:

- Tax revenues increased approximately 28%, or \$1,744,000.
- Intergovernmental revenues consisting of mostly sales and franchise taxes increased by 18%, or \$471,500.

Business-Type Activities. Business-type activities increased the Town of Harrisburg's net position by \$3,059,421 accounting for 38.83% of the total growth in the Town's net position. A key element of this increase is as follows:

- Contributions of water and sewer and storm water infrastructure from completed developments totaled approximately \$2,000,000.

Financial Analysis of the Town's Funds

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

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

The General Fund is the chief operating fund of the Town of Harrisburg. At the end of the current fiscal year, available fund balance in the General Fund was \$4,350,196, while total fund balance reached \$5,738,273. The Town Council of the Town of Harrisburg has determined that the Town should maintain an available fund balance of 40% of General Fund operating and debt service expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the Town. The Town currently has an available fund balance of 40.26% of General Fund expenditures, while total fund balance represents 53.11% of the same amount.

At June 30, 2019, the governmental funds of the Town of Harrisburg reported a combined fund balance of \$10,956,514, a 17.99% decrease 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 \$9,060,864, and those for the Storm Water Fund amounted to \$2,046,440. The total change in net position for both funds was an increase of \$2,516,659 and \$542,762, 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, 2019, totals \$60,834,080 (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 completed on the Public Works Facility.
- Construction substantially complete on Fire Station #2.
- Construction of 6-inch water lines throughout eight neighborhoods.
- Contributions of capital including streets, water and sewer lines, and storm water infrastructure.
- Design work and the start of construction on Harrisburg Veterans' Plaza and Harrisburg Park Redevelopment Phase I.

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

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Construction in progress	\$ 5,539,477	\$ 1,024,242	\$ 827,886	\$ 6,538,832	\$ 6,367,363	\$ 7,563,074
Land	1,983,024	1,693,537	858,549	858,549	2,841,573	2,552,086
Buildings and systems	6,839,560	6,829,628	7,150,036	1,671,057	13,989,596	8,500,685
Improvements other than buildings	1,905,640	1,828,572	-	10,094	1,905,640	1,838,666
Water lines	-	-	16,253,302	15,422,779	16,253,302	15,422,779
Machinery and equipment	2,199,451	2,035,994	1,724,843	1,069,617	3,924,294	3,105,611
Interceptors	-	-	98,020	122,168	98,020	122,168
Collection system	-	-	6,696,988	5,645,329	6,696,988	5,645,329
Infrastructure	7,863,962	6,201,009	893,342	407,905	8,757,304	6,608,914
Total	<u>\$ 26,331,114</u>	<u>\$ 19,612,982</u>	<u>\$ 34,502,966</u>	<u>\$ 31,746,330</u>	<u>\$ 60,834,080</u>	<u>\$ 51,359,312</u>

Additional information on the Town's capital assets can be found in note II.A on pages 35-38 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, 2019, the Town of Harrisburg had total debt outstanding of \$21,229,655. Of this debt, \$13,006,868 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 (\$8,222,787), is backed by the full faith and credit of the Town.

Long-Term Obligations Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Notes payable	\$ 8,222,787	\$ 8,922,604	\$ 13,006,868	\$ 14,385,188	\$ 21,229,655	\$ 23,307,792

The Town of Harrisburg's Outstanding Debt

The Town of Harrisburg's total long-term outstanding debt decreased by \$2,078,137 (8.92%) during the past fiscal year, due to regularly scheduled debt service payments on existing debt. There was no new debt issued in fiscal year 2019.

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 \$178,489,627.

Additional information regarding the Town of Harrisburg's long-term debt can be found in note II.B on pages 47-55 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 residential growth as a result of previously approved development projects. Interest in living in Harrisburg is soaring which has created a strong interest from some of the region's best developers. The Town is ranked number one in North Carolina in growth for municipalities over a population of 10,000 and ranks 54th in population across the state, up from the previous ranking of 57th. With several residential subdivisions currently under construction and several proposed plans being considered, the Town is in a great position to grow and strengthen its residential market with low-density, high quality homes.
- **Non-Residential Growth.** The Town is excited about the long-awaited development of Town Center, the location of Town Hall and known as the downtown for Harrisburg. The development will bring high quality residential, mixed-use, cultural, and commercial structures to Town Center which will reshape and revitalize the area to expand the Town's offerings to businesses and residents alike. The construction of the Farmington mixed-use development along Rocky River Road and I-485 is beginning in FY2020. 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 continues to help generate several new businesses, with outparcels building out around the 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 Fire Station #2. The Town is also in the process of constructing Harrisburg Veterans' Plaza in the Harris Square Shopping Center, which will be opened on Veterans' Day. The Town's largest park redevelopment project is entering the construction phase in FY2020. Harrisburg Park will undergo a transformation that will bring an amphitheater, splash-pad, additional multipurpose fields, shelters, bike trails, and other active amenities within the park. The Town has placed a focus on transportation improvement projects that will be taking place over the next few years with increased amounts of pavement resurfacing, new sidewalks and multipurpose paths, and intersection improvements. 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 and addressing Storm Water deficiencies in the Town's System A Storm Water area.

Budget Highlights for the Fiscal Year Ending June 30, 2020

The approved FY2020 General Operating Budget is a balanced budget totaling \$29,052,645 for the General Fund and the two enterprise funds; Water and Sewer; and Storm Water. This compares to \$25,876,450 in FY2019, an increase of approximately \$3,175,000. The General Fund, which comprises the core services provided by the Town, accounts for \$15,794,200 of the total budget, Water and Sewer Fund, \$12,516,645, and Storm Water Fund, \$741,800, 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 made great progress toward improving our internal operations and employee-wellbeing in FY2019 and continues to focus on making major strides in this direction for FY2020. Town Council and management recognize that investment in our personnel, our greatest asset, 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 ten-year financial models and capital improvement plans outline the needs and priorities of the Town moving forward. A uniform vision for the Town, coming from Town Council and management, is becoming a standard that all employees can recognize and take part in. This is reflected in the Town's recent completion of the Harrisburg Area Land Use Plan and the upcoming delivery of the Transportation Plan, ADA Plan, Highway 49 Corridor Plan, and UDO update. Each of these major guiding documents interact together and help the Town 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, and generating new economic development buzz within our Town, 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 sophistication, 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

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Town of Harrisburg, North Carolina

Statement of Net Position
June 30, 2019

	Primary Government			Harrisburg Community and Youth Association, Inc.
	Governmental Activities	Business-Type Activities	Total	
Assets				
Current assets:				
Cash and cash equivalents	\$ 9,664,143	\$ 10,536,229	\$ 20,200,372	\$ 41,266
Taxes receivables (net)	40,014	-	40,014	-
Accrued interest receivable on taxes	7,867	-	7,867	-
Accounts receivable (net)	6,448	1,366,063	1,372,511	-
Due from other governments	730,070	-	730,070	-
Inventory	21,856	-	21,856	-
Prepaid expenses	107,551	9,552	117,103	-
Restricted cash and cash equivalents	981,845	298,861	1,280,706	-
Total current assets	11,559,794	12,210,705	23,770,499	41,266
Noncurrent assets:				
Capital assets:				
Non-depreciable	7,522,501	1,686,435	9,208,936	-
Depreciable, net of accumulated depreciation	18,808,613	32,816,531	51,625,144	-
Total noncurrent assets	26,331,114	34,502,966	60,834,080	-
Total assets	37,890,908	46,713,671	84,604,579	41,266
Deferred outflows of resources				
Pension deferrals	1,258,140	418,959	1,677,099	-
Total deferred outflows of resources	1,258,140	418,959	1,677,099	-
Liabilities				
Current liabilities:				
Accounts payable and accrued liabilities	392,085	519,962	912,047	-
Prepaid fees	31,700	-	31,700	-
Payables from restricted assets:				
Accounts payable and accrued liabilities	38,628	-	38,628	-
Performance bond deposits	162,378	-	162,378	-
Customer deposits	-	280,428	280,428	-
Long-term liabilities-due within one year	1,091,140	1,508,531	2,599,671	-
Total current liabilities	1,715,931	2,308,921	4,024,852	-
Long-term liabilities:				
Net pension liability	1,684,751	561,396	2,246,147	-
Long-term liabilities-due in more than one year	7,523,714	11,609,518	19,133,232	-
Total long-term liabilities	9,208,465	12,170,914	21,379,379	-
Total liabilities	10,924,396	14,479,835	25,404,231	-
Deferred inflows of resources				
Prepaid Taxes	4,190	-	4,190	-
Pension deferrals	107,595	49,393	156,988	-
Total deferred inflows of resources	111,785	49,393	161,178	-
Net position				
Net investment in capital assets	18,668,809	21,496,098	40,164,907	-
Restricted for:				
Stabilization by State statute	999,685	-	999,685	-
Streets	156,861	-	156,861	-
Public safety	662,606	-	662,606	-
Storm Water	-	18,433	18,433	-
Cultural and recreational	-	-	-	41,266
Unrestricted	7,624,906	11,088,871	18,713,777	-
Total net position	\$ 28,112,867	\$ 32,603,402	\$ 60,716,269	\$ 41,266

Town of Harrisburg, North Carolina

Statement of Activities For the Fiscal Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities				
General government	\$ 1,467,024	\$ 15,295	\$ -	\$ -
Planning and zoning	420,841	101,281	-	-
Public safety	5,025,300	183,490	1,216,646	-
Transportation	912,504	-	434,615	2,183,597
Environmental protection	1,648,186	-	12,015	-
Cultural and recreational	1,823,042	491,465	-	-
Interest on long-term debt	299,081	-	-	-
Total governmental activities	<u>11,595,978</u>	<u>791,531</u>	<u>1,663,276</u>	<u>2,183,597</u>
Business-type activities				
Water and sewer	8,025,802	8,661,135	-	1,856,425
Storm water	285,677	632,957	-	178,800
Total business-type activities	<u>8,311,479</u>	<u>9,294,092</u>	<u>-</u>	<u>2,035,225</u>
Total primary government	<u>\$ 19,907,457</u>	<u>\$ 10,085,623</u>	<u>\$ 1,663,276</u>	<u>\$ 4,218,822</u>
Component unit				
Harrisburg Community and Youth Association, Inc.	\$ 35,625	\$ -	\$ 27,575	\$ -
Total component unit	<u>\$ 35,625</u>	<u>\$ -</u>	<u>\$ 27,575</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, 2019

	Net (Expense) Revenue and Changes in Net Position			
	Primary Government			
Functions/Programs	Governmental Activities	Business-Type Activities	Total	Harrisburg Community and Youth Association, Inc.
Primary government				
Governmental activities				
General government	\$ (1,451,729)	\$ -	\$ (1,451,729)	\$ -
Planning and zoning	(319,560)	-	(319,560)	-
Public safety	(3,625,164)	-	(3,625,164)	-
Transportation	1,705,708	-	1,705,708	-
Environmental protection	(1,636,171)	-	(1,636,171)	-
Cultural and recreational	(1,331,577)	-	(1,331,577)	-
Interest on long-term debt	(299,081)	-	(299,081)	-
Total governmental activities	(6,957,574)	-	(6,957,574)	-
Business-type activities				
Water and sewer	-	2,491,758	2,491,758	-
Stormwater	-	526,080	526,080	-
Total business-type activities	-	3,017,838	3,017,838	-
Total primary government	(6,957,574)	3,017,838	(3,939,736)	-
Component unit				
Harrisburg Community and Youth Association, Inc.	-	-	-	(8,050)
Total component unit	-	-	-	(8,050)
General revenues				
Taxes:				
Property taxes, levied for general purpose	7,928,117	-	7,928,117	-
Unrestricted intergovernmental	3,093,767	-	3,093,767	-
Loss on sale of capital assets	(37,541)	(132,349)	(169,890)	-
Investment earnings	300,876	171,313	472,189	-
Miscellaneous	491,559	2,619	494,178	-
Total general revenues	11,776,778	41,583	11,818,361	-
Change in net position	4,819,204	3,059,421	7,878,625	(8,050)
Net position, beginning	23,293,663	29,543,981	52,837,644	49,316
Net position, ending	\$ 28,112,867	\$ 32,603,402	\$ 60,716,269	\$ 41,266

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

Town of Harrisburg, North Carolina

Balance Sheet
Governmental Funds
June 30, 2019

	General	Capital Projects Fund - Public Safety	Capital Reserve Fund - General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 4,960,640	\$ 7,116	\$ 4,085,839	\$ 610,548	\$ 9,664,143
Restricted cash and cash equivalents	421,363	560,482	-	-	981,845
Receivables, net:					
Property taxes	40,014	-	-	-	40,014
Other	6,448	-	-	-	6,448
Due from other governments	722,186	7,884	-	-	730,070
Inventory	21,856	-	-	-	21,856
Prepaid items	107,551	-	-	-	107,551
Total assets	<u>\$ 6,280,058</u>	<u>\$ 575,482</u>	<u>\$ 4,085,839</u>	<u>\$ 610,548</u>	<u>\$ 11,551,927</u>
Liabilities					
Accounts payable and accrued liabilities	\$ 303,503	\$ 15,000	\$ -	\$ -	\$ 318,503
July 4th Celebration unearned revenue	31,700	-	-	-	31,700
Payable from restricted assets:					
Accounts payable and accrued liabilities	-	-	-	38,628	38,628
Performance bonds on deposit	162,378	-	-	-	162,378
Total liabilities	<u>497,581</u>	<u>15,000</u>	<u>-</u>	<u>38,628</u>	<u>551,209</u>
Deferred inflows of resources					
Property taxes receivable	40,014	-	-	-	40,014
Prepaid taxes	4,190	-	-	-	4,190
Total deferred inflows of resources	<u>44,204</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>44,204</u>
Fund balances					
Non-spendable					
Inventory	21,856	-	-	-	21,856
Prepays	107,551	-	-	-	107,551
Restricted					
Stabilization by State statute	999,685	-	-	-	999,685
Streets	156,861	-	-	-	156,861
Public safety	102,124	560,482	-	-	662,606
Committed	-	-	4,085,839	556,920	4,642,759
Assigned	-	-	-	15,000	15,000
Unassigned	4,350,196	-	-	-	4,350,196
Total fund balances	<u>5,738,273</u>	<u>560,482</u>	<u>4,085,839</u>	<u>571,920</u>	<u>10,956,514</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 6,280,058</u>	<u>\$ 575,482</u>	<u>\$ 4,085,839</u>	<u>\$ 610,548</u>	<u>\$ 11,551,927</u>

Town of Harrisburg, North Carolina

Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Position June 30, 2019

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

Ending fund balance - governmental funds	\$ 10,956,514
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	26,331,114
Deferred outflows of resources related to pensions are not reported in the funds.	1,258,140
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	7,867
Earned revenues considered deferred inflows of resources in fund statements	40,014
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Accrued interest payable	(73,582)
Compensated absences	(392,067)
Notes payable	(8,222,787)
Net pension liability	(1,684,751)
Deferred inflows of resources related to pensions are not reported in the funds.	<u>(107,595)</u>
Net position of governmental activities	<u><u>\$ 28,112,867</u></u>

Town of Harrisburg, North Carolina

Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2019

	General	Capital Projects Fund - Public Safety	Capital Reserve Fund - General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Ad valorem taxes	\$ 7,928,016	\$ -	\$ -	\$ -	\$ 7,928,016
Unrestricted intergovernmental	3,093,767	-	-	-	3,093,767
Restricted intergovernmental	1,663,276	-	-	-	1,663,276
Permits and fees	300,066	-	-	-	300,066
Sales and services	491,465	-	-	-	491,465
Investment earnings	232,243	65,348	2,543	742	300,876
Other general revenues	491,559	-	-	-	491,559
Total revenues	14,200,392	65,348	2,543	742	14,269,025
Expenditures					
Current:					
General government	1,372,155	-	-	-	1,372,155
Planning and zoning	408,233	-	-	-	408,233
Engineering	46,499	-	-	-	46,499
Public safety	4,932,319	4,326,001	-	-	9,258,320
Transportation	690,809	-	-	-	690,809
Environmental protection	1,604,237	-	-	-	1,604,237
Cultural and recreational	1,995,457	-	-	325,229	2,320,686
Debt service:					
Principal retirement	699,817	-	-	-	699,817
Interest	275,236	-	-	-	275,236
Total expenditures	12,024,762	4,326,001	-	325,229	16,675,992
Excess (deficiency) of revenues over expenditures	2,175,630	(4,260,653)	2,543	(324,487)	(2,406,967)
Other financing sources (uses)					
Transfers from other funds	870,652	-	2,900,092	479,491	4,250,235
Transfers to other funds	(3,242,557)	-	(962,136)	(45,542)	(4,250,235)
Proceeds from sale of assets	3,460	-	-	-	3,460
Total other financing sources (uses)	(2,368,445)	-	1,937,956	433,949	3,460
Net change in fund balances	(192,815)	(4,260,653)	1,940,499	109,462	(2,403,507)
Fund balances, beginning	5,931,088	4,821,135	2,145,340	462,458	13,360,021
Fund balances, ending	\$ 5,738,273	\$ 560,482	\$ 4,085,839	\$ 571,920	\$ 10,956,514

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, 2019

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

Net changes in fund balances - total governmental funds	\$ (2,403,507)
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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.

Capital outlay expenditures	5,482,633	
Depreciation expense	<u>(907,097)</u>	
		4,575,536
Disposal of construction in process		(41,001)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Amount of donated assets	2,183,597	
Other	(1,144)	
Change in unavailable revenue for tax revenues	<u>1,245</u>	
		2,183,698

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.

Debt service payments	699,817	
Pension expense	(127,670)	
Compensated absences	<u>(43,824)</u>	
		528,323

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.

Change in accrued interest payable	<u>(23,845)</u>
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Changes in net position of governmental activities	<u><u>\$ 4,819,204</u></u>
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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, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
Revenues				
Ad valorem taxes	\$ 7,832,000	\$ 7,832,000	\$ 7,928,016	\$ 96,016
Unrestricted intergovernmental	2,996,000	2,996,000	3,093,767	97,767
Restricted intergovernmental	1,596,000	1,596,000	1,663,276	67,276
Permits and fees	448,000	448,000	300,066	(147,934)
Sales and services	657,250	435,250	491,465	56,215
Investment earnings	86,500	86,500	232,243	145,743
Other general revenues	202,000	510,500	495,019	(15,481)
Total revenues	<u>13,817,750</u>	<u>13,904,250</u>	<u>14,203,852</u>	<u>299,602</u>
Expenditures				
Current:				
General government	1,468,290	1,742,431	1,372,155	370,276
Planning and zoning	413,375	505,995	408,233	97,762
Engineering	258,660	275,660	46,499	229,161
Public safety	4,990,300	5,237,044	4,932,319	304,725
Transportation	860,000	901,150	690,809	210,341
Environmental protection	1,699,925	1,699,925	1,604,237	95,688
Cultural and recreational	2,029,220	2,180,604	1,995,457	185,147
Debt service:				
Principal retirement	700,750	701,000	699,817	1,183
Interest	285,000	284,750	275,236	9,514
Contingency	512,930	228,405	-	228,405
Total expenditures	<u>13,218,450</u>	<u>13,756,964</u>	<u>12,024,762</u>	<u>1,732,202</u>
Revenues over (under) expenditures	<u>599,300</u>	<u>147,286</u>	<u>2,179,090</u>	<u>2,031,804</u>
Other financing sources (uses)				
Transfers from other funds	877,400	1,060,750	870,652	(190,098)
Transfers to other funds	(1,550,000)	(3,350,000)	(3,242,557)	107,443
Appropriated fund balance	73,300	2,141,964	-	(2,141,964)
Total other financing sources (uses)	<u>(599,300)</u>	<u>(147,286)</u>	<u>(2,371,905)</u>	<u>(2,224,619)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(192,815)</u>	<u>\$ (192,815)</u>
Fund balance, beginning			<u>5,931,088</u>	
Fund balance, ending (Exhibit D)			<u>\$ 5,738,273</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, 2019

	Major Enterprise Funds		
	Water and Sewer	Storm Water	Total
	Fund	Fund	
Assets			
Current assets:			
Cash and cash equivalents	\$ 8,584,432	\$ 1,951,797	\$ 10,536,229
Accounts receivable (net) - customers	1,240,683	87,594	1,328,277
Accounts receivable - other	37,350	436	37,786
Prepaid expenses	9,552	-	9,552
Restricted cash and cash equivalents	280,428	18,433	298,861
Total current assets	<u>10,152,445</u>	<u>2,058,260</u>	<u>12,210,705</u>
Non-current assets:			
Capital assets:			
Non-depreciable	1,682,638	3,797	1,686,435
Depreciable, net of accumulated depreciation	<u>31,823,737</u>	<u>992,794</u>	<u>32,816,531</u>
Total non-current assets	<u>33,506,375</u>	<u>996,591</u>	<u>34,502,966</u>
Total assets	<u>43,658,820</u>	<u>3,054,851</u>	<u>46,713,671</u>
Deferred outflows of resources			
Pension deferrals	<u>418,959</u>	<u>-</u>	<u>418,959</u>
Total deferred outflows of resources	<u>418,959</u>	<u>-</u>	<u>418,959</u>
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	508,142	11,820	519,962
Long-term debt, current portion	1,397,350	-	1,397,350
Compensated absences, current portion	111,181	-	111,181
Payable from restricted assets:			
Customer deposits	<u>280,428</u>	<u>-</u>	<u>280,428</u>
Total current liabilities	<u>2,297,101</u>	<u>11,820</u>	<u>2,308,921</u>
Non-current liabilities:			
Long-term debt, non-current portion	11,609,518	-	11,609,518
Net pension liability	<u>561,396</u>	<u>-</u>	<u>561,396</u>
Total noncurrent liabilities	<u>12,170,914</u>	<u>-</u>	<u>12,170,914</u>
Total liabilities	<u>14,468,015</u>	<u>11,820</u>	<u>14,479,835</u>
Deferred inflows of resources			
Pension deferrals	<u>49,393</u>	<u>-</u>	<u>49,393</u>
Total deferred inflows of resources	<u>49,393</u>	<u>-</u>	<u>49,393</u>
Net position			
Net investment in capital assets	20,499,507	996,591	21,496,098
Restricted	-	18,433	18,433
Unrestricted	<u>9,060,864</u>	<u>2,028,007</u>	<u>11,088,871</u>
Total net position	<u>\$ 29,560,371</u>	<u>\$ 3,043,031</u>	<u>\$ 32,603,402</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, 2019

	Major Enterprise Funds		
	Water and Sewer Fund	Storm Water Fund	Total
Operating revenues			
Charges for services	\$ 6,900,623	\$ 614,524	\$ 7,515,147
Water and sewer taps	14,980	-	14,980
Water and sewer development charges	1,253,585	-	1,253,585
Service connection fees	117,595	-	117,595
Other operating revenues	374,352	18,433	392,785
Total operating revenues	<u>8,661,135</u>	<u>632,957</u>	<u>9,294,092</u>
Operating expenses			
Water administration and distribution	6,248,085	-	6,248,085
Storm water operations	-	227,900	227,900
Depreciation and amortization	1,481,117	57,777	1,538,894
Total operating expenses	<u>7,729,202</u>	<u>285,677</u>	<u>8,014,879</u>
Operating income	<u>931,933</u>	<u>347,280</u>	<u>1,279,213</u>
Non-operating revenues (expenses)			
Investment earnings	154,631	16,682	171,313
Interest and other charges	(296,600)	-	(296,600)
Loss on sale of capital assets	(132,349)	-	(132,349)
Insurance proceeds	2,619	-	2,619
Total non-operating revenues (expenses)	<u>(271,699)</u>	<u>16,682</u>	<u>(255,017)</u>
Income before contributions	<u>660,234</u>	<u>363,962</u>	<u>1,024,196</u>
Contributions of infrastructure	<u>1,856,425</u>	<u>178,800</u>	<u>2,035,225</u>
Change in net position	<u>2,516,659</u>	<u>542,762</u>	<u>3,059,421</u>
Total net position, beginning	<u>27,043,712</u>	<u>2,500,269</u>	<u>29,543,981</u>
Total net position, ending	<u>\$ 29,560,371</u>	<u>\$ 3,043,031</u>	<u>\$ 32,603,402</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, 2019

	Major Enterprise Funds		
	Water and Sewer Fund	Storm Water Fund	Total
Cash flows from operating activities			
Cash received from customers	\$ 8,817,643	\$ 642,543	\$ 9,460,186
Cash paid for goods and services	(4,763,345)	(216,123)	(4,979,468)
Cash paid to or on behalf of employees for services	(1,385,255)	-	(1,385,255)
Customer deposits received and returned, net	14,275	-	14,275
Net cash provided by operating activities	<u>2,683,318</u>	<u>426,420</u>	<u>3,109,738</u>
Cash flows from capital and related financing activities			
Proceeds from sale of capital assets	3,531	-	3,531
Proceeds from insurance settlements	2,619	-	2,619
Acquisition and construction of capital assets	(2,392,388)	(3,797)	(2,396,185)
Principal paid on long-term debt	(1,378,320)	-	(1,378,320)
Interest paid on long-term debt	(297,817)	-	(297,817)
Net cash used by capital and related financing activities	<u>(4,062,375)</u>	<u>(3,797)</u>	<u>(4,066,172)</u>
Cash flows from investing activities			
Interest on investments	154,631	16,682	171,313
Net increase (decrease) in cash and cash equivalents	(1,224,426)	439,305	(785,121)
Balances, beginning	10,089,286	1,530,925	11,620,211
Balances, ending	<u>\$ 8,864,860</u>	<u>\$ 1,970,230</u>	<u>\$ 10,835,090</u>
Reconciliation of operating income to net cash provided (used) by operating activities			
Operating income	\$ 931,933	\$ 347,280	\$ 1,279,213
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation and amortization	1,481,117	57,777	1,538,894
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable - customers	104,712	9,589	114,301
(Increase) decrease in accounts receivable - other	51,796	(3)	51,793
(Increase) decrease in prepaid items	(9,552)	-	(9,552)
Increase (decrease) in accounts payable and accrued liabilities	64,699	11,777	76,476
Increase (decrease) in compensated absences	1,781	-	1,781
(Increase) decrease in deferred outflows of resources for pensions	(158,743)	-	(158,743)
Increase (decrease) in deferred inflows of resources for pensions	3,136	-	3,136
Increase (decrease) in net pension liability	198,164	-	198,164
Increase (decrease) in customer deposits	14,275	-	14,275
Total adjustments	<u>1,751,385</u>	<u>79,140</u>	<u>1,830,525</u>
Net cash provided by operating activities	<u>\$ 2,683,318</u>	<u>\$ 426,420</u>	<u>\$ 3,109,738</u>

Noncash investing, capital, and financing activities:

The Town received noncash capital contributions in the Water and Sewer Fund and Storm Water Fund in the amount of \$1,856,425 and \$178,800, respectively, representing donated assets.

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2019

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 Community and Youth Association, Inc.

The members of the Harrisburg Community and Youth Association, Inc.'s (HCYA) governing board are designated within HCYA's bylaws to include specified current employees of the Town. HCYA is presented discretely in the government-wide statements. Complete financial statements for HCYA may be obtained from the organization's administrative offices at the Town of Harrisburg, 4100 Main Street, Suite 101, Harrisburg, NC 28075.

Harrisburg Business Alliance

The members of the Harrisburg Business Alliance, Inc.'s (HBA) governing board are designated within HBA's bylaws to include one Town Council member and a specified current employee of the Town. HBA is presented as a blended component unit in the Town's financial statements and does not issue its own. Inquiries regarding HBA may be directed to Town'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.

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2019

I. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

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.

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 other funds. The primary revenue sources are ad valorem taxes, State and federal 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 Projects Fund – Public Safety – This fund is used to account for the construction of Fire Station #2.

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

The Town reports the following non-major governmental funds:

Capital Projects Fund – Streets – This fund is used to account for the construction of streets and sidewalks through the CMAQ grant program and the 2017 Transportation bonds.

Capital Projects Fund – Parks and Recreation – This fund is used to account for the construction of Harrisburg Veterans' Plaza and Harrisburg Park Redevelopment – Phase I.

Capital Reserve Fund – Fire Services – This fund was established to accumulate funds to be used for future capital expenditures for Fire Services. This fund was closed on June 30, 2019.

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 Capital Projects Fund - Water and Sewer, a Capital Reserve Fund - Water and Sewer, and a Capital Reserve Fund – Water and Sewer – Expansion have been consolidated into the Water and Sewer Fund for financial reporting purposes. The budgetary comparisons for the Capital Projects Fund - Water and Sewer, the Capital Reserve Fund – Water and Sewer, and the Capital Reserve Fund – Water and Sewer – Expansion have been included in the supplemental information.

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2019

I. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

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, 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

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2019

I. Summary of Significant Accounting Policies (continued)

B. Measurement Focus and Basis of Accounting (continued)

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 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, Capital Projects Fund – Parks and Recreation, and the Enterprise Funds Capital Projects Funds. The enterprise funds' 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 HCYA are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The Town and HCYA may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Town and HCYA may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2019

I. Summary of Significant Accounting Policies (continued)

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

State law [G.S. 159-30(c)] authorizes the Town and HCYA 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 HCYA'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 investment pool, is measured at fair value. The NCCMT Term Portfolio is a bond fund, has no rating and is measured at fair value. As of June 30, 2019, the Term Portfolio has a duration of .11 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

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.

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

	<u>General Fund</u>	<u>Public Safety</u>	<u>Total</u>
Governmental Activities			
Public safety	\$ 102,124	\$ -	\$ 102,124
Streets	156,861	-	156,861
Performance bonds	162,378	-	162,378
Unspent debt proceeds	-	560,482	560,482
Total governmental activities	<u>\$ 421,363</u>	<u>\$ 560,482</u>	<u>981,845</u>
Business-type Activities			
Water and Sewer Fund			
Customer deposits			280,428
Storm Water Fund			
Contribution - fee in lieu of			<u>18,433</u>
Total business-type activities			<u>298,861</u>
Total restricted cash			<u>\$ 1,280,706</u>

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2019

I. Summary of Significant Accounting Policies (continued)

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

Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 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, 2018. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

Utility Service Revenues – Unbilled Usage

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

Allowances for Doubtful Accounts

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

Prepaid items

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

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and are defined by the Town as assets with an initial individual cost of more than a certain amount and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, \$10,000; buildings, improvements, substations, lines, and other plant and distribution systems, \$15,000; infrastructure, \$20,000; furniture and equipment, \$5,000; and vehicles, \$10,000. 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
Equipment and vehicles	3-10 years
Infrastructure, distribution and collection systems	30-40 years

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2019

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 2019 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 three items that meet the criteria for this category – property taxes receivable, prepaid property taxes, 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

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2019

I. Summary of Significant Accounting Policies (continued)

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

Compensated Absences (continued)

statements. As the Town has no obligation for exempt employees' accrued compensatory time until it is actually taken, no accrual for this time has been made.

Net Position/Fund Balances

Net Position

Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets, restricted, and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, 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, 2019, is computed as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Capital assets, net of accumulated depreciation	\$ 26,331,114	\$ 34,502,966
Long-term debt	(8,222,787)	(13,006,868)
Unspent debt proceeds	560,482	-
Net investment in capital assets	<u>\$ 18,668,809</u>	<u>\$ 21,496,098</u>

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.

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

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2019

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 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 – North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute". Appropriated fund balance in an fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year preceding the budget. Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding Encumbrances are included with RSS. RSS is included as a component of Restricted Net position and Restricted fund balance on the face of balance sheet.

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 \$102,124 that is restricted by revenue source for certain Firemen's Relief Fund expenditures.

Restricted for Public Safety – portion of fund balance totaling \$560,482 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 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.

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2019

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)

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% and 30%, respectively, 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. Town Council reduced the required percentage from 40% to 30% in the Water and Sewer Fund during FY2019. Once the forty percent (40%) and thirty percent (30%), respectively, 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 respective 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.

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	\$ 5,738,273
Less:	
Prepays	107,551
Inventory	21,856
Stabilization by State statute	999,685
Streets	156,861
Public safety - Firemen's Relief Fund	102,124
Fund balance policy	4,321,739
Remaining fund balance	<u>\$ 28,457</u>

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 \$271,051.

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2019

I. Summary of Significant Accounting Policies (continued)

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

Net Position/Fund Balances (continued)

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.

II. Detail Notes On All Funds

A. Assets

Deposits

All the deposits of the Town and HCYA 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 HCYA'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 HCYA, these deposits are considered to be held by the Town's and HCYA'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 or HCYA or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town and HCYA 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. HCYA has no formal policy regarding custodial credit risk for deposits.

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2019

II. Detail Notes On All Funds

A. Assets

Deposits (continued)

At June 30, 2019, the Town's deposits had a carrying amount of \$2,411,706 and a bank balance of \$2,199,259. Of the bank balance, \$500,000 was covered by federal depository insurance, and the remainder was covered by collateral held under the Pooling Method. The carrying amount of deposits for HCYA was \$41,266 and the bank balance was \$41,266. All of the bank balance of HCYA was covered by federal depository insurance. At June 30, 2019, the Town's petty cash totaled \$400.

Investments

At June 30, 2019, the Town's investment balances were as follows:

<u>Investment Type</u>	<u>Valuation Measurement Method</u>	<u>Book Value at 6/30/2019</u>	<u>Maturity</u>	<u>Rating</u>
NC Capital Management Trust -				
Government Portfolio	Fair Value Level 1	\$ 269,357	N/A	AAAm
Term Portfolio	Fair Value Level 1	<u>18,799,615</u>	.11 Years	Unrated
Total		<u><u>\$ 19,068,972</u></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, 2019, are net of the following allowances for doubtful accounts:

General Fund:	
Taxes receivable	\$ 2,214
Water and Sewer Fund:	
Accounts receivable	<u>10,000</u>
Total	<u><u>\$ 12,214</u></u>

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2019

II. 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, 2019, was as follows:

	<u>July 1, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2019</u>
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 1,693,537	\$ 289,487	\$ -	\$ -	\$ 1,983,024
Construction in progress	<u>1,024,242</u>	<u>4,707,514</u>	<u>41,001</u>	<u>(151,278)</u>	<u>5,539,477</u>
Total capital assets not being depreciated	<u>2,717,779</u>	<u>4,997,001</u>	<u>41,001</u>	<u>(151,278)</u>	<u>7,522,501</u>
Capital assets being depreciated:					
Buildings	8,017,212	22,456	-	151,278	8,190,946
Other improvements	2,699,300	190,403	-	-	2,889,703
Equipment	5,585,373	562,260	15,713	-	6,131,920
Infrastructure	<u>6,805,808</u>	<u>1,894,110</u>	<u>-</u>	<u>-</u>	<u>8,699,918</u>
Total capital assets being depreciated	<u>23,107,693</u>	<u>2,669,229</u>	<u>15,713</u>	<u>151,278</u>	<u>25,912,487</u>
Less accumulated depreciation for:					
Buildings	1,187,584	163,802	-	-	1,351,386
Other improvements	870,728	113,335	-	-	984,063
Equipment	3,549,379	398,803	15,713	-	3,932,469
Infrastructure	<u>604,799</u>	<u>231,157</u>	<u>-</u>	<u>-</u>	<u>835,956</u>
Total accumulated depreciation	<u>6,212,490</u>	<u>\$ 907,097</u>	<u>\$ 15,713</u>	<u>\$ -</u>	<u>7,103,874</u>
Total capital assets being depreciated, net	<u>16,895,203</u>				<u>18,808,613</u>
Governmental activity capital assets, net	<u>\$ 19,612,982</u>				<u>\$ 26,331,114</u>

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2019

II. Detail Notes On All Funds (continued)

A. Assets (continued)

Capital Assets (continued)

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

General government	\$	89,423
Public safety		315,166
Transportation		229,894
Environmental protection		79,666
Cultural and recreational		192,948
Total	\$	<u>907,097</u>

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2019

II. Detail Notes On All Funds (continued)

A. Assets (continued)

Capital Assets (continued)

	<u>July 1, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2019</u>
Business-type activities:					
Water and Sewer Fund:					
Capital assets not being depreciated:					
Land and rights-of-way	\$ 858,549	\$ -	\$ -	\$ -	\$ 858,549
Construction in progress	6,211,178	1,577,714	135,880	(6,828,923)	824,089
Total capital assets not being depreciated	<u>7,069,727</u>	<u>1,577,714</u>	<u>135,880</u>	<u>(6,828,923)</u>	<u>1,682,638</u>
Capital assets being depreciated:					
Buildings	1,903,378	22,456	-	5,614,588	7,540,422
Water lines	21,509,475	837,115	-	713,851	23,060,441
Equipment	1,909,606	435,668	-	500,484	2,845,758
Interceptors	724,436	-	-	-	724,436
Collection system	9,378,489	1,375,860	-	-	10,754,349
Total capital assets being depreciated	<u>35,425,384</u>	<u>2,671,099</u>	<u>-</u>	<u>6,828,923</u>	<u>44,925,406</u>
Less accumulated depreciation for:					
Buildings	232,321	158,065	-	-	390,386
Water lines	6,086,696	720,443	-	-	6,807,139
Equipment	966,107	254,260	-	-	1,220,367
Interceptors	602,268	24,148	-	-	626,416
Collection system	3,733,160	324,201	-	-	4,057,361
Total accumulated depreciation	<u>11,620,552</u>	<u>\$ 1,481,117</u>	<u>\$ -</u>	<u>\$ -</u>	<u>13,101,669</u>
Total capital assets being depreciated, net	<u>23,804,832</u>				<u>31,823,737</u>
Water and sewer fund capital assets, net	<u>\$ 30,874,559</u>				<u>\$ 33,506,375</u>

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2019

II. Detail Notes On All Funds (continued)

A. Assets (continued)

Capital Assets (continued)

	<u>July 1, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2019</u>
Business-type activities:					
Storm Water Fund:					
Capital assets not being depreciated:					
Construction in progress	\$ 327,654	\$ 3,797	\$ -	\$ (327,654)	\$ 3,797
Total capital assets not being depreciated	<u>327,654</u>	<u>3,797</u>	<u>-</u>	<u>(327,654)</u>	<u>3,797</u>
Capital assets being depreciated:					
Equipment	233,021	-	-	-	233,021
Infrastructure	<u>486,521</u>	<u>178,800</u>	<u>-</u>	<u>327,654</u>	<u>992,975</u>
Total capital assets being depreciated	<u>719,542</u>	<u>178,800</u>	<u>-</u>	<u>327,654</u>	<u>1,225,996</u>
Less accumulated depreciation for:					
Equipment	106,903	26,666	-	-	133,569
Infrastructure	<u>68,522</u>	<u>31,111</u>	<u>-</u>	<u>-</u>	<u>99,633</u>
Total accumulated depreciation	<u>175,425</u>	<u>\$ 57,777</u>	<u>\$ -</u>	<u>\$ -</u>	<u>233,202</u>
Total capital assets being depreciated, net	<u>544,117</u>				<u>992,794</u>
Storm water fund capital assets, net	<u>\$ 871,771</u>				<u>\$ 996,591</u>
Business-type activities capital assets, net	<u>\$ 31,746,330</u>				<u>\$ 34,502,966</u>

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2019

Detail Notes On All Funds (continued)

A. Assets (continued)

Construction Commitments

The Town has active construction projects as of June 30, 2019. At year-end, the Town's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Fire Station #2	\$ 4,795,406	\$ 404,594
Harrisburg Veterans' Plaza	38,628	518,922
2018 Waterline Replacements	521,455	328,545
Total	<u>\$ 5,355,489</u>	<u>\$ 1,252,061</u>

B. Liabilities

Accounts Payable and Accrued Items

Payables at the government-wide level at June 30, 2019 were as follows:

	<u>Vendors</u>	<u>Accrued Interest</u>	<u>Total</u>
Governmental activities:			
General Fund	\$ 303,503	\$ 73,582	\$ 377,085
Capital Projects Fund - Public Safety	15,000	-	15,000
Capital Projects Fund - Parks and Recreation	38,628	-	38,628
Total governmental activities	<u>\$ 357,131</u>	<u>\$ 73,582</u>	<u>\$ 430,713</u>
Business-type activities			
Water and Sewer Fund	\$ 500,050	\$ 8,092	\$ 508,142
Storm Water Fund	11,820	-	11,820
Total business-type activities	<u>\$ 511,870</u>	<u>\$ 8,092</u>	<u>\$ 519,962</u>

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2019

II. Detail Notes On All Funds (continued)

B. Liabilities (continued)

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 (LEOS) 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 and 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.

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.

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2019

II. Detail Notes On All Funds (continued)

B. Liabilities (continued)

Pension Plan Obligations (continued)

Local Governmental Employees' Retirement System (continued)

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, 2019, was 7.75% 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 \$390,994 for the year ended June 30, 2019.

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.

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

At June 30, 2019, the Town reported a liability of \$2,246,147 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 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, 2018, the Town's proportion was 0.09468%, which was a decrease of 0.00046% from its proportion measured as of June 30, 2017.

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2019

II. Detail Notes On All Funds (continued)

B. Liabilities (continued)

Pension Plan Obligations (continued)

Local Governmental Employees' Retirement System (continued)

For the year ended June 30, 2019, the Town recognized pension expense of \$170,226. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 346,525	\$ 11,630
Changes of assumptions	596,038	-
Net difference between projected and actual earnings on pension plan investments	308,327	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	35,215	145,358
Town contributions subsequent to the measurement date	390,994	-
Total	<u>\$ 1,677,099</u>	<u>\$ 156,988</u>

\$390,994 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, 2019. 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	\$ 553,574
2020	360,354
2021	59,566
2022	155,623
2023	-
Thereafter	-
	<u>\$ 1,129,117</u>

Actuarial Assumptions. The total pension liability in the December 31, 2017 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	7.00 percent, net of pension plan investment expense, including inflation

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2019

II. Detail Notes On All Funds (continued)

B. Liabilities (continued)

Pension Plan Obligations (continued)

Local Governmental Employees' Retirement System (continued)

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, 2017 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.

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, 2018, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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	<u>100%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2017 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.

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2019

II. Detail Notes On All Funds (continued)

B. Liabilities (continued)

Pension Plan Obligations (continued)

Local Governmental Employees' Retirement System (continued)

Discount Rate. The discount rate used to measure the total pension liability was 7.00%. 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.

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 7.00%, 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 (6.00%) or one percentage point higher (8.00%) than the current rate:

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Town's proportionate share of the net pension liability (asset)	\$ 5,395,421	\$ 2,246,147	\$ (385,435)

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.

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2019

II. Detail Notes On All Funds (continued)

B. Liabilities (continued)

Pension Plan Obligations (continued)

Local Governmental Employees' Retirement System (continued)

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	\$ 390,994
Differences between expected and actual experience	346,525
Changes of assumptions	596,038
Net difference between projected and actual earnings on pension plan investments	308,327
Changes in proportion and differences between Town contributions and proportionate share of contributions	35,215
Total	<u>\$ 1,677,099</u>

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

	<u>Statement of Net Position</u>	<u>General Fund Balance Sheet</u>
Taxes receivable, less penalties (General Fund)	\$ -	\$ 40,014
Prepaid taxes (General Fund)	4,190	4,190
Differences between expected and actual experience	11,630	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	145,358	-
Total	<u>\$ 161,178</u>	<u>\$ 44,204</u>

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

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2019

II. Detail Notes On All Funds (continued)

B. Liabilities (continued)

Risk Management (continued)

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.

Operating Leases

The Town leases certain office equipment and a park under operating leases. Lease expenditures for these and other rental agreements during the year ended June 30, 2019 totaled \$10,060.

Future minimum lease payments are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2020	\$ 8,551	\$ 1,247
2021	7,763	1,247
2022	5,962	1,247
2023	1	1,247
2024	1	1,143
2025-2029	5	-
2030-2034	5	-
2035-2036	2	-
	<u>\$ 22,290</u>	<u>\$ 6,131</u>

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2019

II. Detail Notes On All Funds (continued)

B. Liabilities (continued)

Long-Term Obligations

Installment Purchases

All of the Town's installment purchase debt financing is through direct borrowing. GASB 88 does not apply to any of the contracts listed below.

Serviced by General Fund:

In the year ended June 30, 2001, the Town borrowed \$430,135 to finish construction of a library. Quarterly 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, 2019 are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2020	\$ 26,664	\$ 193

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, 2019, is as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2020	\$ 35,000	\$ 5,665
2021	35,000	4,111
2022	35,000	2,613
2023	34,800	1,115
	<u>\$ 139,800</u>	<u>\$ 13,504</u>

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2019

II. Detail Notes On All Funds (continued)

B. Liabilities (continued)

Long-Term Obligations (continued)

Installment Purchases (continued)

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, 2019 are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2020	\$ 79,197	\$ 1,544
2021	34,190	174
	<u>\$ 113,387</u>	<u>\$ 1,718</u>

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, 2019 are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2020	\$ 133,333	\$ 39,356
2021	133,333	35,622
2022	133,333	31,889
2023	133,333	28,156
2024	133,333	24,422
2025-2029	666,667	66,111
2030	133,335	2,022
	<u>\$ 1,466,667</u>	<u>\$ 227,578</u>

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2019

II. Detail Notes On All Funds (continued)

B. Liabilities (continued)

Long-Term Obligations (continued)

Installment Purchases (continued)

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, 2019, are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2020	\$ 82,212	\$ 6,946
2021	83,846	5,312
2022	85,513	3,645
2023	87,213	1,945
2024	51,371	336
	<u>\$ 390,155</u>	<u>\$ 18,184</u>

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, 2019 is as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2020	\$ 66,667	\$ 24,584
2021	66,667	22,611
2022	66,667	20,638
2023	66,667	18,664
2024	66,667	16,691
2025-2029	333,334	53,855
2030-2032	194,445	8,633
	<u>\$ 861,114</u>	<u>\$ 165,676</u>

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2019

II. Detail Notes On All Funds (continued)

B. Liabilities (continued)

Long-Term Obligations (continued)

Installment Purchases (continued)

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.

The future minimum payments of the installment purchase as of June 30, 2019 are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2020	\$ 276,000	\$ 201,084
2021	276,000	190,320
2022	276,000	179,556
2023	276,000	168,792
2024	276,000	158,028
2025-2029	1,379,000	628,680
2030-2034	1,370,000	360,653
2035-2038	1,096,000	96,174
	<u>\$ 5,225,000</u>	<u>\$ 1,983,287</u>

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, 2019 is as follows:

Year Ending June 30	Business-Type Activities	
	Principal	Interest
2020	\$ 35,000	\$ 5,665
2021	35,000	4,111
2022	35,000	2,613
2023	34,800	1,115
	<u>\$ 139,800</u>	<u>\$ 13,504</u>

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2019

II. Detail Notes On All Funds (continued)

B. Liabilities (continued)

Long-Term Obligations (continued)

Installment Purchases (continued)

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, 2019, are as follows:

Year Ending June 30	Business-type Activities	
	Principal	Interest
2020	\$ 495,444	\$ -
2021	495,444	-
2022	495,444	-
2023	495,444	-
2024	495,444	-
	<u>\$ 2,477,220</u>	<u>\$ -</u>

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, 2019, are as follows:

Year Ending June 30	Business-type Activities	
	Principal	Interest
2020	\$ 115,424	\$ 33,063
2021	118,815	29,673
2022	122,307	26,181
2023	125,901	22,586
2024	129,601	18,886
2025-2029	580,745	36,404
	<u>\$ 1,192,793</u>	<u>\$ 166,793</u>

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2019

II. Detail Notes On All Funds (continued)

B. Liabilities (continued)

Long-Term Obligations (continued)

Installment Purchases (continued)

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, 2019, are as follows:

Year Ending June 30	Business-type Activities	
	Principal	Interest
2020	\$ 101,695	\$ 25,043
2021	101,695	21,920
2022	101,695	18,716
2023	101,695	15,513
2024	101,695	12,309
2025-2028	335,690	17,896
	<u>\$ 844,165</u>	<u>\$ 111,397</u>

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, 2019, are as follows:

Year Ending June 30	Business-type Activities	
	Principal	Interest
2020	\$ 113,328	\$ 36,048
2021	116,797	32,579
2022	120,373	29,003
2023	124,059	25,317
2024	127,858	21,518
2025-2029	642,939	46,659
	<u>\$ 1,245,354</u>	<u>\$ 191,124</u>

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2019

II. Detail Notes On All Funds (continued)

B. Liabilities (continued)

Long-Term Obligations (continued)

Installment Purchases (continued)

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, 2019, are as follows:

Year Ending June 30	Business-type Activities	
	Principal	Interest
2020	\$ 126,514	\$ 20,135
2021	129,608	17,078
2022	132,721	13,946
2023	135,910	10,740
2024	139,156	7,456
2025-2026	236,301	4,914
	<u>\$ 900,210</u>	<u>\$ 74,269</u>

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, 2019, is as follows:

Year Ending June 30	Business-Type Activities	
	Principal	Interest
2020	\$ 66,667	\$ 24,584
2021	66,667	22,611
2022	66,667	20,638
2023	66,667	18,664
2024	66,667	16,691
2025-2029	333,334	53,855
2030-2032	194,442	8,633
	<u>\$ 861,111</u>	<u>\$ 165,676</u>

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2019

II. Detail Notes On All Funds (continued)

B. Liabilities (continued)

Long-Term Obligations (continued)

Installment Purchases (continued)

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, 2019, are as follows:

Year Ending June 30	Business-type Activities	
	Principal	Interest
2020	\$ 343,278	\$ 127,145
2021	351,783	118,639
2022	360,499	109,923
2023	369,431	100,991
2024	378,585	91,838
2025-2029	2,038,361	313,750
2030-2033	1,504,278	63,795
	<u>\$ 5,346,215</u>	<u>\$ 926,081</u>

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
2020	\$ 699,073	\$ 279,372	\$ 1,397,350	\$ 271,683
2021	629,036	258,150	1,415,809	246,611
2022	596,513	238,341	1,434,706	221,020
2023	598,013	218,672	1,453,907	194,926
2024	527,371	199,477	1,439,006	168,698
2025-2029	2,379,001	748,646	4,167,370	473,478
2030-2034	1,697,780	371,308	1,698,720	72,428
2035-2038	1,096,000	96,174	-	-
	<u>\$ 8,222,787</u>	<u>\$ 2,410,140</u>	<u>\$ 13,006,868</u>	<u>\$ 1,648,844</u>

The Town's legal debt margin at June 30, 2019, is \$178,489,627.

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2019

II. Detail Notes On All Funds (continued)

B. Liabilities (continued)

Long-Term Obligations (continued)

Changes in Long-Term Liabilities

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Current Portion of Balance</u>
Governmental activities:					
Notes payable	\$ 8,922,604	\$ -	\$ 699,817	\$ 8,222,787	\$ 699,073
Compensated absences	348,243	352,443	308,619	392,067	392,067
Net pension obligation (LGRS)	<u>1,090,258</u>	<u>594,493</u>	<u>-</u>	<u>1,684,751</u>	<u>-</u>
Total	<u>10,361,105</u>	<u>946,936</u>	<u>1,008,436</u>	<u>10,299,605</u>	<u>1,091,140</u>
Business-type activities:					
<u>Water and Sewer Fund</u>					
Notes payable	14,385,188	-	1,378,320	13,006,868	1,397,350
Compensated absences	109,400	86,787	85,006	111,181	111,181
Net pension obligation (LGRS)	<u>363,232</u>	<u>198,164</u>	<u>-</u>	<u>561,396</u>	<u>-</u>
Total	<u>14,857,820</u>	<u>284,951</u>	<u>1,463,326</u>	<u>13,679,445</u>	<u>1,508,531</u>
Total	<u>\$ 25,218,925</u>	<u>\$ 1,231,887</u>	<u>\$ 2,471,762</u>	<u>\$ 23,979,050</u>	<u>\$ 2,599,671</u>

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2019

II. Detail Notes On All Funds (continued)

C. Interfund Balances and Activity

Transfers to/from other funds at June 30, 2019, consist of the following:

From the General Fund to the Capital Reserve Fund - General Fund to fund the Capital Reserve Fund	\$ 2,900,000
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 General Fund to the Capital Projects Fund - Parks and Recreation to fund Harrisburg Park Redevelopment - Phase I capital outlay expenditures	242,557
From the Capital Reserve Fund - General Fund to the General Fund to fund actual capital outlay expenditures	825,202
From the Capital Reserve Fund - General Fund to the Capital Projects Fund - Parks and Recreation to fund Harrisburg Veterans' Plaza capital outlay expenditures	82,659
From the Capital Reserve Fund - General Fund to the Capital Projects Fund - Streets to fund actual capital outlay expenditures	54,275
From the Capital Reserve Fund - Fire Services to the Capital Reserve Fund - General Fund to close the Capital Reserve Fund - Fire Services	92
From the Capital Reserve Fund - Economic Development to the General Fund to fund façade grants and other economic development projects	45,450
From the Water and Sewer Fund to the Capital Reserve Fund - Water and Sewer to fund the Capital Reserve Fund	2,700,000
From the Capital Reserve Fund - Water and Sewer to the Water and Sewer Fund to fund Water/Sewer Capital Projects	882,022
From the Capital Reserve Fund - Water and Sewer to the Capital Projects Fund - Water and Sewer to fund Water/Sewer Capital Projects	916,923
From the Capital Reserve Fund - Water and Sewer - Expansion to the Water and Sewer Fund to fund expansion-related debt service	953,585
From the Storm Water Fund to the Capital Projects Fund - Storm Water to fund Storm Water Capital Projects	<u>264,751</u>
	<u>\$ 9,967,516</u>

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2019

II. Detail Notes On All Funds (continued)

C. Interfund Balances and Activity (continued)

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.

III. Summary Disclosure of Significant Contingencies

Federal and State-Assisted Programs

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

IV. 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.

V. 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, 2019, the Town purchased sewer treatment services amounting to \$1,000,247 from WSACC. At June 30, 2019, there was \$84,350 due to WSACC, which is reflected in accounts payable of the Water and Sewer Fund.

VI. 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, 2019, the Town made one payment through the Firemen's Relief Fund and reported \$15,514 in revenues and \$2,784 in 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, 2019. 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.

Town of Harrisburg, North Carolina

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2019

VII. Claims, Judgments and Contingent Liabilities

At June 30, 2019, 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.

VIII. Significant Effects of Subsequent Events

On September 24, 2019, prior to the issuance of these financial statements, the Town entered into an installment purchase contract for a total of \$13,265,000 with a financial institution to finance the redevelopment of Harrisburg Park – Phase I and the construction of a one million gallon elevated water storage tank. Harrisburg Park – Phase I has a total project budget of \$10,350,000, with \$10,000,000 being financed and \$350,000 paid for with a PARTF grant. The elevated water storage tank has a total cost of \$3,555,000, \$3,265,000 of which is financed and \$300,000 of which is provided by local funding. Subsequent events were evaluated through October 25, 2019.

TOWN OF HARRISBURG, NORTH CAROLINA

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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 Six Fiscal Years*

Local Government Employees' Retirement System

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Harrisburg's proportion of the net pension liability (asset) (%)	0.094680%	0.095140%	0.073800%	0.080200%	0.077430%	0.077000%
Harrisburg's proportion of the net pension liability (asset) (\$)	\$ 2,246,147	\$ 1,453,490	\$ 1,566,297	\$ 359,920	\$ (456,640)	\$ 928,146
Harrisburg's covered-employee payroll	\$ 4,679,408	\$ 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	48.00%	31.44%	41.37%	10.19%	-13.71%	32.03%
Plan fiduciary net position as a percentage of the total pension liability**	91.63%	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 Six Fiscal Years

Local Government Employees' Retirement System

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 390,994	\$ 350,956	\$ 316,231	\$ 252,632	\$ 232,442	\$ 222,421
Contributions in relation to the contractually required contribution	<u>390,994</u>	<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>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Harrisburg's covered-employee payroll	\$ 5,045,075	\$ 4,679,408	\$ 4,623,537	\$ 3,786,002	\$ 3,533,569	\$ 3,329,996
Contributions as a percentage of covered-employee payroll	7.75%	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

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INDIVIDUAL
FUND FINANCIAL STATEMENTS AND SCHEDULES

TOWN OF HARRISBURG, NORTH CAROLINA

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Town of Harrisburg, North Carolina

General Fund Comparative Balance Sheets June 30, 2019 and 2018

	June 30, 2019	June 30, 2018
Assets		
Cash and cash equivalents	\$ 4,960,640	\$ 5,253,447
Restricted cash and cash equivalents	421,363	440,393
Receivables - net:		
Property taxes	40,014	38,769
Other	6,448	959
Due from government agencies	722,186	593,473
Inventory	21,856	-
Prepaid items	107,551	116,123
	<u>107,551</u>	<u>116,123</u>
Total assets	<u>\$ 6,280,058</u>	<u>\$ 6,443,164</u>
Liabilities, deferred inflows of resources and fund balance		
Liabilities:		
Accounts payable and accrued liabilities	\$ 303,503	\$ 260,400
July 4th celebration revenue	31,700	12,740
Payable from restricted assets		
Performance bonds on deposit	162,378	200,167
Total liabilities	<u>497,581</u>	<u>473,307</u>
Deferred inflows of resources:		
Property taxes receivable	40,014	38,769
Prepaid taxes	4,190	-
Total deferred inflows of resources	<u>44,204</u>	<u>38,769</u>
Fund balance:		
Non-spendable:		
Inventory	21,856	-
Prepays	107,551	116,123
Restricted:		
Stabilization by State statute	999,685	861,270
Streets	156,861	150,982
Public safety	102,124	89,244
Unassigned	4,350,196	4,713,469
Total fund balance	<u>5,738,273</u>	<u>5,931,088</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 6,280,058</u>	<u>\$ 6,443,164</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, 2019
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2018)

	2019			2018
	Budget	Actual	Variance Over/(Under)	Actual
Revenues:				
Ad valorem taxes				
Current year	\$ 7,795,000	\$ 7,886,218	\$ 91,218	\$ 6,112,829
Prior years	25,000	27,112	2,112	60,525
Penalties and interest	12,000	14,686	2,686	11,076
Total	7,832,000	7,928,016	96,016	6,184,430
Unrestricted intergovernmental				
Local option sales tax	2,100,000	2,140,254	40,254	1,695,734
Utility franchise tax	830,000	880,590	50,590	856,395
Beer and wine tax	66,000	72,923	6,923	70,076
Total	2,996,000	3,093,767	97,767	2,622,205
Restricted intergovernmental				
Powell Bill allocation	425,000	434,615	9,615	422,207
Grants - other	-	-	-	14,550
Fire taxes	1,160,000	1,216,646	56,646	1,005,456
SAFER grant	-	-	-	294,761
Solid waste disposal	11,000	12,015	1,015	11,149
Total	1,596,000	1,663,276	67,276	1,748,123
Permits and fees				
Compliance permits	70,000	78,681	8,681	53,784
Passport acceptance fees	25,000	15,295	(9,705)	19,770
Traffic review fees	75,000	22,600	(52,400)	29,400
Plan review fees	200,000	168,740	(31,260)	317,829
Inspection fees and fines	78,000	14,750	(63,250)	6,135
Total	448,000	300,066	(147,934)	426,918
Sales and services				
Parks and recreation athletics	430,250	486,671	56,421	448,538
Concessions and merchandise	5,000	4,794	(206)	6,161
Total	435,250	491,465	56,215	454,699
Investment earnings	86,500	232,243	145,743	147,904

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, 2019

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

	2019			2018
	Budget	Actual	Variance Over/(Under)	Actual
Revenues (continued)				
Other general revenues				
July 4th celebration	55,000	66,211	11,211	34,335
Municipal complex rental	4,000	4,669	669	3,392
Parks and recreation shelter rental	5,500	8,205	2,705	8,055
Rental income - Town Hall	216,500	198,000	(18,500)	250,870
Parks and recreation - special events	20,000	26,804	6,804	16,097
HCYA contributions	60,600	35,600	(25,000)	9,361
Contributions - other	-	-	-	67,883
Donations	10,000	7,851	(2,149)	16,505
Cabarrus County - EMS facilities at Station 3 reimbursement	11,000	12,953	1,953	10,490
Insurance proceeds	50,900	48,763	(2,137)	42,943
Sale of surplus property	50,000	3,460	(46,540)	18,329
Miscellaneous	27,000	82,503	55,503	54,116
Total	510,500	495,019	(15,481)	532,376
Total revenues	13,904,250	14,203,852	299,602	12,116,655
Expenditures				
General government				
Mayor and Council:				
Salaries	46,000	48,066	(2,066)	48,731
Employee benefits	4,000	3,657	343	3,708
Employee relations	1,000	455	545	636
Uniforms	1,200	443	757	269
Workers' compensation	150	108	42	137
Department supplies	700	825	(125)	1,213
Travel and training	2,500	1,402	1,098	1,241
Meetings and conferences	3,000	3,301	(301)	2,216
Dues and subscriptions	23,600	23,812	(212)	33,171
Sponsorships	7,200	7,065	135	7,065
Technology services	20,700	13,219	7,481	8,965
Telephone	3,900	3,654	246	10,781
Special projects	5,000	-	5,000	3,000
Total	118,950	106,007	12,943	121,133
Administration:				
Salaries	948,000	869,071	78,929	796,003
Employee benefits	300,000	250,750	49,250	252,719
Cost allocation	(624,250)	(624,250)	-	(486,996)
Workers' compensation	3,750	3,452	298	3,170
Insurance and bonds	9,050	9,621	(571)	10,857

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, 2019
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2018)

	2019			2018
	Budget	Actual	Variance Over/(Under)	Actual
Expenditures (continued)				
General government (continued)				
Administration (continued):				
Employee relations	12,280	11,382	898	14,629
Safety and wellness	24,010	24,946	(936)	-
Uniforms	2,650	2,136	514	1,443
Training	34,600	22,772	11,828	15,565
Travel	17,980	15,685	2,295	5,255
Meetings and conferences	8,725	7,813	912	5,235
Fuel	2,600	1,822	778	1,785
Maintenance and repairs:				
Vehicles	600	5,168	(4,568)	375
Buildings	91,600	86,310	5,290	56,053
Dues and subscriptions	7,885	5,044	2,841	6,047
Pre-employment	650	608	42	302
Advertising	2,500	2,624	(124)	5,382
Tires	750	351	399	-
Department supplies	20,650	17,564	3,086	20,307
Small tools	12,330	11,791	539	1,240
Legal services	39,500	24,075	15,425	70,675
Printing	10,975	9,799	1,176	10,185
Telephone	19,860	22,835	(2,975)	43,801
Postage	6,175	4,587	1,588	12,557
Utilities:				
Electric	54,000	55,614	(1,614)	54,708
Water	7,200	5,809	1,391	5,806
Contracted services:				
Buildings - contracted services	24,100	21,013	3,087	21,438
Other	13,200	21,385	(8,185)	8,539
Professional services	56,580	50,415	6,165	44,229
Technology services	63,575	49,866	13,709	43,865
Shipping and handling	3,100	3,452	(352)	704
Leases:				
Copier	4,200	4,086	114	12,803
Other	1,200	1,050	150	1,105
Fines and penalties	1,500	1,582	(82)	11,818
Capital outlay	49,500	49,499	1	-
Debt service:				
Principal retirement	133,500	133,403	97	131,839
Interest	38,250	36,501	1,749	41,606
Total	1,402,775	1,219,631	183,144	1,225,049

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, 2019
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2018)

	2019			2018
	Budget	Actual	Variance Over\ (Under)	Actual
Expenditures (continued)				
General government (continued)				
Communications:				
Salaries	50,000	48,563	1,437	41,837
Employee benefits	17,000	14,975	2,025	13,281
Cost allocation	(34,000)	(34,000)	-	-
Workers' compensation	150	161	(11)	140
Meetings and conferences	1,000	367	633	1,970
Uniforms	150	27	123	139
Training	1,000	-	1,000	-
Travel	1,000	718	282	1,480
Dues and subscriptions	580	491	89	840
Pre-employment	-	-	-	104
Advertising	7,000	3,166	3,834	4,646
Supplies	1,750	719	1,031	1,831
Small tools & equipment	600	-	600	5,742
Postage	250	-	250	-
Shipping and handling	250	176	74	530
Printing	10,740	8,711	2,029	10,414
Telephone	1,150	894	256	1,173
Casualty insurance/bonds	450	514	(64)	379
Professional services	49,336	34,261	15,075	32,318
Maintenance and repairs:				
Branded signage	3,300	2,998	302	7,603
Programming	4,200	1,870	2,330	-
Technology services	49,600	44,965	4,635	23,900
Capital outlay	153,000	28,368	124,632	-
Total	318,506	157,944	160,562	148,327
Economic development:				
Salaries	-	-	-	5,729
Employee benefits	-	-	-	1,945
Meetings and conferences	6,500	1,446	5,054	1,170
Training	500	-	500	-
Travel	500	-	500	-
Contracted services	1,200	-	1,200	-
Dues and subscriptions	9,500	8,613	887	9,400
Advertising	6,500	-	6,500	-
Legal services	800	-	800	-
Professional services	40,000	40,000	-	-
Incentive grants	8,450	8,418	32	14,082
Capital outlay	-	-	-	2,848
Total	73,950	58,477	15,473	35,174
Total general government	1,914,181	1,542,059	372,122	1,529,683

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, 2019
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2018)

	2019			2018
	Budget	Actual	Variance Positive Over\ (Under)	Actual
Expenditures (continued)				
Planning and zoning				
Salaries	223,000	179,161	43,839	213,833
Employee benefits	75,750	59,460	16,290	67,965
Cost allocation	(28,000)	(28,000)	-	-
Workers' compensation	3,500	2,687	813	3,241
Insurance and bonds	1,300	841	459	1,256
Pre-employment	1,100	1,073	27	50
Training	3,600	1,651	1,949	1,185
Travel	4,500	2,918	1,582	2,349
Meetings and conferences	1,300	657	643	1,516
Fuel	1,500	1,196	304	951
Maintenance and repairs:				
Vehicles	400	126	274	800
Signage	1,500	1,394	106	-
Dues and subscriptions	1,800	614	1,186	370
Advertising	4,000	3,034	966	4,741
Tires	600	-	600	-
Supplies	1,500	1,513	(13)	5,306
Small tools	4,000	3,307	693	-
Legal services	19,000	11,480	7,520	12,945
Printing	1,000	283	717	508
Telephone	3,300	2,548	752	3,862
Postage	750	651	99	374
Uniforms	1,200	550	650	908
Professional services	171,520	154,574	16,946	148,986
Technology services	7,825	6,028	1,797	8,649
Shipping and handling	50	487	(437)	28
Capital outlay	-	-	-	25,578
Total	505,995	408,233	97,762	505,401
Engineering				
Salaries	232,000	194,773	37,227	150,822
Employee benefits	76,000	68,153	7,847	49,943
Insurance and bonds	650	457	193	616
Cost allocation	(260,800)	(255,800)	(5,000)	(185,004)
Workers' compensation	750	648	102	-
Pre-employment	-	84	(84)	-
Meetings and conferences	2,100	854	1,246	299
Travel	900	-	900	205
Training	3,600	100	3,500	1,678
Department supplies	1,300	677	623	1,300

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, 2019
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2018)

	2019			2018
	Budget	Actual	Variance Over/(Under)	Actual
Expenditures (continued)				
Engineering (continued)				
Small tools and equipment	400	-	400	692
Uniforms	750	494	256	335
Telephone	3,670	3,449	221	2,831
Maintenance and repairs - vehicles	-	14	(14)	1,780
Fuel	1,800	1,614	186	1,572
Dues and subscriptions	780	743	37	555
Advertising	-	50	(50)	-
Professional services	152,910	5,953	146,957	991
Technology services	36,850	18,102	18,748	5,356
Legal services	2,000	40	1,960	250
Postage	300	27	273	21
Shipping and handling	200	15	185	73
Printing	500	302	198	462
Capital outlay	19,000	5,750	13,250	29,798
Total	<u>275,660</u>	<u>46,499</u>	<u>229,161</u>	<u>64,575</u>
Public safety				
Police:				
County contract - deputy salaries	952,000	825,199	126,801	785,035
Insurance and bonds	8,000	9,794	(1,794)	7,777
Fuel	33,000	32,885	115	31,714
Maintenance and repairs:				
Vehicles	30,570	30,144	426	24,647
Equipment	1,250	1,215	35	33
Supplies	4,750	4,934	(184)	5,287
Telephone	2,940	2,949	(9)	2,518
Training	-	-	-	707
Shipping and handling	600	646	(46)	20
Technology services	15,275	10,934	4,341	356
Special equipment	4,150	2,617	1,533	2,976
Capital outlay	190,400	190,353	47	888
Total	<u>1,242,935</u>	<u>1,111,670</u>	<u>131,265</u>	<u>861,958</u>
Fire:				
Salaries	2,291,875	2,250,195	41,680	2,037,788
Employee benefits	807,750	775,168	32,582	708,601
Cost allocation	-	-	-	24,996
Workers compensation	86,250	67,480	18,770	76,805
Insurance and bonds	25,000	27,215	(2,215)	22,531
Uniforms	108,050	66,833	41,217	60,871
Training	15,200	12,187	3,013	25,784
Travel	8,300	6,961	1,339	5,884

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, 2019
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2018)

	2019			2018
	Budget	Actual	Variance Over/(Under)	Actual
Expenditures (continued)				
Public Safety (continued)				
Fire (continued):				
Fuel	31,000	39,391	(8,391)	38,833
Maintenance and repairs:				
Vehicles	72,330	70,838	1,492	69,331
Buildings and grounds	75,400	76,896	(1,496)	81,673
Equipment	24,600	19,110	5,490	34,368
Signage	100	288	(188)	-
Fire hydrants	1,700	948	752	2,085
Miscellaneous	1,000	45	955	28
Dues and subscriptions	5,400	3,701	1,699	3,637
Pre-employment	1,800	297	1,503	267
Public education	9,800	7,578	2,222	6,400
Advertising	700	50	650	-
Tires	16,300	9,569	6,731	14,251
Security	3,800	-	3,800	1,042
Supplies	4,200	5,041	(841)	4,858
Legal services	1,000	300	700	4,965
Chemicals	2,000	432	1,568	2,340
Printing	2,100	1,663	437	1,085
Telephone	22,200	23,401	(1,201)	39,027
Postage	300	-	300	-
Utilities:				
Electric	38,000	36,406	1,594	32,752
Water	8,000	3,429	4,571	5,658
Professional services	30,940	23,983	6,957	51,032
Technology services	41,850	39,139	2,711	18,955
Shipping and handling	4,400	5,530	(1,130)	3,060
Copier lease	1,800	1,656	144	3,647
Special equipment	78,200	70,453	7,747	52,730
Medical supplies	10,100	10,624	(524)	8,465
Employee relations	3,500	4,603	(1,103)	-
Physicals	32,320	32,512	(192)	25,859
Capital outlay	126,844	126,727	117	645,466
Debt service:				
Principal retirement	567,500	566,414	1,086	495,473
Interest	246,500	238,735	7,765	82,092
Total	4,808,109	4,625,798	182,311	4,692,639
Total public safety	6,051,044	5,737,468	313,576	5,554,597

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, 2019
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2018)

	2019			2018
	Budget	Actual	Variance Over/(Under)	Actual
Expenditures (continued)				
Transportation				
Streets and highways:				
Utilities - street lights	250,200	168,785	81,415	261,459
Small tools	500	249	251	515
Chemicals	16,500	4,727	11,773	2,413
Maintenance and repairs - streets	137,950	72,707	65,243	92,635
Signs	36,000	14,028	21,972	23,126
Equipment rental	13,000	7,500	5,500	7,315
Professional services	8,200	-	8,200	8,200
Shipping and handling	300	1,676	(1,376)	107
Contracted services	30,000	23,925	6,075	-
Capital outlay	408,500	397,212	11,288	352,503
Total transportation	901,150	690,809	210,341	748,273
Environmental protection				
Sanitation:				
Sanitation services	1,025,000	934,538	90,462	848,132
Public works:				
Cost allocation	566,000	566,000	-	546,000
Seasonal salaries	5,000	4,918	82	2,424
Workers' compensation	13,000	9,387	3,613	11,403
Insurance and bonds	8,000	9,060	(1,060)	7,496
Employee relations	600	-	600	-
Pre-employment	500	-	500	-
Physicals	1,000	-	1,000	-
Uniforms	2,225	2,200	25	1,963
Travel and training	1,500	499	1,001	499
Printing	500	473	27	708
Shipping & handling	500	302	198	286
Small tools & equipment	1,600	1,213	387	1,500
Utilities - electric	-	-	-	23
Fuel	12,000	16,129	(4,129)	3,495
Maintenance and repairs:				
Vehicles	17,200	16,994	206	9,081
Equipment	2,500	2,084	416	1,560
Tires	6,000	4,673	1,327	4,021
Technology services	-	-	-	4,052
Professional services	300	50	250	69
Capital outlay	36,500	35,717	783	144,498
Total	674,925	669,699	5,226	739,078
Total environmental protection	1,699,925	1,604,237	95,688	1,587,210

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, 2019
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2018)

	2019			2018
	Budget	Actual	Variance Over/(Under)	Actual
Expenditures (continued)				
Cultural and recreational				
Parks and recreation:				
Salaries	564,500	571,914	(7,414)	538,494
Employee benefits	198,000	185,969	12,031	168,850
Cost allocation	(29,500)	(29,500)	-	(30,770)
Employee relations	1,000	188	812	292
Workers' compensation	11,000	9,508	1,492	10,019
Insurance and bonds	13,000	15,623	(2,623)	12,021
Uniforms	3,200	3,147	53	2,541
Training	4,700	2,989	1,711	2,797
Travel	2,000	895	1,105	715
Physicals	300	-	300	40
Pre-employment	1,000	680	320	1,156
Dues and subscriptions	3,100	2,148	952	1,935
Advertising	3,000	3,149	(149)	1,582
Printing	6,075	6,301	(226)	3,168
Telephone	9,610	12,634	(3,024)	14,702
Postage	1,000	10	990	-
Supplies	3,800	4,028	(228)	4,274
Security	20,000	1,500	18,500	-
Shipping and handling	4,500	5,152	(652)	2,572
Leases:				
Copier	2,100	2,113	(13)	6,362
Office/building	5,400	2,756	2,644	8,790
Taxes and licenses	-	1,407	(1,407)	-
Special equipment	8,900	7,358	1,542	1,066
Medical supplies	1,250	380	870	265
Small tools	1,600	2,198	(598)	1,760
Chemicals	19,350	19,984	(634)	14,434
Utilities:				
Electric	60,000	69,443	(9,443)	52,701
Water	9,000	8,143	857	7,615
Maintenance and repairs:				
Vehicles	3,000	2,978	22	4,234
Buildings and grounds	55,000	54,869	131	56,249
Equipment	8,000	7,988	12	5,312
Tires	750	564	186	1,441
Fuel	14,000	11,293	2,707	12,479
Programs	349,850	327,003	22,847	338,082
Contributions - HCYA	25,000	7,134	17,866	11,359
Special projects	91,500	90,887	613	92,030
Credit card fees	-	662	(662)	-
July 4th event	161,509	169,561	(8,052)	123,352

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, 2019

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

	2019			2018
	Budget	Actual	Variance Positive Over/(Under)	Actual
Expenditures (continued)				
Cultural and recreational (continued)				
Parks and recreation (continued):				
Legal services	4,425	3,840	585	3,176
Professional services	6,760	5,341	1,419	4,938
Technology services	29,025	16,432	12,593	10,023
Capital outlay	503,900	386,788	117,112	257,540
Total cultural and recreational	<u>2,180,604</u>	<u>1,995,457</u>	<u>185,147</u>	<u>1,747,596</u>
Contingency	228,405	-	228,405	-
Total expenditures	<u>13,756,964</u>	<u>12,024,762</u>	<u>1,732,202</u>	<u>11,737,335</u>
Revenues over (under) expenditures	<u>147,286</u>	<u>2,179,090</u>	<u>2,031,804</u>	<u>379,320</u>
Other financing sources (uses)				
Transfers from other funds:				
Capital Reserve Fund - General Fund	863,300	823,202	(40,098)	487,500
Capital Reserve Fund - Fire Services	-	-	-	61,000
Capital Reserve Fund - Economic Development	145,450	45,450	(100,000)	11,550
Capital Reserve Fund - Parks and Recreation	52,000	2,000	(50,000)	-
Transfers to other funds:				
Capital Reserve Fund - General Fund	(2,900,000)	(2,900,000)	-	(2,090,000)
Capital Reserve Fund - Economic Development	(100,000)	(100,000)	-	(100,000)
Capital Projects Fund - Parks and Recreation	(350,000)	(242,557)	107,443	-
Total other financing sources (uses)	<u>(2,289,250)</u>	<u>(2,371,905)</u>	<u>(82,655)</u>	<u>(1,629,950)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	(2,141,964)	(192,815)	1,949,149	(1,250,630)
Appropriated fund balance	<u>2,141,964</u>	<u>-</u>	<u>(2,141,964)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>(192,815)</u>	<u>\$ (192,815)</u>	<u>(1,250,630)</u>
Fund balance				
Fund balance - beginning		<u>5,931,088</u>		<u>7,181,718</u>
Fund balance - ending		<u>\$ 5,738,273</u>		<u>\$ 5,931,088</u>

Town of Harrisburg, North Carolina

Capital Projects Fund - Public Safety Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual From Inception and for the Fiscal Year Ended June 30, 2019

		Actual			Variance
	Project Authorization	Prior Years	Current Year	Total to Date	Over / (Under)
Revenues					
Investment earnings	\$ -	\$ 25,737	\$ 65,348	\$ 91,085	\$ 91,085
Other general revenues	-	23,592	-	23,592	23,592
Total	-	49,329	65,348	114,677	114,677
Expenditures					
Fire Station #2					
Engineering	300,000	217,546	41,243	258,789	(41,211)
Construction	5,200,000	510,648	4,284,758	4,795,406	(404,594)
Total expenditures	5,500,000	728,194	4,326,001	5,054,195	(445,805)
Revenues over / (under) expenditures	(5,500,000)	(678,865)	(4,260,653)	(4,939,518)	560,482
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	\$ -	\$ 4,821,135	(4,260,653)	\$ 560,482	\$ 560,482
Fund balance					
Fund balance - beginning			4,821,135		
Fund balance - ending			\$ 560,482		

Town of Harrisburg, North Carolina

Capital Reserve Fund - General Fund Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual For the Fiscal Year Ended June 30, 2019

	Budget	Actual	Variance Over/(Under)
Revenues			
Non-operating revenues			
Interest income	\$ 4,900	\$ 2,543	\$ (2,357)
Total non-operating revenues	<u>4,900</u>	<u>2,543</u>	<u>(2,357)</u>
Other financing sources (uses)			
Transfers from other funds:			
Transfer from Capital Reserve Fund - Fire Services	100	92	(8)
Transfer from General Fund	2,900,000	2,900,000	-
Transfers to other funds:			
Transfer to General Fund	(865,300)	(825,202)	40,098
Transfer to Capital Projects Fund - Parks and Recreation	(110,000)	(82,659)	27,341
Transfer to Capital Projects Fund - Streets	<u>(54,275)</u>	<u>(54,275)</u>	<u>-</u>
Total other financing sources (uses)	<u>1,870,525</u>	<u>1,937,956</u>	<u>67,431</u>
Revenues and other financing sources over (under)			
expenditures and other financing uses	<u>1,875,425</u>	<u>1,940,499</u>	<u>65,074</u>
Appropriated fund balance	<u>(1,875,425)</u>	<u>-</u>	<u>1,875,425</u>
Net change in fund balance	<u>\$ -</u>	1,940,499	<u>\$ 1,940,499</u>
Fund balance			
Fund balance - beginning		<u>2,145,340</u>	
Fund balance - ending		<u>\$ 4,085,839</u>	

Town of Harrisburg, North Carolina

Combining Balance Sheets
Nonmajor Governmental Funds
June 30, 2019

	Capital Projects Fund - Streets	Capital Projects Fund - Parks and Recreation	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	\$ 220,293	\$ 38,628	\$ -	\$ 154,698	\$ 196,929	\$ 610,548
Total assets	<u>\$ 220,293</u>	<u>\$ 38,628</u>	<u>\$ -</u>	<u>\$ 154,698</u>	<u>\$ 196,929</u>	<u>\$ 610,548</u>
Liabilities						
Liabilities:						
Payable from restricted assets:						
Accounts payable and accrued liabilities	\$ -	\$ 38,628	\$ -	\$ -	\$ -	\$ 38,628
Fund balance						
Committed	220,293	-	-	154,698	181,929	556,920
Assigned	-	-	-	-	15,000	15,000
Total fund balances	<u>220,293</u>	<u>-</u>	<u>-</u>	<u>154,698</u>	<u>196,929</u>	<u>571,920</u>
Total liabilities and fund balance	<u>\$ 220,293</u>	<u>\$ 38,628</u>	<u>\$ -</u>	<u>\$ 154,698</u>	<u>\$ 196,929</u>	<u>\$ 610,548</u>

Town of Harrisburg, North Carolina

Combining Statements of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds For the Fiscal Year Ended June 30, 2019

	Capital Projects Fund - Streets	Capital Projects Fund - Parks and Recreation	Capital Reserve Fund - Fire Services	Capital Reserve Fund - Parks and Recreation	Capital Reserve Fund - Economic Development	Total Nonmajor Governmental Funds
Revenues						
Investment earnings	\$ 235	\$ 13	\$ -	\$ 292	\$ 202	\$ 742
Total revenues	<u>235</u>	<u>13</u>	<u>-</u>	<u>292</u>	<u>202</u>	<u>742</u>
Expenditures						
Current:						
Cultural and recreational	-	325,229	-	-	-	325,229
Total expenditures	<u>-</u>	<u>325,229</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>325,229</u>
Revenues over (under) expenditures	<u>235</u>	<u>(325,216)</u>	<u>-</u>	<u>292</u>	<u>202</u>	<u>(324,487)</u>
Other financing sources (uses)						
Transfers from other funds	54,275	325,216	-	-	100,000	479,491
Transfers to other funds	-	-	(92)	-	(45,450)	(45,542)
Total other financing sources	<u>54,275</u>	<u>325,216</u>	<u>(92)</u>	<u>-</u>	<u>54,550</u>	<u>433,949</u>
Net change in fund balance	54,510	-	(92)	292	54,752	109,462
Fund balance						
Beginning of year - July 1	<u>165,783</u>	<u>-</u>	<u>92</u>	<u>154,406</u>	<u>142,177</u>	<u>462,458</u>
End of year - June 30	<u>\$ 220,293</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 154,698</u>	<u>\$ 196,929</u>	<u>\$ 571,920</u>

Town of Harrisburg, North Carolina

Capital Projects Funds - Streets

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

From Inception and for the Fiscal Year Ended June 30, 2019

		Actual			Variance
	Project Authorization	Prior Years	Current Year	Total to Date	Over / (Under)
Revenues					
Investment earnings	\$ -	\$ 233	\$ 235	\$ 468	\$ 468
Grant proceeds	2,163,000	-	-	-	(2,163,000)
Total	2,163,000	233	235	468	(2,162,532)
Expenditures					
<u>CMAQ Sidewalk Project</u>					
Engineering	195,000	-	-	-	195,000
Construction	530,000	-	-	-	530,000
Total expenditures	725,000	-	-	-	725,000
<u>2017 Transportation Bonds</u>					
Engineering	635,000	-	-	-	635,000
Construction	5,077,000	-	-	-	5,077,000
Total expenditures	5,712,000	-	-	-	5,712,000
Revenues over (under) expenditures	(4,274,000)	233	235	468	4,274,468
Other financing sources					
Installment financing	4,000,000	-	-	-	(4,000,000)
Transfers from other funds:					
Capital Reserve Fund - General Fund	274,000	165,550	54,275	219,825	(54,175)
Total other financing sources	4,274,000	165,550	54,275	219,825	(4,054,175)
Net change in fund balance	\$ -	\$ 165,783	54,510	\$ 220,293	\$ 220,293
Fund balance					
Fund balance - beginning			165,783		
Fund balance - ending			\$ 220,293		

Town of Harrisburg, North Carolina

Capital Projects Fund - Parks and Recreation Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual From Inception and for the Fiscal Year Ended June 30, 2019

		Actual			Variance
	Project Authorization	Prior Years	Current Year	Total to Date	Over / (Under)
Revenues					
Investment earnings	\$ -	\$ -	\$ 13	\$ 13	\$ 13
Expenditures					
<u>Harrisburg Veterans' Plaza</u>					
Engineering	52,450	-	44,031	44,031	8,419
Construction	557,550	-	38,628	38,628	518,922
Total expenditures	610,000	-	82,659	82,659	527,341
<u>Harrisburg Park Redevelopment - Phase I</u>					
Engineering	500,000	-	242,570	242,570	257,430
Construction	6,500,000	-	-	-	6,500,000
Total expenditures	7,000,000	-	242,570	242,570	6,757,430
Revenues over (under) expenditures	(7,610,000)	-	(325,216)	(325,216)	7,284,784
Other financing sources					
Installment financing	6,650,000	-	-	-	(6,650,000)
Transfers from other funds:					
General Fund	350,000	-	242,557	242,557	(107,443)
Capital Reserve Fund - General Fund	610,000	-	82,659	82,659	(527,341)
Total other financing sources	7,610,000	-	325,216	325,216	(7,284,784)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance					
Fund balance - beginning			-		
Fund balance - ending			<u>\$ -</u>		

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, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/(Under)</u>
Other financing sources (uses)			
Transfers to other funds:			
Capital Reserve Fund - General Fund	<u>\$ (100)</u>	<u>\$ (92)</u>	<u>\$ 8</u>
Appropriated fund balance	<u>100</u>	<u>-</u>	<u>(100)</u>
Net change in fund balance	<u><u>\$ -</u></u>	<u>(92)</u>	<u><u>\$ (92)</u></u>
Fund balance			
Fund balance - beginning		<u>92</u>	
Fund balance - ending		<u><u>\$ -</u></u>	

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, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/(Under)</u>
Revenues			
Non-operating revenues			
Interest income	\$ -	\$ 292	\$ 292
Contributions - fee in lieu of	50,000	-	(50,000)
Total non-operating revenues	<u>50,000</u>	<u>292</u>	<u>(49,708)</u>
Other financing sources (uses)			
Transfers from other funds:			
General Fund	<u>(50,000)</u>	<u>-</u>	<u>50,000</u>
Net change in fund balance	<u>\$ -</u>	<u>292</u>	<u>\$ 292</u>
Fund balance - beginning		<u>154,406</u>	
Fund balance - ending		<u>\$ 154,698</u>	

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, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/(Under)</u>
Non-operating revenues			
Interest income	\$ -	\$ 202	\$ 202
Other financing sources (uses)			
Transfers from other funds:			
General Fund	100,000	100,000	-
Transfers to other funds:			
General Fund	(100,000)	(45,450)	54,550
Total other financing sources (uses)	<u>-</u>	<u>54,550</u>	<u>54,550</u>
Net change in fund balance	<u>\$ -</u>	54,752	<u>\$ 54,752</u>
Fund balance - beginning		<u>142,177</u>	
Fund balance - ending		<u>\$ 196,929</u>	

Town of Harrisburg, North Carolina

Water and Sewer Fund Comparative Statements of Net Position June 30, 2019 and 2018

	2019	2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 8,584,432	\$ 9,262,370
Accounts receivable (net) - customers	1,240,683	1,345,395
Accounts receivable - other	37,350	89,146
Prepaid expenses	9,552	-
Restricted cash and cash equivalents	280,428	826,916
Total current assets	10,152,445	11,523,827
Non-current assets:		
Capital assets, net of depreciation	33,506,375	30,874,559
Total assets	43,658,820	42,398,386
Deferred outflows of resources		
Pension deferrals	418,959	260,216
Total deferred outflows of resources	418,959	260,216
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	508,142	444,660
Long-term debt, current portion	1,397,350	1,378,861
Compensated absences, current portion	111,181	109,400
Payables due from restricted assets:		
Customer deposits	280,428	266,153
Total current liabilities	2,297,101	2,199,074
Non-current liabilities:		
Long-term debt, non-current portion	11,609,518	13,006,327
Net pension liability	561,396	363,232
Total noncurrent liabilities	12,170,914	13,369,559
Total liabilities	14,468,015	15,568,633
Deferred inflows of resources		
Pension deferrals	49,393	46,257
	49,393	46,257
Net position		
Net investment in capital assets	20,499,507	17,050,134
Unrestricted	9,060,864	9,993,578
Total net position	\$ 29,560,371	\$ 27,043,712

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, 2019
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2018)

	2019			2018
	Budget	Actual	Variance Over/(Under)	Actual
Revenues				
Operating revenues				
Water sales	\$ 3,912,000	\$ 3,773,884	\$ (138,116)	\$ 3,792,419
Sewer charges	3,408,000	3,126,739	(281,261)	3,258,147
Water and sewer taps	30,000	14,980	(15,020)	8,480
Water and sewer development charges	-	-	-	1,317,135
Set-up fees	24,000	24,754	754	20,470
Service connection fees	187,500	117,595	(69,905)	122,644
Penalties	125,000	140,170	15,170	122,680
Plan review fees	20,000	-	(20,000)	300
Rental fees	84,000	83,603	(397)	80,171
Credit card fees	60,000	41,255	(18,745)	13,676
Miscellaneous revenues	5,000	82,210	77,210	100,528
Total operating revenues	7,855,500	7,405,190	(450,310)	8,836,650
Non-operating revenues:				
Interest income	120,000	146,226	26,226	55,415
Insurance proceeds	2,620	2,619	(1)	3,968
Proceeds from sale of capital assets	10,000	3,531	(6,469)	50,382
Total non-operating revenues	132,620	152,376	19,756	109,765
Total revenues	7,988,120	7,557,566	(430,554)	8,946,415
Expenditures				
Water administration and distribution				
Salaries	1,081,000	1,034,410	46,590	1,000,145
Employee benefits	384,500	350,845	33,655	347,772
Cost allocation	203,500	203,500	-	(21,000)
Workers' compensation	23,000	17,909	5,091	22,297
Inspections	33,400	16,030	17,370	18,594
Casualty insurance/bonds	25,000	22,109	2,891	25,334
Employee relations	600	249	351	585
Water purchases	2,170,000	2,139,221	30,779	1,730,644
Sewer treatment	1,041,100	1,047,875	(6,775)	1,036,468
Uniforms	6,750	6,326	424	6,686
Training	5,900	3,369	2,531	6,322
Travel	4,000	3,154	846	3,254
Fuel	54,000	34,041	19,959	53,071
Maintenance and repairs:				
Vehicles	14,900	8,050	6,850	9,062
Buildings and grounds	43,600	43,293	307	20,322
Equipment	16,500	10,877	5,623	15,008
Water/sewer infrastructure	113,000	94,679	18,321	77,032

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, 2019
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2018)

	2019			2018
	Budget	Actual	Variance Over/(Under)	Actual
Expenditures (continued)				
Water administration and distribution (continued)				
Dues and subscriptions	16,010	5,948	10,062	6,688
Pre-employment	1,375	1,289	86	413
Public education	1,000	-	1,000	980
Advertising	2,200	50	2,150	103
Tires	10,500	8,637	1,863	4,793
Department supplies	7,200	7,221	(21)	6,053
Meter services	86,000	72,887	13,113	40,202
Small tools	8,330	7,644	686	5,113
Pipe and fittings	-	-	-	4,897
Legal services	23,625	8,248	15,377	23,768
Chemicals	32,400	25,639	6,761	22,860
Printing	16,235	15,526	709	13,779
Taxes, licenses and other fees	5,000	3,529	1,471	16,235
Telephone and internet	28,640	31,437	(2,797)	34,431
Postage	41,335	34,810	6,525	30,135
Utilities:				
Electric	85,800	72,561	13,239	72,665
Water	4,000	5,464	(1,464)	2,537
Contracted services:				
Buildings and grounds	600	390	210	297
Other	495	920	(425)	80
Professional services	204,690	177,281	27,409	86,604
Technology services	35,150	27,980	7,170	12,189
New services	85,000	79,248	5,752	60,137
Shipping and handling	5,000	2,323	2,677	2,144
Leases:				
Copier	1,500	1,345	155	2,937
Building	4,000	2,183	1,817	11,934
Permits	5,500	3,281	2,219	4,835
Fire hydrants	16,420	8,827	7,593	7,235
Credit card & Insite fees	72,000	66,613	5,387	70,645
Special equipment	7,800	7,655	145	10,027
Medical supplies	1,750	1,199	551	864
Physicals	-	-	-	240
Safety	7,200	6,869	331	4,208
Security	1,500	1,839	(339)	540
Miscellaneous	500	-	500	-
Contingency	174,955	-	174,955	-
Lawsuit settlements	479,000	478,967	33	902,000
Total administration and distribution	6,693,460	6,203,747	489,713	5,814,164

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, 2019
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2018)

	2019			2018
	Budget	Actual	Variance Over/(Under)	Actual
Expenditures (continued)				
Debt service:				
Principal retirement	1,380,250	1,378,320	1,930	1,252,705
Interest	298,500	297,817	683	269,957
Total debt service	1,678,750	1,676,137	2,613	1,522,662
Capital outlay:				
Equipment	1,527,615	882,022	645,593	714,662
Total capital outlay	1,527,615	882,022	645,593	714,662
Total expenditures	9,899,825	8,761,906	1,137,919	8,051,488
Revenues over (under) expenditures	(1,911,705)	(1,204,340)	707,365	894,927
Other financing sources (uses)				
Transfers from other funds:				
Capital Reserve Fund - Water and Sewer	1,455,000	882,022	(572,978)	535,800
Capital Reserve Fund - Water and Sewer - Expansion	1,072,000	953,585	(118,415)	-
Transfers to other funds:				
Capital Reserve Fund - Water and Sewer	(2,700,000)	(2,700,000)	-	(5,000,000)
Total other financing sources (uses)	(173,000)	(864,393)	(691,393)	(4,464,200)
Revenues and other financing sources over (under) expenditures and other financing uses	(2,084,705)	(2,068,733)	15,972	(3,569,273)
Appropriated fund balance	2,084,705	-	(2,084,705)	-
Revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>(2,068,733)</u>	<u>\$ (2,068,733)</u>	<u>(3,569,273)</u>
Reconciliation of modified accrual basis with accrual basis:				
Reconciling items:				
Payment of debt principal		1,378,320		1,252,705
Capital outlay		882,022		699,444
(Increase) decrease in accrued vacation pay		(1,781)		(1,311)
(Increase) decrease in interest expense accrual		1,217		(3,454)
Depreciation and amortization		(1,481,117)		(1,165,794)
Retirements of assets		(135,880)		(36,479)
Contribution of water and sewer lines		1,856,425		1,616,190
Increase (decrease) in deferred outflows of resources - pensions		158,743		(66,423)
(Increase) decrease in net pension liability		(198,164)		27,074
(Increase) decrease in deferred inflows of resources - pensions		(3,136)		15,698
System Development Charges collected in Capital Reserve Fund - Water and Sewer - Expansion		1,253,585		-
Transfer from Capital Reserve Fund - Water and Sewer		(882,022)		(535,800)
Transfer from Capital Reserve Fund - Water and Sewer - Expansion		(953,585)		-
Transfer to Capital Reserve Fund - Water and Sewer		2,700,000		5,000,000
Interest earned in Capital Reserve Fund - Water and Sewer		8,039		5,024
Interest earned in Capital Projects Fund - Water and Sewer		203		559
Interest earned in Capital Reserve Fund - Water and Sewer - Expansion		163		-
Revenue earned in Capital Projects Fund - Water and Sewer		2,360		-
Transfer of capital assets and debt from Governmental Activities		-		475,909
		<u>4,585,392</u>		<u>7,283,342</u>
Change in net position (Exhibit G)		<u>\$ 2,516,659</u>		<u>\$ 3,714,069</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, 2019

		Actual			Variance
	Project Authorization	Prior Years	Current Year	Total to Date	Over / (Under)
Revenues					
Investment earnings	\$ -	\$ -	\$ 203	\$ 203	\$ 203
Other	-	-	2,360	2,360	2,360
Total	-	-	2,563	2,563	2,563
Expenditures					
Ridge Drive 6-inch Main Upgrade					
Engineering	50,000	-	6,050	6,050	43,950
Construction	340,000	-	208,582	208,582	131,418
Total expenditures	390,000	-	214,632	214,632	175,368
Autumn Drive 6-inch Main Upgrade					
Engineering	50,000	-	6,050	6,050	43,950
Construction	340,000	-	208,582	208,582	131,418
Total expenditures	390,000	-	214,632	214,632	175,368
Whitefield Court 6-inch Main Upgrade					
Engineering	25,000	-	3,025	3,025	21,975
Construction	170,000	-	104,291	104,291	65,709
Total expenditures	195,000	-	107,316	107,316	87,684
Candystick Circle 6-inch Main Upgrade					
Engineering	33,900	-	14,214	14,214	19,686
Construction	125,000	-	-	-	125,000
Total expenditures	158,900	-	14,214	14,214	144,686
Pine Street 6-inch Main Upgrade					
Engineering	60,000	-	18,051	18,051	41,949
Construction	125,000	-	-	-	125,000
Total expenditures	185,000	-	18,051	18,051	166,949
Ford St. 6-inch Main Upgrade					
Engineering	50,000	-	15,043	15,043	34,957
Construction	135,000	-	-	-	135,000
Total expenditures	185,000	-	15,043	15,043	169,957
Patricia Avenue 6-inch Main Upgrade					
Engineering	60,000	-	18,052	18,052	41,948
Construction	325,000	-	-	-	325,000
Total expenditures	385,000	-	18,052	18,052	366,948

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, 2019

		Actual			Variance
	Project Authorization	Prior Years	Current Year	Total to Date	Over / (Under)
Expenditures (continued)					
Parallel Drive 6-inch Main Upgrade					
Engineering	80,000	-	24,069	24,069	55,931
Construction	450,000	-	-	-	450,000
Total expenditures	530,000	-	24,069	24,069	505,931
Public Works Facility					
Engineering	350,000	224,310	6,629	230,939	119,061
Construction	5,950,000	5,082,247	801,886	5,884,133	65,867
Total expenditures	6,300,000	5,306,557	808,515	6,115,072	184,928
Elevated Water Storage Tank					
Engineering	515,000	-	75,842	75,842	439,158
Construction	3,050,000	-	-	-	3,050,000
Total expenditures	3,565,000	-	75,842	75,842	3,489,158
Revenues over (under) expenditures	(12,283,900)	(5,306,557)	(1,507,803)	(6,814,360)	5,469,540
Other financing sources					
Installment financing	9,165,000	5,900,000	-	5,900,000	(3,265,000)
Transfers from other funds:					
Capital Reserve Fund - Water and Sewer	3,118,900	572,953	916,923	1,489,876	(1,629,024)
Total other financing sources	12,283,900	6,472,953	916,923	7,389,876	(4,894,024)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 1,166,396	\$ (590,880)	\$ 575,516	\$ 575,516

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, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/(Under)</u>
Revenues			
Non-operating revenues			
Interest income	<u>\$ -</u>	<u>\$ 8,039</u>	<u>\$ 8,039</u>
Other financing sources (uses)			
Transfers from other funds:			
Water and Sewer Fund	2,700,000	2,700,000	-
Transfers to other funds:			
Water and Sewer Fund	(1,455,000)	(882,022)	572,978
Capital Projects Fund - Water and Sewer	<u>(1,225,000)</u>	<u>(916,923)</u>	<u>308,077</u>
Total other financing sources (uses)	<u>20,000</u>	<u>901,055</u>	<u>881,055</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>20,000</u>	<u>909,094</u>	<u>889,094</u>
Appropriated fund balance	<u>(20,000)</u>	<u>-</u>	<u>20,000</u>
Net change in fund balance	<u><u>\$ -</u></u>	<u>909,094</u>	<u><u>\$ 909,094</u></u>
Fund Balance - beginning		<u>5,719,224</u>	
Fund Balance - ending		<u><u>\$ 6,628,318</u></u>	

Town of Harrisburg, North Carolina

Capital Reserve Fund - Water and Sewer - Expansion Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/(Under)</u>
Revenues			
Operating revenues			
Fees - water system development charges	\$ 837,500	\$ 776,585	\$ (60,915)
Fees - sewer system development charges	555,000	477,000	(78,000)
Total operating revenues	<u>1,392,500</u>	<u>1,253,585</u>	<u>(138,915)</u>
Non-operating revenues			
Interest income	<u>-</u>	<u>163</u>	<u>163</u>
Total revenues	<u>1,392,500</u>	<u>1,253,748</u>	<u>(138,752)</u>
Expenditures			
Contingency	<u>20,500</u>	<u>-</u>	<u>20,500</u>
Revenues over (under) expenditures	<u>1,372,000</u>	<u>1,253,748</u>	<u>(118,252)</u>
Other financing sources (uses)			
Transfers to other funds:			
Water and Sewer Fund	(1,072,000)	(953,585)	118,415
Capital Projects Fund - Water and Sewer	<u>(300,000)</u>	<u>-</u>	<u>300,000</u>
Total other financing sources (uses)	<u>(1,372,000)</u>	<u>(953,585)</u>	<u>418,415</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>-</u>	<u>300,163</u>	<u>300,163</u>
Net change in fund balance	<u><u>\$ -</u></u>	<u>300,163</u>	<u><u>\$ 300,163</u></u>
Fund Balance - beginning		<u>-</u>	
Fund Balance - ending		<u><u>\$ 300,163</u></u>	

Town of Harrisburg, North Carolina

Storm Water Fund Comparative Statements of Net Position June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,951,797	\$ 1,530,925
Accounts receivable (net) - customers	87,594	97,183
Accounts receivable - other	436	433
Restricted cash and cash equivalents	18,433	-
Total current assets	<u>2,058,260</u>	<u>1,628,541</u>
Non-current assets:		
Capital assets, net of depreciation	<u>996,591</u>	<u>871,771</u>
Total assets	<u>3,054,851</u>	<u>2,500,312</u>
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	<u>11,820</u>	<u>43</u>
Total liabilities	<u>11,820</u>	<u>43</u>
Net position		
Net investment in capital assets	996,591	871,771
Restricted	18,433	-
Unrestricted	<u>2,028,007</u>	<u>1,628,498</u>
Total net position	<u>\$ 3,043,031</u>	<u>\$ 2,500,269</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, 2019

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

	2019			2018
	Budget	Actual	Variance Over/(Under)	Actual
Revenues				
Operating revenues				
Storm water services	\$ 610,000	\$ 614,524	\$ 4,524	\$ 586,894
Storm water plan review fees	20,000	-	(20,000)	2,950
Street sweeping	2,000	-	(2,000)	-
Contribution - fee in lieu of	-	18,433	18,433	-
Total operating revenues	632,000	632,957	957	589,844
Non-operating revenues				
Interest income	11,000	15,481	4,481	5,816
Total revenues	643,000	648,438	5,438	595,660
Administration				
Cost allocation	172,550	172,550	-	122,004
Casualty insurance/bonds	2,500	1,963	537	2,077
Uniforms	375	314	61	339
Training	2,500	210	2,290	250
Fuel	5,000	1,682	3,318	1,326
Advertising	500	-	500	-
Tires	1,100	-	1,100	-
Department supplies	1,000	92	908	325
Small tools	2,000	381	1,619	920
Legal services	3,000	100	2,900	680
Maintenance and repairs:				
Vehicles	2,100	2,028	72	1,854
Drainage	22,500	9,016	13,484	3,520
Shipping and handling	250	467	(217)	110
Travel	1,500	531	969	-
Dues and subscriptions	5,500	3,898	1,602	860
Public education	2,000	-	2,000	-
Printing	1,000	-	1,000	179
Postage	500	-	500	-
Contracted services	110,000	29,718	80,282	20,894
Professional services	50,000	4,950	45,050	-
Contingency	27,125	-	27,125	-
Total administration	413,000	227,900	185,100	155,338

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, 2019

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

	2019			2018
	Budget	Actual	Variance Over/(Under)	Actual
Expenditures (continued)				
Capital outlay:				
Equipment	-	-	-	33,626
Total capital outlay	-	-	-	33,626
 Total expenditures	 413,000	 227,900	 185,100	 188,964
 Revenues over expenditures	 230,000	 420,538	 190,538	 406,696
 Other financing sources (uses)				
Transfers to other funds:				
Capital Projects Fund - Storm Water	(280,000)	(264,751)	15,249	(200,000)
Total other financing sources (uses)	(280,000)	(264,751)	15,249	(200,000)
 Revenues and other financing sources over (under) expenditures and other financing uses	 (50,000)	 155,787	 205,787	 206,696
 Appropriated fund balance	 50,000	 -	 (50,000)	 -
 Revenues and other sources over (under) expenditures	 <u>\$ -</u>	 <u>155,787</u>	 <u>\$ 155,787</u>	 <u>206,696</u>
 Reconciling items:				
Capital outlay		-		33,626
Transfer to Capital Projects Fund - Storm Water		264,751		200,000
Contributed Storm Water infrastructure		178,800		-
Interest earned in Capital Projects Fund - Storm Water		1,201		2,174
Depreciation and amortization		(57,777)		(39,663)
		<u>386,975</u>		<u>196,137</u>
 Change in net position (Exhibit G)		 <u>\$ 542,762</u>		 <u>\$ 402,833</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, 2019

		Actual			Variance
	Project Authorization	Prior Years	Current Year	Total to Date	Over / (Under)
Revenues					
Investment earnings	\$ -	\$ -	\$ 1,201	\$ 1,201	\$ 1,201
Expenditures					
<u>System A - Phase II</u>					
Engineering	100,000	-	3,797	3,797	96,203
Construction	800,000	-	-	-	800,000
Total expenditures	900,000	-	3,797	3,797	896,203
Revenues over (under) expenditures	(900,000)	-	(2,596)	(2,596)	897,404
Other financing sources					
Transfers from other funds:					
Storm Water Fund	900,000	635,249	264,751	900,000	-
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 635,249	\$ 262,155	\$ 897,404	\$ 897,404

Town of Harrisburg, North Carolina

Schedule of Ad Valorem Taxes Receivable June 30, 2019

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2018</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2019</u>
2008-2009	\$ 988	\$ -	\$ 988	\$ -
2009-2010	895	-	278	617
2010-2011	1,111	-	291	820
2011-2012	2,268	-	482	1,786
2012-2013	2,306	-	474	1,832
2013-2014	1,514	-	500	1,014
2014-2015	3,049	-	1,155	1,894
2015-2016	3,321	-	1,448	1,873
2016-2017	3,144	-	1,980	1,164
2017-2018	22,365	-	18,131	4,234
2018-2019	<u>-</u>	<u>7,956,206</u>	<u>7,929,212</u>	<u>26,994</u>
Total	<u>\$ 40,961</u>	<u>\$ 7,956,206</u>	<u>\$ 7,954,939</u>	42,228
Less allowance for uncollectible ad valorem taxes receivable				<u>(2,214)</u>
Ad valorem taxes receivable - net				<u>\$ 40,014</u>
Reconciliation with revenues				
Taxes - ad valorem - General Fund (Exhibit D)				\$ 7,928,016
Less penalties and interest collected				(14,686)
Net releases and discounts allowed				<u>41,609</u>
Total collections and credits				<u>\$ 7,954,939</u>

Town of Harrisburg, North Carolina

Analysis of Current Tax Levy Town-Wide Levy June 30, 2019

	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	\$ 2,232,656,620	\$ 0.355	\$ 7,925,931	\$ 7,213,683	\$ 712,248
Penalties	-		13,647	13,647	-
Total	2,232,656,620		7,939,578	7,227,330	712,248
Discoveries					
Current year taxes	3,212,461	0.355	11,404	11,404	-
Prior years' rates	-	0.290	19,956	19,956	-
Abatements	(4,748,746)	0.355	(14,732)	(14,732)	-
Total property valuation	<u>\$ 2,231,120,335</u>				
Net levy			7,956,206	7,243,958	712,248
Unpaid (by taxpayer) taxes at June 30, 2019			(26,994)	(26,994)	-
Current year's taxes collected			<u>\$ 7,929,212</u>	<u>\$ 7,216,964</u>	<u>\$ 712,248</u>
Current levy collection percentage			<u>99.66%</u>	<u>99.63%</u>	<u>100.00%</u>

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, 2019, 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 25, 2019. The financial statements of Harrisburg Community and Youth Association, Inc. were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town'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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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, flowing style.

Raleigh, North Carolina
October 25, 2019

Town of Harrisburg, North Carolina

Schedule of Findings

For the year ended June 30, 2019

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 X No

Significant deficiency(ies) identified?

___ Yes X None reported

Noncompliance material to the financial statements noted?

___ Yes X No

II. FINANCIAL STATEMENT FINDINGS

No matters were reported.

Town of Harrisburg, North Carolina

**Summary Schedule of Prior Year's Audit Findings
For the Fiscal Year Ended June 30, 2019**

Finding 2018-001:

Status: Corrected

TOWN OF HARRISBURG, NORTH CAROLINA

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