

**TOWN OF HARRISBURG,  
NORTH CAROLINA**

**BASIC  
FINANCIAL  
STATEMENTS &  
ACCOMPANYING  
INFORMATION**

**FOR FISCAL YEAR ENDED JUNE 30, 2020**

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**TOWN COUNCIL MEMBERS**

**STEVE SCIASCIA, MAYOR  
RON SMITH, MAYOR PRO TEM  
JOHN BOOTH  
RODNEY DELLINGER  
IAN PATRICK  
RICK RUSSO  
TROY SELBERG  
DIAMOND STATON-WILLIAMS**

**ADMINISTRATION & FINANCIAL STAFF**

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



**Harrisburg**NC  
*The right side of opportunity*



# Town of Harrisburg, North Carolina

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## FINANCIAL SECTION

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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, 2020, 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, 2020, 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.

## **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, schedule of current tax levy, and the schedule of expenditures of state and federal awards as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act, 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, schedule of current tax levy and schedule of expenditures of federal and state awards are the responsibility of management, and were derived from and relate directly to the underlying accounting and other records used to prepare the 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, schedule of current tax levy and schedule of expenditures of federal and state awards 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 29, 2020, 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 29, 2020

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 \$66,434,507 (*net position*). Of this amount, \$18,079,535 (*unrestricted net position*) may be used to meet the Town's needs.
- The Town's total net position increased by \$5,718,238, 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 \$16,600,145, with a net increase of \$5,643,631 in fund balance. Approximately 68.34% of this total amount, or \$11,344,586, is non-spendable, restricted, committed or assigned.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,746,014, or 38.33%, of total General Fund expenditures for the fiscal year.
- The Town of Harrisburg's total long-term outstanding liabilities increased by \$11,169,927 (52.61%) during the current fiscal year. The key factor in this change was the issuance of installment contracts for Harrisburg Park Renovation – Phase I and the Elevated Water Storage Tank.

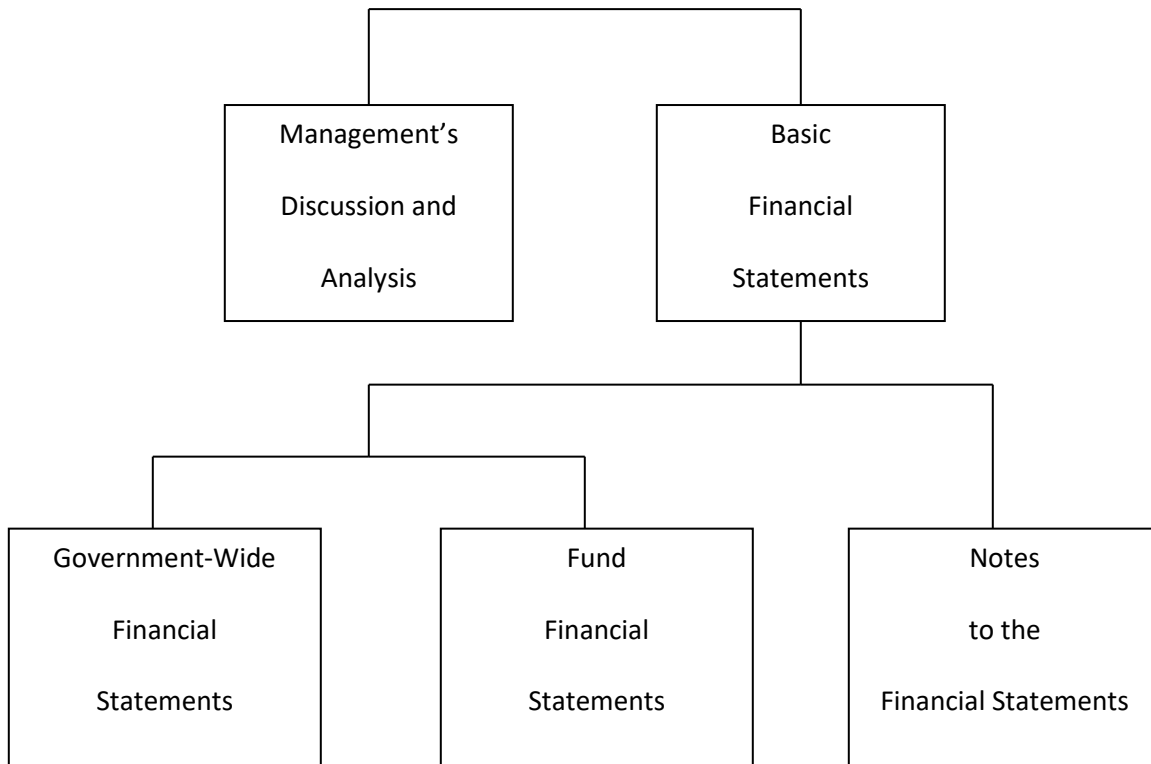
### Overview of the Financial Statements

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



Summary → Detail

### 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 23-60 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 61 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	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 18,146,757	\$ 11,559,794	\$ 14,695,422	\$ 12,210,705	\$ 32,842,179	\$ 23,770,499
Capital assets	34,262,786	26,331,114	36,491,339	34,502,966	70,754,125	60,834,080
Deferred outflows of resources	1,108,972	1,258,140	369,238	418,959	1,478,210	1,677,099
Total assets and deferred outflows of resources	53,518,515	39,149,048	51,555,999	47,132,630	105,074,514	86,281,678
Long-term liabilities outstanding	19,951,840	10,299,605	15,666,666	13,679,445	35,618,506	23,979,050
Other liabilities	1,650,045	624,791	1,203,415	800,390	2,853,460	1,425,181
Total liabilities	21,601,885	10,924,396	16,870,081	14,479,835	38,471,966	25,404,231
Deferred inflows of resources	117,376	111,785	50,665	49,393	168,041	161,178
<b>Net position:</b>						
Net investment in capital assets	19,869,015	18,668,809	23,648,421	21,496,098	43,517,436	40,164,907
Restricted	4,836,603	1,819,152	933	18,433	4,837,536	1,837,585
Unrestricted	7,093,636	7,624,906	10,985,899	11,088,871	18,079,535	18,713,777
Total net position	\$ 31,799,254	\$ 28,112,867	\$ 34,635,253	\$ 32,603,402	\$ 66,434,507	\$ 60,716,269

# 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 \$66,434,507 as of June 30, 2020. The Town's net position increased by \$5,718,238 for the fiscal year ended June 30, 2020. However, the largest portion (65.50%) 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, \$4,837,536, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$18,079,535, 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 99.43%.
- 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	
	2020	2019	2020	2019	2020	2019
<b>Revenues:</b>						
Program revenues						
Charges for services	\$ 829,787	\$ 791,531	\$ 10,471,988	\$ 9,294,092	\$ 11,301,775	\$ 10,085,623
Operating grants and contributions	1,773,157	1,663,276	-	-	1,773,157	1,663,276
Capital grants and contributions	1,367,320	2,183,597	294,800	2,035,225	1,662,120	4,218,822
General revenues:						
Property taxes	8,332,068	7,928,116	-	-	8,332,068	7,928,116
Grants and contributions not restricted to specific programs	3,811,990	3,093,767	-	-	3,811,990	3,093,767
Other	815,609	754,894	179,830	41,583	995,439	796,477
Total revenues	16,929,931	16,415,181	10,946,618	11,370,900	27,876,549	27,786,081
<b>Expenses:</b>						
General government	1,381,532	1,467,024	-	-	1,381,532	1,467,024
Planning and zoning	452,240	420,841	-	-	452,240	420,841
Public safety	5,937,056	5,025,300	-	-	5,937,056	5,025,300
Transportation	1,352,964	912,504	-	-	1,352,964	912,504
Environmental protection	1,669,043	1,648,186	-	-	1,669,043	1,648,186
Cultural and recreational	1,956,912	1,823,042	-	-	1,956,912	1,823,042
Water and sewer	-	-	8,482,274	8,025,802	8,482,274	8,025,802
Storm water	-	-	432,493	285,677	432,493	285,677
Interest	493,797	299,080	-	-	493,797	299,080
Total expenses	13,243,544	11,595,977	8,914,767	8,311,479	22,158,311	19,907,456
Increase in net position	3,686,387	4,819,204	2,031,851	3,059,421	5,718,238	7,878,625
Net position, beginning	28,112,867	23,293,663	32,603,402	29,543,981	60,716,269	52,837,644
Net position, ending	<u>\$ 31,799,254</u>	<u>\$ 28,112,867</u>	<u>\$ 34,635,253</u>	<u>\$ 32,603,402</u>	<u>\$ 66,434,507</u>	<u>\$ 60,716,269</u>



# Town of Harrisburg, North Carolina

## Management's Discussion and Analysis (continued)

### Government-Wide Financial Analysis (continued)

**Governmental Activities.** Governmental activities increased the Town of Harrisburg's net position by \$3,686,387 thereby accounting for 64.47% of the total growth in the net position of the Town. Key elements of this increase are as follows:

- Tax revenues increased approximately 5%, or \$375,000.
- Intergovernmental revenues consisting of mostly sales and franchise taxes increased by 17%, or \$801,000.

**Business-Type Activities.** Business-type activities increased the Town of Harrisburg's net position by \$2,031,851 accounting for 35.53% of the total growth in the Town's net position. A key element of this increase is as follows:

- Charges for services increased by 14%, or \$1,025,000.
- Water and Sewer development charges increased by 18%, or \$222,000

### 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 \$4,746,014, while total fund balance reached \$3,921,758. 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 38.33% of total General Fund expenditures, while total fund balance represents 55.90% of the same amount.

At June 30, 2020, the governmental funds of the Town of Harrisburg reported a combined fund balance of \$16,600,145, a 51.51% increase from last year.

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

Revenues were more than the budgeted amounts primarily because of tax collections, permits and fees, and sales and services revenues coming in at higher levels than were budgeted. While there were some variations of budgeted to actual expenditures at the line item level, the Town was able to comply with its budgetary requirements based on an approved budget ordinance at the department level.

# Town of Harrisburg, North Carolina

## Management's Discussion and Analysis (continued)

### Financial Analysis of the Town's Funds (continued)

**Proprietary Funds.** The Town of Harrisburg's proprietary funds provide the same type of information found in the government-wide statements, but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$8,704,073, and those for the Storm Water Fund amounted to \$2,281,826. The total change in net position for both funds was an increase of \$1,484,417 and \$547,434, 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, 2020, totals \$70,753,509 (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 of Harrisburg Park Redevelopment – Phase I
- Construction of the Elevated Water Storage Tank
- Construction of 6-inch water lines throughout neighborhoods.
- Contributions of capital including streets and storm water infrastructure.

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

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Construction in progress	\$ 7,383,262	\$ 5,539,477	\$ 3,537,083	\$ 827,886	\$ 10,920,345	\$ 6,367,363
Land	2,370,824	1,983,024	858,549	858,549	3,229,373	2,841,573
Buildings and systems	11,334,216	6,839,560	6,994,191	7,150,036	18,328,407	13,989,596
Improvements other than buildings	3,343,079	1,905,640	-	-	3,343,079	1,905,640
Water lines	-	-	15,607,773	16,253,302	15,607,773	16,253,302
Machinery and equipment	2,242,279	2,199,451	1,926,319	1,724,843	4,168,598	3,924,294
Interceptors	-	-	73,872	98,020	73,872	98,020
Collection system	-	-	6,339,330	6,696,988	6,339,330	6,696,988
Infrastructure	7,588,510	7,863,962	1,154,222	893,342	8,742,732	8,757,304
Total	<u>\$ 34,262,170</u>	<u>\$ 26,331,114</u>	<u>\$ 36,491,339</u>	<u>\$ 34,502,966</u>	<u>\$ 70,753,509</u>	<u>\$ 60,834,080</u>

Additional information on the Town's capital assets can be found in note II.A on pages 36-39 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, 2020, the Town of Harrisburg had total debt outstanding of \$32,399,582. Of this debt, \$14,875,728 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 (\$17,523,854), is backed by the full faith and credit of the Town.

#### Long-Term Obligations Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Notes payable	<u>\$ 17,523,854</u>	<u>\$ 8,222,787</u>	<u>\$ 14,875,728</u>	<u>\$ 13,006,868</u>	<u>\$ 32,399,582</u>	<u>\$ 21,229,655</u>

#### The Town of Harrisburg's Outstanding Debt

The Town of Harrisburg's total long-term outstanding debt increased by \$11,169,927 (52.61%) during the past fiscal year due to regularly scheduled debt service payments on existing debt and new debt issued amounting to \$13,265,000.

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 \$187,531,313.

Additional information regarding the Town of Harrisburg's long-term debt can be found in note II.B on pages 48-57 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 increases in residential growth as a result of previously approved development projects. Interest in living in Harrisburg continues to soar which has created a strong desire from some of the region's best developers. The Town is ranked ninth in North Carolina in growth for municipalities overall and number one for municipalities over a population of 10,000. 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. Economic activity continues to thrive in Cabarrus County as evidenced by strong State-shared revenue distributions to the Town.
- **Non-Residential Growth.** The construction of the Farmington mixed-use development along Rocky River Road and I-485 began 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. Individual parcels along Highway 49 are rapidly being developed with new businesses, with multiple projects underway. 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 completed Harrisburg Veterans Plaza in the Harris Square Shopping Center, which opened on Veterans Day 2019. The Town's largest park redevelopment project is entering the final phases of construction heading into FY2021. Harrisburg Park has been transformed with the addition of an amphitheater, splash-pad, multipurpose fields, shelters, bike trails, and other active amenities within the park. A one-million-gallon elevated water storage tank is being constructed and should be placed in service in FY2021. 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 various intersection improvements. A partnership with NCDOT and NC Railroad will result in the construction of a passenger-rail train station that is accompanied by approximately 2,400 sq. ft. of Town-owned office and/or community space. 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, 2021**

The approved FY2021 General Operating Budget is a balanced budget totaling \$29,837,650 for the General Fund and the two enterprise funds, the Water and Sewer and Storm Water Funds. This compares to \$29,052,645 in FY2020, an increase of approximately \$785,000. The General Fund, which comprises the core services provided by the Town, accounts for \$17,627,900 of the total budget. The remainder of the budget consists of the Water and Sewer Fund, \$10,541,550, and the Storm Water Fund, \$1,668,200. The budget addresses current departmental needs and anticipates future needs as the Town continues to experience growth, however, this budget also conservatively prepares to absorb potential negative effects resulting from the COVID-19 pandemic.

#### **Overview:**

The Town continues to focus on providing the highest quality services and facilities to its residents as possible. Town Council and management have invested in professional personnel, state-of-the-art equipment, and attractive Town amenities and facilities to work toward this goal. The highest standards in home and commercial building, streets, storm water, and all other infrastructure is required for projects currently taking place in Harrisburg. The commitment to our ten-year financial models and capital improvement plans outline the needs and priorities of the Town moving forward in a financially responsible way. The Town has either completed or is in the process of completing a number of major guiding documents, such as the Transportation Plan, ADA Plan, Highway 49 Corridor Plan, UDO update, Law Enforcement feasibility study, Water and Sewer Master Plan, and a Sanitary Sewer Model and Land Use Plan. Each of these interact together and help the Town implement a cohesive vision. Significant efforts are being made to ensure community engagement, education, and participation remain a priority of the Town's as it grows, develops, and sets a path forward. Making smart growth decisions, becoming more transparent, promoting and strengthening our local businesses, 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 into the future.

We want to operate the Town with the sophistication, efficiencies and effectiveness of a larger city while maintaining the small-town feel Harrisburg is known for. Financial stability and security are paramount to the future success and stability of the Town. The budget represents a commitment to not only maintain, but to further improve what the Town offers its residents, businesses, and visitors. 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 Finance Director, Brian Lee, 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, 2020

	Primary Government			Harrisburg Community and Youth Association, Inc.
	Governmental Activities	Business-Type Activities	Total	
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 12,901,783	\$ 10,951,876	\$ 23,853,659	\$ 38,866
Taxes receivables (net)	66,183	-	66,183	-
Accrued interest receivable on taxes	10,625	-	10,625	-
Accounts receivable (net)	4,267	1,419,584	1,423,851	-
Due from other governments	1,491,834	-	1,491,834	-
Inventory	17,044	-	17,044	-
Prepaid expenses	59,045	198	59,243	-
Restricted cash and cash equivalents	3,595,976	2,323,764	5,919,740	-
Total current assets	18,146,757	14,695,422	32,842,179	38,866
Noncurrent assets:				
Capital assets:				
Non-depreciable	9,754,086	4,395,632	14,149,718	-
Depreciable, net of accumulated depreciation	24,508,700	32,095,707	56,604,407	-
Total noncurrent assets	34,262,786	36,491,339	70,754,125	-
Total assets	52,409,543	51,186,761	103,596,304	38,866
<b>Deferred outflows of resources</b>				
Pension deferrals	1,108,972	369,238	1,478,210	-
Total deferred outflows of resources	1,108,972	369,238	1,478,210	-
<b>Liabilities</b>				
Current liabilities:				
Accounts payable and accrued liabilities	526,148	913,394	1,439,542	-
Payables from restricted assets:				
Accounts payable and accrued liabilities	961,319	-	961,319	-
Performance bond deposits	162,578	-	162,578	-
Customer deposits	-	290,021	290,021	-
Long-term liabilities-due within one year	1,549,068	1,700,735	3,249,803	-
Total current liabilities	3,199,113	2,904,150	6,103,263	-
Long-term liabilities:				
Net pension liability	2,007,789	669,075	2,676,864	-
Long-term liabilities-due in more than one year	16,394,983	13,296,856	29,691,839	-
Total long-term liabilities	18,402,772	13,965,931	32,368,703	-
Total liabilities	21,601,885	16,870,081	38,471,966	-
<b>Deferred inflows of resources</b>				
Prepaid Taxes	5,964	-	5,964	-
Pension deferrals	111,412	50,665	162,077	-
Total deferred inflows of resources	117,376	50,665	168,041	-
<b>Net position</b>				
Net investment in capital assets	19,869,015	23,648,421	43,517,436	-
Restricted for:				
Stabilization by State statute	1,796,340	-	1,796,340	-
Streets	187,850	-	187,850	-
Public safety	115,465	-	115,465	-
Storm Water	-	933	933	-
Cultural and recreational	2,736,948	-	2,736,948	38,866
Unrestricted	7,093,636	10,985,899	18,079,535	-
Total net position	\$ 31,799,254	\$ 34,635,253	\$ 66,434,507	\$ 38,866

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, 2020

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government</b>				
<b>Governmental activities</b>				
General government	\$ 1,381,532	\$ 82,900	\$ 35,013	\$ -
Planning and zoning	452,240	88,760	-	-
Public safety	5,937,056	444,315	1,280,609	-
Transportation	1,352,964	-	444,192	1,017,875
Environmental protection	1,669,043	-	13,343	-
Cultural and recreational	1,956,912	213,812	-	349,445
Interest on long-term debt	493,797	-	-	-
Total governmental activities	<u>13,243,544</u>	<u>829,787</u>	<u>1,773,157</u>	<u>1,367,320</u>
<b>Business-type activities</b>				
Water and sewer	8,482,274	9,813,711	-	-
Storm water	432,493	658,277	-	294,800
Total business-type activities	<u>8,914,767</u>	<u>10,471,988</u>	<u>-</u>	<u>294,800</u>
Total primary government	<u>\$ 22,158,311</u>	<u>\$ 11,301,775</u>	<u>\$ 1,773,157</u>	<u>\$ 1,662,120</u>
<b>Component unit</b>				
Harrisburg Community and Youth Association, Inc.	\$ 27,400	\$ -	\$ 25,000	\$ -
Total component unit	<u>\$ 27,400</u>	<u>\$ -</u>	<u>\$ 25,000</u>	<u>\$ -</u>

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



## Town of Harrisburg, North Carolina

### Statement of Activities For the Fiscal Year Ended June 30, 2020

	Net (Expense) Revenue and Changes in Net Position			
	Primary Government			
				Harrisburg Community and Youth Association, Inc.
Functions/Programs	Governmental Activities	Business-Type Activities	Total	
Primary government				
Governmental activities				
General government	\$ (1,263,619)	\$ -	\$ (1,263,619)	\$ -
Planning and zoning	(363,480)	-	(363,480)	-
Public safety	(4,212,132)	-	(4,212,132)	-
Transportation	109,103	-	109,103	-
Environmental protection	(1,655,700)	-	(1,655,700)	-
Cultural and recreational	(1,393,655)	-	(1,393,655)	-
Interest on long-term debt	(493,797)	-	(493,797)	-
Total governmental activities	(9,273,280)	-	(9,273,280)	-
Business-type activities				
Water and sewer	-	1,331,437	1,331,437	-
Stormwater	-	520,584	520,584	-
Total business-type activities	-	1,852,021	1,852,021	-
Total primary government	(9,273,280)	1,852,021	(7,421,259)	-
Component unit				
Harrisburg Community and Youth Association, Inc.	-	-	-	(2,400)
Total component unit	-	-	-	(2,400)
General revenues				
Taxes:				
Property taxes, levied for general purpose	8,332,068	-	8,332,068	-
Unrestricted intergovernmental	3,811,990	-	3,811,990	-
Loss on disposal of capital assets	(208,166)	-	(208,166)	-
Investment earnings	254,980	179,330	434,310	-
Miscellaneous	768,795	500	769,295	-
Total general revenues	12,959,667	179,830	13,139,497	-
Change in net position	3,686,387	2,031,851	5,718,238	(2,400)
Net position, beginning	28,112,867	32,603,402	60,716,269	41,266
Net position, ending	\$ 31,799,254	\$ 34,635,253	\$ 66,434,507	\$ 38,866

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

Town of Harrisburg, North Carolina

Balance Sheet  
Governmental Funds  
June 30, 2020

	General	Capital Reserve Fund - General Fund	Capital Projects Fund - Parks and Recreation	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 5,709,493	\$ 3,731,576	\$ 1,154,145	\$ 2,306,569	\$ 12,901,783
Restricted cash and cash equivalents	465,893	-	2,736,948	393,135	3,595,976
Receivables, net:					
Property taxes	66,183	-	-	-	66,183
Other	4,267	-	-	-	4,267
Due from other funds	192,205	-	-	-	192,205
Due from other governments	982,296	-	481,532	28,006	1,491,834
Inventory	17,044	-	-	-	17,044
Prepaid items	59,045	-	-	-	59,045
Total assets	<u>\$ 7,496,426</u>	<u>\$ 3,731,576</u>	<u>\$ 4,372,625</u>	<u>\$ 2,727,710</u>	<u>\$ 18,328,337</u>
<b>Liabilities</b>					
Accounts payable and accrued liabilities	\$ 339,943	\$ -	\$ -	\$ -	\$ 339,943
Payable from restricted assets:					
Accounts payable and accrued liabilities	-	-	956,319	5,000	961,319
Performance bonds on deposit	162,578	-	-	-	162,578
Due to other funds	-	-	-	192,205	192,205
Total liabilities	<u>502,521</u>	<u>-</u>	<u>956,319</u>	<u>197,205</u>	<u>1,656,045</u>
<b>Deferred inflows of resources</b>					
Property taxes receivable	66,183	-	-	-	66,183
Prepaid taxes	5,964	-	-	-	5,964
Total deferred inflows of resources	<u>72,147</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>72,147</u>
<b>Fund balances</b>					
Non-spendable					
Inventory	17,044	-	-	-	17,044
Prepays	59,045	-	-	-	59,045
Restricted					
Stabilization by State statute	1,796,340	-	-	-	1,796,340
Streets	187,850	-	-	-	187,850
Public safety	115,465	-	-	393,135	508,600
Cultural and recreational	-	-	2,736,948	-	2,736,948
Committed	-	3,731,576	-	2,307,183	6,038,759
Unassigned	4,746,014	-	679,358	(169,813)	5,255,559
Total fund balances	<u>6,921,758</u>	<u>3,731,576</u>	<u>3,416,306</u>	<u>2,530,505</u>	<u>16,600,145</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 7,496,426</u>	<u>\$ 3,731,576</u>	<u>\$ 4,372,625</u>	<u>\$ 2,727,710</u>	<u>\$ 18,328,337</u>

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

## Town of Harrisburg, North Carolina

### Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Position June 30, 2020

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

Ending fund balance - governmental funds	\$ 16,600,145
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	34,262,786
Deferred outflows of resources related to pensions are not reported in the funds.	1,108,972
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	10,625
Earned revenues considered deferred inflows of resources in fund statements	66,183
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Accrued interest payable	(186,205)
Compensated absences	(420,197)
Notes payable	(17,523,854)
Net pension liability	(2,007,789)
Deferred inflows of resources related to pensions are not reported in the funds.	<u>(111,412)</u>
Net position of governmental activities	<u><u>\$ 31,799,254</u></u>

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

Town of Harrisburg, North Carolina

Statement of Revenues, Expenditures, and Changes in Fund Balance  
Governmental Funds  
For the Fiscal Year Ended June 30, 2020

	General	Capital Reserve Fund - General Fund	Capital Projects Fund - Parks and Recreation	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Ad valorem taxes	\$ 8,303,141	\$ -	\$ -	\$ -	\$ 8,303,141
Unrestricted intergovernmental	3,811,990	-	-	-	3,811,990
Restricted intergovernmental	1,745,965	-	349,445	27,192	2,122,602
Permits and fees	615,975	-	-	-	615,975
Sales and services	213,812	-	-	-	213,812
Investment earnings	103,134	46,582	87,343	17,921	254,980
Other general revenues	791,662	-	-	-	791,662
Total revenues	15,585,679	46,582	436,788	45,113	16,114,162
<b>Expenditures</b>					
Current:					
General government	1,100,162	-	-	-	1,100,162
Planning and economic development	430,946	-	-	50	430,996
Engineering	239,768	-	-	-	239,768
Public safety	5,485,574	-	-	53,594	5,539,168
Transportation	717,953	-	-	447,699	1,165,652
Environmental protection	1,557,663	-	-	-	1,557,663
Cultural and recreational	1,769,998	-	7,587,017	-	9,357,015
Debt service:					
Principal retirement	698,933	-	-	-	698,933
Interest	381,174	-	-	-	381,174
Total expenditures	12,382,171	-	7,587,017	501,343	20,470,531
Excess (deficiency) of revenues over expenditures	3,203,508	46,582	(7,150,229)	(456,230)	(4,356,369)
<b>Other financing sources (uses)</b>					
Transfers from other funds	559,977	2,500,000	566,535	1,884,175	5,510,687
Transfers to other funds	(2,580,000)	(2,900,845)	-	(29,842)	(5,510,687)
Installment note issued	-	-	10,000,000	-	10,000,000
Total other financing sources (uses)	(2,020,023)	(400,845)	10,566,535	1,854,333	10,000,000
Net change in fund balances	1,183,485	(354,263)	3,416,306	1,398,103	5,643,631
Fund balances, beginning	5,738,273	4,085,839	-	1,132,402	10,956,514
Fund balances, ending	\$ 6,921,758	\$ 3,731,576	\$ 3,416,306	\$ 2,530,505	\$ 16,600,145

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

## Town of Harrisburg, North Carolina

### Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of the Governmental Funds to the Statement of Activities For the Fiscal Year Ended June 30, 2020

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

Net changes in fund balances - total governmental funds		\$ 5,643,631
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	8,257,879	
Depreciation expense	<u>(1,113,049)</u>	7,144,830
Disposal of capital assets		(231,033)
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	1,017,875	
Other	2,758	
Change in unavailable revenue for tax revenues	<u>26,169</u>	1,046,802
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	698,933	
Long-term debt issuance	(10,000,000)	
Pension expense	(476,023)	
Compensated absences	<u>(28,130)</u>	(9,805,220)
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>(112,623)</u>
Changes in net position of governmental activities		<u><u>\$ 3,686,387</u></u>

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

# Town of Harrisburg, North Carolina

## Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual - General Fund For the Fiscal Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
<b>Revenues</b>				
Ad valorem taxes	\$ 8,182,000	\$ 8,182,000	\$ 8,303,141	\$ 121,141
Unrestricted intergovernmental	3,562,000	3,562,000	3,811,990	249,990
Restricted intergovernmental	1,677,300	1,666,500	1,745,965	79,465
Permits and fees	545,000	545,000	615,975	70,975
Sales and services	437,500	437,500	213,812	(223,688)
Investment earnings	187,500	307,500	103,134	(204,366)
Other general revenues	359,100	719,775	791,662	71,887
Total revenues	<u>14,950,400</u>	<u>15,420,275</u>	<u>15,585,679</u>	<u>165,404</u>
<b>Expenditures</b>				
Current:				
General government	1,094,940	1,324,646	1,100,162	224,484
Planning and economic development	678,910	702,560	430,946	271,614
Engineering	323,155	424,455	239,768	184,687
Public safety	5,835,765	6,010,174	5,485,574	524,600
Transportation	933,500	1,030,315	717,953	312,362
Environmental protection	1,585,800	1,766,400	1,557,663	208,737
Cultural and recreational	2,152,215	2,365,520	1,769,998	595,522
Debt service:				
Principal retirement	1,000,900	1,000,900	698,933	301,967
Interest	491,000	491,000	381,174	109,826
Contingency	388,015	116,745	-	116,745
Total expenditures	<u>14,484,200</u>	<u>15,232,715</u>	<u>12,382,171</u>	<u>2,850,544</u>
Revenues over (under) expenditures	<u>466,200</u>	<u>187,560</u>	<u>3,203,508</u>	<u>3,015,948</u>
<b>Other financing sources (uses)</b>				
Transfers from other funds	825,000	1,902,300	559,977	(1,342,323)
Transfers to other funds	(1,310,000)	(2,730,000)	(2,580,000)	150,000
Proceeds from note	-	3,000,000	-	(3,000,000)
Installment note issued	-	(3,000,000)	-	3,000,000
Appropriated fund balance	18,800	640,140	-	(640,140)
Total other financing sources (uses)	<u>(466,200)</u>	<u>(187,560)</u>	<u>(2,020,023)</u>	<u>(1,832,463)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>1,183,485</u>	<u>\$ 1,183,485</u>
Fund balance, beginning			<u>5,738,273</u>	
Fund balance, ending (Exhibit D)			<u>\$ 6,921,758</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, 2020

	Major Enterprise Funds		
	Water and Sewer	Storm Water	Total
	Fund	Fund	
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 8,760,286	\$ 2,191,590	\$ 10,951,876
Accounts receivable (net) - customers	1,261,661	94,651	1,356,312
Accounts receivable - other	61,215	2,057	63,272
Prepaid expenses	198	-	198
Restricted cash and cash equivalents	2,322,831	933	2,323,764
Total current assets	<u>12,406,191</u>	<u>2,289,231</u>	<u>14,695,422</u>
Non-current assets:			
Capital assets:			
Non-depreciable	4,316,057	79,575	4,395,632
Depreciable, net of accumulated depreciation	30,867,576	1,228,131	32,095,707
Total non-current assets	<u>35,183,633</u>	<u>1,307,706</u>	<u>36,491,339</u>
Total assets	<u>47,589,824</u>	<u>3,596,937</u>	<u>51,186,761</u>
<b>Deferred outflows of resources</b>			
Pension deferrals	369,238	-	369,238
Total deferred outflows of resources	<u>369,238</u>	<u>-</u>	<u>369,238</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable and accrued liabilities	906,922	6,472	913,394
Long-term debt, current portion	1,578,872	-	1,578,872
Compensated absences, current portion	121,863	-	121,863
Payable from restricted assets:			
Customer deposits	290,021	-	290,021
Total current liabilities	<u>2,897,678</u>	<u>6,472</u>	<u>2,904,150</u>
Non-current liabilities:			
Long-term debt, non-current portion	13,296,856	-	13,296,856
Net pension liability	669,075	-	669,075
Total noncurrent liabilities	<u>13,965,931</u>	<u>-</u>	<u>13,965,931</u>
Total liabilities	<u>16,863,609</u>	<u>6,472</u>	<u>16,870,081</u>
<b>Deferred inflows of resources</b>			
Pension deferrals	50,665	-	50,665
Total deferred inflows of resources	<u>50,665</u>	<u>-</u>	<u>50,665</u>
<b>Net position</b>			
Net investment in capital assets	22,340,715	1,307,706	23,648,421
Restricted	-	933	933
Unrestricted	8,704,073	2,281,826	10,985,899
Total net position	<u>\$ 31,044,788</u>	<u>\$ 3,590,465</u>	<u>\$ 34,635,253</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, 2020

	Major Enterprise Funds		
	Water and Sewer Fund	Storm Water Fund	Total
<b>Operating revenues</b>			
Charges for services	\$ 7,889,905	\$ 650,577	\$ 8,540,482
Water and sewer development charges	1,475,680	-	1,475,680
Permits and fees	172,217	7,700	179,917
Service connection fees	121,638	-	121,638
Other operating revenues	154,271	-	154,271
<b>Total operating revenues</b>	<u>9,813,711</u>	<u>658,277</u>	<u>10,471,988</u>
<b>Operating expenses</b>			
Water administration and distribution	6,517,972	-	6,517,972
Storm water operations	-	373,030	373,030
Depreciation and amortization	1,621,142	59,463	1,680,605
<b>Total operating expenses</b>	<u>8,139,114</u>	<u>432,493</u>	<u>8,571,607</u>
<b>Operating income</b>	<u>1,674,597</u>	<u>225,784</u>	<u>1,900,381</u>
<b>Non-operating revenues (expenses)</b>			
Investment earnings	152,480	26,850	179,330
Interest and other charges	(343,160)	-	(343,160)
Insurance proceeds	500	-	500
<b>Total non-operating revenues (expenses)</b>	<u>(190,180)</u>	<u>26,850</u>	<u>(163,330)</u>
<b>Income before contributions</b>	<u>1,484,417</u>	<u>252,634</u>	<u>1,737,051</u>
Contributions of infrastructure	<u>-</u>	<u>294,800</u>	<u>294,800</u>
<b>Change in net position</b>	<u>1,484,417</u>	<u>547,434</u>	<u>2,031,851</u>
<b>Total net position, beginning</b>	<u>29,560,371</u>	<u>3,043,031</u>	<u>32,603,402</u>
<b>Total net position, ending</b>	<u>\$ 31,044,788</u>	<u>\$ 3,590,465</u>	<u>\$ 34,635,253</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, 2020

	Major Enterprise Funds		
	Water and Sewer Fund	Storm Water Fund	Total
<b>Cash flows from operating activities</b>			
Cash received from customers	\$ 9,768,868	\$ 649,599	\$ 10,418,467
Cash paid for goods and services	(4,084,152)	(201,378)	(4,285,530)
Cash paid to or on behalf of employees for services	(1,893,362)	(177,000)	(2,070,362)
Customer deposits received and returned, net	9,593	-	9,593
Net cash provided by operating activities	<u>3,800,947</u>	<u>271,221</u>	<u>4,072,168</u>
<b>Cash flows from capital and related financing activities</b>			
Proceeds from insurance settlements	500	-	500
Acquisition and construction of capital assets	(3,298,400)	(75,778)	(3,374,178)
Principal paid on long-term debt	(1,396,140)	-	(1,396,140)
Proceeds from issuance of long-term debt	3,265,000	-	3,265,000
Interest paid on long-term debt	(306,130)	-	(306,130)
Net cash used by capital and related financing activities	<u>(1,735,170)</u>	<u>(75,778)</u>	<u>(1,810,948)</u>
<b>Cash flows from investing activities</b>			
Interest on investments	<u>152,480</u>	<u>26,850</u>	<u>179,330</u>
Net increase in cash and cash equivalents	2,218,257	222,293	2,440,550
Balances, beginning	<u>8,864,860</u>	<u>1,970,230</u>	<u>10,835,090</u>
Balances, ending	<u>\$ 11,083,117</u>	<u>\$ 2,192,523</u>	<u>\$ 13,275,640</u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities</b>			
Operating income	\$ 1,674,597	\$ 225,784	\$ 1,900,381
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation and amortization	1,621,142	59,463	1,680,605
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable - customers	(20,978)	(7,057)	(28,035)
(Increase) decrease in accounts receivable - other	(23,865)	(1,621)	(25,486)
(Increase) decrease in prepaid items	9,354	-	9,354
Increase (decrease) in accounts payable and accrued liabilities	361,750	(5,348)	356,402
Increase (decrease) in compensated absences	10,682	-	10,682
(Increase) decrease in deferred outflows of resources for pensions	49,721	-	49,721
Increase (decrease) in deferred inflows of resources for pensions	1,272	-	1,272
Increase (decrease) in net pension liability	107,679	-	107,679
Increase (decrease) in customer deposits	9,593	-	9,593
Total adjustments	<u>2,126,350</u>	<u>45,437</u>	<u>2,171,787</u>
Net cash provided by operating activities	<u>\$ 3,800,947</u>	<u>\$ 271,221</u>	<u>\$ 4,072,168</u>

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

The Town received noncash capital contributions in the Storm Water Fund in the amount of \$294,800 representing donated assets.

# Town of Harrisburg, North Carolina

## Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2020

### 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, 2020

### 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, administration, and other general government services.

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

**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.

The Town reports the following non-major governmental funds:

**Special Revenue Fund – CARES Act** – This fund is used to account for CARES Act Coronavirus Relief Fund revenues.

**Capital Projects Fund – Streets** – This fund is used to account for the construction of streets and sidewalks with the 2017 Transportation Bonds.

**Capital Projects Fund – Public Safety** – This fund is used to account for the construction of Fire Station #2 and the purchase of Fire Engine #3.

**Capital Projects Fund – Economic Development** – This fund was established for the construction of the Harrisburg Train Station.

**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.

# Town of Harrisburg, North Carolina

## Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2020

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

#### B. Basis of Presentation (continued)

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.

**Storm Water Fund** – This fund is used to account for the Town’s Storm Water operations. A Capital Projects Fund – Storm Water has been consolidated into the Storm Water Fund for financial reporting purposes. The budgetary comparison for the Capital Projects Fund – Storm Water 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.

# Town of Harrisburg, North Carolina

## Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2020

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

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

*Governmental Fund Financial Statements.* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

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

# **Town of Harrisburg, North Carolina**

## **Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2020**

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

#### **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.

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) money market mutual fund, 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, 2020, the Term portfolio has a duration of .15 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, North Carolina

## Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2020

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

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

##### Restricted Assets (continued)

##### Town of Harrisburg Restricted Cash

	<u>General Fund</u>	<u>Public Safety</u>	<u>Parks &amp; Recreation</u>	<u>Total</u>
Governmental Activities				
Public safety	\$ 115,465	\$ -	\$ -	\$ 115,465
Streets	187,850	-	-	187,850
Performance bonds	162,578	-	-	162,578
Unspent debt proceeds	-	393,135	2,736,948	3,130,083
Total governmental activities	<u>\$ 465,893</u>	<u>\$ 393,135</u>	<u>\$ 2,736,948</u>	<u>3,595,976</u>
Business-type Activities				
Water and Sewer Fund				
Customer deposits				290,021
Unspent debt proceeds				2,032,810
Storm Water Fund				
Contribution - fee in lieu of				933
Total business-type activities				<u>2,323,764</u>
Total restricted cash				<u>\$ 5,919,740</u>

##### Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1<sup>st</sup>, the beginning of the fiscal year. The taxes are due on September 1<sup>st</sup> (lien date); however, interest does not accrue until the following January 6<sup>th</sup>. These taxes are based on the assessed values as of January 1, 2019. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

##### Utility Service Revenues – Unbilled Usage

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

##### Allowances for Doubtful Accounts

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

##### Prepaid items

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

# Town of Harrisburg, North Carolina

## Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2020

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

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

##### Capital Assets

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

##### 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 2020 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.



# **Town of Harrisburg, North Carolina**

## **Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2020**

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

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

##### **Compensated Absences**

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

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

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

##### **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.

# Town of Harrisburg, North Carolina

## Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2020

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

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

##### Net Position/Fund Balances (continued)

##### Net Investment in Capital Assets

Net investment in capital assets at June 30, 2020, is computed as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Capital assets, net of accumulated depreciation	\$ 34,262,786	\$ 36,491,339
Long-term debt	(17,523,854)	(14,875,728)
Unspent debt proceeds	3,130,083	2,032,810
Net investment in capital assets	<u>\$ 19,869,015</u>	<u>\$ 23,648,421</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.

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 a 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 the balance sheet.

# **Town of Harrisburg, North Carolina**

## **Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2020**

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

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

##### **Net Position/Fund Balances (continued)**

##### **Fund Balances (continued)**

Restricted for 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 \$115,465 that is restricted by revenue source for certain Firemen’s Relief Fund expenditures.

Restricted for Public Safety – portion of fund balance totaling \$393,135 that represents proceeds for debt issuance and other amounts that has not been spent for the designated project.

Restricted for Cultural and Recreational – portion of fund balance totaling \$2,736,948 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.

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.

# Town of Harrisburg, North Carolina

## Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2020

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

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

##### Net Position/Fund Balances (continued)

##### Fund Balances (continued)

The Town has also adopted a minimum fund balance policy for the General Fund 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. Once the respective 40% or 30% 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 fund balance that is available for appropriation:

Total fund balance - General Fund	\$ 6,921,758
Less:	
Prepays	59,045
Inventory	17,044
Stabilization by State statute	1,796,340
Streets	187,850
Public safety - Firemen's Relief Fund	115,465
Fund balance policy	4,740,814
Remaining fund balance	<u>\$ 5,200</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 \$617,572.

##### 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 (LGCERS), and additions to/deductions from LGCERS' fiduciary net position have been determined on the same basis as they are reported by LGCERS. 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 LGCERS. Investments are reported at fair value.

# **Town of Harrisburg, North Carolina**

## **Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2020**

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

#### **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.

At June 30, 2020, the Town's deposits had a carrying amount of \$7,478,968 and a bank balance of \$7,785,536. Of the bank balance, \$591,944 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 \$38,866 and the bank balance was \$38,866, all of which was covered by federal depository insurance. At June 30, 2020, the Town's petty cash totaled \$400.

## Town of Harrisburg, North Carolina

### Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2020

#### II. Detail Notes On All Funds (continued)

##### A. Assets (continued)

###### Investments

At June 30, 2020, the Town's investment balances were as follows:

<u>Investment Type</u>	<u>Valuation Measurement Method</u>	<u>Book Value at 6/30/2020</u>	<u>Maturity</u>	<u>Rating</u>
NC Capital Management Trust - Government Portfolio	Fair Value Level 1	\$ 187,850	N/A	AAAm
Term Portfolio	Fair Value Level 1	<u>22,106,181</u>	.15 Years	Unrated
Total		<u>\$ 22,294,031</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, 2020, are net of the following allowances for doubtful accounts:

General Fund:	
Taxes receivable	\$ 3,659
Water and Sewer Fund:	
Accounts receivable	<u>10,000</u>
Total	<u>\$ 13,659</u>

# Town of Harrisburg, North Carolina

## Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2020

### 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, 2020, was as follows:

	<u>July 1, 2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2020</u>
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 1,983,024	\$ 387,800	\$ -	\$ -	\$ 2,370,824
Construction in progress	<u>5,539,477</u>	<u>7,108,777</u>	<u>65,932</u>	<u>(5,199,060)</u>	<u>7,383,262</u>
Total capital assets not being depreciated	<u>7,522,501</u>	<u>7,496,577</u>	<u>65,932</u>	<u>(5,199,060)</u>	<u>9,754,086</u>
Capital assets being depreciated:					
Buildings	8,190,946	-	100,539	4,841,770	12,932,177
Other improvements	2,889,703	1,426,622	-	137,217	4,453,542
Equipment	6,131,920	352,555	649,054	220,073	6,055,494
Infrastructure	<u>8,699,918</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,699,918</u>
Total capital assets being depreciated	<u>25,912,487</u>	<u>1,779,177</u>	<u>749,593</u>	<u>5,199,060</u>	<u>32,141,131</u>
Less accumulated depreciation for:					
Buildings	1,351,386	258,640	12,065	-	1,597,961
Other improvements	984,063	125,741	-	-	1,109,804
Equipment	3,932,469	453,216	572,427	-	3,813,258
Infrastructure	<u>835,956</u>	<u>275,452</u>	<u>-</u>	<u>-</u>	<u>1,111,408</u>
Total accumulated depreciation	<u>7,103,874</u>	<u>\$ 1,113,049</u>	<u>\$ 584,492</u>	<u>\$ -</u>	<u>7,632,431</u>
Total capital assets being depreciated, net	<u>18,808,613</u>				<u>24,508,700</u>
Governmental activity capital assets, net	<u>\$ 26,331,114</u>				<u>\$ 34,262,786</u>

TOWN OF HARRISBURG, NORTH CAROLINA

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# Town of Harrisburg, North Carolina

## Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2020

### 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	\$	100,315
Public safety		459,783
Transportation		274,395
Environmental protection		77,330
Cultural and recreational		201,226
Total	\$	<u>1,113,049</u>

# Town of Harrisburg, North Carolina

## Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2020

### II. Detail Notes On All Funds (continued)

#### A. Assets (continued)

##### Capital Assets (continued)

	<u>July 1, 2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2020</u>
Business-type activities:					
<b>Water and Sewer Fund:</b>					
Capital assets not being depreciated:					
Land and rights-of-way	\$ 858,549	\$ -	\$ -	\$ -	\$ 858,549
Construction in progress	824,089	2,633,419	-	-	3,457,508
Total capital assets not being depreciated	<u>1,682,638</u>	<u>2,633,419</u>	<u>-</u>	<u>-</u>	<u>4,316,057</u>
Capital assets being depreciated:					
Buildings	7,540,422	-	-	-	7,540,422
Water lines	23,060,441	111,422	-	-	23,171,863
Equipment	2,845,758	553,559	153,189	-	3,246,128
Interceptors	724,436	-	-	-	724,436
Collection system	10,754,349	-	-	-	10,754,349
Total capital assets being depreciated	<u>44,925,406</u>	<u>664,981</u>	<u>153,189</u>	<u>-</u>	<u>45,437,198</u>
Less accumulated depreciation for:					
Buildings	390,386	155,845	-	-	546,231
Water lines	6,807,139	756,951	-	-	7,564,090
Equipment	1,220,367	326,540	153,189	-	1,393,718
Interceptors	626,416	24,148	-	-	650,564
Collection system	4,057,361	357,658	-	-	4,415,019
Total accumulated depreciation	<u>13,101,669</u>	<u>\$ 1,621,142</u>	<u>\$ 153,189</u>	<u>\$ -</u>	<u>14,569,622</u>
Total capital assets being depreciated, net	<u>31,823,737</u>				<u>30,867,576</u>
Water and sewer fund capital assets, net	<u>\$ 33,506,375</u>				<u>\$ 35,183,633</u>

# Town of Harrisburg, North Carolina

## Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2020

### II. Detail Notes On All Funds (continued)

#### A. Assets (continued)

##### Capital Assets (continued)

	<u>July 1, 2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2020</u>
Business-type activities:					
<b>Storm Water Fund:</b>					
Capital assets not being depreciated:					
Construction in progress	\$ 3,797	\$ 75,778	\$ -	\$ -	\$ 79,575
Total capital assets not being depreciated	<u>3,797</u>	<u>75,778</u>	<u>-</u>	<u>-</u>	<u>79,575</u>
Capital assets being depreciated:					
Equipment	233,021	-	-	-	233,021
Infrastructure	992,975	294,800	-	-	1,287,775
Total capital assets being depreciated	<u>1,225,996</u>	<u>294,800</u>	<u>-</u>	<u>-</u>	<u>1,520,796</u>
Less accumulated depreciation for:					
Equipment	133,569	25,543	-	-	159,112
Infrastructure	99,633	33,920	-	-	133,553
Total accumulated depreciation	<u>233,202</u>	<u>\$ 59,463</u>	<u>\$ -</u>	<u>\$ -</u>	<u>292,665</u>
Total capital assets being depreciated, net	<u>992,794</u>				<u>1,228,131</u>
Storm water fund capital assets, net	<u>\$ 996,591</u>				<u>\$ 1,307,706</u>
<b>Business-type activities capital assets, net</b>	<u>\$ 34,502,966</u>				<u>\$ 36,491,339</u>

# Town of Harrisburg, North Carolina

## Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2020

### II. Detail Notes On All Funds (continued)

#### A. Assets (continued)

##### Construction Commitments

The Town has active construction projects as of June 30, 2020. At year-end, the Town's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Harrisburg Park Renovation Phase 1	\$ 6,485,466	\$ 3,322,058
Elevated Water Storage Tank	1,200,230	1,581,770
FY19/20 Waterline Replacements	521,455	98,935
FY2020 Sanitary Sewer Rehab	-	531,931
Total	<u>\$ 8,207,151</u>	<u>\$ 5,534,694</u>

#### B. Liabilities

##### Accounts Payable and Accrued Items

Payables at the government-wide level at June 30, 2020 were as follows:

	<u>Vendors</u>	<u>Accrued Interest</u>	<u>Total</u>
<b>Governmental activities</b>			
General Fund	\$ 339,943	\$ 186,205	\$ 526,148
Capital Projects Fund - Streets	4,800	-	4,800
Capital Projects Fund - Public Safety	200	-	200
Capital Projects Fund - Parks and Recreation	956,319	-	956,319
<b>Total governmental activities</b>	<u>\$ 1,301,262</u>	<u>\$ 186,205</u>	<u>\$ 1,487,467</u>
<b>Business-type activities</b>			
Water and Sewer Fund	\$ 861,800	\$ 45,122	\$ 906,922
Storm Water Fund	6,472	-	6,472
<b>Total business-type activities</b>	<u>\$ 868,272</u>	<u>\$ 45,122</u>	<u>\$ 913,394</u>

# Town of Harrisburg, North Carolina

## Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2020

### 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](http://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, 2020

### 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, 2020, was 8.95% 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 \$494,814 for the year ended June 30, 2020.

**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, 2020, the Town reported a liability of \$2,676,864 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 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, 2019, the Town's proportion was 0.09802%, which was an increase of 0.00334% from its proportion measured as of June 30, 2018.

# Town of Harrisburg, North Carolina

## Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2020

### 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, 2020, the Town recognized pension expense of \$634,695. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 458,344	\$ -
Changes of assumptions	436,282	-
Net difference between projected and actual earnings on pension plan investments	65,294	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	23,476	162,077
Town contributions subsequent to the measurement date	494,814	-
Total	<u>\$ 1,478,210</u>	<u>\$ 162,077</u>

\$494,814 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, 2020. 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>	
2020	\$ 429,921
2021	117,874
2022	217,735
2023	55,789
2024	-
Thereafter	-
	<u>\$ 821,319</u>

**Actuarial Assumptions.** The total pension liability in the December 31, 2018 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, 2020

### 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, 2018 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, 2019, 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 2018 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, 2020

### 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%</u> <u>Decrease</u> <u>(6.00%)</u>	<u>Discount</u> <u>Rate</u> <u>(7.00%)</u>	<u>1%</u> <u>Increase</u> <u>(8.00%)</u>
Town's proportionate share of the net pension liability (asset)	\$ 6,122,445	\$ 2,676,864	\$ (187,138)

**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, 2020

### 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	\$ 494,814
Differences between expected and actual experience	458,344
Changes of assumptions	436,282
Net difference between projected and actual earnings on pension plan investments	65,294
Changes in proportion and differences between Town contributions and proportionate share of contributions	23,476
Total	<u>\$ 1,478,210</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)	\$ -	\$ 66,183
Prepaid taxes (General Fund)	5,964	5,964
Changes in proportion and differences between Town contributions and proportionate share of contributions	162,077	-
Total	<u>\$ 168,041</u>	<u>\$ 72,147</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, 2020

### 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, 2020 totaled \$10,180.

Future minimum lease payments are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2021	\$ 8,203	\$ 1,165
2022	6,520	1,165
2023	949	1,165
2024	949	1,068
2025	712	-
2026-2030	5	-
2031-2035	5	-
2036	1	-
	<u>\$ 17,344</u>	<u>\$ 4,563</u>

# Town of Harrisburg, North Carolina

## Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2020

### 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 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, 2020, is as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2021	\$ 35,000	\$ 4,111
2022	35,000	2,613
2023	34,800	1,115
	<u>\$ 104,800</u>	<u>\$ 7,839</u>

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

The future minimum payments of the installment purchase as of June 30, 2020 are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2021	<u>\$ 34,215</u>	<u>\$ 174</u>

# Town of Harrisburg, North Carolina

## Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2020

### II. Detail Notes On All Funds (continued)

#### B. Liabilities (continued)

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

##### Installment Purchases (continued)

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

The future minimum payments of the installment purchase as of June 30, 2020 are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2021	\$ 133,333	\$ 35,621
2022	133,333	31,889
2023	133,333	28,156
2024	133,333	24,422
2025	133,333	20,689
2026-2030	666,668	47,444
	<u>\$ 1,333,333</u>	<u>\$ 188,221</u>

In January 2017, the Town borrowed \$582,000 from a local financial institution to purchase a new fire engine. The terms of the loan state that the interest will accrue at the rate of 1.97% per annum. Principal and interest payments are payable monthly beginning in February 2017 and ending in January 2024. The debt is secured by the property.

The future minimum payments of the installment purchase as of June 30, 2020, are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2021	\$ 83,844	\$ 5,314
2022	85,511	3,648
2023	87,211	1,948
2024	51,493	338
	<u>\$ 308,059</u>	<u>\$ 11,248</u>

# Town of Harrisburg, North Carolina

## Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2020

### II. Detail Notes On All Funds (continued)

#### B. Liabilities (continued)

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

##### Installment Purchases (continued)

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

The General Fund's portion of the future minimum payments of the installment purchase as of June 30, 2020 is as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2021	\$ 66,667	\$ 22,611
2022	66,667	20,638
2023	66,667	18,664
2024	66,667	16,691
2025	66,667	14,718
2026-2030	333,334	43,989
2031-2032	127,778	3,782
	<u>\$ 794,447</u>	<u>\$ 141,093</u>

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

The future minimum payments of the installment purchase as of June 30, 2020 are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2021	\$ 276,000	\$ 190,320
2022	276,000	179,556
2023	276,000	168,792
2024	276,000	158,028
2025	276,000	147,264
2026-2030	1,377,000	574,919
2031-2035	1,370,000	307,223
2036-2038	822,000	56,102
	<u>\$ 4,949,000</u>	<u>\$ 1,782,204</u>

# Town of Harrisburg, North Carolina

## Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2020

### II. Detail Notes On All Funds (continued)

#### B. Liabilities (continued)

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

##### Installment Purchases (continued)

In September 2019, the Town borrowed \$10,000,000 from a financial institution to construct Harrisburg Park Phase I. The terms of the loan state that the interest will accrue at the rate of 2.85% per annum. Principal and interest payments are payable semi-annually beginning in February 2020 and ending in August 2039. The debt is secured by the property.

The future minimum payments of the installment purchase as of June 30, 2020 are as follows:

Year Ending June 30	Government-type Activities	
	Principal	Interest
2021	\$ 499,812	\$ 277,878
2022	500,565	263,622
2023	500,565	249,356
2024	500,565	235,090
2025	500,565	220,824
2026-2030	2,499,812	890,300
2031-2035	2,499,058	534,174
2036-2040	2,499,058	178,058
	<u>\$ 10,000,000</u>	<u>\$ 2,849,302</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, 2020 is as follows:

Year Ending June 30	Business-Type Activities	
	Principal	Interest
2021	\$ 35,000	\$ 4,111
2022	35,000	2,613
2023	34,800	1,115
	<u>\$ 104,800</u>	<u>\$ 7,839</u>

# Town of Harrisburg, North Carolina

## Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2020

### 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 for water and sewer infrastructure located within Cabarrus County, NC. 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, 2020, are as follows:

Year Ending June 30	Business-type Activities	
	Principal	Interest
2021	\$ 495,444	\$ -
2022	495,444	-
2023	495,444	-
2024	495,444	-
	<u>\$ 1,981,776</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, 2020, are as follows:

Year Ending June 30	Business-type Activities	
	Principal	Interest
2021	\$ 118,799	\$ 29,689
2022	122,290	26,198
2023	125,884	22,604
2024	129,583	18,904
2025	133,392	15,096
2026-2029	447,975	21,388
	<u>\$ 1,077,923</u>	<u>\$ 133,879</u>



# Town of Harrisburg, North Carolina

## Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2020

### 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, 2020, are as follows:

Year Ending June 30	Business-type Activities	
	Principal	Interest
2021	\$ 101,695	\$ 21,920
2022	101,695	18,716
2023	101,695	15,513
2024	101,695	12,309
2025	101,695	9,106
2026-2028	233,995	8,790
	<u>\$ 742,470</u>	<u>\$ 86,354</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, 2020, are as follows:

Year Ending June 30	Business-type Activities	
	Principal	Interest
2021	\$ 116,778	\$ 32,598
2022	120,354	29,022
2023	124,039	25,337
2024	127,838	21,538
2025	131,752	17,624
2026-2029	511,872	29,137
	<u>\$ 1,132,633</u>	<u>\$ 155,256</u>

# Town of Harrisburg, North Carolina

## Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2020

### 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, 2020, are as follows:

Year Ending June 30	Business-type Activities	
	Principal	Interest
2021	\$ 129,518	\$ 17,080
2022	132,648	13,950
2023	135,853	10,745
2024	139,136	7,462
2025	142,498	4,100
2026	94,091	826
	<u>\$ 773,744</u>	<u>\$ 54,163</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, 2020, is as follows:

Year Ending June 30	Business-Type Activities	
	Principal	Interest
2021	\$ 66,667	\$ 22,611
2022	66,667	20,638
2023	66,667	18,664
2024	66,667	16,691
2025	66,667	14,718
2026-2030	333,334	43,989
2031-2032	127,775	3,782
	<u>\$ 794,444</u>	<u>\$ 141,093</u>

# Town of Harrisburg, North Carolina

## Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2020

### 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, 2020, are as follows:

Year Ending June 30	Business-type Activities	
	Principal	Interest
2021	\$ 351,783	\$ 118,639
2022	360,499	109,923
2023	369,431	100,991
2024	378,585	91,838
2025	387,965	82,457
2026-2030	2,088,866	263,245
2031-2033	1,065,809	31,842
	<u>\$ 5,002,938</u>	<u>\$ 798,935</u>

In September 2019, the Town borrowed \$3,265,000 from a financial institution to construct an Elevated Water Storage Tank. The terms of the loan state that the interest will accrue at the rate of 2.85% per annum. Principal and interest payments are payable semi-annually beginning in February 2020 and ending in August 2039. The debt is secured by the property.

The future minimum payments of the installment purchase as of June 30, 2020 are as follows:

Year Ending June 30	Business-type Activities	
	Principal	Interest
2021	\$ 163,188	\$ 90,727
2022	163,435	86,073
2023	163,435	81,415
2024	163,435	76,757
2025	163,435	72,099
2026-2030	816,188	290,683
2031-2035	815,942	174,408
2036-2040	815,942	58,136
	<u>\$ 3,265,000</u>	<u>\$ 930,298</u>

# Town of Harrisburg, North Carolina

## Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2020

### II. Detail Notes On All Funds (continued)

#### B. Liabilities (continued)

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

##### Installment Purchases (continued)

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

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2021	\$ 1,128,871	\$ 536,029	\$ 1,578,872	\$ 337,375
2022	1,097,076	501,966	1,598,032	307,133
2023	1,098,576	468,031	1,617,248	276,384
2024	1,028,058	434,569	1,602,383	245,499
2025	976,565	403,495	1,127,404	215,200
2026-2030	4,876,814	1,556,652	4,526,321	658,058
2031-2035	3,996,836	845,179	2,009,526	210,032
2036-2040	3,321,058	234,160	815,942	58,136
	<u>\$ 17,523,854</u>	<u>\$ 4,980,081</u>	<u>\$ 14,875,728</u>	<u>\$ 2,307,817</u>

The Town's legal debt margin at June 30, 2020, is \$187,531,313.

# Town of Harrisburg, North Carolina

## Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2020

### 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	\$ 8,222,787	\$ 10,000,000	\$ 698,933	\$ 17,523,854	\$ 1,128,871
Compensated absences	392,067	334,080	305,950	420,197	420,197
Net pension obligation (LGERS)	1,684,751	323,038	-	2,007,789	-
Total	<u>10,299,605</u>	<u>10,657,118</u>	<u>1,004,883</u>	<u>19,951,840</u>	<u>1,549,068</u>
Business-type activities:					
<u>Water and Sewer Fund</u>					
Notes payable	13,006,868	3,265,000	1,396,140	14,875,728	1,578,872
Compensated absences	111,181	81,456	70,774	121,863	121,863
Net pension obligation (LGERS)	561,396	107,679	-	669,075	-
Total	<u>13,679,445</u>	<u>3,454,135</u>	<u>1,466,914</u>	<u>15,666,666</u>	<u>1,700,735</u>
Total	<u>\$ 23,979,050</u>	<u>\$ 14,111,253</u>	<u>\$ 2,471,797</u>	<u>\$ 35,618,506</u>	<u>\$ 3,249,803</u>

# Town of Harrisburg, North Carolina

## Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2020

### II. Detail Notes On All Funds (continued)

#### C. Interfund Balances and Activity

Transfers to/from other funds at June 30, 2020, consist of the following:

From the General Fund to the Capital Reserve Fund - General Fund to fund the Capital Reserve Fund	\$ 2,500,000
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	60,000
From the General Fund to the Capital Reserve Fund - Parks and Recreation to fund future greenway easements	20,000
From the Capital Reserve Fund - General Fund to the General Fund to fund actual capital outlay expenditures	530,135
From the Capital Reserve Fund - General Fund to the Capital Projects Fund - Parks and Recreation to fund Harrisburg Veterans' Plaza capital outlay expenditures	566,535
From the Capital Reserve Fund - General Fund to the Capital Projects Fund - Streets to fund actual capital outlay expenditures	54,175
From the Capital Reserve Fund - General Fund to the Capital Projects Fund - Economic Development to fund future capital outlay expenditures	1,750,000
From the Special Revenue Fund - CARES Act to the General Fund to fund COVID-19 related expenditures	27,192
From the Capital Reserve Fund - Economic Development to the General Fund to fund façade grants and other economic development projects	2,650
From the Water and Sewer Fund to the Capital Reserve Fund - Water and Sewer to fund the Capital Reserve Fund	1,650,000
From the Capital Reserve Fund - Water and Sewer to the Water and Sewer Fund to fund Water and Sewer Capital Projects	664,981
From the Capital Reserve Fund - Water and Sewer to the Capital Projects Fund - Water and Sewer to fund Water and Sewer Capital Projects	453,605
From the Capital Reserve Fund - Water and Sewer - Expansion to the Water and Sewer Fund to fund expansion-related debt service	1,392,500
From the Storm Water Fund to the Capital Projects Fund - Storm Water to fund Storm Water Capital Projects	<u>67,500</u>
	<u>\$ 9,739,273</u>

# **Town of Harrisburg, North Carolina**

## **Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2020**

### **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, 2020, the Town purchased sewer treatment services amounting to \$1,038,142 from WSACC. At June 30, 2020, there was \$88,194 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, 2020, the Town made one payment through the Firemen's Relief Fund and reported \$14,799 in revenues and \$1,545 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, 2020. 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, 2020**

### **VII. Claims, Judgments and Contingent Liabilities**

At June 30, 2020, 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. Uncertainties**

The 2019 novel coronavirus ("COVID-19") has adversely affected, and may continue to adversely affect economic activity globally, nationally and locally. It is unknown the extent to which COVID-19 may spread, may have a destabilizing effect on financial and economic activity and may increasingly have the potential to negatively impact the Town's and its customers' costs, tourism to the Town, and the U.S. economy. These conditions could adversely affect the Town's business, financial condition, and results of operations.

Further, COVID-19 may result in health or other government authorities requiring the closure of some of the Town's operations or other businesses of the Town's customers and suppliers, which could significantly disrupt the Town's operations and the operations of the Town's customers. The extent of the adverse impact of the COVID-19 outbreak on the Town cannot be predicted at this time.

### **IX. Significant Effects of Subsequent Events**

On August 12, 2020, prior to the issuance of these financial statements, the Town entered into an installment purchase contract for a total of \$615,000 with a financial institution to finance the purchase of a Fire Engine. Subsequent events were evaluated through October 29, 2020.



## REQUIRED SUPPLEMENTARY FINANCIAL DATA

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

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- 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 Seven Fiscal Years\*

### Local Government Employees' Retirement System

	2020	2019	2018	2017	2016	2015	2014
Harrisburg's proportion of the net pension liability (asset) (%)	0.098020%	0.094680%	0.095140%	0.073800%	0.080200%	0.077430%	0.077000%
Harrisburg's proportion of the net pension liability (asset) (\$)	\$ 2,676,864	\$ 2,246,147	\$ 1,453,490	\$ 1,566,297	\$ 359,920	\$ (456,640)	\$ 928,146
Harrisburg's covered-employee payroll	\$ 5,045,075	\$ 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	53.06%	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%	99.07%	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 Seven Fiscal Years

### Local Government Employees' Retirement System

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 494,814	\$ 390,994	\$ 350,956	\$ 316,231	\$ 252,632	\$ 232,442	\$ 222,421
Contributions in relation to the contractually required contribution	<u>494,814</u>	<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>	<u>\$ -</u>
Harrisburg's covered-employee payroll	\$ 5,528,638	\$ 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	8.95%	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, 2020 and 2019**

	<b>June 30, 2020</b>	<b>June 30, 2019</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 5,709,493	\$ 4,960,640
Restricted cash and cash equivalents	465,893	421,363
Receivables - net:		
Property taxes	66,183	40,014
Other	4,267	6,448
Due from other funds	192,205	-
Due from government agencies	982,296	722,186
Inventory	17,044	21,856
Prepaid items	59,045	107,551
	<u>59,045</u>	<u>107,551</u>
Total assets	<u>\$ 7,496,426</u>	<u>\$ 6,280,058</u>
<b>Liabilities, deferred inflows of resources and fund balance</b>		
Liabilities:		
Accounts payable and accrued liabilities	\$ 339,943	\$ 303,503
July 4th celebration revenue	-	31,700
Payable from restricted assets		
Performance bonds on deposit	162,578	162,378
Total liabilities	<u>502,521</u>	<u>497,581</u>
Deferred inflows of resources:		
Property taxes receivable	66,183	40,014
Prepaid taxes	5,964	4,190
Total deferred inflows of resources	<u>72,147</u>	<u>44,204</u>
Fund balance:		
Non-spendable:		
Inventory	17,044	21,856
Prepays	59,045	107,551
Restricted:		
Stabilization by State statute	1,796,340	999,685
Streets	187,850	156,861
Public safety	115,465	102,124
Unassigned	4,746,014	4,350,196
Total fund balance	<u>6,921,758</u>	<u>5,738,273</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 7,496,426</u>	<u>\$ 6,280,058</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, 2020 (With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2019)

	2020			2019
	Budget	Actual	Variance Positive Over/(Under)	Actual
<b>Revenues</b>				
<b>Ad valorem taxes</b>				
Current year	\$ 8,145,000	\$ 8,265,451	\$ 120,451	\$ 7,886,218
Prior years	25,000	24,671	(329)	27,112
Penalties and interest	12,000	13,019	1,019	14,686
Total	8,182,000	8,303,141	121,141	7,928,016
<b>Unrestricted intergovernmental</b>				
Local option sales tax	2,600,000	2,834,506	234,506	2,140,254
Utility franchise tax	890,000	902,349	12,349	880,590
Beer and wine tax	72,000	75,135	3,135	72,923
Total	3,562,000	3,811,990	249,990	3,093,767
<b>Restricted intergovernmental</b>				
Powell Bill allocation	445,000	444,192	(808)	434,615
Grants - other	-	7,821	7,821	-
Fire taxes	1,210,000	1,280,609	70,609	1,216,646
Solid waste disposal	11,500	13,343	1,843	12,015
Total	1,666,500	1,745,965	79,465	1,663,276
<b>Permits and fees</b>				
Compliance permits	80,000	31,160	(48,840)	78,681
Passport acceptance fees	15,000	10,000	(5,000)	15,295
Traffic review fees	80,000	57,600	(22,400)	22,600
Plan review fees	200,000	394,808	194,808	168,740
Grading permits	62,500	72,900	10,400	-
Inspection fees and fines	107,500	49,507	(57,993)	14,750
Total	545,000	615,975	70,975	300,066
<b>Sales and services</b>				
Parks and recreation athletics	432,500	211,664	(220,836)	486,671
Concessions and merchandise	5,000	2,148	(2,852)	4,794
Total	437,500	213,812	(223,688)	491,465
<b>Investment earnings</b>	307,500	103,134	(204,366)	232,243



## 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, 2020**  
**(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2019)**

	2020			2019
	Budget	Actual	Variance Positive Over/(Under)	Actual
<b>Revenues (continued)</b>				
<b>Other general revenues</b>				
Rental Income:				
Facilities	11,100	6,210	(4,890)	12,874
Town Hall	216,000	234,000	18,000	198,000
Fire Station #3 - EMS	10,800	10,404	(396)	12,953
Parks and recreation - special events	20,000	8,953	(11,047)	26,804
July 4th celebration	65,000	80,928	15,928	66,211
Contributions	240,000	245,428	5,428	-
Donations	37,400	51,471	14,071	43,451
Insurance proceeds	82,475	82,787	312	48,763
Sale of surplus property	15,000	22,867	7,867	3,460
Miscellaneous	22,000	48,614	26,614	82,503
Total	719,775	791,662	71,887	495,019
Total revenues	15,420,275	15,585,679	165,404	14,203,852
<b>Expenditures</b>				
<b>General government</b>				
Mayor and Council:				
Personal services	72,685	63,311	9,374	51,832
Employee relations and education	6,500	3,671	2,829	5,157
Supplies and materials	62,170	56,096	6,074	1,268
Current obligations and services	50,800	50,687	113	34,531
Fixed charges and other services	21,400	16,979	4,421	13,219
Administrative cost allocations	(42,800)	(50,100)	7,300	-
Total	170,755	140,644	30,111	106,007
Town Clerk:				
Personal services	63,750	59,814	3,936	54,985
Employee relations and education	1,625	900	725	1,218
Supplies and materials	4,200	2,596	1,604	2,752
Current obligations and services	4,570	3,050	1,520	2,457
Fixed charges and other services	4,955	2,058	2,897	1,098
Administrative cost allocations	(4,880)	(3,440)	(1,440)	-
Total	74,220	64,978	9,242	62,510

# 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, 2020 (With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2019)

	2020			2019
	Budget	Actual	Variance Positive Over/(Under)	Actual
<b>Expenditures (continued)</b>				
<b>General government (continued)</b>				
Town Manager's Office:				
Personal services	198,500	167,974	30,526	195,547
Employee relations and education	17,950	11,340	6,610	12,494
Supplies and materials	25,350	17,138	8,212	29,686
Current obligations and services	108,090	87,193	20,897	196,414
Fixed charges and other services	91,685	102,719	(11,034)	101,102
Administrative cost allocations	(159,115)	(118,085)	(41,030)	-
Capital outlay	-	-	-	22,456
Debt service				
Principal	128,400	128,331	69	133,403
Interest	32,000	30,908	1,092	36,501
Total	442,860	427,518	15,342	727,603
Finance:				
Personal services	246,700	233,873	12,827	157,803
Employee relations and education	13,775	6,473	7,302	11,912
Supplies and materials	21,000	18,419	2,581	11,022
Current obligations and services	6,085	4,740	1,345	4,494
Fixed charges and other services	45,540	32,345	13,195	20,606
Administrative cost allocations	(22,620)	(14,716)	(7,904)	-
Total	310,480	281,134	29,346	205,837
Human Resources:				
Personal services	52,750	50,849	1,901	40,317
Employee relations and education	79,850	51,733	28,117	57,520
Supplies and materials	5,100	627	4,473	5,102
Current obligations and services	2,790	2,926	(136)	2,130
Fixed charges and other services	6,955	5,872	1,083	7,292
Administrative cost allocations	(44,400)	(30,600)	(13,800)	-
Total	103,045	81,407	21,638	112,361
Information Technology:				
Personal services	73,000	67,405	5,595	50,369
Employee relations and education	3,500	2,697	803	60
Supplies and materials	6,300	2,349	3,951	2,355
Current obligations and services	6,000	3,099	2,901	1,095
Fixed charges and other services	39,640	17,444	22,196	30,398
Administrative cost allocations	(23,250)	(12,800)	(10,450)	-
Capital outlay	61,538	48,033	13,505	27,043
Total	166,728	128,227	38,501	111,320

## 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, 2020**  
**(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2019)**

	2020			2019
	Budget	Actual	Variance Positive Over\ (Under)	Actual
<b>Expenditures (continued)</b>				
<b>General government (continued)</b>				
Communications:				
Personal services	36,750	34,529	2,221	29,699
Employee relations and education	3,500	495	3,005	1,086
Supplies and materials	9,900	9,527	373	9,633
Current obligations and services	31,595	27,854	3,741	9,418
Fixed charges and other services	51,465	39,251	12,214	79,740
Administrative cost allocations	(47,750)	(35,350)	(12,400)	-
Capital outlay	131,498	59,187	72,311	28,368
Total	216,958	135,493	81,465	157,944
Total general government	1,485,046	1,259,401	225,645	1,483,582
<b>Planning and Economic Development</b>				
Personal services	272,500	247,681	24,819	213,307
Employee relations and education	22,350	9,132	13,218	7,744
Supplies and materials	7,325	2,153	5,172	6,795
Current obligations and services	27,990	20,582	7,408	25,942
Fixed charges and other services	372,395	151,398	220,997	212,922
Total	702,560	430,946	271,614	466,710
<b>Engineering</b>				
Personal services	89,000	82,314	6,686	7,774
Employee relations and education	9,750	2,537	7,213	1,037
Supplies and materials	14,400	10,694	3,706	1,516
Current obligations and services	12,965	6,640	6,325	5,870
Fixed charges and other services	263,340	105,552	157,788	24,552
Capital outlay	35,000	32,031	2,969	5,750
Total	424,455	239,768	184,687	46,499
<b>Public Safety</b>				
Police:				
Employee relations and education	3,500	-	3,500	-
Supplies and materials	10,400	10,470	(70)	8,197
Current obligations and services	79,825	80,099	(274)	67,193
Fixed charges and other services	1,102,125	1,093,058	9,067	845,927
Capital outlay	215,000	196,171	18,829	190,353
Total	1,410,850	1,379,798	31,052	1,111,670

## 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, 2020**  
**(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2019)**

	2020			2019
	Budget	Actual	Variance Positive Over\ (Under)	Actual
<b>Expenditures (continued)</b>				
<b>Public safety (continued)</b>				
Fire:				
Personal services	3,614,750	3,327,708	287,042	3,092,842
Employee relations and education	83,125	70,061	13,064	56,560
Supplies and materials	191,974	173,689	18,285	168,199
Current obligations and services	336,300	306,115	30,185	284,028
Fixed charges and other services	179,175	128,133	51,042	92,293
Capital outlay	194,000	100,070	93,930	126,727
Debt service				
Principal	572,500	570,602	1,898	566,414
Interest	254,000	249,724	4,276	238,735
Total	5,425,824	4,926,102	499,722	4,625,798
Total public safety	6,836,674	6,305,900	530,774	5,737,468
<b>Transportation</b>				
Supplies and materials	14,400	8,424	5,976	6,652
Current obligations and services	390,415	275,790	114,625	255,519
Fixed charges and other services	43,000	15,496	27,504	31,426
Resurfacing	535,000	418,243	116,757	397,212
Capital outlay	47,500	-	47,500	-
Total	1,030,315	717,953	312,362	690,809
<b>Environmental Protection</b>				
Personal services	547,000	526,933	20,067	580,305
Employee relations and education	3,650	881	2,769	499
Supplies and materials	4,950	4,110	840	4,187
Current obligations and services	43,100	42,065	1,035	39,881
Fixed charges and other services	1,007,700	974,145	33,555	943,648
Capital outlay	160,000	9,529	150,471	35,717
Total	1,766,400	1,557,663	208,737	1,604,237
<b>Parks and Recreation</b>				
Personal services	924,100	893,462	30,638	737,891
Employee relations and education	9,250	9,063	187	4,753
Supplies and materials	49,400	40,598	8,802	50,250
Current obligations and services	929,255	688,634	240,621	768,170
Fixed charges and other services	62,395	53,127	9,268	47,605
Capital outlay	391,120	85,114	306,006	386,788
Debt service				
Principal	300,000	-	300,000	-
Interest	205,000	100,542	104,458	-
Total	2,870,520	1,870,540	999,980	1,995,457

## 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, 2020**  
**(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2019)**

	2020			2019
	Budget	Actual	Variance Positive Over\ (Under)	Actual
<b>Expenditures (continued)</b>				
Contingency	116,745	-	116,745	-
Total expenditures	15,232,715	12,382,171	2,850,544	12,024,762
Revenues over (under) expenditures	187,560	3,203,508	3,015,948	2,179,090
<b>Other financing sources (uses)</b>				
Transfers from other funds:				
Special Revenue Fund - CARES Act	28,000	27,192	(808)	-
Capital Reserve Fund - General Fund	1,746,650	530,135	(1,216,515)	823,202
Capital Reserve Fund - Economic Development	77,650	2,650	(75,000)	45,450
Capital Reserve Fund - Parks and Recreation	50,000	-	(50,000)	2,000
Transfers to other funds:				
Capital Reserve Fund - General Fund	(2,500,000)	(2,500,000)	-	(2,900,000)
Capital Reserve Fund - Parks and Recreation	(20,000)	(20,000)	-	-
Capital Reserve Fund - Economic Development	(60,000)	(60,000)	-	(100,000)
Capital Projects Fund - Parks and Recreation	(150,000)	-	150,000	(242,557)
Proceeds from note	3,000,000	-	(3,000,000)	-
Installment note issued	(3,000,000)	-	3,000,000	-
Total other financing sources (uses)	(827,700)	(2,020,023)	(1,192,323)	(2,371,905)
Revenues and other financing sources over (under) expenditures and other financing uses	(640,140)	1,183,485	1,823,625	(192,815)
Appropriated fund balance	640,140	-	(640,140)	-
Net change in fund balance	\$ -	1,183,485	\$ 1,183,485	(192,815)
<b>Fund balance</b>				
Fund balance - beginning		5,738,273		5,931,088
Fund balance - ending		\$ 6,921,758		\$ 5,738,273

## 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, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive Over/(Under)</u>
<b>Revenues</b>			
<b>Non-operating revenues</b>			
Interest income	\$ 5,000	\$ 46,582	\$ 41,582
Total non-operating revenues	<u>5,000</u>	<u>46,582</u>	<u>41,582</u>
<b>Expenditures</b>			
Contingency	825	-	825
Total expenditures	<u>825</u>	<u>-</u>	<u>825</u>
Revenues over (under) expenditures	<u>4,175</u>	<u>46,582</u>	<u>42,407</u>
<b>Other financing sources (uses)</b>			
Transfers from other funds:			
Transfer from General Fund	2,500,000	2,500,000	-
Transfers to other funds:			
Transfer to General Fund	(1,746,650)	(530,135)	1,216,515
Transfer to Capital Projects Fund - Parks and Recreation	(694,000)	(566,535)	127,465
Transfer to Capital Projects Fund - Economic Development	(1,750,000)	(1,750,000)	-
Transfer to Capital Projects Fund - Streets	(54,175)	(54,175)	-
Total other financing sources (uses)	<u>(1,744,825)</u>	<u>(400,845)</u>	<u>1,343,980</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>(1,740,650)</u>	<u>(354,263)</u>	<u>1,386,387</u>
Appropriated fund balance	<u>1,740,650</u>	<u>-</u>	<u>(1,740,650)</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>(354,263)</u>	<u>\$ (354,263)</u>
<b>Fund balance</b>			
Fund balance - beginning		<u>4,085,839</u>	
Fund balance - ending		<u>\$ 3,731,576</u>	

# 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, 2020

		Actual			Variance Over / (Under)
	Project Authorization	Prior Years	Current Year	Total to Date	
<b>Revenues</b>					
Investment earnings	\$ -	\$ 13	\$ 87,343	\$ 87,356	\$ 87,356
Restricted intergovernmental	350,000	-	349,445	349,445	(555)
Total	350,000	13	436,788	436,801	86,801
<b>Expenditures</b>					
<u>Harrisburg Veterans Plaza</u>					
Engineering	45,450	44,031	100	44,131	1,319
Construction	608,550	38,628	566,435	605,063	3,487
Total expenditures	654,000	82,659	566,535	649,194	4,806
<u>Harrisburg Park Redevelopment - Phase I</u>					
Engineering	524,000	242,570	273,338	515,908	8,092
Construction	10,126,000	-	6,747,144	6,747,144	3,378,856
Total expenditures	10,650,000	242,570	7,020,482	7,263,052	3,386,948
<b>Revenues over (under) expenditures</b>	<u>(10,954,000)</u>	<u>(325,216)</u>	<u>(7,150,229)</u>	<u>(7,475,445)</u>	<u>3,478,555</u>
<b>Other financing sources</b>					
Installment financing	10,000,000	-	10,000,000	10,000,000	-
Transfers from other funds:					
General Fund	300,000	242,557	-	242,557	(57,443)
Capital Reserve Fund - General Fund	654,000	82,659	566,535	649,194	(4,806)
Total other financing sources	10,954,000	325,216	10,566,535	10,891,751	(62,249)
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>3,416,306</u>	<u>\$ 3,416,306</u>	<u>\$ 3,416,306</u>
<b>Fund balance</b>					
Fund balance - beginning			-		
Fund balance - ending			<u>\$ 3,416,306</u>		

## Town of Harrisburg, North Carolina

**Combining Balance Sheets**  
**Nonmajor Governmental Funds**  
**June 30, 2020**

	Special Revenue Fund - CARES Act	Capital Projects Fund - Streets	Capital Projects Fund - Public Safety	Capital Projects Fund - Economic Development	Capital Reserve Fund - Parks and Recreation	Capital Reserve Fund - Economic Development	Total Nonmajor Governmental Funds
<b>Assets</b>							
Cash and cash equivalents	\$ -	\$ -	\$ 122,182	\$ 1,749,950	\$ 177,100	\$ 257,337	\$ 2,306,569
Restricted cash and cash equivalents	-	-	393,135	-	-	-	393,135
Due from other governments	27,192	-	814	-	-	-	28,006
Total assets	<u>\$ 27,192</u>	<u>\$ -</u>	<u>\$ 516,131</u>	<u>\$ 1,749,950</u>	<u>\$ 177,100</u>	<u>\$ 257,337</u>	<u>\$ 2,727,710</u>
<b>Liabilities</b>							
Payable from restricted assets:							
Accounts payable and accrued liabilities	\$ -	\$ 4,800	\$ 200	\$ -	\$ -	\$ -	\$ 5,000
Due to other funds	27,192	165,013	-	-	-	-	192,205
Total liabilities	<u>27,192</u>	<u>169,813</u>	<u>200</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>197,205</u>
<b>Fund balance</b>							
Restricted	-	-	393,135	-	-	-	393,135
Committed	-	-	122,796	1,749,950	177,100	257,337	2,307,183
Assigned	-	-	-	-	-	-	-
Unassigned	-	(169,813)	-	-	-	-	(169,813)
Total fund balances	<u>-</u>	<u>(169,813)</u>	<u>515,931</u>	<u>1,749,950</u>	<u>177,100</u>	<u>257,337</u>	<u>2,530,505</u>
Total liabilities and fund balance	<u>\$ 27,192</u>	<u>\$ -</u>	<u>\$ 516,131</u>	<u>\$ 1,749,950</u>	<u>\$ 177,100</u>	<u>\$ 257,337</u>	<u>\$ 2,727,710</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, 2020

	Special Revenue Fund - CARES Act	Capital Projects Fund - Streets	Capital Projects Fund - Public Safety	Capital Projects Fund - Economic Development	Capital Reserve Fund - Parks and Recreation	Capital Reserve Fund - Economic Development	Total Nonmajor Governmental Funds
<b>Revenues</b>							
Investment earnings	\$ -	\$ 3,418	\$ 9,043	\$ -	\$ 2,402	\$ 3,058	\$ 17,921
Restricted intergovernmental	27,192	-	-	-	-	-	27,192
Total revenues	27,192	3,418	9,043	-	2,402	3,058	45,113
<b>Expenditures</b>							
Planning and Economic Development	-	-	-	50	-	-	50
Public safety	-	-	53,594	-	-	-	53,594
Transportation	-	447,699	-	-	-	-	447,699
Total expenditures	-	447,699	53,594	50	-	-	501,343
Revenues over (under) expenditures	27,192	(444,281)	(44,551)	(50)	2,402	3,058	(456,230)
<b>Other financing sources (uses)</b>							
Transfers from other funds	-	54,175	-	1,750,000	20,000	60,000	1,884,175
Transfers to other funds	(27,192)	-	-	-	-	(2,650)	(29,842)
Debt issued	-	-	-	-	-	-	-
Total other financing sources	(27,192)	54,175	-	1,750,000	20,000	57,350	1,854,333
Net change in fund balance	-	(390,106)	(44,551)	1,749,950	22,402	60,408	1,398,103
<b>Fund balance</b>							
Beginning of year - July 1	-	220,293	560,482	-	154,698	196,929	1,132,402
End of year - June 30	\$ -	\$ (169,813)	\$ 515,931	\$ 1,749,950	\$ 177,100	\$ 257,337	\$ 2,530,505

# Town of Harrisburg, North Carolina

## Special Revenue Fund - CARES Act Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual For the Fiscal Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/(Under)</u>
<b>Revenues</b>			
Restricted intergovernmental	\$ 28,000	\$ 27,192	\$ (808)
Total non-operating revenues	<u>28,000</u>	<u>27,192</u>	<u>(808)</u>
<b>Other financing sources (uses)</b>			
Transfers to other funds:			
General Fund	<u>(28,000)</u>	<u>(27,192)</u>	<u>808</u>
Total other financing sources (uses)	<u>(28,000)</u>	<u>(27,192)</u>	<u>808</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
<b>Fund balance</b>			
Fund balance - beginning		<u>-</u>	
Fund balance - ending		<u>\$ -</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, 2020**

		Actual			
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Over / (Under)
<b>Revenues</b>					
Investment earnings	\$ -	\$ 468	\$ 3,418	\$ 3,886	\$ 3,886
<b>Expenditures</b>					
<u>Sidewalk Project</u>					
Engineering	65,000	-	45,859	45,859	19,141
Construction	485,000	-	-	-	485,000
Total expenditures	550,000	-	45,859	45,859	504,141
<u>Street Resurfacing</u>					
Construction	1,000,000	-	360,616	360,616	639,384
Total expenditures	1,000,000	-	360,616	360,616	639,384
<u>Intersection Improvements</u>					
Engineering	455,000	-	41,224	41,224	413,776
Construction	2,269,000	-	-	-	2,269,000
Total expenditures	2,724,000	-	41,224	41,224	2,682,776
<b>Revenues over (under) expenditures</b>	(4,274,000)	468	(444,281)	(443,813)	3,830,187
<b>Other financing sources</b>					
Installment financing	4,000,000	-	-	-	(4,000,000)
Transfers from other funds:					
Capital Reserve Fund - General Fund	274,000	219,825	54,175	274,000	-
Total other financing sources	4,274,000	219,825	54,175	274,000	(4,000,000)
<b>Net change in fund balance</b>	\$ -	\$ 220,293	(390,106)	\$ (169,813)	\$ (169,813)
<b>Fund balance</b>					
Fund balance - beginning			220,293		
Fund balance - ending			\$ (169,813)		

# 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, 2020

		Actual			Variance
	Project Authorization	Prior Years	Current Year	Total to Date	Over / (Under)
Revenues					
Investment earnings	\$ -	\$ 91,085	\$ 9,043	\$ 100,128	\$ 100,128
Other general revenues	-	23,592	-	23,592	23,592
Total	-	114,677	9,043	123,720	123,720
Expenditures					
Fire Station #2					
Engineering	300,000	258,789	9,500	268,289	(31,711)
Construction	5,200,000	4,795,406	42,932	4,838,338	(361,662)
Total expenditures	5,500,000	5,054,195	52,432	5,106,627	(393,373)
Smeal Fire Engine					
Construction	615,000	-	1,162	1,162	(613,838)
Total expenditures	615,000	-	1,162	1,162	(613,838)
Revenues over / (under) expenditures	(6,115,000)	(4,939,518)	(44,551)	(4,984,069)	1,130,931
Other financing sources					
Debt issued	6,115,000	5,500,000	-	5,500,000	(615,000)
Total other financing sources	6,115,000	5,500,000	-	5,500,000	(615,000)
Net change in fund balance	\$ -	\$ 560,482	(44,551)	\$ 515,931	\$ 515,931
Fund balance					
Fund balance - beginning			560,482		
Fund balance - ending			\$ 515,931		

# Town of Harrisburg, North Carolina

## Capital Projects Fund - Economic Development Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual From Inception and for the Fiscal Year Ended June 30, 2020

		Actual			Variance
	Project Authorization	Prior Years	Current Year	Total to Date	Over / (Under)
<b>Expenditures</b>					
<u>Harrisburg Train Station</u>					
Construction	\$ 1,750,000	\$ -	\$ 50	\$ 50	\$ 1,749,950
Total expenditures	<u>1,750,000</u>	<u>-</u>	<u>50</u>	<u>50</u>	<u>1,749,950</u>
<b>Other financing sources</b>					
Transfers from other funds:					
Capital Reserve Fund - General Fund	1,750,000	-	1,750,000	1,750,000	-
Total other financing sources	<u>1,750,000</u>	<u>-</u>	<u>1,750,000</u>	<u>1,750,000</u>	<u>-</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ -</u>	1,749,950	<u>\$ 1,749,950</u>	<u>\$ 1,749,950</u>
<b>Fund balance</b>					
Fund balance - beginning			-		
Fund balance - ending			<u>\$ 1,749,950</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, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive Over/(Under)</u>
<b>Non-operating revenues</b>			
Interest income	\$ -	\$ 2,402	\$ 2,402
Contributions - fee in lieu of	30,000	-	(30,000)
Total non-operating revenues	<u>30,000</u>	<u>2,402</u>	<u>(27,598)</u>
<b>Other financing sources (uses)</b>			
Transfers from other funds:			
General Fund	20,000	20,000	-
Transfers to other funds:			
General Fund	(50,000)	-	50,000
Total other financing sources (uses)	<u>(30,000)</u>	<u>20,000</u>	<u>50,000</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>-</u>	<u>22,402</u>	<u>22,402</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>22,402</u>	<u>\$ 22,402</u>
Fund balance - beginning		<u>154,698</u>	
Fund balance - ending		<u>\$ 177,100</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, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive Over/(Under)</u>
<b>Non-operating revenues</b>			
Interest income	\$ -	\$ 3,058	\$ 3,058
<b>Other financing sources (uses)</b>			
Transfers from other funds:			
General Fund	60,000	60,000	-
Transfers to other funds:			
General Fund	(77,650)	(2,650)	75,000
Total other financing sources (uses)	<u>(17,650)</u>	<u>57,350</u>	<u>75,000</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>(17,650)</u>	<u>60,408</u>	<u>78,058</u>
Appropriated fund balance	<u>17,650</u>	<u>-</u>	<u>(17,650)</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>60,408</u>	<u>\$ 60,408</u>
Fund balance - beginning		<u>196,929</u>	
Fund balance - ending		<u>\$ 257,337</u>	

# Town of Harrisburg, North Carolina

## Water and Sewer Fund Comparative Statements of Net Position June 30, 2020 and 2019

	2020	2019
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 8,760,286	\$ 8,584,432
Accounts receivable (net) - customers	1,261,661	1,240,683
Accounts receivable - other	61,215	37,350
Prepaid expenses	198	9,552
Restricted cash and cash equivalents	2,322,831	280,428
Total current assets	12,406,191	10,152,445
Non-current assets:		
Capital assets, net of depreciation	35,183,633	33,506,375
Total assets	47,589,824	43,658,820
<b>Deferred outflows of resources</b>		
Pension deferrals	369,238	418,959
Total deferred outflows of resources	369,238	418,959
<b>Liabilities</b>		
Current liabilities:		
Accounts payable and accrued liabilities	906,922	508,142
Long-term debt, current portion	1,578,872	1,397,350
Compensated absences	121,863	111,181
Payables due from restricted assets:		
Customer deposits	290,021	280,428
Total current liabilities	2,897,678	2,297,101
Non-current liabilities:		
Long-term debt, non-current portion	13,296,856	11,609,518
Net pension liability	669,075	561,396
Total noncurrent liabilities	13,965,931	12,170,914
Total liabilities	16,863,609	14,468,015
<b>Deferred inflows of resources</b>		
Pension deferrals	50,665	49,393
	50,665	49,393
<b>Net position</b>		
Net investment in capital assets	22,340,715	20,499,507
Unrestricted	8,704,073	9,060,864
Total net position	\$ 31,044,788	\$ 29,560,371



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, 2020**  
**(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2019)**

	2020		Variance	2019
	Budget	Actual	Over/(Under)	Actual
<b>Revenues</b>				
<b>Operating revenues</b>				
Water sales	\$ 4,215,000	\$ 4,270,196	\$ 55,196	\$ 3,773,884
Sewer charges	3,865,000	3,619,709	(245,291)	3,126,739
Permits and fees	179,000	172,217	(6,783)	179,904
Service connection fees	165,000	121,638	(43,362)	117,595
Rental fees	83,100	86,899	3,799	83,603
Credit card fees	42,000	36,638	(5,362)	41,255
Miscellaneous revenues	10,000	30,734	20,734	82,210
Total operating revenues	8,559,100	8,338,031	(221,069)	7,405,190
<b>Non-operating revenues:</b>				
Interest income	140,000	27,797	(112,203)	146,226
Insurance proceeds	-	500	500	2,619
Proceeds from sale of capital assets	10,000	-	(10,000)	3,531
Total non-operating revenues	150,000	28,297	(121,703)	152,376
<b>Total revenues</b>	8,709,100	8,366,328	(342,772)	7,557,566
<b>Expenditures</b>				
<b>Administration and distribution</b>				
Personal services	2,036,250	1,904,044	132,206	1,606,664
Employee relations and education	21,950	12,437	9,513	15,474
Supplies and materials	222,715	206,305	16,410	190,772
Current obligations and services	4,015,800	3,877,452	138,348	4,148,933
Fixed charges and other services	259,692	108,754	150,938	241,904
Administrative cost allocations	311,745	239,626	72,119	-
Contingency	426,965	-	426,965	-
Total administration and distribution	7,295,117	6,348,618	946,499	6,203,747
<b>Debt service</b>				
Principal retirement	1,542,500	1,396,140	146,360	1,378,320
Interest	370,500	306,130	64,370	297,817
Total debt service	1,913,000	1,702,270	210,730	1,676,137
<b>Capital outlay</b>				
Equipment	841,759	664,981	176,778	882,022
Total capital outlay	841,759	664,981	176,778	882,022
Total expenditures	10,049,876	8,715,869	1,334,007	8,761,906
Revenues over (under) expenditures	(1,340,776)	(349,541)	991,235	(1,204,340)

## 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, 2020**  
**(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2019)**

	2020			2019
	Budget	Actual	Variance Positive Over/(Under)	Actual
<b>Other financing sources (uses)</b>				
Transfers from other funds:				
Capital Reserve Fund - Water and Sewer	800,000	664,981	(135,019)	882,022
Capital Reserve Fund - Water and Sewer - Expansion	1,392,500	1,392,500	-	953,585
Transfers to other funds:				
Capital Reserve Fund - Water and Sewer	(2,550,000)	(1,650,000)	900,000	(2,700,000)
Total other financing sources (uses)	<u>(357,500)</u>	<u>407,481</u>	<u>764,981</u>	<u>(864,393)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>(1,698,276)</u>	<u>57,940</u>	<u>1,756,216</u>	<u>(2,068,733)</u>
Appropriated fund balance	<u>1,698,276</u>	<u>-</u>	<u>(1,698,276)</u>	<u>-</u>
<b>Revenues and other sources over expenditures and other uses</b>	<u>\$ -</u>	<u>57,940</u>	<u>\$ 57,940</u>	<u>(2,068,733)</u>
<b>Revenues and other sources over (under) expenditures</b>		<u>57,940</u>		<u>(2,068,733)</u>
<b>Reconciliation of modified accrual basis with accrual basis:</b>				
Reconciling items:				
Payment of debt principal		1,396,140		1,378,320
Capital outlay		664,981		882,022
(Increase) decrease in accrued vacation pay		(10,682)		(1,781)
(Increase) decrease in interest expense accrual		(37,030)		1,217
Depreciation and amortization		(1,621,142)		(1,481,117)
Retirements of assets		-		(135,880)
Contribution of water and sewer lines		-		1,856,425
Increase (decrease) in deferred outflows of resources - pensions		(49,721)		158,743
(Increase) decrease in net pension liability		(107,679)		(198,164)
(Increase) decrease in deferred inflows of resources - pensions		(1,272)		(3,136)
System Development Charges collected in Capital Reserve Fund - Water and Sewer - Expansion		1,475,680		1,253,585
Transfer from:				
Capital Reserve Fund - Water and Sewer		(664,981)		(882,022)
Capital Reserve Fund - Water and Sewer - Expansion		(1,392,500)		(953,585)
Capital Reserve Fund - Water and Sewer		1,650,000		2,700,000
Interest earned in:				
Capital Reserve Fund - Water and Sewer		84,298		8,039
Capital Projects Fund - Water and Sewer		35,083		203
Capital Reserve Fund - Water and Sewer - Expansion		5,302		163
Revenue earned in Capital Projects Fund - Water and Sewer		-		2,360
		<u>1,426,477</u>		<u>4,585,392</u>
Change in net position (Exhibit G)		<u>\$ 1,484,417</u>		<u>\$ 2,516,659</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, 2020

		Actual			Variance
	Project Authorization	Prior Years	Current Year	Total to Date	Over / (Under)
Revenues					
Investment earnings	\$ -	\$ 203	\$ 35,083	\$ 35,286	\$ 35,286
Other	-	2,360	-	2,360	2,360
Total	-	2,563	35,083	37,646	37,646
Expenditures					
2018-19 Waterline Replacements					
Engineering	116,000	29,339	6,799	36,138	79,862
Construction	1,174,000	521,455	278,715	800,170	373,830
Total expenditures	1,290,000	550,794	285,514	836,308	453,692
2019-20 Waterline Replacements					
Engineering	250,000	75,215	24,276	99,491	150,509
Construction	1,035,000	-	224,067	224,067	810,933
Total expenditures	1,285,000	75,215	248,343	323,558	961,442
FY2020 Annual Sanitary Sewer Rehab					
Engineering	205,000	-	234	234	204,766
Construction	545,000	-	343,165	343,165	201,835
Total expenditures	750,000	-	343,399	343,399	406,601
2020-21 Waterline Replacements					
Engineering	90,000	-	57,989	57,989	32,011
Construction	1,150,000	-	-	-	1,150,000
Total expenditures	1,240,000	-	57,989	57,989	1,182,011
Elevated Water Storage Tank					
Engineering	655,000	75,842	242,372	318,214	336,786
Construction	2,910,000	-	1,253,564	1,253,564	1,656,436
Total expenditures	3,565,000	75,842	1,495,936	1,571,778	1,993,222

## Town of Harrisburg, North Carolina

**Capital Projects Fund - Water and Sewer**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non-GAAP) (continued)**  
**From Inception and for the Fiscal Year Ended June 30, 2020**

		Actual			Variance
	Project Authorization	Prior Years	Current Year	Total to Date	Over / (Under)
Expenditures (continued)					
Morehead West Sewer - Phase 1					
Engineering	490,000	-	138,240	138,240	351,760
Construction	2,450,000	-	-	-	2,450,000
Total expenditures	2,940,000	-	138,240	138,240	2,801,760
Britley #2 Pump Station Decommissioning					
Engineering	125,000	-	24,259	24,259	100,741
Construction	861,000	-	-	-	861,000
Total expenditures	986,000	-	24,259	24,259	961,741
Frances Haven/Farmington Pump Station Decommissioning					
Engineering	92,000	-	39,739	39,739	52,261
Construction	600,000	-	-	-	600,000
Total expenditures	692,000	-	39,739	39,739	652,261
Revenues over (under) expenditures	(12,748,000)	(699,288)	(2,598,336)	(3,297,624)	9,450,376
Other financing sources					
Installment financing	8,735,000	-	3,265,000	3,265,000	(5,470,000)
Transfers from other funds:					
Capital Reserve Fund - Water and Sewer	4,013,000	1,274,804	453,605	1,728,409	(2,284,591)
Total other financing sources	12,748,000	1,274,804	3,718,605	4,993,409	(7,754,591)
Revenues and other financing					
sources over (under) expenditures					
and other financing uses	\$ -	\$ 575,516	\$ 1,120,269	\$ 1,695,785	\$ 1,695,785

# 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, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/(Under)</u>
<b>Revenues</b>			
<b>Non-operating revenues</b>			
Interest income	\$ -	\$ 84,298	\$ 84,298
<b>Other financing sources (uses)</b>			
Transfers from other funds:			
Water and Sewer Fund	2,550,000	1,650,000	(900,000)
Transfers to other funds:			
Water and Sewer Fund	(800,000)	(664,981)	135,019
Capital Projects Fund - Water and Sewer	<u>(2,002,000)</u>	<u>(453,605)</u>	<u>1,548,395</u>
Total other financing sources (uses)	<u>(252,000)</u>	<u>531,414</u>	<u>783,414</u>
Revenues and other financing sources over (under)			
expenditures and other financing uses	<u>(252,000)</u>	<u>615,712</u>	<u>867,712</u>
Appropriated fund balance	<u>252,000</u>	<u>-</u>	<u>(252,000)</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>615,712</u>	<u>\$ 615,712</u>
Fund Balance - beginning		<u>6,628,318</u>	
Fund Balance - ending		<u>\$ 7,244,030</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, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/(Under)</u>
<b>Revenues</b>			
<b>Operating revenues</b>			
Fees - water system development charges	\$ 885,000	\$ 918,305	\$ 33,305
Fees - sewer system development charges	612,500	557,375	(55,125)
Total operating revenues	<u>1,497,500</u>	<u>1,475,680</u>	<u>(21,820)</u>
<b>Non-operating revenues</b>			
Interest income	<u>-</u>	<u>5,302</u>	<u>5,302</u>
<b>Total revenues</b>	<u>1,497,500</u>	<u>1,480,982</u>	<u>(16,518)</u>
<b>Expenditures</b>			
Contingency	<u>105,000</u>	<u>-</u>	<u>105,000</u>
Revenues over (under) expenditures	<u>1,392,500</u>	<u>1,480,982</u>	<u>88,482</u>
<b>Other financing sources (uses)</b>			
Transfers to other funds:			
Water and Sewer Fund	<u>(1,392,500)</u>	<u>(1,392,500)</u>	<u>-</u>
Total other financing sources (uses)	<u>(1,392,500)</u>	<u>(1,392,500)</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>-</u>	<u>88,482</u>	<u>88,482</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>88,482</u>	<u>\$ 88,482</u>
Fund Balance - beginning		<u>300,163</u>	
Fund Balance - ending		<u>\$ 388,645</u>	

# Town of Harrisburg, North Carolina

## Storm Water Fund Comparative Statements of Net Position June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 2,191,590	\$ 1,951,797
Accounts receivable (net) - customers	94,651	87,594
Accounts receivable - other	2,057	436
Restricted cash and cash equivalents	933	18,433
Total current assets	<u>2,289,231</u>	<u>2,058,260</u>
Non-current assets:		
Capital assets, net of depreciation	<u>1,307,706</u>	<u>996,591</u>
Total assets	<u>3,596,937</u>	<u>3,054,851</u>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable and accrued liabilities	<u>6,472</u>	<u>11,820</u>
Total liabilities	<u>6,472</u>	<u>11,820</u>
<b>Net position</b>		
Net investment in capital assets	1,307,706	996,591
Restricted	933	18,433
Unrestricted	<u>2,281,826</u>	<u>2,028,007</u>
Total net position	<u>\$ 3,590,465</u>	<u>\$ 3,043,031</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, 2020

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

	2020			2019
	Budget	Actual	Variance Positive Over/(Under)	Actual
<b>Revenues</b>				
<b>Operating revenues</b>				
Storm water services	\$ 636,000	\$ 650,577	\$ 14,577	\$ 614,524
Storm water plan review fees	10,000	7,700	(2,300)	-
Street sweeping	2,000	-	(2,000)	-
Contribution - fee in lieu of	80,000	-	(80,000)	18,433
Total operating revenues	<u>728,000</u>	<u>658,277</u>	<u>(69,723)</u>	<u>632,957</u>
<b>Non-operating revenues</b>				
Interest income	13,800	13,974	174	15,481
<b>Total revenues</b>	<u>741,800</u>	<u>672,251</u>	<u>(69,549)</u>	<u>648,438</u>
<b>Expenditures</b>				
<b>Administration</b>				
Personal services	201,000	177,000	24,000	172,550
Employee relations and education	4,600	132	4,468	741
Supplies and materials	8,150	1,995	6,155	1,223
Current obligations and services	62,950	53,369	9,581	16,624
Fixed charges and other services	189,342	115,069	74,273	36,762
Administrative cost allocations	33,070	25,465	7,605	-
Contingency	26,880	-	26,880	-
Total administration	<u>525,992</u>	<u>373,030</u>	<u>152,962</u>	<u>227,900</u>
Revenues over expenditures	<u>215,808</u>	<u>299,221</u>	<u>83,413</u>	<u>420,538</u>
<b>Other financing sources (uses)</b>				
Transfers to other funds:				
Capital Projects Fund - Storm Water	<u>(270,000)</u>	<u>(67,500)</u>	<u>202,500</u>	<u>(264,751)</u>
Total other financing sources (uses)	<u>(270,000)</u>	<u>(67,500)</u>	<u>202,500</u>	<u>(264,751)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>(54,192)</u>	<u>231,721</u>	<u>285,913</u>	<u>155,787</u>
Appropriated fund balance	<u>54,192</u>	<u>-</u>	<u>(54,192)</u>	<u>-</u>
<b>Revenues and other sources over (under) expenditures</b>	<u>\$ -</u>	<u>231,721</u>	<u>\$ 231,721</u>	<u>155,787</u>
<b>Reconciling items:</b>				
Transfer to Capital Projects Fund - Storm Water		67,500		264,751
Contributed Storm Water infrastructure		294,800		178,800
Interest earned in Capital Projects Fund - Storm Water		12,876		1,201
Depreciation and amortization		<u>(59,463)</u>		<u>(57,777)</u>
		<u>315,713</u>		<u>386,975</u>
Change in net position (Exhibit G)		<u>\$ 547,434</u>		<u>\$ 542,762</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, 2020

		Actual			
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Over / (Under)
<b>Revenues</b>					
Investment earnings	\$ -	\$ 1,201	\$ 12,876	\$ 14,077	\$ 14,077
<b>Expenditures</b>					
<u>System A - Phase II</u>					
Engineering	70,000	3,797	58,278	62,075	7,925
Construction	880,000	-	-	-	880,000
Total expenditures	950,000	3,797	58,278	62,075	887,925
<u>Regional Detention Pond</u>					
Engineering	50,000	-	17,500	17,500	32,500
Construction	250,000	-	-	-	250,000
Total expenditures	300,000	-	17,500	17,500	282,500
<b>Revenues over (under) expenditures</b>	(1,250,000)	(2,596)	(62,902)	(65,498)	902,002
<b>Other financing sources</b>					
Transfers from other funds:					
Storm Water Fund	1,250,000	900,000	67,500	967,500	(282,500)
Total other financing sources	1,250,000	900,000	67,500	967,500	(282,500)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 897,404	\$ 4,598	\$ 902,002	\$ 619,502

# Town of Harrisburg, North Carolina

## Schedule of Ad Valorem Taxes Receivable June 30, 2020

Fiscal Year	Uncollected Balance June 30, 2019	Additions	Collections and Credits	Uncollected Balance June 30, 2020
2009-2010	\$ 617	\$ -	\$ 617	\$ -
2010-2011	820	-	45	775
2011-2012	1,786	-	-	1,786
2012-2013	1,832	-	-	1,832
2013-2014	1,014	-	6	1,008
2014-2015	1,894	-	124	1,770
2015-2016	1,873	-	436	1,437
2016-2017	1,164	-	223	941
2017-2018	4,234	-	1,103	3,131
2018-2019	26,994	-	17,377	9,617
2019-2020	<u>-</u>	<u>8,340,307</u>	<u>8,292,762</u>	<u>47,545</u>
Total	<u>\$ 42,228</u>	<u>\$ 8,340,307</u>	<u>\$ 8,312,693</u>	69,842
Less allowance for uncollectible ad valorem taxes receivable				<u>(3,659)</u>
Ad valorem taxes receivable - net				<u>\$ 66,183</u>
<b>Reconciliation with revenues</b>				
Taxes - ad valorem - General Fund (Exhibit D)				\$ 8,303,141
Less penalties and interest collected				(13,019)
Net releases and discounts allowed				<u>22,571</u>
Total collections and credits				<u>\$ 8,312,693</u>

# Town of Harrisburg, North Carolina

## Analysis of Current Tax Levy Town-Wide Levy June 30, 2020

	Town-Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current rate	\$ 2,337,521,972	\$ 0.355	\$ 8,298,203	\$ 7,530,218	\$ 767,985
Discoveries - current and prior years	8,274,648		47,980	47,884	96
Releases	(1,655,211)		(5,876)	(5,876)	-
Total property valuation	<u>\$ 2,344,141,409</u>				
<b>Net levy</b>			8,340,307	7,572,226	768,081
Unpaid (by taxpayer) taxes at June 30, 2020			(47,545)	(47,545)	-
<b>Current year's taxes collected</b>			<u>\$ 8,292,762</u>	<u>\$ 7,524,681</u>	<u>\$ 768,081</u>
<b>Current levy collection percentage</b>			<u>99.43%</u>	<u>99.37%</u>	<u>100.00%</u>

TOWN OF HARRISBURG, NORTH CAROLINA

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## 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, 2020, 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 29, 2020.

**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 29, 2020

**Independent Auditor's Report on Compliance for Each Major State Program;  
Report on Internal Control over Compliance; in Accordance with  
OMB Uniform Guidance; and the State Single Audit Implementation Act**

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

**Report on Compliance for Each Major State Program**

We have audited the Town of Harrisburg, North Carolina's (the "Town") compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Town's major state programs for the year ended June 30, 2020. The Town's major state programs are identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Town's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, the Uniform Guidance and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

**Opinion on Each Major State Program**

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2020.



## Report on Internal Control over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report 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 29, 2020

# Town of Harrisburg, North Carolina

## Schedule of Findings and Questioned Costs

For the year ended June 30, 2020

### 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

#### State Awards

Internal control over major programs:

Material weakness(es) identified?

\_\_\_ Yes X No

Significant deficiency(ies) identified?

\_\_\_ Yes X None reported

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act:

\_\_\_ Yes X No

Identification of major state programs:

N.C. Parks and Recreation Trust Fund Project Grant

### II. FINANCIAL STATEMENT FINDINGS

No matters were reported

### III. STATE AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported

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**Town of Harrisburg, North Carolina**

***Summary Schedule of Prior Audit Findings***

***For the year ended June 30, 2020***

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**No matters were reported.**

# Town of Harrisburg, North Carolina

## Schedule of Expenditures of Federal and State Awards Year Ended June 30, 2020

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Provided to Subrecipients
<b>Federal awards:</b>					
<u>U.S. Department of Treasury</u>					
Passed-through the Office of State Budget and Management:					
NC Pandemic Recovery Office					
Coronavirus Relief Fund (Note 4)	21.019		\$ 27,192	\$ -	\$ -
Total assistance - federal programs			<u>27,192</u>	<u>-</u>	<u>-</u>
<b>State awards:</b>					
<u>N.C. Department of Transportation:</u>					
Powell Bill		38570	-	434,559	-
<u>N.C. Department of Natural and Cultural Resources:</u>					
N.C. Parks and Recreation Trust Fund Project Grant		2020-910	-	349,445	-
Total assistance - State programs			<u>-</u>	<u>784,004</u>	<u>-</u>
Total assistance			<u>\$ 27,192</u>	<u>\$ 784,004</u>	<u>\$ -</u>

Notes to the Schedule of Expenditures of Federal and State Financial Awards:

**Note 1: Basis of Presentation**

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of the Town of Harrisburg under the programs of the federal government and the State of North Carolina for the year ended June 30, 2020. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the Town of Harrisburg, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Harrisburg.

**Note 2: Summary of Significant Accounting Policies**

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Note 3: Indirect Cost Rate**

The Town of Harrisburg has elected not to use the 10-percent de minimis indirect cost rate as allowed under The Uniform Guidance.

**Note 4: Coronavirus Relief Funds**

The Town of Harrisburg received \$27,192 of funding from the Coronavirus Relief Fund (21.019) from Cabarrus County. The Town of Harrisburg has a plan to spend these funds approved by OSBM. According to the Office of State Budget and Management, the State's pass-through agency, municipalities are considered subrecipients of the Counties. However, under the state statute, municipalities are not liable to the County for any misused or misspent funds. CRF must be spent during the period March 1, 2020 to December 30, 2020.