



HARRISBURG, OREGON

Audit Report

June 30, 2012

STEVE TUCHSCHERER
Certified Public Accountant
A Professional Corporation

CITY OF HARRISBURG

120 Smith Street
P.O. Box 378
Harrisburg, Oregon 97446
(541) 995-6655

CITY OFFICIALS

ROBERT DUNCAN	Mayor
P.O. Box 224, Harrisburg, Oregon 97446	
BEVERLY ROBERTS	Council President
775 North 8 th Street, Harrisburg, Oregon 97446	
ROGER RAVEN	Council Member
905 Priceboro Road, Harrisburg, Oregon 97446	
KIM DOWNEY	Council Member
P.O. Box 651, Harrisburg, Oregon 97446	
DON SHIPLEY	Council Member
P.O. Box 185, Harrisburg, Oregon 97446	
MATT RIOPELLE	Council Member
345 South 9 th Street, Harrisburg, Oregon 97446	
ROBERT BOESE	Council Member
460 North 7 th Street, Harrisburg, Oregon 97446	

CITY ADMINISTRATION

BRUCE CLEETON	City Administrator
P.O. Box 378, Harrisburg, OR 97446	
TIM GAINES	Financial Officer
P.O. Box 378, Harrisburg, OR 97446	

CITY OF HARRISBURG

AUDIT REPORT

JUNE 30, 2012

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STEVE TUCHSCHERER

Certified Public Accountant



INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
City of Harrisburg, Oregon

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Harrisburg, Oregon, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Harrisburg, Oregon's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Harrisburg, Oregon, as of June 30, 2012, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated December 28, 2012, on my consideration of the City of Harrisburg, Oregon's internal control over financial reporting and on my 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 my 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* and important for assessing the results of my audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 2 through 8 and 34 through 37 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. I have applied certain limited procedures to the management's discussion and analysis in accordance with auditing standards generally accepted in the United States of America, which consisted principally of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Harrisburg, Oregon's financial statements as a whole. The combining and individual non-major and major fund financial statements and additional supporting schedules included in the Other Supplementary Information section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major and major fund financial statements 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. The combining and individual non-major and major fund financial statements, and additional supporting schedules included in the Other Supplementary Information section have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole.

Steve Tuchscherer, CPA
December 28, 2012

MANAGEMENT'S

DISCUSSION

AND ANALYSIS

CITY OF HARRISBURG
Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2012
Unaudited

The management discussion and analysis of the City of Harrisburg, Oregon (the City) financial performance provides an overview of the City's financial activities for the fiscal year that ended June 30, 2012. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers should also review the basic financial statements and notes to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for the fiscal year ended June 30, 2012 are as follows:

- The City's net assets increased by \$978,095 which represents a 7.23 percent increase over the previous year, this amount includes a \$411,573 prior period adjustment due to adjustments to capital assets for prior years.
- Total revenue for the City was \$3,376,320. That is a 24.04 percent increase over the previous year. General revenues accounted for \$1,481,785 of revenue, or 43.89 percent of all revenues. Program specific revenues in the form of charges for services accounted for \$1,461,138 or 43.28 percent of total revenues. Operating grants received total \$37,397 or 1.11 percent of total revenues and capital grants and contributions received total \$396,000.
- The City had \$2,809,800 in program expenses. Of the program expenses, \$555,168 was for providing water service and \$721,450 was for providing sewer service.
- The City's long-term liabilities decreased \$134,596, a 3.67 percent decrease from the previous year.
- Among the governmental funds, the General Fund had \$1,013,752 in revenues, which primarily consisted of property taxes and franchise fees. The Community & Economic Development Fund had \$10,243 in revenues, which primarily consisted of user fees and donations. The System Development Reserve Fund had \$199,885 in revenues, which primarily consisted of development assessments. The Harrisburg Redevelopment Agency Fund had \$247,716 in revenues, which primarily consisted of property taxes.
- Among proprietary funds, the Water Fund had \$523,324 in revenues, which primarily consisted of user fees. The Sewer Fund had \$580,215 in revenues, which primarily consisted of user fees. Actual amounts available for appropriations in the Water Fund were \$13,971 more than budgeted, while expenditures of \$446,797 resulted in an increase in the Water Fund balance of 46,267.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis introduces the City's basic financial statements. The basic financial statements include: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also includes additional supplementary information to supplement the basic financial statements.

Government-wide Financial Statements

The first of the government-wide statements is the *Statement of Net Assets*. This is the City-wide statement of position presenting information that includes all of the City's assets and liabilities. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City as a whole is improving or deteriorating. Evaluation of the overall economic health of the City would extend to other non-financial factors such as the condition of buildings, and water and sewer systems facilities.

CITY OF HARRISBURG
Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2012
Unaudited

The second government-wide statement is the *Statement of Activities* which reports how the City's net assets changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the *Statement of Activities* is to show the financial reliance of the City's distinct activities or functions of the City that are principally supported by user fee revenues, intergovernmental revenues from grants, and property tax revenues. The governmental activities of the City include general government activities, street construction and maintenance, police services, and providing resources for library, culture and recreation. The proprietary activities of the City include water and sewer utilities.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, Fund Financial Statements focus on the City's most significant funds rather than the City as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for non-major funds is provided in the form of combining and individual fund statements in a later section of this report. The City reports two types of funds:

Governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. Unlike the government-wide financial statements, these statements report short-term fiscal accountability focusing on use of spendable resources during the year and balances of spendable resources available at the end of the fiscal year.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to government-wide statements to assist in understanding the differences between these two perspectives.

Budgetary comparison statements are included in the basic financial statements for the General Fund, the Community and Economic Development Fund, the System Development Reserve Fund, and the Harrisburg Redevelopment Agency Fund. Budgetary comparison schedules for the other governmental funds can be found in a later section of this report. These statements and schedules demonstrate compliance with the City's adopted and final revised budget.

Proprietary funds are used to report the functions presented as business-type activities in the government-wide financial statements, only in more detail. The City maintains one type of proprietary fund - enterprise funds. The City uses enterprise funds to account for water and sewer operations. The proprietary fund financial statements provide separate information for the Water Fund and Sewer Fund. Included in the Water Fund for the Proprietary Statements on pages 15, 16, and 17 is the Water System Reserve Fund. Included in the Sewer Fund is the Sewer System Reserve Fund. These statements and schedules demonstrate compliance with the City's adopted and final revised budget.

Notes to the Financial Statements

The accompanying notes to the basic financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the basic financial statements begin immediately following the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents as required supplementary information budgetary comparison statements for the General Fund, the Community and Economic Development Fund, the System Development Reserve Fund, and the Harrisburg Redevelopment Agency Fund. The required supplementary information immediately follows the notes to the financial statements. Other supplementary

CITY OF HARRISBURG
Management's Discussion and Analysis (MD&A)
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information includes combining statements, individual fund statements and schedules, and other schedules. These statements and schedules immediately follow the required supplementary information in this report.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Recall that the Statement of Net Assets provides the perspective of the City as a whole. Net assets may serve over time as a useful indicator of a government's financial position.

- The City's net assets at fiscal year-end are \$14,499,293 this is an increase of \$978,095 or 7.23%, this increase includes a \$411,573 prior period adjustment due to adjustments to capital assets for prior years.

A significant portion of the City's net assets (69.87 percent) reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, improvements other than buildings, vehicles, and machinery and equipment); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending.

Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The City's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

The following table provides a summary of the City's net assets for the current and prior year.

Summary of Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Assets						
Current and Other Assets	\$ 3,541,125	\$ 3,207,692	\$ 1,090,615	\$ 1,038,822	\$ 4,631,740	\$ 4,246,514
Capital Assets	<u>4,517,478</u>	<u>4,439,417</u>	<u>9,289,968</u>	<u>8,922,538</u>	<u>13,807,446</u>	<u>13,361,955</u>
Total Assets	<u>8,058,603</u>	<u>7,647,109</u>	<u>10,380,583</u>	<u>9,961,360</u>	<u>18,439,186</u>	<u>17,608,469</u>
Liabilities						
Current Liabilities	236,975	254,572	172,900	168,083	409,875	422,655
Long-Term Liabilities	<u>1,295,449</u>	<u>1,398,372</u>	<u>2,234,570</u>	<u>2,266,243</u>	<u>3,530,019</u>	<u>3,664,615</u>
Total Liabilities	<u>1,532,424</u>	<u>1,652,944</u>	<u>2,407,470</u>	<u>2,434,326</u>	<u>3,939,894</u>	<u>4,087,270</u>
Net Assets						
Invested in Capital Assets						
Net of Debt	3,107,199	2,913,595	7,023,726	6,625,877	10,130,925	9,539,472
Restricted	1,531,861	91,278	450,631	439,590	1,982,492	530,868
Unrestricted	<u>1,887,119</u>	<u>2,989,292</u>	<u>498,756</u>	<u>461,565</u>	<u>2,385,875</u>	<u>3,450,857</u>
Total Net Assets	<u>\$ 6,526,180</u>	<u>\$ 5,994,165</u>	<u>\$ 7,973,113</u>	<u>\$ 7,527,032</u>	<u>\$ 14,499,293</u>	<u>\$ 13,521,197</u>

CITY OF HARRISBURG
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Changes in net assets - The City's total revenues for the fiscal year ended June 30, 2012 were \$3,376,320. The total cost of all programs and services was \$2,809,800. The following table shows a comparative analysis of government-wide revenues, expenses and changes in net assets.

Summary of Changes in Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2011-12</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2010-11</u>
Revenues						
Program Revenues						
Charges for Services	\$ 359,160	\$ 167,824	\$ 1,101,978	\$ 1,020,308	\$1,461,138	\$1,188,132
Operating Grants and Contributions	37,397	45,140	-	-	37,397	45,140
Capital Grants and Contributions	<u>146,520</u>	<u>-</u>	<u>249,480</u>	<u>-</u>	<u>396,000</u>	<u>-</u>
Total Program Revenues	543,077	212,964	1,351,458	1,020,308	1,894,535	1,233,272
General Revenues						
Local Sources						
Property Taxes, Franchise Fees, & Public Service Taxes	1,469,256	1,476,588	-	-	1,469,256	1,476,588
Interest & Investment Earnings	9,688	7,093	2,841	2,388	12,529	9,481
Other Revenues	<u>-</u>	<u>2,585</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,585</u>
Total General Revenues	<u>1,478,944</u>	<u>1,486,266</u>	<u>2,841</u>	<u>2,388</u>	<u>1,481,785</u>	<u>1,488,654</u>
Total Revenues	<u>2,022,021</u>	<u>1,699,230</u>	<u>1,354,299</u>	<u>1,022,696</u>	<u>3,376,320</u>	<u>2,721,926</u>
Program Expenses						
General Government	879,334	883,922	-	-	879,334	883,922
Public Safety	243,204	232,247	-	-	243,204	232,247
Public Works	171,512	8,636	-	-	171,512	8,636
Culture and Recreation	68,509	63,131	-	-	68,509	63,131
Interest on Long-Term Debt	76,579	81,121	94,044	95,031	170,623	176,152
Utility Services						
Water Utilities	-	-	555,168	524,786	555,168	524,786
Sewer Utilities	<u>-</u>	<u>-</u>	<u>721,450</u>	<u>722,808</u>	<u>721,450</u>	<u>722,808</u>
Total Program Expenses	<u>1,439,138</u>	<u>1,269,057</u>	<u>1,370,662</u>	<u>1,342,625</u>	<u>2,809,800</u>	<u>2,611,682</u>
Transfers	21,000	27,000	(21,000)	(27,000)	-	-
Special Items	<u>(71,869)</u>	<u>(97,002)</u>	<u>71,869</u>	<u>92,760</u>	<u>-</u>	<u>(4,242)</u>
Change in Net Assets	<u>\$ 532,014</u>	<u>\$ 360,171</u>	<u>\$ 34,506</u>	<u>\$ (254,169)</u>	<u>\$ 566,520</u>	<u>\$ 106,002</u>

The Statement of Activities shows the cost of program services and the charges for services, grants, and contributions offsetting those services. The following table shows, for governmental activity, the total cost of the four major functional activities of the City. The table also shows each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions.

CITY OF HARRISBURG
Management's Discussion and Analysis (MD&A)
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Governmental Activities

	<u>Total Cost of Services</u>		<u>Net (Cost) Profit of Services</u>	
	<u>2011-12</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2010-11</u>
General Government	\$ 879,334	\$ 883,922	\$ (824,296)	\$ (821,821)
Public Safety	243,204	232,247	(214,035)	(200,006)
Public Works	171,512	8,636	244,596	55,088
Culture and Recreation	68,509	63,131	(25,747)	(8,233)
Interest Expense	76,579	81,121	(76,579)	(81,121)
Total Program Expenses	<u>\$1,439,138</u>	<u>\$1,269,057</u>	<u>\$ (896,061)</u>	<u>\$ (1,056,093)</u>

The dependence on general revenues for general government activities is apparent. For 2011-12, 62.26 percent of general government activities are supported through general revenues

Business-Type Activities

	<u>Total Cost of Services</u>		<u>Net (Cost) Profit of Services</u>	
	<u>2011-12</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2010-11</u>
Utility Services	\$1,276,618	\$1,247,594	\$ 74,840	\$ (227,286)
Interest on Long-Term Debt	94,044	95,031	(94,044)	(95,031)
Total Program Expenses	<u>\$1,370,662</u>	<u>\$1,342,625</u>	<u>\$ (19,204)</u>	<u>\$ (322,317)</u>

Business type activities increased the City's net assets by approximately \$34,506. Of the business-type activities, the Water and Sewer funds accounted for approximately 47.44% and 52.56% of revenues, respectively.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's governmental funds is to provide information on short-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

Governmental Funds

As the City completed the year, its governmental funds reported a combined fund balance of \$3,248,847, an increase of \$375,457. The fund balance constitutes restricted, committed, and unassigned amounts. Of the current fund balances, \$1,432,085 is restricted for public works projects, \$99,776 is restricted for debt service, \$1,165,186 is committed for various programs and \$551,800 is unassigned and available for spending at the City's discretion.

The General Fund is the principal operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$551,800, an increase of \$10,906.

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Proprietary Funds

The City's enterprise funds reported unrestricted net assets of \$498,756, an increase of \$37,191. The enterprise funds also report \$116,161 in restricted net assets for debt service, \$334,470 in restricted net assets for public works projects, and \$7,023,726 in net assets invested in capital assets, net of related debt.

Budgetary Highlights

General Fund resources were budgeted and anticipated to be collected in the amount of \$1,514,800 during the fiscal year. Actual resources from revenues of \$1,554,646 were available, \$198,048 less than budgeted. General Fund expenditures budget was under-spent by \$511,954. The ending fund balance was greater than what was budgeted by \$551,800 and greater than the prior year by \$10,906.

The Water Fund balance increased during the fiscal year, while the Sewer Fund balance decreased. Both funds remained within the expenditure budgets in all appropriation areas. The Water Fund's actual resources from revenues were less than budgeted by \$6,586 primarily as a result of miscellaneous revenue being less than budgeted. The Sewer Fund's actual resources were less than budgeted by \$6,135.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2012, the City had invested, before net reduction for accumulated depreciation, \$20,801,990 in capital assets, including buildings, land, vehicles, water and sewer utility systems, and other equipment. This amount represents an increase of \$591,509 over the prior year, which includes \$311,759 of additions to the utility plants for the water and sewer systems and an addition of \$228,742 to infrastructure for governmental activities. \$396,000 of the additions was contributed capital related to development projects within the City.

Total depreciation expense for the year was \$557,589; of which \$182,053 is associated with general government activities, \$116,239 from water utilities, and \$259,297 from sewer utilities. Additional information on the City's capital assets can be found in Note 3 of the Notes to the Basic Financial Statements section of this report.

Long-Term Debt

At June 30, 2012 the City had total long-term debt outstanding of \$3,676,521. The long-term debt obligations include a General Obligation Bond for water system improvements, a Revenue Bond for sewer system improvements, and three general loans. Existing debt was reduced by \$145,961. Interest paid on the debt amounted to \$173,779. Additional information on the City's long-term debt can be found in Note 4 of the Notes to the Basic Financial Statements.

CITY OF HARRISBURG
Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2012
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ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Many factors were considered by the City's officials during the process of developing the fiscal year 2012-2013 budget. The City's budget for the fiscal year ending June 30, 2013 is fairly consistent with the current fiscal year. The City considered the current economic environment, no increase in the current property tax rate, limited growth in revenues, and expected inflationary increases in expenditures when establishing the budget.

Amounts available for appropriation in the General Fund are \$1,643,700 for the fiscal year 2012-13, an increase of \$128,900 or 8.5 percent. No new programs were added to the 2012-2013 budget.

The City is budgeting a \$24,226 or 3.66 percent increase in Water Fund revenues. The City is budgeting a \$11,910 or 1.6 percent increase in Sewer Fund Revenue.

With the exceptions noted above, operating costs of both governmental activities and business-type activities are expected to be similar to those of the 2011-12 period.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the resources it receives.

If you have any questions about this report or need additional information, contact the City of Harrisburg at (541) 995-6655. The office is located inside City Hall at 120 Smith Street, Harrisburg, Oregon 97446.

BASIC FINANCIAL
STATEMENTS

Government -Wide

Financial Statements

CITY OF HARRISBURG
STATEMENT OF NET ASSETS

June 30, 2012

	Governmental Activities	Business-Type Activities	Total
<u>ASSETS:</u>			
Current Assets:			
Cash and Investments	\$ 3,088,213	\$ 814,292	\$ 3,902,505
Receivables	306,571	107,937	414,508
Inventory	-	44,842	44,842
Deposits	146,341	-	146,341
Total Current Assets	3,541,125	967,071	4,508,196
Restricted Assets:			
Sinking Funds for Debt Service	-	116,161	116,161
Advances to Other Funds	-	7,383	7,383
Total Restricted Assets	-	123,544	123,544
Capital Assets:			
Land	582,361	533,872	1,116,233
Capital Assets, Net of Depreciation	3,935,117	8,756,096	12,691,213
Total Capital Assets, Net of Depreciation	4,517,478	9,289,968	13,807,446
Total Assets	\$ 8,058,603	\$ 10,380,583	\$ 18,439,186
<u>LIABILITIES:</u>			
Current Liabilities:			
Accounts Payable	\$ 36,794	\$ 10,066	\$ 46,860
Accrued Compensated Absences	29,326	29,204	58,530
Advances from Other Funds	7,382	-	7,382
Interest Payable	45,471	70,944	116,415
Deposits	3,173	31,014	34,187
Current Portion of Long-Term Liabilities:			
Notes Payable	85,710	-	85,710
Bonds Payable	17,213	31,672	48,885
Total Current Liabilities	225,068	172,900	397,968
Long-Term Liabilities:			
Noncurrent Portion of Long-Term Liabilities:			
Notes Payable	295,448	-	295,448
Bonds Payable	1,011,908	2,234,570	3,246,478
Total Long-Term Liabilities	1,307,356	2,234,570	3,541,926
Total Liabilities	\$ 1,532,424	\$ 2,407,470	\$ 3,939,894
<u>NET ASSETS:</u>			
Invested in capital assets, net of related debt	\$ 3,107,199	\$ 7,023,726	\$ 10,130,925
Restricted for:			
Debt Service	99,776	116,161	215,937
Public Works	1,611,678	334,470	1,946,148
Unrestricted	1,707,526	498,756	2,206,282
Total Net Assets	\$ 6,526,180	\$ 7,973,113	\$ 14,499,293

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

CITY OF HARRISBURG

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2012

	(Expenses)	Program Revenues			Net (Expense) Revenue and Change in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<u>GOVERNMENTAL ACTIVITIES:</u>					
General Government	\$ 879,334	\$ 55,038	\$ -	\$ -	\$ (824,296)
Public Safety	243,204	29,169	-	-	(214,035)
Public Works	171,512	269,588	-	146,520	244,596
Culture and Recreation	68,509	5,365	37,397	-	(25,747)
Interest Expense	76,579	-	-	-	(76,579)
Total Governmental Activities	\$ 1,439,138	\$ 359,160	\$ 37,397	\$ 146,520	\$ (896,061)
<u>BUSINESS-TYPE ACTIVITIES:</u>					
Water Utilities	\$ 555,168	\$ 522,816	\$ -	\$ 162,360	\$ 130,008
Sewer Utilities	721,450	579,162	-	87,120	(55,168)
Interest on Long-Term Debt	94,044	-	-	-	(94,044)
Total Business-type Activities	\$ 1,370,662	\$ 1,101,978	\$ -	\$ 249,480	\$ (19,204)
Total Primary Government	\$ 2,809,800	\$ 1,461,138	\$ 37,397	\$ 396,000	\$ (915,265)

	Governmental Activities	Business-type Activities	Total
<u>CHANGES IN NET ASSETS:</u>			
Net (expense) revenue	\$ (896,061)	\$ (19,204)	\$ (915,265)
General Revenues:			
Property Taxes, levied for general purposes	493,469	-	493,469
Property Taxes, levied for debt service	101,188	-	101,188
Property Taxes, levied for urban renewal programs	246,492	-	246,492
Intergovernmental Tax Turnovers	327,689	-	327,689
Franchise Taxes	265,431	-	265,431
Other Taxes and Assessments	34,987	-	34,987
Interest and Investment Earnings	9,688	2,841	12,529
<i>Special Item</i> - Gain (Loss) on Sale of Assets	-	-	-
Interfund Transfers	21,000	(21,000)	-
Equity Transfers	(71,869)	71,869	-
Total general revenues, special items, and transfers	1,428,075	53,710	1,481,785
Change in Net Assets	532,014	34,506	566,520
Net Assets, July 1, 2011	5,994,165	7,527,034	13,521,199
Prior Period Adjustment	-	411,573	411,573
Net Assets, June 30, 2012	\$ 6,526,180	\$ 7,973,113	\$14,499,293

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

Governmental Fund

Financial Statements

CITY OF HARRISBURG

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2012

	Component Unit						Total Governmental Funds
	General Fund	Street Fund	Community & Economic Development Fund	System Development Reserve Fund	Harrisburg Redevelopment Agency Fund	Other Governmental Funds	
ASSETS:							
Cash and Investments	\$ 524,008	\$ 183,281	\$ 576,709	\$ 1,234,016	\$ 57,204	\$ 512,995	\$ 3,088,213
Receivables:							
Accounts, net	43,704	-	-	138,036	-	11,403	193,143
Property Tax	49,628	33,140	-	-	20,786	9,874	113,428
Deposits	-	-	7,425	138,916	-	-	146,341
Total Assets	\$ 617,340	\$ 216,421	\$ 584,134	\$ 1,510,968	\$ 77,990	\$ 534,272	\$ 3,541,125
LIABILITIES AND FUND BALANCES:							
Liabilities:							
Accounts Payable	\$ 16,404	\$ 3,688	\$ 14,457	\$ -	\$ -	\$ 2,245	\$ 36,794
Interfund Payable	-	-	-	-	-	7,382	7,382
Deposits	3,173	-	-	-	-	-	3,173
Deferred Revenue	45,963	33,140	-	138,036	18,837	8,952	244,928
Due To Other Funds	-	-	-	-	-	-	-
Total Liabilities	65,540	36,828	14,457	138,036	18,837	18,579	292,277
Fund Balances:							
Restricted for:							
Debt Service	-	-	-	-	-	99,776	99,776
Public Works	-	179,593	-	1,372,932	59,153	-	1,611,678
Committed for:							
Parks and Recreation Programs	-	-	-	-	-	18,241	18,241
Community Development Projects	-	-	569,676	-	-	36,607	606,283
Equipment Acquisition	-	-	-	-	-	219,011	219,011
Public Works	-	-	-	-	-	142,058	142,058
Unassigned	551,800	-	-	-	-	-	551,800
Total Fund Balances	551,800	179,593	569,676	1,372,932	59,153	515,693	3,248,847
Total Liabilities & Fund Balances	\$ 617,340	\$ 216,421	\$ 584,133	\$ 1,510,968	\$ 77,990	\$ 534,272	\$ 3,541,124

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

CITY OF HARRISBURG

RECONCILIATION OF THE BALANCE SHEET -- GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS

June 30, 2012

Total Fund Balances - Governmental Funds \$ 3,248,847

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.

The cost of the assets is -	\$ 6,070,277	
The accumulated depreciation is -	<u>(1,552,799)</u>	
Net Value of Assets		4,517,478

Certain receivables that will not be available to pay for current-period expenditures are deferred in the governmental funds:

Property Taxes	73,752	
Assessments	<u>171,176</u>	
		244,928

Interest Payable is not recorded in the governmental funds: (45,471)

Accrued Compensated Absences are not recorded in the governmental funds: (29,326)

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds. (1,410,279)

Net Assets of Governmental Activities **\$ 6,526,177**

CITY OF HARRISBURG
**COMBINING STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES**
GOVERNMENTAL FUNDS

For The Fiscal Year Ended June 30, 2012

	<u>Component Unit</u>							<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Street Fund</u>	<u>Community & Economic Development Fund</u>	<u>System Development Reserve Fund</u>	<u>Harrisburg Redevelopment Agency Fund</u>	<u>Other Governmental Funds</u>		
REVENUES:								
Taxes and Assessments	\$ 492,984	\$ 9,393	\$ -	\$ -	\$ 247,010	\$ 164,784	\$ 914,171	
Intergovernmental	106,881	218,862	-	-	-	21,894	347,637	
Franchise Fees	265,431	-	-	-	-	-	265,431	
Licenses & Permits	62,612	-	-	-	-	-	62,612	
Charges for Service	-	-	-	195,939	-	-	195,939	
Fines and Forfeitures	29,169	-	-	-	-	-	29,169	
Investment Revenue	1,637	506	1,448	3,946	706	1,445	9,688	
Other Revenue	55,038	11,037	8,795	-	-	14,019	88,889	
Total Revenues	1,013,752	239,798	10,243	199,885	247,716	202,142	1,913,536	
EXPENDITURES:								
Current Operating:								
General Government	486,866	-	106,313	5,076	-	90,821	689,076	
Public Safety	243,204	-	-	-	-	-	243,204	
Public Works	-	141,756	-	-	19,458	10,298	171,512	
Culture and Recreation	-	-	-	-	-	64,833	64,833	
Debt Service								
Principal	20,929	-	-	-	50,928	43,686	115,543	
Interest	3,071	-	-	-	25,697	50,274	79,042	
Capital Outlay	23,776	52,261	622	53,289	20,552	45,369	195,869	
Total Expenditures	777,846	194,017	106,935	58,365	116,635	305,281	1,559,079	
Excess (Deficiency) of Revenues Over Expenditures	235,906	45,781	(96,692)	141,520	131,081	(103,139)	354,457	
OTHER FINANCING SOURCES (USES):								
Interfund Transfers In	-	4,500	225,000	-	-	181,500	411,000	
Interfund Transfers (Out)	(225,000)	(20,000)	-	-	(145,000)	-	(390,000)	
Total Other Financing Sources (Uses)	(225,000)	(15,500)	225,000	-	(145,000)	181,500	21,000	
Net Change in Fund Balances	10,906	30,281	128,308	141,520	(13,919)	78,361	375,457	
FUND BALANCES, July 1, 2011	540,894	149,312	441,368	1,231,412	73,072	437,332	2,873,390	
FUND BALANCES, June 30, 2012	\$ 551,800	\$ 179,593	\$ 569,676	\$ 1,372,932	\$ 59,153	\$ 515,693	\$ 3,248,847	

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

CITY OF HARRISBURG
RECONCILIATION OF THE STATEMENT
OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For The Fiscal Year Ended June 30, 2012

Net changes in fund balances - total governmental funds \$ 375,457

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

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense.

Expenditures for capitalized assets	\$ 260,114	
Less current year depreciation	<u>(182,053)</u>	78,061

Some revenues will not be collected for several months after the City's fiscal year end and are therefore not considered "available" revenues in the governmental funds, instead these funds are shown as deferred revenue. However, these funds are recorded as revenue in the Statement of Activities.

The changes in amounts deferred are as follows:

Property Taxes	(1,293)	
Assessments	<u>(36,742)</u>	(38,035)

Expense accruals in the governmental funds do not include all accrued interest expense payable.

The change in payables from the prior year to the current year is reconciled here. 2,463

Additions to certain payroll liabilities are reported as an expense in the Statement of Activities.

Vacation Payable (1,475)

Repayment of long-term debt principal amounts are expenditures in the governmental funds, but the repayment reduces long-term debt liabilities in the Statement of Net Assets.

Retirement of debt principal is as follows:

Notes Payable	99,110	
General Obligations Bonds	<u>16,433</u>	<u>115,543</u>

Revenue from the sale of assets on the governmental fund financial statements is adjusted to gain (loss) on sale of assets for the Statement of Activities.

The difference between sale proceeds and gain is reconciled here -

Changes in net assets of governmental assets	<u>\$ 532,014</u>
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The accompanying notes to the basic financial statements are an integral part of this statement.

Proprietary Fund
Financial Statements

CITY OF HARRISBURG
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

June 30, 2012

	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Total Enterprise Funds</u>
<u>ASSETS:</u>			
Current Assets:			
Cash and Investments	\$ 331,666	\$ 482,626	\$ 814,292
Receivables	47,046	60,891	107,937
Inventory	32,447	12,395	44,842
Total Current Assets	<u>411,159</u>	<u>555,912</u>	<u>967,071</u>
Restricted Assets:			
Sinking Funds for Debt Service	66,097	50,064	116,161
Interfund Loan Receivable	-	7,383	7,383
Total Restricted Assets	<u>66,097</u>	<u>57,447</u>	<u>123,544</u>
Capital Assets:			
Land	85,675	448,197	533,872
Capital Assets, Net of Depreciation	2,889,935	5,866,161	8,756,096
Total Capital Assets	<u>2,975,610</u>	<u>6,314,358</u>	<u>9,289,968</u>
Total Assets	<u>3,452,866</u>	<u>6,927,717</u>	<u>10,380,583</u>
<u>LIABILITIES:</u>			
Current Liabilities:			
Accounts Payable	5,718	4,348	10,066
Accrued Compensated Absences	14,602	14,602	29,204
Interest Payable	-	70,944	70,944
Customer Deposits	15,416	15,598	31,014
Current Portion of Long-Term Liabilities:			
Bond Payable	-	31,672	31,672
Total Current Liabilities	<u>35,736</u>	<u>137,164</u>	<u>172,900</u>
Long-Term Liabilities:			
Noncurrent Portion of Long-Term Liabilities:			
Bond Payable	-	2,234,570	2,234,570
Total Long-Term Liabilities	<u>-</u>	<u>2,234,570</u>	<u>2,234,570</u>
Total Liabilities	<u>35,736</u>	<u>2,371,734</u>	<u>2,407,470</u>
<u>NET ASSETS:</u>			
Invested in capital assets, net of related debt	2,975,610	4,048,116	7,023,726
Restricted for Debt Service	66,097	50,064	116,161
Restricted for Public Works	27,873	306,597	334,470
Unrestricted	347,550	151,206	498,756
Total Net Assets	<u>\$ 3,417,130</u>	<u>\$ 4,555,983</u>	<u>\$ 7,973,113</u>

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

CITY OF HARRISBURG

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

PROPRIETARY FUNDS

For The Fiscal Year Ended June 30, 2012

	Water Utility	Sewer Utility	Total Enterprise Funds
<u>OPERATING REVENUES:</u>			
Charges for Services & Fees	\$ 505,991	\$ 570,794	\$ 1,076,785
Other Revenue	16,825	8,368	25,193
Total Revenues	522,816	579,162	1,101,978
<u>OPERATING EXPENSES:</u>			
Personal Services	284,229	284,229	568,458
Materials and Supplies	154,700	177,924	332,624
Depreciation Expense	116,239	259,297	375,536
Total Operating Expenses	555,168	721,450	1,276,618
Operating Income (Loss)	(32,352)	(142,288)	(174,640)
<u>NON-OPERATING REVENUES (EXPENSES):</u>			
Investment Revenue	775	2,066	2,841
Interest Expense	-	(94,044)	(94,044)
Total Non-Operating Revenues (Expenses)	775	(91,978)	(91,203)
Income Before Other Revenues, Expenses, and Transfers	(31,577)	(234,266)	(265,843)
<u>CAPITAL CONTRIBUTIONS AND TRANSFERS:</u>			
Capital Contributions	162,360	87,120	249,480
Transfers to Other Funds	(30,260)	(20,500)	(50,760)
Transfers from Other Funds	9,760	20,000	29,760
Capital Asset Transfers In (Out)	62,051	9,818	71,869
Total Capital Contributions and Transfers	203,911	96,438	300,349
Changes in Net Assets	172,334	(137,828)	34,506
TOTAL NET ASSETS, June 30, 2011	3,244,796	4,282,238	7,527,034
Prior Period Adjustment	-	411,573	411,573
TOTAL NET ASSETS, June 30, 2012	\$ 3,417,130	\$ 4,555,983	\$ 7,973,113

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

CITY OF HARRISBURG

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

For The Fiscal Year Ended June 30, 2012

	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Total Enterprise Funds</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>			
Cash Received from User Charges	\$ 518,895	\$ 575,215	\$ 1,094,110
Cash Payments for Employee Services	(282,051)	(282,051)	(564,102)
Cash Payments to Suppliers	(151,345)	(177,189)	(328,534)
Net Cash Provided (Used) by Operating Activities	85,499	115,975	201,474
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</u>			
Transfer to Other Funds	(30,260)	(20,500)	(50,760)
Transfer from Other Funds	9,760	20,000	29,760
Interfund Loan Repayment	-	18,170	18,170
Net Cash Provided (Used) by Non-capital Financing Activities	(20,500)	17,670	(2,830)
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>			
Acquisition of Capital Assets	(10,046)	-	(10,046)
Principal Paid on Long Term Debt	-	(30,419)	(30,419)
Interest Paid on Long Term Debt	-	(94,737)	(94,737)
Net Cash Provided (Used) by Capital and Related Financing Activities	(10,046)	(125,156)	(135,202)
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>			
Investment Income	775	2,066	2,841
Net Cash Provided (Used) by Investing Activities	775	2,066	2,841
Cash and Cash Equivalents at July 1, 2011	342,035	522,133	864,168
Cash and Cash Equivalents at June 30, 2012	\$ 397,763	\$ 532,688	\$ 930,451
<u>Reconciliation of income (loss) from operations</u>			
<u>to net cash provided (used) by operating activities:</u>			
Income (loss) from operations	\$ (32,352)	\$ (142,288)	\$ (174,640)
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:			
Depreciation	116,239	259,297	375,536
Change in assets and liabilities:			
Decrease (increase) in accounts receivable	(4,913)	(5,081)	(9,994)
Decrease (increase) in inventory	3,811	2,505	6,316
Increase (decrease) in deposits	992	1,134	2,126
Increase (decrease) in payables	1,722	408	2,130
Net cash provided (used) by operating activities	\$ 85,499	\$ 115,975	\$ 201,474

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

Notes to the Basic
Financial Statements

CITY OF HARRISBURG
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The City of Harrisburg, Oregon (City) is a municipal corporation incorporated under the laws of the State of Oregon. The City is governed by an elected Mayor and an elected six member council. Administration officials are appointed by the council and are responsible for the day-to-day operations of the City.

The financial statements of the City have been prepared in accordance with Generally Accepted Accounting Principles (GAAP). GAAP Statements include all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The following is a summary of the more significant policies of the City:

A. Reporting Entity

In determining the financial reporting entity, the City of Harrisburg complies with Governmental Accounting Standards Board Statement 14, "The Financial Reporting Entity." The criteria for including organizations as component units within the City's reporting entity, include whether 1) the organization is legally separate (can sue and be sued in their own name); 2) the City holds the corporate powers of the organization; 3) the City appoints a voting majority of the organization's board; 4) the City is able to impose its will on the organization; 5) the organization has the potential to impose a financial benefit/burden on the City; and 6) there is fiscal dependency by the organization on the City. Based on the aforementioned criteria, the City of Harrisburg has one component unit, the Urban Renewal Agency.

Blended Component Unit. The City has included the financial operations of its Redevelopment Agency as a blended component unit in the basic financial statements. The Agency is a legally separate entity, which is governed by a board comprised of the members of the City Council as stipulated in the Agency's bylaws. The City Council has the ability to impose its will on the Agency as determined on the basis of budget adoption, taxing authority, and funding for the Agency. The Agency is reported as a special revenue fund and a debt service fund. Complete financial statements for the Agency can be obtained from the Finance Department of the City.

B. Basis of Presentation

Government-wide Statements: The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the overall City. Eliminations have been made to minimize the double counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Direct expenses are those that are specifically associated with a program of function and, therefore, are clearly identifiable to a particular function. 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. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the City.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Net assets are reported as restricted when constraints placed on net asset use are either externally restricted, imposed by creditors (such as through grantors, contributors or laws) or through constitutional provisions or enabling resolutions.

CITY OF HARRISBURG
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT):

B. Basis of Presentation (Cont.)

Fund Financial Statements: The fund financial statements provide information about the city's funds including those of a fiduciary nature, if applicable. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as other governmental funds.

Governmental Funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The City reports the following major governmental funds:

General Fund - The General Fund is the main operating fund of the City. All financial resources, except those required to be accounted for in another fund, are accounted for in the General Fund. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Street Fund - This fund accounts for activities related to the construction and maintenance of City streets. Revenues for this fund come from state highway taxes and grants.

Community & Economic Development Fund – This fund accounts for activities related to community and economic development, including parks. Revenues for this fund come from business license fees, donations, grants and transfers from other funds.

System Development Reserve Fund - This fund collects systems development fees on new building which is used to offset the cost of providing city services.

Harrisburg Redevelopment Agency Fund – This fund accounts for the General Fund revenues and expenditures of the Redevelopment Agency.

Additionally the City also reports non-major funds within the governmental fund type.

Special Revenue Funds are used to account for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. Non-major special revenue funds include Equipment Reserve Fund, Office Equipment Fund, Library Fund, Bike Path Reserve Fund, H.A.R.T. Fund, and Storm Drain Reserve Fund.

Debt Service Funds account for the accumulation of resources and the payment of debt including principal, interest and other costs. Non-major debt service funds include the Debt Service Fund.

Proprietary Funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the Statement of Net Assets. The City has presented the following major proprietary funds:

Water Fund - The Water Fund is used to account for the provision of water services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water system and billing and collection activities.

CITY OF HARRISBURG
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.):

B. Basis of Presentation (Cont.)

Sewer Fund - The Sewer Fund is used to account for the provision of sewer services to the residents of the City. Activities of the fund include administration, operations and maintenance of the sewer system and billing and collection activities.

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. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

C. Measurement Focus/Basis of Accounting

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the city receives value without giving equal value in exchange, include property taxes, grants, entitlements and donations. On the accrual basis of accounting revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Under terms of grant agreements, the city funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the city's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (when they are measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The city considers property taxes as available if they are collected within 60 days after year-end. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt, which is recognized when the obligations are expected to be liquidated with expendable available financial resources. Property taxes, interest and special assessments are susceptible to accrual. Other receipts and taxes become measurable and available when the cash is received by the government and are recognized as revenue at that time. Entitlements and shared revenues are recorded at the time of receipt or earlier if the "susceptible to accrual" criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Capital asset acquisitions are reported as expenditures in the governmental funds and proceeds from general long-term debt and acquisitions under capital leases are reported as other financing sources.

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 city's Sewer and Water Funds are charges to customers for sales and services. These funds also recognize fees intended to recover the cost of connecting new customers to the city's utility systems as operating revenue. Operating expenses for 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.

CITY OF HARRISBURG
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.):

D. Budgeting

A budget is prepared for each city fund in accordance with the modified accrual basis of accounting and legal requirements set forth in the Oregon local budget law. The resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. Total personnel services, materials and services, capital outlay, contingencies, and debt service by fund are the levels of control. The detail budget document, however, is required to contain more specific, detailed information for the above mentioned expenditure categories. Appropriations lapse at June 30. Unexpected additional resources may be added to the budget by a supplemental budget and appropriations resolution. A supplemental budget may require hearings before the public, publications in newspapers, and approval by the city council. Original and supplemental budgets may be modified by using appropriations transfers between the levels of control. Such transfers require approval by the city council. The city does not utilize encumbrance accounting for budgeted funds.

E. Cash and Investments

For purposes of the statement of cash flows, cash and cash equivalents include cash on hand, checking, savings and money market accounts and any short-term, highly liquid investments with initial maturity dates of three months or less.

The City has adopted an investment policy requiring compliance with Oregon statutes, which authorizes the City to invest in obligations of the United States, the agencies and instrumentalities of the United States and the State of Oregon, and numerous other investment instruments.

The City's investments may consist of time certificates of deposit, banker's acceptances, commercial paper, U.S. Government Agency securities, and the State of Oregon Treasurer's Local Government Investment Pool (LGIP). The City's investments are reported at fair value at year-end. Changes in the fair value of investments are recorded as investment earnings. The LGIP is stated at cost, which approximates fair value. Fair value of the LGIP is the same as the City's value in the pool shares.

The Oregon State Treasury administers the LGIP. It is an open-ended, non-load diversified portfolio offered to any agency, political subdivision or public corporation of the State that by law is made the custodian of, or has control of, any fund. The LGIP is included in the Oregon Short Term Fund (OSTF) which was established by the State Treasurer.

In seeking to best serve local governments of Oregon, the Oregon legislature established the Oregon Short-Term Fund Board. The purpose of the Board is to advise the Oregon State Treasury in the management and investment options of the LGIP.

F. Property Taxes

The assessment date for the tax year is July 1. Personal and real property taxes are a lien on July 1. Total personal property tax becomes due and is delinquent when any installment is not paid by its due date. Real property tax is due and payable on November 15. However, a taxpayer may pay real property taxes in three equal installments, due the 15th day of November, February and May. Real property taxes become delinquent if not paid by May 15.

G. Accumulated Compensated Absences

Accumulated vested vacation and compensatory pay is accrued as it is earned. For governmental funds, compensation not expected to be liquidated with the current resources are reported as liabilities in the government-wide statements and represent a reconciling item between the fund level and government-wide presentations. In business-type funds both the current and long-term liabilities are recorded. Sick pay, which does not vest, is recognized in applicable funds when leave is taken.

CITY OF HARRISBURG
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.):

H. Receivables & Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables". All other outstanding balances between funds are reported as "due to/from other funds."

An allowance for bad debts is not carried in the enterprise funds as the City has strong enforcement procedures including shut off of services and any uncollectible amounts would be immaterial. An allowance for bad debt is not carried in the governmental funds because the City has determined that any uncollectible amount would be immaterial to the financial statements.

I. Deferred Revenue

The City reports deferred revenue on its balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

J. Inventory

Inventories are valued at cost, which approximates market value, using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when purchased. The costs of proprietary fund type inventories are recorded as expenditures when consumed rather than when purchased.

K. Restricted Assets and Liabilities

Certain resources are set aside and restricted for future bond payments and the related liability; these resources are segregated in the statement of net assets and are classified as restricted assets on the Statement of Net Assets because their use is limited. For the fiscal year ended June 30, 2012 the City had sinking funds for debt service of \$116,161 in restricted assets.

L. Long-Term Debt

All bonds and capital leases to be paid from governmental and business-type resources are reported as liabilities in the government-wide financial statements. Amounts of the long-term debt due within the following fiscal year are included in the current liabilities section of the Statement of Net Assets.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures. The accounting for proprietary funds is the same in the fund financial statements as it is in the government-wide statements.

M. 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 in the fund financial statements for proprietary funds. Purchased or constructed capital assets are reported at cost, or estimated cost when original cost is not available. Donated capital assets are valued at their estimated fair market value on the date received. Maintenance and repairs of capital assets that do not significantly extend the useful life of an asset are not capitalized, but rather are charged to expenditures in the funds.

CITY OF HARRISBURG
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.):

M. Capital Assets (Cont.)

Assets capitalized have an original cost of \$5,000 or more and over one year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method.

The estimated useful lives are as follows:

Buildings and Improvements	10-50 years
Machinery and Equipment	3-20 years
Vehicles	5-10 years
Water and Sewer Systems	20-50 years
Infrastructure	25-35 years

N. Use of 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 amount of assets and liabilities as well as disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

O. Equity Classifications:

Government-wide Statements

Equity is classified as net assets, which represents the difference between assets and liabilities. Net assets are displayed in three components:

- a. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantor, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

The City's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

CITY OF HARRISBURG
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.):

O. Equity Classifications (Cont.):

- Nonspendable: This classification includes amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints. The City did not have any nonspendable resources as of June 30, 2012.
- Restricted: This classification includes fund balance amounts that are constrained for specific purposes which are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. The City has restricted funds for public works projects and debt service.
- Committed: This classification includes fund balance amounts that are constrained for specific purpose that are internally imposed by the government through resolution of the highest level of decision making authority, the City Council, and does not lapse at year-end. The City did have committed resources as of June 30, 2012.
- Assigned: This classification includes fund balance amounts that are intended to be used for specific purposes that are neither restricted nor committed. This intent can be expressed by the City Council or through the City Council delegating this responsibility to selected staff members or through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.
- Unassigned: This classification includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories, and negative fund balances of other governmental funds.

The City would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

P. Inter-Fund Transactions

Quasi-external transactions are accounted for as revenues or expenditures. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. All other inter-fund transactions, except quasi-external transactions and reimbursements, are reported as transfers in the fund financial statements. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other inter-fund transfers are reported as operating transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

2. CASH AND INVESTMENTS:

For discussion of deposit and investment policies and other related information, see Note 1.E.

The City follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by state statutes. These restrictions are summarized at Note 1.E.

CITY OF HARRISBURG
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2012

2. CASH AND INVESTMENTS (CONT.):

Investments, including amounts held in pool cash and investments are stated at fair value. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, investments with a remaining maturity of more than one year at the time of purchase are stated at fair value. Fair value is determined at the quoted market prices, if available; otherwise, the fair value is estimated based on the amount at which the investment could be exchanged in a current transaction between willing parties, other than a forced liquidation sale. Investments in the State of Oregon Local Government Investment Pool (LGIP) are stated at fair value.

Deposits - All cash is deposited in compliance with Oregon statutes. The insurance and collateral requirements for deposits are established by banking regulations and Oregon law. FDIC insurance of \$250,000 applies to the deposits in each depository. Where balances continually exceed \$250,000, ORS 295 requires the depositor to verify that deposit accounts are only maintained at financial institutions on the list of qualified depositories found on the state treasurer's website.

Qualifying depository banks must pledge securities with a particular value based on the bank's level of capitalization. The balances in excess of the FDIC insurance are considered exposed to custodial credit risk.

Custodial Credit Risk for Deposits - Custodial credit risk for deposits exists when, in the event of a depository failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk.

As of June 30, 2012, the reported amount of the City's deposits was \$1,449,333 and the bank balance was \$1,506,326. Of the bank balance, the entire amount was covered by federal depository insurance or by pledged securities with the qualifying depository banks.

Investments - Oregon statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. agencies, banker's acceptances, repurchase agreements, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, and the Local Governmental Investment Pool. The City has no credit risk policy or investment policy that would further limit its investment choices

Credit Risk - Credit risk exists when there is a possibility the issuer or other counterparty to an investment may be unable to fulfill its obligations. As of June 30, 2012, the City's investment in the Oregon State Treasurer's Local Government Investment Pool (LGIP) was unrated.

At June 30, 2012, the City's investments in financial institutions are as follows:

<u>Type of Investment</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Oregon State Treasurer's Local Government Investment Pool (LGIP)	<u>\$2,569,097</u>	N/A
Total Investments	<u><u>\$2,569,097</u></u>	

Investments in the LGIP and federal agency notes do not require disclosure credit rating quality.

Concentration of Credit Risk - An increased risk of loss occurs as more investments are acquired from one issuer. This results in a concentration of credit risk. The City places no limit on the amount that may be invested in any one issuer. More than 5 percent of the City's investments are in the Oregon State Treasurer's Local Government Investment Pool (LGIP). This investment is 100% of the City's total investments.

CITY OF HARRISBURG
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2012

3. CAPITAL ASSETS:

The following is a summary of capital asset activity for the fiscal year ended June 30, 2012:

Governmental Activities	June 30, 2011	Additions	Deletions	June 30, 2012
Assets not being depreciated:				
Land	\$ 582,361	\$ -	\$ -	\$ 582,361
Assets being depreciated:				
Buildings	1,137,925	21,257	-	1,159,182
Park Improvements	598,786	-	-	598,786
Machinery & Equipment	358,269	-	-	358,269
Vehicles	118,135	10,115	-	128,250
Infrastructure*	3,014,687	228,742	-	3,243,429
Total Depreciable Assets	5,227,802	260,114	-	5,487,916
Less: Accumulated Depreciation				
Buildings	283,326	30,531	-	313,857
Park Improvements	124,629	19,038	-	143,667
Machinery & Equipment	281,403	12,260	-	293,663
Vehicles	91,603	5,473	-	97,076
Infrastructure*	589,785	114,751	-	704,536
Total Accumulated Depreciation	1,370,746	182,053	-	1,552,799
Net Value of Capital Assets Being Depreciated	3,857,056	78,061	-	3,935,117
Total Governmental Activities--Net Value of Capital Assets	\$ 4,439,417	\$ 78,061	\$ -	\$ 4,517,478
Business-type Activities				
Assets not being depreciated:				
Land	\$ 533,872	\$ -	\$ -	\$ 533,872
Assets being depreciated:				
Utility Plant	13,506,068	311,759	-	13,817,827
Machinery & Equipment	360,378	19,636	-	380,014
Total Depreciable Assets	13,866,446	331,395	-	14,197,841
Less: Accumulated Depreciation				
Utility Plant	4,895,629	344,582	-	5,240,211
Machinery & Equipment	170,581	30,954	-	201,535
Total Accumulated Depreciation	5,066,210	375,536	-	5,441,746
Net Value of Capital Assets Being Depreciated	8,800,236	(44,141)	-	8,756,095
Total Business-type Activities--Net Value of Capital Assets	\$ 9,334,108	\$ (44,141)	\$ -	\$ 9,289,967
Total Net Assets of Primary Government	\$ 13,773,525	\$ 33,920	\$ -	\$ 13,807,445
Depreciation expense was charged to functions of the primary government as follows:				
Governmental Activities:		Business-Type Activities		
General Government	\$ 182,053		Water Utilities	\$ 116,239
			Sewer Utilities	259,297
Total depreciation expense - governmental activities	\$ 182,053			\$ 375,536

* With the implementation of GASB #34, the City elected the prospective reporting approach for infrastructure assets. Accordingly, only infrastructure assets acquired on July 1, 2003 and thereafter will be presented in the financial statements.

CITY OF HARRISBURG
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2012

4. LONG-TERM DEBT:

In the following paragraphs, long-term debt information is presented separately with respect to governmental and business-type activities. The table below presents current year changes in those obligations and the current portions due for each issue.

	Outstanding Balance July 1, 2011	New Issues and Interest Matured	Principal and Interest Retired	Outstanding Balance June 30, 2012	Due within One Year
<u>GOVERNMENTAL ACTIVITIES:</u>					
Note Payable with DEQ					
Original Balance - \$410,000					
Dated - August 9, 1991					
Interest Rate - 3.00%					
Principal	\$ 27,253	\$ -	\$ 27,253	\$ -	\$ -
Interest	-	610	610	-	-
Totals	\$ 27,253	\$ 610	\$ 27,863	\$ -	\$ -
Note Payable to Cedar Square Partnership for the acquisition of real property					
Original Balance - \$250,000					
Dated - February 2001					
Interest Rate - 5.25%					
Principal	\$ 57,672	\$ -	\$ 20,929	\$ 36,743	\$ 22,640
Interest	-	3,071	3,071	-	1,360
Totals	\$ 57,672	\$ 3,071	\$ 24,000	\$ 36,743	\$ 24,000
Note Payable to Oregon Economic Development Department for various Urban Renewal Projects					
Original Balance - \$432,000 plus \$93,049 in capitalized interest					
Dated - February 13, 1996					
Interest Rate - 6.5%					
Principal	\$ 395,343	\$ -	\$ 50,928	\$ 344,415	\$ 63,070
Interest	-	25,697	25,697	-	22,387
Totals	\$ 395,343	\$ 25,697	\$ 76,625	\$ 344,415	\$ 85,457
General Obligation Bonds held by USDA Rural Development for Water System Improvements					
Original Balance - \$ 1,174,000					
Dated - November 1, 2000					
Interest Rate - 4.75%					
Principal	\$ 1,045,554	\$ -	\$ 16,433	\$ 1,029,121	\$ 17,213
Interest	-	49,664	49,664	-	48,884
Totals	\$ 1,045,554	\$ 49,664	\$ 66,097	\$ 1,029,121	\$ 66,097
TOTAL GOVERNMENTAL ACTIVITIES DEBT AGREEMENTS:					
Principal	\$ 1,525,822	\$ -	\$ 115,543	\$ 1,410,279	\$ 102,923
Interest	-	79,042	79,042	-	72,631
Totals	\$ 1,525,822	\$ 79,042	\$ 194,585	\$ 1,410,279	\$ 175,554

CITY OF HARRISBURG
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2012

4. LONG-TERM DEBT (CONT.):

	Outstanding Balance July 1, 2011	New Issues and Interest Matured	Principal and Interest Retired	Outstanding Balance June 30, 2012	Due within One Year
<u>BUSINESS-TYPE ACTIVITIES:</u>					
Revenue Bonds held by USDA Rural Development for Sewer System Improvements					
Original Balance - \$2,431,600					
Dated - September 27, 2005					
Interest Rate - 4.125%					
Principal	\$ 2,296,660	\$ -	\$ 30,418	\$ 2,266,242	\$ 31,672
Interest	-	94,737	94,737	-	93,483
Totals	\$ 2,296,660	\$ 94,737	\$ 125,155	\$ 2,266,242	\$ 125,155
TOTAL BUSINESS-TYPE ACTIVITIES DEBT AGREEMENTS:					
Principal	\$ 2,296,660	\$ -	\$ 30,418	\$ 2,266,242	\$ 31,672
Interest	-	94,737	94,737	-	93,483
Totals	\$ 2,296,660	\$ 94,737	\$ 125,155	\$ 2,266,242	\$ 125,155
TOTAL DEBT AGREEMENTS:					
Principal	\$ 3,822,482	\$ -	\$ 145,961	\$ 3,676,521	\$ 134,595
Interest	-	173,779	173,779	-	166,114
Totals	\$ 3,822,482	\$ 173,779	\$ 319,740	\$ 3,676,521	\$ 300,709

The debt service requirements on the above debt is as follows:

	Due Fiscal Year Ending June 30,	Principal	Interest	Total
<u>Governmental Activities:</u>				
Note Payable to Cedar Square Partnership	2013	22,640	1,360	24,000
	2014	11,032	236	11,268
	Total	\$ 33,672	\$ 1,596	\$ 35,268
Note Payable to Oregon Economic Development Department	2013	63,070	22,387	85,457
	2014	77,021	18,287	95,308
	2015	93,013	13,281	106,294
	2016	111,311	7,235	118,546
	Total	\$ 344,415	\$ 61,190	\$ 405,605

CITY OF HARRISBURG
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2012

4. LONG-TERM DEBT (CONT.):

	<u>Due Fiscal Year</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>Governmental Activities:</u>				
Water Construction Bonds	2013	17,213	48,884	66,097
	2014	18,031	48,066	66,097
	2015	18,887	47,210	66,097
	2016	19,785	46,312	66,097
	2017	20,724	45,373	66,097
	2018-2022	119,358	211,127	330,485
	2023-2027	150,529	179,956	330,485
	2028-2032	189,839	140,646	330,485
	2033-2037	239,420	91,065	330,485
	2038-2041	235,335	28,562	263,897
	Total	1,029,121	887,201	1,916,322
<u>Business-Type Activities:</u>				
Sewer Revenue Bonds	2013	31,672	93,483	125,155
	2014	32,979	92,176	125,155
	2015	34,339	90,816	125,155
	2016	35,756	89,399	125,155
	2017	37,231	87,924	125,155
	2018-2022	210,498	415,277	625,775
	2023-2027	257,646	368,129	625,775
	2028-2032	315,353	310,422	625,775
	2033-2037	385,986	239,789	625,775
	2038-2042	472,441	153,334	625,775
	2043-2046	452,341	88,551	540,892
	Total	<u>\$ 2,266,242</u>	<u>\$ 2,029,300</u>	<u>\$ 4,295,542</u>

CITY OF HARRISBURG
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2012

5. PENSION PLAN:

Plan Description. The City contributes to the State of Oregon Public Employees Retirement System (PERS), a cost-sharing multiple-employer defined benefit pension plan administered by the Oregon Public Employees Retirement System. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Oregon Revised Statutes 238 assigns the authority to establish and amend benefit provisions to the PERS Board of Trustees and the State Legislature.

In the 2003 legislative session, the Oregon Legislative Assembly created a successor plan for PERS. The Oregon Public Service Retirement Plan (“OPSRP”) is effective for all new employees hired on or after August 29, 2003, and applies to any inactive PERS members who return to employment following a six month or greater break in service. The new plan consists of a defined benefit program (the “Pension Program”) and a defined contribution portion (the Individual Account Program or “IAP”). The Pension Program portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated by a formula for members who attain normal retirement age. The formula takes into account final average salary and years of service and a factor that varies based on type of service.

Beginning January 1, 2004, all PERS member contributions go into the IAP portion of OPSRP. PERS members retain their existing PERS accounts, but any future member contributions are deposited into the member’s IAP, not the member’s PERS account. Those employees who had established a PERS membership prior to creation of OPSRP will be members of both the PERS and OPSRP system as long as they remain in covered employment.

Both PERS and OPSRP are administered by the Oregon Public Employees Retirement Board (“OPERB”). The comprehensive annual financial report of the funds administered by the OPERB may be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 23700, Tigard, OR 97281-3700, by calling (503) 598-7377, or by accessing the PERS web site at www.pers.state.or.us.

Funding Policy. Plan members are required to contribute 6% of their annual covered salary. The City "picks up" employee contributions at a rate of 6% as allowed under ORS 237.075. The City is required to contribute at an actuarially determined rate for the qualifying employees under the OPSRP plan. The OPERB and the OPSRP rates in effect for the year ended June 30, 2012 were 12.12% and 13.00% respectively. The contribution requirements of plan members and the City are established and may be amended by the PERS Board of Trustees.

Annual Pension Cost. The City’s contribution to PERS for the years ending June 30, 2012, 2011, and 2010 were \$114,457, \$84,943 and \$91,372 respectively. The contributions actually made are equivalent to the Annual Pension Cost.

Actuarial Methods. The actuarial valuation report done on December 31, 2010 used the following actuarial methods and assumptions.

Tier1/Tier2 UAL and Retiree Healthcare UAL amortization, as of December 31,2007 are amortized as a level percentage of combined valuation payroll over a closed period, which is 20 years for the Tier 1/Tier2 and 10 years for Retiree Healthcare. Gains and losses between subsequent odd-year valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the odd-year valuation in which they are first recognized.

OPSRP UAL Amortization amortizes gains and losses between odd-year valuations as a level percentage of combined valuation payroll over 16 years from the odd-year valuation in which they are first recognized.

Asset valuation method is the market value of assets.

Contribution rate stabilization method (rate collar) – Contribution rates for a rate pool (e.g. Tier 1/Tier2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) are confined to a collar based on the rate pool’s prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

CITY OF HARRISBURG
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2012

5. PENSION PLAN (CONT.):

Economic Assumptions.

Investment return	8.00% compounded annually on system assets
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 7% in 2011 to 4.5% in 2029.
OPSRP Expenses	\$6.6 million added to normal cost.

6. CONTINGENT LIABILITIES:

Amounts received or receivable from grantor agencies are subject to review and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amount, if any, to be immaterial.

The City of Harrisburg has elected the "reimbursement" basis for unemployment claims to the State of Oregon Department of Human Resources Employment Division. If a terminated employee collects unemployment compensation based upon earnings from the City, the City will be required to reimburse the State of Oregon for the amount of unemployment compensation paid. Amounts billed by the State of Oregon are charged to expenditures, but amounts for which the City is potentially liable as a result of claims not yet filed are unknown.

The City is currently in a dispute over ownership of land that water well No. 5 is situated on. As a result of survey errors that occurred more than ten (10) years ago it has been determined that the City constructed water well No.5 on land it did not own. The City has offered to purchase this land for \$10,000 for which the property owner of record has declined. The City has filed a condemnation action in the Linn County, Oregon Circuit Court which is currently pending and is based upon the value of the real property as determined by the City's appraiser at \$7,425. It is anticipated that just compensation will be due to the property owner; however, amounts for which the City is potentially liable are unknown.

7. RISK MANAGEMENT:

The City 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 City is a member of City-County Insurance Services (CCIS), a public entity risk pool currently operating a common risk management and insurance program. The City pays an annual premium to CCIS for insurance coverage. Based on the experience of the City and pool, the City may be liable for an additional premium of up to approximately 20% of its initial premium or it may receive a refund. The City has never had to pay an additional premium. Predetermined limits and deductible amounts are stated in the policy. There have been no significant reductions in coverage from the prior years and settlements have not exceeded insurance coverage in the past three years.

CITY OF HARRISBURG
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2012

8. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:

Interfund balances as of June 30, 2012 consist of an interfund operating loan in the amount of \$7,383 from the Sewer Reserve Fund to the Storm Water Assessment Fund. This loan is being repaid over a 5-year period and includes an interest provision at 6.75%. The amount expected to be repaid in 2012-13.

Interfund transfers for the year ended June 30, 2012 were as follows:

	Transfers Out	Transfers In
General Fund	\$ 225,000	-
Community & Economic Development Fund	-	225,000
H.A.R.T. Fund	-	34,500
Harrisburg Redevelopment Agency Fund	145,000	-
Library Fund	-	70,000
Office Equipment Fund	-	8,000
Equipment Reserve Fund	-	69,000
Sewer Fund	20,500	20,000
Street Fund	20,000	4,500
Water Fund	30,260	-
Water System Reserve Fund	-	9,760
Total	\$ 440,760	\$ 440,760

These transfers occur on a routine basis and are used by the recipient fund for the normal operations of that fund.

9. PRIOR PERIOD ADJUSTMENT:

In the government wide financial statements and proprietary fund financial statements, there was a prior period adjustment of \$411,573 due to adjustments made to estimated historical costs of capital assets related to prior period acquisitions.

CITY OF HARRISBURG
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2012

10. DEFERRED REVENUE:

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. In addition, governmental funds and proprietary funds report deferred revenue in connection with resources that have been received but not yet earned. At June 30, 2012, the various components of deferred revenue consist of the following:

Governmental Funds – Budget Basis:

	<u>General Fund</u>	<u>Street Fund</u>	<u>System Development Reserve Fund</u>	<u>Redevelopment Agency General Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Property Taxes	\$ 45,963	\$ -	\$ -	\$ 18,837	\$ 8,952	\$ 73,752
Accounts	-	-	-	-	-	-
Assessments	-	33,140	138,036	-	-	171,176
Total	<u>\$ 45,963</u>	<u>\$ 33,140</u>	<u>\$ 138,036</u>	<u>\$ 18,837</u>	<u>\$ 8,952</u>	<u>\$ 244,928</u>

CITY OF HARRISBURG
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2012

11. SEGMENT INFORMATION FOR ENTERPRISE FUNDS:

The City maintains two Enterprise Funds which account for the municipal water and sewer activities. Key financial data for these operations for the year ended June 30, 2012 are as follows:

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Total Assets	\$ 3,452,866	\$ 6,927,717	\$ 10,380,583
Current Assets	411,159	555,912	967,071
Restricted Assets	66,097	57,447	123,544
Capital Assets	2,975,610	6,314,358	9,289,968
Total Liabilities			
Current Liabilities	35,736	137,164	172,900
Non-Current Liabilities	-	2,234,570	2,234,570
Total Net Assets			
Invested in Capital Assets, net of related debt	2,975,610	4,048,116	7,023,726
Restricted for Debt Service	66,097	50,064	116,161
Restricted for Capital Projects	27,873	306,597	334,470
Unrestricted	347,550	151,206	498,756
Operating Revenues	522,816	579,162	1,101,978
Operating Expenses			
Depreciation	116,239	259,297	375,536
Operating Income (Loss)	(32,352)	(142,288)	(174,640)
Non-Operating Revenues (Expenses)			
Investment Income	775	2,066	2,841
Interest Expense	-	(94,044)	(94,044)
Capital Contributions	162,360	87,120	249,480
Transfers To (From)	(20,500)	(500)	(21,000)
Change In Net Assets	172,334	(137,828)	34,506
Beginning Net Assets	3,244,796	4,282,238	7,527,034
Ending Net Assets	3,417,130	4,555,983	7,973,113
Cash Provided (Used) by:			
Operating Activities	85,499	115,975	201,474
Non Capital Financing Activities	(20,500)	17,670	(2,830)
Capital & Related Financing	(10,046)	(125,156)	(135,202)
Investing Activities	775	2,066	2,841
Beginning Cash	342,035	522,133	864,168
Ending Cash	\$ 397,763	\$ 532,688	\$ 930,451

REQUIRED
SUPPLEMENTARY
INFORMATION

CITY OF HARRISBURG

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

GENERAL FUND

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note 1)	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>REVENUES:</u>				
Taxes and Assessments	464,000	464,000	492,984	28,984
Intergovernmental	118,550	118,550	106,881	(11,669)
Franchise Fees	223,500	223,500	265,431	41,931
Licenses and Permits	11,000	11,000	62,612	51,612
Fines and Forfeitures	35,000	35,000	29,169	(5,831)
Investment Revenue	500	500	1,637	1,137
Grants	-	-	-	-
Other Revenue	359,250	359,250	55,038	(304,212)
Total Revenues	1,211,800	1,211,800	1,013,752	(198,048)
<u>EXPENDITURES:</u>				
Personal Services	275,506	275,506	261,275	(14,231)
Materials and Services	537,550	537,550	468,795	(68,755)
Capital Outlay	317,000	317,000	23,776	(293,224)
Debt Service				
Principal	20,929	20,929	20,929	-
Interest	3,071	3,071	3,071	-
Contingency	135,744	135,744	-	(135,744)
Total Expenditures	1,289,800	1,289,800	777,846	(511,954)
Excess (Deficiency) of Revenues Over Expenditures	(78,000)	(78,000)	235,906	313,906
<u>Other Financing Sources / (Uses):</u>				
Operating Transfer (Out)	(225,000)	(225,000)	(225,000)	-
Total Other Financing Sources	(225,000)	(225,000)	(225,000)	-
Net Change in Fund Balances	(303,000)	(303,000)	10,906	313,906
Budgetary Fund Balance - July 1, 2011	303,000	303,000	540,894	237,894
Budgetary Fund Balance - June 30, 2012	\$ -	\$ -	\$ 551,800	\$ 551,800

CITY OF HARRISBURG
Schedule of Revenues, Expenditures,
and Changes in Fund Balance - Budget and Actual
STREET FUND
For the Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note 1)	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>REVENUES:</u>				
Taxes and Assessments	\$ 5,825	\$ 5,825	\$ 9,393	\$ 3,568
Intergovernmental	406,170	406,170	218,862	(187,308)
Investment Revenue	50	50	506	456
Miscellaneous Revenue	200	200	11,037	10,837
Total Revenues	412,245	412,245	239,798	(172,447)
<u>EXPENDITURES:</u>				
Personal Services	90,198	90,198	85,494	(4,704)
Materials and Services	63,500	63,500	56,262	(7,238)
Capital Outlay	310,000	310,000	52,261	(257,739)
Contingency	35,629	35,629	-	(35,629)
Total Expenditures	499,327	499,327	194,017	(305,310)
Excess of Revenues Over (Under) Expenditures	(87,082)	(87,082)	45,781	132,863
<u>OTHER FINANCING SOURCES / (USES):</u>				
Operating Transfer In	4,500	4,500	4,500	-
Operating Transfer Out	(20,000)	(20,000)	(20,000)	-
Total Other Financing Sources	(15,500)	(15,500)	(15,500)	-
Net Change In Fund Balances	(102,582)	(102,582)	30,281	132,863
FUND BALANCE, July 1, 2011	102,582	102,582	149,312	46,730
FUND BALANCE, June 30, 2012	\$ -	\$ -	\$ 179,593	\$ 179,593

CITY OF HARRISBURG

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual COMMUNITY & ECONOMIC DEVELOPMENT FUND

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Budgetary Basis) (See Note 1)	with Final Budget Positive (Negative)
<u>REVENUES:</u>				
Investment Revenue	\$ 500	\$ 500	\$ 1,448	\$ 948
Other Revenue	8,000	8,000	8,795	795
Total Revenues	8,500	8,500	10,243	1,743
<u>EXPENDITURES:</u>				
Personal Services	62,615	62,615	59,233	(3,382)
Materials and Services	51,075	51,075	47,080	(3,995)
Capital Outlay	491,321	491,321	622	(490,699)
Contingency	26,431	26,431	-	(26,431)
Total Expenditures	631,442	631,442	106,935	(524,507)
Excess (Deficiency) of Revenues Over Expenditures	(622,942)	(622,942)	(96,692)	526,250
<u>OTHER FINANCING SOURCES / (USES):</u>				
Operating Transfer In	225,000	225,000	225,000	-
Total Other Financing Sources	225,000	225,000	225,000	-
Net Change in Fund Balances	(397,942)	(397,942)	128,308	526,250
Budgetary Fund Balance - July 1, 2010	397,942	397,942	441,368	43,426
Budgetary Fund Balance - June 30, 2012	\$ -	\$ -	\$ 569,676	\$ 569,676

CITY OF HARRISBURG

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual SYSTEM DEVELOPMENT RESERVE FUND

For the Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Budgetary Basis) (See Note 1)	with Final Budget Positive (Negative)
<u>REVENUES:</u>				
System Development Charges	\$ 20,682	\$ 20,682	\$ 195,939	\$ 175,257
Investment Revenue	2,500	2,500	3,946	1,446
Total Revenues	23,182	23,182	199,885	176,703
<u>EXPENDITURES:</u>				
Materials and Services	27,808	27,808	5,076	(22,732)
Capital Outlay	1,304,887	1,304,887	53,289	(1,251,598)
Total Expenditures	1,332,695	1,332,695	58,365	(1,274,330)
Excess (Deficiency) of Revenues Over Expenditu:	(1,309,513)	(1,309,513)	141,520	1,451,033
Budgetary Fund Balance - July 1, 2011	1,309,513	1,309,513	1,231,412	(78,101)
Budgetary Fund Balance - June 30, 2012	\$ -	\$ -	\$ 1,372,932	\$ 1,372,932

CITY OF HARRISBURG

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

HARRISBURG REDEVELOPMENT AGENCY FUND - A COMPONENT UNIT

For the Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note 1)	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES:				
Taxes and Assessments	\$ 274,606	\$ 274,606	\$ 247,010	\$ (27,596)
Investment Revenue	100	100	706	606
Total Revenues	274,706	274,706	247,716	(26,990)
EXPENDITURES:				
Materials and supplies	48,350	48,350	19,458	(28,892)
Capital Outlay	100,000	100,000	20,552	(79,448)
Debt Service				
Principal	50,928	50,928	50,928	-
Interest	25,697	25,697	25,697	-
Contingency	418	418	-	(418)
Total Expenditures	225,393	225,393	116,635	(108,758)
Excess (Deficiency of Revenues over Expenditures)	49,313	49,313	131,081	81,768
OTHER FINANCING SOURCES / (USES):				
Operating Transfer (Out)	(145,000)	(145,000)	(145,000)	-
Total Other Financing Sources	(145,000)	(145,000)	(145,000)	-
Net Change In Fund Balance	(95,687)	(95,687)	(13,919)	81,768
Fund Balance - July 1, 2011	95,687	95,687	73,072	(22,615)
Fund Balance - June 30, 2012	\$ -	\$ -	\$ 59,153	\$ 59,153

OTHER
SUPPLEMENTARY
INFORMATION

**Combining and Individual
Fund Financial Statements**

Additional Supporting Schedules

Proprietary Funds

Water Funds

CITY OF HARRISBURG

Combining Schedule of Net Assets

WATER FUNDS

June 30, 2012

	<u>Water Fund</u>	<u>Water Reserve Fund</u>	<u>Total Water Utility</u>
<u>ASSETS:</u>			
Current Assets:			
Cash and Investments	\$ 303,793	\$ 27,873	\$ 331,666
Accounts Receivable	47,046	-	47,046
Inventory	32,447	-	32,447
Total Current Assets	<u>383,286</u>	<u>27,873</u>	<u>411,159</u>
Non-Current Assets:			
Restricted Cash	-	66,097	66,097
Capital Assets:			
Land	85,675	-	85,675
Capital Assets, Net of Depreciation	<u>2,889,935</u>	<u>-</u>	<u>2,889,935</u>
Total Capital Assets	<u>2,975,610</u>	<u>-</u>	<u>2,975,610</u>
Total Assets	<u>\$ 3,358,896</u>	<u>\$ 93,970</u>	<u>\$ 3,452,866</u>
<u>LIABILITIES:</u>			
Current Liabilities:			
Accounts Payable	\$ 5,718	\$ -	\$ 5,718
Compensated Absences Payable	14,602	-	14,602
Customer Deposits	15,416	-	15,416
Total Current Liabilities	<u>35,736</u>	<u>-</u>	<u>35,736</u>
Total Liabilities	<u>\$ 35,736</u>	<u>\$ -</u>	<u>\$ 35,736</u>
<u>NET ASSETS:</u>			
Invested in capital assets, net of related debt	\$ 2,975,610	\$ -	\$ 2,975,610
Restricted for:			
Debt Service	-	66,097	66,097
Capital Projects	-	27,873	27,873
Unrestricted	<u>347,550</u>	<u>-</u>	<u>347,550</u>
Total Net Assets	<u>\$ 3,323,160</u>	<u>\$ 93,970</u>	<u>\$ 3,417,130</u>

CITY OF HARRISBURG

Combining Schedule of Revenues, Expenses, and Changes in Net Assets

WATER FUNDS

For the Fiscal Year Ended June 30, 2012

	<u>Water Fund</u>	<u>Water Reserve Fund</u>	<u>Total Water Utility</u>
<u>OPERATING REVENUES:</u>			
Charges for Services			
Water Charges	\$ 505,991	\$ -	\$ 505,991
Other Revenue	16,825	-	16,825
Total Operating Revenues	522,816	-	522,816
<u>OPERATING EXPENSES:</u>			
Personal Services	284,229	-	284,229
Materials and Supplies	154,700	-	154,700
Depreciation	116,239	-	116,239
Total Operating Expenses	555,168	-	555,168
Operating Income (Loss)	(32,352)	-	(32,352)
<u>NON-OPERATING REVENUES (EXPENSES):</u>			
Interest Income	508	267	775
Total Non-Operating Revenues (Expenses)	508	267	775
Income Before Other Revenues, Expenses, and Transfers	(31,844)	267	(31,577)
<u>CAPITAL CONTRIBUTIONS AND TRANSFERS:</u>			
Capital Contributions	162,360	-	162,360
Transfers In	-	9,760	9,760
Transfers (Out)	(30,260)	-	(30,260)
Capital Asset Transfers In	62,051	-	62,051
Total Capital Contributions and Transfers	194,151	9,760	203,911
Change in Net Assets	162,307	10,027	172,334
NET ASSETS, July 1, 2011	3,160,853	83,943	3,244,796
NET ASSETS, June 30, 2012	\$ 3,323,160	\$ 93,970	\$ 3,417,130

CITY OF HARRISBURG

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

WATER FUND

For the Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note 1)	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>REVENUES:</u>				
Charges for Services	\$ 523,810	\$ 523,810	\$ 505,991	\$ (17,819)
Investment Revenue	250	250	508	258
Other Revenue	5,850	5,850	16,825	10,975
Total Revenues	529,910	529,910	523,324	(6,586)
<u>EXPENDITURES:</u>				
Personal services	298,992	298,992	282,051	(16,941)
Materials and supplies	156,905	156,905	115,964	(40,941)
Capital Outlay	61,750	61,750	48,782	(12,968)
Contingency	114,671	114,671	-	(114,671)
Total Expenditures	632,318	632,318	446,797	(185,521)
Excess (Deficiency of Revenues over Expenditures)	(102,408)	(102,408)	76,527	178,935
<u>OTHER FINANCING SOURCES / (USES):</u>				
Operating Transfer (Out)	(30,260)	(30,260)	(30,260)	-
Total Other Financing Sources	(30,260)	(30,260)	(30,260)	-
Net Change In Fund Balance	(132,668)	(132,668)	46,267	178,935
Budgetary Fund Balance - July 1, 2011	132,668	132,668	153,225	20,557
Budgetary Fund Balance - June 30, 2012	\$ -	\$ -	\$ 199,492	\$ 199,492

Reconciliation to generally accepted accounting principles basis

Net change in fund balance from above	46,267
Change in Inventory	(3,645)
Change in Compensated Absences	(2,178)
Change in Accrued Interest	-
Debt Principal Payments	-
Capital outlay that is capitalized	13,691
Contributed Capital	162,360
Equity transfer of capital assets	62,051
Depreciation Expense	(116,239)
Change in Net Assets as Reported in Proprietary Funds Statement of of Revenues, Expenditures, and Changes in Net Assets	<u>\$ 162,307</u>

CITY OF HARRISBURG

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

WATER RESERVE FUND

For the Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note 1)	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>REVENUES:</u>				
Investment Revenue	\$ 350	\$ 350	\$ 267	\$ (83)
Total Revenues	350	350	267	(83)
<u>EXPENDITURES:</u>				
Capital Outlay	87,359	87,359	-	(87,359)
Debt Service:			-	-
Principal	6,610	6,610	-	(6,610)
Total Expenditures	93,969	93,969	-	(93,969)
Excess (Deficiency of Revenues over Expenditu	(93,619)	(93,619)	267	93,886
<u>Other Financing Sources / (Uses)</u>				
Operating Transfer In	9,760	9,760	9,760	-
Total Other Financing Sources	9,760	9,760	9,760	-
Net Change In Fund Balance	(83,859)	(83,859)	10,027	93,886
Budgetary Fund Balance - July 1, 2011	83,859	83,859	83,943	84
Budgetary Fund Balance - June 30, 2012	\$ -	\$ -	\$ 93,970	\$ 93,970

Proprietary Funds

Sewer Funds

CITY OF HARRISBURG

Combining Schedule of Net Assets

SEWER FUNDS

June 30, 2012

	<u>Sewer Fund</u>	<u>Sewer Reserve Fund</u>	<u>Total Sewer Utility</u>
<u>ASSETS:</u>			
Current Assets:			
Cash and Investments	\$ 183,412	\$ 299,214	\$ 482,626
Accounts Receivable	60,891	-	60,891
Inventory	12,395	-	12,395
Total Current Assets	256,698	299,214	555,912
Non-Current Assets:			
Restricted Cash	-	50,064	50,064
Interfund Loan Receivable	-	7,383	7,383
Total Non-Current Assets	-	57,447	57,447
Capital Assets:			
Land	448,197	-	448,197
Depreciable Assets, Net of Depreciation	5,866,161	-	5,866,161
Total Capital Assets	6,314,358	-	6,314,358
Total Assets	\$ 6,571,056	\$ 356,661	\$ 6,927,717
<u>LIABILITIES:</u>			
Current Liabilities:			
Accounts Payable	\$ 4,348	\$ -	\$ 4,348
Compensated Absences Payable	14,602	-	14,602
Accrued Interest Payable	70,944	-	70,944
Customer Deposits	15,598	-	15,598
Current Portion of Long-Term Liabilities:			
Bond Payable	31,672	-	31,672
Total Current Liabilities	137,164	-	137,164
Long-Term Liabilities:			
Noncurrent Portion of Long-Term Liabilities:			
Bond Payable	2,234,570	-	2,234,570
Total Long-Term Liabilities	2,234,570	-	2,234,570
Total Liabilities	\$ 2,371,734	\$ -	\$ 2,371,734
<u>NET ASSETS:</u>			
Invested in capital assets, net of related debt	\$ 4,048,116	\$ -	\$ 4,048,116
Restricted for:			
Debt Service	-	50,064	50,064
Capital Projects	-	306,597	306,597
Unrestricted	151,206	-	151,206
Total Net Assets	\$ 4,199,322	\$ 356,661	\$ 4,555,983

CITY OF HARRISBURG

Combining Schedule of Revenues, Expenses, and Changes in Net Assets

SEWER FUNDS

For the Fiscal Year Ended June 30, 2012

	<u>Sewer Fund</u>	<u>Sewer Reserve Fund</u>	<u>Total Sewer Utility</u>
<u>OPERATING REVENUES:</u>			
Charges for Services			
Sewer Charges	\$ 570,794	\$ -	\$ 570,794
Other Revenue	8,368	-	8,368
Total Operating Revenues	579,162	-	579,162
<u>OPERATING EXPENSES:</u>			
Personal Services	284,229	-	284,229
Materials and Supplies	177,924	-	177,924
Depreciation	259,297	-	259,297
Total Operating Expenses	721,450	-	721,450
Operating Income (Loss)	(142,288)	-	(142,288)
<u>NON-OPERATING REVENUES (EXPENSES):</u>			
Interest Income	1,053	1,013	2,066
Debt Service Interest Expense / Fees	(94,044)	-	(94,044)
Total Non-Operating Revenues (Expenses)	(92,991)	1,013	(91,978)
Income Before Other Revenues, Expenses, and Transfers	(235,279)	1,013	(234,266)
<u>CAPITAL CONTRIBUTIONS AND TRANSFERS:</u>			
Capital Contributions	87,120	-	87,120
Transfers In	20,000	-	20,000
Transfers (Out)	(20,500)	-	(20,500)
Capital Asset Transfers In	9,818	-	9,818
Total Capital Contributions and Transfers	96,438	-	96,438
Change In Net Assets	(138,841)	1,013	(137,828)
NET ASSETS, July 1, 2011	3,926,590	355,648	4,282,238
Prior Period Adjustment	411,573	-	411,573
NET ASSETS, June 30, 2012	\$ 4,199,322	\$ 356,661	\$ 4,555,983

CITY OF HARRISBURG

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

SEWER FUND

For the Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note 1)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Charges for Services	\$ 585,600	\$ 585,600	\$ 570,794	\$ (14,806)
Investment Revenue	500	500	1,053	553
Other Revenue	250	250	8,368	8,118
Total Revenues	586,350	586,350	580,215	(6,135)
EXPENDITURES:				
Personal services	298,992	298,992	282,051	(16,941)
Materials and supplies	206,805	206,805	161,866	(44,939)
Capital Outlay	35,250	35,250	16,058	(19,192)
Debt Service				
Principal	30,418	30,418	30,418	-
Interest	94,737	94,737	94,737	-
Contingency	37,046	37,046	-	(37,046)
Total Expenditures	703,248	703,248	585,130	(118,118)
Excess (Deficiency) of Revenues over Expenditur	(116,898)	(116,898)	(4,915)	111,983
OTHER FINANCING SOURCES / (USES):				
Operating Transfer In	20,000	20,000	20,000	-
Operating Transfer (Out)	(20,500)	(20,500)	(20,500)	-
Total Other Financing Sources	(500)	(500)	(500)	-
Net Change In Fund Balance	(117,398)	(117,398)	(5,415)	111,983
Budgetary Fund Balance - July 1, 2011	117,398	117,398	98,771	(18,627)
Budgetary Fund Balance - June 30, 2012	\$ -	\$ -	\$ 93,356	\$ 93,356

Reconciliation to generally accepted accounting principles basis

Net change in fund balance from above	(5,415)
Change in Inventory	-
Change in Compensated Absences	(2,178)
Change in Accrued Interest	693
Debt Principal Payments	30,418
Equity transfer of capital assets	9,818
Capital outlay that is capitalized	-
Contributed Capital	87,120
Depreciation Expense	(259,297)
Change in Net Assets as Reported in Proprietary Funds Statement of of Revenues, Expenditures, and Changes in Net Assets	<u>\$ (138,841)</u>

CITY OF HARRISBURG

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

SEWER RESERVE FUND

For the Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note 1)	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>REVENUES:</u>				
Investment Revenue	\$ 550	\$ 550	\$ 1,013	\$ 463
Total Revenues	550	550	1,013	463
<u>EXPENDITURES:</u>				
Capital Outlay	245,729	245,729	-	(245,729)
Debt Service				
Principal	125,155	125,155	-	(125,155)
Total Expenditures	370,884	370,884	-	(370,884)
Excess (Deficiency of Revenues over Expenditures)	(370,334)	(370,334)	1,013	371,347
<u>OTHER FINANCING SOURCES / (USES):</u>				
Loan Repayment	18,170	18,170	18,170	-
Total Other Financing Sources	18,170	18,170	18,170	-
Net Change In Fund Balance	(352,164)	(352,164)	19,183	371,347
Budgetary Fund Balance - July 1, 2011	352,164	352,164	330,095	(22,069)
Budgetary Fund Balance - June 30, 2012	\$ -	\$ -	\$ 349,278	\$ 349,278

Reconciliation to generally accepted accounting principles basis

Net change in fund balance from above	19,183
Capital outlay that is capitalized	-
Equity transfer of capital assets	-
Interfund Loan Repayment	(18,170)
Change in Net Assets as Reported in Proprietary Funds Statement of of Revenues, Expenditures, and Changes in Net Assets	<u>\$ 1,013</u>

Non-Major

Governmental Funds

CITY OF HARRISBURG

Combining Balance Sheet

NON-MAJOR GOVERNMENTAL FUNDS

June 30, 2012

	Combined Non-Major Special Revenue Funds	Combined Non-Major Debt Service Funds	Total
<u>ASSETS:</u>			
Cash & Investments	\$ 414,141	\$ 98,854	\$ 512,995
Accounts Receivable	11,403	-	11,403
Assessment Receivable	-	9,874	9,874
Total Assets	425,544	108,728	534,272
<u>LIABILITIES:</u>			
Accounts Payable	2,245	-	2,245
Interfund Loan Payable	7,382	-	7,382
Deferred Revenue	-	8,952	8,952
Total Liabilities	9,627	8,952	18,579
<u>FUND BALANCES:</u>			
Restricted for:			
Debt Service	-	99,776	99,776
Committed for:			
Parks and Recreation Programs	18,241	-	18,241
Community Development Projects	36,607	-	36,607
Equipment Acquisition	219,011	-	219,011
Public Works	142,058	-	142,058
Total Fund Balances	415,917	99,776	515,693
Total Liabilities and Fund Balances	\$ 425,544	\$ 108,728	\$ 534,272

CITY OF HARRISBURG

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

NON-MAJOR GOVERNMENTAL FUNDS

For the Fiscal Year Ended June 30, 2012

	Combined Non-Major Special Revenue Funds	Combined Non-Major Debt Service Funds	Total
<u>REVENUES:</u>			
Taxes and Assessments	\$ 62,630	\$ 102,154	\$ 164,784
Intergovernmental	21,894	-	21,894
Investment Revenue	1,141	304	1,445
Other Revenue	14,019	-	14,019
Total Receipts	99,684	102,458	202,142
<u>EXPENDITURES:</u>			
General Government	90,821	-	90,821
Highways and Streets	10,298	-	10,298
Culture and Recreation	64,833	-	64,833
Debt Service:			
Principal	-	43,686	43,686
Interest	-	50,274	50,274
Capital Outlay	45,369	-	45,369
Total Expenditures	211,321	93,960	305,281
Excess of Revenues Over (Under) Expenditures	(111,637)	8,498	(103,139)
<u>OTHER FINANCING SOURCES (USES):</u>			
Operating Transfers In	181,500	-	181,500
Total Other Financing Sources (Uses):	181,500	-	181,500
Excess of Receipts and Other Financing Sources Over (Under) Expenditures and Other Uses	69,863	8,498	78,361
FUND BALANCE, July 1, 2011	346,054	91,278	437,332
FUND BALANCE, June 30, 2012	\$ 415,917	\$ 99,776	\$ 515,693

Non – Major

Special Revenue Funds

CITY OF HARRISBURG

Combining Balance Sheet

NON-MAJOR SPECIAL REVENUE FUNDS

June 30, 2012

	<u>Equipment Reserve Fund</u>	<u>Office Equipment Fund</u>	<u>Library Fund</u>	<u>Bike Path Reserve Fund</u>	<u>H.A.R.T. Fund</u>	<u>Storm Drain Reserve Fund</u>	<u>Total</u>
<u>ASSETS:</u>							
Cash & Investments	\$ 204,209	\$ 16,658	\$ 19,442	\$ 18,241	\$ 12,363	\$ 143,228	\$ 414,141
Accounts Receivable	-	-	-	-	4,986	6,417	11,403
Total Assets	204,209	16,658	19,442	18,241	17,349	149,645	425,544
<u>LIABILITIES:</u>							
Accounts Payable	1,856	-	41	-	143	205	2,245
Interfund Loan	-	-	-	-	-	7,382	7,382
Total Liabilities	1,856	-	41	-	143	7,587	9,627
<u>FUND BALANCES:</u>							
Committed for:							
Parks and Recreation Programs	-	-	-	18,241	-	-	18,241
Community Development Projects	-	-	19,401	-	17,206	-	36,607
Equipment Acquisition	202,353	16,658	-	-	-	-	219,011
Public Works	-	-	-	-	-	142,058	142,058
Total Fund Balances	202,353	16,658	19,401	18,241	17,206	142,058	415,917
Total Liabilities and Fund Balances	\$ 204,209	\$ 16,658	\$ 19,442	\$ 18,241	\$ 17,349	\$ 149,645	\$ 425,544

CITY OF HARRISBURG

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

NON-MAJOR SPECIAL REVENUE FUNDS

For the Fiscal Year Ended June 30, 2012

	Equipment Reserve Fund	Office Equipment Fund	Library Fund	Bike Path Reserve Fund	H.A.R.T. Fund	Storm Drain Reserve Fund	Total
REVENUES:							
Taxes and Assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 62,630	\$ 62,630
Intergovernmental	-	-	-	1,946	19,948	-	21,894
Investment Revenue	480	67	81	52	56	405	1,141
Other Revenue	-	-	2,846	-	11,173	-	14,019
Total Receipts	480	67	2,927	1,998	31,177	63,035	99,684
EXPENDITURES:							
General Government	-	22,170	-	-	68,651	-	90,821
Highways and Street	-	-	-	-	-	10,298	10,298
Culture and Recreation	-	-	64,833	-	-	-	64,833
Capital Outlay	37,139	-	3,676	-	-	4,554	45,369
Total Expenditures	37,139	22,170	68,509	-	68,651	14,852	211,321
Excess of Revenues Over (Under) Expenditures	(36,659)	(22,103)	(65,582)	1,998	(37,474)	48,183	(111,637)
OTHER FINANCING SOURCES (USES):							
Operating Transfers In	69,000	8,000	70,000	-	34,500	-	181,500
Total Other Financing Sources (Uses):	69,000	8,000	70,000	-	34,500	-	181,500
Excess of Receipts and Other Financing Sources Over (Under) Expenditures and Other Uses	32,341	(14,103)	4,418	1,998	(2,974)	48,183	69,863
FUND BALANCE, July 1, 2011	170,012	30,761	14,983	16,243	20,180	93,875	346,054
FUND BALANCE, June 30, 2012	\$ 202,353	\$ 16,658	\$ 19,401	\$ 18,241	\$ 17,206	\$ 142,058	\$ 415,917

CITY OF HARRISBURG

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

EQUIPMENT RESERVE FUND

For the Fiscal Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u> <u>(Budgetary Basis)</u> <u>(See Note 1)</u>	<u>Variance</u> <u>with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES:</u>				
Investment Revenue	\$ 230	\$ 230	\$ 480	\$ 250
Total Revenues	230	230	480	250
<u>EXPENDITURES:</u>				
Capital Outlay	227,120	227,120	37,139	(189,981)
Total Expenditures	227,120	227,120	37,139	(189,981)
Excess of Revenues Over (Under) Expenditures	(226,890)	(226,890)	(36,659)	190,231
<u>OTHER FINANCING SOURCES / (USES):</u>				
Operating Transfer In	69,000	69,000	69,000	-
Total Other Financing Sources	69,000	69,000	69,000	-
Net Change In Fund Balances	(157,890)	(157,890)	32,341	190,231
FUND BALANCE, July 1, 2011	157,890	157,890	170,012	12,122
FUND BALANCE, June 30, 2012	\$ -	\$ -	\$ 202,353	\$ 202,353

CITY OF HARRISBURG

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

OFFICE EQUIPMENT FUND

For the Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with
			(Budgetary Basis)	Final Budget
			(See Note 1)	Positive
				(Negative)
<u>REVENUES:</u>				
Investment Revenue	\$ 100	\$ 100	\$ 67	\$ (33)
Total Revenues	100	100	67	(33)
<u>EXPENDITURES:</u>				
Materials and Services	39,500	39,500	22,170	(17,330)
Capital Outlay	7,300	7,300	-	(7,300)
Total Expenditures	46,800	46,800	22,170	(24,630)
Excess of Revenues Over (Under) Expenditures	(46,700)	(46,700)	(22,103)	24,597
<u>OTHER FINANCING SOURCES / (USES):</u>				
Operating Transfer In	8,000	8,000	8,000	-
Total Other Financing Sources	8,000	8,000	8,000	-
Net Change In Fund Balances	(38,700)	(38,700)	(14,103)	24,597
FUND BALANCE, July 1, 2011	38,700	38,700	30,761	(7,939)
FUND BALANCE, June 30, 2012	\$ -	\$ -	\$ 16,658	\$ 16,658

CITY OF HARRISBURG
Schedule of Revenues, Expenditures,
and Changes in Fund Balance - Budget and Actual
LIBRARY FUND
For the Fiscal Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis) (See Note 1)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<u>REVENUES:</u>				
Investment Revenue	\$ 30	\$ 30	\$ 81	\$ 51
Miscellaneous Revenue	2,700	3,700	2,846	(854)
Total Revenues	2,730	3,730	2,927	(803)
<u>EXPENDITURES:</u>				
Personal Services	61,643	61,643	54,557	(7,086)
Materials and Services	12,400	13,400	10,276	(3,124)
Capital Outlay	5,900	5,900	3,676	(2,224)
Contingency	2,787	2,787	-	(2,787)
Total Expenditures	82,730	83,730	68,509	(15,221)
Excess of Revenues Over (Under) Expenditur	(80,000)	(80,000)	(65,582)	14,418
<u>OTHER FINANCING SOURCES / (USES):</u>				
Operating Transfer In	70,000	70,000	70,000	-
Total Other Financing Sources	70,000	70,000	70,000	-
Net Change In Fund Balances	(10,000)	(10,000)	4,418	14,418
FUND BALANCE, July 1, 2011	10,000	10,000	14,983	4,983
FUND BALANCE, June 30, 2012	\$ -	\$ -	\$ 19,401	\$ 19,401

CITY OF HARRISBURG
Schedule of Revenues, Expenditures,
and Changes in Fund Balance - Budget and Actual
BIKE PATH RESERVE FUND
For the Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note 1)	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>REVENUES:</u>				
Intergovernmental	\$ 1,200	\$ 1,200	\$ 1,946	\$ 746
Investment Revenue	15	15	52	37
Total Revenues	1,215	1,215	1,998	783
<u>EXPENDITURES:</u>				
Capital Outlay	17,134	17,134	-	(17,134)
Total Expenditures	17,134	17,134	-	(17,134)
Excess of Revenues Over (Under) Expenditures	(15,919)	(15,919)	1,998	17,917
<u>OTHER FINANCING SOURCES / (USES):</u>				
Total Other Financing Sources	-	-	-	-
Net Change In Fund Balances	(15,919)	(15,919)	1,998	17,917
FUND BALANCE, July 1, 2011	15,919	15,919	16,243	324
FUND BALANCE, June 30, 2012	\$ -	\$ -	\$ 18,241	\$ 18,241

CITY OF HARRISBURG

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

H.A.R.T. FUND

For the Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note 1)	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>REVENUES:</u>				
Intergovernmental	\$ 20,000	\$ 20,000	\$ 19,948	\$ (52)
Investment Revenue	25	25	56	31
Miscellaneous	12,000	12,000	11,173	(827)
Total Revenues	32,025	32,025	31,177	(848)
<u>EXPENDITURES:</u>				
Personal Services	69,343	69,343	65,188	(4,155)
Materials and Services	6,475	6,475	3,463	(3,012)
Contingency	2,707	2,707	-	(2,707)
Total Expenditures	78,525	78,525	68,651	(9,874)
Excess of Revenues Over (Under) Expenditures	(46,500)	(46,500)	(37,474)	9,026
<u>OTHER FINANCING SOURCES / (USES):</u>				
Operating Transfer In	34,500	34,500	34,500	-
Total Other Financing Sources	34,500	34,500	34,500	-
Net Change In Fund Balances	(12,000)	(12,000)	(2,974)	9,026
FUND BALANCE, July 1, 2011	12,000	12,000	20,180	8,180
FUND BALANCE, June 30, 2012	\$ -	\$ -	\$ 17,206	\$ 17,206

CITY OF HARRISBURG

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

STORM DRAIN RESERVE FUND

For the Fiscal Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u> <u>(Budgetary Basis)</u> <u>(See Note 1)</u>	<u>Variance</u> <u>with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES:</u>				
Taxes and Assessments	\$ 55,300	\$ 55,300	\$ 62,630	\$ 7,330
Investment Revenue	150	150	405	255
Total Revenues	55,450	55,450	63,035	7,585
<u>EXPENDITURES:</u>				
Materials and Services	17,900	17,900	10,298	(7,602)
Capital Outlay	138,221	138,221	4,554	(133,667)
Total Expenditures	156,121	156,121	14,852	(141,269)
Excess of Revenues Over (Under) Expenditure:	(100,671)	(100,671)	48,183	148,854
<u>OTHER FINANCING SOURCES / (USES):</u>				
Interfund Loan Repayment	(18,170)	(18,170)	(18,170)	-
Total Other Financing Sources	(18,170)	(18,170)	(18,170)	-
Net Change In Fund Balances	(118,841)	(118,841)	30,013	148,854
FUND BALANCE, July 1, 2011	118,841	118,841	119,427	586
FUND BALANCE, June 30, 2012	\$ -	\$ -	\$ 149,440	\$ 149,440

Reconciliation to Generally Accepted Accounting Principal Basis (GAAP):

Net change in fund balance from above	30,013
Interfund Loan Repayment	18,170
Net Income as Reported in Proprietary Funds Statement of of Revenues, Expenditures, and Changes in Net Assets	<u>\$ 48,183</u>

Debt Service Funds

CITY OF HARRISBURG
Schedule of Revenues, Expenditures,
and Changes in Fund Balance - Budget and Actual
DEBT SERVICE FUND
(A Non-Major Fund)
For the Fiscal Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis) (See Note 1)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<u>REVENUES:</u>				
Taxes and Assessments	\$ 96,784	\$ 96,423	\$ 102,154	\$ 5,731
Investment Revenue	150	150	304	154
Total Revenues	96,934	96,573	102,458	5,885
<u>EXPENDITURES:</u>				
Debt Service				
Principal	43,705	43,250	43,686	436
Interest	50,350	52,000	50,274	(1,726)
Total Expenditures	94,055	95,250	93,960	(1,290)
Excess of Revenues Over (Under) Expenditures	2,879	1,323	8,498	7,175
FUND BALANCE, July 1, 2011	77,453	79,009	91,278	12,269
FUND BALANCE, June 30, 2012	\$ 80,332	\$ 80,332	\$ 99,776	\$ 19,444

Additional
Supporting Schedules

CITY OF HARRISBURG

SCHEDULE OF PROPERTY TAXES

For the Fiscal Year Ended June 30, 2012

	General Fund Permanent Rate Tax, Subject to Measure 5	Bonds	Total
Assessed Valuation, 2011-12 Tax Roll	\$ 159,412,976	\$ 159,412,976	\$ -
General Fund Permanent Rate Levy, Per \$1,000	0.0031875	-	-
General Obligation Bond Levy Rate, Per \$1,000	-	0.0006536	-
Amount Levy Rates Will Raise	508,129	104,192	612,321
Gain From UR Division of Tax Rate Truncation	9	2	11
Loss Due to District's Compression	(9)	-	(9)
Net Tax Levy Imposed	<u>\$ 508,129</u>	<u>\$ 104,194</u>	<u>\$ 612,323</u>
	Collector's Adjustment & Discounts Increase (Decrease)	Collections During the Year	Uncollected Balance June 30, 2012
	Uncollected Balance July 1, 2011		
2011-12	\$ 612,323	\$ (17,825)	\$ 566,949
2010-11	27,858	(248)	11,330
2009-10	12,585	565	4,785
2008-09	11,718	(1,655)	4,601
2007-08	3,791	(90)	2,949
2006-07	1,101	481	1,204
2005-06 & Prior	1,087	1,105	1,477
Total Cash Collections	<u>\$ 670,463</u>	<u>\$ (17,666)</u>	<u>\$ 593,295</u>
Less Accrued Revenue - June 30, 2011			(2,745)
Add Accrued Revenue - June 30, 2012			4,587
Total Property Tax Revenue			<u>\$ 595,137</u>
Current Year Collections:	Current	Prior	Total
General Fund	\$ 472,030	\$ 20,954	\$ 492,984
Debt Service Fund	96,791	5,363	102,154
TOTALS	<u>\$ 568,821</u>	<u>\$ 26,317</u>	<u>\$ 595,138</u>

CITY OF HARRISBURG REDEVELOPMENT AGENCY

(A Component Unit of the City of Harrisburg)

SCHEDULE OF PROPERTY TAXES

For the Fiscal Year Ended June 30, 2012

	<u>Urban Renewal Special Levy</u>
Assessed Valuation Redevelopment, 2011-12 Tax Roll	\$174,361,303
Urban Renewal Special Levy	<u>0.0003154</u>
Amount Levy Rates Will Raise	54,994
Loss Due to District's Compression	(1)
Net Tax Levy Imposed	<u><u>\$ 54,993</u></u>

	<u>Uncollected Balance July 1, 2011</u>	<u>Adjustment & Discounts Increase (Decrease)</u>	<u>Collections During the Year</u>	<u>Uncollected Balance June 30, 2012</u>
2011-12	\$ 54,993	\$ 189,294	\$ 235,180	\$ 9,106
2010-11	9,829	210	4,623	5,416
2009-10	5,011	296	2,162	3,145
2008-09	3,658	708	2,019	2,347
2007-08	1,300	468	1,397	371
2006-07	350	39	222	167
2005-06 & Prior	<u>393</u>	<u>484</u>	<u>644</u>	<u>233</u>
Total Property Taxes	<u><u>\$ 75,534</u></u>	<u><u>\$ 191,499</u></u>	<u><u>\$ 246,247</u></u>	<u><u>\$ 20,786</u></u>

Less Accrued Revenue - June 30, 2011	(1,186)
Add Accrued Revenue - June 30, 2012	<u>1,949</u>
Total Property Tax Revenue	<u><u>\$ 247,010</u></u>

Current Year Collections:	<u>Current</u>	<u>Prior</u>	<u>Total</u>
Harrisburg Redevelopment Agency F	<u>\$ 235,226</u>	<u>\$ 11,784</u>	<u>\$ 247,010</u>
TOTALS	<u><u>\$ 235,226</u></u>	<u><u>\$ 11,784</u></u>	<u><u>\$ 247,010</u></u>

CITY OF HARRISBURG
SCHEDULE OF LONG-TERM DEBT TRANSACTIONS
For the Fiscal Year Ended June 30, 2012

	<u>Outstanding Balance July 1, 2011</u>	<u>New Issues and Interest Matured</u>	<u>Principal and Interest Retired</u>	<u>Outstanding Balance June 30, 2012</u>	<u>Due within One Year</u>
<u>GOVERNMENTAL ACTIVITIES:</u>					
Note Payable with DEQ					
Original Balance - \$410,000					
Dated - August 9, 1991					
Interest Rate - 3.00%					
Principal	\$ 27,253	\$ -	\$ 27,253	\$ -	\$ -
Interest	-	610	610	-	-
Totals	<u>\$ 27,253</u>	<u>\$ 610</u>	<u>\$ 27,863</u>	<u>\$ -</u>	<u>\$ -</u>
Note Payable to Cedar Square Partnership for the acquisition of real property					
Original Balance - \$250,000					
Dated - February 2001					
Interest Rate - 5.25%					
Principal	\$ 57,672	\$ -	\$ 20,929	\$ 36,743	\$ 22,640
Interest	-	3,071	3,071	-	1,360
Totals	<u>\$ 57,672</u>	<u>\$ 3,071</u>	<u>\$ 24,000</u>	<u>\$ 36,743</u>	<u>\$ 24,000</u>
Note Payable to Oregon Economic Development Department for various Urban Renewal Projects					
Original Balance - \$432,000 plus \$93,049 in capitalized interest					
Dated - February 13, 1996					
Interest Rate - 6.5%					
Principal	\$ 395,343	\$ -	\$ 50,928	\$ 344,415	\$ 63,070
Interest	-	25,697	25,697	-	22,387
Totals	<u>\$ 395,343</u>	<u>\$ 25,697</u>	<u>\$ 76,625</u>	<u>\$ 344,415</u>	<u>\$ 85,457</u>
General Obligation Bonds held by USDA Rural Development for Water System Improvements					
Original Balance - \$ 1,174,000					
Dated - November 1, 2000					
Interest Rate - 4.75%					
Principal	\$ 1,045,554	\$ -	\$ 16,433	\$ 1,029,121	\$ 17,213
Interest	-	49,664	49,664	-	48,884
Totals	<u>\$ 1,045,554</u>	<u>\$ 49,664</u>	<u>\$ 66,097</u>	<u>\$ 1,029,121</u>	<u>\$ 66,097</u>
TOTAL GOVERNMENTAL ACTIVITIES DEBT AGREEMENTS:					
Principal	\$ 1,525,822	\$ -	\$ 115,543	\$ 1,410,279	\$ 102,923
Interest	-	79,042	79,042	-	72,631
Totals	<u>\$ 1,525,822</u>	<u>\$ 79,042</u>	<u>\$ 194,585</u>	<u>\$ 1,410,279</u>	<u>\$ 175,554</u>

Continued

CITY OF HARRISBURG

SCHEDULE OF LONG-TERM DEBT TRANSACTIONS (Continued)

For the Fiscal Year Ended June 30, 2012

	Outstanding Balance July 1, 2011	New Issues and Interest Matured	Principal and Interest Retired	Outstanding Balance June 30, 2012	Due within One Year
<u>BUSINESS-TYPE ACTIVITIES:</u>					
Revenue Bonds held by USDA Rural Development for Sewer System Improvements					
Original Balance - \$2,431,600					
Dated - September 27, 2005					
Interest Rate - 4.125%					
Principal	\$ 2,296,660	\$ -	\$ 30,418	\$ 2,266,242	\$ 31,672
Interest	-	94,737	94,737	-	93,483
Totals	\$ 2,296,660	\$ 94,737	\$ 125,155	\$ 2,266,242	\$ 125,155
TOTAL BUSINESS-TYPE ACTIVITIES DEBT AGREEMENTS:					
Principal	\$ 2,296,660	\$ -	\$ 30,418	\$ 2,266,242	\$ 31,672
Interest	-	94,737	94,737	-	93,483
Totals	\$ 2,296,660	\$ 94,737	\$ 125,155	\$ 2,266,242	\$ 125,155
TOTAL DEBT AGREEMENTS:					
Principal	\$ 3,822,482	\$ -	\$ 145,961	\$ 3,676,521	\$ 134,595
Interest	-	173,779	173,779	-	166,114
Totals	\$ 3,822,482	\$ 173,779	\$ 319,740	\$ 3,676,521	\$ 300,709

CITY OF HARRISBURG

SCHEDULE OF FUTURE REQUIREMENTS FOR RETIREMENT OF LONG-TERM DEBT

For the Fiscal Year Ended June 30, 2012

	Fiscal Year Ended June 30,	Sinking Fund Require- ment	Total Payment	Principal	Interest	Fiscal Year- end Balance
<u>GOVERNMENTAL ACTIVITIES:</u>						
Totals		-	\$ -	\$ -	\$ -	-
Note Payable to Cedar Square Partnership for the acquisition of real property	2013	-	24,000	22,640	1,360	14,103
Original Balance - \$250,000	2014	-	11,268	11,032	236	3,071
Totals		-	\$ 35,268	\$ 33,672	\$ 1,596	
Note Payable to Oregon Economic Development Department for various Urban Renewal Projects	2013	-	85,457	63,070	22,387	\$ 281,345
Original Balance - \$432,000 plus \$93,049 in capitalized interest	2014	-	95,308	77,021	18,287	204,324
	2015	-	106,294	93,013	13,281	111,311
	2016	-	118,546	111,311	7,235	-
Totals		-	\$ 405,605	\$ 344,415	\$ 61,190	
General Obligation Bonds held by USDA Rural Development for Water System Improvements	2013	66,097	66,097	17,213	48,884	\$ 1,011,908
Original Balance - \$ 1,174,000	2014	66,097	66,097	18,031	48,066	993,877
	2015	66,097	66,097	18,887	47,210	974,990
	2016	66,097	66,097	19,785	46,312	955,205
	2017	66,097	66,097	20,724	45,373	934,481
	2018	66,097	66,097	21,709	44,388	912,772
	2019	66,097	66,097	22,740	43,357	890,032
	2020	66,097	66,097	23,820	42,277	866,212
	2021	66,097	66,097	24,952	41,145	841,260
	2022	66,097	66,097	26,137	39,960	815,123
	2023	66,097	66,097	27,378	38,719	787,745
	2024	66,097	66,097	28,679	37,418	759,066
	2025	66,097	66,097	30,041	36,056	729,025
	2026	66,097	66,097	31,468	34,629	697,557
	2027	66,097	66,097	32,963	33,134	664,594
	2028	66,097	66,097	34,528	31,569	630,066
	2029	66,097	66,097	36,168	29,929	593,898
	2030	66,097	66,097	37,886	28,211	556,012
	2031	66,097	66,097	39,686	26,411	516,326
	2032	66,097	66,097	41,571	24,526	474,755
	2033	66,097	66,097	43,546	22,551	431,209
	2034	66,097	66,097	45,614	20,483	385,595
	2035	66,097	66,097	47,781	18,316	337,814
	2036	66,097	66,097	50,051	16,046	287,763
	2037	66,097	66,097	52,428	13,669	235,335
	2038	66,097	66,097	54,918	11,179	180,417
	2039	66,097	66,097	57,527	8,570	122,890
	2040	66,097	66,097	60,259	5,838	62,631
	2041	66,097	65,607	62,631	2,975	-
Totals			\$ 1,916,323	\$ 1,029,121	\$ 887,201	

Continued

CITY OF HARRISBURG
SCHEDULE OF FUTURE REQUIREMENTS FOR
RETIREMENT OF LONG-TERM DEBT (Continued)

For the Fiscal Year Ended June 30, 2012

	Fiscal Year Ended June 30,	Sinking Fund Require- ment	Total Payment	Principal	Interest	Fiscal Year- end Balance
<u>BUSINESS-TYPE ACTIVITIES:</u>						
Revenue Bonds held by USDA Rural						
Development for Sewer System Improvements	2013	50,064	125,155	31,672	93,483	\$ 2,234,570
Original Balance - \$2,431,600	2014	50,064	125,155	32,979	92,176	2,201,591
	2015	50,064	125,155	34,339	90,816	2,167,252
	2016	50,064	125,155	35,756	89,399	2,131,496
	2017	50,064	125,155	37,231	87,924	2,094,265
	2018	50,064	125,155	38,767	86,388	2,055,498
	2019	50,064	125,155	40,366	84,789	2,015,132
	2020	50,064	125,155	42,031	83,124	1,973,101
	2021	50,064	125,155	43,764	81,391	1,929,337
	2022	50,064	125,155	45,570	79,585	1,883,767
	2023	50,064	125,155	47,450	77,705	1,836,317
	2024	50,064	125,155	49,407	75,748	1,786,910
	2025	50,064	125,155	51,445	73,710	1,735,465
	2026	50,064	125,155	53,567	71,588	1,681,898
	2027	50,064	125,155	55,777	69,378	1,626,121
	2028	50,064	125,155	58,077	67,078	1,568,044
	2029	50,064	125,155	60,473	64,682	1,507,571
	2030	50,064	125,155	62,968	62,187	1,444,603
	2031	50,064	125,155	65,565	59,590	1,379,038
	2032	50,064	125,155	68,270	56,885	1,310,768
	2033	50,064	125,155	71,086	54,069	1,239,682
	2034	50,064	125,155	74,018	51,137	1,165,664
	2035	50,064	125,155	77,071	48,084	1,088,593
	2036	50,064	125,155	80,250	44,905	1,008,343
	2037	50,064	125,155	83,561	41,594	924,782
	2038	50,064	125,155	87,008	38,147	837,774
	2039	50,064	125,155	90,597	34,558	747,177
	2040	50,064	125,155	94,334	30,821	652,843
	2041	50,064	125,155	98,225	26,930	554,618
	2042	50,064	125,155	102,277	22,878	452,341
	2043	50,064	125,155	106,496	18,659	345,845
	2044	50,064	125,155	110,889	14,266	234,956
	2045	50,064	125,155	115,463	9,692	119,493
	2046	50,064	165,427	119,493	45,934	-
Totals			\$ 4,295,542	\$ 2,266,242	\$ 2,029,300	

ACCOMPANYING
INFORMATION

CITY OF HARRISBURG
AUDITOR'S COMMENTS AND DISCLOSURES
REQUIRED BY STATE REGULATION
As of June 30, 2012

To the Governing Body of the City of Harrisburg
Harrisburg, Oregon

Oregon Administrative Rule (OAR) 162-010-0120 requires certain other financial information considered necessary for full disclosure of the fiscal affairs of Oregon Municipal corporations. That financial information is set forth in OAR 162-010-0130 through 162-010-0190. The basic financial statements, notes to the financial statements, and supplementary information as listed in the table of contents, provide that information.

Oregon Administrative Rule (OAR) 162-010-0200 requires comments and disclosures relating to our audit of the City's fiscal affairs and compliance with legal requirements as set forth in OAR 162-010-0210 through 162-010-0320. We performed procedures, which may have included samples of transactions, to obtain sufficient audit evidence to support the comments that follow:

ACCOUNTING RECORDS AND INTERNAL CONTROL:

The City's accounting records were in satisfactory condition for audit purposes.

As part of my examination of the financial statements, I obtained an understanding of the accounting system and the internal controls incorporated into that system. The purpose of understanding the accounting system and its controls is to assist in planning the nature and scope of my examination. The process involved in obtaining an understanding of the system is more limited than a study and evaluation necessary to express an opinion on the internal control system as a whole. Accordingly, I do not express an opinion on the system of internal control.

As part of my audit of the basic financial statements, and as required by *Governmental Auditing Standards*, I tested on a limited basis internal controls of the City and adjusted the nature and extent of other auditing procedures as deemed necessary. Although the City's system of internal control is somewhat limited by the number of administrative personnel available, my study did not disclose any conditions which I considered to be a deficiency in the internal controls.

Management has been provided with a separate letter containing certain items I noted during the audit.

COLLATERAL:

ORS 295 requires deposits with financial institutions in excess of the amount insured by the Federal Deposit Insurance Corporation be held at qualifying institutions under the Public Funds Collateralization Program and that public officials provide the Office of the Oregon State Treasurer with the names of all bank depositories in which the City currently deposits public funds.

The City has complied with the provisions of ORS 295 as it pertains to the collateralization of public funds.

CITY OF HARRISBURG
AUDITOR'S COMMENTS AND DISCLOSURES
REQUIRED BY STATE REGULATION (Continued)
As of June 30, 2012

INDEBTEDNESS:

The City has not exceeded its legal debt limitation as provided by ORS 328.245. The City was in compliance with all debt covenants and all payments were made on a timely basis.

BUDGET:

Minutes and resolutions of the Budget Committee and City Council were reviewed for compliance of Oregon Budget Law in preparation, adoption and execution of the current year's budget and preparation and adoption of the ensuing year's budget. I found no instances of non-compliance of Oregon Budget Law by the City for the 2011-12 fiscal year or in preparation and adoption of the 2012-13 budget.

INVESTMENTS:

The City is in compliance with legal requirements of ORS 294 pertaining to investment of public funds.

INSURANCE AND FIDELITY BONDS:

I have examined the City's fidelity bonds and insurance coverage at June 30, 2012 and ascertained that such policies appeared to be in force as of that date and appeared to comply with the legal requirements. I recommend periodic review of insurance by qualified individuals, as I do not possess expertise in this area.

PUBLIC CONTRACTING:

The City complied with the requirements of ORS 279 by making every effort to construct public improvements at the least cost to the public agency. Adequate bids and quotes were obtained for all required contracts and purchases.

PROGRAMS FUNDED FROM OUTSIDE SOURCES:

During the fiscal year, the City complied with all appropriate laws, rules, and regulations pertaining to programs funded by the federal government and the State of Oregon. My examination included procedures required under the Single Audit Act of 1984 and described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement*. In accordance with *Governmental Auditing Standards*, I issued a report on my consideration of the City of Harrisburg's compliance and internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grants. Those reports are in the Single Audit Section of these financial statements.

CITY OF HARRISBURG
AUDITOR'S COMMENTS AND DISCLOSURES
REQUIRED BY STATE REGULATION (Continued)
As of June 30, 2012

HIGHWAY FUNDS:

Based on my review of expenditures of monies received from the State of Oregon for road and highway construction, I am not aware of any instances of noncompliance with respect to Article IX, section 3(a) of the Oregon Constitution, pertaining to the use of receipts from taxes on motor vehicle use fuel. Furthermore, I am not aware of any noncompliance with respect to ORS 294, 368, and 373, pertaining to the use of road funds. My review procedures related to the highway funds included examining on a test basis, documents supporting expenditures in the City's Street Fund.

STATEMENT OF ACCOUNTABILITY FOR INDEPENDENTLY ELECTED OFFICIALS:

This statement is not applicable to the City.

This report is intended solely for the information of the State of Oregon, Secretary of State, Division of Audits and other state agencies and is not intended and should not be used by anyone other than these specified parties.

Steven L. Tuchscherer, CPA
Steve Tuchscherer, CPA, PC

Roseburg, Oregon
December 28, 2012

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

Honorable Mayor and City Council
City of Harrisburg, Oregon

I have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Harrisburg, as of and for the year ended June 30, 2012, which collectively comprise City of Harrisburg's basic financial statements and have issued my report thereon dated December 28, 2012. I conducted my 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.

Internal Control over Financial Reporting

In planning and performing my audit, I considered the City of Harrisburg's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Harrisburg's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City of Harrisburg's internal control over financial reporting.

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 misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Harrisburg's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

I noted certain other matters that I reported to management of the City of Harrisburg in a separate letter dated December 28, 2012.

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Steve Tuchscherer, CPA
December 28, 2012