

**MUNICIPALITY OF HARRISBURG  
HARRISBURG, SOUTH DAKOTA**

**AUDIT REPORT**

**FOR THE YEAR JANUARY 1, 2013 TO DECEMBER 31, 2013**

*Schoenfish & Co., Inc.*

CERTIFIED PUBLIC ACCOUNTANTS  
P.O. Box 247

105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

MUNICIPALITY OF HARRISBURG

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MUNICIPAL OFFICIALS  
DECEMBER 31, 2013

MAYOR:

Julie Burke-Bowen

GOVERNING BOARD:

Robert Handshumaker  
Adrienne Mckeown  
Ryan Olson  
Allison Sanderson

CITY ADMINISTRATOR:

Andrew Pietrus

FINANCE OFFICER:

Mary McClung

ATTORNEY:

Nathan Schoen

*Schoenfish & Co., Inc.*

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Governing Board  
Municipality of Harrisburg  
Harrisburg, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Municipality of Harrisburg, South Dakota (Municipality), as of December 31, 2013 and for the year then ended, and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements and have issued our report thereon dated September 26, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Municipality's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Municipality's internal control. Accordingly, we do not express an opinion on the effectiveness of the Municipality's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Current Audit Findings, we identified certain deficiencies in internal control that we consider to be material weaknesses.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Municipality's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Current Audit Findings as item 2013-001 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Municipality's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with

those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### Municipality's Response to Findings

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

#### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Municipality's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.



Schoenfish & Co., Inc.  
Certified Public Accountants  
September 26, 2014

*Schoenfish & Co., Inc.*

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SCHEDULE OF PRIOR AUDIT FINDINGS

PRIOR OTHER AUDIT FINDINGS:

Finding Number 2012-001:

A material weakness in internal controls was noted due to a lack of proper segregation of duties for the revenue function resulting in decrease reliability of reported financial data and an increased potential for the loss of public assets. This comment has not been corrected and is restated as current audit finding number 2013-001.

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SCHEDULE OF CURRENT AUDIT FINDINGS

CURRENT OTHER AUDIT FINDINGS:

Internal Control – Related Finding – Material Weakness:

Finding Number 2013-001:

A material weakness in internal controls was noted due to a lack of proper segregation of duties existed for the revenues. This is the eleventh consecutive audit in which a similar deficiency has been reported.

Criteria:

Proper segregation of duties results in increased reliability of reported financial data and decreased potential for the loss of public assets.

Condition:

The Finance Officer and Assistant Finance Officer process all revenue transactions from beginning to end. The Finance Officer and Assistance Finance Officer also receive money, issues receipts, records receipts, posts receipts in the accounting records, prepares bank deposits, reconciles bank statements, and prepares financial statements.

Effect:

As a result, there is an increased likelihood that errors could occur and not be detected in a timely manner by employees in the ordinary course of performing their duties.

Recommendation:

1. We recommend that the Municipality of Harrisburg officials be cognizant of this lack of segregation of duties for revenues and attempt to provide compensating internal controls whenever, and wherever, possible and practical.

Management's Response:

The Municipality of Harrisburg Mayor, Julie Burke-Bowen, is the contact person responsible for the corrective action plan for this comment. This comment is due to the size of the Municipality of Harrisburg, which precludes staffing at a level sufficient to provide an ideal environment for internal controls. We are aware of this problem and are attempting to provide compensating controls.

CLOSING CONFERENCE

The contents of this report were discussed with the officials during the course of the audit and with the Mayor, City Administrator, and Finance Officer on October 1, 2014.

*Schoenfish & Co., Inc.*

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P.O. Box 247  
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INDEPENDENT AUDITOR'S REPORT

Governing Board  
Municipality of Harrisburg  
Harrisburg, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Municipality of Harrisburg, South Dakota, (Municipality) as of December 31, 2013 and for the year then ended, and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Municipality's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Municipality's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Municipality of Harrisburg as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### Other Matters

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A) and the Budgetary Comparison Schedules on pages 8 through 16, and 44 through 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Municipality's financial statements. The combining financial statements listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Schoenfish & Co., Inc.*

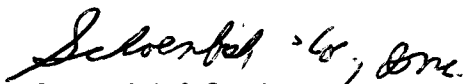
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Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2014 on our consideration of the Municipality's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Municipality's internal control over financial reporting and compliance.



Schoenfish & Co., Inc.  
Certified Public Accountants  
September 26, 2014

*Schoenfish & Co., Inc.*

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Municipality of Harrisburg's annual financial report presents our discussion and analysis of the Municipality's financial performance during the fiscal year ended on December 31, 2013. Please read it in conjunction with the Municipality's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- During the year, the Municipality's total revenues generated from charges for services, taxes and other revenues of the governmental and business-type programs were \$342,007 more than the \$3,937,697 governmental and business-type program expenses.
- The total cost of the Municipality's programs for the most part stayed the same except for an increase in general government, public works due to the wastewater improvement project, sewer costs and a slight increase in culture and recreation improvements. No new programs were added this year.
- The governmental funds reported a rather large increase of \$2,699,157 in the current year due to the transfer of the sales tax revenue bond from the governmental activities to the business type activities. The proprietary funds reported a rather large decrease of \$2,357,150 in the current year primarily due to the transfer of the sales tax revenue bond from the governmental activities to the business type activities.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, including related notes, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Municipality:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Municipality's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Municipality government, reporting the Municipality's operations in more detail than the government-wide statements.
  - The governmental funds statements tell how general government services like public safety were financed in the short-term as well as what remains for future spending.
  - Proprietary fund statements offer short- and long-term financial information about the activities that the Municipality operates like businesses. The Municipality has two proprietary funds – the Water Fund and the Sewer Fund.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Figure A-1 summarizes the major features of the Municipality's financial statements, including the portion of the municipal government they cover and the types of information they contain. The remainder of the overview section of the management's discussion and analysis explains the structure and contents of each of the statements.

**Figure A-1**

<b>Major Features of the Municipality of Harrisburg's Government-wide and Fund Financial Statements</b>			
	<b>Government-wide Statements</b>	<b>Fund Statements</b>	
		<b>Governmental Funds</b>	<b>Proprietary Funds</b>
<b>Scope</b>	Entire municipal government	The activities of the municipality that are not proprietary or fiduciary, such as finance office, police, fire and parks	Activities the municipality operates similar to private businesses, the water and sewer systems
<b>Required Financial Statements</b>	*Statement of Net Position *Statement of Activities	*Balance Sheet *Statement of Revenues, Expenditures and Changes in Fund Balances	*Statement of Net Position *Statement of Revenues, Expenses and Changes in Net Position *Statement of Cash Flows
<b>Accounting Basis and Measurement Focus</b>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<b>Type of Asset/Liability Information</b>	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
<b>Type of Inflow/Outflow Information</b>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

## Government-wide Statements

The government-wide statements report information about the Municipality as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Municipality's net position and how they have changed. Net position – the difference between the Municipality's assets and liabilities – is one way to measure the Municipality's financial health or position.

- Increases or decreases in the Municipality's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Municipality you need to consider additional nonfinancial factors such as changes in the Municipality's property tax base and changes in the sales tax revenue base.

The government-wide financial statements of the Municipality are reported in two categories:

- **Governmental Activities** -- This category includes the most of the Municipality's basic services, such as police, fire, public works, parks department and general administration. Property taxes, sales taxes, charges for services, state and federal grants and interest earnings finance most of these activities.
- **Business-type Activities** -- The Municipality charges a fee to customers to help cover the costs of certain services it provides. The Municipality's water and sewer systems are included here.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the Municipality's most significant funds – not the Municipality as a whole. Funds are accounting devices that the Municipality uses to keep track of specific sources of funding and spending for particular purposes.

- State Law requires some of the funds.
- The Municipal Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The Municipality has two kinds of funds:

- **Governmental Funds** – Most of the Municipality's basic services are included in the governmental funds, which focus on (1) how cash and other financial assets that can readily converted to cash flow in and out and (2) the balances left at the year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Municipality's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements, or on the subsequent page, that explains the relationship (or differences) between them.
- **Proprietary Funds** – Services for which the Municipality charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both short- and long-term financial information. The Municipality's enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.

## A FINANCIAL ANALYSIS OF THE MUNICIPALITY AS A WHOLE

### Net Position

The Municipality's combined net position is as follows (See Table A-1).

	Governmental Activities		Business-Type Activities		Total	
	2012	2013	2012	2013	2012	2013
<b>Assets:</b>						
Current and Other Assets	3,911,014	3,967,894	3,567,355	3,810,529	7,478,369	7,778,423
Capital Assets	4,932,490	4,914,090	22,865,004	22,652,121	27,797,494	27,566,211
Total Assets	<u>8,843,504</u>	<u>8,881,984</u>	<u>26,432,359</u>	<u>26,462,650</u>	<u>35,275,863</u>	<u>35,344,634</u>
<b>Liabilities:</b>						
Long-Term Debt Outstanding	3,269,240	641,283	3,048,109	5,354,922	6,317,349	5,996,205
Other Liabilities	40,933	19,509	263,630	400,443	304,563	419,952
Total Liabilities	<u>3,310,173</u>	<u>660,792</u>	<u>3,311,739</u>	<u>5,755,365</u>	<u>6,621,912</u>	<u>6,416,157</u>
<b>Net Position:</b>						
Net Investment in Capital Assets	4,171,258	4,276,616	19,817,931	17,157,347	23,989,189	21,433,963
Restricted	957,196	948,832	111,097	182,055	1,068,293	1,130,887
Unrestricted	404,877	2,995,744	3,191,592	3,367,883	3,596,469	6,363,627
Total Net Position	<u>5,533,331</u>	<u>8,221,192</u>	<u>23,120,620</u>	<u>20,707,285</u>	<u>28,653,951</u>	<u>28,928,477</u>
Beginning Net Position	5,407,301	5,533,331	22,615,759	23,120,620	28,023,060	28,653,951
Prior Period Adjustments	0	(11,296)		(56,185)	0	(67,481)
Adj. Beg. Net Position	<u>5,407,301</u>	<u>5,522,035</u>	<u>22,615,759</u>	<u>23,064,435</u>	<u>28,023,060</u>	<u>28,586,470</u>
Change in Net Position	<u>126,030</u>	<u>2,699,157</u>	<u>504,861</u>	<u>(2,357,150)</u>	<u>630,891</u>	<u>342,007</u>
Percentage Change	<u>2.3%</u>	<u>48.9%</u>	<u>2.2%</u>	<u>-10.2%</u>	<u>2.3%</u>	<u>1.2%</u>

Note: Numbers may not add down due to rounding.

The Statement of Net Position reports all financial and capital resources. The statement presents the assets and liabilities in order of relative liquidity. The liabilities with average maturities greater than one year are reported in two components – the amount due within one year and the amount due in more than one year. The long-term liabilities of the Municipality, consisting of tax increment note payable, water revenue bonds payable, sales tax bonds payable, sewer revenue bonds payable, and compensated absences have been reported in this manner on the Statement of Net Position. The difference between the Municipality's assets and liabilities is its net position.

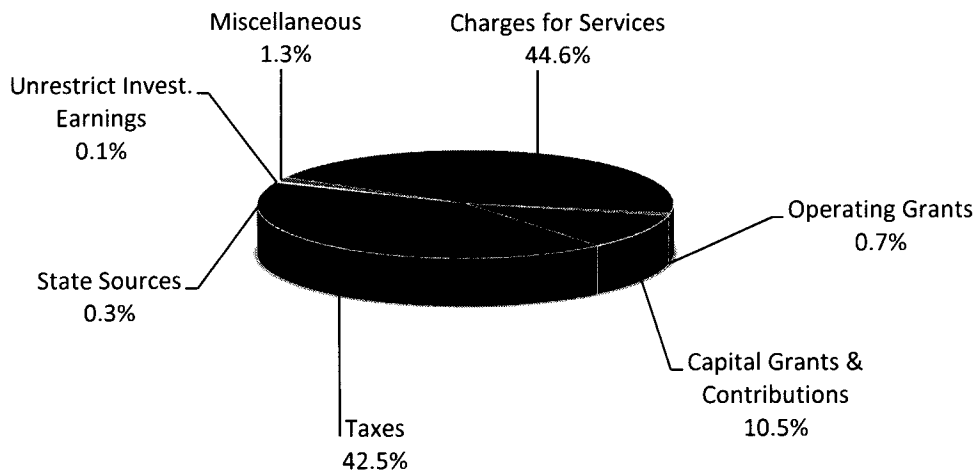
### **Changes in Net Position**

The Municipality's total revenues (excluding special items) totaled \$4,279,703. (See Table A-2.) Approximately 86 percent of the Municipality's revenue came from charges for services and taxes, with 44 cents of every dollar raised coming from charges for services (primarily water and sewer operations) and 42 cents of every dollar raised comes from some type of tax. (See Figure A-2).

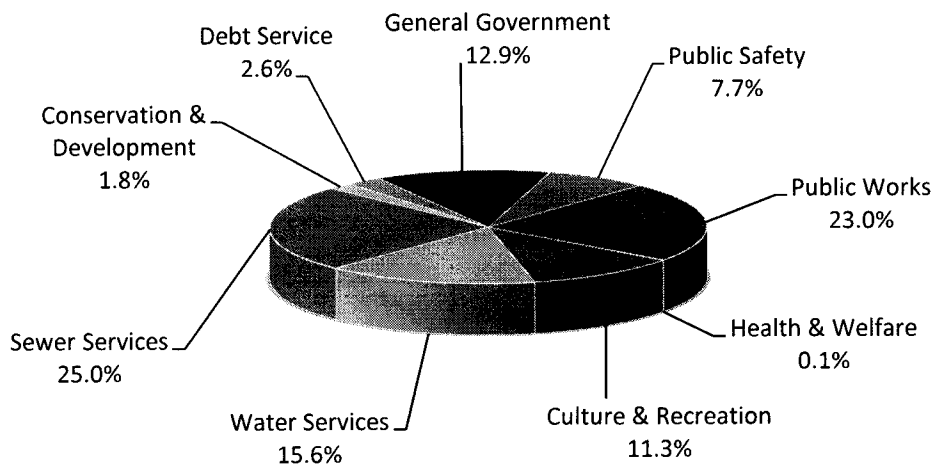
The total cost of all programs and services saw increases in public safety and culture and recreation and decreases in general government, public works, health and welfare, conservation and development, water services, and sewer services. The Municipality's expenses cover a range of services, with approximately 64

percent related to public work services (road maintenance, water system services, and sewer system services). (See Figure A-3)

**Figure A-2, Municipality of Harrisburg  
Sources of Revenues for Fiscal Year 2013**



**Figure A-3, Municipality of Harrisburg,  
Functional Expenses for Fiscal Year 2013**





## Governmental Activities

Table A-2 and the narrative that follows consider the operations of the governmental activities.

Table A-2  
MUNICIPALITY OF HARRISBURG  
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2012	2013	2012	2013	2012	2013
Program Revenues:						
Charges for Services	78,870	108,628	1,703,356	1,770,276	1,782,226	1,878,904
Operating Grants	47,207	29,506			47,207	29,506
Capital Grants & Cont.	324,053	421,273	30,550	19,715	354,603	440,988
General Revenues:						
Taxes	1,568,677	1,788,681			1,568,677	1,788,681
State Sources	11,897	10,721			11,897	10,721
Grants and Cont. not Restricted to Specific Programs	0	28,085			0	28,085
Unrestricted Invest Earnings	5,282	5,158	6,040	7,122	11,322	12,280
Miscellaneous	52,799	56,641	25,443	33,897	78,242	90,538
Total Revenue	<u>2,088,785</u>	<u>2,448,693</u>	<u>1,765,389</u>	<u>1,831,010</u>	<u>3,854,174</u>	<u>4,279,703</u>
Expenses:						
General Government	297,755	507,203			297,755	507,203
Public Safety	287,411	301,206			287,411	301,206
Public Works	955,730	905,399			955,730	905,399
Health & Welfare	7,435	4,600			7,435	4,600
Culture & Recreation	214,396	443,080			214,396	443,080
Conservation & Development	68,413	71,212			68,413	71,212
Debt Service	131,615	103,675			131,615	103,675
Water Services			643,603	614,592	643,603	614,592
Sewer Services			616,925	986,729	616,925	986,729
Total Expenses	<u>1,962,755</u>	<u>2,336,375</u>	<u>1,260,528</u>	<u>1,601,321</u>	<u>3,223,283</u>	<u>3,937,696</u>
Excess (Deficiency) before Transfers	126,030	112,318	504,861	229,689	630,891	342,007
Transfers	0	133,170		(133,170)	0	0
Special Items	0	2,453,670	0	(2,453,670)	0	0
Change in Net Position	<u>126,030</u>	<u>2,699,158</u>	<u>504,861</u>	<u>(2,357,151)</u>	<u>630,891</u>	<u>342,007</u>
Adjustment	0	(11,296)	0	(56,185)	0	(67,481)
Net Position - Ending	<u>5,533,331</u>	<u>8,221,192</u>	<u>23,120,620</u>	<u>20,707,285</u>	<u>28,653,951</u>	<u>28,928,477</u>

Note: Numbers may not add down due to rounding.

## FINANCIAL ANALYSIS OF THE MUNICIPALITY'S FUNDS

The financial analysis of the Municipality's funds mirror those highlighted in the analysis of governmental and business-type activities presented in previous sections. The Municipality maintains five governmental funds – General Fund; Liquor, Lodging and Dining Sales Tax Special Revenue Fund; Storm Sewer Maintenance Special Revenue Fund; HADCO Park Gift Special Revenue Fund; and Industrial Park Tax Increment Financing Debt Service Fund; and two

business-type funds – Water and Sewer Funds. The Governmental Funds Net Position increased by \$2,699,157 due to an increase in property and sales tax collections. The Water Fund had an increase in net position of \$250,504. The Sewer Fund had a decrease in net position of \$2,607,653. The Water Fund increase was partially due to an increase in actual number of users. The Sewer Fund decrease was due primarily to the transfer of the sales tax revenue bond from the governmental activities to the sewer fund; the city implemented a sewer surcharge to each customer to repay the debt.

### **General Fund Budgetary Highlights**

Over the course of the year, the Municipal Council revised the budget four times. These amendments fall into three categories:

- Supplemental appropriations and contingency transfers approved for unanticipated, yet necessary, expenses to provide for items necessary for health and welfare of its citizens.
- Increases in appropriations, primarily by contingency transfer, to prevent budget overruns.

The following were the significant budget changes during the year.

- \$400,000 for the general government buildings. Funds used from cash on hand.
- \$45,150 for Finance Administration. Funds used from unobligated general fund balance.
- \$25,000 for general government buildings. Funds used from unobligated general fund balance.
- \$75,000 for engineering services. Funds used from unobligated general fund balance.
- \$9,500 for storm drainage. Funds used from unobligated general fund balance.
- \$16,000 for street lighting. Funds used from unobligated general fund balance.
- \$10,000 for city administration, protective inspection, street cleaning, weed control, park lighting, and libraries. Funds from contingency transfers to prevent budget overruns.

	<u>General Budget</u>
Original	\$1,883,275
Final	\$2,479,552

## CAPITAL ASSET ADMINISTRATION

By the end of 2013, the Municipality had invested \$27,566,212 in a broad range of capital assets including, land, buildings, infrastructure and various machinery and equipment, and amortizable assets. (See Table A-3.)

**Table A-3**  
Municipality of Harrisburg - Capital Assets/Amortizable Assets  
(net of depreciation/amortization)

	Governmental Activities		Business-type Activities		Totals	
	2012	2013	2012	2013	2012	2013
Land	338,501	377,566	62,180	74,935	400,681	452,501
Construction Work in Progress	0	550,207	266,615	401,274	266,615	951,481
Buildings	797,262	779,112	0	0	797,262	779,112
Improvements Other Than Buildings	3,461,387	2,858,789	20,656,541	20,381,530	24,117,928	23,240,319
Machinery and Equipment	335,340	348,417	470,234	417,706	805,574	766,123
Amortizable Assets	11,296	0	1,465,618	1,376,676	1,476,914	1,376,676
<b>Total Capital &amp; Amortizable Assets (Net)</b>	<b>4,943,786</b>	<b>4,914,091</b>	<b>22,921,188</b>	<b>22,652,121</b>	<b>27,864,974</b>	<b>27,566,212</b>

This year's major capital asset additions included:

- 301 E Willow Street for city hall
- E33' of Outlot 11 for right of way for Columbia sewer project
- Lot H-1 Prospect Avenue street right of way
- Tracts 7, 8, 9, 10 and Lot 4 Blk 7 of Green Meadows Addition for drainage channel
- 2001 GMC dump truck
- Packer
- Map filing cabinets
- 2013 RTV
- Scada monitoring system for water dept.
- 2003 Ford F-550 pickup with plow and sand spreader
- 1,000 Dodge pickup for maintenance department
- Library laptop computer
- Library books

## LONG-TERM DEBT

At year-end the Municipality had \$2,899,960 in Water Revenue Bonds; \$637,475 in a note payable for the construction of water main, street improvements, and a private rail spur; and \$2,453,670 in a Sales Tax Revenue Bond for wastewater improvements, and \$5,100 of compensated absences.

**Table A-4**  
Municipality of Harrisburg - Outstanding Debt and Obligations

	Governmental Activities		Business-type Activities		Totals	
	2012	2013	2012	2013	2012	2013
Note Payable	761,232	637,475			761,232	637,475
Sales Tax Revenue Bonds	2,505,934			2,453,670	2,505,934	2,453,670
Drinking Water Revenue Bonds			3,047,073	2,899,960	3,047,073	2,899,960
Compensated Absences	2,074	3,809	1,036	1,291	3,110	5,100
<b>Total</b>	<b>3,269,240</b>	<b>641,284</b>	<b>3,048,109</b>	<b>5,354,921</b>	<b>6,317,349</b>	<b>5,996,205</b>

The Municipality has outstanding \$280,059 in Water Revenue Bonds. The bonds are secured and paid for from the Water Fund. The Municipality does not anticipate the use of any tax dollars to pay for these bonds. The bonds were used to build the existing water tower in the Industrial Park and will be fully paid off on January 1, 2022.

The Municipality has outstanding \$1,043,999 in Water Revenue Bonds. The bonds are secured and paid for from the Water Fund. The Municipality does not anticipate the use of any tax dollars to pay for these bonds. The bonds were used for the prepayment to Lewis & Clark Regional Water System and costs associated with the upsizing of pipe for the connection to Lewis & Clark, repayment began in 2009 and will be fully paid off October 15, 2028.

The Municipality has outstanding \$1,575,902 in Water Revenue Bonds. The bonds are secured and paid for from the Water Fund. The Municipality does not anticipate the use of any tax dollars to pay for these bonds. The bonds were used to build the existing composite water tower by the Harrisburg High School and for the water main loop in the Harrisburg Homesites Addition. Repayment began in 2011 and will be fully paid off January 15, 2031.

The Municipality has outstanding \$2,453,670 in Clean Water Revenue Bonds. The bonds are secured and paid for from city sales tax dollars, which was approved by voters. The bonds were used to construct the force main to the City of Sioux Falls. Repayment began in 2012 and will be fully paid off July 1, 2042. In 2013, the city set up a wastewater surcharge and converted the existing sales tax loan to bonds that are now secured and paid for from the Sewer Fund.

The Municipality has outstanding \$637,475 in a note payable to a developer for costs incurred in the construction of a rail spur, water main, and street improvements. This note is being repaid with incremental property taxes collected on affected properties via a tax increment financing district.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The Municipality's current economic position has shown a slight change. The Municipality experienced an increase in total property valuation of \$6,487,799 from the prior year. The increase in property valuation allows the Municipality the ability to increase the amount of revenue generated from property taxes by approximately \$42,123. Under the state mandated property tax freeze, property taxes from one year to the next may increase 3 percent or an amount based on the Consumer Price Index (CPI), whichever is lower, and for next year it is 2.1 percent. The property tax levy request increased due to our growth and CPI by 5.32 percent.

One of the primary sources of revenue to the Municipality is based on taxable retail sales in the community (sales tax). The Municipality experienced an increase in taxable sales of \$164,926 or almost 25 percent over the prior year. The Municipality's adopted General Fund budget for the next year increased to \$1,935,668, using approximately \$29,768 from the unassigned fund balance.

## **CONTACTING THE MUNICIPALITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Municipality's finances and to demonstrate the Municipality's accountability for the money it receives. If you have questions about this report or need additional information, contact the Municipality of Harrisburg's Finance Office, PO Box 26, Harrisburg, SD 57032.

**MUNICIPALITY OF HARRISBURG**  
**STATEMENT OF NET POSITION**  
December 31, 2013

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS:</b>			
Cash and Cash Equivalents	3,540,868.84	3,482,408.57	7,023,277.41
Accounts Receivable, Net	414,269.42	146,066.05	560,335.47
Restricted Assets:			
Cash and Cash Equivalents		182,054.61	182,054.61
Deposits	12,755.54		12,755.54
Capital Assets:			
Land and Construction Work in Progress	927,772.87	476,208.54	1,403,981.41
Other Capital Assets, Net of Depreciation	3,986,317.85	22,175,912.66	26,162,230.51
<b>TOTAL ASSETS</b>	<b>8,881,984.52</b>	<b>26,462,650.43</b>	<b>35,344,634.95</b>
<b>LIABILITIES :</b>			
Accounts Payable	7,739.35	156,846.72	164,586.07
Other Current Liabilities	11,769.67	243,596.68	255,366.35
Noncurrent Liabilities:			
Due Within One Year	54,100.42	206,418.13	260,518.55
Due in More than One Year	587,182.89	5,148,503.90	5,735,686.79
<b>TOTAL LIABILITIES</b>	<b>660,792.33</b>	<b>5,755,365.43</b>	<b>6,416,157.76</b>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	4,276,615.70	17,157,347.87	21,433,963.57
Restricted for:			
Debt Service Purposes		62,724.56	62,724.56
City Promotion/Parks	83,614.95		83,614.95
Storm Sewer Maintenance	852,461.24		852,461.24
Equipment Repair and Replacement		119,330.05	119,330.05
Cumulative Insurance Reserve	12,755.54		12,755.54
Unrestricted (Deficit)	2,995,744.76	3,367,882.52	6,363,627.28
<b>TOTAL NET POSITION</b>	<b>8,221,192.19</b>	<b>20,707,285.00</b>	<b>28,928,477.19</b>

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

**MUNICIPALITY OF HARRISBURG  
STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2013**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total
<b>Primary Government:</b>							
Governmental Activities:							
General Government	507,203.37	6,981.28			(500,222.09)		(500,222.09)
Public Safety	301,205.69	80,414.15			(220,791.54)		(220,791.54)
Public Works	905,398.75	1,540.00	29,506.22	421,273.12	(453,079.41)		(453,079.41)
Health and Welfare	4,600.48	19,502.70			14,902.22		14,902.22
Culture and Recreation	443,080.07	189.59			(442,890.48)		(442,890.48)
Conservation and Development	71,212.35				(71,212.35)		(71,212.35)
*Interest on Long-term Debt	103,675.36				(103,675.36)		(103,675.36)
<b>Total Governmental Activities</b>	<b>2,336,376.07</b>	<b>108,627.72</b>	<b>29,506.22</b>	<b>421,273.12</b>	<b>(1,776,969.01)</b>		<b>(1,776,969.01)</b>
Business-type Activities:							
Water	614,591.52	828,900.05				214,308.53	214,308.53
Sewer	986,728.49	941,376.11		19,715.13	(25,637.25)		(25,637.25)
<b>Total Business-type Activities</b>	<b>1,601,320.01</b>	<b>1,770,276.16</b>	<b>0.00</b>	<b>19,715.13</b>	<b>188,671.28</b>		<b>188,671.28</b>
<b>Total Primary Government</b>	<b>3,937,696.08</b>	<b>1,878,903.88</b>	<b>29,506.22</b>	<b>440,988.25</b>	<b>(1,776,969.01)</b>		<b>(1,588,297.73)</b>
<b>General Revenues:</b>							
Taxes:							
Property Taxes					962,109.40		962,109.40
Sales Taxes					826,571.15		826,571.15
State Shared Revenues					10,721.48		10,721.48
Grants and Contributions not Restricted to Specific Programs					28,085.00		28,085.00
Unrestricted Investment Earnings					5,158.08	7,121.98	12,280.06
Miscellaneous Revenue					56,640.68	33,897.42	90,538.10
Special Items-Governmental Activities Debt Assumed by Business-type Activities					2,453,670.20	(2,453,670.20)	0.00
Transfers					133,170.00	(133,170.00)	0.00
<b>Total General Revenues</b>					<b>4,476,125.99</b>	<b>(2,545,820.80)</b>	<b>1,930,305.19</b>
<b>Change in Net Position</b>					<b>2,699,156.98</b>	<b>(2,357,149.52)</b>	<b>342,007.46</b>
<b>Net Position - Beginning</b>					5,533,330.71	23,120,619.78	28,653,950.49
<b>Adjustments:</b>							
GASB 65-prior years' unamortized bond issuance costs					(11,295.50)	(56,185.26)	(67,480.76)
<b>Adjusted Net Position - Beginning</b>					<b>5,522,035.21</b>	<b>23,064,434.52</b>	<b>28,586,469.73</b>
<b>NET POSITION - ENDING</b>					<b>8,221,192.19</b>	<b>20,707,285.00</b>	<b>28,928,477.19</b>

\* The Municipality does not have interest expense related to the functions presented above. This amount includes indirect interest expense on general long-term debt.

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

**MUNICIPALITY OF HARRISBURG  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2013**

	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS:</b>			
Cash and Cash Equivalents	2,599,673.60	932,361.22	3,532,034.82
Cash with Fiscal Agent	6,775.95	2,058.07	8,834.02
Taxes Receivable--Delinquent	13,104.98		13,104.98
Accounts Receivable, Net	3,642.87		3,642.87
Special Assessments Receivable--Current	105,723.04	172,436.62	278,159.66
Special Assessments Receivable--Delinquent	3,871.01	1,520.49	5,391.50
Due from Other Governments	117,273.12	3,239.70	120,512.82
Deposits	12,755.54		12,755.54
<b>TOTAL ASSETS</b>	<b>2,862,820.11</b>	<b>1,111,616.10</b>	<b>3,974,436.21</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:</b>			
Liabilities:			
Accounts Payable	7,739.35		7,739.35
Accrued Wages Payable	7,594.93		7,594.93
Accrued Taxes Payable	987.37		987.37
<b>Total Liabilities</b>	<b>16,321.65</b>	<b>0.00</b>	<b>16,321.65</b>
Deferred Inflows of Resources:			
Unavailable Revenue--Property taxes	13,104.98		13,104.98
Unavailable Revenue--Special Assessments	109,594.05	173,957.11	283,551.16
Other Deferred Inflows of Resources	20,104.19	1,582.80	21,686.99
<b>Total Deferred Inflows of Resources</b>	<b>142,803.22</b>	<b>175,539.91</b>	<b>318,343.13</b>
Fund Balances:			
Nonspendable:			
Cumulative Insurance Reserve	12,755.54		12,755.54
Restricted:			
City Promotion/Parks		83,614.95	83,614.95
Storm Sewer Maintenance		852,461.24	852,461.24
Assigned for Next Year's Budget	29,768.00		29,768.00
Unassigned	2,661,171.70		2,661,171.70
<b>Total Fund Balances</b>	<b>2,703,695.24</b>	<b>936,076.19</b>	<b>3,639,771.43</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>2,862,820.11</b>	<b>1,111,616.10</b>	<b>3,974,436.21</b>

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

**MUNICIPALITY OF HARRISBURG**  
**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position**  
**December 31, 2013**

Total Fund Balances - Governmental Funds	<u>3,639,771.43</u>
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	<u>4,914,090.72</u>
Long-term liabilities, including bonds payable and accrued leave payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(641,283.31)</u>
Assets such as taxes receivable (delinquent), special assessment receivables (current, delinquent and deferred), and sales tax receivable are not available to pay for current period expenditures and therefore are deferred in the funds.	<u>311,801.12</u>
Interest on general long-term debt is not recognized when incurred in the funds but is rather recognized when due. Accordingly, interest expense accrued but not due is not reported in the funds statements.	<u>(3,187.77)</u>
Net Position - Governmental Activities	<u><u>8,221,192.19</u></u>

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



**MUNICIPALITY OF HARRISBURG**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2013**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
Taxes:			
General Property Taxes	794,961.27	167,582.37	962,543.64
General Sales and Use Taxes	793,225.09	27,949.08	821,174.17
Amusement Taxes	336.00		336.00
Penalties and Interest on Delinquent Taxes	3,699.85	19.86	3,719.71
Licenses and Permits	79,550.15		79,550.15
Intergovernmental Revenue:			
Federal Grants	138,795.08		138,795.08
State Grants	2,893.05		2,893.05
State Shared Revenue:			
Bank Franchise Tax	4,554.29		4,554.29
Motor Vehicle Commercial Prorate	1,632.51		1,632.51
Motor Vehicle Licenses	15,759.94		15,759.94
Liquor License Reversion	6,167.19		6,167.19
Local Government Highway and Bridge Fund	7,067.32		7,067.32
County Shared Revenue:			
County Highway & Bridge Reserve Tax	1,037.13		1,037.13
County Wheel Tax	4,009.32		4,009.32
Charges for Goods and Services:			
General Government	12,732.93		12,732.93
Sanitation	1,540.00		1,540.00
Culture and Recreation	19,502.70		19,502.70
Fines and Forfeits:			
Court Fines and Costs	39.00		39.00
Parking Meter Fines	825.00		825.00
Library	189.59		189.59
Miscellaneous Revenue:			
Investment Earnings	3,407.83	1,750.25	5,158.08
Rentals	8,475.00		8,475.00
Maintenance Assessments	112,854.06	180,085.64	292,939.70
Contributions and Donations from Private Sources	11,020.00	5,000.00	16,020.00
Other	46,246.71		46,246.71
<b>Total Revenue</b>	<b>2,070,521.01</b>	<b>382,387.20</b>	<b>2,452,908.21</b>

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

**MUNICIPALITY OF HARRISBURG**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2013**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Expenditures:</b>			
General Government:			
Legislative	29,194.16		29,194.16
Executive	107,501.50		107,501.50
Elections	1,953.45		1,953.45
Financial Administration	185,036.94		185,036.94
Other	173,307.74		173,307.74
Total General Government	496,993.79	0.00	496,993.79
Public Safety:			
Police	213,922.63		213,922.63
Fire	50,697.11		50,697.11
Protective Inspection	30,276.95		30,276.95
Total Public Safety	294,896.69	0.00	294,896.69
Public Works:			
Highways and Streets	249,729.75		249,729.75
Sanitation	12,004.37		12,004.37
Total Public Works	261,734.12	0.00	261,734.12
Health and Welfare:			
Health	4,600.48		4,600.48
Total Health and Welfare	4,600.48	0.00	4,600.48
Culture and Recreation:			
Recreation	9,854.53		9,854.53
Parks	124,767.77	206,468.50	331,236.27
Libraries	63,041.24		63,041.24
Total Culture and Recreation	197,663.54	206,468.50	404,132.04
Conservation and Development:			
Economic Development and Assistance (Industrial Development)	46,538.62	24,181.00	70,719.62
Total Conservation and Development	46,538.62	24,181.00	70,719.62
Debt Service	133,073.68	167,602.23	300,675.91
Capital Outlay	674,215.23		674,215.23
Total Expenditures	2,109,716.15	398,251.73	2,507,967.88
Excess of Revenue Over (Under) Expenditures	(39,195.14)	(15,864.53)	(55,059.67)

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

**MUNICIPALITY OF HARRISBURG**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2013**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Other Financing Sources (Uses):</b>			
Transfers In	133,170.00	7,500.00	140,670.00
Compensation for Loss or Damage to Capital Assets	810.98		810.98
Transfers Out	(7,500.00)		(7,500.00)
Total Other Financing Sources (Uses)	<u>126,480.98</u>	<u>7,500.00</u>	<u>133,980.98</u>
Net Change in Fund Balances	<u>87,285.84</u>	<u>(8,364.53)</u>	<u>78,921.31</u>
Fund Balance - Beginning	<u>2,616,409.40</u>	<u>944,440.72</u>	<u>3,560,850.12</u>
<b>FUND BALANCE - ENDING</b>	<u><u>2,703,695.24</u></u>	<u><u>936,076.19</u></u>	<u><u>3,639,771.43</u></u>

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

**MUNICIPALITY OF HARRISBURG**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund**  
**Balances to the Government-Wide Statement of Activities**  
**For the Year Ended December 31, 2013**

Net Change in Fund Balances - Total Governmental Funds	<u>78,921.31</u>
Amounts reported for governmental activities in the statement of activities are different because:	
This amount represents capital asset purchases which are reported as expenditures on the fund financial statements but increase assets on the government-wide statements.	<u>674,215.33</u>
This amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources.	<u>(699,830.03)</u>
In the statement of activities, gains and losses on disposal of capital assets are reported, whereas, in the governmental funds, the proceeds from the disposal of capital assets are reflected, regardless of whether a gain or loss is realized.	<u>(4,850.00)</u>
The receipt of donated capital assets is not reported on the fund statements, but is reported as a program revenue on the government-wide statements.	<u>12,065.00</u>
Payment of principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net position.	<u>176,021.05</u>
The fund financial statement governmental fund property tax accruals differ from the government-wide statement property tax accruals in that the fund financial statements require the amounts to be "available".	<u>(4,489.95)</u>
Governmental funds report special assessments as revenue when "available", but the statement of activities includes the full amount of special assessments as revenue upon completion of the project at the point when an enforceable legal claim arises.	<u>(6,564.57)</u>
Governmental funds recognize expenditures for amounts of compensated absences actually paid to employees with current financial resources during the fiscal year. Amounts of compensated absences earned by employees are not recognized in the funds. In the statement of activities, expenses for these benefits are recognized when the employees earn leave credits.	<u>(1,734.18)</u>
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	<u>753.32</u>
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	<u>20,979.50</u>
The business-type activities assumed the unpaid liability of sales tax revenue bonds that were issued in earlier years as an obligation of the governmental funds.	<u>2,453,670.20</u>
Change in Net Position of Governmental Activities	<u><u>2,699,156.98</u></u>

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

**MUNICIPALITY OF HARRISBURG**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**December 31, 2013**

	Enterprise Funds		Totals
	Water Fund	Sewer Fund	
<b>ASSETS:</b>			
Current Assets:			
Cash and Cash Equivalents	1,502,146.43	1,980,262.14	3,482,408.57
Accounts Receivable, Net		2,855.99	2,855.99
Unbilled Accounts Receivable	63,205.95	80,004.11	143,210.06
Total Current Assets	<u>1,565,352.38</u>	<u>2,063,122.24</u>	<u>3,628,474.62</u>
Noncurrent Assets:			
Restricted Cash and Cash Equivalents	118,401.38	63,653.23	182,054.61
Capital Assets:			
Land	56,250.71	18,683.85	74,934.56
Improvements Other Than Buildings	9,162,592.79	15,022,431.48	24,185,024.27
Machinery and Equipment	192,278.53	695,457.26	887,735.79
Construction Work in Progress		401,273.98	401,273.98
Less: Accumulated Depreciation	(1,611,230.98)	(2,662,292.73)	(4,273,523.71)
Intangible Assets	1,553,220.95		1,553,220.95
Accumulated Amortization	(176,544.64)		(176,544.64)
Total Noncurrent Assets	<u>9,294,968.74</u>	<u>13,539,207.07</u>	<u>22,834,175.81</u>
<b>TOTAL ASSETS</b>	<u>10,860,321.12</u>	<u>15,602,329.31</u>	<u>26,462,650.43</u>
<b>LIABILITIES:</b>			
Current Liabilities:			
Accounts Payable	10,777.34	4,927.18	15,704.52
Contracts Payable		134,085.09	134,085.09
Contracts Payable--Retained Percentage		7,057.11	7,057.11
Accrued Interest Payable	21,239.67	19,936.07	41,175.74
Accrued Wages Payable	1,247.23	1,247.23	2,494.46
Accrued Taxes Payable	170.24	170.24	340.48
Customer Deposits	199,586.00		199,586.00
Bonds Payable Current:			
Revenue	152,435.25	53,982.88	206,418.13
Total Current Liabilities	<u>385,455.73</u>	<u>221,405.80</u>	<u>606,861.53</u>
Noncurrent Liabilities:			
Bonds Payable:			
Revenue	2,747,525.68	2,399,687.32	5,147,213.00
Accrued Leave Payable	645.45	645.45	1,290.90
Total Noncurrent Liabilities	<u>2,748,171.13</u>	<u>2,400,332.77</u>	<u>5,148,503.90</u>
<b>TOTAL LIABILITIES</b>	<u>3,133,626.86</u>	<u>2,621,738.57</u>	<u>5,755,365.43</u>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	6,276,606.43	10,880,741.44	17,157,347.87
Restricted Net Position, Restricted for:			
Revenue Bond Debt Service	62,724.56		62,724.56
Equipment Repair and/or Replacement	55,676.82	63,653.23	119,330.05
Unrestricted Net Position	1,331,686.45	2,036,196.07	3,367,882.52
<b>TOTAL NET POSITION</b>	<u>7,726,694.26</u>	<u>12,980,590.74</u>	<u>20,707,285.00</u>

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

**MUNICIPALITY OF HARRISBURG**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**For the Year Ended December 31, 2013**

	<b>Enterprise Funds</b>		<b>Totals</b>
	<b>Water Fund</b>	<b>Sewer Fund</b>	
<b>Operating Revenue:</b>			
Charges for Goods and Services		941,376.11	941,376.11
Revenue Dedicated to Servicing Debt	828,900.05		828,900.05
<b>Total Operating Revenue</b>	<b>828,900.05</b>	<b>941,376.11</b>	<b>1,770,276.16</b>
<b>Operating Expenses:</b>			
Personal Services	70,222.29	70,421.84	140,644.13
Other Current Expense	81,689.01	528,096.00	609,785.01
Materials (Cost of Goods Sold)	129,011.62		129,011.62
Amortization	32,756.86		32,756.86
Depreciation	199,615.20	368,274.58	567,889.78
<b>Total Operating Expenses</b>	<b>513,294.98</b>	<b>966,792.42</b>	<b>1,480,087.40</b>
<b>Operating Income (Loss)</b>	<b>315,605.07</b>	<b>(25,416.31)</b>	<b>290,188.76</b>
<b>Nonoperating Revenue (Expense):</b>			
Investment Earnings	2,297.97	4,824.01	7,121.98
Rental Revenue	33,897.42		33,897.42
Interest Expense and Fiscal Charges	(101,296.54)	(19,936.07)	(121,232.61)
<b>Total Nonoperating Revenue (Expense)</b>	<b>(65,101.15)</b>	<b>(15,112.06)</b>	<b>(80,213.21)</b>
<b>Income (Loss) Before Contributions, Transfers, and Special Items</b>	<b>250,503.92</b>	<b>(40,528.37)</b>	<b>209,975.55</b>
Capital Contributions		19,715.13	19,715.13
Transfers Out		(133,170.00)	(133,170.00)
Special Items-Assumption of General Long-term Debt		(2,453,670.20)	(2,453,670.20)
<b>Change in Net Position</b>	<b>250,503.92</b>	<b>(2,607,653.44)</b>	<b>(2,357,149.52)</b>
<b>Net Position - Beginning</b>	<b>7,493,955.00</b>	<b>15,626,664.78</b>	<b>23,120,619.78</b>
<b>Adjustments:</b>			
GASB 65 Change in Accounting Principles	(17,764.66)	(38,420.60)	(56,185.26)
<b>Adjusted Net Position - Beginning</b>	<b>7,476,190.34</b>	<b>15,588,244.18</b>	<b>23,064,434.52</b>
<b>NET POSITION - ENDING</b>	<b>7,726,694.26</b>	<b>12,980,590.74</b>	<b>20,707,285.00</b>

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

**MUNICIPALITY OF HARRISBURG**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended December 31, 2013**

	<b>Enterprise Funds</b>		<b>Totals</b>
	<b>Water Fund</b>	<b>Sewer Fund</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash Receipts from Customers	834,183.75	937,311.90	1,771,495.65
Cash Payments to Employees for Services	(70,069.49)	(70,269.04)	(140,338.53)
Cash Payments to Suppliers of Goods and Services	(210,819.16)	(528,276.90)	(739,096.06)
Net Cash Provided (Used) by Operating Activities	<u>553,295.10</u>	<u>338,765.96</u>	<u>892,061.06</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Transfers Out		(133,170.00)	(133,170.00)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>0.00</u>	<u>(133,170.00)</u>	<u>(133,170.00)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Capital Contributions		19,715.13	19,715.13
Purchase of Capital Assets	(240,350.50)	(38,142.96)	(278,493.46)
Principal Paid on Capital Debt	(147,112.01)		(147,112.01)
Interest Paid on Capital Debt	(102,446.11)		(102,446.11)
Other Receipts	33,897.42	14,948.96	48,846.38
Net Cash (Used) by Capital and Related Financing Activities	<u>(456,011.20)</u>	<u>(3,478.87)</u>	<u>(459,490.07)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Cash Received for Interest	2,297.97	4,824.01	7,121.98
Net Cash Provided by Investing Activities	<u>2,297.97</u>	<u>4,824.01</u>	<u>7,121.98</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>99,581.87</u>	<u>206,941.10</u>	<u>306,522.97</u>
Balances - Beginning	1,520,965.94	1,836,974.27	3,357,940.21
Balances - Ending	<u>1,620,547.81</u>	<u>2,043,915.37</u>	<u>3,664,463.18</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>			
Operating Income (Loss)	315,605.07	(25,416.31)	290,188.76
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation and Amortization Expense	232,372.06	368,274.58	600,646.64
Change in Assets and Liabilities:			
Receivables	(3,721.06)	(4,064.21)	(7,785.27)
Accounts and Other Payables	(118.53)	(180.90)	(299.43)
Accrued Wages Payable	25.49	25.49	50.98
Accrued Leave Payable	127.31	127.31	254.62
Customer Deposits	9,004.76		9,004.76
Net Cash Provided (Used) by Operating Activities	<u>553,295.10</u>	<u>338,765.96</u>	<u>892,061.06</u>
Noncash Investing, Capital and Financing Activities:			
Assumption of Sales Tax Revenue Bonds Liability		2,453,670.20	2,453,670.20

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

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## NOTES TO THE FINANCIAL STATEMENTS

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### a. Financial Reporting Entity:

The reporting entity of the Municipality of Harrisburg (Municipality) consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

#### b. Basis of Presentation:

##### Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the Municipality and for each function of the Municipality's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

##### Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Municipality or it meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined, or
3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.



NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

The funds of the Municipality financial reporting entity are described below:

**Governmental Funds:**

General Fund – the General Fund is the general operating fund of the Municipality. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is always a major fund.

Special Revenue Funds – special revenue funds are used to account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments or for major capital projects) that are legally restricted to expenditures for specified purposes.

Liquor, Lodging and Dining Sales Tax – to account for the collection of a one percent tax on the gross receipts of lodgings, alcoholic beverages, prepared food and admissions which tax shall be used for the purpose of land acquisition, architectural fees, construction costs, payments for civic center, auditorium or athletic facility buildings, including the promotion of advertising of the municipality. (SDCL 10-52-8) This is not a major fund.

HADCO Park Gift Fund – to account for any gift, grant, devise or bequest made by any person, private agency, agency of state government, the federal government, or any of its agencies for park purposes. (SDCL 9-38-12) This is not a major fund.

Storm Drainage Maintenance Fund – to account for the proceeds of the special assessment for the purpose of maintaining the municipal sewers and septic or sewage treatment plants. (SDCL 9-48-21) This is not a major fund.

Debt Service Funds – debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Industrial Park Debt Service Fund – to account for property taxes which may be used only for the payment of the debt principal, interest, and related costs. This is not a major fund.

**Proprietary Funds:**

Enterprise Funds – Enterprise funds may be used to report any activity for which a fee is charged to external users for goods or services. Activities are required to be reported as enterprise funds if any one of the following criteria is met. Governments should apply each of these criteria in the context of the activity's principal revenue sources.

- a. The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Debt that is secured by a pledge of net revenues from fees and charges and the full faith and credit of a related primary government or component unit—even if that government is not expected to make any payments—is not payable solely from fees and charges of the activity. (Some debt may be secured, in part, by a portion of its own proceeds but should be considered as payable "solely" from the revenues of the activity.)
- b. Laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues.
- c. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

See Independent Auditor's Report.

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NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Water Fund – financed primarily by user charges, this fund accounts for the construction and operation of the municipal waterworks system and related facilities. (SDCL 9-47-1) This is a major fund.

Sewer Fund – financed primarily by user charges, this fund accounts for the construction and operation of the municipal sanitary sewer system and related facilities. (SDCL 9-48-2) This is a major fund.

c. Measurement Focus and Basis of Accounting:

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

Measurement Focus:

Government-wide Financial Statements:

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus, applied on the accrual basis of accounting.

Fund Financial Statements:

In the fund financial statements, the "current financial resources" measurement focus and the modified accrual basis of accounting are applied to governmental funds, while the "economic resources" measurement focus and the accrual basis of accounting are applied to the proprietary funds.

Basis of Accounting:

Government-wide Financial Statements:

In the government-wide Statement of Net Position and Statement of Activities, governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues and related assets are recorded when earned (usually when the right to receive cash vests); and, expenses and related liabilities are recorded when an obligation is incurred (usually when the obligation to pay cash in the future vests).

Fund Financial Statements:

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the Municipality of Harrisburg, the length of that cycle is 30 days. The revenues which are accrued at December 31, 2013 are sales tax revenue and franchise fees.

Under the modified accrual basis of accounting, receivables may be measurable but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Reported deferred revenues are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met.

Expenditures are generally recognized when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which are recognized when due.

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

d. Deposits and Investments:

For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit or short-term investments with a term to maturity at date of acquisition of three months or less. Investments in open-end mutual fund shares, or similar investments in external investment pools, are also considered to be cash equivalents.

e. Capital Assets:

Capital assets include land, buildings, machinery and equipment, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Infrastructure assets are long-lived capital assets that normally are stationary in nature and normally can be preserved for significantly greater number of years than most capital assets.

The accounting treatment over capital assets depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements

Capital assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. Subsequent to initial capitalization, improvements or betterments that are significant and which extend the useful life of a capital asset are also capitalized.

The total December 31, 2013 balance of capital assets for governmental activities and business-type activities are all valued at original cost.

Infrastructure assets used in general government operations consisting of certain improvements other than buildings, including roads, bridges, sidewalks, drainage systems, and lighting systems, acquired prior to January 1, 2004, were not required to be capitalized by the Municipality. Infrastructure assets acquired since January 1, 2004 are recorded at cost, and classified as "Improvements Other than Buildings."

For governmental activities Capital Assets, construction-period interest is not capitalized, in accordance with USGAAP, while for capital assets used in business-type activities/proprietary fund's operations, construction period interest is capitalized in accordance with USGAAP.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the government-wide Statement of Activities, except for that portion related to common use assets for which allocation would be unduly complex, and which is reported as Unallocated Depreciation, with net capital assets reflected in the Statement of Net Position. Accumulated depreciation is reported on the government-wide Statement of Net Position and on each proprietary fund's Statement of Net Position.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land and land rights	\$ -	- - N/A - -	- - N/A - -
Improvements other than buildings	\$ 10,000.00	Straight-line	10-50 yrs.
Buildings	\$ 10,000.00	Straight-line	50 yrs.
Machinery & Equipment	\$ 1,000.00	Straight-line	5-10 yrs.
Infrastructure	\$ 10,000.00	Straight-line	10-50 yrs.

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as Capital Outlay expenditures of the appropriate governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for on the accrual basis, the same as in the government-wide statements.

f. Long-Term Liabilities:

The accounting treatment of long-term liabilities depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities primarily consist of revenue bonds, notes payable, and compensated absences.

In the fund financial statements, debt proceeds are reported as revenues (other financing sources), while payments of principal and interest are reported as expenditures when they become due. The accounting for proprietary fund long-term debt is on the accrual basis, the same in the fund statements as in the government-wide statements.

g. Program Revenues:

Program revenues derive directly from the program itself or from parties other than the Municipality's taxpayers or citizenry, as a whole. Program revenues are classified into three categories, as follows:

1. Charges for services – These arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.
2. Program-specific operating grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.
3. Program-specific capital grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

h. Deferred Inflows and Deferred Outflows of Resources:

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent consumption of net position that applies to a future period or periods. These items will not be recognized as an outflow of resources until the applicable future period.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent acquisitions of net position that applies to a future period or periods. These items will not be recognized as an inflow of resources until the applicable future period.

i. Proprietary Funds Revenue and Expense Classifications:

In the proprietary fund's Statement of Revenues, Expenses and Changes in Fund Net Position, revenues and expenses are classified in a manner consistent with how they are classified in the Statement of Cash Flows. That is, transactions for which related cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities are not reported as components of operating revenues and expenses.

j. Cash and Cash Equivalents:

The Municipality pools the cash resources of its funds for cash management purposes. The proprietary funds essentially have access to the entire amount of their cash resources on demand. Accordingly, each proprietary fund's equity in the cash management pool is considered to be cash and cash equivalents for the purpose of the Statement of Cash Flows.

k. Equity Classifications:

Government-wide Statements:

Equity is classified as net position and is displayed in three components.

1. Net Investment in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted net position – Consists of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted net position – All other net position that do not meet the definition of "restricted" or "net investment in capital assets".

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and may distinguish between "Nonspendable", "Restricted", "Committed", "Assigned" and "Unassigned" components. Proprietary fund equity is classified the same as in the government-wide financial statements.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

I. Application of Net Position:

It is the Municipality's policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

m. Fund Balance Classification Policies and Procedures:

In accordance with Government Accounting Standards Board (GASB) No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the Municipality classifies governmental fund balances as follows:

- Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Finance Officer.
- Unassigned – includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The Nonspendable Fund Balance is comprised of the following:

- Amount legally or contractually required to be maintained intact such as Cumulative Insurance Reserve.

The Municipality uses restricted/committed amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the Municipality would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The Municipality does not have a formal minimum fund balance policy.

2. DEPOSITS AND INVESTMENTS CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK

The Municipality 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 statutes. These restrictions are summarized as follows:

Deposits - The Municipality's cash deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 9-22-6, 9-22-6.1 and 9-22-6.2, and may be in the form of demand or time deposits. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by Federal Home Loan Banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

Investments – In general, SDCL 4-5-6 permits municipal funds to be invested only in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires investments to be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

Credit Risk – State law limits eligible investments for the Municipality, as discussed above. The Municipality has no investment policy that would further limit its investment choices.

As of December 31, 2013, the Municipality had the following investments. All investments are in an external investment pool.

<u>Investment</u>	<u>Credit Rating</u>	<u>Fair Value</u>
External Investment Pools:		
SDFIT	Unrated	\$ 852,133.75
Total Investments		<u>\$ 852,133.75</u>

The South Dakota Public Fund Investment Trust (SDFIT) is an external investment pool created for South Dakota local government investing. It is regulated by a nine member board with representation from municipalities, school districts and counties. The net asset value of the SDFIT money market account (GCR) is kept at one dollar per share by adjusting the rate of return on a daily basis. Earnings are credited to each account on a monthly basis.

Concentration of Credit Risk – the Municipality places no limit on the amount that may be invested in any one issuer.

Interest Rate Risk – The Municipality does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Assignment of Investment Income – State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The Municipality's policy is to credit all income from deposits and investments to the fund making the investment.

3. RESTRICTED DEPOSITS

Assets restricted to use for a specific purpose through segregation of balances in separate accounts are as follows:

Amount: \$12,755.54	Purpose: Restricted amount on deposit with the South Dakota Public Assurance Alliance
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NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

4. RECEIVABLES AND PAYABLES

Receivables and payables are not aggregated in these financial statements. The Municipality expects all receivables to be collected within one year.

5. PROPERTY TAXES

Property taxes are levied on or before October 1, of the year preceding the start of the fiscal year. They attach as an enforceable lien on property, and become due and payable as of the following January 1, the first day of the fiscal year. Taxes are payable in two installments on or before April 30 and October 31 of the fiscal year.

The Municipality is permitted by several state statutes to levy varying amounts of taxes per \$1,000 of taxable valuation on taxable real property in the Municipality.

6. CHANGES IN GENERAL CAPITAL ASSETS

A summary of changes in capital assets for the year ended December 31, 2013, is as follows:

	Balance 01/01/2013	Increases	Decreases	Balance 12/31/2013
Primary Government:				
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	338,501.00	39,065.00		377,566.00
Construction in Progress		550,206.87		550,206.87
Total, not being depreciated	<u>338,501.00</u>	<u>589,271.87</u>	<u>0.00</u>	<u>927,772.87</u>
Capital Assets, being depreciated:				
Buildings	907,530.86			907,530.86
Improvements Other Than Buildings	8,880,406.26	10,952.00		8,891,358.26
Machinery & Equipment	692,388.10	93,456.46	(29,499.00)	756,345.56
Total, being depreciated	<u>10,480,325.22</u>	<u>104,408.46</u>	<u>(29,499.00)</u>	<u>10,555,234.68</u>
Less Accumulated Depreciation for:				
Buildings	(110,268.48)	(18,150.62)		(128,419.10)
Improvements Other Than Buildings	(5,419,019.48)	(613,549.81)		(6,032,569.29)
Machinery & Equipment	(357,047.84)	(68,129.60)	17,249.00	(407,928.44)
Total Accumulated Depreciation	<u>(5,886,335.80)</u>	<u>(699,830.03)</u>	<u>17,249.00</u>	<u>(6,568,916.83)</u>
Total Capital Assets, being depreciated, net	<u>4,593,989.42</u>	<u>(595,421.57)</u>	<u>(12,250.00)</u>	<u>3,986,317.85</u>
Governmental Activity Capital Assets, Net	<u>4,932,490.42</u>	<u>(6,149.70)</u>	<u>(12,250.00)</u>	<u>4,914,090.72</u>

Depreciation expense was charged to functions as follows:

Governmental Activities:	
General Government	\$ 3,925.45
Public Safety	6,323.85
Public Works	650,297.42
Culture and Recreation	38,790.58
Conservation and Development	492.73
Total Depreciation Expense - Governmental Activities	<u>\$ 699,830.03</u>

See Independent Auditor's Report.



NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

	Balance 01/01/2013	Increases	Decreases	Balance 12/31/2013
Business-type Activities:				
Capital Assets, not being depreciated:				
Land	62,180.06	12,754.50		74,934.56
Construction Work in Progress	266,615.13	174,162.85	(39,504.00)	401,273.98
Total, not being depreciated	<u>328,795.19</u>	<u>186,917.35</u>	<u>(39,504.00)</u>	<u>476,208.54</u>
Capital Assets, being depreciated:				
Improvements Other Than Buildings	23,984,177.77	200,846.50		24,185,024.27
Machinery & Equipment	848,231.79	39,504.00		887,735.79
Total, being depreciated	<u>24,832,409.56</u>	<u>240,350.50</u>	<u>0.00</u>	<u>25,072,760.06</u>
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	(3,327,636.58)	(475,857.79)		(3,803,494.37)
Machinery & Equipment	(377,997.35)	(92,031.99)		(470,029.34)
Total Accumulated Depreciation	<u>(3,705,633.93)</u>	<u>(567,889.78)</u>	<u>0.00</u>	<u>(4,273,523.71)</u>
Total Capital Assets, being depreciated, net	<u>21,126,775.63</u>	<u>(327,539.28)</u>	<u>0.00</u>	<u>20,799,236.35</u>
Business-type Activity Capital Assets, Net	<u>21,455,570.82</u>	<u>(140,621.93)</u>	<u>(39,504.00)</u>	<u>21,275,444.89</u>

Depreciation expense was charged to functions as follows:

Business-Type Activities:	
Water	\$ 199,615.20
Sewer	<u>368,274.58</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 567,889.78</u>

Construction Work in Progress at December 31, 2013 is composed of the following:

Project Name	Project Authorization	Expended Thru 12/31/2013	Committed	Required Future Financing
City Hall Improvements	538,749.08	420,444.08	118,305.00	0.00
Safe Routes to School	131,546.98	129,762.79	1,784.19	0.00
Columbia Sanitary Sewer & Storm Sewer Project	3,219,100.00	401,273.98	0.00	2,817,826.02
Total	<u>3,889,396.06</u>	<u>951,480.85</u>	<u>120,089.19</u>	<u>2,817,826.02</u>

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

	Balance 01/01/2013	Increases	Decreases	Balance 12/31/2013
Business-type Activities:				
Lewis and Clark Water System Payment	1,553,220.95			1,553,220.95
Less Accumulated Amortization	(143,787.78)	(32,756.86)		(176,544.64)
Business-type Activities, Net	<u>1,409,433.17</u>	<u>(32,756.86)</u>	<u>0.00</u>	<u>1,376,676.31</u>

Amortization expense was charged to functions as follows:

Business-Type Activities:	
Water	\$ 32,756.86
Total Amortization Expense - Business-Type Activities	<u>\$ 32,756.86</u>

## 7. LONG-TERM LIABILITIES

A summary of changes in long-term liabilities follows:

	Beginning Balance 1/1/2013	Additions	Deletions	Ending Balance 12/31/2013	Due Within One Year
Primary Government:					
Governmental Activities:					
Bonds Payable:					
Sales Tax Revenue - Series 2009	2,505,933.70	(2,453,670.20) *	52,263.50	0.00	0.00
TIF #1 Note Payable	761,232.24		123,757.22	637,475.02	54,100.42
Total Debt	<u>3,267,165.94</u>	<u>(2,453,670.20)</u>	<u>176,020.72</u>	<u>637,475.02</u>	<u>54,100.42</u>
Accrued Compensated Absences- Governmental Funds	<u>2,074.44</u>	<u>10,948.21</u>	<u>9,214.03</u>	<u>3,808.62</u>	<u>3,808.62</u>
Total Governmental Activities	<u>3,269,240.38</u>	<u>(2,442,721.99)</u>	<u>185,234.75</u>	<u>641,283.64</u>	<u>57,909.04</u>
Business-Type Activities:					
Bonds Payable:					
Water Revenue, Series 2000	306,850.94		26,791.43	280,059.51	28,156.33
Water Revenue, Series 2007	1,097,199.04		53,199.79	1,043,999.25	54,949.97
Water System Revenue, Series 2008	1,643,022.96		67,120.79	1,575,902.17	69,328.95
Clean Water Revenue Bonds, Series 2009	0.00	2,453,670.20 *		2,453,670.20	53,982.88
Total Debt	<u>3,047,072.94</u>	<u>2,453,670.20</u>	<u>147,112.01</u>	<u>5,353,631.13</u>	<u>206,418.13</u>
Accrued Compensated Absences- Business-Type Funds	<u>1,036.28</u>	<u>5,564.00</u>	<u>5,309.38</u>	<u>1,290.90</u>	<u>1,290.90</u>
Total Business-Type Activities	<u>3,048,109.22</u>	<u>2,459,234.20</u>	<u>152,421.39</u>	<u>5,354,922.03</u>	<u>207,709.03</u>
TOTAL PRIMARY GOVERNMENT	<u>6,317,349.60</u>	<u>16,512.21</u>	<u>337,656.14</u>	<u>5,996,205.67</u>	<u>265,618.07</u>

\*The Municipality of Harrisburg transferred their Sales Tax Revenue Bonds to the Sewer Fund to be paid with future sewer revenues. This was by permission from the bank servicing the bonds.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

Debt payable at December 31, 2013 is comprised of the following:

Revenue Bonds:

Sales Tax Revenue Bonds - Series 2009 3.25 Percent Interest, Final Maturity Date of January 2042, Retired by the Sewer Fund.	2,453,670.20
Water Improvement Revenue Bonds SRF - Series 2000 5.0 Percent Interest, Final Maturity Date of January 2022, Retired by the Water Enterprise Fund.	280,059.51
Water Improvement Revenue Bonds SRF - Series 2007 3.25 Percent Interest, Final Maturity Date of October 2028, Retired by the Water Enterprise Fund.	1,043,999.25
Water System Revenue Bonds SRF - Series 2008 3.25 Percent Interest, Final Maturity Date of January 2031, Retired by the Water Enterprise Fund.	1,575,902.17

Notes Payable:

Harrisburg Tax Increment District # 1 Note Payable to L.G. Everist, Inc. 6.0 Percent Interest, Final Maturity Date of June 1, 2023, unless paid sooner. Retired by the Industrial Park Improvement Debt Service Fund.	637,475.02
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Compensated Absences:

Compensated Absences Accrued at Year End, Payable from the Fund that the payroll is incurred.	
General Fund	3,808.62
Water Fund	645.45
Sewer Fund	645.45

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

The annual requirements to amortize all debt outstanding as of December 31, 2013, except for compensated absences, are as follows:

Annual Requirements to Maturity for Long-Term Debt  
December 31, 2013

Year Ending December 31,	Sales Tax Revenue Bonds - Series 2009		Water Improvement Revenue Bond, Series 2000		Water Improvement Revenue Bond, Series 2007	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	53,982.88	79,090.80	28,156.33	13,480.51	54,949.97	33,264.79
2015	55,758.82	77,314.86	29,590.77	12,046.07	56,757.73	31,457.03
2016	57,593.19	75,480.49	31,098.27	10,538.57	58,624.96	29,589.80
2017	59,487.90	73,585.78	32,682.59	8,954.25	60,553.61	27,661.15
2018	61,444.95	71,628.73	34,347.61	7,289.23	62,545.73	25,669.03
2019-2023	338,909.49	326,458.91	124,183.94	11,135.79	344,980.99	96,092.81
2024-2028	398,447.80	266,920.60			405,586.26	35,487.54
2029-2033	468,445.55	196,922.75				
2034-2038	550,740.25	114,628.15				
2039-2043	408,859.37	23,630.09				
Totals	<u>2,453,670.20</u>	<u>1,305,661.16</u>	<u>280,059.51</u>	<u>63,444.42</u>	<u>1,043,999.25</u>	<u>279,222.15</u>

Year Ending December 31,	Water System Revenue Bond, Series 2008		TIF #1 Note Payable		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	69,328.95	50,377.57	54,100.42	37,448.97	260,518.55	213,662.64
2015	71,609.74	48,096.78	57,395.13	34,154.25	271,112.19	203,068.99
2016	73,965.59	45,740.93	60,890.50	30,658.88	282,172.51	192,008.67
2017	76,398.92	43,307.60	64,598.72	26,950.66	293,721.74	180,459.44
2018	78,912.31	40,794.21	68,532.78	23,016.60	305,783.38	168,397.80
2019-2023	435,253.54	163,279.06	331,957.47	48,113.90	1,575,285.43	645,080.47
2024-2028	511,717.19	86,815.41			1,315,751.25	389,223.55
2029-2033	258,715.93	10,623.74			727,161.48	207,546.49
2034-2038					550,740.25	114,628.15
2039-2043					408,859.37	23,630.09
Totals	<u>1,575,902.17</u>	<u>489,035.30</u>	<u>637,475.02</u>	<u>200,343.26</u>	<u>5,991,106.15</u>	<u>2,337,706.29</u>

## 8. CONDUIT DEBT

In the past, the Municipality has issued revenue bonds to provide financial assistance to certain private-sector entities for the acquisition and/or construction of facilities deemed to be in the public interest. These bonds are secured by the property being financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities is retained by the private-sector entity served by the bond issuance. Neither the Municipality, the State of South Dakota, nor any other political subdivision of the state is obligated in any manner for the repayment of these conduit debt issues. Accordingly, these bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2013, there were two series of conduit bonds outstanding, with an aggregate unpaid principal amount of \$0.00. Both of these conduit bonds were paid off during the year.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

9. RESTRICTED NET POSITION

Restricted net position for the year ended December 31, 2013 was as follows:

	<u>Restricted By</u>	<u>12/31/2013</u>
City Promotion/Parks	Law	\$ 83,614.95
Storm Sewer Maintenance	Law	852,461.24
Cumulative Insurance Reserve	Insurance Agreement	12,755.54
Water Fund - Debt Service	Loan Agreement	62,724.56
Water Fund - Equipment Repair/Replacement	Loan Agreement	55,676.82
Sewer Fund - Equipment Repair/Replacement	Loan Agreement	63,653.23
Total Restricted Net Position		<u>\$ 1,130,886.34</u>

10. INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2013 were as follows:

<u>Transfers from:</u>	<u>Transfers to:</u>		
	<u>General Fund</u>	<u>HADCO Park Fund</u>	<u>Total</u>
Major Funds:			
General Fund	\$ -	\$ 7,500.00	\$ 7,500.00
Sewer Fund	133,170.00	-	133,170.00
Totals	<u>\$ 133,170.00</u>	<u>\$ 7,500.00</u>	<u>\$ 140,670.00</u>

The Municipality typically uses transfers to contribute the required amount of the Municipality to the HADCO Park Fund and to conduct indispensable functions of the city.

11. RETIREMENT PLAN

All employees, except for part-time employees, participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple employer public employee retirement system established to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provide retirement, disability and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provision are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

General employees are required by state statute to contribute 6 percent of their salary to the plan, while public safety and judicial employees contribute at 8 percent and 9 percent, respectively. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The Municipality's share of contributions to the SDRS for the fiscal years ended December 31, 2013, 2012, and 2011 were \$21,441.07, \$16,444.63, and \$14,721.03, respectively, equal to the required contributions each year.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

12. SIGNIFICANT CONTINGENCIES – LITIGATION

At December 31, 2013, the Municipality was not involved in any significant litigation.

13. RISK MANAGEMENT

The Municipality 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. During the period ended December 31, 2013, the Municipality managed its risks as follows:

Employee Health Insurance:

The Municipality purchases health insurance for its employees from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Liability Insurance:

The Municipality joined the South Dakota Public Assurance Alliance (SDPAA), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the SDPAA is to administer and provide risk management services and risk sharing facilities to the members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower costs for that coverage. The Municipality's responsibility is to promptly report to and cooperate with the SDPAA to resolve any incident which could result in a claim being made by or against the Municipality. The Municipality pays an annual premium, to provide liability coverage detailed below, under a claims-made policy and the member based on their exposure or type of coverage. The Municipality pays an annual premium to the pool to provide coverage for: General Liability, Vehicle Coverage, Property and Building Coverage, Errors and Omissions of Officials and Employees Coverage.

The agreement with the South Dakota Public Assurance Alliance provides that the above coverage's will be provided to a \$2,000,000 limit. Member premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of \$250,000 to the upper limit. A portion of the member premiums are also allocated to a cumulative reserve fund. The Municipality would be eligible to receive a refund for a percentage of the amount allocated to the cumulative reserve fund on the following basis:

End of Municipality's First Full Year	50%
End of Municipality's Second Full Year	60%
End of Municipality's Third Full Year	70%
End of Municipality's Fourth Full Year	80%
End of Municipality's Fifth Full Year	90%
End of Municipality's Sixth Full Year and Thereafter	100%

As of December 31, 2013, the Municipality has vested balance in the cumulative reserve fund of \$12,755.54.

The Municipality does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Worker's Compensation:

The Municipality joined the South Dakota Municipal League Worker's Compensation Fund (Fund), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The Municipality's responsibility is

See Independent Auditor's Report.

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NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The Municipality pays an annual premium, to provide worker's compensation coverage for its employees, under a retrospectively rated policy and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. Coverage limits are set by state statute. The pool pays the first \$650,000 of any claim per individual. The pool has reinsurance which covers up to an additional \$2,000,000 per individual per incident.

The Municipality does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage over the past three years.

Unemployment Benefits:

The Municipality provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota.

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF HARRISBURG**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**GENERAL FUND**  
**For the Year Ended December 31, 2013**

	<b>Budgeted Amounts</b>		<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Taxes:				
General Property Taxes	798,293.00	798,293.00	796,253.77	(2,039.23)
General Sales and Use Taxes	615,000.00	615,000.00	793,225.09	178,225.09
Amusement Taxes	300.00	300.00	336.00	36.00
Penalties and Interest on Delinquent Taxes	1,500.00	1,500.00	3,699.85	2,199.85
Licenses and Permits	45,900.00	45,900.00	79,550.15	33,650.15
Intergovernmental Revenue:				
Federal Grants	36,821.00	36,821.00	138,795.08	101,974.08
State Grants	0.00	0.00	2,893.05	2,893.05
State Shared Revenue:				
Bank Franchise Tax	4,000.00	4,000.00	4,554.29	554.29
Motor Vehicle Commercial Prorate	1,350.00	1,350.00	1,632.51	282.51
Motor Vehicle Licenses	10,000.00	10,000.00	15,759.94	5,759.94
Liquor License Reversion	5,500.00	5,500.00	6,167.19	667.19
Local Government Highway and Bridge Fund	5,500.00	5,500.00	7,067.32	1,567.32
County Shared Revenue:				
County Highway and Bridge Reserve Tax	1,000.00	1,000.00	1,037.13	37.13
County Wheel Tax	7,000.00	7,000.00	4,009.32	(2,990.68)
Charges for Goods and Services:				
General Government	3,500.00	3,500.00	12,732.93	9,232.93
Sanitation	0.00	0.00	1,540.00	1,540.00
Culture and Recreation	5,000.00	5,000.00	19,502.70	14,502.70
Fines and Forfeits:				
Court Fines and Costs	0.00	0.00	39.00	39.00
Parking Meter Fines	250.00	250.00	825.00	575.00
Library	0.00	0.00	189.59	189.59
Miscellaneous Revenue:				
Investment Earnings	4,000.00	4,000.00	3,407.83	(592.17)
Rentals	7,800.00	7,800.00	8,475.00	675.00
Maintenance Assessments	102,267.00	102,267.00	111,561.56	9,294.56
Contributions and Donations from Private Sources	0.00	0.00	11,020.00	11,020.00
Other	40,000.00	40,000.00	46,246.71	6,246.71
<b>Total Revenue</b>	<b>1,694,981.00</b>	<b>1,694,981.00</b>	<b>2,070,521.01</b>	<b>375,540.01</b>
<b>Expenditures:</b>				
General Government:				
Legislative	26,420.00	29,420.00	29,194.16	225.84
Contingency	20,000.00	20,000.00		
Amount Transferred		(10,000.00)		10,000.00
Executive	103,983.00	110,970.50	107,501.50	3,469.00
Elections	800.00	1,955.00	1,953.45	1.55
Financial Administration	156,489.00	201,639.00	185,036.94	16,602.06
Other	282,500.00	782,500.00	620,751.72	161,748.28
<b>Total General Government</b>	<b>590,192.00</b>	<b>1,136,484.50</b>	<b>944,437.77</b>	<b>192,046.73</b>



**REQUIRED SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF HARRISBURG**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**GENERAL FUND**  
**For the Year Ended December 31, 2013**

	<b>Budgeted Amounts</b>		<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Expenditures (Continued):</b>				
Public Safety:				
Police	214,765.00	214,940.00	213,922.63	1,017.37
Fire	50,100.00	50,900.00	50,697.11	202.89
Protective Inspection	27,888.00	32,588.00	30,276.95	2,311.05
Total Public Safety	<u>292,753.00</u>	<u>298,428.00</u>	<u>294,896.69</u>	<u>3,531.31</u>
Public Works:				
Highways and Streets	344,871.00	372,930.00	291,083.65	81,846.35
Sanitation	4,620.00	12,220.00	12,004.37	215.63
Total Public Works	<u>349,491.00</u>	<u>385,150.00</u>	<u>303,088.02</u>	<u>82,061.98</u>
Health and Welfare:				
Health	15,418.00	15,418.00	4,600.48	10,817.52
Total Health and Welfare	<u>15,418.00</u>	<u>15,418.00</u>	<u>4,600.48</u>	<u>10,817.52</u>
Culture and Recreation:				
Recreation	17,500.00	17,500.00	9,854.53	7,645.47
Parks	350,312.00	353,062.00	285,217.06	67,844.94
Libraries	75,000.00	77,500.00	80,586.25	(3,086.25)
Total Culture and Recreation	<u>442,812.00</u>	<u>448,062.00</u>	<u>375,657.84</u>	<u>72,404.16</u>
Conservation and Development:				
Economic Development and Assistance (Industrial Development)	59,534.00	62,934.00	53,961.67	8,972.33
Total Conservation and Development	<u>59,534.00</u>	<u>62,934.00</u>	<u>53,961.67</u>	<u>8,972.33</u>
Debt Service	<u>133,075.00</u>	<u>133,075.00</u>	<u>133,073.68</u>	<u>1.32</u>
Total Expenditures	<u>1,883,275.00</u>	<u>2,479,551.50</u>	<u>2,109,716.15</u>	<u>369,835.35</u>
Excess of Revenue Over (Under) Expenditures	<u>(188,294.00)</u>	<u>(784,570.50)</u>	<u>(39,195.14)</u>	<u>745,375.36</u>
<b>Other Financing Sources (Uses):</b>				
Transfers In	133,170.00	133,170.00	133,170.00	0.00
Compensation for Loss or Damage to Capital Assets	0.00	0.00	810.98	810.98
Transfers Out	0.00	0.00	(7,500.00)	(7,500.00)
Total Other Financing Sources (Uses)	<u>133,170.00</u>	<u>133,170.00</u>	<u>126,480.98</u>	<u>(6,689.02)</u>
Net Change in Fund Balances	<u>(55,124.00)</u>	<u>(651,400.50)</u>	<u>87,285.84</u>	<u>738,686.34</u>
Fund Balance - Beginning	<u>2,616,409.40</u>	<u>2,616,409.40</u>	<u>2,616,409.40</u>	<u>0.00</u>
FUND BALANCE - ENDING	<u>2,561,285.40</u>	<u>1,965,008.90</u>	<u>2,703,695.24</u>	<u>738,686.34</u>

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NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Schedules of Budgetary Comparisons for the General Fund  
and for each major Special Revenue Fund with a legally required budget.

Note 1. Budgets and Budgetary Accounting

The Municipality followed these procedures in establishing the budgetary data reflected in the financial statements:

1. At the first regular board meeting in September of each year or within ten days thereafter, the Governing Board introduces the annual appropriation ordinance for the ensuing fiscal year.
2. After adoption by the Governing Board, the operating budget is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in number 4.
3. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total municipal budget and may be transferred by resolution of the Governing Board to any other budget category that is deemed insufficient during the year.
4. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets.
5. Unexpected appropriations lapse at year end unless encumbered by resolution of the Governing Board.
6. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.
7. Budgets for the General Fund and special revenue funds are adopted on a basis consistent with the accounting principles generally accepted in the United States (USGAAP).

NOTE 2. GAAP/Budgetary Accounting Basis Differences

The financial statements prepared in conformity with USGAAP present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate. For example, the purchase of a new fire truck would be reported as a capital outlay expenditure on the Governmental Funds Statement of Revenue, Expenditures and Changes in Fund Balances, however, in the Budgetary RSI Schedule, the purchase of a fire truck would be reported as an expenditure of the Public Safety/Fire Department function of government, along with all other current Fire Department related expenditures.

**MUNICIPALITY OF HARRISBURG  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
December 31, 2013**

	<b>Liquor, Lodging &amp; Dining Sales Tax Spec. Rev. Fund</b>	<b>Storm Sewer Maintenance Spec. Rev. Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>ASSETS:</b>			
Cash and Cash Equivalents	81,958.05	850,403.17	932,361.22
Cash with Fiscal Agent		2,058.07	2,058.07
Special Assessments Receivable--Current		172,436.62	172,436.62
Special Assessments Receivable--Delinquent		1,520.49	1,520.49
Due from Other Government	3,239.70		3,239.70
<b>TOTAL ASSETS</b>	<b>85,197.75</b>	<b>1,026,418.35</b>	<b>1,111,616.10</b>
<b>DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:</b>			
Deferred Inflows of Resources:			
Unavailable Revenue--Special Assessments		173,957.11	173,957.11
Other Deferred Inflows of Resources	1,582.80		1,582.80
<b>Total Deferred Inflows of Resources</b>	<b>1,582.80</b>	<b>173,957.11</b>	<b>175,539.91</b>
Fund Balances:			
Restricted	83,614.95	852,461.24	936,076.19
<b>Total Fund Balances</b>	<b>83,614.95</b>	<b>852,461.24</b>	<b>936,076.19</b>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>85,197.75</b>	<b>1,026,418.35</b>	<b>1,111,616.10</b>

**MUNICIPALITY OF HARRISBURG**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
For the Year Ended December 31, 2013

	Liquor, Lodging, & Dining Sales Tax Spec. Rev. Fund	Storm Sewer Maintenance Spec. Rev. Fund	HADCO Park Special Revenue Fund	Industrial Park TIF Debt Service Fund	Total Nonmajor Governmental Funds
<b>Revenues:</b>					
Taxes:					
General Property Taxes				167,582.37	167,582.37
General Sales and Use Taxes	27,949.08				27,949.08
Penalties and Interest on Delinquent Taxes				19.86	19.86
Miscellaneous Revenue:					
Investment Earnings	75.00	1,556.11	119.14		1,750.25
Maintenance Assessments		180,085.64			180,085.64
Contributions and Donations from Private Sources	5,000.00				5,000.00
Total Revenue	33,024.08	181,641.75	119.14	167,602.23	382,387.20
<b>Expenditures:</b>					
Culture and Recreation:					
Parks			206,468.50		206,468.50
Total Culture and Recreation	0.00	0.00	206,468.50	0.00	206,468.50
Conservation and Development:					
Economic Development and Assistance (Industrial Development)	24,181.00				24,181.00
Total Conservation and Development	24,181.00	0.00	0.00	0.00	24,181.00
Debt Service	0.00	0.00	0.00	167,602.23	167,602.23
Total Expenditures	24,181.00	0.00	206,468.50	167,602.23	398,251.73
Excess of Revenue Over (Under) Expenditures	8,843.08	181,641.75	(206,349.36)	0.00	(15,864.53)
<b>Other Financing Sources (Uses):</b>					
Transfers In			7,500.00		7,500.00
Total Other Financing Sources (Uses)	0.00	0.00	7,500.00	0.00	7,500.00
Net Change in Fund Balances	8,843.08	181,641.75	(198,849.36)	0.00	(8,364.53)
Fund Balance - Beginning	74,771.87	670,819.49	198,849.36	0.00	944,440.72
FUND BALANCE - ENDING	83,614.95	852,461.24	0.00	0.00	936,076.19