

**TOWN OF HIGHLANDS, NORTH CAROLINA  
BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007**

**TABLE OF CONTENTS**

<u>Exhibit</u>		<u>Page</u>
	<b>Independent Auditors' Report</b>	1-2
	<b>Management's Discussion and Analysis</b>	3-9
	<b>Basic Financial Statements:</b>	
	<b>Government-wide Financial Statements:</b>	
A	Statement of Net Assets	10
B	Statement of Activities	11-12
	<b>Fund Financial Statements:</b>	
C	Balance Sheet - Governmental Funds	13
D	Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	14
E	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities	15
F	General Fund - Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual	16
G	Statement of Net Assets - Proprietary Funds	17
H	Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	18
I	Statement of Cash Flows - Proprietary Funds	19
J	Statement of Fiduciary Net Assets - Fiduciary Funds	20
K	Statement of Changes in Fiduciary Net Assets - Fiduciary Funds	21

**TOWN OF HIGHLANDS, NORTH CAROLINA  
BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007**

**TABLE OF CONTENTS**

<u>Schedule</u>		<u>Page</u>
	Notes to the Financial Statements	22-39
A-1	Law Enforcement Officers' Special Separation Allowance - Required Supplementary Information - Schedule of Funding Progress	40
A-1	Law Enforcement Officers' Special Separation Allowance - Required Supplementary Information - Schedule of Employer Contributions	41
	<b>Supplemental Financial Data:</b>	
A-2	General Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual	42-44
B-1	Electric Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	45
B-2	Water and Sewer Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	46-47
B-3	Waste Water Treatment Plant Capital Project - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	48
B-4	Hospital Water Line Capital Project Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	49
B-5	Poplar Street Capital Project - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	50
B-6	Highlands Country Club Sewer Line - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	51
B-7	Harris Lake Sewer Capital Project - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	52

**TOWN OF HIGHLANDS, NORTH CAROLINA  
 BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2007**

**TABLE OF CONTENTS**

<u>Schedule</u>		<u>Page</u>
C-1	Statement of Fiduciary Net Assets - Fiduciary Funds	53
C-2	Schedule of Changes in Fiduciary Net Assets - Fiduciary Funds	54
	<b>Other Supplemental Data:</b>	
D-1	Schedule of Ad Valorem Taxes Receivable	55
D-2	Analysis of Current Year Levy	56
	<b>Compliance Section:</b>	
	Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	57-58
	Schedule of Findings	59
	Schedule of Prior Year's Findings	60