

**CITY OF HARRISONBURG, VIRGINIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR**  
**JULY 1, 2006 TO JUNE 30, 2007**

This Report  
Prepared by Department of Finance  
Lester O. Seal, CPA  
Director

**CITY OF HARRISONBURG, VIRGINIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**Year Ended June 30, 2007**

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# INTRODUCTORY SECTION

This part of the City's comprehensive annual financial report is intended to familiarize readers with the organizational structure of the City's government, the nature and scope of services that are provided and the specifics of the legal operating environment.

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# City of Harrisonburg, Virginia

## Office of the City Manager

345 South Main Street  
Post Office Box 20031  
Harrisonburg, VA 22802  
(540) 432-7701 / FAX (540) 432-7778

Kurt D. Hodgen  
City Manager

November 30, 2007

To the Honorable Mayor, Members of the City Council and the  
Citizens of the City of Harrisonburg:

The Comprehensive Annual Financial Report of the City of Harrisonburg, Virginia (City), for the fiscal year ended June 30, 2007 is hereby submitted in accordance with Section 45 of the *City Charter* and Section 15.2-2511 of the *Code of Virginia*, 1950, as amended. The *City Charter* and the *Code of Virginia* require that the City issue annually a report on its financial position and operations, and that this report be audited by either the state auditor or an independent firm of certified public accountants in accordance with generally accepted auditing standards (GAAS). This report has been prepared by the Department of Finance to conform with the standards of financial reporting as established by the Governmental Accounting Standards Board (GASB), generally accepted accounting principles (GAAP) and the Commonwealth of Virginia Auditor of Public Accounts (APA).

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is accurate in all material respects and is reported in a manner that presents fairly the financial position and results of operations for the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

Brown, Edwards & Company, LLP, a firm of licensed certified public accountants, have audited the City's financial statements. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2007, are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. This examination was conducted using guidelines set forth by GAAS and the *Specifications for Audits of Counties, Cities and Towns*, issued by the APA. Based upon this audit, the independent auditor concluded that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended June 30, 2007, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements was also designed to meet the federal Single Audit Act Amendments of 1996 and the related U. S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations* to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements set forth in the General Accounting Office's *Government Auditing*

*Standards* require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements. Special emphasis is placed on internal controls and compliance with legal requirements involving the administration of federal awards. These reports are available in the compliance section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditor.

## **Profile of the City of Harrisonburg**

**Background.** The City was established in 1780 and was named for Thomas Harrison, who donated the land for the Rockingham County Court House, which became the permanent county seat of Rockingham County in 1781. The City was incorporated in 1849 and was proclaimed a city of the first class in April 1990. It now encompasses 17.3 square miles and serves a population of approximately 45,261.

The City lies in the geographic center of the Shenandoah Valley of Virginia. The Blue Ridge Mountains on the East and the Alleghenies on the West provide protection so the area is markedly free from climate extremes and disturbances. The Valley floor itself is at an elevation of 1,000 feet while the City's elevation is 1,329 feet. The City is equidistant from Washington, D.C. (124 miles), Richmond, Virginia (116 miles), and Roanoke, Virginia (111 miles).

The City is operated under the Council-Manager form of government. The City Council is the governing body, which formulates policies for the administration of the City. It is comprised of five members elected on an at-large basis to serve four-year terms. The City Council appoints a City Manager to serve as the City's chief administrative officer. The City Manager is responsible for implementing the policies of the City Council, directing business and administrative procedures and appointing departmental officials and certain other City employees.

**Services provided.** The City provides a full range of services including police and fire protection; sanitation services; construction and maintenance of streets and bridges; water and sewer services; public transportation; community development; and parks, recreational activities and cultural events.

The operation of primary and secondary education in the City is the responsibility of the School Board. The City voters elect the six members of the School Board, who appoint the Superintendent of Schools. The local share of funds for operating public schools in the City is provided by an appropriation from the City's General Fund to the School Board. The School Board, however, is a separate legal entity and autonomous policy-making body in matters governing education.

The City provides court house and jail facilities, as well as the services of the Sheriff, Commonwealth Attorney, and Clerk of the Circuit Court through Rockingham County (County). The City reimburses the County one-half of the net expenditures for providing these services.

The City also provides social services through the Harrisonburg-Rockingham Social Services District (District), which is jointly governed with the County. The District is a separate legal entity and is a discretely presented component unit of the County. The City makes contributions to the District based upon its pro rata share of the population for the City and County as a whole.

Electricity is provided by the Harrisonburg Electric Commission, created by ordinance of the City Council pursuant to the City Charter. The Commission is composed of 5 members appointed for 3-year terms by the City Council and is a separate legal entity.

**Budgetary Compliance and Control.** The City prepares a budget in accordance with Section 60 of the *City Charter* and Section 15.2-2503 of the *Code of Virginia*, 1950, as amended. The *City Charter* requires the City Manager to submit a balanced budget to the City Council at least sixty days prior to the beginning of each fiscal year (July 1). City Council is required to convene a public hearing regarding the City Manager's proposed budget. The proposed budget, which may be modified by the City Council, is required to be adopted by a majority vote of the City Council members 30 days prior to the beginning of the ensuing fiscal year. On the basis of the budget, City Council appropriates funds for expenditures and establishes tax rates sufficient to produce the revenues needed to pay such expenditures. The *City Charter* requires the annual budget to be balanced and prohibits expenditures for which moneys are not available or reasonably expected to be forthcoming in time to meet such expenditures. The *City Charter* also requires the annual budget and the annual appropriation ordinance to make a provision for a reasonable contingency fund.

Budgetary control is maintained at the department level as delineated in the appropriation ordinance. The City Manager is authorized to transfer budgeted amounts within departments, from reserve for contingencies to other expenditure line items and re-arrange salaries as may best meet the needs and interest of the City. Supplemental appropriations, transfers between departments and funds, other than the situation aforementioned, require the approval of City Council. Also, supplemental appropriations, which exceed \$500,000 or 1% of the budget, whichever is less, require a public hearing prior to approval by City Council. All appropriations lapse at year-end except for appropriations for capital projects funds. Appropriations for capital projects are valid until the end of the project. Encumbrances outstanding at year-end are reported as reservation of fund balance, since they do not constitute expenditures or liabilities, and are generally reappropriated in the following fiscal year. A budget-to-actual comparison is provided in this report for the general fund. This comparison is presented on page 28.

### **Major Initiatives**

The City's staff, following specific directives of the City Council and the City Manager, has been involved in a variety of projects and activities throughout the year. These projects and activities reflect the City's commitment to ensuring that the citizens of Harrisonburg are able to live and work in an enviable environment. The significant projects and activities are as follows:

- Hired a new IT programmer.
- Hired a traffic analyst.
- Hired a new assistant golf superintendent.
- Hired a new engineering technician.
- Hired 4.8 new personnel to staff the new tourism and visitors services.
- Created the Downtown Parking Services with a staff of 5.8 personnel.
- Appropriated \$200,000 for 2 new traffic signals.
- Appropriated \$668,557 for park land acquisition.
- Appropriated \$450,000 for bridge renovation, etc.
- Appropriated \$260,000 for Port Republic Road improvements.
- Appropriated \$190,000 for East Market Street safety improvements.
- Appropriated \$210,000 for County Club Road improvements.
- Appropriated \$618,690 for the eastern water source development.
- Appropriated \$1,800,000 for 5 transit buses.
- Appropriated \$340,000 for 2 78-passenger school buses and 1 52-passenger school bus.
- Appropriated \$800,927 for the City's share of Rockingham County's landfill costs.



## **Factors Affecting Financial Condition**

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

**Local economy.** The City is in the center of commerce and travel for the area, while the surrounding area is known for its poultry industry. The area is an educational center served by four institutions of higher learning with a total enrollment of approximately 24,065. James Madison University, a state-supported school, is located near the geographic center of the City and has approximately 16,970 undergraduate students. Eastern Mennonite University, a private institution with approximately 1,593 students is also located in the City. Bridgewater College, located just south of the City, is also private and has an approximate enrollment of 1,514 students. State-supported Blue Ridge Community College has an enrollment of approximately 3,988 students.

Rockingham Memorial Hospital provides hospital and many related healthcare services. Air, rail and bus transportation is available in the area. U.S. Airways Express operates out of the Shenandoah Valley Regional Airport in Weyers Cave, Virginia and provides passenger and freight service. There are several private airfields located in the area including Bridgewater Air Park located in Bridgewater. The area is served by the Norfolk Southern Corporation railroad. There are locally based private and common carriers serving the nation with general freight and specialties. Parcel post services are available for shopping, mailing and delivery service. Interstate 81 runs North and South through the area and intersects with Interstate 64 East and West at Staunton, Virginia for travel by car.

**Long-term financial planning.** Each year the City prepares a comprehensive Capital Improvements Program (CIP). The CIP is prepared in an effort to prioritize capital improvement needs over a five-year period and to plan for the appropriate financing of these projects. Planning for capital improvements is an important process for the City in order to ensure that assets are acquired or constructed in time to meet specific needs and to spread costs over several fiscal years in order to avoid a large peak in capital expenditures during a single year.

The City continues to plan and work on its next major transportation project: Erickson Avenue Extension and Stone Spring Road Improvement. The total project is anticipated to cost approximately \$66.5 million of which \$4.2 million has already been expended and approximately \$8.7 million in cash is on hand. It is planned that this project will be completed in at least five phases. It is currently projected that \$12.9 million will be borrowed in fiscal year 2009; \$600,000 will be borrowed in the fiscal year 2010; \$3.3 million will be borrowed in fiscal year 2011; \$4.3 million will be borrowed in fiscal year 2012; and the final \$3.1 million will be borrowed in fiscal year 2013. The remaining \$29.4 million will be provided by \$10.8 million in federal funds, \$16.9 million from the Commonwealth of Virginia through revenue sharing funds and \$1.7 million in revenue sharing funds. The estimated final completion date for the project is 2013, but various phases will be completed during the construction period. Because of the rebuild of the Stone Spring Road bridge over Interstate 81, the widening of Interstate 81 by the Commonwealth of Virginia will ultimately impact the final completion date. In fiscal year 2009 the City may start using a portion of its annual state road allocation funding to defray the cost of the aforementioned indebtedness.

The City is in the process of constructing a waterline to the Shenandoah River, which is located approximately 17 miles east of the City. The estimated total cost of the project is \$20.3 million of which \$3.4 million has already been expended and \$4 million in cash is on hand. The projected completion date is estimated to be prior to 2013.

**Cash Management.** The City's investment policy is to invest with the same care, skill, prudence and diligence that a prudent and knowledgeable person would exercise when undertaking an enterprise of like character and aims. It is the policy of the City that all investments and investment practices meet or exceed those enumerated in Chapter 3, Title 26 of the *Code of Virginia*, 1950, as amended. The City's primary investment objectives, in order of priority

are safety, liquidity and return on investments. Investments are limited to those maturing in three years or less from the time of purchase. The City uses Trusco Capital Management, Inc., a non-bank affiliate of SunTrust Bank, and the State Treasurer's Local Government Investment Pool to handle its investments. Additional information can be found in Note 3 of the notes to financial statements.

**Risk Management.** The City uses a variety of techniques to identify and monitor its risks and exposures for the programs and activities that are provided. An on-going safety program has been initiated to help prevent losses and to better identify problem areas that need attention. Additional information can be found in Note 35 of the notes to financial statements.

### **Certificate of Achievement**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2006. This was the twelfth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and organized CAFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

### **Acknowledgments**

We would like to express our appreciation to all members of the staff who assisted and contributed to the preparation of this report. The preparation of this report would not have been accomplished without their efficient and dedicated services. We would also like to thank the members of the City Council for their continued interest and support in planning and conducting the financial operations of the City in a responsible, timely and progressive manner.

Respectfully submitted,

Kurt D. Hodgen  
City Manager

Lester O. Seal, CPA  
Director of Finance

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Harrisonburg  
Virginia

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2006

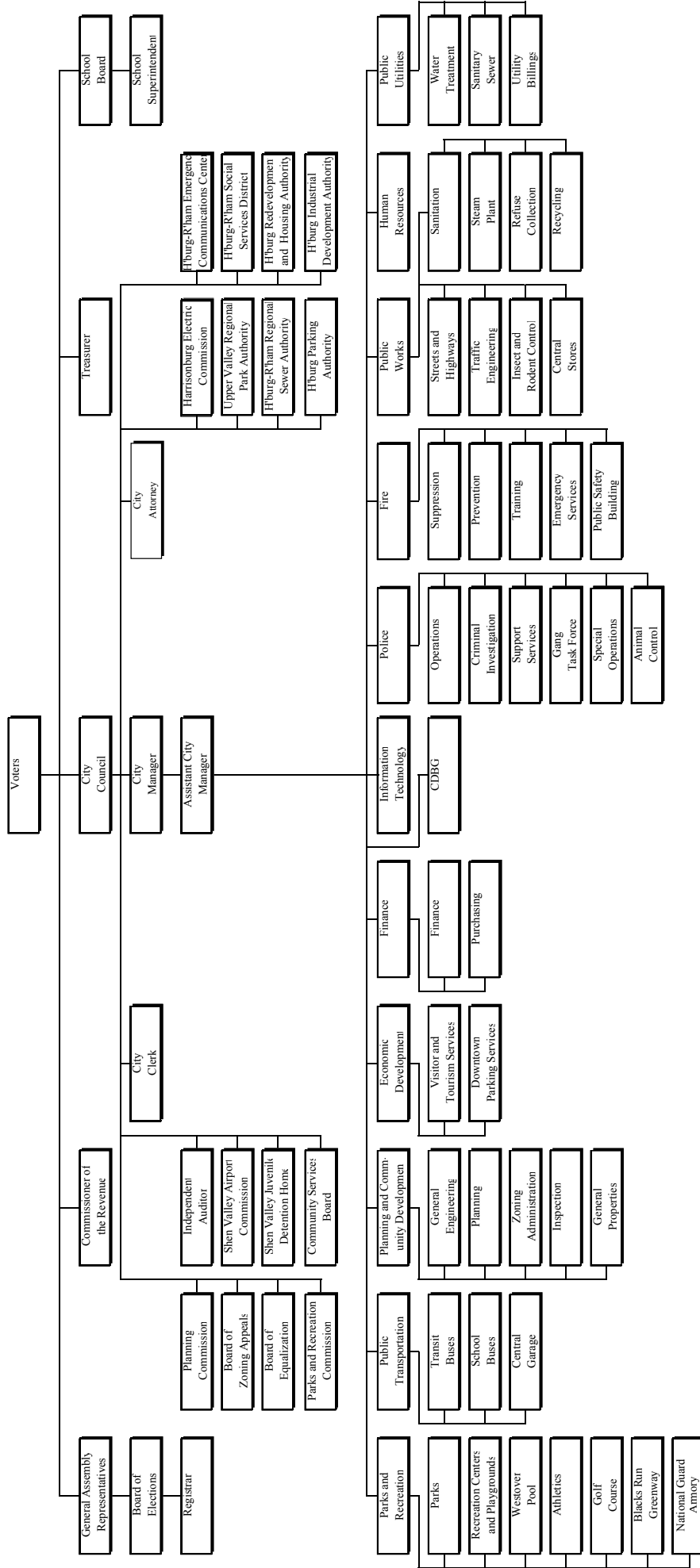
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

# City of Harrisonburg, Virginia Organization Chart



**CITY OF HARRISONBURG, VIRGINIA**

**Directory of Principal Officials**

**June 30, 2007**

**CITY COUNCIL**

Rodney L. Eagle, Mayor

George W. Pace, Vice Mayor  
J. Ted Byrd, Council Member

Charles R. Chenault, Council Member  
Carolyn W. Frank, Council Member

**OFFICIALS**

Roger D. Baker	City Manager
Kurt D. Hodgen	Assistant City Manager
Rebecca B. Neal	City Treasurer
June W. Hosaflook	Commissioner of the Revenue
Earl Q. Thumma, Jr.	City Attorney
Yvonne H. "Bonnie" Ryan	City Clerk
Lester O. Seal	Director of Finance
E. Lee Foerster, Jr.	Director of Parks and Recreation
Donald G. Harper	Police Chief
Larry W. Shifflett	Fire Chief
A. Michael Collins	Director of Public Utilities
James D. Baker	Director of Public Works
Stacy H. Turner	Director of Planning and Community Development
Reginald S. Smith	Director of Transportation
Jennifer W. Rhodes	Director of Human Resources
Brian B. Shull	Director of Economic Development
Deborah Logan	City Registrar

**SCHOOL BOARD**

Donald J. Ford, Ed.D., Superintendent of Schools  
Lisa M. Lantz, Clerk  
Denise E. Dawson, Director of Finance and Technology

Michael D. Walsh, Chairperson  
Kerri M. Wilson, Vice Chairperson  
Gregory L. Coffman, Board Member

Thomas C. Mendez, Board Member  
Timothy J. Lacey, Board Member  
Sallie M. Strickler, Board Member

# FINANCIAL SECTION

This part of the City's comprehensive annual financial report contains the financial statements which include the basic financial statements, notes to financial statements and other supplementary information. This part also provides management's analysis of the City's current financial position and the outcome of its operations, as well as, the independent auditor's report.

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## INDEPENDENT AUDITOR'S REPORT

Honorable Members of City Council  
City of Harrisonburg, Virginia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Harrisonburg, Virginia, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit Harrisonburg Electric Commission, which statements reflect total assets of \$68,735,618 as of June 30, 2007, and total revenues of \$53,217,475 for the year then ended. Those financial statements were audited by another auditor whose reports thereon have been furnished to us; and our opinion, insofar as it relates to the amounts included for the discretely presented component unit Harrisonburg Electric Commission, is based on the reports of the other auditor.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Harrisonburg, Virginia, as of June 30, 2007, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.



In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2008, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 11 through 20 is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We and the other auditor have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Harrisonburg, Virginia. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Brown, Edwards & Company, S. L. P.*  
CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia  
March 25, 2008

## Management's Discussion and Analysis

As management of the City of Harrisonburg (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2007. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1 through 5 of this report.

### Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$240.85 million (net assets). Of this amount, \$56.5 million (unrestricted net assets) may be used to meet the City's obligations to citizens and creditors.
- The City's total net assets increased by \$7 million.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$64.4 million, an increase of \$40.5 million in comparison with the prior year. Approximately 54.4 percent of this total amount, \$35.1 million, is available for spending at the City's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$22.2 million, or 26.1 percent of total General Fund expenditures and other financing uses.
- The City's total long-term debt increased by \$44.2 million during the current fiscal year.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government administration, public safety, public works, health and welfare, education, parks and recreation, and planning and community development. The business-type activities of the City include water, sewer, public transportation and sanitation services.

The government-wide financial statements include not only the City itself (known as the primary government), but also the legally separate Harrisonburg City School Board (School Board) and the Harrisonburg Electric Commission (HEC) for which the City is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself. To obtain a copy of

the separately issued audited financial statements for HEC, contact the Harrisonburg Electric Commission, 89 West Bruce Street, Harrisonburg, Virginia 22801. The School Board does not issue separate financial statements.

The government-wide financial statements can be found on pages 21 through 23 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, General Capital Projects Fund, and School Bond Capital Projects Fund, which are considered to be major funds. The other two governmental funds are combined into a single, aggregated presentation. Individual fund information for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for the General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 24 through 28 of this report.

**Proprietary funds.** The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, public transportation and sanitation operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions, as well as to some external organizations. The City uses internal service funds to account for the operations of its central garage, central stores and a self-insured health insurance plan. Because these services mainly benefit governmental rather than business-type functions, they are included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The City maintains four enterprise funds and three internal service funds. The proprietary fund financial statements provide separate information for the Water Fund, Sewer Fund, Public Transportation Fund and Sanitation Fund, which are considered to be major enterprise funds. Also, the internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements in the other supplementary information part of the financial section of this report.

The basic proprietary fund financial statements can be found on pages 29 through 32 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 33 of this report.

**Notes to financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 34 through 69 of this report.

**Other supplementary information.** In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information. This information includes the combining statements referred to earlier in connection with nonmajor governmental funds, internal service funds, agency funds and School Board individual fund financial statements. This information is presented immediately following the notes to financial statements. The combining and individual fund statements and schedules can be found on pages 70 through 89 of this report.

### Government-wide Financial Analysis (Primary Government)

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceed liabilities by \$240.85 million at the close of the most recent fiscal year.

The largest portion of the City's net assets (76.1 percent) reflects its investment in capital assets (e.g., land, buildings and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, which amounts to \$56.5 million, may be used to meet the City's ongoing obligations to citizens and creditors.

#### City of Harrisonburg's Net Assets

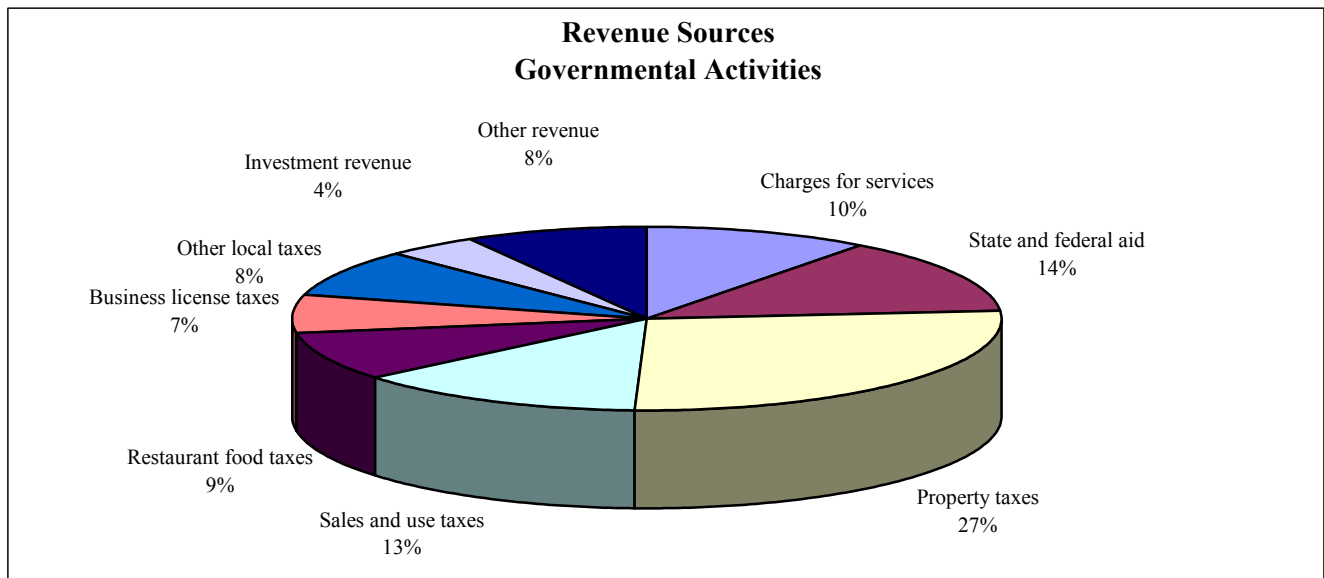
	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 112,192,111	\$ 60,900,531	\$ 29,111,398	\$ 29,929,699	\$ 141,303,509	\$ 90,830,230
Capital assets	231,385,964	220,607,641	93,200,868	90,429,612	324,586,832	311,037,253
<b>Total assets</b>	<b>\$ 343,578,075</b>	<b>\$ 281,508,172</b>	<b>\$ 122,312,266</b>	<b>\$ 120,359,311</b>	<b>\$ 465,890,341</b>	<b>\$ 401,867,483</b>
Current and other liabilities	\$ 42,739,469	\$ 30,784,734	\$ 2,969,119	\$ 2,112,122	\$ 45,708,588	\$ 32,896,856
Long-term liabilities	137,788,246	92,556,098	41,542,179	42,608,049	179,330,425	135,164,147
<b>Total liabilities</b>	<b>\$ 180,527,715</b>	<b>\$ 123,340,832</b>	<b>\$ 44,511,298</b>	<b>\$ 44,720,171</b>	<b>\$ 225,039,013</b>	<b>\$ 168,061,003</b>
Net assets:						
Invested in capital assets, net of related debt	\$ 126,709,207	\$ 135,387,466	\$ 56,591,565	\$ 52,763,624	\$ 183,300,772	\$ 188,151,090
Restricted	1,039,017	1,304,291	-	-	1,039,017	1,304,291
Unrestricted	35,302,136	21,475,583	21,209,403	22,875,516	56,511,539	44,351,099
<b>Total net assets</b>	<b>\$ 163,050,360</b>	<b>\$ 158,167,340</b>	<b>\$ 77,800,968</b>	<b>\$ 75,639,140</b>	<b>\$ 240,851,328</b>	<b>\$ 233,806,480</b>

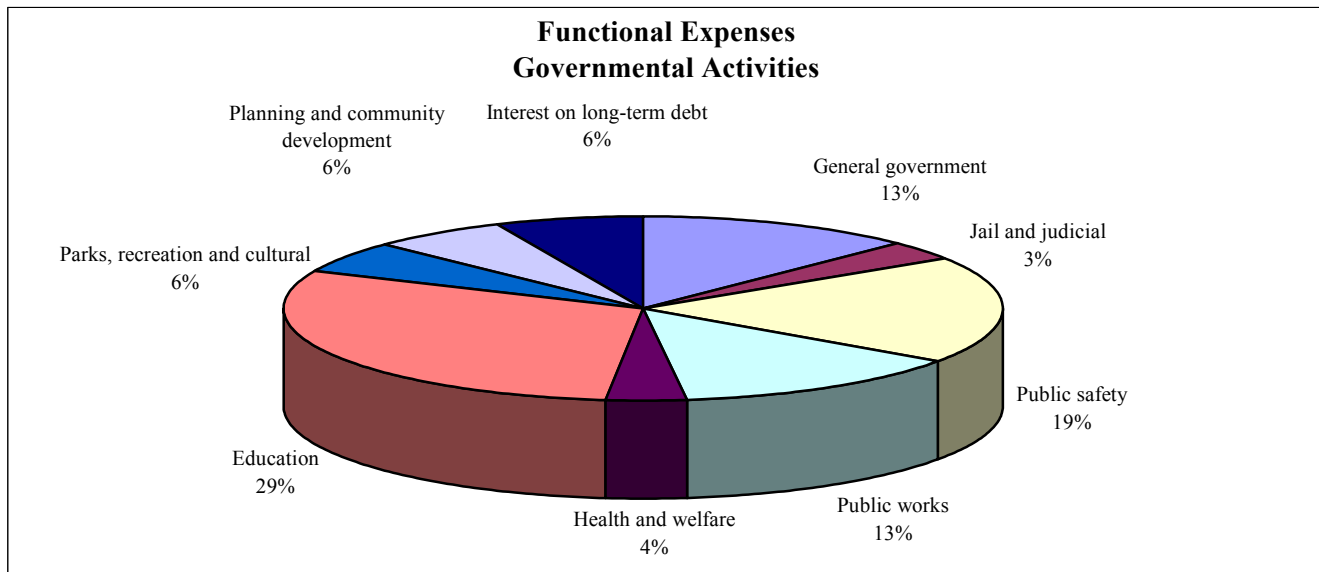
**City of Harrisonburg's Changes in Net Assets**

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program revenues:						
Charges for services	\$ 8,991,972	\$ 8,699,474	\$ 21,671,686	\$ 20,542,341	\$ 30,663,658	\$ 29,241,815
Operating grants and contributions	5,615,042	5,182,303	1,140,983	1,198,685	6,756,025	6,380,988
Capital grants and contributions	3,996,228	71,267	2,201,180	2,571,747	6,197,408	2,643,014
General revenues:						
Property taxes	23,731,628	20,248,223	-	-	23,731,628	20,248,223
Sales and use taxes	11,695,874	11,421,441	-	-	11,695,874	11,421,441
Restaurant food taxes	7,673,364	7,091,567	-	-	7,673,364	7,091,567
Business license taxes	6,042,082	5,728,339	-	-	6,042,082	5,728,339
Other local taxes	7,368,816	7,201,363	-	-	7,368,816	7,201,363
Grants and contributions not restricted to specific programs	3,506,788	3,216,835	-	-	3,506,788	3,216,835
Payment from component units	4,793,875	4,400,000	-	-	4,793,875	4,400,000
Investment revenue	3,534,382	1,363,309	1,403,613	1,082,397	4,937,995	2,445,706
Other revenue	1,486,856	1,872,657	1,034,676	1,149,279	2,521,532	3,021,936
<b>Total revenues</b>	<b>\$ 88,436,907</b>	<b>\$ 76,496,778</b>	<b>\$ 27,452,138</b>	<b>\$ 26,544,449</b>	<b>\$ 115,889,045</b>	<b>\$ 103,041,227</b>
Expenses:						
General government administration	\$ 10,607,363	\$ 9,494,062	\$ -	\$ -	\$ 10,607,363	\$ 9,494,062
Jail and judicial administration	2,695,536	2,247,160	-	-	2,695,536	2,247,160
Public safety	16,122,159	14,598,247	-	-	16,122,159	14,598,247
Public works	11,140,416	10,280,042	-	-	11,140,416	10,280,042
Health and welfare	3,130,065	2,571,383	-	-	3,130,065	2,571,383
Education	25,341,757	24,630,393	-	-	25,341,757	24,630,393
Parks, recreation and cultural	4,692,190	4,458,904	-	-	4,692,190	4,458,904
Planning and community development	5,265,157	2,970,408	-	-	5,265,157	2,970,408
Interest on long-term debt	5,612,049	4,368,265	-	-	5,612,049	4,368,265
Water	-	-	4,560,390	4,034,616	4,560,390	4,034,616
Sewer	-	-	5,717,556	5,075,967	5,717,556	5,075,967
Public transportation	-	-	5,538,155	5,070,888	5,538,155	5,070,888
Sanitation	-	-	10,604,466	10,404,692	10,604,466	10,404,692
Public parking	-	-	-	175,050	-	175,050
<b>Total expenses</b>	<b>\$ 84,606,692</b>	<b>\$ 75,618,864</b>	<b>\$ 26,420,567</b>	<b>\$ 24,761,213</b>	<b>\$ 111,027,259</b>	<b>\$ 100,380,077</b>
Increase in net assets before transfers and special item	\$ 3,830,215	\$ 877,914	\$ 1,031,571	\$ 1,783,236	\$ 4,861,786	\$ 2,661,150
Special item	2,183,062	11,005,846	-	-	2,183,062	11,005,846
Transfers	(1,130,257)	197,160	1,130,257	(197,160)	-	-
<b>Change in net assets</b>	<b>\$ 4,883,020</b>	<b>\$ 12,080,920</b>	<b>\$ 2,161,828</b>	<b>\$ 1,586,076</b>	<b>\$ 7,044,848</b>	<b>\$ 13,666,996</b>
Net assets at beginning of year	158,167,340	146,086,420	75,639,140	74,053,064	233,806,480	220,139,484
Net assets at end of year	\$ 163,050,360	\$ 158,167,340	\$ 77,800,968	\$ 75,639,140	\$ 240,851,328	\$ 233,806,480

**Governmental activities.** Governmental activities increased the City’s net assets by \$4.9 million. Key elements affecting governmental activities are as follows:

- Property tax revenue increased \$3.5 million (17.2 percent) during the current year as a result of a tax rate increase for personal property taxes.
- Restaurant food taxes and business license taxes increased \$581,797 (8.2 percent) and \$313,743 (5.5 percent), respectively, as a result of increased economic activity in the City.
- Investment revenue increased \$2.2 million (159.3 percent) as a result of an increase in idle funds available for investing from the sale of the old Harrisonburg High School complex and from unexpended bond proceeds from a \$50 million bond issue.
- Capital grants and contributions increased \$3.9 million due to the City’s participation in the Virginia Urban Construction Initiative program. The City received \$3.4 million in the current year for street construction projects, of which \$2.5 million was a one-time payment.
- Expenses in the public safety activity increased \$1.5 million (10.4 percent) due to an increase in operating expenses for the emergency communications center, an increase in grant funded expenses by the fire department and salary increases for police officers.
- Expenses in the public works activity increased \$860,374 (8.4 percent) primarily due to an increase in expenses associated with the City’s street repaving program.
- Expenses in the health and welfare activity increased \$558,682 (21.7 percent) primarily due to an increase in operating contributions to the Harrisonburg-Rockingham Social Services District.
- Expenses in the planning and community development activity increased \$2.3 million (77.3 percent) due to the recognition of a liability for certain loan guarantees associated with the Lucy F. Simms Continuing Education Center. This liability recognition is explained further in Note 27 of the notes to the financial statements.
- Interest on long-term debt increased \$1.2 million (28.5 percent) due to interest expense associated with a \$50 million bond issue that was issued in October 2006.
- The City recognized a \$2.1 million special item from the gain on the sale of the old Harrisonburg High School complex. This transaction is explained further in Note 25 of the notes to the financial statements.
- Transfers decreased \$1.3 million due mainly to a transfer in the previous year from the close out of the Parking Authority Fund (a business-type activity).





**Business-type activities.** Business-type activities increased the City’s net assets by \$2.2 million. Key elements affecting business-type activities are as follows:

- Charges for services increased \$1.1 million (5.5 percent) due in large part to revenue increases in the sewer and sanitation activities. Sewer revenue increased 8.3 percent due to an increase in sewer rates. Sewer rate increases were enacted during the current year to offset continued increases in operational contributions to the Harrisonburg-Rockingham Regional Sewer Authority (Authority) and to begin accumulating funding for an approximate \$90 million upgrade to the Authority’s waste treatment facility, of which the City’s share will be approximately \$28 million. Sanitation revenue increased 7.3 percent due to increased refuse collection rates and an increase in operating reimbursements for operations at the steam plant from James Madison University.
- Capital grants and contributions decreased by \$370,567 (14.4 percent) during the current year due to one-time water and sewer infrastructure contributions made by Rockingham County in the previous year.
- Transfers increased \$1.3 million as mentioned above in the discussion of governmental activities.
- Expenses in the water activity increased \$525,774 (13 percent) mainly from increased depreciation expense from the completion of the water treatment plant storage tank project. Also, interest expense increased due to a decrease in capitalized interest during the year from the above mentioned project.
- Expenses in the sewer activity increased \$641,589 (12.6 percent) primarily from increased operating contributions to the Harrisonburg-Rockingham Regional Sewer Authority.
- Expenses in the public transportation activity increased \$467,267 (9.2 percent) due to increased maintenance and repair expenses and higher fuel costs during the year.

**Government-wide Financial Analysis (Component Units)**

**School Board activities.** Unrestricted net assets of the School Board increased \$2.1 million during the current year to \$5.9 million. School Board expenses increased \$4.6 million (10.1 percent). This increase in expenses was partially offset by an increase in intergovernmental revenue of \$4.5 million (15.4 percent) when compared to the prior year. Also, operating payments from the City increased \$676,524 (3.1 percent) when compared to the prior year. The increase in intergovernmental revenues was mainly due to an increase in state basic school aid, state payments for fringe benefits and funding from the Federal Government. The combination of the above factors resulted in the increase of unrestricted net assets previously mentioned.

**HEC activities.** HEC's net assets increased \$682,991 during the year, as compared to a \$583,489 increase in the previous year. Operating revenues increased by \$805,646 (1.6 percent) during the current year, while expenses increased \$862,843 (1.7 percent). Effective January 1, 2007, HEC received a rate increase for electricity it purchases and elected to not pass the increase through to its customers.

### **Financial Analysis of the Government's Funds**

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

**Governmental funds.** The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$22.2 million, while total fund balance was \$24.4 million. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures and other financing uses. Unreserved fund balance represents 26.1 percent of total General Fund expenditures and other financing uses, while total fund balance represents 28.8 percent of that same amount.

Total fund balance in the General Fund increased \$9.7 million mainly due to the \$15.7 million sale of the old Harrisonburg High School complex, of which \$4.3 million was subsequently transferred to the general capital projects fund to assist in the funding of various projects. Other financial factors affecting the General Fund have been included in the above discussion of the City's governmental activities.

**Proprietary funds.** The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

**Water Fund.** Net assets in the Water Fund increased \$1.7 million compared to an increase of \$2 million in the previous year. Charges for services increased \$154,395 (3 percent) due in part to an approximate 2.8 percent rate increase, while total operating expenses increased \$336,894 (8.9 percent). Other factors affecting the Water Fund's results are the same as those discussed earlier in connection with the business-type activities analysis.

**Sewer Fund.** Net assets in the Sewer Fund increased \$836,678 compared to an increase of \$1 million in the previous year. Charges for services increased \$422,919 (8.3 percent) due in part to an approximate 9.9 percent rate increase, while total operating expenses increased \$625,656 (12.3 percent). Other factors affecting the Sewer Fund's results are the same as those discussed earlier in connection with the business-type activities analysis.

**Public Transportation Fund.** Net assets in the Public Transportation Fund decreased \$554,836 compared to a decrease of \$594,374 in the previous year. Operating revenues increased \$199,359 (8.1 percent) mainly due to an increase in revenue from the Harrisonburg City School Board for school bus services, while total operating expenses increased \$417,372 (8.2 percent). Capital grant contributions increased \$267,294 due to the purchase of additional transit buses during the current year, which are approximately 90% funded through state and federal grants. Other factors affecting the Public Transportation Fund's results are the same as those discussed earlier in connection with the business-type activities analysis.

**Sanitation Fund.** Net assets in the Sanitation Fund increased \$336,890 compared to an increase of \$48,261 in the previous year. Operating revenues increased \$533,450 (7.3 percent), while total operating expenses increased \$210,597 (2.3 percent). In the current year, the City began reporting certain contributions to Rockingham County for the construction of landfill cells and for other capital purposes as an intangible asset. This is explained further in Note 30 of the notes to the financial statements. As a result, the City increased beginning net assets of the Sanitation Fund by \$654,491.



## General Fund Budgetary Highlights

Differences between the original and the final amended General Fund budget amounted to \$13.3 million, or 11.1 percent of the original budget, and can be briefly summarized as follows:

- \$6,594,550 appropriated and transferred to the General Capital Projects Fund for various street projects.
- \$1,710,000 appropriated and transferred to the General Capital Projects Fund for other various projects.
- \$1,696,800 appropriated and transferred to the School Bond Capital Projects Fund for the purchase of land for the new elementary/middle school complex.
- \$800,000 appropriated for and paid to School Board for capital purposes.
- \$587,243 appropriated for prior year encumbrances.
- \$326,000 appropriated for the purchase of golf course land.
- \$269,210 appropriated for additional to the Harrisonburg-Rockingham Social Services District.
- \$265,911 appropriated for various fire department purposes including state and federal grants.
- \$1,067,220 appropriated for other purposes. Funding was provided by various sources such as grant funding, donations and other miscellaneous revenues.

There were several significant variances between the final amended budget and the actual results in the General Fund, and can be briefly summarized as follows:

- Other local tax revenue exceeded the final amended budget by \$1.4 million. This was primarily the result of business license tax and restaurant food tax collections exceeding the amount budgeted.
- Jail and judicial administration, as well as health and welfare expenditures exceeded the final amended budget by approximately \$98,500 and \$76,600, respectively. This was primarily the result of additional funding provided to Rockingham County for the City's share of costs associated with the administration of the jail and judicial complex and for the Harrisonburg-Rockingham Social Services District.

## Capital Asset and Debt Administration

**Capital assets.** The City's investment in capital assets for its governmental and business-type activities as of June 30, 2007, amounts to \$324.6 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, machinery and equipment, infrastructure (e.g., streets and bridges), contractual landfill asset (an intangible asset) and construction in progress. The total increase in the City's investment in capital assets for the current fiscal year was 4.4 percent (a 4.9 percent increase for governmental activities and a 3.1 percent increase for business-type activities).

Significant capital asset events during the current fiscal year included the following:

- Sold the old Harrisonburg High School complex to James Madison University decreasing land and buildings by \$1.4 million and \$12.1 million, respectively.
- Purchased land for the new elementary/middle school increasing governmental activities' land by \$1.7 million.
- Purchased additional land for the golf course increasing governmental activities' land by \$669,000.
- Construction and development continued on the joint Harrisonburg-Rockingham radio communications system increasing governmental activities' construction in progress by \$4.5 million.
- Construction began on the new elementary/middle school complex and the related infrastructure increasing governmental activities' construction in progress by \$20.6 million.
- Construction was completed on improvements to Port Republic Road (Phase II) increasing governmental activities' infrastructure and decreasing construction in progress by \$1.9 million.
- Contributions totaling \$2.3 million were made to Rockingham County for the construction of a new landfill cell and for other capital purposes increasing business-type activities' intangible contractual landfill asset.
- Construction was completed on the water treatment plant storage tank increasing business-type activities' improvements other than buildings and decreasing construction in progress by \$3.6 million.
- Construction began on a new five million gallon water storage tank on Ramblewood Road increasing business-type activities' construction in progress by \$1.9 million.

**City of Harrisonburg's Capital Assets**  
(net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	\$ 44,780,739	\$ 43,643,286	\$ 3,433,770	\$ 3,241,739	\$ 48,214,509	\$ 46,885,025
Buildings	70,931,760	85,934,502	10,265,099	10,595,500	81,196,859	96,530,002
Improvements other than buildings	4,790,138	5,037,963	8,217,714	4,944,747	13,007,852	9,982,710
Machinery and equipment	5,355,439	5,145,264	26,890,685	28,729,586	32,246,124	33,874,850
Infrastructure	69,634,593	70,615,821	35,108,633	33,854,990	104,743,226	104,470,811
Contractual landfill asset	-	-	2,719,788	654,491	2,719,788	654,491
Construction in progress	35,893,295	10,230,805	6,565,179	8,408,559	42,458,474	18,639,364
<b>Total capital assets</b>	<b>\$ 231,385,964</b>	<b>\$ 220,607,641</b>	<b>\$ 93,200,868</b>	<b>\$ 90,429,612</b>	<b>\$ 324,586,832</b>	<b>\$ 311,037,253</b>

Additional information on the City's capital assets can be found in Note 7 on pages 44 through 46 of this report.

**Long-term debt.** At the end of the current fiscal year, the City had total long-term debt outstanding of \$179.3 million. Of this amount, \$162.9 million comprises debt backed by the full faith and credit of the City. \$16.3 million of this amount is debt that is secured by a specified revenue source that is also backed by the full faith and credit of the City in the event these revenues are insufficient to make debt service payments. The City's total long-term debt increased \$44.2 million during the current fiscal year.

The only significant long-term debt event during the current fiscal year was the issuance of \$50 million in general obligation bonds. \$46.5 million of this bond issue is being used for the construction of an elementary/middle school complex and the related infrastructure, while \$3.5 million is being loaned to the Harrisonburg Redevelopment and Housing Authority (Authority) for the purpose of renovating certain public housing units owned by the Authority.

**City of Harrisonburg's Long-term Debt Outstanding**  
(net of premiums/discounts and deferred refunding charges)

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
General obligation bonds	\$ 70,898,658	\$ 22,136,433	\$ 26,968,098	\$ 28,152,909	\$ 97,866,756	\$ 50,289,342
General obligation school bonds	48,744,802	51,301,998	-	-	48,744,802	51,301,998
General obligation revenue bonds	6,258,756	6,321,024	9,992,612	10,179,448	16,251,368	16,500,472
Notes payable	-	400,000	-	-	-	400,000
Capital leases	9,058,940	9,797,450	-	-	9,058,940	9,797,450
State Literary Funds	-	11,825	-	-	-	11,825
Landfill closure and postclosure	-	-	3,675,405	3,459,270	3,675,405	3,459,270
Compensated absences	2,827,090	2,587,368	906,064	816,422	3,733,154	3,403,790
<b>Total long-term debt</b>	<b>\$ 137,788,246</b>	<b>\$ 92,556,098</b>	<b>\$ 41,542,179</b>	<b>\$ 42,608,049</b>	<b>\$ 179,330,425</b>	<b>\$ 135,164,147</b>

The City maintains an A+ rating from Standard & Poor's and an Aa3 rating from Moody's for general obligation debt based upon the City's most recent bond issue.

State statutes limit the amount of general obligation debt a governmental entity may incur to 10 percent of its total assessed real property valuation. The current debt limitation for the City is \$239.8 million of which \$76 million is available for use.

Additional information on the City's long-term debt can be found in Note 11 on pages 48 through 59 of this report.

## **Economic Factors and Next Year's Budgets and Rates**

The following were factors in preparing the City's 2008 fiscal year budget.

- The unemployment rate of the City of Harrisonburg in June 2007 was 3.3 percent, which is unchanged from a year ago. This rate is slightly higher than the 3.2 percent state rate, but still compares favorably to the 4.7 percent national rate from June 2007.
- An increase of \$2.7 million in debt service expenditures for the first interest payments on the \$50 million general obligation bonds issued in October 2006.
- An increase of \$665,000 for the police department which reflects the hiring of six additional employees and a full year of salary increases implemented in fiscal year 2007.
- An increase of \$600,000 for the street repaving program.
- An additional \$537,000 in funding for joint operations with Rockingham County which includes jail and judicial administration and social services.
- An increase of \$420,000 in transfers to the General Capital Projects Fund for various street improvements.

The approved \$86.1 million fiscal year 2008 General Fund budget included the use of \$4.1 million from unreserved and undesignated fund balance. Due to a 34.9 percent increase in real estate reassessments, City Council approved decreasing the real estate tax rate from \$0.62 to \$0.59 per \$100 of assessed value which will still provide an additional \$4.1 million in estimated real estate tax collections.

An approximate 2.7 percent increase in water rates was approved to assist in the continued funding of the debt service payments on the City's June 2002 Water Fund bond issue and to provide funding for future water system expansion. A Sewer Fund rate increase of approximately 9 percent was approved to assist in the continued increase in operational costs at the Harrisonburg-Rockingham Regional Sewer Authority (Authority) and to provide continued funding for the Authority's wastewater treatment plant \$90 million upgrade that is required to protect the Chesapeake Bay.

In the Sanitation Fund residential refuse collection rates were increased from \$18 to \$20 a month with commercial refuse collection rates increasing proportionally and landfill tipping fees increased \$7 per ton in order to provide additional funding for the City's share of Rockingham County's new landfill cell construction.

### **Requests for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. A copy of this report in its entirety may be downloaded from the City's website at [www.ci.harrisonburg.va.us](http://www.ci.harrisonburg.va.us). Questions concerning any of the information in this report or requests for additional financial information should be addressed to the City of Harrisonburg, Director of Finance, 345 South Main Street, Harrisonburg, VA 22801.

**BASIC  
FINANCIAL STATEMENTS**

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**CITY OF HARRISONBURG, VIRGINIA**  
**STATEMENT OF NET ASSETS**  
**At June 30, 2007**

**Exhibit 1**

	<b>Primary Government</b>			<b>Component Units</b>	
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>School Board</b>	<b>HEC</b>
<b>Assets</b>					
Cash and cash equivalents	\$ 40,645,616	\$ 26,867,374	\$ 67,512,990	\$ 9,288,386	\$ 4,774,678
Investments	-	-	-	75,000	6,800,000
Receivables (net of allowance for uncollectibles)	32,424,063	1,940,967	34,365,030	1,189,931	4,992,382
Due from primary government	-	-	-	-	165,990
Due from component unit	4,964	-	4,964	-	79,844
Internal balances	433,881	(433,881)	-	-	-
Inventory	1,777,410	-	1,777,410	39,879	1,590,876
Prepaid expenses	-	13,907	13,907	240,086	96,434
Loans receivable	2,778,777	-	2,778,777	-	-
Restricted assets	33,261,590	-	33,261,590	-	-
Capital assets:					
Capital assets, not being depreciated	80,674,034	9,998,949	90,672,983	3,853,886	3,637,590
Capital assets (net of accumulated depreciation)	150,711,930	83,201,919	233,913,849	17,258,338	46,597,824
Other assets	865,810	723,031	1,588,841	-	-
<b>Total assets</b>	<b>\$ 343,578,075</b>	<b>\$ 122,312,266</b>	<b>\$ 465,890,341</b>	<b>\$ 31,945,506</b>	<b>\$ 68,735,618</b>
<b>Liabilities</b>					
Accounts payable	\$ 3,247,633	\$ 1,600,189	\$ 4,847,822	\$ 66,430	\$ 3,698,088
Accrued payroll	751,128	245,489	996,617	4,110,528	-
Accrued interest	2,865,163	754,453	3,619,616	-	-
Due to primary government	-	-	-	-	4,964
Due to component unit	84,107	81,883	165,990	79,844	-
Unearned revenue	27,237,418	-	27,237,418	-	-
Other liabilities	1,976,479	31,563	2,008,042	-	175,304
Customer deposits	-	255,542	255,542	-	543,977
Liabilities payable from restricted assets	6,577,541	-	6,577,541	-	-
Long-term liabilities:					
Due within one year	5,825,047	1,993,028	7,818,075	288,108	318,659
Due in more than one year	131,963,199	39,549,151	171,512,350	411,524	676,192
<b>Total liabilities</b>	<b>\$ 180,527,715</b>	<b>\$ 44,511,298</b>	<b>\$ 225,039,013</b>	<b>\$ 4,956,434</b>	<b>\$ 5,417,184</b>
<b>Net assets</b>					
Invested in capital assets (net of related debt)	\$ 126,709,207	\$ 56,591,565	\$ 183,300,772	\$ 21,112,224	\$ 50,235,414
Restricted for:					
Debt service	770,570	-	770,570	-	-
Drug forfeiture	86,078	-	86,078	-	-
Police department grants	6,657	-	6,657	-	-
Fire department grants	175,712	-	175,712	-	-
Unrestricted	35,302,136	21,209,403	56,511,539	5,876,848	13,083,020
<b>Total net assets</b>	<b>\$ 163,050,360</b>	<b>\$ 77,800,968</b>	<b>\$ 240,851,328</b>	<b>\$ 26,989,072</b>	<b>\$ 63,318,434</b>

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

**CITY OF HARRISONBURG, VIRGINIA**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2007**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
Governmental activities:				
General government administration	\$ 10,607,363	\$ 7,067,373	\$ 342,520	\$ -
Jail and judicial administration	2,695,536	380,856	-	-
Public safety	16,122,159	66,266	1,559,442	247,369
Public works	11,140,416	-	3,340,865	3,748,859
Health and welfare	3,130,065	-	-	-
Education	25,341,757	-	-	-
Parks, recreation and cultural	4,692,190	775,673	2,700	-
Planning and community development	5,265,157	701,804	369,515	-
Interest on long-term debt	5,612,049	-	-	-
Total governmental activities	\$ 84,606,692	\$ 8,991,972	\$ 5,615,042	\$ 3,996,228
Business-type activities:				
Water	\$ 4,560,390	\$ 5,424,741	\$ -	\$ 777,313
Sewer	5,717,556	5,572,991	-	1,084,771
Public transportation	5,538,155	2,667,281	1,140,983	339,096
Sanitation	10,604,466	8,006,673	-	-
Total business-type activities	\$ 26,420,567	\$ 21,671,686	\$ 1,140,983	\$ 2,201,180
<b>Total primary government</b>	<b>\$ 111,027,259</b>	<b>\$ 30,663,658</b>	<b>\$ 6,756,025</b>	<b>\$ 6,197,408</b>
<b>Component units:</b>				
School Board	\$ 49,795,949	\$ 1,125,504	\$ 12,831,663	\$ -
Harrisonburg Electric Commission (HEC)	52,534,484	52,590,778	-	-
<b>Total component units</b>	<b>\$ 102,330,433</b>	<b>\$ 53,716,282</b>	<b>\$ 12,831,663</b>	<b>\$ -</b>

General revenues:  
Property taxes  
Sales and use taxes  
Restaurant food taxes  
Business license taxes  
Other local taxes  
Unrestricted grants and contributions  
Unrestricted payment from primary government  
Unrestricted payment from component units  
Investment revenue  
Other revenue  
Special item  
Transfers

Total general revenues, special items and transfers

**Change in net assets**

Net assets at beginning of year, as restated (Note 29)

Net assets at end of year

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

Net (Expense) Revenue and Changes in Net Assets

Primary Government			Component Units		
Governmental Activities	Business-type Activities	Total	School Board	HEC	
\$ (3,197,470)	\$ -	\$ (3,197,470)	\$ -	\$ -	
(2,314,680)	-	(2,314,680)	-	-	
(14,249,082)	-	(14,249,082)	-	-	
(4,050,692)	-	(4,050,692)	-	-	
(3,130,065)	-	(3,130,065)	-	-	
(25,341,757)	-	(25,341,757)	-	-	
(3,913,817)	-	(3,913,817)	-	-	
(4,193,838)	-	(4,193,838)	-	-	
(5,612,049)	-	(5,612,049)	-	-	
<u>\$ (66,003,450)</u>	<u>\$ -</u>	<u>\$ (66,003,450)</u>	<u>\$ -</u>	<u>\$ -</u>	
\$ -	\$ 1,641,664	\$ 1,641,664	\$ -	\$ -	
-	940,206	940,206	-	-	
-	(1,390,795)	(1,390,795)	-	-	
-	(2,597,793)	(2,597,793)	-	-	
<u>\$ -</u>	<u>\$ (1,406,718)</u>	<u>\$ (1,406,718)</u>	<u>\$ -</u>	<u>\$ -</u>	
<u>\$ (66,003,450)</u>	<u>\$ (1,406,718)</u>	<u>\$ (67,410,168)</u>	<u>\$ -</u>	<u>\$ -</u>	
\$ -	\$ -	\$ -	\$ (35,838,782)	\$ -	
-	-	-	-	56,294	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (35,838,782)</u>	<u>\$ 56,294</u>	
\$ 23,731,628	\$ -	\$ 23,731,628	\$ -	\$ -	
11,695,874	-	11,695,874	-	-	
7,673,364	-	7,673,364	-	-	
6,042,082	-	6,042,082	-	-	
7,368,816	-	7,368,816	-	-	
3,506,788	-	3,506,788	16,190,584	-	
-	-	-	22,299,274	-	
4,793,875	-	4,793,875	-	-	
3,534,382	1,403,613	4,937,995	47,786	626,697	
1,486,856	1,034,676	2,521,532	108,786	-	
2,183,062	-	2,183,062	-	-	
(1,130,257)	1,130,257	-	-	-	
<u>\$ 70,886,470</u>	<u>\$ 3,568,546</u>	<u>\$ 74,455,016</u>	<u>\$ 38,646,430</u>	<u>\$ 626,697</u>	
\$ 4,883,020	\$ 2,161,828	\$ 7,044,848	\$ 2,807,648	\$ 682,991	
<u>158,167,340</u>	<u>75,639,140</u>	<u>233,806,480</u>	<u>24,181,424</u>	<u>62,635,443</u>	
<u>\$ 163,050,360</u>	<u>\$ 77,800,968</u>	<u>\$ 240,851,328</u>	<u>\$ 26,989,072</u>	<u>\$ 63,318,434</u>	



**CITY OF HARRISONBURG, VIRGINIA**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
**At June 30, 2007**

**Exhibit 3**

	<u>General Fund</u>	<u>General Capital Projects Fund</u>	<u>School Bond Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>					
Cash and cash equivalents	\$ 21,138,599	\$ 15,302,031	\$ -	\$ -	\$ 36,440,630
Receivables (net of allowance for uncollectibles)	32,198,187	36,329	-	184,116	32,418,632
Inventory	67,557	-	-	-	67,557
Advances to other funds	168,790	-	-	-	168,790
Loans receivable	2,778,777	-	-	-	2,778,777
Restricted assets	770,570	9,713,846	22,777,174	-	33,261,590
<b>Total assets</b>	<u>\$ 57,122,480</u>	<u>\$ 25,052,206</u>	<u>\$ 22,777,174</u>	<u>\$ 184,116</u>	<u>\$ 105,135,976</u>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 1,103,353	\$ 1,249,376	\$ -	\$ 110,061	\$ 2,462,790
Accrued payroll	721,808	-	-	1,639	723,447
Due to component unit	83,374	234	-	-	83,608
Advances from other funds	-	-	-	72,416	72,416
Deferred revenue	30,612,368	1,253	-	-	30,613,621
Other liabilities	175,452	-	-	-	175,452
Liabilities payable from restricted assets	-	2,490,863	4,086,678	-	6,577,541
<b>Total liabilities</b>	<u>\$ 32,696,355</u>	<u>\$ 3,741,726</u>	<u>\$ 4,086,678</u>	<u>\$ 184,116</u>	<u>\$ 40,708,875</u>
Fund Balances:					
Reserved	\$ 2,236,878	\$ 8,434,366	\$ 18,690,496	\$ -	\$ 29,361,740
Unreserved:					
Designated	7,537,806	12,876,114	-	-	20,413,920
Undesignated	14,651,441	-	-	-	14,651,441
<b>Total fund balances</b>	<u>\$ 24,426,125</u>	<u>\$ 21,310,480</u>	<u>\$ 18,690,496</u>	<u>\$ -</u>	<u>\$ 64,427,101</u>
<b>Total liabilities and fund balances</b>	<u>\$ 57,122,480</u>	<u>\$ 25,052,206</u>	<u>\$ 22,777,174</u>	<u>\$ 184,116</u>	<u>\$ 105,135,976</u>

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

**CITY OF HARRISONBURG, VIRGINIA**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**  
**At June 30, 2007**

**Exhibit 4**

Total fund balance of governmental funds (Exhibit 3)	\$ 64,427,101
Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:	
Certain revenues are not available to pay for current period expenditures and therefore are deferred in the funds.	3,376,203
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	230,601,687
Certain liabilities, including bonds and related accounts, are not payable from current financial resources and therefore are not reported in the funds.	(141,484,723)
Internal service funds are used by management to charge the costs of certain activities to other funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net assets.	<u>6,130,092</u>
Net assets of governmental activities (Exhibit 1)	\$ <u><u>163,050,360</u></u>

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

**CITY OF HARRISONBURG, VIRGINIA**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**For the Year Ended June 30, 2007**

**Exhibit 5**

	<u>General Fund</u>	<u>General Capital Projects Fund</u>	<u>School Bond Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>					
General property taxes	\$ 23,716,424	\$ -	\$ -	\$ -	\$ 23,716,424
Other local taxes	32,371,317	-	-	401,181	32,772,498
Permits, privilege fees and regulatory licenses	552,074	-	-	-	552,074
Fines and forfeitures	504,628	-	-	-	504,628
Use of money and property	2,037,030	570,490	1,058,365	9,777	3,675,662
Charges for services	842,690	-	-	-	842,690
Miscellaneous	803,162	-	-	-	803,162
Recovered costs	98,272	246,391	-	1,052,109	1,396,772
Payments from component units	4,793,875	-	-	-	4,793,875
Intergovernmental	7,766,132	3,689,915	-	519,669	11,975,716
Total revenues	<u>\$ 73,485,604</u>	<u>\$ 4,506,796</u>	<u>\$ 1,058,365</u>	<u>\$ 1,982,736</u>	<u>\$ 81,033,501</u>
<b>Expenditures:</b>					
Current:					
General government administration	\$ 3,195,490	\$ -	\$ -	\$ -	\$ 3,195,490
Jail and judicial administration	2,398,575	-	-	-	2,398,575
Public safety	13,874,587	-	-	2,031,500	15,906,087
Public works	7,911,328	-	-	-	7,911,328
Health and welfare	3,108,200	-	-	-	3,108,200
Education	22,299,274	-	-	-	22,299,274
Parks, recreation and cultural	4,852,311	-	-	-	4,852,311
Planning and community development	3,120,664	-	-	443,363	3,564,027
Debt service:					
Principal retirement	4,885,030	-	-	-	4,885,030
Interest and fiscal charges	4,167,115	-	-	-	4,167,115
Capital projects	-	10,491,440	21,879,291	-	32,370,731
Total expenditures	<u>\$ 69,812,574</u>	<u>\$ 10,491,440</u>	<u>\$ 21,879,291</u>	<u>\$ 2,474,863</u>	<u>\$ 104,658,168</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>\$ 3,673,030</u>	<u>\$ (5,984,644)</u>	<u>\$ (20,820,926)</u>	<u>\$ (492,127)</u>	<u>\$ (23,624,667)</u>
<b>Other financing sources (uses):</b>					
Long-term debt issued	\$ -	\$ 8,500,000	\$ 41,500,000	\$ -	\$ 50,000,000
Discount on long-term debt issued	-	(18,995)	(157,703)	-	(176,698)
Transfers in	5,388,772	9,849,315	1,696,800	599,915	17,534,802
Transfers out	(15,085,959)	(15,000)	(3,527,675)	(317,069)	(18,945,703)
Total other financing sources (uses)	<u>\$ (9,697,187)</u>	<u>\$ 18,315,320</u>	<u>\$ 39,511,422</u>	<u>\$ 282,846</u>	<u>\$ 48,412,401</u>
<b>Special item:</b>					
Sale of capital asset	<u>\$ 15,697,400</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,697,400</u>
<b>Net change in fund balances</b>	<u>\$ 9,673,243</u>	<u>\$ 12,330,676</u>	<u>\$ 18,690,496</u>	<u>\$ (209,281)</u>	<u>\$ 40,485,134</u>
Fund balances at beginning of year	<u>14,752,882</u>	<u>8,979,804</u>	<u>-</u>	<u>209,281</u>	<u>23,941,967</u>
Fund balances at end of year	<u>\$ 24,426,125</u>	<u>\$ 21,310,480</u>	<u>\$ 18,690,496</u>	<u>\$ -</u>	<u>\$ 64,427,101</u>

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

**CITY OF HARRISONBURG, VIRGINIA** **Exhibit 6**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2007**

Total net change in fund balances of governmental funds (Exhibit 5)	\$ 40,485,134
<p>Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:</p>	
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay expenditures exceeded depreciation expense.</p>	26,076,607
<p>Certain revenues reported in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds. This amount is the net change in these revenues.</p>	1,335,822
<p>The net effect of contributed capital assets is to increase net assets.</p>	83,212
<p>The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>	(44,510,636)
<p>Certain expenses reported in the statement of activities that do not require the use of current financial resources are not reported as expenditures in governmental funds. This amount is the net change in these expenses.</p>	(3,421,423)
<p>Internal service funds are used by management to charge the costs of certain activities to other funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.</p>	183,756
<p>In the statement of activities, only the gain on the sale of the old high school is reported, whereas, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the book value of the asset.</p>	(13,514,338)
<p>The transfer of capital assets from the primary government to the School Board (component unit) affects only the statement of activities. These transfers do not have an effect on current financial resources and, therefore, are not reported in governmental funds.</p>	<u>(1,835,114)</u>
Change in net assets of governmental activities (Exhibit 2)	\$ <u><u>4,883,020</u></u>

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

## GENERAL FUND

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
General property taxes	\$ 23,276,520	\$ 23,276,520	\$ 23,716,424	\$ 439,904
Other local taxes	30,790,500	30,940,500	32,371,317	1,430,817
Permits, privilege fees and regulatory licenses	517,100	517,100	552,074	34,974
Fines and forfeitures	460,000	460,000	504,628	44,628
Use of money and property	1,745,000	1,940,000	2,037,030	97,030
Charges for services	874,300	874,300	842,690	(31,610)
Miscellaneous	627,721	647,029	803,162	156,133
Recovered costs	89,000	116,615	98,272	(18,343)
Payments from component units	4,600,000	4,793,875	4,793,875	-
Intergovernmental	7,043,987	7,320,000	7,766,132	446,132
Total revenues	\$ 70,024,128	\$ 70,885,939	\$ 73,485,604	\$ 2,599,665
<b>Expenditures:</b>				
Current:				
General government administration	\$ 3,429,759	\$ 3,336,395	\$ 3,195,490	\$ 140,905
Jail and judicial administration	2,300,000	2,300,000	2,398,575	(98,575)
Public safety	13,281,247	14,239,724	13,874,587	365,137
Public works	7,597,375	8,204,217	7,911,328	292,889
Health and welfare	2,762,417	3,031,627	3,108,200	(76,573)
Education	21,499,274	22,299,274	22,299,274	-
Parks, recreation and cultural	4,885,910	5,359,575	4,852,311	507,264
Planning and community development	3,532,040	3,516,627	3,120,664	395,963
Debt service:				
Principal retirement	4,896,122	4,885,030	4,885,030	-
Interest and fiscal charges	4,244,621	4,167,115	4,167,115	-
Total expenditures	\$ 68,428,765	\$ 71,339,584	\$ 69,812,574	\$ 1,527,010
<b>Excess (deficiency) of revenues over (under) expenditures</b>	\$ 1,595,363	\$ (453,645)	\$ 3,673,030	\$ 4,126,675
<b>Other financing sources (uses):</b>				
Transfers in	\$ 1,565,459	\$ 5,108,134	\$ 5,388,772	\$ 280,638
Transfers out	(4,679,844)	(15,085,959)	(15,085,959)	-
Total other financing sources (uses)	\$ (3,114,385)	\$ (9,977,825)	\$ (9,697,187)	\$ 280,638
<b>Special item:</b>				
Sale of capital asset	\$ -	\$ 4,300,000	\$ 15,697,400	\$ 11,397,400
<b>Net change in fund balance</b>	\$ (1,519,022)	\$ (6,131,470)	\$ 9,673,243	\$ 15,804,713
Fund balance at beginning of year			14,752,882	
Fund balance at end of year			\$ 24,426,125	

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

CITY OF HARRISONBURG, VIRGINIA  
**PROPRIETARY FUNDS**  
**BALANCE SHEET**  
At June 30, 2007

Exhibit 8

	Enterprise Funds					Internal Service Funds
	Water Fund	Sewer Fund	Public Transportation Fund	Sanitation Fund	Total	
<b>Assets</b>						
Current assets:						
Cash and cash equivalents	\$ 10,743,419	\$ 6,030,812	\$ 81,482	\$ 10,011,661	\$ 26,867,374	\$ 4,204,986
Receivables (net of allowance for uncollectibles)	618,854	629,832	16,730	603,167	1,868,583	5,431
Due from component unit	-	-	-	-	-	4,964
Due from other governments	-	-	72,384	-	72,384	-
Inventory	-	-	-	-	-	1,709,853
Prepaid expenses	-	-	13,907	-	13,907	-
<b>Total current assets</b>	<b>\$ 11,362,273</b>	<b>\$ 6,660,644</b>	<b>\$ 184,503</b>	<b>\$ 10,614,828</b>	<b>\$ 28,822,248</b>	<b>\$ 5,925,234</b>
Noncurrent assets:						
Capital assets (net of accumulated depreciation)	\$ 36,367,252	\$ 22,189,881	\$ 5,289,109	\$ 29,354,626	\$ 93,200,868	\$ 784,277
Other assets	103,038	-	-	619,993	723,031	-
<b>Total noncurrent assets</b>	<b>\$ 36,470,290</b>	<b>\$ 22,189,881</b>	<b>\$ 5,289,109</b>	<b>\$ 29,974,619</b>	<b>\$ 93,923,899</b>	<b>\$ 784,277</b>
<b>Total assets</b>	<b>\$ 47,832,563</b>	<b>\$ 28,850,525</b>	<b>\$ 5,473,612</b>	<b>\$ 40,589,447</b>	<b>\$ 122,746,147</b>	<b>\$ 6,709,511</b>
<b>Liabilities and Net Assets</b>						
Current liabilities:						
Accounts payable	\$ 409,337	\$ 212,891	\$ 12,394	\$ 965,567	\$ 1,600,189	\$ 784,843
Accrued payroll	45,845	44,846	68,006	86,792	245,489	27,681
Accrued interest	223,245	-	-	531,208	754,453	-
Due to component unit	12,461	3,155	1,684	64,583	81,883	499
Advances from other funds	-	-	-	-	-	96,374
Compensated absences	93,261	84,780	145,247	143,801	467,089	49,975
Other liabilities	31,563	-	-	-	31,563	-
Customer deposits	255,542	-	-	-	255,542	-
Landfill closure and postclosure	-	-	-	109,292	109,292	-
Current portion of bonds payable	191,836	-	-	1,224,811	1,416,647	-
<b>Total current liabilities</b>	<b>\$ 1,263,090</b>	<b>\$ 345,672</b>	<b>\$ 227,331</b>	<b>\$ 3,126,054</b>	<b>\$ 4,962,147</b>	<b>\$ 959,372</b>
Noncurrent liabilities:						
Compensated absences	\$ 140,253	\$ 79,766	\$ 70,668	\$ 148,288	\$ 438,975	\$ 53,928
Landfill closure and postclosure	-	-	-	3,566,113	3,566,113	-
Bonds payable	9,800,776	-	-	25,743,287	35,544,063	-
<b>Total noncurrent liabilities</b>	<b>\$ 9,941,029</b>	<b>\$ 79,766</b>	<b>\$ 70,668</b>	<b>\$ 29,457,688</b>	<b>\$ 39,549,151</b>	<b>\$ 53,928</b>
<b>Total liabilities</b>	<b>\$ 11,204,119</b>	<b>\$ 425,438</b>	<b>\$ 297,999</b>	<b>\$ 32,583,742</b>	<b>\$ 44,511,298</b>	<b>\$ 1,013,300</b>
Net assets:						
Invested in capital assets (net of related debt)	\$ 26,477,678	\$ 22,189,881	\$ 5,289,109	\$ 2,634,897	\$ 56,591,565	\$ 784,277
Unrestricted	10,150,766	6,235,206	(113,496)	5,370,808	21,643,284	4,911,934
<b>Total net assets</b>	<b>\$ 36,628,444</b>	<b>\$ 28,425,087</b>	<b>\$ 5,175,613</b>	<b>\$ 8,005,705</b>	<b>\$ 78,234,849</b>	<b>\$ 5,696,211</b>
<b>Total liabilities and net assets</b>	<b>\$ 47,832,563</b>	<b>\$ 28,850,525</b>	<b>\$ 5,473,612</b>	<b>\$ 40,589,447</b>		<b>\$ 6,709,511</b>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.					(433,881)	
Net assets of business-type activities (Exhibit 1)					\$ 77,800,968	

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

CITY OF HARRISONBURG, VIRGINIA  
 PROPRIETARY FUNDS

Exhibit 9

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
 For the Year Ended June 30, 2007

	Enterprise Funds					Internal Service Funds
	Water Fund	Sewer Fund	Public Transportation Fund	Sanitation Fund	Total	
<b>Operating revenues:</b>						
Charges for services	\$ 5,221,577	\$ 5,524,138	\$ 2,667,281	\$ 7,884,387	\$ 21,297,383	\$ 12,843,212
Connection fees	203,164	48,853	-	-	252,017	-
Total operating revenues	\$ 5,424,741	\$ 5,572,991	\$ 2,667,281	\$ 7,884,387	\$ 21,549,400	\$ 12,843,212
<b>Operating expenses:</b>						
Personal services	\$ 1,111,075	\$ 895,212	\$ 2,179,028	\$ 1,984,758	\$ 6,170,073	\$ 601,591
Fringe benefits	401,005	329,496	692,989	786,197	2,209,687	201,673
Purchased services	281,417	114,830	93,546	1,730,628	2,220,421	547,463
Internal services	160,457	187,874	1,132,972	218,058	1,699,361	2,216
Other charges	448,981	95,655	321,890	1,440,392	2,306,918	499,532
Materials and supplies	318,946	118,820	129,773	497,315	1,064,854	57,425
Contributions to regional sewer authority	-	2,848,406	-	-	2,848,406	-
Depreciation and amortization	1,399,672	1,105,735	935,451	2,439,784	5,880,642	32,044
Landfill closure and postclosure	-	-	-	247,570	247,570	-
Cost of inventory issued	-	-	-	-	-	2,797,696
Claims related charges	-	-	-	-	-	8,601,733
Total operating expenses	\$ 4,121,553	\$ 5,696,028	\$ 5,485,649	\$ 9,344,702	\$ 24,647,932	\$ 13,341,373
<b>Operating income (loss)</b>	\$ 1,303,188	\$ (123,037)	\$ (2,818,368)	\$ (1,460,315)	\$ (3,098,532)	\$ (498,161)
<b>Nonoperating revenues (expenses):</b>						
Operating grants	\$ -	\$ -	\$ 1,140,983	\$ -	\$ 1,140,983	\$ -
Connection availability fees	343,200	300,800	-	-	644,000	-
Miscellaneous revenue	15,980	4,096	24,321	729	45,126	-
Reimbursement of bond payment	-	-	-	467,836	467,836	-
Investment revenue	601,741	306,941	-	494,931	1,403,613	223,500
Interest expense	(352,801)	-	-	(1,242,061)	(1,594,862)	-
Total nonoperating revenues (expenses)	\$ 608,120	\$ 611,837	\$ 1,165,304	\$ (278,565)	\$ 2,106,696	\$ 223,500
<b>Income (loss) before contributions and transfers</b>	\$ 1,911,308	\$ 488,800	\$ (1,653,064)	\$ (1,738,880)	\$ (991,836)	\$ (274,661)
Capital contributions	777,313	1,084,771	339,096	-	2,201,180	-
Transfers in	-	-	759,132	2,075,770	2,834,902	280,644
Transfers out	(967,752)	(736,893)	-	-	(1,704,645)	-
<b>Change in net assets</b>	\$ 1,720,869	\$ 836,678	\$ (554,836)	\$ 336,890	\$ 2,339,601	\$ 5,983
Net assets at beginning of year, as restated (Note 29)	34,907,575	27,588,409	5,730,449	7,668,815		5,690,228
Net assets at end of year	\$ 36,628,444	\$ 28,425,087	\$ 5,175,613	\$ 8,005,705		\$ 5,696,211
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.					(177,773)	
Change in net assets of business-type activities (Exhibit 2)					\$ 2,161,828	

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

**CITY OF HARRISONBURG, VIRGINIA**  
**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended June 30, 2007**

	<b>Enterprise Funds</b>					<b>Internal Services Funds</b>
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Public Transportation Fund</b>	<b>Sanitation Fund</b>	<b>Total</b>	
<b>Cash flows from operating activities:</b>						
Receipts from customers	\$ 5,200,593	\$ 5,486,339	\$ 2,661,304	\$ 7,750,689	\$ 21,098,925	\$ 3,487,347
Receipts from connection fees	203,164	48,853	-	-	252,017	-
Receipts from premiums	-	-	-	-	-	9,355,625
Receipts from other sources	15,980	4,096	24,321	729	45,126	-
Receipts from customer deposits	133,920	-	-	-	133,920	-
Payments to employees	(1,088,528)	(888,620)	(2,149,887)	(1,938,422)	(6,065,457)	(581,831)
Payments for fringe benefits	(389,183)	(319,915)	(674,667)	(762,826)	(2,146,591)	(195,946)
Payments to vendors	(1,022,977)	(337,009)	(550,017)	(3,703,913)	(5,613,916)	(3,772,090)
Payments for internal services	(160,457)	(187,874)	(1,132,972)	(218,058)	(1,699,361)	(2,216)
Payments to other governmental units	-	(2,832,848)	-	-	(2,832,848)	-
Payments for claims related charges	-	-	-	-	-	(8,709,259)
Payments to refund customer deposits	(117,993)	-	-	-	(117,993)	-
Net cash provided by (used for) operating activities	\$ 2,774,519	\$ 973,022	\$ (1,821,918)	\$ 1,128,199	\$ 3,053,822	\$ (418,370)
<b>Cash flows from noncapital financing activities:</b>						
Operating grants	\$ -	\$ -	\$ 1,268,396	\$ -	\$ 1,268,396	\$ -
Transfers in	-	-	759,132	2,075,770	2,834,902	280,644
Transfers out	(967,752)	(736,893)	-	-	(1,704,645)	-
Interfund loan payment	-	-	-	-	-	(182,701)
Net cash provided by (used for) noncapital financing activities	\$ (967,752)	\$ (736,893)	\$ 2,027,528	\$ 2,075,770	\$ 2,398,653	\$ 97,943
<b>Cash flows from capital and related financing activities:</b>						
Capital grants	\$ -	\$ -	\$ 294,489	\$ -	\$ 294,489	\$ -
Capital contributions	62,362	39,022	-	-	101,384	-
Connection availability fees	343,200	300,800	-	-	644,000	-
Payment from JMU for long-term debt	-	-	-	469,884	469,884	-
Principal paid on long-term debt	(190,000)	-	-	(1,210,000)	(1,400,000)	-
Interest paid on long-term debt	(490,879)	-	-	(1,231,805)	(1,722,684)	-
Purchase and construction of capital assets	(2,585,539)	(735,069)	(683,196)	(1,889,321)	(5,893,125)	-
Net cash used for capital and related financing activities	\$ (2,860,856)	\$ (395,247)	\$ (388,707)	\$ (3,861,242)	\$ (7,506,052)	\$ -
<b>Cash flows from investing activities:</b>						
Interest received	\$ 603,665	\$ 307,777	\$ 117	\$ 496,615	\$ 1,408,174	\$ 224,050
Net cash provided by investing activities	\$ 603,665	\$ 307,777	\$ 117	\$ 496,615	\$ 1,408,174	\$ 224,050
<b>Net increase (decrease) in cash and cash equivalents</b>	\$ (450,424)	\$ 148,659	\$ (182,980)	\$ (160,658)	\$ (645,403)	\$ (96,377)
<b>Cash and cash equivalents:</b>						
Beginning	11,193,843	5,882,153	264,462	10,172,319	27,512,777	4,301,363
Ending	\$ 10,743,419	\$ 6,030,812	\$ 81,482	\$ 10,011,661	\$ 26,867,374	\$ 4,204,986

(continued)



CITY OF HARRISONBURG, VIRGINIA  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 For the Year Ended June 30, 2007

	Enterprise Funds					Internal Services Funds
	Water Fund	Sewer Fund	Transportation Fund	Sanitation Fund	Total	
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>						
Operating income (loss)	\$ 1,303,188	\$ (123,037)	\$ (2,818,368)	\$ (1,460,315)	\$ (3,098,532)	\$ (498,161)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Depreciation and amortization	1,399,672	1,105,735	935,451	2,439,784	5,880,642	32,044
Landfill closure and monitoring costs	-	-	-	216,135	216,135	-
Miscellaneous revenue	15,980	4,096	24,321	729	45,126	-
Change in assets and liabilities:						
(Increase) decrease in:						
Accounts receivable	(19,892)	(37,799)	(5,977)	(131,314)	(194,982)	451
Due from component unit	-	-	-	-	-	(690)
Inventory	-	-	-	-	-	236,312
Prepaid expenses	10,062	8,526	15,583	18,934	53,105	4,229
Increase (decrease) in:						
Accounts payable	22,871	8,363	(3,929)	(5,841)	21,464	(213,760)
Accrued payroll	6	5,189	11,201	6,516	22,912	5,578
Due to component unit	2,192	52	(314)	224	2,154	(53)
Other liabilities	229	-	-	-	229	-
Customer deposits	15,927	-	-	-	15,927	-
Compensated absences	24,284	1,897	20,114	43,347	89,642	15,680
Net cash provided by (used for) operating activities	\$ <u>2,774,519</u>	\$ <u>973,022</u>	\$ <u>(1,821,918)</u>	\$ <u>1,128,199</u>	\$ <u>3,053,822</u>	\$ <u>(418,370)</u>
<b>Non - cash capital and related financing activities:</b>						
Additions to capital assets:						
Contributed by developers	\$ 714,950	\$ 1,045,750	\$ -	\$ -	\$ 1,760,700	\$ -
Purchase and construction on account	328,619	65,564	-	767,313	1,161,496	-

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

**CITY OF HARRISONBURG, VIRGINIA**  
**FIDUCIARY FUNDS**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**At June 30, 2007**

**Exhibit 11**

	<u><b>Agency Funds</b></u>
<b>Assets</b>	
Cash and cash equivalents	\$ 48,123
Interest receivable	<u>17</u>
<b>Total assets</b>	<b>\$ <u><u>48,140</u></u></b>
<b>Liabilities</b>	
Accounts payable	\$ 902
Accrued payroll	2,725
Compensated absences	2,857
Amounts held for others	<u>41,656</u>
<b>Total liabilities</b>	<b>\$ <u><u>48,140</u></u></b>

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

**CITY OF HARRISONBURG, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**

**Note 1. Summary of Significant Accounting Policies**

The financial statements of the City of Harrisonburg, Virginia conform to generally accepted accounting principles (GAAP) applicable to government units promulgated by the Government Accounting Standards Board (GASB). The following is a summary of the more significant policies:

**A. Reporting entity**

The City of Harrisonburg (City) is a municipality governed by an elected five-member council (City Council). The accompanying financial statements present the City, the primary government, and its component units. The component units discussed in the section below are included in the City's reporting entity because of the significance of their operations, financial relationship and accountability to the City.

**Discretely presented component units.** The Harrisonburg City School Board (School Board) is responsible for elementary and secondary education within the City's jurisdiction. The School Board is comprised of five elected members. The School Board is dependent on the City in that it does not have taxing authority, and the City Council must approve the School Board's budget and any debt issuance. The School Board does not issue separate financial statements.

The Harrisonburg Electric Commission (HEC) is responsible for the operations of the City owned electricity distribution system. HEC purchases electrical energy indirectly from Dominion Virginia Power through the Virginia Municipal Electric Association and resells it to city residents. HEC is managed by a five-member commission appointed by the City Council. HEC is dependent on the City in that it may not issue debt without the approval of City Council. To obtain a copy of the audited financial statements contact the Harrisonburg Electric Commission, 89 West Bruce Street, Harrisonburg, Virginia 22801.

**B. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

## Note 1. Summary of Significant Accounting Policies (continued)

### C. Measurement focus, basis of accounting, and financial statement presentation

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Agency funds, a type of fiduciary fund, report only assets and liabilities; therefore, they do not have a measurement focus. Agency funds use the accrual basis of accounting to recognize assets and liabilities.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes are recorded as receivables when assessed, net of allowances for uncollectible amounts, and revenues when the property taxes become available. Sales, restaurant food, admission and amusement, hotel and motel, franchise license, and utility taxes are recognized as receivables and revenue upon collection by the merchant or utility since the taxes are generally remitted in time to be used as a current financial resource for the payment of obligations incurred during the year. Property and other taxes not collected or remitted within 60 days after year-end are reflected as deferred revenues.

The City reports the following major governmental funds:

**General Fund** – The General Fund is the general operating fund of the City. It accounts for all financial resources of the general government, except those accounted for in other funds.

**General Capital Projects Fund** – This fund accounts for the financial resources to be used for the acquisition and construction of major capital facilities of the general government.

**School Bond Capital Projects Fund** – This fund accounts for the financial resources obtained through bond issuances on behalf of the School Board to be used for the acquisition and construction of major capital school facilities.

The City reports the following major proprietary funds:

**Water Fund** – This fund accounts for the activities of the City's water treatment and distribution operations.

**Sewer Fund** – This fund accounts for the activities of the City's sewage collection, transmission and disposal operations.

## Note 1. Summary of Significant Accounting Policies (continued)

**Public Transportation Fund** – This fund accounts for the activities of the City’s transit and school bus operations

**Sanitation Fund** – This fund accounts for the activities of the City’s steam plant, refuse collection, recycling and landfill operations.

Additionally, the City reports the following fund types:

*Internal service funds* account for central garage, central stores and self-insured health insurance services provided to other departments or agencies of the City, or to other governments or agencies, on a cost reimbursement basis.

*Agency funds* account for assets held by the City in the **Juvenile Crime Control Fund** for the 26<sup>th</sup> Judicial District Court Service Unit as a participant in the Virginia Juvenile Community Crime Control Act (VJCCCA) and in the **Harrisonburg Industrial Development Authority Fund**.

Private-sector standards of accounting and financial reporting issued by the Financial Accounting Standards Board (FASB) prior to December 1, 1989, generally are followed in both government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The City has elected not to follow private sector guidance issued after December 1, 1989. HEC, a component unit, applies private-sector guidance issued before and after December 1, 1989.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are transfers and other charges between the City’s enterprise funds and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the City’s proprietary funds are charges to customers for sales and services. The Water and Sewer Funds also recognize as operating revenue connection fees that cover the cost of connecting a customer to the City’s water and sewer lines. Operating expenses for the City’s proprietary funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, and then unrestricted resources as they are needed.

**Note 1. Summary of Significant Accounting Policies (continued)**

**D. Stewardship, Compliance, and Accountability**

**Budgets and budgetary accounting.** Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except the General Capital Projects and School Bond Capital Projects Funds, which adopt project-length budgets. Formal budgetary integration is employed in all funds as a management control device during the year except for the Health Insurance, Juvenile Crime Control and Industrial Development Authority Funds.

Prior to May 1, the City Manager submits to the City Council a balanced proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them. Prior to June 30, the City Council holds public hearings to obtain citizen comments, and a final budget is legally enacted through the passage of an Appropriation Ordinance. All budget data presented in the accompanying financial statements is the original budget and the revised budget as of June 30, 2007.

The appropriated budget places legal restrictions on expenditures at the department or category level. The total appropriation for each department can be revised only by the City Council. The City Manager is authorized to transfer budgeted amounts within departments, from reserves for contingencies to other departments and re-arrange salaries as may best meet the needs and interest of the City. The City may amend its budget by increasing total appropriations at the fund level through approval of City Council. Supplemental appropriations were made during the year in the General Fund totaling \$13,316,934. Supplemental appropriations that exceed \$500,000 or 1% of the budget, whichever is less, require a public hearing prior to approval. Appropriations lapse at June 30, except for capital projects funds.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriations, is employed as an extension of formal budgetary integration in the General and General Capital Projects Funds. Encumbrances outstanding at the end of the fiscal year are reported as reservations of fund balance since they do not constitute expenditures or liabilities. Encumbered amounts are generally reappropriated by City Council in the next fiscal year.

**Excess of expenditures over appropriations.** For the year ended June 30, 2007, expenditures exceeded appropriations at the fund, activity or element level as follows:

<b>General Fund:</b>		
Jail and judicial administration - joint expenditures	\$	98,575
Highway and street maintenance		43,202
Street lights		204
Highway and street beautification		4,927
Insect and rodent control		691
Social services - joint expenditures		85,896
Zoning administrator		1,756
Zoning and board of zoning appeals		52
Downtown renaissance		1,289

The over expenditures in the General Fund departmental budgets were funded by available fund balance.

## Note 1. Summary of Significant Accounting Policies (continued)

### E. Assets, liabilities and net asset or fund equity

**1. Cash and cash equivalents.** For the purpose of the Statement of Cash Flows, cash and cash equivalents are defined as short-term highly liquid investments that are both readily convertible to known amounts of cash and investments with original maturities of 90 days or less from the date of acquisition.

**2. Investments.** The City's investments are reported at fair value, which is obtained by using readily determinable quoted market valuations. Interest earned on pooled investments held by the School Board is assigned to the General Fund.

The City is a voluntary participant in the LGIP, which is an external investment pool. The LGIP is not registered with the Securities Exchange Commission (SEC); however, the pool is managed consistent with the definition of a "2a-7 like pool" as defined in GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. The Virginia General Assembly has authorized the Treasury Board to administer the LGIP, which has delegated to the State Treasurer the administrative aspects of managing the pool. The City is an involuntary participant in SNAP as required by localities that borrow through the Virginia Public School Authority. All other uses of SNAP are voluntary. SNAP is an open-end management investment company registered with the SEC. The fair value of the investment in these pools is determined by the pool's share price.

**3. Interfund Receivables.** Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds." All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

**4. Property taxes.** Property taxes are levied as of January 1 on property values assessed every two years. The last effective general real property reassessment was January 1, 2007. Property taxes attach as an enforceable lien on property as of January 1, but are not collected until the following fiscal year. Real estate taxes are due and collectible twice a year, on December 5 and June 5. Personal property taxes are due and collectible annually on December 5. The portion of the tax receivable that is not collected within 60 days after June 30 is shown as deferred revenue in the fund financial statements. A penalty of 10% of the tax is assessed after the applicable payment date. Interest at an annual rate of 10% is charged on unpaid accounts beginning January 1 and July 1.

The City calculates its allowance for uncollectible delinquent property tax accounts using historical collection data and specific account analysis. The allowance at June 30, 2007 amounted to \$938,068.

**5. Inventory and prepaid items.** Inventories are valued at average cost. Inventory consists of expendable supplies held for consumption and is accounted for using the consumption method. The costs are recorded as expenditures or expenses at the time individual inventory items are used or issued. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**6. Restricted assets.** The City has cash, investments and receivables presented on the balance sheet as restricted for specific purposes. These restrictions limit the use of these funds based on bond debt service reserve and construction covenants.

**7. Capital assets.** Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. In general, the City defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Infrastructure, water/sewer lines and certain other improvements have a capitalization threshold that ranges from

**Note 1. Summary of Significant Accounting Policies (continued)**

\$25,000 to \$100,000. All purchased capital assets are valued at historical cost or estimated historical cost. Donated capital assets are valued at their estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of borrowing until completion of the project with interest earned on invested proceeds over the same period. The amount of interest capitalized for the year in the Water Fund was \$137,758.

Unless otherwise noted, depreciation for capital assets is computed over the following useful lives using the straight-line method.

Buildings	40 years
Improvements other than buildings	10-50 years
Machinery and equipment	2-30 years
Infrastructure	20-40 years
Contractual landfill asset:	
Landfill cell construction costs	Capacity usage of landfill cell
Other landfill capital costs	5 years

**8. School Board Capital Assets.** Under current legislation enacted by the Commonwealth of Virginia, local governments have a “tenancy in common” with the School Board whenever the locality incurs “on-behalf” debt for school property. In order to match the capital asset with the related debt, the legislation permits the City to report the portion of the school property related to the outstanding financial obligation in the primary government. As principal is repaid, capital assets equal to the amount of principal debt reduction will be removed from the primary government financial statements and reported in the School Board’s financial statements. The School Board retains authority and responsibility over the operation and control of the property. The City transferred \$1,835,114 in net capital assets to the School Board during the current year on the government-wide statement of activities.

**9. Deferred revenue.** Deferred revenue is recorded when asset recognition criteria (measurable) have been met, but revenue recognition (available) criteria have not been met. Deferred revenue also consists of amounts that have not been earned as of year-end.

**10. Compensated absences.** It is the City’s policy to permit employees to accumulate earned but not used vacation and sick pay benefits. The City pays a benefit for accumulated sick leave upon an employee’s separation from service to the extent the employee meets certain criteria. Vacation and sick pay are accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured as a result of employee resignations and retirements.

**11. Long-term obligations.** In the government-wide financial statements, and proprietary fund types in fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as bond issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Deferred amounts from bond refundings are amortized over the remaining life of the old bonds or the life of the new bonds, whichever is shorter. Bonds payable are reported net of the applicable bond premium or discount and deferred amounts from bond refundings. Unamortized bond issuance costs are reported in other assets as bond issue costs.



**Note 1. Summary of Significant Accounting Policies (continued)**

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. Bond premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. The face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual net proceeds received, are reported as expenditures.

**12. Fund equity.** In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally segregated by outside parties for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**13. Use of Estimates.** The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Note 2. Reconciliation of Government-wide and Fund Financial Statements**

**A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets**

A reconciliation between the total fund balance as reported in the governmental fund balance sheet and net assets of governmental activities as reported in the government-wide statement of net assets is provided on Exhibit 4. One element of that reconciliation explains that “Certain liabilities, including bonds and related accounts, are not payable from current financial resources and therefore are not reported in the funds.” The details of this difference are as follows:

Bonds payable	\$ 126,495,205
Bond issue premiums/discounts (net)	(92,325)
Deferred charge for bond issue costs	(865,810)
Deferred charge for bond refunding	(500,664)
Capital leases	9,058,940
Compensated absences (not including internal service funds)	2,723,187
Accrued interest	2,865,163
Claims and judgments	1,737,150
Arbitrage rebate liability	63,877
	<hr/>
Net adjustment	\$ 141,484,723
	<hr/> <hr/>

**B. Explanation of certain differences between the governmental fund statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities**

A reconciliation between the total net changes as reported in the fund balance on the governmental fund statement of revenues, expenditures and changes in fund balances and changes in net assets of governmental activities as reported in the government-wide statement of activities is provided on Exhibit 6. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this difference are as follows:

Capital outlay	\$ 32,459,203
Depreciation expense	(6,382,596)
	<hr/>
Net adjustment	\$ 26,076,607
	<hr/> <hr/>

## Note 2. Reconciliation of Government-wide and Fund Financial Statements (continued)

Another element of that reconciliation states that “The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this difference are as follows:

Debt issued	\$ 50,000,000
Deferred charge for bond discount on debt issued	(176,698)
Deferred charge for bond issue costs on debt issued	(515,761)
Principal payments	(4,885,030)
Amortization of bond premiums/discounts (net)	(1,219)
Amortization of bond issue costs	33,971
Amortization of deferred bond refunding charges	55,373
	<hr/>
Net adjustment	\$ 44,510,636
	<hr/> <hr/>

Another element of that reconciliation states that “Expenses reported in the statement of activities that do not require the use of current financial resources are not reported as expenditures in governmental funds.” The details of this difference are as follows:

Compensated absences	\$ 224,042
Accrued interest	1,396,354
Claims and judgments	1,737,150
Arbitrage rebate liability	63,877
	<hr/>
Net adjustment	\$ 3,421,423
	<hr/> <hr/>

## Note 3. Deposits and Investments

**Deposits.** The entire bank balances of the City and its component units were covered by federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act. Amounts collateralized in accordance with the Act are considered insured. Under the Act, banks holding public deposits in excess of the amounts insured by FDIC must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. Savings institutions are required to collateralize 100% of deposits in excess of FDIC limits. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and notifying local governments of compliance by banks and savings and loan institutions.

**Investments.** *Interest rate risk.* In accordance with the City’s investment policy, the City manages its exposure to declines in fair values by investing only in securities maturing in three years or less from the time of purchase. The only security that is subject to interest rate risk is a U.S. Treasury Note with a fair value of \$463,112 that matures in November 2008.

*Credit risk.* Statutes authorize the City and its component units to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, “prime quality” commercial paper and certain corporate notes, bankers acceptances, repurchase agreements, the State Treasurer’s Local Government Investment Pool (LGIP) and the Virginia State Non-Arbitrage Program (SNAP). The City’s investment policy does not further limit these investment choices. As of June 30, 2007, the City’s investment in the LGIP and SNAP was rated AAAM by Standard & Poor’s.

**Note 3. Deposits and Investments (continued)**

As of June 30, 2007, total deposit and investment balances were as follows:

**Primary Government:**

## Investments:

Virginia State Treasurer's Local Government Investment Pool (LGIP)	\$ 65,106,015
Virginia State Non-Arbitrage Pool (SNAP)	32,491,020
U.S. Government Securities Money Market Fund	7,056,046
U.S. Treasury Securities Money Market Fund	284,297
U.S. Treasury Note	463,112
Deposits	<u>(5,465,138)</u>

Total deposits and investments of the primary government \$ 99,935,352

**Component Unit - School Board:**

## Investments:

Virginia State Treasurer's Local Government Investment Pool (LGIP)	\$ 8,856,890
U.S. Government Securities Money Market Fund	815,212
Certificates of Deposit	75,000
Deposits	<u>(383,716)</u>

Total deposits and investments of the component unit - School Board \$ 9,363,386

**Component Unit - HEC:**

## Investments:

Virginia State Treasurer's Local Government Investment Pool (LGIP)	\$ 4,003,047
Certificates of Deposit	6,800,000
Deposits	<u>769,331</u>

Total deposits and investments of the component unit - HEC \$ 11,572,378

**Reconciliation to Government-wide Financial Statements**

Cash on hand and petty cash (primary government)	\$ 884,462
Cash on hand and petty cash (component units)	2,300
Grand total deposits and investments of the reporting entity	<u>120,871,116</u>

Total reporting entity \$ 121,757,878

Cash and cash equivalents (primary government)	\$ 67,512,990
Cash and cash equivalents (component unit - School Board)	9,288,386
Cash and cash equivalents (component unit - HEC)	4,774,678
Investments (component unit - School Board)	75,000
Investments (component unit - HEC)	6,800,000

## Restricted assets:

Cash and cash equivalents (primary government)	32,795,589
Investments (primary government)	463,112
Cash and cash equivalents (Exhibit 11)	<u>48,123</u>

Total reporting entity \$ 121,757,878

#### Note 4. Receivables

The following is a summary of the receivables account at June 30, 2007:

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	HEC
Property taxes receivable	\$ 28,861,676	\$ -	\$ 28,861,676	\$ -	\$ -
Other taxes receivable	1,246,164	-	1,246,164	-	-
Accounts receivable	3,910	1,874,249	1,878,159	-	4,675,486
Interest receivable	154,128	9,643	163,771	-	-
Other receivable	151,640	30,059	181,699	194,281	316,896
Due from other governments:					
County of Rockingham	256,197	-	256,197	-	-
Commonwealth of Virginia	2,502,390	66,384	2,568,774	799,702	-
Federal Government	186,026	6,000	192,026	195,948	-
Allowance for uncollectibles	(938,068)	(45,368)	(983,436)	-	-
<b>Total</b>	<b>\$ 32,424,063</b>	<b>\$ 1,940,967</b>	<b>\$ 34,365,030</b>	<b>\$ 1,189,931</b>	<b>\$ 4,992,382</b>

#### Note 5. Restricted Assets

The City has cash and cash equivalents, investments and receivables presented on the statement of net assets as restricted for specific purposes. These amounts and restrictions at June 30, 2007 are as follows:

	Governmental Activities
Cash and cash equivalents:	
Bond construction account	\$ 32,491,020
Bond debt service reserve account	304,569
Investments:	
Bond debt service reserve account	463,112
Interest receivable:	
Bond debt service reserve account	2,889
<b>Total</b>	<b>\$ 33,261,590</b>

#### Note 6. Loans Receivable

The following is a summary of the loans receivable in the General Fund at June 30, 2007:

Borrowing Entity	Loan Date	Term (in years)	Interest Rate	Balance June 30, 2007	Current Portion
Harrisonburg Redevelopment and Housing Authority	October 24, 2006	26.5	4.21%	\$ 1,162,350	\$ -
Virginia Technology Incubator, LLC	August 1, 2006	5	7.0%	71,427	15,171
Lucy F. Simms, LP	January 20, 2004	20	4.76%	1,170,000	-
Massanutten Regional Library	May 15, 2000	n/a	0.0%	375,000	-
<b>Total</b>				<b>\$ 2,778,777</b>	<b>\$ 15,171</b>

## Note 7. Capital Assets

The following is a summary of the changes in capital assets for the year ended June 30, 2007:

### Primary Government:

	Balance June 30, 2006	Additions	Reductions	Balance June 30, 2007
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 43,643,286	\$ 2,886,051	\$ (1,748,598)	\$ 44,780,739
Construction in progress	10,230,805	28,914,616	(3,252,126)	35,893,295
Capital assets, not being depreciated	<u>\$ 53,874,091</u>	<u>\$ 31,800,667</u>	<u>\$ (5,000,724)</u>	<u>\$ 80,674,034</u>
Capital assets, being depreciated:				
Buildings	\$ 99,193,142	\$ 853,441	\$ (15,346,296)	\$ 84,700,287
Improvements other than buildings	6,876,790	-	-	6,876,790
Machinery and equipment	12,978,245	1,173,008	(789,258)	13,361,995
Infrastructure	113,892,873	1,967,425	-	115,860,298
Capital assets, being depreciated	<u>\$ 232,941,050</u>	<u>\$ 3,993,874</u>	<u>\$ (16,135,554)</u>	<u>\$ 220,799,370</u>
Less accumulated depreciation:				
Buildings	\$ (13,258,640)	\$ (2,255,329)	\$ 1,745,442	\$ (13,768,527)
Improvements other than buildings	(1,838,827)	(247,825)	-	(2,086,652)
Machinery and equipment	(7,832,981)	(962,833)	789,258	(8,006,556)
Infrastructure	(43,277,052)	(2,948,653)	-	(46,225,705)
Accumulated depreciation	<u>\$ (66,207,500)</u>	<u>\$ (6,414,640)</u>	<u>\$ 2,534,700</u>	<u>\$ (70,087,440)</u>
Capital assets, being depreciated (net)	<u>\$ 166,733,550</u>	<u>\$ (2,420,766)</u>	<u>\$ (13,600,854)</u>	<u>\$ 150,711,930</u>

The primary government has included in the above schedule land in the amount of \$113,878, construction in progress in the amount of \$5,939,144 and buildings in the amount of \$11,704,921 (\$3,489,611 in accumulated depreciation) that are associated with capital lease obligations.

**Note 7. Capital Assets (continued)**

	Balance June 30, 2006	Additions	Reductions	Balance June 30, 2007
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 3,241,739	\$ 192,031	\$ -	\$ 3,433,770
Construction in progress	<u>8,408,559</u>	<u>3,037,481</u>	<u>(4,880,861)</u>	<u>6,565,179</u>
Capital assets, not being depreciated	<u>\$ 11,650,298</u>	<u>\$ 3,229,512</u>	<u>\$ (4,880,861)</u>	<u>\$ 9,998,949</u>
Capital assets, being depreciated:				
Buildings	\$ 13,249,327	\$ -	\$ -	\$ 13,249,327
Improvements other than buildings	9,335,664	3,599,429	-	12,935,093
Machinery and equipment	43,472,828	1,277,557	(188,722)	44,561,663
Infrastructure	57,793,497	3,042,132	-	60,835,629
Contractual landfill asset	<u>942,099</u>	<u>2,336,541</u>	<u>-</u>	<u>3,278,640</u>
Capital assets, being depreciated	<u>\$ 124,793,415</u>	<u>\$ 10,255,659</u>	<u>\$ (188,722)</u>	<u>\$ 134,860,352</u>
Less accumulated depreciation:				
Buildings	\$ (2,653,827)	\$ (330,401)	\$ -	\$ (2,984,228)
Improvements other than buildings	(4,390,917)	(326,462)	-	(4,717,379)
Machinery and equipment	(14,743,242)	(3,116,458)	188,722	(17,670,978)
Infrastructure	(23,938,507)	(1,788,489)	-	(25,726,996)
Contractual landfill asset	<u>(287,608)</u>	<u>(271,244)</u>	<u>-</u>	<u>(558,852)</u>
Accumulated depreciation	<u>\$ (46,014,101)</u>	<u>\$ (5,833,054)</u>	<u>\$ 188,722</u>	<u>\$ (51,658,433)</u>
Capital assets, being depreciated (net)	<u>\$ 78,779,314</u>	<u>\$ 4,422,605</u>	<u>\$ -</u>	<u>\$ 83,201,919</u>

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

**Governmental activities:**

General government administration	\$ 48,603
Jail and judicial administration	296,961
Public safety	719,160
Public works	3,442,582
Health and welfare	21,865
Education	1,207,369
Parks, recreation and culture	585,559
Planning and community development	60,497
Internal service funds (allocated to various functions)	<u>32,044</u>
Total governmental activities depreciation expense	<u>\$ 6,414,640</u>

**Business-type activities:**

Water	\$ 1,395,715
Sewer	1,105,735
Public transportation	935,451
Sanitation	<u>2,396,153</u>
Total business-type activities depreciation expense	<u>\$ 5,833,054</u>

**Note 7. Capital Assets (continued)**

**Component Unit – School Board:**

	Balance June 30, 2006	Additions	Reductions	Balance June 30, 2007
Capital assets, not being depreciated:				
Land	\$ 3,470,188	\$ 383,698	\$ -	\$ 3,853,886
Capital assets, not being depreciated	<u>\$ 3,470,188</u>	<u>\$ 383,698</u>	<u>\$ -</u>	<u>\$ 3,853,886</u>
Capital assets, being depreciated:				
Buildings	\$ 25,352,092	\$ 1,698,127	\$ -	\$ 27,050,219
Improvements other than buildings	71,168	-	-	71,168
Machinery and equipment	2,382,563	137,294	(186,110)	2,333,747
Capital assets, being depreciated	<u>\$ 27,805,823</u>	<u>\$ 1,835,421</u>	<u>\$ (186,110)</u>	<u>\$ 29,455,134</u>
Less accumulated depreciation:				
Buildings	\$ (9,997,910)	\$ (885,609)	\$ -	\$ (10,883,519)
Improvements other than buildings	(2,879)	(3,559)	-	(6,438)
Machinery and equipment	(1,283,510)	(209,439)	186,110	(1,306,839)
Accumulated depreciation	<u>\$ (11,284,299)</u>	<u>\$ (1,098,607)</u>	<u>\$ 186,110</u>	<u>\$ (12,196,796)</u>
Capital assets, being depreciated (net)	<u>\$ 16,521,524</u>	<u>\$ 736,814</u>	<u>\$ -</u>	<u>\$ 17,258,338</u>

**Component Unit – HEC:**

	Balance June 30, 2006	Additions	Reductions	Balance June 30, 2007
Capital assets, not being depreciated:				
Land	\$ 1,908,599	\$ 187,938	\$ -	\$ 2,096,537
Construction in progress	1,470,587	3,551,558	(3,481,092)	1,541,053
Capital assets, not being depreciated	<u>\$ 3,379,186</u>	<u>\$ 3,739,496</u>	<u>\$ (3,481,092)</u>	<u>\$ 3,637,590</u>
Capital assets, being depreciated:				
Buildings	\$ 2,723,674	\$ -	\$ -	\$ 2,723,674
Machinery and equipment	5,045,984	140,002	-	5,185,986
Infrastructure	80,340,562	3,989,193	(194,235)	84,135,520
Capital assets, being depreciated	<u>\$ 88,110,220</u>	<u>\$ 4,129,195</u>	<u>\$ (194,235)</u>	<u>\$ 92,045,180</u>
Less accumulated depreciation:				
Buildings	\$ (1,344,653)	\$ (72,140)	\$ -	\$ (1,416,793)
Machinery and equipment	(5,205,015)	(632,438)	-	(5,837,453)
Infrastructure	(35,512,325)	(2,875,020)	194,235	(38,193,110)
Accumulated depreciation	<u>\$ (42,061,993)</u>	<u>\$ (3,579,598)</u>	<u>\$ 194,235</u>	<u>\$ (45,447,356)</u>
Capital assets, being depreciated (net)	<u>\$ 46,048,227</u>	<u>\$ 549,597</u>	<u>\$ -</u>	<u>\$ 46,597,824</u>

**Note 8. Interfund Balances**

The General Fund has a due from other funds balance in the amount \$168,790. This amount is comprised of loans to the Community Development Block Grant and Central Stores Funds of \$72,416 and \$96,374, respectively, to eliminate deficit cash and cash equivalent balances in these two funds.

**Note 9. Interfund Transfers**

Interfund transfers are generally used mainly to subsidize the operations and programs of certain funds, except for a \$317,069 transfer from the Emergency Communications Center Fund (a nonmajor governmental fund) to the General Fund related to that fund being closed out to the General Fund. Also, the School Bond Capital Projects Fund transferred \$3,527,675 back to the General Fund for funding that the General Fund provided prior to the issuance of bonds in October 2006. The following is a summary of interfund transfers for the year ended June 30, 2007:

Transfer in	Transfer out						Total
	General Fund	General Capital Projects Fund	School Bond Capital Projects Fund	Nonmajor Governmental Funds	Water Fund	Sewer Fund	
General Fund	\$ -	\$ 15,000	\$ 3,527,675	\$ 317,069	\$ 808,440	\$ 720,588	\$ 5,388,772
General Capital Projects Fund	9,849,315	-	-	-	-	-	9,849,315
School Bond Capital Projects Fund	1,696,800	-	-	-	-	-	1,696,800
Nonmajor Governmental Funds	599,915	-	-	-	-	-	599,915
Public Transportation Fund	759,132	-	-	-	-	-	759,132
Sanitation Fund	2,075,770	-	-	-	-	-	2,075,770
Internal Service Funds	105,027	-	-	-	159,312	16,305	280,644
<b>Total</b>	<b>\$ 15,085,959</b>	<b>\$ 15,000</b>	<b>\$ 3,527,675</b>	<b>\$ 317,069</b>	<b>\$ 967,752</b>	<b>\$ 736,893</b>	<b>\$ 20,650,348</b>

**Note 10. Deferred Revenue**

The following is a summary of deferred revenue at June 30, 2007:

	General Fund	General Capital Projects Fund	Total
Uncollected property tax billings	\$ 614,624	\$ -	\$ 614,624
Property taxes billed in fiscal year 2008	27,169,033	-	27,169,033
Other local taxes	26,972	-	26,972
Interest receivable	137,928	-	137,928
Reimbursement from Housing Authority	102,141	-	102,141
Intergovernmental	87,608	1,253	88,861
Advance collection of parking leases	31,780	-	31,780
Golf memberships/sponsorships	36,605	-	36,605
Loans receivable	2,403,777	-	2,403,777
Other deferred revenue	1,900	-	1,900
<b>Total</b>	<b>\$ 30,612,368</b>	<b>\$ 1,253</b>	<b>\$ 30,613,621</b>



## Note 11. Long-term Debt

### Primary Government

The following is the debt service requirements of the primary government's long-term debt as of June 30, 2007.

#### Governmental activities:

Year Ending June 30,	General Obligation Bonds		General Obligation School Bonds		General Obligation Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
	2008	\$ 1,177,510	\$ 3,520,413	\$ 2,570,000	\$ 2,386,484	\$ 75,000
2009	2,356,000	2,909,476	2,605,000	2,257,415	85,000	349,965
2010	2,453,924	2,808,878	2,600,000	2,127,777	95,000	345,441
2011	2,556,392	2,703,726	2,615,000	1,998,056	105,000	340,352
2012	2,672,519	2,593,237	2,630,000	1,868,653	120,000	334,571
2013-2017	15,098,509	11,202,509	10,615,000	7,630,482	800,000	1,559,982
2018-2022	13,307,528	8,239,136	11,655,000	4,889,428	1,250,000	1,278,288
2023-2027	13,732,823	5,568,762	13,325,000	1,768,297	1,855,000	839,644
2028-2032	14,560,000	2,717,550	-	-	1,935,000	195,931
2033-2035	3,645,000	184,700	-	-	-	-
<b>Total</b>	<b>\$ 71,560,205</b>	<b>\$ 42,448,387</b>	<b>\$ 48,615,000</b>	<b>\$ 24,926,592</b>	<b>\$ 6,320,000</b>	<b>\$ 5,598,139</b>

Year Ending June 30,	Capital Leases		Total Governmental Activities	
	Principal	Interest	Principal	Interest
	2008	\$ 771,577	\$ 389,802	\$ 4,594,087
2009	806,898	354,324	5,852,898	5,871,180
2010	845,061	317,053	5,993,985	5,599,149
2011	883,446	277,984	6,159,838	5,320,118
2012	924,073	237,058	6,346,592	5,033,519
2013-2017	3,413,885	589,219	29,927,394	20,982,192
2018-2022	1,414,000	81,066	27,626,528	14,487,918
2023-2027	-	-	28,912,823	8,176,703
2028-2032	-	-	16,495,000	2,913,481
2033-2035	-	-	3,645,000	184,700
<b>Total</b>	<b>\$ 9,058,940</b>	<b>\$ 2,246,506</b>	<b>\$ 135,554,145</b>	<b>\$ 75,219,624</b>

#### Business-type activities:

Year Ending June 30,	General Obligation Bonds		General Obligation Revenue Bonds		Total Business-type Activities	
	Principal	Interest	Principal	Interest	Principal	Interest
	2008	\$ 1,250,000	\$ 1,192,656	\$ 195,000	\$ 483,057	\$ 1,445,000
2009	1,290,000	1,148,368	205,000	474,807	1,495,000	1,623,175
2010	1,335,000	1,100,459	210,000	466,248	1,545,000	1,566,707
2011	1,385,000	1,049,824	220,000	456,966	1,605,000	1,506,790
2012	1,440,000	994,937	230,000	446,841	1,670,000	1,441,778
2013-2017	7,650,000	4,009,231	1,315,000	2,067,803	8,965,000	6,077,034
2018-2022	7,440,000	2,309,756	1,650,000	1,723,587	9,090,000	4,033,343
2023-2027	5,405,000	414,125	2,100,000	1,260,000	7,505,000	1,674,125
2028-2032	-	-	2,680,000	665,500	2,680,000	665,500
2033-2034	-	-	1,270,000	64,250	1,270,000	64,250
<b>Total</b>	<b>\$ 27,195,000</b>	<b>\$ 12,219,356</b>	<b>\$ 10,075,000</b>	<b>\$ 8,109,059</b>	<b>\$ 37,270,000</b>	<b>\$ 20,328,415</b>

**Note 11. Long-term Debt (continued)**

The following is the changes to the primary government's long-term debt for fiscal year 2007.

	Balance			Balance		
	June 30, 2006	Additions	Reductions	June 30, 2007	Due Within	One Year
<b>Governmental activities:</b>						
Bonds payable:						
General obligation bonds	\$ 22,679,900	\$ 50,000,000	\$ (1,119,695)	\$ 71,560,205	\$ 1,177,510	
General obligation school bonds	51,165,000	-	(2,550,000)	48,615,000	2,570,000	
General obligation revenue bonds	6,385,000	-	(65,000)	6,320,000	75,000	
Bond premiums/discounts (net)	85,592	(176,698)	(1,219)	(92,325)	(1,010)	
Deferred bond refunding charges	(556,037)	-	55,373	(500,664)	(55,373)	
Total bonds payable	\$ 79,759,455	\$ 49,823,302	\$ (3,680,541)	\$ 125,902,216	\$ 3,766,127	
Notes payable	400,000	-	(400,000)	-	-	
Capital leases	9,797,450	-	(738,510)	9,058,940	771,577	
State Literary Fund Loans	11,825	-	(11,825)	-	-	
Compensated absences	2,587,368	1,537,964	(1,298,242)	2,827,090	1,287,343	
Governmental activities long-term debt	\$ 92,556,098	\$ 51,361,266	\$ (6,129,118)	\$ 137,788,246	\$ 5,825,047	

Long-term debt for governmental activities is generally liquidated by the General Fund. The Central Garage and Central Stores Fund are consolidated into the governmental activities in the government-wide financial statements. Accordingly, long-term liabilities for these funds are included as part of the above totals. At June 30, 2007, \$103,903 of these internal service funds compensated absences are included in the above amounts.

	Balance			Balance		
	June 30, 2006	Additions	Reductions	June 30, 2007	Due Within	One Year
<b>Business-type activities:</b>						
Bonds payable:						
General obligation bonds	\$ 28,405,000	\$ -	\$ (1,210,000)	\$ 27,195,000	\$ 1,250,000	
General obligation revenue bonds	10,265,000	-	(190,000)	10,075,000	195,000	
Bond premiums/discounts (net)	(62,825)	-	(1,357)	(64,182)	1,357	
Deferred bond refunding charges	(274,818)	-	29,710	(245,108)	(29,710)	
Total bonds payable	\$ 38,332,357	\$ -	\$ (1,371,647)	\$ 36,960,710	\$ 1,416,647	
Landfill closure and postclosure	3,459,270	247,570	(31,435)	3,675,405	109,292	
Compensated absences	816,422	509,327	(419,685)	906,064	467,089	
Business-type activities long-term debt	\$ 42,608,049	\$ 756,897	\$ (1,822,767)	\$ 41,542,179	\$ 1,993,028	

The following is the detail of the primary government's long-term debt as of June 30, 2007.

**Governmental activities:**

General Obligation Bonds:

\$1,600,000 Infrastructure Revenue Bonds, Series 2004D (Virginia Resources Authority Pooled Loan Bond Program), issued December 14, 2001, maturing annually with interest payable semi-annually:

Bonds bearing interest at 3.85% maturing on April 1, 2008	\$	60,000
Bonds bearing interest at 3.85% maturing on April 1, 2009		65,000

## Note 11. Long-term Debt (continued)

### General Obligation Bonds (continued):

Bonds bearing interest at 3.85% maturing on April 1, 2010	70,000
Bonds bearing interest at 3.85% maturing on April 1, 2011	70,000
Bonds bearing interest at 3.85% maturing on April 1, 2012	75,000
Bonds bearing interest at 3.85% maturing on April 1, 2013	80,000
Bonds bearing interest at 3.85% maturing on April 1, 2014	80,000
Bonds bearing interest at 3.85% maturing on April 1, 2015	85,000
Bonds bearing interest at 3.85% maturing on April 1, 2016	90,000
Bonds bearing interest at 3.85% maturing on April 1, 2017	95,000
Bonds bearing interest at 3.85% maturing on April 1, 2018	100,000
Bonds bearing interest at 3.85% maturing on April 1, 2019	105,000
Bonds bearing interest at 3.85% maturing on April 1, 2020	110,000
Bonds bearing interest at 3.85% maturing on April 1, 2021	115,000
Bonds bearing interest at 3.85% maturing on April 1, 2022	<u>120,000</u>
Subtotal	<u>\$ 1,320,000</u>

\$6,080,000 Public Safety Bonds, Series 2002A, issued May 22, 2002, maturing annually with interest payable semi-annually:

Bonds bearing interest at 3.750% maturing on July 15, 2007	\$ 340,000
Bonds bearing interest at 4.000% maturing on July 15, 2008	350,000
Bonds bearing interest at 4.000% maturing on July 15, 2009	365,000
Bonds bearing interest at 4.000% maturing on July 15, 2010	380,000
Bonds bearing interest at 4.250% maturing on July 15, 2011	395,000
Bonds bearing interest at 4.375% maturing on July 15, 2012	410,000
Bonds bearing interest at 4.375% maturing on July 15, 2013	430,000
Bonds bearing interest at 4.400% maturing on July 15, 2014	450,000
Bonds bearing interest at 4.500% maturing on July 15, 2015	470,000
Bonds bearing interest at 4.625% maturing on July 15, 2016	490,000
Bonds bearing interest at 4.750% maturing on July 15, 2017	510,000
Bonds bearing interest at 4.750% maturing on July 15, 2018	<u>535,000</u>
Subtotal	<u>\$ 5,125,000</u>

\$5,616,300 Public Improvement Refunding Bonds, Series 2003, issued May 16, 2003, maturing annually with interest payable semi-annually:

Bonds bearing interest at 3.17% maturing on July 15, 2007	\$ 458,000
Bonds bearing interest at 3.17% maturing on July 15, 2008	472,100
Bonds bearing interest at 3.17% maturing on July 15, 2009	485,300
Bonds bearing interest at 3.17% maturing on July 15, 2010	502,700
Bonds bearing interest at 3.17% maturing on July 15, 2011	518,400
Bonds bearing interest at 3.17% maturing on July 15, 2012	532,900
Bonds bearing interest at 3.17% maturing on July 15, 2013	551,200
Bonds bearing interest at 3.17% maturing on July 15, 2014	568,000
Bonds bearing interest at 3.17% maturing on July 15, 2015	588,600
Bonds bearing interest at 3.17% maturing on July 15, 2016	<u>607,400</u>
Subtotal	<u>\$ 5,284,600</u>

## Note 11. Long-term Debt (continued)

### General Obligation Bonds (continued):

\$2,935,000 General Obligation Bonds, Series 2003B, issued December 1, 2003, maturing annually with interest payable semi-annually:

Bonds bearing interest at 2.500% maturing on June 1, 2008	\$	55,000
Bonds bearing interest at 2.750% maturing on June 1, 2009		60,000
Bonds bearing interest at 3.000% maturing on June 1, 2010		60,000
Bonds bearing interest at 3.300% maturing on June 1, 2011		60,000
Bonds bearing interest at 3.400% maturing on June 1, 2012		65,000
Bonds bearing interest at 3.625% maturing on June 1, 2013		65,000
Bonds bearing interest at 3.750% maturing on June 1, 2014		65,000
Bonds bearing interest at 3.875% maturing on June 1, 2015		70,000
Bonds bearing interest at 4.000% maturing on June 1, 2016		75,000
Bonds bearing interest at 4.100% maturing on June 1, 2017		75,000
Bonds bearing interest at 4.200% maturing on June 1, 2018		80,000
Bonds bearing interest at 4.750% maturing on June 1, 2019		80,000
Bonds bearing interest at 4.750% maturing on June 1, 2020		85,000
Bonds bearing interest at 4.750% maturing on June 1, 2021		90,000
Bonds bearing interest at 4.750% maturing on June 1, 2022		95,000
Bonds bearing interest at 4.750% maturing on June 1, 2023		100,000
Bonds bearing interest at 4.750% maturing on June 1, 2024		105,000
Bonds bearing interest at 4.750% maturing on June 1, 2025		110,000
Bonds bearing interest at 5.000% maturing on June 1, 2026		115,000
Bonds bearing interest at 5.000% maturing on June 1, 2027		120,000
Bonds bearing interest at 5.000% maturing on June 1, 2028		125,000
Bonds bearing interest at 5.000% maturing on June 1, 2029		130,000
Bonds bearing interest at 5.000% maturing on June 1, 2030		140,000
Bonds bearing interest at 5.000% maturing on June 1, 2031		145,000
Bonds bearing interest at 5.000% maturing on June 1, 2032		150,000
Bonds bearing interest at 5.000% maturing on June 1, 2033		160,000
Bonds bearing interest at 5.000% maturing on June 1, 2034		170,000
Bonds bearing interest at 5.000% maturing on June 1, 2035		175,000
		<hr/>
Subtotal	\$	<u>2,825,000</u>

\$7,250,000 General Obligation Bonds, Series 2005, issued June 29, 2005, maturing annually with interest payable semi-annually:

Bonds bearing interest at 3.55% maturing on July 15, 2007	\$	264,510
Bonds bearing interest at 3.55% maturing on July 15, 2008		273,900
Bonds bearing interest at 3.55% maturing on July 15, 2009		283,624
Bonds bearing interest at 3.55% maturing on July 15, 2010		293,692
Bonds bearing interest at 3.55% maturing on July 15, 2011		304,119
Bonds bearing interest at 3.55% maturing on July 15, 2012		314,915
Bonds bearing interest at 3.55% maturing on July 15, 2013		326,094
Bonds bearing interest at 3.55% maturing on July 15, 2014		337,671
Bonds bearing interest at 3.55% maturing on July 15, 2015		349,658
Bonds bearing interest at 3.55% maturing on July 15, 2016		362,071
Bonds bearing interest at 3.55% maturing on July 15, 2017		374,924
Bonds bearing interest at 3.55% maturing on July 15, 2018		388,234
Bonds bearing interest at 3.55% maturing on July 15, 2019		402,016

## Note 11. Long-term Debt (continued)

### General Obligation Bonds (continued):

Bonds bearing interest at 3.55% maturing on July 15, 2020	416,288
Bonds bearing interest at 3.55% maturing on July 15, 2021	431,066
Bonds bearing interest at 3.55% maturing on July 15, 2022	446,369
Bonds bearing interest at 3.55% maturing on July 15, 2023	462,215
Bonds bearing interest at 3.55% maturing on July 15, 2024	478,624
Bonds bearing interest at 3.55% maturing on July 15, 2025	495,615
	<hr/>
Subtotal	\$ 7,005,605

### \$50,000,000 Public Improvement Bonds, Series 2006, issued October 25, 2006, maturing annually with interest payable semi-annually:

Bonds bearing interest at 5.000% maturing on February 1, 2009	\$ 1,135,000
Bonds bearing interest at 5.000% maturing on February 1, 2010	1,190,000
Bonds bearing interest at 5.000% maturing on February 1, 2011	1,250,000
Bonds bearing interest at 5.000% maturing on February 1, 2012	1,315,000
Bonds bearing interest at 4.000% maturing on February 1, 2013	1,380,000
Bonds bearing interest at 4.000% maturing on February 1, 2014	1,435,000
Bonds bearing interest at 5.000% maturing on February 1, 2015	1,495,000
Bonds bearing interest at 5.125% maturing on February 1, 2016	1,570,000
Bonds bearing interest at 4.000% maturing on February 1, 2017	1,650,000
Bonds bearing interest at 3.750% maturing on February 1, 2018	1,715,000
Bonds bearing interest at 4.000% maturing on February 1, 2019	1,780,000
Bonds bearing interest at 4.000% maturing on February 1, 2020	1,850,000
Bonds bearing interest at 4.000% maturing on February 1, 2021	1,925,000
Bonds bearing interest at 4.100% maturing on February 1, 2022	2,000,000
Bonds bearing interest at 4.100% maturing on February 1, 2023	2,080,000
Bonds bearing interest at 4.125% maturing on February 1, 2024	2,170,000
Bonds bearing interest at 4.125% maturing on February 1, 2025	2,255,000
Bonds bearing interest at 4.125% maturing on February 1, 2026	2,350,000
Bonds bearing interest at 4.125% maturing on February 1, 2027	2,445,000
Bonds bearing interest at 4.250% maturing on February 1, 2028	2,550,000
Bonds bearing interest at 4.250% maturing on February 1, 2029	2,655,000
Bonds bearing interest at 4.250% maturing on February 1, 2030	2,770,000
Bonds bearing interest at 4.250% maturing on February 1, 2031	2,885,000
Bonds bearing interest at 4.250% maturing on February 1, 2032	3,010,000
Bonds bearing interest at 4.250% maturing on February 1, 2033	3,140,000
	<hr/>
Subtotal	\$ 50,000,000
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Total General Obligation Bonds	\$ 71,560,205

### General Obligation School Bonds:

### \$10,000,000 Virginia Public School Authority Bonds, Series 1992B, issued December 17, 1992, maturing annually with interest payable semi-annually:

Bonds bearing interest at 5.85% maturing on December 15, 2007	\$ 460,000
Bonds bearing interest at 5.85% maturing on December 15, 2008	450,000
Bonds bearing interest at 5.85% maturing on December 15, 2009	410,000

## Note 11. Long-term Debt (continued)

### General Obligation School Bonds (continued):

Bonds bearing interest at 5.85% maturing on December 15, 2010	385,000
Bonds bearing interest at 5.85% maturing on December 15, 2011	380,000
Bonds bearing interest at 5.85% maturing on December 15, 2012	<u>305,000</u>

Subtotal \$ 2,390,000

\$11,210,000 Virginia Public School Authority Bonds, Refunding Series 1994A, issued January 4, 1994, maturing annually with interest payable semi-annually:

Bonds bearing interest at 6.35% maturing on December 15, 2007	\$ 350,000
Bonds bearing interest at 6.35% maturing on December 15, 2008	345,000
Bonds bearing interest at 6.40% maturing on December 15, 2009	330,000
Bonds bearing interest at 6.40% maturing on December 15, 2010	310,000
Bonds bearing interest at 6.40% maturing on December 15, 2011	<u>275,000</u>

Subtotal \$ 1,610,000

\$4,250,000 Virginia Public School Authority Bonds, Series 1994A, issued May 5, 1994, maturing annually with interest payable semi-annually:

Bonds bearing interest at 6.100% maturing on July 15, 2007	\$ 220,000
Bonds bearing interest at 6.225% maturing on July 15, 2008	220,000
Bonds bearing interest at 6.225% maturing on July 15, 2009	215,000
Bonds bearing interest at 6.225% maturing on July 15, 2010	220,000
Bonds bearing interest at 6.225% maturing on July 15, 2011	220,000
Bonds bearing interest at 6.225% maturing on July 15, 2012	215,000
Bonds bearing interest at 6.300% maturing on July 15, 2013	<u>220,000</u>

Subtotal \$ 1,530,000

\$2,005,000 Virginia Public School Authority Bonds, Series 1999A, issued May 13, 1999, maturing annually with interest payable semi-annually:

Bonds bearing interest at 4.200% maturing on July 15, 2007	\$ 100,000
Bonds bearing interest at 4.225% maturing on July 15, 2008	100,000
Bonds bearing interest at 5.100% maturing on July 15, 2009	100,000
Bonds bearing interest at 4.475% maturing on July 15, 2010	100,000
Bonds bearing interest at 4.600% maturing on July 15, 2011	100,000
Bonds bearing interest at 4.600% maturing on July 15, 2012	100,000
Bonds bearing interest at 4.725% maturing on July 15, 2013	100,000
Bonds bearing interest at 4.725% maturing on July 15, 2014	100,000
Bonds bearing interest at 5.100% maturing on July 15, 2015	100,000
Bonds bearing interest at 5.100% maturing on July 15, 2016	100,000
Bonds bearing interest at 5.100% maturing on July 15, 2017	100,000
Bonds bearing interest at 5.225% maturing on July 15, 2018	100,000
Bonds bearing interest at 5.225% maturing on July 15, 2019	<u>100,000</u>

Subtotal \$ 1,300,000

**Note 11. Long-term Debt (continued)**

General Obligation School Bonds (continued):

\$5,100,000 Virginia Public School Authority Bonds, Series 2000A, issued May 13, 2000, maturing annually with interest payable semi-annually:

Bonds bearing interest at 5.100% maturing on July 15, 2007	\$ 255,000
Bonds bearing interest at 5.100% maturing on July 15, 2008	255,000
Bonds bearing interest at 5.100% maturing on July 15, 2009	255,000
Bonds bearing interest at 5.600% maturing on July 15, 2010	255,000
Bonds bearing interest at 5.225% maturing on July 15, 2011	255,000
Bonds bearing interest at 5.600% maturing on July 15, 2012	255,000
Bonds bearing interest at 5.600% maturing on July 15, 2013	255,000
Bonds bearing interest at 5.600% maturing on July 15, 2014	255,000
Bonds bearing interest at 5.600% maturing on July 15, 2015	255,000
Bonds bearing interest at 5.600% maturing on July 15, 2016	255,000
Bonds bearing interest at 5.600% maturing on July 15, 2017	255,000
Bonds bearing interest at 5.600% maturing on July 15, 2018	255,000
Bonds bearing interest at 5.600% maturing on July 15, 2019	255,000
Bonds bearing interest at 5.600% maturing on July 15, 2020	255,000
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Subtotal	\$ 3,570,000

\$41,500,000 Virginia Public School Authority Bonds, Series 2001C, issued November 15, 2001, maturing annually with interest payable semi-annually:

Bonds bearing interest at 4.100% maturing on July 15, 2007	\$ 1,185,000
Bonds bearing interest at 4.100% maturing on July 15, 2008	1,235,000
Bonds bearing interest at 4.100% maturing on July 15, 2009	1,290,000
Bonds bearing interest at 4.100% maturing on July 15, 2010	1,345,000
Bonds bearing interest at 4.100% maturing on July 15, 2011	1,400,000
Bonds bearing interest at 5.100% maturing on July 15, 2012	1,465,000
Bonds bearing interest at 5.100% maturing on July 15, 2013	1,540,000
Bonds bearing interest at 4.600% maturing on July 15, 2014	1,620,000
Bonds bearing interest at 4.850% maturing on July 15, 2015	1,695,000
Bonds bearing interest at 4.850% maturing on July 15, 2016	1,780,000
Bonds bearing interest at 4.850% maturing on July 15, 2017	1,870,000
Bonds bearing interest at 4.850% maturing on July 15, 2018	1,960,000
Bonds bearing interest at 4.975% maturing on July 15, 2019	2,060,000
Bonds bearing interest at 5.100% maturing on July 15, 2020	2,165,000
Bonds bearing interest at 5.100% maturing on July 15, 2021	2,280,000
Bonds bearing interest at 5.100% maturing on July 15, 2022	2,400,000
Bonds bearing interest at 5.100% maturing on July 15, 2023	2,525,000
Bonds bearing interest at 5.100% maturing on July 15, 2024	2,660,000
Bonds bearing interest at 5.100% maturing on July 15, 2025	2,795,000
Bonds bearing interest at 5.100% maturing on July 15, 2026	2,945,000
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Subtotal	\$ 38,215,000
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Total General Obligation School Bonds	\$ 48,615,000

## Note 11. Long-term Debt (continued)

### General Obligation Revenue Bonds:

\$6,410,000 Public Recreational Facility General Obligation and Revenue Bonds, Series 2000, issued June 29, 2000, maturing annually with interest payable semi-annually:

Bonds bearing interest at 5.000% maturing on December 1, 2007	\$	75,000
Bonds bearing interest at 5.000% maturing on December 1, 2008		85,000
Bonds bearing interest at 5.500% maturing on December 1, 2009		95,000
Bonds bearing interest at 5.125% maturing on December 1, 2010		105,000
Bonds bearing interest at 5.150% maturing on December 1, 2011		120,000
Bonds bearing interest at 5.150% maturing on December 1, 2012		130,000
Bonds bearing interest at 5.250% maturing on December 1, 2013		145,000
Bonds bearing interest at 5.300% maturing on December 1, 2014		160,000
Bonds bearing interest at 5.375% maturing on December 1, 2015		175,000
Bonds bearing interest at 5.625% maturing on December 1, 2016		190,000
Bonds bearing interest at 5.625% maturing on December 1, 2017		210,000
Bonds bearing interest at 5.625% maturing on December 1, 2018		230,000
Bonds bearing interest at 5.625% maturing on December 1, 2019		250,000
Bonds bearing interest at 5.625% maturing on December 1, 2020		270,000
Bonds bearing interest at 5.750% maturing on December 1, 2021		290,000
Bonds bearing interest at 5.750% maturing on December 1, 2022		315,000
Bonds bearing interest at 5.750% maturing on December 1, 2023		340,000
Bonds bearing interest at 5.750% maturing on December 1, 2024		370,000
Bonds bearing interest at 5.750% maturing on December 1, 2025		400,000
Bonds bearing interest at 5.750% maturing on December 1, 2026		430,000
Bonds bearing interest at 5.750% maturing on December 1, 2027		465,000
Bonds bearing interest at 5.750% maturing on December 1, 2028		500,000
Bonds bearing interest at 5.750% maturing on December 1, 2029		970,000
		<hr/>
Subtotal	\$	<u>6,320,000</u>
Total General Obligation Revenue Bonds	\$	<u><u>6,320,000</u></u>

### Capital Leases:

\$2,665,000 Harrisonburg Redevelopment and Housing Authority Bonds, issued August 24, 1995, with principal and interest payable semi-annually. \$1,066,000, which is 40 percent of the \$2,665,000, is the City's share of this debt based upon a lease agreement between the City, Rockingham County and the Harrisonburg Redevelopment and Housing Authority:

Lease bearing interest at 6.08% maturing August 24, 2007 and February 26, 2008	\$	55,077
Lease bearing interest at 6.08% maturing August 24, 2008 and February 26, 2009		58,398
Lease bearing interest at 6.08% maturing August 24, 2009 and February 26, 2010		62,061
Lease bearing interest at 6.08% maturing August 24, 2010 and February 26, 2011		65,946
Lease bearing interest at 6.08% maturing August 24, 2011 and February 26, 2012		70,073
Lease bearing interest at 6.08% maturing August 24, 2012 and February 26, 2013		74,354
Lease bearing interest at 6.08% maturing August 24, 2013 and February 26, 2014		79,142
Lease bearing interest at 6.08% maturing August 24, 2014 and February 26, 2015		84,060
Lease bearing interest at 6.08% maturing August 24, 2015 and February 26, 2016		89,329
		<hr/>
Subtotal	\$	<u>638,440</u>



**Note 11. Long-term Debt (continued)**

Capital Leases (continued):

\$12,305,000 Harrisonburg Redevelopment and Housing Authority Bonds, issued May 1, 1998, maturing annually with interest payable semi-annually. \$6,152,500, which is 50 percent of the \$12,305,000, is the City's share of this debt based upon a lease agreement between the City, Rockingham County and the Harrisonburg Redevelopment and Housing Authority:

Lease bearing interest at 5.00% maturing on June 20, 2008	\$ 402,500
Lease bearing interest at 5.00% maturing on June 20, 2009	422,500
Lease bearing interest at 5.00% maturing on June 20, 2010	445,000
Lease bearing interest at 5.00% maturing on June 20, 2011	467,500
Lease bearing interest at 5.00% maturing on June 20, 2012	490,000
Lease bearing interest at 5.00% maturing on June 20, 2013	515,000
Lease bearing interest at 5.00% maturing on June 20, 2014	<u>540,000</u>
Subtotal	\$ <u>3,282,500</u>

\$5,740,000, lease purchase, effective December 17, 2004, maturing annually with interest payable semi-annually:

Lease bearing interest at 3.76% maturing on December 1, 2007	\$ 314,000
Lease bearing interest at 3.76% maturing on December 1, 2008	326,000
Lease bearing interest at 3.76% maturing on December 1, 2009	338,000
Lease bearing interest at 3.76% maturing on December 1, 2010	350,000
Lease bearing interest at 3.76% maturing on December 1, 2011	364,000
Lease bearing interest at 3.76% maturing on December 1, 2012	377,000
Lease bearing interest at 3.76% maturing on December 1, 2013	391,000
Lease bearing interest at 3.76% maturing on December 1, 2014	406,000
Lease bearing interest at 3.76% maturing on December 1, 2015	421,000
Lease bearing interest at 3.76% maturing on December 1, 2016	437,000
Lease bearing interest at 3.76% maturing on December 1, 2017	454,000
Lease bearing interest at 3.76% maturing on December 1, 2018	471,000
Lease bearing interest at 3.76% maturing on December 1, 2019	<u>489,000</u>
Subtotal	\$ <u>5,138,000</u>
Total Capital Leases	\$ <u>9,058,940</u>
<b>Total Governmental Activities</b>	\$ <u><u>135,554,145</u></u>

## Note 11. Long-term Debt (continued)

### Business-type activities:

#### General Obligation Bonds:

\$25,310,000 Steam Plant Bonds, Series 2002A, issued May 22, 2002, maturing annually with interest payable semi-annually:

Bonds bearing interest at 3.750% maturing on July 15, 2007	\$	895,000
Bonds bearing interest at 4.000% maturing on July 15, 2008		925,000
Bonds bearing interest at 4.000% maturing on July 15, 2009		965,000
Bonds bearing interest at 4.000% maturing on July 15, 2010		1,000,000
Bonds bearing interest at 4.250% maturing on July 15, 2011		1,045,000
Bonds bearing interest at 4.375% maturing on July 15, 2012		1,085,000
Bonds bearing interest at 4.375% maturing on July 15, 2013		1,135,000
Bonds bearing interest at 4.400% maturing on July 15, 2014		1,185,000
Bonds bearing interest at 4.500% maturing on July 15, 2015		1,235,000
Bonds bearing interest at 4.625% maturing on July 15, 2016		1,290,000
Bonds bearing interest at 4.750% maturing on July 15, 2017		1,350,000
Bonds bearing interest at 4.750% maturing on July 15, 2018		1,415,000
Bonds bearing interest at 5.000% maturing on July 15, 2019		1,485,000
Bonds bearing interest at 5.000% maturing on July 15, 2020		1,555,000
Bonds bearing interest at 5.000% maturing on July 15, 2021		1,635,000
Bonds bearing interest at 5.000% maturing on July 15, 2022		1,715,000
Bonds bearing interest at 5.000% maturing on July 15, 2023		1,800,000
Bonds bearing interest at 5.000% maturing on July 15, 2024		<u>1,890,000</u>
Subtotal	\$	<u>23,605,000</u>

\$4,260,000 Solid Waste Disposal System Refunding Bonds (Virginia Resources Authority), Series 2004, issued October 17, 2004, maturing annually with interest payable semi-annually:

Bonds bearing interest at 2.375% maturing on October 1, 2007	\$	355,000
Bonds bearing interest at 2.625% maturing on October 1, 2008		365,000
Bonds bearing interest at 2.875% maturing on October 1, 2009		370,000
Bonds bearing interest at 3.125% maturing on October 1, 2010		385,000
Bonds bearing interest at 3.375% maturing on October 1, 2011		395,000
Bonds bearing interest at 3.625% maturing on October 1, 2012		410,000
Bonds bearing interest at 3.625% maturing on October 1, 2013		420,000
Bonds bearing interest at 3.625% maturing on October 1, 2014		435,000
Bonds bearing interest at 4.4766% maturing on October 1, 2015		<u>455,000</u>
Subtotal	\$	<u>3,590,000</u>
Total General Obligation Bonds	\$	<u><u>27,195,000</u></u>

**Note 11. Long-term Debt (continued)**

## General Obligation Revenue Bonds:

\$10,620,000 Water Bonds, Series 2002B, issued May 22, 2002, maturing annually with interest payable semi-annually:

Bonds bearing interest at 4.125% maturing on July 15, 2007	\$ 195,000
Bonds bearing interest at 4.125% maturing on July 15, 2008	205,000
Bonds bearing interest at 4.125% maturing on July 15, 2009	210,000
Bonds bearing interest at 4.500% maturing on July 15, 2010	220,000
Bonds bearing interest at 4.500% maturing on July 15, 2011	230,000
Bonds bearing interest at 4.500% maturing on July 15, 2012	240,000
Bonds bearing interest at 4.300% maturing on July 15, 2013	250,000
Bonds bearing interest at 4.400% maturing on July 15, 2014	265,000
Bonds bearing interest at 4.500% maturing on July 15, 2015	275,000
Bonds bearing interest at 4.625% maturing on July 15, 2016	285,000
Bonds bearing interest at 4.700% maturing on July 15, 2017	300,000
Bonds bearing interest at 4.750% maturing on July 15, 2018	315,000
Bonds bearing interest at 4.875% maturing on July 15, 2019	330,000
Bonds bearing interest at 5.000% maturing on July 15, 2020	345,000
Bonds bearing interest at 5.000% maturing on July 15, 2021	360,000
Bonds bearing interest at 5.000% maturing on July 15, 2022	380,000
Bonds bearing interest at 5.000% maturing on July 15, 2023	400,000
Bonds bearing interest at 5.000% maturing on July 15, 2024	420,000
Bonds bearing interest at 5.000% maturing on July 15, 2025	440,000
Bonds bearing interest at 5.000% maturing on July 15, 2026	460,000
Bonds bearing interest at 5.000% maturing on July 15, 2027	485,000
Bonds bearing interest at 5.000% maturing on July 15, 2028	510,000
Bonds bearing interest at 5.000% maturing on July 15, 2029	535,000
Bonds bearing interest at 5.000% maturing on July 15, 2030	560,000
Bonds bearing interest at 5.000% maturing on July 15, 2031	590,000
Bonds bearing interest at 5.000% maturing on July 15, 2032	620,000
Bonds bearing interest at 5.000% maturing on July 15, 2033	650,000
	<hr/>
Subtotal	\$ 10,075,000
	<hr/>
Total General Obligation Revenue Bonds	\$ 10,075,000
	<hr/> <hr/>

## Landfill Closure and Postclosure:

Estimated cost of landfill closure and postclosure:	
City Landfill	\$ 1,643,388
County Landfill - Assumed by the City	2,032,017
	<hr/>
Total Landfill Closure and Postclosure	\$ 3,675,405
	<hr/>
<b>Total Business-type Activities</b>	<b>\$ 40,945,405</b>
	<hr/> <hr/>
<b>Total Primary Government Long-term Debt (Excluding compensated absences and unamortized premiums/discounts)</b>	<b>\$ 176,499,550</b>
	<hr/> <hr/>

## **Note 11. Long-term Debt (continued)**

### ***Additional information pertaining to the Primary Government's long-term debt:***

In June 2004, the City and James Madison University (JMU) entered into a revised and amended agreement concerning the sale and purchase of steam and chilled water from the City owned resource recovery facility. This facility produces steam and chilled water to meet all the heating and cooling needs of JMU's College of Integrated Science and Technology, as well as other buildings. To the extent that the City continues to operate this facility, JMU has agreed to annually reimburse the City for the annual debt service payments on the City's \$4,260,000 Solid Waste Disposal System Refunding Bonds. The current year reimbursement for principal, interest and bank service charges on this bond totaled \$469,884. The outstanding balance of the City's bond issue at June 30, 2007 was \$3,590,000.

In October 2006, the City issued \$50 million in general obligation public improvement bonds, of which \$3.5 million was issued on behalf of and loaned to the Harrisonburg Redevelopment and Housing Authority (Authority) for the purpose of renovating public housing units owned by the Authority. The Authority has agreed to reimburse the City for its share of the principal and interest payments on the City's \$50 million bond issue as the debt service payments come due. As of June 30, 2007 the City had advanced to the Authority \$1,162,350 of the \$3.5 million.

### **Component Unit – School Board**

At June 30, 2007, the School Board had \$699,632 in long-term liabilities outstanding. This long-term liability is comprised of \$699,632 in compensated absences, of which \$288,108 is due within one year.

### **Component Unit – HEC**

At June 30, 2007, HEC had \$994,851 in long-term liabilities outstanding. This long-term liability is comprised of \$318,659 in compensated absences, of which the entire amount is due within one year and \$676,192 in postretirement health care benefits, of which the entire amount is due in more than one year.

The Harrisonburg Electric Commission has a \$1 million unsecured line of credit with SunTrust Bank at a rate equal to LIBOR plus 100 basis points. There were no borrowings against this line of credit during fiscal year 2007.

## **Note 12. Judicial Complex Lease Agreement**

In May 1998, the City and the County of Rockingham (County) entered into a restated and amended lease agreement with the Harrisonburg Redevelopment and Housing Authority (Authority). Pursuant to the terms of this lease, the Authority sold a bond issue for \$12,305,000 entitled "Public Facility Lease Revenue Refunding Bonds (Rockingham County and City of Harrisonburg Project) Series of 1998." The proceeds of this bond issue were used to purchase U. S. government securities, which were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1991 Series Lease Revenue Bonds.

The bonds are limited obligations of the Authority payable solely from certain rent payments to be made by the County and the City, pursuant to the lease agreement, and from certain funds established for the project under the trust agreement. The obligations of the County and the City to make rent payments will be subject to annual appropriation by each of the Board of Supervisors of the County and the City Council of the City, neither of which shall be under any legal obligation to make such appropriation. Neither the bonds nor the lease agreement constitutes a debt of the County or the City for a pledge of the faith and credit or taxing power of the County or the City. However, this is a capital lease and is shown as long-term debt of the City.

**Note 13. Social Services and Health Department Lease Agreement**

In August 1995, the City and the County of Rockingham (County) entered into a lease agreement with the Harrisonburg Redevelopment and Housing Authority (Authority). Pursuant to the terms of this lease, the Authority sold a bond issue for \$2,665,000 entitled “Public Facility Lease Revenue Bond (Rockingham County and City of Harrisonburg Project).” The proceeds of this bond issue were used to renovate and equip a building to house the City’s and County’s combined Social Services and Health Departments. This building is on land owned by the Authority and located within the City limits.

The bonds are limited obligations of the Authority payable solely from certain rent payments to be made by the County and City, pursuant to the lease agreement. The obligations of the County and the City to make rent payments will be subject to annual appropriation by each of the Board of Supervisors of the County and the City Council of the City, neither of which shall be under any obligation to make such appropriation. Neither the bonds nor the lease agreement constitutes a debt of the County or the City for a pledge of the faith and credit or taxing power of the County or the City. However, this is a capital lease and has been shown as other long-term debt of the City.

**Note 14. Fund Balance**

The amounts that are reported on the fund financial balance sheet identified as reserved fund balance and designated fund balance are comprised of the following:

	General Fund	General Capital Projects Fund	School Bond Capital Projects Funds	Total
Reserved for:				
Encumbrances	\$ 654,071	\$ 1,211,383	\$ -	\$ 1,865,454
Advances to other funds	168,790	-	-	168,790
Loans receivable	375,000	-	-	375,000
Capital projects	-	7,222,983	18,690,496	25,913,479
Debt service	770,570	-	-	770,570
Drug forfeiture	86,078	-	-	86,078
Police department grants	6,657	-	-	6,657
Fire department grants	175,712	-	-	175,712
Total reserved fund balance	<u>\$ 2,236,878</u>	<u>\$ 8,434,366</u>	<u>\$ 18,690,496</u>	<u>\$ 29,361,740</u>
Designated for:				
Subsequent years' expenditures	\$ 4,100,698	\$ 12,876,114	\$ -	\$ 16,976,812
Vehicle insurance	500,000	-	-	500,000
Debt service (old high school)	2,779,902	-	-	2,779,902
Parks and recreation department	152,075	-	-	152,075
Denton park	5,131	-	-	5,131
Total designated fund balance	<u>\$ 7,537,806</u>	<u>\$ 12,876,114</u>	<u>\$ -</u>	<u>\$ 20,413,920</u>

**Note 15. Defined Benefit Pension Plan**

**Plan Description.** The City contributes to the Virginia Retirement System (VRS), an agent and cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System (System). All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 50 with 30 years of credited service (age 50 and 25 years of credited service for participating local law enforcement officers and firefighters) or at age

**Note 15. Defined Benefit Pension Plan (continued)**

65 with five years of credited service (age 60 and five years of credited service for participating local law enforcement officers and firefighters). Employees who retire with an unreduced benefit are entitled to an annual retirement benefit payable monthly for life in an amount equal to 1.7 percent of their average final compensation (AFC) for each year of credited service. AFC is defined as the highest consecutive 36 months of salary. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for an annual cost-of-living adjustment limited to five percent per year beginning in their second year of retirement. Participating local law enforcement officers and firefighters may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the *Code of Virginia* (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia. The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/2006AnnuRept.pdf> or obtained by writing to the VRS at P.O. Box 2500, Richmond, VA 23218-2500.

**Funding Policy.** Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their annual reported compensation to the VRS. This 5% member contribution has been assumed by the employer. In addition, the City, the City of Harrisonburg School Board (School Board) and the Harrisonburg Electric Commission (HEC), are required to contribute the remaining amounts necessary to fund their participation in the VRS using the actuarial basis specified by statute and approved by the VRS Board of Trustees. The City and HEC's contribution rate for the fiscal year ended 2007 was 10.73% of annual covered payroll. The School Board non-professional employees' contribution rate for the fiscal year ended 2007 was 4.02% of annual covered payroll. Total contributions made to the VRS statewide teacher pool for professional employees by the School Board for the years ending June 30, 2007, 2006, and 2005 were \$2,317,821, \$1,560,303, and \$1,314,375, respectively, and were equal to the required contributions for each year.

**Annual Pension Cost.** For 2007, the City of Harrisonburg and HEC's annual pension cost of \$2,416,921 was equal to the required and actual contributions. The School Board's non-professional employees annual pension cost of \$56,974 was equal to the required and actual contributions. The required contribution was determined as part of the June 30, 2005 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.5% investment rate of return, (b) projected salary increases ranging from 3.50% to 5.73% per year, (c) 2.5% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.5%. The actuarial value of the City's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The City, HEC and the School Board's non-professional employees unfunded actuarial accrued liability is being amortized as a level percentage of payroll on an open basis within a period of 21 years.

Trend Information

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
<b>City of Harrisonburg and HEC Employees:</b>			
2007	\$ 2,416,921	100%	\$ -
2006	2,161,429	100%	-
2005	2,001,569	100%	-
<b>School Board Non-Professional Employees:</b>			
2007	\$ 56,974	100%	\$ -
2006	9,631	100%	-
2005	8,752	100%	-

**Note 15. Defined Benefit Pension Plan (continued)**

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
<b>City of Harrisonburg and HEC Employees:</b>						
June 30, 2006	\$ 61,162,595	\$ 72,154,082	\$ 10,991,487	84.77%	\$ 21,377,282	51.42%
June 30, 2005	56,257,984	71,254,458	14,996,474	78.95%	19,804,909	75.72%
June 30, 2004	53,519,519	62,496,891	8,977,372	85.64%	18,584,069	48.31%
<b>School Board Non-Professional Employees:</b>						
June 30, 2006	\$ 3,872,195	\$ 3,962,016	\$ 89,821	97.73%	\$ 1,287,651	6.98%
June 30, 2005	3,660,582	3,713,584	53,002	98.57%	1,188,221	4.46%
June 30, 2004	3,564,405	3,109,100	(455,305)	114.64%	1,109,692	(41.03%)

The assumptions used for the June 30, 2005 actuarial valuation reflect a change in economic and demographic assumptions, which include a decrease in the investment rate of return, a change in projected salary increases, a decrease in the cost-of-living assumption, and a decrease in the inflation component of the investment rate of return and projected salary increases.

**Note 16. Postretirement Health Care Benefits**

**Primary Government.** The City provides certain health care benefits for retirees who are at least 50 years of age and have at least 15 years of consecutive retirement eligible service with the City. The employee must also meet VRS retirement or disability requirements and must not be eligible for Medicare. The City contributes on a "pay-as-you-go" basis. At June 30, 2007, there were 549 employees eligible to participate in the plan with 25 retired employees receiving benefits at year end. The City made contributions totaling \$77,658 during the year.

**Component Unit – School Board.** The School Board provides certain health care benefits for retirees who are at least 50 years of age and have at least 10 years of cumulative service (a minimum of five years with the School Board immediately preceding retirement). The employee must also meet VRS retirement or disability requirements and must not be eligible for Medicare. The School Board contributes on a "pay-as-you-go" basis. At June 30, 2007, there were 702 employees eligible to participate in the plan with 59 retired employees receiving benefits at year end. The School Board made contributions totaling \$198,339 during the year.

**Component Unit – HEC.** The Harrisonburg Electric Commission (HEC) provides certain health care benefits for retirees who are at least 50 years of age and have at least 15 years of consecutive retirement eligible service with HEC. The employee must also meet VRS retirement or disability requirements and must not be eligible for Medicare. HEC adopted Financial Accounting Standards Board Statement No. 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions*. The statement requires the cost of employee postretirement benefits to be accrued over the employee's service period. The estimated employee postretirement benefit payable as of June 30, 2007 was \$676,192.

#### **Note 17. Landfill Closure and Postclosure Care Costs**

In accordance with state and federal laws and regulations, the City is required to perform certain maintenance and monitoring functions at the City's closed landfill site for 30 years after the date of closure. The City closed its landfill in 1994. \$1,643,388 of the amount reported as landfill closure and postclosure care liability at June 30, 2007 represents the cumulative amount reported to date based on the use of 100% of the capacity of the landfill. Included in the total liability is an additional \$676,116 for groundwater remediation. The City plans to fund its landfill closure and postclosure care costs with available funds from the Sanitation Fund.

#### **Note 18. Rockingham County Landfill Closure and Postclosure Care Costs**

Beginning July 1, 1994, the City entered into an agreement with Rockingham County (County) to use its landfill. The City recognizes that it has an obligation to fund a portion of the County's closure and postclosure care costs. \$387,939 of the amount reported as landfill closure and postclosure care liability at June 30, 2007 represents the cumulative amount reported to date based on the use of 100% of the capacity of the County's old landfill cell. This amount is based upon the estimated closure and postclosure care costs incurred since July 1, 1994, which is calculated by using the population ratio of the City and County, plus \$21,835 in liability incurred by the City prior to July 1, 1994. The County closed this cell in 2000.

The City also recognizes \$1,644,078 associated with a new, and subsequently expanded, landfill cell opened in 2001, which is based on the use of 90.6% of the estimated capacity of the new landfill cell. The City will recognize its remaining estimated cost of closure and postclosure care of \$170,394 as the remaining capacity of this new cell is used. The County expects to begin closing this cell in late 2007. Actual costs may be different due to inflation, changes in technology, or changes in regulations. The City plans to fund these landfill closure and postclosure care costs with available funds from the Sanitation Fund.

#### **Note 19. Transactions with Component Units**

For the year ended June 30, 2007, the City's General Fund made cash payments to the School Board, a component unit, totaling \$22,299,274. These payments were comprised of \$21,499,274 paid in equal monthly installments for the purpose of funding the School Board's operating budget and \$800,000 paid for capital purposes.

For the year ended June 30, 2007, the Harrisonburg Electric Commission, a component unit, made cash payments to the City's General Fund totaling \$4,600,000. These payments are made in equal monthly installments for the purpose of funding the General Fund budget.

#### **Note 20. Joint Venture**

The City, Rockingham County, and the towns of Bridgewater, Dayton and Mt. Crawford have entered into a contract with the Harrisonburg-Rockingham Regional Sewer Authority (Authority), whereby the Authority agrees to operate a sewage disposal system for the participating municipalities. The municipalities have an ongoing financial responsibility based on an agreement to make annual contributions to the Authority for operations and maintenance based on their respective usage of the system. The municipalities also agree to make annual contributions to the Authority for debt service, except for Mt. Crawford, which made an upfront payment for its share. In fiscal year 2007, the City's contributions totaled \$2,848,406 of which \$1,733,166 was for operations and \$1,115,240 was for debt service. These contributions are made from the Sewer Fund. The City does not have an ongoing financial interest in the Authority since it does not have access to the Authority's resources or surpluses, nor is it liable for the Authority's debts or deficits. To obtain a copy of the audited financial statements, contact the Harrisonburg-Rockingham Regional Sewer Authority, P.O. Box 8, 856 North River Road, Mt. Crawford, Virginia 22841.



**Note 20. Joint Venture (continued)**

The Authority has \$17,669,569 of total debt outstanding that includes refunding and project debt. The payments on the refunding portion of the debt are computed in the same ratio as volume of waste treated, and the payments on the project debt are at a fixed percentage. The City's variable rate is approximately 62.94 percent and the fixed rate is 73.884 percent. Assuming that the ratio of volume of waste treated between the participating municipalities does not change significantly, the City's share of the required principal and interest payments for the Authority's bond issues can be projected as follows:

Fiscal Year	Principal	Interest	Total
2008	\$ 572,039	\$ 503,270	\$ 1,075,309
2009	500,725	480,984	981,709
2010	520,622	458,126	978,748
2011	543,834	433,839	977,673
2012	573,679	407,925	981,604
2013-2017	3,302,797	1,584,951	4,887,748
2018-2022	4,214,714	661,253	4,875,967
Total	\$ 10,228,410	\$ 4,530,348	\$ 14,758,758

The following information is a condensed statement of net assets as of the end of the two most recent fiscal years for the Authority.

	June 30, 2007	June 30, 2006	Increase (Decrease)
Current assets	\$ 2,180,999	\$ 1,925,165	\$ 255,834
Restricted assets	2,506,364	2,350,728	155,636
Capital assets	22,539,303	21,483,304	1,055,999
Other assets	589,177	570,828	18,349
Total assets	\$ 27,815,843	\$ 26,330,025	\$ 1,485,818
Current liabilities	\$ 629,983	\$ 401,745	\$ 228,238
Liabilities payable from restricted assets	986,057	975,319	10,738
Long-term liabilities	15,779,426	14,288,659	1,490,767
Total liabilities	\$ 17,395,466	\$ 15,665,723	\$ 1,729,743
Net assets	\$ 10,420,377	\$ 10,664,302	\$ (243,925)

**Note 21. Jointly Governed Organizations**

The Harrisonburg-Rockingham Social Services District (District) was created by the City and the County of Rockingham (County) to provide social services for the residents of the City and County. Both the City and County appoint one member each to the governing board. The District is a separate legal entity and is a discretely presented component unit of the County. The City contributed \$2,493,326 to the District for the year ended June 30, 2007.

**Note 22. Related Organization**

The City created the Harrisonburg Redevelopment and Housing Authority (Authority) to provide low-income housing to the residents of the City. The Authority is a separate legal entity and is governed by five commissioners who are appointed solely by the City Council. The City does not have an ongoing financial interest or responsibility to the Authority.

### **Note 23. Harrisonburg Redevelopment and Housing Authority Agreements**

**One Court Square.** In December 2004, the City entered into a support agreement with the Harrisonburg Redevelopment and Housing Authority (Authority) whereby the Authority purchased and planned to renovate an office building in the downtown area. The building was originally intended to serve as an incubator to attract telecommunication and other technology firms to the City by providing leaseable office space to qualifying businesses and subsequently was considered for use as the School Board's administration offices. Pursuant to the agreement, the Authority incurred \$2 million in debt to finance the original project with final maturity occurring in December 2014. Currently, it has been determined that it is not financially feasible for the City to renovate the building for use as office space and the Authority intends to sell the building.

The City has agreed to a non-binding moral obligation pledge to pay all operating expenses for the project, including debt service, to the extent that revenues from any leases are insufficient to pay these expenses. In fiscal year 2007, the City made payments totaling \$253,623 to the Authority for this project.

**Harrisonburg Children's Museum.** In April 2005, the City entered into a support agreement with the Harrisonburg Redevelopment and Housing Authority (Authority) whereby the Authority purchased and renovated a building in the downtown area. Upon completion of the renovations, the Authority leased the building to the Harrisonburg Children's Museum, Inc., a non-profit corporation, that is using the building as its permanent location. Pursuant to the agreement, the Authority incurred \$750,000 in debt to finance the project with final maturity occurring in April 2020.

The City has agreed to a non-binding moral obligation pledge to pay all operating expenses for the project, including debt service, to the extent that the revenue from the lease is insufficient to pay these expenses. In fiscal year 2007, the City made payments totaling \$67,668 to the Authority for this project.

### **Note 24. Lucy F. Simms Continuing Education Center**

In January 2005, the City entered into an agreement to sell the historic portion of the Lucy F. Simms Continuing Education Center (Center) to Lucy F. Simms, LP (Partnership). This arrangement allowed for the use of certain tax credits to assist in financing the renovations of the historic portion of the Center. Pursuant to the agreement, the Partnership issued to the City a \$1.17 million deferred principal and interest note maturing in November 2024 at an interest rate of 4.76%. Also, the Partnership assumed an outstanding \$2.97 million general obligation note payable that the City had previously issued in December 2003. The City has the option to purchase back the historic portion of the building after the close of the five-year compliance period for the tax credit.

### **Note 25. Special Item**

In fiscal year 2007, the City sold the former Harrisonburg High School property to James Madison University. The special item reported in the amount of \$15.7 million in the General Fund represents the proceeds from this sale. The special item reported in the amount of \$2.18 million under governmental activities on the statement of activities represents the gain on the sale of the asset.

### **Note 26. Subsequent Events**

As required by regulatory agencies, the Harrisonburg-Rockingham Regional Sewer Authority (Authority) entered into a construction contract to upgrade its existing facilities subsequent to June 30, 2007. The total cost of this upgrade project is approximately \$90 million which will be funded through grants from the Commonwealth of Virginia and debt financing issued by the Authority. The City will be responsible for its share of the debt financing through annual debt service contributions to the Authority. It is anticipated that the City's share of the debt financing will be approximately \$27.9 million.

In January 2008, the City sold land located on Port Republic Road to James Madison University for \$7 million.

## Note 27. Other Liabilities

In January 2005, the Harrisonburg Redevelopment and Housing Authority (Authority) issued a \$2.7 million taxable note maturing in January 2008 at an interest rate of 2.5% to assist in financing the renovations of the historic portion of the Lucy F. Simms Continuing Education Center. The City guaranteed the repayment of this note. The Authority anticipated receiving contributions totaling \$2.3 million from the Boys & Girls Club of Harrisonburg and Rockingham County (Boys & Girls Club), the Harrisonburg-Rockingham Association for Retarded Children, Inc. (ARC) and Lucy F. Simms, LP (Partnership) to assist in the repayment of the note. The City also guaranteed these contributions to the Authority. The Boys & Girls Club and ARC will not be able to meet their contribution requirements without the City's assistance. The City will be required to provide \$1.74 million in assistance on behalf of the Boys & Girls Club and ARC which has been recorded as other liabilities under governmental activities on the government-wide statement of net assets.

## Note 28. Contingent Liabilities

All major federal programs and certain other programs in which the City participates were tested, by our auditors, for compliance with applicable grant requirements pursuant to the provisions of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget Circular A-133, *Audit of States, Local Governments and Nonprofit Organizations*. While no material matters of noncompliance were disclosed by the audit, the Federal Government may subject grant programs to additional compliance tests, which may result in disallowed expenditures. In the opinion of management, any future disallowance of current grant program expenditures, if any, would be immaterial.

The City has certain debt instruments subject to arbitrage rebate calculations. As of June 30, 2007, the City has a potential rebate liability of approximately \$269,000 for general obligation bonds issued in October 2006. Management is of the opinion that it will be able to comply with the periodic spending exception rules and ultimately no amounts will be required to be rebated.

## Note 29. Restatement of Beginning Net Assets

The following is a summary of restatements made to the beginning net assets of the government-wide and fund financial statements at June 30, 2006:

	Government-wide		
	Primary Government Business-type Activities	Component Unit School Board	Sanitation Fund
Net assets at beginning of year, as previously reported	\$ 74,984,649	\$ 23,764,820	\$ 7,014,324
Restatement to:			
Record prior years intangible asset for contractual landfill asset (net of accumulated depreciation)	654,491	-	654,491
Record a receivable for the School Board's share of June state sales tax receipts	-	313,768	-
Record a receivable for the return of excess contributions made to the Massanutten Vocational Technical Center	-	102,836	-
Net assets at beginning of year, as restated	<u>\$ 75,639,140</u>	<u>\$ 24,181,424</u>	<u>\$ 7,668,815</u>

### **Note 30. Intangible Landfill Asset**

In June 1994, the City and Rockingham County (County) entered into an agreement that allows the City to use the County's landfill facility and the County in turn to use the City's steam plant facility for the disposal of solid waste. The City and County each retains ownership and title to their own respective facilities. Either party may terminate the agreement upon written notice to the other at least five years prior to the effective date of such termination. Pursuant to the agreement, the City agreed to make contributions to the County for the City's share of landfill cell construction costs and for other capital costs incurred by the County. The City will receive the benefit of these contributions over at least a five year time period and has determined that the contributions are intangible capital assets. In fiscal year 2007, the City made contributions totaling \$2.3 million to the County. The City has increased the beginning net assets of the Sanitation Fund by \$654,491 which represents the unamortized balance of the intangible asset at June 30, 2006.

### **Note 31. Commitments**

The City has a contract outstanding for the construction of a new elementary/middle school complex. The contract totals \$37.8 million, of which \$20.4 million had been expended as of June 30, 2007. This contract is a commitment of the School Bond Capital Projects Fund and is being financed through the proceeds of previously issued bonds.

The City has a contract outstanding for engineering services regarding connecting Erickson Avenue and Stone Spring Road. The contract totals \$5.2 million, of which \$3 million had been expended as of June 30, 2007. This contract is a commitment of the General Capital Projects Fund and is being financed through transfers from the General Fund and proceeds of previously issued bonds.

The City has a joint contract outstanding with the County of Rockingham for the implementation and construction of a radio communications system. The City's share of the contract totals \$9.4 million, of which \$8.4 million had been expended as of June 30, 2007. This contract is a commitment of the General Capital Projects Fund and is being financed through the proceeds of a capital lease obligation incurred in December 2004.

The City has a contract outstanding for the construction of a new five million gallon water tank. The contract totals \$1.5 million, of which \$1.2 million had been expended as of June 30, 2007. This contract is a commitment of the Water Fund and is being financed with currently available resources.

The City has contracts outstanding for construction and engineering services regarding the extension of Linda Lane. The contracts total \$6 million and \$846,963 had been expended as of June 30, 2007. The contracts are a commitment of the General Capital Projects Fund and are being financed through the proceeds of previously issued bonds.

### **Note 32. Emergency Communications Center Operations Reported in the General Fund**

Beginning July 1, 2007, the operations of the emergency communications center will no longer be reported as a special revenue fund. As a result, all assets, liabilities and fund balance of the Emergency Communications Center Fund were transferred to the General Fund at June 30, 2007. The closure of the Emergency Communications Center Fund resulted in a transfer to the General Fund of \$317,069.

### **Note 33. James Madison University Steam Agreement**

In September 1981, the City entered into an agreement with James Madison University (JMU) whereby the City paid JMU \$2.5 million over a five year period in consideration for conveying a suitable site for the construction of the City's steam plant and entering into a twenty year agreement with the City for the purpose of purchasing steam produced by the steam plant. In June 2004, a new twenty-five year agreement with JMU replaced an amended and updated April 1995 agreement. This agreement is shown on the financial statements as other assets of the Sanitation Fund and is being amortized over a twenty-five year period that began July 1, 1996.

**Note 34. Conduit Debt**

From time to time, the City has issued Industrial Development Authority Revenue Bonds and Redevelopment and Housing Authority Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial, commercial, public and private facilities deemed to be in the public interest. The bonds are secured by property financed and are payable from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. The City, the State, nor any political subdivision thereof is obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of June 30, 2007, there were five series of Industrial Revenue Bonds and 16 series of Redevelopment and Housing Authority Bonds outstanding, with an aggregate principal amount of \$272.7 million and \$174.1 million respectively.

**Note 35. Risk Management**

The City is a member of the Virginia Municipal League Group Self Insurance Association (VML) for vehicles, property, inland marine, EDP, flood, general liability, workman’s compensation, boiler and machinery. Each VML member jointly and severally agrees to assume, pay and discharge any liability. The City makes contributions and assessments into a designated cash reserve fund. This reserve fund is used to pay claims and awards, as well as, expenses incurred by VML. In the event of a loss deficit and depletion of all available excess reserves, VML may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs. However, since the inception of this insurance association, no additional assessments have been required. There has been no reduction in insurance coverage from coverage in the prior year. Insurance settlements have not exceeded insurance coverage for each of the past three fiscal years. Also, the City insures its transit buses through the Virginia Transit Liability Pool.

The City is self-insured for health insurance purposes and has retained Anthem Blue Cross and Blue Shield to administer the program. The City currently reports these activities in the Health Insurance Fund, which is an internal service fund. This fund serves the City, primary government; Harrisonburg School Board and Harrisonburg Electric Commission, component units; the Harrisonburg-Rockingham Community Services Board; Harrisonburg-Rockingham Regional Sewer Authority; Harrisonburg Redevelopment and Housing Authority; and the Massanutten Regional Library. This fund accounts for the health insurance activities of the aforementioned entities but does not constitute a transfer of risk from the City. Significant claims, over \$100,000, are covered by commercial insurance.

The City records an estimated liability for indemnity health care claims. Claims liabilities are based on estimates of the ultimate cost of reported claims, related claim adjustment expenses and an estimate for claims incurred but not reported (IBNR) based on historical experience. The following represents the change in approximate aggregate liabilities for the fund from July 1, 2005 to June 30, 2007:

<u>Fiscal Year</u>	<u>Beginning Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Ending Liability</u>
2007	\$ 803,953	\$ 8,601,733	\$ 8,709,259	\$ 696,427
2006	856,879	7,756,698	7,809,624	803,953

### Note 36. New Governmental Accounting Standards Board (GASB) Standards

In June 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement establishes new standards for other postemployment benefits (OPEB) by state and local government employers, i.e. postretirement healthcare benefits. This statement addresses the measurement, recognition, and display of OPEB expenditures/expenses and related liabilities, assets, note disclosures, and, if applicable, required supplementary information. The provisions of this statement are effective and will be implemented in fiscal year 2009. In June 2007, the City and the School Board contracted to have actuarial valuations performed based on the current provisions for postretirement health care benefits. The City's and School Board's current benefit obligation is summarized in the following table.

	<u>Primary Government</u>	<u>School Board</u>
Unfunded using 4% discount rate	\$8.8 million	\$8.7 million
Funded using 7% discount rate	\$6.3 million	\$6.4 million

In September 2006, the GASB issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. This statement establishes the accounting and reporting of transactions where an interest in expected cash flows from specific receivables or specific future revenues is exchanged for immediate cash payments, and establishes criteria to determine whether the proceeds received should be a revenue or a liability. This statement also addresses intra-entity transfers of assets (including capital assets), and requires that the transferee should recognize the assets received at the carrying value of the transferor. The provisions of this statement are effective for fiscal year 2008 and will not have a material effect on the City's financial statements.

In November 2006, the GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This statement establishes accounting and financial reporting standards for certain obligations to address the effects of existing pollution through pollution remediation activities such as site assessments and cleanups. This statement excludes pollution prevention or control obligations with respect to current operations, and future pollution remediation activities that are required upon retirement of an asset, such as landfill closure and postclosure care. Upon the occurrence of certain events, a government is required to estimate expected pollution remediation outlays and determine whether those outlays should be accrued as a liability, or, if appropriate, capitalized when goods and services are received. The provisions of this statement are effective for fiscal year 2009 and will not have a material effect on the City's financial statements.

In May 2007, the GASB issued Statement No. 50, *Pension Disclosures - an amendment of GASB Statements No. 25 and No. 27*. This statement establishes new or revised financial reporting requirements for pension plans and employers that provide pension benefits. This statement more closely aligns the financial reporting requirements for pensions with those for currently issued other postemployment benefits standards. The provisions of the statement are generally effective for fiscal year 2008 and will modify certain information disclosed in the City's financial statements.

In June 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This statement establishes accounting and financial reporting requirements for intangible assets. This statement specifically addresses the areas of recognition, initial measurement and amortization. The provisions of the statement are effective for fiscal year 2010. Management has not been able to determine at this time the effects of adopting this statement.

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**OTHER  
SUPPLEMENTARY INFORMATION**



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## **Nonmajor Governmental Funds**

### **Special Revenue Funds**

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

**Emergency Communications Center Fund** - This fund accounts for the operations of the emergency communications center (ECC). The ECC is a joint operation between the City and the County of Rockingham. Financing is provided by E911 emergency telephone tax collections, transfers from the General Fund, funding from the Commonwealth of Virginia and by the County of Rockingham.

**Community Development Block Grant Fund** - This fund accounts for the administration of the community development block grant. Financing is provided by grants from the Federal Government.

**CITY OF HARRISONBURG, VIRGINIA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
At June 30, 2007**

**Exhibit A-1**

	<u>Special Revenue Funds</u>		
	<u>Emergency Communications Center Fund</u>	<u>Community Development Block Grant Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<b>Assets</b>			
Receivables	\$ -	\$ 184,116	\$ 184,116
<b>Total assets</b>	<u>\$ -</u>	<u>\$ 184,116</u>	<u>\$ 184,116</u>
<b>Liabilities</b>			
Accounts payable	\$ -	\$ 110,061	\$ 110,061
Accrued payroll	-	1,639	1,639
Advances from other funds	-	72,416	72,416
<b>Total liabilities</b>	<u>\$ -</u>	<u>\$ 184,116</u>	<u>\$ 184,116</u>

**CITY OF HARRISONBURG, VIRGINIA  
NONMAJOR GOVERNMENTAL FUNDS**

**Exhibit A-2**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**

**For the Year Ended June 30, 2007**

	<u>Special Revenue Funds</u>		
	<u>Emergency Communications Center Fund</u>	<u>Community Development Block Grant Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<b>Revenues:</b>			
Other local taxes	\$ 401,181	\$ -	\$ 401,181
Use of money and property	9,777	-	9,777
Recovered costs	1,052,109	-	1,052,109
Intergovernmental	76,306	443,363	519,669
Total revenues	<u>\$ 1,539,373</u>	<u>\$ 443,363</u>	<u>\$ 1,982,736</u>
<b>Expenditures:</b>			
Current:			
Public safety	\$ 2,031,500	\$ -	\$ 2,031,500
Planning and community development	-	443,363	443,363
Total expenditures	<u>\$ 2,031,500</u>	<u>\$ 443,363</u>	<u>\$ 2,474,863</u>
<b>Deficiency of revenues under expenditures</b>	<u>\$ (492,127)</u>	<u>\$ -</u>	<u>\$ (492,127)</u>
<b>Other financing sources (uses):</b>			
Transfers in	\$ 599,915	\$ -	\$ 599,915
Transfers out	(317,069)	-	(317,069)
Total other financing sources (uses)	<u>\$ 282,846</u>	<u>\$ -</u>	<u>\$ 282,846</u>
<b>Net change in fund balances</b>	<u>\$ (209,281)</u>	<u>\$ -</u>	<u>\$ (209,281)</u>
Fund balances at beginning of year	<u>209,281</u>	<u>-</u>	<u>209,281</u>
Fund balances at end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

CITY OF HARRISONBURG, VIRGINIA  
 EMERGENCY COMMUNICATIONS CENTER FUND

Exhibit A-3

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Other local taxes	\$ 730,193	\$ 580,193	\$ 401,181	\$ (179,012)
Use of money and property	-	-	9,777	9,777
Recovered costs	1,045,741	1,045,741	1,052,109	6,368
Intergovernmental	124,286	124,286	76,306	(47,980)
Total revenues	<u>\$ 1,900,220</u>	<u>\$ 1,750,220</u>	<u>\$ 1,539,373</u>	<u>\$ (210,847)</u>
<b>Expenditures:</b>				
Current:				
Public safety	\$ 2,350,135	\$ 2,350,135	\$ 2,031,500	\$ 318,635
Total expenditures	<u>\$ 2,350,135</u>	<u>\$ 2,350,135</u>	<u>\$ 2,031,500</u>	<u>\$ 318,635</u>
<b>Deficiency of revenues under expenditures</b>	<u>\$ (449,915)</u>	<u>\$ (599,915)</u>	<u>\$ (492,127)</u>	<u>\$ 107,788</u>
<b>Other financing sources (uses):</b>				
Transfers in	\$ 449,915	\$ 599,915	\$ 599,915	\$ -
Transfers out	-	-	(317,069)	(317,069)
Total other financing sources (uses)	<u>\$ 449,915</u>	<u>\$ 599,915</u>	<u>\$ 282,846</u>	<u>\$ (317,069)</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (209,281)</u>	<u>\$ (209,281)</u>
Fund balance at beginning of year			<u>209,281</u>	
Fund balance at end of year			<u>\$ -</u>	

CITY OF HARRISONBURG, VIRGINIA  
 COMMUNITY DEVELOPMENT BLOCK GRANT FUND

Exhibit A-4

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Intergovernmental	\$ 550,442	\$ 1,038,547	\$ 443,363	\$ (595,184)
Total revenues	<u>\$ 550,442</u>	<u>\$ 1,038,547</u>	<u>\$ 443,363</u>	<u>\$ (595,184)</u>
<b>Expenditures:</b>				
Current:				
Planning and community development	\$ 514,011	\$ 1,002,116	\$ 443,363	\$ 558,753
Total expenditures	<u>\$ 514,011</u>	<u>\$ 1,002,116</u>	<u>\$ 443,363</u>	<u>\$ 558,753</u>
<b>Excess of revenues over expenditures</b>	<u>\$ 36,431</u>	<u>\$ 36,431</u>	<u>\$ -</u>	<u>\$ (36,431)</u>
<b>Other financing sources (uses):</b>				
Transfers out	\$ (36,431)	\$ (36,431)	\$ -	\$ 36,431
Total other financing sources (uses)	<u>\$ (36,431)</u>	<u>\$ (36,431)</u>	<u>\$ -</u>	<u>\$ 36,431</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance at beginning of year			<u>-</u>	
Fund balance at end of year			<u>\$ -</u>	

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## **Internal Service Funds**

Internal service funds are used to account for the financing of goods and services provided by one department or agency to other departments or agencies of the government and to other governmental units, on a cost reimbursement basis.

**Central Garage Fund** - This fund accounts for the operations of the City's central garage. Financing is provided by charges to other departments and agencies for services rendered and transfers from other funds for overhead costs.

**Central Stores Fund** - This fund accounts for the operations of the City's central stores. Financing is provided by charges to other departments and agencies for the sale of materials and supplies and transfers from other funds for overhead costs.

**Health Insurance Fund** - This fund accounts for the health insurance premium collections and claims payments related to the operation of the City's self-insured health insurance program. Financing is provided by premiums paid by departments, employees and organizations which participate in the insurance plan.



**CITY OF HARRISONBURG, VIRGINIA**  
**INTERNAL SERVICE FUNDS**  
**COMBINING BALANCE SHEET**  
**At June 30, 2007**

**Exhibit B-1**

	<u>Central Garage Fund</u>	<u>Central Stores Fund</u>	<u>Health Insurance Fund</u>	<u>Total</u>
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 143,995	\$ -	\$ 4,060,991	\$ 4,204,986
Receivables	3,960	-	1,471	5,431
Due from component unit	4,964	-	-	4,964
Inventory	546,166	1,163,687	-	1,709,853
Total current assets	<u>\$ 699,085</u>	<u>\$ 1,163,687</u>	<u>\$ 4,062,462</u>	<u>\$ 5,925,234</u>
Noncurrent assets:				
Capital assets (net of accumulated depreciation)	\$ 39,138	\$ 745,139	\$ -	\$ 784,277
Total noncurrent assets	<u>\$ 39,138</u>	<u>\$ 745,139</u>	<u>\$ -</u>	<u>\$ 784,277</u>
<b>Total assets</b>	<u><u>\$ 738,223</u></u>	<u><u>\$ 1,908,826</u></u>	<u><u>\$ 4,062,462</u></u>	<u><u>\$ 6,709,511</u></u>
<b>Liabilities and Net Assets</b>				
Current liabilities:				
Accounts payable	\$ 87,513	\$ 903	\$ 696,427	\$ 784,843
Accrued payroll	24,978	2,703	-	27,681
Due to component unit	-	499	-	499
Advances from other funds	-	96,374	-	96,374
Compensated absences	46,734	3,241	-	49,975
Total current liabilities	<u>\$ 159,225</u>	<u>\$ 103,720</u>	<u>\$ 696,427</u>	<u>\$ 959,372</u>
Noncurrent liabilities:				
Compensated absences	\$ 50,330	\$ 3,598	\$ -	\$ 53,928
Total noncurrent liabilities	<u>\$ 50,330</u>	<u>\$ 3,598</u>	<u>\$ -</u>	<u>\$ 53,928</u>
<b>Total liabilities</b>	<u><u>\$ 209,555</u></u>	<u><u>\$ 107,318</u></u>	<u><u>\$ 696,427</u></u>	<u><u>\$ 1,013,300</u></u>
Net assets:				
Invested in capital assets	\$ 39,138	\$ 745,139	\$ -	\$ 784,277
Unrestricted	489,530	1,056,369	3,366,035	4,911,934
<b>Total net assets</b>	<u><u>\$ 528,668</u></u>	<u><u>\$ 1,801,508</u></u>	<u><u>\$ 3,366,035</u></u>	<u><u>\$ 5,696,211</u></u>
<b>Total liabilities and net assets</b>	<u><u>\$ 738,223</u></u>	<u><u>\$ 1,908,826</u></u>	<u><u>\$ 4,062,462</u></u>	<u><u>\$ 6,709,511</u></u>

## INTERNAL SERVICE FUNDS

## COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

For the Year Ended June 30, 2007

	<b>Central Garage Fund</b>	<b>Central Stores Fund</b>	<b>Health Insurance Fund</b>	<b>Total</b>
<b>Operating revenues:</b>				
Charges for services	\$ 2,614,519	\$ 873,068	\$ 9,355,625	\$ 12,843,212
Total operating revenues	<u>\$ 2,614,519</u>	<u>\$ 873,068</u>	<u>\$ 9,355,625</u>	<u>\$ 12,843,212</u>
<b>Operating expenses:</b>				
Personal services	\$ 538,124	\$ 63,467	\$ -	\$ 601,591
Fringe benefits	182,868	18,805	-	201,673
Purchased services	27,600	14,706	505,157	547,463
Internal services	251	1,965	-	2,216
Other charges	10,543	12,420	476,569	499,532
Materials and supplies	41,908	15,517	-	57,425
Depreciation	9,652	22,392	-	32,044
Cost of inventory issued	1,908,985	888,711	-	2,797,696
Claims related charges	-	-	8,601,733	8,601,733
Total operating expenses	<u>\$ 2,719,931</u>	<u>\$ 1,037,983</u>	<u>\$ 9,583,459</u>	<u>\$ 13,341,373</u>
<b>Operating income (loss)</b>	<u>\$ (105,412)</u>	<u>\$ (164,915)</u>	<u>\$ (227,834)</u>	<u>\$ (498,161)</u>
<b>Nonoperating revenues:</b>				
Investment revenue	\$ 7,927	\$ -	\$ 215,573	\$ 223,500
Total nonoperating revenues	<u>\$ 7,927</u>	<u>\$ -</u>	<u>\$ 215,573</u>	<u>\$ 223,500</u>
<b>Income (loss) before transfers</b>	\$ (97,485)	\$ (164,915)	\$ (12,261)	\$ (274,661)
Transfers in	<u>93,912</u>	<u>186,732</u>	<u>-</u>	<u>280,644</u>
<b>Change in net assets</b>	\$ (3,573)	\$ 21,817	\$ (12,261)	\$ 5,983
Net assets at beginning of year	<u>532,241</u>	<u>1,779,691</u>	<u>3,378,296</u>	<u>5,690,228</u>
Net assets at end of year	<u>\$ 528,668</u>	<u>\$ 1,801,508</u>	<u>\$ 3,366,035</u>	<u>\$ 5,696,211</u>

**CITY OF HARRISONBURG, VIRGINIA**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**For the Year Ended June 30, 2007**

	<b>Central Garage Fund</b>	<b>Central Stores Fund</b>	<b>Health Insurance Fund</b>	<b>Total</b>
<b>Cash flows from operating activities:</b>				
Receipts from customers	\$ 2,614,068	\$ 873,279	\$ -	\$ 3,487,347
Receipts from premiums	-	-	9,355,625	9,355,625
Payments to employees	(519,424)	(62,407)	-	(581,831)
Payments for fringe benefits	(177,382)	(18,564)	-	(195,946)
Payments to vendors	(1,995,990)	(794,374)	(981,726)	(3,772,090)
Payments for internal services	(251)	(1,965)	-	(2,216)
Payments for claims related charges	-	-	(8,709,259)	(8,709,259)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Net cash provided by (used for) operating activities	\$ (78,979)	\$ (4,031)	\$ (335,360)	\$ (418,370)
<b>Cash flows from noncapital financing activities:</b>				
Transfers in	\$ 93,912	\$ 186,732	\$ -	\$ 280,644
Interfund loan repayment	-	(182,701)	-	(182,701)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Net cash provided by noncapital financing activities	\$ 93,912	\$ 4,031	\$ -	\$ 97,943
<b>Cash flows from investing activities:</b>				
Interest received	\$ 7,941	\$ -	\$ 216,109	\$ 224,050
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Net cash provided by investing activities	\$ 7,941	\$ -	\$ 216,109	\$ 224,050
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>\$ 22,874</b>	<b>\$ -</b>	<b>\$ (119,251)</b>	<b>\$ (96,377)</b>
<b>Cash and cash equivalents:</b>				
Beginning	<u>121,121</u>	<u>-</u>	<u>4,180,242</u>	<u>4,301,363</u>
Ending	<u><u>\$ 143,995</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4,060,991</u></u>	<u><u>\$ 4,204,986</u></u>

(continued)

**CITY OF HARRISONBURG, VIRGINIA**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**For the Year Ended June 30, 2007**

	<u>Central Garage Fund</u>	<u>Central Stores Fund</u>	<u>Health Insurance Fund</u>	<u>Total</u>
<b>Reconciliation of operating income (loss) to net cash used for operating activities:</b>				
Operating income (loss)	\$ (105,412)	\$ (164,915)	\$ (227,834)	\$ (498,161)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	9,652	22,392	-	32,044
Change in assets and liabilities:				
(Increase) decrease in:				
Accounts receivable	240	211	-	451
Due from component unit	(690)	-	-	(690)
Inventory	54,830	181,482	-	236,312
Prepaid expenses	4,067	162	-	4,229
Increase (decrease) in:				
Accounts payable	(61,785)	(44,449)	(107,526)	(213,760)
Accrued payroll	5,425	153	-	5,578
Due to component unit	-	(53)	-	(53)
Compensated absences	14,694	986	-	15,680
Net cash provided by (used for) operating activities	<u>\$ (78,979)</u>	<u>\$ (4,031)</u>	<u>\$ (335,360)</u>	<u>\$ (418,370)</u>

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## **Agency Funds**

Agency funds are used to account for assets held by a government as an agent for individuals, private organizations or other governments.

**Juvenile Crime Control Fund** - This fund accounts for assets held by the City of Harrisonburg (City) for the 26<sup>th</sup> Judicial District Court Service Unit as a participant in the Virginia Juvenile Community Crime Control Act. The City acts as the fiscal agent for both the City and the County of Rockingham.

**Industrial Development Authority Fund** - This fund accounts for assets held by the City for the Harrisonburg Industrial Development Authority.

**CITY OF HARRISONBURG, VIRGINIA**  
**AGENCY FUNDS**  
**COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**At June 30, 2007**

**Exhibit C-1**

	<u>Juvenile Crime Control Fund</u>	<u>Industrial Development Authority Fund</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 15,876	\$ 32,247	\$ 48,123
Interest receivable	<u>5</u>	<u>12</u>	<u>17</u>
<b>Total assets</b>	<u>\$ 15,881</u>	<u>\$ 32,259</u>	<u>\$ 48,140</u>
<b>Liabilities</b>			
Accounts payable	\$ 902	\$ -	\$ 902
Accrued payroll	2,725	-	2,725
Compensated absences	2,857	-	2,857
Amounts held for others	<u>9,397</u>	<u>32,259</u>	<u>41,656</u>
<b>Total liabilities</b>	<u>\$ 15,881</u>	<u>\$ 32,259</u>	<u>\$ 48,140</u>

## AGENCY FUNDS

## STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES

For the Year Ended June 30, 2007

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
<b><u>Juvenile Crime Control Fund</u></b>				
Assets:				
Cash and cash equivalents	\$ 11,739	\$ 124,094	\$ 119,957	\$ 15,876
Interest receivable	6	5	6	5
Prepaid items	468	-	468	-
<b>Total assets</b>	<b>\$ 12,213</b>	<b>\$ 124,099</b>	<b>\$ 120,431</b>	<b>\$ 15,881</b>
Liabilities:				
Accounts payable	\$ 6	\$ 902	\$ 6	\$ 902
Accrued payroll	1,316	2,726	1,317	2,725
Compensated absences	-	2,857	-	2,857
Amounts held for others	10,891	124,093	125,587	9,397
<b>Total liabilities</b>	<b>\$ 12,213</b>	<b>\$ 130,578</b>	<b>\$ 126,910</b>	<b>\$ 15,881</b>
<b><u>Industrial Development Authority Fund</u></b>				
Assets:				
Cash and cash equivalents	\$ 16,687	\$ 16,410	\$ 850	\$ 32,247
Interest receivable	9	12	9	12
<b>Total assets</b>	<b>\$ 16,696</b>	<b>\$ 16,422</b>	<b>\$ 859</b>	<b>\$ 32,259</b>
Liabilities:				
Amounts held for others	\$ 16,696	\$ 16,413	\$ 850	\$ 32,259
<b>Total liabilities</b>	<b>\$ 16,696</b>	<b>\$ 16,413</b>	<b>\$ 850</b>	<b>\$ 32,259</b>
<b><u>Total - All Agency Funds</u></b>				
Assets:				
Cash and cash equivalents	\$ 28,426	\$ 140,504	\$ 120,807	\$ 48,123
Interest receivable	15	17	15	17
Prepaid items	468	-	468	-
<b>Total assets</b>	<b>\$ 28,909</b>	<b>\$ 140,521</b>	<b>\$ 121,290</b>	<b>\$ 48,140</b>
Liabilities:				
Accounts payable	\$ 6	\$ 902	\$ 6	\$ 902
Accrued payroll	1,316	2,726	1,317	2,725
Compensated absences	-	2,857	-	2,857
Amounts held for others	27,587	140,506	126,437	41,656
<b>Total liabilities</b>	<b>\$ 28,909</b>	<b>\$ 146,991</b>	<b>\$ 127,760</b>	<b>\$ 48,140</b>



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## **Discretely Presented Component Unit – School Board**

### **Special Revenue Funds**

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

**School Fund** - This fund accounts for the operations of the School Board's elementary, middle and high schools.

**School Cafeteria Fund** - This fund accounts for the operations of the School Board's centralized cafeterias.

### **Capital Projects Funds**

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

**School Capital Projects Fund** - This fund accounts for the financial resources to be used for the acquisition and construction of major capital facilities of the schools not financed through the issuance of debt.

**CITY OF HARRISONBURG, VIRGINIA**  
**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
**At June 30, 2007**

**Exhibit D-1**

	<u>School Fund</u>	<u>School Cafeteria Fund</u>	<u>School Capital Projects Fund</u>	<u>Totals</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 6,112,428	\$ 1,036,707	\$ 2,139,251	\$ 9,288,386
Investments	-	75,000	-	75,000
Receivables	1,189,931	-	-	1,189,931
Due from other funds	-	24,580	-	24,580
Inventory	-	39,879	-	39,879
Prepaid expenditures	<u>240,086</u>	<u>-</u>	<u>-</u>	<u>240,086</u>
<b>Total assets</b>	<u>\$ 7,542,445</u>	<u>\$ 1,176,166</u>	<u>\$ 2,139,251</u>	<u>\$ 10,857,862</u>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 65,337	\$ 1,093	\$ -	\$ 66,430
Accrued payroll	4,110,528	-	-	4,110,528
Due to other funds	24,580	-	-	24,580
Due to component unit	<u>79,844</u>	<u>-</u>	<u>-</u>	<u>79,844</u>
<b>Total liabilities</b>	<u>\$ 4,280,289</u>	<u>\$ 1,093</u>	<u>\$ -</u>	<u>\$ 4,281,382</u>
Fund Balances:				
Reserved	\$ 300,308	\$ -	\$ -	\$ 300,308
Unreserved:				
Designated	-	-	2,139,251	2,139,251
Undesignated	<u>2,961,848</u>	<u>1,175,073</u>	<u>-</u>	<u>4,136,921</u>
<b>Total fund balances</b>	<u>\$ 3,262,156</u>	<u>\$ 1,175,073</u>	<u>\$ 2,139,251</u>	<u>\$ 6,576,480</u>
<b>Total liabilities and fund balances</b>	<u>\$ 7,542,445</u>	<u>\$ 1,176,166</u>	<u>\$ 2,139,251</u>	<u>\$ 10,857,862</u>

**CITY OF HARRISONBURG, VIRGINIA**  
**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**  
**At June 30, 2007**

**Exhibit D-2**

Total fund balance of governmental funds (Exhibit D-1)	\$ 6,576,480
Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	21,112,224
Long-term liabilities, and related accounts, are not payable from current financial resources and therefore are not reported in the funds.	<u>(699,632)</u>
Net assets of governmental activities (Exhibit 1)	\$ <u><u>26,989,072</u></u>

**CITY OF HARRISONBURG, VIRGINIA**  
**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**For the Year Ended June 30, 2007**

**Exhibit D-3**

	<u>School Fund</u>	<u>School Cafeteria Fund</u>	<u>School Capital Projects Fund</u>	<u>Totals</u>
<b>Revenues:</b>				
Use of money and property	\$ 12,965	\$ 47,786	\$ -	\$ 60,751
Charges for services	597,122	528,382	-	1,125,504
Recovered costs	88,463	7,358	-	95,821
Payment from primary government	21,499,274	-	800,000	22,299,274
Intergovernmental	25,904,382	1,282,751	-	27,187,133
Total revenues	<u>\$ 48,102,206</u>	<u>\$ 1,866,277</u>	<u>\$ 800,000</u>	<u>\$ 50,768,483</u>
<b>Expenditures:</b>				
Current:				
Education	\$ 47,060,977	\$ 1,772,296	\$ -	\$ 48,833,273
Capital projects	-	-	216,262	216,262
Total expenditures	<u>\$ 47,060,977</u>	<u>\$ 1,772,296</u>	<u>\$ 216,262</u>	<u>\$ 49,049,535</u>
<b>Excess of revenues over expenditures</b>	<u>\$ 1,041,229</u>	<u>\$ 93,981</u>	<u>\$ 583,738</u>	<u>\$ 1,718,948</u>
<b>Other financing sources (uses):</b>				
Transfers in	\$ -	\$ 47,806	\$ 890,250	\$ 938,056
Transfers out	(938,056)	-	-	(938,056)
Total other financing sources (uses)	<u>\$ (938,056)</u>	<u>\$ 47,806</u>	<u>\$ 890,250</u>	<u>\$ -</u>
<b>Net change in fund balances</b>	\$ 103,173	\$ 141,787	\$ 1,473,988	\$ 1,718,948
Fund balances at beginning of year, as restated	<u>3,158,983</u>	<u>1,033,286</u>	<u>665,263</u>	<u>4,857,532</u>
Fund balances at end of year	<u>\$ 3,262,156</u>	<u>\$ 1,175,073</u>	<u>\$ 2,139,251</u>	<u>\$ 6,576,480</u>

**Note: Restatement of Beginning Fund Balances**

The School Board has increased the beginning fund balance of the School Fund by \$313,768. This restatement is the result of an accounting correction. In prior fiscal years, the School Board has not recognized as a receivable and revenue its share of June state sales tax receipts. This accounting error has been understating receivables and revenues for prior fiscal years.

The School Board has increased the beginning fund balance of the School Fund by \$102,836. This restatement is the result of an accounting correction. In prior fiscal years, the School Board has not recognized as a receivable and expenditure offset the return of excess funds contributed to the Massanutten Vocational Technical Center. This accounting error has been understating receivables and overstating expenditures for prior fiscal years.

**CITY OF HARRISONBURG, VIRGINIA**  
**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2007**

**Exhibit D-4**

Total net change in fund balances of governmental funds (Exhibit D-3) \$ 1,718,948

Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay expenditures.

Capital outlay expenditures	\$ 137,294	
Depreciation expense	<u>(851,896)</u>	
Net adjustment	\$ <u><u>(714,602)</u></u>	(714,602)

Certain expenses reported in the statement of activities that do not require the use of current financial resources are not reported as expenditures in governmental funds. This amount is the net change in these expenses. (31,812)

The transfer of capital assets between the primary government and the School Board affects only the statement of activities. These transfers do not have an effect on current financial resources and, therefore, are not reported in governmental funds. 1,835,114

Change in net assets of governmental activities (Exhibit 2) \$ 2,807,648

CITY OF HARRISONBURG, VIRGINIA  
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD  
SCHOOL FUND

Exhibit D-5

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Use of money and property	\$ 14,539	\$ 14,539	\$ 12,965	\$ (1,574)
Charges for services	765,155	765,155	597,122	(168,033)
Recovered costs	47,232	81,032	88,463	7,431
Payment from primary government	21,499,274	21,499,274	21,499,274	-
Intergovernmental	25,743,048	26,058,321	25,904,382	(153,939)
Total revenues	<u>\$ 48,069,248</u>	<u>\$ 48,418,321</u>	<u>\$ 48,102,206</u>	<u>\$ (316,115)</u>
<b>Expenditures:</b>				
Current:				
Education	\$ 48,043,473	\$ 48,392,546	\$ 47,060,977	\$ 1,331,569
Total expenditures	<u>\$ 48,043,473</u>	<u>\$ 48,392,546</u>	<u>\$ 47,060,977</u>	<u>\$ 1,331,569</u>
<b>Excess of revenues over expenditures</b>	<u>\$ 25,775</u>	<u>\$ 25,775</u>	<u>\$ 1,041,229</u>	<u>\$ 1,015,454</u>
<b>Other financing uses:</b>				
Transfers out	\$ (25,775)	\$ (916,025)	\$ (938,056)	\$ (22,031)
Total other financing uses	<u>\$ (25,775)</u>	<u>\$ (916,025)</u>	<u>\$ (938,056)</u>	<u>\$ (22,031)</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ (890,250)</u>	<u>\$ 103,173</u>	<u>\$ 993,423</u>
Fund balance at beginning of year, as restated			<u>3,158,983</u>	
Fund balance at end of year			<u>\$ 3,262,156</u>	

CITY OF HARRISONBURG, VIRGINIA  
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD  
SCHOOL CAFETERIA FUND

Exhibit D-6

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Use of money and property	\$ -	\$ -	\$ 47,786	\$ 47,786
Charges for services	628,087	628,087	528,382	(99,705)
Recovered costs	-	-	7,358	7,358
Intergovernmental	1,073,269	1,073,269	1,282,751	209,482
Total revenues	<u>\$ 1,701,356</u>	<u>\$ 1,701,356</u>	<u>\$ 1,866,277</u>	<u>\$ 164,921</u>
<b>Expenditures:</b>				
Current:				
Education	\$ 1,727,131	\$ 1,877,131	\$ 1,772,296	\$ 104,835
Total expenditures	<u>\$ 1,727,131</u>	<u>\$ 1,877,131</u>	<u>\$ 1,772,296</u>	<u>\$ 104,835</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>\$ (25,775)</u>	<u>\$ (175,775)</u>	<u>\$ 93,981</u>	<u>\$ 269,756</u>
<b>Other financing sources:</b>				
Transfers in	\$ 25,775	\$ 25,775	\$ 47,806	\$ 22,031
Total other financing sources	<u>\$ 25,775</u>	<u>\$ 25,775</u>	<u>\$ 47,806</u>	<u>\$ 22,031</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ (150,000)</u>	<u>\$ 141,787</u>	<u>\$ 291,787</u>
Fund balance at beginning of year			<u>1,033,286</u>	
Fund balance at end of year			<u>\$ 1,175,073</u>	



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**Other Supplementary Schedules**

**Schedule of Revenues – Budget to Actual** - This schedule provides additional detailed final budget and actual revenue information for the City’s governmental funds and discretely presented component unit – School Board.

**Schedule of Expenditures – Budget to Actual** - This schedule provides additional detailed final budget and actual expenditure information for the City’s governmental funds and discretely presented component unit – School Board.

**CITY OF HARRISONBURG, VIRGINIA**  
**GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**SCHEDULE OF REVENUES - BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2007**

<b>Fund, Major and Minor Revenue Sources</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Primary Government:</b>			
<b>General Fund:</b>			
General property taxes:			
Real property taxes	\$ 14,526,000	\$ 14,614,206	\$ 88,206
Real and personal public service corporation property taxes	306,000	257,361	(48,639)
Personal property taxes	6,752,320	6,903,578	151,258
Mobile home taxes	7,200	7,958	758
Machinery and tools taxes	1,500,000	1,713,458	213,458
Penalties and interest	185,000	219,863	34,863
Total general property taxes	<u>\$ 23,276,520</u>	<u>\$ 23,716,424</u>	<u>\$ 439,904</u>
Other local taxes:			
Local sales and use taxes	\$ 11,700,000	\$ 11,695,874	\$ (4,126)
Consumer utility taxes	1,934,000	1,489,300	(444,700)
Business license taxes	5,400,000	6,044,898	644,898
Franchise license taxes	294,000	167,399	(126,601)
Motor vehicle license taxes	757,500	736,579	(20,921)
Bank stock taxes	390,000	481,402	91,402
Taxes on recordation and wills	500,000	595,283	95,283
Tobacco taxes	860,000	878,952	18,952
Admission and amusement taxes	187,000	172,964	(14,036)
Hotel and motel room taxes	1,600,000	1,533,589	(66,411)
Restaurant food taxes	7,030,000	7,671,308	641,308
Communication sales and use taxes	150,000	796,224	646,224
Public rights-of-way use fee	138,000	107,545	(30,455)
Total other local taxes	<u>\$ 30,940,500</u>	<u>\$ 32,371,317</u>	<u>\$ 1,430,817</u>
Permits, privilege fees and regulatory licenses:			
Animal licenses	\$ 7,000	\$ 6,999	\$ (1)
Permits and other licenses	510,100	545,075	34,975
Total permits, privilege fees and regulatory licenses	<u>\$ 517,100</u>	<u>\$ 552,074</u>	<u>\$ 34,974</u>
Fines and forfeitures:			
Circuit court fines	\$ 400,000	\$ 380,856	\$ (19,144)
Parking fines	60,000	97,554	37,554
Drug forfeiture	-	26,218	26,218
Total fines and forfeitures	<u>\$ 460,000</u>	<u>\$ 504,628</u>	<u>\$ 44,628</u>
Use of money and property:			
Use of money	\$ 915,000	\$ 1,625,642	\$ 710,642
Use of property	1,025,000	411,388	(613,612)
Total use of money and property	<u>\$ 1,940,000</u>	<u>\$ 2,037,030</u>	<u>\$ 97,030</u>

(continued)

**CITY OF HARRISONBURG, VIRGINIA**  
**GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**SCHEDULE OF REVENUES - BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2007**

<u>Fund, Major and Minor Revenue Sources</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Primary Government: (continued)</b>			
<b>General Fund: (continued)</b>			
Charges for services:			
Charges for law enforcement and traffic control	\$ 9,500	\$ 9,742	\$ 242
Charges for parking	69,000	57,275	(11,725)
Charges for parks and recreation	267,200	283,385	16,185
Charges for golf course	528,600	492,288	(36,312)
Total charges for services	<u>\$ 874,300</u>	<u>\$ 842,690</u>	<u>\$ (31,610)</u>
Miscellaneous:			
Payments in lieu of taxes:			
Electric plant and equipment	\$ 303,817	\$ 303,817	\$ -
Public housing	8,000	4,694	(3,306)
Service charge on tax exempt property	10,000	11,120	1,120
Sale of used equipment	58,876	45,350	(13,526)
Donations - JMU & EMU	50,000	97,000	47,000
Donations	81,432	112,163	30,731
Other miscellaneous	134,904	229,018	94,114
Total miscellaneous	<u>\$ 647,029</u>	<u>\$ 803,162</u>	<u>\$ 156,133</u>
Recovered costs:			
Recoveries and rebates	\$ 92,615	\$ 74,965	\$ (17,650)
Court appointed attorney	24,000	23,307	(693)
Total recovered costs	<u>\$ 116,615</u>	<u>\$ 98,272</u>	<u>\$ (18,343)</u>
Payments from component units:			
Payment from Harrisonburg Electric Commission	\$ 4,600,000	\$ 4,600,000	\$ -
Payment from Harrisonburg City School Board	193,875	193,875	-
Total payments from component units	<u>\$ 4,793,875</u>	<u>\$ 4,793,875</u>	<u>\$ -</u>
Intergovernmental:			
Revenue from the Commonwealth:			
Non-categorical aid:			
ABC profits	\$ 24,000	\$ 23,715	\$ (285)
Wine taxes	25,000	24,858	(142)
Railroad rolling stock taxes	11,400	11,032	(368)
Mobile home titling taxes	4,500	3,689	(811)
Tax on deeds (grantor tax)	139,000	116,029	(22,971)
Personal property tax reimbursement	1,522,583	1,573,633	51,050
State aid to localities, police	1,384,336	1,548,940	164,604
Auto rental taxes	141,000	193,775	52,775
Animal friendly license plate	748	748	-
Weed and seed funds	11,659	11,659	-
DMV transaction fees	10,000	-	(10,000)
Total non-categorical aid	<u>\$ 3,274,226</u>	<u>\$ 3,508,078</u>	<u>\$ 233,852</u>

(continued)

**CITY OF HARRISONBURG, VIRGINIA**  
**GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**SCHEDULE OF REVENUES - BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2007**

<u>Fund, Major and Minor Revenue Sources</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Primary Government: (continued)</b>			
<b>General Fund: (continued)</b>			
Intergovernmental: (continued)			
Revenue from the Commonwealth: (continued)			
Categorical aid:			
Shared expenses:			
Commissioner of the revenue	\$ 147,000	\$ 153,073	\$ 6,073
Treasurer	122,000	132,096	10,096
Registrar	50,000	53,590	3,590
Total shared expenses	<u>\$ 319,000</u>	<u>\$ 338,759</u>	<u>\$ 19,759</u>
Other categorical aid:			
Hazardous material grant	\$ 12,500	\$ 12,000	\$ (500)
Fire programs fund	100,422	100,422	-
Two-for-life	14,000	23,107	9,107
Litter control grant	9,400	7,547	(1,853)
Stream health improvement grant	140,000	140,000	-
Enhancing stream health grant	2,700	2,700	-
Virginia foundation for the humanities	8,000	8,000	-
Street and highway maintenance	3,285,618	3,333,318	47,700
Total other categorical aid	<u>\$ 3,572,640</u>	<u>\$ 3,627,094</u>	<u>\$ 54,454</u>
Total categorical aid	<u>\$ 3,891,640</u>	<u>\$ 3,965,853</u>	<u>\$ 74,213</u>
Total revenue from the Commonwealth	<u>\$ 7,165,866</u>	<u>\$ 7,473,931</u>	<u>\$ 308,065</u>
Revenue from the Federal Government:			
Categorical aid:			
Bulletproof vest partnership grant	\$ 3,992	\$ 3,992	\$ -
Police DMV grant	47,753	29,657	(18,096)
Special awards grant	26,390	26,390	-
Homeland security grant	16,700	74,301	57,601
Terrorism prevention grant	-	94,013	94,013
FEMA assistance to firefighters grant	45,999	45,999	-
Justice assistance grant	13,300	14,088	788
Polling place accessibility grant	-	3,761	3,761
Total revenue from the Federal Government	<u>\$ 154,134</u>	<u>\$ 292,201</u>	<u>\$ 138,067</u>
Total intergovernmental	<u>\$ 7,320,000</u>	<u>\$ 7,766,132</u>	<u>\$ 446,132</u>
<b>Total General Fund</b>	<u><u>\$ 70,885,939</u></u>	<u><u>\$ 73,485,604</u></u>	<u><u>\$ 2,599,665</u></u>

(continued)

**CITY OF HARRISONBURG, VIRGINIA**  
**GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**SCHEDULE OF REVENUES - BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2007**

<u>Fund, Major and Minor Revenue Sources</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Primary Government: (continued)</b>			
<b>Special Revenue Funds:</b>			
<b>Emergency Communications Center Fund:</b>			
Other local taxes:			
Emergency telephone service taxes	\$ 580,193	\$ 401,181	\$ (179,012)
Total other local taxes	<u>\$ 580,193</u>	<u>\$ 401,181</u>	<u>\$ (179,012)</u>
Use of money and property:			
Use of money	\$ -	\$ 2,777	\$ 2,777
Use of property	-	7,000	7,000
Total use of money and property	<u>\$ -</u>	<u>\$ 9,777</u>	<u>\$ 9,777</u>
Recovered costs:			
ECC payments from Rockingham County	\$ 1,045,741	\$ 1,050,105	\$ 4,364
Recoveries and rebates	-	2,004	2,004
Total recovered costs	<u>\$ 1,045,741</u>	<u>\$ 1,052,109</u>	<u>\$ 6,368</u>
Intergovernmental:			
Revenue from the Commonwealth:			
Categorical aid:			
Shared expenses:			
Dispatchers	\$ 124,286	\$ 76,306	\$ (47,980)
Total revenue from the Commonwealth	<u>\$ 124,286</u>	<u>\$ 76,306</u>	<u>\$ (47,980)</u>
Total intergovernmental	<u>\$ 124,286</u>	<u>\$ 76,306</u>	<u>\$ (47,980)</u>
<b>Total Emergency Communications Center Fund</b>	<u><u>\$ 1,750,220</u></u>	<u><u>\$ 1,539,373</u></u>	<u><u>\$ (210,847)</u></u>
<b>Community Development Block Grant Fund:</b>			
Intergovernmental:			
Revenue from the Federal Government:			
Non-categorical aid:			
Community Development Block Grant	\$ 1,038,547	\$ 443,363	\$ (595,184)
Total revenue from the Federal Government	<u>\$ 1,038,547</u>	<u>\$ 443,363</u>	<u>\$ (595,184)</u>
Total intergovernmental	<u>\$ 1,038,547</u>	<u>\$ 443,363</u>	<u>\$ (595,184)</u>
<b>Total Community Development Block Grant Fund</b>	<u><u>\$ 1,038,547</u></u>	<u><u>\$ 443,363</u></u>	<u><u>\$ (595,184)</u></u>
<b>Total Special Revenue Funds</b>	<u><u>\$ 2,788,767</u></u>	<u><u>\$ 1,982,736</u></u>	<u><u>\$ (806,031)</u></u>

(continued)

**CITY OF HARRISONBURG, VIRGINIA**  
**GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**SCHEDULE OF REVENUES - BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2007**

<b>Fund, Major and Minor Revenue Sources</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Primary Government: (continued)</b>			
<b>Capital Projects Funds:</b>			
<b>General Capital Projects Fund:</b>			
Use of money and property:			
Use of money	\$ 250,000	\$ 570,490	\$ 320,490
Total use of money and property	<u>\$ 250,000</u>	<u>\$ 570,490</u>	<u>\$ 320,490</u>
Recovered costs:			
Recoveries and rebates	\$ 4,000	\$ 98,000	\$ 94,000
Reimbursement for radio system from Rockingham County	-	148,391	148,391
Total recovered costs	<u>\$ 4,000</u>	<u>\$ 246,391</u>	<u>\$ 242,391</u>
Intergovernmental:			
Revenue from the Commonwealth:			
Categorical aid:			
Street and highway construction	\$ -	\$ 3,413,342	\$ 3,413,342
Total revenue from the Commonwealth	<u>\$ -</u>	<u>\$ 3,413,342</u>	<u>\$ 3,413,342</u>
Revenue from the Federal Government:			
Categorical aid:			
Transportation enhancement grant	\$ -	\$ 29,204	\$ 29,204
COPS technology grant	-	247,369	247,369
Total revenue from the Federal Government	<u>\$ -</u>	<u>\$ 276,573</u>	<u>\$ 276,573</u>
Total intergovernmental	<u>\$ -</u>	<u>\$ 3,689,915</u>	<u>\$ 3,689,915</u>
<b>Total General Capital Projects Fund</b>	<u><u>\$ 254,000</u></u>	<u><u>\$ 4,506,796</u></u>	<u><u>\$ 4,252,796</u></u>
<b>School Bond Capital Projects Fund:</b>			
Use of money and property:			
Use of money	\$ 1,500,000	\$ 1,058,365	\$ (441,635)
Total use of money and property	<u>\$ 1,500,000</u>	<u>\$ 1,058,365</u>	<u>\$ (441,635)</u>
<b>Total School Bond Capital Projects Fund</b>	<u><u>\$ 1,500,000</u></u>	<u><u>\$ 1,058,365</u></u>	<u><u>\$ (441,635)</u></u>
<b>Total Capital Projects Funds</b>	<u><u>\$ 1,754,000</u></u>	<u><u>\$ 5,565,161</u></u>	<u><u>\$ 3,811,161</u></u>
<b>Grand Total Revenues - Primary Government</b>	<u><u>\$ 75,428,706</u></u>	<u><u>\$ 81,033,501</u></u>	<u><u>\$ 5,604,795</u></u>

(continued)

**CITY OF HARRISONBURG, VIRGINIA**  
**GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**SCHEDULE OF REVENUES - BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2007**

<b>Fund, Major and Minor Revenue Sources</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Component Unit - School Board:</b>			
<b>School Fund:</b>			
Use of money and property	\$ 14,539	\$ 12,965	\$ (1,574)
Charges for services	765,155	597,122	(168,033)
Recovered costs	81,032	88,463	7,431
Payment from primary government	21,499,274	21,499,274	-
Total revenue from local sources	<u>\$ 22,360,000</u>	<u>\$ 22,197,824</u>	<u>\$ (162,176)</u>
<b>Intergovernmental:</b>			
Revenue from the Commonwealth:			
Categorical aid:			
Share of state sales tax	\$ 4,002,495	\$ 3,582,172	\$ (420,323)
Basic school aid	10,650,698	10,773,298	122,600
State standard of quality funds	2,326,315	2,299,149	(27,166)
Fringe benefits	1,360,262	1,346,060	(14,202)
Lottery funds	573,750	569,399	(4,351)
At risk	571,831	589,506	17,675
Primary class size	506,824	503,778	(3,046)
Technology initiative	206,000	206,000	-
English as second language	875,840	840,474	(35,366)
Regional tuition programs (special education)	443,253	409,888	(33,365)
Other state funds	537,834	740,993	203,159
Total categorical aid	<u>\$ 22,055,102</u>	<u>\$ 21,860,717</u>	<u>\$ (194,385)</u>
Total revenue from the Commonwealth	<u>\$ 22,055,102</u>	<u>\$ 21,860,717</u>	<u>\$ (194,385)</u>
Revenue from the Federal Government:			
Categorical aid:			
Title I	\$ 988,500	\$ 939,734	\$ (48,766)
Special education	959,718	1,100,697	140,979
Education technology	769,000	709,271	(59,729)
Reading first grant	640,000	682,258	42,258
Title III	247,800	211,571	(36,229)
ESEA - Title II Part A	215,000	224,515	9,515
Other federal funds	183,201	175,619	(7,582)
Total categorical aid	<u>\$ 4,003,219</u>	<u>\$ 4,043,665</u>	<u>\$ 40,446</u>
Total revenue from the Federal Government	<u>\$ 4,003,219</u>	<u>\$ 4,043,665</u>	<u>\$ 40,446</u>
Total intergovernmental	<u>\$ 26,058,321</u>	<u>\$ 25,904,382</u>	<u>\$ (153,939)</u>
<b>Total School Fund</b>	<u><u>\$ 48,418,321</u></u>	<u><u>\$ 48,102,206</u></u>	<u><u>\$ (316,115)</u></u>

(continued)



CITY OF HARRISONBURG, VIRGINIA  
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD  
SCHEDULE OF REVENUES - BUDGET AND ACTUAL  
For the Year Ended June 30, 2007

<u>Fund, Major and Minor Revenue Sources</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Component Unit - School Board: (continued)</b>			
<b>School Cafeteria Fund:</b>			
Use of money and property	\$ -	\$ 47,786	\$ 47,786
Charges for services	628,087	528,382	(99,705)
Recovered costs	-	7,358	7,358
Intergovernmental:			
Revenue from the Commonwealth:			
Categorical aid:			
School food program	\$ 28,269	\$ 31,250	\$ 2,981
Total categorical aid	<u>\$ 28,269</u>	<u>\$ 31,250</u>	<u>\$ 2,981</u>
Total revenue from the Commonwealth	<u>\$ 28,269</u>	<u>\$ 31,250</u>	<u>\$ 2,981</u>
Revenue from the Federal Government:			
Categorical aid:			
School food program	\$ 1,045,000	\$ 1,152,092	\$ 107,092
USDA donated food	-	99,409	99,409
Total categorical aid	<u>\$ 1,045,000</u>	<u>\$ 1,251,501</u>	<u>\$ 206,501</u>
Total revenue from the Federal Government	<u>\$ 1,045,000</u>	<u>\$ 1,251,501</u>	<u>\$ 206,501</u>
Total intergovernmental	<u>\$ 1,073,269</u>	<u>\$ 1,282,751</u>	<u>\$ 209,482</u>
<b>Total School Cafeteria Fund</b>	<u><u>\$ 1,701,356</u></u>	<u><u>\$ 1,866,277</u></u>	<u><u>\$ 164,921</u></u>
<b>School Capital Projects Fund:</b>			
Payment from primary government	\$ 800,000	\$ 800,000	-
<b>Total School Capital Projects Fund</b>	<u><u>\$ 800,000</u></u>	<u><u>\$ 800,000</u></u>	<u><u>\$ -</u></u>
<b>Grand Total Revenues</b>			
<b>Component Unit - School Board</b>	<u><u>\$ 50,919,677</u></u>	<u><u>\$ 50,768,483</u></u>	<u><u>\$ (151,194)</u></u>

**CITY OF HARRISONBURG, VIRGINIA**  
**GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2007**

<b>Fund, Function, Activity and Elements</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Primary Government:</b>			
<b>General Fund:</b>			
General government administration:			
Legislative:			
City Council	\$ 231,010	\$ 219,688	\$ 11,322
Total legislative	\$ 231,010	\$ 219,688	\$ 11,322
General and financial administration:			
City manager	\$ 450,446	\$ 441,724	\$ 8,722
City attorney	142,726	138,717	4,009
Human resources	192,525	190,184	2,341
Independent auditor	9,057	9,057	-
Commissioner of the revenue	400,566	389,839	10,727
Assessors	284,736	243,430	41,306
Equalization	3,125	2,775	350
Treasurer	502,942	483,859	19,083
Finance	376,140	366,820	9,320
Information technology	412,372	410,763	1,609
Purchasing agent	128,637	124,538	4,099
Dues to municipal league	30,691	30,691	-
Reserve for contingencies	8,204	-	8,204
Total general and financial administration	\$ 2,942,167	\$ 2,832,397	\$ 109,770
Board of elections:			
Registrar	\$ 163,218	\$ 143,405	\$ 19,813
Total board of elections	\$ 163,218	\$ 143,405	\$ 19,813
Total general government administration	\$ 3,336,395	\$ 3,195,490	\$ 140,905
Jail and judicial administration:			
Joint expenditures with Rockingham County	\$ 2,300,000	\$ 2,398,575	\$ (98,575)
Total jail and judicial administration	\$ 2,300,000	\$ 2,398,575	\$ (98,575)
Public safety:			
Law enforcement and traffic control:			
Administration	\$ 643,768	\$ 620,648	\$ 23,120
Operations	2,771,842	2,759,377	12,465
Criminal investigations	923,921	907,836	16,085
Support services	1,517,840	1,463,631	54,209
Gang task force	128,042	124,539	3,503
Special operations	1,040,797	995,056	45,741
Total law enforcement and traffic control	\$ 7,026,210	\$ 6,871,087	\$ 155,123

(continued)

**CITY OF HARRISONBURG, VIRGINIA**  
**GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2007**

<b>Fund, Function, Activity and Elements</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Primary Government: (continued)</b>			
<b>General Fund: (continued)</b>			
Public safety: (continued)			
Fire and rescue services:			
Administration	\$ 393,958	\$ 363,841	\$ 30,117
Suppression	5,121,187	5,038,197	82,990
Prevention	302,193	301,028	1,165
Training	170,245	170,193	52
Public safety building	314,198	287,927	26,271
Total fire and rescue services	<u>\$ 6,301,781</u>	<u>\$ 6,161,186</u>	<u>\$ 140,595</u>
Correction and detention:			
City operated institutions	\$ 86,000	\$ 61,445	\$ 24,555
Total correction and detention	<u>\$ 86,000</u>	<u>\$ 61,445</u>	<u>\$ 24,555</u>
Inspections:			
Building	\$ 603,719	\$ 601,431	\$ 2,288
Total inspections	<u>\$ 603,719</u>	<u>\$ 601,431</u>	<u>\$ 2,288</u>
Other protection:			
Animal control	\$ 148,954	\$ 143,089	\$ 5,865
Coroner	1,000	300	700
Emergency services	72,060	36,049	36,011
Total other protection	<u>\$ 222,014</u>	<u>\$ 179,438</u>	<u>\$ 42,576</u>
Total public safety	<u>\$ 14,239,724</u>	<u>\$ 13,874,587</u>	<u>\$ 365,137</u>
Public works:			
Maintenance of highways, streets, bridges and sidewalks:			
General engineering	\$ 858,367	\$ 803,745	\$ 54,622
Highway and street maintenance	4,143,123	4,186,325	(43,202)
Street lights	477,938	478,142	(204)
Snow and ice removal	204,607	204,051	556
Traffic engineering	1,308,455	1,181,790	126,665
Highway and street beautification	238,208	243,135	(4,927)
Total maintenance of highways, streets, bridges and sidewalks	<u>\$ 7,230,698</u>	<u>\$ 7,097,188</u>	<u>\$ 133,510</u>
Sanitation and waste removal:			
Street and road cleaning	\$ 566,117	\$ 498,560	\$ 67,557
Insect and rodent control	5,979	6,670	(691)
Total sanitation and waste removal	<u>\$ 572,096</u>	<u>\$ 505,230</u>	<u>\$ 66,866</u>

(continued)

**CITY OF HARRISONBURG, VIRGINIA**  
**GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2007**

<u>Fund, Function, Activity and Elements</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Primary Government: (continued)</b>			
<b>General Fund: (continued)</b>			
Public works: (continued)			
Maintenance of general buildings and grounds:			
General properties	\$ 401,423	\$ 308,910	\$ 92,513
Total maintenance of general buildings and grounds	<u>\$ 401,423</u>	<u>\$ 308,910</u>	<u>\$ 92,513</u>
Total public works	<u>\$ 8,204,217</u>	<u>\$ 7,911,328</u>	<u>\$ 292,889</u>
Health and welfare:			
Health:			
Local health department	\$ 332,727	\$ 332,726	\$ 1
Total health	<u>\$ 332,727</u>	<u>\$ 332,726</u>	<u>\$ 1</u>
Mental health and mental retardation:			
Community services board	\$ 251,470	\$ 251,470	\$ -
Total mental health and mental retardation	<u>\$ 251,470</u>	<u>\$ 251,470</u>	<u>\$ -</u>
Welfare/social services:			
Tax relief for the elderly	\$ 40,000	\$ 30,678	\$ 9,322
Social services - Joint expenditures with Rockingham County	2,407,430	2,493,326	(85,896)
Total welfare/social services	<u>\$ 2,447,430</u>	<u>\$ 2,524,004</u>	<u>\$ (76,574)</u>
Total health and welfare	<u>\$ 3,031,627</u>	<u>\$ 3,108,200</u>	<u>\$ (76,573)</u>
Education:			
Payment to Harrisonburg City School Board	\$ 22,299,274	\$ 22,299,274	\$ -
Total education	<u>\$ 22,299,274</u>	<u>\$ 22,299,274</u>	<u>\$ -</u>
Parks, recreation and culture:			
Parks and recreation:			
Administration	\$ 1,011,969	\$ 936,154	\$ 75,815
Parks	782,277	708,416	73,861
Recreation centers and playgrounds	592,959	565,656	27,303
National guard armory	101,304	90,586	10,718
Simms recreation center	235,851	205,107	30,744
Westover pool	291,061	227,972	63,089
Athletics	423,359	368,418	54,941
Blacks run greenway	46,162	40,631	5,531
Golf course grounds management	1,457,949	1,370,563	87,386
Golf course clubhouse management	416,684	338,808	77,876
Total parks and recreation	<u>\$ 5,359,575</u>	<u>\$ 4,852,311</u>	<u>\$ 507,264</u>
Total parks, recreation and culture	<u>\$ 5,359,575</u>	<u>\$ 4,852,311</u>	<u>\$ 507,264</u>

(continued)

**CITY OF HARRISONBURG, VIRGINIA**  
**GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2007**

<u>Fund, Function, Activity and Elements</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Primary Government: (continued)</b>			
<b>General Fund: (continued)</b>			
Planning and community development:			
Planning:			
Planning	\$ 152,494	\$ 147,187	\$ 5,307
Zoning administrator	168,884	170,640	(1,756)
Zoning and board of zoning appeals	2,286	2,338	(52)
Economic development	873,425	554,090	319,335
Downtown renaissance	74,374	75,663	(1,289)
Tourism and visitors services	248,544	224,221	24,323
Downtown parking services	285,061	239,959	45,102
Total planning	<u>\$ 1,805,068</u>	<u>\$ 1,414,098</u>	<u>\$ 390,970</u>
Community development:			
Regional Juvenile Detention Home	\$ 586,917	\$ 586,916	\$ 1
Massanutten Regional Library	399,033	399,033	-
Shenandoah Valley Airport	67,923	67,923	-
Blue Ridge Community College	46,484	46,484	-
Free Clinic	260,000	260,000	-
Boys and Girls Club	50,000	50,000	-
Arts Council of the Valley	40,000	40,000	-
Other contributions	261,202	256,210	4,992
Total community development	<u>\$ 1,711,559</u>	<u>\$ 1,706,566</u>	<u>\$ 4,993</u>
Total planning and community development	<u>\$ 3,516,627</u>	<u>\$ 3,120,664</u>	<u>\$ 395,963</u>
Debt service:			
Principal retirement	\$ 4,885,030	\$ 4,885,030	\$ -
Interest and fiscal charges	4,167,115	4,167,115	-
Total debt service	<u>\$ 9,052,145</u>	<u>\$ 9,052,145</u>	<u>\$ -</u>
<b>Total General Fund</b>	<u><u>\$ 71,339,584</u></u>	<u><u>\$ 69,812,574</u></u>	<u><u>\$ 1,527,010</u></u>
<b>Special Revenue Funds:</b>			
<b>Emergency Communications Center Fund:</b>			
Public safety:			
Other protection:			
Emergency operations center	\$ 273,697	\$ 261,947	\$ 11,750
E-911 system	2,076,438	1,769,553	306,885
Total other protection	<u>\$ 2,350,135</u>	<u>\$ 2,031,500</u>	<u>\$ 318,635</u>
Total public safety	<u>\$ 2,350,135</u>	<u>\$ 2,031,500</u>	<u>\$ 318,635</u>
<b>Total Emergency Communications Center Fund</b>	<u><u>\$ 2,350,135</u></u>	<u><u>\$ 2,031,500</u></u>	<u><u>\$ 318,635</u></u>

(continued)

CITY OF HARRISONBURG, VIRGINIA  
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD  
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
For the Year Ended June 30, 2007

<u>Fund, Function, Activity and Elements</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Primary Government: (continued)</b>			
<b>Special Revenue Funds: (continued)</b>			
<b>Community Development Block Grant Fund:</b>			
Planning and community development:			
Community development:			
Community development block grant	\$ 1,002,116	\$ 443,363	\$ 558,753
Total community development	<u>\$ 1,002,116</u>	<u>\$ 443,363</u>	<u>\$ 558,753</u>
Total planning and community development	<u>\$ 1,002,116</u>	<u>\$ 443,363</u>	<u>\$ 558,753</u>
<b>Total Community Development Block Grant Fund</b>	<u>\$ 1,002,116</u>	<u>\$ 443,363</u>	<u>\$ 558,753</u>
<b>Total Special Revenue Funds</b>	<u>\$ 3,352,251</u>	<u>\$ 2,474,863</u>	<u>\$ 877,388</u>
<b>Capital Projects Funds:</b>			
<b>General Capital Projects Fund:</b>			
Capital projects	\$ 30,489,689	\$ 10,491,440	\$ 19,998,249
<b>Total General Capital Projects Fund</b>	<u>\$ 30,489,689</u>	<u>\$ 10,491,440</u>	<u>\$ 19,998,249</u>
<b>School Bond Capital Projects Fund:</b>			
Capital projects	\$ 41,169,125	\$ 21,879,291	\$ 19,289,834
<b>Total School Bond Capital Projects Fund</b>	<u>\$ 41,169,125</u>	<u>\$ 21,879,291</u>	<u>\$ 19,289,834</u>
<b>Total Capital Projects Funds</b>	<u>\$ 71,658,814</u>	<u>\$ 32,370,731</u>	<u>\$ 39,288,083</u>
<b>Grand Total Expenditures - Primary Government</b>	<u>\$ 146,350,649</u>	<u>\$ 104,658,168</u>	<u>\$ 41,692,481</u>
<b>Component Unit - School Board:</b>			
<b>School Fund:</b>			
Education:			
Instruction	\$ 37,255,761	\$ 36,556,770	\$ 698,991
Administration, attendance and health	2,347,406	2,327,226	20,180
Pupil transportation	1,549,620	1,499,908	49,712
Operations and maintenance	4,649,384	4,102,906	546,478
Technology	2,588,375	2,574,167	14,208
Facilities	2,000	-	2,000
Total education	<u>\$ 48,392,546</u>	<u>\$ 47,060,977</u>	<u>\$ 1,331,569</u>
<b>Total School Fund</b>	<u>\$ 48,392,546</u>	<u>\$ 47,060,977</u>	<u>\$ 1,331,569</u>

(continued)

**CITY OF HARRISONBURG, VIRGINIA**  
**GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2007**

<u>Fund, Function, Activity and Elements</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Component Unit - School Board: (continued)</b>			
<b>School Cafeteria Fund:</b>			
Education:			
Food services	\$ 1,877,131	\$ 1,772,296	\$ 104,835
Total education	\$ 1,877,131	\$ 1,772,296	\$ 104,835
<b>Total School Cafeteria Fund</b>	<b>\$ 1,877,131</b>	<b>\$ 1,772,296</b>	<b>\$ 104,835</b>
<b>School Capital Projects Fund:</b>			
Capital projects	\$ 2,355,513	\$ 216,262	\$ 2,139,251
<b>Total School Capital Projects Fund</b>	<b>\$ 2,355,513</b>	<b>\$ 216,262</b>	<b>\$ 2,139,251</b>
<b>Grand Total Expenditures</b>			
<b>Component Unit - School Board</b>	<b>\$ 52,625,190</b>	<b>\$ 49,049,535</b>	<b>\$ 3,575,655</b>

# STATISTICAL SECTION

This part of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, notes disclosures and other supplementary information says about the City's overall financial health.

**Financial Trends.** Tables 1 through 4 contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

**Revenue Capacity.** Tables 5 through 8 present information to help the reader assess the factors affecting the City's ability to generate property tax revenue which is the City's most significant local revenue source.

**Debt Capacity.** Tables 9 through 11 present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

**Demographic and Economic Information.** Tables 12 and 13 offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time with other governments.

**Operating Information.** Tables 14 through 16 contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.

***Sources:** Unless otherwise noted, the information in these tables is derived from the comprehensive annual financials reports for the relevant year. The City implemented GASB Statement 34 in 2003, but developed comparative financial information for 2002 that was used in preparing management's discussion and analysis in the year of implementation. Tables presenting government-wide information (Tables 1 and 2) include information beginning with the 2002 comparative financial information.*



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**CITY OF HARRISONBURG, VIRGINIA**  
**NET ASSETS BY COMPONENT**  
**Last Six Fiscal Years**  
*(accrual basis of accounting)*

**Table 1**

	<b>Fiscal Year</b>					
	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
<b>Governmental activities</b>						
Invested in capital assets, net of related debt <sup>a</sup>	\$ 126,709,207	\$ 135,387,466	\$ 120,778,336	\$ 118,163,476	\$ 117,314,943	\$ 116,289,421
Restricted <sup>b</sup>	1,039,017	1,304,291	1,119,024	766,544	905,353	621,915
Unrestricted <sup>a</sup>	35,302,136	21,475,583	24,189,060	23,043,566	20,551,664	20,782,494
<b>Total governmental activities net assets</b>	<b>\$ 163,050,360</b>	<b>\$ 158,167,340</b>	<b>\$ 146,086,420</b>	<b>\$ 141,973,586</b>	<b>\$ 138,771,960</b>	<b>\$ 137,693,830</b>
<b>Business-type activities</b>						
Invested in capital assets, net of related debt	\$ 56,591,565	\$ 52,109,133	\$ 52,218,830	\$ 51,856,222	\$ 53,504,910	\$ 58,284,025
Restricted <sup>a</sup>	-	-	-	444,437	452,716	471,168
Unrestricted	21,209,403	22,875,516	21,221,100	20,763,869	16,986,219	15,319,553
<b>Total business-type activities net assets <sup>c</sup></b>	<b>\$ 77,800,968</b>	<b>\$ 74,984,649</b>	<b>\$ 73,439,930</b>	<b>\$ 73,064,528</b>	<b>\$ 70,943,845</b>	<b>\$ 74,074,746</b>
<b>Primary government</b>						
Invested in capital assets, net of related debt	\$ 183,300,772	\$ 187,496,599	\$ 172,997,166	\$ 170,019,698	\$ 170,819,853	\$ 174,573,446
Restricted	1,039,017	1,304,291	1,119,024	1,210,981	1,358,069	1,093,083
Unrestricted	56,511,539	44,351,099	45,410,160	43,807,435	37,537,883	36,102,047
<b>Total primary government net assets</b>	<b>\$ 240,851,328</b>	<b>\$ 233,151,989</b>	<b>\$ 219,526,350</b>	<b>\$ 215,038,114</b>	<b>\$ 209,715,805</b>	<b>\$ 211,768,576</b>

**Notes:** The City implemented GASB Statement 34 in 2003. Information for 2002 is comparative financials that was used in preparing management's discussion and analysis in 2003. Ultimately, this table will contain ten years of information.

<sup>a</sup>For 2007, the increase in governmental activities' unrestricted net assets and the decrease in invested in capital assets was due to the sale of the old Harrisonburg High School complex to James Madison University.

<sup>b</sup>For 2005, the increase in governmental activities and the decrease in business-type activities' restricted net assets was due to a reporting change for the operations of the golf course. Prior to 2005, the golf course was reported as a business-type activity.

<sup>c</sup>In 2007, the City increased the business-type activities' beginning net assets within the basic financial statements. The information in this table prior to 2007 are the unadjusted amounts.

**CITY OF HARRISONBURG, VIRGINIA**  
**CHANGES IN NET ASSETS**  
**Last Six Fiscal Years**  
*(accrual basis of accounting)*

**Table 2**

	Fiscal Year					
	2007	2006	2005	2004	2003	2002
Expenses:						
Governmental activities:						
General government administration	\$ 10,607,363	\$ 9,494,062	\$ 8,659,789	\$ 8,095,033	\$ 7,285,396	\$ 6,374,698
Jail and judicial administration	2,695,536	2,247,160	1,720,208	1,411,339	1,463,027	1,658,125
Public safety	16,122,159	14,598,247	13,385,735	12,308,346	10,483,000	9,755,527
Public works	11,140,416	10,280,042	8,932,355	9,570,485	8,654,789	9,090,230
Health and welfare	3,130,065	2,571,383	2,318,720	2,157,251	1,939,214	1,529,544
Education	25,341,757	24,630,393	21,784,772	20,351,713	21,325,763	20,508,326
Parks, recreation and cultural <sup>a</sup>	4,692,190	4,458,904	2,781,327	2,636,326	2,551,774	2,328,603
Planning and community development	5,265,157	2,970,408	2,426,890	1,526,341	1,368,001	1,236,155
Interest on long-term debt	5,612,049	4,368,265	3,869,356	3,898,786	4,042,808	3,234,219
Business-type activities:						
Water	4,560,390	4,034,616	3,805,703	3,362,062	3,506,917	3,052,628
Sewer	5,717,556	5,075,967	4,872,836	4,870,754	4,457,413	4,237,627
Public transportation	5,538,155	5,070,888	4,635,925	4,162,232	3,882,258	3,381,260
Sanitation <sup>b,c,d</sup>	10,604,466	10,446,049	8,764,331	5,795,311	9,620,247	5,308,102
Public parking	-	175,050	209,084	208,202	200,964	188,878
Golf course <sup>a</sup>	-	-	1,416,361	1,338,559	1,430,431	416,016
Total expenses	<u>\$ 111,027,259</u>	<u>\$ 100,421,434</u>	<u>\$ 89,583,392</u>	<u>\$ 81,692,740</u>	<u>\$ 82,212,002</u>	<u>\$ 72,299,938</u>
Program revenues:						
Governmental activities:						
Charges for services:						
General government administration	\$ 7,067,373	\$ 6,845,784	\$ 6,591,292	\$ 6,408,739	\$ 5,136,588	\$ 3,618,948
Jail and judicial administration	380,856	517,689	604,029	563,954	400,247	362,860
Parks, recreation and cultural	775,673	787,786	278,415	235,998	232,074	246,327
Other activities	768,070	548,215	441,843	109,456	427,509	278,135
Operating grants and contributions	5,615,042	5,182,303	4,920,227	4,517,758	3,826,403	3,533,820
Capital grants and contributions	3,996,228	71,267	622,947	115,122	505,800	95,013
Business-type activities:						
Charges for services:						
Water	5,424,741	5,263,336	4,802,169	4,690,818	4,558,073	4,509,192
Sewer	5,572,991	5,148,993	4,916,716	4,744,819	4,741,882	5,094,093
Public transportation	2,667,281	2,467,922	2,236,842	2,139,596	1,951,396	1,906,474
Sanitation	8,006,673	7,483,560	6,544,948	5,289,201	4,466,694	3,921,321
Other activities	-	178,530	752,842	717,992	664,239	395,689
Operating grants and contributions	1,140,983	1,198,685	966,231	912,114	910,460	840,845
Capital grants and contributions	2,201,180	2,571,747	1,824,444	1,041,271	675,965	1,576,411
Total program revenues	<u>\$ 43,617,091</u>	<u>\$ 38,265,817</u>	<u>\$ 35,502,945</u>	<u>\$ 31,486,838</u>	<u>\$ 28,497,330</u>	<u>\$ 26,379,128</u>
Governmental activities	\$ (66,003,450)	\$ (61,665,820)	\$ (52,420,399)	\$ (50,004,593)	\$ (48,585,151)	\$ (47,580,324)
Business-type activities	(1,406,718)	(489,797)	(1,660,048)	(201,309)	(5,129,521)	1,659,514
Total net (expense) revenue	<u>\$ (67,410,168)</u>	<u>\$ (62,155,617)</u>	<u>\$ (54,080,447)</u>	<u>\$ (50,205,902)</u>	<u>\$ (53,714,672)</u>	<u>\$ (45,920,810)</u>

(continued)

**CITY OF HARRISONBURG, VIRGINIA**  
**CHANGES IN NET ASSETS**  
**Last Six Fiscal Years**  
*(accrual basis of accounting)*

**Table 2**

	Fiscal Year					
	2007	2006	2005	2004	2003	2002
General revenues and other changes in net assets:						
Governmental activities:						
General revenues:						
Property taxes	\$ 23,731,628	\$ 20,248,223	\$ 18,235,771	\$ 18,120,703	\$ 17,387,139	\$ 17,838,430
Sales and use taxes	11,695,874	11,421,441	10,739,589	9,747,138	8,629,363	8,344,866
Restaurant food taxes <sup>c</sup>	7,673,364	7,091,567	6,723,886	6,351,607	4,882,551	4,609,629
Business license taxes	6,042,082	5,728,339	5,306,290	5,013,674	4,771,569	4,286,104
Other local taxes <sup>f</sup>	7,368,816	7,201,363	6,503,792	6,468,977	4,862,829	5,026,104
Unrestricted grants and contributions	3,506,788	3,216,835	3,014,121	3,086,923	3,221,206	2,765,133
Unrestricted payment from component units	4,793,875	4,400,000	4,100,000	3,800,000	3,600,000	3,400,000
Investment revenue	3,534,382	1,363,309	752,552	568,770	939,030	1,218,831
Other revenue	1,486,856	1,872,657	879,680	1,062,402	1,766,000	853,952
Gain on sale of capital asset	-	-	535,732	-	-	-
Special item <sup>g</sup>	2,183,062	11,005,846	-	-	-	1,124,500
Transfers	(1,130,257)	197,160	(258,180)	(1,013,975)	(396,406)	(2,201,350)
Business-type activities:						
General revenues:						
Investment revenue	1,403,613	1,082,397	609,291	376,714	993,067	595,581
Other revenue	1,034,676	1,149,279	1,167,979	931,303	609,147	752,163
Transfers	1,130,257	(197,160)	258,180	1,013,975	396,406	2,201,350
Total general revenues and other changes in net assets	<u>\$ 74,455,016</u>	<u>\$ 75,781,256</u>	<u>\$ 58,568,683</u>	<u>\$ 55,528,211</u>	<u>\$ 51,661,901</u>	<u>\$ 50,815,293</u>
Change in net assets:						
Governmental activities	\$ 4,883,020	\$ 12,080,920	\$ 4,112,834	\$ 3,201,626	\$ 1,078,130	\$ (314,125)
Business-type activities	2,161,828	1,544,719	375,402	2,120,683	(3,130,901)	5,208,608
Total change in net assets	<u>\$ 7,044,848</u>	<u>\$ 13,625,639</u>	<u>\$ 4,488,236</u>	<u>\$ 5,322,309</u>	<u>\$ (2,052,771)</u>	<u>\$ 4,894,483</u>

**Notes:** The City implemented GASB Statement 34 in 2003. Information for 2002 is comparative financials that was used in preparing management's discussion and analysis in 2003. Ultimately, this table will contain ten years of information. Any significant increases or decreases for 2007 are explained in Management's Discussion and Analysis.

<sup>a</sup>For 2006, the increase in parks and recreation activity expenses reflected a reporting change for the operations of the golf course. Prior to 2006, the golf course was reported as a business-type activity.

<sup>b</sup>For 2005, the increase in sanitation activity expenses reflected a full year of depreciation on the rebuilt steam plant and an increase in interest expense.

<sup>c</sup>For 2004, the decrease in sanitation activity expenses reflected a change in the method the City used to estimate its landfill closure liability. This change was treated as a change in accounting estimate and reported in expenses.

<sup>d</sup>For 2003, the increase in sanitation activity expenses reflected an increased usage of Rockingham County's landfill during the rebuild of the steam plant. The City also recognized a \$2.9 million capital asset write down after dismantling the original steam plant.

<sup>e</sup>For 2004, the City increased the rate on restaurant food taxes from five percent to six percent.

<sup>f</sup>For 2004, the City enacted a tobacco tax.

<sup>g</sup>For 2006, the School Board gave the old Harrisonburg High School complex to the City resulting in a special item.

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CITY OF HARRISONBURG, VIRGINIA  
 FUND BALANCES (GOVERNMENTAL FUNDS)

Table 3

Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
General Fund										
Reserved <sup>a</sup>	\$ 2,236,878	\$ 2,476,413	\$ 7,007,790	\$ 1,742,724	\$ 3,893,332	\$ 3,343,661	\$ 2,335,249	\$ 2,343,083	\$ 1,951,911	\$ 1,751,916
Unreserved <sup>b</sup>	22,189,247	12,276,469	12,446,635	13,914,873	11,554,969	12,210,749	15,812,273	12,511,816	11,600,855	9,368,521
Total general fund	\$ 24,426,125	\$ 14,752,882	\$ 19,454,425	\$ 15,657,597	\$ 15,448,301	\$ 15,554,410	\$ 18,147,522	\$ 14,854,899	\$ 13,552,766	\$ 11,120,437
All other governmental funds										
Reserved <sup>c,d</sup>	\$ 27,124,862	\$ 6,163,562	\$ 6,653,999	\$ 14,481,938	\$ 34,289,267	\$ 44,510,372	\$ 1,714,575	\$ 666,868	\$ 2,744,170	\$ 5,900,375
Unreserved, reported in:										
Special revenue funds	-	201,533	-	-	-	-	-	-	-	-
Capital projects funds	12,876,114	2,823,990	6,538,433	6,505,695	5,739,731	5,675,612	4,347,952	4,757,342	3,467,995	3,133,301
Total all other governmental funds	\$ 40,000,976	\$ 9,189,085	\$ 13,192,432	\$ 20,987,633	\$ 40,028,998	\$ 50,185,984	\$ 6,062,527	\$ 5,424,210	\$ 6,212,165	\$ 9,033,676

Notes: Certain prior year balances have been reclassified to reflect current financial reporting (1998-2002).

<sup>a</sup>For 2005, the increase in general fund reserved fund balance was the result of unspent bond proceeds.

<sup>b</sup>For 2007, the increase in general fund unreserved fund balance was the result of the sale of the old Harrisonburg High School complex.

<sup>c</sup>For 2002, the increase in other governmental funds reserved fund balance was the result of unspent bond proceeds issued for the construction of a new high school.

<sup>d</sup>For 2007, the increase in other governmental funds reserved fund balance was the result of unspent bond proceeds issued for the construction of a elementary/middle school complex and the related infrastructure.

CITY OF HARRISONBURG, VIRGINIA  
CHANGES IN FUND BALANCES (GOVERNMENTAL FUNDS)

Table 4

Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
<b>Revenues:</b>										
General property taxes	\$ 23,716,424	\$ 20,151,128	\$ 18,083,460	\$ 18,331,474	\$ 17,664,091	\$ 17,486,315	\$ 17,045,598	\$ 17,054,434	\$ 16,011,451	\$ 15,371,970
Other local taxes	32,772,498	31,493,067	29,240,984	27,544,279	23,210,201	22,045,646	21,294,591	20,499,212	19,224,215	17,310,465
Permits, privilege fees and regulatory licenses	552,074	503,149	403,621	333,288	390,820	244,187	198,890	275,030	319,401	286,926
Fines and forfeitures	504,628	517,689	604,029	563,954	400,247	362,860	292,835	304,837	344,481	286,086
Use of money and property <sup>a</sup>	3,675,662	2,227,982	785,874	683,526	1,309,574	1,452,653	1,423,126	1,304,222	1,280,555	1,283,663
Charges for services	842,690	811,677	292,843	252,891	261,442	277,538	270,095	278,403	238,213	263,703
Miscellaneous	803,162	720,793	763,742	827,603	575,895	647,297	465,350	497,117	790,417	357,767
Recovered costs	1,396,772	1,427,564	1,862,953	1,065,326	1,403,609	545,251	1,118,922	449,642	416,599	415,699
Payments from component units	4,793,875	4,400,000	4,100,000	3,800,000	3,600,000	3,400,000	3,200,000	2,900,000	2,700,000	2,400,000
Intergovernmental	11,975,716	7,703,658	7,760,161	6,953,417	7,123,215	6,120,590	5,825,737	6,694,052	3,851,903	3,721,448
Total revenues	\$ 81,033,501	\$ 69,956,707	\$ 63,897,667	\$ 60,355,758	\$ 55,939,094	\$ 52,582,337	\$ 51,135,144	\$ 50,256,949	\$ 45,177,235	\$ 41,697,727
<b>Expenditures:</b>										
<b>Current:</b>										
General government administration	\$ 3,195,490	\$ 2,902,847	\$ 2,689,218	\$ 2,460,537	\$ 2,241,589	\$ 2,351,943	\$ 2,070,324	\$ 1,991,202	\$ 1,808,890	\$ 1,760,554
Jail and judicial administration	2,398,575	1,975,668	1,929,277	1,696,498	1,192,269	1,387,367	1,114,568	1,103,909	760,227	782,737
Public safety	15,906,087	14,266,182	13,202,723	12,672,049	10,552,139	9,549,373	8,961,870	8,160,062	7,540,801	6,807,647
Public works <sup>b</sup>	7,911,328	11,167,310	6,096,761	6,548,826	5,829,360	6,996,447	5,700,813	5,595,777	5,308,267	5,196,689
Health and welfare	3,108,200	2,549,518	2,296,855	2,135,386	1,917,348	1,507,679	1,259,631	1,223,537	1,177,598	1,021,194
Education	22,299,274	21,622,750	19,193,377	18,667,629	19,167,629	18,378,482	16,662,462	16,726,462	15,226,055	14,559,166
Parks, recreation and cultural	4,852,311	4,488,905	2,686,375	2,763,595	2,693,787	2,299,492	3,096,183	1,952,945	2,421,165	1,777,893
Planning and community development <sup>c</sup>	3,564,027	3,206,577	3,014,724	2,118,465	1,352,651	1,215,923	1,904,718	2,962,276	939,101	738,485
<b>Debt service:</b>										
Principal retirement	4,885,030	4,202,660	4,156,753	3,130,078	3,907,176	3,121,527	2,737,399	2,788,393	2,740,545	3,518,673
Interest and fiscal charges <sup>d</sup>	4,167,115	4,255,457	3,863,973	3,687,224	4,191,172	2,002,919	1,990,527	1,925,710	2,080,094	2,379,575
Bond issuance costs	-	-	-	-	29,839	-	-	-	-	104,469
Capital projects <sup>e</sup>	32,370,731	6,744,259	21,094,715	28,078,487	14,601,540	9,477,302	482,713	3,848,734	4,014,542	3,769,847
Total expenditures	\$ 104,658,168	\$ 77,382,133	\$ 80,224,751	\$ 83,958,774	\$ 67,676,499	\$ 58,288,454	\$ 45,981,208	\$ 48,279,007	\$ 44,017,285	\$ 42,416,929
Excess (deficiency) of revenues over (under) expenditures	\$ (23,624,667)	\$ (7,425,426)	\$ (16,327,084)	\$ (23,603,016)	\$ (11,737,405)	\$ (5,706,117)	\$ 5,153,936	\$ 1,977,942	\$ 1,159,950	\$ (719,202)

**CITY OF HARRISONBURG, VIRGINIA  
CHANGES IN FUND BALANCES (GOVERNMENTAL FUNDS)**

**Table 4**

Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Other financing sources (uses):										
Long-term debt issued or incurred <sup>f</sup>	\$ 50,000,000	\$ -	\$ 13,390,000	\$ 5,905,000	\$ 1,759,345	\$ 49,180,000	\$ 800,000	\$ 213,795	\$ 200,000	\$ 875,565
Refunding bonds issued	-	-	-	-	5,616,300	-	-	-	-	6,129,979
Commonwealth's share of advanced refunding	-	-	-	-	-	-	-	-	-	3,640,298
Payment to advanced refunding escrow	-	-	-	-	(5,586,461)	-	-	-	-	(10,326,392)
Premium on long-term debt issued	(176,698)	-	-	30,769	-	164,376	-	-	-	-
Discount on long-term debt issued	17,534,802	5,660,761	4,782,750	3,657,540	4,492,749	4,726,841	2,940,893	3,115,664	1,930,061	2,423,229
Transfers in	(18,945,703)	(6,940,225)	(5,844,039)	(4,813,151)	(4,898,937)	(6,820,169)	(4,963,889)	(4,793,223)	(3,679,193)	(3,815,021)
Transfers out	48,412,401	(1,279,464)	12,328,711	4,770,947	1,382,996	47,236,462	(1,222,996)	(1,463,764)	(1,549,132)	(1,072,342)
Total other financing sources (uses)	\$ 48,412,401	\$ (1,279,464)	\$ 12,328,711	\$ 4,770,947	\$ 1,382,996	\$ 47,236,462	\$ (1,222,996)	\$ (1,463,764)	\$ (1,549,132)	\$ (1,072,342)
Special item:										
Sale of capital asset	\$ 15,697,400	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net change in fund balances	\$ 40,485,134	\$ (8,704,890)	\$ (3,998,373)	\$ (18,832,069)	\$ (10,354,409)	\$ 41,530,345	\$ 3,930,940	\$ 514,178	\$ (389,182)	\$ (1,791,544)
Debt service as a percentage of noncapital expenditures	12.65%	13.00%	13.92%	12.62%	15.57%	10.89%	11.04%	11.00%	12.66%	15.78%

**Notes:** Certain prior year balances have been reclassified to reflect current financial reporting (1998-2002). Any significant increases or decreases for 2007 are explained in Management's Discussion and Analysis.

<sup>a</sup>For 2006, the increase in the use of money and property was the result of a rental payment from James Madison University for the lease of the old high school complex.

<sup>b</sup>For 2006, the increase in public works expenditures was the result of the purchase of land on Port Republic Road.

<sup>c</sup>For 2006, the increase in parks and recreation expenditures reflected a reporting change for the operations of the golf course. Prior to 2006, the golf course was reported as an enterprise fund.

<sup>d</sup>For 2000, the increase in planning and community development expenditures was the result of a capital contribution to the Massanutten Regional Library.

<sup>e</sup>For 2003, the increase in debt service interest expenditures was the result of the first interest payment on bonds issued for the construction of a new high school.

<sup>f</sup>For the period 2002 through 2005 and again in 2007, the City had various major construction projects in progress including the new high school and an elementary middle school complex.

<sup>g</sup>For 2002, the amount for long-term debt issued was the result of bonds issued for the construction of a new high school and for the purchase and renovation of a public safety building.



**CITY OF HARRISONBURG, VIRGINIA**  
**ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY**  
**Last Ten Fiscal Years**

**Table 5**

Fiscal Year	Real Estate <sup>1</sup>	Personal Property <sup>2</sup>	Machinery and Tools <sup>3</sup>	Mobile Homes <sup>1</sup>	Public Service Corporations <sup>4</sup>		
					Real Estate	Personal Property	Total
2007	\$ 2,357,194,005	\$ 287,097,150	\$ 85,627,100	1,300,700	\$ 40,459,620	\$ 294,465	\$ 2,771,973,040
2006	2,281,099,494	275,969,700	82,172,500	1,217,300	45,930,020	339,674	2,686,728,688
2005	1,972,526,708	253,980,570	94,040,800	1,255,800	50,610,910	294,118	2,372,708,906
2004	1,924,757,616	263,080,560	100,386,700	1,264,400	53,862,258	250,109	2,343,601,643
2003	1,814,221,588	252,204,750	107,362,900	1,380,700	55,213,438	239,938	2,230,623,314
2002	1,793,533,004	250,506,200	120,401,100	1,292,100	55,484,976	295,760	2,221,513,140
2001	1,656,732,868	248,202,911	117,159,400	1,303,800	52,567,436	296,180	2,076,262,595
2000	1,600,041,524	237,204,519	106,835,400	1,318,400	52,168,424	529,083	1,998,097,350
1999	1,498,239,901	211,870,100	99,863,400	1,615,200	49,689,229	444,794	1,861,722,624
1998	1,451,829,090	211,234,848	95,561,464	1,546,500	46,588,622	375,867	1,807,136,391

**Source:** *City of Harrisonburg Commissioner of the Revenue Property Tax Records.*

**Notes:** <sup>1</sup> Assessed at 100% of fair market value. <sup>2</sup> Assessed at average trade-in value, as of January 1, as determined by the National Automobile Dealers Association (NADA).

<sup>3</sup> Assessed values are based upon depreciation schedule, year of purchase and cost. <sup>4</sup> Assessed values are established by the State Corporation Commission.

**CITY OF HARRISONBURG, VIRGINIA**  
**PROPERTY TAX RATES - PER \$100 OF ASSESSED VALUE**  
**Last Ten Fiscal Years**

**Table 6**

<b>Fiscal Year</b>	<b>Real Estate</b>	<b>Personal Property</b>	<b>Machinery and Tools</b>	<b>Mobile Homes</b>
2007	\$ 0.62	\$ 3.00	\$ 2.00	\$ 0.62
2006	0.62	2.00	2.00	0.62
2005	0.62	2.00	2.00	0.62
2004	0.62	2.00	2.00	0.62
2003	0.62	2.00	2.00	0.62
2002	0.62	2.00	2.00	0.62
2001	0.62	2.00	2.00	0.62
2000	0.62	2.00	2.00	0.62
1999	0.62	2.00	2.00	0.62
1998	0.62	2.00	2.00	0.62

*Source: City of Harrisonburg Commissioner of the Revenue Property Tax Records.*

**Notes:** Public Service Corporations are taxed at the real estate and the personal property tax rates for those classes of assessed values established by the State Corporation Commission.

**CITY OF HARRISONBURG, VIRGINIA  
PRINCIPAL PROPERTY TAXPAYERS  
Current Year and Nine Years Ago**

**Table 7**

Property Taxpayer	Fiscal Year 2007			Fiscal Year 1998		
	Property Taxes	Rank	Percent of Total Property Taxes	Property Taxes	Rank	Percent of Total Property Taxes
R.R. Donnelly & Sons Company	\$ 402,779	1	1.70%	\$ 264,877	3	1.70%
Tenneco Inc.	399,136	2	1.68%	240,617	5	1.55%
IntraPac Corporation	273,641	3	1.15%	298,019	2	1.92%
Packaging Corporation of America	266,905	4	1.13%	181,797	9	1.17%
GMH Communities Trust	218,538	5	0.92%	-	-	-
Graham Packaging Company, LP	186,640	6	0.79%	246,734	4	1.59%
SDG Macerich Properties, LP	177,253	7	0.75%	-	-	-
Virginia Mennonite Retirement Community	169,948	8	0.72%	-	-	-
Reddy Ice Corporation	150,818	9	0.64%	175,661	10	1.13%
Wal-Mart Stores, Inc.	137,727	10	0.58%	-	-	-
Tyco International Ltd.	-	-	-	330,651	1	2.13%
Rocco, Inc.	-	-	-	212,324	6	1.37%
Wampler-Longacre Rockingham, Inc.	-	-	-	205,081	7	1.32%
Verizon Communications Inc.	-	-	-	205,005	8	1.32%
<b>Total</b>	<b>\$ 2,383,385</b>		<b>10.06%</b>	<b>\$ 2,360,766</b>		<b>15.20%</b>

Source: City of Harrisonburg Commissioner of the Revenue Property Tax Records.

**CITY OF HARRISONBURG, VIRGINIA  
PROPERTY TAX LEVIES AND COLLECTIONS  
Last Ten Fiscal Years**

**Table 8**

Fiscal Year	Taxes Levied for the Fiscal Year (Original Levy)	Adjustments	Total Adjusted Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
				Amount	Percentage of Levy		Amount	Percentage of Levy
2007	\$ 23,722,324	\$ -	\$ 23,722,324	\$ 22,950,373	96.75%	\$ -	\$ 22,950,373	96.75%
2006	21,683,449	21,121	21,704,570	21,076,071	97.20%	337,779	21,413,850	98.66%
2005	19,595,631	16,337	19,611,968	18,925,288	96.58%	405,501	19,330,789	98.57%
2004	19,617,311	24,783	19,642,094	19,080,972	97.27%	349,584	19,430,556	98.92%
2003	18,890,133	6,837	18,896,970	18,103,663	95.84%	662,850	18,766,513	99.31%
2002	18,973,108	955	18,974,063	18,116,477	95.49%	732,055	18,848,532	99.34%
2001	17,990,551	34,085	18,024,636	17,226,173	95.75%	678,575	17,904,748	99.33%
2000	17,252,634	(11,975)	17,240,659	16,790,725	97.32%	353,952	17,144,677	99.44%
1999	15,944,864	60,871	16,005,735	15,385,882	96.49%	505,943	15,891,825	99.29%
1998	15,538,894	(6,783)	15,532,111	14,999,168	96.53%	458,821	15,457,989	99.52%

**Notes:** From 2000-2006, the Commonwealth of Virginia directly reimbursed localities a percentage of certain personal property taxes when the locality collected the taxpayer share of the tax. These reimbursements are included in current year collections and collections in subsequent years. Beginning in 2007, the Commonwealth of Virginia began funding a predetermined amount to each locality not dependant on when the locality collected the taxpayers share. These reimbursements are not included in current year collections.

**CITY OF HARRISONBURG, VIRGINIA**  
**RATIOS OF OUTSTANDING DEBT BY TYPE**  
**Last Ten Fiscal Years**

**Table 9**

Type of debt	Fiscal Year									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Governmental activities:										
General obligation bonds <sup>a,b</sup>	\$ 70,898,658	\$ 22,136,433	\$ 22,929,704	\$ 16,404,464	\$ 13,834,193	\$ 14,806,624	\$ 7,431,347	\$ 7,746,104	\$ 8,040,861	\$ 8,315,618
General obligation school bonds <sup>c</sup>	48,744,802	51,301,998	53,849,194	56,381,390	57,913,586	60,007,995	20,404,376	22,225,438	18,862,019	18,505,000
General obligation revenue bonds <sup>d</sup>	6,258,756	6,321,024	6,343,292	-	-	-	-	-	-	-
Notes payable	-	400,000	400,000	3,297,307	916,785	1,135,035	1,382,053	701,958	893,668	954,280
Capital leases	9,058,940	9,797,450	10,575,685	5,373,206	5,888,681	6,051,585	6,440,419	6,812,238	7,049,452	7,478,710
State literary fund loans	-	11,825	23,650	35,475	101,900	205,350	316,025	426,700	537,375	648,050
Business-type activities:										
General obligation bonds <sup>e</sup>	26,968,098	28,152,909	29,292,721	29,586,475	29,839,303	30,082,131	6,515,000	8,110,000	9,620,000	11,045,000
General obligation revenue bonds <sup>d,f</sup>	9,992,612	10,179,448	10,356,284	16,868,680	16,862,785	16,856,889	6,332,364	6,329,632	-	-
Notes payable	-	-	-	128,527	426,346	709,726	979,367	1,235,935	-	-
Total primary government	\$ 171,921,866	\$ 128,301,087	\$ 133,770,530	\$ 128,075,524	\$ 125,783,579	\$ 129,855,335	\$ 49,800,951	\$ 53,588,005	\$ 45,003,375	\$ 46,946,658
Percentage of personal income <sup>l</sup>	13.81%	11.04%	12.34%	12.08%	12.55%	13.22%	5.46%	6.42%	6.41%	7.11%
Per capita <sup>l</sup>	\$ 3,798	\$ 2,915	\$ 3,098	\$ 2,969	\$ 2,925	\$ 3,077	\$ 1,204	\$ 1,324	\$ 1,293	\$ 1,365

**Notes:** Details regarding the City's outstanding debt can be found in the notes to the financial statements. <sup>l</sup>See Table 12 for personal income and population data.

<sup>a</sup>For 2007, the City issued \$50 million in general obligation bonds, of which \$46.5 million was issued for the construction of an elementary/middle school complex and related infrastructure.

<sup>b</sup>For 2002, the City issued \$6 million in general obligation bonds for the purchase and renovation of a public safety building.

<sup>c</sup>For 2002, the City issued \$41.5 million in general obligation school bonds for the construction of a new high school.

<sup>d</sup>The increase in governmental activities and the decrease in business-type activities' general obligation revenue bonds in 2005 was due to a reporting change for the operations of the golf course. Prior to 2005, the golf course was reported as a business-type activity.

<sup>e</sup>For 2002, the City issued \$25.3 million in general obligation bonds for the rebuild of the steam plant.

<sup>f</sup>For 2002, the City issued \$10.6 million in general obligation revenue bonds for the expansion of the water treatment plant and other water system projects.

CITY OF HARRISONBURG, VIRGINIA  
RATIOS OF GENERAL BONDED DEBT OUTSTANDING  
Last Ten Fiscal Years

Table 10

	Fiscal Year									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
General obligation bonds <sup>a,b</sup>	\$ 97,866,756	\$ 50,289,342	\$ 52,222,425	\$ 45,990,939	\$ 43,673,496	\$ 44,888,755	\$ 13,946,347	\$ 15,856,104	\$ 17,660,861	\$ 19,360,618
General obligation school bonds <sup>c</sup>	48,744,802	51,301,998	53,849,194	56,381,390	57,913,586	60,007,995	20,404,376	22,225,438	18,862,019	18,505,000
Total	\$ 146,611,558	\$ 101,591,340	\$ 106,071,619	\$ 102,372,329	\$ 101,587,082	\$ 104,896,750	\$ 34,350,723	\$ 38,081,542	\$ 36,522,880	\$ 37,865,618
Percentage of assessed real property value <sup>1</sup>	6.11%	4.37%	5.24%	5.17%	5.43%	5.67%	2.01%	2.30%	2.36%	2.53%
Per capita <sup>2</sup>	\$ 3,239	\$ 2,308	\$ 2,457	\$ 2,373	\$ 2,362	\$ 2,486	\$ 831	\$ 941	\$ 1,050	\$ 1,101

**Notes:** Details regarding the City's outstanding debt can be found in the notes to the financial statements. <sup>1</sup>See Table 5 for assessed real property data. <sup>2</sup>See Table 12 for population data.

<sup>a</sup>For 2002, the City issued \$31.3 million in general obligation bonds for the purchase and renovation of a public safety building and for the rebuild of the steam plant.

<sup>b</sup>For 2007, the City issued \$50 million in general obligation bonds, of which \$46.5 million was issued for the construction of an elementary/middle school complex and related infrastructure.

<sup>c</sup>For 2002, the City issued \$41.5 million in general obligation school bonds for the construction of a new high school.

**CITY OF HARRISONBURG, VIRGINIA  
LEGAL DEBT MARGIN INFORMATION  
Last Ten Fiscal Years**

**Table 11**

	Fiscal Year										
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	
Debt limit	\$ 239,765,363	\$ 232,702,951	\$ 202,313,762	\$ 197,861,987	\$ 186,943,503	\$ 184,901,798	\$ 170,930,030	\$ 165,220,995	\$ 154,792,913	\$ 149,841,771	
Total debt applicable to limit	163,765,205	119,311,725	124,081,150	123,383,909	120,646,331	123,835,111	43,422,445	46,839,593	37,941,043	39,472,330	
Legal debt margin	\$ 76,000,158	\$ 113,391,226	\$ 78,232,612	\$ 74,478,078	\$ 66,297,172	\$ 61,066,687	\$ 127,507,585	\$ 118,381,402	\$ 116,851,870	\$ 110,369,441	
Total debt applicable to the limit as percentage of debt limit <sup>a,b</sup>	68.30%	51.27%	61.33%	62.36%	64.54%	66.97%	25.40%	28.35%	24.51%	26.34%	
<b>Legal Debt Margin Calculation for Fiscal Year 2007</b>											
Total assessed value of taxed real property	\$ 2,397,653,625										
Debt limit (10% of total assessed value)	239,765,363										
Debt applicable to limit:											
General obligation bonds	98,755,205										
General obligation school bonds	48,615,000										
General obligation revenue bonds	16,395,000										
Legal debt margin	\$ 76,000,158										

**Notes:** Under the Constitution of Virginia, the City's bonds or other interest-bearing obligations shall not exceed ten percent of the total assessed value of taxed real property.

<sup>a</sup>For 2002, the City issued a total of \$83.4 million in debt to finance various projects. See Table 9 for a further explanation of the projects financed.

<sup>b</sup>For 2007, the City issued a total of \$50 million in debt to finance various projects. See Table 9 for a further explanation of the projects financed.

**CITY OF HARRISONBURG, VIRGINIA**  
**DEMOGRAPHIC AND ECONOMIC STATISTICS**  
**Last Ten Fiscal Years**

**Table 12**

<b>Fiscal Year</b>	<b>Population<sup>1</sup></b>	<b>Personal Income (in thousands)</b>	<b>Per Capita Personal Income<sup>2</sup></b>	<b>School Enrollment<sup>3</sup></b>	<b>Unemployment Rate Percentage<sup>4</sup></b>
2007	45,261	\$ 1,244,813	\$ 27,503	4,356	2.8
2006	44,008	1,162,647	26,419	4,347	3.1
2005	43,178	1,084,415	25,115	4,088	3.6
2004	43,137	1,060,566	24,586	4,028	3.3
2003	43,001	1,002,611	23,316	4,026	3.3
2002	42,200	981,994	23,270	3,912	3.2
2001	41,350	911,809	22,051	3,768	2.3
2000	40,468	834,936	20,632	3,575	1.8
1999	34,800	701,742	20,165	3,557	1.3
1998	34,400	659,964	19,185	3,560	1.4

**Sources:** <sup>1</sup> Estimated by the City's Department of Planning and Community Development for 1998-1999 and 2001-2007. United State Census Bureau for 2000. <sup>2</sup> Bureau of Economic Analysis, United States Department of Commerce. Amounts for 2001-2006 have been adjusted based upon the latest available data. Data for 2007 has been estimated based on per capita personal income trends for the previous ten years. <sup>3</sup> City of Harrisonburg School Board. <sup>4</sup> Virginia Employment Commission. The unemployment rate is an annual average.



**CITY OF HARRISONBURG, VIRGINIA**  
**PRINCIPAL EMPLOYERS**  
**Current Year and Nine Years Ago**

**Table 13**

Employers	Fiscal Year 2007			Fiscal Year 1998		
	Employees	Rank	Percent of Total City Employment	Employees	Rank	Percent of Total City Employment
James Madison University	3,333	1	10.58%	>1,000	1	n/a
Rockingham Memorial Hospital	2,150	2	6.82%	>1,000	2	n/a
Harrisonburg City Public Schools	723	3	2.29%	500 - 999	4	n/a
City of Harrisonburg	709	4	2.25%	500 - 999	6	n/a
Tenneco Inc.	690	5	2.19%	>1,000	3	n/a
Fairfield Language Technologies	475	6	1.51%	-		n/a
Tyson Foods, Inc.	440	7	1.40%	250 - 499	7	n/a
Graham Packaging Company, LP	419	8	1.33%	250 - 499	8	n/a
R.R. Donnelly & Sons Company	415	9	1.32%	-		-
Virginia Mennonite Retirement Community	412	10	1.31%	-		-
Dunham Bush Inc.	-		-	500 - 999	5	n/a
IntraPac Corp.	-		-	250 - 499	9	n/a
Wal-Mart Stores, Inc.	-		-	250 - 499	10	n/a
<b>Total</b>	<b>9,766</b>		<b>31.00%</b>	<b>-</b>		<b>n/a</b>

*Source: City of Harrisonburg Department of Economic Development for 2007. Virginia Employment Commission for 1998.*

**CITY OF HARRISONBURG, VIRGINIA**  
**FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION**  
**Last Ten Fiscal Years**

Table 14

Function	Fiscal Year									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
General government administration	56.8	53.0	51.9	51.0	50.1	48.9	48.1	45.9	46.4	45.9
Public safety:										
Police <sup>a</sup>	101.6	101.8	97.7	100.4	94.8	94.2	90.9	86.1	84.1	79.7
Fire <sup>b</sup>	72.3	71.5	68.5	68.2	65.0	64.0	64.0	58.0	55.0	52.0
Other <sup>c</sup>	48.4	44.1	38.7	22.0	22.0	20.5	20.5	19.5	19.5	19.5
Public works	74.2	66.7	66.0	66.0	62.9	65.8	65.9	65.5	67.0	65.5
Parks, recreation and cultural <sup>d</sup>	69.4	66.8	65.6	66.7	63.1	60.4	46.6	46.6	44.6	42.9
Planning and community development <sup>e</sup>	18.8	8.1	7.9	6.8	7.3	6.1	6.0	6.0	6.0	5.0
Water	30.1	29.7	29.7	29.6	28.6	28.6	28.6	28.6	27.7	27.4
Sewer	23.3	22.9	22.9	22.9	21.9	21.9	21.9	20.9	20.9	20.9
Public transportation <sup>f</sup>	79.8	79.2	76.4	77.1	67.7	66.6	65.4	66.9	64.8	64.3
Sanitation <sup>g</sup>	56.9	56.9	55.0	54.0	46.8	45.0	44.4	43.4	43.4	42.4
Public parking	-	3.8	3.8	3.8	4.0	4.0	3.2	3.2	3.2	3.4
<b>Total</b>	<b>631.6</b>	<b>604.5</b>	<b>584.1</b>	<b>568.5</b>	<b>534.2</b>	<b>526.0</b>	<b>505.5</b>	<b>490.6</b>	<b>482.6</b>	<b>468.9</b>

**Source:** City of Harrisonburg Proposed Budget for the relevant year.

**Notes:** Full-time equivalent amounts are budgeted positions.

<sup>a</sup>The City has added additional police department personnel over the past ten years as demand for services continue to increase.

<sup>b</sup>The increase for the fire department from 1998-2004 reflects the hiring of additional firefighters to comply with the National Fire Protection Association's "Two-In-Two-Out" rule.

<sup>c</sup>The increase for other public safety in 2005 reflects an expanded emergency communications center.

<sup>d</sup>The increase for parks and recreation in 2002 reflects the hiring of employees to staff the golf course.

<sup>e</sup>The increase for planning and community development in 2007 reflects the transfer of employees to a new downtown parking services division and the creation of a tourism and visitors services division.

<sup>f</sup>The City has added additional public transportation personnel over the past ten years as demand for transit and school bus services continue to increase.

<sup>g</sup>The increase for sanitation in 2004 reflects the hiring of additional personnel to staff the rebuilt and expanded steam plant.

**CITY OF HARRISONBURG, VIRGINIA  
OPERATING INDICATORS BY FUNCTION  
Last Ten Fiscal Years**

**Table 15**

Function	Fiscal Year									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Police										
Calls answered	28,232	30,901	34,059	33,987	30,839	29,960	26,329	22,438	20,233	19,195
Traffic citations	6,295	7,144	9,796	8,825	7,101	5,460	5,043	6,179	6,496	6,604
Fire										
Calls answered	3,991	4,088	3,994	3,763	3,606	3,313	3,162	3,321	3,302	3,252
Inspections	1,387	1,472	1,623	1,296	1,198	683	1,976	2,943	2,585	1,970
Public works										
Streets repaved (lane miles)	7.47	4.88	4.17	4.13	10.22	7.31	10.65	5.00	12.47	14.00
Parks and recreation										
Pool admissions	30,719	42,060	44,273	45,182	44,856	43,726	33,154	39,354	44,083	47,306
Rounds of golf played <sup>a</sup>	19,235	20,220	20,522	20,418	18,239	6,074	-	-	-	-
Planning and community development										
Building permits issued	829	1,039	958	893	896	624	463	632	594	594
Water										
Daily consumption (millions of gallons)	5.40	5.35	5.15	5.14	4.96	5.33	5.92	5.71	5.34	4.91
New customer connections	347	435	262	272	267	302	237	274	260	319
Sewer										
Daily consumption (millions of gallons)	4.26	4.36	4.16	4.11	n/a	n/a	n/a	n/a	n/a	n/a
New customer connections	52	46	42	33	22	38	15	30	51	43
Public transportation										
Transit bus passengers	1,492,276	1,380,851	1,150,587	1,040,010	993,823	1,047,320	1,256,856	1,260,787	1,217,596	1,383,227
Sanitation										
Average daily steam plant intake (tons) <sup>f</sup>	129.7	145.6	117.5	48.3	44.6	59.4	65.6	59.8	66.4	67.8
Recycling collected (tons)	1,234.2	1,847.3	1,353.9	n/a	n/a	n/a	n/a	n/a	n/a	n/a

**Source:** *Various City of Harrisonburg departments.*

**Notes:** Operating indicators are not available for the general government function. "n/a" means that the information is not available.

<sup>a</sup>The golf course opened for part of 2002. A full year of operations began in 2003.

<sup>b</sup>Due to the rebuild and expansion of the steam plant, the steam plant was only in operation for a portion of 2003 and 2004.

**CITY OF HARRISONBURG, VIRGINIA  
CAPITAL ASSET STATISTICS BY FUNCTION  
Last Ten Fiscal Years**

**Table 16**

Function	Fiscal Year									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Police										
Police stations	3	3	3	3	4	4	4	5	5	4
Patrol units (including motorcycles)	42	40	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Fire										
Fire stations	4	4	4	4	4	4	4	4	4	4
Fire trucks	12	13	12	12	12	11	11	11	10	10
Public works:										
Streets (miles)	134.07	132.62	132.62	132.62	132.62	132.62	132.62	132.62	131.78	125.86
Parks, recreation and cultural										
Parks (including athletic facilities)	10	10	10	10	10	10	10	10	10	10
Parks acreage <sup>a</sup>	869	869	869	869	869	869	869	829	1,010	988
Golf course acreage <sup>a</sup>	215	201	201	201	201	201	181	181	-	-
Water:										
Water lines (linear feet)	1,441,109	1,432,761	1,332,055	1,324,896	1,268,051	1,251,667	1,238,335	n/a	n/a	n/a
Storage capacity (millions of gallons) <sup>b</sup>	33.05	33.05	27.75	27.75	27.75	27.75	27.75	27.75	27.75	27.75
Sewer:										
Sewer lines (linear feet)	1,007,810	999,431	1,042,286	1,012,041	939,037	944,350	925,720	n/a	n/a	n/a
Public transportation:										
Transit buses	31	33	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Sanitation										
Steam plant capacity (tons per day) <sup>c</sup>	200	200	200	200	100	100	100	100	100	100
Refuse collection trucks	6	6	6	6	6	6	6	6	6	6
Recycling collection trucks	4	4	4	4	4	4	4	4	4	4

**Source:** *Various City of Harrisonburg departments.*

**Notes:** Capital assets indicators are not available for the general government function and the planning and community development function. "n/a" means that the information is not available.

<sup>a</sup>In 2000, 181 acres from Hillandale Park were used to construct the City's golf course.

<sup>b</sup>In 2006, the City completed construction of a new 5.3 million gallon water tank at the water treatment plant.

<sup>c</sup>In 2004, the City completed a rebuild and subsequent expansion of the steam plant.

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# COMPLIANCE SECTION

This part of the City's comprehensive annual financial report is intended to demonstrate the City's compliance with various state and federal legal matters, as well as, compliance with federal grant funding requirements. It is prepared in conformity with the provisions of the Single Audit Act Amendments of 1996 and the Office of Management and Budget (OMB) A-133.

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

Honorable Members of City Council  
City of Harrisonburg, Virginia

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Harrisonburg, Virginia, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 25, 2008. Our report was modified to include a reference to another auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Another auditor audited the financial statements of the discretely presented component unit Harrisonburg Electric Commission, as described in our report on the City's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by that auditor.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures 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 City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. **We consider the deficiency described in the accompanying schedule of findings and questioned costs as Item 07-1 to be a significant deficiency in internal control over financial reporting.**



### Internal Control over Financial Reporting (Continued)

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. **However, we believe that the significant deficiency described above is not a material weakness.**

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. During our audit we noted **instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings and Questioned Costs as Items 07-2 and 07-3.**

We noted certain matters that we reported to the City's management in a separate letter dated March 25, 2008.

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

*Brown, Edwards & Company, S. L. P.*  
CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia  
March 25, 2008

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR  
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

Honorable Members of City Council  
City of Harrisonburg, Virginia

**Compliance**

We have audited the compliance of the City of Harrisonburg, Virginia with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The City's major federal programs are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

**In our opinion, the City of Harrisonburg, Virginia complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.**

**Internal Control over Compliance**

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

**Internal Control over Compliance (Continued)**

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

\*\*\*\*\*

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

*Brown, Edwards & Company, L.L.P.*

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia  
March 25, 2008

**INDEPENDENT AUDITOR'S COMMENTS ON RESOLUTION  
OF PRIOR YEAR MAJOR FEDERAL AWARD PROGRAMS AUDIT FINDINGS**

Honorable Members of City Council  
City of Harrisonburg, Virginia

We reviewed the prior year report during the course of this audit to determine if the City of Harrisonburg, Virginia has implemented adequate corrective action with respect to previously reported audit findings. The prior year single audit disclosed no findings in the Schedule of Findings and Questioned Costs, and no uncorrected or unresolved findings exist from the prior audit's Summary Schedule of Prior Audit Findings.

*Brown, Edwards & Company, L.L.P.*  
CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia  
March 25, 2008

**CITY OF HARRISONBURG, VIRGINIA**  
**SUMMARY OF COMPLIANCE MATTERS**  
**June 30, 2007**

As more fully described in the 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*, we performed tests of the City's compliance with certain provisions of the laws, regulations, contracts, and grants shown below.

**STATE COMPLIANCE MATTERS**

*Code of Virginia*

Budget and Appropriation Laws  
Cash and Investment Laws  
Conflicts of Interest Act  
Local Retirement Systems  
Debt Provisions  
Procurement Laws  
Uniform Disposition of Unclaimed Property Act

*State Agency Requirements*

Education  
Highway Maintenance Funds

**FEDERAL COMPLIANCE MATTERS**

Compliance Supplement for Single Audits of State and Local Governments

Provisions and conditions of agreements related to federal programs selected for testing.

CITY OF HARRISONBURG, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2007

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an **unqualified opinion** on the financial statements.
2. **One significant deficiency** relating to the audit of the financial statements is reported in the 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*.
3. **No instances of noncompliance** material to the financial statements were disclosed during the audit.
4. **No significant deficiencies** relating to the audit of the major federal award programs were reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs expresses an **unqualified opinion**.
6. The audit disclosed **no audit findings** relating to major programs.
7. The programs tested as major programs include:

Reading First State Grants	84.357
Child Nutrition Cluster	10.553, 10.555
8. The **threshold** for distinguishing Type A and B programs was \$300,000.
9. The City was determined to be a **low-risk auditee**.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

**07-1: Controls Over Cash Receipts (Significant Deficiency)**

*Condition:*

The treasurer's office lacks a proper segregation of duties in that certain employees have both custody of assets and the responsibility for accounting for those assets, or have access to those assets and/or the ability to adjust cash receipt records. This situation is aggravated by the fact that complete secrecy of password and login information has not always been maintained in the treasurer's office. We also noted that although supporting documentation accompanies checks and cash forwarded to the treasurer's office from other departments, no controls are in place to compare supporting documentation to amounts ultimately deposited. Finally, it has been represented to us that the treasurer's office has permitted the cashing of personal checks, including, in some cases, checks made out to local businesses.

(Continued)

**CITY OF HARRISONBURG, VIRGINIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, 2007**

**B. FINDINGS – FINANCIAL STATEMENT AUDIT (Continued)**

**07-1: Controls Over Cash Receipts (Significant Deficiency) (Continued)**

*Recommendation:*

Duties should be segregated where possible, and login/password information should be carefully safeguarded by each employee. We recommend that management implement controls to verify that deposit amounts agree to the amounts forwarded by departments, and if possible, require that those deposits be made directly by the department. We also recommend that the City adopt policies prohibiting the cashing of either personal checks made out to the City or checks made out to (and endorsed by) a third party.

*Management's Response:*

The auditee concurs.

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

None.

**D. FINDINGS AND QUESTIONED COSTS – COMMONWEALTH OF VIRGINIA**

**07-2: Highway Maintenance**

*Condition:*

We noted 1 instance out of 20 in which work was performed on an ineligible street.

*Recommendation:*

Ensure all work performed is on eligible streets as specified by State Code.

*Management's Response:*

The auditee concurs.

**07-3:** The City's Treasurer was indicted in February 2008 on charges of altering and misuse of public funds. However, this case has not been resolved as of the date of our audit report.

**CITY OF HARRISONBURG, VIRGINIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2007**

<u>Federal Grantor/State Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<b>Department of Agriculture:</b>		
Pass-through payments:		
Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	\$ 267,097
National School Lunch Program	10.555	884,995
Department of Agriculture and Consumer Services:		
National School Lunch Program (Commodities) (part of Child Nutrition Cluster)	10.555	<u>106,635</u>
<b>Total Department of Agriculture</b>		<b>\$ <u>1,258,727</u></b>
<b>Department of Housing and Urban Development:</b>		
Direct payments:		
Community Development Block Grants/Entitlement Grants	14.218	<u>\$ 443,363</u>
<b>Total Department of Housing and Urban Development</b>		<b>\$ <u>443,363</u></b>
<b>Department of Justice:</b>		
Direct payments:		
Edward Byrne Memorial Formula Grant Program	16.579	\$ 24,065
Local Law Enforcement Block Grants Program	16.592	1,517
Bulletproof Vest Partnership Program	16.607	10,013
Edward Byrne Memorial Justice Assistance Grant Program	16.738	<u>14,088</u>
<b>Total Department of Justice</b>		<b>\$ <u>49,683</u></b>
<b>Department of Transportation:</b>		
Direct payments:		
Highway Planning and Construction	20.205	\$ 29,204
Federal Transit - Formula Grants	20.507	929,863
Pass-through payments:		
Harrisonburg-Rockingham Metropolitan Planning Organization:		
Federal Transit - Metropolitan Planning Grants	20.505	35,000
Department of Motor Vehicles:		
Highway Safety Cluster:		
State and Community Highway Safety	20.600	5,191
Occupant Protection	20.602	4,232
Alcohol Open Container Requirements	20.607	<u>20,234</u>
<b>Total Department of Transportation</b>		<b>\$ <u>1,023,724</u></b>

(continued)



**CITY OF HARRISONBURG, VIRGINIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2007**

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<b>Department of Education:</b>		
Pass-through payments:		
Department of Education:		
Title I Grants to Local Educational Agencies	84.010	\$ 939,734
Vocational Education - Basic Grants to States	84.048	86,202
Safe and Drug-Free Schools and Communities - State Grants	84.186	19,493
State Grants for Innovative Programs	84.298	12,016
Education Technology State Grants	84.318	709,271
Advance Placement Program	84.330	364
Reading First State Grants	84.357	682,258
English Language Acquisition Grants	84.365	211,571
Improving Teacher Quality State Grants	84.367	224,515
Hurricane Education Recovery	84.938	8,415
Special Education Cluster:		
Grants to States	84.027	1,066,723
Preschool Grants	84.173	<u>33,974</u>
<b>Total Department of Education</b>		<b>\$ <u>3,994,536</u></b>
<b>Department of Health and Human Services:</b>		
Pass-through payments:		
Virginia State Board of Elections:		
Voting Access for Individuals with Disabilities - Grants to States	93.617	<u>\$ 3,761</u>
<b>Total Department of Health and Human Services</b>		<b>\$ <u>3,761</u></b>
<b>Department of Homeland Security:</b>		
Direct payments:		
State Domestic Preparedness Equipment Support Program	97.004	\$ 95,989
Emergency Management Performance Grants	97.042	24,053
Assistance to Firefighters Grant	97.044	<u>45,999</u>
<b>Total Department of Homeland Security</b>		<b>\$ <u>166,041</u></b>
<b>Department of Defense:</b>		
Direct payments:		
JROTC Funds	12.VA 170853	<u>\$ 49,128</u>
<b>Total Department of Defense</b>		<b>\$ <u>49,128</u></b>
<b>Total expenditure of federal awards</b>		<b>\$ <u><u>6,988,963</u></u></b>

The accompanying notes to schedule of expenditures of federal awards are an integral part of this schedule.

**CITY OF HARRISONBURG, VIRGINIA**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**June 30, 2007**

**Note 1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Harrisonburg, Virginia and its component unit, and is presented on the cash basis of accounting. The information contained in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general-purpose financial statements.

**Note 2. Food Distribution**

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed as determined by the U.S. Department of Agriculture. At June 30, 2007, the School Board, a component unit, had food commodities totaling \$20,794 in inventory.

**Note 3. Subrecipients**

The City provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Expended</u>
Community Development Block Grants/Entitlement Grants	14.218	\$ 72,900

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