

CITY OF HARRISONBURG, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008



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

CITY OF HARRISONBURG, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
Year Ended June 30, 2008

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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

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

Kurt D. Hodgen
City Manager

November 26, 2008

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, 2008 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, 2008, 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, 2008, 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 45,255.

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 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.

The City provides emergency communications services through the Harrisonburg-Rockingham Emergency Communications Center (HRECC). The HRECC is a separate legal entity and is a joint venture of the City and the County with the City being the fiscal agent. Both the City and the County fund equally its share of the HRECC's operations.

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 one percent of the total expenditures shown in the currently adopted budget, require a public hearing prior to approval by City Council. All appropriations lapse at year-end except for appropriations for capital projects. 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 six new police officers.
- Hired a Parks and Recreation senior recreation services coordinator.
- Hired four additional Public Transportation employees.
- Hired four Sanitation Journeyman.
- Appropriated \$150,000 for a traffic intervention system.
- Appropriated \$150,000 for a new fire truck.
- Appropriated \$210,000 for a replacement flusher/vacuum truck.
- Appropriated \$260,000 for Port Republic Road improvements.
- Appropriated \$3,000,000 for Port Republic Road Improvement.
- Appropriated \$4,800,000 for Reservoir Street Project.
- Appropriated \$1,882,434 for Erickson Avenue Extension.
- Appropriated \$2,717,746 for the eastern water source development.
- Appropriated \$1,062,528 for HRRSA Waste Water Treatment Expansion.
- Appropriated \$2,990,000 for nine transit buses and four partransit vehicles.
- Appropriated \$350,000 for four 78-passenger school buses.
- Appropriated \$1,600,000 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 25,336. James Madison University, a state-supported school, is located near the geographic center of the City and has approximately 17,428 undergraduate students. Eastern Mennonite University, a private institution with approximately 1,597 students is also located in the City. Bridgewater College, located just south of the City, is also private and has an approximate enrollment of 1,541 students. State-supported Blue Ridge Community College has an enrollment of approximately 4,770 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 \$63.3 million of which \$10.3 million has already been expended and approximately \$5.5 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 \$5.0 million will be borrowed in fiscal year 2009; \$8.6 million will be borrowed in the fiscal year 2010; \$9.9 million will be borrowed in fiscal year 2011; \$10.7 million will be borrowed in fiscal year 2012; and the final \$6.1 million will be borrowed in fiscal year 2013. The remaining \$7.2 million will be provided by Federal and Commonwealth of Virginia 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 \$3.8 million has already been expended and \$6.5 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 Ridgeworth 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 33 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, 2007. This was the thirteenth 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, 2007

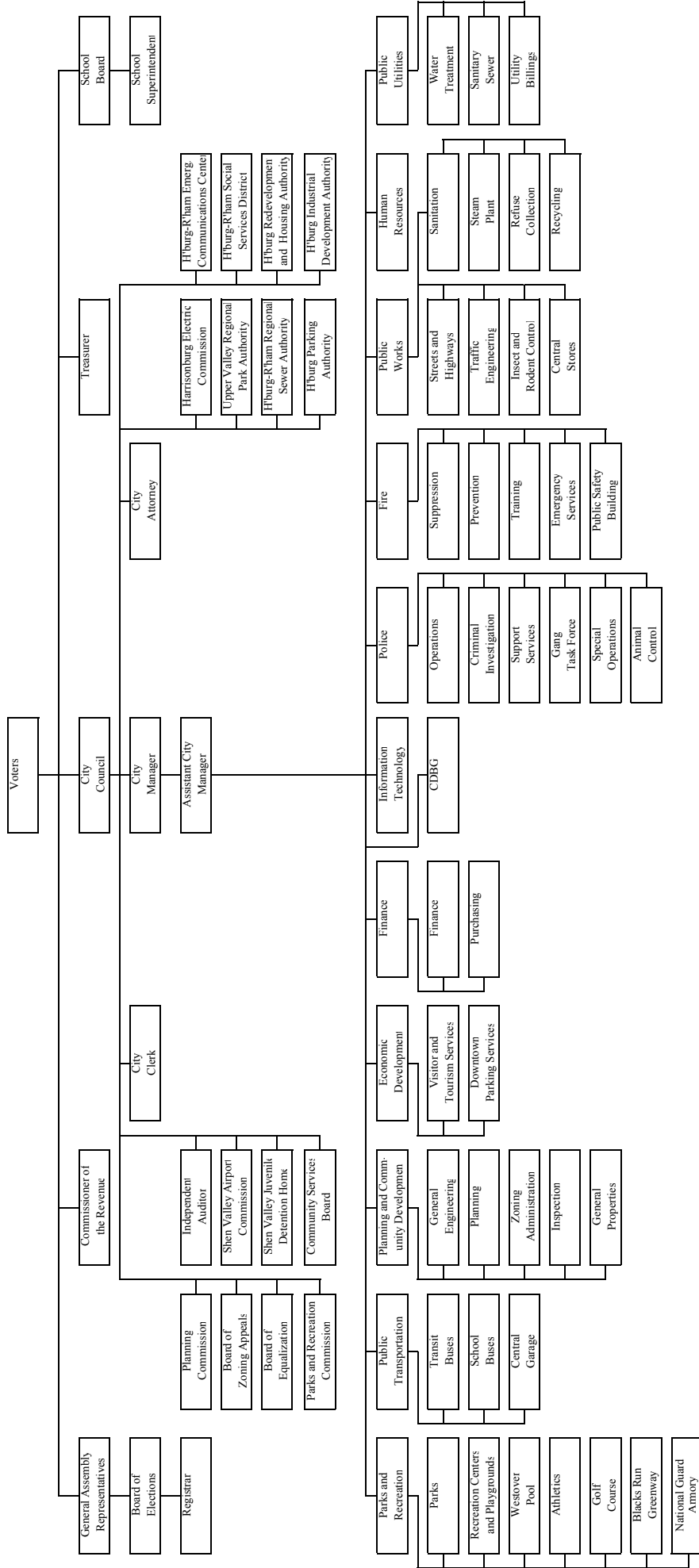
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards 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, 2008

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

Kurt D. Hodgen	City Manager
Vacant	Assistant City Manager
Jeffrey L. Shafer	Interim 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

Kerri M. Wilson, Chairperson
Thomas C. Mendez, Vice Chairperson
Gregory L. Coffman, Board Member

Michael D. Walsh, 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, 2008, 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 \$70,307,644 as of June 30, 2008, and total revenues of \$55,822,308 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 report 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 and the report of the other auditors provide 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, 2008, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons 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 November 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 information 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 by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the report of the other auditors, 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 by us and the other auditors 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
November 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, 2008. 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 \$252.5 million (net assets). Of this amount, \$63.5 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 \$14.1 million.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$39.3 million, a decrease of \$25.1 million in comparison with the previous year. Approximately 76.8 percent of this total amount, \$30.2 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 \$22.5 million, or 25.8 percent of total General Fund expenditures and other financing uses.
- The City's total long-term debt decreased by \$5.6 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, jail and judicial 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 four 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, Community Development Block Grant Fund, General Capital Projects Fund, and School Bond Capital Projects Fund, which are considered to be major funds.

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 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 85 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 \$252.5 million at the close of the most recent fiscal year.

The largest portion of the City's net assets (74.5 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 \$63.5 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	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 89,900,958	\$ 112,065,520	\$ 33,221,396	\$ 28,739,773	\$ 123,122,354	\$ 140,805,293
Capital assets	255,684,841	231,375,488	90,759,461	91,081,818	346,444,302	322,457,306
Total assets	\$ 345,585,799	\$ 343,441,008	\$ 123,980,857	\$ 119,821,591	\$ 469,566,656	\$ 463,262,599
Current and other liabilities	\$ 37,969,727	\$ 42,657,297	\$ 5,479,653	\$ 2,969,119	\$ 43,449,380	\$ 45,626,416
Long-term liabilities	133,118,926	137,637,572	40,466,440	41,542,179	173,585,366	179,179,751
Total liabilities	\$ 171,088,653	\$ 180,294,869	\$ 45,946,093	\$ 44,511,298	\$ 217,034,746	\$ 224,806,167
Net assets:						
Invested in capital assets, net of related debt	\$ 132,814,209	\$ 125,832,921	\$ 55,215,398	\$ 54,121,109	\$ 188,029,607	\$ 179,954,030
Restricted	961,442	1,039,017	-	-	961,442	1,039,017
Unrestricted	40,721,495	36,274,201	22,819,366	21,189,184	63,540,861	57,463,385
Total net assets	\$ 174,497,146	\$ 163,146,139	\$ 78,034,764	\$ 75,310,293	\$ 252,531,910	\$ 238,456,432

The information for the previous year has been restated. These restatements are explained further in Note 34 of the notes to the financial statements.

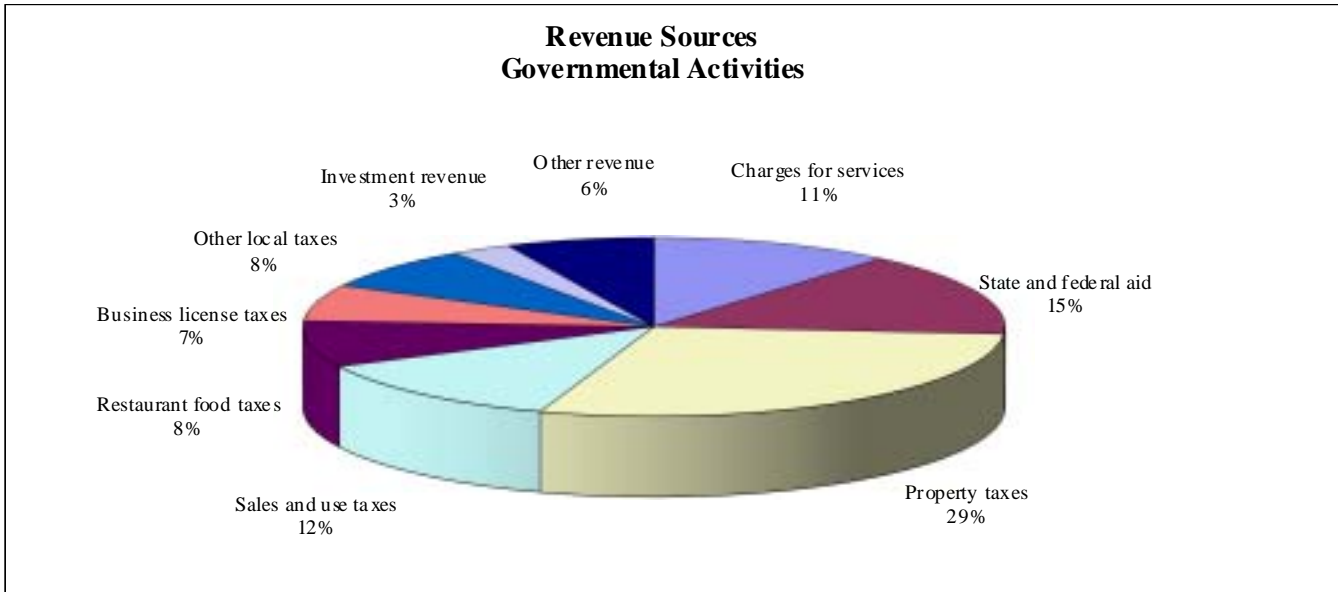
City of Harrisonburg's Changes in Net Assets

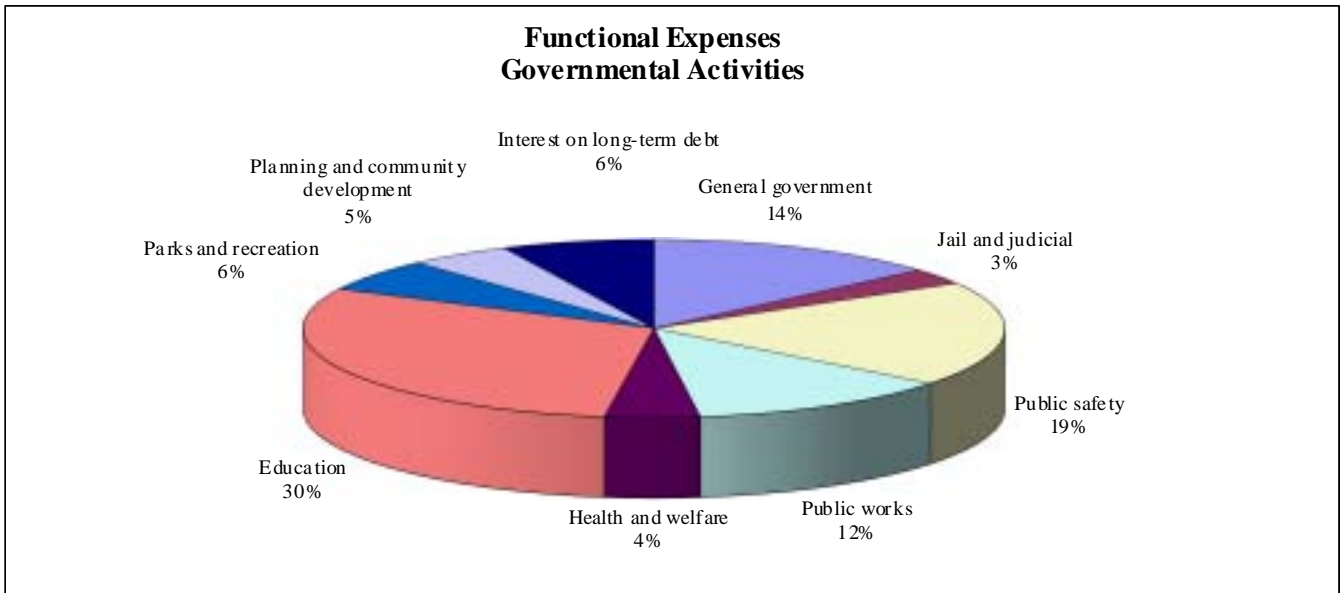
	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program revenues:						
Charges for services	\$ 10,628,284	\$ 8,991,972	\$ 24,034,351	\$ 21,671,686	\$ 34,662,635	\$ 30,663,658
Operating grants and contributions	5,064,405	4,602,364	1,242,498	1,140,983	6,306,903	5,743,347
Capital grants and contributions	6,099,485	3,996,228	1,684,705	2,201,180	7,784,190	6,197,408
General revenues:						
Property taxes	27,464,833	23,731,628	-	-	27,464,833	23,731,628
Sales and use taxes	11,772,450	11,695,874	-	-	11,772,450	11,695,874
Restaurant food taxes	8,021,419	7,673,364	-	-	8,021,419	7,673,364
Business license taxes	6,196,857	6,042,082	-	-	6,196,857	6,042,082
Other local taxes	7,372,608	7,368,816	-	-	7,372,608	7,368,816
Grants and contributions not restricted to specific programs	3,467,625	3,506,788	-	-	3,467,625	3,506,788
Payment from component units	4,800,000	4,793,875	-	-	4,800,000	4,793,875
Investment revenue	2,644,259	3,534,382	1,101,241	1,403,613	3,745,500	4,937,995
Other revenue	1,447,468	1,477,852	1,844,195	1,034,676	3,291,663	2,512,528
Total revenues	\$ 94,979,693	\$ 87,415,225	\$ 29,906,990	\$ 27,452,138	\$ 124,886,683	\$ 114,867,363
Expenses:						
General government						
administration	\$ 11,767,148	\$ 10,607,363	\$ -	\$ -	\$ 11,767,148	\$ 10,607,363
Jail and judicial administration	2,521,878	2,695,536	-	-	2,521,878	2,695,536
Public safety	16,446,587	15,100,477	-	-	16,446,587	15,100,477
Public works	10,621,521	11,140,416	-	-	10,621,521	11,140,416
Health and welfare	3,764,612	3,130,065	-	-	3,764,612	3,130,065
Education	25,922,982	25,341,757	-	-	25,922,982	25,341,757
Parks, recreation and cultural	5,103,321	4,692,190	-	-	5,103,321	4,692,190
Planning and community development	4,125,103	5,265,157	-	-	4,125,103	5,265,157
Interest on long-term debt	6,078,904	5,612,049	-	-	6,078,904	5,612,049
Water	-	-	4,951,007	4,560,390	4,951,007	4,560,390
Sewer	-	-	6,413,266	5,717,556	6,413,266	5,717,556
Public transportation	-	-	6,042,341	5,538,155	6,042,341	5,538,155
Sanitation	-	-	11,162,477	10,604,466	11,162,477	10,604,466
Total expenses	\$ 86,352,056	\$ 83,585,010	\$ 28,569,091	\$ 26,420,567	\$ 114,921,147	\$ 110,005,577
Increase in net assets before transfers and special item	\$ 8,627,637	\$ 3,830,215	\$ 1,337,899	\$ 1,031,571	\$ 9,965,536	\$ 4,861,786
Special item	4,109,942	2,183,062	-	-	4,109,942	2,183,062
Transfers	(1,386,572)	(1,130,257)	1,386,572	1,130,257	-	-
Change in net assets	\$ 11,351,007	\$ 4,883,020	\$ 2,724,471	\$ 2,161,828	\$ 14,075,478	\$ 7,044,848
Net assets at beginning of year	163,146,139	158,263,119	75,310,293	73,148,465	238,456,432	231,411,584
Net assets at end of year	<u>\$ 174,497,146</u>	<u>\$ 163,146,139</u>	<u>\$ 78,034,764</u>	<u>\$ 75,310,293</u>	<u>\$ 252,531,910</u>	<u>\$ 238,456,432</u>

The information for the previous year has been restated. These restatements are explained further in Note 34 of the notes to the financial statements.

Governmental activities. Governmental activities increased the City’s net assets by \$11.4 million. Key elements affecting governmental activities are as follows:

- Property tax revenue increased \$3.7 million (15.7 percent) during the current year as a result of a 34.9 percent increase in real estate reassessments. Real estate tax rates were also decreased from \$0.62 to \$0.59 per \$100 of assessed value to offset a portion of the increase in reassessments.
- Sales and use taxes remained flat from the previous fiscal year.
- Restaurant food taxes increased \$348,055 (4.5 percent) as the result of continued growth.
- Investment revenue decreased \$890,132 (25.2 percent) as a result of a decrease in idle funds available for investing from unexpended bond proceeds and lower interest rates.
- Capital grants and contributions increased \$2.1 million primarily from federal funding for the purchase of right-of-way and easements associated with the Erickson Avenue/Stone Spring Road improvement project.
- Expenses in the health and welfare activity increased \$634,547 (20.3 percent) primarily due to increased funding requirements associated with the Comprehensive Services Act.
- Expenses in the public safety activity increased \$1.3 million (8.9 percent) primarily due to the addition of six new police department employees and a full year of salary increases for police department employees that was implemented during the previous fiscal year.
- Expenses in the planning and community development activity decreased \$1.1 million (21.7 percent) due to the recognition of a liability in the previous fiscal year for certain loan guarantees associated with the Lucy F. Simms Continuing Education Center.
- The City recognized a \$4.1 million special item from the gain on the sale of land on Port Republic Road to James Madison University. This transaction is explained further in Note 26 of the notes to the financial statements.





Business-type activities. Business-type activities increased the City’s net assets by \$2.7 million. Key elements affecting business-type activities are as follows:

- Charges for services increased \$2.4 million (10.9 percent) due in large part to revenue increases in the sewer and sanitation activities. Sewer revenue increased 9.1 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 continue 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 13 percent due to increased refuse collection rates and landfill and steam plant tipping fees.
- Capital grants and contributions decreased by \$516,475 (23.5 percent) during the current year due to a decrease in developer contributed capital assets to the water and sewer activities compared to the previous year.
- Expenses in the water activity increased \$390,617 (8.6 percent) mainly from increased expenses for providing customer connections. This was offset by an increase in connection fee revenue.
- Expenses in the sewer activity increased \$695,710 (12.2 percent) primarily from increased contributions to the Harrisonburg-Rockingham Regional Sewer Authority.
- Expenses in the public transportation activity increased \$504,186 (9.1 percent) due to increased maintenance and repair expenses and higher fuel costs during the year.

Government-wide Financial Analysis (Component Units)

School Board activities. Net assets of the School Board increased \$2.2 million during the current year to \$29.2 million, as compared to a \$3.2 million increase in the previous year. School Board expenses increased \$1.8 million (3.8 percent). This increase in expenses was partially offset by an increase in operating funding from the City of \$660,882 (3 percent) and an increase in intergovernmental revenue of \$222,879 when compared to the previous year.

HEC activities. HEC’s net assets increased \$631,884 during the year, as compared to a \$682,991 increase in the previous year. Operating revenues increased by \$2.7 million (5.2 percent) during the current year, while expenses increased \$2.7 million (5.1 percent). The increase in expenses was due to the increased cost of electricity purchased and increased fuel costs for electricity produced. These increased costs were passed through to customers resulting in increased operating revenue.

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 \$22.5 million, while total fund balance was \$25.3 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 25.8 percent of total General Fund expenditures and other financing uses, while total fund balance represents 29.1 percent of that same amount.

Total fund balance in the General Fund increased \$859,682 mainly due to the \$7 million sale of land on Port Republic Road to James Madison University, of which \$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.

The General Capital Projects Fund has a total fund balance of \$12.5 million, of which the entire amount is either reserved or designated unreserved for various projects. Revenue, including transfers in, totaled \$8.5 million, of which \$2.9 million was intergovernmental revenue and \$4.9 million was from transfers from the General Fund. The intergovernmental revenue was primarily from the City's participation in the Virginia Urban Construction Initiative program and included \$1.4 million from the state and \$1.5 million from the federal government for road project funding. Expenditures total \$17.3 million, of which several of the more significant projects included engineering expenditures and right-of-way purchases for the Erickson Avenue/Stone Spring Road improvement project and for the extension of Linda Lane.

The School Bond Capital Projects Fund has a total fund balance of \$1.5 million, of which the entire amount is reserved for the construction of a new elementary/middle school complex. Revenue totaled \$535,862 from the investment of unexpended bond proceeds while expenditures totaled \$17.7 million for the current year primarily from the above mentioned construction project.

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 \$2 million compared to an increase of \$1.7 million in the previous year. Charges for services increased \$335,337 (6.4 percent) due in part to an approximate 2.7 percent rate increase, while total operating expenses increased \$393,522 (9.5 percent). Connection and availability fees increased a combined \$658,776 due to a large apartment complex that was developed during the year. 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 \$525,569 compared to an increase of \$836,678 in the previous year. Charges for services increased \$502,702 (9.1 percent) due in part to an approximate 9 percent rate increase, while total operating expenses increased \$700,474 (12.3 percent). Connection and availability fees increased a combined \$391,400 due to a large apartment complex that was developed during the year. 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 \$493,010 compared to a decrease of \$554,836 in the previous year. Operating revenues increased \$238,866 (9 percent) mainly due to an increase in revenue from the James Madison University for transit bus services, while total operating expenses increased \$456,918 (8.3 percent). 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 \$855,193 compared to an increase of \$336,890 in the previous year. Operating revenues increased \$1 million (13 percent) due to increased rates for refuse collection and increased landfill and steam plant tipping fees, while total operating expenses increased \$603,149 (6.5 percent).

General Fund Budgetary Highlights

Differences between the original and the final amended General Fund budget amounted to \$8 million, or 9.5 percent of the original budget, and can be briefly summarized as follows:

- \$2,117,800 appropriated and transferred to the General Capital Projects Fund for various street projects.
- \$1,213,900 appropriated and transferred to the General Capital Projects Fund for other various projects.
- \$2,000,000 appropriated for the payment of loan guarantees associated with the renovation of the Lucy F. Simms Continuing Education Center.
- \$817,007 appropriated for additional funding to the Harrisonburg-Rockingham Social Services District.
- \$814,134 appropriated for prior year encumbrances.
- \$401,103 appropriated for various fire department purposes including state and federal grants.
- \$365,517 appropriated for various police department purposes including state and federal grants.
- \$116,936 appropriated for additional funding for the Public Transportation Fund.
- \$111,086 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:

- Permits, privilege fees and regulatory licenses revenue exceeded the final amended budget by approximately \$540,000. This was primarily the result of increased building permit fees from a large apartment complex that was developed during the year.
- Public safety expenditures were under the final amended budget by approximately \$1.3 million. The variance was primarily the result of the contribution to the Harrisonburg-Rockingham Emergency Communications Center being less than originally budgeted and a traffic light intervention project for the fire department that was budgeted for in the current year but was encumbered with the funds subsequently being reappropriated in fiscal year 2009.
- Public works expenditures were under the final amended budget by approximately \$1.3 million. The variance was primarily the result of street repaving expenditures that were budgeted for in the current year but were encumbered with the funds subsequently being reappropriated in fiscal year 2009.

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, 2008, amounts to \$346.4 million (net of accumulated depreciation). This investment in capital assets includes land, easements, buildings, improvements other than buildings, machinery and equipment, infrastructure (e.g., streets and bridges), JMU land and steam agreement (an intangible asset), 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 7.4 percent (a 10.5 percent increase for governmental activities and a 0.4 percent decrease for business-type activities).

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

- Sold land on Port Republic Road to James Madison University decreasing governmental activities' land by \$2.9 million.
- Began purchasing right-of-way and easements for the Erickson Avenue/Stone Spring Road improvement project increasing governmental activities' land and easements by \$3.6 million and \$596,392, respectively.
- Construction continued on the new elementary/middle school complex and the related infrastructure increasing governmental activities' construction in progress by \$22.9 million.
- Construction was completed on the Ramblewood Road water storage tank increasing business-type activities' improvements other than buildings and decreasing construction in progress by \$2.4 million.

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

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$ 45,612,078	\$ 44,780,739	\$ 943,095	\$ 943,095	\$ 46,555,173	\$ 45,723,834
Easements	596,392	-	229,133	98,226	825,525	98,226
Construction in progress	62,802,697	35,893,295	6,939,294	6,466,953	69,741,991	42,360,248
Buildings	68,948,109	70,931,760	9,927,489	10,265,099	78,875,598	81,196,859
Improvements other than buildings	4,806,275	4,790,138	10,272,120	8,217,714	15,078,395	13,007,852
Machinery and equipment	5,450,344	5,344,963	24,641,635	26,890,685	30,091,979	32,235,648
Infrastructure	67,468,946	69,634,593	34,516,750	35,108,633	101,985,696	104,743,226
JMU agreement	-	-	345,080	371,625	345,080	371,625
Contractual landfill asset	-	-	2,944,865	2,719,788	2,944,865	2,719,788
Total capital assets	\$ 255,684,841	\$ 231,375,488	\$ 90,759,461	\$ 91,081,818	\$ 346,444,302	\$ 322,457,306

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 \$173.6 million. Of this amount, \$157.7 million comprises debt backed by the full faith and credit of the City. \$16 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 decreased \$5.6 million during the current fiscal year. There were no significant long-term debt events during the current fiscal year.

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

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
General obligation bonds	\$ 69,781,995	\$ 70,898,658	\$ 25,743,287	\$ 26,968,098	\$ 95,525,282	\$ 97,866,756
General obligation school bonds	46,167,606	48,744,802	-	-	46,167,606	48,744,802
General obligation revenue bonds	6,186,488	6,258,756	9,800,776	9,992,612	15,987,264	16,251,368
Capital leases	8,287,363	9,058,940	-	-	8,287,363	9,058,940
Landfill closure and postclosure	-	-	3,951,347	3,675,405	3,951,347	3,675,405
Compensated absences	2,695,474	2,676,416	971,030	906,064	3,666,504	3,582,480
Total long-term debt	\$ 133,118,926	\$ 137,637,572	\$ 40,466,440	\$ 41,542,179	\$ 173,585,366	\$ 179,179,751

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 \$325.3 million of which \$166.8 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 2009 fiscal year budget.

- The unemployment rate of the City of Harrisonburg in June 2008 was 5 percent, which is an increase from a rate of 3.3 percent a year ago. This rate is higher than the 4.2 percent state rate, but still compares favorably to the 5.7 percent national rate from June 2008.
- An increase of \$3.3 million in funding for the Harrisonburg City School Board primarily from increased operating costs associated with the anticipated opening of the new elementary/middle school complex.
- An increase of approximately \$350,000 for the fire department which reflects the hiring of three additional fire-fighters and a full year of salary increases implemented in fiscal year 2008.

The approved \$89.6 million fiscal year 2009 General Fund budget included the use of \$4.2 million from unreserved and undesignated fund balance. The City began annual real property reassessments effective for fiscal year 2009. The reassessment for fiscal year 2009 will provide an additional \$1.7 million in estimated real estate tax collections.

An approximate 3.5 percent increase in water rates through the use of a new seasonal rate for the months of July through November was approved to assist in continued funding for the future water system expansion.

A sewer authority rate increase in the Sewer Fund of approximately 19.4 percent was approved to provide continued funding for the Harrisonburg-Rockingham Regional Sewer Authority's \$90 million wastewater treatment plant upgrade that is required to protect the Chesapeake Bay.

In the Sanitation Fund a new recycling collection fee of \$10 per month was approved for customers that participate in the City's recycling collection program but do not have City refuse collection services.

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. 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, 2008

Exhibit 1

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	HEC
Assets					
Cash and cash equivalents	\$ 40,802,101	\$ 31,164,844	\$ 71,966,945	\$ 10,622,129	\$ 4,259,267
Investments	-	-	-	-	5,500,000
Receivables (net of allowance for uncollectibles)	37,057,364	2,295,814	39,353,178	1,093,049	5,506,965
Due from primary government	-	-	-	-	335,923
Due from component unit	7,262	-	7,262	-	107,662
Internal balances	584,019	(584,019)	-	-	-
Inventory	2,001,550	-	2,001,550	35,322	1,763,163
Prepaid expenses	-	14,393	14,393	265,640	124,430
Loans receivable	5,077,700	-	5,077,700	-	-
Restricted assets	3,545,535	-	3,545,535	-	-
Capital assets:					
Capital assets, not being depreciated	109,011,167	8,111,522	117,122,689	3,853,886	6,707,861
Capital assets (net of accumulated depreciation)	146,673,674	82,647,939	229,321,613	18,400,599	46,002,373
Other assets	825,427	330,364	1,155,791	-	-
Total assets	\$ 345,585,799	\$ 123,980,857	\$ 469,566,656	\$ 34,270,625	\$ 70,307,644
Liabilities					
Accounts payable	\$ 5,002,560	\$ 1,309,530	\$ 6,312,090	\$ 28,671	\$ 4,634,184
Accrued payroll	831,503	285,936	1,117,439	4,199,530	-
Accrued interest	2,237,053	733,275	2,970,328	-	-
Due to primary government	-	-	-	-	7,262
Due to component unit	252,948	82,975	335,923	107,662	-
Unearned revenue	28,796,401	2,791,575	31,587,976	-	-
Other liabilities	237,847	28,863	266,710	-	177,705
Customer deposits	-	247,499	247,499	-	514,782
Liabilities payable from restricted assets	611,415	-	611,415	-	-
Long-term liabilities:					
Due within one year	7,022,572	2,130,736	9,153,308	308,110	330,306
Due in more than one year	126,096,354	38,335,704	164,432,058	448,409	693,087
Total liabilities	\$ 171,088,653	\$ 45,946,093	\$ 217,034,746	\$ 5,092,382	\$ 6,357,326
Net assets					
Invested in capital assets (net of related debt)	\$ 132,814,209	\$ 55,215,398	\$ 188,029,607	\$ 22,254,485	\$ 52,710,234
Restricted for:					
Debt service	799,718	-	799,718	-	-
Drug forfeiture	33,926	-	33,926	-	-
Police department grants	15,000	-	15,000	-	-
Fire department grants	112,798	-	112,798	-	-
Unrestricted	40,721,495	22,819,366	63,540,861	6,923,758	11,240,084
Total net assets	\$ 174,497,146	\$ 78,034,764	\$ 252,531,910	\$ 29,178,243	\$ 63,950,318

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, 2008

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government administration	\$ 11,767,148	\$ 7,913,474	\$ 366,948	\$ -
Jail and judicial administration	2,521,878	432,767	-	-
Public safety	16,446,587	29,799	305,704	150,000
Public works	10,621,521	-	3,450,072	5,949,485
Health and welfare	3,764,612	-	-	-
Education	25,922,982	-	-	-
Parks, recreation and cultural	5,103,321	1,003,942	20,723	-
Planning and community development	4,125,103	1,248,302	920,958	-
Interest on long-term debt	6,078,904	-	-	-
Total governmental activities	\$ 86,352,056	\$ 10,628,284	\$ 5,064,405	\$ 6,099,485
Business-type activities:				
Water	\$ 4,951,007	\$ 6,024,104	\$ -	\$ 614,829
Sewer	6,413,266	6,080,893	-	719,921
Public transportation	6,042,341	2,906,147	1,242,498	182,458
Sanitation	11,162,477	9,023,207	-	167,497
Total business-type activities	\$ 28,569,091	\$ 24,034,351	\$ 1,242,498	\$ 1,684,705
Total primary government	\$ 114,921,147	\$ 34,662,635	\$ 6,306,903	\$ 7,784,190
Component units:				
School Board	\$ 51,679,164	\$ 1,270,740	\$ 13,098,235	\$ -
Harrisonburg Electric Commission (HEC)	55,190,424	55,322,386	-	-
Total component units	\$ 106,869,588	\$ 56,593,126	\$ 13,098,235	\$ -

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
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	
\$ (3,486,726)	\$ -	\$ (3,486,726)	\$ -	\$ -	
(2,089,111)	-	(2,089,111)	-	-	
(15,961,084)	-	(15,961,084)	-	-	
(1,221,964)	-	(1,221,964)	-	-	
(3,764,612)	-	(3,764,612)	-	-	
(25,922,982)	-	(25,922,982)	-	-	
(4,078,656)	-	(4,078,656)	-	-	
(1,955,843)	-	(1,955,843)	-	-	
(6,078,904)	-	(6,078,904)	-	-	
<u>\$ (64,559,882)</u>	<u>\$ -</u>	<u>\$ (64,559,882)</u>	<u>\$ -</u>	<u>\$ -</u>	
\$ -	\$ 1,687,926	\$ 1,687,926	\$ -	\$ -	
-	387,548	387,548	-	-	
-	(1,711,238)	(1,711,238)	-	-	
<u>-</u>	<u>(1,971,773)</u>	<u>(1,971,773)</u>	<u>-</u>	<u>-</u>	
<u>\$ -</u>	<u>\$ (1,607,537)</u>	<u>\$ (1,607,537)</u>	<u>\$ -</u>	<u>\$ -</u>	
<u>\$ (64,559,882)</u>	<u>\$ (1,607,537)</u>	<u>\$ (66,167,419)</u>	<u>\$ -</u>	<u>\$ -</u>	
\$ -	\$ -	\$ -	\$ (37,310,189)	\$ -	
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>131,962</u>	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (37,310,189)</u>	<u>\$ 131,962</u>	
\$ 27,464,833	\$ -	\$ 27,464,833	\$ -	\$ -	
11,772,450	-	11,772,450	-	-	
8,021,419	-	8,021,419	-	-	
6,196,857	-	6,196,857	-	-	
7,372,608	-	7,372,608	-	-	
3,467,625	-	3,467,625	16,119,683	-	
-	-	-	22,960,156	-	
4,800,000	-	4,800,000	-	-	
2,644,259	1,101,241	3,745,500	39,309	499,922	
1,447,468	1,844,195	3,291,663	380,212	-	
4,109,942	-	4,109,942	-	-	
(1,386,572)	1,386,572	-	-	-	
<u>\$ 75,910,889</u>	<u>\$ 4,332,008</u>	<u>\$ 80,242,897</u>	<u>\$ 39,499,360</u>	<u>\$ 499,922</u>	
\$ 11,351,007	\$ 2,724,471	\$ 14,075,478	\$ 2,189,171	\$ 631,884	
<u>163,146,139</u>	<u>75,310,293</u>	<u>238,456,432</u>	<u>26,989,072</u>	<u>63,318,434</u>	
<u>\$ 174,497,146</u>	<u>\$ 78,034,764</u>	<u>\$ 252,531,910</u>	<u>\$ 29,178,243</u>	<u>\$ 63,950,318</u>	

CITY OF HARRISONBURG, VIRGINIA
GOVERNMENTAL FUNDS
BALANCE SHEET
At June 30, 2008

Exhibit 3

	<u>General Fund</u>	<u>Community Development Block Grant Fund</u>	<u>General Capital Projects Fund</u>	<u>School Bond Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Assets					
Cash and cash equivalents	\$ 21,949,123	\$ 3,114	\$ 14,713,683	\$ -	\$ 36,665,920
Receivables (net of allowance for uncollectibles)	33,848,368	26,527	3,176,532	-	37,051,427
Inventory	127,155	-	-	-	127,155
Advance to other funds	107,570	-	-	-	107,570
Loans receivable	5,077,700	-	-	-	5,077,700
Restricted assets	799,718	-	772,240	1,973,577	3,545,535
Total assets	<u>\$ 61,909,634</u>	<u>\$ 29,641</u>	<u>\$ 18,662,455</u>	<u>\$ 1,973,577</u>	<u>\$ 82,575,307</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 1,267,716	\$ 26,571	\$ 2,733,045	\$ -	\$ 4,027,332
Accrued payroll	798,892	3,070	-	-	801,962
Due to component unit	84,306	-	168,171	-	252,477
Deferred revenue	34,238,400	15,513	3,077,466	-	37,331,379
Other liabilities	237,847	-	-	-	237,847
Liabilities payable from restricted assets	-	-	160,917	450,498	611,415
Total liabilities	<u>\$ 36,627,161</u>	<u>\$ 45,154</u>	<u>\$ 6,139,599</u>	<u>\$ 450,498</u>	<u>\$ 43,262,412</u>
Fund Balances:					
Reserved	\$ 2,826,425	\$ -	\$ 4,788,792	\$ 1,523,079	\$ 9,138,296
Unreserved:					
Designated	6,773,587	-	7,734,064	-	14,507,651
Undesignated	15,682,461	(15,513)	-	-	15,666,948
Total fund balances	<u>\$ 25,282,473</u>	<u>\$ (15,513)</u>	<u>\$ 12,522,856</u>	<u>\$ 1,523,079</u>	<u>\$ 39,312,895</u>
Total liabilities and fund balances	<u>\$ 61,909,634</u>	<u>\$ 29,641</u>	<u>\$ 18,662,455</u>	<u>\$ 1,973,577</u>	<u>\$ 82,575,307</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, 2008

Exhibit 4

Total fund balance of governmental funds (Exhibit 3)	\$ 39,312,895
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.	8,534,978
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	254,930,287
Certain liabilities, including bonds and related accounts, are not payable from current financial resources and therefore are not reported in the funds.	(134,430,927)
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>6,149,913</u>
Net assets of governmental activities (Exhibit 1)	<u><u>\$ 174,497,146</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, 2008

Exhibit 5

	<u>General Fund</u>	<u>Community Development Block Grant Fund</u>	<u>General Capital Projects Fund</u>	<u>School Bond Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Revenues:					
General property taxes	\$ 27,048,821	\$ -	\$ -	\$ -	\$ 27,048,821
Other local taxes	33,390,305	-	-	-	33,390,305
Permits, privilege fees and regulatory licenses	1,099,610	-	-	-	1,099,610
Fines and forfeitures	518,259	-	-	-	518,259
Use of money and property	1,622,869	-	364,360	535,862	2,523,091
Charges for services	1,098,841	-	-	-	1,098,841
Miscellaneous	1,615,637	-	118,246	-	1,733,883
Recovered costs	-	-	217,422	-	217,422
Payments from component units	4,800,000	-	-	-	4,800,000
Intergovernmental	7,811,164	592,595	2,930,947	-	11,334,706
Total revenues	<u>\$ 79,005,506</u>	<u>\$ 592,595</u>	<u>\$ 3,630,975</u>	<u>\$ 535,862</u>	<u>\$ 83,764,938</u>
Expenditures:					
Current:					
General government administration	\$ 3,533,956	\$ -	\$ -	\$ -	\$ 3,533,956
Jail and judicial administration	2,224,918	-	-	-	2,224,918
Public safety	16,282,631	-	-	-	16,282,631
Public works	8,314,632	-	-	-	8,314,632
Health and welfare	3,742,747	-	-	-	3,742,747
Education	22,960,156	-	-	-	22,960,156
Parks, recreation and cultural	4,832,776	-	-	-	4,832,776
Planning and community development	5,439,274	606,871	-	-	6,046,145
Debt service:					
Principal retirement	4,594,087	-	-	-	4,594,087
Interest and fiscal charges	6,732,755	-	-	-	6,732,755
Capital projects	-	-	17,311,792	17,703,279	35,015,071
Total expenditures	<u>\$ 78,657,932</u>	<u>\$ 606,871</u>	<u>\$ 17,311,792</u>	<u>\$ 17,703,279</u>	<u>\$ 114,279,874</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 347,574</u>	<u>\$ (14,276)</u>	<u>\$ (13,680,817)</u>	<u>\$ (17,167,417)</u>	<u>\$ (30,514,936)</u>
Other financing sources (uses):					
Transfers in	\$ 1,729,177	\$ -	\$ 4,893,193	\$ -	\$ 6,622,370
Transfers out	(8,217,069)	(1,237)	-	-	(8,218,306)
Total other financing sources (uses)	<u>\$ (6,487,892)</u>	<u>\$ (1,237)</u>	<u>\$ 4,893,193</u>	<u>\$ -</u>	<u>\$ (1,595,936)</u>
Special item:					
Sale of capital asset	<u>\$ 7,000,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,000,000</u>
Net change in fund balances	<u>\$ 859,682</u>	<u>\$ (15,513)</u>	<u>\$ (8,787,624)</u>	<u>\$ (17,167,417)</u>	<u>\$ (25,110,872)</u>
Fund balances at beginning of year, as restated	<u>24,422,791</u>	<u>-</u>	<u>21,310,480</u>	<u>18,690,496</u>	<u>64,423,767</u>
Fund balances at end of year	<u>\$ 25,282,473</u>	<u>\$ (15,513)</u>	<u>\$ 12,522,856</u>	<u>\$ 1,523,079</u>	<u>\$ 39,312,895</u>

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

**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, 2008**

Total net change in fund balances of governmental funds (Exhibit 5) \$ (25,110,872)

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 capital outlay expenditures exceeded depreciation expense. 29,037,040

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. 5,199,860

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. 4,497,321

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. 2,405,801

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. 19,821

In the statement of activities, only the gain on the sale of land 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. (2,890,058)

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. (1,807,906)

Change in net assets of governmental activities (Exhibit 2) \$ 11,351,007

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, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
General property taxes	\$ 27,160,734	\$ 27,160,734	\$ 27,048,821	\$ (111,913)
Other local taxes	33,439,772	33,439,772	33,390,305	(49,467)
Permits, privilege fees and regulatory licenses	560,330	560,330	1,099,610	539,280
Fines and forfeitures	460,000	460,000	518,259	58,259
Use of money and property	1,424,665	1,424,665	1,622,869	198,204
Charges for services	922,400	922,400	1,098,841	176,441
Miscellaneous	825,587	912,481	1,615,637	703,156
Payments from component units	4,800,000	4,800,000	4,800,000	-
Intergovernmental	8,140,952	8,442,916	7,811,164	(631,752)
Total revenues	<u>\$ 77,734,440</u>	<u>\$ 78,123,298</u>	<u>\$ 79,005,506</u>	<u>\$ 882,208</u>
Expenditures:				
Current:				
General government administration	\$ 3,809,895	\$ 3,808,864	\$ 3,533,956	\$ 274,908
Jail and judicial administration	2,500,000	2,500,000	2,224,918	275,082
Public safety	16,819,511	17,583,082	16,282,631	1,300,451
Public works	9,259,468	9,663,442	8,314,632	1,348,810
Health and welfare	3,143,832	3,963,604	3,742,747	220,857
Education	22,960,156	22,960,156	22,960,156	-
Parks, recreation and cultural	5,483,546	5,336,809	4,832,776	504,033
Planning and community development	3,590,568	5,842,373	5,439,274	403,099
Debt service:				
Principal retirement	4,831,468	4,831,468	4,594,087	237,381
Interest and fiscal charges	7,055,917	7,055,917	6,732,755	323,162
Total expenditures	<u>\$ 79,454,361</u>	<u>\$ 83,545,715</u>	<u>\$ 78,657,932</u>	<u>\$ 4,887,783</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,719,921)</u>	<u>\$ (5,422,417)</u>	<u>\$ 347,574</u>	<u>\$ 5,769,991</u>
Other financing sources (uses):				
Transfers in	\$ 1,970,163	\$ 1,970,163	\$ 1,729,177	\$ (240,986)
Transfers out	(4,350,940)	(8,217,069)	(8,217,069)	-
Total other financing sources (uses)	<u>\$ (2,380,777)</u>	<u>\$ (6,246,906)</u>	<u>\$ (6,487,892)</u>	<u>\$ (240,986)</u>
Special item:				
Sale of capital asset	\$ -	\$ 3,000,000	\$ 7,000,000	\$ 4,000,000
Net change in fund balance	<u>\$ (4,100,698)</u>	<u>\$ (8,669,323)</u>	<u>\$ 859,682</u>	<u>\$ 9,529,005</u>
Fund balance at beginning of year, as restated			<u>24,422,791</u>	
Fund balance at end of year			<u>\$ 25,282,473</u>	

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

CITY OF HARRISONBURG, VIRGINIA
PROPRIETARY FUNDS
BALANCE SHEET
At June 30, 2008

Exhibit 8

	Enterprise Funds					Internal Service Funds
	Water Fund	Sewer Fund	Public Transportation Fund	Sanitation Fund	Total	
Assets						
Current assets:						
Cash and cash equivalents	\$ 13,043,778	\$ 7,115,886	\$ 274,393	\$ 10,730,787	\$ 31,164,844	\$ 4,136,181
Receivables (net of allowance for uncollectibles)	650,990	701,273	13,606	750,647	2,116,516	5,937
Due from component unit	-	-	-	-	-	7,262
Due from other governments	-	-	179,298	-	179,298	-
Inventory	-	-	-	-	-	1,874,395
Prepaid expenses	-	-	14,393	-	14,393	-
Total current assets	<u>\$ 13,694,768</u>	<u>\$ 7,817,159</u>	<u>\$ 481,690</u>	<u>\$ 11,481,434</u>	<u>\$ 33,475,051</u>	<u>\$ 6,023,775</u>
Noncurrent assets:						
Capital assets (net of accumulated depreciation)	\$ 37,287,007	\$ 22,989,863	\$ 4,708,027	\$ 25,774,564	\$ 90,759,461	\$ 754,554
Other assets	99,081	-	-	231,283	330,364	-
Total noncurrent assets	<u>\$ 37,386,088</u>	<u>\$ 22,989,863</u>	<u>\$ 4,708,027</u>	<u>\$ 26,005,847</u>	<u>\$ 91,089,825</u>	<u>\$ 754,554</u>
Total assets	<u>\$ 51,080,856</u>	<u>\$ 30,807,022</u>	<u>\$ 5,189,717</u>	<u>\$ 37,487,281</u>	<u>\$ 124,564,876</u>	<u>\$ 6,778,329</u>
Liabilities and Net Assets						
Current liabilities:						
Accounts payable	\$ 140,931	\$ 545,112	\$ 204,108	\$ 419,379	\$ 1,309,530	\$ 975,228
Accrued payroll	67,638	44,601	75,503	98,194	285,936	29,541
Accrued interest	219,558	-	-	513,717	733,275	-
Due to component unit	11,752	3,600	1,886	65,737	82,975	471
Advance from other funds	-	-	-	-	-	107,570
Unearned revenue	1,715,750	1,075,825	-	-	2,791,575	-
Compensated absences	93,651	93,067	148,729	155,840	491,287	46,246
Other liabilities	28,863	-	-	-	28,863	-
Customer deposits	247,499	-	-	-	247,499	-
Landfill closure and postclosure	-	-	-	172,801	172,801	-
Current portion of bonds payable	201,837	-	-	1,264,811	1,466,648	-
Total current liabilities	<u>\$ 2,727,479</u>	<u>\$ 1,762,205</u>	<u>\$ 430,226</u>	<u>\$ 2,690,479</u>	<u>\$ 7,610,389</u>	<u>\$ 1,159,056</u>
Noncurrent liabilities:						
Compensated absences	\$ 139,137	\$ 94,161	\$ 76,888	\$ 169,557	\$ 479,743	\$ 53,379
Landfill closure and postclosure	-	-	-	3,778,546	3,778,546	-
Bonds payable	9,598,939	-	-	24,478,476	34,077,415	-
Total noncurrent liabilities	<u>\$ 9,738,076</u>	<u>\$ 94,161</u>	<u>\$ 76,888</u>	<u>\$ 28,426,579</u>	<u>\$ 38,335,704</u>	<u>\$ 53,379</u>
Total liabilities	<u>\$ 12,465,555</u>	<u>\$ 1,856,366</u>	<u>\$ 507,114</u>	<u>\$ 31,117,058</u>	<u>\$ 45,946,093</u>	<u>\$ 1,212,435</u>
Net assets:						
Invested in capital assets (net of related debt)	\$ 27,486,231	\$ 22,989,863	\$ 4,708,027	\$ 31,277	\$ 55,215,398	\$ 754,554
Unrestricted	11,129,070	5,960,793	(25,424)	6,338,946	23,403,385	4,811,340
Total net assets	<u>\$ 38,615,301</u>	<u>\$ 28,950,656</u>	<u>\$ 4,682,603</u>	<u>\$ 6,370,223</u>	<u>\$ 78,618,783</u>	<u>\$ 5,565,894</u>
Total liabilities and net assets	<u>\$ 51,080,856</u>	<u>\$ 30,807,022</u>	<u>\$ 5,189,717</u>	<u>\$ 37,487,281</u>		<u>\$ 6,778,329</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.					(584,019)	
Net assets of business-type activities (Exhibit 1)						<u>\$ 78,034,764</u>

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, 2008

	Enterprise Funds					Internal Service Funds
	Water Fund	Sewer Fund	Public Transportation Fund	Sanitation Fund	Total	
Operating revenues:						
Charges for services	\$ 5,556,914	\$ 6,026,840	\$ 2,906,147	\$ 8,908,743	\$ 23,398,644	\$ 14,336,406
Connection fees	467,190	54,053	-	-	521,243	-
Total operating revenues	\$ 6,024,104	\$ 6,080,893	\$ 2,906,147	\$ 8,908,743	\$ 23,919,887	\$ 14,336,406
Operating expenses:						
Personal services	\$ 1,193,781	\$ 1,015,478	\$ 2,313,914	\$ 2,072,660	\$ 6,595,833	\$ 614,172
Fringe benefits	415,010	372,309	753,876	846,262	2,387,457	224,795
Purchased services	365,421	118,740	105,475	1,941,016	2,530,652	514,104
Internal services	301,174	197,863	1,284,262	246,372	2,029,671	3,330
Other charges	482,565	83,057	401,487	1,466,835	2,433,944	504,956
Materials and supplies	306,927	103,320	92,317	460,005	962,569	43,862
Contributions to regional sewer authority	-	3,366,810	-	-	3,366,810	-
Depreciation and amortization	1,450,197	1,138,925	991,236	2,550,829	6,131,187	29,723
Landfill closure and postclosure	-	-	-	363,872	363,872	-
Cost of inventory issued	-	-	-	-	-	3,303,687
Claims related charges	-	-	-	-	-	9,614,881
Total operating expenses	\$ 4,515,075	\$ 6,396,502	\$ 5,942,567	\$ 9,947,851	\$ 26,801,995	\$ 14,853,510
Operating income (loss)	\$ 1,509,029	\$ (315,609)	\$ (3,036,420)	\$ (1,039,108)	\$ (2,882,108)	\$ (517,104)
Nonoperating revenues (expenses):						
Operating grants	\$ -	\$ -	\$ 1,242,498	\$ -	\$ 1,242,498	\$ -
Connection availability fees	737,950	687,000	-	-	1,424,950	-
Miscellaneous revenue	17,771	3,657	41,962	855	64,245	-
Reimbursement of bond payment	-	-	-	469,464	469,464	-
Investment revenue	464,296	253,464	2,402	381,079	1,101,241	177,423
Interest expense	(343,414)	-	-	(1,200,354)	(1,543,768)	-
Loss on disposal of capital assets	-	-	(73,190)	-	(73,190)	-
Total nonoperating revenues (expenses)	\$ 876,603	\$ 944,121	\$ 1,213,672	\$ (348,956)	\$ 2,685,440	\$ 177,423
Income (loss) before contributions and transfers	\$ 2,385,632	\$ 628,512	\$ (1,822,748)	\$ (1,388,064)	\$ (196,668)	\$ (339,681)
Capital contributions	614,829	719,921	182,458	167,497	1,684,705	-
Transfers in	-	-	1,147,280	2,075,760	3,223,040	209,364
Transfers out	(1,013,604)	(822,864)	-	-	(1,836,468)	-
Change in net assets	\$ 1,986,857	\$ 525,569	\$ (493,010)	\$ 855,193	\$ 2,874,609	\$ (130,317)
Net assets at beginning of year, as restated	36,628,444	28,425,087	5,175,613	5,515,030		5,696,211
Net assets at end of year	\$ 38,615,301	\$ 28,950,656	\$ 4,682,603	\$ 6,370,223		\$ 5,565,894
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.					(150,138)	
Change in net assets of business-type activities (Exhibit 2)					\$ 2,724,471	

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, 2008**

	Enterprise Funds					Internal Services Funds
	Water Fund	Sewer Fund	Public Transportation Fund	Sanitation Fund	Total	
Cash flows from operating activities:						
Receipts from customers	\$ 5,564,058	\$ 5,954,202	\$ 2,909,283	\$ 8,765,656	\$ 23,193,199	\$ 4,092,982
Receipts from connection fees	1,115,190	84,416	-	-	1,199,606	-
Receipts from premiums	-	-	-	-	-	10,239,626
Receipts from other sources	17,771	3,657	41,962	855	64,245	-
Receipts from customer deposits	128,480	-	-	-	128,480	-
Payments to employees	(1,174,147)	(994,619)	(2,297,878)	(2,031,038)	(6,497,682)	(616,407)
Payments for fringe benefits	(413,587)	(371,291)	(752,724)	(844,201)	(2,381,803)	(224,989)
Payments to vendors	(1,157,597)	(305,591)	(588,173)	(3,928,983)	(5,980,344)	(4,462,965)
Payments for internal services	(301,174)	(197,863)	(1,284,261)	(246,372)	(2,029,670)	(3,330)
Payments to other governmental units	-	(3,085,199)	-	-	(3,085,199)	-
Payments for claims related charges	-	-	-	-	-	(9,492,699)
Payments to refund customer deposits	(136,523)	-	-	-	(136,523)	-
Net cash provided by (used for) operating activities	\$ 3,642,471	\$ 1,087,712	\$ (1,971,791)	\$ 1,715,917	\$ 4,474,309	\$ (467,782)
Cash flows from noncapital financing activities:						
Operating grants	\$ -	\$ -	\$ 1,236,771	\$ -	\$ 1,236,771	\$ -
Transfers in	-	-	1,147,280	2,075,760	3,223,040	209,364
Transfers out	(1,013,604)	(822,864)	-	-	(1,836,468)	-
Interfund loan	-	-	-	-	-	11,196
Net cash provided by (used for) noncapital financing activities	\$ (1,013,604)	\$ (822,864)	\$ 2,384,051	\$ 2,075,760	\$ 2,623,343	\$ 220,560
Cash flows from capital and related financing activities:						
Capital grants	\$ -	\$ -	\$ 78,951	\$ -	\$ 78,951	\$ -
Capital contributions	37,986	61,671	-	160,057	259,714	-
Connection availability fees	1,771,850	1,732,600	-	-	3,504,450	-
Payment from JMU for long-term debt	-	-	-	471,572	471,572	-
Principal paid on long-term debt	(195,000)	-	-	(1,250,000)	(1,445,000)	-
Interest paid on long-term debt	(483,057)	-	-	(1,192,656)	(1,675,713)	-
Purchase and construction of capital assets	(1,926,720)	(1,228,706)	(300,690)	(1,644,757)	(5,100,873)	-
Net cash provided by (used for) capital and related financing activities	\$ (794,941)	\$ 565,565	\$ (221,739)	\$ (3,455,784)	\$ (3,906,899)	\$ -
Cash flows from investing activities:						
Interest received	\$ 466,433	\$ 254,661	\$ 2,390	\$ 383,233	\$ 1,106,717	\$ 178,417
Net cash provided by investing activities	\$ 466,433	\$ 254,661	\$ 2,390	\$ 383,233	\$ 1,106,717	\$ 178,417
Net increase (decrease) in cash and cash equivalents	\$ 2,300,359	\$ 1,085,074	\$ 192,911	\$ 719,126	\$ 4,297,470	\$ (68,805)
Cash and cash equivalents:						
Beginning	10,743,419	6,030,812	81,482	10,011,661	26,867,374	4,204,986
Ending	\$ 13,043,778	\$ 7,115,886	\$ 274,393	\$ 10,730,787	\$ 31,164,844	\$ 4,136,181

(continued)

CITY OF HARRISONBURG, VIRGINIA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2008

	Enterprise Funds					Internal Services Funds
	Water Fund	Sewer Fund	Public Transportation Fund	Sanitation Fund	Total	
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:						
Operating income (loss)	\$ 1,509,029	\$ (315,609)	\$ (3,036,420)	\$ (1,039,108)	\$ (2,882,108)	\$ (517,104)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Depreciation and amortization	1,450,197	1,138,925	991,236	2,550,829	6,131,187	29,723
Landfill closure and monitoring costs	-	-	-	275,942	275,942	-
Miscellaneous revenue	17,771	3,657	41,962	855	64,245	-
Change in assets and liabilities:						
(Increase) decrease in:						
Accounts receivable	(34,273)	(72,638)	3,136	(144,303)	(248,078)	(1,500)
Due from component unit	-	-	-	-	-	(2,299)
Inventory	-	-	-	-	-	(164,540)
Prepaid expenses	-	-	(487)	-	(487)	-
Increase (decrease) in:						
Accounts payable	8,281	280,269	11,380	25,838	325,768	190,384
Accrued payroll	21,794	(245)	7,497	11,402	40,448	1,860
Due to component unit	(708)	445	203	1,154	1,094	(28)
Unearned revenue	681,850	30,225	-	-	712,075	-
Other liabilities	(2,700)	-	-	-	(2,700)	-
Customer deposits	(8,043)	-	-	-	(8,043)	-
Compensated absences	(727)	22,683	9,702	33,308	64,966	(4,278)
Net cash provided by (used for) operating activities	<u>\$ 3,642,471</u>	<u>\$ 1,087,712</u>	<u>\$ (1,971,791)</u>	<u>\$ 1,715,917</u>	<u>\$ 4,474,309</u>	<u>\$ (467,782)</u>

Non - cash capital and related financing activities:

Additions to capital assets:						
Contributed by developers	\$ 576,843	\$ 658,250	\$ -	\$ -	\$ 1,235,093	\$ -
Purchase and construction on account	51,931	117,515	-	195,287	364,733	-
Capitalized interest	139,120	-	-	-	139,120	-

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, 2008

Exhibit 11

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 61,904
Interest receivable	8
	<hr/>
Total assets	\$ 61,912
	<hr/> <hr/>
Liabilities	
Accounts payable	\$ 510
Accrued payroll	3,088
Compensated absences	3,736
Amounts held for others	54,578
	<hr/>
Total liabilities	\$ 61,912
	<hr/> <hr/>

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

CITY OF HARRISONBURG, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

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.

Community Development Block Grant Fund – This fund accounts for the administration of the community development block grant funds from the Federal Government.

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.

Note 1. Summary of Significant Accounting Policies (continued)

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

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 26th 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 non-operating 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, and the Community Development Block Grant Fund, which adopts a grant-length budget. 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, 2008.

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 \$7,957,483. Supplemental appropriations that exceed 1% of the budget require a public hearing prior to approval. Appropriations lapse at June 30, except for capital projects funds and the Community Development Block Grant Fund.

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.

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 Virginia State Local Government Investment Pool (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 a voluntary participant in the Virginia State Non-Arbitrage Program (SNAP), which 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.

Note 1. Summary of Significant Accounting Policies (continued)

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 ten percent of the tax is assessed after the applicable payment date. Interest at an annual rate of ten percent is charged on delinquent real estate property tax accounts beginning January 1 and July 1. Interest at an annual rate of four percent is charged on delinquent personal property tax accounts beginning January 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, 2008 amounted to \$931,433.

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 \$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. In accordance with FASB Statement No. 62, *Capitalization of Interest Cost in Situations Involving Certain Tax-Exempt Borrowings and Certain Gifts and Grants*, 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 City also capitalizes interest in accordance with FASB Statement No. 34, *Capitalization of Interest Cost*. The amount of interest capitalized for fiscal year 2008 in the Water Fund was \$139,120.

Note 1. Summary of Significant Accounting Policies (continued)

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
JMU land and steam agreement	25 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 \$1,807,906 in net capital assets to the School Board during the current year on the government-wide statement of activities.

9. Unearned revenue/deferred revenue. Under the accrual basis of accounting, unearned revenue is recorded when asset recognition criteria have been met, but revenue recognition criteria have not been met. Under the modified accrual basis of accounting, deferred revenue is recorded when asset recognition criteria (measurable) have been met, but the revenue is not available to pay for the liabilities of the current period.

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 the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net 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.

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 debt proceeds received, are reported as expenditures.

Note 1. Summary of Significant Accounting Policies (continued)

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	\$ (122,672,695)
Bond issue premiums/discounts (net)	91,315
Deferred charge for bond issue costs	825,427
Deferred charge for bond refunding	445,291
Capital leases	(8,287,363)
Compensated absences (not including internal service funds)	(2,595,849)
Accrued interest	<u>(2,237,053)</u>
Net adjustment	\$ <u><u>(134,430,927)</u></u>

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	\$ 35,288,014
Depreciation expense	<u>(6,250,974)</u>
Net adjustment	\$ <u><u>29,037,040</u></u>

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:

Principal payments	\$ 4,594,087
Amortization of bond premiums/discounts (net)	(1,010)
Amortization of bond issue costs	(40,383)
Amortization of deferred bond refunding charges	<u>(55,373)</u>
Net adjustment	<u>\$ 4,497,321</u>

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	\$ (23,336)
Accrued interest	628,110
Claims and judgments	1,737,150
Arbitrage rebate liability	<u>63,877</u>
Net adjustment	<u>\$ 2,405,801</u>

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 \$470,087 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 LGIP and SNAP. The City’s investment policy does not further limit these investment choices. As of June 30, 2008, all City investments in external investment pools and money market funds were rated AAAM by Standard & Poor’s.

Note 3. Deposits and Investments (continued)

As of June 30, 2008, total deposit and investment balances were as follows:

Primary Government:

Investments:

Virginia State Local Government Investment Pool (LGIP)	\$ 70,238,091
Virginia State Non-Arbitrage Pool (SNAP)	2,745,817
U.S. Government Securities Money Market Fund	3,814,269
U.S. Treasury Securities Money Market Fund	284,297
U.S. Treasury Note	470,087

Deposits	<u>(3,566,736)</u>
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Total deposits and investments of the primary government	<u>\$ 73,985,825</u>
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Component Unit - School Board:

Investments:

Virginia State Local Government Investment Pool (LGIP)	\$ 10,439,742
U.S. Government Securities Money Market Fund	516,630

Deposits	<u>(334,243)</u>
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Total deposits and investments of the component unit - School Board	<u>\$ 10,622,129</u>
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Component Unit - HEC:

Investments:

Virginia State Local Government Investment Pool (LGIP)	\$ 3,375,526
Certificates of Deposit	5,500,000

Deposits	<u>881,441</u>
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Total deposits and investments of the component unit - HEC	<u>\$ 9,756,967</u>
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Reconciliation to Government-wide Financial Statements

Cash on hand and petty cash (primary government)	\$ 1,586,335
--	--------------

Cash on hand and petty cash (component units)	2,300
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Grand total deposits and investments of the reporting entity	<u>94,364,921</u>
--	-------------------

Total reporting entity	<u>\$ 95,953,556</u>
------------------------	----------------------

Cash and cash equivalents (primary government)	\$ 71,966,945
--	---------------

Cash and cash equivalents (component unit - School Board)	10,622,129
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Cash and cash equivalents (component unit - HEC)	4,259,267
--	-----------

Investments (component unit - HEC)	5,500,000
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Restricted assets:

Cash and cash equivalents (primary government)	3,073,224
--	-----------

Investments (primary government)	470,087
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Cash and cash equivalents (Exhibit 11)	<u>61,904</u>
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Total reporting entity	<u>\$ 95,953,556</u>
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Note 4. Receivables

The following is a summary of receivables at June 30, 2008.

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	HEC
Property taxes receivable	\$ 30,806,046	\$ -	\$ 30,806,046	\$ -	\$ -
Other taxes receivable	1,188,490	-	1,188,490	-	-
Accounts receivable	5,410	2,126,726	2,132,136	-	5,192,493
Interest receivable	198,883	4,166	203,049	-	-
Other receivable	205,877	35,391	241,268	281,734	314,472
Due from other governments:					
County of Rockingham	93,710	-	93,710	-	-
Commonwealth of Virginia	2,371,860	26,531	2,398,391	628,529	-
Federal Government	3,118,521	152,767	3,271,288	182,786	-
Allowance for uncollectibles	(931,433)	(49,767)	(981,200)	-	-
Total	\$ 37,057,364	\$ 2,295,814	\$ 39,353,178	\$ 1,093,049	\$ 5,506,965

Note 5. Restricted Assets

The following is a summary of restricted assets at June 30, 2008.

	Governmental Activities
Cash and cash equivalents:	
Bond construction account	\$ 2,745,817
Bond debt service reserve account	327,407
Investments:	
Bond debt service reserve account	470,087
Interest receivable:	
Bond debt service reserve account	2,224
Total	\$ 3,545,535

Note 6. Loans Receivable

The following is a summary of loans receivable in the General Fund at June 30, 2008.

Borrowing Entity	Loan Date	Term (in years)	Interest Rate	Balance	Current Portion
Harrisonburg-Rockingham ECC	June 30, 2008	n/a	0.0%	\$ 587,766	\$ 587,766
Harrisonburg Redevelopment and Housing Authority	October 24, 2006	26.5	4.21%	2,888,677	79,450
Virginia Technology Incubator, LLC	August 1, 2006	5	7.0%	56,257	16,349
Lucy F. Simms, LP	January 20, 2005	20	4.76%	1,170,000	-
Massanutten Regional Library	May 15, 2000	n/a	0.0%	375,000	-
Total				\$ 5,077,700	\$ 683,565

Note 7. Capital Assets

Primary Government

The following is a summary of the changes in capital assets of the governmental activities for fiscal year 2008.

	Balance June 30, 2007	Additions	Reductions	Balance June 30, 2008
Capital assets, not being depreciated:				
Land	\$ 44,780,739	\$ 3,721,397	\$ (2,890,058)	\$ 45,612,078
Easements	-	596,392	-	596,392
Construction in progress	<u>35,893,295</u>	<u>29,715,504</u>	<u>(2,806,102)</u>	<u>62,802,697</u>
Capital assets, not being depreciated	<u>\$ 80,674,034</u>	<u>\$ 34,033,293</u>	<u>\$ (5,696,160)</u>	<u>\$ 109,011,167</u>
Capital assets, being depreciated:				
Buildings	\$ 84,700,287	\$ 1,893,661	\$ (2,110,000)	\$ 84,483,948
Improvements other than buildings	6,876,790	270,865	-	7,147,655
Machinery and equipment	13,323,946	1,091,057	(848,926)	13,566,077
Infrastructure	<u>115,860,298</u>	<u>805,240</u>	<u>-</u>	<u>116,665,538</u>
Capital assets, being depreciated	<u>\$ 220,761,321</u>	<u>\$ 4,060,823</u>	<u>\$ (2,958,926)</u>	<u>\$ 221,863,218</u>
Less accumulated depreciation:				
Buildings	\$ (13,768,527)	\$ (2,069,406)	\$ 302,094	\$ (15,535,839)
Improvements other than buildings	(2,086,652)	(254,728)	-	(2,341,380)
Machinery and equipment	(7,978,983)	(985,676)	848,926	(8,115,733)
Infrastructure	<u>(46,225,705)</u>	<u>(2,970,887)</u>	<u>-</u>	<u>(49,196,592)</u>
Accumulated depreciation	<u>\$ (70,059,867)</u>	<u>\$ (6,280,697)</u>	<u>\$ 1,151,020</u>	<u>\$ (75,189,544)</u>
Capital assets, being depreciated (net)	<u>\$ 150,701,454</u>	<u>\$ (2,219,874)</u>	<u>\$ (1,807,906)</u>	<u>\$ 146,673,674</u>

The beginning balances for machinery and equipment and accumulated depreciation for machinery and equipment have been restated by \$38,049 and \$27,573, respectively, for assets that are being included in the Harrisonburg-Rockingham Communications Center's separately issued financial statements.

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 (\$3,782,234 in accumulated depreciation) that are associated with capital lease obligations.

Depreciation expense was charged to function/programs of governmental activities as follows:

General government administration	\$ 41,866
Jail and judicial administration	296,960
Public safety	740,908
Public works	3,307,057
Health and welfare	21,865
Education	1,154,920
Parks, recreation and culture	613,139
Planning and community development	74,259
Internal service funds (allocated to various functions)	<u>29,723</u>
Total governmental activities depreciation expense	<u>\$ 6,280,697</u>

Note 7. Capital Assets (continued)

The following is a summary of the changes in capital assets of the business-type activities for fiscal year 2008.

	Balance June 30, 2007	Additions	Reductions	Balance June 30, 2008
Capital assets, not being depreciated:				
Land	\$ 943,095	\$ -	\$ -	\$ 943,095
Easements	98,226	130,907	-	229,133
Construction in progress	<u>6,466,953</u>	<u>2,873,928</u>	<u>(2,401,587)</u>	<u>6,939,294</u>
Capital assets, not being depreciated	<u>\$ 7,508,274</u>	<u>\$ 3,004,835</u>	<u>\$ (2,401,587)</u>	<u>\$ 8,111,522</u>
Capital assets, being depreciated:				
Buildings	\$ 13,249,327	\$ -	\$ (14,848)	\$ 13,234,479
Improvements other than buildings	12,935,093	2,409,439	-	15,344,532
Machinery and equipment	44,561,663	1,163,195	(543,236)	45,181,622
Infrastructure	60,835,629	1,250,950	(50)	62,086,529
JMU land and steam agreement	2,041,898	-	-	2,041,898
Contractual landfill asset	<u>3,278,640</u>	<u>589,335</u>	<u>(514,923)</u>	<u>3,353,052</u>
Capital assets, being depreciated	<u>\$ 136,902,250</u>	<u>\$ 5,412,919</u>	<u>\$ (1,073,057)</u>	<u>\$ 141,242,112</u>
Less accumulated depreciation:				
Buildings	\$ (2,984,228)	\$ (337,610)	\$ 14,848	\$ (3,306,990)
Improvements other than buildings	(4,717,379)	(355,033)	-	(5,072,412)
Machinery and equipment	(17,670,978)	(3,339,055)	470,046	(20,539,987)
Infrastructure	(25,726,996)	(1,842,833)	50	(27,569,779)
JMU land and steam agreement	(1,670,273)	(26,545)	-	(1,696,818)
Contractual landfill asset	<u>(558,852)</u>	<u>(364,258)</u>	<u>514,923</u>	<u>(408,187)</u>
Accumulated depreciation	<u>\$ (53,328,706)</u>	<u>\$ (6,265,334)</u>	<u>\$ 999,867</u>	<u>\$ (58,594,173)</u>
Capital assets, being depreciated (net)	<u>\$ 83,573,544</u>	<u>\$ (852,415)</u>	<u>\$ (73,190)</u>	<u>\$ 82,647,939</u>

The beginning balance for land has been restated by \$2,490,675 for the correction of an error in the valuation of land in the Sanitation Fund. See Note 34 in the notes to financial statements for further information.

The above total for additions to accumulated depreciation does not agree with the total depreciation by function/programs of business-type activities shown below by \$155,189. This difference represents accumulated depreciation on capital assets transferred from governmental activities.

Depreciation expense was charged to function/programs of business-type activities as follows:

Water	\$ 1,446,241
Sewer	1,138,925
Public transportation	991,236
Sanitation	<u>2,533,743</u>
Total business-type activities depreciation expense	<u>\$ 6,110,145</u>

Note 7. Capital Assets (continued)

The following is a summary of the changes in capital assets of the City's component units for fiscal year 2008.

Component Unit – School Board:

	Balance June 30, 2007	Additions	Reductions	Balance June 30, 2008
Capital assets, not being depreciated:				
Land	\$ 3,853,886	\$ -	\$ -	\$ 3,853,886
Capital assets, not being depreciated	<u>\$ 3,853,886</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,853,886</u>
Capital assets, being depreciated:				
Buildings	\$ 27,050,219	\$ 2,110,000	\$ -	\$ 29,160,219
Improvements other than buildings	71,168	-	-	71,168
Machinery and equipment	2,333,747	190,356	-	2,524,103
Capital assets, being depreciated	<u>\$ 29,455,134</u>	<u>\$ 2,300,356</u>	<u>\$ -</u>	<u>\$ 31,755,490</u>
Less accumulated depreciation:				
Buildings	\$ (10,883,519)	\$ (993,442)	\$ -	\$ (11,876,961)
Improvements other than buildings	(6,438)	(3,558)	-	(9,996)
Machinery and equipment	(1,306,839)	(161,095)	-	(1,467,934)
Accumulated depreciation	<u>\$ (12,196,796)</u>	<u>\$ (1,158,095)</u>	<u>\$ -</u>	<u>\$ (13,354,891)</u>
Capital assets, being depreciated (net)	<u>\$ 17,258,338</u>	<u>\$ 1,142,261</u>	<u>\$ -</u>	<u>\$ 18,400,599</u>

Component Unit – HEC:

	Balance June 30, 2007	Additions	Reductions	Balance June 30, 2008
Capital assets, not being depreciated:				
Land	\$ 2,096,537	\$ -	\$ -	\$ 2,096,537
Construction in progress	1,541,053	5,122,315	(2,052,044)	4,611,324
Capital assets, not being depreciated	<u>\$ 3,637,590</u>	<u>\$ 5,122,315</u>	<u>\$ (2,052,044)</u>	<u>\$ 6,707,861</u>
Capital assets, being depreciated:				
Buildings	\$ 2,723,674	\$ -	\$ -	\$ 2,723,674
Machinery and equipment	5,185,986	315,032	-	5,501,018
Infrastructure	84,135,520	2,921,970	(486,979)	86,570,511
Capital assets, being depreciated	<u>\$ 92,045,180</u>	<u>\$ 3,237,002</u>	<u>\$ (486,979)</u>	<u>\$ 94,795,203</u>
Less accumulated depreciation:				
Buildings	\$ (1,416,793)	\$ (72,139)	\$ -	\$ (1,488,932)
Machinery and equipment	(5,837,453)	(655,578)	-	(6,493,031)
Infrastructure	(38,193,110)	(2,991,064)	373,307	(40,810,867)
Accumulated depreciation	<u>\$ (45,447,356)</u>	<u>\$ (3,718,781)</u>	<u>\$ 373,307</u>	<u>\$ (48,792,830)</u>
Capital assets, being depreciated (net)	<u>\$ 46,597,824</u>	<u>\$ (481,779)</u>	<u>\$ (113,672)</u>	<u>\$ 46,002,373</u>

Note 8. Interfund Balances

The General Fund has an advance to other funds in the amount \$107,570. This amount is comprised of a loan to the Central Stores Fund to eliminate a year end cash and cash equivalents deficit balance.

Note 9. Interfund Transfers

Interfund transfers are generally used to subsidize the operations and programs of certain funds. The following is a summary of interfund transfers for the year ended June 30, 2008.

Transfer in	Transfer out					Total
	General Fund	Community Development Block Grant Fund	General Capital Projects Fund	Water Fund	Sewer Fund	
General Fund	\$ -	\$ 1,237	\$ -	\$ 914,316	\$ 813,624	\$ 1,729,177
General Capital Projects Fund	4,893,193	-	-	-	-	4,893,193
Public Transportation Fund	1,147,280	-	-	-	-	1,147,280
Sanitation Fund	2,075,760	-	-	-	-	2,075,760
Internal Service Funds	100,836	-	-	99,288	9,240	209,364
Total	\$ 8,217,069	\$ 1,237	\$ -	\$ 1,013,604	\$ 822,864	\$ 10,054,774

Note 10. Unearned Revenue/Deferred Revenue

The following is a summary of unearned and deferred revenue at June 30, 2008.

	Governmental Activities			
	General Fund	Community Development Block Grant Fund	General Capital Projects Fund	Total
Property taxes billed in fiscal year 2009	\$ 28,718,731	\$ -	\$ -	\$ 28,718,731
Advance collection of parking leases	44,360	-	-	44,360
Golf memberships	33,310	-	-	33,310
Total unearned revenue	\$ 28,796,401	\$ -	\$ -	\$ 28,796,401
Total unearned revenue	\$ 28,796,401	\$ -	\$ -	\$ 28,796,401
Uncollected property tax billings	1,030,636	-	-	1,030,636
Interest receivable	193,620	-	-	193,620
Reimbursement from Housing Authority	62,281	-	-	62,281
Intergovernmental	40,528	15,513	3,025,694	3,081,735
Loans receivable	4,114,934	-	-	4,114,934
Other deferred revenue	-	-	51,772	51,772
Total deferred revenue	\$ 34,238,400	\$ 15,513	\$ 3,077,466	\$ 37,331,379

Unearned revenue for business-type activities in the amount of \$2,791,575 represents connection and availability fees for which the services had not been provided as of year-end. This amount is comprised of \$1,715,750 in the Water Fund and \$1,075,825 in the Sewer Fund.

Note 11. Long-term Liabilities

Primary Government

The following is the debt service requirements for long-term liabilities as of June 30, 2008.

Governmental activities:

Year Ending June 30,	General Obligation Bonds		General Obligation School Bonds		General Obligation Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
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	2,782,815	2,476,438	2,340,000	1,741,818	130,000	328,134
2014-2018	15,095,618	10,586,766	10,500,000	7,100,806	880,000	1,514,542
2019-2023	13,153,973	7,712,351	11,830,000	4,295,660	1,355,000	1,204,462
2024-2028	13,781,454	5,017,527	10,925,000	1,149,923	2,005,000	728,669
2029-2033	15,185,000	2,093,575	-	-	1,470,000	98,038
2034-2035	345,000	26,000	-	-	-	-
Total	\$ 70,382,695	\$ 38,927,974	\$ 46,045,000	\$ 22,540,108	\$ 6,245,000	\$ 5,244,174

Year Ending June 30,	Capital Leases		Total Governmental Activities	
	Principal	Interest	Principal	Interest
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	966,354	194,347	6,219,169	4,740,737
2014-2018	2,901,531	439,504	29,377,149	19,641,618
2019-2023	960,000	36,434	27,298,973	13,248,907
2024-2028	-	-	26,711,454	6,896,119
2029-2033	-	-	16,655,000	2,191,613
2034-2035	-	-	345,000	26,000
Total	\$ 8,287,363	\$ 1,856,704	\$ 130,960,058	\$ 68,568,960

Business-type activities:

Year Ending June 30,	General Obligation Bonds		General Obligation Revenue Bonds		Total Business-type Activities	
	Principal	Interest	Principal	Interest	Principal	Interest
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	1,495,000	934,899	240,000	436,266	1,735,000	1,371,165
2014-2018	7,505,000	3,677,607	1,375,000	2,007,387	8,880,000	5,684,994
2019-2023	7,805,000	1,933,856	1,730,000	1,498,988	9,535,000	3,432,844
2024-2028	3,690,000	186,750	2,205,000	1,294,125	5,895,000	1,480,875
2029-2033	-	-	2,815,000	528,125	2,815,000	528,125
2034	-	-	650,000	16,250	650,000	16,250
Total	\$ 25,945,000	\$ 11,026,700	\$ 9,880,000	\$ 7,626,003	\$ 35,825,000	\$ 18,652,703

Note 11. Long-term Liabilities (continued)

The following is the changes to long-term liabilities for fiscal year 2008.

	Balance			Balance	
	June 30, 2007	Additions	Reductions	June 30, 2008	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 71,560,205	\$ -	\$ (1,177,510)	\$ 70,382,695	\$ 2,356,000
General obligation school bonds	48,615,000	-	(2,570,000)	46,045,000	2,605,000
General obligation revenue bonds	6,320,000	-	(75,000)	6,245,000	85,000
Bond premiums/discounts (net)	(92,325)	-	1,010	(91,315)	(1,010)
Deferred bond refunding charges	(500,664)	-	55,373	(445,291)	(55,373)
Total bonds payable	\$ 125,902,216	\$ -	\$ (3,766,127)	\$ 122,136,089	\$ 4,989,617
Capital leases	9,058,940	-	(771,577)	8,287,363	806,898
Compensated absences	2,676,416	1,507,428	(1,488,370)	2,695,474	1,226,057
Governmental activities long-term debt	\$ <u>137,637,572</u>	\$ <u>1,507,428</u>	\$ <u>(6,026,074)</u>	\$ <u>133,118,926</u>	\$ <u>7,022,572</u>

The beginning balance for compensated absences has been restated by \$150,674 for the liability that is being included in the Harrisonburg-Rockingham Communications Center's separately issued financial statements.

Long-term liabilities for governmental activities are 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, 2008, \$99,625 of these internal service funds compensated absences are included in the above amounts.

	Balance			Balance	
	June 30, 2007	Additions	Reductions	June 30, 2008	Due Within One Year
Business-type activities:					
Bonds payable:					
General obligation bonds	\$ 27,195,000	\$ -	\$ (1,250,000)	\$ 25,945,000	\$ 1,290,000
General obligation revenue bonds	10,075,000	-	(195,000)	9,880,000	205,000
Bond premiums/discounts (net)	(64,182)	-	(1,357)	(65,539)	1,358
Deferred bond refunding charges	(245,108)	-	29,710	(215,398)	(29,710)
Total bonds payable	\$ 36,960,710	\$ -	\$ (1,416,647)	\$ 35,544,063	\$ 1,466,648
Landfill closure and postclosure	3,675,405	363,872	(87,930)	3,951,347	172,801
Compensated absences	906,064	505,606	(440,640)	971,030	491,287
Business-type activities long-term debt	\$ <u>41,542,179</u>	\$ <u>869,478</u>	\$ <u>(1,945,217)</u>	\$ <u>40,466,440</u>	\$ <u>2,130,736</u>

The following is the detail for the long-term liabilities as of June 30, 2008.

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, 2009	\$	65,000
Bonds bearing interest at 3.85% maturing on April 1, 2010		70,000

Note 11. Long-term Liabilities (continued)

General Obligation Bonds (continued):

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	120,000
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Subtotal	\$ 1,260,000

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

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	535,000
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Subtotal	\$ 4,785,000

\$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, 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	607,400
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Subtotal	\$ 4,826,600

Note 11. Long-term Liabilities (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 2.750% 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
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Subtotal	\$	<u>2,770,000</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, 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
Bonds bearing interest at 3.55% maturing on July 15, 2020		416,288

Note 11. Long-term Liabilities (continued)

General Obligation Bonds (continued):

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	<u>495,615</u>
Subtotal	<u>\$ 6,741,095</u>

\$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	<u>3,140,000</u>
Subtotal	<u>\$ 50,000,000</u>
Total General Obligation Bonds	<u><u>\$ 70,382,695</u></u>

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, 2008	\$ 450,000
Bonds bearing interest at 5.85% maturing on December 15, 2009	410,000
Bonds bearing interest at 5.85% maturing on December 15, 2010	385,000

Note 11. Long-term Liabilities (continued)

General Obligation School Bonds (continued):

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	\$ <u>1,930,000</u>

\$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, 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	\$ <u>1,260,000</u>

\$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 6.225% 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	\$ <u>1,310,000</u>

\$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 4.225% 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	\$ <u>1,200,000</u>

Note 11. Long-term Liabilities (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, 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	<u>255,000</u>
Subtotal	<u>\$ 3,315,000</u>

\$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, 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	<u>2,945,000</u>
Subtotal	<u>\$ 37,030,000</u>
Total General Obligation School Bonds	<u>\$ 46,045,000</u>

Note 11. Long-term Liabilities (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, 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
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Subtotal	\$ 6,245,000
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Total General Obligation Revenue Bonds	\$ 6,245,000
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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, 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
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Subtotal	\$ 583,363
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Note 11. Long-term Liabilities (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, 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>\$ 2,880,000</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, 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>\$ 4,824,000</u>
Total Capital Leases	<u>\$ 8,287,363</u>
Total Governmental Activities	<u><u>\$ 130,960,058</u></u>

Note 11. Long-term Liabilities (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 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>22,710,000</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 2.625% 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>3,235,000</u>
Total General Obligation Bonds	\$ <u><u>25,945,000</u></u>

Note 11. Long-term Liabilities (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, 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
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Subtotal	\$ 9,880,000
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Total General Obligation Revenue Bonds	\$ 9,880,000
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Landfill Closure and Postclosure:

Estimated cost of landfill closure and postclosure:	
City Landfill	\$ 1,546,286
County Landfill - Assumed by the City	2,405,061
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Total Landfill Closure and Postclosure	\$ 3,951,347
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Total Business-type Activities	\$ 39,776,347
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Total Primary Government Long-term Liabilities (Excluding compensated absences and unamortized premiums/discounts)	\$ 170,736,405
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Note 11. Long-term Liabilities (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 \$471,572. The outstanding balance of the City's bond issue at June 30, 2008 was \$3,235,000.

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, 2008 the City had advanced to the Authority \$2,888,677 of the \$3.5 million.

Component Unit – School Board

At June 30, 2008, the School Board had \$756,519 in long-term liabilities outstanding. This long-term liability is comprised of \$756,519 in compensated absences, of which \$308,110 is due within one year.

Component Unit – HEC

At June 30, 2008, HEC had \$1,023,393 in long-term liabilities outstanding. This long-term liability is comprised of \$330,306 in compensated absences, of which the entire amount is due within one year and \$693,087 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 2008.

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 following is a summary of amounts that are reported on the fund financial balance sheet identified as reserved fund balance and designated fund balance at June 30, 2008.

	General Fund	General Capital Projects Fund	School Bond Capital Projects Funds	Total
Reserved for:				
Encumbrances	\$ 1,383,970	\$ 4,177,469	\$ -	\$ 5,561,439
Advances to other funds	107,805	-	-	107,805
Loans receivable	375,000	-	-	375,000
Capital projects	-	611,323	1,523,079	2,134,402
Debt service	797,926	-	-	797,926
Drug forfeiture	33,926	-	-	33,926
Police department grants	15,000	-	-	15,000
Fire department grants	112,798	-	-	112,798
Total reserved fund balance	\$ 2,826,425	\$ 4,788,792	\$ 1,523,079	\$ 9,138,296
Designated for:				
Subsequent years' expenditures	\$ 4,236,432	\$ 7,734,064	\$ -	\$ 11,970,496
Debt service (old high school)	2,193,543	-	-	2,193,543
Parks and recreation department	282,661	-	-	282,661
Fire department grants	55,820	-	-	55,820
Denton park	5,131	-	-	5,131
Total designated fund balance	\$ 6,773,587	\$ 7,734,064	\$ -	\$ 14,507,651

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 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 (1.85% for local law enforcement officers and firefighters) 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//Publications/2007annurept.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 2008 was 11.36% of annual covered payroll. The School Board non-professional employees' contribution rate for the fiscal year ended 2008 was 4.02% of annual covered payroll. The School Board professional employees' contribution rate for the VRS statewide teacher pool for the fiscal year ended 2008 was 10.30% of annual covered payroll. Total contributions made to the VRS statewide teacher pool for professional employees by the School Board for the fiscal years ending June 30, 2008, 2007, and 2006 were \$2,740,269, \$2,317,821, and \$1,560,303, respectively, and were equal to the required contributions for each year.

Annual Pension Cost. For fiscal year 2008, the City of Harrisonburg and HEC's annual pension cost of \$2,639,332 was equal to the required and actual contributions. The School Board's non-professional employees annual pension cost of \$62,960 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 as amended for additional benefit provisions for local law enforcement officers and firefighters. The actuarial assumptions at June 30, 2007 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.

Note 15. Defined Benefit Pension Plan (continued)

Three-Year Trend Information			
Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
City of Harrisonburg and HEC Employees:			
2008	\$ 2,639,332	100%	\$ -
2007	2,303,206	100%	-
2006	2,067,109	100%	-
School Board Non-Professional Employees:			
2008	\$ 62,960	100%	\$ -
2007	56,974	100%	-
2006	9,631	100%	-

Funding Progress. The schedule below presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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
City of Harrisonburg and HEC Employees:						
June 30, 2007	\$ 69,608,195	\$ 82,377,988	\$ 12,769,793	84.50%	\$ 22,879,551	55.81%
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%
School Board Non-Professional Employees:						
June 30, 2007	\$ 4,358,593	\$ 4,320,100	\$ (38,493)	100.89%	\$ 1,431,498	(2.69%)
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%

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.

The assumptions used for the June 30, 2007 actuarial valuation reflect a change in 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 retiree 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, 2008, there were 544 employees eligible to participate in the plan with 26 retirees receiving benefits at year end. The City made contributions totaling \$83,536 during the year. The City will implement GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* beginning in fiscal year 2009. Further information can be found in Note 35.

Note 16. Postretirement Health Care Benefits (continued)

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 retiree 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, 2008, there were 723 employees eligible to participate in the plan with 68 retirees receiving benefits at year end. The School Board made contributions totaling \$232,424 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 retiree must also meet VRS retirement or disability requirements and must not be eligible for Medicare. Full benefits are only paid on employees with 30 years of service. A reduced benefit is paid for those retirees with 15 to 29 years of service. HEC contributes on a "pay-as-you-go" basis. HEC adopted FASB 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, 2008 was \$693,087.

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. \$1,546,286 of the amount reported as landfill closure and postclosure care liability at June 30, 2008 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 \$607,931 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. \$397,249 of the amount reported as landfill closure and postclosure care liability at June 30, 2008 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 \$22,359 in liability incurred by the City prior to July 1, 1994. The County closed this cell in 2000.

The City also recognizes \$2,007,812 associated with a new, and subsequently expanded, landfill cell opened in 2001, which is based on the use of 45.3% of the estimated capacity of the new landfill cell. The City will recognize its remaining estimated cost of closure and postclosure care of \$2,428,424 as the remaining capacity of this existing cell is used. 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, 2008, the City's General Fund made cash payments to the School Board, a component unit, totaling \$22,960,156. These payments are made in equal monthly installments for the purpose of funding the School Board's operating budget.

For the year ended June 30, 2008, the Harrisonburg Electric Commission, a component unit, made cash payments to the City's General Fund totaling \$4,800,000. These payments are made in equal monthly installments for the purpose of funding the General Fund budget.

Note 20. Joint Venture (Harrisonburg-Rockingham Regional Sewer Authority)

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 contributions to the Authority for debt service. In fiscal year 2008, the City's contributions totaled \$3,366,810 of which \$2,020,079 was for operations and \$1,346,731 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 Authority at P.O. Box 8, 856 North River Road, Mt. Crawford, Virginia 22841.

As required by regulatory agencies, the Authority began construction upgrades to its existing facilities during fiscal year 2008. 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 project is scheduled to be completed in 2010. It is anticipated that the City's share of the debt financing will be approximately \$27.9 million.

The Authority has \$25,225,653 of total debt outstanding at June 30, 2008. The City's share of the required principal and interest payments for the Authority's bond issues can be projected as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 566,833	\$ 324,799	\$ 891,632
2010	526,345	359,937	886,282
2011	544,748	343,197	887,945
2012	829,831	949,738	1,779,569
2013	1,322,891	452,301	1,775,192
2014-2018	7,341,793	1,529,811	8,871,604
2019-2022	<u>3,646,900</u>	<u>320,386</u>	<u>3,967,286</u>
Total	<u>\$ 14,779,341</u>	<u>\$ 4,280,169</u>	<u>\$ 19,059,510</u>

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

	<u>June 30, 2008</u>	<u>June 30, 2007</u>	<u>Increase (Decrease)</u>
Current assets	\$ 2,287,830	\$ 2,180,999	\$ 106,831
Restricted assets	964,820	2,506,364	(1,541,544)
Capital assets	43,063,144	22,539,303	20,523,841
Other assets	<u>699,352</u>	<u>589,177</u>	<u>110,175</u>
Total assets	<u>\$ 47,015,146</u>	<u>\$ 27,815,843</u>	<u>\$ 19,199,303</u>
Current liabilities	\$ 6,646,566	\$ 629,984	\$ 6,016,582
Liabilities payable from restricted assets	821,887	986,057	(164,170)
Long-term liabilities	<u>23,872,644</u>	<u>15,779,426</u>	<u>8,093,218</u>
Total liabilities	<u>\$ 31,341,097</u>	<u>\$ 17,395,467</u>	<u>\$ 13,945,630</u>
Net assets	<u>\$ 15,674,049</u>	<u>\$ 10,420,376</u>	<u>\$ 5,253,673</u>

Note 21. Joint Venture (Harrisonburg-Rockingham Emergency Communications Center)

The City and Rockingham County (County) entered into an agreement that created the Harrisonburg-Rockingham Emergency Communications Center (ECC), whereby the ECC operates a joint emergency operations center and a joint two-way radio communications system. The City and County have an ongoing financial responsibility in that the City and County have agreed to equally provide any necessary funding for the ECC. In fiscal year 2008, the City's contributions totaled \$1,052,002. These contributions are made from the General Fund. The City and County have equal undivided interests in any property purchased or used by the ECC. To obtain a copy of the audited financial statements, contact the City of Harrisonburg Finance Department, 345 South Main Street, Harrisonburg, Virginia 22801.

Note 22. 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 \$3,071,109 to the District for the year ended June 30, 2008.

Note 23. 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 24. 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 2008, 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 2008, the City made payments totaling \$67,668 to the Authority for this project.

Note 25. 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 repurchase the historic portion of the building after the close of the five-year compliance period for the tax credit.

Note 26. Special Item

In fiscal year 2008, the City sold 32.6 acres of land located off of Port Republic Road to James Madison University. The special item reported in the amount of \$7 million in the General Fund represents the proceeds from this sale. The special item reported in the amount of \$4.1 million under governmental activities on the statement of activities represents the gain on the sale of the asset.

Note 27. Subsequent Events

On August 21, 2008, the City issued \$1 million in general obligation bonds for the purpose of replacing a 500 ton chiller at the City's resource recovery facility with a new 1,500 ton chiller. The new chiller will increase the steam generating capacity of the steam plant, which is in turn purchased by James Madison University (JMU) for the heating and cooling needs of their CISAT campus. JMU has agreed to reimburse the City for the debt service payments on the bond issue.

In September 2008, the City entered into a support agreement with the Harrisonburg Redevelopment and Housing Authority (Authority) whereby the Authority intends to improve some of its public housing units. The Authority intends to borrow up to \$2 million on a short term basis to fund these improvements. The City has agreed to a non-binding moral obligation pledge to pay for the renovation costs for the project, including debt service, to the extent that the Authority does not have the available funds.

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. The City is of the opinion that no material amounts will be required to be rebated.

Note 29. 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 represent intangible capital assets of the Sanitation Fund.

Note 30. Intangible James Madison University Land and Steam Agreement Asset

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 as an intangible capital asset of the Sanitation Fund and is being amortized over a twenty-five year period that began July 1, 1996.

Note 31. Commitments

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 \$4 million had been expended as of June 30, 2008. 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, 2008. This contract is a commitment of the General Capital Projects Fund and is being financed through transfers from the General Fund and the proceeds of a previously issued capital lease obligation.

The City has a construction contract outstanding for improvements to Port Republic Road (Phase III). The contract totals \$1.9 million and no funds had been expended as of June 30, 2008. This contract is a commitment of the General Capital Projects Fund and is being financed through transfers from the General Fund, intergovernmental revenue and a future bond issue.

Note 32. 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, 2008, there were four series of Industrial Development Authority Revenue Bonds and 19 series of Redevelopment and Housing Authority Revenue Bonds outstanding, with an aggregate principal amount of \$272.2 million and \$191.9 million respectively.

Note 33. 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. The City insures its transit buses through the Virginia Transit Liability Pool.

Note 33. Risk Management (continued)

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; Harrisonburg-Rockingham Emergency Communications Center; 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 \$150,000, 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, 2006 to June 30, 2008:

<u>Fiscal Year</u>	<u>Beginning Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Ending Liability</u>
2008	\$ 696,427	\$ 9,614,881	\$ 9,492,699	\$ 818,609
2007	803,953	8,601,733	8,709,259	696,427

Note 34. Restatement of Beginning Net Assets/Fund Balance

Beginning in fiscal year 2008, the Harrisonburg-Rockingham Emergency Communications Center (HRECC) is being reported as a joint venture. The beginning net assets of the governmental activities in the government-wide financial statements and the beginning fund balance of the General Fund have been adjusted for the assets and liabilities that are now reported in the HRECC's separately issued financial statements.

In fiscal year 1994, the City contracted to have the capital asset inventory of the City updated. As a result of the update, the City increased the value of land in the Sanitation Fund in error. The beginning net assets of the business-type activities in the government-wide financial statements and the Sanitation Fund have been decreased to correct this valuation error.

The following is a summary of restatements made to the beginning net assets of the government-wide and fund financial statements at June 30, 2008.

	<u>Primary Government</u>			
	<u>Government-wide</u>		<u>General Fund</u>	<u>Sanitation Fund</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>		
Net assets/fund balance at beginning of year, as previously reported	\$ 163,050,360	\$ 77,800,968	\$ 24,426,125	\$ 8,005,705
Restatement to:				
Adjust for net assets/fund balance related to the HRECC	95,779	-	(3,334)	-
Correct land valuation	-	(2,490,675)	-	(2,490,675)
Net assets/fund balance at beginning of year, as restated	<u>\$ 163,146,139</u>	<u>\$ 75,310,293</u>	<u>\$ 24,422,791</u>	<u>\$ 5,515,030</u>

Note 35. 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 benefit obligation is summarized in the following table.

	<u>Primary Government</u>	<u>School Board</u>
Unfunded using 4% discount rate	\$8.6 million	\$8.7 million
Funded using 7% discount rate	\$6.1 million	\$6.4 million

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. Management has not been able to determine at this time the effects of adopting this statement.

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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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, 2008

Exhibit A-1

	Central Garage Fund	Central Stores Fund	Health Insurance Fund	Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 110,288	\$ -	\$ 4,025,893	\$ 4,136,181
Receivables	5,424	-	513	5,937
Due from component unit	7,262	-	-	7,262
Inventory	705,135	1,169,260	-	1,874,395
Total current assets	\$ 828,109	\$ 1,169,260	\$ 4,026,406	\$ 6,023,775
Noncurrent assets:				
Capital assets (net of accumulated depreciation)	\$ 30,945	\$ 723,609	\$ -	\$ 754,554
Total noncurrent assets	\$ 30,945	\$ 723,609	\$ -	\$ 754,554
Total assets	\$ 859,054	\$ 1,892,869	\$ 4,026,406	\$ 6,778,329
Liabilities and Net Assets				
Current liabilities:				
Accounts payable	\$ 153,134	\$ 3,485	\$ 818,609	\$ 975,228
Accrued payroll	26,478	3,063	-	29,541
Due to component unit	-	471	-	471
Advances from other funds	-	107,570	-	107,570
Compensated absences	42,897	3,349	-	46,246
Total current liabilities	\$ 222,509	\$ 117,938	\$ 818,609	\$ 1,159,056
Noncurrent liabilities:				
Compensated absences	\$ 49,542	\$ 3,837	\$ -	\$ 53,379
Total noncurrent liabilities	\$ 49,542	\$ 3,837	\$ -	\$ 53,379
Total liabilities	\$ 272,051	\$ 121,775	\$ 818,609	\$ 1,212,435
Net assets:				
Invested in capital assets	\$ 30,945	\$ 723,609	\$ -	\$ 754,554
Unrestricted	556,058	1,047,485	3,207,797	4,811,340
Total net assets	\$ 587,003	\$ 1,771,094	\$ 3,207,797	\$ 5,565,894
Total liabilities and net assets	\$ 859,054	\$ 1,892,869	\$ 4,026,406	\$ 6,778,329

INTERNAL SERVICE FUNDS

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

For the Year Ended June 30, 2008

	Central Garage Fund	Central Stores Fund	Health Insurance Fund	Total
Operating revenues:				
Charges for services	\$ 2,991,833	\$ 1,104,947	\$ 10,239,626	\$ 14,336,406
Total operating revenues	<u>\$ 2,991,833</u>	<u>\$ 1,104,947</u>	<u>\$ 10,239,626</u>	<u>\$ 14,336,406</u>
Operating expenses:				
Personal services	\$ 553,174	\$ 60,998	\$ -	\$ 614,172
Fringe benefits	204,984	19,811	-	224,795
Purchased services	31,382	13,137	469,585	514,104
Internal services	353	2,977	-	3,330
Other charges	5,839	14,500	484,617	504,956
Materials and supplies	42,194	1,668	-	43,862
Depreciation	8,193	21,530	-	29,723
Cost of inventory issued	2,187,495	1,116,192	-	3,303,687
Claims related charges	-	-	9,614,881	9,614,881
Total operating expenses	<u>\$ 3,033,614</u>	<u>\$ 1,250,813</u>	<u>\$ 10,569,083</u>	<u>\$ 14,853,510</u>
Operating loss	<u>\$ (41,781)</u>	<u>\$ (145,866)</u>	<u>\$ (329,457)</u>	<u>\$ (517,104)</u>
Nonoperating revenues:				
Investment revenue	\$ 6,204	\$ -	\$ 171,219	\$ 177,423
Total nonoperating revenues	<u>\$ 6,204</u>	<u>\$ -</u>	<u>\$ 171,219</u>	<u>\$ 177,423</u>
Loss before transfers	\$ (35,577)	\$ (145,866)	\$ (158,238)	\$ (339,681)
Transfers in	<u>93,912</u>	<u>115,452</u>	<u>-</u>	<u>209,364</u>
Change in net assets	\$ 58,335	\$ (30,414)	\$ (158,238)	\$ (130,317)
Net assets at beginning of year	<u>528,668</u>	<u>1,801,508</u>	<u>3,366,035</u>	<u>5,696,211</u>
Net assets at end of year	<u>\$ 587,003</u>	<u>\$ 1,771,094</u>	<u>\$ 3,207,797</u>	<u>\$ 5,565,894</u>

CITY OF HARRISONBURG, VIRGINIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2008

	Central Garage Fund	Central Stores Fund	Health Insurance Fund	Total
Cash flows from operating activities:				
Receipts from customers	\$ 2,988,035	\$ 1,104,947	\$ -	\$ 4,092,982
Receipts from premiums	-	-	10,239,626	10,239,626
Payments to employees	(556,067)	(60,340)	-	(616,407)
Payments for fringe benefits	(205,227)	(19,762)	-	(224,989)
Payments to vendors	(2,360,247)	(1,148,516)	(954,202)	(4,462,965)
Payments for internal services	(353)	(2,977)	-	(3,330)
Payments for claims related charges	-	-	(9,492,699)	(9,492,699)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net cash used for operating activities	\$ (133,859)	\$ (126,648)	\$ (207,275)	\$ (467,782)
Cash flows from noncapital financing activities:				
Transfers in	\$ 93,912	\$ 115,452	\$ -	\$ 209,364
Interfund loan	-	11,196	-	11,196
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net cash provided by noncapital financing activities	\$ 93,912	\$ 126,648	\$ -	\$ 220,560
Cash flows from investing activities:				
Interest received	\$ 6,240	\$ -	\$ 172,177	\$ 178,417
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net cash provided by investing activities	\$ 6,240	\$ -	\$ 172,177	\$ 178,417
Net decrease in cash and cash equivalents	\$ (33,707)	\$ -	\$ (35,098)	\$ (68,805)
Cash and cash equivalents:				
Beginning	<u>143,995</u>	<u>-</u>	<u>4,060,991</u>	<u>4,204,986</u>
Ending	<u><u>\$ 110,288</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4,025,893</u></u>	<u><u>\$ 4,136,181</u></u>

(continued)

CITY OF HARRISONBURG, VIRGINIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2008

	<u>Central Garage Fund</u>	<u>Central Stores Fund</u>	<u>Health Insurance Fund</u>	<u>Total</u>
Reconciliation of operating loss to net cash used for operating activities:				
Operating loss	\$ (41,781)	\$ (145,866)	\$ (329,457)	\$ (517,104)
Adjustments to reconcile operating loss to net cash used for operating activities:				
Depreciation	8,193	21,530	-	29,723
Change in assets and liabilities:				
(Increase) decrease in:				
Accounts receivable	(1,500)	-	-	(1,500)
Due from component unit	(2,299)	-	-	(2,299)
Inventory	(158,968)	(5,572)	-	(164,540)
Increase (decrease) in:				
Accounts payable	65,621	2,581	122,182	190,384
Accrued payroll	1,500	360	-	1,860
Due to component unit	-	(28)	-	(28)
Compensated absences	(4,625)	347	-	(4,278)
Net cash used for operating activities	<u>\$ (133,859)</u>	<u>\$ (126,648)</u>	<u>\$ (207,275)</u>	<u>\$ (467,782)</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 26th 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, 2008

Exhibit B-1

	Juvenile Crime Control Fund	Industrial Development Authority Fund	Total
	<u> </u>	<u> </u>	<u> </u>
Assets			
Cash and cash equivalents	\$ 16,787	\$ 45,117	\$ 61,904
Interest receivable	<u>2</u>	<u>6</u>	<u>8</u>
Total assets	<u>\$ 16,789</u>	<u>\$ 45,123</u>	<u>\$ 61,912</u>
Liabilities			
Accounts payable	\$ 510	\$ -	\$ 510
Accrued payroll	3,088	-	3,088
Compensated absences	3,736	-	3,736
Amounts held for others	<u>9,455</u>	<u>45,123</u>	<u>54,578</u>
Total liabilities	<u>\$ 16,789</u>	<u>\$ 45,123</u>	<u>\$ 61,912</u>

AGENCY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES

For the Year Ended June 30, 2008

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
<u>Juvenile Crime Control Fund</u>				
Assets:				
Cash and cash equivalents	\$ 15,876	\$ 119,460	\$ 118,549	\$ 16,787
Interest receivable	<u>5</u>	<u>2</u>	<u>5</u>	<u>2</u>
Total assets	\$ <u>15,881</u>	\$ <u>119,462</u>	\$ <u>118,554</u>	\$ <u>16,789</u>
Liabilities:				
Accounts payable	\$ 902	\$ 510	\$ 902	\$ 510
Accrued payroll	2,725	3,088	2,725	3,088
Compensated absences	2,857	5,384	4,505	3,736
Amounts held for others	<u>9,397</u>	<u>123,961</u>	<u>123,903</u>	<u>9,455</u>
Total liabilities	\$ <u>15,881</u>	\$ <u>132,943</u>	\$ <u>132,035</u>	\$ <u>16,789</u>
<u>Industrial Development Authority Fund</u>				
Assets:				
Cash and cash equivalents	\$ 32,247	\$ 13,220	\$ 350	\$ 45,117
Interest receivable	<u>12</u>	<u>6</u>	<u>12</u>	<u>6</u>
Total assets	\$ <u>32,259</u>	\$ <u>13,226</u>	\$ <u>362</u>	\$ <u>45,123</u>
Liabilities:				
Amounts held for others	<u>\$ 32,259</u>	<u>\$ 13,214</u>	<u>\$ 350</u>	<u>\$ 45,123</u>
Total liabilities	\$ <u>32,259</u>	\$ <u>13,214</u>	\$ <u>350</u>	\$ <u>45,123</u>
<u>Total - All Agency Funds</u>				
Assets:				
Cash and cash equivalents	\$ 48,123	\$ 132,680	\$ 118,899	\$ 61,904
Interest receivable	<u>17</u>	<u>8</u>	<u>17</u>	<u>8</u>
Total assets	\$ <u>48,140</u>	\$ <u>132,688</u>	\$ <u>118,916</u>	\$ <u>61,912</u>
Liabilities:				
Accounts payable	\$ 902	\$ 510	\$ 902	\$ 510
Accrued payroll	2,725	3,088	2,725	3,088
Compensated absences	2,857	5,384	4,505	3,736
Amounts held for others	<u>41,656</u>	<u>137,175</u>	<u>124,253</u>	<u>54,578</u>
Total liabilities	\$ <u>48,140</u>	\$ <u>146,157</u>	\$ <u>132,385</u>	\$ <u>61,912</u>

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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, 2008

Exhibit C-1

	<u>School Fund</u>	<u>School Cafeteria Fund</u>	<u>School Capital Projects Fund</u>	<u>Totals</u>
Assets				
Cash and cash equivalents	\$ 7,478,094	\$ 1,006,515	\$ 2,137,520	\$ 10,622,129
Receivables	1,093,049	-	-	1,093,049
Due from other funds	-	35,501	-	35,501
Inventory	-	35,322	-	35,322
Prepaid expenditures	265,640	-	-	265,640
Total assets	\$ 8,836,783	\$ 1,077,338	\$ 2,137,520	\$ 12,051,641
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 27,176	\$ 1,495	\$ -	\$ 28,671
Accrued payroll	4,199,530	-	-	4,199,530
Due to other funds	35,501	-	-	35,501
Due to component unit	107,662	-	-	107,662
Total liabilities	\$ 4,369,869	\$ 1,495	\$ -	\$ 4,371,364
Fund Balances:				
Reserved for:				
Encumbrances	\$ 452,443	\$ -	\$ -	\$ 452,443
Prepaid expenditures	265,640	-	-	265,640
Unreserved:				
Designated	-	-	2,137,520	2,137,520
Undesignated	3,748,831	1,075,843	-	4,824,674
Total fund balances	\$ 4,466,914	\$ 1,075,843	\$ 2,137,520	\$ 7,680,277
Total liabilities and fund balances	\$ 8,836,783	\$ 1,077,338	\$ 2,137,520	\$ 12,051,641

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, 2008

Exhibit C-2

Total fund balance of governmental funds (Exhibit C-1)	\$ 7,680,277
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.	22,254,485
Long-term liabilities, and related accounts, are not payable from current financial resources and therefore are not reported in the funds.	<u>(756,519)</u>
Net assets of governmental activities (Exhibit 1)	\$ <u><u>29,178,243</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, 2008

Exhibit C-3

	<u>School Fund</u>	<u>School Cafeteria Fund</u>	<u>School Capital Projects Fund</u>	<u>Totals</u>
Revenues:				
Use of money and property	\$ 14,455	\$ 39,309	\$ -	\$ 53,764
Charges for services	702,007	568,733	-	1,270,740
Miscellaneous	353,384	12,373	-	365,757
Payment from primary government	22,960,156	-	-	22,960,156
Intergovernmental	25,981,246	1,428,766	-	27,410,012
Total revenues	<u>\$ 50,011,248</u>	<u>\$ 2,049,181</u>	<u>\$ -</u>	<u>\$ 52,060,429</u>
Expenditures:				
Current:				
Education	\$ 48,806,490	\$ 2,148,411	\$ -	\$ 50,954,901
Capital projects	-	-	1,731	1,731
Total expenditures	<u>\$ 48,806,490</u>	<u>\$ 2,148,411</u>	<u>\$ 1,731</u>	<u>\$ 50,956,632</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 1,204,758</u>	<u>\$ (99,230)</u>	<u>\$ (1,731)</u>	<u>\$ 1,103,797</u>
Fund balances at beginning of year	<u>3,262,156</u>	<u>1,175,073</u>	<u>2,139,251</u>	<u>6,576,480</u>
Fund balances at end of year	<u>\$ 4,466,914</u>	<u>\$ 1,075,843</u>	<u>\$ 2,137,520</u>	<u>\$ 7,680,277</u>

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, 2008

Exhibit C-4

Total net change in fund balances of governmental funds (Exhibit C-3) \$ 1,103,797

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	\$	190,356	
Depreciation expense		<u>(856,001)</u>	
Net adjustment	\$	<u><u>(665,645)</u></u>	(665,645)

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. (56,887)

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. 1,807,906

Change in net assets of governmental activities (Exhibit 2) \$ 2,189,171

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

Exhibit C-5

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Use of money and property	\$ 10,000	\$ 10,000	\$ 14,455	\$ 4,455
Charges for services	631,524	631,524	702,007	70,483
Miscellaneous	80,373	82,526	353,384	270,858
Payment from primary government	22,960,156	22,960,156	22,960,156	-
Intergovernmental	26,644,652	26,801,012	25,981,246	(819,766)
Total revenues	<u>\$ 50,326,705</u>	<u>\$ 50,485,218</u>	<u>\$ 50,011,248</u>	<u>\$ (473,970)</u>
Expenditures:				
Current:				
Education	\$ 50,326,705	\$ 50,554,601	\$ 48,806,490	\$ 1,748,111
Total expenditures	<u>\$ 50,326,705</u>	<u>\$ 50,554,601</u>	<u>\$ 48,806,490</u>	<u>\$ 1,748,111</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (69,383)</u>	\$ 1,204,758	<u>\$ 1,274,141</u>
Fund balance at beginning of year			<u>3,262,156</u>	
Fund balance at end of year			<u>\$ 4,466,914</u>	

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

Exhibit C-6

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Use of money and property	\$ -	\$ -	\$ 39,309	\$ 39,309
Charges for services	452,012	445,012	568,733	123,721
Recovered costs	-	-	12,373	12,373
Intergovernmental	1,283,315	1,305,315	1,428,766	123,451
Total revenues	<u>\$ 1,735,327</u>	<u>\$ 1,750,327</u>	<u>\$ 2,049,181</u>	<u>\$ 298,854</u>
Expenditures:				
Current:				
Education	\$ 1,724,977	\$ 2,307,977	\$ 2,148,411	\$ 159,566
Total expenditures	<u>\$ 1,724,977</u>	<u>\$ 2,307,977</u>	<u>\$ 2,148,411</u>	<u>\$ 159,566</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 10,350</u>	<u>\$ (557,650)</u>	<u>\$ (99,230)</u>	<u>\$ 458,420</u>
Fund balance at beginning of year			<u>1,175,073</u>	
Fund balance at end of year			<u>\$ 1,075,843</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, 2008

Fund, Major and Minor Revenue Sources	Final Budget	Actual	Variance Positive (Negative)
Primary Government:			
General Fund:			
General property taxes:			
Real property taxes	\$ 18,668,888	\$ 18,794,716	\$ 125,828
Real and personal public service corporation property taxes	256,000	296,523	40,523
Personal property taxes	6,322,782	6,135,629	(187,153)
Mobile home taxes	8,064	6,642	(1,422)
Machinery and tools taxes	1,750,000	1,571,168	(178,832)
Penalties and interest	155,000	244,143	89,143
Total general property taxes	<u>\$ 27,160,734</u>	<u>\$ 27,048,821</u>	<u>\$ (111,913)</u>
Other local taxes:			
Local sales and use taxes	\$ 12,000,000	\$ 11,772,450	\$ (227,550)
Consumer utility taxes	1,056,000	1,053,085	(2,915)
Business license taxes	6,110,000	6,208,829	98,829
Motor vehicle license taxes	757,500	723,115	(34,385)
Bank stock taxes	450,000	362,690	(87,310)
Taxes on recordation and wills	642,000	598,229	(43,771)
Tobacco taxes	900,000	868,029	(31,971)
Admission and amusement taxes	175,000	195,197	20,197
Hotel and motel room taxes	1,700,000	1,599,097	(100,903)
Restaurant food taxes	7,750,000	8,027,404	277,404
Communication sales and use taxes	1,784,272	1,856,808	72,536
Public rights-of-way use fee	115,000	125,372	10,372
Total other local taxes	<u>\$ 33,439,772</u>	<u>\$ 33,390,305</u>	<u>\$ (49,467)</u>
Permits, privilege fees and regulatory licenses:			
Animal licenses	\$ 7,000	\$ 7,239	\$ 239
Permits and other licenses	553,330	1,092,371	539,041
Total permits, privilege fees and regulatory licenses	<u>\$ 560,330</u>	<u>\$ 1,099,610</u>	<u>\$ 539,280</u>
Fines and forfeitures:			
Circuit court fines	\$ 400,000	\$ 432,767	\$ 32,767
Parking fines	60,000	73,959	13,959
Drug forfeiture	-	11,533	11,533
Total fines and forfeitures	<u>\$ 460,000</u>	<u>\$ 518,259</u>	<u>\$ 58,259</u>
Use of money and property:			
Use of money	\$ 1,414,365	\$ 1,510,922	\$ 96,557
Use of property	10,300	111,947	101,647
Total use of money and property	<u>\$ 1,424,665</u>	<u>\$ 1,622,869</u>	<u>\$ 198,204</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, 2008

<u>Fund, Major and Minor Revenue Sources</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Primary Government: (continued)			
General Fund: (continued)			
Charges for services:			
Charges for law enforcement and traffic control	\$ 7,100	\$ 11,027	\$ 3,927
Charges for parking	8,000	83,872	75,872
Charges for parks and recreation	266,200	329,174	62,974
Charges for golf course	641,100	674,768	33,668
Total charges for services	<u>\$ 922,400</u>	<u>\$ 1,098,841</u>	<u>\$ 176,441</u>
Miscellaneous:			
Payments in lieu of taxes:			
Electric plant and equipment	\$ 307,708	\$ 307,708	\$ -
Public housing	8,000	7,263	(737)
Service charge on tax exempt property	12,000	10,656	(1,344)
Sale of used equipment	50,000	72,087	22,087
Debt service reimbursement from HRHA	189,335	189,335	-
Loan guarantee reimbursement from ARC	-	262,850	262,850
Donations - JMU & EMU	50,000	102,000	52,000
Donations	97,009	153,127	56,118
Other miscellaneous	198,429	510,611	312,182
Total miscellaneous	<u>\$ 912,481</u>	<u>\$ 1,615,637</u>	<u>\$ 703,156</u>
Payments from component units:			
Payment from Harrisonburg Electric Commission	\$ 4,800,000	\$ 4,800,000	\$ -
Total payments from component units	<u>\$ 4,800,000</u>	<u>\$ 4,800,000</u>	<u>\$ -</u>
Intergovernmental:			
Revenue from the Commonwealth:			
Non-categorical aid:			
ABC profits	\$ 23,700	\$ 23,715	\$ 15
Wine taxes	24,900	24,858	(42)
Railroad rolling stock taxes	11,000	11,664	664
Mobile home titling taxes	2,000	5,473	3,473
Tax on deeds (grantor tax)	137,000	151,413	14,413
Personal property tax reimbursement	1,522,583	1,522,583	-
State aid to localities, police	1,522,583	1,556,027	33,444
Auto rental taxes	175,000	177,109	2,109
Animal friendly license plate	778	778	-
Total non-categorical aid	<u>\$ 3,419,544</u>	<u>\$ 3,473,620</u>	<u>\$ 54,076</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, 2008

<u>Fund, Major and Minor Revenue Sources</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Primary Government: (continued)			
General Fund: (continued)			
Intergovernmental: (continued)			
Revenue from the Commonwealth: (continued)			
Categorical aid:			
Shared expenses:			
Commissioner of the revenue	\$ 160,471	\$ 159,198	\$ (1,273)
Treasurer	138,489	147,935	9,446
Medical examiner fees	100	-	(100)
Registrar	50,087	52,945	2,858
Total shared expenses	<u>\$ 349,147</u>	<u>\$ 360,078</u>	<u>\$ 10,931</u>
Other categorical aid:			
Hazardous material grant	\$ 12,500	\$ 12,000	\$ (500)
Fire programs fund	106,638	106,638	-
Four-for-life	50,775	43,289	(7,486)
Hazardous materials response	1,949	1,949	-
Litter control grant	7,500	9,327	1,827
Conservation and natural resources grant	13,120	13,120	-
Department of forestry grant	-	1,700	1,700
Governor's opportunity funds	50,000	50,000	-
Presidential primary reimbursement	-	6,870	6,870
Street and highway maintenance	3,333,318	3,440,745	107,427
Street and highway construction	901,000	-	(901,000)
Total other categorical aid	<u>\$ 4,476,800</u>	<u>\$ 3,685,638</u>	<u>\$ (791,162)</u>
Total categorical aid	<u>\$ 4,825,947</u>	<u>\$ 4,045,716</u>	<u>\$ (780,231)</u>
Total revenue from the Commonwealth	<u>\$ 8,245,491</u>	<u>\$ 7,519,336</u>	<u>\$ (726,155)</u>
Revenue from the Federal Government:			
Categorical aid:			
Local law enforcement block grant	\$ 15,000	\$ 15,000	\$ -
Police DMV grant	24,051	42,880	18,829
Criminal history records grant	150,000	150,000	-
Virginia ABC enforcement grant	5,000	5,000	-
COPS metropolitan grant	3,374	3,374	-
FEMA SAFER grant	-	75,574	75,574
Total revenue from the Federal Government	<u>\$ 197,425</u>	<u>\$ 291,828</u>	<u>\$ 94,403</u>
Total intergovernmental	<u>\$ 8,442,916</u>	<u>\$ 7,811,164</u>	<u>\$ (631,752)</u>
Total General Fund	<u><u>\$ 78,123,298</u></u>	<u><u>\$ 79,005,506</u></u>	<u><u>\$ 882,208</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, 2008

<u>Fund, Major and Minor Revenue Sources</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Primary Government: (continued)			
Special Revenue Fund:			
Community Development Block Grant Fund:			
Intergovernmental:			
Revenue from the Federal Government:			
Non-categorical aid:			
Community Development Block Grant	\$ 1,255,133	\$ 592,595	\$ (662,538)
Total revenue from the Federal Government	\$ 1,255,133	\$ 592,595	\$ (662,538)
Total intergovernmental	\$ 1,255,133	\$ 592,595	\$ (662,538)
Total Community Development Block Grant Fund	<u>\$ 1,255,133</u>	<u>\$ 592,595</u>	<u>\$ (662,538)</u>
Total Special Revenue Fund	<u>\$ 1,255,133</u>	<u>\$ 592,595</u>	<u>\$ (662,538)</u>
Capital Projects Funds:			
General Capital Projects Fund:			
Use of money and property:			
Use of money	\$ 259,417	\$ 364,360	\$ 104,943
Total use of money and property	\$ 259,417	\$ 364,360	\$ 104,943
Miscellaneous:			
Farmer's market pavilion reimbursement	\$ 250,000	\$ 80,481	\$ (169,519)
Other miscellaneous	11,232	37,765	26,533
Total miscellaneous	\$ 261,232	\$ 118,246	\$ (142,986)
Recovered costs:			
Reimbursement for radio system from Rockingham County	\$ 158,132	\$ 217,422	\$ 59,290
Total recovered costs	\$ 158,132	\$ 217,422	\$ 59,290
Intergovernmental:			
Revenue from the Commonwealth:			
Categorical aid:			
Conservation and natural resources grant	\$ 5,903	\$ 5,903	\$ -
Street and highway construction	1,574,387	1,432,516	(141,871)
Total revenue from the Commonwealth	\$ 1,580,290	\$ 1,438,419	\$ (141,871)

(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, 2008

<u>Fund, Major and Minor Revenue Sources</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Primary Government: (continued)			
Capital Projects Funds: (continued)			
General Capital Projects Fund: (continued)			
Intergovernmental: (continued)			
Revenue from the Federal Government:			
Categorical aid:			
Preserve America grant	\$ 150,000	\$ -	\$ (150,000)
Safe route to school grant	500,000	-	(500,000)
Transportation enhancement grant	634,000	1,368	(632,632)
Street and highway construction	950,000	1,491,160	541,160
	<u>2,234,000</u>	<u>1,492,528</u>	<u>(741,472)</u>
Total revenue from the Federal Government	\$ 2,234,000	\$ 1,492,528	\$ (741,472)
Total intergovernmental	\$ 3,814,290	\$ 2,930,947	\$ (883,343)
Total General Capital Projects Fund	<u>\$ 4,493,071</u>	<u>\$ 3,630,975</u>	<u>\$ (862,096)</u>
School Bond Capital Projects Fund:			
Use of money and property:			
Use of money	\$ -	\$ 535,862	\$ 535,862
Total use of money and property	\$ -	\$ 535,862	\$ 535,862
Total School Bond Capital Projects Fund	<u>\$ -</u>	<u>\$ 535,862</u>	<u>\$ 535,862</u>
Total Capital Projects Funds	<u>\$ 4,493,071</u>	<u>\$ 4,166,837</u>	<u>\$ (326,234)</u>
Grand Total Revenues - Primary Government	<u>\$ 83,871,502</u>	<u>\$ 83,764,938</u>	<u>\$ (106,564)</u>
Component Unit - School Board:			
School Fund:			
Use of money and property	\$ 10,000	\$ 14,455	\$ 4,455
Charges for services	631,524	702,007	70,483
Miscellaneous	82,526	353,384	270,858
Payment from primary government	22,960,156	22,960,156	-
Intergovernmental:			
Revenue from the Commonwealth:			
Categorical aid:			
Share of state sales tax	\$ 3,799,408	\$ 3,634,155	\$ (165,253)
Basic school aid	11,043,397	10,677,622	(365,775)
State standard of quality funds	2,359,094	2,305,984	(53,110)
Fringe benefits	1,517,273	1,464,110	(53,163)
Lottery funds	557,907	542,768	(15,139)
At risk	621,912	617,025	(4,887)
Primary class size	522,934	509,627	(13,307)

(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, 2008

<u>Fund, Major and Minor Revenue Sources</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Component Unit - School Board: (continued)			
School Fund: (continued)			
Intergovernmental: (continued)			
Revenue from the Commonwealth: (continued)			
Categorical aid: (continued)			
Technology initiative	206,000	206,000	-
English as second language	950,730	901,435	(49,295)
Regional tuition programs (special education)	461,285	515,189	53,904
Other state funds	1,124,720	1,245,972	121,252
Total categorical aid	<u>\$ 23,164,660</u>	<u>\$ 22,619,887</u>	<u>\$ (544,773)</u>
Total revenue from the Commonwealth	<u>\$ 23,164,660</u>	<u>\$ 22,619,887</u>	<u>\$ (544,773)</u>
Revenue from the Federal Government:			
Categorical aid:			
Title I	\$ 981,488	\$ 992,966	\$ 11,478
Special education	992,848	975,478	(17,370)
Education technology	510,197	422,747	(87,450)
Reading first grant	578,290	544,509	(33,781)
Title III	208,586	196,872	(11,714)
ESEA - Title II Part A	199,000	57,516	(141,484)
Other federal funds	165,943	171,271	5,328
Total categorical aid	<u>\$ 3,636,352</u>	<u>\$ 3,361,359</u>	<u>\$ (274,993)</u>
Total revenue from the Federal Government	<u>\$ 3,636,352</u>	<u>\$ 3,361,359</u>	<u>\$ (274,993)</u>
Total intergovernmental	<u>\$ 26,801,012</u>	<u>\$ 25,981,246</u>	<u>\$ (819,766)</u>
Total School Fund	<u><u>\$ 50,485,218</u></u>	<u><u>\$ 50,011,248</u></u>	<u><u>\$ (473,970)</u></u>
School Cafeteria Fund:			
Use of money and property	\$ -	\$ 39,309	\$ 39,309
Charges for services	445,012	568,733	123,721
Miscellaneous	-	12,373	12,373
Intergovernmental:			
Revenue from the Commonwealth:			
Categorical aid:			
School food program	\$ 40,315	\$ 37,715	\$ (2,600)
Total categorical aid	<u>\$ 40,315</u>	<u>\$ 37,715</u>	<u>\$ (2,600)</u>
Total revenue from the Commonwealth	<u>\$ 40,315</u>	<u>\$ 37,715</u>	<u>\$ (2,600)</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, 2008

<u>Fund, Major and Minor Revenue Sources</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Component Unit - School Board: (continued)			
School Cafeteria Fund: (continued)			
Intergovernmental: (continued)			
Revenue from the Federal Government:			
Categorical aid:			
School food program	\$ 1,265,000	\$ 1,239,238	\$ (25,762)
USDA donated food	-	151,813	151,813
Total categorical aid	<u>\$ 1,265,000</u>	<u>\$ 1,391,051</u>	<u>\$ 126,051</u>
 Total revenue from the Federal Government	 <u>\$ 1,265,000</u>	 <u>\$ 1,391,051</u>	 <u>\$ 126,051</u>
 Total intergovernmental	 <u>\$ 1,305,315</u>	 <u>\$ 1,428,766</u>	 <u>\$ 123,451</u>
 Total School Cafeteria Fund	 <u><u>\$ 1,750,327</u></u>	 <u><u>\$ 2,049,181</u></u>	 <u><u>\$ 298,854</u></u>
 Grand Total Revenues			
Component Unit - School Board	<u><u>\$ 52,235,545</u></u>	<u><u>\$ 52,060,429</u></u>	<u><u>\$ (175,116)</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, 2008

<u>Fund, Function, Activity and Elements</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Primary Government:			
General Fund:			
General government administration:			
Legislative:			
City Council	\$ 220,705	\$ 220,685	\$ 20
Total legislative	<u>\$ 220,705</u>	<u>\$ 220,685</u>	<u>\$ 20</u>
General and financial administration:			
City manager	\$ 466,836	\$ 435,239	\$ 31,597
City attorney	152,324	152,294	30
Human resources	219,837	216,716	3,121
Independent auditor	33,199	33,199	-
Commissioner of the revenue	408,923	408,873	50
Assessors	280,420	267,903	12,517
Equalization	3,125	2,938	187
Treasurer	526,951	481,865	45,086
Finance	393,053	373,472	19,581
Information technology	661,667	643,920	17,747
Purchasing agent	154,367	131,885	22,482
Dues to municipal league	32,251	32,251	-
Reserve for contingencies	95,002	-	95,002
Total general and financial administration	<u>\$ 3,427,955</u>	<u>\$ 3,180,555</u>	<u>\$ 247,400</u>
Board of elections:			
Registrar	\$ 160,204	\$ 132,716	\$ 27,488
Total board of elections	<u>\$ 160,204</u>	<u>\$ 132,716</u>	<u>\$ 27,488</u>
Total general government administration	<u>\$ 3,808,864</u>	<u>\$ 3,533,956</u>	<u>\$ 274,908</u>
Jail and judicial administration:			
Joint expenditures with Rockingham County	\$ 2,500,000	\$ 2,224,918	\$ 275,082
Total jail and judicial administration	<u>\$ 2,500,000</u>	<u>\$ 2,224,918</u>	<u>\$ 275,082</u>
Public safety:			
Law enforcement and traffic control:			
Administration	\$ 656,416	\$ 644,475	\$ 11,941
Operations	3,077,100	2,915,952	161,148
Criminal investigations	1,080,304	1,006,978	73,326
Support services	1,993,198	1,885,461	107,737
Gang task force	163,767	163,059	708
Special operations	1,226,607	1,139,316	87,291
Total law enforcement and traffic control	<u>\$ 8,197,392</u>	<u>\$ 7,755,241</u>	<u>\$ 442,151</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, 2008

<u>Fund, Function, Activity and Elements</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Primary Government: (continued)			
General Fund: (continued)			
Public safety: (continued)			
Fire and rescue services:			
Administration	\$ 512,825	\$ 512,768	\$ 57
Suppression	5,447,319	5,168,169	279,150
Prevention	383,233	383,218	15
Training	191,799	191,761	38
Total fire and rescue services	<u>\$ 6,535,176</u>	<u>\$ 6,255,916</u>	<u>\$ 279,260</u>
Correction and detention:			
City operated institutions	\$ 86,000	\$ 66,501	\$ 19,499
Total correction and detention	<u>\$ 86,000</u>	<u>\$ 66,501</u>	<u>\$ 19,499</u>
Inspections:			
Building	\$ 622,625	\$ 603,957	\$ 18,668
Total inspections	<u>\$ 622,625</u>	<u>\$ 603,957</u>	<u>\$ 18,668</u>
Other protection:			
Public safety building	\$ 356,735	\$ 319,529	\$ 37,206
Child safety alliance	1,000	919	81
Animal control	156,020	150,547	5,473
Coroner	1,000	160	840
Emergency services	127,285	77,859	49,426
Harrisonburg-Rockingham ECC	1,499,849	1,052,002	447,847
Total other protection	<u>\$ 2,141,889</u>	<u>\$ 1,601,016</u>	<u>\$ 540,873</u>
Total public safety	<u>\$ 17,583,082</u>	<u>\$ 16,282,631</u>	<u>\$ 1,300,451</u>
Public works:			
Maintenance of highways, streets, bridges and sidewalks:			
General engineering	\$ 957,270	\$ 915,694	\$ 41,576
Highway and street maintenance	5,149,273	4,022,482	1,126,791
Street lights	488,315	488,302	13
Snow and ice removal	114,639	113,780	859
Traffic engineering	1,550,350	1,396,843	153,507
Highway and street beautification	443,322	443,310	12
Total maintenance of highways, streets, bridges and sidewalks	<u>\$ 8,703,169</u>	<u>\$ 7,380,411</u>	<u>\$ 1,322,758</u>
Sanitation and waste removal:			
Street and road cleaning	\$ 476,161	\$ 473,808	\$ 2,353
Insect and rodent control	9,192	9,141	51
Total sanitation and waste removal	<u>\$ 485,353</u>	<u>\$ 482,949</u>	<u>\$ 2,404</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, 2008

<u>Fund, Function, Activity and Elements</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Primary Government: (continued)			
General Fund: (continued)			
Public works: (continued)			
Maintenance of general buildings and grounds:			
General properties	\$ 474,920	\$ 451,272	\$ 23,648
Total maintenance of general buildings and grounds	<u>\$ 474,920</u>	<u>\$ 451,272</u>	<u>\$ 23,648</u>
Total public works	<u>\$ 9,663,442</u>	<u>\$ 8,314,632</u>	<u>\$ 1,348,810</u>
Health and welfare:			
Health:			
Local health department	\$ 367,344	\$ 367,344	\$ -
Total health	<u>\$ 367,344</u>	<u>\$ 367,344</u>	<u>\$ -</u>
Mental health and mental retardation:			
Community services board	\$ 261,529	\$ 261,529	\$ -
Total mental health and mental retardation	<u>\$ 261,529</u>	<u>\$ 261,529</u>	<u>\$ -</u>
Welfare/social services:			
Tax relief for the elderly	\$ 42,765	\$ 42,765	\$ -
Social services - Joint expenditures with Rockingham County	3,291,966	3,071,109	220,857
Total welfare/social services	<u>\$ 3,334,731</u>	<u>\$ 3,113,874</u>	<u>\$ 220,857</u>
Total health and welfare	<u>\$ 3,963,604</u>	<u>\$ 3,742,747</u>	<u>\$ 220,857</u>
Education:			
Payment to Harrisonburg City School Board	\$ 22,960,156	\$ 22,960,156	\$ -
Total education	<u>\$ 22,960,156</u>	<u>\$ 22,960,156</u>	<u>\$ -</u>
Parks, recreation and culture:			
Parks and recreation:			
Administration	\$ 1,030,546	\$ 968,838	\$ 61,708
Parks	916,306	770,537	145,769
Recreation centers and playgrounds	556,236	520,648	35,588
National guard armory	124,942	116,910	8,032
Simms recreation center	291,271	243,339	47,932
Westover pool	406,616	362,827	43,789
Athletics	573,264	568,692	4,572
Blacks run greenway	83,098	73,252	9,846
Golf course grounds management	772,643	719,961	52,682
Golf course clubhouse management	581,887	487,772	94,115
Total parks and recreation	<u>\$ 5,336,809</u>	<u>\$ 4,832,776</u>	<u>\$ 504,033</u>
Total parks, recreation and culture	<u>\$ 5,336,809</u>	<u>\$ 4,832,776</u>	<u>\$ 504,033</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, 2008

<u>Fund, Function, Activity and Elements</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Primary Government: (continued)			
General Fund: (continued)			
Planning and community development:			
Planning:			
Planning	\$ 164,908	\$ 132,145	\$ 32,763
Zoning administrator	177,562	175,266	2,296
Zoning and board of zoning appeals	5,429	2,864	2,565
Economic development	1,032,353	705,861	326,492
Downtown renaissance	143,640	131,537	12,103
Tourism and visitors services	298,268	296,384	1,884
Downtown parking services	267,427	252,620	14,807
Total planning	<u>\$ 2,089,587</u>	<u>\$ 1,696,677</u>	<u>\$ 392,910</u>
Community development:			
Massanutten Regional Library	\$ 430,000	\$ 430,000	\$ -
Regional Juvenile Detention Home	358,521	358,521	-
Harrisonburg Rescue Squad	125,000	125,000	-
Shenandoah Valley Airport	67,923	67,923	-
Blue Ridge Community College	46,484	46,484	-
Free Clinic	265,000	265,000	-
Boys and Girls Club	1,601,667	1,601,667	-
Association for Retarded Citizens	500,000	500,000	-
Arts Council of the Valley	41,500	41,500	-
Other contributions	316,691	306,502	10,189
Total community development	<u>\$ 3,752,786</u>	<u>\$ 3,742,597</u>	<u>\$ 10,189</u>
Total planning and community development	<u>\$ 5,842,373</u>	<u>\$ 5,439,274</u>	<u>\$ 403,099</u>
Debt service:			
Principal retirement	\$ 4,831,468	\$ 4,594,087	\$ 237,381
Interest and fiscal charges	7,055,917	6,732,755	323,162
Total debt service	<u>\$ 11,887,385</u>	<u>\$ 11,326,842</u>	<u>\$ 560,543</u>
Total General Fund	<u><u>\$ 83,545,715</u></u>	<u><u>\$ 78,657,932</u></u>	<u><u>\$ 4,887,783</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, 2008

<u>Fund, Function, Activity and Elements</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Primary Government: (continued)			
Special Revenue Fund:			
Community Development Block Grant Fund:			
Planning and community development:			
Community development:			
Community development block grant	\$ 1,012,910	\$ 606,871	\$ 406,039
Total community development	<u>\$ 1,012,910</u>	<u>\$ 606,871</u>	<u>\$ 406,039</u>
Total planning and community development	<u>\$ 1,012,910</u>	<u>\$ 606,871</u>	<u>\$ 406,039</u>
Total Community Development Block Grant Fund	<u><u>\$ 1,012,910</u></u>	<u><u>\$ 606,871</u></u>	<u><u>\$ 406,039</u></u>
Total Special Revenue Funds	<u><u>\$ 1,012,910</u></u>	<u><u>\$ 606,871</u></u>	<u><u>\$ 406,039</u></u>
Capital Projects Funds:			
General Capital Projects Fund:			
Capital projects	<u>\$ 41,555,162</u>	<u>\$ 17,311,792</u>	<u>\$ 24,243,370</u>
Total General Capital Projects Fund	<u><u>\$ 41,555,162</u></u>	<u><u>\$ 17,311,792</u></u>	<u><u>\$ 24,243,370</u></u>
School Bond Capital Projects Fund:			
Capital projects	<u>\$ 24,118,387</u>	<u>\$ 17,703,279</u>	<u>\$ 6,415,108</u>
Total School Bond Capital Projects Fund	<u><u>\$ 24,118,387</u></u>	<u><u>\$ 17,703,279</u></u>	<u><u>\$ 6,415,108</u></u>
Total Capital Projects Funds	<u><u>\$ 65,673,549</u></u>	<u><u>\$ 35,015,071</u></u>	<u><u>\$ 30,658,478</u></u>
Grand Total Expenditures - Primary Government	<u><u>\$ 150,232,174</u></u>	<u><u>\$ 114,279,874</u></u>	<u><u>\$ 35,952,300</u></u>
Component Unit - School Board:			
School Fund:			
Education:			
Instruction	\$ 38,984,529	\$ 38,192,505	\$ 792,024
Administration, attendance and health	2,641,645	2,607,458	34,187
Pupil transportation	1,664,292	1,550,956	113,336
Operations and maintenance	4,946,103	4,245,593	700,510
Technology	2,316,032	2,209,978	106,054
Facilities	<u>2,000</u>	<u>-</u>	<u>2,000</u>
Total education	<u>\$ 50,554,601</u>	<u>\$ 48,806,490</u>	<u>\$ 1,748,111</u>
Total School Fund	<u><u>\$ 50,554,601</u></u>	<u><u>\$ 48,806,490</u></u>	<u><u>\$ 1,748,111</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, 2008

<u>Fund, Function, Activity and Elements</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Component Unit - School Board: (continued)			
School Cafeteria Fund:			
Education:			
Food services	\$ 2,307,977	\$ 2,148,411	\$ 159,566
Total education	\$ 2,307,977	\$ 2,148,411	\$ 159,566
Total School Cafeteria Fund	\$ 2,307,977	\$ 2,148,411	\$ 159,566
School Capital Projects Fund:			
Capital projects	\$ 1,239,673	\$ 1,731	\$ 1,237,942
Total School Capital Projects Fund	\$ 1,239,673	\$ 1,731	\$ 1,237,942
Grand Total Expenditures			
Component Unit - School Board	\$ 54,102,251	\$ 50,956,632	\$ 3,145,619

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. The City does not have any overlapping debt.

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 Seven Fiscal Years
(accrual basis of accounting)

Table 1

	Fiscal Year						
	2008	2007	2006	2005	2004	2003	2002
Governmental activities							
Invested in capital assets, net of related debt	\$ 132,814,209	\$ 125,843,397	\$ 135,003,446	\$ 120,370,317	\$ 117,904,477	\$ 117,143,440	\$ 116,097,619
Restricted ^a	961,442	1,039,017	1,304,291	1,119,024	766,544	905,353	621,915
Unrestricted ^b	40,721,495	36,167,946	21,859,603	24,597,079	23,302,565	20,723,167	20,974,296
Total governmental activities net assets	\$ 174,497,146	\$ 163,050,360	\$ 158,167,340	\$ 146,086,420	\$ 141,973,586	\$ 138,771,960	\$ 137,693,830
Business-type activities							
Invested in capital assets, net of related debt	\$ 55,215,398	\$ 54,121,109	\$ 49,644,177	\$ 49,759,377	\$ 49,213,863	\$ 50,858,770	\$ 55,634,074
Restricted ^a	-	-	-	-	444,437	452,716	471,168
Unrestricted	22,819,366	21,189,184	22,849,797	21,189,878	20,915,553	17,141,684	15,478,829
Total business-type activities net assets ^c	\$ 78,034,764	\$ 75,310,293	\$ 72,493,974	\$ 70,949,255	\$ 70,573,853	\$ 68,453,170	\$ 71,584,071
Primary government							
Invested in capital assets, net of related debt	\$ 188,029,607	\$ 179,964,506	\$ 184,647,623	\$ 170,129,694	\$ 167,118,340	\$ 168,002,210	\$ 171,731,693
Restricted	961,442	1,039,017	1,304,291	1,119,024	1,210,981	1,358,069	1,093,083
Unrestricted	63,540,861	57,357,130	44,709,400	45,786,957	44,218,118	37,864,851	36,453,125
Total primary government net assets	\$ 252,531,910	\$ 238,360,653	\$ 230,661,314	\$ 217,035,675	\$ 212,547,439	\$ 207,225,130	\$ 209,277,901

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.

^aFor 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.

^bFor 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.

^cIn 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 Seven Fiscal Years
(accrual basis of accounting)

Table 2

	Fiscal Year						
	2008	2007	2006	2005	2004	2003	2002
Expenses:							
Governmental activities:							
General government administration	\$ 11,767,148	\$ 10,607,363	\$ 9,494,062	\$ 8,659,789	\$ 8,095,033	\$ 7,285,396	\$ 6,374,698
Jail and judicial administration	2,521,878	2,695,536	2,247,160	1,720,208	1,411,339	1,463,027	1,658,125
Public safety	16,446,587	16,122,159	14,598,247	13,385,735	12,308,346	10,483,000	9,755,527
Public works	10,621,521	11,140,416	10,280,042	8,932,355	9,570,485	8,654,789	9,090,230
Health and welfare	3,764,612	3,130,065	2,571,383	2,318,720	2,157,251	1,939,214	1,529,544
Education	25,922,982	25,341,757	24,630,393	21,784,772	20,351,713	21,325,763	20,508,326
Parks, recreation and cultural ^a	5,103,321	4,692,190	4,458,904	2,781,327	2,636,326	2,551,774	2,328,603
Planning and community development ^b	4,125,103	5,265,157	2,970,408	2,426,890	1,526,341	1,368,001	1,236,155
Interest on long-term debt	6,078,904	5,612,049	4,368,265	3,869,356	3,898,786	4,042,808	3,234,219
Business-type activities:							
Water	4,951,007	4,560,390	4,034,616	3,805,703	3,362,062	3,506,917	3,052,628
Sewer	6,413,266	5,717,556	5,075,967	4,872,836	4,870,754	4,457,413	4,237,627
Public transportation	6,042,341	5,538,155	5,070,888	4,635,925	4,162,232	3,882,258	3,381,260
Sanitation ^{c,d,e}	11,162,477	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 ^a	-	-	-	1,416,361	1,338,559	1,430,431	416,016
Total expenses	\$ 114,921,147	\$ 111,027,259	\$ 100,421,434	\$ 89,583,392	\$ 81,692,740	\$ 82,212,002	\$ 72,299,938
Program revenues:							
Governmental activities:							
Charges for services:							
General government administration	\$ 7,913,474	\$ 7,067,373	\$ 6,845,784	\$ 6,591,292	\$ 6,408,739	\$ 5,136,588	\$ 3,618,948
Jail and judicial administration	432,767	380,856	517,689	604,029	563,954	400,247	362,860
Parks, recreation and cultural	1,003,942	775,673	787,786	278,415	235,998	232,074	246,327
Other activities	1,278,101	768,070	548,215	441,843	109,456	427,509	278,135
Operating grants and contributions	5,064,405	5,615,042	5,182,303	4,920,227	4,517,758	3,826,403	3,533,820
Capital grants and contributions ^f	6,099,485	3,996,228	71,267	622,947	115,122	505,800	95,013
Business-type activities:							
Charges for services:							
Water	6,024,104	5,424,741	5,263,336	4,802,169	4,690,818	4,558,073	4,509,192
Sewer	6,080,893	5,572,991	5,148,993	4,916,716	4,744,819	4,741,882	5,094,093
Public transportation	2,906,147	2,667,281	2,467,922	2,236,842	2,139,596	1,951,396	1,906,474
Sanitation	9,023,207	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	1,242,498	1,140,983	1,198,685	966,231	912,114	910,460	840,845
Capital grants and contributions	1,684,705	2,201,180	2,571,747	1,824,444	1,041,271	675,965	1,576,411
Total program revenues	\$ 48,753,728	\$ 43,617,091	\$ 38,265,817	\$ 35,502,945	\$ 31,486,838	\$ 28,497,330	\$ 26,379,128
Governmental activities	\$ (64,559,882)	\$ (66,003,450)	\$ (61,665,820)	\$ (52,420,399)	\$ (50,004,593)	\$ (48,585,151)	\$ (47,580,324)
Business-type activities	(1,607,537)	(1,406,718)	(489,797)	(1,660,048)	(201,309)	(5,129,521)	1,659,514
Total net (expense) revenue	\$ (66,167,419)	\$ (67,410,168)	\$ (62,155,617)	\$ (54,080,447)	\$ (50,205,902)	\$ (53,714,672)	\$ (45,920,810)

(continued)

CHANGES IN NET ASSETS

Last Seven Fiscal Years

(accrual basis of accounting)

	Fiscal Year						
	2008	2007	2006	2005	2004	2003	2002
General revenues and other changes in net assets:							
Governmental activities:							
General revenues:							
Property taxes	\$ 27,464,833	\$ 23,731,628	\$ 20,248,223	\$ 18,235,771	\$ 18,120,703	\$ 17,387,139	\$ 17,838,430
Sales and use taxes	11,772,450	11,695,874	11,421,441	10,739,589	9,747,138	8,629,363	8,344,866
Restaurant food taxes ^e	8,021,419	7,673,364	7,091,567	6,723,886	6,351,607	4,882,551	4,609,629
Business license taxes	6,196,857	6,042,082	5,728,339	5,306,290	5,013,674	4,771,569	4,286,104
Other local taxes ^h	7,372,608	7,368,816	7,201,363	6,503,792	6,468,977	4,862,829	5,026,104
Unrestricted grants and contributions	3,467,625	3,506,788	3,216,835	3,014,121	3,086,923	3,221,206	2,765,133
Unrestricted payment from component units	4,800,000	4,793,875	4,400,000	4,100,000	3,800,000	3,600,000	3,400,000
Investment revenue	2,644,259	3,534,382	1,363,309	752,552	568,770	939,030	1,218,831
Other revenue	1,447,468	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 ^{ij}	4,109,942	2,183,062	11,005,846	-	-	-	1,124,500
Transfers	(1,386,572)	(1,130,257)	197,160	(258,180)	(1,013,975)	(396,406)	(2,201,350)
Business-type activities:							
General revenues:							
Investment revenue	1,101,241	1,403,613	1,082,397	609,291	376,714	993,067	595,581
Other revenue	1,844,195	1,034,676	1,149,279	1,167,979	931,303	609,147	752,163
Transfers	1,386,572	1,130,257	(197,160)	258,180	1,013,975	396,406	2,201,350
Total general revenues and other changes in net assets	\$ 80,242,897	\$ 74,455,016	\$ 75,781,256	\$ 58,568,683	\$ 55,528,211	\$ 51,661,901	\$ 50,815,293
Change in net assets:							
Governmental activities	\$ 11,351,007	\$ 4,883,020	\$ 12,080,920	\$ 4,112,834	\$ 3,201,626	\$ 1,078,130	\$ (314,125)
Business-type activities	2,724,471	2,161,828	1,544,719	375,402	2,120,683	(3,130,901)	5,208,608
Total change in net assets	\$ 14,075,478	\$ 7,044,848	\$ 13,625,639	\$ 4,488,236	\$ 5,322,309	\$ (2,052,771)	\$ 4,894,483

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 2008 are explained in Management's Discussion and Analysis.

^aFor 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.

^bFor 2007, the increase in the planning and community development activity expenses reflected the recognition of a loan guarantee associated with the Lucy F. Simms Continuing Education Center renovation project.

^cFor 2005, the increase in sanitation activity expenses reflected a full year of depreciation on the rebuilt steam plant and an increase in interest expense.

^dFor 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.

^eFor 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.

^fFor 2007, the increase in capital grants and contributions reflected the City's initial participation in the Virginia Urban Construction Initiative Program. The City received \$3.4 million in 2007 from this program of which \$2.5 million was a one-time payment.

^gFor 2004, the City increased the rate on restaurant food taxes from five percent to six percent.

^hFor 2004, the City enacted a tobacco tax.

ⁱFor 2006, the School Board transferred the old Harrisonburg High School complex to the City resulting in a special item.

^jFor 2007, the City sold the old Harrisonburg High School complex to James Madison University 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									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
General Fund										
Reserved ^a	\$ 2,826,425	\$ 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
Unreserved ^b	22,456,048	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
Total general fund	\$ 25,282,473	\$ 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
All other governmental funds										
Reserved ^{c,d}	\$ 6,311,871	\$ 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
Unreserved, reported in:										
Special revenue funds	(15,513)	-	201,533	-	-	-	-	-	-	-
Capital projects funds	7,734,064	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
Total all other governmental funds	\$ 14,030,422	\$ 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

Notes: Certain prior year balances have been reclassified to reflect current financial reporting (1999-2002). Any significant increases or decreases for 2008 are explained in Management's Discussion and Analysis

^aFor 2005, the increase in general fund reserved fund balance was the result of unspent bond proceeds.

^bFor 2007, the increase in general fund unreserved fund balance was the result of the sale of the old Harrisonburg High School complex to James Madison University.

^cFor 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.

^dFor 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									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Revenues:										
General property taxes	\$ 27,048,821	\$ 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
Other local taxes	33,390,305	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
Permits, privilege fees and regulatory licenses	1,099,610	552,074	503,149	403,621	333,288	390,820	244,187	198,890	275,030	319,401
Fines and forfeitures	518,259	504,628	517,689	604,029	563,954	400,247	362,860	292,835	304,837	344,481
Use of money and property ^a	2,523,091	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
Charges for services	1,098,841	842,690	811,677	292,843	252,891	261,442	277,538	270,095	278,403	238,213
Miscellaneous	1,733,883	1,001,438	882,152	955,799	1,022,722	1,494,156	919,172	1,346,077	710,854	978,610
Recovered costs	217,422	1,198,496	1,266,205	1,670,896	870,207	485,348	273,376	238,195	235,905	228,406
Payments from component units	4,800,000	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
Intergovernmental ^b	11,334,706	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
Total revenues	\$ 83,764,938	\$ 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
Expenditures:										
Current:										
General government administration	\$ 3,533,956	\$ 3,195,490	\$ 2,902,847	\$ 2,689,218	\$ 2,460,557	\$ 2,241,589	\$ 2,351,943	\$ 2,070,324	\$ 1,991,202	\$ 1,808,890
Jail and judicial administration	2,224,918	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
Public safety	16,282,631	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
Public works ^c	8,314,632	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
Health and welfare	3,742,747	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
Education	22,960,156	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
Parks, recreation and cultural ^d	4,832,776	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
Planning and community development ^e	6,046,145	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
Debt service:										
Principal retirement	4,594,087	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
Interest and fiscal charges ^f	6,732,755	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
Bond issuance costs	-	-	-	-	-	29,839	-	-	-	-
Capital projects ^g	35,015,071	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
Total expenditures	\$ 114,279,874	\$ 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
Excess (deficiency) of revenues over (under) expenditures	\$ (30,514,936)	\$ (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

CITY OF HARRISONBURG, VIRGINIA
CHANGES IN FUND BALANCES (GOVERNMENTAL FUNDS)
 Last Ten Fiscal Years
(modified accrual basis of accounting)

Table 4

	Fiscal Year									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Other financing sources (uses):										
Long-term debt issued or incurred ^{hi}	\$ -	\$ 50,000,000	\$ -	\$ 13,390,000	\$ 5,905,000	\$ 1,759,345	\$ 49,180,000	\$ 800,000	\$ 213,795	\$ 200,000
Refunding bonds issued	-	-	-	-	-	5,616,300	-	-	-	-
Payment to advanced refunding escrow	-	-	-	-	-	(5,586,461)	-	-	-	-
Premium on long-term debt issued	-	-	-	-	30,769	-	164,376	-	-	-
Discount on long-term debt issued	-	(176,698)	-	-	(9,211)	-	(14,586)	-	-	-
Transfers in	6,622,370	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
Transfers out	(8,218,306)	(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)
Total other financing sources (uses)	\$ (1,595,936)	\$ 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)
Special item:										
Sale of capital asset ^j	\$ 7,000,000	\$ 15,697,400	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net change in fund balances	\$ (25,110,872)	\$ 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)
Debt service as a percentage of noncapital expenditures	14.37%	12.65%	13.00%	13.92%	12.62%	15.57%	10.89%	11.04%	11.00%	12.66%

Notes: Certain prior year balances have been reclassified to reflect current financial reporting (1999-2002). Any significant increases or decreases for 2008 are explained in Management's Discussion and Analysis

^aFor 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.

^bFor 2007, the increase in intergovernmental revenue reflected the City's initial participation in the Virginia Urban Construction Initiative Program. The City received \$3.4 million of which \$2.5 million was a one-time payment.

^cFor 2006, the increase in public works expenditures was the result of the purchase of land on Port Republic Road.

^dFor 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.

^eFor 2000, the increase in planning and community development expenditures was the result of a capital contribution to the Massanutten Regional Library.

^fFor 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.

^gFor 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.

^hFor 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.

ⁱFor 2007, the amount for long-term debt issued was the result of bonds issued for the construction of a new elementary/middle school complex and related infrastructure.

^jFor 2007, the City sold the old Harrisonburg High School complex to James Madison University.

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

Table 5

Fiscal Year	Real Estate ¹	Personal Property ²	Machinery and Tools ³	Mobile Homes ¹	Public Service Corporations ⁴		
					Real Estate	Personal Property	Total
2008	\$ 3,205,767,849	\$ 302,216,554	\$ 83,446,563	1,245,100	\$ 47,220,357	\$ 273,687	\$ 3,640,170,110
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

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

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

³ Assessed values are based upon depreciation schedule, year of purchase and cost. ⁴ 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

Fiscal Year	Real Estate	Personal Property			Machinery and Tools	Mobile Homes	Public Service Corporation	
		Business Equipment	Other ¹	Real Estate			Personal Property	
2008	\$ 0.59	\$ 2.00	\$ 3.00	\$ 2.00	\$ 0.59	\$ 0.59	\$ 3.00	
2007	0.62	3.00	3.00	2.00	0.62	0.62	3.00	
2006	0.62	2.00	2.00	2.00	0.62	0.62	2.00	
2005	0.62	2.00	2.00	2.00	0.62	0.62	2.00	
2004	0.62	2.00	2.00	2.00	0.62	0.62	2.00	
2003	0.62	2.00	2.00	2.00	0.62	0.62	2.00	
2002	0.62	2.00	2.00	2.00	0.62	0.62	2.00	
2001	0.62	2.00	2.00	2.00	0.62	0.62	2.00	
2000	0.62	2.00	2.00	2.00	0.62	0.62	2.00	
1999	0.62	2.00	2.00	2.00	0.62	0.62	2.00	

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

Notes: ¹Other personal property includes business vehicles.

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

Table 7

Property Taxpayer	Fiscal Year 2008			Fiscal Year 1999		
	Property Taxes	Rank	Percent of Total Property Taxes	Property Taxes	Rank	Percent of Total Property Taxes
Tenneco Inc.	\$ 359,886	1	1.32%	\$ 332,161	2	2.08%
R.R. Donnelly & Sons Company	356,311	2	1.31%	231,233	4	1.45%
IntraPac Corporation	265,436	3	0.98%	277,201	3	1.74%
GMH Communities Trust	251,374	4	0.92%	-	-	-
Packaging Corporation of America	249,705	5	0.92%	226,906	5	1.42%
Graham Packaging Company, LP	238,837	6	0.88%	224,081	6	1.41%
Simon Property Group, Inc.	200,512	7	0.74%	-	-	-
Virginia Mennonite Retirement Community	174,205	8	0.64%	-	-	-
Wal-Mart Stores, Inc.	142,641	9	0.52%	-	-	-
Verizon Communications Inc.	129,081	10	0.47%	214,067	7	1.34%
Reddy Ice Corporation	-	-	-	175,851	10	1.10%
Tyco International Ltd.	-	-	-	425,383	1	2.67%
Rocco, Inc.	-	-	-	196,424	8	1.23%
Wampler-Longacre Rockingham, Inc.	-	-	-	184,941	9	1.16%
Total	<u>\$ 2,367,988</u>		<u>8.70%</u>	<u>\$ 2,488,248</u>		<u>15.60%</u>

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			Collected within the Fiscal Year of the Levy			Collections in Subsequent Years	Total Collections to Date		
	Fiscal Year (Original Levy)	Adjustments	Total Adjusted Levy	Amount	Percentage of Levy	Amount		Percentage of Levy	Amount	Percentage of Levy
2008	\$ 27,221,485	\$ -	27,221,485	\$ 26,097,751	95.87%	\$ 26,097,751	-	\$ 26,097,751	95.87%	
2007	23,722,324	53,297	23,775,621	22,950,373	96.75%	22,950,373	403,159	23,353,532	98.22%	
2006	21,683,449	76,567	21,760,016	21,076,071	97.20%	21,076,071	420,094	21,496,165	98.79%	
2005	19,595,631	52,326	19,647,957	18,925,288	96.58%	18,925,288	403,331	19,328,619	98.37%	
2004	19,617,311	27,656	19,644,967	19,080,972	97.27%	19,080,972	364,329	19,445,301	98.98%	
2003	18,890,133	10,421	18,900,554	18,103,663	95.84%	18,103,663	676,515	18,780,178	99.36%	
2002	18,973,108	955	18,974,063	18,116,477	95.49%	18,116,477	737,693	18,854,170	99.37%	
2001	17,990,551	34,085	18,024,636	17,226,173	95.75%	17,226,173	681,402	17,907,575	99.35%	
2000	17,252,634	(11,975)	17,240,659	16,790,725	97.32%	16,790,725	356,089	17,146,814	99.46%	
1999	15,944,864	60,673	16,005,537	15,385,882	96.49%	15,385,882	506,613	15,892,495	99.29%	

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 pre-determined amount to each locality not dependent 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									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Governmental activities:										
General obligation bonds ^{a,b}	\$ 69,781,995	\$ 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
General obligation school bonds ^c	46,167,606	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
General obligation revenue bonds ^d	6,186,488	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
Capital leases	8,287,363	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
State literary fund loans	-	-	11,825	23,650	35,475	101,900	205,350	316,025	426,700	537,375
Business-type activities:										
General obligation bonds ^e	25,743,287	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
General obligation revenue bonds ^{d,f}	9,800,776	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	\$ 165,967,515	\$ 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
Percentage of personal income ¹	13.03%	14.04%	11.07%	12.37%	12.23%	12.68%	13.32%	5.47%	6.42%	6.41%
Per capita ¹	\$ 3,667	\$ 3,809	\$ 2,915	\$ 3,098	\$ 2,969	\$ 2,925	\$ 3,077	\$ 1,204	\$ 1,324	\$ 1,293

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements. ¹See Table 12 for personal income and population data.

^aFor 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.

^bFor 2002, the City issued \$6 million in general obligation bonds for the purchase and renovation of a public safety building.

^cFor 2002, the City issued \$41.5 million in general obligation school bonds for the construction of a new high school.

^dThe 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

^eFor 2002, the City issued \$25.3 million in general obligation bonds for the rebuild of the steam plant.

^fFor 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									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
General obligation bonds ^{a,b}	\$ 95,525,282	\$ 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
General obligation school bonds ^c	46,167,606	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
Total	\$ 141,692,888	\$ 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
Percentage of assessed real property value ¹	4.36%	6.11%	4.37%	5.24%	5.17%	5.43%	5.67%	2.01%	2.30%	2.36%
Per capita ²	\$ 3,131	\$ 3,248	\$ 2,308	\$ 2,457	\$ 2,373	\$ 2,362	\$ 2,486	\$ 831	\$ 941	\$ 1,050

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

^aFor 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.

^bFor 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.

^cFor 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										
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	
Debt limit	\$ 325,298,821	\$ 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	
Total debt applicable to limit	158,497,695	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	
Legal debt margin	\$ 166,801,126	\$ 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	
Total debt applicable to the limit as percentage of debt limit ^{a,b}	48.72%	68.30%	51.27%	61.33%	62.36%	64.54%	66.97%	25.40%	28.35%	24.51%	
Legal Debt Margin Calculation for Fiscal Year 2008											
Total assessed value of taxed real property	\$ 3,252,988,206										
Debt limit (10% of total assessed value)	\$ 325,298,821										
Debt applicable to limit:											
General obligation bonds	96,327,695										
General obligation school bonds	46,045,000										
General obligation revenue bonds	16,125,000										
Legal debt margin	\$ 166,801,126										

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

^aFor 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

^bFor 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

Fiscal Year	Population¹	Personal Income (in thousands)	Per Capita Personal Income²	School Enrollment³	Unemployment Rate Percentage⁴
2008	45,255	\$ 1,273,883	\$ 28,149	4,363	3.4
2007	45,138	1,224,143	27,120	4,356	2.8
2006	44,008	1,158,687	26,329	4,347	3.2
2005	43,178	1,081,825	25,055	4,088	3.6
2004	43,137	1,047,151	24,275	4,028	3.3
2003	43,001	991,861	23,066	4,026	3.3
2002	42,200	975,158	23,108	3,912	3.2
2001	41,350	910,775	22,026	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

Sources: ¹ Estimated by the City's Department of Planning and Community Development for 1999 and 2001-2008. United State Census Bureau for 2000. ² Bureau of Economic Analysis, United States Department of Commerce. Amounts for 2001-2007 have been adjusted based upon the latest available data. Data for 2008 has been estimated based on per capita personal income trends for the previous ten years. ³ City of Harrisonburg School Board. ⁴ 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 2008			Fiscal Year 1999		
	Approximate Employees	Rank	Percent of Total City Emp- loyment	Employees	Rank	Percent of Total City Emp- loyment
James Madison University	3,640	1	11.65%	>1,000	1	n/a
Rockingham Memorial Hospital	2,300	2	7.36%	>1,000	2	n/a
Harrisonburg City Public Schools	790	3	2.53%	500 - 999	4	n/a
City of Harrisonburg	705	4	2.26%	500 - 999	5	n/a
Tenneco Inc.	690	5	2.21%	500 - 999	3	n/a
Fairfield Language Technologies	475	6	1.52%	-		n/a
Tyson Foods, Inc.	440	7	1.41%	250 - 499	7	n/a
Virginia Mennonite Retirement Community	425	8	1.36%	-		-
R.R. Donnelly & Sons Company	420	9	1.34%	-		-
Eastern Mennonite University	360	10	1.15%	-		n/a
Dunham Bush Inc.	-		-	250 - 499	6	n/a
Graham Packaging Company, LP	-		-	250 - 499	8	n/a
IntraPac Corp.	-		-	250 - 499	9	n/a
Harrisonburg Auto Auction	-		-	250 - 499	10	n/a
Total	10,245		32.79%	-		n/a

Source: City of Harrisonburg Department of Economic Development for 2008. Virginia Employment Commission for 1999.

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

Table 14

Function	Fiscal Year									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
General government administration	43.9	41.8	39.0	37.9	37.0	35.1	33.9	34.1	31.9	32.4
Public safety:										
Police ^a	107.8	101.6	101.8	97.7	100.4	94.8	94.2	90.9	86.1	84.1
Fire ^b	76.8	72.3	71.5	68.5	68.2	65.0	64.0	64.0	58.0	55.0
Other ^c	12.0	12.0	11.5	10.2	22.0	22.0	20.5	20.5	19.5	19.5
Public works	74.3	74.2	66.7	66.0	66.0	62.9	65.8	65.9	65.5	67.0
Parks, recreation and cultural ^d	70.6	69.4	66.8	65.6	66.7	63.1	60.4	46.6	46.6	44.6
Planning and community development ^e	17.2	18.8	11.9	11.7	10.6	11.3	10.1	9.2	9.2	9.2
Water	31.4	30.1	29.7	29.7	29.6	28.6	28.6	28.6	28.6	27.7
Sewer	22.6	23.3	22.9	22.9	22.9	21.9	21.9	21.9	20.9	20.9
Public transportation ^f	78.6	79.8	79.2	76.4	77.1	67.7	66.6	65.4	66.9	64.8
Sanitation ^g	60.9	56.9	56.9	55.0	54.0	46.8	45.0	44.4	43.4	43.4
Central garage	15.8	13.0	13.0	13.0	13.0	13.0	13.0	12.0	12.0	12.0
Central stores	2.0	2.0	1.0	1.0	1.0	2.0	2.0	2.0	2.0	2.0
Total	613.9	595.2	571.9	555.6	568.5	534.2	526.0	505.5	490.6	482.6

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

Notes: Full-time equivalent amounts are budgeted positions.

^aThe City has added additional police department personnel over the past ten years as demand for services continue to increase.

^bThe increase for the fire department from 1999-2004 reflects the hiring of additional firefighters to comply with the National Fire Protection Association's "Two-In-Two-Out" rule.

^cThe decrease for other public safety in 2005 reflects the transfer of employees to the Harrisonburg-Rockingham Emergency Communications Center.

^dThe increase for parks and recreation in 2002 reflects the hiring of employees to staff the golf course.

^eThe increase for planning and community development in 2007 reflects the creation of a tourism and visitors services division.

^fThe City has added additional public transportation personnel over the past ten years as demand for transit and school bus services continue to increase.

^gThe 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									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Police										
Calls answered	26,658	28,232	30,901	34,059	33,987	30,839	29,960	26,329	22,438	20,233
Traffic citations	5,326	6,295	7,144	9,796	8,825	7,101	5,460	5,043	6,179	6,496
Fire										
Calls answered	4,314	3,991	4,088	3,994	3,763	3,606	3,313	3,162	3,321	3,302
Inspections	1,218	1,387	1,472	1,623	1,296	1,198	683	1,976	2,943	2,585
Public works										
Streets repaved (lane miles)	10.42	7.47	4.88	4.17	4.13	10.22	7.31	10.65	5.00	12.47
Parks and recreation										
Pool admissions	40,836	30,719	42,060	44,273	45,182	44,856	43,726	33,154	39,354	44,083
Rounds of golf played ^a	21,024	19,235	20,220	20,522	20,418	18,239	6,074	-	-	-
Planning and community development										
Building permits issued	1,747	829	1,039	958	893	896	624	463	632	594
Water										
Daily consumption (millions of gallons)	5.50	5.40	5.35	5.15	5.14	4.96	5.33	5.92	5.71	5.34
New customer connections	509	347	435	262	272	267	302	237	274	260
Sewer										
Daily consumption (millions of gallons)	3.95	4.26	4.36	4.16	4.11	n/a	n/a	n/a	n/a	n/a
New customer connections	36	52	46	42	33	22	38	15	30	51
Public transportation										
Transit bus passengers	1,489,770	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
Sanitation										
Average daily steam plant intake (tons) ^b	130.4	128.5	145.6	117.5	48.3	44.6	59.4	65.6	59.8	66.4
Recycling collected (tons)	942.3	1,234.2	1,847.3	1,353.9	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.

^aThe golf course opened for part of 2002. A full year of operations began in 2003.

^bDue 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									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Police										
Police stations	3	3	3	3	3	4	4	4	5	5
Patrol units (including motorcycles)	43	42	40	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	12	13	12	12	12	11	11	11	10
Public works:										
Streets (miles)	134.07	134.07	132.62	132.62	132.62	132.62	132.62	132.62	132.62	131.78
Parks, recreation and cultural										
Parks (including athletic facilities)	11	10	10	10	10	10	10	10	10	10
Parks acreage ^a	869	869	869	869	869	869	869	869	829	1,010
Golf course acreage ^a	215	215	201	201	201	201	201	181	181	-
Water:										
Water lines (linear feet)	1,443,140	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
Storage capacity (millions of gallons) ^b	38.25	32.85	32.85	27.55	27.55	27.55	27.55	27.55	27.55	27.55
Sewer:										
Sewer lines (linear feet)	1,018,647	1,007,810	999,431	1,042,286	1,012,041	939,037	944,350	925,720	n/a	n/a
Public transportation:										
Transit buses	36	31	33	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Sanitation										
Steam plant capacity (tons per day) ^c	200	200	200	200	200	100	100	100	100	100
Refuse collection trucks	6	6	6	6	6	6	6	6	6	6
Recycling collection trucks	3	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.

^aIn 2000, 181 acres from Hillendale Park were used to construct the City's golf course.

^bIn 2006, the City completed construction of a new 5.3 million gallon water tank at the water treatment plant.

^cIn 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, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 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.

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.

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 or material weakness. **We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.**

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. **The results of our tests disclosed 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 08-2, 08-3 and 08-4.**

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

Management's written response to the items identified in our audit has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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
November 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, 2008. 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, 2008. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with *OMB Circular A-133* and which is described in the accompanying Schedule of Findings and Questioned Costs as Item 08-1.

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.

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.**

Management's written response to the items identified in our audit has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This report is intended solely for the information and use 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, S. L. P.

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 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 with regard to major federal award programs 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
November 25, 2008

CITY OF HARRISONBURG, VIRGINIA
SUMMARY OF COMPLIANCE MATTERS
June 30, 2008

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, 2008

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an **unqualified opinion** on the financial statements.
2. **No significant deficiencies** relating to the audit of the financial statements are 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 **one audit finding** relating to major programs.
7. The programs tested as major programs include:

<u>Name of Program:</u>	<u>CFDA #</u>
Transit Cluster	20.500, 20.507
CDBG	14.218
Special Education Cluster	84.027, 84.173
Highway Construction	20.205
State Homeland Security Program	97.073
Law Enforcement Terrorism Prevention Program	97.074

8. The **threshold** for distinguishing Type A and B programs was **\$379,549**.
9. The City was determined to be a **low-risk auditee**.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None.

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

08-1: **Special Education – CFDA 84.027 and 84.173**

Condition:

Reimbursement requests for May 2008 included salaries and fringes not paid until July and August 2008.

Recommendation:

Reimbursement requests should only be submitted after the qualifying expenses have been paid.

Management's Response:

The auditee concurs with the finding but has been following Commonwealth of Virginia Department of Education guidelines and procedures for reimbursement requests.

(Continued)

CITY OF HARRISONBURG, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2008

D. FINDINGS AND QUESTIONED COSTS – COMMONWEALTH OF VIRGINIA

08-2: Disclosure Statements

Condition:

Three out of thirty-two elected and appointed officials did not file their statements of economic interest by the January 15 required submission deadline as set forth by the *Code of Virginia*.

Recommendation:

Steps should be taken to ensure that these statements are filed in a timely manner.

Management's Response:

The auditee concurs with the recommendation.

08-3: Equipment Rates

Condition:

Equipment rates used for highway maintenance reimbursement were not updated for the current year.

Recommendation:

Procedures should be implemented to ensure that equipment rates are updated on an annual basis.

Management's Response:

The auditee concurs with the recommendation.

08-4: Public Procurement Act

Condition:

State procurement requirements limit the retainage that can be withheld from contractor payments to 5%. Retainage in excess of 5% was withheld from a contractor payment.

Recommendation:

Procedures should be implemented to ensure that the proper retainage is withheld from contractor payments or that any amounts above 5% are put into an escrow account.

Management's Response:

The auditee concurs with the recommendation.

CITY OF HARRISONBURG, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2008

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
Department of Agriculture:		
Pass-through payments:		
Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	\$ 295,070
National School Lunch Program	10.555	944,169
Department of Agriculture and Consumer Services:		
National School Lunch Program (Commodities) (part of Child Nutrition Cluster)	10.555	<u>156,486</u>
Total Department of Agriculture		\$ <u>1,395,725</u>
Department of Commerce:		
Direct payment:		
Public Safety Interoperable Grant Program (PSIC)	11.555	<u>\$ 53,594</u>
Total Department of Commerce		\$ <u>53,594</u>
Department of Housing and Urban Development:		
Direct payment:		
Community Development Block Grants/Entitlement Grants	14.218	<u>\$ 608,108</u>
Total Department of Housing and Urban Development		\$ <u>608,108</u>
Department of Justice:		
Direct payments:		
Bulletproof Vest Partnership Program	16.607	\$ 4,332
Public Safety Partnership and Community Policing Grants	16.710	250,744
Enforcing Underage Drinking Laws Program	16.727	5,000
Pass-through payment:		
Department of Criminal Justice Services:		
Edward Byrne Memorial Formula Grant Program	16.579	<u>152,325</u>
Total Department of Justice		\$ <u>412,401</u>
Department of Transportation:		
Direct payments:		
Highway Planning and Construction	20.205	\$ 4,518,221
Federal Transit Cluster:		
Federal Transit - Capital Investment Grants	20.500	109,124
Federal Transit - Formula Grants	20.507	765,484

(continued)

CITY OF HARRISONBURG, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2008

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
Department of Transportation: (continued)		
Pass-through payments:		
Harrisonburg-Rockingham Metropolitan Planning Organization:		
Federal Transit - Metropolitan Planning Grants	20.505	34,000
Department of Motor Vehicles:		
Highway Safety Cluster:		
State and Community Highway Safety	20.600	30,351
Occupant Protection	20.602	3,000
Alcohol Open Container Requirements	20.607	<u>9,529</u>
Total Department of Transportation		\$ <u>5,469,709</u>
Department of Education:		
Pass-through payments:		
Department of Education:		
Title I Grants to Local Educational Agencies	84.010	\$ 992,966
Career and Technical Education - Basic Grants to States	84.048	70,434
Safe and Drug-Free Schools and Communities - State Grants	84.186	20,434
Twenty - First Century Community Learning Centers	84.287	4,973
State Grants for Innovative Programs	84.298	12,500
Education Technology State Grants	84.318	422,747
Advance Placement Program	84.330	1,325
Reading First State Grants	84.357	544,509
English Language Acquisition Grants	84.365	196,872
Improving Teacher Quality State Grants	84.367	57,516
Special Education Cluster:		
Grants to States	84.027	947,044
Preschool Grants	84.173	<u>28,434</u>
Total Department of Education		\$ <u>3,299,754</u>
Department of Homeland Security:		
Direct payments:		
Emergency Management Performance Grants	97.042	\$ 50,438
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	75,574
Pass-through payments:		
Department of Emergency Management:		
State Homeland Security Program (SHSP)	97.073	404,720
Law Enforcement Terrorism Prevention Program (LETPP)	97.074	<u>720,000</u>
Total Department of Homeland Security		\$ <u>1,250,732</u>

(continued)

CITY OF HARRISONBURG, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2008

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
Department of Defense:		
Direct payment:		
JROTC Funds	12.VA 170853	\$ <u>61,604</u>
Total Department of Defense		\$ <u>61,604</u>
Total expenditure of federal awards		\$ <u><u>12,551,627</u></u>

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, 2008

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 modified accrual 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, 2008, the School Board, a component unit, had food commodities totaling \$16,122 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>
Public Safety Interoperable Grant Program (PSIC)	11.555	\$ 53,594
Community Development Block Grants/Entitlement Grants	14.218	237,031
State Homeland Security Program (SHSP)	97.073	404,720
Law Enforcement Terrorism Prevention Program (LETPP)	97.074	720,000