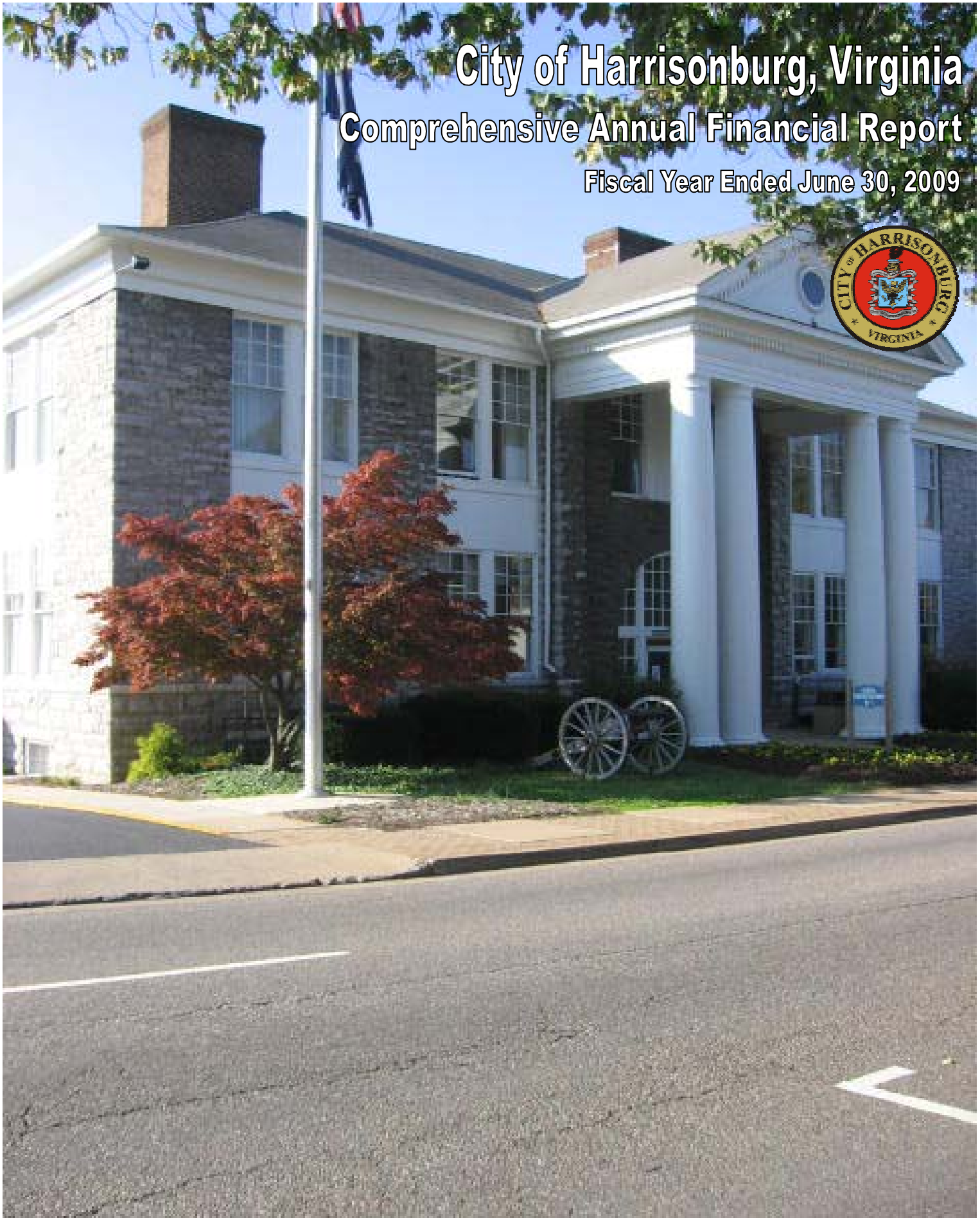


# City of Harrisonburg, Virginia

## Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2009





**CITY OF HARRISONBURG, VIRGINIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2009**



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



**CITY OF HARRISONBURG, VIRGINIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**Year Ended June 30, 2009**

**Table of Contents**

**Introductory Section**

Letter of Transmittal	1-5
Certificate of Achievement for Excellence in Financial Reporting - 2008	6
Organization Chart	7
Directory of Principal Officials	8

**Financial Section**

Independent Auditor's Report	9-10
Management's Discussion and Analysis	11-20

**Basic Financial Statements**

Exhibit 1	Statement of Net Assets	21
Exhibit 2	Statement of Activities	22-23
Exhibit 3	Governmental Funds - Balance Sheet	24
Exhibit 4	Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	25
Exhibit 5	Governmental Funds - Statement of Revenues, Expenditures and Changes in Fund Balances	26
Exhibit 6	Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	27
Exhibit 7	Proprietary Funds - Balance Sheet	28
Exhibit 8	Proprietary Funds - Statement of Revenues, Expenses and Changes in Fund Net Assets	29
Exhibit 9	Proprietary Funds - Statement of Cash Flows	30-31
Exhibit 10	Fiduciary Funds - Statement of Fiduciary Assets and Liabilities	32
Notes to Financial Statements		33-70

**Required Supplementary Information**

Exhibit 11	General Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	71-72
Exhibit 12	Schedule of Funding Progress for Defined Benefit Pension Plans	73
Exhibit 12	Schedule of Funding Progress for Postretirement Healthcare Benefit Plans	73
Notes to Required Supplementary Information		74

**Other Supplementary Information**

	Internal Service Funds:	75
Exhibit A-1	Combining Balance Sheet	76
Exhibit A-2	Combining Statement of Revenues, Expenses and Changes in Fund Net Assets	77
Exhibit A-3	Combining Statement of Cash Flows	78-79
	Agency Funds:	80
Exhibit B-1	Combining Statement of Fiduciary Assets and Liabilities	81
Exhibit B-2	Statement of Changes in Fiduciary Assets and Liabilities	82-83
	Discretely Presented Component Unit - School Board:	84
Exhibit C-1	Balance Sheet	85
Exhibit C-2	Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	86

Exhibit C-3	Statement of Revenues, Expenditures and Changes in Fund Balances	87
Exhibit C-4	Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	88
Exhibit C-5	General Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	89
Exhibit C-6	Cafeteria Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	90
	Other Supplementary Schedules:	91
	Detail Schedules of Governmental Funds and Discretely Presented Component Unit - School Board:	
Schedule 1	Schedule of Revenues - Budget and Actual	92-97
Schedule 2	Schedule of Expenditures - Budget and Actual	98-103

### **Statistical Section**

Table 1	Net Assets by Component - Last Eight Fiscal Years	104
Table 2	Changes in Net Assets - Last Eight Fiscal Years	105-106
Table 3	Fund Balances (Governmental Funds) - Last Ten Fiscal Years	107
Table 4	Changes in Fund Balances (Governmental Funds) - Last Ten Fiscal Years	108-109
Table 5	Assessed Value and Actual Value of Taxable Property - Last Ten Fiscal Years	110
Table 6	Property Tax Rates - Per \$100 of Assessed Value - Last Ten Fiscal Years	111
Table 7	Principal Property Taxpayers - Current Year and Nine Years Ago	112
Table 8	Property Tax Levies and Collections - Last Ten Fiscal Years	113
Table 9	Ratios of Outstanding Debt by Type - Last Ten Fiscal Years	114
Table 10	Ratios of General Bonded Debt Outstanding - Last Ten Fiscal Years	115
Table 11	Legal Debt Margin Information - Last Ten Fiscal Years	116
Table 12	Demographic and Economic Statistics - Last Ten Fiscal Years	117
Table 13	Principal Employers - Current Year and Nine Years Ago	118
Table 14	Full-time Equivalent Employees by Function - Last Ten Fiscal Years	119
Table 15	Operating Indicators by Function - Last Ten Fiscal Years	120
Table 16	Capital Asset Statistics by Function - Last Ten Fiscal Years	121

### **Compliance Section**

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	122-123
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with <i>OMB Circular A-133</i>	124-125
Independent Auditor's Comments on Resolution of Prior Year Major Federal Award Programs Audit Findings	126
Summary of Compliance Matters	127
Schedule of Findings and Questioned Costs	128-131
Schedule of Expenditures of Federal Awards	132-134
Notes to Schedule of Expenditures of Federal Awards	135

# INTRODUCTORY SECTION

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

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# City of Harrisonburg, Virginia

Office of the City Manager

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

Kurt D. Hodgen  
City Manager

November 30, 2009

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, 2009 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 to 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, 2009, 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, 2009, 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 45,889.

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 appropriations for capital projects funds and the Community Development Block Grant (CDBG) Fund. Appropriations for capital projects funds are valid until the end of the project and CDBG fund appropriations are valid until the grant period is completed. 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 pages 71 through 72.

## 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:

- Appropriated \$180,000 for addition to fire station 4.
- Appropriated \$220,560 for sidewalk repairs.
- Appropriated \$394,000 for traffic signals and related equipment.
- Appropriated \$225,000 for Ralph Sampson Park access road and shelter.
- Appropriated \$130,000 for replacement of Purcell Park field lighting.
- Appropriated \$125,000 for incentive funds for development agreements.
- Appropriated \$12,722,000 for the Stone Spring Road Improvements.
- Appropriated \$285,000 for the Peach Grove Park (A Dream Come True).
- Appropriated \$200,000 for downtown streetscape plan
- Appropriated \$200,000 for sidewalks in the Valley Mall area.
- Appropriated \$700,000 for the eastern water source development.
- Appropriated \$340,000 for western raw line.
- Appropriated \$1,064,627 for HRHA waste water treatment plant expansion.
- Appropriated \$485,000 for school buses.
- Appropriated \$235,000 for transit buses.
- Appropriated \$1,000,000 for new chillers at the steam plant.
- Appropriated \$300,000 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 25,368. James Madison University, a state-supported school, is located near the geographic center of the City and has approximately 17,964 undergraduate students. Eastern Mennonite University, a private institution with approximately 1,439 students is also located in the City. Bridgewater College, located just south of the City, is also private and has an approximate enrollment of 1,514 students. State-supported Blue Ridge Community College has an enrollment of approximately 4,451 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 \$62.6 million of which \$15.6 million has already been expended and approximately \$8.7 million in cash is on hand. It is planned that this project will be completed in at least four phases. It is currently projected that \$2.6 million will be borrowed in fiscal year 2010; \$5.4 million will be borrowed in fiscal year 2011; \$7.4 million will be borrowed in fiscal year 2012; \$3.9 million will be borrowed in fiscal year 2013; \$7.4 million will be borrowed in fiscal year 2014 and the final \$6.2 million will be borrowed in fiscal year 2015. The remaining \$5.4 million will be provided by Federal and Commonwealth of Virginia funds. The estimated final completion date for the project is fiscal year 2015, 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.

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 \$28 million of which \$4 million has already been expended and \$5.5 million in cash is on hand. The projected completion date is estimated to be prior to 2013.

The City is in the process of constructing a new eight million gallon water tank which is located on Tower Street. The estimated cost of the project is \$2.8 million of which approximately \$0.4 million has already been expended and approximately \$0.2 million is on hand. The city expects to borrow \$2.3 million through the American Recovery and Reinvestment Act of 2009 (ARRA) for this project in fiscal year 2010. \$1.15 million of the borrowed amount will be a principal forgiveness and the remaining \$1.15 million will be a 30-year zero percent interest rate loan. The projected completion date is anticipated to be June 2010.

**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 35 of the notes to financial statements.

### **Certificate of Achievement**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2008. This was the fourteenth 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, 2008

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.



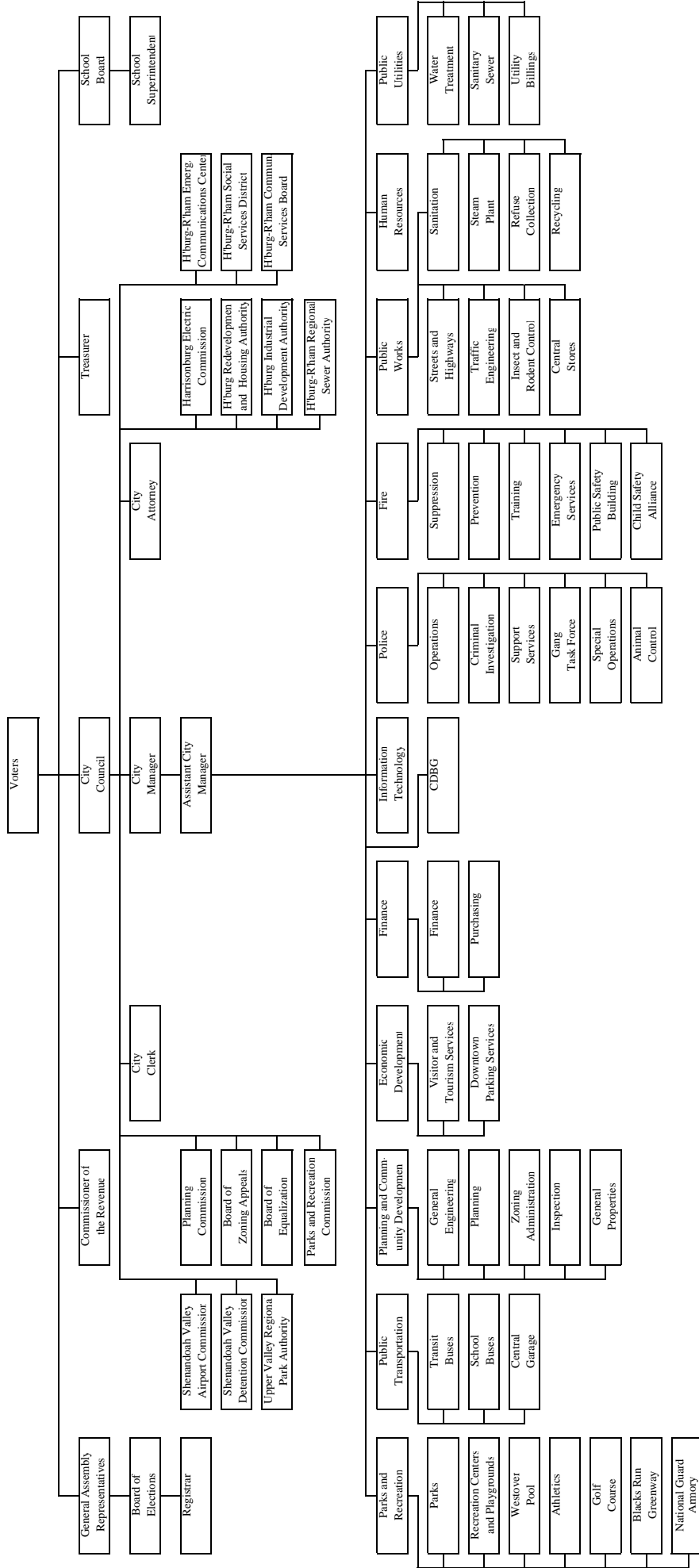
A handwritten signature in black ink, appearing to read "M. L. R.", positioned above the title "President".

President

A handwritten signature in black ink, reading "Jeffrey R. Emer", positioned above the title "Executive Director".

Executive Director

# City of Harrisonburg, Virginia Organization Chart



**CITY OF HARRISONBURG, VIRGINIA**

**Directory of Principal Officials**

**June 30, 2009**

**CITY COUNCIL**

Kai E. Degner, Mayor

Richard A. Baugh, Vice Mayor  
J. Ted Byrd, Council Member

Wiens, David K., Council Member  
Carolyn W. Frank, Council Member

**OFFICIALS**

Kurt D. Hodgen	City Manager
Evan L. Vass	Assistant City Manager
Jeffrey L. Shafer	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. "DD" Dawson, Director of Finance and Technology

Thomas C. Mendez, Chairperson  
Sallie M. Strickler, Vice Chairperson  
Gregory L. Coffman, Board Member

Timothy J. Lacey, Board Member  
Kerri M. Wilson, Board Member  
Dominic D. "Nick" Swayne, 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, 2009, 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 \$70,121,987 as of June 30, 2009, and total revenues of \$59,882,624 for the year then ended. Those financial statements were audited by another auditor whose reports thereon have been furnished to us; and our opinion, insofar as it relates to the amounts included for the discretely presented component unit Harrisonburg Electric Commission, is based on the reports of the other auditor.

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

In our opinion, based on our audit and the reports of the other auditor, 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, 2009, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in the Notes to the financial statements, in 2009 the City adopted the provisions of GASB Statement No. 45, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2009, 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, the budgetary comparison information on pages 71 and 72, and the schedules of funding progress on pages 73 and 74 are not a required part of the basic financial statements but are 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. 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 auditor in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of the other auditor, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied by us and the other auditor in the audit of the basic financial statements and, accordingly, we express no opinion on them.

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia  
November 25, 2009

## 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, 2009. 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 \$255.9 million (net assets). Of this amount, \$55.1 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 \$4 million.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$36.6 million, a decrease of \$2.75 million in comparison with the previous year. Approximately 52.4 percent of this total amount, \$19.2 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 \$18.35 million, or 21.2 percent of total General Fund expenditures and other financing uses (less refunding debt transactions).
- The City's total long-term debt increased by \$9.1 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 basic governmental fund financial statements can be found on pages 24 through 27 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 28 through 31 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 32 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 33 through 70 of this report.

**Required supplementary information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning budgetary compliance of the annually appropriated budget for the General Fund and the City's progress in funding its obligations to provide pension and postretirement healthcare benefits to its employees. This information is presented immediately following the notes to financial statements and can be found on pages 71 through 74 of this report.

**Other supplementary information.** This report also presents certain other supplementary information concerning 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 required supplementary information. The combining and individual fund statements and schedules can be found on pages 75 through 90 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 \$255.9 million at the close of the most recent fiscal year.

The largest portion of the City's net assets (78.3 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 \$55.1 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	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 90,490,420	\$ 89,342,453	\$ 33,069,236	\$ 33,221,396	\$ 123,559,656	\$ 122,563,849
Capital assets	257,058,556	255,684,841	99,032,663	90,759,461	356,091,219	346,444,302
<b>Total assets</b>	<b>\$ 347,548,976</b>	<b>\$ 345,027,294</b>	<b>\$ 132,101,899</b>	<b>\$ 123,980,857</b>	<b>\$ 479,650,875</b>	<b>\$ 469,008,151</b>
Current and other liabilities	\$ 37,761,101	\$ 37,969,727	\$ 3,250,199	\$ 5,479,653	\$ 41,011,300	\$ 43,449,380
Long-term liabilities	140,896,991	133,118,926	41,800,467	40,466,440	182,697,458	173,585,366
<b>Total liabilities</b>	<b>\$ 178,658,092</b>	<b>\$ 171,088,653</b>	<b>\$ 45,050,666</b>	<b>\$ 45,946,093</b>	<b>\$ 223,708,758</b>	<b>\$ 217,034,746</b>
Net assets:						
Invested in capital assets, net of related debt	\$ 136,515,744	\$ 132,814,209	\$ 63,946,619	\$ 55,215,398	\$ 200,462,363	\$ 188,029,607
Restricted	345,524	961,442	-	-	345,524	961,442
Unrestricted	32,029,616	40,162,990	23,104,614	22,819,366	55,134,230	62,982,356
<b>Total net assets</b>	<b>\$ 168,890,884</b>	<b>\$ 173,938,641</b>	<b>\$ 87,051,233</b>	<b>\$ 78,034,764</b>	<b>\$ 255,942,117</b>	<b>\$ 251,973,405</b>

The information for the previous year has been restated. These restatements are explained further in Note 32 of the notes to the financial statements.

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

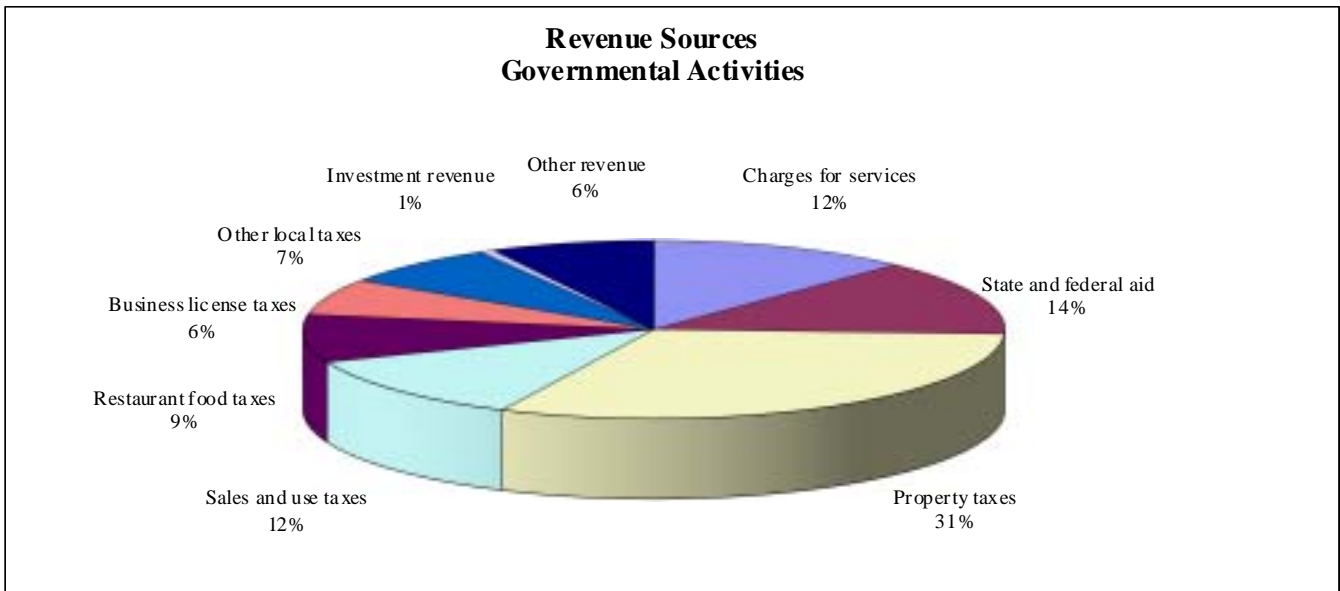
	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 11,232,462	\$ 10,628,284	\$ 25,555,401	\$ 24,034,351	\$ 36,787,863	\$ 34,662,635
Operating grants and contributions	5,498,831	5,064,405	1,444,903	1,242,498	6,943,734	6,306,903
Capital grants and contributions	4,827,882	5,540,980	8,458,276	1,684,705	13,286,158	7,225,685
<b>General revenues:</b>						
Property taxes	29,049,768	27,464,833	-	-	29,049,768	27,464,833
Sales and use taxes	11,053,388	11,772,450	-	-	11,053,388	11,772,450
Restaurant food taxes	8,095,857	8,021,419	-	-	8,095,857	8,021,419
Business license taxes	6,072,551	6,196,857	-	-	6,072,551	6,196,857
Other local taxes	6,963,047	7,372,608	-	-	6,963,047	7,372,608
Grants and contributions not restricted to specific programs	3,233,573	3,467,625	-	-	3,233,573	3,467,625
Payment from component units	4,800,000	4,800,000	-	-	4,800,000	4,800,000
Investment revenue	658,303	2,644,259	505,917	1,101,241	1,164,220	3,745,500
Other revenue	1,202,291	1,447,468	1,927,746	1,844,195	3,130,037	3,291,663
Gain on disposal of capital assets	238,903	-	8,100	-	247,003	-
<b>Total revenues</b>	<b>\$ 92,926,856</b>	<b>\$ 94,421,188</b>	<b>\$ 37,900,343</b>	<b>\$ 29,906,990</b>	<b>\$ 130,827,199</b>	<b>\$ 124,328,178</b>
<b>Expenses:</b>						
<b>General government administration</b>						
General government administration	\$ 12,735,815	\$ 11,767,148	\$ -	\$ -	\$ 12,735,815	\$ 11,767,148
Jail and judicial administration	3,012,532	2,521,878	-	-	3,012,532	2,521,878
Public safety	18,518,912	16,446,587	-	-	18,518,912	16,446,587
Public works	11,935,693	10,621,521	-	-	11,935,693	10,621,521
Health and welfare	4,369,125	3,764,612	-	-	4,369,125	3,764,612
Education	31,253,898	25,922,982	-	-	31,253,898	25,922,982
Parks, recreation and cultural	5,379,470	5,103,321	-	-	5,379,470	5,103,321
Planning and community development	4,032,505	4,125,103	-	-	4,032,505	4,125,103
Interest on long-term debt	5,860,753	6,078,904	-	-	5,860,753	6,078,904
Water	-	-	5,359,913	4,951,007	5,359,913	4,951,007
Sewer	-	-	6,772,876	6,413,266	6,772,876	6,413,266
Public transportation	-	-	6,817,081	6,042,341	6,817,081	6,042,341
Sanitation	-	-	10,809,914	11,162,477	10,809,914	11,162,477
<b>Total expenses</b>	<b>\$ 97,098,703</b>	<b>\$ 86,352,056</b>	<b>\$ 29,759,784</b>	<b>\$ 28,569,091</b>	<b>\$ 126,858,487</b>	<b>\$ 114,921,147</b>
<b>Increase in net assets before transfers and special item</b>						
special item	\$ (4,171,847)	\$ 8,069,132	\$ 8,140,559	\$ 1,337,899	\$ 3,968,712	\$ 9,407,031
Special item	-	4,109,942	-	-	-	4,109,942
Transfers	(875,910)	(1,386,572)	875,910	1,386,572	-	-
<b>Change in net assets</b>	<b>\$ (5,047,757)</b>	<b>\$ 10,792,502</b>	<b>\$ 9,016,469</b>	<b>\$ 2,724,471</b>	<b>\$ 3,968,712</b>	<b>\$ 13,516,973</b>
Net assets at beginning of year	173,938,641	163,146,139	78,034,764	75,310,293	251,973,405	238,456,432
Net assets at end of year	\$ 168,890,884	\$ 173,938,641	\$ 87,051,233	\$ 78,034,764	\$ 255,942,117	\$ 251,973,405

The information for the previous year has been restated. These restatements are explained further in Note 32 of the notes to the financial statements.

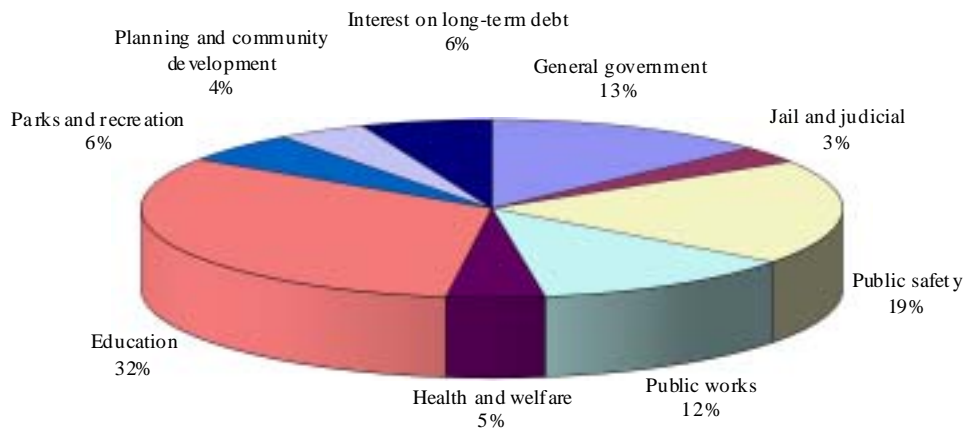


**Governmental activities.** Governmental activities decreased the City’s net assets by \$5.3 million. Key elements affecting governmental activities are as follows:

- Property tax revenue increased \$1.6 million (5.8 percent) during the current year as a result of an increase in real estate reassessments.
- Sales and use taxes decreased \$719,062 (6.1 percent) as a result of declining economic activity.
- Other local taxes decreased \$409,561 (5.6 percent) as a result of declining economic activity.
- Investment revenue decreased \$2 million (75.1 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 decreased \$713,098 primarily from decreasing right-of-way and easement purchases associated with the Erickson Avenue/Stone Spring Road improvement project which are eligible for federal and state funding.
- Expenses in the public safety activity increased \$2 million (12.6 percent) primarily due to an increase in funding for Harrisonburg-Rockingham Emergency Communications Center and an increase in depreciation expense from the completion of the radio communications system project.
- Expenses in the public works activity increased \$1.3 million (12.4 percent) primarily due to an increase in street repaving expenses and an increase in depreciation expense from the completion of several road construction projects during the year.
- Expenses in the health and welfare activity increased \$604,513 (16.1 percent) primarily due to increased funding requirements associated with the Comprehensive Services Act.
- Expenses in the education activity increased \$5.3 million (20.6 percent) due to an increase of \$1.7 million in operating funding to the School Board and the new elementary/middle school complex was completed during the year increasing depreciation expense. Also, as a result of the completion of the above mentioned complex, the transfer of certain long-term debt financed capital assets to the School Board increased \$2.9 million compared to the previous year’s capital asset transfers.
- A \$238,903 gain on the sale of the old police station to Rosetta Stone.



### Functional Expenses Governmental Activities



**Business-type activities.** Business-type activities increased the City’s net assets by \$9 million. Key elements affecting business-type activities are as follows:

- Charges for services increased \$1.5 million (6.3 percent) due in large part to \$1.1 million in revenue increases in the sanitation activity. Sanitation revenue increased due to a new recycling collection fee and increased revenue from James Madison University for operations at the steam plant.
- Capital grants and contributions increased \$6.8 million (402.1 percent) due to \$2.4 million in contributions of water and sewer lines from developers and \$4.5 million in intergovernmental funding for the purchase 14 new transit buses.
- Expenses in the water activity increased \$408,906 (8.3 percent) mainly from increased expenses for additional personnel and the first full year of depreciation expense for the completion of a new water tank in the previous year.
- Expenses in the sewer activity increased \$359,610 (5.6 percent) primarily from increased contributions to the Harrisonburg-Rockingham Regional Sewer Authority.
- Expenses in the public transportation activity increased \$774,740 (12.8 percent) mainly from the addition of several new transit bus lines and increased depreciation expense from the purchase of 14 new transit buses.

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

**School Board activities.** Net assets of the School Board increased \$2.6 million during the current year to \$32 million, as compared to a \$1.9 million increase in the previous year. School Board expenses increased \$5.8 million (11.2 percent) as a result of the opening of the new elementary/middle school complex. This increase in expenses was partially offset by an increase in operating funding from the City of \$1.7 million (7.3 percent) and an increase in intergovernmental revenue of \$1.8 million (6.7 percent). Also, upon the completion of the new elementary/middle school complex, the City’s transfer of certain capital assets financed through the issuance of long-term debt on-behalf of the School Board increased \$2.9 million compared to the previous year.

**HEC activities.** HEC’s net assets increased \$904,904 during the year, as compared to a \$631,884 increase in the previous year. Operating revenues increased by \$4.3 million (7.7 percent) during the current year, while expenses increased \$3.8 million (6.9 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 \$18.35 million, while total fund balance was \$19.5 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 21.2 percent of total General Fund expenditures and other financing uses (less refunding debt transactions), while total fund balance represents 22.6 percent of that same amount.

Total fund balance in the General Fund decreased \$5.7 million mainly due to declining local tax revenue collections (other than property taxes) from the current weak economic environment and a decrease in investment income from lower interest rates. Expenditures included \$4.5 million in transfers 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 \$17.1 million, of which the entire amount is either reserved or designated unreserved for various projects. Revenue, including transfers in, totaled \$5.5 million, of which \$3.2 million was intergovernmental revenue and \$1.8 million was from transfers from the General Fund. Intergovernmental revenue included \$834,880 from the City's participation in the Virginia Urban Construction Initiative program and \$2.3 million from the state and federal government for road project funding. Expenditures totaled \$14.3 million, of which the most significant were engineering expenditures and right-of-way purchases for the Erickson Avenue/Stone Spring Road improvement project and Phase I construction expenditures for this project.

The entire fund balance for the School Bond Capital Projects Fund had been expended as of year-end due to the completion of the new elementary/middle school complex project. Revenue totaled \$11,536 from investment income while expenditures totaled \$1.5 million.

**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 \$2.5 million compared to an increase of \$2 million in the previous year. Charges for services decreased \$122,737 (2.2 percent) due in part to a decrease in water consumption, while total operating expenses increased \$390,602 (8.7 percent). Capital contributions increased \$1.6 million from the contribution of water lines from several large developer projects and from general City financed projects that were completed 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 \$2.2 million compared to an increase of \$525,569 in the previous year. Charges for services increased \$341,369 (5.7 percent) due in part to a sewer authority rate increase, while total operating expenses increased \$344,770 (5.4 percent). Capital contributions increased \$1.9 million from the contribution of sewer lines from several large developer projects and other general City financed projects that were completed 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 increased \$3.6 million compared to a decrease of \$493,010 in the previous year. Operating revenues increased \$384,851 (13.2 percent) mainly due to an

increase in revenue from the Harrisonburg City School Board for school bus services, while total operating expenses increased \$615,099 (10.4 percent). Capital contributions increased \$4.5 million due to federal and state funding for the purchase of 14 new transit buses. 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 \$863,848 compared to an increase of \$855,193 in the previous year. Operating revenues increased \$1.1 million (12.5 percent) due to a new recycling collection fee and increased reimbursements from James Madison University for operations at the steam plant, while total operating expenses decreased \$431,380 (4.3 percent).

### **General Fund Budgetary Highlights**

Differences between the original and the final amended General Fund budget amounted to \$4.5 million, or 5 percent of the original budget, and can be briefly summarized as follows:

- \$1,810,126 appropriated for prior year encumbrances.
- \$1,034,536 appropriated for additional funding to the Harrisonburg-Rockingham Social Services District.
- \$411,206 appropriated for various fire department purposes including state and federal grants.
- \$281,215 appropriated for various police department purposes including state and federal grants.
- \$267,806 appropriated for the purchase of a new fire truck.
- \$248,566 appropriated for an addition to Fire Station No. 4.
- \$418,049 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:

- Local tax revenue (other than property taxes) was under the final amended budget by approximately \$4 million. This was primarily the result of an unanticipated decline in economic activity.
- Public works expenditures were under the final amended budget by approximately \$2.1 million. The variance was primarily the result of a cutback in street repaving, sidewalk repair and capital outlay expenditures that were budgeted.

### **Capital Asset and Debt Administration**

**Capital assets.** At the end of the current fiscal year, the City's investment in capital assets for its governmental and business-type activities totaled \$356.1 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 2.8 percent (a 0.5 percent increase for governmental activities and a 9.1 percent increase for business-type activities).

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

- Construction was completed on the new elementary/middle school complex increasing governmental activities' buildings and decreasing construction in progress by \$37.3 million.
- Construction was completed on the radio communications system increasing governmental activities' machinery and equipment and decreasing construction in progress by \$9.7 million.
- Construction was completed on the Linda Lane extension road project increasing governmental activities' infrastructure and decreasing construction in progress by \$6.5 million.
- Construction and engineering continued on the Erickson Avenue/Stone Spring Road and Port Republic Road improvement projects increasing governmental activities' construction in progress by \$5.5 million.

- Continued purchasing right-of-way for the Erickson Avenue/Stone Spring Road improvement project increasing governmental activities' land by \$1.5 million.
- Continued several water and sewer construction projects, including construction of a new water tank on Tower Street, increasing business-type activities' construction in progress by \$2.6 million.
- Purchased 14 new transit buses increasing business-type activities' machinery and equipment by \$4.9 million.
- Contributions of water and sewer lines from developers and other general City financed projects increased business-type activities' infrastructure by \$4.9 million.

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

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$ 46,002,746	\$ 45,612,078	\$ 945,095	\$ 943,095	\$ 46,947,841	\$ 46,555,173
Easements	850,100	596,392	269,057	229,133	1,119,157	825,525
Construction in progress	14,548,854	62,802,697	8,832,494	6,939,294	23,381,348	69,741,991
Buildings	102,650,151	68,948,109	9,597,458	9,927,489	112,247,609	78,875,598
Improvements other than buildings	5,979,235	4,806,275	9,862,260	10,272,120	15,841,495	15,078,395
Machinery and equipment	15,288,377	5,450,344	28,595,221	24,641,635	43,883,598	30,091,979
Infrastructure	71,739,093	67,468,946	38,026,403	34,516,750	109,765,496	101,985,696
JMU agreement	-	-	318,536	345,080	318,536	345,080
Contractual landfill asset	-	-	2,586,139	2,944,865	2,586,139	2,944,865
<b>Total capital assets</b>	<b>\$ 257,058,556</b>	<b>\$ 255,684,841</b>	<b>\$ 99,032,663</b>	<b>\$ 90,759,461</b>	<b>\$ 356,091,219</b>	<b>\$ 346,444,302</b>

Additional information on the City's capital assets can be found in Note 7 on pages 42 through 44 of this report.

**Long-term debt.** At the end of the current fiscal year, the City had total long-term debt outstanding of \$182.7 million. Of this amount, \$166.5 million comprises debt backed by the full faith and credit of the City. \$9.6 million of this amount is debt that is secured by a specified revenue source that is also backed by the full faith and credit of the City in the event these revenues are insufficient to make debt service payments. The City's total long-term debt increased \$9.1 million during the current fiscal year.

During fiscal year 2009, the City issued \$13.5 million and \$2.4 million in general obligation bonds for governmental and business-type activities' projects, respectively. The City also issued \$7.4 million in general obligation bonds for governmental activities to refund \$7.3 million of previously issued bonds.

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

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
General obligation bonds	\$ 86,509,105	\$ 69,781,995	\$ 26,886,976	\$ 25,743,287	\$ 113,396,081	\$ 95,525,282
General obligation school bonds	43,555,410	46,167,606	-	-	43,555,410	46,167,606
General obligation revenue bonds	-	6,186,488	9,598,939	9,800,776	9,598,939	15,987,264
Capital leases	7,480,465	8,287,363	-	-	7,480,465	8,287,363
Landfill closure and postclosure	-	-	4,077,810	3,951,347	4,077,810	3,951,347
Compensated absences	2,929,990	2,695,474	1,053,604	971,030	3,983,594	3,666,504
Postretirement healthcare benefits	422,021	-	183,138	-	605,159	-
<b>Total long-term debt</b>	<b>\$ 140,896,991</b>	<b>\$ 133,118,926</b>	<b>\$ 41,800,467</b>	<b>\$ 40,466,440</b>	<b>\$ 182,697,458</b>	<b>\$ 173,585,366</b>

The City maintains an A+ rating from Standard & Poor's and an Aa3 rating from Moody's for general obligation debt based upon the City's most recently rated 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 \$349.6 million of which \$181.7 million is available for use.

Additional information on the City's long-term debt can be found in Note 11 on pages 46 through 57 of this report.

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

The following were factors in preparing the City's 2010 fiscal year budget.

- The unemployment rate of the City of Harrisonburg in June 2009 was 8 percent, which is an increase from a rate of 5 percent a year ago. This rate is higher than the 7.3 percent state rate, but still compares favorably to the 9.7 percent national rate from June 2009.
- A decrease of \$2.1 million in estimated tax collections from sales and use taxes, restaurant food taxes and business license taxes due to an unfavorable economic climate.
- A decrease of \$1.4 million in investment income from declining interest rates.
- A decrease of \$1.6 million in funding for the Harrisonburg City School Board primarily from decreased revenue estimates.
- A decrease of \$1 million in capital projects funding from decreased revenue estimates.

The approved \$83.6 million fiscal year 2010 General Fund budget was balanced without the use of unreserved and undesignated fund balance. Real property reassessments for fiscal year 2010 will provide an additional \$1.9 million in estimated real estate tax collections.

A sewer authority rate increase in the Sewer Fund of approximately 7.8 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.

### **Requests for Information**

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

**BASIC  
FINANCIAL STATEMENTS**

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**CITY OF HARRISONBURG, VIRGINIA**  
**STATEMENT OF NET ASSETS**  
**At June 30, 2009**

**Exhibit 1**

	<b>Primary Government</b>			<b>Component Units</b>	
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>School Board</b>	<b>HEC</b>
<b>Assets</b>					
Cash and cash equivalents	\$ 29,919,360	\$ 29,810,232	\$ 59,729,592	\$ 9,981,244	\$ 3,986,168
Investments	-	-	-	-	7,000,254
Receivables (net of allowance for uncollectibles)	39,332,367	2,354,988	41,687,355	988,222	4,868,898
Due from primary government	-	-	-	-	176,332
Due from component unit	3,495	-	3,495	-	79,568
Internal balances	839,325	(839,325)	-	-	-
Inventory	1,965,165	-	1,965,165	36,810	1,663,209
Prepaid expenses	82,805	17,357	100,162	1,041,937	105,869
Loans receivable	7,752,920	-	7,752,920	-	-
Restricted assets	9,820,278	1,399,871	11,220,149	-	-
Capital assets:					
Capital assets, not being depreciated	61,401,700	10,046,646	71,448,346	4,820,936	7,218,924
Capital assets (net of accumulated depreciation)	195,656,856	88,986,017	284,642,873	21,163,357	45,022,765
Other assets	774,705	326,113	1,100,818	-	-
<b>Total assets</b>	<b>\$ 347,548,976</b>	<b>\$ 132,101,899</b>	<b>\$ 479,650,875</b>	<b>\$ 38,032,506</b>	<b>\$ 70,121,987</b>
<b>Liabilities</b>					
Accounts payable	\$ 3,541,288	\$ 689,029	\$ 4,230,317	\$ 25,178	\$ 3,407,337
Accrued payroll	869,108	300,230	1,169,338	4,473,310	-
Accrued interest	2,128,349	724,349	2,852,698	-	-
Due to primary government	-	-	-	-	3,495
Due to component unit	107,898	68,434	176,332	79,568	-
Customer deposits	-	257,277	257,277	-	596,727
Unearned revenue	30,659,290	1,164,850	31,824,140	-	-
Other liabilities	284,455	46,030	330,485	-	162,639
Liabilities payable from restricted assets	170,713	-	170,713	-	-
Long-term liabilities:					
Due within one year	7,721,969	2,341,961	10,063,930	756,894	349,798
Due in more than one year	133,175,022	39,458,506	172,633,528	667,207	746,769
<b>Total liabilities</b>	<b>\$ 178,658,092</b>	<b>\$ 45,050,666</b>	<b>\$ 223,708,758</b>	<b>\$ 6,002,157</b>	<b>\$ 5,266,765</b>
<b>Net assets</b>					
Invested in capital assets (net of related debt)	\$ 136,515,744	\$ 63,946,619	\$ 200,462,363	\$ 25,984,293	\$ 52,241,689
Restricted for:					
Debt service	284,297	-	284,297	-	-
Drug forfeiture	41,297	-	41,297	-	-
Police department grants	13,120	-	13,120	-	-
Fire department grants	6,810	-	6,810	-	-
Unrestricted	32,029,616	23,104,614	55,134,230	6,046,056	12,613,533
<b>Total net assets</b>	<b>\$ 168,890,884</b>	<b>\$ 87,051,233</b>	<b>\$ 255,942,117</b>	<b>\$ 32,030,349</b>	<b>\$ 64,855,222</b>

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

**CITY OF HARRISONBURG, VIRGINIA**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2009**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
Governmental activities:				
General government administration	\$ 12,735,815	\$ 8,620,160	\$ 338,391	\$ -
Jail and judicial administration	3,012,532	493,611	-	-
Public safety	18,518,912	58,710	675,168	140,207
Public works	11,935,693	-	3,603,411	4,230,904
Health and welfare	4,369,125	-	-	-
Education	31,253,898	-	-	-
Parks, recreation and cultural	5,379,470	1,063,064	13,117	211,583
Planning and community development	4,032,505	996,917	868,744	245,188
Interest on long-term debt	5,860,753	-	-	-
<b>Total governmental activities</b>	<b>\$ 97,098,703</b>	<b>\$ 11,232,462</b>	<b>\$ 5,498,831</b>	<b>\$ 4,827,882</b>
Business-type activities:				
Water	\$ 5,359,913	\$ 5,727,877	\$ -	\$ 1,574,147
Sewer	6,772,876	6,377,771	-	2,131,022
Public transportation	6,817,081	3,290,998	1,444,903	4,697,608
Sanitation	10,809,914	10,158,755	-	55,499
<b>Total business-type activities</b>	<b>\$ 29,759,784</b>	<b>\$ 25,555,401</b>	<b>\$ 1,444,903</b>	<b>\$ 8,458,276</b>
<b>Total primary government</b>	<b>\$ 126,858,487</b>	<b>\$ 36,787,863</b>	<b>\$ 6,943,734</b>	<b>\$ 13,286,158</b>
<b>Component units:</b>				
School Board	\$ 57,784,984	\$ 1,542,452	\$ 13,179,787	\$ -
Harrisonburg Electric Commission (HEC)	58,977,720	59,603,115	-	-
<b>Total component units</b>	<b>\$ 116,762,704</b>	<b>\$ 61,145,567</b>	<b>\$ 13,179,787</b>	<b>\$ -</b>

General revenues:  
Property taxes  
Sales and use taxes  
Restaurant food taxes  
Business license taxes  
Other local taxes  
Unrestricted grants and contributions  
Unrestricted payment from primary government  
Unrestricted payment from component units  
Investment revenue  
Other revenue  
Gain on disposal of capital assets  
Transfers  
Total general revenues, special items and transfers

**Change in net assets**

Net assets at beginning of year, as restated (Note 32)  
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	
\$ (3,777,264)	\$ -	\$ (3,777,264)	\$ -	\$ -	
(2,518,921)	-	(2,518,921)	-	-	
(17,644,827)	-	(17,644,827)	-	-	
(4,101,378)	-	(4,101,378)	-	-	
(4,369,125)	-	(4,369,125)	-	-	
(31,253,898)	-	(31,253,898)	-	-	
(4,091,706)	-	(4,091,706)	-	-	
(1,921,656)	-	(1,921,656)	-	-	
(5,860,753)	-	(5,860,753)	-	-	
<u>\$ (75,539,528)</u>	<u>\$ -</u>	<u>\$ (75,539,528)</u>	<u>\$ -</u>	<u>\$ -</u>	
\$ -	\$ 1,942,111	\$ 1,942,111	\$ -	\$ -	
-	1,735,917	1,735,917	-	-	
-	2,616,428	2,616,428	-	-	
-	(595,660)	(595,660)	-	-	
<u>\$ -</u>	<u>\$ 5,698,796</u>	<u>\$ 5,698,796</u>	<u>\$ -</u>	<u>\$ -</u>	
<u>\$ (75,539,528)</u>	<u>\$ 5,698,796</u>	<u>\$ (69,840,732)</u>	<u>\$ -</u>	<u>\$ -</u>	
\$ -	\$ -	\$ -	\$ (43,062,745)	\$ -	
-	-	-	-	625,395	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (43,062,745)</u>	<u>\$ 625,395</u>	
\$ 29,049,768	\$ -	\$ 29,049,768	\$ -	\$ -	
11,053,388	-	11,053,388	-	-	
8,095,857	-	8,095,857	-	-	
6,072,551	-	6,072,551	-	-	
6,963,047	-	6,963,047	-	-	
3,233,573	-	3,233,573	20,745,355	-	
-	-	-	24,627,567	-	
4,800,000	-	4,800,000	-	-	
658,303	505,917	1,164,220	12,327	279,509	
1,202,291	1,927,746	3,130,037	276,026	-	
238,903	8,100	247,003	-	-	
(875,910)	875,910	-	-	-	
<u>\$ 70,491,771</u>	<u>\$ 3,317,673</u>	<u>\$ 73,809,444</u>	<u>\$ 45,661,275</u>	<u>\$ 279,509</u>	
\$ (5,047,757)	\$ 9,016,469	\$ 3,968,712	\$ 2,598,530	\$ 904,904	
<u>173,938,641</u>	<u>78,034,764</u>	<u>251,973,405</u>	<u>29,431,819</u>	<u>63,950,318</u>	
<u>\$ 168,890,884</u>	<u>\$ 87,051,233</u>	<u>\$ 255,942,117</u>	<u>\$ 32,030,349</u>	<u>\$ 64,855,222</u>	

**CITY OF HARRISONBURG, VIRGINIA**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
**At June 30, 2009**

**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>
<b>Assets</b>					
Cash and cash equivalents	\$ 16,639,946	\$ -	\$ 9,918,031	\$ -	\$ 26,557,977
Receivables (net of allowance for uncollectibles)	35,977,915	47,274	3,303,676	-	39,328,865
Inventory	110,297	-	-	-	110,297
Prepaid expenditures	75,605	-	-	-	75,605
Advance to other funds	211,144	-	-	-	211,144
Loans receivable	7,752,920	-	-	-	7,752,920
Restricted assets	284,297	-	9,535,981	-	9,820,278
<b>Total assets</b>	<u>\$ 61,052,124</u>	<u>\$ 47,274</u>	<u>\$ 22,757,688</u>	<u>\$ -</u>	<u>\$ 83,857,086</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 693,976	\$ 41,619	\$ 2,151,388	\$ -	\$ 2,886,983
Accrued payroll	836,246	948	-	-	837,194
Due to component unit	77,305	-	30,224	-	107,529
Advance from other funds	-	4,707	-	-	4,707
Deferred revenue	39,684,477	43,201	3,275,499	-	43,003,177
Other liabilities	224,455	-	60,000	-	284,455
Liabilities payable from restricted assets	-	-	170,713	-	170,713
<b>Total liabilities</b>	<u>\$ 41,516,459</u>	<u>\$ 90,475</u>	<u>\$ 5,687,824</u>	<u>\$ -</u>	<u>\$ 47,294,758</u>
<b>Fund Balances:</b>					
Reserved	\$ 1,182,653	\$ -	\$ 16,219,222	\$ -	\$ 17,401,875
Unreserved:					
Designated	1,886,431	-	850,642	-	2,737,073
Undesignated	16,466,581	(43,201)	-	-	16,423,380
<b>Total fund balances</b>	<u>\$ 19,535,665</u>	<u>\$ (43,201)</u>	<u>\$ 17,069,864</u>	<u>\$ -</u>	<u>\$ 36,562,328</u>
<b>Total liabilities and fund balances</b>	<u>\$ 61,052,124</u>	<u>\$ 47,274</u>	<u>\$ 22,757,688</u>	<u>\$ -</u>	<u>\$ 83,857,086</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, 2009**

**Exhibit 4**

Total fund balance of governmental funds (Exhibit 3)	\$ 36,562,328
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.	12,343,887
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	256,333,723
Certain liabilities, including bonds and related accounts, are not payable from current financial resources and therefore are not reported in the funds.	(142,127,245)
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>5,778,191</u>
Net assets of governmental activities (Exhibit 1)	<u>\$ 168,890,884</u>

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

CITY OF HARRISONBURG, VIRGINIA  
GOVERNMENTAL FUNDS

Exhibit 5

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
For the Year Ended June 30, 2009

	General Fund	Community Development Block Grant Fund	General Capital Projects Fund	School Bond Capital Projects Fund	Total Governmental Funds
<b>Revenues:</b>					
General property taxes	\$ 28,997,708	\$ -	\$ -	\$ -	\$ 28,997,708
Other local taxes	32,126,185	-	-	-	32,126,185
Permits, privilege fees and regulatory licenses	848,149	-	-	-	848,149
Fines and forfeitures	570,997	-	-	-	570,997
Use of money and property	564,524	-	86,561	11,536	662,621
Charges for services	1,193,156	-	-	-	1,193,156
Miscellaneous	1,352,980	-	347,794	-	1,700,774
Payments from component units	4,800,000	-	-	-	4,800,000
Intergovernmental	7,878,708	826,942	3,235,538	-	11,941,188
Total revenues	<u>\$ 78,332,407</u>	<u>\$ 826,942</u>	<u>\$ 3,669,893</u>	<u>\$ 11,536</u>	<u>\$ 82,840,778</u>
<b>Expenditures:</b>					
Current:					
General government administration	\$ 3,454,035	\$ -	\$ -	\$ -	\$ 3,454,035
Jail and judicial administration	2,715,571	-	-	-	2,715,571
Public safety	18,351,114	-	-	-	18,351,114
Public works	8,643,955	-	-	-	8,643,955
Health and welfare	4,347,260	-	-	-	4,347,260
Education	24,627,567	-	-	-	24,627,567
Parks, recreation and cultural	4,819,548	-	-	-	4,819,548
Planning and community development	3,258,531	854,119	-	-	4,112,650
Debt service:					
Principal retirement	5,852,898	-	-	-	5,852,898
Interest and fiscal charges	5,879,099	-	-	-	5,879,099
Bond issue costs	58,379	-	-	-	58,379
Payment to advanced refunding escrow	520,040	-	-	-	520,040
Capital projects	-	-	14,330,754	1,534,615	15,865,369
Total expenditures	<u>\$ 82,527,997</u>	<u>\$ 854,119</u>	<u>\$ 14,330,754</u>	<u>\$ 1,534,615</u>	<u>\$ 99,247,485</u>
<b>Deficiency of revenues under expenditures</b>	<u>\$ (4,195,590)</u>	<u>\$ (27,177)</u>	<u>\$ (10,660,861)</u>	<u>\$ (1,523,079)</u>	<u>\$ (16,406,707)</u>
<b>Other financing sources (uses):</b>					
Long-term debt issued	\$ -	\$ -	\$ 13,480,500	\$ -	\$ 13,480,500
Refunding debt issued	7,377,000	-	-	-	7,377,000
Premium on refunding debt issued	99,617	-	-	-	99,617
Payment to advanced refunding escrow	(7,412,601)	-	-	-	(7,412,601)
Transfers in	2,885,011	-	1,828,928	-	4,713,939
Transfers out	(4,500,245)	(511)	(101,559)	-	(4,602,315)
Total other financing sources (uses)	<u>\$ (1,551,218)</u>	<u>\$ (511)</u>	<u>\$ 15,207,869</u>	<u>\$ -</u>	<u>\$ 13,656,140</u>
<b>Net change in fund balances</b>	<u>\$ (5,746,808)</u>	<u>\$ (27,688)</u>	<u>\$ 4,547,008</u>	<u>\$ (1,523,079)</u>	<u>\$ (2,750,567)</u>
Fund balances at beginning 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>
Fund balances at end of year	<u>\$ 19,535,665</u>	<u>\$ (43,201)</u>	<u>\$ 17,069,864</u>	<u>\$ -</u>	<u>\$ 36,562,328</u>

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

**CITY OF HARRISONBURG, VIRGINIA**  
**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, 2009**

**Exhibit 6**

Total net change in fund balances of governmental funds (Exhibit 5)	\$ (2,750,567)
Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:	
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.	4,140,937
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.	6,975,984
In the statement of activities, only the gain or loss on the disposal of capital assets is reported, whereas, in the governmental funds, the proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balance by the book value of the capital assets.	(366,227)
The contribution (donation) of capital assets affects only the statement of activities. These transactions do not have an effect on current financial resources and, therefore, are not reported in governmental funds.	646,986
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.	(524,068)
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.	(7,172,250)
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.	(371,722)
The transfer of capital assets to business-type activities and 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.	<u>(5,853,307)</u>
Change in net assets of governmental activities (Exhibit 2)	<u>\$ (5,274,234)</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, 2009**

Exhibit 7

	Enterprise Funds					Internal Service Funds
	Water Fund	Sewer Fund	Public Transportation Fund	Sanitation Fund	Total	
<b>Assets</b>						
Current assets:						
Cash and cash equivalents	\$ 12,296,996	\$ 5,638,587	\$ 200	\$ 11,874,449	\$ 29,810,232	\$ 3,361,383
Receivables (net of allowance for uncollectibles)	617,604	667,029	18,038	807,873	2,110,544	3,502
Due from component unit	-	-	-	-	-	3,495
Due from other governments	-	-	244,444	-	244,444	-
Inventory	-	-	-	-	-	1,854,868
Prepaid expenses	-	-	17,357	-	17,357	7,200
Restricted cash and cash equivalents	1,399,871	-	-	-	1,399,871	-
<b>Total current assets</b>	<b>\$ 14,314,471</b>	<b>\$ 6,305,616</b>	<b>\$ 280,039</b>	<b>\$ 12,682,322</b>	<b>\$ 33,582,448</b>	<b>\$ 5,230,448</b>
Noncurrent assets:						
Capital assets (net of accumulated depreciation)	\$ 39,606,745	\$ 25,639,750	\$ 8,593,446	\$ 25,192,722	\$ 99,032,663	\$ 724,833
Other assets	103,918	-	-	222,195	326,113	-
<b>Total noncurrent assets</b>	<b>\$ 39,710,663</b>	<b>\$ 25,639,750</b>	<b>\$ 8,593,446</b>	<b>\$ 25,414,917</b>	<b>\$ 99,358,776</b>	<b>\$ 724,833</b>
<b>Total assets</b>	<b>\$ 54,025,134</b>	<b>\$ 31,945,366</b>	<b>\$ 8,873,485</b>	<b>\$ 38,097,239</b>	<b>\$ 132,941,224</b>	<b>\$ 5,955,281</b>
<b>Liabilities and Net Assets</b>						
Current liabilities:						
Accounts payable	\$ 259,016	\$ 71,073	\$ 121,537	\$ 237,403	\$ 689,029	\$ 654,305
Accrued payroll	63,765	48,717	88,155	99,593	300,230	31,914
Accrued interest	216,906	-	-	507,443	724,349	-
Due to component unit	6,717	2,583	1,631	57,503	68,434	369
Advance from other funds	-	-	36,883	-	36,883	169,554
Customer deposits	257,277	-	-	-	257,277	-
Unearned revenue	719,250	445,600	-	-	1,164,850	-
Other liabilities	46,030	-	-	-	46,030	-
Compensated absences	108,458	82,157	172,454	149,827	512,896	46,709
Postretirement healthcare benefits	22,343	17,761	31,393	35,256	106,753	10,338
Landfill closure and postclosure	-	-	-	105,664	105,664	-
Current portion of bonds payable	206,837	-	-	1,409,811	1,616,648	-
<b>Total current liabilities</b>	<b>\$ 1,906,599</b>	<b>\$ 667,891</b>	<b>\$ 452,053</b>	<b>\$ 2,602,500</b>	<b>\$ 5,629,043</b>	<b>\$ 913,189</b>
Noncurrent liabilities:						
Compensated absences	\$ 158,773	\$ 100,186	\$ 87,118	\$ 194,631	\$ 540,708	\$ 58,945
Postretirement healthcare benefits	15,987	12,708	22,464	25,226	76,385	7,398
Landfill closure and postclosure	-	-	-	3,972,146	3,972,146	-
Bonds payable	10,800,602	-	-	24,068,665	34,869,267	-
<b>Total noncurrent liabilities</b>	<b>\$ 10,975,362</b>	<b>\$ 112,894</b>	<b>\$ 109,582</b>	<b>\$ 28,260,668</b>	<b>\$ 39,458,506</b>	<b>\$ 66,343</b>
<b>Total liabilities</b>	<b>\$ 12,881,961</b>	<b>\$ 780,785</b>	<b>\$ 561,635</b>	<b>\$ 30,863,168</b>	<b>\$ 45,087,549</b>	<b>\$ 979,532</b>
Net assets:						
Invested in capital assets (net of related debt)	\$ 29,999,177	\$ 25,639,750	\$ 8,593,446	\$ (285,754)	\$ 63,946,619	\$ 724,833
Unrestricted	11,143,996	5,524,831	(281,596)	7,519,825	23,907,056	4,250,916
<b>Total net assets</b>	<b>\$ 41,143,173</b>	<b>\$ 31,164,581</b>	<b>\$ 8,311,850</b>	<b>\$ 7,234,071</b>	<b>\$ 87,853,675</b>	<b>\$ 4,975,749</b>
<b>Total liabilities and net assets</b>	<b>\$ 54,025,134</b>	<b>\$ 31,945,366</b>	<b>\$ 8,873,485</b>	<b>\$ 38,097,239</b>		<b>\$ 5,955,281</b>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.					(802,442)	
Net assets of business-type activities (Exhibit 1)					\$ 87,051,233	

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



**CITY OF HARRISONBURG, VIRGINIA**  
**PROPRIETARY FUNDS**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**For the Year Ended June 30, 2009**

**Exhibit 8**

	Enterprise Funds					Internal Service Funds
	Water Fund	Sewer Fund	Public Transportation Fund	Sanitation Fund	Total	
<b>Operating revenues:</b>						
Charges for services	\$ 5,434,177	\$ 6,368,209	\$ 3,290,998	\$ 10,022,256	\$ 25,115,640	\$ 15,033,671
Connection fees	293,700	9,562	-	-	303,262	-
Total operating revenues	\$ 5,727,877	\$ 6,377,771	\$ 3,290,998	\$ 10,022,256	\$ 25,418,902	\$ 15,033,671
<b>Operating expenses:</b>						
Personal services	\$ 1,391,169	\$ 937,748	\$ 2,487,061	\$ 2,137,520	\$ 6,953,498	\$ 647,704
Fringe benefits	469,809	372,885	862,748	903,792	2,609,234	241,961
Purchased services	274,981	131,975	164,481	1,815,577	2,387,014	530,156
Internal services	373,995	213,570	1,293,152	237,851	2,118,568	1,027
Other charges	505,632	89,419	463,596	1,604,858	2,663,505	569,629
Materials and supplies	311,641	69,069	57,292	466,794	904,796	51,951
Contributions to regional sewer authority	-	3,712,943	-	-	3,712,943	-
Depreciation and amortization	1,578,450	1,213,663	1,229,336	2,115,809	6,137,258	29,721
Landfill closure and postclosure	-	-	-	234,270	234,270	-
Cost of inventory issued	-	-	-	-	-	3,090,194
Claims related charges	-	-	-	-	-	10,735,354
Total operating expenses	\$ 4,905,677	\$ 6,741,272	\$ 6,557,666	\$ 9,516,471	\$ 27,721,086	\$ 15,897,697
<b>Operating income (loss)</b>	\$ 822,200	\$ (363,501)	\$ (3,266,668)	\$ 505,785	\$ (2,302,184)	\$ (864,026)
<b>Nonoperating revenues (expenses):</b>						
Intergovernmental revenue	\$ -	\$ -	\$ 1,444,903	\$ -	\$ 1,444,903	\$ -
Connection application fees	780,549	742,163	-	-	1,522,712	-
Miscellaneous revenue	21,913	-	17,339	782	40,034	13,908
Reimbursement of bond payment	-	-	-	501,499	501,499	-
Investment revenue	221,463	105,387	231	178,836	505,917	63,272
Interest expense	(373,177)	-	-	(1,165,414)	(1,538,591)	-
Gain (loss) on disposal of capital assets	-	8,100	(181,401)	(100,283)	(273,584)	-
Total nonoperating revenues (expenses)	\$ 650,748	\$ 855,650	\$ 1,281,072	\$ (584,580)	\$ 2,202,890	\$ 77,180
<b>Income (loss) before contributions and transfers</b>	\$ 1,472,948	\$ 492,149	\$ (1,985,596)	\$ (78,795)	\$ (99,294)	\$ (786,846)
Capital contributions	2,232,572	2,656,832	4,697,608	55,499	9,642,511	-
Transfers in	-	-	993,111	1,594,493	2,587,604	196,701
Transfers out	(1,177,648)	(935,056)	(75,876)	(707,349)	(2,895,929)	-
<b>Change in net assets</b>	\$ 2,527,872	\$ 2,213,925	\$ 3,629,247	\$ 863,848	\$ 9,234,892	\$ (590,145)
Net assets at beginning of year	38,615,301	28,950,656	4,682,603	6,370,223		5,565,894
Net assets at end of year	\$ 41,143,173	\$ 31,164,581	\$ 8,311,850	\$ 7,234,071		\$ 4,975,749
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.					(218,423)	
Change in net assets of business-type activities (Exhibit 2)					\$ 9,016,469	

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, 2009**

**Exhibit 9**  
**Page 1**

	<b>Enterprise Funds</b>					<b>Internal Service Funds</b>
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Public Transportation Fund</b>	<b>Sanitation Fund</b>	<b>Total</b>	
<b>Cash flows from operating activities:</b>						
Receipts from customers	\$ 5,497,846	\$ 6,402,043	\$ 3,290,493	\$ 9,967,232	\$ 25,157,614	\$ 3,850,212
Receipts from premiums	-	-	-	-	-	11,189,180
Receipts from other sources	21,913	-	17,339	782	40,034	13,908
Receipts from customer deposits	145,740	-	-	-	145,740	-
Payments to employees	(1,362,734)	(938,395)	(2,443,578)	(2,118,423)	(6,863,130)	(639,868)
Payments for fringe benefits	(429,329)	(342,561)	(805,982)	(841,645)	(2,419,517)	(223,653)
Payments to vendors	(1,071,751)	(290,596)	(644,985)	(3,990,502)	(5,997,834)	(4,281,135)
Payments for internal services	(373,995)	(213,570)	(1,293,152)	(237,851)	(2,118,568)	(1,027)
Payments to other governmental units	-	(4,131,948)	-	-	(4,131,948)	-
Payments for claims related charges	-	-	-	-	-	(11,004,853)
Payments to refund customer deposits	(135,962)	-	-	-	(135,962)	-
Net cash provided by (used for) operating activities	\$ 2,291,728	\$ 484,973	\$ (1,879,865)	\$ 2,779,593	\$ 3,676,429	\$ (1,097,236)
<b>Cash flows from noncapital financing activities:</b>						
Operating grants	\$ -	\$ -	\$ 1,272,363	\$ -	\$ 1,272,363	\$ -
Transfers in	-	-	993,111	1,594,493	2,587,604	196,701
Transfers out	(1,177,648)	(935,056)	(75,876)	(707,349)	(2,895,929)	-
Interfund loan	-	-	36,883	-	36,883	61,985
Net cash provided by (used for) noncapital financing activities	\$ (1,177,648)	\$ (935,056)	\$ 2,226,481	\$ 887,144	\$ 1,000,921	\$ 258,686
<b>Cash flows from capital and related financing activities:</b>						
Capital grants	\$ -	\$ -	\$ 4,805,002	\$ -	\$ 4,805,002	\$ -
Capital contributions	21,852	21,333	-	62,939	106,124	-
Connection application fees	77,750	122,500	-	-	200,250	-
Payment from JMU for long-term debt	-	-	-	490,815	490,815	-
Proceeds from sale of capital assets	-	8,100	23,863	1,950	33,913	-
Proceeds from long-term debt	1,408,500	-	-	1,000,000	2,408,500	-
Bond issue costs paid	(8,803)	-	-	(8,750)	(17,553)	-
Refund of capital grants	-	-	(26,251)	-	(26,251)	-
Principal paid on long-term debt	(205,000)	-	-	(1,290,000)	(1,495,000)	-
Interest paid on long-term debt	(474,807)	-	-	(1,166,618)	(1,641,425)	-
Purchase and construction of capital assets	(1,503,524)	(1,285,399)	(5,423,687)	(1,793,531)	(10,006,141)	-
Net cash used for capital and related financing activities	\$ (684,032)	\$ (1,133,466)	\$ (621,073)	\$ (2,703,195)	\$ (5,141,766)	\$ -
<b>Cash flows from investing activities:</b>						
Interest received	\$ 223,041	\$ 106,250	\$ 264	\$ 180,120	\$ 509,675	\$ 63,752
Net cash provided by investing activities	\$ 223,041	\$ 106,250	\$ 264	\$ 180,120	\$ 509,675	\$ 63,752
<b>Net increase (decrease) in cash and cash equivalents</b>	\$ 653,089	\$ (1,477,299)	\$ (274,193)	\$ 1,143,662	\$ 45,259	\$ (774,798)
<b>Cash and cash equivalents:</b>						
Beginning	13,043,778	7,115,886	274,393	10,730,787	31,164,844	4,136,181
Ending	\$ 13,696,867	\$ 5,638,587	\$ 200	\$ 11,874,449	\$ 31,210,103	\$ 3,361,383

(continued)

**CITY OF HARRISONBURG, VIRGINIA**  
**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended June 30, 2009**

	<b>Enterprise Funds</b>					<b>Internal Service Funds</b>
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Public Transportation Fund</b>	<b>Sanitation Fund</b>	<b>Total</b>	
<b>Reconciliation of cash and cash equivalents to the balance sheet:</b>						
Cash and cash equivalents - Current assets	\$ 12,296,996	\$ 5,638,587	\$ 200	\$ 11,874,449	\$ 29,810,232	\$ 3,361,383
Cash and cash equivalents - Restricted assets	1,399,871	-	-	-	1,399,871	-
	<u>\$ 13,696,867</u>	<u>\$ 5,638,587</u>	<u>\$ 200</u>	<u>\$ 11,874,449</u>	<u>\$ 31,210,103</u>	<u>\$ 3,361,383</u>

**Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:**

Operating income (loss)	\$ 822,200	\$ (363,501)	\$ (3,266,668)	\$ 505,785	\$ (2,302,184)	\$ (864,026)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Depreciation and amortization	1,578,450	1,213,663	1,229,336	2,115,809	6,137,258	29,721
Connection fees	(293,700)	(9,562)	-	-	(303,262)	-
Landfill closure and postclosure	-	-	-	126,463	126,463	-
Miscellaneous revenue	21,913	-	17,339	782	40,034	13,908
Change in assets and liabilities:						
(Increase) decrease in:						
Accounts receivable	56,902	33,381	(506)	(55,265)	34,512	1,953
Due from component unit	-	-	-	-	-	3,768
Inventory	-	-	-	-	-	19,525
Prepaid expenses	-	-	(2,964)	-	(2,964)	(7,200)
Increase (decrease) in:						
Accounts payable	15,155	(417,690)	43,388	13,311	(345,836)	(320,921)
Accrued payroll	(3,874)	4,116	12,653	1,399	14,294	2,373
Due to component unit	(5,036)	(1,017)	(255)	(8,233)	(14,541)	(102)
Other liabilities	17,167	-	-	-	17,167	-
Customer deposits	9,778	-	-	-	9,778	-
Compensated absences	34,443	(4,886)	33,955	19,060	82,572	6,029
Postretirement healthcare benefits	38,330	30,469	53,857	60,482	183,138	17,736
Net cash provided by (used for) operating activities	<u>\$ 2,291,728</u>	<u>\$ 484,973</u>	<u>\$ (1,879,865)</u>	<u>\$ 2,779,593</u>	<u>\$ 3,676,429</u>	<u>\$ (1,097,236)</u>

**Non - cash capital and related financing activities:**

Additions to capital assets:						
Contributed by developers	\$ 1,527,200	\$ 2,109,690	\$ -	\$ -	\$ 3,636,890	\$ -
Contributed by other funds	658,425	525,810	-	-	1,184,235	-
Purchase and construction on account	121,280	60,167	54,375	-	235,822	-
Capitalized interest	102,142	-	-	20,119	122,261	-

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, 2009**

**Exhibit 10**

	<u><b>Agency Funds</b></u>
<b>Assets</b>	
Cash and cash equivalents	\$ 845,374
Receivables	810,884
Prepaid items	<u>64,082</u>
<b>Total assets</b>	<b>\$ <u><u>1,720,340</u></u></b>
<b>Liabilities</b>	
Accounts payable	\$ 171,954
Accrued payroll	72,305
Amounts held for others	<u>1,476,081</u>
<b>Total liabilities</b>	<b>\$ <u><u>1,720,340</u></u></b>

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

**CITY OF HARRISONBURG, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**

**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 as revenue 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 revenue.

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 received 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 26<sup>th</sup> Judicial District Court Service Unit as a participant in the Virginia Juvenile Community Crime Control Act (VJCCA), the **Industrial Development Authority Fund** and the **Emergency Communications Center 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. 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.

**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 annually. The last effective general real property reassessment was January 1, 2008. 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, 2009 amounted to \$1,051,871.

**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



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

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 2009 in the Water Fund and Sanitation Fund was \$102,142 and \$20,119, respectively.

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's 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 \$2,740,441 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 and proprietary 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.

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

**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.

**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	\$ (131,199,195)
Bond issue premiums/discounts (net)	(56,581)
Deferred charge for bond issue costs	774,705
Deferred charge for bond refunding	1,191,261
Capital leases	(7,480,465)
Compensated absences (not including internal service funds)	(2,824,336)
Postretirement healthcare benefits (not including internal service funds)	(404,285)
Accrued interest	<u>(2,128,349)</u>
Net adjustment	\$ <u><u>(142,127,245)</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

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

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	\$ 14,575,506
Depreciation expense	<u>(7,599,722)</u>
Net adjustment	<u>\$ 6,975,784</u>

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

Debt issued	\$ (20,857,500)
Deferred charge for bond issue costs on debt issued	130,076
Deferred charge for bond issue premiums on debt issued	(99,617)
Payment to bond refunding escrow agent	7,932,641
Principal payments	5,852,898
Amortization of bond premiums/discounts (net)	(659)
Amortization of bond issue costs	(40,390)
Amortization of deferred bond refunding charges	(56,403)
Interest expense included in bond refunding	<u>(33,296)</u>
Net adjustment	<u>\$ (7,172,250)</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 (not including internal service funds)	\$ (228,487)
Postretirement healthcare benefits (not including internal service funds)	(404,285)
Accrued interest	<u>108,704</u>
Net adjustment	<u>\$ (524,068)</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.

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

**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. As of June 30, 2009, there were no securities subject to interest rate risk.

*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, 2009, all City investments in external investment pools and money market funds were rated AAAM by Standard & Poor’s.

The following is a summary of deposit and investment balances at June 30, 2009.

	Primary Government	Component Units		Total
		School Board	HEC	
Investments:				
Local Government Investment Pool (LGIP)	\$ 58,216,316	\$ 9,520,112	\$ 1,408,505	\$ 69,144,933
State Non-Arbitrage Pool (SNAP)	10,937,566	-	-	10,937,566
U.S. Government Money Market Fund	6,177,966	888,085	-	7,066,051
U.S. Treasury Money Market Fund	284,297	-	-	284,297
Municipal Government Money Market Fund	11,970	-	-	11,970
Certificates of Deposit	-	-	7,000,254	7,000,254
Deposits	<u>(4,399,572)</u>	<u>(426,953)</u>	<u>2,575,363</u>	<u>(2,251,162)</u>
Total deposits and investments	<u>\$ 71,228,543</u>	<u>\$ 9,981,244</u>	<u>\$ 10,984,122</u>	<u>\$ 92,193,909</u>

**Reconciliation to Government-wide Financial Statements**

Cash on hand and petty cash (primary government)	\$ 566,572
Cash on hand and petty cash (component units)	2,300
Total deposits and investments of the reporting entity	<u>92,193,909</u>
Total reporting entity	<u>\$ 92,762,781</u>
Cash and cash equivalents (primary government)	\$ 59,729,592
Cash and cash equivalents (component unit - School Board)	9,981,244
Cash and cash equivalents (component unit - HEC)	3,986,168
Investments (component unit - HEC)	7,000,254
Restricted assets:	
Cash and cash equivalents (primary government)	11,220,149
Cash and cash equivalents (Exhibit 10)	<u>845,374</u>
Total reporting entity	<u>\$ 92,762,781</u>

#### Note 4. Receivables

The following is a summary of receivables at June 30, 2009.

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	HEC
Property taxes receivable	\$ 32,975,084	\$ -	\$ 32,975,084	\$ -	\$ -
Other taxes receivable	1,284,078	-	1,284,078	-	-
Accounts receivable	3,457	2,111,804	2,115,261	-	4,618,545
Interest receivable	248,406	407	248,813	-	-
Other receivables	338,921	67,690	406,611	267,887	250,353
Due from other governments:					
Commonwealth of Virginia	3,166,844	6,400	3,173,244	660,936	-
Federal Government	2,367,448	238,044	2,605,492	59,399	-
Allowance for uncollectibles	<u>(1,051,871)</u>	<u>(69,357)</u>	<u>(1,121,228)</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 39,332,367</u>	<u>\$ 2,354,988</u>	<u>\$ 41,687,355</u>	<u>\$ 988,222</u>	<u>\$ 4,868,898</u>

#### Note 5. Restricted Assets

The following is a summary of restricted assets at June 30, 2009.

	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents:			
Bond construction account	\$ 9,535,981	\$ 1,399,871	\$ 10,935,852
Bond debt service reserve account	<u>284,297</u>	<u>-</u>	<u>284,297</u>
Total	<u>\$ 9,820,278</u>	<u>\$ 1,399,871</u>	<u>\$ 11,220,149</u>

#### Note 6. Loans Receivable

The following is a summary of loans receivable in the General Fund at June 30, 2009.

Borrowing Entity	Loan Date	Term (in years)	Interest Rate	Balance	Current Portion
Harrisonburg Redevelopment and Housing Authority	June 23, 2009	20	4.45%	\$ 2,747,462	\$ -
Harrisonburg Redevelopment and Housing Authority	October 24, 2006	26.5	4.21%	3,420,550	83,300
Virginia Technology Incubator, LLC	August 1, 2006	5	7.50%	39,908	17,618
Lucy F. Simms, LP	January 20, 2005	20	4.76%	1,170,000	-
Massanutten Regional Library	May 15, 2000	n/a	0.0%	<u>375,000</u>	<u>-</u>
Total				<u>\$ 7,752,920</u>	<u>\$ 100,918</u>

## Note 7. Capital Assets

### Primary Government

The following is a summary of the changes in capital assets of the governmental activities for fiscal year 2009.

	Balance June 30, 2008	Additions	Reductions	Balance June 30, 2009
Capital assets, not being depreciated:				
Land	\$ 45,612,078	\$ 1,467,315	\$ (1,076,647)	\$ 46,002,746
Easements	596,392	253,708	-	850,100
Construction in progress	<u>62,802,697</u>	<u>11,587,671</u>	<u>(59,841,514)</u>	<u>14,548,854</u>
Capital assets, not being depreciated	<u>\$ 109,011,167</u>	<u>\$ 13,308,694</u>	<u>\$ (60,918,161)</u>	<u>\$ 61,401,700</u>
Capital assets, being depreciated:				
Buildings	\$ 84,483,948	\$ 38,395,687	\$ (2,307,092)	\$ 120,572,543
Improvements other than buildings	7,147,655	1,468,322	-	8,615,977
Machinery and equipment	13,566,077	11,148,338	(308,511)	24,405,904
Infrastructure	<u>116,665,538</u>	<u>7,463,644</u>	<u>(110,000)</u>	<u>124,019,182</u>
Capital assets, being depreciated	<u>\$ 221,863,218</u>	<u>\$ 58,475,991</u>	<u>\$ (2,725,603)</u>	<u>\$ 277,613,606</u>
Less accumulated depreciation:				
Buildings	\$ (15,535,839)	\$ (2,895,254)	\$ 508,701	\$ (17,922,392)
Improvements other than buildings	(2,341,380)	(295,362)	-	(2,636,742)
Machinery and equipment	(8,115,733)	(1,310,305)	308,511	(9,117,527)
Infrastructure	<u>(49,196,592)</u>	<u>(3,134,372)</u>	<u>50,875</u>	<u>(52,280,089)</u>
Accumulated depreciation	<u>\$ (75,189,544)</u>	<u>\$ (7,635,293)</u>	<u>\$ 868,087</u>	<u>\$ (81,956,750)</u>
Capital assets, being depreciated (net)	<u>\$ 146,673,674</u>	<u>\$ 50,840,698</u>	<u>\$ (1,857,516)</u>	<u>\$ 195,656,856</u>

The primary government has included in the above schedule land in the amount of \$113,878, buildings in the amount of \$11,704,921 (\$4,074,857 in accumulated depreciation) and machinery and equipment in the amount of \$5,939,144 (\$173,225 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	\$ 32,402
Jail and judicial administration	296,961
Public safety	1,061,193
Public works	3,525,582
Health and welfare	21,865
Education	1,957,259
Parks, recreation and culture	625,489
Planning and community development	84,821
Internal service funds (allocated to various functions)	<u>29,721</u>
Total governmental activities depreciation expense	<u>\$ 7,635,293</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 2009.

	Balance June 30, 2008	Additions	Reductions	Balance June 30, 2009
Capital assets, not being depreciated:				
Land	\$ 943,095	\$ 2,000	\$ -	\$ 945,095
Easements	229,133	39,924	-	269,057
Construction in progress	<u>6,939,294</u>	<u>3,806,179</u>	<u>(1,912,979)</u>	<u>8,832,494</u>
Capital assets, not being depreciated	<u>\$ 8,111,522</u>	<u>\$ 3,848,103</u>	<u>\$ (1,912,979)</u>	<u>\$ 10,046,646</u>
Capital assets, being depreciated:				
Buildings	\$ 13,234,479	\$ -	\$ -	\$ 13,234,479
Improvements other than buildings	15,344,532	-	(74,661)	15,269,871
Machinery and equipment	45,181,622	7,275,847	(2,404,396)	50,053,073
Infrastructure	62,086,529	5,471,965	-	67,558,494
JMU land and steam agreement	2,041,898	-	-	2,041,898
Contractual landfill asset	<u>3,353,052</u>	<u>8,319</u>	<u>(78,357)</u>	<u>3,283,014</u>
Capital assets, being depreciated	<u>\$ 141,242,112</u>	<u>\$ 12,756,131</u>	<u>\$ (2,557,414)</u>	<u>\$ 151,440,829</u>
Less accumulated depreciation:				
Buildings	\$ (3,306,990)	\$ (330,031)	\$ -	\$ (3,637,021)
Improvements other than buildings	(5,072,412)	(409,860)	74,661	(5,407,611)
Machinery and equipment	(20,539,987)	(3,037,054)	2,119,189	(21,457,852)
Infrastructure	(27,569,779)	(1,962,312)	-	(29,532,091)
JMU land and steam agreement	(1,696,818)	(26,544)	-	(1,723,362)
Contractual landfill asset	<u>(408,187)</u>	<u>(367,045)</u>	<u>78,357</u>	<u>(696,875)</u>
Accumulated depreciation	<u>\$ (58,594,173)</u>	<u>\$ (6,132,846)</u>	<u>\$ 2,272,207</u>	<u>\$ (62,454,812)</u>
Capital assets, being depreciated (net)	<u>\$ 82,647,939</u>	<u>\$ 6,623,285</u>	<u>\$ (285,207)</u>	<u>\$ 88,986,017</u>

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 \$17,392. 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	\$ 1,574,483
Sewer	1,213,663
Public transportation	1,229,336
Sanitation	<u>2,097,972</u>
Total business-type activities depreciation expense	<u>\$ 6,115,454</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 2009.

**Component Unit – School Board:**

	Balance June 30, 2008	Additions	Reductions	Balance June 30, 2009
Capital assets, not being depreciated:				
Land	\$ 3,853,886	\$ 942,050	\$ -	\$ 4,795,936
Intangible	-	25,000	-	25,000
Capital assets, not being depreciated	<u>\$ 3,853,886</u>	<u>\$ 967,050</u>	<u>\$ -</u>	<u>\$ 4,820,936</u>
Capital assets, being depreciated:				
Buildings	\$ 29,160,219	\$ 2,155,000	\$ -	\$ 31,315,219
Improvements other than buildings	71,168	-	-	71,168
Machinery and equipment	2,524,103	2,037,758	-	4,561,861
Capital assets, being depreciated	<u>\$ 31,755,490</u>	<u>\$ 4,192,758</u>	<u>\$ -</u>	<u>\$ 35,948,248</u>
Less accumulated depreciation:				
Buildings	\$ (11,876,961)	\$ (1,101,838)	\$ -	\$ (12,978,799)
Improvements other than buildings	(9,996)	(3,559)	-	(13,555)
Machinery and equipment	(1,467,934)	(324,603)	-	(1,792,537)
Accumulated depreciation	<u>\$ (13,354,891)</u>	<u>\$ (1,430,000)</u>	<u>\$ -</u>	<u>\$ (14,784,891)</u>
Capital assets, being depreciated (net)	<u>\$ 18,400,599</u>	<u>\$ 2,762,758</u>	<u>\$ -</u>	<u>\$ 21,163,357</u>

**Component Unit – HEC:**

	Balance June 30, 2008	Additions	Reductions	Balance June 30, 2009
Capital assets, not being depreciated:				
Land	\$ 2,096,537	\$ -	\$ -	\$ 2,096,537
Construction in progress	4,611,324	2,062,613	(1,551,550)	5,122,387
Capital assets, not being depreciated	<u>\$ 6,707,861</u>	<u>\$ 2,062,613</u>	<u>\$ (1,551,550)</u>	<u>\$ 7,218,924</u>
Capital assets, being depreciated:				
Buildings	\$ 2,723,674	\$ -	\$ -	\$ 2,723,674
Machinery and equipment	5,501,018	136,248	-	5,637,266
Infrastructure	86,570,511	2,675,916	(226,694)	89,019,733
Capital assets, being depreciated	<u>\$ 94,795,203</u>	<u>\$ 2,812,164</u>	<u>\$ (226,694)</u>	<u>\$ 97,380,673</u>
Less accumulated depreciation:				
Buildings	\$ (1,488,932)	\$ (72,140)	\$ -	\$ (1,561,072)
Machinery and equipment	(6,493,031)	(691,556)	-	(7,184,587)
Infrastructure	(40,810,867)	(3,028,076)	226,694	(43,612,249)
Accumulated depreciation	<u>\$ (48,792,830)</u>	<u>\$ (3,791,772)</u>	<u>\$ 226,694</u>	<u>\$ (52,357,908)</u>
Capital assets, being depreciated (net)	<u>\$ 46,002,373</u>	<u>\$ (979,608)</u>	<u>\$ -</u>	<u>\$ 45,022,765</u>



## Note 8. Interfund Balances

The General Fund has an advance to other funds in the amount \$211,144. This amount is comprised of loans to the Community Development Block Grant Fund, Public Transportation Fund and Central Stores Fund in the amount of \$4,707, \$36,883 and \$169,554, respectively. The purpose of these loans is to eliminate year end cash and cash equivalents deficit balances.

## 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, 2009.

Transfer out	Transfer in					Total
	General Fund	General Capital Projects Fund	Public Transportation Fund	Sanitation Fund	Internal Service Funds	
General Fund	\$ -	\$ 1,828,928	\$ 993,111	\$ 1,594,493	\$ 83,713	\$ 4,500,245
Community Development Block Grant Fund	511	-	-	-	-	511
General Capital Projects Fund	101,559	-	-	-	-	101,559
Water Fund	1,074,276	-	-	-	103,372	1,177,648
Sewer Fund	925,440	-	-	-	9,616	935,056
Public Transportation Fund	75,876	-	-	-	-	75,876
Sanitation Fund	707,349	-	-	-	-	707,349
<b>Total</b>	<b>\$ 2,885,011</b>	<b>\$ 1,828,928</b>	<b>\$ 993,111</b>	<b>\$ 1,594,493</b>	<b>\$ 196,701</b>	<b>\$ 7,498,244</b>

## Note 10. Unearned Revenue/Deferred Revenue

The following is a summary of unearned and deferred revenue at June 30, 2009.

	Governmental Activities			
	General Fund	Community Development Block Grant Fund	General Capital Projects Fund	Total
Property taxes billed in fiscal year 2010	\$ 30,565,640	\$ -	\$ -	\$ 30,565,640
Advance collection of parking leases	53,400	-	-	53,400
Golf memberships	40,250	-	-	40,250
<b>Total unearned revenue</b>	<b>\$ 30,659,290</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 30,659,290</b>
Total unearned revenue	\$ 30,659,290	\$ -	\$ -	\$ 30,659,290
Uncollected property tax billings	1,082,696	-	-	1,082,696
Other local taxes	58,658	-	-	58,658
Interest receivable	247,520	-	-	247,520
Reimbursement from Housing Authority	66,221	-	-	66,221
Intergovernmental	33,187	43,201	3,275,499	3,351,887
Loans receivable	7,377,920	-	-	7,377,920
Other deferred revenue	158,985	-	-	158,985
<b>Total deferred revenue</b>	<b>\$ 39,684,477</b>	<b>\$ 43,201</b>	<b>\$ 3,275,499</b>	<b>\$ 43,003,177</b>

**Note 10. Unearned Revenue/Deferred Revenue (continued)**

Unearned revenue for business-type activities in the amount of \$1,164,850 represents connection application fees for which the services had not been provided as of year-end. This amount is comprised of \$719,250 in the Water Fund and \$445,600 in the Sewer Fund.

**Note 11. Long-term Liabilities**

**Primary Government**

The following is a summary of the debt service requirements for the long-term liabilities of the governmental activities as of June 30, 2009.

Year Ending June 30,	General Obligation Bonds		General Obligation School Bonds		Capital Leases		Total Governmental Activities	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
	2010	\$ 2,699,924	\$ 3,325,492	\$ 2,600,000	\$ 2,127,777	\$ 845,061	\$ 317,053	\$ 6,144,985
2011	3,129,741	3,551,509	2,615,000	1,998,056	883,446	277,984	6,628,187	5,827,549
2012	3,276,787	3,416,061	2,630,000	1,868,653	924,073	237,058	6,830,860	5,521,772
2013	3,417,001	3,273,332	2,340,000	1,741,818	966,354	194,347	6,723,355	5,209,497
2014	3,558,304	3,137,655	2,115,000	1,623,705	1,010,142	149,370	6,683,446	4,910,730
2015-2019	19,040,338	13,333,892	10,700,000	6,576,924	2,362,389	317,375	32,102,727	20,228,191
2020-2024	18,084,893	9,577,007	12,040,000	3,688,625	489,000	9,193	30,613,893	13,274,825
2025-2029	20,386,267	5,581,365	8,400,000	657,135	-	-	28,786,267	6,238,500
2030-2034	13,990,940	1,483,847	-	-	-	-	13,990,940	1,483,847
2035	175,000	8,750	-	-	-	-	175,000	8,750
Total	\$ 87,759,195	\$ 46,688,910	\$ 43,440,000	\$ 20,282,693	\$ 7,480,465	\$ 1,502,380	\$ 138,679,660	\$ 68,473,983

The following is a summary of the debt service requirements for the long-term liabilities of the business-type activities as of June 30, 2009.

Year Ending June 30,	General Obligation Bonds		General Obligation Revenue Bonds		Total Business-type Activities	
	Principal	Interest	Principal	Interest	Principal	Interest
	2010	\$ 1,435,000	\$ 1,173,089	\$ 210,000	\$ 466,248	\$ 1,645,000
2011	1,529,651	1,142,534	220,000	456,966	1,749,651	1,599,500
2012	1,586,732	1,081,963	230,000	446,841	1,816,732	1,528,804
2013	1,643,814	1,016,150	240,000	436,266	1,883,814	1,452,416
2014	1,705,990	946,673	250,000	425,491	1,955,990	1,372,164
2015-2019	8,157,220	3,629,045	1,440,000	1,943,215	9,597,220	5,572,260
2020-2024	8,555,061	1,702,410	1,815,000	1,421,169	10,370,061	3,123,579
2025-2029	2,345,972	122,941	2,315,000	1,171,125	4,660,972	1,294,066
2030-2034	104,060	2,315	2,955,000	383,875	3,059,060	386,190
Total	\$ 27,063,500	\$ 10,817,120	\$ 9,675,000	\$ 7,151,196	\$ 36,738,500	\$ 17,968,316

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

The following is a summary of the changes to the long-term liabilities of the governmental activities for fiscal year 2009.

	Balance June 30, 2008	Additions	Reductions	Balance June 30, 2009	Due Within One Year
Bonds payable:					
General obligation bonds	\$ 70,382,695	\$ 20,857,500	\$ (3,481,000)	\$ 87,759,195	\$ 2,699,924
General obligation school bonds	46,045,000	-	(2,605,000)	43,440,000	2,600,000
General obligation revenue bonds	6,245,000	-	(6,245,000)	-	-
Bond premiums/discounts (net)	(91,315)	99,617	48,279	56,581	9,204
Deferred bond refunding charges	(445,291)	(802,373)	56,403	(1,191,261)	(97,483)
<b>Total bonds payable</b>	<b>\$ 122,136,089</b>	<b>\$ 20,154,744</b>	<b>\$ (12,226,318)</b>	<b>\$ 130,064,515</b>	<b>\$ 5,211,645</b>
Capital leases	8,287,363	-	(806,898)	7,480,465	845,061
Compensated absences	2,695,474	1,497,818	(1,263,302)	2,929,990	1,419,267
Postretirement healthcare benefits	-	649,600	(227,579)	422,021	245,996
<b>Governmental activities long-term debt</b>	<b>\$ 133,118,926</b>	<b>\$ 22,302,162</b>	<b>\$ (14,524,097)</b>	<b>\$ 140,896,991</b>	<b>\$ 7,721,969</b>

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, 2009, \$105,654 and \$17,736 of these internal service funds compensated absences and postretirement healthcare benefits, are included in the above amounts.

The following is a summary of the changes to the long-term liabilities of the business-type activities for fiscal year 2009.

	Balance June 30, 2008	Additions	Reductions	Balance June 30, 2009	Due Within One Year
Bonds payable:					
General obligation bonds	\$ 25,945,000	\$ 2,408,500	\$ (1,290,000)	\$ 27,063,500	\$ 1,435,000
General obligation revenue bonds	9,880,000	-	(205,000)	9,675,000	210,000
Bond premiums/discounts (net)	(65,539)	-	(1,358)	(66,897)	1,358
Deferred bond refunding charges	(215,398)	-	29,710	(185,688)	(29,710)
<b>Total bonds payable</b>	<b>\$ 35,544,063</b>	<b>\$ 2,408,500</b>	<b>\$ (1,466,648)</b>	<b>\$ 36,485,915</b>	<b>\$ 1,616,648</b>
Landfill closure and postclosure	3,951,347	234,270	(107,807)	4,077,810	105,664
Compensated absences	971,030	544,274	(461,700)	1,053,604	512,896
Postretirement healthcare benefits	-	281,900	(98,762)	183,138	106,753
<b>Business-type activities long-term debt</b>	<b>\$ 40,466,440</b>	<b>\$ 3,468,944</b>	<b>\$ (2,134,917)</b>	<b>\$ 41,800,467</b>	<b>\$ 2,341,961</b>

The following is the detail for the long-term liabilities of the governmental activities as of June 30, 2009.

**General Obligation Bonds:**

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

Bonds bearing interest at 4.35% maturing on April 1, 2010	\$ <u>70,000</u>
Subtotal	\$ <u>70,000</u>

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

General Obligation Bonds (continued):

\$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, 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
		<hr/>
Subtotal	\$	4,435,000

\$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, 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	\$	4,354,500

\$2,935,000 General Obligation Bonds, Series 2003B, issued December 18,  
2003, maturing annually with interest payable semi-annually:

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

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

### General Obligation Bonds (continued):

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	\$ 2,710,000

\$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, 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
Bonds bearing interest at 3.55% maturing on July 15, 2021	431,066
Bonds bearing interest at 3.55% maturing on July 15, 2022	446,369
Bonds bearing interest at 3.55% maturing on July 15, 2023	462,215
Bonds bearing interest at 3.55% maturing on July 15, 2024	478,624
Bonds bearing interest at 3.55% maturing on July 15, 2025	495,615
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Subtotal	\$ 6,467,195

\$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, 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

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

### General Obligation Bonds (continued):

Bonds bearing interest at 4.100% maturing on February 1, 2023	2,080,000
Bonds bearing interest at 4.125% maturing on February 1, 2024	2,170,000
Bonds bearing interest at 4.125% maturing on February 1, 2025	2,255,000
Bonds bearing interest at 4.125% maturing on February 1, 2026	2,350,000
Bonds bearing interest at 4.125% maturing on February 1, 2027	2,445,000
Bonds bearing interest at 4.250% maturing on February 1, 2028	2,550,000
Bonds bearing interest at 4.250% maturing on February 1, 2029	2,655,000
Bonds bearing interest at 4.250% maturing on February 1, 2030	2,770,000
Bonds bearing interest at 4.250% maturing on February 1, 2031	2,885,000
Bonds bearing interest at 4.250% maturing on February 1, 2032	3,010,000
Bonds bearing interest at 4.250% maturing on February 1, 2033	3,140,000
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Subtotal	\$ 48,865,000

\$1,125,000 Public Safety Refunding Bonds, Series 2009A (Virginia Resources Authority Pooled Financing Program), issued June 17, 2009, maturing annually with interest payable semi-annually:

Bonds bearing interest at 1.125% maturing on October 1, 2009	\$ 10,000
Bonds bearing interest at 3.392% maturing on October 1, 2010	75,000
Bonds bearing interest at 3.125% maturing on October 1, 2011	75,000
Bonds bearing interest at 3.125% maturing on October 1, 2012	80,000
Bonds bearing interest at 3.125% maturing on October 1, 2013	80,000
Bonds bearing interest at 4.419% maturing on October 1, 2014	85,000
Bonds bearing interest at 4.792% maturing on October 1, 2015	90,000
Bonds bearing interest at 4.809% maturing on October 1, 2016	95,000
Bonds bearing interest at 5.125% maturing on October 1, 2017	100,000
Bonds bearing interest at 5.125% maturing on October 1, 2018	105,000
Bonds bearing interest at 4.839% maturing on October 1, 2019	105,000
Bonds bearing interest at 4.852% maturing on October 1, 2020	110,000
Bonds bearing interest at 3.951% maturing on October 1, 2021	115,000
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Subtotal	\$ 1,125,000

\$13,480,500 Public Improvement Bonds, Series 2009A, issued June 23, 2009, maturing annually with interest payable semi-annually:

Bonds bearing interest at 4.45% maturing on August 1, 2010	\$ 427,349
Bonds bearing interest at 4.45% maturing on August 1, 2011	447,268
Bonds bearing interest at 4.45% maturing on August 1, 2012	467,186
Bonds bearing interest at 4.45% maturing on August 1, 2013	488,010
Bonds bearing interest at 4.45% maturing on August 1, 2014	510,645
Bonds bearing interest at 4.45% maturing on August 1, 2015	534,186
Bonds bearing interest at 4.45% maturing on August 1, 2016	557,726
Bonds bearing interest at 4.45% maturing on August 1, 2017	583,983
Bonds bearing interest at 4.45% maturing on August 1, 2018	610,240
Bonds bearing interest at 4.45% maturing on August 1, 2019	638,307
Bonds bearing interest at 4.45% maturing on August 1, 2020	667,280
Bonds bearing interest at 4.45% maturing on August 1, 2021	697,158
Bonds bearing interest at 4.45% maturing on August 1, 2022	728,847

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

### General Obligation Bonds (continued):

Bonds bearing interest at 4.45% maturing on August 1, 2023	762,347
Bonds bearing interest at 4.45% maturing on August 1, 2024	796,752
Bonds bearing interest at 4.45% maturing on August 1, 2025	832,968
Bonds bearing interest at 4.45% maturing on August 1, 2026	870,995
Bonds bearing interest at 4.45% maturing on August 1, 2027	910,832
Bonds bearing interest at 4.45% maturing on August 1, 2028	952,481
Bonds bearing interest at 4.45% maturing on August 1, 2029	995,940
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Subtotal	\$ 13,480,500

\$6,252,000 Refunding Bonds, Series 2009B, issued June 23, 2009, maturing annually with interest payable semi-annually:

Bonds bearing interest at 4.45% maturing on February 1, 2010	\$ 236,000
Bonds bearing interest at 4.45% maturing on February 1, 2011	141,000
Bonds bearing interest at 4.45% maturing on February 1, 2012	157,000
Bonds bearing interest at 4.45% maturing on February 1, 2013	167,000
Bonds bearing interest at 4.45% maturing on February 1, 2014	183,000
Bonds bearing interest at 4.45% maturing on February 1, 2015	198,000
Bonds bearing interest at 4.45% maturing on February 1, 2016	212,000
Bonds bearing interest at 4.45% maturing on February 1, 2017	227,000
Bonds bearing interest at 4.45% maturing on February 1, 2018	246,000
Bonds bearing interest at 4.45% maturing on February 1, 2019	264,000
Bonds bearing interest at 4.45% maturing on February 1, 2020	283,000
Bonds bearing interest at 4.45% maturing on February 1, 2021	301,000
Bonds bearing interest at 4.45% maturing on February 1, 2022	318,000
Bonds bearing interest at 4.45% maturing on February 1, 2023	340,000
Bonds bearing interest at 4.45% maturing on February 1, 2024	361,000
Bonds bearing interest at 4.45% maturing on February 1, 2025	387,000
Bonds bearing interest at 4.45% maturing on February 1, 2026	412,000
Bonds bearing interest at 4.45% maturing on February 1, 2027	436,000
Bonds bearing interest at 4.45% maturing on February 1, 2028	465,000
Bonds bearing interest at 4.45% maturing on February 1, 2029	493,000
Bonds bearing interest at 4.45% maturing on February 1, 2030	425,000
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Subtotal	\$ 6,252,000
Total General Obligation Bonds	\$ 87,759,195

### 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, 2009	\$ 410,000
Bonds bearing interest at 5.85% maturing on December 15, 2010	385,000
Bonds bearing interest at 5.85% maturing on December 15, 2011	380,000
Bonds bearing interest at 5.85% maturing on December 15, 2012	305,000
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Subtotal	\$ 1,480,000

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

## General Obligation School Bonds (continued):

\$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 6.40% 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>915,000</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, 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>1,090,000</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 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>1,100,000</u>

\$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, 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



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

## General Obligation School Bonds (continued):

Bonds bearing interest at 5.600% maturing on July 15, 2018	255,000
Bonds bearing interest at 5.600% maturing on July 15, 2019	255,000
Bonds bearing interest at 5.600% maturing on July 15, 2020	255,000
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Subtotal	\$ 3,060,000

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

Bonds bearing interest at 4.100% maturing on July 15, 2009	\$ 1,290,000
Bonds bearing interest at 4.100% maturing on July 15, 2010	1,345,000
Bonds bearing interest at 4.100% maturing on July 15, 2011	1,400,000
Bonds bearing interest at 5.100% maturing on July 15, 2012	1,465,000
Bonds bearing interest at 5.100% maturing on July 15, 2013	1,540,000
Bonds bearing interest at 4.600% maturing on July 15, 2014	1,620,000
Bonds bearing interest at 4.850% maturing on July 15, 2015	1,695,000
Bonds bearing interest at 4.850% maturing on July 15, 2016	1,780,000
Bonds bearing interest at 4.850% maturing on July 15, 2017	1,870,000
Bonds bearing interest at 4.850% maturing on July 15, 2018	1,960,000
Bonds bearing interest at 4.975% maturing on July 15, 2019	2,060,000
Bonds bearing interest at 5.100% maturing on July 15, 2020	2,165,000
Bonds bearing interest at 5.100% maturing on July 15, 2021	2,280,000
Bonds bearing interest at 5.100% maturing on July 15, 2022	2,400,000
Bonds bearing interest at 5.100% maturing on July 15, 2023	2,525,000
Bonds bearing interest at 5.100% maturing on July 15, 2024	2,660,000
Bonds bearing interest at 5.100% maturing on July 15, 2025	2,795,000
Bonds bearing interest at 5.100% maturing on July 15, 2026	2,945,000
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Subtotal	\$ 35,795,000
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Total General Obligation School Bonds	\$ 43,440,000

## 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, 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	\$ 524,965

**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, 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>\$ 2,457,500</u>

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

Lease bearing interest at 3.76% maturing on December 1, 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>\$ 4,498,000</u>
Total Capital Leases	<u>\$ 7,480,465</u>
<b>Total Governmental Activities</b>	<u><u>\$ 138,679,660</u></u>

The following is the detail for the long-term liabilities of the business-type activities as of June 30, 2009.

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, 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

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

General Obligation Bonds (continued):

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	1,890,000
Subtotal	<u>\$ 21,785,000</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 2.875% 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	455,000
Subtotal	<u>\$ 2,870,000</u>

\$1,000,000 General Obligation Bonds, Series 2008, issued August 21, 2008, maturing annually with interest payable semi-annually:

Bonds bearing interest at 3.65% maturing on August 21, 2009	\$ 100,000
Bonds bearing interest at 3.65% maturing on August 21, 2010	100,000
Bonds bearing interest at 3.65% maturing on August 21, 2011	100,000
Bonds bearing interest at 3.65% maturing on August 21, 2012	100,000
Bonds bearing interest at 3.65% maturing on August 21, 2013	100,000
Bonds bearing interest at 3.65% maturing on August 21, 2014	100,000
Bonds bearing interest at 3.65% maturing on August 21, 2015	100,000
Bonds bearing interest at 3.65% maturing on August 21, 2016	100,000
Bonds bearing interest at 3.65% maturing on August 21, 2017	100,000
Bonds bearing interest at 3.65% maturing on August 21, 2018	100,000
Subtotal	<u>\$ 1,000,000</u>

\$1,408,500 Public Improvement Bonds, Series 2009A, issued June 23, 2009, maturing annually with interest payable semi-annually:

Bonds bearing interest at 4.45% maturing on August 1, 2010	\$ 44,651
Bonds bearing interest at 4.45% maturing on August 1, 2011	46,732
Bonds bearing interest at 4.45% maturing on August 1, 2012	48,814

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

### General Obligation Bonds (continued):

Bonds bearing interest at 4.45% maturing on August 1, 2013	50,990
Bonds bearing interest at 4.45% maturing on August 1, 2014	53,355
Bonds bearing interest at 4.45% maturing on August 1, 2015	55,814
Bonds bearing interest at 4.45% maturing on August 1, 2016	58,274
Bonds bearing interest at 4.45% maturing on August 1, 2017	61,017
Bonds bearing interest at 4.45% maturing on August 1, 2018	63,760
Bonds bearing interest at 4.45% maturing on August 1, 2019	66,693
Bonds bearing interest at 4.45% maturing on August 1, 2020	69,720
Bonds bearing interest at 4.45% maturing on August 1, 2021	72,842
Bonds bearing interest at 4.45% maturing on August 1, 2022	76,153
Bonds bearing interest at 4.45% maturing on August 1, 2023	79,653
Bonds bearing interest at 4.45% maturing on August 1, 2024	83,248
Bonds bearing interest at 4.45% maturing on August 1, 2025	87,032
Bonds bearing interest at 4.45% maturing on August 1, 2026	91,005
Bonds bearing interest at 4.45% maturing on August 1, 2027	95,168
Bonds bearing interest at 4.45% maturing on August 1, 2028	99,519
Bonds bearing interest at 4.45% maturing on August 1, 2029	104,060
	<hr/>
Subtotal	\$ 1,408,500
	<hr/>
Total General Obligation Bonds	\$ 27,063,500
	<hr/> <hr/>

### 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, 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

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

### General Obligation Revenue Bonds (continued):

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	<u>650,000</u>
Subtotal	\$ <u>9,675,000</u>
Total General Obligation Revenue Bonds	\$ <u><u>9,675,000</u></u>

### Landfill Closure and Postclosure:

Estimated cost of landfill closure and postclosure:	
City Landfill	\$ 1,531,509
County Landfill - Assumed by the City	<u>2,546,301</u>
Total Landfill Closure and Postclosure	\$ <u>4,077,810</u>
<b>Total Business-type Activities</b>	\$ <u><u>40,816,310</u></u>
<b><i>Total Primary Government Long-term Liabilities (Excluding compensated absences and unamortized premiums/discounts)</i></b>	\$ <u><u>179,495,970</u></u>

### *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 and on the City's \$1,000,000 Series 2008 General Obligation Bonds. The current year reimbursements for debt service payments on these bonds totaled \$490,815. The outstanding balance of the two bond issues at June 30, 2009 was \$3,870,000.

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, 2009, the outstanding balance of the loan is \$3,420,550.

In June 2009, the City issued \$14.9 million in general obligation public improvement bonds, of which \$6.4 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 \$14.9 million bond issue as the debt service payments come due. As of June 30, 2009, the City had advanced to the Authority \$2.7 million.

### **Component Unit – School Board**

At June 30, 2009, the School Board had \$1,424,101 in long-term liabilities outstanding. This long-term liability is comprised of \$799,701 in compensated absences, of which \$310,845 is due within one year and \$624,400 in postretirement healthcare benefits, of which \$446,049 is due within one year.

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

### **Component Unit – HEC**

At June 30, 2009, HEC had \$1,096,567 in long-term liabilities outstanding. This long-term liability is comprised of \$349,798 in compensated absences, of which the entire amount is due within one year and \$746,769 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 2009.

## **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. 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

**Note 14. Harrisonburg Redevelopment and Housing Authority Agreements (continued)**

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 2009, 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 2009, the City made payments totaling \$67,668 to the Authority for this project.

**Note 15. 2001D Series VRA Infrastructure Revenue Bonds Partially Refunded and Defeased**

In June 2009, the City issued \$1,125,000 in General Obligation Public Safety Refunding Bonds with an average interest rate of 4.59 percent to advance refund \$1,125,000 of outstanding 2001D Series Virginia Resources Authority Infrastructure Revenue Bonds (2001D Series Bonds) with an average interest rate of 5.09 percent. The net proceeds of \$1,187,628 (after payment of \$32,299 in issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on obligations due on April 1, 2011 through April 1, 2022. As a result, the 2001D Series Bonds due after April 1, 2011 are considered defeased and have been removed from the City's outstanding debt.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$69,589. This difference, reported in the accompanying financial statements as a deduction from long-term debt, is being amortized through fiscal year 2022. The City advance refunded the 2001D Series Bonds to reduce its total debt service payments over the next 13 years by \$89,879 and to obtain an economic gain (difference between the present value of the old and new debt service payments) of \$45,203.

**Note 16. 2000 Series Public Recreational Facility Bonds Refunded and Defeased**

In June 2009, the City issued \$6,252,000 in General Obligation Refunding Bonds with an average interest rate of 4.45 percent to advance refund \$6,160,000 of outstanding 2000 Series Public Recreational Facility Bonds (2000 Series Bonds) with an average interest rate of 5.71 percent. The net proceeds of \$6,225,920 (after payment of \$26,080 in issuance costs) plus an additional \$520,040 of debt service reserve funds remaining from the 2000 Series Bonds were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2000 Series Bonds. As a result, the 2000 Series Bonds are considered to be defeased and have been removed from the City's outstanding debt.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$732,784. This difference, reported in the accompanying financial statements as a deduction from long-term debt, is being amortized through fiscal year 2030. The City advance refunded the 2000 Series Bonds to reduce its total debt service payments over the next 21 years by \$760,174 and to obtain an economic gain (difference between the present value of the old and new debt service payments) of \$149,042.

## Note 17. 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 the 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, 2009, there were three series of Industrial Development Authority Revenue Bonds and 17 series of Redevelopment and Housing Authority Revenue Bonds outstanding, with an aggregate principal amount of \$221.3 million and \$181.1 million respectively.

## Note 18. 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, 2009.

	General Fund	General Capital Projects Fund	Total
	<u>          </u>	<u>          </u>	<u>          </u>
Reserved for:			
Encumbrances	\$ 175,380	\$ 6,853,954	\$ 7,029,334
Loans receivable	375,000	-	375,000
Prepaid expenditures	75,605	-	75,605
Advances to other funds	211,144	-	211,144
Capital projects	-	9,365,268	9,365,268
Debt service	284,297	-	284,297
Drug forfeiture	41,297	-	41,297
Police department grants	13,120	-	13,120
Fire department grants	6,810	-	6,810
	<u>          </u>	<u>          </u>	<u>          </u>
Total reserved fund balance	<u>\$ 1,182,653</u>	<u>\$ 16,219,222</u>	<u>\$ 17,401,875</u>
Designated for:			
Subsequent years' expenditures	\$ -	\$ 850,642	\$ 850,642
Debt service (old high school)	1,643,800	-	1,643,800
Parks and recreation department	160,500	-	160,500
Fire department grants	2,000	-	2,000
Economic development department	75,000	-	75,000
Denton park	5,131	-	5,131
	<u>          </u>	<u>          </u>	<u>          </u>
Total designated fund balance	<u>\$ 1,886,431</u>	<u>\$ 850,642</u>	<u>\$ 2,737,073</u>



## Note 19. 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 percent 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/2008annurept.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 2009 was 9.94 percent of annual covered payroll. The School Board non-professional employees' contribution rate for the fiscal year ended 2009 was 5.31 percent of annual covered payroll. The School Board professional employees' contribution rate for the VRS statewide teacher pool for the fiscal year ended 2009 was 8.81 percent 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, 2009, 2008, and 2007 were \$2,529,891, \$2,740,269, and \$2,317,821, respectively, and were equal to the required contributions for each year.

**Annual Pension Cost.** For fiscal year 2009, the City of Harrisonburg and HEC's annual pension cost of \$2,425,535 was equal to the required and actual contributions. The School Board's non-professional employees annual pension cost of \$92,657 was equal to the required and actual contributions. The required contribution was determined as part of the June 30, 2007 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 percent investment rate of return, (b) projected salary increases ranging from 3.75 percent to 5.60 percent per year (3.50 percent to 4.75 percent per year for local law enforcement officers and firefighters), (c) 2.5 percent per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.5 percent. 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 20 years. The following is the annual pension cost, the percentage of annual pension cost contributed to VRS and the net pension obligation for fiscal year 2009 and the preceding two fiscal years.

**Note 19. Defined Benefit Pension Plan (continued)**

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
<b>City of Harrisonburg and HEC Employees:</b>			
2009	\$ 2,425,535	100%	\$ -
2008	2,639,332	100%	-
2007	2,303,206	100%	-
<b>School Board Non-Professional Employees:</b>			
2009	\$ 92,657	100%	\$ -
2008	62,960	100%	-
2007	56,974	100%	-

**Funded Status and Funding Progress.** As of June 30, 2008, the most recent actuarial valuation date, the plan for City and HEC employees was 84.61 percent funded. The actuarial accrued liability for benefits was \$92,195,533, and the actuarial value of assets was \$78,009,996, resulting in an unfunded actuarial accrued liability (UAAL) of \$14,185,537. The covered payroll (annual payroll of the active employees covered by the plan) was \$24,741,319 and the ratio of UAAL to the covered payroll was 57.34 percent.

As of June 30, 2008, the most recent actuarial valuation date, the plan for the School Board non-professional employees was 110.56 percent funded. The actuarial accrued liability for benefits was \$4,723,535, and the actuarial value of assets was \$5,222,220, resulting in a funded actuarial accrued liability (FAAL) of \$498,685. The covered payroll (annual payroll of the active employees covered by the plan) was \$1,580,346 and the ratio of FAAL to the covered payroll was 31.56 percent.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, 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.

**Note 20. Postretirement Healthcare Benefits**

In fiscal year 2009, the City and its component units adopted GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement has been implemented prospectively with the beginning net other postemployment benefits (OPEB) obligation being set at zero.

**Plan Description**

**City of Harrisonburg.** The City provides certain healthcare benefits for retired employees through the City of Harrisonburg Postretirement Healthcare Benefit Plan (Plan). The plan is administered through a single-employer defined benefit plan and is considered other postemployment benefits (OPEB). The Plan provides for an option to eligible retirees and their eligible dependents to continue their coverage in the same health insurance program available to all City employees at the active employee rates. Eligible retirees must be 50 years of age and meet the Virginia Retirement System requirements for service or disability retirement. Retirees must have at least 15 years of consecutive eligible service with the City immediately prior to retirement. Also, retirees must have participated in the City’s health insurance program for a minimum of five years immediately prior to retirement. The benefit ends upon the retiree’s eligibility for Medicare coverage. The Plan is part of the City’s Human Resources Policy Manual which is subject to City Council approval. The Plan does not issue a publicly available financial report.

**Note 20. Postretirement Healthcare Benefits (continued)**

**School Board.** The Harrisonburg City School Board provides certain healthcare benefits for retired employees through the Harrisonburg City School Board Postretirement Healthcare Benefit Plan (Plan). The plan is administered through a single-employer defined benefit plan and is considered other postemployment benefits (OPEB). The Plan provides for an option to eligible retirees and their eligible dependents to continue their coverage in the same health insurance program available to all School Board employees at the active employee rates. Eligible retirees must be 50 years of age and meet the Virginia Retirement System requirements for service or disability retirement. Retirees must have at least ten years of cumulative eligible service with the School Board with a minimum of five years immediately prior to retirement. Depending on the number of years of eligible service, the retiree may remain on the plan for a maximum of fifteen years but in all instances the benefit ends upon the retiree’s eligibility for Medicare coverage. The Plan is part of the School Board’s Human Resources Policy Manual which is subject to School Board approval. The Plan does not issue a publicly available financial report.

**Funding Policy**

**City of Harrisonburg.** The contribution requirements of the retirees and the City are established through the City’s Human Resources Policy Manual and may be amended by City Council. The City currently pays for these benefits on a pay-as-you-go basis. Under the current plan, the City contributes \$10 for each full year of service up to a maximum of \$350 towards the retiree’s monthly premium. The retiree must contribute the remaining monthly premium amount.

**School Board.** The contribution requirements of the retirees and the School Board are established through the Harrisonburg City School Board Human Resources Policy Manual and may be amended by the School Board. The School Board currently pays for these benefits on a pay-as-you-go basis. Under the current plan, the School Board contributes an amount equal to 65 percent of the monthly premium for the coverage selected by the retiree. The retiree must contribute the remaining monthly premium amount.

**Annual OPEB Cost and Net OPEB Obligation**

The following are the components of the annual OPEB cost (expense) for the current year, the amount actually contributed to the plans and changes in the net OPEB obligation for the City and School Board.

	Primary Government	Component Unit School Board
Annual required contribution	\$ 931,500	\$ 1,031,900
Interest on the net OPEB obligation	-	-
Adjustment to the annual required contribution	-	-
Annual OPEB cost (expense)	\$ 931,500	\$ 1,031,900
Contributions made	(326,341)	(407,500)
Increase in the net OPEB obligation	\$ 605,159	\$ 624,400
Net OPEB obligation at beginning of year	-	-
Net OPEB obligation at end of year	<u>\$ 605,159</u>	<u>\$ 624,400</u>

The following is the annual OPEB cost, the percentage of annual OPEB cost contributed to the plans and the net OPEB obligation for fiscal year 2009 of the City and School Board. Current financial reporting standards require trend information to be provided for the current year and the two preceding year. However, fiscal year 2009 is considered the transition year, therefore only one year is including in the following table.

## Note 20. Postretirement Healthcare Benefits (continued)

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
<b>City of Harrisonburg:</b>			
2009	\$ 931,500	35.0%	\$ 605,159
<b>Harrisonburg City School Board:</b>			
2009	\$ 1,031,900	39.5%	\$ 624,400

### Funded Status and Funding Progress

**City of Harrisonburg.** As of July 1, 2008, the most recent actuarial valuation date, the plan had not been funded. The actuarial accrued liability for benefits was \$9,293,100. There were no plan assets resulting in an unfunded actuarial accrued liability (UAAL) of \$9,293,100. The covered payroll (annual payroll of the active employees covered by the plan) was \$21,763,083 and the ratio of UAAL to the covered payroll was 42.70 percent.

**School Board.** As of July 1, 2008, the most recent actuarial valuation date, the plan had not been funded. The actuarial accrued liability for benefits was \$9,426,300. There were no plan assets resulting in an unfunded actuarial accrued liability (UAAL) of \$9,426,300. The covered payroll (annual payroll of the active employees covered by the plan) was \$30,453,694 and the ratio of UAAL to the covered payroll was 30.95 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, 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 Methods and Assumptions

**City of Harrisonburg.** In the July 1, 2008 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4 percent investment rate of return and an annual healthcare cost trend rate of 8 percent initially, reduced by decrements to an ultimate rate of 5 percent after 7 years. The unfunded actuarial accrued liability is being amortized using the level percentage of payroll method over an initial 30 year period. The remaining amortization period at the end of the current fiscal year is 29 years.

**School Board.** In the July 1, 2008 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4 percent investment rate of return and an annual healthcare cost trend rate of 8 percent initially, reduced by decrements to an ultimate rate of 5 percent after 7 years. The unfunded actuarial accrued liability is being amortized using the level percentage of payroll method over an initial 30 year period. The remaining amortization period at the end of the current fiscal year is 29 years.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

## **Note 20. Postretirement Healthcare Benefits (continued)**

### **Component Unit – HEC**

The Harrisonburg Electric Commission (HEC) provides certain health care benefits for employees who retire from HEC. In fiscal year 2009, HEC adopted GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Further information on the plan is included in HEC's separately issued financial statements.

### **Note 21. Transactions with Component Units**

For the year ended June 30, 2009, the City's General Fund made cash payments to the School Board, a component unit, totaling \$24,627,567. 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, 2009, 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 22. 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. \$1,531,509 of the amount reported as landfill closure and postclosure care liability at June 30, 2009 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 \$623,129 for groundwater remediation. These amounts are based on current year costs. Actual costs ultimately may differ due to inflation, changes in technology, or changes in regulations. The City plans to fund its landfill closure and postclosure care costs with available funds from the Sanitation Fund.

### **Note 23. 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. \$407,181 of the amount reported as landfill closure and postclosure care liability at June 30, 2009 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 \$22,918 in liability incurred by the City prior to July 1, 1994. The County closed this cell in 2000.

The City also recognizes \$2,139,120 associated with a new, and subsequently expanded, landfill cell opened in 2001, which is based on the use of 46.7% of the estimated capacity of the new landfill cell. The City will recognize its remaining estimated cost of closure and postclosure care of \$2,444,303 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 24. Commitments**

The City has a construction contract outstanding for improvements to Port Republic Road (Phase III). The contract totals \$2.3 million, of which \$1.7 million had been expended as of June 30, 2009. 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 24. Commitments (continued)**

The City has a construction contract outstanding for connecting and improving Erickson Avenue and Stone Spring Road (Phase I). The contract totals \$5.8 million, of which \$1.2 million had been expended as of June 30, 2009. This contract is a commitment of the General Capital Projects Fund and is being financed through transfers from the General Fund, intergovernmental revenue and the issuance of bonds.

The City has a construction contract outstanding for the construction of a new eight million gallon water tank on Tower Street. The contract totals \$2.2 million and no funds had been expended as of June 30, 2009. This contract is a commitment of the Water Fund and is being financed through current available funds, grant funding and a future bond issue.

The Harrisonburg Electric Commission, a component unit, has entered into an agreement dated June 5, 2009 to purchase a power transformer for \$1 million. The expected completion date is October 2009 and is being financed using currently available resources.

**Note 25. Subsequent Events**

In October 2009, City Council approved the issuance of \$2.3 million in General Obligation Bonds for the construction of a new eight million gallon water tank through the Virginia Resources Authority (VRA) as the administrator of the Virginia Drinking Water Supply Revolving Fund. These funds are being obtained pursuant to the American Recovery and Reinvestment Act of 2009. In accordance with the financing agreements with VRA, one half of the funding will be provided through a zero percent interest rate loan for a term up to 30 years and one half of the funding will include a principal forgiveness arrangement through the Virginia Department of Health.

In October 2009, the Virginia Public School Authority (VPSA) refinanced several of its outstanding bond issues including its Series 2001C Bonds of which the City was a participant. The City's share of the Series 2001C Bonds was \$41.5 million which were issued in November 2001. The City anticipates receiving a \$2.3 million credit on its July 2010 debt service payment to the VPSA for the City's portion of the refinancing savings.

**Note 26. 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 27. 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 28. 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 2009, the City's contributions totaled \$3,712,943 of which \$2,075,292 was for operations and \$1,637,651 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 \$27.8 million.

The Authority has \$59,578,564 of total debt outstanding at June 30, 2009. 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>
2010	\$ 524,603	\$ 761,646	\$ 1,286,249
2011	542,946	1,258,050	1,800,996
2012	1,602,549	1,230,914	2,833,463
2013	1,655,254	1,173,847	2,829,101
2014	1,712,773	1,115,990	2,828,763
2015-2019	9,553,917	4,587,905	14,141,822
2020-2024	8,650,241	2,472,198	11,122,439
2025-2029	3,917,046	524,386	4,441,432
2030-2031	1,293,434	38,995	1,332,429
Total	<u>\$ 29,452,763</u>	<u>\$ 13,163,931</u>	<u>\$ 42,616,694</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, 2009</u>	<u>June 30, 2008</u>	<u>Increase (Decrease)</u>
Current assets	\$ 3,694,533	\$ 2,287,830	\$ 1,406,703
Restricted assets	1,475,801	964,820	510,981
Capital assets	93,915,791	43,063,144	50,852,647
Other assets	696,181	699,352	(3,171)
Total assets	<u>\$ 99,782,306</u>	<u>\$ 47,015,146</u>	<u>\$ 52,767,160</u>
Current liabilities	\$ 8,539,901	\$ 6,646,566	\$ 1,893,335
Liabilities payable from restricted assets	839,873	821,887	17,986
Long-term liabilities	58,304,131	23,872,644	34,431,487
Total liabilities	<u>\$ 67,683,905</u>	<u>\$ 31,341,097</u>	<u>\$ 36,342,808</u>
Net assets	<u>\$ 32,098,401</u>	<u>\$ 15,674,049</u>	<u>\$ 16,424,352</u>

**Note 29. 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 (HRECC), whereby the HRECC 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 HRECC. In fiscal year 2009, the City's contributions totaled \$1,685,740. These contributions are made from the General Fund. The City and County have equal undivided interests in any property purchased or used by the HRECC. To obtain a copy of the audited financial statements, contact the City of Harrisonburg Finance Department, 345 South Main Street, Harrisonburg, Virginia 22801.

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

	<u>June 30, 2009</u>	<u>June 30, 2008</u>	<u>Increase (Decrease)</u>
Current assets	\$ 1,645,395	\$ 803,803	\$ 841,592
Capital assets	<u>2,072,145</u>	<u>1,229,638</u>	<u>842,507</u>
Total assets	<u>\$ 3,717,540</u>	<u>\$ 2,033,441</u>	<u>\$ 1,684,099</u>
Current liabilities	\$ 243,598	\$ 803,803	\$ (560,205)
Long-term liabilities	<u>204,398</u>	<u>157,132</u>	<u>47,266</u>
Total liabilities	<u>\$ 447,996</u>	<u>\$ 960,935</u>	<u>\$ (512,939)</u>
Net assets	<u>\$ 3,269,544</u>	<u>\$ 1,072,506</u>	<u>\$ 2,197,038</u>

**Note 30. Jointly Governed Organizations**

The Harrisonburg-Rockingham Social Services District (District) was established 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 \$3,637,879 to the District for the year ended June 30, 2009.

The Shenandoah Valley Juvenile Center Commission (Commission) was established to provide a regional juvenile detention home. The Commission currently serves the Cities of Harrisonburg, Staunton, Waynesboro and Lexington, Virginia and the Counties of Augusta, Rockingham and Rockbridge, Virginia. The governing body is composed of one member appointed by each participating locality. The Commission is a separate legal entity with no participating locality having a voting majority. The Commission is perpetual and no participating locality has access to its resources or surpluses, nor is any participant liable for the Commission's debts or deficits. The City contributed \$463,572 to the Commission for the year ended June 30, 2009.

**Note 31. 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 32. Restatement of Beginning Net Assets

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

	<u>Primary Government Governmental Activities</u>	<u>Component Unit School Board</u>
Net assets at the beginning of year, as previously reported	\$ 174,497,146	\$ 29,178,243
Correct overstatement of prior year's intergovernmental receivable	(558,505)	-
Record prior year's prepaid expenses	<u>-</u>	<u>253,576</u>
Net assets at the beginning of year, as restated	<u>\$ 173,938,641</u>	<u>\$ 29,431,819</u>

### Note 33. 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 34. 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 35. Risk Management

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

**Note 35. 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. The following external agencies also participate in the health insurance program:

Harrisonburg-Rockingham Emergency Communications Center, Harrisonburg-Rockingham Community Services Board, Harrisonburg-Rockingham Regional Sewer Authority, Harrisonburg-Rockingham Alcohol Safety Action Program, Harrisonburg Redevelopment and Housing Authority, Harrisonburg Downtown Renaissance 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, 2007 to June 30, 2009:

<u>Fiscal Year</u>	<u>Beginning Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Ending Liability</u>
2009	\$ 818,609	\$ 10,735,354	\$ 11,004,853	\$ 549,110
2008	696,427	9,614,881	9,492,699	818,609

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

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.

In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement establishes new fund balance classifications that are based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds and provides for disclosures of certain fund balance policies. This statement also addresses the definitions of the various governmental fund types. The provisions of the statement are effective for fiscal year 2011 and will have an effect on the fund balance reporting of the City's financial statements.

**REQUIRED  
SUPPLEMENTARY INFORMATION**

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**CITY OF HARRISONBURG, VIRGINIA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 For the Year Ended June 30, 2009**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
<b>Revenues:</b>				
General property taxes	\$ 29,280,784	\$ 29,280,784	\$ 28,997,708	\$ (283,076)
Other local taxes	36,111,000	36,111,000	32,126,185	(3,984,815)
Permits, privilege fees and regulatory licenses	795,176	795,176	848,149	52,973
Fines and forfeitures	478,000	478,000	570,997	92,997
Use of money and property	1,769,000	1,769,000	564,524	(1,204,476)
Charges for services	1,049,900	1,059,460	1,193,156	133,696
Miscellaneous	1,156,748	1,415,813	1,352,980	(62,833)
Payments from component units	4,800,000	4,800,000	4,800,000	-
Intergovernmental	7,456,327	7,919,107	7,878,708	(40,399)
Total revenues	<u>\$ 82,896,935</u>	<u>\$ 83,628,340</u>	<u>\$ 78,332,407</u>	<u>\$ (5,295,933)</u>
<b>Expenditures:</b>				
Current:				
City council	\$ 181,085	\$ 193,593	\$ 185,517	\$ 8,076
City manager	838,386	560,564	467,134	93,430
City attorney	154,171	170,712	152,381	18,331
Human resources	224,782	232,255	230,407	1,848
Independent auditor	13,500	15,020	15,020	-
Commissioner of the revenue	697,898	695,182	651,171	44,011
Treasurer	532,426	541,131	485,985	55,146
Finance	567,528	571,694	534,601	37,093
Information technology	753,952	774,313	558,730	215,583
Electoral board	161,166	173,101	173,090	11
Police	8,449,587	8,753,501	8,026,294	727,207
Fire	7,147,562	8,306,865	8,045,624	261,241
Public works	7,994,760	9,446,659	7,340,844	2,105,815
Local health department	413,747	413,747	343,030	70,717
Community services board	300,394	300,394	300,394	-
Tax relief for the elderly	49,000	65,957	65,957	-
Parks and recreation	5,660,710	5,469,524	4,819,548	649,976
Planning and community development	2,582,627	2,679,036	2,211,849	467,187
Economic development	1,543,816	1,591,908	1,193,689	398,219
Downtown renaissance	167,421	167,421	158,087	9,334
Contributions - community and civic organizations	1,591,702	1,784,873	1,591,472	193,401
Payments to Rockingham County for joint operations	5,416,591	6,586,371	6,353,450	232,921
Debt service	11,812,307	11,782,583	12,310,416	(527,833)
Total expenditures	<u>\$ 57,255,118</u>	<u>\$ 61,276,404</u>	<u>\$ 56,214,690</u>	<u>\$ 5,061,714</u>
<b>Excess of revenues over expenditures</b>	<u>\$ 25,641,817</u>	<u>\$ 22,351,936</u>	<u>\$ 22,117,717</u>	<u>\$ (234,219)</u>

(continued)

**CITY OF HARRISONBURG, VIRGINIA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 For the Year Ended June 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Other financing sources (uses):</b>				
Long-term debt issued	\$ -	\$ -	\$ 7,377,000	\$ 7,377,000
Payment to advanced refunding escrow	-	-	(7,412,601)	(7,412,601)
Premium on long-term debt issued	-	-	99,617	99,617
Transfers in	1,999,716	2,707,065	2,885,011	177,946
Transfers out	(31,877,965)	(32,328,183)	(30,813,552)	1,514,631
Total other financing sources (uses)	<u>\$ (29,878,249)</u>	<u>\$ (29,621,118)</u>	<u>\$ (27,864,525)</u>	<u>\$ 1,756,593</u>
<b>Net change in fund balance</b>	<u>\$ (4,236,432)</u>	<u>\$ (7,269,182)</u>	<u>\$ (5,746,808)</u>	<u>\$ 1,522,374</u>
Fund balance at beginning of year			<u>25,282,473</u>	
Fund balance at end of year			<u>\$ 19,535,665</u>	

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

**CITY OF HARRISONBURG, VIRGINIA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULES OF FUNDING PROGRESS**

**Exhibit 12**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Actuarial Accrued Lia- bility (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
<b>City of Harrisonburg and Harrisonburg Electric Commission Defined Benefit Pension Plan (Virginia Retirement System)</b>						
June 30, 2008	\$ 78,009,996	\$ 92,195,533	\$ 14,185,537	84.61%	\$ 24,741,319	57.34%
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%
<b>City of Harrisonburg School Board Defined Benefit Pension Plan (Virginia Retirement System)</b>						
June 30, 2008	\$ 5,222,220	\$ 4,723,535	\$ (498,685)	110.56%	\$ 1,580,346	(31.56%)
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%
<b>City of Harrisonburg Postretirement Healthcare Benefit Plan</b>						
July 1, 2008	\$ -	\$ 9,293,100	\$ 9,293,100	0.00%	\$ 21,763,083	42.70%
<b>City of Harrisonburg School Board Postretirement Healthcare Benefit Plan</b>						
July 1, 2008	\$ -	\$ 9,426,300	\$ 9,426,300	0.00%	\$ 30,453,694	30.95%
<b>Harrisonburg Electric Commission Postretirement Healthcare Benefit Plan</b>						
July 1, 2008	\$ -	\$ 713,018	\$ 713,018	0.00%	\$ 2,618,221	27.23%

**CITY OF HARRISONBURG, VIRGINIA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2009**

**Note 1. 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 and all agency 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 is the original budget and the revised budget as of June 30, 2009.

The appropriated budget places legal restrictions on expenditures at the department 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 \$4,471,504. 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.

**Note 2. Defined Benefit Pension Plans**

The assumptions used for the June 30, 2007 actuarial valuation reflect a change in projected salary increases.

**Note 3. Postretirement Healthcare Benefit Plans**

Current financial reporting standards require trend information to be provided for the current year and the two preceding year. However, fiscal year 2009 is considered the transition year, therefore only one year is including in the schedule of funding progress.



**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, 2009**

**Exhibit A-1**

	<b>Central Garage Fund</b>	<b>Central Stores Fund</b>	<b>Health Insurance Fund</b>	<b>Total</b>
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 121,178	\$ -	\$ 3,240,205	\$ 3,361,383
Receivables	3,458	-	44	3,502
Due from component unit	3,495	-	-	3,495
Inventory	594,202	1,260,666	-	1,854,868
Prepaid expenses	7,200	-	-	7,200
Total current assets	<u>\$ 729,533</u>	<u>\$ 1,260,666</u>	<u>\$ 3,240,249</u>	<u>\$ 5,230,448</u>
Noncurrent assets:				
Capital assets (net of accumulated depreciation)	\$ 22,753	\$ 702,080	\$ -	\$ 724,833
Total noncurrent assets	<u>\$ 22,753</u>	<u>\$ 702,080</u>	<u>\$ -</u>	<u>\$ 724,833</u>
<b>Total assets</b>	<u><u>\$ 752,286</u></u>	<u><u>\$ 1,962,746</u></u>	<u><u>\$ 3,240,249</u></u>	<u><u>\$ 5,955,281</u></u>
<b>Liabilities and Net Assets</b>				
Current liabilities:				
Accounts payable	\$ 86,193	\$ 19,002	\$ 549,110	\$ 654,305
Accrued payroll	28,587	3,327	-	31,914
Due to component unit	-	369	-	369
Advances from other funds	-	169,554	-	169,554
Compensated absences	44,204	2,505	-	46,709
Postretirement healthcare benefits	8,672	1,666	-	10,338
Total current liabilities	<u>\$ 167,656</u>	<u>\$ 196,423</u>	<u>\$ 549,110</u>	<u>\$ 913,189</u>
Noncurrent liabilities:				
Compensated absences	\$ 54,733	\$ 4,212	\$ -	\$ 58,945
Postretirement healthcare benefits	6,205	1,193	-	7,398
Total noncurrent liabilities	<u>\$ 60,938</u>	<u>\$ 5,405</u>	<u>\$ -</u>	<u>\$ 66,343</u>
<b>Total liabilities</b>	<u><u>\$ 228,594</u></u>	<u><u>\$ 201,828</u></u>	<u><u>\$ 549,110</u></u>	<u><u>\$ 979,532</u></u>
Net assets:				
Invested in capital assets	\$ 22,753	\$ 702,080	\$ -	\$ 724,833
Unrestricted	500,939	1,058,838	2,691,139	4,250,916
<b>Total net assets</b>	<u><u>\$ 523,692</u></u>	<u><u>\$ 1,760,918</u></u>	<u><u>\$ 2,691,139</u></u>	<u><u>\$ 4,975,749</u></u>
<b>Total liabilities and net assets</b>	<u><u>\$ 752,286</u></u>	<u><u>\$ 1,962,746</u></u>	<u><u>\$ 3,240,249</u></u>	<u><u>\$ 5,955,281</u></u>

## INTERNAL SERVICE FUNDS

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

For the Year Ended June 30, 2009

	<u>Central Garage Fund</u>	<u>Central Stores Fund</u>	<u>Health Insurance Fund</u>	<u>Total</u>
<b>Operating revenues:</b>				
Charges for services	\$ 2,874,910	\$ 969,581	\$ 11,189,180	\$ 15,033,671
Total operating revenues	<u>\$ 2,874,910</u>	<u>\$ 969,581</u>	<u>\$ 11,189,180</u>	<u>\$ 15,033,671</u>
<b>Operating expenses:</b>				
Personal services	\$ 584,040	\$ 63,664	\$ -	\$ 647,704
Fringe benefits	220,611	21,350	-	241,961
Purchased services	21,967	9,751	498,438	530,156
Internal services	69	958	-	1,027
Other charges	6,409	15,434	547,786	569,629
Materials and supplies	48,650	3,301	-	51,951
Depreciation	8,192	21,529	-	29,721
Cost of inventory issued	2,127,035	963,159	-	3,090,194
Claims related charges	-	-	10,735,354	10,735,354
Total operating expenses	<u>\$ 3,016,973</u>	<u>\$ 1,099,146</u>	<u>\$ 11,781,578</u>	<u>\$ 15,897,697</u>
<b>Operating loss</b>	<u>\$ (142,063)</u>	<u>\$ (129,565)</u>	<u>\$ (592,398)</u>	<u>\$ (864,026)</u>
<b>Nonoperating revenues:</b>				
Miscellaneous revenue	\$ -	\$ -	\$ 13,908	\$ 13,908
Investment revenue	1,440	-	61,832	63,272
Total nonoperating revenues	<u>\$ 1,440</u>	<u>\$ -</u>	<u>\$ 75,740</u>	<u>\$ 77,180</u>
<b>Loss before transfers</b>	\$ (140,623)	\$ (129,565)	\$ (516,658)	\$ (786,846)
Transfers in	<u>77,312</u>	<u>119,389</u>	<u>-</u>	<u>196,701</u>
<b>Change in net assets</b>	\$ (63,311)	\$ (10,176)	\$ (516,658)	\$ (590,145)
Net assets at beginning of year	<u>587,003</u>	<u>1,771,094</u>	<u>3,207,797</u>	<u>5,565,894</u>
Net assets at end of year	<u><u>\$ 523,692</u></u>	<u><u>\$ 1,760,918</u></u>	<u><u>\$ 2,691,139</u></u>	<u><u>\$ 4,975,749</u></u>

**CITY OF HARRISONBURG, VIRGINIA**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**For the Year Ended June 30, 2009**

	<b>Central Garage Fund</b>	<b>Central Stores Fund</b>	<b>Health Insurance Fund</b>	<b>Total</b>
<b>Cash flows from operating activities:</b>				
Receipts from customers	\$ 2,880,631	\$ 969,581	\$ -	\$ 3,850,212
Receipts from premiums	-	-	11,189,180	11,189,180
Receipts other sources	-	-	13,908	13,908
Payments to employees	(576,014)	(63,854)	-	(639,868)
Payments for fringe benefits	(205,152)	(18,501)	-	(223,653)
Payments to vendors	(2,167,270)	(1,067,642)	(1,046,223)	(4,281,135)
Payments for internal services	(69)	(958)	-	(1,027)
Payments for claims related charges	-	-	(11,004,853)	(11,004,853)
Net cash used for operating activities	<u>\$ (67,874)</u>	<u>\$ (181,374)</u>	<u>\$ (847,988)</u>	<u>\$ (1,097,236)</u>
<b>Cash flows from noncapital financing activities:</b>				
Transfers in	\$ 77,312	\$ 119,389	\$ -	\$ 196,701
Interfund loan	-	61,985	-	61,985
Net cash provided by noncapital financing activities	<u>\$ 77,312</u>	<u>\$ 181,374</u>	<u>\$ -</u>	<u>\$ 258,686</u>
<b>Cash flows from investing activities:</b>				
Interest received	\$ 1,452	\$ -	\$ 62,300	\$ 63,752
Net cash provided by investing activities	<u>\$ 1,452</u>	<u>\$ -</u>	<u>\$ 62,300</u>	<u>\$ 63,752</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>\$ 10,890</b>	<b>\$ -</b>	<b>\$ (785,688)</b>	<b>\$ (774,798)</b>
<b>Cash and cash equivalents:</b>				
Beginning	<u>110,288</u>	<u>-</u>	<u>4,025,893</u>	<u>4,136,181</u>
Ending	<u><u>\$ 121,178</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,240,205</u></u>	<u><u>\$ 3,361,383</u></u>

(continued)

**CITY OF HARRISONBURG, VIRGINIA**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**For the Year Ended June 30, 2009**

	<u>Central Garage Fund</u>	<u>Central Stores Fund</u>	<u>Health Insurance Fund</u>	<u>Total</u>
<b>Reconciliation of operating loss to net cash used for operating activities:</b>				
Operating loss	\$ (142,063)	\$ (129,565)	\$ (592,398)	\$ (864,026)
Adjustments to reconcile operating loss to net cash used for operating activities:				
Depreciation	8,192	21,529	-	29,721
Miscellaneous revenue	-	-	13,908	13,908
Change in assets and liabilities:				
(Increase) decrease in:				
Accounts receivable	1,953	-	-	1,953
Due from component unit	3,768	-	-	3,768
Inventory	110,932	(91,407)	-	19,525
Prepaid expenses	(7,200)	-	-	(7,200)
Increase (decrease) in:				
Accounts payable	(66,940)	15,517	(269,498)	(320,921)
Accrued payroll	2,109	264	-	2,373
Due to component unit	-	(102)	-	(102)
Compensated absences	6,498	(469)	-	6,029
Postretirement healthcare benefits	14,877	2,859	-	17,736
Net cash used for operating activities	<u>\$ (67,874)</u>	<u>\$ (181,374)</u>	<u>\$ (847,988)</u>	<u>\$ (1,097,236)</u>

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## Agency Funds

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

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

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

**Emergency Communications Center Fund** - This fund accounts for assets held by the City for the Harrisonburg-Rockingham Emergency Communications Center (HRECC). The City acts as the fiscal agent for the HRECC.

**CITY OF HARRISONBURG, VIRGINIA**  
**AGENCY FUNDS**  
**COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**At June 30, 2009**

**Exhibit B-1**

	<b>Juvenile Crime Control Fund</b>	<b>Industrial Development Authority Fund</b>	<b>Emergency Communications Center Fund</b>	<b>Total</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 16,716	\$ 58,229	\$ 770,429	\$ 845,374
Receivables	-	-	810,884	810,884
Prepaid items	-	-	64,082	64,082
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total assets</b>	<u>\$ 16,716</u>	<u>\$ 58,229</u>	<u>\$ 1,645,395</u>	<u>\$ 1,720,340</u>
<b>Liabilities</b>				
Accounts payable	\$ -	\$ -	\$ 171,954	\$ 171,954
Accrued payroll	1,662	-	70,643	72,305
Amounts held for others	15,054	58,229	1,402,798	1,476,081
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total liabilities</b>	<u>\$ 16,716</u>	<u>\$ 58,229</u>	<u>\$ 1,645,395</u>	<u>\$ 1,720,340</u>

CITY OF HARRISONBURG, VIRGINIA  
 AGENCY FUNDS  
 STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
 For the Year Ended June 30, 2009

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
<b><u>Juvenile Crime Control Fund</u></b>				
Assets:				
Cash and cash equivalents	\$ 16,787	\$ 118,870	\$ 118,941	\$ 16,716
Receivables	<u>2</u>	<u>-</u>	<u>2</u>	<u>-</u>
<b>Total assets</b>	<b><u>\$ 16,789</u></b>	<b><u>\$ 118,870</u></b>	<b><u>\$ 118,943</u></b>	<b><u>\$ 16,716</u></b>
Liabilities:				
Accounts payable	\$ 510	-	\$ 510	-
Accrued payroll	3,088	1,662	3,088	1,662
Amounts held for others	<u>13,191</u>	<u>118,868</u>	<u>117,005</u>	<u>15,054</u>
<b>Total liabilities</b>	<b><u>\$ 16,789</u></b>	<b><u>\$ 120,530</u></b>	<b><u>\$ 120,603</u></b>	<b><u>\$ 16,716</u></b>
<b><u>Industrial Development Authority Fund</u></b>				
Assets:				
Cash and cash equivalents	\$ 45,117	\$ 13,412	\$ 300	\$ 58,229
Receivables	<u>6</u>	<u>-</u>	<u>6</u>	<u>-</u>
<b>Total assets</b>	<b><u>\$ 45,123</u></b>	<b><u>\$ 13,412</u></b>	<b><u>\$ 306</u></b>	<b><u>\$ 58,229</u></b>
Liabilities:				
Amounts held for others	\$ 45,123	\$ 13,406	\$ 300	\$ 58,229
<b>Total liabilities</b>	<b><u>\$ 45,123</u></b>	<b><u>\$ 13,406</u></b>	<b><u>\$ 300</u></b>	<b><u>\$ 58,229</u></b>
<b><u>Emergency Communications Center Fund</u></b>				
Assets:				
Cash and cash equivalents	\$ 200	\$ 5,295,677	\$ 4,525,448	\$ 770,429
Receivables	761,795	810,884	761,795	810,884
Prepaid items	<u>41,808</u>	<u>64,082</u>	<u>41,808</u>	<u>64,082</u>
<b>Total assets</b>	<b><u>\$ 803,803</u></b>	<b><u>\$ 6,170,643</u></b>	<b><u>\$ 5,329,051</u></b>	<b><u>\$ 1,645,395</u></b>
Liabilities:				
Accounts payable	\$ 148,149	\$ 171,954	\$ 148,149	\$ 171,954
Accrued payroll	67,888	70,643	67,888	70,643
Amounts held for others	<u>587,766</u>	<u>5,344,766</u>	<u>4,529,734</u>	<u>1,402,798</u>
<b>Total liabilities</b>	<b><u>\$ 803,803</u></b>	<b><u>\$ 5,587,363</u></b>	<b><u>\$ 4,745,771</u></b>	<b><u>\$ 1,645,395</u></b>

(continued)

CITY OF HARRISONBURG, VIRGINIA  
 AGENCY FUNDS  
 STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
 For the Year Ended June 30, 2009

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
<b><u>Total - All Agency Funds</u></b>				
Assets:				
Cash and cash equivalents	\$ 62,104	\$ 5,427,959	\$ 4,644,689	\$ 845,374
Receivables	761,803	810,884	761,803	810,884
Prepaid items	41,808	64,082	41,808	64,082
<b>Total assets</b>	<b>\$ 865,715</b>	<b>\$ 6,302,925</b>	<b>\$ 5,448,300</b>	<b>\$ 1,720,340</b>
Liabilities:				
Accounts payable	\$ 148,659	\$ 171,954	\$ 148,659	\$ 171,954
Accrued payroll	70,976	72,305	70,976	72,305
Amounts held for others	646,080	5,477,040	4,647,039	1,476,081
<b>Total liabilities</b>	<b>\$ 865,715</b>	<b>\$ 5,721,299</b>	<b>\$ 4,866,674</b>	<b>\$ 1,720,340</b>

## **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, 2009**

**Exhibit C-1**

	<u>School Fund</u>	<u>School Cafeteria Fund</u>	<u>School Capital Projects Fund</u>	<u>Totals</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 7,188,805	\$ 1,046,047	\$ 1,746,392	\$ 9,981,244
Receivables	988,222	-	-	988,222
Due from other funds	-	41,137	-	41,137
Inventory	-	36,810	-	36,810
Prepaid expenditures	1,041,937	-	-	1,041,937
<b>Total assets</b>	<u>\$ 9,218,964</u>	<u>\$ 1,123,994</u>	<u>\$ 1,746,392</u>	<u>\$ 12,089,350</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 24,351	\$ 827	\$ -	\$ 25,178
Accrued payroll	4,473,310	-	-	4,473,310
Due to other funds	41,137	-	-	41,137
Due to component unit	79,568	-	-	79,568
Deferred revenue	59,706	-	-	59,706
<b>Total liabilities</b>	<u>\$ 4,678,072</u>	<u>\$ 827</u>	<u>\$ -</u>	<u>\$ 4,678,899</u>
<b>Fund Balances:</b>				
<b>Reserved for:</b>				
Encumbrances	\$ 395,309	\$ -	\$ -	\$ 395,309
Prepaid expenditures	1,041,937	-	-	1,041,937
<b>Unreserved:</b>				
Designated	-	-	1,746,392	1,746,392
Undesignated	3,103,646	1,123,167	-	4,226,813
<b>Total fund balances</b>	<u>\$ 4,540,892</u>	<u>\$ 1,123,167</u>	<u>\$ 1,746,392</u>	<u>\$ 7,410,451</u>
<b>Total liabilities and fund balances</b>	<u>\$ 9,218,964</u>	<u>\$ 1,123,994</u>	<u>\$ 1,746,392</u>	<u>\$ 12,089,350</u>

**CITY OF HARRISONBURG, VIRGINIA**  
**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**  
**At June 30, 2009**

**Exhibit C-2**

Total fund balance of governmental funds (Exhibit C-1)	\$ 7,410,451
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.	59,706
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	25,984,293
Long-term liabilities, and related accounts, are not payable from current financial resources and therefore are not reported in the funds.	<u>(1,424,101)</u>
Net assets of governmental activities (Exhibit 1)	<u><u>\$ 32,030,349</u></u>

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

**Exhibit C-3**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
For the Year Ended June 30, 2009**

	<u>School Fund</u>	<u>School Cafeteria Fund</u>	<u>School Capital Projects Fund</u>	<u>Totals</u>
<b>Revenues:</b>				
Use of money and property	\$ 10,555	\$ 12,327	\$ -	\$ 22,882
Charges for services	881,808	660,644	-	1,542,452
Miscellaneous	193,453	12,312	-	205,765
Payment from primary government	24,627,567	-	-	24,627,567
Intergovernmental	27,644,724	1,611,346	-	29,256,070
Total revenues	<u>\$ 53,358,107</u>	<u>\$ 2,296,629</u>	<u>\$ -</u>	<u>\$ 55,654,736</u>
<b>Expenditures:</b>				
Current:				
Instruction	\$ 41,456,545	\$ -	\$ -	\$ 41,456,545
Administration, attendance and health	2,988,640	-	-	2,988,640
Pupil transportation	1,880,132	-	-	1,880,132
Operations and maintenance	4,700,469	-	-	4,700,469
Food services	-	2,249,305	-	2,249,305
Technology	2,551,947	-	-	2,551,947
Capital projects	-	-	351,100	351,100
Total expenditures	<u>\$ 53,577,733</u>	<u>\$ 2,249,305</u>	<u>\$ 351,100</u>	<u>\$ 56,178,138</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>\$ (219,626)</u>	<u>\$ 47,324</u>	<u>\$ (351,100)</u>	<u>\$ (523,402)</u>
<b>Other financing sources (uses):</b>				
Transfers in	\$ 40,028	\$ -	\$ -	\$ 40,028
Transfers out	-	-	(40,028)	(40,028)
Total other financing sources (uses)	<u>\$ 40,028</u>	<u>\$ -</u>	<u>\$ (40,028)</u>	<u>\$ -</u>
<b>Net change in fund balances</b>	<u>\$ (179,598)</u>	<u>\$ 47,324</u>	<u>\$ (391,128)</u>	<u>\$ (523,402)</u>
Fund balances at beginning of year, as restated	<u>4,720,490</u>	<u>1,075,843</u>	<u>2,137,520</u>	<u>7,933,853</u>
Fund balances at end of year	<u>\$ 4,540,892</u>	<u>\$ 1,123,167</u>	<u>\$ 1,746,392</u>	<u>\$ 7,410,451</u>

**Note: Restatement of Beginning Fund Balance**

The School Board has increased the beginning fund balance of the School Fund by \$253,576. This restatement is the result of an accounting correction to record prepaid expenditures from the previous fiscal year.



**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, 2009**

**Exhibit C-4**

Total net change in fund balances of governmental funds (Exhibit C-3) \$ (523,402)

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

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. 59,706

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	\$ 134,127	
Depreciation expense	<u>(1,073,391)</u>	
Net adjustment	\$ <u>(939,264)</u>	(939,264)

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. (667,582)

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. 4,669,072

Change in net assets of governmental activities (Exhibit 2) \$ 2,598,530

**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, 2009**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Use of money and property	\$ 10,000	\$ 10,000	\$ 10,555	\$ 555
Charges for services	1,244,259	1,244,259	881,808	(362,451)
Miscellaneous	92,042	92,042	193,453	101,411
Payment from primary government	26,229,287	26,229,287	24,627,567	(1,601,720)
Intergovernmental	28,447,847	28,609,517	27,644,724	(964,793)
Total revenues	<u>\$ 56,023,435</u>	<u>\$ 56,185,105</u>	<u>\$ 53,358,107</u>	<u>\$ (2,826,998)</u>
<b>Expenditures:</b>				
Current:				
Instruction	\$ 43,081,339	\$ 43,269,659	\$ 41,456,545	\$ 1,813,114
Administration, attendance and health	2,886,071	3,032,855	2,988,640	44,215
Pupil transportation	1,973,965	1,973,965	1,880,132	93,833
Operations and maintenance	5,569,870	5,707,359	4,700,469	1,006,890
Technology	2,550,790	2,732,338	2,551,947	180,391
Facilities	2,000	2,000	-	2,000
Total expenditures	<u>\$ 56,064,035</u>	<u>\$ 56,718,176</u>	<u>\$ 53,577,733</u>	<u>\$ 3,140,443</u>
<b>Deficiency of revenues under expenditures</b>	<u>\$ (40,600)</u>	<u>\$ (533,071)</u>	<u>\$ (219,626)</u>	<u>\$ 313,445</u>
<b>Other financing sources:</b>				
Transfers in	\$ -	\$ 40,028	\$ 40,028	\$ -
Total other financing sources	<u>\$ -</u>	<u>\$ 40,028</u>	<u>\$ 40,028</u>	<u>\$ -</u>
<b>Net change in fund balance</b>	<u>\$ (40,600)</u>	<u>\$ (493,043)</u>	<u>\$ (179,598)</u>	<u>\$ 313,445</u>
Fund balance at beginning of year, as restated			<u>4,720,490</u>	
Fund balance at end of year			<u>\$ 4,540,892</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, 2009**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Use of money and property	\$ -	\$ -	\$ 12,327	\$ 12,327
Charges for services	973,206	973,206	660,644	(312,562)
Recovered costs	-	-	12,312	12,312
Intergovernmental	1,406,492	1,448,929	1,611,346	162,417
<b>Total revenues</b>	<b>\$ 2,379,698</b>	<b>\$ 2,422,135</b>	<b>\$ 2,296,629</b>	<b>\$ (125,506)</b>
<b>Expenditures:</b>				
Current:				
Food services	\$ 2,339,098	\$ 2,381,535	\$ 2,249,305	\$ 132,230
<b>Total expenditures</b>	<b>\$ 2,339,098</b>	<b>\$ 2,381,535</b>	<b>\$ 2,249,305</b>	<b>\$ 132,230</b>
<b>Excess of revenues over expenditures</b>	<b>\$ 40,600</b>	<b>\$ 40,600</b>	<b>\$ 47,324</b>	<b>\$ 6,724</b>
Fund balance at beginning of year			1,075,843	
Fund balance at end of year			<u>\$ 1,123,167</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, 2009**

<u>Fund, Major and Minor Revenue Sources</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Primary Government:</b>			
<b>General Fund:</b>			
General property taxes:			
Real property taxes	\$ 20,452,276	\$ 20,253,878	\$ (198,398)
Real and personal public service corporation property taxes	281,000	290,145	9,145
Personal property taxes	6,635,500	6,481,657	(153,843)
Mobile home taxes	7,008	6,779	(229)
Machinery and tools taxes	1,700,000	1,769,620	69,620
Penalties and interest	205,000	195,629	(9,371)
Total general property taxes	<u>\$ 29,280,784</u>	<u>\$ 28,997,708</u>	<u>\$ (283,076)</u>
Other local taxes:			
Local sales and use taxes	\$ 13,000,000	\$ 11,053,388	\$ (1,946,612)
Consumer utility taxes	1,069,500	1,059,448	(10,052)
Business license taxes	6,870,000	6,072,551	(797,449)
Motor vehicle license taxes	757,500	708,619	(48,881)
Bank stock taxes	450,000	487,649	37,649
Taxes on recordation and wills	690,000	380,766	(309,234)
Tobacco taxes	900,000	794,917	(105,083)
Admission and amusement taxes	197,000	195,222	(1,778)
Hotel and motel room taxes	1,800,000	1,536,035	(263,965)
Restaurant food taxes	8,445,000	8,037,199	(407,801)
Communication sales and use taxes	1,800,000	1,687,076	(112,924)
Public rights-of-way use fee	132,000	113,315	(18,685)
Total other local taxes	<u>\$ 36,111,000</u>	<u>\$ 32,126,185</u>	<u>\$ (3,984,815)</u>
Permits, privilege fees and regulatory licenses:			
Animal licenses	\$ 7,000	\$ 6,904	\$ (96)
Permits and other licenses	788,176	841,245	53,069
Total permits, privilege fees and regulatory licenses	<u>\$ 795,176</u>	<u>\$ 848,149</u>	<u>\$ 52,973</u>
Fines and forfeitures:			
Circuit court fines	\$ 410,000	\$ 493,611	\$ 83,611
Parking fines	68,000	57,417	(10,583)
Drug forfeiture	-	19,969	19,969
Total fines and forfeitures	<u>\$ 478,000</u>	<u>\$ 570,997</u>	<u>\$ 92,997</u>
Use of money and property:			
Use of money	\$ 1,750,000	\$ 443,034	\$ (1,306,966)
Use of property	19,000	121,490	102,490
Total use of money and property	<u>\$ 1,769,000</u>	<u>\$ 564,524</u>	<u>\$ (1,204,476)</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, 2009**

<u>Fund, Major and Minor Revenue Sources</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Primary Government: (continued)</b>			
<b>General Fund: (continued)</b>			
Charges for services:			
Charges for law enforcement and traffic control	\$ 23,560	\$ 31,837	\$ 8,277
Charges for parking	67,400	98,255	30,855
Charges for parks and recreation	319,000	375,952	56,952
Charges for golf course	649,500	687,112	37,612
Total charges for services	<u>\$ 1,059,460</u>	<u>\$ 1,193,156</u>	<u>\$ 133,696</u>
Miscellaneous:			
Payments in lieu of taxes:			
Electric plant and equipment	\$ 314,177	\$ 314,177	\$ -
Public housing	8,000	4,272	(3,728)
Service charge on tax exempt property	11,000	10,656	(344)
Sale of used equipment	50,000	9,366	(40,634)
Debt service reimbursement from HRHA	228,925	228,925	-
Donations - JMU & EMU	55,000	5,000	(50,000)
Donations	171,849	190,573	18,724
Other miscellaneous	576,862	590,011	13,149
Total miscellaneous	<u>\$ 1,415,813</u>	<u>\$ 1,352,980</u>	<u>\$ (62,833)</u>
Payments from component units:			
Payment from Harrisonburg Electric Commission	<u>\$ 4,800,000</u>	<u>\$ 4,800,000</u>	<u>\$ -</u>
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:			
Railroad rolling stock taxes	\$ 11,000	\$ 11,984	\$ 984
Mobile home titling taxes	6,000	5,062	(938)
Tax on deeds (grantor tax)	145,000	121,641	(23,359)
Personal property tax reimbursement	1,522,583	1,522,583	-
State aid to localities, police	1,528,728	1,432,607	(96,121)
Auto rental taxes	180,000	147,037	(32,963)
Animal friendly license plate	778	-	(778)
Total non-categorical aid	<u>\$ 3,394,089</u>	<u>\$ 3,240,914</u>	<u>\$ (153,175)</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, 2009**

<u>Fund, Major and Minor Revenue Sources</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Primary Government: (continued)</b>			
<b>General Fund: (continued)</b>			
Intergovernmental: (continued)			
Revenue from the Commonwealth: (continued)			
Categorical aid:			
Shared expenses:			
Commissioner of the revenue	\$ 161,391	\$ 153,628	\$ (7,763)
Treasurer	148,953	132,066	(16,887)
Medical examiner fees	100	-	(100)
Registrar	54,340	52,697	(1,643)
Total shared expenses	<u>\$ 364,784</u>	<u>\$ 338,391</u>	<u>\$ (26,393)</u>
Other categorical aid:			
Virginia tourism marketing grant	\$ 14,063	\$ 14,063	\$ -
Hazardous materials grant	12,000	12,000	-
Hazardous materials response	-	4,677	4,677
Fire programs fund	110,086	110,086	-
Fire programs - burn building reimbursement	68,566	68,946	380
Four-for-life	25,000	27,391	2,391
Litter control grant	-	9,584	9,584
Enhancing stream health grant	-	13,117	13,117
Spay and neuter funds	-	51	51
Street and highway maintenance	3,440,745	3,590,668	149,923
Total other categorical aid	<u>\$ 3,670,460</u>	<u>\$ 3,850,583</u>	<u>\$ 180,123</u>
Total categorical aid	<u>\$ 4,035,244</u>	<u>\$ 4,188,974</u>	<u>\$ 153,730</u>
Total revenue from the Commonwealth	<u>\$ 7,429,333</u>	<u>\$ 7,429,888</u>	<u>\$ 555</u>
Revenue from the Federal Government:			
Categorical aid:			
Local law enforcement block grant	\$ -	\$ 3,845	\$ 3,845
Police DMV grant	15,927	25,832	9,905
Criminal history records grant	150,000	150,000	-
Justice assistance grant	3,519	3,519	-
COPS metropolitan grant	3,473	3,886	413
Homeland security grant	213,270	163,270	(50,000)
FEMA SAFER grant	103,585	98,468	(5,117)
Total revenue from the Federal Government	<u>\$ 489,774</u>	<u>\$ 448,820</u>	<u>\$ (40,954)</u>
Total intergovernmental	<u>\$ 7,919,107</u>	<u>\$ 7,878,708</u>	<u>\$ (40,399)</u>
<b>Total General Fund</b>	<u><u>\$ 83,628,340</u></u>	<u><u>\$ 78,332,407</u></u>	<u><u>\$ (5,295,933)</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, 2009**

<u>Fund, Major and Minor Revenue Sources</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Primary Government: (continued)</b>			
<b>Special Revenue Fund:</b>			
<b>Community Development Block Grant Fund:</b>			
Intergovernmental:			
Revenue from the Federal Government:			
Non-categorical aid:			
Community Development Block Grant	\$ 1,084,330	\$ 826,942	\$ (257,388)
Total revenue from the Federal Government	\$ 1,084,330	\$ 826,942	\$ (257,388)
Total intergovernmental	\$ 1,084,330	\$ 826,942	\$ (257,388)
<b>Total Community Development Block Grant Fund</b>	<b>\$ 1,084,330</b>	<b>\$ 826,942</b>	<b>\$ (257,388)</b>
<b>Total Special Revenue Fund</b>	<b>\$ 1,084,330</b>	<b>\$ 826,942</b>	<b>\$ (257,388)</b>
<b>Capital Projects Funds:</b>			
<b>General Capital Projects Fund:</b>			
Use of money and property:			
Use of money	\$ -	\$ 86,561	\$ 86,561
Total use of money and property	\$ -	\$ 86,561	\$ 86,561
Miscellaneous:			
Farmer's market pavilion reimbursement	\$ -	\$ 164,707	\$ 164,707
Other miscellaneous	-	183,087	183,087
Total miscellaneous	\$ -	\$ 347,794	\$ 347,794
Intergovernmental:			
Revenue from the Commonwealth:			
Categorical aid:			
DEQ grant	\$ -	\$ 3,159	\$ 3,159
VDOT revenue sharing	-	744,920	744,920
Street and highway construction	1,106,640	834,880	(271,760)
Total revenue from the Commonwealth	\$ 1,106,640	\$ 1,582,959	\$ 476,319
Revenue from the Federal Government:			
Categorical aid:			
Transportation enhancement grant	\$ -	\$ 111,561	\$ 111,561
Street and highway construction	1,092,000	1,541,018	449,018
Total revenue from the Federal Government	\$ 1,092,000	\$ 1,652,579	\$ 560,579
Total intergovernmental	\$ 2,198,640	\$ 3,235,538	\$ 1,036,898
<b>Total General Capital Projects Fund</b>	<b>\$ 2,198,640</b>	<b>\$ 3,669,893</b>	<b>\$ 1,036,898</b>

(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, 2009**

<u>Fund, Major and Minor Revenue Sources</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Primary Government: (continued)</b>			
<b>School Bond Capital Projects Fund:</b>			
Use of money and property:			
Use of money	\$ 11,536	\$ 11,536	\$ -
Total use of money and property	\$ 11,536	\$ 11,536	\$ -
<b>Total School Bond Capital Projects Fund</b>	<b>\$ 11,536</b>	<b>\$ 11,536</b>	<b>\$ -</b>
<b>Total Capital Projects Funds</b>	<b>\$ 2,210,176</b>	<b>\$ 3,681,429</b>	<b>\$ 1,036,898</b>
<b>Grand Total Revenues - Primary Government</b>	<b>\$ 86,922,846</b>	<b>\$ 82,840,778</b>	<b>\$ (4,516,423)</b>
<b>Component Unit - School Board:</b>			
<b>School Fund:</b>			
Use of money and property	\$ 10,000	\$ 10,555	\$ 555
Charges for services	1,244,259	881,808	(362,451)
Miscellaneous	92,042	193,453	101,411
Payment from primary government	26,229,287	24,627,567	(1,601,720)
Intergovernmental:			
Revenue from the Commonwealth:			
Categorical aid:			
Share of state sales tax	\$ 3,856,296	\$ 3,533,530	\$ (322,766)
Basic school aid	12,820,773	12,542,753	(278,020)
State standard of quality funds	2,360,357	2,231,299	(129,058)
Fringe benefits	1,554,451	1,458,136	(96,315)
Lottery funds	636,447	497,645	(138,802)
At risk	831,292	867,998	36,706
Primary class size	631,305	613,529	(17,776)
Technology initiative	258,000	258,000	-
English as second language	1,042,216	1,015,332	(26,884)
Regional tuition programs (special education)	681,649	641,850	(39,799)
Other state funds	403,259	552,878	149,619
Total categorical aid	\$ 25,076,045	\$ 24,212,950	\$ (863,095)
Total revenue from the Commonwealth	\$ 25,076,045	\$ 24,212,950	\$ (863,095)
Revenue from the Federal Government:			
Categorical aid:			
Title I	\$ 1,019,686	\$ 1,021,557	\$ 1,871
Special education	890,838	901,171	10,333
Education technology	516,172	388,080	(128,092)
Reading first grant	507,003	534,128	27,125

(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, 2009**

<b>Fund, Major and Minor Revenue Sources</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Component Unit - School Board: (continued)</b>			
<b>School Fund: (continued)</b>			
Title III	249,115	204,296	(44,819)
ESEA - Title II Part A	201,415	223,598	22,183
Other federal funds	149,243	158,944	9,701
Total categorical aid	<u>\$ 3,533,472</u>	<u>\$ 3,431,774</u>	<u>\$ (101,698)</u>
 Total revenue from the Federal Government	 <u>\$ 3,533,472</u>	 <u>\$ 3,431,774</u>	 <u>\$ (101,698)</u>
 Total intergovernmental	 <u>\$ 28,609,517</u>	 <u>\$ 27,644,724</u>	 <u>\$ (964,793)</u>
 <b>Total School Fund</b>	 <b><u>\$ 56,185,105</u></b>	 <b><u>\$ 53,358,107</u></b>	 <b><u>\$ (2,826,998)</u></b>
<b>School Cafeteria Fund:</b>			
Use of money and property	\$ -	\$ 12,327	\$ 12,327
Charges for services	973,206	660,644	(312,562)
Miscellaneous	-	12,312	12,312
Intergovernmental:			
Revenue from the Commonwealth:			
Categorical aid:			
School food program	<u>\$ 40,492</u>	<u>\$ 41,123</u>	<u>\$ 631</u>
Total categorical aid	<u>\$ 40,492</u>	<u>\$ 41,123</u>	<u>\$ 631</u>
 Total revenue from the Commonwealth	 <u>\$ 40,492</u>	 <u>\$ 41,123</u>	 <u>\$ 631</u>
 Revenue from the Federal Government:			
Categorical aid:			
School food program	\$ 1,408,437	\$ 1,449,220	\$ 40,783
USDA donated food	-	121,003	121,003
Total categorical aid	<u>\$ 1,408,437</u>	<u>\$ 1,570,223</u>	<u>\$ 161,786</u>
 Total revenue from the Federal Government	 <u>\$ 1,408,437</u>	 <u>\$ 1,570,223</u>	 <u>\$ 161,786</u>
 Total intergovernmental	 <u>\$ 1,448,929</u>	 <u>\$ 1,611,346</u>	 <u>\$ 162,417</u>
 <b>Total School Cafeteria Fund</b>	 <b><u>\$ 2,422,135</u></b>	 <b><u>\$ 2,296,629</u></b>	 <b><u>\$ (125,506)</u></b>
 <b>Grand Total Revenues</b>			
<b>Component Unit - School Board</b>	<b><u>\$ 58,607,240</u></b>	<b><u>\$ 55,654,736</u></b>	<b><u>\$ (2,952,504)</u></b>

**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, 2009**

<b>Fund, Function, Activity and Elements</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Primary Government:</b>			
<b>General Fund:</b>			
General government administration:			
Legislative:			
City Council	\$ 193,593	\$ 185,517	\$ 8,076
Total legislative	<u>\$ 193,593</u>	<u>\$ 185,517</u>	<u>\$ 8,076</u>
General and financial administration:			
City manager	\$ 478,194	\$ 444,035	\$ 34,159
City attorney	170,712	152,381	18,331
Human resources	232,255	230,407	1,848
Independent auditor	15,020	15,020	-
Commissioner of the revenue	416,060	383,380	32,680
Assessors	276,272	264,941	11,331
Equalization	2,850	2,850	-
Treasurer	541,131	485,985	55,146
Finance	422,185	403,357	18,828
Information technology	774,313	558,730	215,583
Purchasing agent	149,509	131,244	18,265
Dues to municipal league	31,651	23,098	8,553
Reserve for contingencies	50,719	-	50,719
Total general and financial administration	<u>\$ 3,560,871</u>	<u>\$ 3,095,428</u>	<u>\$ 465,443</u>
Board of elections:			
Registrar	\$ 173,101	\$ 173,090	\$ 11
Total board of elections	<u>\$ 173,101</u>	<u>\$ 173,090</u>	<u>\$ 11</u>
Total general government administration	<u>\$ 3,927,565</u>	<u>\$ 3,454,035</u>	<u>\$ 473,530</u>
Jail and judicial administration:			
Joint expenditures with Rockingham County	\$ 2,948,491	\$ 2,715,571	\$ 232,920
Total jail and judicial administration	<u>\$ 2,948,491</u>	<u>\$ 2,715,571</u>	<u>\$ 232,920</u>
Public safety:			
Law enforcement and traffic control:			
Administration	\$ 719,840	\$ 673,453	\$ 46,387
Operations	2,958,508	2,730,205	228,303
Criminal investigations	1,210,134	1,136,802	73,332
Support services	2,088,280	1,939,518	148,762
Gang task force	164,541	148,795	15,746
Special operations	1,341,287	1,145,330	195,957
Total law enforcement and traffic control	<u>\$ 8,482,590</u>	<u>\$ 7,774,103</u>	<u>\$ 708,487</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, 2009**

<u>Fund, Function, Activity and Elements</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Primary Government: (continued)</b>			
<b>General Fund: (continued)</b>			
Public safety: (continued)			
Fire and rescue services:			
Administration	\$ 595,973	\$ 543,376	\$ 52,597
Suppression	6,508,858	6,463,062	45,796
Prevention	351,078	336,863	14,215
Training	163,051	120,060	42,991
Total fire and rescue services	<u>\$ 7,618,960</u>	<u>\$ 7,463,361</u>	<u>\$ 155,599</u>
Correction and detention:			
City operated institutions	\$ 86,000	\$ 73,621	\$ 12,379
Total correction and detention	<u>\$ 86,000</u>	<u>\$ 73,621</u>	<u>\$ 12,379</u>
Inspections:			
Building	\$ 655,986	\$ 593,456	\$ 62,530
Total inspections	<u>\$ 655,986</u>	<u>\$ 593,456</u>	<u>\$ 62,530</u>
Other protection:			
Public safety building	\$ 360,684	\$ 321,255	\$ 39,429
Child safety alliance	43,037	40,732	2,305
Animal control	183,911	178,290	5,621
Coroner	1,000	280	720
Emergency services	284,184	220,276	63,908
Harrisonburg-Rockingham ECC	1,692,361	1,685,740	6,621
Total other protection	<u>\$ 2,565,177</u>	<u>\$ 2,446,573</u>	<u>\$ 118,604</u>
Total public safety	<u>\$ 19,408,713</u>	<u>\$ 18,351,114</u>	<u>\$ 1,057,599</u>
Public works:			
Maintenance of highways, streets, bridges and sidewalks:			
General engineering	\$ 1,034,346	\$ 874,724	\$ 159,622
Highway and street maintenance	5,938,620	4,592,571	1,346,049
Street lights	507,932	505,506	2,426
Snow and ice removal	228,821	146,930	81,891
Traffic engineering	1,894,255	1,405,126	489,129
Highway and street beautification	301,930	273,905	28,025
Total maintenance of highways, streets, bridges and sidewalks	<u>\$ 9,905,904</u>	<u>\$ 7,798,762</u>	<u>\$ 2,107,142</u>
Sanitation and waste removal:			
Street and road cleaning	\$ 527,890	\$ 410,117	\$ 117,773
Insect and rodent control	47,211	6,689	40,522
Total sanitation and waste removal	<u>\$ 575,101</u>	<u>\$ 416,806</u>	<u>\$ 158,295</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, 2009**

<u>Fund, Function, Activity and Elements</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Primary Government: (continued)</b>			
<b>General Fund: (continued)</b>			
Public works: (continued)			
Maintenance of general buildings and grounds:			
General properties	\$ 616,477	\$ 428,387	\$ 188,090
Total maintenance of general buildings and grounds	<u>\$ 616,477</u>	<u>\$ 428,387</u>	<u>\$ 188,090</u>
Total public works	<u>\$ 11,097,482</u>	<u>\$ 8,643,955</u>	<u>\$ 2,453,527</u>
Health and welfare:			
Health:			
Local health department	\$ 413,747	\$ 343,030	\$ 70,717
Total health	<u>\$ 413,747</u>	<u>\$ 343,030</u>	<u>\$ 70,717</u>
Mental health and mental retardation:			
Community services board	\$ 300,394	\$ 300,394	\$ -
Total mental health and mental retardation	<u>\$ 300,394</u>	<u>\$ 300,394</u>	<u>\$ -</u>
Welfare/social services:			
Tax relief for the elderly	\$ 65,957	\$ 65,957	\$ -
Social services - Joint expenditures with Rockingham County	3,637,880	3,637,879	1
Total welfare/social services	<u>\$ 3,703,837</u>	<u>\$ 3,703,836</u>	<u>\$ 1</u>
Total health and welfare	<u>\$ 4,417,978</u>	<u>\$ 4,347,260</u>	<u>\$ 70,718</u>
Education:			
Payment to Harrisonburg City School Board	\$ 26,229,287	\$ 24,627,567	\$ 1,601,720
Total education	<u>\$ 26,229,287</u>	<u>\$ 24,627,567</u>	<u>\$ 1,601,720</u>
Parks, recreation and culture:			
Parks and recreation:			
Administration	\$ 1,196,198	\$ 900,614	\$ 295,584
Parks	934,654	796,422	138,232
Recreation centers and playgrounds	567,491	540,367	27,124
National guard armory	193,402	171,407	21,995
Simms recreation center	277,387	244,613	32,774
Westover pool	416,572	396,218	20,354
Athletics	570,612	546,136	24,476
Blacks run greenway	60,200	47,655	12,545
Golf course grounds management	758,419	696,598	61,821
Golf course clubhouse management	494,589	479,518	15,071
Total parks and recreation	<u>\$ 5,469,524</u>	<u>\$ 4,819,548</u>	<u>\$ 649,976</u>
Total parks, recreation and culture	<u>\$ 5,469,524</u>	<u>\$ 4,819,548</u>	<u>\$ 649,976</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, 2009**

<u>Fund, Function, Activity and Elements</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Primary Government: (continued)</b>			
<b>General Fund: (continued)</b>			
Planning and community development:			
Planning:			
Planning	\$ 198,149	\$ 165,664	\$ 32,485
Zoning administrator	168,519	145,979	22,540
Zoning and board of zoning appeals	5,559	3,639	1,920
Economic development	964,531	591,894	372,637
Downtown renaissance	167,421	158,087	9,334
Tourism and visitors services	357,262	349,938	7,324
Downtown parking services	270,115	251,858	18,257
Total planning	<u>\$ 2,131,556</u>	<u>\$ 1,667,059</u>	<u>\$ 464,497</u>
Community development:			
Massanutten Regional Library	\$ 468,162	\$ 468,162	\$ -
Regional Juvenile Detention Home	463,573	463,572	1
Harrisonburg Rescue Squad	125,000	120,418	4,582
Shenandoah Valley Airport	67,923	67,923	-
Blue Ridge Community College	46,484	46,484	-
Boys and Girls Club	51,667	51,667	-
Arts Council of the Valley	40,000	40,000	-
Other contributions	522,064	333,246	188,818
Total community development	<u>\$ 1,784,873</u>	<u>\$ 1,591,472</u>	<u>\$ 193,401</u>
Total planning and community development	<u>\$ 3,916,429</u>	<u>\$ 3,258,531</u>	<u>\$ 657,898</u>
Debt service:			
Principal retirement	\$ 5,852,898	\$ 5,852,898	\$ -
Interest and fiscal charges	5,877,685	5,879,099	(1,414)
Bond issue costs	52,000	58,379	(6,379)
Payment to advanced refunding escrow	-	520,040	(520,040)
Total debt service	<u>\$ 11,782,583</u>	<u>\$ 12,310,416</u>	<u>\$ (527,833)</u>
<b>Total General Fund</b>	<u><u>\$ 89,198,052</u></u>	<u><u>\$ 82,527,997</u></u>	<u><u>\$ 6,670,055</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, 2009**

<u>Fund, Function, Activity and Elements</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Primary Government: (continued)</b>			
<b>Special Revenue Fund:</b>			
<b>Community Development Block Grant Fund:</b>			
Planning and community development:			
Community development:			
Community development block grant	\$ 1,084,330	\$ 854,119	\$ 230,211
Total community development	<u>\$ 1,084,330</u>	<u>\$ 854,119</u>	<u>\$ 230,211</u>
Total planning and community development	<u>\$ 1,084,330</u>	<u>\$ 854,119</u>	<u>\$ 230,211</u>
<b>Total Community Development Block Grant Fund</b>	<u><u>\$ 1,084,330</u></u>	<u><u>\$ 854,119</u></u>	<u><u>\$ 230,211</u></u>
<b>Total Special Revenue Funds</b>	<u><u>\$ 1,084,330</u></u>	<u><u>\$ 854,119</u></u>	<u><u>\$ 230,211</u></u>
<b>Capital Projects Funds:</b>			
<b>General Capital Projects Fund:</b>			
Capital projects	<u>\$ 28,331,963</u>	<u>\$ 14,330,754</u>	<u>\$ 14,001,209</u>
<b>Total General Capital Projects Fund</b>	<u><u>\$ 28,331,963</u></u>	<u><u>\$ 14,330,754</u></u>	<u><u>\$ 14,001,209</u></u>
<b>School Bond Capital Projects Fund:</b>			
Capital projects	<u>\$ 1,985,112</u>	<u>\$ 1,534,615</u>	<u>\$ 450,497</u>
<b>Total School Bond Capital Projects Fund</b>	<u><u>\$ 1,985,112</u></u>	<u><u>\$ 1,534,615</u></u>	<u><u>\$ 450,497</u></u>
<b>Total Capital Projects Funds</b>	<u><u>\$ 30,317,075</u></u>	<u><u>\$ 15,865,369</u></u>	<u><u>\$ 14,451,706</u></u>
<b>Grand Total Expenditures - Primary Government</b>	<u><u>\$ 120,599,457</u></u>	<u><u>\$ 99,247,485</u></u>	<u><u>\$ 21,351,972</u></u>
<b>Component Unit - School Board:</b>			
<b>School Fund:</b>			
Education:			
Instruction	\$ 43,269,659	\$ 41,456,545	\$ 1,813,114
Administration, attendance and health	3,032,855	2,988,640	44,215
Pupil transportation	1,973,965	1,880,132	93,833
Operations and maintenance	5,707,359	4,700,469	1,006,890
Technology	2,732,338	2,551,947	180,391
Facilities	<u>2,000</u>	<u>-</u>	<u>2,000</u>
Total education	<u>\$ 56,718,176</u>	<u>\$ 53,577,733</u>	<u>\$ 3,140,443</u>
<b>Total School Fund</b>	<u><u>\$ 56,718,176</u></u>	<u><u>\$ 53,577,733</u></u>	<u><u>\$ 3,140,443</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, 2009

<u>Fund, Function, Activity and Elements</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Component Unit - School Board: (continued)</b>			
<b>School Cafeteria Fund:</b>			
Education:			
Food services	\$ 2,381,535	\$ 2,249,305	\$ 132,230
Total education	\$ 2,381,535	\$ 2,249,305	\$ 132,230
<b>Total School Cafeteria Fund</b>	<b>\$ 2,381,535</b>	<b>\$ 2,249,305</b>	<b>\$ 132,230</b>
<b>School Capital Projects Fund:</b>			
Capital projects	\$ 2,095,333	\$ 351,100	\$ 1,744,233
<b>Total School Capital Projects Fund</b>	<b>\$ 2,095,333</b>	<b>\$ 351,100</b>	<b>\$ 1,744,233</b>
<b>Grand Total Expenditures</b>			
<b>Component Unit - School Board</b>	<b>\$ 61,195,044</b>	<b>\$ 56,178,138</b>	<b>\$ 5,016,906</b>

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# 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 financial 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 Eight Fiscal Years**  
*(accrual basis of accounting)*

**Table 1**

	Fiscal Year							
	2009	2008	2007	2006	2005	2004	2003	2002
<b>Governmental activities</b>								
Invested in capital assets, net of related debt	\$ 136,515,744	\$ 132,202,885	\$ 124,371,557	\$ 135,003,446	\$ 120,370,317	\$ 117,904,477	\$ 117,143,440	\$ 116,097,619
Restricted <sup>a</sup>	345,524	961,442	1,039,017	1,304,291	1,119,024	766,544	905,353	621,915
Unrestricted <sup>b</sup>	32,029,616	40,774,314	37,639,786	21,859,603	24,597,079	23,302,565	20,723,167	20,974,296
<b>Total governmental activities net assets</b>	<b>\$ 168,890,884</b>	<b>\$ 173,938,641</b>	<b>\$ 163,050,360</b>	<b>\$ 158,167,340</b>	<b>\$ 146,086,420</b>	<b>\$ 141,973,586</b>	<b>\$ 138,771,960</b>	<b>\$ 137,693,830</b>
<b>Business-type activities</b>								
Invested in capital assets, net of related debt	\$ 63,946,619	\$ 55,215,398	\$ 54,121,109	\$ 49,644,177	\$ 49,759,377	\$ 49,213,863	\$ 50,858,770	\$ 55,634,074
Restricted <sup>a</sup>	-	-	-	-	-	444,437	452,716	471,168
Unrestricted	23,104,614	22,819,366	21,189,184	22,849,797	21,189,878	20,915,553	17,141,684	15,478,829
<b>Total business-type activities net assets<sup>c</sup></b>	<b>\$ 87,051,233</b>	<b>\$ 78,034,764</b>	<b>\$ 75,310,293</b>	<b>\$ 72,493,974</b>	<b>\$ 70,949,255</b>	<b>\$ 70,573,853</b>	<b>\$ 68,453,170</b>	<b>\$ 71,584,071</b>
<b>Primary government</b>								
Invested in capital assets, net of related debt	\$ 200,462,363	\$ 187,418,283	\$ 178,492,666	\$ 184,647,623	\$ 170,129,694	\$ 167,118,340	\$ 168,002,210	\$ 171,731,693
Restricted	345,524	961,442	1,039,017	1,304,291	1,119,024	1,210,981	1,358,069	1,093,083
Unrestricted	55,134,230	63,593,680	58,828,970	44,709,400	45,786,957	44,218,118	37,864,851	36,453,125
<b>Total primary government net assets</b>	<b>\$ 255,942,117</b>	<b>\$ 251,973,405</b>	<b>\$ 238,360,653</b>	<b>\$ 230,661,314</b>	<b>\$ 217,035,675</b>	<b>\$ 212,547,439</b>	<b>\$ 207,225,130</b>	<b>\$ 209,277,901</b>

**Notes:** The City implemented GASB Statement 34 in 2003. Information for 2002 is comparative financials that was used in preparing management's discussion and analysis in 200. Ultimately, this table will contain ten years of information.

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

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

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

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

**Table 2**

	Fiscal Year							
	2009	2008	2007	2006	2005	2004	2003	2002
<b>Expenses:</b>								
<b>Governmental activities:</b>								
General government administration	\$ 12,735,815	\$ 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	3,012,532	2,521,878	2,695,536	2,247,160	1,720,208	1,411,339	1,463,027	1,658,125
Public safety	18,518,912	16,446,587	16,122,159	14,598,247	13,385,735	12,308,346	10,483,000	9,755,527
Public works	11,935,693	10,621,521	11,140,416	10,280,042	8,932,355	9,570,485	8,654,789	9,090,230
Health and welfare	4,369,125	3,764,612	3,130,065	2,571,383	2,318,720	2,157,251	1,939,214	1,529,544
Education	31,253,898	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 <sup>a</sup>	5,379,470	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 <sup>b</sup>	4,032,505	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	5,860,753	6,078,904	5,612,049	4,368,265	3,869,356	3,898,786	4,042,808	3,234,219
<b>Business-type activities:</b>								
Water	5,359,913	4,951,007	4,560,390	4,034,616	3,805,703	3,362,062	3,506,917	3,052,628
Sewer	6,772,876	6,413,266	5,717,556	5,075,967	4,872,836	4,870,754	4,457,413	4,237,627
Public transportation	6,817,081	6,042,341	5,538,155	5,070,888	4,635,925	4,162,232	3,882,258	3,381,260
Sanitation <sup>c,d,e</sup>	10,809,914	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 <sup>a</sup>	-	-	-	-	1,416,361	1,338,559	1,430,431	416,016
<b>Total expenses</b>	<b>\$ 126,858,487</b>	<b>\$ 114,921,147</b>	<b>\$ 111,027,259</b>	<b>\$ 100,421,434</b>	<b>\$ 89,583,392</b>	<b>\$ 81,692,740</b>	<b>\$ 82,212,002</b>	<b>\$ 72,299,938</b>
<b>Program revenues:</b>								
<b>Governmental activities:</b>								
<b>Charges for services:</b>								
General government administration	\$ 8,620,160	\$ 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	493,611	432,767	380,856	517,689	604,029	563,954	400,247	362,860
Parks, recreation and cultural	1,063,064	1,003,942	775,673	787,786	278,415	235,998	232,074	246,327
Other activities	1,055,627	1,278,101	768,070	548,215	441,843	109,456	427,509	278,135
Operating grants and contributions	5,498,831	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 <sup>f,g</sup>	4,827,882	5,540,980	3,996,228	71,267	622,947	115,122	505,800	95,013
<b>Business-type activities:</b>								
<b>Charges for services:</b>								
Water	5,727,877	6,024,104	5,424,741	5,263,336	4,802,169	4,690,818	4,558,073	4,509,192
Sewer	6,377,771	6,080,893	5,572,991	5,148,993	4,916,716	4,744,819	4,741,882	5,094,093
Public transportation	3,290,998	2,906,147	2,667,281	2,467,922	2,236,842	2,139,596	1,951,396	1,906,474
Sanitation	10,158,755	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	1,444,903	1,242,498	1,140,983	1,198,685	966,231	912,114	910,460	840,845
Capital grants and contributions	8,458,276	1,684,705	2,201,180	2,571,747	1,824,444	1,041,271	675,965	1,576,411
<b>Total program revenues</b>	<b>\$ 57,017,755</b>	<b>\$ 48,195,223</b>	<b>\$ 43,617,091</b>	<b>\$ 38,265,817</b>	<b>\$ 35,502,945</b>	<b>\$ 31,486,838</b>	<b>\$ 28,497,330</b>	<b>\$ 26,379,128</b>
Governmental activities	\$ (75,539,528)	\$ (65,118,387)	\$ (66,003,450)	\$ (61,665,820)	\$ (52,420,399)	\$ (50,004,593)	\$ (48,585,151)	\$ (47,580,324)
Business-type activities	5,698,796	(1,607,537)	(1,406,718)	(489,797)	(1,660,048)	(201,309)	(5,129,521)	1,659,514
<b>Total net (expense) revenue</b>	<b>\$ (69,840,732)</b>	<b>\$ (66,725,924)</b>	<b>\$ (67,410,168)</b>	<b>\$ (62,155,617)</b>	<b>\$ (54,080,447)</b>	<b>\$ (50,205,902)</b>	<b>\$ (53,714,672)</b>	<b>\$ (45,920,810)</b>

(continued)

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

**Table 2**

	Fiscal Year							
	2009	2008	2007	2006	2005	2004	2003	2002
General revenues and other changes in net assets:								
Governmental activities:								
General revenues:								
Property taxes	\$ 29,049,768	\$ 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 <sup>h</sup>	11,053,388	11,772,450	11,695,874	11,421,441	10,739,589	9,747,138	8,629,363	8,344,866
Restaurant food taxes <sup>i</sup>	8,095,857	8,021,419	7,673,364	7,091,567	6,723,886	6,351,607	4,882,551	4,609,629
Business license taxes	6,072,551	6,196,857	6,042,082	5,728,339	5,306,290	5,013,674	4,771,569	4,286,104
Other local taxes <sup>j</sup>	6,963,047	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	3,233,573	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	4,800,000	4,793,875	4,400,000	4,100,000	3,800,000	3,600,000	3,400,000
Investment revenue	658,303	2,644,259	3,534,382	1,363,309	752,552	568,770	939,030	1,218,831
Other revenue	1,202,291	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	238,903	-	-	-	535,732	-	-	-
Special item <sup>k,l,m</sup>	-	4,109,942	2,183,062	11,005,846	-	-	-	1,124,500
Transfers	(875,910)	(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	505,917	1,101,241	1,403,613	1,082,397	609,291	376,714	993,067	595,581
Other revenue	1,927,746	1,844,195	1,034,676	1,149,279	1,167,979	931,303	609,147	752,163
Gain on sale of capital asset	8,100	-	-	-	-	-	-	-
Transfers	875,910	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	<u>\$ 73,809,444</u>	<u>\$ 80,242,897</u>	<u>\$ 74,455,016</u>	<u>\$ 75,781,256</u>	<u>\$ 58,568,683</u>	<u>\$ 55,528,211</u>	<u>\$ 51,661,901</u>	<u>\$ 50,815,293</u>
Change in net assets:								
Governmental activities	\$ (5,047,757)	\$ 10,792,502	\$ 4,883,020	\$ 12,080,920	\$ 4,112,834	\$ 3,201,626	\$ 1,078,130	\$ (314,125)
Business-type activities	9,016,469	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	<u>\$ 3,968,712</u>	<u>\$ 13,516,973</u>	<u>\$ 7,044,848</u>	<u>\$ 13,625,639</u>	<u>\$ 4,488,236</u>	<u>\$ 5,322,309</u>	<u>\$ (2,052,771)</u>	<u>\$ 4,894,483</u>

**Notes:** The City implemented GASB Statement 34 in 2003. Information for 2002 is comparative financials that was used in discussion and analysis preparing management's in 2002. Ultimately, this table will contain ten years of information. Any significant increases or decreases for 2009 are explained in Management's Discussion and Analysis.

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

<sup>b</sup>For 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.

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

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

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

<sup>f</sup>For 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.

<sup>g</sup>For 2008, the increase in capital grants and contributions reflected federal funding for the purchase of right-of-way and easements associated with the Erickson Avenue/Stone Spring Road improvement project.

<sup>h</sup>For 2008, the increase in property taxes was the result of a 34.9 percent increase in real estate reassessments.

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

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

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

<sup>l</sup>For 2007, the City recognized a gain on the sale of the old Harrisonburg High School complex to James Madison University resulting in a special item.

<sup>m</sup>For 2008, the City recognized a gain on the sale of land on Port Republic Road 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									
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
General Fund										
Reserved <sup>a</sup>	\$ 1,182,653	\$ 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
Unreserved <sup>b</sup>	18,353,012	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
Total general fund	\$ 19,535,665	\$ 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
All other governmental funds										
Reserved <sup>c,d,e</sup>	\$ 16,219,222	\$ 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
Unreserved, reported in:										
Special revenue funds	(43,201)	(15,513)	-	201,533	-	-	-	-	-	-
Capital projects funds	850,642	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
Total all other governmental funds	\$ 17,026,663	\$ 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

**Notes:** Certain prior year balances have been reclassified to reflect current financial reporting (2000-2002). Any significant increases or decreases for 2009 are explained in Management's Discussion and Analysis

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

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

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

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

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

Table 4

Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year									
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
<b>Revenues:</b>										
General property taxes	\$ 28,997,708	\$ 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
Other local taxes	32,126,185	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
Permits, privilege fees and regulatory licenses	848,149	1,099,610	552,074	503,149	403,621	333,288	390,820	244,187	198,890	275,030
Fines and forfeitures	570,997	518,259	504,628	517,689	604,029	563,954	400,247	362,860	292,835	304,837
Use of money and property <sup>a</sup>	662,621	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
Charges for services	1,193,156	1,098,841	842,690	811,677	292,843	252,891	261,442	277,538	270,095	278,403
Miscellaneous	1,700,774	1,733,883	1,001,438	882,152	955,799	1,022,722	1,494,156	919,172	1,346,077	710,854
Recovered costs	-	217,422	1,198,496	1,266,205	1,670,896	870,207	485,348	273,376	238,195	235,905
Payments from component units	4,800,000	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
Intergovernmental <sup>b</sup>	11,941,188	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
Total revenues	\$ 82,840,778	\$ 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
<b>Expenditures:</b>										
<b>Current:</b>										
General government administration	\$ 3,454,035	\$ 3,533,956	\$ 3,195,490	\$ 2,902,847	\$ 2,689,218	\$ 2,460,537	\$ 2,241,589	\$ 2,351,943	\$ 2,070,324	\$ 1,991,202
Jail and judicial administration	2,715,571	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
Public safety	18,351,114	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
Public works <sup>c</sup>	8,643,955	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
Health and welfare	4,347,260	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
Education	24,627,567	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
Parks, recreation and cultural <sup>d</sup>	4,819,548	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
Planning and community development <sup>e</sup>	4,112,650	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
<b>Debt service:</b>										
Principal retirement	5,852,898	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
Interest and fiscal charges <sup>f,g</sup>	5,879,099	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
Bond issuance costs	58,379	-	-	-	-	-	29,839	-	-	-
Payment to advanced refunding escrow	520,040	-	-	-	-	-	-	-	-	-
Capital projects <sup>h</sup>	15,865,369	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
Total expenditures	\$ 99,247,485	\$ 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
Excess (deficiency) of revenues over (under) expenditures	\$ (16,406,707)	\$ (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

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

Table 4

Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year									
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Other financing sources (uses):										
Long-term debt issued or incurred <sup>ij</sup>	\$ 13,480,500	\$ -	\$ 50,000,000	\$ -	\$ 13,390,000	\$ 5,905,000	\$ 1,759,345	\$ 49,180,000	\$ 800,000	\$ 213,795
Refunding debt issued	7,377,000	-	-	-	-	-	5,616,300	-	-	-
Payment to advanced refunding escrow	(7,412,601)	-	-	-	-	-	(5,586,461)	-	-	-
Premium on long-term debt issued	99,617	-	-	-	-	30,769	-	164,376	-	-
Discount on long-term debt issued	-	-	(176,698)	-	-	(9,211)	-	(14,586)	-	-
Transfers in	4,713,939	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
Transfers out	(4,602,315)	(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)
Total other financing sources (uses)	\$ 13,656,140	\$ (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)
Special item:										
Sale of capital asset <sup>kl</sup>	\$ -	\$ 7,000,000	\$ 15,697,400	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net change in fund balances	\$ (2,750,567)	\$ (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
Debt service as a percentage of noncapital expenditures	13.88%	13.96%	9.80%	15.44%	15.95%	9.98%	14.35%	9.30%	11.65%	11.14%

**Notes:** Certain prior year balances have been reclassified to reflect current financial reporting (2000-2002). Any significant increases or decreases for 2009 are explained in Management's Discussion and Analysis

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

<sup>b</sup>For 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.

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

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

<sup>e</sup>For 2008, the increase in planning and community development expenditures reflected the payment of a loan guarantee associated with the Lucy F. Simms Continuing Education Center renovation project.

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

<sup>g</sup>For 2008, the increase in debt service interest expenditures was the result of the first interest payment on bonds issued for the construction of an elementary/middle school complex and related road improvements.

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

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

<sup>j</sup>For 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.

<sup>k</sup>For 2007, the City sold the old Harrisonburg High School complex to James Madison University.

<sup>l</sup>For 2008, the City sold land on Port Republic Road 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 <sup>1</sup>				Personal Property				Total Direct Tax Rate	Total Direct Tax Rate
	Residential	Commercial/Industrial	Public Service Corporations <sup>4</sup>	Total Direct Tax Rate	Personal Property <sup>2</sup>	Machinery and Tools <sup>3</sup>	Mobile Homes <sup>1</sup>	Public Service Corporations <sup>4</sup>		
2009	\$ 2,275,254,580	\$ 1,173,035,128	\$ 48,074,787	0.59	\$ 318,429,100	\$ 86,797,005	\$ 1,152,400	\$ 213,409	\$ 2.43	
2008	2,111,233,782	1,094,534,067	47,220,357	0.59	302,216,554	83,446,563	1,245,100	273,687	2.43	
2007	1,528,652,129	828,541,876	40,459,620	0.62	287,097,150	85,627,100	1,300,700	294,465	2.74	
2006	1,473,033,038	808,066,456	45,930,020	0.62	275,969,700	82,172,500	1,217,300	339,674	2.00	
2005	1,306,273,698	666,253,010	50,610,910	0.62	253,980,570	94,040,800	1,255,800	294,118	2.00	
2004	1,279,709,666	645,047,950	53,862,258	0.62	263,080,560	100,386,700	1,264,400	250,109	2.00	
2003	1,217,171,818	597,049,770	55,213,438	0.62	252,204,750	107,362,900	1,380,700	239,938	2.00	
2002	1,193,864,907	599,668,097	55,484,976	0.62	250,506,200	120,401,100	1,292,100	295,760	2.00	
2001	1,101,403,701	555,329,167	52,567,436	0.62	248,202,911	117,159,400	1,303,800	296,180	2.00	
2000	1,060,792,573	539,248,951	52,168,424	0.62	237,204,519	106,835,400	1,318,400	529,083	2.00	

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

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

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

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

Table 6

Fiscal Year	Real Estate				Personal Property					Total Direct Tax Rate
	Residential	Commercial/Industrial	Public Service Corporations	Total Direct Tax Rate	Business Equipment	Machinery and Tools	Mobile Homes	Public Service Corporations	Other <sup>1</sup>	
2009	\$ 0.59	\$ 0.59	\$ 0.59	\$ 0.59	\$ 2.00	\$ 2.00	\$ 0.59	\$ 3.00	\$ 3.00	\$ 2.43
2008	0.59	0.59	0.59	0.59	2.00	2.00	0.59	3.00	3.00	2.43
2007	0.62	0.62	0.62	0.62	3.00	2.00	0.62	3.00	3.00	2.74
2006	0.62	0.62	0.62	0.62	2.00	2.00	0.62	2.00	2.00	2.00
2005	0.62	0.62	0.62	0.62	2.00	2.00	0.62	2.00	2.00	2.00
2004	0.62	0.62	0.62	0.62	2.00	2.00	0.62	2.00	2.00	2.00
2003	0.62	0.62	0.62	0.62	2.00	2.00	0.62	2.00	2.00	2.00
2002	0.62	0.62	0.62	0.62	2.00	2.00	0.62	2.00	2.00	2.00
2001	0.62	0.62	0.62	0.62	2.00	2.00	0.62	2.00	2.00	2.00
2000	0.62	0.62	0.62	0.62	2.00	2.00	0.62	2.00	2.00	2.00

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

Notes: <sup>1</sup>Other personal property includes business vehicles.

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

**Table 7**

Property Taxpayer	Fiscal Year 2009			Fiscal Year 2000		
	Property Taxes	Rank	Percent of Total Property Taxes	Property Taxes	Rank	Percent of Total Property Taxes
R.R. Donnelly & Sons Company	\$ 398,140	1	1.37%	\$ 232,808	4	1.35%
Tenneco Inc.	374,564	2	1.29%	365,351	2	2.12%
American Campus Communities, Inc.	310,988	3	1.07%	-	-	-
Graham Packaging Company, LP	301,883	4	1.04%	226,254	5	1.31%
IntraPac Corporation	255,416	5	0.88%	302,246	3	1.75%
Packaging Corporation of America	243,019	6	0.83%	218,702	6	1.27%
Simon Property Group, Inc.	200,453	7	0.69%	-	-	-
Virginia Mennonite Retirement Community	178,604	8	0.61%	-	-	-
Wal-Mart Stores, Inc.	151,458	9	0.52%	-	-	-
Ariake U.S.A., Inc.	127,555	10	0.44%	-	-	-
Verizon Communications Inc.	-	-	-	215,985	7	1.25%
Tyco International Ltd.	-	-	-	424,658	1	2.46%
Reddy Ice Corporation	-	-	-	204,259	8	1.18%
Dunham Bush, Inc.	-	-	-	195,644	9	1.14%
Rocco, Inc.	-	-	-	174,487	10	1.01%
<b>Total</b>	<b>\$ 2,542,080</b>		<b>8.74%</b>	<b>\$ 2,560,394</b>		<b>14.84%</b>

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

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

**Table 8**

Fiscal Year	Taxes Levied for the Fiscal Year (Original Levy)	Adjustments	Total Adjusted Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
				Amount	Percentage of Levy		Amount	Percentage of Levy
2009	\$ 29,138,784	\$ -	29,138,784	\$ 28,136,769	96.56%	\$ -	28,136,769	96.56%
2008	27,221,485	63,725	27,285,210	26,384,561	96.93%	386,055	26,770,616	98.11%
2007	23,722,324	48,578	23,770,902	22,950,373	96.75%	478,608	23,428,981	98.56%
2006	21,683,449	72,536	21,755,985	21,076,071	97.20%	440,502	21,516,573	98.90%
2005	19,595,631	15,817	19,611,448	18,925,288	96.58%	382,288	19,307,576	98.45%
2004	19,617,311	(6,036)	19,611,275	19,080,972	97.27%	339,824	19,420,796	99.03%
2003	18,890,133	10,421	18,900,554	18,103,663	95.84%	664,998	18,768,661	99.30%
2002	18,973,108	919	18,974,027	18,116,477	95.49%	737,125	18,853,602	99.37%
2001	17,990,551	34,085	18,024,636	17,226,173	95.75%	682,548	17,908,721	99.36%
2000	17,252,634	(11,975)	17,240,659	16,790,725	97.32%	356,375	17,147,100	99.46%

**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									
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Governmental activities:										
General obligation bonds <sup>a,b,c,d</sup>	\$ 86,509,105	\$ 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
General obligation school bonds <sup>e</sup>	43,555,410	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
General obligation revenue bonds <sup>b,f</sup>	-	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
Capital leases	7,480,465	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
State literary fund loans	-	-	-	11,825	23,650	35,475	101,900	205,350	316,025	426,700
Business-type activities:										
General obligation bonds <sup>g</sup>	26,886,976	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
General obligation revenue bonds <sup>h</sup>	9,598,939	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	\$ 174,030,895	\$ 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
Percentage of personal income <sup>1</sup>	12.73%	12.83%	13.82%	11.13%	12.35%	12.21%	12.67%	13.31%	5.47%	6.42%
Per capita <sup>1</sup>	\$ 3,792	\$ 3,667	\$ 3,809	\$ 2,915	\$ 3,098	\$ 2,969	\$ 2,925	\$ 3,077	\$ 1,204	\$ 1,324

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

<sup>a</sup>For 2009, the City issued \$13.5 million in general obligation bonds for various capital project purposes.

<sup>b</sup>For 2009, the City issued \$6.25 million in general obligation bonds to advance refund \$6.16 million in general obligation revenue bonds.

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

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

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

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

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

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



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

Table 10

	Fiscal Year									
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
General obligation bonds <sup>a,b,c,d</sup>	\$ 113,396,081	\$ 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
General obligation school bonds <sup>e</sup>	43,555,410	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
<b>Total</b>	<b>\$ 156,951,491</b>	<b>\$ 141,692,888</b>	<b>\$ 146,611,558</b>	<b>\$ 101,591,340</b>	<b>\$ 106,071,619</b>	<b>\$ 102,372,329</b>	<b>\$ 101,587,082</b>	<b>\$ 104,896,750</b>	<b>\$ 34,350,723</b>	<b>\$ 38,081,542</b>
Percentage of assessed real property value <sup>1</sup>	4.49%	4.36%	6.11%	4.37%	5.24%	5.17%	5.43%	5.67%	2.01%	2.30%
Per capita <sup>2</sup>	\$ 3,420	\$ 3,131	\$ 3,248	\$ 2,308	\$ 2,457	\$ 2,373	\$ 2,362	\$ 2,486	\$ 831	\$ 941

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

<sup>a</sup>For 2009, the City issued \$13.5 million in general obligation bonds for various capital project purposes.

<sup>b</sup>For 2009, the City issued \$6.25 million in general obligation bonds to advance refund \$6.16 million in general obligation revenue bonds.

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

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

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

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

**Table 11**

	Fiscal Year										
	2009	2007	2007	2007	2006	2005	2004	2003	2002	2001	2000
Debt limit	\$ 349,636,450	\$ 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	
Total debt applicable to limit	167,937,695	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	
Legal debt margin	\$ 181,698,755	\$ 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	
Total debt applicable to the limit as percentage of debt limit <sup>ab</sup>	48.03%	48.72%	68.30%	51.27%	61.33%	62.36%	64.54%	66.97%	25.40%	28.35%	
<b>Legal Debt Margin Calculation for Fiscal Year 2009</b>											
Total assessed value of taxed real property	\$ 3,496,364,495										
Debt limit (10% of total assessed value)	\$ 349,636,450										
Debt applicable to limit:											
General obligation bonds	114,822,695										
General obligation school bonds	43,440,000										
General obligation revenue bonds	9,675,000										
Legal debt margin	\$ 181,698,755										

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

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

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

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

**Table 12**

<b>Fiscal Year</b>	<b>Population<sup>1</sup></b>	<b>Personal Income (in thousands)</b>	<b>Per Capita Personal Income<sup>2</sup></b>	<b>School Enrollment<sup>3</sup></b>	<b>Unemployment Rate Percentage<sup>4</sup></b>
2009	45,889	\$ 1,366,758	\$ 29,784	4,241	5.6
2008	45,255	1,293,795	28,589	4,363	3.3
2007	45,138	1,243,778	27,555	4,356	2.8
2006	44,008	1,152,834	26,196	4,347	3.3
2005	43,178	1,083,509	25,094	4,088	4.0
2004	43,137	1,048,574	24,308	4,028	3.7
2003	43,001	992,764	23,087	4,026	3.7
2002	42,200	975,326	23,112	3,912	3.5
2001	41,350	910,858	22,028	3,768	2.3
2000	40,468	834,936	20,632	3,575	1.8

*Sources:* <sup>1</sup> Estimated by the City's Department of Planning and Community Development for 2001-2009. United States Census Bureau for 2000. <sup>2</sup> Bureau of Economic Analysis, United States Department of Commerce. Amounts for 2001-2008 have been adjusted based upon the latest available data. Data for 2009 has been estimated based on per capita personal income trends for the previous ten years. <sup>3</sup> City of Harrisonburg School Board. <sup>4</sup> Virginia Employment Commission. The unemployment rate is an annual average. Amounts for 2002-2008 have been adjusted based upon the latest available data.

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

**Table 13**

Employers	Fiscal Year 2009			Fiscal Year 2000		
	Approximate Employees	Rank	Percent of Total City Emp- loyment	Employees	Rank	Percent of Total City Emp- loyment
James Madison University	>999	1	> 3.31%	>999	1	n/a
Rockingham Memorial Hospital	>999	2	> 3.31%	>999	2	n/a
Harrisonburg City Public Schools	500 - 999	3	1.65% - 3.31%	500 - 999	4	n/a
City of Harrisonburg	500 - 999	4	1.65% - 3.31%	500 - 999	6	n/a
Fairfield Language Technologies	500 - 999	5	1.65% - 3.31%	-	-	-
Wal-Mart Stores, Inc.	500 - 999	6	1.65% - 3.31%	500 - 999	5	n/a
Tenneco Inc.	250 - 499	7	0.82% - 1.65%	500 - 999	3	n/a
Virginia Mennonite Retirement Community	250 - 499	8	0.82% - 1.65%	250 - 499	9	n/a
Graham Packaging Company, LP	250 - 499	9	0.82% - 1.65%	250 - 499	7	n/a
Ntelos Inc.	250 - 499	10	0.82% - 1.65%	-	-	-
Tyson Foods, Inc.	-	-	-	250 - 499	8	n/a
IntraPac Corp.	-	-	-	250 - 499	10	n/a
Total City Employment	30,171			n/a		

*Source: Virginia Employment Commission.*

**Notes:** "n/a" means that the information is not available.

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

**Table 14**

Function	Fiscal Year									
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
General government administration	46.1	43.9	41.8	39.0	37.9	37.0	35.1	33.9	34.1	31.9
Public safety:										
Police <sup>a</sup>	110.8	107.8	101.6	101.8	97.7	100.4	94.8	94.2	90.9	86.1
Fire <sup>b</sup>	79.8	76.8	72.3	71.5	68.5	68.2	65.0	64.0	64.0	58.0
Other <sup>c</sup>	13.0	12.0	12.0	11.5	10.2	22.0	22.0	20.5	20.5	19.5
Public works	76.2	74.3	74.2	66.7	66.0	66.0	62.9	65.8	65.9	65.5
Parks, recreation and cultural <sup>d</sup>	71.2	70.6	69.4	66.8	65.6	66.7	63.1	60.4	46.6	46.6
Planning and community development <sup>e</sup>	19.4	17.2	18.8	11.9	11.7	10.6	11.3	10.1	9.2	9.2
Water	33.2	31.4	30.1	29.7	29.7	29.6	28.6	28.6	28.6	28.6
Sewer	23.7	22.6	23.3	22.9	22.9	22.9	21.9	21.9	21.9	20.9
Public transportation <sup>f</sup>	86.4	78.6	79.8	79.2	76.4	77.1	67.7	66.6	65.4	66.9
Sanitation <sup>g</sup>	61.5	60.9	56.9	56.9	55.0	54.0	46.8	45.0	44.4	43.4
Central garage	15.4	15.8	13.0	13.0	13.0	13.0	13.0	13.0	12.0	12.0
Central stores	2.0	2.0	2.0	1.0	1.0	1.0	2.0	2.0	2.0	2.0
<b>Total</b>	<b>638.7</b>	<b>613.9</b>	<b>595.2</b>	<b>571.9</b>	<b>555.6</b>	<b>568.5</b>	<b>534.2</b>	<b>526.0</b>	<b>505.5</b>	<b>490.6</b>

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

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

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

<sup>b</sup>The increase for the fire department from 2000 to 2004 reflects the hiring of additional firefighters to comply with the National Fire Protection Association's "Two-In-Two-Out" rule.

<sup>c</sup>The decrease for other public safety in 2005 reflects the transfer of employees to the Harrisonburg-Rockingham Emergency Communications Center.

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

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

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

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

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

**Table 15**

Function	Fiscal Year									
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Police										
Calls answered	40,327	26,658	28,232	30,901	34,059	33,987	30,839	29,960	26,329	22,438
Traffic citations	8,177	5,326	6,295	7,144	9,796	8,825	7,101	5,460	5,043	6,179
Fire										
Calls answered	4,381	4,314	3,991	4,088	3,994	3,763	3,606	3,313	3,162	3,321
Inspections	1,983	1,218	1,387	1,472	1,623	1,296	1,198	683	1,976	2,943
Public works										
Streets repaved (lane miles)	9.47	10.42	7.47	4.88	4.17	4.13	10.22	7.31	10.65	5.00
Parks and recreation										
Pool admissions	44,664	40,836	30,719	42,060	44,273	45,182	44,856	43,726	33,154	39,354
Rounds of golf played <sup>a</sup>	23,897	21,024	19,235	20,220	20,522	20,418	18,239	6,074	-	-
Planning and community development										
Building permits issued	961	1,747	829	1,039	958	893	896	624	463	632
Water										
Daily consumption (millions of gallons)	5.38	5.50	5.40	5.35	5.15	5.14	4.96	5.33	5.92	5.71
New customer connections	528	509	347	435	262	272	267	302	237	274
Sewer										
Daily consumption (millions of gallons)	4.12	3.95	4.26	4.36	4.16	4.11	n/a	n/a	n/a	n/a
New customer connections	13	36	52	46	42	33	22	38	15	30
Public transportation										
Transit bus passengers	1,709,558	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
Sanitation										
Avg. daily steam plant intake (tons) <sup>b</sup>	149.8	130.4	128.5	145.6	117.5	48.3	44.6	59.4	65.6	59.8
Recycling collected (tons)	1,048.3	942.3	1,234.2	1,847.3	1,353.9	n/a	n/a	n/a	n/a	n/a

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

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

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

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

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

**Table 16**

Function	Fiscal Year									
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Police										
Police stations	3	3	3	3	3	3	4	4	4	5
Patrol units (including motorcycles)	43	43	42	40	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	13	12	12	13	12	12	12	11	11	11
Public works:										
Streets (centerline miles)	135.34	134.07	134.07	132.62	132.62	132.62	132.62	132.62	132.62	132.62
Parks, recreation and cultural										
Parks (including athletic facilities)	11	11	10	10	10	10	10	10	10	10
Parks acreage	869	869	869	869	869	869	869	869	869	829
Golf course acreage	215	215	215	201	201	201	201	201	181	181
Water:										
Water lines (linear feet)	1,469,084	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
Storage capacity (millions of gallons) <sup>a</sup>	23.25	38.25	32.85	32.85	27.55	27.55	27.55	27.55	27.55	27.55
Sewer:										
Sewer lines (linear feet)	1,063,710	1,018,647	1,007,810	999,431	1,042,286	1,012,041	939,037	944,350	925,720	n/a
Public transportation:										
Transit buses	40	36	31	33	n/a	n/a	n/a	n/a	n/a	n/a
Sanitation										
Steam plant capacity (tons per day) <sup>b</sup>	200	200	200	200	200	200	100	100	100	100
Refuse collection trucks	7	6	6	6	6	6	6	6	6	6
Recycling collection trucks	3	3	4	4	4	4	4	4	4	4

*Source: Various City of Harrisonburg departments.*

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

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

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

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# COMPLIANCE SECTION

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

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

Honorable Members of City Council  
City of Harrisonburg, Virginia

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Harrisonburg, Virginia, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 25, 2009. Our report was modified to include a reference to another auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Another auditor audited the financial statements of the discretely presented component unit Harrisonburg Electric Commission, as described in our report on the City's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by that auditor.

**Internal Control over Financial Reporting**

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

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

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. **We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as Item 09-1 to be a significant deficiency in internal control over financial reporting.**

**Internal Control over Financial Reporting (Continued)**

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. **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 09-4 and 09-5.**

We noted certain matters that we reported to the City's management in a separate letter dated November 25, 2009.

\*\*\*\*\*

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia  
November 25, 2009

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR  
PROGRAM AND ON 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, 2009. The City's major federal programs are identified in the summary of auditor's 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, 2009. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as Items 09-2 and 09-3.**

## 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, state, and federal awarding agencies and pass-through entities, and the Harrisonburg City Council. It is not intended to be, and should not be, used by anyone other than these specified parties.

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia  
November 25, 2009

**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. As noted in the Summary Schedule of Prior Year Findings the prior year single audit disclosed one finding with regard to a major federal award program. We did not detect a similar finding in the current year.

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia  
November 25, 2009

**CITY OF HARRISONBURG, VIRGINIA**  
**SUMMARY OF COMPLIANCE MATTERS**  
**June 30, 2009**

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, 2009

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an **unqualified opinion** on the financial statements.
2. **One significant deficiency** relating to the audit of the financial statements is reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. **This significant deficiency was determined to not be a material weakness.**
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 on 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 **two audit findings** relating to major programs.
7. The programs tested as major programs include:

<u>Name of Program:</u>	<u>CFDA #</u>
Title I Grants to Local Educational Agencies	84.010
School Nutrition Cluster	10.553, 10.555
Special Education Cluster	84.027, 84.391, 84.173
Public Safety Interoperable Communications Grant Program	11.555

8. The **threshold** for distinguishing Type A and B programs was **\$410,583**.
9. The City was determined to be a **low-risk auditee**.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

**09-1: Grants Receivable (Significant Deficiency)**

**Condition:**

Responsibility for preparing and submitting grant reimbursement requests is distributed across multiple personnel in different departments at the City, which has allowed inconsistencies in practice and approach. This creates a risk that the City's finance department will not receive timely and complete information to properly record grants receivable and revenue. Ultimately this could allow the City's financial position to be misstated or for revenues to be misclassified, and such errors resulted in the restatement of net assets discussed in the Notes to the financial statements. An ancillary effect could also include unnecessary delays in reimbursement requests, which results in the City foregoing investment earnings.

**Recommendation:**

Reducing the risk of a misstatement to an acceptable level will require a collective effort from those departments with significant grants and from the finance department. The finance department should, where necessary, provide instructions as to what information is needed, and a timetable by which it should be provided. Those employees responsible for submitting grant reimbursement requests must accept responsibility for consistently and promptly forwarding proper information to the finance department.

**CITY OF HARRISONBURG, VIRGINIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2009**

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

**09-1: Grants Receivable (Significant Deficiency) (Continued)**

***Management's Response:***

*Management agrees with this finding and recognizes the importance of reporting grant and other intergovernmental transactions timely and accurately. Management will look at developing methods and procedures that will reduce the risk of a misstatement on the financial statements.*

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

**09-2: Title I Employee Time and Effort – CFDA 84.010**

***Condition:***

Through discussions with management, we noted that the required semi-annual employee time and effort certifications were not filed for Title I teachers for the current year.

***Recommendation:***

Management should implement procedures to ensure timely and complete filing of the semi-annual employee time and effort certifications for Title I teachers.

***Management's Response:***

*The School System has since implemented procedures to ensure all semi-annual employee time and effort certifications are filed for Title I teachers in August and January of each year.*

**09-3: Special Education Child Verification Reporting – CFDA 84.027, 84.391, 84.173**

***Condition:***

Reported amounts for child verification did not agree with the child verification report.

***Recommendation:***

Steps should be taken to ensure that these amounts agree.

***Management's Response:***

*The auditee concurs with the recommendation.*

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

**09-4: Highway Maintenance Work Orders**

***Condition:***

In a sample of 20 work orders, we noted that one highway maintenance work order had been entered into the system twice.

***Recommendation:***

Procedures should be implemented to ensure that each work order is entered only once.

***Management's Response:***

*The auditee concurs with the recommendation.*

**CITY OF HARRISONBURG, VIRGINIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2009**

**D. FINDINGS AND QUESTIONED COSTS – COMMONWEALTH OF VIRGINIA (Continued)**

**09-5: Weldon Cooper Report**

***Condition:***

The amounts on the Weldon Cooper report's "Expenditures on Facilities" did not tie to the City's expense listing, and the survey was filed on March 23, 2009 instead of by March 20, 2009 due date.

***Recommendation:***

Procedures should be implemented to ensure the Weldon Cooper report is tied to supporting documentation and is filed timely.

***Management's Response:***

*The auditee concurs with the recommendation.*

**CITY OF HARRISONBURG, VIRGINIA**  
**SCHEDULE OF PRIOR YEAR FINDINGS**  
**Year Ended June 30, 2009**

**A. 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.

***Current Status:***

*We did not detect a similar finding in the current year.*

**CITY OF HARRISONBURG, VIRGINIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2009**

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<b>Department of Agriculture:</b>		
Pass-through payments:		
Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	\$ 378,164
National School Lunch Program	10.555	1,045,076
Fresh Fruit and Vegetable Program	10.582	25,980
Department of Agriculture and Consumer Services:		
National School Lunch Program (Commodities) (part of Child Nutrition Cluster)	10.555	<u>125,087</u>
<b>Total Department of Agriculture</b>		<b>\$ <u>1,574,307</u></b>
<b>Department of Commerce:</b>		
Direct payment:		
Public Safety Interoperable Communications Grant Program	11.555	<u>\$ 499,859</u>
<b>Total Department of Commerce</b>		<b>\$ <u>499,859</u></b>
<b>Department of Housing and Urban Development:</b>		
Direct payment:		
Community Development Block Grants/Entitlement Grants	14.218	<u>\$ 812,501</u>
<b>Total Department of Housing and Urban Development</b>		<b>\$ <u>812,501</u></b>
<b>Department of the Interior:</b>		
Direct payment:		
Historical Preservation Fund Grants-In-Aid	15.904	<u>\$ 150,000</u>
<b>Total Department of the Interior</b>		<b>\$ <u>150,000</u></b>
<b>Department of Justice:</b>		
Direct payments:		
Public Safety Partnership and Community Policing Grants	16.710	\$ 3,886
Edward Byrne Memorial Justice Assistance Grant Program	16.738	9,244
Pass-through payment:		
Department of Criminal Justice Services:		
Edward Byrne Memorial Formula Grant Program	16.579	<u>150,000</u>
<b>Total Department of Justice</b>		<b>\$ <u>163,130</u></b>

(continued)

**CITY OF HARRISONBURG, VIRGINIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2009**

<b>Federal Grantor/Pass-through Grantor/Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Federal Expenditures</b>
<b>Department of Transportation:</b>		
Direct payments:		
Federal Transit Cluster:		
Federal Transit - Capital Investment Grants	20.500	\$ 1,562,876
Federal Transit - Formula Grants	20.507	821,060
Pass-through payments:		
Department of Rail and Public Transportation:		
Highway Planning and Construction	20.205	4,227,533
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	15,927
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	<u>22,109</u>
<b>Total Department of Transportation</b>		<b>\$ <u>6,683,505</u></b>
<b>Department of Education:</b>		
Pass-through payments:		
Department of Education:		
Title I Grants to Local Educational Agencies	84.010	\$ 1,021,557
Career and Technical Education - Basic Grants to States	84.048	83,429
Safe and Drug-Free Schools and Communities-State Grants	84.186	10,960
Education Technology State Grants	84.318	388,080
Reading First State Grants	84.357	534,128
English Language Acquisition Grants	84.365	204,296
Improving Teacher Quality State Grants	84.367	223,598
Special Education Cluster:		
Grants to States	84.027	871,446
Preschool Grants	84.173	27,918
Grants to States, Recovery Act	84.391	<u>1,807</u>
<b>Total Department of Education</b>		<b>\$ <u>3,367,219</u></b>
<b>Department of Homeland Security:</b>		
Direct payments:		
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	\$ 132,462
Pass-through payments:		
Department of Emergency Services:		
State Homeland Security Program (SHSP)	97.073	<u>238,550</u>
<b>Total Department of Homeland Security</b>		<b>\$ <u>371,012</u></b>

(continued)

**CITY OF HARRISONBURG, VIRGINIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2009**

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<b>Department of Defense:</b>		
Direct payment:		
JROTC Funds	12.VA 170853	\$ <u>64,555</u>
<b>Total Department of Defense</b>		\$ <u>64,555</u>
<b>Total expenditures of federal awards</b>		\$ <u><u>13,686,088</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, 2009**

**Note 1. Basis of Presentation**

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

**Note 2. Food Distribution**

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed as determined by the U.S. Department of Agriculture. At June 30, 2009, the School Board, a component unit, had food commodities totaling \$12,037 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	11.555	\$ 499,859
Community Development Block Grants/Entitlement Grants	14.218	294,001
State Homeland Security Program (SHSP)	97.073	173,343