

CITY OF HARRISONBURG, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR
JULY 1, 2003 TO JUNE 30, 2004



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

CITY OF HARRISONBURG, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
Year Ended June 30, 2004

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PART I

INTRODUCTORY SECTION

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City of Harrisonburg Virginia

Office of City Manager
345 South Main Street
Post Office Box 20031
Harrisonburg, Virginia 22801
(540) 432-7701/Fax (540) 432-7778

Roger D. Baker
City Manager

November 19, 2004

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, 2004 is hereby submitted in accordance with Section 45 of the *City Charter* and Section 15.2-2511 of the *Code of Virginia*, 1950, as amended. The *City Charter* and the *Code of Virginia* require that the City issue annually a report on its financial position and operations, and that this report be audited by either the state auditor or an independent firm of certified public accountants in accordance with generally accepted auditing standards (GAAS). This report has been prepared by the Department of Finance to conform with the standards of financial reporting as established by the Governmental Accounting Standards Board (GASB), generally accepted accounting principles (GAAP) and the Commonwealth of Virginia Auditor of Public Accounts (APA).

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

Brown, Edwards & Company, LLP, a firm of licensed certified public accountants, have audited the City's financial statements. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2004, 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, 2004, 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

The City With the Planned Future

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.

This report is divided into four sections: introductory, financial, statistical tables and compliance. The introductory section is intended to familiarize readers with the organizational structure of the City government, the nature and scope of services that are provided and the specifics of the legal operating environment. The financial section provides management's analysis of the City's current financial position and the outcome of its operations, the opinion of the independent auditor and the financial statements. The statistical table section is designed to provide some historical perspective of the City's financial condition and to reflect the social and economic trends of the area. The compliance section is prepared in conformity with the provisions of the Single Audit Act Amendments of 1996 and the OMB Circular A-133. This section includes a schedule of expenditures of federal awards, the independent auditors report on compliance and on internal controls over financial reporting, a schedule of findings and questioned costs and comments on the resolution of prior year findings.

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 of 1990. It now encompasses 17.3 square miles and serves a population of approximately 43,137.

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

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

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

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

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

Major Initiatives

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

- Hired two additional police personnel. One new police officer II and one new investigator. Also, upgraded six police officers two to master police officers.
- Appropriated \$2,000,000 for Stone Spring Road improvement.
- Appropriated \$2,000,000 for Erickson Avenue extension.
- Appropriated \$216,424 for sidewalk replacements and improvements.
- Appropriated \$200,000 for Simms School renovation.
- Appropriated \$400,000 for Cantrell Avenue Road improvements.
- Appropriated \$672,800 for Hardesty Higgins House.
- Appropriated \$340,000 for the Western Raw Waterline.
- Appropriated \$166,000 for rehabilitation of Parking Deck.
- Appropriated \$1,200,000 for four transit buses.
- Appropriated \$409,180 for six school buses.
- Appropriated \$200,000 for the continued work on the Blacks Run Interceptor.
- Appropriated \$313,927 for the City's share of Rockingham County's landfill expenses.

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 23,624. James Madison University, a state-supported school, is located near the geographic center of the City and has approximately 15,769 undergraduate students. Eastern Mennonite University, a private institution with approximately 1,459 students is also located in the City. Bridgewater College, located just south of the City, is also private and has an approximate enrollment of 1,403 students. State-supported Blue Ridge Community College has an enrollment of approximately 4,993 students.

Rockingham Memorial Hospital provides hospital and many related healthcare services. Air, rail and bus transportation is available in the area. U.S. Airways 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 \$32.6 million of which \$3.1 million is already on hand. It is planned that this project will be completed in at least four phases. It is currently projected that \$6 million will be borrowed in fiscal year 2006; \$6 million will be borrowed in the fiscal year 2007; \$4 million will be borrowed in fiscal year 2008 and the final \$13.5 million will be borrowed in fiscal year 2010. The estimated final completion date for the project is 2011, 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 State of Virginia will ultimately impact the final completion date. In fiscal year 2006 the City will start using \$800,000 of its annual state road allocation funding to defray the cost of the aforementioned indebtedness.

The City is in the process of constructing a waterline to the Shenandoah River, which is located approximately 17 miles east of the City. The estimated total cost of the project is \$19 million of which \$6 million has been funded through available funds and a prior year bond issue. It is anticipated that the remaining \$13 million will be borrowed in the fall of 2006. The projected completion date is anticipated to be 2007.

Cash Management. The City's investment policy is to invest with the same care, skill, prudence and diligence that a prudent and knowledgeable person would exercise when undertaking an enterprise of like character and aims. It is the policy of the City that all investments and investment practices meet or exceed those enumerated in Chapter 3, Title 26 of the *Code of Virginia*, 1950, as amended. The City's primary investment objectives, in order of priority are safety, liquidity and return on investments. Investments are limited to those maturing in three years or less from the time of purchase. The City uses Trusco Capital Management, Inc., a non-bank affiliate of SunTrust Bank, and the State Treasurer's Local Government Investment Pool to handle its investments. Additional information can be found in Note 3 of the notes to financial statements.

Risk Management. The City uses a variety of techniques to identify and monitor its risks and exposures for the programs and activities that are provided. An on-going safety program has been initiated to help prevent losses and to better identify problem areas that need attention. Additional information can be found in Note 26 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, 2003. This was the ninth 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,

Roger D. Baker
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, 2003

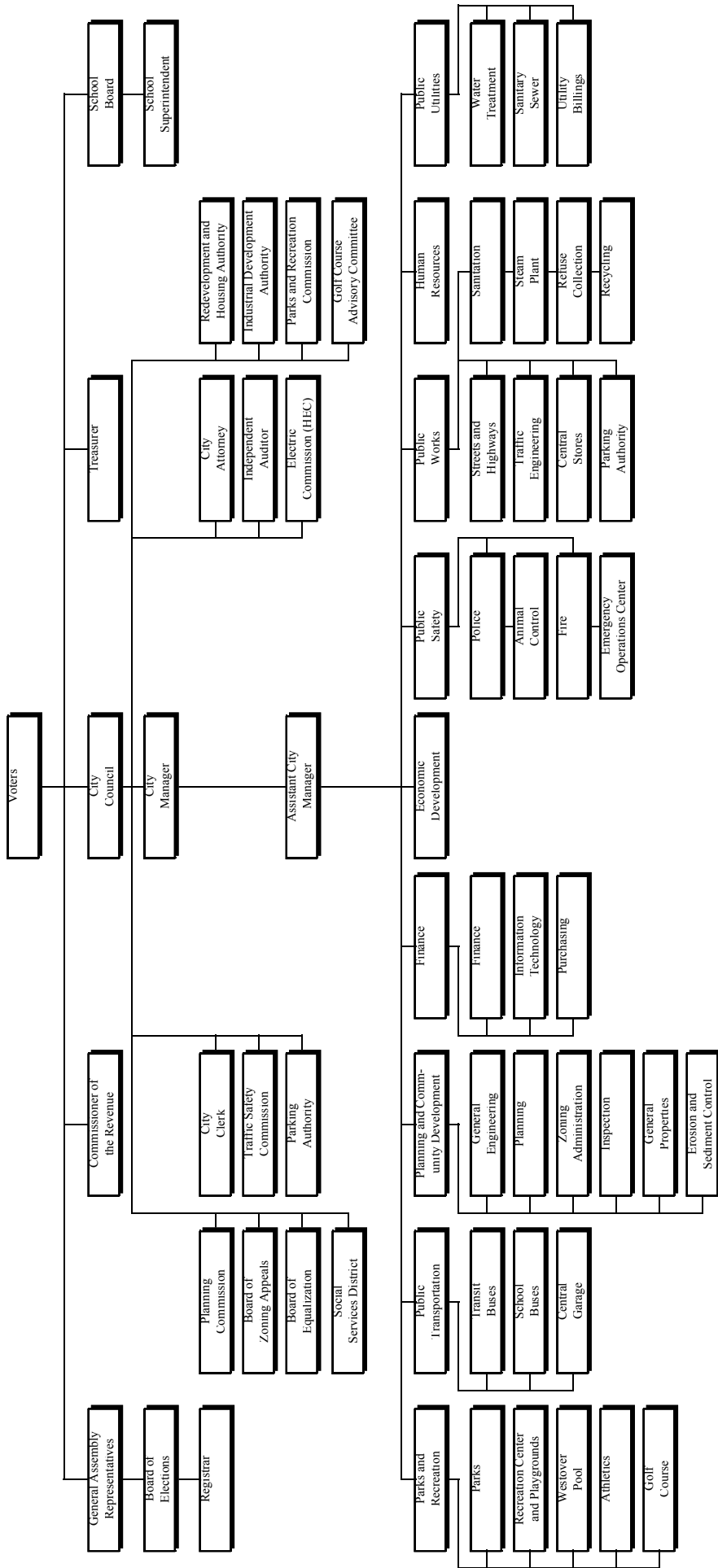
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

City of Harrisonburg, Virginia Organization Chart



CITY OF HARRISONBURG, VIRGINIA

Directory of Principal Officials

June 30, 2004

CITY COUNCIL

Joseph G. Fitzgerald, Mayor

Larry M. Rogers, Vice Mayor
Hugh J. Lantz, Council Member

Dorn W. Peterson, Ph.D., Council Member
Carolyn W. Frank, Council Member

OFFICIALS

Roger D. Baker	City Manager
Kurt D. Hodgen	Assistant City Manager
Rebecca B. Neal	City Treasurer
June W. Hosaflook	Commissioner of the Revenue
Thomas H. Miller, 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
Keith E. Markel	Senior Planner
Daniel J. Rublee	City Engineer
Alison B. Banks	Zoning Administrator

SCHOOL BOARD

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

Thomas C. Mendez, Chairperson
Susan H. Fitch, Vice Chairperson
Gregory L. Coffman, Board Member

Catherine M. Slusher, M.D., Board Member
Timothy J. Lacey, Board Member
Gary L. Wilson, Board Member

PART II

FINANCIAL SECTION

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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, 2004, 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 \$65,254,243 as of June 30, 2004, and total revenues of \$44,449,020 for the year then ended. Those financial statements were audited by other auditors whose reports 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 auditors.

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

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Harrisonburg, Virginia, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2004, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 11 through 20 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We and the other auditors 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 combining and individual fund statements and schedules listed in the table of contents 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 5, 2004

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, 2004. 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 \$215,038,114 (net assets). Of this amount, \$43,807,435 (unrestricted net assets) may be used to meet the City's obligations to citizens and creditors.
- The City's total net assets increased by \$5,322,309.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$36,645,230, a decrease of \$18,832,069 in comparison with the prior year. Approximately 55.4 percent of this total amount, \$20,314,866, 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 \$13,809,171, or 22.8 percent of total General Fund expenditures and other financing uses.
- The City's total long-term debt increased by \$342,020 during the current fiscal year.

Overview of the Financial Statements

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

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government administration, public safety, public works, health and welfare, education, parks and recreation, and planning and community development. The business-type activities of the City include water, sewer, public transportation, sanitation, public parking and golf course 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 three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, General Capital Projects Fund, and the School Bond Capital Projects Fund, which are considered to be major funds.

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

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

Proprietary funds. The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, public transportation, sanitation, public parking and golf course 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 six enterprise funds and three internal service funds. The proprietary fund financial statements provide separate information for the Water Fund, Sewer Fund, Public Transportation Fund, Sanitation Fund, Parking Authority Fund and Golf Course Fund, which are considered to be major enterprise funds. Also, the internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements in the other supplementary information part of the financial section of this report.

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

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

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

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 34 through 70 of this report.

Other supplementary information. In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information. This information includes the combining statements referred to earlier in connection with the internal service funds, combining agency fund financial statements and School Board individual fund financial statements. This information is presented immediately following the notes to financial statements. The combining and individual fund statements and schedules can be found on pages 71 through 98 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 \$215,038,114 at the close of the most recent fiscal year.

The largest portion of the City's net assets (79.1 percent) reflects its investment in capital assets (e.g., land, buildings and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, which amounts to \$43,807,435, may be used to meet the City's ongoing obligations to citizens and creditors.

City of Harrisonburg's Net Assets

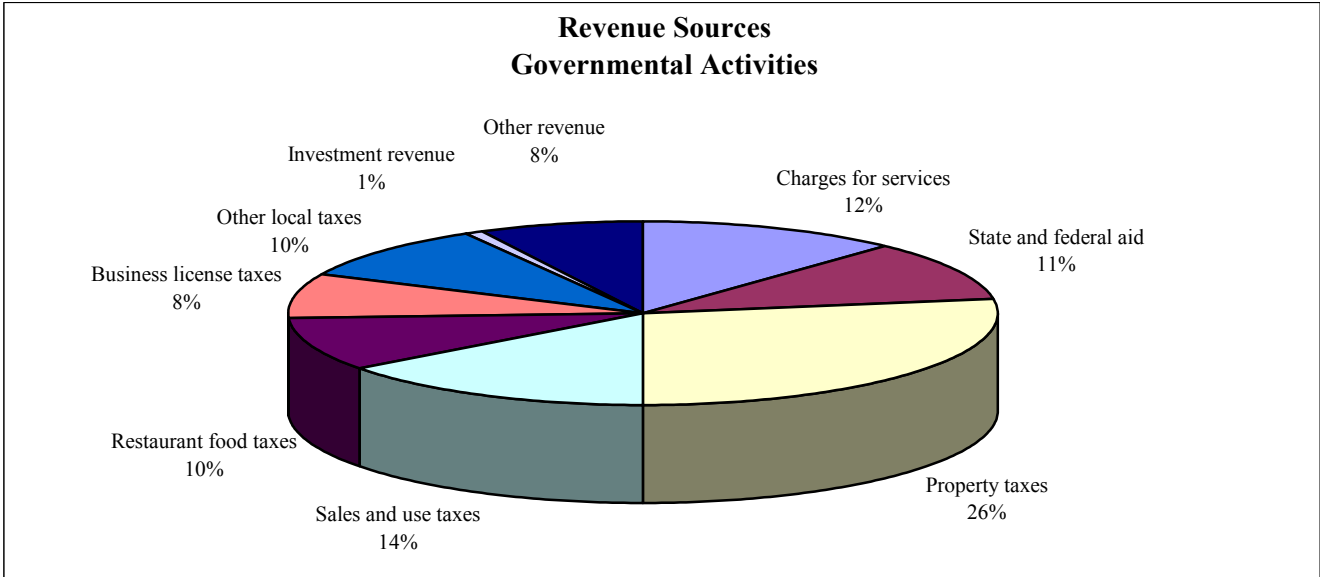
	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Current and other assets	\$ 66,310,162	\$ 82,207,881	\$ 34,220,550	\$ 45,139,022	\$ 100,530,712	\$ 127,346,903
Capital assets	187,066,464	163,801,622	92,207,727	84,138,528	279,274,191	247,940,150
Total assets	\$ 253,376,626	\$ 246,009,503	\$ 126,428,277	\$ 129,277,550	\$ 379,804,903	\$ 375,287,053
Current and other liabilities	\$ 26,916,056	\$ 25,063,697	\$ 2,488,114	\$ 5,486,952	\$ 29,404,170	\$ 30,550,649
Long-term liabilities	84,486,984	82,173,846	50,875,635	52,846,753	135,362,619	135,020,599
Total liabilities	\$ 111,403,040	\$ 107,237,543	\$ 53,363,749	\$ 58,333,705	\$ 164,766,789	\$ 165,571,248
Net assets:						
Invested in capital assets, net of related debt	\$ 118,163,476	\$ 117,314,943	\$ 51,856,222	\$ 53,504,910	\$ 170,019,698	\$ 170,819,853
Restricted	766,544	905,353	444,437	452,716	1,210,981	1,358,069
Unrestricted	23,043,566	20,551,664	20,763,869	16,986,219	43,807,435	37,537,883
Total net assets	\$ 141,973,586	\$ 138,771,960	\$ 73,064,528	\$ 70,943,845	\$ 215,038,114	\$ 209,715,805

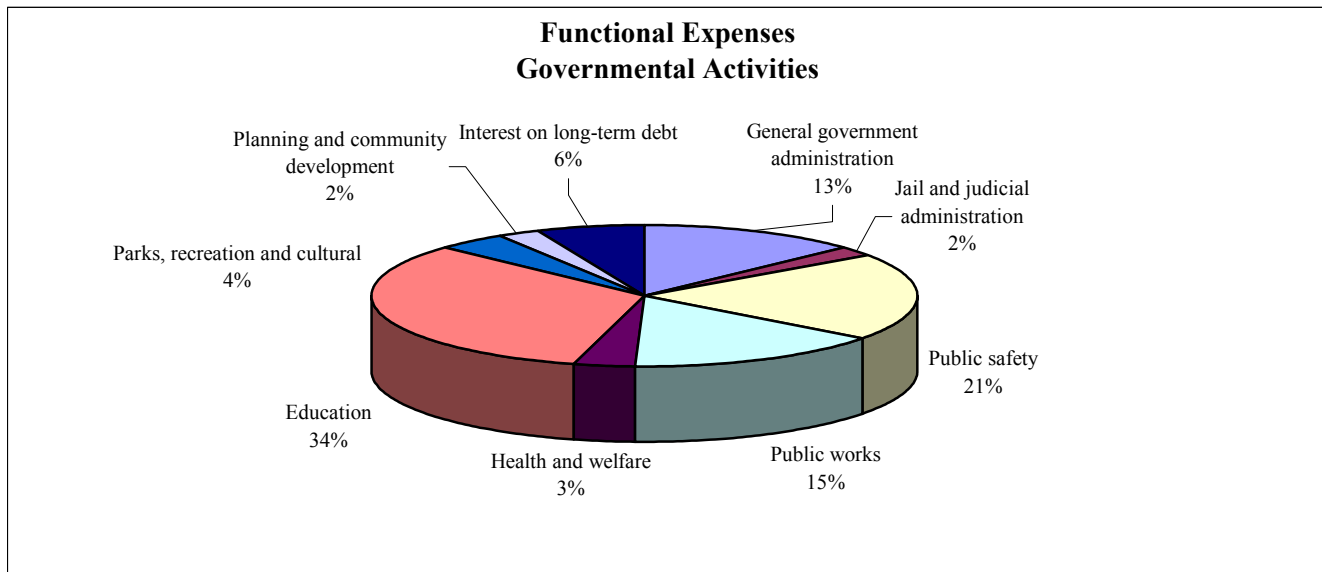
City of Harrisonburg's Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Revenues:						
Programs revenues:						
Charges for services	\$ 7,969,773	\$ 6,616,812	\$ 17,582,426	\$ 16,382,284	\$ 25,552,199	\$ 22,999,096
Operating grants and contributions	3,866,132	3,406,009	912,114	910,460	4,778,246	4,316,469
Capital grants and contributions	115,122	505,800	1,041,271	675,965	1,156,393	1,181,765
General revenues:						
Property taxes	18,120,703	17,387,139	-	-	18,120,703	17,387,139
Sales and use taxes	9,747,138	8,629,363	-	-	9,747,138	8,629,363
Restaurant food taxes	6,351,607	4,882,551	-	-	6,351,607	4,882,551
Business license taxes	5,013,674	4,771,569	-	-	5,013,674	4,771,569
Other local taxes	6,468,977	4,862,829	-	-	6,468,977	4,862,829
Grants and contributions not restricted to specific programs	3,086,923	3,221,206	-	-	3,086,923	3,221,206
Investment revenue	568,770	939,030	376,714	993,067	945,484	1,932,097
Other revenue	4,862,402	5,366,000	931,303	609,147	5,793,705	5,975,147
Total revenues	\$ 66,171,221	\$ 60,588,308	\$ 20,843,828	\$ 19,570,923	\$ 87,015,049	\$ 80,159,231
Expenses:						
General government administration	\$ 8,095,033	\$ 7,285,396	\$ -	\$ -	\$ 8,095,033	\$ 7,285,396
Jail and judicial administration	1,411,339	1,463,027	-	-	1,411,339	1,463,027
Public safety	12,308,346	10,483,000	-	-	12,308,346	10,483,000
Public works	9,570,485	8,654,789	-	-	9,570,485	8,654,789
Health and welfare	2,157,251	1,939,214	-	-	2,157,251	1,939,214
Education	20,351,713	21,325,763	-	-	20,351,713	21,325,763
Parks, recreation and cultural	2,636,326	2,551,774	-	-	2,636,326	2,551,774
Planning and community development	1,526,341	1,368,001	-	-	1,526,341	1,368,001
Interest on long-term debt	3,898,786	4,042,808	-	-	3,898,786	4,042,808
Water	-	-	3,362,062	3,506,917	3,362,062	3,506,917
Sewer	-	-	4,870,754	4,457,413	4,870,754	4,457,413
Public transportation	-	-	4,162,232	3,882,258	4,162,232	3,882,258
Sanitation	-	-	5,795,311	9,620,247	5,795,311	9,620,247
Public parking	-	-	208,202	200,964	208,202	200,964
Golf course	-	-	1,338,559	1,430,431	1,338,559	1,430,431
Total expenses	\$ 61,955,620	\$ 59,113,772	\$ 19,737,120	\$ 23,098,230	\$ 81,692,740	\$ 82,212,002
Increase in net assets before transfers and special items	\$ 4,215,601	\$ 1,474,536	\$ 1,106,708	\$ (3,527,307)	\$ 5,322,309	\$ (2,052,771)
Transfers	(1,013,975)	(396,406)	1,013,975	396,406	-	-
Change in net assets	\$ 3,201,626	\$ 1,078,130	\$ 2,120,683	\$ (3,130,901)	\$ 5,322,309	\$ (2,052,771)
Net assets at beginning of year	138,771,960	137,693,830	70,943,845	74,074,746	209,715,805	211,768,576
Net asses at end of year	\$ 141,973,586	\$ 138,771,960	\$ 73,064,528	\$ 70,943,845	\$ 215,038,114	\$ 209,715,805

Governmental activities. Governmental activities increased the City’s net assets by \$3,201,626. Key elements of this increase are as follows:

- Sales and use taxes increased \$1,117,775 (12.9 percent) during the current year as a direct result of increased economic activity in the City.
- Restaurant food taxes increased \$1,469,056 (30.1 percent) as the result of a rate increase from 5 percent to 6 percent.
- Other local taxes increased 1,606,148 (33 percent) due to the enactment of a new 30-cent per pack cigarette tax, which resulted in revenue of \$1,303,021.
- Other revenue decreased \$503,598 (9.4 percent) due to a one-time revenue item in the previous fiscal year.
- Charges for services increased \$1,352,961 (20.5 percent) in part due to the reporting of the City’s health insurance fund, an internal service fund, in governmental activities. The City increased health insurance premiums in its self-insured plan by 20 percent for the current year. Several external agencies participate in this plan, thus revenue pertaining to these participants is not consolidated (eliminated) within governmental activities. Also, general government administration expenses increased 12.8 percent as a result of increased expenses associated with these external participants.
- Expenses in the public safety function increased \$1,825,346 (17.4 percent) for three main reasons. First, the hiring of new employees, which included four new police officers and three new firefighters. Second, the City made a \$500,000 capital contribution to the local SPCA for the construction of a new building. Finally, the fire department used approximately \$275,000 in grants from the Department of Homeland Security to purchase replacement equipment.
- Expenses in the public works function increased \$915,696 (10.6 percent) due to an increase in expenses associated with the City’s street repaving program.
- Transfers increased \$617,569 due mainly to an increase in transfers to the Sanitation Fund (a business-type activity). This increased transfer is being provided to the Sanitation Fund to assist in funding an increase in debt service payments from the Sanitation Fund’s 2002 bond issue for the steam plant rebuild.





Business-type activities. Business-type activities increased the City's net assets by \$2,120,683. Key elements of this decrease are as follows:

- Capital grants and contributions increased by \$365,306 (54 percent) during the current year. The City's transportation department purchased two new transit buses in the current year. Federal and state grants typically cover approximately 90 percent of these purchases. The transportation department did not purchase any new transit buses the previous year.
- Charges for services increased \$1,200,142 (7.3 percent) due in large part to revenue increases in the sanitation function. Refuse collection rates were increased in 2004 along with additional revenue after the City's steam plant rebuild was completed.
- Transfers increased \$617,569 as mentioned above in the discussion of governmental activities.
- Expenses in the sanitation function decreased \$3,824,936 (39.8 percent) partially due to the method the City uses to estimate the landfill closure and postclosure liability for the City's closed landfill. In the current fiscal year, the City used an engineering consulting firm to calculate this liability, whereas in previous years the liability was calculated internally. This decreased the liability and was treated as a change in accounting estimate, which is reported on the operating statement. Also, the City dismantled the original steam plant in the previous fiscal year resulting in a write down of \$2,951,716.

Government-wide Financial Analysis (Component Units)

School Board activities. Unrestricted net assets of the School Board decreased \$964,799 (27.4 percent) during the current year to \$2,513,137. School Board expenses increased \$2,322,313 (6.5 percent). The increase in expenses was partially offset by an increase in intergovernmental revenue of \$886,571 (5.1 percent). This increase in revenues was mainly due to an increase in the School Board's share of the state sales tax and funding from the Federal Government. The School Board's payment from the City, primary government, decreased \$500,000 as the City Council requested that the School Board spend down a portion of its unrestricted net assets. The combination of the above factors resulted in the decrease of unrestricted net assets previously mentioned.

HEC activities. Operating revenues increased by \$3,331,070 (8.1 percent) during the current year as a result of two general factors. First, HEC purchases most of the electricity it distributes to its customers through Dominion Virginia Power, which increased its fuel factor adjustment charge. HEC in turned passed this increase on to its customers. Second, HEC increased its rates on April 1, 2004. Expenses increased proportionally to the operating revenue increases as a direct result of the increase in the fuel factor adjustment. Depreciation also increased as a result of new capital assets brought on line during the year. HEC's net assets increased \$2,371,878 during the year,

as compared to a \$1,549,851 increase in the previous year. Total current assets increased \$2,711,060 (20.4 percent) as a result of the operating results mentioned above, no long-term debt and a relatively small increase in capital asset investments.

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 \$13,809,171, while total fund balance reached \$15,657,597. 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 expenditure and other financing uses. Unreserved fund balance represents 22.8 percent of total General Fund expenditures and other financing uses, while total fund balance represents 25.8 percent of that same amount.

Other financial factors affecting the General Fund have been included in the above discussion on the City's governmental activities

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

Net assets in the Water Fund increased \$1,506,612 compared to a \$1,254,334 increase in the previous year. Charges for services increased \$139,667 (3.2 percent) due to an approximate 3 percent rate increase, while total operating expenses remained flat from the previous year.

Net assets in the Sewer Fund decreased \$270,094 compared to a \$329,874 increase in the previous year. Charges for services remained essentially flat while the Sewer Fund's contribution to the Harrisonburg-Rockingham Regional Sewer Authority for operations increased \$206,510 (17.3 percent).

Net assets in the Public Transportation Fund increased \$196,565 compared to a decrease of \$376,312 in the previous year. Capital grant contributions increased \$544,857 due to factors discussed earlier in connection with the business-type activities analysis. Operating revenues increased a total of 9.6 percent due to an increase in revenue from school bus services provided to the School Board and a 6.4 percent increase in the revenue from the James Madison University transit contract.

Net assets in the Sanitation Fund increased \$1,001,655 compared to a decrease of \$4,053,285 in the previous year. The factors of the Sanitation Fund's results are the same as those discussed earlier in connection with the business-type activities analysis.

Net assets in the Golf Course Fund decreased \$277,609 during the current year due mainly to interest expense. Operating results did improve from an operating loss of \$586,530 in the previous year to an operating loss of \$454,449 in fiscal year 2004. Operating revenues increased 9.4 percent from the previous fiscal year as the number of rounds of golf played increased while operating expenses decreased 8.2 percent.

General Fund Budgetary Highlights

Differences between the original and the final amended General Fund budget amounted to \$3,289,107, or 5.6 percent of the original budget, and can be briefly summarized as follows:

- \$1,846,144 appropriated for the reappropriation of prior year encumbrances.
- \$470,000 appropriated for a transfer to the Golf Course Fund for operating purposes.
- \$443,064 for several fire department grants awarded by the Department of Homeland Security.
- \$101,097 appropriated for a debt service payment on the debt issued for the Lucy F. Simms Continuing Education Center.
- \$88,041 appropriated for additional snow and ice removal expenditures incurred during the winter.
- \$64,407 appropriated for various fire department purposes.
- \$60,982 appropriated for several current and prior year police department grants.
- \$215,372 appropriated for other purposes. Funding was provided by various sources such as police asset forfeiture funds, donations and other miscellaneous revenues.

Capital Asset and Debt Administration

Capital assets. The City’s investment in capital assets for its governmental and business-type activities as of June 30, 2004, amounts to \$279,274,191 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, machinery and equipment, infrastructure (e.g., streets and bridges) and construction in progress. The total increase in the City’s investment in capital assets for the current fiscal year was 12.6 percent (a 14.2 percent increase for governmental activities and a 9.6 percent increase for business-type activities).

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

- Construction continued on the City’s new high school increasing governmental activities’ construction in progress by \$22,762,323.
- Construction was begun on the renovation and construction of the Lucy F. Simms Continuing Education Center increasing governmental activities’ construction in progress by \$2,522,775.
- Construction was completed on a new rescue squad facility increasing the governmental activities’ buildings and decreasing construction in progress by \$1,825,086.
- Construction was completed on the steam plant rebuild project increasing business-type activities’ machinery and equipment by \$21,286,197 and buildings by \$2,214,040. Construction in progress was decreased by the same amount.
- Construction continued on an expanded water treatment plant increasing the business-type activities’ construction in progress by \$2,718,670.

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

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Land	\$ 36,607,799	\$ 36,436,237	\$ 4,892,491	\$ 4,867,491	\$ 41,500,290	\$ 41,303,728
Buildings	30,409,195	30,902,795	8,545,506	6,553,262	38,954,701	37,456,057
Improvements other than buildings	875,911	915,569	7,733,625	8,063,748	8,609,536	8,979,317
Machinery and equipment	4,579,220	4,446,878	28,991,420	8,658,670	33,570,640	13,105,548
Infrastructure	75,534,539	77,075,770	33,742,948	33,178,152	109,277,487	110,253,922
Construction in progress	39,059,800	14,024,373	8,301,737	22,817,205	47,361,537	36,841,578
Total capital assets	\$ 187,066,464	\$ 163,801,622	\$ 92,207,727	\$ 84,138,528	\$ 279,274,191	\$ 247,940,150

Additional information on the City’s capital assets can be found in Note 7 on pages 44 through 45 of this report.

Long-term debt. At the end of the current fiscal year, the City had total long-term debt outstanding of \$135,362,619. Of this amount, \$119,276,484 comprises debt backed by the full faith and credit of the City. \$16,868,680 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 \$342,020 during the current fiscal year.

Significant long-term debt events during the current fiscal year included the following:

- The City issued \$2,935,000 in bonds and a \$2,970,000 note for the renovation and construction of the Lucy F. Simms Continuing Education Center.
- The City changed the way it estimates the landfill closure and postclosure liability for the City's closed landfill as mentioned previously in the discussion of business-type activities. The result was that the City had been overstating the liability in previous fiscal years.

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

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
General obligation bonds	\$ 16,404,464	\$ 13,834,193	\$ 29,586,475	\$ 29,839,303	\$ 45,990,939	\$ 43,673,496
General obligation school bonds	56,381,390	57,913,586	-	-	56,381,390	57,913,586
General obligation revenue bonds	-	-	16,868,680	16,862,785	16,868,680	16,862,785
Notes payable	3,297,307	916,785	128,527	426,346	3,425,834	1,343,131
Capital leases	5,373,206	5,888,681	-	-	5,373,206	5,888,681
State Literary Funds	35,475	101,900	-	-	35,475	101,900
Landfill closure and postclosure	-	-	3,552,453	5,033,745	3,552,453	5,033,745
Contractual obligation	886,773	1,486,773	-	-	886,773	1,486,773
Compensated absences	2,108,369	2,031,928	739,500	684,574	2,847,869	2,716,502
Total long-term debt	\$ 84,486,984	\$ 82,173,846	\$ 50,875,635	\$ 52,846,753	\$ 135,362,619	\$ 135,020,599

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

State statutes limit the amount of general obligation debt a governmental entity may incur to 10 percent of its total assessed real property valuation. The current debt limitation for the City is \$197,861,987 of which \$69,104,872 is available for use.

Additional information on the City's long-term debt can be found in Note 11 on pages 48 through 60 of this report.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the City's 2005 fiscal year budget.

- The unemployment rate of the City of Harrisonburg in June 2004 was 2.9 percent, which is an increase from a rate of 2.8 percent a year ago. This rate still compares favorably to the 3.8 percent state average and 5.8 percent national average.
- An increase in debt service payments on previously issue debt for the School Board and an increase in the Virginia Retirement System's contribution rate.
- The impact of the Commonwealth of Virginia's budget situation, which was not approved until June 2004.

The approved \$63 million fiscal year 2005 General Fund budget included the use of \$3,028,788 from unreserved and undesignated fund balance. There were no General Fund rate increases or new taxes approved.

An approximate three percent increase in water rates was approved to assist in the continued funding of the debt service payments on the City's June 2002 Water Fund bond issue. A Sewer Fund rate increase was approved to assist in funding increased operational costs at the Harrisonburg-Rockingham Regional Sewer Authority.

In the Sanitation Fund residential refuse collection rates were increased from \$12 to \$14 a month and commercial refuse collection rates were increased proportionally in order to continue funding of debt service payments on the City's June 2002 Sanitation Fund bond issue associated with the steam plant rebuild. Also, landfill tipping fees were increased from \$50 per ton to \$53 per ton.

Requests for Information

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

**BASIC
FINANCIAL STATEMENTS**

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CITY OF HARRISONBURG, VIRGINIA
STATEMENT OF NET ASSETS
At June 30, 2004

Exhibit 1

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	HEC
Assets					
Cash and cash equivalents	\$ 22,248,526	\$ 24,324,271	\$ 46,572,797	\$ 4,910,386	\$ 6,712,493
Investments	-	-	-	300,014	3,550,000
Receivables (net of allowance for uncollectibles)	23,972,245	1,801,723	25,773,968	956,243	4,195,526
Due from primary government	-	-	-	-	131,723
Due from component unit	4,805	17,642	22,447	-	55,704
Internal balances	190,122	(190,122)	-	-	-
Inventory	1,399,241	-	1,399,241	24,758	1,314,045
Prepaid expenses	123,792	71,481	195,273	208,017	48,793
Loans receivable	757,143	-	757,143	-	-
Restricted assets	17,355,289	7,141,353	24,496,642	-	-
Capital assets (net of accumulated depreciation)	187,066,464	92,207,727	279,274,191	21,466,301	49,245,959
Other assets	258,999	1,054,202	1,313,201	-	-
Total assets	\$ 253,376,626	\$ 126,428,277	\$ 379,804,903	\$ 27,865,719	\$ 65,254,243
Liabilities					
Accounts payable	\$ 1,607,030	\$ 363,078	\$ 1,970,108	\$ 12,189	\$ 2,996,400
Accrued liabilities	448,789	182,326	631,115	3,241,299	-
Accrued interest	1,417,760	324,907	1,742,667	-	-
Due to primary government	-	-	-	-	22,447
Due to component unit	66,378	65,345	131,723	55,704	-
Deferred revenue	19,420,560	96,251	19,516,811	-	-
Other liabilities	93,908	43,320	137,228	-	163,751
Customer deposits	-	216,678	216,678	-	572,098
Liabilities payable from restricted assets	3,861,631	1,196,209	5,057,840	-	-
Long-term debt:					
Due within one year	5,542,888	1,066,368	6,609,256	249,187	249,425
Due in more than one year	78,944,096	49,809,267	128,753,363	327,902	739,822
Total liabilities	\$ 111,403,040	\$ 53,363,749	\$ 164,766,789	\$ 3,886,281	\$ 4,743,943
Net assets					
Invested in capital assets, net of related debt	\$ 118,163,476	\$ 51,856,222	\$ 170,019,698	\$ 21,466,301	\$ 49,245,959
Restricted for:					
Debt service	284,337	444,437	728,774	-	-
E-911 system	191,789	-	191,789	-	-
Drug forfeiture	24,072	-	24,072	-	-
Police department grants	29,460	-	29,460	-	-
Fire department grants	236,886	-	236,886	-	-
Unrestricted	23,043,566	20,763,869	43,807,435	2,513,137	11,264,341
Total net assets	\$ 141,973,586	\$ 73,064,528	\$ 215,038,114	\$ 23,979,438	\$ 60,510,300

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, 2004

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government administration	\$ 8,095,033	\$ 6,408,739	\$ 280,924	\$ -
Jail and judicial administration	1,411,339	563,954	-	-
Public safety	12,308,346	436,621	623,967	-
Public works	9,570,485	-	2,961,241	115,122
Health and welfare	2,157,251	-	-	-
Education	20,351,713	-	-	-
Parks, recreation and cultural	2,636,326	235,998	-	-
Planning and community development	1,526,341	324,461	-	-
Interest on long-term debt	3,898,786	-	-	-
Total governmental activities	\$ 61,955,620	\$ 7,969,773	\$ 3,866,132	\$ 115,122
Business-type activities:				
Water	\$ 3,362,062	\$ 4,690,818	\$ -	\$ 346,818
Sewer	4,870,754	4,744,819	-	134,895
Public transportation	4,162,232	2,139,596	912,114	559,558
Sanitation	5,795,311	5,289,201	-	-
Public parking	208,202	192,129	-	-
Golf course	1,338,559	525,863	-	-
Total business-type activities	\$ 19,737,120	\$ 17,582,426	\$ 912,114	\$ 1,041,271
Total primary government	\$ 81,692,740	\$ 25,552,199	\$ 4,778,246	\$ 1,156,393
Component units:				
School Board	\$ 38,330,488	\$ 904,428	\$ 7,716,191	\$ -
Harrisonburg Electric Commission (HEC)	42,077,142	44,377,388	-	-
Total component units	\$ 80,407,630	\$ 45,281,816	\$ 7,716,191	\$ -

General revenues:
Property taxes
Sales and use taxes
Restaurant food taxes
Business license taxes
Other local taxes
Grants and contributions not restricted to specific program
Payment from primary government
Investment revenue
Other revenue
Transfers

Total general revenues and transfers

Change in net assets

Net assets at beginning of year

Net assets at end of year

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

Exhibit 2

Net (Expense) Revenue and Changes in Net Assets

Primary Government			Component Units		
Governmental Activities	Business-type Activities	Total	School Board	HEC	
\$ (1,405,370)	\$ -	\$ (1,405,370)	\$ -	\$ -	-
(847,385)	-	(847,385)	-	-	-
(11,247,758)	-	(11,247,758)	-	-	-
(6,494,122)	-	(6,494,122)	-	-	-
(2,157,251)	-	(2,157,251)	-	-	-
(20,351,713)	-	(20,351,713)	-	-	-
(2,400,328)	-	(2,400,328)	-	-	-
(1,201,880)	-	(1,201,880)	-	-	-
(3,898,786)	-	(3,898,786)	-	-	-
<u>\$ (50,004,593)</u>	<u>\$ -</u>	<u>\$ (50,004,593)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>
\$ -	\$ 1,675,574	\$ 1,675,574	\$ -	\$ -	-
-	8,960	8,960	-	-	-
-	(550,964)	(550,964)	-	-	-
-	(506,110)	(506,110)	-	-	-
-	(16,073)	(16,073)	-	-	-
-	(812,696)	(812,696)	-	-	-
<u>\$ -</u>	<u>\$ (201,309)</u>	<u>\$ (201,309)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>
<u>\$ (50,004,593)</u>	<u>\$ (201,309)</u>	<u>\$ (50,205,902)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>
\$ -	\$ -	\$ -	\$ (29,709,869)	\$ -	-
-	-	-	-	2,300,246	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (29,709,869)</u>	<u>\$ 2,300,246</u>	<u>-</u>
\$ 18,120,703	\$ -	\$ 18,120,703	\$ -	\$ -	-
9,747,138	-	9,747,138	-	-	-
6,351,607	-	6,351,607	-	-	-
5,013,674	-	5,013,674	-	-	-
6,468,977	-	6,468,977	-	-	-
3,086,923	-	3,086,923	10,579,588	-	-
-	-	-	18,667,629	-	-
568,770	376,714	945,484	7,011	71,632	-
4,862,402	931,303	5,793,705	59,524	-	-
(1,013,975)	1,013,975	-	-	-	-
<u>\$ 53,206,219</u>	<u>\$ 2,321,992</u>	<u>\$ 55,528,211</u>	<u>\$ 29,313,752</u>	<u>\$ 71,632</u>	<u>-</u>
\$ 3,201,626	\$ 2,120,683	\$ 5,322,309	\$ (396,117)	\$ 2,371,878	-
<u>138,771,960</u>	<u>70,943,845</u>	<u>209,715,805</u>	<u>24,375,555</u>	<u>58,138,422</u>	<u>-</u>
<u>\$ 141,973,586</u>	<u>\$ 73,064,528</u>	<u>\$ 215,038,114</u>	<u>\$ 23,979,438</u>	<u>\$ 60,510,300</u>	<u>-</u>

CITY OF HARRISONBURG, VIRGINIA
GOVERNMENTAL FUNDS
BALANCE SHEET
At June 30, 2004

Exhibit 3

	<u>General</u> <u>Fund</u>	<u>General</u> <u>Capital</u> <u>Projects</u> <u>Fund</u>	<u>School Bond</u> <u>Capital</u> <u>Projects</u> <u>Fund</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
Assets				
Cash and cash equivalents	\$ 12,026,411	\$ 7,556,081	\$ -	\$ 19,582,492
Receivables (net of allowance for uncollectibles)	23,881,730	87,942	-	23,969,672
Advance to other funds	-	273,449	-	273,449
Prepaid expenditures	120,506	-	-	120,506
Loans receivable	757,143	-	-	757,143
Restricted assets	<u>284,337</u>	<u>5,354,658</u>	<u>11,716,294</u>	<u>17,355,289</u>
Total assets	<u>\$ 37,070,127</u>	<u>\$ 13,272,130</u>	<u>\$ 11,716,294</u>	<u>\$ 62,058,551</u>
Liabilities				
Accounts payable	\$ 587,100	\$ 139,160	\$ -	\$ 726,260
Accrued liabilities	435,205	-	-	435,205
Due to component unit	66,141	-	-	66,141
Advance from other funds	273,449	-	-	273,449
Deferred revenue	19,956,727	-	-	19,956,727
Other liabilities	93,908	-	-	93,908
Liabilities payable from restricted assets	<u>-</u>	<u>957,088</u>	<u>2,904,543</u>	<u>3,861,631</u>
Total liabilities	<u>\$ 21,412,530</u>	<u>\$ 1,096,248</u>	<u>\$ 2,904,543</u>	<u>\$ 25,413,321</u>
Fund Balances				
Fund balances:				
Reserved	\$ 1,848,426	\$ 5,670,187	\$ 8,811,751	\$ 16,330,364
Unreserved:				
Designated	2,230,509	6,505,695	-	8,736,204
Undesignated	<u>11,578,662</u>	<u>-</u>	<u>-</u>	<u>11,578,662</u>
Total fund balances	<u>\$ 15,657,597</u>	<u>\$ 12,175,882</u>	<u>\$ 8,811,751</u>	<u>\$ 36,645,230</u>
Total liabilities and fund balances	<u>\$ 37,070,127</u>	<u>\$ 13,272,130</u>	<u>\$ 11,716,294</u>	<u>\$ 62,058,551</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, 2004

Exhibit 4

Total fund balance of governmental funds (Exhibit 3)	\$ 36,645,230
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.	536,167
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	186,986,322
Certain liabilities, including bonds and related accounts, are not payable from current financial resources and therefore are not reported in the funds.	(85,572,900)
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>3,378,767</u>
Net assets of governmental activities (Exhibit 1)	<u>\$ 141,973,586</u>

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

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

For the Year Ended June 30, 2004

	General Fund	General Capital Projects Fund	School Bond Capital Projects Fund	Total Governmental Funds
Revenues:				
General property taxes	\$ 18,331,474	\$ -	\$ -	\$ 18,331,474
Other local taxes	27,544,279	-	-	27,544,279
Permits, privilege fees and regulatory licenses	333,288	-	-	333,288
Fines and forfeitures	563,954	-	-	563,954
Revenue from use of money and property	396,067	48,000	239,459	683,526
Charges for services	252,891	-	-	252,891
Miscellaneous	4,487,001	-	140,602	4,627,603
Recovered costs	781,623	283,703	-	1,065,326
Intergovernmental	6,953,417	-	-	6,953,417
Total revenues	<u>\$ 59,643,994</u>	<u>\$ 331,703</u>	<u>\$ 380,061</u>	<u>\$ 60,355,758</u>
Expenditures:				
Current:				
General government administration	\$ 2,460,537	\$ -	\$ -	\$ 2,460,537
Jail and judicial administration	1,696,498	-	-	1,696,498
Public safety	12,672,049	-	-	12,672,049
Public works	6,548,826	-	-	6,548,826
Health and welfare	2,135,386	-	-	2,135,386
Education	18,667,629	-	-	18,667,629
Parks, recreation and cultural	2,763,595	-	-	2,763,595
Planning and community development	2,118,465	-	-	2,118,465
Debt service:				
Principal retirement	3,130,078	-	-	3,130,078
Interest and fiscal charges	3,687,224	-	-	3,687,224
Capital projects	-	5,316,164	22,762,323	28,078,487
Total expenditures	<u>\$ 55,880,287</u>	<u>\$ 5,316,164</u>	<u>\$ 22,762,323</u>	<u>\$ 83,958,774</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 3,763,707</u>	<u>\$ (4,984,461)</u>	<u>\$ (22,382,262)</u>	<u>\$ (23,603,016)</u>
Other financing sources (uses):				
Long-term debt issued	\$ -	\$ 5,905,000	\$ -	\$ 5,905,000
Premium on long-term debt issued	-	30,769	-	30,769
Discount on long-term debt issued	-	(9,211)	-	(9,211)
Transfers in	1,258,740	2,398,800	-	3,657,540
Transfers out	(4,813,151)	-	-	(4,813,151)
Total other financing sources (uses)	<u>\$ (3,554,411)</u>	<u>\$ 8,325,358</u>	<u>\$ -</u>	<u>\$ 4,770,947</u>
Net change in fund balances	<u>\$ 209,296</u>	<u>\$ 3,340,897</u>	<u>\$ (22,382,262)</u>	<u>\$ (18,832,069)</u>
Fund balances at beginning of year	<u>15,448,301</u>	<u>8,834,985</u>	<u>31,194,013</u>	<u>55,477,299</u>
Fund balances at end of year	<u>\$ 15,657,597</u>	<u>\$ 12,175,882</u>	<u>\$ 8,811,751</u>	<u>\$ 36,645,230</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, 2004

Exhibit 6

Total net change in fund balances of governmental funds (Exhibit 5)	\$ (18,832,069)
Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay expenditures exceeded depreciation expense in the current period.	24,545,585
Other capital asset transactions. This amount is the net effect of miscellaneous capital asset transactions (i.e., sales, donations) on net assets.	7,787
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.	(145,690)
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.	(2,149,201)
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.	(114,888)
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.	1,163,388
The transfer of capital assets between the primary government and the School Board (component unit) effects 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>(1,273,286)</u>
Change in net assets of governmental activities (Exhibit 2)	<u>\$ 3,201,626</u>

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

GENERAL FUND

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

For the Year Ended June 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
General property taxes	\$ 17,921,390	\$ 17,921,390	\$ 18,331,474	\$ 410,084
Other local taxes	26,380,432	26,380,432	27,544,279	1,163,847
Permits, privilege fees and regulatory licenses	207,000	207,000	333,288	126,288
Fines and forfeitures	352,000	352,000	563,954	211,954
Revenue from use of money and property	543,500	543,500	396,067	(147,433)
Charges for services	275,750	275,750	252,891	(22,859)
Miscellaneous	4,246,920	4,270,432	4,487,001	216,569
Recovered costs	519,552	639,725	781,623	141,898
Intergovernmental	5,892,722	6,403,698	6,953,417	549,719
Total revenues	<u>\$ 56,339,266</u>	<u>\$ 56,993,927</u>	<u>\$ 59,643,994</u>	<u>\$ 2,650,067</u>
Expenditures:				
Current:				
General government administration	\$ 2,719,842	\$ 2,701,321	\$ 2,460,537	\$ 240,784
Jail and judicial administration	1,630,000	1,630,000	1,696,498	(66,498)
Public safety	11,085,244	12,918,201	12,672,049	246,152
Public works	6,649,207	6,829,333	6,548,826	280,507
Health and welfare	2,145,262	2,145,262	2,135,386	9,876
Education	18,667,629	18,667,629	18,667,629	-
Parks, recreation and cultural	2,952,411	3,064,061	2,763,595	300,466
Planning and community development	2,236,402	2,226,623	2,118,465	108,158
Debt service:				
Principal retirement	2,651,046	2,651,046	3,130,078	(479,032)
Interest and fiscal charges	3,837,494	3,938,591	3,687,224	251,367
Total expenditures	<u>\$ 54,574,537</u>	<u>\$ 56,772,067</u>	<u>\$ 55,880,287</u>	<u>\$ 891,780</u>
Excess of revenues over expenditures	<u>\$ 1,764,729</u>	<u>\$ 221,860</u>	<u>\$ 3,763,707</u>	<u>\$ 3,541,847</u>
Other financing sources (uses):				
Transfers in	\$ 1,258,740	\$ 1,258,740	\$ 1,258,740	\$ -
Transfers out	(3,721,574)	(4,813,151)	(4,813,151)	-
Total other financing sources (uses)	<u>\$ (2,462,834)</u>	<u>\$ (3,554,411)</u>	<u>\$ (3,554,411)</u>	<u>\$ -</u>
Net change in fund balance	<u>\$ (698,105)</u>	<u>\$ (3,332,551)</u>	\$ 209,296	<u>\$ 3,541,847</u>
Fund balance at beginning of year, as restated			<u>15,448,301</u>	
Fund balance at end of year			<u>\$ 15,657,597</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, 2004

Exhibit 8

	Enterprise Funds							Internal Service Funds
	Water Fund	Sewer Fund	Public Transportation Fund	Sanitation Fund	Parking Authority Fund	Golf Course Fund	Total	
Assets								
Current assets:								
Cash and cash equivalents	\$ 9,596,595	\$ 5,806,732	\$ 709,615	\$ 7,705,167	\$ 429,066	\$ 77,096	\$ 24,324,271	\$ 2,666,034
Receivables (net of allowance for uncollectibles)	522,035	535,976	16,925	546,651	180	7	1,621,774	2,573
Due from component unit	-	-	-	17,642	-	-	17,642	4,805
Due from other governments	-	-	179,949	-	-	-	179,949	-
Inventory	-	-	-	-	-	-	-	1,399,241
Prepaid expenses	9,312	8,675	29,762	19,719	427	3,586	71,481	3,286
Total current assets	<u>\$ 10,127,942</u>	<u>\$ 6,351,383</u>	<u>\$ 936,251</u>	<u>\$ 8,289,179</u>	<u>\$ 429,673</u>	<u>\$ 80,689</u>	<u>\$ 26,215,117</u>	<u>\$ 4,075,939</u>
Noncurrent assets:								
Restricted assets	\$ 4,621,986	\$ -	\$ -	\$ 2,074,930	\$ -	\$ 444,437	\$ 7,141,353	\$ -
Capital assets (net of accumulated depreciation)	28,214,172	20,443,718	4,859,330	31,272,462	505,270	6,912,775	92,207,727	80,142
Other assets	114,908	-	-	797,588	-	141,706	1,054,202	-
Total noncurrent assets	<u>\$ 32,951,066</u>	<u>\$ 20,443,718</u>	<u>\$ 4,859,330</u>	<u>\$ 34,144,980</u>	<u>\$ 505,270</u>	<u>\$ 7,498,918</u>	<u>\$ 100,403,282</u>	<u>\$ 80,142</u>
Total assets	<u>\$ 43,079,008</u>	<u>\$ 26,795,101</u>	<u>\$ 5,795,581</u>	<u>\$ 42,434,159</u>	<u>\$ 934,943</u>	<u>\$ 7,579,607</u>	<u>\$ 126,618,399</u>	<u>\$ 4,156,081</u>
Liabilities and Net Assets								
Current liabilities:								
Accounts payable	\$ 80,525	\$ 4,818	\$ 15,770	\$ 234,538	\$ 495	\$ 26,932	\$ 363,078	\$ 880,770
Accrued liabilities	29,526	28,022	49,473	56,173	3,087	16,045	182,326	13,584
Accrued interest	233,236	-	-	61,643	-	30,028	324,907	-
Due to component unit	9,483	1,462	1,597	49,593	2,000	1,210	65,345	237
Deferred revenue	-	-	-	-	36,020	60,231	96,251	-
Compensated absences	78,634	84,234	99,813	144,632	7,164	12,587	427,064	39,723
Other liabilities	22,180	-	-	-	-	21,140	43,320	-
Customer deposits	216,678	-	-	-	-	-	216,678	-
Landfill closure and postclosure	-	-	-	73,941	-	-	73,941	-
Current portion of bonds and notes	171,836	-	-	393,527	-	-	565,363	-
Total current liabilities	<u>\$ 842,098</u>	<u>\$ 118,536</u>	<u>\$ 166,653</u>	<u>\$ 1,014,047</u>	<u>\$ 48,766</u>	<u>\$ 168,173</u>	<u>\$ 2,358,273</u>	<u>\$ 934,314</u>
Noncurrent liabilities:								
Liabilities payable from restricted assets	\$ 311,576	\$ -	\$ -	\$ 884,633	\$ -	\$ -	\$ 1,196,209	\$ -
Compensated absences	110,672	50,468	49,017	82,522	6,590	13,167	312,436	33,122
Landfill closure and postclosure	-	-	-	3,478,512	-	-	3,478,512	-
Bonds payable (net of current portion and unamortized discount)	10,356,284	-	-	29,321,475	-	6,340,560	46,018,319	-
Total noncurrent liabilities	<u>\$ 10,778,532</u>	<u>\$ 50,468</u>	<u>\$ 49,017</u>	<u>\$ 33,767,142</u>	<u>\$ 6,590</u>	<u>\$ 6,353,727</u>	<u>\$ 51,005,476</u>	<u>\$ 33,122</u>
Total liabilities	<u>\$ 11,620,630</u>	<u>\$ 169,004</u>	<u>\$ 215,670</u>	<u>\$ 34,781,189</u>	<u>\$ 55,356</u>	<u>\$ 6,521,900</u>	<u>\$ 53,363,749</u>	<u>\$ 967,436</u>
Net assets:								
Invested in capital assets, net of related debt	\$ 22,111,370	\$ 20,443,718	\$ 4,859,330	\$ 3,222,613	\$ 505,270	\$ 713,921	\$ 51,856,222	\$ 80,142
Restricted for:								
Debt service	-	-	-	-	-	444,437	444,437	-
Unrestricted	9,347,008	6,182,379	720,581	4,430,357	374,317	(100,651)	20,953,991	3,108,503
Total net assets	<u>\$ 31,458,378</u>	<u>\$ 26,626,097</u>	<u>\$ 5,579,911</u>	<u>\$ 7,652,970</u>	<u>\$ 879,587</u>	<u>\$ 1,057,707</u>	<u>\$ 73,254,650</u>	<u>\$ 3,188,645</u>
Total liabilities and net assets	<u>\$ 43,079,008</u>	<u>\$ 26,795,101</u>	<u>\$ 5,795,581</u>	<u>\$ 42,434,159</u>	<u>\$ 934,943</u>	<u>\$ 7,579,607</u>		<u>\$ 4,156,081</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.							(190,122)	
Net assets of business-type activities (Exhibit 1)							\$ 73,064,528	

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

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

For the Year Ended June 30, 2004

	Enterprise Funds							Internal Service Funds
	Water Fund	Sewer Fund	Public Transportation Fund	Sanitation Fund	Parking Authority Fund	Golf Course Fund	Total	
Operating revenues:								
Charges for services	\$ 4,475,301	\$ 4,698,019	\$ 2,139,596	\$ 5,040,303	\$ 124,126	\$ 525,863	\$ 17,003,208	\$ 10,783,775
Connection fees	215,517	46,800	-	-	-	-	262,317	-
Other revenue	-	-	-	-	68,003	-	68,003	-
Total operating revenues	\$ 4,690,818	\$ 4,744,819	\$ 2,139,596	\$ 5,040,303	\$ 192,129	\$ 525,863	\$ 17,333,528	\$ 10,783,775
Operating expenses:								
Personal services	\$ 905,249	\$ 823,230	\$ 1,837,695	\$ 1,658,726	\$ 93,374	\$ 375,792	\$ 5,694,066	\$ 443,458
Fringe benefits	293,089	257,800	527,903	554,482	23,476	109,387	1,766,137	122,371
Purchased services	242,888	80,715	92,456	1,320,677	17,535	42,901	1,797,172	279,183
Internal services	114,580	112,406	731,264	151,482	10,844	20,716	1,141,292	2,324
Other charges	403,590	53,583	251,400	1,233,426	30,640	70,044	2,042,683	589,768
Materials and supplies	264,936	137,100	81,426	176,687	15,838	119,992	795,979	38,181
Depreciation and amortization	1,063,229	1,004,452	630,824	1,365,387	16,059	241,480	4,321,431	15,245
Regional sewer authority:								
Operations	-	1,403,134	-	-	-	-	1,403,134	-
Debt service	-	1,002,351	-	-	-	-	1,002,351	-
Landfill closure and postclosure	-	-	-	(1,424,353)	-	-	(1,424,353)	-
Cost of inventory issued	-	-	-	-	-	-	-	1,753,019
Claims related charges	-	-	-	-	-	-	-	6,531,321
Total operating expenses	\$ 3,287,561	\$ 4,874,771	\$ 4,152,968	\$ 5,036,514	\$ 207,766	\$ 980,312	\$ 18,539,892	\$ 9,774,870
Operating income (loss)	\$ 1,403,257	\$ (129,952)	\$ (2,013,372)	\$ 3,789	\$ (15,637)	\$ (454,449)	\$ (1,206,364)	\$ 1,008,905
Nonoperating revenues (expenses):								
Operating grants	\$ -	\$ -	\$ 912,114	\$ -	\$ -	\$ -	\$ 912,114	\$ -
Connection availability fees	337,120	259,345	-	-	-	-	596,465	-
Miscellaneous revenue	2,363	-	21,185	519	2,104	53,872	80,043	-
Reimbursement of bond payment	-	-	-	503,693	-	-	503,693	-
Investment revenue	159,377	60,614	6,139	129,677	4,867	16,040	376,714	22,651
Interest expense	(63,351)	-	-	(780,609)	-	(363,072)	(1,207,032)	-
Total nonoperating revenues (net)	\$ 435,509	\$ 319,959	\$ 939,438	\$ (146,720)	\$ 6,971	\$ (293,160)	\$ 1,261,997	\$ 22,651
Income (loss) before contributions and transfers	\$ 1,838,766	\$ 190,007	\$ (1,073,934)	\$ (142,931)	\$ (8,666)	\$ (747,609)	\$ 55,633	\$ 1,031,556
Capital contributions	346,818	134,895	559,558	-	-	-	1,041,271	-
Transfers in	-	-	710,941	1,144,586	2,424	470,000	2,327,951	141,636
Transfers out	(678,972)	(594,996)	-	-	(40,008)	-	(1,313,976)	-
Change in net assets	\$ 1,506,612	\$ (270,094)	\$ 196,565	\$ 1,001,655	\$ (46,250)	\$ (277,609)	\$ 2,110,879	\$ 1,173,192
Net assets at beginning of year	29,951,766	26,896,191	5,383,346	6,651,315	925,837	1,335,316		2,015,453
Net assets at end of year	\$ 31,458,378	\$ 26,626,097	\$ 5,579,911	\$ 7,652,970	\$ 879,587	\$ 1,057,707		\$ 3,188,645
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.							9,804	
Change in net assets of business-type activities (Exhibit 2)							\$ 2,120,683	

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, 2004

	Enterprise Funds							Internal Services Funds
	Water Fund	Sewer Fund	Public Transportation Fund	Sanitation Fund	Parking Authority Fund	Golf Course Fund	Total	
Cash flows from operating activities:								
Receipts from customers	\$ 4,456,498	\$ 4,665,435	\$ 2,145,358	\$ 5,083,910	\$ 197,589	\$ 572,202	\$ 17,120,992	\$ 2,271,227
Receipts from connection fees	215,517	46,882	-	-	-	-	262,399	-
Receipts from premiums	-	-	-	-	-	-	-	8,514,109
Receipts from other sources	2,363	-	21,185	534	2,104	61,554	87,740	-
Receipts from customer deposits	127,525	-	-	-	-	-	127,525	-
Payments to employees	(895,540)	(789,575)	(1,809,962)	(1,630,275)	(90,704)	(365,647)	(5,581,703)	(436,822)
Payments for fringe benefits	(301,705)	(263,933)	(542,708)	(571,603)	(23,697)	(111,006)	(1,814,652)	(125,170)
Payments to vendors	(908,776)	(273,187)	(423,937)	(2,888,316)	(164,465)	(226,726)	(4,885,407)	(2,761,010)
Payments for internal services	(114,580)	(112,406)	(731,264)	(151,482)	(10,844)	(20,716)	(1,141,292)	(2,325)
Payments to regional sewer authority	-	(2,370,598)	-	-	-	-	(2,370,598)	-
Payments for claims related charges	-	-	-	-	-	-	-	(6,545,498)
Payments to refund customer deposits	(105,469)	-	-	-	-	-	(105,469)	-
Net cash provided by (used for) operating activities	\$ 2,475,833	\$ 902,618	\$ (1,341,328)	\$ (157,232)	\$ (90,017)	\$ (90,339)	\$ 1,699,535	\$ 914,511
Cash flows from noncapital financing activities:								
Operating grants	\$ -	\$ -	\$ 891,961	\$ -	\$ -	\$ -	\$ 891,961	\$ -
Transfers in	-	-	710,941	1,144,586	2,424	470,000	2,327,951	141,636
Transfers out	(678,972)	(594,996)	-	-	(40,008)	-	(1,313,976)	-
Principal paid on long-term debt	-	-	-	(297,819)	-	-	(297,819)	-
Interest paid on long-term debt	-	-	-	(14,495)	-	-	(14,495)	-
Net cash provided by (used for) noncapital financing activities	\$ (678,972)	\$ (594,996)	\$ 1,602,902	\$ 832,272	\$ (37,584)	\$ 470,000	\$ 1,593,622	\$ 141,636
Cash flows from capital and related financing activities:								
Capital grants	\$ -	\$ -	\$ 559,558	\$ -	\$ -	\$ -	\$ 559,558	\$ -
Capital contributions	-	13,270	-	-	-	-	13,270	-
Connection availability fees	337,120	259,345	-	-	-	-	596,465	-
Principal paid on long-term debt	-	-	-	(255,000)	-	-	(255,000)	-
Interest paid on long-term debt	(508,879)	-	-	(1,398,733)	-	(360,340)	(2,267,952)	-
Payment from JMU for long-term debt	-	-	-	506,801	-	-	506,801	-
Purchase and construction of capital assets	(3,839,766)	(33,706)	(933,522)	(8,894,639)	-	(25,000)	(13,726,633)	-
Net cash provided by (used for) capital and related financing activities	\$ (4,011,525)	\$ 238,909	\$ (373,964)	\$ (10,041,571)	\$ -	\$ (385,340)	\$ (14,573,491)	\$ -
Cash flows from investing activities:								
Proceeds from maturity of investments	\$ 2,973,000	\$ -	\$ -	\$ 8,919,000	\$ -	\$ 430,000	\$ 12,322,000	\$ -
Purchase of investments	-	-	-	-	-	(437,039)	(437,039)	-
Interest received	249,362	60,863	6,193	398,842	4,910	24,308	744,478	22,687
Net cash provided by investing activities	\$ 3,222,362	\$ 60,863	\$ 6,193	\$ 9,317,842	\$ 4,910	\$ 17,269	\$ 12,629,439	\$ 22,687
Net increase (decrease) in cash and cash equivalents	\$ 1,007,698	\$ 607,394	\$ (106,197)	\$ (48,689)	\$ (122,691)	\$ 11,590	\$ 1,349,105	\$ 1,078,834
Cash and cash equivalents:								
Beginning	13,210,883	5,199,338	815,812	9,828,786	551,757	66,862	29,673,438	1,587,200
Ending	\$ 14,218,581	\$ 5,806,732	\$ 709,615	\$ 9,780,097	\$ 429,066	\$ 78,452	\$ 31,022,543	\$ 2,666,034

(continued)

CITY OF HARRISONBURG, VIRGINIA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2004

	Enterprise Funds						Total	Internal Services Funds
	Water Fund	Sewer Fund	Public Transportation Fund	Sanitation Fund	Parking Authority Fund	Golf Course Fund		
Reconciliation of cash and cash equivalents to the balance sheet:								
Cash and cash equivalents - Current assets	\$ 9,596,595	\$ 5,806,732	\$ 709,615	\$ 7,705,167	\$ 429,066	\$ 77,096	\$ 24,324,271	\$ 2,666,034
Cash and cash equivalents - Restricted assets	4,621,986	-	-	2,074,930	-	1,356	6,698,272	-
	<u>\$ 14,218,581</u>	<u>\$ 5,806,732</u>	<u>\$ 709,615</u>	<u>\$ 9,780,097</u>	<u>\$ 429,066</u>	<u>\$ 78,452</u>	<u>\$ 31,022,543</u>	<u>\$ 2,666,034</u>

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

Operating income (loss)	\$ 1,403,257	\$ (129,952)	\$ (2,013,372)	\$ 3,789	\$ (15,637)	\$ (454,449)	\$ (1,206,364)	\$ 1,008,905
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:								
Depreciation and amortization	1,063,229	1,004,452	630,824	1,365,387	16,059	241,480	4,321,431	15,245
Landfill closure and monitoring costs	-	-	-	(1,481,292)	-	-	(1,481,292)	-
Miscellaneous revenue	2,363	-	21,185	519	2,104	53,872	80,043	-
Change in assets and liabilities:								
(Increase) decrease in:								
Accounts receivable	(22,894)	(32,584)	5,762	26,800	(80)	2,015	(20,981)	(1,029)
Due from component unit	-	-	-	15,960	-	-	15,960	2,591
Inventory	-	-	-	-	-	-	-	(81,746)
Prepaid expenses	(9,312)	26,211	(16,584)	(19,719)	(427)	(3,586)	(23,417)	(3,286)
Increase (decrease) in:								
Accounts payable	(4,585)	(314)	1,020	(129,857)	(1,169)	12,655	(122,250)	(33,470)
Accrued liabilities	9,023	9,722	19,715	21,418	815	5,056	65,749	622
Due to component unit	7,220	(1,393)	66	30,667	(48)	280	36,792	182
Deferred revenue	-	-	-	-	(93,694)	32,239	(61,455)	-
Other liabilities	4,090	-	-	-	-	14,247	18,337	-
Customer deposits	22,056	-	-	-	-	-	22,056	-
Compensated absences	1,386	26,476	10,056	9,096	2,060	5,852	54,926	6,497
Net cash provided by (used for) operating activities	<u>\$ 2,475,833</u>	<u>\$ 902,618</u>	<u>\$ (1,341,328)</u>	<u>\$ (157,232)</u>	<u>\$ (90,017)</u>	<u>\$ (90,339)</u>	<u>\$ 1,699,535</u>	<u>\$ 914,511</u>

Non - cash capital and related financing activities:

Additions to capital assets:								
Contributed by developers	\$ 346,818	\$ 134,895	\$ -	\$ -	\$ -	\$ -	\$ 481,713	\$ -
Purchase and construction on account	345,820	8	-	354,469	-	-	700,297	-

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, 2004

Exhibit 11

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 23,309
Interest receivable	2
Prepaid expenses	<u>214</u>
Total assets	<u>\$ 23,525</u>
Liabilities	
Accounts payable	\$ 652
Accrued liabilities	1,595
Amounts held for others	<u>21,278</u>
Total liabilities	<u>\$ 23,525</u>

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

CITY OF HARRISONBURG, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

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, 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 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.

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.

Note 1. Summary of Significant Accounting Policies (continued)

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

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 45 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.

In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, property taxes are recorded as receivables when assessed, net of allowances for uncollectible amounts, and revenues when the property taxes become available. Property taxes not collected within 45 days after year-end are reflected as deferred revenues. Sales, restaurant food, admission and amusement, hotel and motel, franchise license, and utility taxes are recognized as revenues and receivables upon collection by the merchant or utility since the taxes are remitted in time to be used as a current financial resource for the payment of obligations incurred during the year.

The City reports the following major governmental funds:

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

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

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

The City reports the following major proprietary funds:

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

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

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

Note 1. Summary of Significant Accounting Policies (continued)

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

Parking Authority Fund – This fund accounts for the activities of the City’s two parking decks and other metered parking operations.

Golf Course Fund – This fund accounts for the activities of the City’s golf course.

Additionally, the City reports the following fund types:

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

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

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

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

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

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

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

Note 1. Summary of Significant Accounting Policies (continued)

D. Stewardship, Compliance, and Accountability

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

Prior to May 1, the City Manager submits to the City Council a balanced proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them. Prior to June 30, the City Council holds public hearings to obtain citizen comments, and a final budget is legally enacted through the passage of an Appropriation Ordinance. All budget data presented in the accompanying financial statements is the original budget and the revised budget as of June 30, 2004.

The appropriated budget places legal restrictions on expenditures at the department or category level. The total appropriation for each department can be revised only by the City Council. The City Manager is authorized to transfer budgeted amounts within departments, from reserve 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 \$3,289,107. Supplemental appropriations that exceed \$500,000 or 1% of the budget, whichever is less, require a public hearing prior to approval. Appropriations lapse at June 30, except for capital projects funds.

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

Excess of expenditures over appropriations. For the year ended June 30, 2004, expenditures exceeded appropriations at the fund, activity or element level as follows:

General Fund:

Jail and judicial (Joint expenditures with Rockingham County)	\$	66,498
Police - Operations		4,309
Fire - Administration		3,474
Fire - Suppression		14,612
Fire - Prevention		1,483
Social services (Joint expenditures with Rockingham County)		4,613
Debt service:		
Principal		479,032

The over expenditure in debt service (principal) was funded by the early pay off of a note receivable from the Harrisonburg Redevelopment and Housing Authority. The other General Fund departmental budgets were funded by available fund balance.

Note 1. Summary of Significant Accounting Policies (continued)

E. Assets, liabilities and net asset or fund equity

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

2. Investments. In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, the City's investments are reported at fair value. Fair value 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.

3. 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."

Advances between funds and loans receivables, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

4. Property taxes. Property taxes are assessed and attach as an enforceable lien on property on January 1, but are not levied or collected until the following fiscal year. Real estate values are reassessed every two years and personal property values are assessed annually. The last effective general real property reassessment was January 1, 2003. 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 45 days after June 30 is shown as deferred revenue in the fund financial statements. A penalty of 10% of the tax is assessed after the applicable payment date. Interest at an annual rate of 10% is charged on unpaid accounts beginning January 1 and July 1.

The City calculates its allowance for uncollectible delinquent property tax accounts using historical collection data and specific account analysis. The allowance at June 30, 2004 amounted to \$814,393.

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

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

7. Capital assets. Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. In general, the City defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Infrastructure, water/sewer lines and certain other improvements have a capitalization threshold that ranges from \$25,000 to \$100,000. All purchased capital assets are valued at historical cost or estimated historical cost. Donated capital assets are valued at their estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Note 1. Summary of Significant Accounting Policies (continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of borrowing until completion of the project with interest earned on invested proceeds over the same period. The amount of interest capitalized for the year was \$448,691 in the Water Fund and \$631,230 in the Sanitation Fund.

Depreciation for capital assets is computed over the following useful lives using the straight-line method.

Buildings	40 years
Machinery and equipment	2-30 years
Infrastructure	15-50 years

8. Component Unit – School Board Capital Assets. The Commonwealth of Virginia enacted legislation in 2002 that affects the reporting of School Board capital assets and the related debt. Under this legislation, local governments have a “tenancy in common” with the School Board whenever the locality incurs “on-behalf” debt for school property, which is payable over more than one fiscal year. In order to match the capital asset with the related debt, the legislation permits the City to report the portion of the school property related to the outstanding financial obligation in the primary government. As principal is repaid, capital assets equal to the amount of principal debt reduction will be removed from the primary government financial statements and reported in the School Board’s financial statements. The School Board retains authority and responsibility over the operation and control of the property.

9. Deferred revenue. Deferred revenue is recorded when asset recognition criteria (measurable) have been met, but revenue recognition (available) criteria have not been met.

10. Compensated absences. It is the City’s policy to permit employees to accumulate earned but not used vacation and sick pay benefits. The City pays a benefit for accumulated sick leave upon an employee’s separation from service to the extent the employee meets certain criteria. Vacation and sick pay are accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements. A liability is reported for compensated absences in governmental funds only to the extent that it is expected to be liquidated with expendable available financial resources as a result of employee resignations and retirements.

11. Long-term obligations. In the government-wide financial statements, and proprietary fund types in fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. 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 net proceeds received, are reported as expenditures.

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

Note 1. Summary of Significant Accounting Policies (continued)

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 the \$85,572,900 difference are as follows:

General obligation bonds	\$ (73,262,600)
Bond issue premiums/discounts (net)	(190,037)
Deferred charge for bond issue costs	258,999
Deferred charge for bond refunding	666,783
Notes payable	(3,297,307)
Capital leases	(5,373,206)
Literary Fund Loans	(35,475)
Contractual obligation	(886,773)
Compensated absences (not including internal service funds)	(2,035,524)
Accrued interest	<u>(1,417,760)</u>
Net adjustment	\$ <u><u>(85,572,900)</u></u>

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

A reconciliation between the total net changes as reported in the fund balance on the governmental fund statement of revenues, expenditures and changes in fund balances and changes in net assets of governmental activities as reported in the government-wide statement of activities is provided on Exhibit 6. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$24,545,585 difference are as follows:

Capital outlay	\$ 29,333,332
Depreciation expense	<u>(4,787,747)</u>
Net adjustment	\$ <u><u>24,545,585</u></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 \$2,419,201 difference are as follows:

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

Debt issued or incurred	\$ (5,905,000)
Deferred charge for bond premiums/discounts (net) on debt issued	(21,558)
Deferred charge for bond issue costs on debt issued	113,030
Principal payments	3,730,078
Amortization of bond premiums/discounts (net)	15,156
Amortization of bond issue costs	(25,534)
Amortization of deferred bond refunding charges	<u>(55,373)</u>
Net adjustment	<u>\$ (2,149,201)</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 \$114,888 difference are as follows:

Compensated absences	\$ (69,943)
Accrued interest	<u>(44,945)</u>
Net adjustment	<u>\$ (114,888)</u>

Note 3. Deposits and Investments

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

Investments. Statutes authorize the City and its component units to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, “prime quality” commercial paper and certain corporate notes, bankers acceptances, repurchase agreements, the State Treasurer’s Local Government Investment Pool (LGIP) and the Virginia State Non-Arbitrage Program (SNAP).

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

The City and its component units’ investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the City or its agent in the City’s name holds the securities. Category 2 includes investments that are uninsured and unregistered for which the securities are held by the counterparty’s trust department or agent in the City’s name. Category 3 in-

Note 3. Deposits and Investments (continued)

cludes investments that are uninsured and unregistered for which the securities are held by the counterparty, or by its trust department or agent but not in the City's name.

The reported amount is the fair value of the investments. At June 30, 2004, the deposits and investment balances were as follows:

Primary Government:

	Category			Reported Amount
	1	2	3	
U.S. Government and Agency Notes	\$ -	\$ 436,222	\$ -	\$ 436,222
Subtotal	\$ -	\$ 436,222	\$ -	\$ 436,222
U.S. Government Securities Money Market Fund				4,555,027
U.S. Treasury Securities Money Market Fund				285,693
Virginia State Treasurer's Local Government Investment Pool (LGIP)				43,696,792
Virginia State Non-Arbitrage Pool (SNAP)				23,467,889
Total investments				\$ 72,441,623
Deposits				(1,757,601)
Total deposits and investments of the primary government				\$ 70,684,022

Component Unit - School Board:

U.S. Government Securities Money Market Fund	\$ 424,154
Virginia State Treasurer's Local Government Investment Pool (LGIP)	4,675,824
Certificates of deposit	300,014
Total investments	\$ 5,399,992
Deposits	(189,592)
Total deposits and investments of the component unit - School Board	\$ 5,210,400

Component Unit - HEC:

Virginia State Treasurer's Local Government Investment Pool (LGIP)	\$ 4,147,121
Certificates of deposit	3,550,000
Total investments	\$ 7,697,121
Deposits	2,563,072
Total deposits and investments of the component unit - HEC	\$ 10,260,193

Reconciliation to Government-wide Financial Statements

Cash on hand and petty cash (primary government)	\$ 401,867
Cash on hand and petty cash (component units)	2,300
Grand total deposits and investments of the reporting entity	86,154,615
Total reporting entity	\$ 86,558,782
Cash and cash equivalents (primary government)	\$ 46,572,797
Cash and cash equivalents (component unit - School Board)	4,910,386
Cash and cash equivalents (component unit - HEC)	6,712,493
Investments (component unit - School Board)	300,014
Investments (component unit - HEC)	3,550,000
Restricted assets:	
Cash and cash equivalents (primary government)	24,053,561
Investments (primary government)	436,222
Cash and cash equivalents (Exhibit 11)	23,309
Total reporting entity	\$ 86,558,782

Note 4. Receivables

The following is a summary of the receivables account at June 30, 2004:

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	HEC
Property taxes receivable	\$ 20,710,235	\$ -	\$ 20,710,235	\$ -	\$ -
Other taxes receivable	1,234,652	-	1,234,652	-	-
Accounts receivable	128,720	1,595,617	1,724,337	-	4,119,896
Interest receivable	2,895	2,283	5,178	-	-
Other receivable	150,684	61,448	212,132	58,724	75,630
Due from other governments:					
Commonwealth of Virginia	2,559,452	-	2,559,452	497,425	-
Federal government	-	179,949	179,949	400,094	-
Allowance for uncollectibles	(814,393)	(37,574)	(851,967)	-	-
Total	\$ 23,972,245	\$ 1,801,723	\$ 25,773,968	\$ 956,243	\$ 4,195,526

Note 5. Restricted Assets

The City has cash and receivables presented on the statement of net assets as restricted for specific purposes. These amounts and restrictions at June 30, 2004 are as follows:

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents:			
Bond construction account	\$ 17,070,952	\$ 6,696,916	\$ 23,767,868
Bond debt service reserve account	284,337	1,356	285,693
Investments:			
Bond debt service reserve account	-	436,222	436,222
Interest receivable:			
Bond debt service reserve account	-	6,859	6,859
Total	\$ 17,355,289	\$ 7,141,353	\$ 24,496,642

Note 6. Loans Receivable

The following is a summary of the loans receivable in the General Fund at June 30, 2004:

Borrowing Entity	Loan Date	Term (in years)	Interest Rate	Balance June 30, 2004	Current Portion
Massanutten Regional Library	May 15, 2000	n/a	0.0%	\$ 375,000	\$ -
Virginia Technology Incubator, LLC	July 6, 2001	5	7.0%	108,694	12,287
Harrisonburg Rescue Squad, Inc.	October 1, 2001	5	0.0%	273,449	121,533
Total				<u>\$ 757,143</u>	<u>\$ 133,820</u>

Note 7. Capital Assets

The following is a summary of the changes in capital assets for the year ended June 30, 2004:

Primary Government:

	Balance June 30, 2003	Additions	Deletions	Balance June 30, 2004
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 36,436,237	\$ 171,562	\$ -	\$ 36,607,799
Construction in progress	14,024,373	28,190,676	(3,155,249)	39,059,800
Capital assets not being depreciated	<u>\$ 50,460,610</u>	<u>\$ 28,362,238</u>	<u>\$ (3,155,249)</u>	<u>\$ 75,667,599</u>
Capital assets, being depreciated:				
Buildings	\$ 39,096,604	\$ 1,920,546	\$ (1,748,593)	\$ 39,268,557
Improvements other than buildings	1,837,386	30,115	-	1,867,501
Machinery and equipment	10,213,533	1,048,541	(235,479)	11,026,595
Infrastructure	111,683,522	1,330,163	-	113,013,685
Capital assets being depreciated	<u>\$ 162,831,045</u>	<u>\$ 4,329,365</u>	<u>\$ (1,984,072)</u>	<u>\$ 165,176,338</u>
Total capital assets, gross	<u>\$ 213,291,655</u>	<u>\$ 32,691,603</u>	<u>\$ (5,139,321)</u>	<u>\$ 240,843,937</u>
Less accumulated depreciation:				
Buildings	\$ (8,193,809)	\$ (1,045,400)	\$ 379,847	\$ (8,859,362)
Improvements other than buildings	(921,817)	(69,773)	-	(991,590)
Machinery and equipment	(5,766,655)	(916,199)	235,479	(6,447,375)
Infrastructure	(34,607,752)	(2,871,394)	-	(37,479,146)
Accumulated depreciation	<u>\$ (49,490,033)</u>	<u>\$ (4,902,766)</u>	<u>\$ 615,326</u>	<u>\$ (53,777,473)</u>
Total capital assets, net	<u>\$ 163,801,622</u>	<u>\$ 27,788,837</u>	<u>\$ (4,523,995)</u>	<u>\$ 187,066,464</u>

The primary government has included in the above schedule land in the amount of \$113,878, buildings in the amount of \$11,972,716 (\$2,853,941 in accumulated depreciation) and machinery and equipment in the amount of \$363,429 (\$24,229 in accumulated depreciation) that are associated with capital lease obligations.

Note 7. Capital Assets (continued)

	Balance June 30, 2003	Additions	Deletions	Balance June 30, 2004
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 4,867,491	\$ 25,000	\$ -	\$ 4,892,491
Construction in progress	22,817,205	10,778,639	(25,294,107)	8,301,737
Capital assets not being depreciated	<u>\$ 27,684,696</u>	<u>\$ 10,803,639</u>	<u>\$ (25,294,107)</u>	<u>\$ 13,194,228</u>
Capital assets, being depreciated:				
Buildings	\$ 10,968,228	\$ 2,239,040	\$ -	\$ 13,207,268
Improvements other than buildings	11,068,613	53,916	(5,784)	11,116,745
Machinery and equipment	17,252,433	22,458,417	(305,818)	39,405,032
Infrastructure	52,181,399	2,196,668	(27,579)	54,350,488
Capital assets being depreciated	<u>\$ 91,470,673</u>	<u>\$ 26,948,041</u>	<u>\$ (339,181)</u>	<u>\$ 118,079,533</u>
Total capital assets, gross	<u>\$ 119,155,369</u>	<u>\$ 37,751,680</u>	<u>\$ (25,633,288)</u>	<u>\$ 131,273,761</u>
Less accumulated depreciation:				
Buildings	\$ (4,414,966)	\$ (246,796)	\$ -	\$ (4,661,762)
Improvements other than buildings	(3,004,865)	(384,039)	5,784	(3,383,120)
Machinery and equipment	(8,593,763)	(2,125,667)	305,818	(10,413,612)
Infrastructure	(19,003,247)	(1,631,872)	27,579	(20,607,540)
Accumulated depreciation	<u>\$ (35,016,841)</u>	<u>\$ (4,388,374)</u>	<u>\$ 339,181</u>	<u>\$ (39,066,034)</u>
Total capital assets, net	<u><u>\$ 84,138,528</u></u>	<u><u>\$ 33,363,306</u></u>	<u><u>\$ (25,294,107)</u></u>	<u><u>\$ 92,207,727</u></u>

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

Governmental activities:

General government administration	\$ 111,447
Jail and judicial administration	270,758
Public safety	612,804
Public works	3,144,804
Health and welfare	21,865
Education	410,798
Parks, recreation and culture	207,014
Planning and community development	8,257
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	<u>15,244</u>
Total governmental activities depreciation expense	<u><u>\$ 4,802,991</u></u>

Business-type activities:

Water	\$ 1,059,272
Sewer	1,004,452
Public transportation	630,824
Sanitation	1,318,050
Public parking	16,059
Golf course	<u>235,905</u>
Total business-type activities depreciation expense	<u><u>\$ 4,264,562</u></u>

Note 7. Capital Assets (continued)**Component Unit – School Board:**

	Balance June 30, 2003	Additions	Deletions	Balance June 30, 2004
Capital assets, not being depreciated:				
Land	\$ 754,232	\$ -	\$ -	\$ 754,232
Capital assets not being depreciated	<u>\$ 754,232</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 754,232</u>
Capital assets, being depreciated:				
Buildings	\$ 30,898,603	\$ 1,591,425	\$ -	\$ 32,490,028
Machinery and equipment	1,727,479	106,890	(6,000)	1,828,369
Capital assets being depreciated	<u>\$ 32,626,082</u>	<u>\$ 1,698,315</u>	<u>\$ (6,000)</u>	<u>\$ 34,318,397</u>
Total capital assets, gross	<u>\$ 33,380,314</u>	<u>\$ 1,698,315</u>	<u>\$ (6,000)</u>	<u>\$ 35,072,629</u>
Less accumulated depreciation:				
Buildings	\$ (11,371,991)	\$ (1,024,932)	\$ -	\$ (12,396,923)
Machinery and equipment	(1,110,704)	(104,701)	6,000	(1,209,405)
Accumulated depreciation	<u>\$ (12,482,695)</u>	<u>\$ (1,129,633)</u>	<u>\$ 6,000</u>	<u>\$ (13,606,328)</u>
Total capital assets, net	<u><u>\$ 20,897,619</u></u>	<u><u>\$ 568,682</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 21,466,301</u></u>

Component Unit – HEC:

	Balance June 30, 2003	Additions	Deletions	Balance June 30, 2004
Capital assets, not being depreciated:				
Land	\$ 1,859,299	\$ -	\$ -	\$ 1,859,299
Construction in progress	1,622,807	3,006,914	(3,113,588)	1,516,133
Capital assets not being depreciated	<u>\$ 3,482,106</u>	<u>\$ 3,006,914</u>	<u>\$ (3,113,588)</u>	<u>\$ 3,375,432</u>
Capital assets, being depreciated:				
Buildings	\$ 2,674,463	\$ 22,632	\$ -	\$ 2,697,095
Machinery and equipment	6,178,423	497,039	-	6,675,462
Infrastructure	71,353,888	3,265,551	(230,529)	74,388,910
Capital assets being depreciated	<u>\$ 80,206,774</u>	<u>\$ 3,785,222</u>	<u>\$ (230,529)</u>	<u>\$ 83,761,467</u>
Total capital assets, gross	<u>\$ 83,688,880</u>	<u>\$ 6,792,136</u>	<u>\$ (3,344,117)</u>	<u>\$ 87,136,899</u>
Less accumulated depreciation:				
Buildings	\$ (1,129,473)	\$ (71,277)	\$ -	\$ (1,200,750)
Machinery and equipment	(5,186,270)	(814,865)	-	(6,001,135)
Infrastructure	(28,192,731)	(2,731,572)	235,248	(30,689,055)
Accumulated depreciation	<u>\$ (34,508,474)</u>	<u>\$ (3,617,714)</u>	<u>\$ 235,248</u>	<u>\$ (37,890,940)</u>
Total capital assets, net	<u><u>\$ 49,180,406</u></u>	<u><u>\$ 3,174,422</u></u>	<u><u>\$ (3,108,869)</u></u>	<u><u>\$ 49,245,959</u></u>

Note 8. Interfund Balances

A loan in the amount of \$607,665 was made from the General Capital Projects Fund to the General Fund in fiscal year 2001 to offset a loan the City made from the General Fund to the Harrisonburg Rescue Squad, Inc. The loan is being repaid monthly and the balance as of June 30, 2004 was \$273,449, of which \$121,533 is due within one year.

Note 9. Interfund Transfers

Interfund transfers are generally used mainly to subsidize the operations and programs of certain funds. A portion of the transfers from the Water and Sewer Funds to the General Fund included annual payments in lieu of taxes. The following is a summary of interfund transfers for the year ended June 30, 2004:

Transfer in	Transfer out				
	General Fund	Water Fund	Sewer Fund	Parking Authority Fund	Total
General Fund	\$ -	\$ 628,440	\$ 590,292	\$ 40,008	\$ 1,258,740
General Capital Projects Fund	2,398,800	-	-	-	2,398,800
Public Transportation Fund	710,941	-	-	-	710,941
Sanitation Fund	1,144,586	-	-	-	1,144,586
Parking Authority Fund	2,424	-	-	-	2,424
Golf Course Fund	470,000	-	-	-	470,000
Internal Service Funds	86,400	50,532	4,704	-	141,636
Total	\$ 4,813,151	\$ 678,972	\$ 594,996	\$ 40,008	\$ 6,127,127

Note 10. Deferred Revenue

The following is a summary of deferred revenue at June 30, 2004:

	General Fund	Parking Authority Fund	Golf Course Fund
Uncollected property tax billing	\$ 350,014	\$ -	\$ -
Property taxes billed in fiscal year 2005	19,420,560	-	-
Other local taxes	37,117	-	-
Due from the Commonwealth	40,342	-	-
Advance collection of parking leases	-	36,020	-
Annual memberships/sponsorships	-	-	60,231
Other	108,694	-	-
Total	\$ 19,956,727	\$ 36,020	\$ 60,231

Note 11. Long-Term Debt
Primary Government
Debt Service Requirement for Long-term Debt:

Governmental activities:

Year Ending June 30,	General Obligation Bonds		General Obligation School Bonds		Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
	2005	\$ 755,100	\$ 671,300	\$ 2,525,000	\$ 2,771,161	\$ 167,307
2006	847,600	640,029	2,540,000	2,642,639	3,130,000	83,337
2007	875,300	605,204	2,550,000	2,514,606	-	-
2008	913,000	571,626	2,570,000	2,386,484	-	-
2009	947,100	539,674	2,605,000	2,257,415	-	-
2010-2014	5,260,500	2,152,740	12,300,000	9,360,009	-	-
2015-2019	5,074,000	1,092,567	10,700,000	6,576,924	-	-
2020-2024	820,000	489,388	12,040,000	3,688,625	-	-
2025-2029	600,000	327,225	8,400,000	657,135	-	-
2030-2034	765,000	162,250	-	-	-	-
2035	175,000	8,750	-	-	-	-
Total	\$ 17,032,600	\$ 7,260,753	\$ 56,230,000	\$ 32,854,998	\$ 3,297,307	\$ 179,694

Year Ending June 30,	Capital Leases		State Literary Fund Loans		Total Governmental Activities	
	Principal	Interest	Principal	Interest	Principal	Interest
	2005	\$ 537,521	\$ 267,872	\$ 11,825	\$ 1,774	\$ 3,996,753
2006	478,235	245,136	11,825	1,183	7,007,660	3,612,324
2007	436,510	224,371	11,825	591	3,873,635	3,344,772
2008	457,577	202,516	-	-	3,940,577	3,160,626
2009	480,898	179,071	-	-	4,032,998	2,976,160
2010-2014	2,809,076	496,267	-	-	20,369,576	12,009,016
2015-2019	173,389	13,548	-	-	15,947,389	7,683,039
2020-2024	-	-	-	-	12,860,000	4,178,013
2025-2029	-	-	-	-	9,000,000	984,360
2030-2034	-	-	-	-	765,000	162,250
2035	-	-	-	-	175,000	8,750
Total	\$ 5,373,206	\$ 1,628,781	\$ 35,475	\$ 3,548	\$ 81,968,588	\$ 41,927,774

Business-type activities:

Year Ending June 30,	General Obligation Bonds		General Obligation Revenue Bonds		Note Payable		Total Business-type Activities	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
	2005	\$ 265,000	\$ 1,385,859	\$ 175,000	\$ 865,719	\$ 128,527	\$ 1,605	\$ 568,527
2006	1,120,000	1,359,426	205,000	857,994	-	-	1,325,000	2,217,420
2007	1,160,000	1,317,888	255,000	848,344	-	-	1,415,000	2,166,232
2008	1,205,000	1,270,315	270,000	837,022	-	-	1,475,000	2,107,337
2009	1,250,000	1,216,539	290,000	824,772	-	-	1,540,000	2,041,311
2010-2014	7,145,000	5,155,758	1,745,000	3,901,291	-	-	8,890,000	9,057,049
2015-2019	7,405,000	3,360,238	2,405,000	3,407,095	-	-	9,810,000	6,767,333
2020-2024	8,190,000	1,535,750	3,280,000	2,677,100	-	-	11,470,000	4,212,850
2025-2029	1,890,000	47,250	4,480,000	1,648,156	-	-	6,370,000	1,695,406
2030-2034	-	-	3,925,000	411,762	-	-	3,925,000	411,762
Total	\$ 29,630,000	\$ 16,649,023	\$ 17,030,000	\$ 16,279,255	\$ 128,527	\$ 1,605	\$ 46,788,527	\$ 32,929,883

Note 11. Long-term Debt (continued)

Changes in Long-term Debt:

	Balance June 30, 2003	Additions	Reductions	Balance June 30, 2004	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 14,531,300	\$ 2,935,000	\$ (433,700)	\$ 17,032,600	\$ 755,100
General obligation school bonds	57,755,000	-	(1,525,000)	56,230,000	2,525,000
Bond premiums/discounts (net)	183,635	21,558	(15,156)	190,037	20,756
Deferred bond refunding charges	(722,156)	-	55,373	(666,783)	(55,373)
Total bonds payable	\$ 71,747,779	\$ 2,956,558	\$ (1,918,483)	\$ 72,785,854	\$ 3,245,483
Notes payable	916,785	2,970,000	(589,478)	3,297,307	167,307
Capital leases	5,888,681	-	(515,475)	5,373,206	537,521
State Literary Fund Loans	101,900	-	(66,425)	35,475	11,825
Contractual obligation	1,486,773	-	(600,000)	886,773	600,000
Compensated absences	2,031,928	1,022,883	(946,442)	2,108,369	980,752
Governmental activities long-term debt	\$ 82,173,846	\$ 6,949,441	\$ (4,636,303)	\$ 84,486,984	\$ 5,542,888

Long-term debt for governmental activities is generally liquidated by the General Fund. The Central Garage and Central Stores Fund are consolidated into the governmental activities in the government-wide financial statements. Accordingly, long-term liabilities for these funds are included as part of the above totals. At June 30, 2004, \$72,845 of these internal service funds compensated absences are included in the above amounts.

	Balance June 30, 2003	Additions	Reductions	Balance June 30, 2004	Due Within One Year
Business-type activities:					
Bonds payable:					
General obligation bonds	\$ 29,885,000	\$ -	\$ (255,000)	\$ 29,630,000	\$ 265,000
General obligation revenue bonds	17,030,000	-	-	17,030,000	175,000
Bond discounts	(212,912)	-	8,067	(204,845)	(3,164)
Total bonds payable	\$ 46,702,088	\$ -	\$ (246,933)	\$ 46,455,155	\$ 436,836
Notes payable	426,346	-	(297,819)	128,527	128,527
Landfill closure and postclosure	5,033,745	310,465	(1,791,757)	3,552,453	73,941
Compensated absences	684,574	469,014	(414,088)	739,500	427,064
Business-type activities long-term debt	\$ 52,846,753	\$ 779,479	\$ (2,750,597)	\$ 50,875,635	\$ 1,066,368

Details of Long-term Debt:

The following is the detail of the primary government's long-term debt as of June 30, 2004.

Governmental activities:

General Obligation Bonds:

\$7,330,000 Public Improvement Bonds, Series 1996, issued June 11, 1996, maturing annually with interest payable semi-annually:

Bonds bearing interest at 5.30% maturing on July 15, 2004	\$ 310,000
Bonds bearing interest at 5.40% maturing on July 15, 2005	330,000
Bonds bearing interest at 5.50% maturing on July 15, 2006	350,000
Subtotal	\$ 990,000

Note 11. Long-term Debt (continued)

General Obligation Bonds (continued):

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

Bonds bearing interest at 3.85% maturing on April 1, 2005	\$	55,000
Bonds bearing interest at 3.85% maturing on April 1, 2006		60,000
Bonds bearing interest at 3.85% maturing on April 1, 2007		60,000
Bonds bearing interest at 3.85% maturing on April 1, 2008		60,000
Bonds bearing interest at 3.85% maturing on April 1, 2009		65,000
Bonds bearing interest at 3.85% maturing on April 1, 2010		70,000
Bonds bearing interest at 3.85% maturing on April 1, 2011		70,000
Bonds bearing interest at 3.85% maturing on April 1, 2012		75,000
Bonds bearing interest at 3.85% maturing on April 1, 2013		80,000
Bonds bearing interest at 3.85% maturing on April 1, 2014		80,000
Bonds bearing interest at 3.85% maturing on April 1, 2015		85,000
Bonds bearing interest at 3.85% maturing on April 1, 2016		90,000
Bonds bearing interest at 3.85% maturing on April 1, 2017		95,000
Bonds bearing interest at 3.85% maturing on April 1, 2018		100,000
Bonds bearing interest at 3.85% maturing on April 1, 2019		105,000
Bonds bearing interest at 3.85% maturing on April 1, 2020		110,000
Bonds bearing interest at 3.85% maturing on April 1, 2021		115,000
Bonds bearing interest at 3.85% maturing on April 1, 2022		<u>120,000</u>
Subtotal	\$	<u>1,495,000</u>

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

Bonds bearing interest at 3.000% maturing on July 15, 2004	\$	310,000
Bonds bearing interest at 3.000% maturing on July 15, 2005		320,000
Bonds bearing interest at 3.250% maturing on July 15, 2006		325,000
Bonds bearing interest at 3.750% maturing on July 15, 2007		340,000
Bonds bearing interest at 4.000% maturing on July 15, 2008		350,000
Bonds bearing interest at 4.000% maturing on July 15, 2009		365,000
Bonds bearing interest at 4.000% maturing on July 15, 2010		380,000
Bonds bearing interest at 4.250% maturing on July 15, 2011		395,000
Bonds bearing interest at 4.375% maturing on July 15, 2012		410,000
Bonds bearing interest at 4.375% maturing on July 15, 2013		430,000
Bonds bearing interest at 4.400% maturing on July 15, 2014		450,000
Bonds bearing interest at 4.500% maturing on July 15, 2015		470,000
Bonds bearing interest at 4.625% maturing on July 15, 2016		490,000
Bonds bearing interest at 4.750% maturing on July 15, 2017		510,000
Bonds bearing interest at 4.750% maturing on July 15, 2018		<u>535,000</u>
Subtotal	\$	<u>6,080,000</u>

Note 11. Long-term Debt (continued)

General Obligation Bonds (continued):

\$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, 2004	\$	80,100
Bonds bearing interest at 3.17% maturing on July 15, 2005		82,600
Bonds bearing interest at 3.17% maturing on July 15, 2006		85,300
Bonds bearing interest at 3.17% maturing on July 15, 2007		458,000
Bonds bearing interest at 3.17% maturing on July 15, 2008		472,100
Bonds bearing interest at 3.17% maturing on July 15, 2009		485,300
Bonds bearing interest at 3.17% maturing on July 15, 2010		502,700
Bonds bearing interest at 3.17% maturing on July 15, 2011		518,400
Bonds bearing interest at 3.17% maturing on July 15, 2012		532,900
Bonds bearing interest at 3.17% maturing on July 15, 2013		551,200
Bonds bearing interest at 3.17% maturing on July 15, 2014		568,000
Bonds bearing interest at 3.17% maturing on July 15, 2015		588,600
Bonds bearing interest at 3.17% maturing on July 15, 2016		<u>607,400</u>
Subtotal	\$	<u>5,532,600</u>

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

Bonds bearing interest at 2.25% maturing on June 1, 2006	\$	55,000
Bonds bearing interest at 2.50% maturing on June 1, 2007		55,000
Bonds bearing interest at 2.50% maturing on June 1, 2008		55,000
Bonds bearing interest at 2.75% maturing on June 1, 2009		60,000
Bonds bearing interest at 3.00% maturing on June 1, 2010		60,000
Bonds bearing interest at 3.30% maturing on June 1, 2011		60,000
Bonds bearing interest at 3.40% maturing on June 1, 2012		65,000
Bonds bearing interest at 3.625% maturing on June 1, 2013		65,000
Bonds bearing interest at 3.75% maturing on June 1, 2014		65,000
Bonds bearing interest at 3.875% maturing on June 1, 2015		70,000
Bonds bearing interest at 4.00% maturing on June 1, 2016		75,000
Bonds bearing interest at 4.10% maturing on June 1, 2017		75,000
Bonds bearing interest at 4.20% maturing on June 1, 2018		80,000
Bonds bearing interest at 4.75% maturing on June 1, 2019		80,000
Bonds bearing interest at 4.75% maturing on June 1, 2020		85,000
Bonds bearing interest at 4.75% maturing on June 1, 2021		90,000
Bonds bearing interest at 4.75% maturing on June 1, 2022		95,000
Bonds bearing interest at 4.75% maturing on June 1, 2023		100,000
Bonds bearing interest at 4.75% maturing on June 1, 2024		105,000
Bonds bearing interest at 4.75% maturing on June 1, 2025		110,000
Bonds bearing interest at 5.00% maturing on June 1, 2026		115,000
Bonds bearing interest at 5.00% maturing on June 1, 2027		120,000
Bonds bearing interest at 5.00% maturing on June 1, 2028		125,000

Note 11. Long-term Debt (continued)

General Obligation School Bonds (continued):

Bonds bearing interest at 5.00% maturing on June 1, 2029	130,000
Bonds bearing interest at 5.00% maturing on June 1, 2030	140,000
Bonds bearing interest at 5.00% maturing on June 1, 2031	145,000
Bonds bearing interest at 5.00% maturing on June 1, 2032	150,000
Bonds bearing interest at 5.00% maturing on June 1, 2033	160,000
Bonds bearing interest at 5.00% maturing on June 1, 2034	170,000
Bonds bearing interest at 5.00% maturing on June 1, 2035	<u>175,000</u>
Subtotal	\$ <u>2,935,000</u>
Total General Obligation Bonds	\$ <u><u>17,032,600</u></u>

General Obligation School Bonds:

\$10,000,000 Virginia Public School Authority Bonds, Series 1992, issued December 1, 1992, maturing annually with interest payable semi-annually:

Bonds bearing interest at 5.70% maturing on December 15, 2004	\$ 530,000
Bonds bearing interest at 5.85% maturing on December 15, 2005	500,000
Bonds bearing interest at 5.85% maturing on December 15, 2006	480,000
Bonds bearing interest at 5.85% maturing on December 15, 2007	460,000
Bonds bearing interest at 5.85% maturing on December 15, 2008	450,000
Bonds bearing interest at 5.85% maturing on December 15, 2009	410,000
Bonds bearing interest at 5.85% maturing on December 15, 2010	385,000
Bonds bearing interest at 5.85% maturing on December 15, 2011	380,000
Bonds bearing interest at 5.85% maturing on December 15, 2012	<u>305,000</u>
Subtotal	\$ <u>3,900,000</u>

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

Bonds bearing interest at 6.30% maturing on December 15, 2004	\$ 375,000
Bonds bearing interest at 6.35% maturing on December 15, 2005	370,000
Bonds bearing interest at 6.35% maturing on December 15, 2006	360,000
Bonds bearing interest at 6.35% maturing on December 15, 2007	350,000
Bonds bearing interest at 6.35% maturing on December 15, 2008	345,000
Bonds bearing interest at 6.40% maturing on December 15, 2009	330,000
Bonds bearing interest at 6.40% maturing on December 15, 2010	310,000
Bonds bearing interest at 6.40% maturing on December 15, 2011	<u>275,000</u>
Subtotal	\$ <u>2,715,000</u>

Note 11. Long-term Debt (continued)

General Obligation School Bonds (continued):

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

Bonds bearing interest at 6.100% maturing on July 15, 2004	\$ 215,000
Bonds bearing interest at 6.100% maturing on July 15, 2005	220,000
Bonds bearing interest at 6.100% maturing on July 15, 2006	215,000
Bonds bearing interest at 6.100% maturing on July 15, 2007	220,000
Bonds bearing interest at 6.225% maturing on July 15, 2008	220,000
Bonds bearing interest at 6.225% maturing on July 15, 2009	215,000
Bonds bearing interest at 6.225% maturing on July 15, 2010	220,000
Bonds bearing interest at 6.225% maturing on July 15, 2011	220,000
Bonds bearing interest at 6.225% maturing on July 15, 2012	215,000
Bonds bearing interest at 6.300% maturing on July 15, 2013	<u>220,000</u>
Subtotal	\$ <u>2,180,000</u>

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

Bonds bearing interest at 4.600% maturing on July 15, 2004	\$ 100,000
Bonds bearing interest at 4.100% maturing on July 15, 2005	100,000
Bonds bearing interest at 4.100% maturing on July 15, 2006	100,000
Bonds bearing interest at 4.200% maturing on July 15, 2007	100,000
Bonds bearing interest at 4.225% maturing on July 15, 2008	100,000
Bonds bearing interest at 5.100% maturing on July 15, 2009	100,000
Bonds bearing interest at 4.475% maturing on July 15, 2010	100,000
Bonds bearing interest at 4.600% maturing on July 15, 2011	100,000
Bonds bearing interest at 4.600% maturing on July 15, 2012	100,000
Bonds bearing interest at 4.725% maturing on July 15, 2013	100,000
Bonds bearing interest at 4.725% maturing on July 15, 2014	100,000
Bonds bearing interest at 5.100% maturing on July 15, 2015	100,000
Bonds bearing interest at 5.100% maturing on July 15, 2016	100,000
Bonds bearing interest at 5.100% maturing on July 15, 2017	100,000
Bonds bearing interest at 5.225% maturing on July 15, 2018	100,000
Bonds bearing interest at 5.225% maturing on July 15, 2019	<u>100,000</u>
Subtotal	\$ <u>1,600,000</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 5.600% maturing on July 15, 2004	\$ 255,000
Bonds bearing interest at 5.100% maturing on July 15, 2005	255,000
Bonds bearing interest at 5.100% maturing on July 15, 2006	255,000
Bonds bearing interest at 5.100% maturing on July 15, 2007	255,000
Bonds bearing interest at 5.100% maturing on July 15, 2008	255,000
Bonds bearing interest at 5.100% maturing on July 15, 2009	255,000
Bonds bearing interest at 5.600% maturing on July 15, 2010	255,000
Bonds bearing interest at 5.225% maturing on July 15, 2011	255,000

Note 11. Long-term Debt (continued)

General Obligation School Bonds (continued):

Bonds bearing interest at 5.600% maturing on July 15, 2012	255,000
Bonds bearing interest at 5.600% maturing on July 15, 2013	255,000
Bonds bearing interest at 5.600% maturing on July 15, 2014	255,000
Bonds bearing interest at 5.600% maturing on July 15, 2015	255,000
Bonds bearing interest at 5.600% maturing on July 15, 2016	255,000
Bonds bearing interest at 5.600% maturing on July 15, 2017	255,000
Bonds bearing interest at 5.600% maturing on July 15, 2018	255,000
Bonds bearing interest at 5.600% maturing on July 15, 2019	255,000
Bonds bearing interest at 5.600% maturing on July 15, 2020	255,000
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Subtotal	\$ 4,335,000

\$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, 2004	\$ 1,050,000
Bonds bearing interest at 4.100% maturing on July 15, 2005	1,095,000
Bonds bearing interest at 4.100% maturing on July 15, 2006	1,140,000
Bonds bearing interest at 4.100% maturing on July 15, 2007	1,185,000
Bonds bearing interest at 4.100% maturing on July 15, 2008	1,235,000
Bonds bearing interest at 4.100% maturing on July 15, 2009	1,290,000
Bonds bearing interest at 4.100% maturing on July 15, 2010	1,345,000
Bonds bearing interest at 4.100% maturing on July 15, 2011	1,400,000
Bonds bearing interest at 5.100% maturing on July 15, 2012	1,465,000
Bonds bearing interest at 5.100% maturing on July 15, 2013	1,540,000
Bonds bearing interest at 4.600% maturing on July 15, 2014	1,620,000
Bonds bearing interest at 4.850% maturing on July 15, 2015	1,695,000
Bonds bearing interest at 4.850% maturing on July 15, 2016	1,780,000
Bonds bearing interest at 4.850% maturing on July 15, 2017	1,870,000
Bonds bearing interest at 4.850% maturing on July 15, 2018	1,960,000
Bonds bearing interest at 4.975% maturing on July 15, 2019	2,060,000
Bonds bearing interest at 5.100% maturing on July 15, 2020	2,165,000
Bonds bearing interest at 5.100% maturing on July 15, 2021	2,280,000
Bonds bearing interest at 5.100% maturing on July 15, 2022	2,400,000
Bonds bearing interest at 5.100% maturing on July 15, 2023	2,525,000
Bonds bearing interest at 5.100% maturing on July 15, 2024	2,660,000
Bonds bearing interest at 5.100% maturing on July 15, 2025	2,795,000
Bonds bearing interest at 5.100% maturing on July 15, 2026	2,945,000
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Subtotal	\$ 41,500,000
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Total General Obligation School Bonds	\$ 56,230,000

Note 11. Long-term Debt (continued)

Notes Payable:

\$102,300 Warble Note, dated May 2, 1997, maturing semi-annually with interest payable semi-annually:

Note bearing interest at 6.00% maturing on January 1, 2005	\$ <u>7,307</u>
Subtotal	\$ <u>7,307</u>

\$800,000 Bridgewater College Note, dated May 8, 2001, maturing annually with interest payable semi-annually:

Note bearing interest at 8.00% maturing on May 8, 2005	\$ 160,000
Note bearing interest at 8.00% maturing on May 8, 2006	<u>160,000</u>
Subtotal	\$ <u>320,000</u>

\$2,970,000 General Obligation Note, Series 2003A, dated December 1, 2003, with interest payable semi-annually:

Note bearing interest at 2.375% maturing on June 1, 2006	\$ <u>2,970,000</u>
Subtotal	\$ <u>2,970,000</u>
Total Notes Payable	\$ <u><u>3,297,307</u></u>

Capital Leases:

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

Lease bearing interest at 6.08% maturing August 24, 2004 and February 26, 2005	\$ 45,690
Lease bearing interest at 6.08% maturing August 24, 2005 and February 26, 2006	48,686
Lease bearing interest at 6.08% maturing August 24, 2006 and February 26, 2007	51,510
Lease bearing interest at 6.08% maturing August 24, 2007 and February 26, 2008	55,077
Lease bearing interest at 6.08% maturing August 24, 2008 and February 26, 2009	58,398
Lease bearing interest at 6.08% maturing August 24, 2009 and February 26, 2010	62,061
Lease bearing interest at 6.08% maturing August 24, 2010 and February 26, 2011	65,946
Lease bearing interest at 6.08% maturing August 24, 2011 and February 26, 2012	70,073
Lease bearing interest at 6.08% maturing August 24, 2012 and February 26, 2013	74,354
Lease bearing interest at 6.08% maturing August 24, 2013 and February 26, 2014	79,142
Lease bearing interest at 6.08% maturing August 24, 2014 and February 26, 2015	84,060
Lease bearing interest at 6.08% maturing August 24, 2015 and February 26, 2016	<u>89,329</u>
Subtotal	\$ <u>784,326</u>

Note 11. Long-term Debt (continued)

Capital Leases (continued):

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

Lease bearing interest at 4.50% maturing on June 20, 2005	\$ 352,500
Lease bearing interest at 4.75% maturing on June 20, 2006	367,500
Lease bearing interest at 4.75% maturing on June 20, 2007	385,000
Lease bearing interest at 5.00% maturing on June 20, 2008	402,500
Lease bearing interest at 5.00% maturing on June 20, 2009	422,500
Lease bearing interest at 5.00% maturing on June 20, 2010	445,000
Lease bearing interest at 5.00% maturing on June 20, 2011	467,500
Lease bearing interest at 5.00% maturing on June 20, 2012	490,000
Lease bearing interest at 5.00% maturing on June 20, 2013	515,000
Lease bearing interest at 5.00% maturing on June 20, 2014	<u>540,000</u>
Subtotal	<u>\$ 4,387,500</u>

\$213,795, lease purchase, effective December 17, 1999, maturing semi-annually with interest payable semi-annually:

Lease bearing interest at 5.40% maturing on July 15, 2004 and January 15, 2005	<u>\$ 47,855</u>
Subtotal	<u>\$ 47,855</u>

\$272,572, lease purchase, effective February 24, 2003, maturing monthly with interest payable monthly on the 24th of each month:

Lease bearing interest at 2.08% maturing July 24, 2004 to June 24, 2005	\$ 91,476
Lease bearing interest at 2.08% maturing July 24, 2005 to June 24, 2006	<u>62,049</u>
Subtotal	<u>\$ 153,525</u>
Total Capital Lease	<u><u>\$ 5,373,206</u></u>

State Literary Fund Loans:

\$236,428 State Literary Fund Loan of 1986, issued August 15, 1986, maturing annually with interest payable annually:

Loan bearing interest at 5.00% maturing on August 15, 2004	\$ 11,825
Loan bearing interest at 5.00% maturing on August 15, 2005	11,825
Loan bearing interest at 5.00% maturing on August 15, 2006	<u>11,825</u>
Subtotal	<u>\$ 35,475</u>
Total State Literary Fund Loans	<u>\$ 35,475</u>
Total Governmental Activities	<u><u>\$ 81,968,588</u></u>

Note 11. Long-term Debt (continued)

Business-type activities:

General Obligation Bonds:

\$6,000,000 Solid Waste Disposal System Bonds (Virginia Resources Authority), Series 1995B, issued December 1, 1995, maturing annually with interest payable semi-annually:

Bonds bearing interest at 5.025% maturing on October 1, 2004	\$ 265,000
Bonds bearing interest at 5.125% maturing on October 1, 2005	280,000
Bonds bearing interest at 5.225% maturing on October 1, 2006	295,000
Bonds bearing interest at 5.825% maturing on October 1, 2007	310,000
Bonds bearing interest at 5.825% maturing on October 1, 2008	325,000
Bonds bearing interest at 5.825% maturing on October 1, 2009	340,000
Bonds bearing interest at 5.825% maturing on October 1, 2010	360,000
Bonds bearing interest at 5.825% maturing on October 1, 2011	385,000
Bonds bearing interest at 5.825% maturing on October 1, 2012	405,000
Bonds bearing interest at 5.825% maturing on October 1, 2013	425,000
Bonds bearing interest at 5.825% maturing on October 1, 2014	455,000
Bonds bearing interest at 5.825% maturing on October 1, 2015	<u>475,000</u>
Subtotal	\$ <u>4,320,000</u>

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

Bonds bearing interest at 3.000% maturing on July 15, 2005	\$ 840,000
Bonds bearing interest at 3.250% maturing on July 15, 2006	865,000
Bonds bearing interest at 3.750% maturing on July 15, 2007	895,000
Bonds bearing interest at 4.000% maturing on July 15, 2008	925,000
Bonds bearing interest at 4.000% maturing on July 15, 2009	965,000
Bonds bearing interest at 4.000% maturing on July 15, 2010	1,000,000
Bonds bearing interest at 4.250% maturing on July 15, 2011	1,045,000
Bonds bearing interest at 4.375% maturing on July 15, 2012	1,085,000
Bonds bearing interest at 4.375% maturing on July 15, 2013	1,135,000
Bonds bearing interest at 4.400% maturing on July 15, 2014	1,185,000
Bonds bearing interest at 4.500% maturing on July 15, 2015	1,235,000
Bonds bearing interest at 4.625% maturing on July 15, 2016	1,290,000
Bonds bearing interest at 4.750% maturing on July 15, 2017	1,350,000
Bonds bearing interest at 4.750% maturing on July 15, 2018	1,415,000
Bonds bearing interest at 5.000% maturing on July 15, 2019	1,485,000
Bonds bearing interest at 5.000% maturing on July 15, 2020	1,555,000
Bonds bearing interest at 5.000% maturing on July 15, 2021	1,635,000
Bonds bearing interest at 5.000% maturing on July 15, 2022	1,715,000
Bonds bearing interest at 5.000% maturing on July 15, 2023	1,800,000
Bonds bearing interest at 5.000% maturing on July 15, 2024	<u>1,890,000</u>
Subtotal	\$ <u>25,310,000</u>
Total General Obligation Bonds	\$ <u><u>29,630,000</u></u>

Note 11. Long-term Debt (continued)

General Obligation Revenue Bonds:

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

Bonds bearing interest at 5.40% maturing on December 1, 2005	\$	25,000
Bonds bearing interest at 5.45% maturing on December 1, 2006		65,000
Bonds bearing interest at 5.50% maturing on December 1, 2007		75,000
Bonds bearing interest at 5.55% maturing on December 1, 2008		85,000
Bonds bearing interest at 5.60% maturing on December 1, 2009		95,000
Bonds bearing interest at 5.65% maturing on December 1, 2010		105,000
Bonds bearing interest at 5.75% maturing on December 1, 2011		120,000
Bonds bearing interest at 5.80% maturing on December 1, 2012		130,000
Bonds bearing interest at 5.80% maturing on December 1, 2013		145,000
Bonds bearing interest at 5.85% maturing on December 1, 2014		160,000
Bonds bearing interest at 5.90% maturing on December 1, 2015		175,000
Bonds bearing interest at 6.20% maturing on December 1, 2016		190,000
Bonds bearing interest at 6.20% maturing on December 1, 2017		210,000
Bonds bearing interest at 6.10% maturing on December 1, 2018		230,000
Bonds bearing interest at 6.10% maturing on December 1, 2019		250,000
Bonds bearing interest at 6.10% maturing on December 1, 2020		270,000
Bonds bearing interest at 6.25% maturing on December 1, 2021		290,000
Bonds bearing interest at 6.25% maturing on December 1, 2022		315,000
Bonds bearing interest at 6.25% maturing on December 1, 2023		340,000
Bonds bearing interest at 6.25% maturing on December 1, 2024		370,000
Bonds bearing interest at 6.25% maturing on December 1, 2025		400,000
Bonds bearing interest at 6.25% maturing on December 1, 2026		430,000
Bonds bearing interest at 6.25% maturing on December 1, 2027		465,000
Bonds bearing interest at 6.25% maturing on December 1, 2028		500,000
Bonds bearing interest at 6.25% maturing on December 1, 2029		970,000
		<hr/>
Subtotal	\$	<u>6,410,000</u>

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

Bonds bearing interest at 4.000% maturing on July 15, 2004	\$	175,000
Bonds bearing interest at 4.000% maturing on July 15, 2005		180,000
Bonds bearing interest at 4.000% maturing on July 15, 2006		190,000
Bonds bearing interest at 4.125% maturing on July 15, 2007		195,000
Bonds bearing interest at 4.125% maturing on July 15, 2008		205,000
Bonds bearing interest at 4.125% maturing on July 15, 2009		210,000
Bonds bearing interest at 4.500% maturing on July 15, 2010		220,000
Bonds bearing interest at 4.500% maturing on July 15, 2011		230,000
Bonds bearing interest at 4.500% maturing on July 15, 2012		240,000
Bonds bearing interest at 4.300% maturing on July 15, 2013		250,000
Bonds bearing interest at 4.400% maturing on July 15, 2014		265,000
Bonds bearing interest at 4.500% maturing on July 15, 2015		275,000
Bonds bearing interest at 4.625% maturing on July 15, 2016		285,000

Note 11. Long-term Debt (continued)

General Obligation Revenue Bonds (continued):

Bonds bearing interest at 4.700% maturing on July 15, 2017	300,000
Bonds bearing interest at 4.750% maturing on July 15, 2018	315,000
Bonds bearing interest at 4.875% maturing on July 15, 2019	330,000
Bonds bearing interest at 5.000% maturing on July 15, 2020	345,000
Bonds bearing interest at 5.000% maturing on July 15, 2021	360,000
Bonds bearing interest at 5.000% maturing on July 15, 2022	380,000
Bonds bearing interest at 5.000% maturing on July 15, 2023	400,000
Bonds bearing interest at 5.000% maturing on July 15, 2024	420,000
Bonds bearing interest at 5.000% maturing on July 15, 2025	440,000
Bonds bearing interest at 5.000% maturing on July 15, 2026	460,000
Bonds bearing interest at 5.000% maturing on July 15, 2027	485,000
Bonds bearing interest at 5.000% maturing on July 15, 2028	510,000
Bonds bearing interest at 5.000% maturing on July 15, 2029	535,000
Bonds bearing interest at 5.000% maturing on July 15, 2030	560,000
Bonds bearing interest at 5.000% maturing on July 15, 2031	590,000
Bonds bearing interest at 5.000% maturing on July 15, 2032	620,000
Bonds bearing interest at 5.000% maturing on July 15, 2033	<u>650,000</u>
Subtotal	\$ <u>10,620,000</u>
Total General Obligation Revenue Bonds	\$ <u><u>17,030,000</u></u>

Notes Payable:

\$1,379,816 Appropriation Note of 1999, issued November 19, 1999, maturing monthly with interest payable monthly on the 19th of each month:

Note bearing interest at 4.98% maturing July 19, 2004 to June 19, 2005	\$ <u>128,527</u>
Total Notes Payable	\$ <u><u>128,527</u></u>

Landfill Closure and Postclosure:

Estimated cost of landfill closure and postclosure:	
City Landfill	\$ 2,109,676
County Landfill - Assumed by the City	<u>1,442,777</u>
Total Landfill Closure and Postclosure	\$ <u><u>3,552,453</u></u>
Total Business-type Activities	\$ <u><u>50,340,980</u></u>
<i>Total Primary Government Long-term Debt (Excluding the contractual obligation, compensated absences and unamortized premiums/discounts)</i>	\$ <u><u>132,309,568</u></u>

Note 11. Long-term Debt (continued)

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

In March 1995, the City and James Madison University (JMU) entered into an agreement concerning an expanded resource recovery facility. Pursuant to this agreement, the City issued \$6,000,000 of Solid Waste Disposal Bonds in 1995 to finance the expansion. 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 above mentioned bond issue. The current year reimbursement for principal and interest on this bond totaled \$506,801. The outstanding balance of the City's bond issue at June 30, 2004 was \$4,320,000.

In December 2001, the City entered into a contractual agreement with AIG Baker Development, L.L.C. (AIG Baker) in which the City agreed to reimburse AIG Baker for costs that it incurred for certain street improvements while developing a retail shopping center. Under the terms of the agreement, the City agreed to reimburse AIG Baker the lower of \$600,000 per year or the tax revenues generated per year by the shopping center, but the total would not exceed actual costs incurred. The reimbursements were to occur within three years from the time AIG Baker completed the shopping center. The shopping center was completed as of June 30, 2003. Accordingly, the City agreed to reimburse AIG Baker a total of \$1,486,773, of which \$886,773 remains outstanding. The remaining reimbursements will be comprised of \$600,000 in June 2005 and \$286,773 in June 2006.

In December 2003, the City issued \$2,935,000 in General Obligation Bonds and \$2,970,000 in General Obligation Notes. The \$5,905,000 is being used by the Harrisonburg Redevelopment and Housing Authority (Authority) to renovate and construct the Lucy F. Simms Continuing Education Center. The Authority has agreed to fund the payment of the \$2,970,000 note that matures on June 1, 2006.

Component Unit – School Board

At June 30, 2004, the School Board had \$577,089 in long-term liabilities outstanding. This long-term liability is comprised of \$577,089 in compensated absences, of which \$249,187 is due within one year.

Component Unit – HEC

At June 30, 2004, HEC had \$989,247 in long-term liabilities outstanding. This long-term liability is comprised of \$249,425 in compensated absences, of which the entire amount is due within one year and \$739,822 in postretirement health care benefits, of which the entire amount is due in more than one year.

The Harrisonburg Electric Commission has a \$1,000,000 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 at June 30, 2004.

Note 12. 1996 Public Improvement Bond Partially Refunded and Defeased

In May 2003, the City of Harrisonburg partially defeased its Public Improvement Bonds (Series 1996). Bonds maturing after July 15, 2006 were defeased by placing the proceeds of the City's Public Improvement Refunding Bonds (Series 2003) in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. On June 30, 2004, \$4,805,000 of these old outstanding bonds are defeased.

Note 13. Fund Balance

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

	General Fund	General Capital Projects Fund	School Bond Capital Projects Fund
Reserved for:			
Encumbrances	\$ 230,505	\$ 999,168	\$ -
Prepaid expenditures	120,506	-	-
Loans receivable	733,896	-	-
Advance to other funds	-	273,449	-
Capital projects	-	4,397,570	8,811,751
Debt service	284,337	-	-
E-911	188,764	-	-
Drug forfeiture	24,072	-	-
Fire department grants	236,886	-	-
Police department grants	29,460	-	-
	<u>1,848,426</u>	<u>5,670,187</u>	<u>8,811,751</u>
Total reserved fund balance	\$ <u>1,848,426</u>	\$ <u>5,670,187</u>	\$ <u>8,811,751</u>
Designated for:			
Subsequent years' expenditures	\$ 2,054,536	\$ 6,505,695	\$ -
Purchase of municipal building and land	15,731	-	-
Port Republic Road project	52,922	-	-
Parks and recreation department	101,115	-	-
Denton park	6,205	-	-
	<u>2,230,509</u>	<u>6,505,695</u>	<u>-</u>
Total designated fund balance	\$ <u>2,230,509</u>	\$ <u>6,505,695</u>	\$ <u>-</u>

Note 14. Judicial Complex Lease Agreement

On May 1, 1998, the City of Harrisonburg (the City) and the County of Rockingham (the County) entered into a restated and amended lease agreement with the Harrisonburg Redevelopment and Housing Authority (the 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 15. Social Services and Health Department Lease Agreement

On August 24, 1995, the City of Harrisonburg (the City) and the County of Rockingham (the County) entered into a lease agreement with the Harrisonburg Redevelopment and Housing Authority (the 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 16. Defined Benefit Pension Plan

Plan Description

The City of Harrisonburg 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 at least five years of credited service (age 60 and five years of credited service for participating local law enforcement officers and firefighters). Employees who retire with an unreduced benefit are entitled to an annual retirement benefit payable monthly for life in an amount equal to 1.7 percent of their average final compensation (AFC). AFC is defined as the highest consecutive 36 months of salary. An optional reduced retirement benefit is available to members of VRS as early as age 50 with at least 10 years of credited service or age 55 with five years of credited service (age 50 for participating local law enforcement officers and firefighters). Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living increases 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/2003AnnuRept.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 may be assumed by the employer. In addition, the City of Harrisonburg, the City of Harrisonburg School Board (School Board) and the Harrisonburg Electric Commission (HEC), are required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by statute and approved by the VRS Board of Trustees. The City of Harrisonburg and HEC’s contribution rate for the fiscal year ended 2004 was 6% of annual covered payroll. The School Board non-professional employees’ contribution rate for the fiscal year ended 2004 was 0.5% of annual covered payroll. Total contributions made to the VRS statewide teacher pool for professional employees by the School Board for the years ending June 30, 2004, 2003, and 2002 were \$777,273, \$747,432, and \$654,595, respectively, and were equal to the required contributions for each year.

Note 16. Defined Benefit Pension Plan (continued)

Annual Pension Cost

For 2004, the City of Harrisonburg and HEC's annual pension cost of \$1,117,117 was equal to the required and actual contributions. The School Board non-professional employees' annual pension cost of \$5,493 was equal to the required and actual contributions. The required contribution was determined as part of the June 30, 2001 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 8% investment rate of return, (b) projected salary increases ranging from 4.25% to 6.10% per year, (c) 3% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3%. 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.

Trend Information

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
City of Harrisonburg and HEC Employees:			
2004	\$ 1,117,117	100%	\$ -
2003	1,035,499	100%	-
2002	1,204,017	100%	-
School Board Non-Professional Employees:			
2004	\$ 5,493	100%	-
2003	5,284	100%	-
2002	-	100%	-

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
City of Harrisonburg and HEC Employees:						
June 30, 2003	\$ 52,085,791	\$ 57,237,259	\$ 5,151,468	91.00%	\$ 15,747,673	32.71%
June 30, 2002	51,069,882	53,283,723	2,213,841	95.85%	16,225,758	13.64%
June 30, 2001	49,086,180	48,262,209	(823,971)	101.71%	15,393,122	(5.35%)
School Board Non-Professional Employees:						
June 30, 2003	\$ 3,500,295	\$ 2,791,788	\$ (708,507)	125.38%	\$ 979,233	(72.35%)
June 30, 2002	3,459,677	2,608,123	(851,554)	132.65%	1,029,955	(82.68%)
June 30, 2001	3,370,176	2,393,897	(976,279)	140.78%	986,255	(98.99%)

The assumptions used for the June 30, 2001 actuarial valuation reflect a change in economic and demographic assumptions, which include a change in projected salary increases, a decrease in the cost-of-living assumption, and a decrease in the inflation component of the investment rate of return and projected salary increases.

Note 17. Postretirement Health Care Benefits

Primary Government

The City has elected to continue health care benefits for retirees who are at least 50 years of age and have at least 15 years of consecutive retirement eligible service with the City. The employee must also meet VRS retirement requirements and must not be eligible for Medicare. The City will contribute towards the cost of health insurance for a qualifying retired employee at the same rate as for active employees. This plan applies to employees who have retired on or before January 1, 2000. For employees who retired between July 1, 1991 and December 31, 1999, the City contributes towards the cost of health insurance for these employees at the rate of \$7 per month for each year of service to the City up to a maximum of \$250 or 60 percent, whichever is less, for the group plan selected by the eligible retiree during the immediate past five years of employment. The City contributes on a "pay-as-you-go" basis. There were 21 retired employees participating during the year, and the City made a total contribution of \$64,988 for retirees.

Component Unit – School Board

The School Board has elected to continue health care benefits for retirees who are at least 50 years of age and have at least 10 years of cumulative service (a minimum of five years with the School Board immediately preceding retirement). The employee must also meet VRS retirement requirements and must not be eligible for Medicare. The School Board will contribute toward the cost of health insurance for a qualifying retired employee at the same rate as for active employees. This plan applies to employees who have retired on or before December 7, 1999. The benefit is payable for a variable time period which is based upon the years of service to the School Board. The contribution for the retired employee will be for the group plan selected by the eligible retiree during the last five years prior to retirement. Employees who retired prior to December 7, 1999 are covered by the prior policy of 65 percent of the cost of the plan selected. The School Board contributes on a "pay-as-you-go" basis. There were 53 retired employees participating during the year, and the School Board made a total contribution of \$168,860 for retirees.

Component Unit – HEC

The Harrisonburg Electric Commission (HEC) has elected to continue health care benefits for retirees who are at least 50 years of age and have at least 15 years of consecutive retirement eligible service with HEC. The employee must also meet VRS retirement requirements and must not be eligible for Medicare. HEC will contribute towards the cost of health insurance for a qualifying retired employee at the same rate as for active employees. This plan applies to employees who have retired on or before January 1, 2000. For employees who retired between July 1, 1991 and December 31, 1999, HEC contributes towards the cost of health insurance for these employees at the rate of \$7 per month for each year of service to HEC up to a maximum of \$250 or 60 percent, whichever is less, for the group plan selected by the eligible retiree during the immediate past five years of employment. HEC adopted FASB Statement No. 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions*. The statement requires the cost of employee postretirement benefits to be accrued over the employee's service period. The estimated employee postretirement benefit payable as of June 30, 2004 was \$739,822.

Note 18. Conduit Debt

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

Note 18. Conduit Debt (continued)

As of June 30, 2004, there were two series of Industrial Revenue Bonds and 15 series of Redevelopment and Housing Authority Bonds outstanding, with an aggregate principal amount of \$1.3 million and \$186.2 million respectively.

Note 19. Landfill Closure and Postclosure Care Costs

State and federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. \$2,109,676 of the amount reported as landfill closure and postclosure care liability at June 30, 2004 represents the cumulative amount reported to date based on the use of 100% of the estimated capacity of the landfill. The City closed its landfill in 1994. This amount is based on what it would cost to perform all closure and postclosure care in 2004. Actual costs may be different due to inflation, changes in technology, or changes in regulations. The City changed the method that it uses to estimate its landfill closure and postclosure care liability in fiscal year 2004, which effectively decreased the liability by \$1,734,818. This change was treated as a change in accounting estimate. Included in the total liability is an additional \$1,000,000 for groundwater remediation. Although, actual costs may eventually range from \$200,000 to \$1,000,000 for the groundwater remediation plan, management believes that the costs associated with the remediation may ultimately reach \$1,000,000.

The City plans to fund its landfill closure and postclosure care costs with available funds from the Sanitation Fund. The City expects that future inflation costs will be paid from interest earnings on these available funds. However, if interest earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

Note 20. 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. \$359,950 of the amount reported as landfill closure and postclosure care liability at June 30, 2004 represents the cumulative amount reported to date based on the use of 100% of the estimated 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 \$20,158 in liability incurred by the City prior to July 1, 1994. The County closed this cell in 2000.

The City also recognizes \$1,082,827 associated with a new, and subsequently expanded, landfill cell opened in 2001, which is based on the use of 39.5% of the estimated capacity of the new landfill cell. The City will recognize its remaining estimated cost of closure and postclosure care of \$1,657,269 as the remaining capacity of this new cell is used. The County expects to begin closing the new cell in 2005. The City plans to fund these landfill closure and postclosure care costs with available funds from the Sanitation Fund.

Note 21. Transactions with Component Units

For the year ended June 30, 2004, the City's General Fund made cash payments to the School Board, a component unit, totaling \$18,667,629. These payments are made monthly for the purpose of funding the School Board's operating budget.

For the year ended June 30, 2004, the Harrisonburg Electric Commission, a component unit, made cash payments to the City's General Fund totaling \$3,800,000. These payments are made monthly for the purpose of funding the General Fund budget.

Note 22. Joint Venture

The City, Rockingham County, and the towns of Bridgewater, Dayton and Mt. Crawford have entered into a contract with the Harrisonburg-Rockingham Regional Sewer Authority (Authority), whereby the Authority agrees to operate a sewage disposal system for the participating municipalities. The municipalities have an ongoing financial responsibility based on an agreement to make annual contributions to the Authority for operations and maintenance based on their respective usage of the system. The municipalities also agree to make annual contributions to the Authority for debt service, except for Mt. Crawford, which made an upfront payment for its share. The Authority has \$17,864,615 of total debt outstanding that includes refunding and project debt. The payments on the refunding portion of the debt are computed in the same ratio as volume of waste treated, and the payments on the project debt are at a fixed percentage. The City's variable rate is approximately 69.05 percent and the fixed rate is 73.884 percent. The City does not have an ongoing financial interest in the Authority since it does not have access to the Authority's resources or surpluses, nor is it liable for the Authority's debts or deficits. To obtain a copy of the audited financial statements, contact the Harrisonburg-Rockingham Regional Sewer Authority, P.O. Box 8, 856 North River Road, Mt. Crawford, Virginia 22841.

Assuming that the ratio of volume of waste treated between the participating municipalities does not change significantly, the City's share of the required principal and interest payments for the Authority's bond issues, which are made by the City's Sewer Fund, can be projected as follows:

Fiscal Year	Principal	Interest	Total
2005	\$ 573,179	\$ 620,961	\$ 1,194,140
2006	587,105	590,501	1,177,606
2007	606,405	572,763	1,179,168
2008	630,208	555,507	1,185,715
2009	552,711	530,921	1,083,632
2010-2014	3,158,871	2,241,237	5,400,108
2015-2019	4,022,711	1,371,746	5,394,457
2020-2022	2,924,610	301,269	3,225,879
Total	\$ 13,055,800	\$ 6,784,905	\$ 19,840,705

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

	June 30, 2004	June 30, 2003	Increase (Decrease)
Current assets	\$ 1,083,316	\$ 993,877	\$ 89,439
Restricted assets	4,310,469	4,784,666	(474,197)
Capital assets	23,013,597	23,974,895	(961,298)
Other assets	523,492	502,611	20,881
Total assets	\$ 28,930,874	\$ 30,256,049	\$ (1,325,175)
Current liabilities	\$ 342,626	\$ 324,335	\$ 18,291
Liabilities payable from restricted assets	920,927	893,091	27,836
Long-term liabilities	15,751,544	16,437,194	(685,650)
Total liabilities	\$ 17,015,097	\$ 17,654,620	\$ (639,523)
Net assets	\$ 11,915,777	\$ 12,601,429	\$ (685,652)

Note 23. Jointly Governed Organizations

The Harrisonburg-Rockingham Social Services District (District) was created by the City of Harrisonburg and Rockingham County (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 \$1,655,290 to the District for the year ended June 30, 2004.

Note 24. 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 25. Commitments and Contingencies

Primary Government

The City has a contract outstanding for engineering services regarding connecting Erickson Avenue and Stone Spring Road. The contract totals \$2,529,080 and \$1,992,300 had been expended on the contract as of June 30, 2004. This contract is a commitment of the General Capital Projects Fund and is being financed through transfers from the General Fund.

The City has a contract outstanding for the construction of a new high school. The contract totals \$37,052,875 and \$30,103,369 had been expended on the contract as of June 30, 2004. This contract is a commitment of the School Bond Capital Projects Fund and is being financed through the proceeds of a bond issue.

The City has construction and engineering contracts outstanding for the expansion of the water treatment plant. The contracts total \$4,766,956 and \$4,405,829 had been expended on the contracts as of June 30, 2004. These contracts are commitments of the Water Fund and are being financed through the proceeds of a bond issue.

The City has construction contracts outstanding for the renovation of the City's Public Safety Building. The contracts total \$2,233,020 and \$484,072 had been expended on the contract as of June 30, 2004. These contracts are commitments of the General Capital Projects Fund and are being financed through transfers from the General Fund, the proceeds of a bond issue and reimbursements from Rockingham County for various joint operations.

The City has a construction contract outstanding for the construction and renovation of the Lucy F. Simms Continuing Education Center. The contract totals \$5,192,952 and \$2,275,052 had been expended on the contract as of June 30, 2004. This contract is a commitment of the General Capital Projects Fund and is being financed through the proceeds of a bond issue.

The City has a contract outstanding for the renovation of the historic Hardesty-Higgins House in downtown Harrisonburg. The contract totals \$1,068,750 and \$58,678 had been expended on the contract as of June 30, 2004. This contract is a commitment of the General Capital Projects Fund and is being financed through transfers from the General Fund and Federal grants.

The City has certain debt instruments subject to arbitrage rebate calculations. The City is of the opinion that no amounts will be required to be rebated.

Note 26. Risk Management

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

The City is self-insured for health insurance purposes and has retained Anthem Blue Cross and Blue Shield to administer the program. The City currently reports these activities in the Health Insurance Fund, which is an internal service fund. This fund serves the City, primary government; Harrisonburg School Board and Harrisonburg Electric Commission, component units; the Harrisonburg-Rockingham Community Services Board; Harrisonburg-Rockingham Regional Sewer Authority; Harrisonburg Redevelopment and Housing Authority; and the Massanutten Regional Library. This fund accounts for the health insurance activities of the aforementioned entities but does not constitute a transfer of risk from the City. Significant claims, over \$75,000, 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, 2002 to June 30, 2004:

<u>Fiscal Year</u>	<u>Beginning Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Ending Liability</u>
2004	\$ 844,747	\$ 6,531,320	\$ 6,545,497	\$ 830,570
2003	787,700	5,788,442	5,731,395	844,747

Note 27. Steam Agreement with James Madison University

On September 8, 1981, the City entered into a contract with James Madison University whereby the City paid JMU \$2,500,000 over a five year period in consideration for conveying a suitable site for the construction of the solid waste disposal heat recovery plant and entering into a twenty year agreement with the City for the purpose of purchasing steam produced by the City's steam plant.

This agreement shown on the financial statements as other assets of the Sanitation Fund was being amortized over a twenty-year period. On July 1, 1996 a new forty year contract with James Madison University replaced the original 1981 contract. The unamortized amount of the 1981 contract at June 30, 1996 of \$663,615 is being amortized over the first twenty-five years of the new forty year contract. The agreement was originally recorded at \$2,041,898 reflecting the discounted value after imputing interest at 11%.

Note 28. Contingent Liabilities

All major federal programs and certain other programs in which the City participates were tested, by our auditors, for compliance with applicable grant requirements pursuant to the provisions of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget Circular A-133, *Audit of States, Local Governments and*

Note 28. Contingent Liabilities (continued)

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.

Note 29. New Governmental Accounting Standards Board (GASB) Standards

In March 2003, the GASB issued Statement No. 40, *Deposit and Investment Risk Disclosures – an amendment of GASB Statement No. 3*. This statement addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. The provisions of this statement are effective for fiscal year 2005 and will not have a material effect on the City's financial statements.

In November 2003, the GASB issued Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. This Statement establishes accounting, disclosure and financial reporting standards for impairment of capital assets. This Statement also clarifies and establishes accounting requirements for insurance recoveries. The provisions of this statement are effective for fiscal year 2006 and will not have a material effect on the City's financial statements.

In April 2004, the GASB issued Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This Statement establishes uniform financial reporting and disclosure standards for "other postemployment benefit plan" sponsors. The provisions of this statement are effective for fiscal year 2008 and will not have a material effect on the City's financial statements.

In May 2004, the GASB issued Statement No. 44, *Economic Condition Reporting: The Statistical Section – an amendment of NCGA Statement 1*. This Statement amends previous guidance on the presentation of certain statistical information and addresses the usefulness and comparability of the statistical section within the Comprehensive Annual Financial Report (CAFR). This Statement also addresses the new information reported from the implementation of GASB No. 34. The provisions of this statement are effective for fiscal year 2006 and will have an impact on the Statistical Table Section of the City's CAFR.

In June 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement establishes new standards for other postemployment benefits (OPEB) by state and local government employers, i.e. postretirement healthcare benefits. This Statement addresses the measurement, recognition, and display of OPEB expenditures/expenses and related liabilities, assets, note disclosures, and, if applicable, required supplementary information. The provisions of this statement are effective for fiscal year 2009 and will have an effect on the City's government-wide and proprietary fund financial statements, although management has not been able to determine the impact at this time.

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**OTHER
SUPPLEMENTARY INFORMATION**

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Internal Service Funds

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

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

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

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

CITY OF HARRISONBURG, VIRGINIA
INTERNAL SERVICE FUNDS
COMBINING BALANCE SHEET
At June 30, 2004

Exhibit A-1

	Central Garage Fund	Central Stores Fund	Health Insurance Fund	Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 56,731	\$ 9,149	\$ 2,600,154	\$ 2,666,034
Receivables	2,437	-	136	2,573
Due from component unit	4,805	-	-	4,805
Inventory	413,327	985,914	-	1,399,241
Prepaid expenses	3,286	-	-	3,286
Total current assets	\$ 480,586	\$ 995,063	\$ 2,600,290	\$ 4,075,939
Noncurrent assets:				
Capital assets (net of accumulated depreciation)	\$ 74,102	\$ 6,040	\$ -	\$ 80,142
Total noncurrent assets	\$ 74,102	\$ 6,040	\$ -	\$ 80,142
Total assets	\$ 554,688	\$ 1,001,103	\$ 2,600,290	\$ 4,156,081
Liabilities and Net Assets				
Current liabilities:				
Accounts payable	\$ 49,769	\$ 431	\$ 830,570	\$ 880,770
Accrued liabilities	12,564	1,020	-	13,584
Due to component unit	-	237	-	237
Compensated absences	37,670	2,053	-	39,723
Total current liabilities	\$ 100,003	\$ 3,741	\$ 830,570	\$ 934,314
Noncurrent liabilities:				
Compensated absences	\$ 30,988	\$ 2,134	\$ -	\$ 33,122
Total noncurrent liabilities	\$ 30,988	\$ 2,134	\$ -	\$ 33,122
Total liabilities	\$ 130,991	\$ 5,875	\$ 830,570	\$ 967,436
Net assets:				
Invested in capital assets	\$ 74,102	\$ 6,040	\$ -	\$ 80,142
Unrestricted	349,595	989,188	1,769,720	3,108,503
Total net assets	\$ 423,697	\$ 995,228	\$ 1,769,720	\$ 3,188,645
Total liabilities and net assets	\$ 554,688	\$ 1,001,103	\$ 2,600,290	\$ 4,156,081

INTERNAL SERVICE FUNDS

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

For the Year Ended June 30, 2004

	Central Garage Fund	Central Stores Fund	Health Insurance Fund	Total
Operating revenues:				
Charges for services	\$ 1,709,548	\$ 560,118	\$ 8,514,109	\$ 10,783,775
Total operating revenues	<u>\$ 1,709,548</u>	<u>\$ 560,118</u>	<u>\$ 8,514,109</u>	<u>\$ 10,783,775</u>
Operating expenses:				
Personal services	\$ 412,467	\$ 30,991	\$ -	\$ 443,458
Fringe benefits	116,529	5,842	-	122,371
Purchased services	19,899	4,329	254,955	279,183
Internal services	1,721	603	-	2,324
Other charges	6,375	12,695	570,698	589,768
Materials and supplies	36,257	1,924	-	38,181
Depreciation	12,656	2,589	-	15,245
Cost of inventory issued	1,189,250	563,769	-	1,753,019
Claims related charges	-	-	6,531,321	6,531,321
Total operating expenses	<u>\$ 1,795,154</u>	<u>\$ 622,742</u>	<u>\$ 7,356,974</u>	<u>\$ 9,774,870</u>
Operating income (loss)	<u>\$ (85,606)</u>	<u>\$ (62,624)</u>	<u>\$ 1,157,135</u>	<u>\$ 1,008,905</u>
Nonoperating revenues:				
Investment revenue	\$ 895	\$ -	\$ 21,756	\$ 22,651
Total nonoperating revenues	<u>\$ 895</u>	<u>\$ -</u>	<u>\$ 21,756</u>	<u>\$ 22,651</u>
Income (loss) before transfers	\$ (84,711)	\$ (62,624)	\$ 1,178,891	\$ 1,031,556
Transfers in	<u>82,872</u>	<u>58,764</u>	<u>-</u>	<u>141,636</u>
Change in net assets	\$ (1,839)	\$ (3,860)	\$ 1,178,891	\$ 1,173,192
Net assets at beginning of year	<u>425,536</u>	<u>999,088</u>	<u>590,829</u>	<u>2,015,453</u>
Net assets at end of year	<u><u>\$ 423,697</u></u>	<u><u>\$ 995,228</u></u>	<u><u>\$ 1,769,720</u></u>	<u><u>\$ 3,188,645</u></u>

CITY OF HARRISONBURG, VIRGINIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2004

	Central Garage Fund	Central Stores Fund	Health Insurance Fund	Total
Cash flows from operating activities:				
Receipts from customers	\$ 1,711,109	\$ 560,118	\$ -	\$ 2,271,227
Receipts from premiums	-	-	8,514,109	8,514,109
Payments to employees	(406,808)	(30,014)	-	(436,822)
Payments for fringe benefits	(119,401)	(5,769)	-	(125,170)
Payments to vendors	(1,296,846)	(638,511)	(825,653)	(2,761,010)
Payments for internal services	(1,721)	(604)	-	(2,325)
Payments for claims related charges	-	-	(6,545,498)	(6,545,498)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net cash provided by (used for) operating activities	\$ (113,667)	\$ (114,780)	\$ 1,142,958	\$ 914,511
Cash flows from noncapital financing activities:				
Transfers in	\$ 82,872	\$ 58,764	\$ -	\$ 141,636
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net cash provided by noncapital financing activities	\$ 82,872	\$ 58,764	\$ -	\$ 141,636
Cash flows from investing activities:				
Interest received	\$ 902	\$ -	\$ 21,785	\$ 22,687
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net cash provided by investing activities	\$ 902	\$ -	\$ 21,785	\$ 22,687
Net increase (decrease) in cash and cash equivalents				
	\$ (29,893)	\$ (56,016)	\$ 1,164,743	\$ 1,078,834
Cash and cash equivalents:				
Beginning	<u>86,624</u>	<u>65,165</u>	<u>1,435,411</u>	<u>1,587,200</u>
Ending	<u>\$ 56,731</u>	<u>\$ 9,149</u>	<u>\$ 2,600,154</u>	<u>\$ 2,666,034</u>

(continued)

CITY OF HARRISONBURG, VIRGINIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2004

	<u>Central Garage Fund</u>	<u>Central Stores Fund</u>	<u>Health Insurance Fund</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash used for operating activities:				
Operating income (loss)	\$ (85,606)	\$ (62,624)	\$ 1,157,135	\$ 1,008,905
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	12,656	2,589	-	15,245
Change in assets and liabilities:				
(Increase) decrease in:				
Accounts receivable	(1,029)	-	-	(1,029)
Due from component unit	2,591	-	-	2,591
Inventory	(25,738)	(56,008)	-	(81,746)
Prepaid expenses	(3,286)	-	-	(3,286)
Increase (decrease) in:				
Accounts payable	(19,325)	32	(14,177)	(33,470)
Accrued liabilities	346	276	-	622
Due to component unit	-	182	-	182
Compensated absences	5,724	773	-	6,497
Net cash provided by (used for) operating activities	<u>\$ (113,667)</u>	<u>\$ (114,780)</u>	<u>\$ 1,142,958</u>	<u>\$ 914,511</u>

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Agency Funds

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

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

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

CITY OF HARRISONBURG, VIRGINIA
AGENCY FUNDS
COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
At June 30, 2004

Exhibit B-1

	Juvenile Crime Control Fund	Industrial Development Authority Fund	Total
	<u> </u>	<u> </u>	<u> </u>
Assets			
Cash and cash equivalents	\$ 13,296	\$ 10,013	\$ 23,309
Interest receivable	1	1	2
Prepaid expenses	<u>214</u>	<u>-</u>	<u>214</u>
Total assets	<u><u>\$ 13,511</u></u>	<u><u>\$ 10,014</u></u>	<u><u>\$ 23,525</u></u>
Liabilities			
Accounts payable	\$ 652	\$ -	\$ 652
Accrued liabilities	1,595	-	1,595
Amounts held for others	<u>11,264</u>	<u>10,014</u>	<u>21,278</u>
Total liabilities	<u><u>\$ 13,511</u></u>	<u><u>\$ 10,014</u></u>	<u><u>\$ 23,525</u></u>

AGENCY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES

For the Year Ended June 30, 2004

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
<u>Juvenile Crime Control Fund</u>				
Assets:				
Cash and cash equivalents	\$ 15,703	\$ 131,140	\$ 133,547	\$ 13,296
Interest receivable	-	1	-	1
Prepaid expenses	-	214	-	214
Total assets	\$ 15,703	\$ 131,355	\$ 133,547	\$ 13,511
Liabilities:				
Accounts payable	\$ 5,227	\$ 652	\$ 5,227	\$ 652
Accrued liabilities	809	1,595	809	1,595
Amounts held for others	9,667	131,141	129,544	11,264
Total liabilities	\$ 15,703	\$ 133,388	\$ 135,580	\$ 13,511
<u>Industrial Development Authority Fund</u>				
Assets:				
Cash and cash equivalents	\$ 8,913	\$ 1,350	\$ 250	\$ 10,013
Interest receivable	1	1	1	1
Total assets	\$ 8,914	\$ 1,351	\$ 251	\$ 10,014
Liabilities:				
Amounts held for others	\$ 8,914	\$ 1,350	\$ 250	\$ 10,014
Total liabilities	\$ 8,914	\$ 1,350	\$ 250	\$ 10,014
<u>Total - All Agency Funds</u>				
Assets:				
Cash and cash equivalents	\$ 24,616	\$ 132,490	\$ 133,797	\$ 23,309
Interest receivable	1	2	1	2
Prepaid expenses	-	214	-	214
Total assets	\$ 24,617	\$ 132,706	\$ 133,798	\$ 23,525
Liabilities:				
Accounts payable	\$ 5,227	\$ 652	\$ 5,227	\$ 652
Accrued liabilities	809	1,595	809	1,595
Amounts held for others	18,581	132,491	129,794	21,278
Total liabilities	\$ 24,617	\$ 134,738	\$ 135,830	\$ 23,525

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Discretely Presented Component Unit – School Board

Special Revenue Funds

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

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

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

Capital Projects Funds

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

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

CITY OF HARRISONBURG, VIRGINIA
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
GOVERNMENTAL FUNDS
BALANCE SHEET
At June 30, 2004

Exhibit C-1

	<u>School Fund</u>	<u>School Cafeteria Fund</u>	<u>School Capital Projects Fund</u>	<u>Totals</u>
Assets				
Cash and cash equivalents	\$ 4,460,431	\$ 316,907	\$ 133,048	\$ 4,910,386
Investments	-	300,014	-	300,014
Receivables	956,243	-	-	956,243
Due from other funds	-	17,306	-	17,306
Inventory	-	24,758	-	24,758
Prepaid expenditures	208,017	-	-	208,017
Total assets	<u>\$ 5,624,691</u>	<u>\$ 658,985</u>	<u>\$ 133,048</u>	<u>\$ 6,416,724</u>
Liabilities				
Accounts payable	\$ 11,617	\$ 572	\$ -	\$ 12,189
Accrued liabilities	3,241,299	-	-	3,241,299
Due to other funds	17,306	-	-	17,306
Due to component unit	55,704	-	-	55,704
Total liabilities	<u>\$ 3,325,926</u>	<u>\$ 572</u>	<u>\$ -</u>	<u>\$ 3,326,498</u>
Fund Balances				
Fund balances:				
Reserved	\$ 208,017	\$ -	\$ -	\$ 208,017
Unreserved:				
Designated	-	-	133,048	133,048
Undesignated	2,090,748	658,413	-	2,749,161
Total fund balances	<u>\$ 2,298,765</u>	<u>\$ 658,413</u>	<u>\$ 133,048</u>	<u>\$ 3,090,226</u>
Total liabilities and fund balances	<u>\$ 5,624,691</u>	<u>\$ 658,985</u>	<u>\$ 133,048</u>	<u>\$ 6,416,724</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, 2004

Exhibit C-2

Total fund balance of governmental funds (Exhibit C-1)	\$ 3,090,226
Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	21,466,301
Long-term liabilities, and related accounts, are not payable from current financial resources and therefore are not reported in the funds.	<u>(577,089)</u>
Net assets of governmental activities (Exhibit 1)	\$ <u><u>23,979,438</u></u>

CITY OF HARRISONBURG, VIRGINIA
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2004

Exhibit C-3

	<u>School Fund</u>	<u>School Cafeteria Fund</u>	<u>School Capital Projects Fund</u>	<u>Totals</u>
Revenues:				
Revenue from use of money and property	\$ 3,663	\$ 7,011	\$ -	\$ 10,674
Charges for services	363,243	541,185	-	904,428
Miscellaneous	6,750	-	-	6,750
Recovered costs	37,404	11,707	-	49,111
Payment from primary government	18,667,629	-	-	18,667,629
Intergovernmental	16,184,341	838,152	-	17,022,493
Total revenues	<u>\$ 35,263,030</u>	<u>\$ 1,398,055</u>	<u>\$ -</u>	<u>\$ 36,661,085</u>
Expenditures:				
Current:				
Education	\$ 36,181,470	\$ 1,422,211	\$ -	\$ 37,603,681
Capital projects	-	-	1,034	1,034
Total expenditures	<u>\$ 36,181,470</u>	<u>\$ 1,422,211</u>	<u>\$ 1,034</u>	<u>\$ 37,604,715</u>
Deficiency of revenues over expenditures	<u>\$ (918,440)</u>	<u>\$ (24,156)</u>	<u>\$ (1,034)</u>	<u>\$ (943,630)</u>
Other financing sources (uses):				
Transfers in	\$ -	\$ 42,150	\$ -	\$ 42,150
Transfers out	(42,150)	-	-	(42,150)
Total other financing sources (uses)	<u>\$ (42,150)</u>	<u>\$ 42,150</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balances	\$ (960,590)	\$ 17,994	\$ (1,034)	\$ (943,630)
Fund balances at beginning of year	<u>3,259,355</u>	<u>640,419</u>	<u>134,082</u>	<u>4,033,856</u>
Fund balances at end of year	<u>\$ 2,298,765</u>	<u>\$ 658,413</u>	<u>\$ 133,048</u>	<u>\$ 3,090,226</u>

CITY OF HARRISONBURG, VIRGINIA
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2004

Exhibit C-4

Total net change in fund balances of governmental funds (Exhibit C-3) \$ (943,630)

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

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

Capital outlay expenditures	\$ 106,890	
Depreciation expense	<u>(811,494)</u>	
Net adjustment	\$ <u><u>(704,604)</u></u>	(704,604)

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. (21,169)

The transfer of capital assets between the primary government and the School Board (component unit) effects only the statement of activities. These transfers do not have an effect on current financial resources and, therefore, are not reported in governmental funds. 1,273,286

Change in net assets of governmental activities (Exhibit 2) \$ (396,117)

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

Exhibit C-5

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2004**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Revenue from use of money and property	\$ 9,951	\$ 9,951	\$ 3,663	\$ (6,288)
Charges for services	468,816	468,816	363,243	(105,573)
Miscellaneous	5,500	5,500	6,750	1,250
Recovered costs	29,306	29,306	37,404	8,098
Payment from primary government	18,667,629	18,667,629	18,667,629	-
Intergovernmental	16,306,022	16,743,585	16,184,341	(559,244)
Total revenues	<u>\$ 35,487,224</u>	<u>\$ 35,924,787</u>	<u>\$ 35,263,030</u>	<u>\$ (661,757)</u>
Expenditures:				
Current:				
Education	\$ 36,663,941	\$ 37,029,166	\$ 36,181,470	\$ 847,696
Total expenditures	<u>\$ 36,663,941</u>	<u>\$ 37,029,166</u>	<u>\$ 36,181,470</u>	<u>\$ 847,696</u>
Deficiency of revenues over expenditures	<u>\$ (1,176,717)</u>	<u>\$ (1,104,379)</u>	<u>\$ (918,440)</u>	<u>\$ 185,939</u>
Other financing (uses):				
Transfers out	\$ (38,486)	\$ (238,486)	\$ (42,150)	\$ 196,336
Total other financing (uses)	<u>\$ (38,486)</u>	<u>\$ (238,486)</u>	<u>\$ (42,150)</u>	<u>\$ 196,336</u>
Net change in fund balance	<u>\$ (1,215,203)</u>	<u>\$ (1,342,865)</u>	<u>\$ (960,590)</u>	<u>\$ 382,275</u>
Fund balance at beginning of year			<u>3,259,355</u>	
Fund balance at end of year			<u>\$ 2,298,765</u>	

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

Exhibit C-6

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2004**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Revenue from use of money and property	\$ -	\$ -	\$ 7,011	\$ 7,011
Charges for services	629,453	629,453	541,185	(88,268)
Recovered costs	-	-	11,707	11,707
Intergovernmental	694,076	694,076	838,152	144,076
Total revenues	<u>\$ 1,323,529</u>	<u>\$ 1,323,529</u>	<u>\$ 1,398,055</u>	<u>\$ 74,526</u>
Expenditures:				
Current:				
Education	\$ 1,362,015	\$ 1,562,015	\$ 1,422,211	\$ 139,804
Total expenditures	<u>\$ 1,362,015</u>	<u>\$ 1,562,015</u>	<u>\$ 1,422,211</u>	<u>\$ 139,804</u>
Deficiency of revenues over expenditures	<u>\$ (38,486)</u>	<u>\$ (238,486)</u>	<u>\$ (24,156)</u>	<u>\$ 214,330</u>
Other financing sources:				
Transfers in	\$ 38,486	\$ 238,486	\$ 42,150	\$ (196,336)
Total other financing sources	<u>\$ 38,486</u>	<u>\$ 238,486</u>	<u>\$ 42,150</u>	<u>\$ (196,336)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,994</u>	<u>\$ 17,994</u>
Fund balance at beginning of year			<u>640,419</u>	
Fund balance at end of year			<u>\$ 658,413</u>	

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Other Supplementary Schedules

Schedule of Revenues – Budget to Actual - This schedule provides additional detail 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 detail 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, 2004

<u>Fund, Major and Minor Revenue Sources</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Primary Government:			
General Fund:			
General property taxes:			
Real property taxes	\$ 11,741,250	\$ 11,969,561	\$ 228,311
Real and personal public service corporation property taxes	351,000	345,127	(5,873)
Personal property taxes	3,798,000	3,759,559	(38,441)
Mobile home taxes	8,640	8,040	(600)
Machinery and tools taxes	1,865,000	2,052,925	187,925
Penalties and interest	157,500	196,262	38,762
Total general property taxes	<u>\$ 17,921,390</u>	<u>\$ 18,331,474</u>	<u>\$ 410,084</u>
Other local taxes:			
Local sales and use taxes	\$ 9,251,000	\$ 9,747,138	\$ 496,138
Consumer utility taxes	1,733,000	1,788,124	55,124
Business license taxes	4,711,842	5,013,674	301,832
Franchise license taxes	270,000	279,204	9,204
Motor vehicle license taxes	500,000	497,052	(2,948)
Bank stock taxes	435,000	329,333	(105,667)
Taxes on recordation and wills	257,000	358,406	101,406
Tobacco taxes	1,200,000	1,303,021	103,021
Admission and amusement taxes	165,000	178,760	13,760
Hotel and motel room taxes	1,140,000	1,182,250	42,250
Restaurant food taxes	6,121,580	6,351,607	230,027
Emergency telephone service taxes	456,360	378,655	(77,705)
Public rights-of-way use fee	139,650	137,055	(2,595)
Total other local taxes	<u>\$ 26,380,432</u>	<u>\$ 27,544,279</u>	<u>\$ 1,163,847</u>
Permits, privilege fees and regulatory licenses:			
Animal licenses	\$ 10,000	\$ 8,827	\$ (1,173)
Permits and other licenses	197,000	324,461	127,461
Total permits, privilege fees and regulatory licenses	<u>\$ 207,000</u>	<u>\$ 333,288</u>	<u>\$ 126,288</u>
Fines and forfeitures:			
Circuit court fines	\$ 352,000	\$ 563,954	\$ 211,954
Total fines and forfeitures	<u>\$ 352,000</u>	<u>\$ 563,954</u>	<u>\$ 211,954</u>
Revenue from use of money and property:			
Revenue from use of money	\$ 395,000	\$ 258,660	\$ (136,340)
Revenue from use of property	148,500	137,407	(11,093)
Total revenue from use of money and property	<u>\$ 543,500</u>	<u>\$ 396,067</u>	<u>\$ (147,433)</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, 2004

<u>Fund, Major and Minor Revenue Sources</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Primary Government: (continued)			
General Fund: (continued)			
Charges for services:			
Courthouse maintenance fees	\$ 15,000	\$ 3,545	\$ (11,455)
Charges for law enforcement and traffic control	14,000	13,348	(652)
Charges for parks and recreation	246,750	235,998	(10,752)
Total charges for services	<u>\$ 275,750</u>	<u>\$ 252,891</u>	<u>\$ (22,859)</u>
Miscellaneous:			
Payment from Harrisonburg Electric Commission	\$ 3,800,000	\$ 3,800,000	\$ -
Payments in lieu of taxes:			
Electric plant and equipment	309,120	309,120	-
Public housing	8,000	11,536	3,536
Others	10,800	11,504	704
Sale of land	-	23,906	23,906
Sale of used equipment	28,000	22,178	(5,822)
Sale of materials and supplies	3,000	3,372	372
Donations - JMU & EMU	90,000	202,000	112,000
Donations	21,512	103,385	81,873
Total miscellaneous	<u>\$ 4,270,432</u>	<u>\$ 4,487,001</u>	<u>\$ 216,569</u>
Recovered costs:			
Recoveries and rebates	\$ 122,287	\$ 107,716	\$ (14,571)
EOC payments from Rockingham County	487,438	651,626	164,188
Court appointed attorney	20,000	22,263	2,263
Insurance recoveries	10,000	18	(9,982)
Total recovered costs	<u>\$ 639,725</u>	<u>\$ 781,623</u>	<u>\$ 141,898</u>
Intergovernmental:			
Revenue from the Commonwealth:			
Non-categorical aid:			
ABC profits	\$ 23,726	\$ 61,692	\$ 37,966
Wine taxes	24,869	38,240	13,371
Railroad rolling stock taxes	10,900	11,264	364
Mobile home titling taxes	5,000	4,201	(799)
Tax on deeds (grantor tax)	120,000	109,297	(10,703)
Personal property tax reimbursement	1,008,000	1,519,998	511,998
State aid to localities, police	1,035,900	1,182,348	146,448
Auto rental taxes	145,000	118,595	(26,405)
Drug forfeiture	-	36,437	36,437
Animal friendly license plate	728	728	-
Weed and seed	-	218	218
Total non-categorical aid	<u>\$ 2,374,123</u>	<u>\$ 3,083,018</u>	<u>\$ 708,895</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, 2004

<u>Fund, Major and Minor Revenue Sources</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Primary Government: (continued)			
General Fund: (continued)			
Intergovernmental: (continued)			
Revenue from the Commonwealth: (continued)			
Categorical aid:			
Shared expenses:			
Commissioner of the revenue	\$ 128,000	\$ 125,399	\$ (2,601)
Treasurer	116,000	113,945	(2,055)
Medical examiner fees	350	330	(20)
Registrar	30,200	41,580	11,380
Total shared expenses	<u>\$ 274,550</u>	<u>\$ 281,254</u>	<u>\$ 6,704</u>
Other categorical aid:			
Hazardous material grant	\$ 19,398	\$ 18,898	\$ (500)
Office of emergency services grant	4,130	4,130	-
Fire programs fund	56,216	70,360	14,144
Two-for-life	12,000	12,876	876
Disaster plan and operations	-	3,715	3,715
Gun lock safety campaign	-	2,500	2,500
Litter control grant	6,300	6,398	98
Street and highway maintenance	2,827,177	2,954,843	127,666
Total other categorical aid	<u>\$ 2,925,221</u>	<u>\$ 3,073,720</u>	<u>\$ 148,499</u>
Total categorical aid	<u>\$ 3,199,771</u>	<u>\$ 3,354,974</u>	<u>\$ 155,203</u>
Total revenue from the Commonwealth	<u>\$ 5,573,894</u>	<u>\$ 6,437,992</u>	<u>\$ 864,098</u>
Revenue from the Federal Government:			
Categorical aid:			
Local law enforcement block grant	\$ 23,647	\$ 23,647	\$ -
One-time special grant	-	5,000	5,000
Bullet proof vest partnership grant	5,473	5,473	-
Police DMV grant	17,076	18,575	1,499
FEMA assistance to firefighters grant	263,795	263,795	-
Homeland security grants	179,269	179,371	102
DMV transportation safety grant	1,500	1,500	-
Disaster plan and operations	7,244	13,797	6,553
Drug forfeiture	-	4,267	4,267
ISTEA grant	331,800	-	(331,800)
Total revenue from the Federal Government	<u>\$ 829,804</u>	<u>\$ 515,425</u>	<u>\$ (314,379)</u>
Total intergovernmental	<u>\$ 6,403,698</u>	<u>\$ 6,953,417</u>	<u>\$ 549,719</u>
Total General Fund	<u><u>\$ 56,993,927</u></u>	<u><u>\$ 59,643,994</u></u>	<u><u>\$ 2,650,067</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, 2004

<u>Fund, Major and Minor Revenue Sources</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Primary Government: (continued)			
Capital Projects Funds:			
General Capital Projects Fund:			
Revenue from use of money and property:			
Revenue from use of money	\$ -	\$ 48,000	\$ 48,000
Total revenue from use of money and property	<u>\$ -</u>	<u>\$ 48,000</u>	<u>\$ 48,000</u>
Recovered costs:			
Reimbursement for street construction	\$ 65,122	\$ 65,122	\$ -
Reimbursement for radio system from Rockingham County	-	70,893	70,893
Reimbursement for EOC from Rockingham County	-	147,688	147,688
Total recovered costs	<u>\$ 65,122</u>	<u>\$ 283,703</u>	<u>\$ 218,581</u>
 Total General Capital Projects Fund	<u><u>\$ 65,122</u></u>	<u><u>\$ 331,703</u></u>	<u><u>\$ 266,581</u></u>
School Bond Capital Projects Fund:			
Revenue from local sources:			
Revenue from use of money	\$ 677	\$ 239,459	\$ 238,782
Miscellaneous	140,602	140,602	-
Total revenue from local sources	<u>\$ 141,279</u>	<u>\$ 380,061</u>	<u>\$ 238,782</u>
 Total School Bond Capital Projects Fund	<u><u>\$ 141,279</u></u>	<u><u>\$ 380,061</u></u>	<u><u>\$ 238,782</u></u>
Total Capital Projects Funds	<u><u>\$ 206,401</u></u>	<u><u>\$ 711,764</u></u>	<u><u>\$ 505,363</u></u>
Grand Total Revenues - Primary Government	<u><u>\$ 57,200,328</u></u>	<u><u>\$ 60,355,758</u></u>	<u><u>\$ 3,155,430</u></u>
Component Unit - School Board:			
School Fund:			
Revenue from use of money and property	\$ 9,951	\$ 3,663	\$ (6,288)
Charges for services	468,816	363,243	(105,573)
Miscellaneous	5,500	6,750	1,250
Recovered costs	29,306	37,404	8,098
Payment from primary government	18,667,629	18,667,629	-
Total revenue from local sources	<u>\$ 19,181,202</u>	<u>\$ 19,078,689</u>	<u>\$ (102,513)</u>
Intergovernmental:			
Revenue from the Commonwealth:			
Categorical aid:			
Share of state sales tax	\$ 2,735,635	\$ 2,819,205	\$ 83,570
Basic school aid	6,491,598	6,487,097	(4,501)
State standard of quality funds	1,340,226	1,412,019	71,793
Fringe benefits	548,185	566,361	18,176
Lottery funds	425,451	428,131	2,680

(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, 2004

<u>Fund, Major and Minor Revenue Sources</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Component Unit - School Board: (continued)			
School Fund: (continued)			
Intergovernmental: (continued)			
Revenue from the Commonwealth: (continued)			
Categorical aid: (continued)			
At risk	232,967	213,755	(19,212)
Primary class size	295,157	277,322	(17,835)
Technology initiative	206,000	206,000	-
English as second language	310,778	261,053	(49,725)
School construction	140,342	140,291	(51)
Other state funds	316,635	424,298	107,663
Total categorical aid	<u>\$ 13,042,974</u>	<u>\$ 13,235,532</u>	<u>\$ 192,558</u>
Total revenue from the Commonwealth	<u>\$ 13,042,974</u>	<u>\$ 13,235,532</u>	<u>\$ 192,558</u>
Revenue from the Federal Government:			
Categorical aid:			
Title I	\$ 779,730	\$ 722,507	\$ (57,223)
Special education	683,401	637,817	(45,584)
Education technology	1,251,910	611,598	(640,312)
Reading first grant	381,900	357,836	(24,064)
Title III	140,072	146,049	5,977
ESEA - Title II Part A	228,756	238,224	9,468
Vocational education	83,495	83,660	165
JROTC funds	40,632	36,348	(4,284)
Other federal funds	110,715	114,770	4,055
Total categorical aid	<u>\$ 3,700,611</u>	<u>\$ 2,948,809</u>	<u>\$ (751,802)</u>
Total revenue from the Federal Government	<u>\$ 3,700,611</u>	<u>\$ 2,948,809</u>	<u>\$ (751,802)</u>
Total intergovernmental	<u>\$ 16,743,585</u>	<u>\$ 16,184,341</u>	<u>\$ (559,244)</u>
Total School Fund	<u><u>\$ 35,924,787</u></u>	<u><u>\$ 35,263,030</u></u>	<u><u>\$ (661,757)</u></u>
School Cafeteria Fund:			
Revenue from use of money and property	\$ -	\$ 7,011	\$ 7,011
Charges for services	629,453	541,185	(88,268)
Recovered costs	-	11,707	11,707
Total revenue from local sources	<u>\$ 629,453</u>	<u>\$ 559,903</u>	<u>\$ (69,550)</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, 2004

<u>Fund, Major and Minor Revenue Sources</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Component Unit - School Board: (continued)			
School Cafeteria Fund: (continued)			
Intergovernmental:			
Revenue from the Commonwealth:			
Categorical aid:			
School food program	\$ 24,346	\$ 25,059	\$ 713
Total categorical aid	<u>\$ 24,346</u>	<u>\$ 25,059</u>	<u>\$ 713</u>
Total revenue from the Commonwealth	<u>\$ 24,346</u>	<u>\$ 25,059</u>	<u>\$ 713</u>
Revenue from the Federal Government:			
Categorical aid:			
School food program	\$ 669,730	\$ 743,212	\$ 73,482
USDA donated food	-	69,881	69,881
Total categorical aid	<u>\$ 669,730</u>	<u>\$ 813,093</u>	<u>\$ 143,363</u>
Total revenue from the Federal Government	<u>\$ 669,730</u>	<u>\$ 813,093</u>	<u>\$ 143,363</u>
Total intergovernmental	<u>\$ 694,076</u>	<u>\$ 838,152</u>	<u>\$ 144,076</u>
Total School Cafeteria Fund	<u><u>\$ 1,323,529</u></u>	<u><u>\$ 1,398,055</u></u>	<u><u>\$ 74,526</u></u>
Grand Total Revenues			
Component Unit - School Board	<u><u>\$ 37,248,316</u></u>	<u><u>\$ 36,661,085</u></u>	<u><u>\$ (587,231)</u></u>

CITY OF HARRISONBURG, VIRGINIA
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
For the Year Ended June 30, 2004

<u>Fund, Function, Activity and Elements</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Primary Government:			
General Fund:			
General government administration:			
Legislative:			
City Council	\$ 104,974	\$ 100,727	\$ 4,247
Total legislative	\$ 104,974	\$ 100,727	\$ 4,247
General and financial administration:			
City manager	\$ 350,056	\$ 336,972	\$ 13,084
City attorney	78,556	76,553	2,003
Human resources	177,117	174,041	3,076
Independent auditor	8,200	8,200	-
Commissioner of the revenue	348,191	339,193	8,998
Assessors	155,814	153,808	2,006
Equalization	1,150	-	1,150
Treasurer	437,655	408,613	29,042
Finance	297,389	292,302	5,087
Retirement board	12,918	-	12,918
Information technology	384,815	349,756	35,059
Purchasing agent	98,001	95,578	2,423
Dues to municipal league	18,000	17,806	194
Reserve for contingencies	98,960	-	98,960
Total general and financial administration	\$ 2,466,822	\$ 2,252,822	\$ 214,000
Board of elections:			
Registrar	\$ 129,525	106,988	\$ 22,537
Total board of elections	\$ 129,525	\$ 106,988	\$ 22,537
Total general government administration	\$ 2,701,321	\$ 2,460,537	\$ 240,784
Jail and judicial administration:			
Joint expenditures with Rockingham County	\$ 1,630,000	\$ 1,696,498	\$ (66,498)
Total jail and judicial administration	\$ 1,630,000	\$ 1,696,498	\$ (66,498)
Public safety:			
Law enforcement and traffic control:			
Administration	\$ 335,271	\$ 319,207	\$ 16,064
Operations	3,007,539	3,011,848	(4,309)
Criminal investigations	688,268	678,148	10,120
Support services	1,632,759	1,625,705	7,054
Total law enforcement and traffic control	\$ 5,663,837	\$ 5,634,908	\$ 28,929

(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, 2004

<u>Fund, Function, Activity and Elements</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Primary Government: (continued)			
General Fund: (continued)			
Public safety: (continued)			
Fire and rescue services:			
Emergency operations center	\$ 525,951	\$ 524,498	\$ 1,453
Administration	277,524	280,998	(3,474)
Suppression	3,842,247	3,856,859	(14,612)
Prevention	200,726	202,209	(1,483)
Training	148,939	147,076	1,863
E-911 system	826,576	787,368	39,208
Total fire and rescue services	<u>\$ 5,821,963</u>	<u>\$ 5,799,008</u>	<u>\$ 22,955</u>
Correction and detention:			
City operated institutions	\$ 86,000	\$ 81,102	\$ 4,898
Total correction and detention	<u>\$ 86,000</u>	<u>\$ 81,102</u>	<u>\$ 4,898</u>
Inspections:			
Building	\$ 476,084	\$ 472,768	\$ 3,316
Total inspections	<u>\$ 476,084</u>	<u>\$ 472,768</u>	<u>\$ 3,316</u>
Other protection:			
Animal control	\$ 601,418	\$ 594,541	\$ 6,877
Coroner	900	500	400
Emergency services	267,999	89,222	178,777
Total other protection	<u>\$ 870,317</u>	<u>\$ 684,263</u>	<u>\$ 186,054</u>
Total public safety	<u>\$ 12,918,201</u>	<u>\$ 12,672,049</u>	<u>\$ 246,152</u>
Public works:			
Maintenance of highways, streets, bridges and sidewalks:			
General engineering	\$ 764,973	\$ 730,498	\$ 34,475
Highway and street maintenance	3,447,493	3,297,442	150,051
Street lights	449,207	448,586	621
Snow and ice removal	263,487	259,793	3,694
Traffic engineering	1,014,052	992,492	21,560
Highway and street beautification	271,268	235,183	36,085
Total maintenance of highways, streets, bridges and sidewalks	<u>\$ 6,210,480</u>	<u>\$ 5,963,994</u>	<u>\$ 246,486</u>
Sanitation and waste removal:			
Street and road cleaning	\$ 238,717	\$ 232,840	\$ 5,877
Insect and rodent control	17,044	4,406	12,638
Total sanitation and waste removal	<u>\$ 255,761</u>	<u>\$ 237,246</u>	<u>\$ 18,515</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, 2004

<u>Fund, Function, Activity and Elements</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Primary Government: (continued)			
General Fund: (continued)			
Public works: (continued)			
Maintenance of general buildings and grounds:			
Harrison plaza	\$ 187,125	\$ 184,336	\$ 2,789
General properties	175,967	163,250	12,717
Total maintenance of general buildings and grounds	<u>\$ 363,092</u>	<u>\$ 347,586</u>	<u>\$ 15,506</u>
Total public works	<u>\$ 6,829,333</u>	<u>\$ 6,548,826</u>	<u>\$ 280,507</u>
Health and welfare:			
Health:			
Local health department	\$ 298,745	\$ 287,682	\$ 11,063
Total health	<u>298,745</u>	<u>\$ 287,682</u>	<u>\$ 11,063</u>
Mental health and mental retardation:			
Community services board	\$ 174,840	\$ 174,840	\$ -
Total mental health and mental retardation	<u>\$ 174,840</u>	<u>\$ 174,840</u>	<u>\$ -</u>
Welfare/social services:			
Tax relief for the elderly	\$ 21,000	\$ 17,574	\$ 3,426
Social services - Joint expenditures with Rockingham County	1,650,677	1,655,290	(4,613)
Total welfare/social services	<u>\$ 1,671,677</u>	<u>\$ 1,672,864</u>	<u>\$ (1,187)</u>
Total health and welfare	<u>\$ 2,145,262</u>	<u>\$ 2,135,386</u>	<u>\$ 9,876</u>
Education:			
Payment to School Board	\$ 18,667,629	\$ 18,667,629	\$ -
Total education	<u>\$ 18,667,629</u>	<u>\$ 18,667,629</u>	<u>\$ -</u>
Parks, recreation and culture:			
Parks and recreation:			
Administration	\$ 849,859	\$ 745,770	\$ 104,089
Parks	702,539	628,739	73,800
Recreation centers and playgrounds	473,786	459,009	14,777
National guard armory	91,679	87,387	4,292
Simms recreation center	38,123	22,766	15,357
Westover pool	486,228	464,035	22,193
Athletics	421,847	355,889	65,958
Total parks and recreation	<u>\$ 3,064,061</u>	<u>\$ 2,763,595</u>	<u>\$ 300,466</u>
Total parks, recreation and culture	<u>\$ 3,064,061</u>	<u>\$ 2,763,595</u>	<u>\$ 300,466</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, 2004

<u>Fund, Function, Activity and Elements</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Primary Government: (continued)			
General Fund: (continued)			
Planning and community development:			
Planning:			
Planning	\$ 188,636	\$ 131,709	\$ 56,927
Zoning administrator	138,618	137,772	846
Zoning and board of zoning appeals	4,765	1,813	2,952
Economic development	826,738	808,589	18,149
Downtown renaissance	55,000	50,965	4,035
Total planning	<u>\$ 1,213,757</u>	<u>\$ 1,130,848</u>	<u>\$ 82,909</u>
Community development:			
Convention and Visitors Bureau	\$ 123,750	\$ 123,750	\$ -
Chamber of Commerce (American Legion Parade)	3,000	3,000	-
Massanutten Regional Library	323,645	323,645	-
Salvation Army	10,000	10,000	-
Rescue Squad - Gas and oil	20,000	14,250	5,750
Upper Valley Regional Park Authority	15,000	15,000	-
Regional Juvenile Detention Home	231,363	217,656	13,707
Shenandoah Valley Soil and Water Conservation	3,850	3,850	-
Blue Ridge Community College	5,000	5,000	-
Blue Ridge Community College - Site improvement	24,000	24,000	-
First Night	5,000	5,000	-
Woodbine Cemetery	1,500	1,500	-
Boys and Girls Club	45,000	45,000	-
Central Shenandoah Valley Planning District	9,489	9,489	-
Valley Program for Aging	25,000	25,000	-
Blue Ridge Legal Services	5,277	5,277	-
Shenandoah Valley Airport	35,000	35,000	-
Shenandoah Valley Airport - Capital outlay	10,000	10,000	-
CATV System	5,000	-	5,000
Community Mediation Center	2,000	2,000	-
Valley Cats	364	364	-
Cats Cradle	364	364	-
Harrisonburg Little League Association	6,000	6,000	-
First Step, Inc.	21,000	21,000	-
Free Clinic	8,500	8,500	-
Downtown Renaissance	25,000	30,230	(5,230)
Arts Council of the Valley	40,000	40,000	-
Regional Talking Book Center	2,742	2,742	-
Other non-departmental	6,022	-	6,022
Total community development	<u>\$ 1,012,866</u>	<u>\$ 987,617</u>	<u>\$ 25,249</u>
Total planning and community development	<u>\$ 2,226,623</u>	<u>\$ 2,118,465</u>	<u>\$ 108,158</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, 2004

<u>Fund, Function, Activity and Elements</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Primary Government: (continued)			
General Fund: (continued)			
Debt service:			
Principal retirement	\$ 2,651,046	\$ 3,130,078	\$ (479,032)
Interest and fiscal charges	3,938,591	3,687,224	251,367
Total debt service	<u>\$ 6,589,637</u>	<u>\$ 6,817,302</u>	<u>\$ (227,665)</u>
Total General Fund	<u>\$ 56,772,067</u>	<u>\$ 55,880,287</u>	<u>\$ 891,780</u>
Capital Projects Funds:			
General Capital Projects Fund:			
Capital projects	\$ 21,992,846	\$ 5,316,164	\$ 16,676,682
Total General Capital Projects Fund	<u>\$ 21,992,846</u>	<u>\$ 5,316,164</u>	<u>\$ 16,676,682</u>
School Bond Capital Projects Fund:			
Capital projects	\$ 33,315,745	\$ 22,762,323	\$ 10,553,422
Total School Bond Capital Projects Fund	<u>\$ 33,315,745</u>	<u>\$ 22,762,323</u>	<u>\$ 10,553,422</u>
Total Capital Projects Funds	<u>\$ 55,308,591</u>	<u>\$ 28,078,487</u>	<u>\$ 27,230,104</u>
Grand Total Expenditures - Primary Government	<u>\$ 112,080,658</u>	<u>\$ 83,958,774</u>	<u>\$ 28,121,884</u>
Component Unit - School Board:			
School Fund:			
Education:			
Instruction	\$ 28,497,356	\$ 28,073,763	\$ 423,593
Administration, attendance and health	1,894,647	1,783,431	111,216
Pupil transportation	1,205,089	1,178,873	26,216
Operations and maintenance	3,245,318	3,218,754	26,564
Technology	2,184,756	1,926,649	258,107
Facilities	2,000	-	2,000
Total education	<u>\$ 37,029,166</u>	<u>\$ 36,181,470</u>	<u>\$ 847,696</u>
Total School Fund	<u>\$ 37,029,166</u>	<u>\$ 36,181,470</u>	<u>\$ 847,696</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, 2004

<u>Fund, Function, Activity and Elements</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Component Unit - School Board: (continued)			
School Cafeteria Fund:			
Education:			
Food services	\$ 1,562,015	\$ 1,422,211	\$ 139,804
Total education	\$ 1,562,015	\$ 1,422,211	\$ 139,804
Total School Cafeteria Fund	\$ 1,562,015	\$ 1,422,211	\$ 139,804
School Capital Projects Fund:			
Capital projects	\$ 136,123	\$ 1,034	\$ 135,089
Total School Capital Projects Fund	\$ 136,123	\$ 1,034	\$ 135,089
Grand Total Expenditures			
Component Unit - School Board	\$ 38,727,304	\$ 37,604,715	\$ 1,122,589

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PART III

STATISTICAL TABLES SECTION

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CITY OF HARRISONBURG, VIRGINIA
GENERAL GOVERNMENT REVENUES BY SOURCE (1)
 Last Ten Fiscal Years

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees and Regulatory Licenses	Fines and Forfeitures	Use of Money and Property (3)	Charges For Services (3)	Miscellaneous (3) (4)	Recovered Costs (3)	Intergovernmental (2) (3)	Total
2004	\$ 18,331,474	\$ 27,544,279	\$ 333,288	\$ 563,954	\$ 406,741	\$ 1,157,319	\$ 4,493,751	\$ 830,734	\$ 23,975,910	\$ 77,637,450
2003	17,664,091	23,210,201	390,820	400,247	730,243	1,154,833	4,183,895	1,485,046	22,736,419	71,955,795
2002	17,486,315	22,045,646	244,187	362,860	941,113	1,113,432	3,980,165	578,436	20,145,382	66,897,536
2001	17,045,598	21,294,591	198,890	292,835	1,461,539	1,082,785	3,680,850	910,704	19,209,017	65,176,809
2000	17,054,434	20,499,212	275,030	304,837	1,286,939	956,890	3,397,117	488,463	17,917,082	62,180,004
1999	16,011,451	19,224,215	319,401	344,481	1,073,729	851,021	3,490,417	436,233	15,298,510	57,049,458
1998	15,371,970	17,310,465	286,926	286,086	918,944	883,623	2,757,767	479,784	13,531,037	51,826,602
1997	14,681,417	16,276,752	301,671	261,947	842,803	814,853	3,254,053	388,216	13,666,099	50,487,811
1996	14,080,729	15,524,202	232,330	231,551	584,224	724,092	3,056,134	787,010	12,476,933	47,697,205
1995	13,387,476	15,082,766	171,846	213,123	489,985	759,502	3,196,252	377,074	15,040,994	48,719,018

Notes:

- (1) - Includes General and Special Revenue Funds of the primary government and the School and School Cafeteria Funds of the discretely presented component unit, the School Board. Does not include the School Board payment from the General Fund.
- (2) - Includes food stamp revenues of \$2,107,653 for 1995.
- (3) - Adjusted to eliminate revenues of capital projects funds for 1995.
- (4) - Adjusted to include payments from the Harrisonburg Electric Commission, a component unit, for 1995-2002.

CITY OF HARRISONBURG, VIRGINIA
GENERAL GOVERNMENT EXPENDITURES BY FUNCTION (1)
 Last Ten Fiscal Years

Table 2

Fiscal Year	General Government Administration	Jail and Judicial Administration	Public Safety	Public Works	Health and Welfare (2)	Education	Parks, Recreation and Cultural	Planning and Community Development	Debt Service	Total (3)
2004	\$ 2,460,537	\$ 1,696,498	\$ 12,672,049	\$ 6,548,826	\$ 2,135,386	\$ 37,603,681	\$ 2,763,595	\$ 2,118,465	\$ 6,817,302	\$ 74,816,339
2003	2,241,589	1,192,269	10,552,139	5,829,360	1,917,348	35,185,590	2,693,787	1,352,651	8,128,187	69,092,920
2002	2,351,943	1,387,367	9,549,373	6,996,447	1,507,679	32,815,374	2,299,492	1,215,923	5,124,446	63,248,044
2001	2,070,324	1,114,568	8,961,870	5,700,813	1,259,631	30,552,781	3,096,183	1,904,718	4,727,926	59,388,814
2000	1,991,202	1,103,909	8,160,062	5,595,777	1,223,537	28,592,957	1,952,945	2,962,276	4,714,103	56,296,768
1999	1,808,890	760,227	7,540,801	5,308,267	1,177,598	26,600,191	2,421,165	939,101	4,820,639	51,376,879
1998	1,760,554	782,737	6,807,647	5,196,689	1,021,194	24,603,105	1,777,893	738,485	5,898,248	48,586,552
1997	1,604,917	598,001	6,702,275	5,164,780	790,858	23,227,886	1,967,162	882,526	4,741,578	45,679,983
1996	1,592,391	683,501	5,558,036	4,792,404	808,876	21,734,090	1,594,048	728,009	4,806,801	42,298,156
1995	1,778,557	785,861	5,020,005	3,892,659	3,776,757	20,421,569	1,489,018	649,621	4,976,552	42,790,599

Notes:

- (1) - Includes General and Special Revenue Funds of the primary government; the School and School Cafeteria Funds of the discretely presented component unit, the School Board. Does not include General Fund payment to the School Board.
- (2) - Includes food stamp expenditures of \$2,068,458 for 1995.
- (3) - Adjusted to eliminate expenditures of capital projects funds for 1995.

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

Table 3

Fiscal Year	Total Tax Levy (1)	Current Tax Collections (1) (2)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1)	Percent Delinquent Taxes to Tax Levy
2004	\$ 19,617,311	\$ 19,182,641	97.78%	\$ 472,569	\$ 19,655,210	100.19%	\$ 1,289,675	6.57%
2003	18,890,132	18,184,369	96.26%	863,950	19,048,319	100.84%	1,414,904	7.49%
2002	18,973,108	18,240,516	96.14%	287,844	18,528,360	97.66%	1,536,532	8.10%
2001	17,990,551	17,444,637	96.97%	347,306	17,791,943	98.90%	1,217,951	6.77%
2000	17,245,401	16,824,966	97.56%	501,831	17,326,797	100.47%	1,022,408	5.93%
1999	15,944,864	15,517,768	97.32%	346,223	15,863,991	99.49%	1,117,733	7.01%
1998	15,538,894	15,056,606	96.90%	188,162	15,244,768	98.11%	1,108,292	7.13%
1997	14,631,278	14,307,919	97.79%	238,879	14,546,798	99.42%	854,073	5.84%
1996	14,068,974	13,712,441	97.47%	258,133	13,970,574	99.30%	819,298	5.82%
1995	13,311,206	13,057,900	98.10%	213,735	13,271,635	99.70%	701,591	5.27%

Notes:

(1) - Exclusive of penalties and interest.

(2) - Beginning fiscal year 2000, the Commonwealth is directly reimbursing localities a percentage of certain personal property taxes. These reimbursements are included in current and delinquent tax collections.

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

Table 4

Fiscal Year	Real Estate (1)	Personal Property (2)	Machinery and Tools (3)	Mobile Homes (1)	Public Service Corporations (4)		
					Real Estate (1)	Personal Property	Total
2004	\$ 1,924,757,616	\$ 263,080,560	\$ 100,386,700	\$ 1,264,400	\$ 53,862,258	\$ 250,109	\$ 2,343,601,643
2003	1,814,221,588	252,204,750	107,362,900	1,380,700	55,213,438	239,938	2,230,623,314
2002	1,793,533,004	250,506,200	120,401,100	1,292,100	55,484,976	295,760	2,221,513,140
2001	1,656,732,868	248,202,911	117,159,400	1,303,800	52,567,436	296,180	2,076,262,595
2000	1,600,041,524	237,204,519	106,835,400	1,318,400	52,168,424	529,083	1,998,097,350
1999	1,498,239,901	211,870,100	99,863,400	1,615,200	49,689,229	444,794	1,861,722,624
1998	1,451,829,090	211,234,848	95,561,464	1,546,500	46,588,622	375,867	1,807,136,391
1997	1,389,229,849	197,144,423	86,508,800	1,449,600	38,271,689	382,582	1,712,986,943
1996	1,359,944,691	178,033,679	86,742,500	1,426,700	38,825,425	417,527	1,665,390,522
1995	1,328,319,354	154,450,600	86,540,917	1,501,100	37,464,389	706,356	1,608,982,716

Notes:

- (1) - Assessed at 100% of fair market value.
- (2) - Assessed at average trade-in value as of January 1, as determined by the National Automobile Dealers Association (NADA).
- (3) - Assessed values are based upon depreciation schedule, year of purchase and cost.
- (4) - Assessed values are established by the State Corporation Commission.

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

Table 5

Fiscal Year	Real Estate (1)	Personal Property (1)	Machinery and Tools	Mobile Homes
2004	\$ 0.62	\$ 2.00	\$ 2.00	\$ 0.62
2003	0.62	2.00	2.00	0.62
2002	0.62	2.00	2.00	0.62
2001	0.62	2.00	2.00	0.62
2000	0.62	2.00	2.00	0.62
1999	0.62	2.00	2.00	0.62
1998	0.62	2.00	2.00	0.62
1997	0.62	2.00	2.00	0.62
1996	0.62	2.00	2.00	0.62
1995	0.62	2.00	2.00	0.62

Notes:

- (1) - Public Service Corporations are taxed at the real estate and the personal property tax rates for those classes of assessed values established by the State Corporation Commission.

CITY OF HARRISONBURG, VIRGINIA
PRINCIPAL PROPERTY TAXPAYERS
Year Ended June 30, 2004

Table 6

	Company	Industry	Property Taxes	Percent of Total Property Taxes
1.	IntraPac Corp.	Specialty Packaging Products	\$ 449,862	2.29%
2.	Tenneco Automotive Inc.	Automotive Parts	419,609	2.13%
3.	Banta Corp.	Printing	324,385	1.65%
4.	LB&J Limited	Student Housing and Development	234,289	1.19%
5.	Owens-Brockway Plastics, Inc.	Plastic Packaging Products	207,878	1.06%
6.	Verizon Communications Inc.	Public Utility	190,208	0.97%
7.	Packaging Corporation of America	Containerboard and Corrugated Packaging Products	171,669	0.88%
8.	SDG Macerich Properties, LP	Shopping Centers	169,741	0.87%
9.	Reddy Ice Corp.	Ice and Cold Storage	164,582	0.84%
10.	Park Village, Inc.	Retirement Community	163,038	0.83%
	Total		\$ 2,495,261	12.71%

CITY OF HARRISONBURG, VIRGINIA
COMPUTATION OF LEGAL DEBT MARGIN
At June 30, 2004

Table 7

Total assessed value of taxed real property	\$ <u>1,978,619,874</u>
Debt limit - 10 percent of total assessed value	\$ 197,861,987
Amount of debt applicable to debt limit:	
Gross debt (1)	<u>128,757,115</u>
Legal debt margin	\$ <u>69,104,872</u>

Notes:

- (1) - Does not include compensated absences, postretirement health care benefits, landfill closure and postclosure, and contractual obligation.

Table 8

CITY OF HARRISONBURG, VIRGINIA
RATIO OF NET GENERAL OBLIGATION BONDED DEBT TO ASSESSED VALUE
AND NET GENERAL OBLIGATION BONDED DEBT PER CAPITA
Last Ten Fiscal Years

Fiscal Year	Population (1)	Assessed Value	Gross General Bonded Debt (2) (3)	Less Debt Payable from Enterprise Revenues (3)	Net General Bonded Debt	Ratio of Net General Bonded Debt to Assessed Value	Net General Bonded Debt per Capita (4)
2004	43,137	\$ 2,343,601,643	\$ 119,958,075	\$ 46,660,000	\$ 73,298,075	3.13%	\$ 1,699
2003	43,001	2,230,623,314	119,303,200	46,915,000	72,388,200	3.25%	1,683
2002	42,200	2,221,513,140	121,990,350	47,160,000	74,830,350	3.37%	1,773
2001	41,350	2,076,262,595	41,425,615	13,289,590	28,136,025	1.36%	680
2000	40,468	1,998,097,350	45,678,446	15,296,746	30,381,700	1.52%	751
1999	34,800	1,861,722,624	38,209,545	10,782,170	27,427,375	1.47%	788
1998	34,400	1,807,136,391	40,040,689	12,567,639	27,473,050	1.52%	799
1997	34,400	1,712,986,943	43,573,478	14,249,753	29,323,725	1.71%	852
1996	34,170	1,665,390,522	47,055,786	15,740,061	31,315,725	1.88%	916
1995	34,170	1,608,982,716	37,032,660	11,059,935	25,972,725	1.61%	760

Notes:

- (1) - Estimated by the City's Department of Planning and Community Development for 1995-1999 and 2001-2004. Bureau of Census for 2000. Previous fiscal year population amounts have been adjusted.
- (2) - Includes General Obligation Bonds, Virginia Public School Authority Bonds, and Literary Fund Loans.
- (3) - Adjusted to reflect elimination of nongeneral bonded debt for 1995-1996.
- (4) - The City of Harrisonburg has no overlapping debt.

CITY OF HARRISONBURG, VIRGINIA
PERCENT OF ANNUAL DEBT SERVICE EXPENDITURES FOR
GENERAL BONDED DEBT TO TOTAL GENERAL EXPENDITURES
Last Ten Fiscal Years

Table 9

Fiscal Year	Debt Service (2) (3)			Total General Expenditures (1)	Percent of Debt Service To Total General Expenditures
	Principal	Interest	Total		
2004	\$ 2,025,125	\$ 3,328,272	\$ 5,353,397	\$ 74,816,339	7.16%
2003	3,253,450	3,809,711	7,063,161	69,092,920	10.22%
2002	2,485,675	1,587,130	4,072,805	63,248,044	6.44%
2001	2,245,675	1,611,770	3,857,445	59,388,814	6.50%
2000	2,145,675	1,528,048	3,673,723	56,296,768	6.53%
1999	2,050,675	1,591,175	3,641,850	51,376,879	7.09%
1998	1,850,675	1,938,391	3,789,066	48,586,552	7.80%
1997	1,992,000	1,414,847	3,406,847	45,679,983	7.46%
1996	1,987,000	1,547,359	3,534,359	42,298,156	8.36%
1995	1,997,000	1,601,191	3,598,191	42,790,599	8.41%

Notes:

- (1) - Includes General and Special Revenue Funds of the primary government and the School and School Cafeteria Funds of the discretely presented component unit, the School Board. Does not include the School Board payment from the General Fund
- (2) - Includes General Obligation Bonds, Virginia Public School Authority Bonds, and Literary Fund Loans.
- (3) - Adjusted to reflect debt service for general bonded debt only for 1995-1996.

CITY OF HARRISONBURG, VIRGINIA
REVENUE BOND COVERAGE
GOLF COURSE FUND
Last Five Fiscal Years (1)

Table 10

Fiscal Year	Gross Revenue (2)	Operating Expenses (3)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2004	\$ 1,065,775	\$ 738,832	\$ 326,943	\$ -	\$ 363,072	\$ 363,072	0.90
2003	840,477	826,358	14,119	-	363,072	363,072	0.04
2002	332,723	216,731	115,992	-	136,946	136,946	0.85
2001	215,665	-	215,665	-	215,665	215,665	1.00
2000	143,161	-	143,161	-	143,161	143,161	1.00

Notes:

- (1) - Bonds were issued in fiscal year 2000.
- (2) - Total revenues and transfers exclusive of capital contributions and capital related transfers.
- (3) - Total operating expenses exclusive of depreciation and amortization.

CITY OF HARRISONBURG, VIRGINIA
REVENUE BOND COVERAGE
WATER FUND
Last Two Fiscal Years (1)

Table 11

Fiscal Year	Gross Revenue (2)	Operating Expenses (3)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2004	\$ 5,189,678	\$ 2,224,332	\$ 2,965,346	\$ -	\$ 63,351	\$ 63,351	46.81
2003	5,099,925	2,245,198	2,854,727	-	198,845	198,845	14.36

Notes:

- (1) - Bonds were issued in fiscal year 2002. Revenue bond coverage calculations were not meaningful in fiscal year 2002.
- (2) - Total revenues exclusive of capital contributions and capital related transfers.
- (3) - Total operating expenses exclusive of depreciation and amortization.

CITY OF HARRISONBURG, VIRGINIA
DEMOGRAPHIC STATISTICS
Last Ten Fiscal Years

Table 12

Fiscal Year	Population (1)	Per Capita Income (2)	School Enrollment (3)	Unemployment Rate Percentage (4)
2004	43,137	\$ (5)	4,028	2.3
2003	43,001	23,270	4,026	2.1
2002	42,200	22,945	3,912	2.1
2001	41,350	21,937	3,768	1.8
2000	40,468	20,593	3,575	1.0
1999	34,800	20,299	3,557	1.3
1998	34,400	19,244	3,560	1.4
1997	34,400	18,738	3,492	1.8
1996	34,170	18,569	3,498	2.5
1995	34,170	18,377	3,475	2.3

Notes:

- (1) - Estimated by the City's Department of Planning and Community Development for 1995-1999 and 2001-2004. Bureau of Census for 2000.
- (2) - Bureau of Economic Analysis, U. S. Department of Commerce. Amounts for 1995-2000 have been adjusted based upon the latest available data.
- (3) - From the City of Harrisonburg School Board.
- (4) - Virginia Employment Commission. Amounts for 1995-2002 have been adjusted.
- (5) - Information is not available for this time period.

CITY OF HARRISONBURG, VIRGINIA
PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITS
 Last Ten Fiscal Years

Table 13

Fiscal Year	Assessed Property Value (2) (3)		Total	Building Permits (1)			Bank Deposits (5) (In Thousands)						
	Commercial	Residential		Nontaxable	Number of Units	Commercial/Industrial Construction (4)		Number of Units	Residential Construction				
2004	\$ 645,047,950	\$ 1,279,709,666	\$ 611,886,084	\$ 2,536,643,700	(6)	196	\$	33,875,333	414	\$	23,275,425	\$	(7)
2003	597,049,770	1,217,171,818	580,089,312	2,394,310,900		160		72,460,865	486		27,046,089		801,428
2002	599,668,097	1,193,864,907	580,636,624	2,374,169,628	(6)	99		25,595,802	382		20,360,551		775,000
2001	555,329,167	1,101,403,702	572,123,259	2,228,856,128		116		16,427,131	263		13,334,574		798,275
2000	539,248,951	1,060,792,573	568,744,754	2,168,786,278	(6)	124		26,175,607	349		20,381,946		761,911
1999	506,440,080	991,799,821	560,973,839	2,059,213,740		144		51,205,929	370		48,960,709		754,715
1998	490,215,716	961,613,374	511,876,474	1,963,705,564	(6)	160		25,043,338	282		18,418,821		715,369
1997	477,247,281	911,982,568	466,156,737	1,855,386,586		112		40,509,499	326		30,314,935		699,483
1996	465,398,100	895,256,000	468,147,400	1,828,801,500	(6)	170		17,582,540	228		16,684,174		718,417
1995	453,309,700	876,490,000	431,931,200	1,761,730,900		166		37,132,252	207		10,104,236		707,047

Notes:

- (1) - Source is the City's Department of Planning and Community Development.
- (2) - Source is the Commissioner of the Revenue.
- (3) - Certain land values have been reclassified from commercial to residential for 1995-1996.
- (4) - Previously reported amounts have been combined for 1995-1998.
- (5) - Source is the Branch Deposits for Financial Institutions in Virginia, produced by Financial Institute Data Exchange for 1995 and the Federal Deposit Insurance Corporation for years thereafter.
- (6) - 100% reassessment of real property.
- (7) - Information is not available for this time period.

CITY OF HARRISONBURG, VIRGINIA
MISCELLANEOUS STATISTICS
At June 30, 2004

Table 14

Date of incorporation	1849
Type of city	First class
Form of government	Council-Manager
Area	17.3 square miles
Miles of streets	132.62
Number of street lights	3,179
Fire protection:	
Number of stations	4
Number of fire fighters, dispatchers and officers exclusive of volunteer firemen but includes part time	83.5
Police protection:	
Number of stations	3
Number of policemen, dispatchers and officers	91
Education:	
Number of schools	6
Number of teachers	382
Number of students	4,028
Water System:	
Number of customers	12,504
Average daily consumption (gallons)	5,139,902
Linear feet of water lines	1,324,896
Sewer System:	
Number of customers	10,880
Average daily consumption (gallons)	4,111,560
Linear feet of sewer lines	1,012,041
Building permits issued	893
Recreation and culture:	
Number of parks	12
Employees:	
City, other than school system	654
City school system	616
Harrisonburg Electric Commission	52

PART IV

COMPLIANCE SECTION

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**REPORT ON INTERNAL CONTROL 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, 2004, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 5, 2004. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. Other matters involving internal control over financial reporting and its operation were communicated to management in a separate letter dated November 5, 2004.

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 including certain provisions of the compliance matters described in the Summary of Compliance Matters, 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 one instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings and questioned costs as Item 04-1.

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 5, 2004

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

Honorable Members of City Council
City of Harrisonburg, Virginia

Compliance

We have audited the compliance of the City of Harrisonburg, Virginia with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. The City's major federal programs are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City of Harrisonburg, Virginia complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with 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 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 5, 2004

**INDEPENDENT AUDITOR'S COMMENTS ON RESOLUTION
OF PRIOR YEAR AUDIT FINDINGS**

Honorable Members of City Council
City of Harrisonburg, Virginia

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 5, 2004

CITY OF HARRISONBURG, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2004

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an **unqualified opinion** on the financial statements.
2. **No reportable conditions** relating to the audit of the financial statements are reported in the Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. **No instances of noncompliance** material to the financial statements were disclosed.
4. **No reportable conditions** relating to the audit of the major federal award programs were reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs expresses an **unqualified opinion**.
6. The audit disclosed **no audit findings** relating to major programs.
7. The programs tested as major programs include:

Child Nutrition Cluster	10.553, 10.555
Reading First Grants	84.357
Assistance to Firefighters Grant	97.044
Federal Transit Cluster:	
Capital Investment Grants	20.500
Formula Grants	20.507

8. The **threshold** for distinguishing Type A and B programs was **\$300,000**.
9. The City was determined to be a **low-risk auditee**.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None.

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

None.

D. FINDINGS AND QUESTIONED COSTS – COMMONWEALTH OF VIRGINIA

04-1 Unclaimed Property

Statement of condition: The bank reconciliation includes checks outstanding for greater than five years.

Criteria: Checks outstanding greater than five years are required to be filed annually on the unclaimed property report with the State Treasurer.

Recommendation: The reconciliation should be reviewed annually for checks outstanding greater than five years and if in existence, include the checks on the unclaimed property report filed with the State Treasurer.

Management Response: The auditee concurs with this recommendation.

CITY OF HARRISONBURG, VIRGINIA
SUMMARY OF COMPLIANCE MATTERS
June 30, 2004

As more fully described in the Report on Compliance and on Internal Control over Financial Reporting 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

<u>Code of Virginia</u>	<u>State Agency Requirements</u>
Budget and Appropriation Laws	Education
Cash and Investment Laws	Highway Maintenance Funds
Conflicts of Interest Act	
Local Retirement Systems	
Debt Provisions	
Procurement Laws	
Uniform Disposition of Unclaimed Property Act	
Personal Property Tax Relief Act	
Enhanced E-911 Service Taxes	

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.

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CITY OF HARRISONBURG, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2004

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
Department of Agriculture:		
Pass-through payments:		
Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	\$ 136,053
National School Lunch Program	10.555	607,159
Department of Agriculture and Consumer Services:		
National School Lunch Program (Commodities) (part of Child Nutrition Cluster)	10.555	<u>73,136</u>
Total Department of Agriculture		\$ <u>816,348</u>
Department of Justice:		
Direct payments:		
Local Law Enforcement Block Grants Program	16.592	\$ 10,151
Bulletproof Vest Partnership Program	16.607	4,722
Pass-through payments:		
Department of Criminal Justice Service:		
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	8,802
Byrne Formula Grant Program	16.579	<u>5,000</u>
Total Department of Justice		\$ <u>28,675</u>
Department of Transportation:		
Direct payments:		
Federal Transit - Formula Grants (part of Federal Transit Cluster)	20.507	\$ 411,818
Pass-through payments:		
Department of Rail and Public Transportation:		
Federal Transit - Capital Investment Grants (part of Federal Transit Cluster)	20.500	466,298
Formula Grants for Other than Urbanized Areas	20.509	223,624
Department of Motor Vehicles:		
Highway Safety Cluster:		
State and Community Highway Safety (154 Funds)	20.000	16,595
State and Community Highway Safety (Section 402)	20.600	3,000
Occupant Protection	20.602	<u>480</u>
Total Department of Transportation		\$ <u>1,121,815</u>

(continued)

CITY OF HARRISONBURG, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2004

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
Department of Education:		
Pass-through payments:		
Department of Education:		
Title I Grants to Local Educational Agencies	84.010	\$ 722,507
Vocational Education - Basic Grants to States	84.048	83,660
Safe and Drug-Free Schools and Communities - State Grants	84.186	28,088
Innovative Education Program Strategies	84.298	35,788
Education Technology State Grants	84.318	638,742
Advanced Placement Program	84.330	780
Reading First State Grants	84.357	357,836
English Language Acquisition Grants	84.365	146,049
Improving Teacher Quality State Grants	84.367	238,224
Special Education Cluster:		
Grants to States	84.027	607,660
Preschool Grants	84.173	<u>30,157</u>
Total Department of Education		\$ <u>2,889,491</u>
Department of Health and Human Services:		
Pass-through payments:		
Department of Education:		
Refugee and Entrant Assistance - Discretionary Grants	93.576	<u>\$ 22,969</u>
Total Health and Human Services		\$ <u>22,969</u>
Department of Homeland Security:		
Direct payments:		
Assistance to Firefighters Grant	97.044	\$ 263,795
Cooperating Technical Partners	97.045	30,000
Pass-through payments:		
Department of Emergency Management:		
Public Assistance Grants	97.036	<u>13,797</u>
Total Department of Homeland Security		\$ <u>307,592</u>
Department of Defense:		
Direct payments:		
JROTC Funds	12.VA 170853	<u>\$ 36,348</u>
Total Department of Defense		\$ <u>36,348</u>
Total expenditure of federal awards		\$ <u><u>5,223,238</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, 2004

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, 2004, the School Board, a component unit, had food commodities totaling \$11,176 in inventory.

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