

CITY OF HARRISONBURG, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR
JULY 1, 2004 TO JUNE 30, 2005



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

CITY OF HARRISONBURG, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
Year Ended June 30, 2005

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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 18, 2005

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, 2005 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, 2005, 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, 2005, 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 1990. It now encompasses 17.3 square miles and serves a population of approximately 43,178.

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 six additional police personnel. One records clerk supervisor and five records clerks.
- Hired four Emergency Communication Center personnel, four basic communicators senior.
- Hired a Community Development Block Grant Coordinator.
- Appropriated \$1,000,000 for Stone Spring Road improvement.
- Appropriated \$1,009,910 for Erickson Avenue extension.
- Appropriated \$233,268 for sidewalk replacements and improvements.
- Appropriated \$150,000 for Smithland Road development.
- Appropriated \$150,000 for Bathhouse renovation.
- Appropriated \$200,000 for Country Club Road.
- Appropriated \$500,000 for Linda Lane Extension.
- Appropriated \$340,000 for the Western Raw Waterline.
- Appropriated \$839,164 for Eastern Source Development.
- Appropriated \$508,779 for the rebuild of the Steam Plant.
- Appropriated \$717,532 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 22,655. James Madison University, a state-supported school, is located near the geographic center of the City and has approximately 15,809 undergraduate students. Eastern Mennonite University, a private institution with approximately 1,511 students is also located in the City. Bridgewater College, located just south of the City, is also private and has an approximate enrollment of 1,532 students. State-supported Blue Ridge Community College has an enrollment of approximately 3,803 students.

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

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

The City continues to plan and work on its next major transportation project: Erickson Avenue Extension and Stone Spring Road Improvement. The total project is anticipated to cost approximately \$32.6 million of which \$3.3 million has already been expended and approximately \$1.1 million in cash is on hand. It is planned that this project will be completed in at least five phases. It is currently projected that \$5.1 million will be borrowed in fiscal year 2007; \$1.7 million will be borrowed in the fiscal year 2008; \$.8 million will be borrowed in fiscal year 2009; \$3.2 million will be borrowed in fiscal year 2010 and the final \$2.1 million will be borrowed in fiscal year 2011. The remaining \$11.1 million will be provided from VDOT Urban Funds and \$4.2 million from the Commonwealth of Virginia through revenue sharing funds. The estimated final completion date for the project is 2012, but various phases will be completed during the construction period. Because of the rebuild of the Stone Spring Road bridge over Interstate 81, the widening of Interstate 81 by the Commonwealth of Virginia will ultimately impact the final completion date. In fiscal year 2007 the City will start using approximately \$750,000 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 \$3.2 million has already been expended and \$3.6 million in cash is on hand. \$2.6 million was borrowed in fiscal year 2002 to finance this project. It is anticipated that the remaining \$12.2 million will be borrowed at a later date. The projected completion date is undetermined at this time.

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 32 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, 2004. This was the tenth 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, 2004

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.



Nancy L. Zelle

President

Jeffrey R. Emer

Executive Director

CITY OF HARRISONBURG, VIRGINIA

Directory of Principal Officials

June 30, 2005

CITY COUNCIL

Larry M. Rogers, Mayor

Rodney L. Eagle, Vice Mayor
Hugh J. Lantz, Council Member

Charles R. Chenault, Council Member
George W. Pace, Council Member

OFFICIALS

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

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, 2005, 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 \$66,958,597 as of June 30, 2005, and total revenues of \$44,842,073 for the year then ended. Those financial statements were audited by other auditors whose reports thereon have been furnished to us; and our opinion, insofar as it relates to the amounts included for the discretely presented component unit Harrisonburg Electric Commission, is based on the reports of the other 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, 2005, 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 4, 2005, 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 conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 11 through 20 is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We and the other 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 of the City of Harrisonburg, Virginia. 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, S. L. P.

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 4, 2005

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, 2005. 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 \$219,526,350 (net assets). Of this amount, \$45,410,160 (unrestricted net assets) may be used to meet the City's obligations to citizens and creditors.
- The City's total net assets increased by \$4,488,236.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$32,646,857, a decrease of \$3,998,373 in comparison with the prior year. Approximately 58.9 percent of this total amount, \$19,243,228, 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 \$12,704,795, or 19.8 percent of total General Fund expenditures and other financing uses.
- The City's total long-term debt increased by \$4,738,057 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 five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, General Capital Projects Fund, and the School Bond Capital Projects Fund, which are considered to be major funds. The other two governmental funds are combined into a single, aggregated presentation. Individual fund information for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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

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

Proprietary funds. The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, public transportation, 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 nonmajor governmental funds, internal service funds, agency funds and School Board individual fund financial statements. This information is presented immediately following the notes to financial statements. The combining and individual fund statements and schedules can be found on pages 71 through 91 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 \$219,526,350 at the close of the most recent fiscal year.

The largest portion of the City's net assets (78.8 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 \$45,410,160, 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	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 66,165,419	\$ 66,310,162	\$ 30,125,205	\$ 34,220,550	\$ 96,290,624	\$ 100,530,712
Capital assets	204,600,247	187,066,464	88,922,038	92,207,727	293,522,285	279,274,191
Total assets	\$ 270,765,666	\$ 253,376,626	\$ 119,047,243	\$ 126,428,277	\$ 389,812,909	\$ 379,804,903
Current and other liabilities	\$ 27,928,238	\$ 26,916,056	\$ 2,257,645	\$ 2,488,114	\$ 30,185,883	\$ 29,404,170
Long-term liabilities	96,751,008	84,486,984	43,349,668	50,875,635	140,100,676	135,362,619
Total liabilities	\$ 124,679,246	\$ 111,403,040	\$ 45,607,313	\$ 53,363,749	\$ 170,286,559	\$ 164,766,789
Net assets:						
Invested in capital assets, net of related debt	\$ 120,778,336	\$ 118,163,476	\$ 52,218,830	\$ 51,856,222	\$ 172,997,166	\$ 170,019,698
Restricted	1,119,024	766,544	-	444,437	1,119,024	1,210,981
Unrestricted	24,189,060	23,043,566	21,221,100	20,763,869	45,410,160	43,807,435
Total net assets	\$ 146,086,420	\$ 141,973,586	\$ 73,439,930	\$ 73,064,528	\$ 219,526,350	\$ 215,038,114

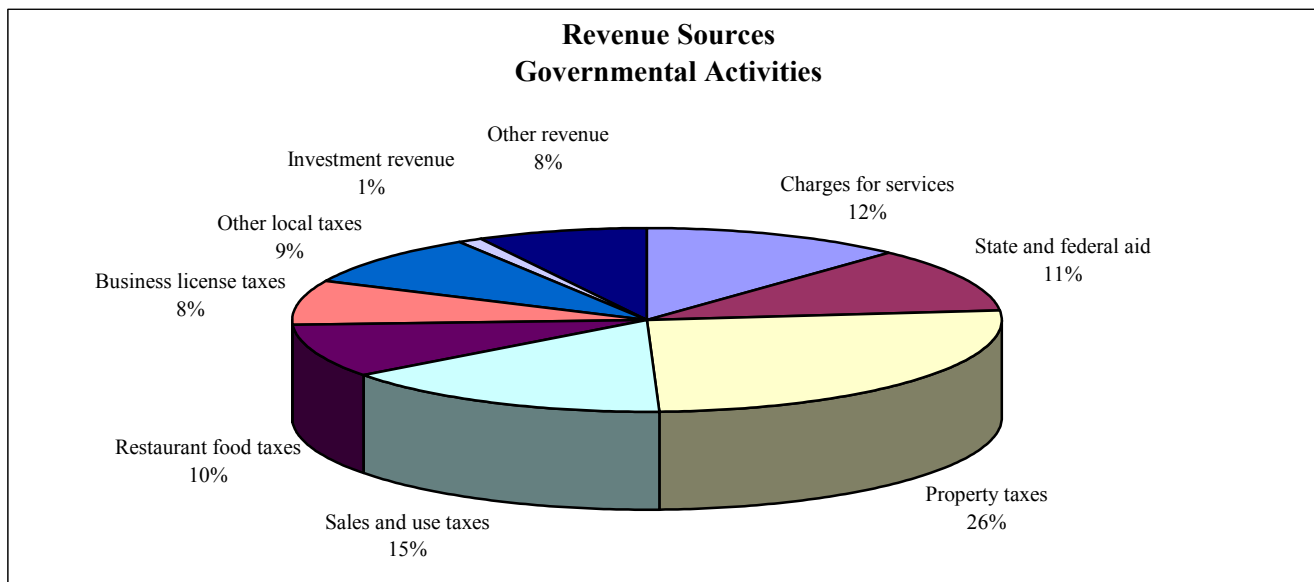
City of Harrisonburg's Changes in Net Assets

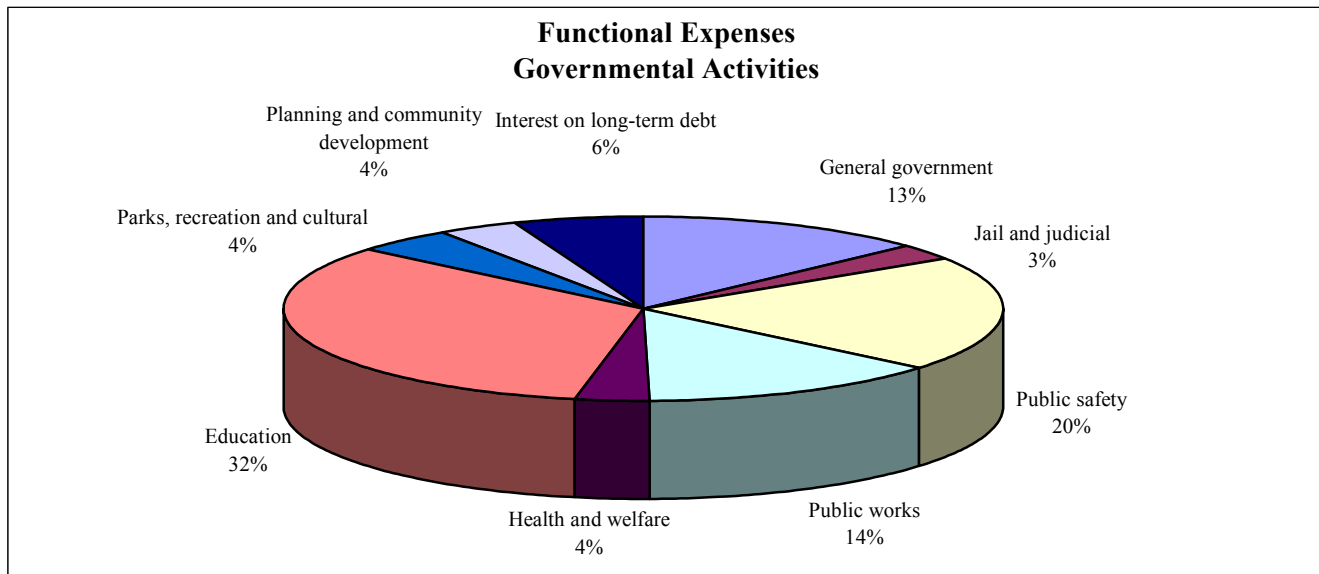
	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues:						
Programs revenues:						
Charges for services	\$ 8,424,291	\$ 7,969,773	\$ 19,253,517	\$ 17,582,426	\$ 27,677,808	\$ 25,552,199
Operating grants and contributions	4,411,515	3,866,132	966,231	912,114	5,377,746	4,778,246
Capital grants and contributions	622,947	115,122	1,824,444	1,041,271	2,447,391	1,156,393
General revenues:						
Property taxes	18,235,771	18,120,703	-	-	18,235,771	18,120,703
Sales and use taxes	10,739,589	9,747,138	-	-	10,739,589	9,747,138
Restaurant food taxes	6,723,886	6,351,607	-	-	6,723,886	6,351,607
Business license taxes	5,306,290	5,013,674	-	-	5,306,290	5,013,674
Other local taxes	6,503,792	6,468,977	-	-	6,503,792	6,468,977
Grants and contributions not restricted to specific programs	3,014,121	3,086,923	-	-	3,014,121	3,086,923
Investment revenue	752,552	568,770	609,291	376,714	1,361,843	945,484
Other revenue	4,979,680	4,862,402	1,167,979	931,303	6,147,659	5,793,705
Gain on sale of capital assets	535,732	-	-	-	535,732	-
Total revenues	\$ 70,250,166	\$ 66,171,221	\$ 23,821,462	\$ 20,843,828	\$ 94,071,628	\$ 87,015,049
Expenses:						
General government administration	\$ 8,659,789	\$ 8,095,033	\$ -	\$ -	\$ 8,659,789	\$ 8,095,033
Jail and judicial administration	1,720,208	1,411,339	-	-	1,720,208	1,411,339
Public safety	13,385,735	12,308,346	-	-	13,385,735	12,308,346
Public works	8,932,355	9,570,485	-	-	8,932,355	9,570,485
Health and welfare	2,318,720	2,157,251	-	-	2,318,720	2,157,251
Education	21,784,772	20,351,713	-	-	21,784,772	20,351,713
Parks, recreation and cultural	2,781,327	2,636,326	-	-	2,781,327	2,636,326
Planning and community development	2,426,890	1,526,341	-	-	2,426,890	1,526,341
Interest on long-term debt	3,869,356	3,898,786	-	-	3,869,356	3,898,786
Water	-	-	3,805,703	3,362,062	3,805,703	3,362,062
Sewer	-	-	4,872,836	4,870,754	4,872,836	4,870,754
Public transportation	-	-	4,635,925	4,162,232	4,635,925	4,162,232
Sanitation	-	-	8,764,331	5,795,311	8,764,331	5,795,311
Public parking	-	-	209,084	208,202	209,084	208,202
Golf course	-	-	1,416,361	1,338,559	1,416,361	1,338,559
Total expenses	\$ 65,879,152	\$ 61,955,620	\$ 23,704,240	\$ 19,737,120	\$ 89,583,392	\$ 81,692,740
Increase in net assets before transfers	\$ 4,371,014	\$ 4,215,601	\$ 117,222	\$ 1,106,708	\$ 4,488,236	\$ 5,322,309
Transfers	(258,180)	(1,013,975)	258,180	1,013,975	-	-
Change in net assets	\$ 4,112,834	\$ 3,201,626	\$ 375,402	\$ 2,120,683	\$ 4,488,236	\$ 5,322,309
Net assets at beginning of year	141,973,586	138,771,960	73,064,528	70,943,845	215,038,114	209,715,805
Net assets at end of year	<u>\$ 146,086,420</u>	<u>\$ 141,973,586</u>	<u>\$ 73,439,930</u>	<u>\$ 73,064,528</u>	<u>\$ 219,526,350</u>	<u>\$ 215,038,114</u>

Governmental activities. Governmental activities increased the City's net assets by \$4,112,834. Key elements affecting governmental activities are as follows:

- Sales and use taxes increased \$992,451 (10.2 percent) during the current year as a result of increased economic activity in the City.

- Restaurant food taxes and business license taxes increased \$372,279 (5.9 percent) and \$292,616 (5.8 percent), respectively, as a result of increased economic activity in the City.
- Operating grants and contributions increased \$545,383 (14.1 percent) primarily due to new community development block grant funding that the City began receiving during the current year.
- Capital grants and contributions increased \$507,825 primarily due to one-time grant funding for renovations to the Hardesty-Higgins house and development of a new radio communications system.
- The City recognized a \$535,732 gain from the sale of a capital asset. In January 2005, the City sold the historic portion of the Lucy F. Simms Continuing Education Center (Center). The sale allowed for the use of certain tax credits to assist in financing the renovations to the historic portion of the Center.
- Expenses in the jail and judicial administration activity increased due to additional employees being hired at the jail, as well, as a general increase in operating expenses.
- Expenses in the public safety activity increased \$1,077,389 (8.8 percent) for three main reasons. First, the hiring of new employees at the police department, which included four new police officers and six new police record clerks. Second, the hiring of four new E911 dispatchers at the emergency communications center. Finally, the fire department used approximately \$469,000 in grants from the Department of Homeland Security to purchase replacement equipment.
- Expenses in the public works activity decreased \$638,130 (6.7 percent) primarily due a decrease in expenses associated with the City's street repaving program.
- Expenses in the education activity increased \$1,433,059 (7 percent) primarily due to an increase in the transfer of capital assets to the School Board. As the City makes principal payments on school related debt, it transfers an equal amount of capital assets to the School Board. This arrangement is discussed in more detail in the notes to the financial statements.
- Expenses in the planning and community development activity increased \$900,549 (59 percent) due to expenses associated with a new community development block grant program. This program is entirely funded from federal grants. Also, the economic development department implemented several new initiatives to attract technology firms to downtown Harrisonburg. These initiatives included approximately \$200,000 in payments to the Harrisonburg Redevelopment and Housing Authority to support their operating and debt service costs associated with the purchase and renovation of an office building in the downtown area and to James Madison University for assistance in creating the Harrisonburg Downtown Technology Zone.
- Transfers increased \$755,795 due mainly to a transfer from the Golf Course Fund (a business-type activity). The Golf Course Fund was closed out as an operating fund at year-end. This resulted in \$1,057,707 in ending net assets of the Golf Course Fund being transferred into governmental activities.





Business-type activities. Business-type activities increased the City's net assets by \$375,402. Key elements affecting business-type activities are as follows:

- Capital grants and contributions increased by \$783,173 (75.2 percent) during the current year. The City's public transportation activity purchased six new transit buses in the current year. Federal and state grants typically cover approximately 90 percent of these purchases. This is compared to only two transit buses being purchased the previous year.
- Charges for services increased \$1,671,091 (9.5 percent) due in large part to revenue increases in the sanitation activity. Refuse collection rates were increased in 2005 along with a full year of steam plant tipping fee revenue after the completion of the City's steam plant rebuild in February 2004. Also, the reimbursement for operations at the steam plant from James Madison University increased due to the full year of operations.
- Transfers decreased \$755,795 as mentioned above in the discussion of governmental activities.
- Expenses in the water activity increased \$443,641 (13.2 percent) mainly from the costs associated with the removal of an old hydroelectric dam on City owned property adjacent to the location of a new intake valve on the South Fork of the Shenandoah River. These expenses were partially offset with \$159,000 in various grant contributions.
- Expenses in the public transportation activity increased \$473,693 (11.4 percent) from the addition of new personnel and increased depreciation expense associated with the purchase of new buses.
- Expenses in the sanitation activity increased \$2,969,020 (51.2 percent) partially due to an increase in depreciation and interest expense. The City recognized a full year of depreciation in 2005 on the steam plant rebuild that was completed in the previous fiscal year and had been capitalizing interest in previous years on the May 2002 bond issue associated with the steam plant rebuild. Also in the previous fiscal year, the City decreased its landfill closure by approximately \$1.7 million after using an engineering consulting firm to calculate the liability. This adjustment was treated as a change in accounting estimate and was reported on the operating statement.

Government-wide Financial Analysis (Component Units)

School Board activities. Unrestricted net assets of the School Board increased \$465,230 (18.5 percent) during the current year to \$2,978,367. School Board expenses increased \$2,687,472 (7 percent). This increase in expenses was partially offset by an increase in intergovernmental revenue of \$3,881,991 (22.8 percent). This increase in revenues was mainly due to an increase in the School Board's share of the state sales tax, state basic school aid,

state standards of quality funds and funding from the Federal Government. The School Board's payment from the City increased \$525,748. The combination of the above factors resulted in the increase of unrestricted net assets previously mentioned.

HEC activities. HEC's net assets increased \$1,541,654 during the year, as compared to a \$2,371,878 increase in the previous year. Operating revenues increased by \$464,685 (1.1 percent) during the current year, while expenses increased 1,416,295 (3.4 percent). On May 1, 2005, HEC received a rate increase for electricity purchased and elected not to pass the increase through to its customers. The increased cost of electricity purchased and fuel costs for electricity produced were primarily responsible for the increase in expenses.

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 \$12,704,795, while total fund balance reached \$19,454,425. 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 19.8 percent of total General Fund expenditures and other financing uses, while total fund balance represents 30.2 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.

Water Fund. Net assets in the Water Fund increased \$1,424,962 compared to an increase of \$1,506,612 in the previous year. Charges for services increased \$171,893 (3.8 percent) due to an approximate three percent rate increase, while total operating expenses increased \$421,225 (12.8 percent).

Sewer Fund. Net assets in the Sewer Fund decreased \$92,341 compared to a decrease of \$270,094 in the previous year. Charges for services increased \$170,335 (3.6 percent) due to a rate increase, while total operating expenses remained flat.

Public Transportation Fund. Net assets in the Public Transportation Fund increased \$744,912 compared to an increase of \$196,565 in the previous year. Operating revenues increased a total of 4.5 percent due to an increase in revenue from school bus services provided to the School Board, while total operating expenses increased \$478,696 (11.5 percent) due to increased depreciation and personnel expenses. Capital grant contributions increased \$872,304 due to factors discussed earlier in connection with the business-type activities analysis.

Sanitation Fund. Net assets in the Sanitation Fund decreased \$645,910 compared to an increase of \$1,001,655 in the previous year. The factors affecting the Sanitation Fund's results are the same as those discussed earlier in connection with the business-type activities analysis.

Golf Course Fund. Operating revenues decreased 3 percent from the previous fiscal year as the number of annual membership passes sold decreased, while operating expenses increased 7.8 percent. At the end of the fiscal year, the City decided to close out the operations of the Golf Course Fund as a reporting unit. Golf course operations

will be shown in the General Fund and in the governmental activities of the government-wide financial statements beginning with fiscal year 2006. This resulted in the ending net assets of the Golf Course Fund being transferred to the General Fund and the governmental activities of the government-wide financial statements.

General Fund Budgetary Highlights

Differences between the original and the final amended General Fund budget amounted to \$7,891,413, or 12.6 percent of the original budget, and can be briefly summarized as follows:

- \$4,275,000 appropriated for the purchase of land.
- \$1,289,479 appropriated and transferred to the General Capital Projects Fund for various projects.
- \$580,726 appropriated for various state and federal fire department grants.
- \$475,000 appropriated for a transfer to the Golf Course Fund for operating purposes.
- \$468,396 moved from the Emergency Communications Center Fund budget.
- \$358,000 appropriated for additional capital and operating purposes for the jail and judicial complex.
- \$319,956 appropriated for prior year encumbrances.
- \$105,630 appropriated for various state and federal police department grants.
- \$993,478 appropriated for other purposes. Funding was provided by various sources such as police asset forfeiture funds, donations and other miscellaneous revenues.
- \$974,252 unappropriated from payments to the School Board. After the original budget was approved, the School Board was notified by the Commonwealth of additional funding that allowed the City to reduce its payment from the General Fund to the School Board.

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

- Other local tax revenue exceeded the final amended budget by \$1,873,005. This was primarily the result of sales and use tax collections far exceeding the amount budgeted.
- Public works expenditure results were \$4,995,709 less than the final amended budget. In June 2005, the City Council budgeted \$4,250,000 to purchase land on Port Republic Road. The actual purchase of the land did not occur until after year-end in July 2005.

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, 2005, amounts to \$293,522,285 (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 5.1 percent (a 9.4 percent increase for governmental activities and a 3.6 percent decrease 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 \$8,016,098.
- Construction continued on the renovation and addition to the Lucy F. Simms Continuing Education Center increasing governmental activities' construction in progress by \$2,522,775.
- Construction and development was begun on the joint Harrisonburg-Rockingham radio communications system increasing governmental activities' construction in progress by \$3,991,976.
- Net capital assets in the amount of \$5,557,220 were transferred from business-type activities to governmental activities as a result of the close out of the Golf Course Fund.
- Construction continued on several water projects increased the business-type activities' construction in progress by approximately \$3 million. These projects include the water treatment plant expansion, new water tank construction, water treatment plant sludge projects and eastern water source development.

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

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Land	\$ 37,234,859	\$ 36,607,799	\$ 3,549,772	\$ 4,892,491	\$ 40,784,631	\$ 41,500,290
Buildings	28,799,407	30,409,195	6,051,218	7,114,410	34,850,625	37,523,605
Improvements other than buildings	5,211,828	875,911	4,580,943	9,164,721	9,792,771	10,040,632
Machinery and equipment	4,715,199	4,579,220	29,370,859	28,991,420	34,086,058	33,570,640
Infrastructure	73,121,731	75,534,539	32,573,448	33,742,948	105,695,179	109,277,487
Construction in progress	55,517,223	39,059,800	12,795,798	8,301,737	68,313,021	47,361,537
Total capital assets	\$ 204,600,247	\$ 187,066,464	\$ 88,922,038	\$ 92,207,727	\$ 293,522,285	\$ 279,274,191

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

Long-term debt. At the end of the current fiscal year, the City had total long-term debt outstanding of \$140,100,676. Of this amount, \$123,194,845 comprises debt backed by the full faith and credit of the City. \$16,699,576 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 \$4,738,057 during the current fiscal year.

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

- The City entered into a \$5,740,000 capital lease to fund the construction of the radio communications system.
- The City issued \$7,250,000 in bonds to purchase land on Port Republic Road and to obtain additional funding for the radio communications system.
- A note payable in the amount of \$2,970,000, issued in December 2003, was assumed by Lucy F. Simms, L.P.
- Long-term debt in the amount of \$6,371,238 was transferred from business-type activities to governmental activities as a result of the close out of the Golf Course Fund.
- The City refunded a 1995 Sanitation Fund (business-type activities) bond issue realizing a debt service savings of \$394,797 and an economic gain of \$334,168.

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

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
General obligation bonds	\$ 22,929,704	\$ 16,404,464	\$ 29,292,721	\$ 29,586,475	\$ 52,222,425	\$ 45,990,939
General obligation school bonds	53,849,194	56,381,390	-	-	53,849,194	56,381,390
General obligation revenue bonds	6,343,292	-	10,356,284	16,868,680	16,699,576	16,868,680
Notes payable	400,000	3,297,307	-	128,527	400,000	3,425,834
Capital leases	10,575,685	5,373,206	-	-	10,575,685	5,373,206
State Literary Funds	23,650	35,475	-	-	23,650	35,475
Landfill closure and postclosure	-	-	2,959,112	3,552,453	2,959,112	3,552,453
Contractual obligation	286,773	886,773	-	-	286,773	886,773
Compensated absences	2,342,710	2,108,369	741,551	739,500	3,084,261	2,847,869
Total long-term debt	\$ 96,751,008	\$ 84,486,984	\$ 43,349,668	\$ 50,875,635	\$ 140,100,676	\$ 135,362,619

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 \$202,313,762 of which \$67,656,927 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 were factors in preparing the City's 2006 fiscal year budget.

- The unemployment rate of the City of Harrisonburg in June 2005 was 3.8 percent, which is an increase from a rate of 3.7 percent a year ago. This rate still compares favorably to the 3.8 percent state and 5.2 percent national rates from June 2005.
- An additional \$1.5 million in funding from the General Fund to the School Board to assist in funding the hiring of additional employees and for operating expenses at the new high school that opened in August 2005.
- An additional \$1.1 million in transfers to the Sanitation Fund to help support that fund's debt service.

The approved \$67 million fiscal year 2006 General Fund budget included the use of \$1.6 million from unreserved and undesignated fund balance. There were no General Fund rate increases or new taxes approved.

An approximate 2.5 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 of approximately 3.6 percent was approved to assist in the continued increase in operational costs at the Harrisonburg-Rockingham Regional Sewer Authority.

In the Sanitation Fund residential refuse collection rates were increased from \$14 to \$16 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.

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, 2005

Exhibit 1

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	HEC
Assets					
Cash and cash equivalents	\$ 23,932,668	\$ 24,879,761	\$ 48,812,429	\$ 5,484,959	\$ 5,280,768
Investments	-	-	-	300,014	6,250,000
Receivables (net of allowance for uncollectibles)	26,734,673	1,588,320	28,322,993	1,146,203	4,395,233
Due from primary government	-	-	-	-	140,935
Due from component unit	3,560	484	4,044	-	65,796
Internal balances	189,215	(189,215)	-	-	-
Inventory	1,611,357	-	1,611,357	36,726	1,329,275
Prepaid expenses	-	44,006	44,006	210,075	130,673
Loans receivable	1,641,407	-	1,641,407	-	-
Restricted assets	11,644,520	2,983,643	14,628,163	-	-
Capital assets:					
Capital assets, not being depreciated	92,752,082	16,345,570	109,097,652	1,804,232	4,222,822
Capital assets (net of accumulated depreciation)	111,848,165	72,576,468	184,424,633	21,476,018	45,143,095
Other assets	408,019	818,206	1,226,225	-	-
Total assets	\$ 270,765,666	\$ 119,047,243	\$ 389,812,909	\$ 30,458,227	\$ 66,958,597
Liabilities					
Accounts payable	\$ 2,237,181	\$ 466,871	\$ 2,704,052	\$ 25,595	\$ 3,209,407
Accrued payroll	557,331	200,983	758,314	3,496,697	-
Accrued interest	1,405,866	789,649	2,195,515	-	-
Due to primary government	-	-	-	-	484
Due to component unit	71,391	69,544	140,935	65,796	-
Deferred revenue	22,397,199	46,420	22,443,619	-	-
Other liabilities	523,684	25,027	548,711	-	171,448
Customer deposits	-	227,813	227,813	-	582,236
Liabilities payable from restricted assets	735,586	431,338	1,166,924	-	-
Long-term debt:					
Due within one year	5,542,898	1,798,771	7,341,669	264,789	279,233
Due in more than one year	91,208,110	41,550,897	132,759,007	346,733	663,835
Total liabilities	\$ 124,679,246	\$ 45,607,313	\$ 170,286,559	\$ 4,199,610	\$ 4,906,643
Net assets					
Invested in capital assets, net of related debt	\$ 120,778,336	\$ 52,218,830	\$ 172,997,166	\$ 23,280,250	\$ 49,365,917
Restricted for:					
Debt service	730,566	-	730,566	-	-
E-911 system	145,769	-	145,769	-	-
Drug forfeiture	90,360	-	90,360	-	-
Police department grants	12,456	-	12,456	-	-
Fire department grants	139,873	-	139,873	-	-
Unrestricted	24,189,060	21,221,100	45,410,160	2,978,367	12,686,037
Total net assets	\$ 146,086,420	\$ 73,439,930	\$ 219,526,350	\$ 26,258,617	\$ 62,051,954

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, 2005

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government administration	\$ 8,659,789	\$ 6,591,292	\$ 300,952	\$ -
Jail and judicial administration	1,720,208	604,029	-	-
Public safety	13,385,735	553,418	554,534	190,000
Public works	8,932,355	-	3,162,713	103,661
Health and welfare	2,318,720	-	-	-
Education	21,784,772	-	-	-
Parks, recreation and cultural	2,781,327	278,415	20,667	-
Planning and community development	2,426,890	397,137	372,649	329,286
Interest on long-term debt	3,869,356	-	-	-
Total governmental activities	\$ 65,879,152	\$ 8,424,291	\$ 4,411,515	\$ 622,947
Business-type activities:				
Water	\$ 3,805,703	\$ 4,802,169	\$ -	\$ 265,375
Sewer	4,872,836	4,916,716	-	127,207
Public transportation	4,635,925	2,236,842	966,231	1,431,862
Sanitation	8,764,331	6,544,948	-	-
Public parking	209,084	242,952	-	-
Golf course	1,416,361	509,890	-	-
Total business-type activities	\$ 23,704,240	\$ 19,253,517	\$ 966,231	\$ 1,824,444
Total primary government	\$ 89,583,392	\$ 27,677,808	\$ 5,377,746	\$ 2,447,391
Component units:				
School Board	\$ 41,017,960	\$ 868,600	\$ 9,392,341	\$ -
Harrisonburg Electric Commission (HEC)	43,493,437	44,842,073	-	-
Total component units	\$ 84,511,397	\$ 45,710,673	\$ 9,392,341	\$ -

General revenues:
Property taxes
Sales and use taxes
Restaurant food taxes
Business license taxes
Other local taxes
Grants and contributions not restricted to specific programs
Unrestricted payment from primary government
Investment revenue
Other revenue
Gain on sale of capital assets
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	
\$ (1,767,545)	\$ -	\$ (1,767,545)	\$ -	\$ -	
(1,116,179)	-	(1,116,179)	-	-	
(12,087,783)	-	(12,087,783)	-	-	
(5,665,981)	-	(5,665,981)	-	-	
(2,318,720)	-	(2,318,720)	-	-	
(21,784,772)	-	(21,784,772)	-	-	
(2,482,245)	-	(2,482,245)	-	-	
(1,327,818)	-	(1,327,818)	-	-	
(3,869,356)	-	(3,869,356)	-	-	
<u>\$ (52,420,399)</u>	<u>\$ -</u>	<u>\$ (52,420,399)</u>	<u>\$ -</u>	<u>\$ -</u>	
\$ -	\$ 1,261,841	\$ 1,261,841	\$ -	\$ -	
-	171,087	171,087	-	-	
-	(990)	(990)	-	-	
-	(2,219,383)	(2,219,383)	-	-	
-	33,868	33,868	-	-	
-	(906,471)	(906,471)	-	-	
<u>\$ -</u>	<u>\$ (1,660,048)</u>	<u>\$ (1,660,048)</u>	<u>\$ -</u>	<u>\$ -</u>	
<u>\$ (52,420,399)</u>	<u>\$ (1,660,048)</u>	<u>\$ (54,080,447)</u>	<u>\$ -</u>	<u>\$ -</u>	
\$ -	\$ -	\$ -	\$ (30,757,019)	\$ -	
-	-	-	-	1,348,636	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (30,757,019)</u>	<u>\$ 1,348,636</u>	
\$ 18,235,771	\$ -	\$ 18,235,771	\$ -	\$ -	
10,739,589	-	10,739,589	-	-	
6,723,886	-	6,723,886	-	-	
5,306,290	-	5,306,290	-	-	
6,503,792	-	6,503,792	-	-	
3,014,121	-	3,014,121	13,731,223	-	
-	-	-	19,193,377	-	
752,552	609,291	1,361,843	11,466	193,018	
4,979,680	1,167,979	6,147,659	100,132	-	
535,732	-	535,732	-	-	
(258,180)	258,180	-	-	-	
<u>\$ 56,533,233</u>	<u>\$ 2,035,450</u>	<u>\$ 58,568,683</u>	<u>\$ 33,036,198</u>	<u>\$ 193,018</u>	
\$ 4,112,834	\$ 375,402	\$ 4,488,236	\$ 2,279,179	\$ 1,541,654	
<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>\$ 146,086,420</u>	<u>\$ 73,439,930</u>	<u>\$ 219,526,350</u>	<u>\$ 26,258,617</u>	<u>\$ 62,051,954</u>	

CITY OF HARRISONBURG, VIRGINIA
GOVERNMENTAL FUNDS
BALANCE SHEET
At June 30, 2005

Exhibit 3

	<u>General Fund</u>	<u>General Capital Projects Fund</u>	<u>School Bond Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Cash and cash equivalents	\$ 12,259,698	\$ 7,976,562	\$ -	\$ -	\$ 20,236,260
Receivables (net of allowance for uncollectibles)	26,515,977	15,147	-	199,615	26,730,739
Due from other funds	258,160	-	207,745	-	465,905
Loans receivable	1,641,407	-	-	-	1,641,407
Restricted assets	5,006,280	5,814,182	824,058	-	11,644,520
Total assets	<u>\$ 45,681,522</u>	<u>\$ 13,805,891</u>	<u>\$ 1,031,803</u>	<u>\$ 199,615</u>	<u>\$ 60,718,831</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 744,171	\$ 511,931	\$ -	\$ 75,202	\$ 1,331,304
Accrued payroll	537,168	-	-	2,913	540,081
Due to other funds	-	207,745	-	121,500	329,245
Due to component unit	71,097	-	-	-	71,097
Deferred revenue	24,350,977	190,000	-	-	24,540,977
Other liabilities	523,684	-	-	-	523,684
Liabilities payable from restricted assets	-	598,027	137,559	-	735,586
Total liabilities	<u>\$ 26,227,097</u>	<u>\$ 1,507,703</u>	<u>\$ 137,559</u>	<u>\$ 199,615</u>	<u>\$ 28,071,974</u>
Fund Balances:					
Reserved	\$ 6,749,630	\$ 5,759,755	\$ 894,244	\$ -	\$ 13,403,629
Unreserved:					
Designated	1,827,166	6,538,433	-	-	8,365,599
Undesignated	10,877,629	-	-	-	10,877,629
Total fund balances	<u>\$ 19,454,425</u>	<u>\$ 12,298,188</u>	<u>\$ 894,244</u>	<u>\$ -</u>	<u>\$ 32,646,857</u>
Total liabilities and fund balances	<u>\$ 45,681,522</u>	<u>\$ 13,805,891</u>	<u>\$ 1,031,803</u>	<u>\$ 199,615</u>	<u>\$ 60,718,831</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, 2005

Exhibit 4

Total fund balance of governmental funds (Exhibit 3)	\$ 32,646,857
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.	2,143,778
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	204,535,350
Certain liabilities, including bonds and related accounts, are not payable from current financial resources and therefore are not reported in the funds.	(97,663,336)
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>4,423,771</u>
Net assets of governmental activities (Exhibit 1)	\$ <u><u>146,086,420</u></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, 2005

	General Fund	General Capital Projects Fund	School Bond Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
General property taxes	\$ 18,083,460	\$ -	\$ -	\$ -	\$ 18,083,460
Other local taxes	29,240,984	-	-	-	29,240,984
Permits, privilege fees and regulatory licenses	403,621	-	-	-	403,621
Fines and forfeitures	604,029	-	-	-	604,029
Revenue from use of money and property	610,090	77,193	98,591	-	785,874
Charges for services	292,843	-	-	-	292,843
Miscellaneous	4,813,742	50,000	-	-	4,863,742
Recovered costs	665,131	1,197,822	-	-	1,862,953
Intergovernmental	6,933,898	329,286	-	496,977	7,760,161
Total revenues	<u>\$ 61,647,798</u>	<u>\$ 1,654,301</u>	<u>\$ 98,591</u>	<u>\$ 496,977</u>	<u>\$ 63,897,667</u>
Expenditures:					
Current:					
General government administration	\$ 2,689,218	\$ -	\$ -	\$ -	\$ 2,689,218
Jail and judicial administration	1,929,277	-	-	-	1,929,277
Public safety	13,202,723	-	-	-	13,202,723
Public works	6,096,761	-	-	-	6,096,761
Health and welfare	2,296,855	-	-	-	2,296,855
Education	19,193,377	-	-	-	19,193,377
Parks, recreation and cultural	2,686,375	-	-	-	2,686,375
Planning and community development	2,675,704	-	-	339,020	3,014,724
Debt service:					
Principal retirement	4,156,753	-	-	-	4,156,753
Interest and fiscal charges	3,863,973	-	-	-	3,863,973
Capital projects	-	13,078,617	8,016,098	-	21,094,715
Total expenditures	<u>\$ 58,791,016</u>	<u>\$ 13,078,617</u>	<u>\$ 8,016,098</u>	<u>\$ 339,020</u>	<u>\$ 80,224,751</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 2,856,782</u>	<u>\$ (11,424,316)</u>	<u>\$ (7,917,507)</u>	<u>\$ 157,957</u>	<u>\$ (16,327,084)</u>
Other financing sources (uses):					
Long-term debt issued	\$ 4,316,000	\$ 9,074,000	\$ -	\$ -	\$ 13,390,000
Transfers in	2,156,570	2,626,180	-	-	4,782,750
Transfers out	(5,532,524)	(153,558)	-	(157,957)	(5,844,039)
Total other financing sources (uses)	<u>\$ 940,046</u>	<u>\$ 11,546,622</u>	<u>\$ -</u>	<u>\$ (157,957)</u>	<u>\$ 12,328,711</u>
Net change in fund balances	<u>\$ 3,796,828</u>	<u>\$ 122,306</u>	<u>\$ (7,917,507)</u>	<u>\$ -</u>	<u>\$ (3,998,373)</u>
Fund balances at beginning of year	<u>15,657,597</u>	<u>12,175,882</u>	<u>8,811,751</u>	<u>-</u>	<u>36,645,230</u>
Fund balances at end of year	<u>\$ 19,454,425</u>	<u>\$ 12,298,188</u>	<u>\$ 894,244</u>	<u>\$ -</u>	<u>\$ 32,646,857</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, 2005

Exhibit 6

Total net change in fund balances of governmental funds (Exhibit 5)	\$ (3,998,373)
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.	16,570,501
In the statement of activities, only the gain or loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balance by the book value of capital assets sold.	(3,712,332)
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.	1,607,611
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.	(5,673,501)
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.	(151,799)
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.	1,045,004
The transfer of certain assets and liabilities (i.e., capital assets and long-term debt) from the Golf Course Fund 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.	644,803
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>(2,219,080)</u>
Change in net assets of governmental activities (Exhibit 2)	<u>\$ 4,112,834</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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
General property taxes	\$ 18,640,708	\$ 18,640,708	\$ 18,083,460	\$ (557,248)
Other local taxes	27,155,661	27,367,979	29,240,984	1,873,005
Permits, privilege fees and regulatory licenses	308,520	308,520	403,621	95,101
Fines and forfeitures	402,000	402,000	604,029	202,029
Revenue from use of money and property	291,000	291,000	610,090	319,090
Charges for services	252,200	252,200	292,843	40,643
Miscellaneous	4,556,600	4,582,160	4,813,742	231,582
Recovered costs	378,716	836,394	665,131	(171,263)
Intergovernmental	5,974,393	6,454,075	6,933,898	479,823
Total revenues	<u>\$ 57,959,798</u>	<u>\$ 59,135,036</u>	<u>\$ 61,647,798</u>	<u>\$ 2,512,762</u>
Expenditures:				
Current:				
General government administration	\$ 2,905,449	\$ 2,770,955	\$ 2,689,218	\$ 81,737
Jail and judicial administration	1,600,000	1,958,000	1,929,277	28,723
Public safety	11,866,641	13,449,740	13,202,723	247,017
Public works	6,975,091	11,092,470	6,096,761	4,995,709
Health and welfare	2,305,861	2,308,521	2,296,855	11,666
Education	20,167,629	19,193,377	19,193,377	-
Parks, recreation and cultural	3,323,525	3,389,982	2,686,375	703,607
Planning and community development	2,414,268	2,802,125	2,675,704	126,421
Debt service:				
Principal retirement	3,996,753	4,156,753	4,156,753	-
Interest and fiscal charges	3,812,069	3,867,400	3,863,973	3,427
Total expenditures	<u>\$ 59,367,286</u>	<u>\$ 64,989,323</u>	<u>\$ 58,791,016</u>	<u>\$ 6,198,307</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (1,407,488)</u>	<u>\$ (5,854,287)</u>	<u>\$ 2,856,782</u>	<u>\$ 8,711,069</u>
Other financing sources (uses):				
Long-term debt issued	\$ -	\$ -	\$ 4,316,000	\$ 4,316,000
Transfers in	1,641,848	1,719,287	2,156,570	437,283
Transfers out	(3,263,148)	(5,532,524)	(5,532,524)	-
Total other financing sources (uses)	<u>\$ (1,621,300)</u>	<u>\$ (3,813,237)</u>	<u>\$ 940,046</u>	<u>\$ 4,753,283</u>
Net change in fund balance	<u>\$ (3,028,788)</u>	<u>\$ (9,667,524)</u>	<u>\$ 3,796,828</u>	<u>\$ 13,464,352</u>
Fund balance at beginning of year			<u>15,657,597</u>	
Fund balance at end of year			<u>\$ 19,454,425</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, 2005

Exhibit 8

	Enterprise Funds						Total	Internal Service Funds
	Water Fund	Sewer Fund	Public Transportation Fund	Sanitation Fund	Parking Authority Fund	Golf Course Fund		
Assets								
Current assets:								
Cash and cash equivalents	\$ 10,073,532	\$ 5,578,484	\$ 358,726	\$ 8,399,418	\$ 469,601	\$ -	\$ 24,879,761	\$ 3,696,408
Receivables (net of allowance for uncollectibles)	559,483	559,772	15,079	416,035	269	-	1,550,638	3,934
Due from component unit	-	-	-	484	-	-	484	3,560
Due from other governments	-	-	37,682	-	-	-	37,682	-
Inventory	-	-	-	-	-	-	-	1,611,357
Prepaid expenses	-	31,410	12,596	-	-	-	44,006	-
Total current assets	<u>\$ 10,633,015</u>	<u>\$ 6,169,666</u>	<u>\$ 424,083</u>	<u>\$ 8,815,937</u>	<u>\$ 469,870</u>	<u>\$ -</u>	<u>\$ 26,512,571</u>	<u>\$ 5,315,259</u>
Noncurrent assets:								
Restricted assets	\$ 2,601,658	\$ -	\$ -	\$ 381,985	\$ -	\$ -	\$ 2,983,643	\$ -
Capital assets (net of accumulated depreciation)	31,119,860	20,679,781	6,127,416	30,504,022	490,959	-	88,922,038	64,897
Other assets	110,951	-	-	707,255	-	-	818,206	-
Total noncurrent assets	<u>\$ 33,832,469</u>	<u>\$ 20,679,781</u>	<u>\$ 6,127,416</u>	<u>\$ 31,593,262</u>	<u>\$ 490,959</u>	<u>\$ -</u>	<u>\$ 92,723,887</u>	<u>\$ 64,897</u>
Total assets	<u>\$ 44,465,484</u>	<u>\$ 26,849,447</u>	<u>\$ 6,551,499</u>	<u>\$ 40,409,199</u>	<u>\$ 960,829</u>	<u>\$ -</u>	<u>\$ 119,236,458</u>	<u>\$ 5,380,156</u>
Liabilities and Net Assets								
Current liabilities:								
Accounts payable	\$ 62,746	\$ 132,037	\$ 13,880	\$ 246,006	\$ 12,202	\$ -	\$ 466,871	\$ 905,877
Accrued payroll	37,684	34,730	53,675	71,060	3,834	-	200,983	17,250
Accrued interest	230,028	-	-	559,621	-	-	789,649	-
Due to other funds	-	-	-	-	-	-	-	136,660
Due to component unit	8,963	2,869	1,721	54,059	1,932	-	69,544	294
Deferred revenue	-	-	-	-	46,420	-	46,420	-
Compensated absences	84,455	86,783	107,168	119,084	10,105	-	407,595	44,995
Other liabilities	25,027	-	-	-	-	-	25,027	-
Customer deposits	227,813	-	-	-	-	-	227,813	-
Landfill closure and postclosure	-	-	-	74,529	-	-	74,529	-
Current portion of bonds payable	176,836	-	-	1,139,811	-	-	1,316,647	-
Total current liabilities	<u>\$ 853,552</u>	<u>\$ 256,419</u>	<u>\$ 176,444</u>	<u>\$ 2,264,170</u>	<u>\$ 74,493</u>	<u>\$ -</u>	<u>\$ 3,625,078</u>	<u>\$ 1,105,076</u>
Noncurrent liabilities:								
Liabilities payable from restricted assets	\$ 426,011	\$ -	\$ -	\$ 5,327	\$ -	\$ -	\$ 431,338	\$ -
Compensated absences	123,133	59,362	50,232	95,149	6,080	-	333,956	40,524
Landfill closure and postclosure	-	-	-	2,884,583	-	-	2,884,583	-
Bonds payable	10,179,448	-	-	28,152,910	-	-	38,332,358	-
Total noncurrent liabilities	<u>\$ 10,728,592</u>	<u>\$ 59,362</u>	<u>\$ 50,232</u>	<u>\$ 31,137,969</u>	<u>\$ 6,080</u>	<u>\$ -</u>	<u>\$ 41,982,235</u>	<u>\$ 40,524</u>
Total liabilities	<u>\$ 11,582,144</u>	<u>\$ 315,781</u>	<u>\$ 226,676</u>	<u>\$ 33,402,139</u>	<u>\$ 80,573</u>	<u>\$ -</u>	<u>\$ 45,607,313</u>	<u>\$ 1,145,600</u>
Net assets:								
Invested in capital assets, net of related debt	\$ 23,050,174	\$ 20,679,781	\$ 6,127,416	\$ 1,870,500	\$ 490,959	\$ -	\$ 52,218,830	\$ 64,897
Unrestricted	9,833,166	5,853,885	197,407	5,136,560	389,297	-	21,410,315	4,169,659
Total net assets	<u>\$ 32,883,340</u>	<u>\$ 26,533,666</u>	<u>\$ 6,324,823</u>	<u>\$ 7,007,060</u>	<u>\$ 880,256</u>	<u>\$ -</u>	<u>\$ 73,629,145</u>	<u>\$ 4,234,556</u>
Total liabilities and net assets	<u>\$ 44,465,484</u>	<u>\$ 26,849,447</u>	<u>\$ 6,551,499</u>	<u>\$ 40,409,199</u>	<u>\$ 960,829</u>	<u>\$ -</u>	<u>\$ 119,236,458</u>	<u>\$ 5,380,156</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.							(189,215)	
Net assets of business-type activities (Exhibit 1)							<u>\$ 73,439,930</u>	

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, 2005

	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	\$ 4,647,194	\$ 4,868,354	\$ 2,236,842	\$ 6,357,707	\$ 149,830	\$ 509,890	\$ 18,769,817	\$ 11,692,169
Connection fees	154,975	48,362	-	-	-	-	203,337	-
Other revenue	-	-	-	-	93,122	-	93,122	-
Total operating revenues	\$ 4,802,169	\$ 4,916,716	\$ 2,236,842	\$ 6,357,707	\$ 242,952	\$ 509,890	\$ 19,066,276	\$ 11,692,169
Operating expenses:								
Personal services	\$ 1,007,056	\$ 808,349	\$ 1,968,111	\$ 1,717,607	\$ 99,118	\$ 382,928	\$ 5,983,169	\$ 465,707
Fringe benefits	351,404	298,943	614,518	671,700	26,695	118,672	2,081,932	146,950
Purchased services	469,448	82,266	85,974	1,740,088	18,238	38,080	2,434,094	433,825
Internal services	111,975	140,128	790,539	178,249	11,185	44,235	1,276,311	2,978
Other charges	426,203	64,796	251,637	1,272,965	31,809	79,524	2,126,934	534,427
Materials and supplies	260,038	96,651	78,567	291,855	7,788	146,451	881,350	40,105
Depreciation and amortization	1,082,662	986,809	842,318	2,095,847	14,312	246,537	5,268,485	15,245
Regional sewer authority:								
Operations	-	1,401,001	-	-	-	-	1,401,001	-
Debt service	-	998,503	-	-	-	-	998,503	-
Landfill closure and postclosure	-	-	-	(536,419)	-	-	(536,419)	-
Cost of inventory issued	-	-	-	-	-	-	-	2,351,111
Claims related charges	-	-	-	-	-	-	-	6,888,402
Total operating expenses	\$ 3,708,786	\$ 4,877,446	\$ 4,631,664	\$ 7,431,892	\$ 209,145	\$ 1,056,427	\$ 21,915,360	\$ 10,878,750
Operating income (loss)	\$ 1,093,383	\$ 39,270	\$ (2,394,822)	\$ (1,074,185)	\$ 33,807	\$ (546,537)	\$ (2,849,084)	\$ 813,419
Nonoperating revenues (expenses):								
Operating grants	\$ -	\$ -	\$ 966,231	\$ -	\$ -	\$ -	\$ 966,231	\$ -
Connection availability fees	359,791	284,963	-	-	-	-	644,754	-
Miscellaneous revenue	168,301	-	27,442	473	-	62,009	258,225	-
Reimbursement of bond payment	-	-	-	452,241	-	-	452,241	-
Investment revenue	282,312	122,035	7,087	182,933	9,438	5,486	609,291	74,186
Interest expense	(74,747)	-	-	(1,351,968)	-	(363,072)	(1,789,787)	-
Total nonoperating revenues (net)	\$ 735,657	\$ 406,998	\$ 1,000,760	\$ (716,321)	\$ 9,438	\$ (295,577)	\$ 1,140,955	\$ 74,186
Income (loss) before contributions and transfers	\$ 1,829,040	\$ 446,268	\$ (1,394,062)	\$ (1,790,506)	\$ 43,245	\$ (842,114)	\$ (1,708,129)	\$ 887,605
Capital contributions	265,375	127,207	1,431,862	-	-	-	1,824,444	-
Transfers in	101,919	-	707,112	1,144,596	2,424	924,916	2,880,967	158,306
Transfers out	(771,372)	(665,906)	-	-	(45,000)	(1,140,509)	(2,622,787)	-
Change in net assets	\$ 1,424,962	\$ (92,431)	\$ 744,912	\$ (645,910)	\$ 669	\$ (1,057,707)	\$ 374,495	\$ 1,045,911
Net assets at beginning of year	31,458,378	26,626,097	5,579,911	7,652,970	879,587	1,057,707		3,188,645
Net assets at end of year	\$ 32,883,340	\$ 26,533,666	\$ 6,324,823	\$ 7,007,060	\$ 880,256	\$ -		\$ 4,234,556
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.							907	
Change in net assets of business-type activities (Exhibit 2)							\$ 375,402	

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, 2005

	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	\$ 4,614,904	\$ 4,845,745	\$ 2,238,732	\$ 6,479,262	\$ 253,402	\$ 499,072	\$ 18,931,117	\$ 2,943,964
Receipts from connection fees	154,975	48,063	-	-	-	-	203,038	-
Receipts from premiums	-	-	-	-	-	-	-	8,748,813
Receipts from other sources	168,301	-	27,442	458	-	62,009	258,210	-
Receipts from customer deposits	128,480	-	-	-	-	-	128,480	-
Payments to employees	(982,475)	(791,453)	(1,956,220)	(1,715,727)	(96,156)	(378,215)	(5,920,246)	(450,510)
Payments for fringe benefits	(340,229)	(289,009)	(597,213)	(652,431)	(26,053)	(115,946)	(2,020,881)	(142,522)
Payments to vendors	(1,155,352)	(235,148)	(417,202)	(3,358,132)	(46,225)	(295,419)	(5,507,478)	(3,572,727)
Payments for internal services	(111,975)	(140,128)	(790,539)	(178,249)	(11,185)	(44,235)	(1,276,311)	(2,978)
Payments to regional sewer authority	-	(2,430,915)	-	-	-	-	(2,430,915)	-
Payments for claims related charges	-	-	-	-	-	-	-	(6,862,094)
Payments to refund customer deposits	(117,346)	-	-	-	-	-	(117,346)	-
Net cash provided by (used for) operating activities	\$ 2,359,283	\$ 1,007,155	\$ (1,495,000)	\$ 575,181	\$ 73,783	\$ (272,734)	\$ 2,247,668	\$ 661,946
Cash flows from noncapital financing activities:								
Operating grants	\$ -	\$ -	\$ 1,108,498	\$ -	\$ -	\$ -	\$ 1,108,498	\$ -
Transfers in	25,800	-	707,112	1,144,596	2,424	774,916	2,654,848	158,306
Transfers out	(771,372)	(665,906)	-	-	(45,000)	(164,634)	(1,646,912)	-
Interfund loan	-	-	-	-	-	-	-	136,660
Principal paid on long-term debt	-	-	-	(128,527)	-	-	(128,527)	-
Interest paid on long-term debt	-	-	-	(1,604)	-	-	(1,604)	-
Net cash provided by (used for) noncapital financing activities	\$ (745,572)	\$ (665,906)	\$ 1,815,610	\$ 1,014,465	\$ (42,576)	\$ 610,282	\$ 1,986,303	\$ 294,966
Cash flows from capital and related financing activities:								
Capital grants	\$ -	\$ -	\$ 1,431,862	\$ -	\$ -	\$ -	\$ 1,431,862	\$ -
Connection availability fees	359,791	284,963	-	-	-	-	644,754	-
Transfers in	76,119	-	-	-	-	150,000	226,119	-
Proceeds from long-term debt	-	-	-	4,280,730	-	-	4,280,730	-
Bond issue costs paid	-	-	-	(894)	-	-	(894)	-
Payment from JMU for long-term debt	-	-	-	449,946	-	-	449,946	-
Principal paid on long-term debt	(175,000)	-	-	(265,000)	-	-	(440,000)	-
Interest paid on long-term debt	(505,379)	-	-	(1,331,706)	-	(360,340)	(2,197,425)	-
Payment to bond refunding escrow agent	-	-	-	(4,279,836)	-	-	(4,279,836)	-
Purchase and construction of capital assets	(3,192,635)	(975,308)	(2,110,405)	(1,622,564)	-	(225,044)	(8,125,956)	-
Net cash used for capital and related financing activities	\$ (3,437,104)	\$ (690,345)	\$ (678,543)	\$ (2,769,324)	\$ -	\$ (435,384)	\$ (8,010,700)	\$ -
Cash flows from investing activities:								
Proceeds from maturity of investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 435,000	\$ 435,000	\$ -
Purchase of investments	-	-	-	-	-	(439,761)	(439,761)	-
Interest received	280,002	120,848	7,044	180,984	9,328	24,145	622,351	73,462
Net cash provided by investing activities	\$ 280,002	\$ 120,848	\$ 7,044	\$ 180,984	\$ 9,328	\$ 19,384	\$ 617,590	\$ 73,462
Net increase (decrease) in cash and cash equivalents	\$ (1,543,391)	\$ (228,248)	\$ (350,889)	\$ (998,694)	\$ 40,535	\$ (78,452)	\$ (3,159,139)	\$ 1,030,374
Cash and cash equivalents:								
Beginning	14,218,581	5,806,732	709,615	9,780,097	429,066	78,452	31,022,543	2,666,034
Ending	\$ 12,675,190	\$ 5,578,484	\$ 358,726	\$ 8,781,403	\$ 469,601	\$ -	\$ 27,863,404	\$ 3,696,408

(continued)

CITY OF HARRISONBURG, VIRGINIA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2005

	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	\$ 10,073,532	\$ 5,578,484	\$ 358,726	\$ 8,399,418	\$ 469,601	\$ -	\$ 24,879,761	\$ 3,696,408
Cash and cash equivalents - Restricted assets	2,601,658	-	-	381,985	-	-	2,983,643	-
	<u>\$ 12,675,190</u>	<u>\$ 5,578,484</u>	<u>\$ 358,726</u>	<u>\$ 8,781,403</u>	<u>\$ 469,601</u>	<u>\$ -</u>	<u>\$ 27,863,404</u>	<u>\$ 3,696,408</u>

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

Operating income (loss)	\$ 1,093,383	\$ 39,270	\$ (2,394,822)	\$ (1,074,185)	\$ 33,807	\$ (546,537)	\$ (2,849,084)	\$ 813,419
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:								
Depreciation and amortization	1,082,662	986,809	842,318	2,095,847	14,312	246,537	5,268,485	15,245
Landfill closure and monitoring costs	-	-	-	(593,341)	-	-	(593,341)	-
Miscellaneous revenue	168,301	-	27,442	473	-	62,009	258,225	-
Change in assets and liabilities:								
(Increase) decrease in:								
Accounts receivable	(35,137)	(22,609)	1,890	105,154	20	-	49,318	(636)
Due from component unit	-	-	-	17,158	-	-	17,158	1,244
Inventory	-	-	-	-	-	-	-	(212,116)
Prepaid expenses	9,312	(22,735)	17,166	19,719	427	3,586	27,475	3,286
Increase (decrease) in:								
Accounts payable	860	6,862	(1,890)	(2,076)	11,708	(19,815)	(4,351)	25,108
Accrued payroll	8,158	6,708	4,203	14,887	746	2,869	37,571	3,665
Due to component unit	(520)	1,407	124	4,466	(68)	473	5,882	57
Deferred revenue	-	-	-	-	10,400	(20,190)	(9,790)	-
Other liabilities	2,847	-	-	-	-	(3,858)	(1,011)	-
Customer deposits	11,134	-	-	-	-	-	11,134	-
Compensated absences	18,283	11,443	8,569	(12,921)	2,431	2,192	29,997	12,674
Net cash provided by (used for) operating activities	<u>\$ 2,359,283</u>	<u>\$ 1,007,155</u>	<u>\$ (1,495,000)</u>	<u>\$ 575,181</u>	<u>\$ 73,783</u>	<u>\$ (272,734)</u>	<u>\$ 2,247,668</u>	<u>\$ 661,946</u>

Non - cash capital and related financing activities:

Additions to capital assets:								
Contributed by developers	\$ 265,375	\$ 127,207	\$ -	\$ -	\$ -	\$ -	\$ 392,582	\$ -
Purchase and construction on account	441,617	120,365	-	14,291	-	13,081	589,354	-

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, 2005

Exhibit 11

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 21,898
Interest receivable	<u>7</u>
Total assets	<u>\$ 21,905</u>
Liabilities	
Accounts payable	\$ 1,348
Accrued payroll	1,696
Amounts held for others	<u>18,861</u>
Total liabilities	<u>\$ 21,905</u>

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

CITY OF HARRISONBURG, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Note 1. Summary of Significant Accounting Policies

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

A. Reporting entity

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

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

The 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. Sales, restaurant food, admission and amusement, hotel and motel, franchise license, and utility taxes are recognized as receivables and revenue upon collection by the merchant or utility since the taxes are generally remitted in time to be used as a current financial resource for the payment of obligations incurred during the year. Property and other taxes not collected or remitted within 45 days after year-end are reflected as deferred revenues.

The City reports the following major governmental funds:

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

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

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

The City reports the following major proprietary funds:

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

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

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, 2005.

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 \$7,891,413. 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, 2005, expenditures exceeded appropriations at the fund, activity or element level as follows:

General Fund:	
City council	\$ 1,769
Commissioner of the revenue	1,778
Treasurer	3,026
Police - Operations	8,823
Fire - Prevention	607
Fire - Training	1,188
Fire - E-911 system	12,248
Fire - Public safety building	4,849
Coroner	150
Contributions - Downtown renaissance	2,565

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

Note 1. Summary of Significant Accounting Policies (continued)

E. Assets, liabilities and net asset or fund equity

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

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

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

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

4. Property taxes. Property taxes are levied as of January 1 on property values assessed every two years. The last effective general real property reassessment was January 1, 2003. Property taxes attach as an enforceable lien on property as of January 1, but are not collected until the following fiscal year. Real estate taxes are due and collectible twice a year, on December 5 and June 5. Personal property taxes are due and collectible annually on December 5. The portion of the tax receivable that is not collected within 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, 2005 amounted to \$844,849.

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.

Note 1. Summary of Significant Accounting Policies (continued)

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of borrowing until completion of the project with interest earned on invested proceeds over the same period. The amount of interest capitalized for the year in the Water Fund was \$430,587.

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. School Board Capital Assets. Under current legislation enacted by the Commonwealth of Virginia, local governments have a "tenancy in common" with the School Board whenever the locality incurs "on-behalf" debt for school property, 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. The City transferred \$2,219,080 in net capital assets to the School Board during the current year on the government-wide statement of activities.

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

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

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

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

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

A reconciliation between the total fund balance as reported in the governmental fund balance sheet and net assets of governmental activities as reported in the government-wide statement of net assets is provided on Exhibit 4. One element of that reconciliation explains that "Certain liabilities, including bonds and related accounts, are not payable from current financial resources and therefore are not reported in the funds." The details of the \$97,663,336 difference are as follows:

Bonds payable	\$ (83,642,500)
Bond issue premiums/discounts (net)	(91,100)
Deferred charge for bond issue costs	408,019
Deferred charge for bond refunding	611,410
Notes payable	(400,000)
Capital leases	(10,575,685)
Literary Fund Loans	(23,650)
Contractual obligation	(286,773)
Compensated absences (not including internal service funds)	(2,257,191)
Accrued interest	<u>(1,405,866)</u>
Net adjustment	<u>\$ (97,663,336)</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 \$16,570,501 difference are as follows:

Capital outlay	\$ 21,327,319
Depreciation expense	<u>(4,756,818)</u>
Net adjustment	<u>\$ 16,570,501</u>

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

Another element of that reconciliation states that “The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$5,673,501 difference are as follows:

Debt issued or incurred	\$ (13,390,000)
Deferred charge for bond issue costs on debt issued	68,280
Principal payments	4,156,753
Amortization of bond premiums/discounts (net)	15,541
Amortization of bond issue costs	(27,309)
Amortization of deferred bond refunding charges	(55,373)
Contractual obligation payment	600,000
Assumption of note payable	2,970,000
Reduction in bond issue costs and bond premium from assumption of debt	<u>(11,393)</u>
Net adjustment	<u>\$ (5,673,501)</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 \$151,799 difference are as follows:

Compensated absences	\$ (193,721)
Accrued interest	<u>41,922</u>
Net adjustment	<u>\$ (151,799)</u>

Note 3. Deposits and Investments

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

Investments. *Interest rate risk.* In accordance with the City’s investment policy, the City manages its exposure to declines in fair values by investing only in securities maturing in three years or less from the time of purchase. The only security that is subject to interest rate risk is a callable Federal Home Loan Bank bond with a fair value of \$425,756 that matures in March 2007.

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

Note 3. Deposits and Investments (continued)

As of June 30, 2005, the City's investment in the Federal Home Loan Bank bond was rated AAA by Standard & Poor's and Aaa by Moody's Investors Service. The City's investment in the LGIP and SNAP was rated AAAM by Standard & Poor's.

As of June 30, 2005, total deposit and investment balances were as follows:

Primary Government:

Investments:

Virginia State Treasurer's Local Government Investment Pool (LGIP)	\$ 44,822,934
Virginia State Non-Arbitrage Pool (SNAP)	13,897,597
U.S. Government Securities Money Market Fund	6,429,381
U.S. Treasury Securities Money Market Fund	301,419
Federal Home Loan Bank Bond	425,756
Deposits	<u>(3,209,223)</u>

Total deposits and investments of the primary government \$ 62,667,864

Component Unit - School Board:

Investments:

Virginia State Treasurer's Local Government Investment Pool (LGIP)	\$ 4,992,205
U.S. Government Securities Money Market Fund	616,951
Certificates of Deposit	300,014
Deposits	<u>(124,197)</u>

Total deposits and investments of the component unit - School Board \$ 5,784,973

Component Unit - HEC:

Investments:

Virginia State Treasurer's Local Government Investment Pool (LGIP)	\$ 4,844,577
Certificates of Deposit	6,250,000
Deposits	<u>433,891</u>

Total deposits and investments of the component unit - HEC \$ 11,528,468

Reconciliation to Government-wide Financial Statements

Cash on hand and petty cash (primary government)	\$ 791,235
Cash on hand and petty cash (component units)	2,300
Grand total deposits and investments of the reporting entity	<u>79,981,305</u>

Total reporting entity \$ 80,774,840

Cash and cash equivalents (primary government)	\$ 48,812,429
Cash and cash equivalents (component unit - School Board)	5,484,959
Cash and cash equivalents (component unit - HEC)	5,280,768
Investments (component unit - School Board)	300,014
Investments (component unit - HEC)	6,250,000
Restricted assets:	
Cash and cash equivalents (primary government)	14,199,016
Investments (primary government)	425,756
Cash and cash equivalents (Exhibit 11)	<u>21,898</u>

Total reporting entity \$ 80,774,840

Note 4. Receivables

The following is a summary of the receivables account at June 30, 2005:

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	HEC
Property taxes receivable	\$ 22,841,770	\$ -	\$ 22,841,770	\$ -	\$ -
Other taxes receivable	1,325,919	-	1,325,919	-	-
Accounts receivable	3,068	1,548,120	1,551,188	-	4,228,952
Interest receivable	33,969	7,874	41,843	-	-
Other receivable	63,473	34,037	97,510	52,763	166,281
Due from other governments:					
County of Rockingham	361,614	-	361,614	-	-
Commonwealth of Virginia	2,750,093	-	2,750,093	562,844	-
Federal Government	199,616	37,682	237,298	530,596	-
Allowance for uncollectibles	(844,849)	(39,393)	(884,242)	-	-
Total	\$ 26,734,673	\$ 1,588,320	\$ 28,322,993	\$ 1,146,203	\$ 4,395,233

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, 2005 are as follows:

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents:			
Bond construction and land purchase account	\$ 10,913,954	\$ 2,983,643	\$ 13,897,597
Bond debt service reserve account	301,419	-	301,419
Investments:			
Bond debt service reserve account	425,756	-	425,756
Interest receivable:			
Bond debt service reserve account	3,391	-	3,391
Total	\$ 11,644,520	\$ 2,983,643	\$ 14,628,163

Note 6. Loans Receivable

The following is a summary of the loans receivable in the General Fund at June 30, 2005:

Borrowing Entity	Loan Date	Term (in years)	Interest Rate	Balance June 30, 2005	Current Portion
Massanutten Regional Library	May 15, 2000	n/a	0.0%	\$ 375,000	\$ -
Virginia Technology Incubator, LLC	July 6, 2001	5	7.0%	96,407	13,175
Lucy F. Simms, LP	January 20, 2004	20	4.76%	1,170,000	-
Total				<u>\$ 1,641,407</u>	<u>\$ 13,175</u>

Note 7. Capital Assets

The following is a summary of the changes in capital assets for the year ended June 30, 2005:

Primary Government:

	Balance June 30, 2004	Additions	Reductions	Golf Course Transfer	Balance June 30, 2005
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 36,607,799	\$ 521,011	\$ (1,246,670)	\$ 1,352,719	\$ 37,234,859
Construction in progress	<u>39,059,800</u>	<u>20,024,704</u>	<u>(3,567,281)</u>	-	<u>55,517,223</u>
Capital assets, not being depreciated	<u>\$ 75,667,599</u>	<u>\$ 20,545,715</u>	<u>\$ (4,813,951)</u>	<u>\$ 1,352,719</u>	<u>\$ 92,752,082</u>
Capital assets, being depreciated:					
Buildings	\$ 39,268,557	\$ 165,479	\$ (2,134,325)	\$ 1,144,480	\$ 38,444,191
Improvements other than buildings	1,867,501	38,600	-	4,894,508	6,800,609
Machinery and equipment	11,026,595	767,835	(336,389)	424,391	11,882,432
Infrastructure	<u>113,013,685</u>	<u>476,984</u>	<u>-</u>	<u>-</u>	<u>113,490,669</u>
Capital assets, being depreciated	<u>\$ 165,176,338</u>	<u>\$ 1,448,898</u>	<u>\$ (2,470,714)</u>	<u>\$ 6,463,379</u>	<u>\$ 170,617,901</u>
Less accumulated depreciation:					
Buildings	\$ (8,859,362)	\$ (994,258)	\$ 374,401	\$ (165,565)	\$ (9,644,784)
Improvements other than buildings	(991,590)	(71,063)	-	(526,128)	(1,588,781)
Machinery and equipment	(6,447,375)	(841,781)	336,389	(214,466)	(7,167,233)
Infrastructure	<u>(37,479,146)</u>	<u>(2,889,792)</u>	<u>-</u>	<u>-</u>	<u>(40,368,938)</u>
Accumulated depreciation	<u>\$ (53,777,473)</u>	<u>\$ (4,796,894)</u>	<u>\$ 710,790</u>	<u>\$ (906,159)</u>	<u>\$ (58,769,736)</u>
Capital assets, being depreciated (net)	<u>\$ 111,398,865</u>	<u>\$ (3,347,996)</u>	<u>\$ (1,759,924)</u>	<u>\$ 5,557,220</u>	<u>\$ 111,848,165</u>

The primary government has included in the above schedule land in the amount of \$113,878, construction in progress in the amount of \$3,275,565, buildings in the amount of \$11,704,921 (\$2,904,365 in accumulated depreciation) and machinery and equipment in the amount of \$363,429 (\$42,400 in accumulated depreciation) that are associated with capital lease obligations.

The above total for additions to accumulated depreciation does not agree with the total depreciation by activity shown on the following page by \$24,831. This difference represents accumulated depreciation on capital assets transferred from business-type activities.

Note 7. Capital Assets (continued)

	Balance June 30, 2004	Additions	Reductions	Golf Course Transfer	Balance June 30, 2005
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 4,892,491	\$ 10,000	\$ -	\$ (1,352,719)	\$ 3,549,772
Construction in progress	<u>8,301,737</u>	<u>5,913,992</u>	<u>(1,419,931)</u>	<u>-</u>	<u>12,795,798</u>
Capital assets, not being depreciated	<u>\$ 13,194,228</u>	<u>\$ 5,923,992</u>	<u>\$ (1,419,931)</u>	<u>\$ (1,352,719)</u>	<u>\$ 16,345,570</u>
Capital assets, being depreciated:					
Buildings	\$ 10,926,187	\$ 155,075	\$ -	\$ (1,144,480)	\$ 9,936,782
Improvements other than buildings	13,397,826	212,896	-	(4,894,508)	8,716,214
Machinery and equipment	39,405,032	3,496,235	-	(1,441,668)	41,459,599
Infrastructure	<u>54,350,488</u>	<u>469,916</u>	<u>-</u>	<u>-</u>	<u>54,820,404</u>
Capital assets, being depreciated	<u>\$ 118,079,533</u>	<u>\$ 4,334,122</u>	<u>\$ -</u>	<u>\$ (7,480,656)</u>	<u>\$ 114,932,999</u>
Less accumulated depreciation:					
Buildings	\$ (3,811,777)	\$ (239,352)	\$ -	\$ 165,565	\$ (3,885,564)
Improvements other than buildings	(4,233,105)	(428,294)	-	526,128	(4,135,271)
Machinery and equipment	(10,413,612)	(2,906,871)	-	1,231,743	(12,088,740)
Infrastructure	<u>(20,607,540)</u>	<u>(1,639,416)</u>	<u>-</u>	<u>-</u>	<u>(22,246,956)</u>
Accumulated depreciation	<u>\$ (39,066,034)</u>	<u>\$ (5,213,933)</u>	<u>\$ -</u>	<u>\$ 1,923,436</u>	<u>\$ (42,356,531)</u>
Capital assets, being depreciated (net)	<u>\$ 79,013,499</u>	<u>\$ (879,811)</u>	<u>\$ -</u>	<u>\$ (5,557,220)</u>	<u>\$ 72,576,468</u>

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

Governmental activities:	
General government administration	\$ 68,529
Jail and judicial administration	270,758
Public safety	632,499
Public works	3,167,984
Health and welfare	21,865
Education	372,315
Parks, recreation and culture	214,609
Planning and community development	8,259
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	<u>15,245</u>
Total governmental activities depreciation expense	<u>\$ 4,772,063</u>
Business-type activities:	
Water	\$ 1,078,706
Sewer	986,809
Public transportation	842,318
Sanitation	2,050,827
Public parking	14,312
Golf course	<u>240,961</u>
Total business-type activities depreciation expense	<u>\$ 5,213,933</u>

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

	Balance June 30, 2004	Additions	Reductions	Balance June 30, 2005
Capital assets, not being depreciated:				
Land	\$ 754,232	\$ 1,050,000	\$ -	\$ 1,804,232
Capital assets, not being depreciated	<u>\$ 754,232</u>	<u>\$ 1,050,000</u>	<u>\$ -</u>	<u>\$ 1,804,232</u>
Capital assets, being depreciated:				
Buildings	\$ 32,490,028	\$ 1,486,825	\$ -	\$ 33,976,853
Improvements other than buildings	-	50,800	-	50,800
Machinery and equipment	1,828,369	444,774	(230,733)	2,042,410
Capital assets, being depreciated	<u>\$ 34,318,397</u>	<u>\$ 1,982,399</u>	<u>\$ (230,733)</u>	<u>\$ 36,070,063</u>
Less accumulated depreciation:				
Buildings	\$ (12,396,923)	\$ (1,063,019)	\$ -	\$ (13,459,942)
Machinery and equipment	(1,209,405)	(155,431)	230,733	(1,134,103)
Accumulated depreciation	<u>\$ (13,606,328)</u>	<u>\$ (1,218,450)</u>	<u>\$ 230,733</u>	<u>\$ (14,594,045)</u>
Capital assets, being depreciated (net)	<u>\$ 20,712,069</u>	<u>\$ 763,949</u>	<u>\$ -</u>	<u>\$ 21,476,018</u>

Component Unit – HEC:

	Balance June 30, 2004	Additions	Reductions	Balance June 30, 2005
Capital assets, not being depreciated:				
Land	\$ 1,859,299	\$ 32,500	\$ -	\$ 1,891,799
Construction in progress	1,516,133	2,946,988	(2,132,098)	2,331,023
Capital assets, not being depreciated	<u>\$ 3,375,432</u>	<u>\$ 2,979,488</u>	<u>\$ (2,132,098)</u>	<u>\$ 4,222,822</u>
Capital assets, being depreciated:				
Buildings	\$ 2,697,095	\$ 26,690	\$ -	\$ 2,723,785
Machinery and equipment	6,675,462	278,868	-	6,954,330
Infrastructure	74,388,910	2,555,794	(273,436)	76,671,268
Capital assets, being depreciated	<u>\$ 83,761,467</u>	<u>\$ 2,861,352</u>	<u>\$ (273,436)</u>	<u>\$ 86,349,383</u>
Less accumulated depreciation:				
Buildings	\$ (1,200,750)	\$ (71,764)	\$ -	\$ (1,272,514)
Machinery and equipment	(6,001,135)	(880,174)	-	(6,881,309)
Infrastructure	(30,689,055)	(2,695,068)	331,658	(33,052,465)
Accumulated depreciation	<u>\$ (37,890,940)</u>	<u>\$ (3,647,006)</u>	<u>\$ 331,658</u>	<u>\$ (41,206,288)</u>
Capital assets, being depreciated (net)	<u>\$ 45,870,527</u>	<u>\$ (785,654)</u>	<u>\$ 58,222</u>	<u>\$ 45,143,095</u>

Note 8. Interfund Balances

The General Fund has a due from other funds balance in the amount \$258,160. This amount is comprised of loans to the Community Development Block Grant and Central Stores Funds of \$16,472 and \$136,660, respectively, to eliminate deficit cash and cash equivalent balances in these two funds. This amount in the General Fund also consists of \$105,028 for reimbursable expenditures from the Community Development Block Grant Fund. Also, the School Bond Capital Projects Fund has a due from other funds associated with the construction of a new high school in the amount of \$207,745 for reimbursable expenditures from the General Capital Projects Fund.

Note 9. Interfund Transfers

Interfund transfers are generally used mainly to subsidize the operations and programs of certain funds, except for a \$150,000 transfer from the General Fund to the Golf Course Fund and a \$76,119 transfer from the General Capital Projects Fund to the Water Fund that were for capital purposes. The following is a summary of interfund transfers for the year ended June 30, 2005:

Transfer in	Transfer out							Total
	General Fund	General Capital Projects Fund	Nonmajor Governmental Funds	Water Fund	Sewer Fund	Parking Authority Fund	Golf Course Fund	
General Fund	\$ -	\$ 77,439	\$ 157,957	\$ 719,400	\$ 661,068	\$ 45,000	\$ 495,706	\$ 2,156,570
General Capital Projects Fund	2,626,180	-	-	-	-	-	-	2,626,180
Water Fund	25,800	76,119	-	-	-	-	-	101,919
Public Transportation Fund	707,112	-	-	-	-	-	-	707,112
Sanitation Fund	1,144,596	-	-	-	-	-	-	1,144,596
Parking Authority Fund	2,424	-	-	-	-	-	-	2,424
Golf Course Fund	924,916	-	-	-	-	-	-	924,916
Internal Service Funds	101,496	-	-	51,972	4,838	-	-	158,306
Total	\$ 5,532,524	\$ 153,558	\$ 157,957	\$ 771,372	\$ 665,906	\$ 45,000	\$ 495,706	\$ 7,822,023

Interfund transfers do not balance when compared to the fund financial statements. The Golf Course Fund had an additional transfer out of \$644,803 related to that fund being closed out to the General Fund. This amount was not reported in the General Fund, as the amount did not involve the transfer of financial resources.

Note 10. Deferred Revenue

The following is a summary of deferred revenue at June 30, 2005:

	General Fund	General Capital Projects Fund	Parking Authority Fund
Uncollected property tax billings	\$ 502,325	\$ -	\$ -
Property taxes billed in fiscal year 2006	21,407,157	-	-
Other local taxes	69,690	-	-
Interest receivable	24,752	-	-
Lease rental payment	950,000	-	-
Intergovernmental	90,605	190,000	-
Advance collection of parking leases	-	-	46,420
Golf memberships/sponsorships	40,041	-	-
Loans receivable	1,266,407	-	-
Total	\$ 24,350,977	\$ 190,000	\$ 46,420

Note 11. Long-Term Debt

Primary Government

Debt Service Requirements for Long-term Debt:

Governmental activities:

Year Ending June 30,	General Obligation Bonds		General Obligation School Bonds		General Obligation Revenue Bonds		Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 847,600	\$ 780,155	\$ 2,540,000	\$ 2,642,639	\$ 25,000	\$ 359,715	\$ -	\$ 10,000
2007	1,119,695	858,241	2,550,000	2,514,606	65,000	357,465	400,000	7,500
2008	1,177,510	815,630	2,570,000	2,386,484	75,000	353,965	-	-
2009	1,221,000	774,121	2,605,000	2,257,415	85,000	349,965	-	-
2010	1,263,924	730,273	2,600,000	2,127,777	95,000	345,441	-	-
2011-2015	7,029,691	2,915,912	11,675,000	8,753,472	660,000	1,636,971	-	-
2016-2020	5,972,903	1,557,957	11,140,000	6,037,229	1,055,000	1,407,766	-	-
2021-2025	2,969,562	741,051	12,285,000	3,067,650	1,585,000	1,036,987	-	-
2026-2030	1,125,615	306,297	5,740,000	296,565	2,765,000	467,044	-	-
2031-2035	800,000	124,000	-	-	-	-	-	-
Total	\$ 23,527,500	\$ 9,603,637	\$ 53,705,000	\$ 30,083,837	\$ 6,410,000	\$ 6,315,319	\$ 400,000	\$ 17,500

Year Ending June 30,	Capital Leases		State Literary Fund Loans		Total Governmental Activities	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 778,235	\$ 455,320	\$ 11,825	\$ 1,183	\$ 4,202,660	\$ 4,249,012
2007	738,510	423,238	11,825	591	4,885,030	4,161,641
2008	771,577	389,802	-	-	4,594,087	3,945,881
2009	806,898	354,324	-	-	4,717,898	3,735,825
2010	845,061	317,053	-	-	4,803,985	3,520,544
2011-2015	4,274,075	961,228	-	-	23,638,766	14,267,583
2016-2020	2,361,329	224,099	-	-	20,529,232	9,227,051
2021-2025	-	-	-	-	16,839,562	4,845,688
2026-2030	-	-	-	-	9,630,615	1,069,906
2031-2035	-	-	-	-	800,000	124,000
Total	\$ 10,575,685	\$ 3,125,064	\$ 23,650	\$ 1,774	\$ 94,641,835	\$ 49,147,131

Business-type activities:

Year Ending June 30,	General Obligation Bonds		General Obligation Revenue Bonds		Total Business-type Activities	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 1,165,000	\$ 1,266,418	\$ 180,000	\$ 498,279	\$ 1,345,000	\$ 1,764,697
2007	1,210,000	1,231,805	190,000	490,879	1,400,000	1,722,684
2008	1,250,000	1,192,656	195,000	483,057	1,445,000	1,675,713
2009	1,290,000	1,148,368	205,000	474,807	1,495,000	1,623,175
2010	1,335,000	1,100,459	210,000	466,247	1,545,000	1,566,706
2011-2015	7,495,000	4,655,852	1,205,000	2,179,851	8,700,000	6,835,703
2016-2020	7,230,000	3,005,897	1,505,000	1,874,722	8,735,000	4,880,619
2021-2025	8,595,000	1,116,125	1,905,000	1,460,125	10,500,000	2,576,250
2026-2030	-	-	2,430,000	920,750	2,430,000	920,750
2031-2034	-	-	2,420,000	249,500	2,420,000	249,500
Total	\$ 29,570,000	\$ 14,717,580	\$ 10,445,000	\$ 9,098,217	\$ 40,015,000	\$ 23,815,797

Note 11. Long-term Debt (continued)

Changes in Long-term Debt:

	Balance June 30, 2004	Additions	Reductions	Golf Course Transfer	Balance June 30, 2005	Due Within One Year
Governmental activities:						
Bonds payable:						
General obligation bonds	\$ 17,032,600	\$ 7,250,000	\$ (755,100)	\$ -	\$ 23,527,500	\$ 847,600
General obligation school bonds	56,230,000	-	(2,525,000)	-	53,705,000	2,540,000
General obligation revenue bonds	-	-	-	6,410,000	6,410,000	25,000
Bond premiums/discounts (net)	190,037	-	(32,229)	(66,708)	91,100	5,508
Deferred bond refunding charges	(666,783)	-	55,373	-	(611,410)	(55,373)
Total bonds payable	\$ 72,785,854	\$ 7,250,000	\$ (3,256,956)	\$ 6,343,292	\$ 83,122,190	\$ 3,362,735
Notes payable	3,297,307	400,000	(3,297,307)	-	400,000	-
Capital leases	5,373,206	5,740,000	(537,521)	-	10,575,685	778,235
State Literary Fund Loans	35,475	-	(11,825)	-	23,650	11,825
Contractual obligation	886,773	-	(600,000)	-	286,773	286,773
Compensated absences	2,108,369	1,183,295	(976,900)	27,946	2,342,710	1,103,330
Governmental activities long-term debt	\$ 84,486,984	\$ 14,573,295	\$ (8,680,509)	\$ 6,371,238	\$ 96,751,008	\$ 5,542,898

Included in reductions to notes payable is \$2,970,000 representing assumed debt as explained further in Note 29.

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, 2005, \$85,519 of these internal service funds compensated absences are included in the above amounts.

	Balance June 30, 2004	Additions	Reductions	Golf Course Transfer	Balance June 30, 2005	Due Within One Year
Business-type activities:						
Bonds payable:						
General obligation bonds	\$ 29,630,000	\$ 4,260,000	\$ (4,320,000)	\$ -	\$ 29,570,000	\$ 1,165,000
General obligation revenue bonds	17,030,000	-	(175,000)	(6,410,000)	10,445,000	180,000
Bond premiums/discounts (net)	(204,845)	72,785	3,885	66,708	(61,467)	1,357
Deferred bond refunding charges	-	(323,097)	18,569	-	(304,528)	(29,710)
Total bonds payable	\$ 46,455,155	\$ 4,009,688	\$ (4,472,546)	\$ (6,343,292)	\$ 39,649,005	\$ 1,316,647
Notes payable	128,527	-	(128,527)	-	-	-
Landfill closure and postclosure	3,552,453	99,581	(692,922)	-	2,959,112	74,529
Compensated absences	739,500	466,054	(436,057)	(27,946)	741,551	407,595
Business-type activities long-term debt	\$ 50,875,635	\$ 4,575,323	\$ (5,730,052)	\$ (6,371,238)	\$ 43,349,668	\$ 1,798,771

Details of Long-term Debt:

The following is the detail of the primary government's long-term debt as of June 30, 2005.

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 5.40% maturing on July 15, 2005	\$ 330,000
Bonds bearing interest at 5.50% maturing on July 15, 2006	350,000
Subtotal	\$ 680,000

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, 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		120,000
		<hr/>
Subtotal	\$	<u>1,440,000</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, 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		535,000
		<hr/>
Subtotal	\$	<u>5,770,000</u>

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

Bonds bearing interest at 3.17% maturing on July 15, 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

Note 11. Long-term Debt (continued)

General Obligation Bonds (continued):

Bonds bearing interest at 3.17% maturing on July 15, 2008	472,100
Bonds bearing interest at 3.17% maturing on July 15, 2009	485,300
Bonds bearing interest at 3.17% maturing on July 15, 2010	502,700
Bonds bearing interest at 3.17% maturing on July 15, 2011	518,400
Bonds bearing interest at 3.17% maturing on July 15, 2012	532,900
Bonds bearing interest at 3.17% maturing on July 15, 2013	551,200
Bonds bearing interest at 3.17% maturing on July 15, 2014	568,000
Bonds bearing interest at 3.17% maturing on July 15, 2015	588,600
Bonds bearing interest at 3.17% maturing on July 15, 2016	607,400
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Subtotal	\$ 5,452,500

\$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
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	175,000
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Subtotal	\$ 2,935,000

Note 11. Long-term Debt (continued)

General Obligation Bonds (continued):

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

Bonds bearing interest at 3.55% maturing on July 15, 2006	\$	244,395
Bonds bearing interest at 3.55% maturing on July 15, 2007		264,510
Bonds bearing interest at 3.55% maturing on July 15, 2008		273,900
Bonds bearing interest at 3.55% maturing on July 15, 2009		283,624
Bonds bearing interest at 3.55% maturing on July 15, 2010		293,692
Bonds bearing interest at 3.55% maturing on July 15, 2011		304,119
Bonds bearing interest at 3.55% maturing on July 15, 2012		314,915
Bonds bearing interest at 3.55% maturing on July 15, 2013		326,094
Bonds bearing interest at 3.55% maturing on July 15, 2014		337,671
Bonds bearing interest at 3.55% maturing on July 15, 2015		349,658
Bonds bearing interest at 3.55% maturing on July 15, 2016		362,071
Bonds bearing interest at 3.55% maturing on July 15, 2017		374,924
Bonds bearing interest at 3.55% maturing on July 15, 2018		388,234
Bonds bearing interest at 3.55% maturing on July 15, 2019		402,016
Bonds bearing interest at 3.55% maturing on July 15, 2020		416,288
Bonds bearing interest at 3.55% maturing on July 15, 2021		431,066
Bonds bearing interest at 3.55% maturing on July 15, 2022		446,369
Bonds bearing interest at 3.55% maturing on July 15, 2023		462,215
Bonds bearing interest at 3.55% maturing on July 15, 2024		478,624
Bonds bearing interest at 3.55% maturing on July 15, 2025		<u>495,615</u>
Subtotal	\$	<u>7,250,000</u>
Total General Obligation Bonds	\$	<u><u>23,527,500</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 5.85% 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><u>3,370,000</u></u>

Note 11. Long-term Debt (continued)

General Obligation School Bonds (continued):

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

Bonds bearing interest at 6.35% 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>2,340,000</u>

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

Bonds bearing interest at 6.100% 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>1,965,000</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 4.100% 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>1,500,000</u>

Note 11. Long-term Debt (continued)

General Obligation School Bonds (continued):

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

Bonds bearing interest at 5.100% maturing on July 15, 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
Bonds bearing interest at 5.600% maturing on July 15, 2012	255,000
Bonds bearing interest at 5.600% maturing on July 15, 2013	255,000
Bonds bearing interest at 5.600% maturing on July 15, 2014	255,000
Bonds bearing interest at 5.600% maturing on July 15, 2015	255,000
Bonds bearing interest at 5.600% maturing on July 15, 2016	255,000
Bonds bearing interest at 5.600% maturing on July 15, 2017	255,000
Bonds bearing interest at 5.600% maturing on July 15, 2018	255,000
Bonds bearing interest at 5.600% maturing on July 15, 2019	255,000
Bonds bearing interest at 5.600% maturing on July 15, 2020	<u>255,000</u>
Subtotal	\$ <u>4,080,000</u>

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

Bonds bearing interest at 4.100% maturing on July 15, 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	<u>2,945,000</u>
Subtotal	\$ <u>40,450,000</u>
Total General Obligation School Bonds	\$ <u><u>53,705,000</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
		<u> </u>
Subtotal	\$	<u>6,410,000</u>
Total General Obligation Revenue Bonds	\$	<u><u>6,410,000</u></u>

Notes Payable:

\$400,000 Harrisonburg Redevelopment and Housing Authority Note, dated January 20, 2005, with interest payable quarterly:

Note bearing interest at 2.5% maturing on January 20, 2007	\$	<u>400,000</u>
Subtotal	\$	<u>400,000</u>
Total Notes Payable	\$	<u><u>400,000</u></u>

Note 11. Long-term Debt (continued)

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, 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>738,636</u>

\$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 4.75% 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>4,035,000</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, 2005 to June 24, 2006	\$	<u>62,049</u>
Subtotal	\$	<u>62,049</u>

Note 11. Long-term Debt (continued)

Capital Leases (continued):

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

Lease bearing interest at 3.76% maturing on December 1, 2005	\$	300,000
Lease bearing interest at 3.76% maturing on December 1, 2006		302,000
Lease bearing interest at 3.76% maturing on December 1, 2007		314,000
Lease bearing interest at 3.76% maturing on December 1, 2008		326,000
Lease bearing interest at 3.76% maturing on December 1, 2009		338,000
Lease bearing interest at 3.76% maturing on December 1, 2010		350,000
Lease bearing interest at 3.76% maturing on December 1, 2011		364,000
Lease bearing interest at 3.76% maturing on December 1, 2012		377,000
Lease bearing interest at 3.76% maturing on December 1, 2013		391,000
Lease bearing interest at 3.76% maturing on December 1, 2014		406,000
Lease bearing interest at 3.76% maturing on December 1, 2015		421,000
Lease bearing interest at 3.76% maturing on December 1, 2016		437,000
Lease bearing interest at 3.76% maturing on December 1, 2017		454,000
Lease bearing interest at 3.76% maturing on December 1, 2018		471,000
Lease bearing interest at 3.76% maturing on December 1, 2019		489,000
		<u>489,000</u>
Subtotal	\$	<u>5,740,000</u>
Total Capital Leases	\$	<u><u>10,575,685</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, 2005	\$	11,825
Loan bearing interest at 5.00% maturing on August 15, 2006		11,825
		<u>11,825</u>
Subtotal	\$	<u>23,650</u>
Total State Literary Fund Loans	\$	<u><u>23,650</u></u>
Total Governmental Activities	\$	<u><u>94,641,835</u></u>

Business-type activities:

General Obligation Bonds:

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

Bonds bearing interest at 3.000% 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

Note 11. Long-term Debt (continued)

General Obligation Bonds (continued):

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>

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

Bonds bearing interest at 2.375% maturing on October 1, 2005	\$ 325,000
Bonds bearing interest at 2.375% maturing on October 1, 2006	345,000
Bonds bearing interest at 2.375% maturing on October 1, 2007	355,000
Bonds bearing interest at 2.625% maturing on October 1, 2008	365,000
Bonds bearing interest at 2.875% maturing on October 1, 2009	370,000
Bonds bearing interest at 3.125% maturing on October 1, 2010	385,000
Bonds bearing interest at 3.375% maturing on October 1, 2011	395,000
Bonds bearing interest at 3.625% maturing on October 1, 2012	410,000
Bonds bearing interest at 3.625% maturing on October 1, 2013	420,000
Bonds bearing interest at 3.625% maturing on October 1, 2014	435,000
Bonds bearing interest at 4.4766% maturing on October 1, 2015	<u>455,000</u>
Subtotal	<u>\$ 4,260,000</u>
Total General Obligation Bonds	<u><u>\$ 29,570,000</u></u>

General Obligation Revenue Bonds:

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

Bonds bearing interest at 4.000% 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

Note 11. Long-term Debt (continued)

General Obligation Revenue Bonds (continued):

Bonds bearing interest at 4.300% maturing on July 15, 2013	250,000
Bonds bearing interest at 4.400% maturing on July 15, 2014	265,000
Bonds bearing interest at 4.500% maturing on July 15, 2015	275,000
Bonds bearing interest at 4.625% maturing on July 15, 2016	285,000
Bonds bearing interest at 4.700% maturing on July 15, 2017	300,000
Bonds bearing interest at 4.750% maturing on July 15, 2018	315,000
Bonds bearing interest at 4.875% maturing on July 15, 2019	330,000
Bonds bearing interest at 5.000% maturing on July 15, 2020	345,000
Bonds bearing interest at 5.000% maturing on July 15, 2021	360,000
Bonds bearing interest at 5.000% maturing on July 15, 2022	380,000
Bonds bearing interest at 5.000% maturing on July 15, 2023	400,000
Bonds bearing interest at 5.000% maturing on July 15, 2024	420,000
Bonds bearing interest at 5.000% maturing on July 15, 2025	440,000
Bonds bearing interest at 5.000% maturing on July 15, 2026	460,000
Bonds bearing interest at 5.000% maturing on July 15, 2027	485,000
Bonds bearing interest at 5.000% maturing on July 15, 2028	510,000
Bonds bearing interest at 5.000% maturing on July 15, 2029	535,000
Bonds bearing interest at 5.000% maturing on July 15, 2030	560,000
Bonds bearing interest at 5.000% maturing on July 15, 2031	590,000
Bonds bearing interest at 5.000% maturing on July 15, 2032	620,000
Bonds bearing interest at 5.000% maturing on July 15, 2033	650,000
	<hr/>
Subtotal	\$ 10,445,000
	<hr/>
Total General Obligation Revenue Bonds	\$ 10,445,000
	<hr/> <hr/>

Landfill Closure and Postclosure:

Estimated cost of landfill closure and postclosure:	
City Landfill	\$ 1,448,657
County Landfill - Assumed by the City	1,510,455
	<hr/>
Total Landfill Closure and Postclosure	\$ 2,959,112
	<hr/>
Total Business-type Activities	\$ 42,974,112
	<hr/> <hr/>
Total Primary Government Long-term Debt (Excluding the contractual obligation, compensated absences and unamortized premiums/discounts)	\$ 137,615,947
	<hr/> <hr/>

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

In June 2004, the City and James Madison University (JMU) entered into a revised and amended agreement concerning the sale and purchase of steam and chilled water at the City owned resource recovery facility. This facility produces steam and chilled water to meet all the heating and cooling needs of JMU's College of Integrated Science and Technology, as well as, other buildings. To the extent that the City continues to operate this facility, JMU has agreed to annually reimburse the City for the annual debt service payments on the City's \$4,260,000 Solid Waste Disposal System Refunding Bonds. The current year reimbursement for principal and interest on this bond totaled \$449,946. The outstanding balance of the City's bond issue at June 30, 2005 was \$4,260,000.

Note 11. Long-term Debt (continued)

In December 2001, the City entered into a contractual agreement with AIG Baker Development, LLC (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 \$286,773 remains outstanding. The remaining reimbursement will be paid in June 2006.

Component Unit – School Board

At June 30, 2005, the School Board had \$611,522 in long-term liabilities outstanding. This long-term liability is comprised of \$611,522 in compensated absences, of which \$264,789 is due within one year.

Component Unit – HEC

At June 30, 2005, HEC had \$943,068 in long-term liabilities outstanding. This long-term liability is comprised of \$279,233 in compensated absences, of which the entire amount is due within one year and \$663,835 in postretirement health care benefits, of which the entire amount is due in more than one year.

The Harrisonburg Electric Commission has a \$1 million unsecured line of credit with SunTrust Bank at a rate equal to LIBOR plus 100 basis points. There were no borrowings against this line of credit at June 30, 2005.

Note 12. 1996 Public Improvement Bonds Partially Refunded and Defeased

In May 2003, the City 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, 2005, \$4,805,000 of these old outstanding bonds are defeased.

Note 13. 1995 Solid Waste Disposal System Bonds Refunded and Defeased

In October 2004, the City issued \$4,260,000 in Solid Waste Disposal System Refunding Bonds with an average interest rate of 3.49 percent to advance refund \$4,055,000 of outstanding 1995 Solid Waste Disposal System Bonds with an average interest rate of 5.80 percent. The net proceeds of \$4,279,836 (after payment of \$894 in issuance costs) were used to purchase U.S. government securities. Those securities were deposited 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.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$323,097. The difference, reported in the accompanying financial statements as a deduction from long-term debt, is being amortized through fiscal year 2016 using the straight-line method. The City completed the advanced refunding to reduce its total debt service payments over the next 11 years by \$394,797 and to obtain an economic gain (difference between the present value of the old and new debt service payments) of \$334,168.

Note 14. 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.

As of June 30, 2005, there were two series of Industrial Revenue Bonds and 21 series of Redevelopment and Housing Authority Bonds outstanding, with an aggregate principal amount of \$1 million and \$211 million respectively.

Note 15. 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	\$ 1,015,530	\$ 543,601	\$ -
Loans receivable	375,000	-	-
Capital projects	4,275,714	5,216,154	892,244
Debt service	730,566	-	-
E-911	110,131	-	-
Drug forfeiture	90,360	-	-
Fire department grants	139,873	-	-
Police department grants	12,456	-	-
Total reserved fund balance	<u>\$ 6,749,630</u>	<u>\$ 5,759,755</u>	<u>\$ 892,244</u>
Designated for:			
Subsequent years' expenditures	\$ 1,625,698	\$ 6,538,433	\$ -
Port Republic Road project	52,922	-	-
Parks and recreation department	132,066	-	-
Denton park	16,480	-	-
Total designated fund balance	<u>\$ 1,827,166</u>	<u>\$ 6,538,433</u>	<u>\$ -</u>

Note 16. Judicial Complex Lease Agreement

In May 1998, 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

Note 16. Judicial Complex Lease Agreement (continued)

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 17. Social Services and Health Department Lease Agreement

In August 1995, 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 18. Defined Benefit Pension Plan

Plan Description. The City contributes to the Virginia Retirement System (VRS), an agent and cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System (System). All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 50 with 30 years of credited service (age 50 and 25 years of credited service for participating local law enforcement officers and firefighters) or at age 65 with five years of credited service (age 60 and five years of credited service for participating local law enforcement officers and firefighters). Employees who retire with an unreduced benefit are entitled to an annual retirement benefit payable monthly for life in an amount equal to 1.7 percent of their average final compensation (AFC) for each year of credited service. 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 adjustment limited to five percent per year beginning in their second year of retirement. Participating local law enforcement officers and firefighters may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the *Code of Virginia* (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia. The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/2004AnnuRept.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, 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 and

Note 18. Defined Benefit Pension Plan (continued)

HEC's contribution rate for the fiscal year ended 2005 was 10.25% of annual covered payroll. The School Board non-professional employees' contribution rate for the fiscal year ended 2005 was 0.75% 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, 2005, 2004, and 2003 were \$1,314,375, \$777,273, and \$747,432, respectively, and were equal to the required contributions for each year.

Annual Pension Cost. For 2005, the City of Harrisonburg and HEC's annual pension cost of \$2,001,569 was equal to the required and actual contributions. The School Board non-professional employees' annual pension cost of \$8,752 was equal to the required and actual contributions. The required contribution was determined as part of the June 30, 2003 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:			
2005	\$ 2,001,569	100%	\$ -
2004	1,117,117	100%	-
2003	1,035,499	100%	-
School Board Non-Professional Employees:			
2005	\$ 8,752	100%	-
2004	5,493	100%	-
2003	5,284	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, 2004	\$ 53,519,519	\$ 62,496,891	\$ 8,977,372	85.64%	\$ 18,584,069	48.31%
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%
School Board Non-Professional Employees:						
June 30, 2004	\$ 3,564,405	\$ 3,109,100	\$ (455,305)	114.64%	\$ 1,109,692	(41.03%)
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%)

Note 19. Postretirement Health Care Benefits

Primary Government

The City provides certain health care benefits for retirees who are at least 50 years of age and have at least 15 years of consecutive retirement eligible service with the City. The employee must also meet VRS retirement or disability requirements and must not be eligible for Medicare. The City contributes on a "pay-as-you-go" basis. There were 24 retired employees participating during the year, and the City made a total contribution of \$80,034 for retirees.

Component Unit – School Board

The School Board provides certain health care benefits for retirees who are at least 50 years of age and have at least 10 years of cumulative service (a minimum of five years with the School Board immediately preceding retirement). The employee must also meet VRS retirement or disability requirements and must not be eligible for Medicare. The School Board contributes on a "pay-as-you-go" basis. There were 58 retired employees participating during the year, and the School Board made a total contribution of \$183,101 for retirees.

Component Unit – HEC

The Harrisonburg Electric Commission (HEC) provides certain health care benefits for retirees who are at least 50 years of age and have at least 15 years of consecutive retirement eligible service with HEC. The employee must also meet VRS retirement or disability requirements and must not be eligible for Medicare. HEC adopted Financial Accounting Standards Board Statement No. 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions*. The statement requires the cost of employee postretirement benefits to be accrued over the employee's service period. The estimated employee postretirement benefit payable as of June 30, 2005 was \$663,835.

Note 20. James Madison University Lease Agreement

In June 2005, the City entered into a lease agreement with James Madison University (JMU) whereby the City has agreed to lease the former Harrisonburg High School property to JMU. Pursuant to the agreement, the City will lease the property to JMU for a five-year period beginning on July 1, 2005. Also, JMU will pay the City \$7.5 million over a five-year period with payments of \$1 million each of the first four years and a final payment of \$3.5 million in the fifth year. JMU shall have the right to purchase the property during the term of the lease agreement at a purchase price not to exceed \$18 million with any prior lease payments being applied as payment toward the purchase price. In conjunction with this lease, the Harrisonburg School Board declared the old high school surplus property in May 2005 and conveyed the property to the City on July 1, 2005.

Note 21. Landfill Closure and Postclosure Care Costs

In accordance with state and federal laws and regulations, the City is required to perform certain maintenance and monitoring functions at the City's closed landfill site for 30 years after the date of closure. The City closed its landfill in 1994. \$1,448,657 of the amount reported as landfill closure and postclosure care liability at June 30, 2005 represents the cumulative amount reported to date based on the use of 100% of the capacity of the landfill. Included in the total liability is an additional \$364,000 for groundwater remediation. Although, actual costs may range from \$200,000 to \$1,000,000 for the groundwater remediation plan, management believes that the costs associated with the remediation may ultimately be \$364,000. The City plans to fund its landfill closure and postclosure care costs with available funds from the Sanitation Fund.

Note 22. 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. \$366,732 of the amount reported as landfill closure and postclosure care liability at June 30, 2005 represents the cumulative amount reported to date based on the use of 100% of the capacity of the County's old landfill cell. This amount is based upon the estimated closure and postclosure care costs incurred since July 1, 1994, which is calculated by using the population ratio of the City and County, plus \$20,641 in liability incurred by the City prior to July 1, 1994. The County closed this cell in 2000.

The City also recognizes \$1,143,723 associated with a new, and subsequently expanded, landfill cell opened in 2001, which is based on the use of 66.9% of the estimated capacity of the new landfill cell. The City will recognize its remaining estimated cost of closure and postclosure care of \$567,067 as the remaining capacity of this new cell is used. The County expects to begin closing the new cell in 2007. Actual costs may be different due to inflation, changes in technology, or changes in regulations. The City plans to fund these landfill closure and postclosure care costs with available funds from the Sanitation Fund.

Note 23. Transactions with Component Units

For the year ended June 30, 2005, the City's General Fund made cash payments to the School Board, a component unit, totaling \$19,193,377. These payments are made monthly for the purpose of funding the School Board's operating budget.

For the year ended June 30, 2005, the Harrisonburg Electric Commission, a component unit, made cash payments to the City's General Fund totaling \$4,100,000. These payments are made monthly for the purpose of funding the General Fund budget.

Note 24. Golf Course Operations to be Reported in the General Fund

Beginning July 1, 2005, the operations of the golf course will no longer be reported as an enterprise fund. As a result, all financial assets, liabilities and net assets of the Golf Course Fund were transferred to the General Fund at June 30, 2005. The close out of the Golf Course Fund resulted in a transfer to the General Fund of \$495,706 that represented the Golf Course Fund's financial net assets. This transaction also resulted in an additional transfer of \$644,803 in nonfinancial net assets to the governmental activities in the government-wide financial statements.

Note 25. 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 \$17,083,150 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 64.79 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.

Note 25. Joint Venture (continued)

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
2006	\$ 571,692	\$ 585,000	\$ 1,156,692
2007	590,447	568,150	1,158,597
2008	625,912	550,989	1,176,901
2009	548,207	526,594	1,074,801
2010	569,990	501,568	1,071,558
2011-2015	3,285,610	2,070,418	5,356,028
2016-2020	4,185,976	1,158,477	5,344,453
2021-2022	1,982,257	151,889	2,134,146
Total	\$ 12,360,091	\$ 6,113,085	\$ 18,473,176

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, 2005	June 30, 2004	Increase (Decrease)
Current assets	\$ 2,215,137	\$ 2,348,843	\$ (133,706)
Restricted assets	2,385,267	3,044,942	(659,675)
Capital assets	22,398,914	23,013,597	(614,683)
Other assets	545,360	523,492	21,868
Total assets	\$ 27,544,678	\$ 28,930,874	\$ (1,386,196)
Current liabilities	\$ 440,671	\$ 342,626	\$ 98,045
Liabilities payable from restricted assets	951,700	920,927	30,773
Long-term liabilities	15,032,796	15,751,544	(718,748)
Total liabilities	\$ 16,425,167	\$ 17,015,097	\$ (589,930)
Net assets	\$ 11,119,511	\$ 11,915,777	\$ (796,266)

Note 26. Jointly Governed Organizations

The Harrisonburg-Rockingham Social Services District (District) was created by the City and the County of Rockingham (County) to provide social services for the residents of the City and County. Both the City and County appoint one member each to the governing board. The District is a separate legal entity and is a discretely presented component unit of the County. The City contributed \$1,774,175 to the District for the year ended June 30, 2005.

Note 27. 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 28. Harrisonburg Redevelopment and Housing Authority Agreements

One Court Square. In December 2004, the City entered into a support agreement with the Harrisonburg Redevelopment and Housing Authority (Authority) whereby the Authority purchased and is renovating an office building in the downtown area. The project, referred to as One Court Square, will serve as an incubator to attract telecommunication and other technology firms by providing leaseable office space to qualifying businesses. Pursuant to the agreement, the Authority incurred \$2 million in debt to finance the project with annual debt service payments totaling \$253,623 and the final debt payment maturing in December 2014.

The City has agreed to a non-binding moral obligation pledge to pay all operating expenses for the project, including debt service, to the extent that revenues from the leases are insufficient to pay these expenses. It is anticipated that renovations will be completed and tenants will begin occupying the building in January 2007. In fiscal year 2005, the City made payments totaling \$126,811 to the Authority for this project.

Harrisonburg Children's Museum. In April 2005, the City entered into a support agreement with the Harrisonburg Redevelopment and Housing Authority (Authority) whereby the Authority will purchase and renovate a building in the downtown area. Upon completion of the renovations, the Authority will lease the building to the Harrisonburg Children's Museum, Inc., a non-profit corporation, that will use the building as its permanent location. Pursuant to the agreement, the Authority incurred \$750,000 in debt to finance the project with annual debt service payments totaling \$67,668 and the final debt payment maturing in April 2020. The Authority will make its first debt service payment in October 2005.

The City has agreed to a non-binding moral obligation pledge to pay all operating expenses for the project, including debt service, to the extent that the revenue from the lease is insufficient to pay these expenses. It is anticipated that renovations will be completed and the Harrisonburg Children's Museum will begin occupying the building in January 2007.

Note 29. Lucy F. Simms Continuing Education Center

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

Note 30. Commitments

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 \$2,366,000 had been expended on the contract as of June 30, 2005. 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 \$37,750,894 and \$37,720,297 had been expended on the contract as of June 30, 2005. This contract is a commitment of the School Bond Capital Projects Fund and is being financed through the proceeds of a bond issue.

Note 30. Commitments (continued)

The City has a joint contract outstanding with the County of Rockingham for the implementation and construction of a radio communications system. The City's share of the contract totals \$9,358,756 and \$3,275,565 had been expended on the contract as of June 30, 2005. This contract is a commitment of the General Capital Projects Fund and is being financed through the proceeds of a capital lease obligation.

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 31. Subsequent Events

In July 2004, the City purchased two tracts of land totaling approximately 50.4 acres on Port Republic Road for \$4.2 million. The purchase was made from the General Fund and was financed through the proceeds of a bond issue that the City completed in June 2004.

Subsequent to June 30, 2005, the City entered into a \$1.5 million contract for the construction of a new 5.3 million gallon water tank at the City's water treatment plant. The contract is a commitment of the Water Fund and is being financed through the proceeds of a bond issue.

Note 32. 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, 2003 to June 30, 2005:

<u>Fiscal Year</u>	<u>Beginning Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Ending Liability</u>
2005	\$ 830,570	\$ 6,888,402	\$ 6,862,093	\$ 856,879
2004	844,747	6,531,320	6,545,497	830,570

Note 33. James Madison University Steam Agreement

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

Note 34. Contingent Liabilities

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

In January 2005, the Harrisonburg Redevelopment and Housing Authority (Authority) issued a \$2.7 million taxable note maturing in January 2008 at an interest rate of 2.5% to assist in financing the renovations of the historic portion of the Lucy F. Simms Continuing Education Center. The City has guaranteed the repayment of this note. The Authority anticipates receiving contributions totaling \$2.3 million from the Boys & Girls Club of Harrisonburg and Rockingham County (Boys & Girls Club), the Harrisonburg-Rockingham Association for Retarded Children, Inc. (ARC) and Lucy F. Simms, LP (Partnership) to assist in the repayment of the note. The City has also guaranteed these contributions to the Authority. The Boys & Girls Club, ARC and the Partnership are currently conducting fund raising campaigns to raise the needed contributions. It is the City's opinion that the Boys & Girls Club, ARC and the Partnership will be able to meet its contribution requirements without the City's assistance.

Note 35. 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 have been implemented by the City.

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 section of the City's comprehensive annual financial report.

Note 35. New Governmental Accounting Standards Board (GASB) Standards (continued)

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.

In December 2004, the GASB issued Statement No. 46, *Net Assets Restricted by Enabling Legislation – an amendment of GASB Statement No. 34*. This Statement clarifies and establishes new disclosure requirements for net assets that are restricted by parties external to a government. 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 June 2005, the GASB issued Statement No. 47, *Accounting for Termination Benefits*. This Statement establishes new standards and disclosure requirements for voluntary and involuntary termination benefits. The provisions of this statement are effective for fiscal year 2006 and will not have a material effect on the City's financial statements.

**OTHER
SUPPLEMENTARY INFORMATION**

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Nonmajor Governmental Funds

Special Revenue Funds

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

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

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

**CITY OF HARRISONBURG, VIRGINIA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
At June 30, 2005**

Exhibit A-1

	<u>Special Revenue Funds</u>		
	<u>Emergency Communications Center Fund</u>	<u>Community Development Block Grant Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Assets			
Receivables	\$ -	\$ 199,615	\$ 199,615
Total assets	<u>\$ -</u>	<u>\$ 199,615</u>	<u>\$ 199,615</u>
Liabilities			
Accounts payable	\$ -	\$ 75,202	\$ 75,202
Accrued payroll	-	2,913	2,913
Due to other funds	-	121,500	121,500
Total liabilities	<u>\$ -</u>	<u>\$ 199,615</u>	<u>\$ 199,615</u>

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

Exhibit A-2

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2005**

	<u>Special Revenue Funds</u>		
	<u>Emergency Communications Center Fund</u>	<u>Community Development Block Grant Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues:			
Intergovernmental	\$ -	\$ 496,977	\$ 496,977
Total revenues	<u>\$ -</u>	<u>\$ 496,977</u>	<u>\$ 496,977</u>
Expenditures:			
Current:			
Planning and community development	\$ -	\$ 339,020	\$ 339,020
Total expenditures	<u>\$ -</u>	<u>\$ 339,020</u>	<u>\$ 339,020</u>
Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ 157,957</u>	<u>\$ 157,957</u>
Other financing sources (uses):			
Transfers out	\$ -	\$ (157,957)	\$ (157,957)
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ (157,957)</u>	<u>\$ (157,957)</u>
Net change in fund balances	\$ -	\$ -	\$ -
Fund balances at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances at end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

EMERGENCY COMMUNICATIONS CENTER FUND

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

For the Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Other local taxes	\$ 212,318	\$ -	\$ -	\$ -
Recovered costs	468,594	212,516	-	(212,516)
Intergovernmental	62,143	62,143	-	(62,143)
Total revenues	<u>\$ 743,055</u>	<u>\$ 274,659</u>	<u>\$ -</u>	<u>\$ (274,659)</u>
Expenditures:				
Current:				
Public safety	\$ 1,045,659	\$ 274,659	\$ -	\$ 274,659
Total expenditures	<u>\$ 1,045,659</u>	<u>\$ 274,659</u>	<u>\$ -</u>	<u>\$ 274,659</u>
Deficiency of revenues under expenditures	<u>\$ (302,604)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Other financing sources (uses):				
Transfers in	\$ 302,604	\$ -	\$ -	\$ -
Total other financing sources (uses)	<u>\$ 302,604</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance at beginning of year			<u>-</u>	
Fund balance at end of year			<u>\$ -</u>	

**CITY OF HARRISONBURG, VIRGINIA
COMMUNITY DEVELOPMENT BLOCK GRANT FUND**

Exhibit A-4

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

For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 648,000	\$ 648,000	\$ 496,977	\$ (151,023)
Total revenues	<u>\$ 648,000</u>	<u>\$ 648,000</u>	<u>\$ 496,977</u>	<u>\$ (151,023)</u>
Expenditures:				
Current:				
Planning and community development	\$ 431,620	\$ 431,620	\$ 339,020	\$ 92,600
Total expenditures	<u>\$ 431,620</u>	<u>\$ 431,620</u>	<u>\$ 339,020</u>	<u>\$ 92,600</u>
Excess of revenues over expenditures	<u>\$ 216,380</u>	<u>\$ 216,380</u>	<u>\$ 157,957</u>	<u>\$ (58,423)</u>
Other financing sources (uses):				
Transfers out	\$ (216,380)	\$ (216,380)	\$ (157,957)	\$ 58,423
Total other financing sources (uses)	<u>\$ (216,380)</u>	<u>\$ (216,380)</u>	<u>\$ (157,957)</u>	<u>\$ 58,423</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance at beginning of year			<u>-</u>	
Fund balance at end of year			<u>\$ -</u>	

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Internal Service Funds

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

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

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

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

CITY OF HARRISONBURG, VIRGINIA
INTERNAL SERVICE FUNDS
COMBINING BALANCE SHEET
At June 30, 2005

Exhibit B-1

	<u>Central Garage Fund</u>	<u>Central Stores Fund</u>	<u>Health Insurance Fund</u>	<u>Total</u>
Assets				
Current assets:				
Cash and cash equivalents	\$ 61,716	\$ -	\$ 3,634,692	\$ 3,696,408
Receivables	3,087	-	847	3,934
Due from component unit	3,560	-	-	3,560
Inventory	473,513	1,137,844	-	1,611,357
Total current assets	<u>\$ 541,876</u>	<u>\$ 1,137,844</u>	<u>\$ 3,635,539</u>	<u>\$ 5,315,259</u>
Noncurrent assets:				
Capital assets (net of accumulated depreciation)	\$ 61,446	\$ 3,451	\$ -	\$ 64,897
Total noncurrent assets	<u>\$ 61,446</u>	<u>\$ 3,451</u>	<u>\$ -</u>	<u>\$ 64,897</u>
Total assets	<u><u>\$ 603,322</u></u>	<u><u>\$ 1,141,295</u></u>	<u><u>\$ 3,635,539</u></u>	<u><u>\$ 5,380,156</u></u>
Liabilities and Net Assets				
Current liabilities:				
Accounts payable	\$ 48,431	\$ 567	\$ 856,879	\$ 905,877
Accrued payroll	16,055	1,195	-	17,250
Due to other funds	-	136,660	-	136,660
Due to component unit	-	294	-	294
Compensated absences	42,679	2,316	-	44,995
Total current liabilities	<u>\$ 107,165</u>	<u>\$ 141,032</u>	<u>\$ 856,879</u>	<u>\$ 1,105,076</u>
Noncurrent liabilities:				
Compensated absences	\$ 37,994	\$ 2,530	\$ -	\$ 40,524
Total noncurrent liabilities	<u>\$ 37,994</u>	<u>\$ 2,530</u>	<u>\$ -</u>	<u>\$ 40,524</u>
Total liabilities	<u><u>\$ 145,159</u></u>	<u><u>\$ 143,562</u></u>	<u><u>\$ 856,879</u></u>	<u><u>\$ 1,145,600</u></u>
Net assets:				
Invested in capital assets	\$ 61,446	\$ 3,451	\$ -	\$ 64,897
Unrestricted	396,717	994,282	2,778,660	4,169,659
Total net assets	<u><u>\$ 458,163</u></u>	<u><u>\$ 997,733</u></u>	<u><u>\$ 2,778,660</u></u>	<u><u>\$ 4,234,556</u></u>
Total liabilities and net assets	<u><u>\$ 603,322</u></u>	<u><u>\$ 1,141,295</u></u>	<u><u>\$ 3,635,539</u></u>	<u><u>\$ 5,380,156</u></u>

CITY OF HARRISONBURG, VIRGINIA

Exhibit B-2

INTERNAL SERVICE FUNDS

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

For the Year Ended June 30, 2005

	Central Garage Fund	Central Stores Fund	Health Insurance Fund	Total
Operating revenues:				
Charges for services	\$ 2,002,663	\$ 940,693	\$ 8,748,813	\$ 11,692,169
Total operating revenues	<u>\$ 2,002,663</u>	<u>\$ 940,693</u>	<u>\$ 8,748,813</u>	<u>\$ 11,692,169</u>
Operating expenses:				
Personal services	\$ 433,712	\$ 31,995	\$ -	\$ 465,707
Fringe benefits	139,630	7,320	-	146,950
Purchased services	19,693	3,254	410,878	433,825
Internal services	1,533	1,445	-	2,978
Other charges	6,735	14,546	513,146	534,427
Materials and supplies	39,493	612	-	40,105
Depreciation	12,656	2,589	-	15,245
Cost of inventory issued	1,414,250	936,861	-	2,351,111
Claims related charges	-	-	6,888,402	6,888,402
Total operating expenses	<u>\$ 2,067,702</u>	<u>\$ 998,622</u>	<u>\$ 7,812,426</u>	<u>\$ 10,878,750</u>
Operating income (loss)	<u>\$ (65,039)</u>	<u>\$ (57,929)</u>	<u>\$ 936,387</u>	<u>\$ 813,419</u>
Nonoperating revenues:				
Investment revenue	\$ 1,633	\$ -	\$ 72,553	\$ 74,186
Total nonoperating revenues	<u>\$ 1,633</u>	<u>\$ -</u>	<u>\$ 72,553</u>	<u>\$ 74,186</u>
Income (loss) before transfers	<u>\$ (63,406)</u>	<u>\$ (57,929)</u>	<u>\$ 1,008,940</u>	<u>\$ 887,605</u>
Transfers in	<u>97,872</u>	<u>60,434</u>	<u>-</u>	<u>158,306</u>
Change in net assets	<u>\$ 34,466</u>	<u>\$ 2,505</u>	<u>\$ 1,008,940</u>	<u>\$ 1,045,911</u>
Net assets at beginning of year	<u>423,697</u>	<u>995,228</u>	<u>1,769,720</u>	<u>3,188,645</u>
Net assets at end of year	<u><u>\$ 458,163</u></u>	<u><u>\$ 997,733</u></u>	<u><u>\$ 2,778,660</u></u>	<u><u>\$ 4,234,556</u></u>

CITY OF HARRISONBURG, VIRGINIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2005

	Central Garage Fund	Central Stores Fund	Health Insurance Fund	Total
Cash flows from operating activities:				
Receipts from customers	\$ 2,003,271	\$ 940,693	\$ -	\$ 2,943,964
Receipts from premiums	-	-	8,748,813	8,748,813
Payments to employees	(419,289)	(31,221)	-	(450,510)
Payments for fringe benefits	(135,261)	(7,261)	-	(142,522)
Payments to vendors	(1,541,695)	(1,107,009)	(924,023)	(3,572,727)
Payments for internal services	(1,533)	(1,445)	-	(2,978)
Payments for claims related charges	-	-	(6,862,094)	(6,862,094)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net cash provided by (used for) operating activities	\$ (94,507)	\$ (206,243)	\$ 962,696	\$ 661,946
Cash flows from noncapital financing activities:				
Transfers in	\$ 97,872	\$ 60,434	\$ -	\$ 158,306
Interfund loan	-	136,660	-	136,660
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net cash provided by noncapital financing activities	\$ 97,872	\$ 197,094	\$ -	\$ 294,966
Cash flows from investing activities:				
Interest received	\$ 1,620	\$ -	\$ 71,842	\$ 73,462
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net cash provided by investing activities	\$ 1,620	\$ -	\$ 71,842	\$ 73,462
Net increase (decrease) in cash and cash equivalents				
	\$ 4,985	\$ (9,149)	\$ 1,034,538	\$ 1,030,374
Cash and cash equivalents:				
Beginning	<u>56,731</u>	<u>9,149</u>	<u>2,600,154</u>	<u>2,666,034</u>
Ending	<u>\$ 61,716</u>	<u>\$ -</u>	<u>\$ 3,634,692</u>	<u>\$ 3,696,408</u>

(continued)

CITY OF HARRISONBURG, VIRGINIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2005

	<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)	\$ (65,039)	\$ (57,929)	\$ 936,387	\$ 813,419
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	(636)	-	-	(636)
Due from component unit	1,244	-	-	1,244
Inventory	(60,186)	(151,930)	-	(212,116)
Prepaid expenses	3,286	-	-	3,286
Increase (decrease) in:				
Accounts payable	(1,338)	137	26,309	25,108
Accrued payroll	3,491	174	-	3,665
Due to component unit	-	57	-	57
Compensated absences	12,015	659	-	12,674
Net cash provided by (used for) operating activities	<u>\$ (94,507)</u>	<u>\$ (206,243)</u>	<u>\$ 962,696</u>	<u>\$ 661,946</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, 2005

Exhibit C-1

	<u>Juvenile Crime Control Fund</u>	<u>Industrial Development Authority Fund</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 11,669	\$ 10,229	\$ 21,898
Interest receivable	<u>4</u>	<u>3</u>	<u>7</u>
Total assets	<u>\$ 11,673</u>	<u>\$ 10,232</u>	<u>\$ 21,905</u>
Liabilities			
Accounts payable	\$ 1,348	\$ -	\$ 1,348
Accrued payroll	1,696	-	1,696
Amounts held for others	<u>8,629</u>	<u>10,232</u>	<u>18,861</u>
Total liabilities	<u>\$ 11,673</u>	<u>\$ 10,232</u>	<u>\$ 21,905</u>

AGENCY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES

For the Year Ended June 30, 2005

	<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	\$ 13,296	\$ 125,920	\$ 127,547	\$ 11,669
Interest receivable	1	4	1	4
Prepaid expenses	214	-	214	-
Total assets	\$ 13,511	\$ 125,924	\$ 127,762	\$ 11,673
Liabilities:				
Accounts payable	\$ 652	\$ 1,348	\$ 652	\$ 1,348
Accrued payroll	1,595	1,696	1,595	1,696
Amounts held for others	11,264	129,150	131,785	8,629
Total liabilities	\$ 13,511	\$ 132,194	\$ 134,032	\$ 11,673
<u>Industrial Development Authority Fund</u>				
Assets:				
Cash and cash equivalents	\$ 10,013	\$ 216	\$ -	\$ 10,229
Interest receivable	1	3	1	3
Total assets	\$ 10,014	\$ 219	\$ 1	\$ 10,232
Liabilities:				
Amounts held for others	\$ 10,014	\$ 218	\$ -	\$ 10,232
Total liabilities	\$ 10,014	\$ 218	\$ -	\$ 10,232
<u>Total - All Agency Funds</u>				
Assets:				
Cash and cash equivalents	\$ 23,309	\$ 126,136	\$ 127,547	\$ 21,898
Interest receivable	2	7	2	7
Prepaid expenses	214	-	214	-
Total assets	\$ 23,525	\$ 126,143	\$ 127,763	\$ 21,905
Liabilities:				
Accounts payable	\$ 652	\$ 1,348	\$ 652	\$ 1,348
Accrued payroll	1,595	1,696	1,595	1,696
Amounts held for others	21,278	129,368	131,785	18,861
Total liabilities	\$ 23,525	\$ 132,412	\$ 134,032	\$ 21,905

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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, 2005

Exhibit D-1

	<u>School Fund</u>	<u>School Cafeteria Fund</u>	<u>School Capital Projects Fund</u>	<u>Totals</u>
Assets				
Cash and cash equivalents	\$ 4,861,560	\$ 490,451	\$ 132,948	\$ 5,484,959
Investments	-	300,014	-	300,014
Receivables	1,146,203	-	-	1,146,203
Due from other funds	-	17,607	-	17,607
Inventory	-	36,726	-	36,726
Prepaid expenditures	210,075	-	-	210,075
Total assets	<u>\$ 6,217,838</u>	<u>\$ 844,798</u>	<u>\$ 132,948</u>	<u>\$ 7,195,584</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 25,595	\$ -	\$ -	\$ 25,595
Accrued payroll	3,496,697	-	-	3,496,697
Due to other funds	17,607	-	-	17,607
Due to component unit	65,796	-	-	65,796
Total liabilities	<u>\$ 3,605,695</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,605,695</u>
Fund Balances:				
Reserved	\$ 210,075	\$ -	\$ -	\$ 210,075
Unreserved:				
Designated	-	-	132,948	132,948
Undesignated	2,402,068	844,798	-	3,246,866
Total fund balances	<u>\$ 2,612,143</u>	<u>\$ 844,798</u>	<u>\$ 132,948</u>	<u>\$ 3,589,889</u>
Total liabilities and fund balances	<u>\$ 6,217,838</u>	<u>\$ 844,798</u>	<u>\$ 132,948</u>	<u>\$ 7,195,584</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, 2005

Exhibit D-2

Total fund balance of governmental funds (Exhibit C-1)	\$ 3,589,889
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.	23,280,250
Long-term liabilities, and related accounts, are not payable from current financial resources and therefore are not reported in the funds.	<u>(611,522)</u>
Net assets of governmental activities (Exhibit 1)	\$ <u><u>26,258,617</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, 2005

Exhibit D-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	\$ 14,539	\$ 11,466	\$ -	\$ 26,005
Charges for services	358,392	510,208	-	868,600
Miscellaneous	36,900	-	-	36,900
Recovered costs	40,603	8,090	-	48,693
Payment from primary government	19,193,377	-	-	19,193,377
Intergovernmental	19,918,119	986,365	-	20,904,484
Total revenues	<u>\$ 39,561,930</u>	<u>\$ 1,516,129</u>	<u>\$ -</u>	<u>\$ 41,078,059</u>
Expenditures:				
Current:				
Education	\$ 39,208,742	\$ 1,369,554	\$ -	\$ 40,578,296
Capital projects	-	-	100	100
Total expenditures	<u>\$ 39,208,742</u>	<u>\$ 1,369,554</u>	<u>\$ 100</u>	<u>\$ 40,578,396</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 353,188</u>	<u>\$ 146,575</u>	<u>\$ (100)</u>	<u>\$ 499,663</u>
Other financing sources (uses):				
Transfers in	\$ -	\$ 39,810	\$ -	\$ 39,810
Transfers out	(39,810)	-	-	(39,810)
Total other financing sources (uses)	<u>\$ (39,810)</u>	<u>\$ 39,810</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balances	\$ 313,378	\$ 186,385	\$ (100)	\$ 499,663
Fund balances at beginning of year	<u>2,298,765</u>	<u>658,413</u>	<u>133,048</u>	<u>3,090,226</u>
Fund balances at end of year	<u><u>\$ 2,612,143</u></u>	<u><u>\$ 844,798</u></u>	<u><u>\$ 132,948</u></u>	<u><u>\$ 3,589,889</u></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, 2005

Exhibit D-4

Total net change in fund balances of governmental funds (Exhibit C-3)	\$ 499,663
<p>Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:</p>	
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay expenditures in the current period.</p>	
Capital outlay expenditures	\$ 495,574
Depreciation expense	<u>(900,705)</u>
Net adjustment	<u>\$ (405,131)</u> (405,131)
<p>Certain expenses reported in the statement of activities that do not require the use of current financial resources are not reported as expenditures in governmental funds. This amount is the net change in these expenses.</p>	
	(34,433)
<p>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.</p>	
	<u>2,219,080</u>
Change in net assets of governmental activities (Exhibit 2)	<u>\$ 2,279,179</u>

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

Exhibit D-5

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2005**

	<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	\$ 9,822	\$ 9,822	\$ 14,539	\$ 4,717
Charges for services	521,234	535,014	358,392	(176,622)
Miscellaneous	-	36,900	36,900	-
Recovered costs	30,106	31,106	40,603	9,497
Payment from primary government	20,167,629	19,193,377	19,193,377	-
Intergovernmental	18,548,107	20,019,692	19,918,119	(101,573)
Total revenues	<u>\$ 39,276,898</u>	<u>\$ 39,825,911</u>	<u>\$ 39,561,930</u>	<u>\$ (263,981)</u>
Expenditures:				
Current:				
Education	\$ 39,241,818	\$ 40,044,168	\$ 39,208,742	\$ 835,426
Total expenditures	<u>\$ 39,241,818</u>	<u>\$ 40,044,168</u>	<u>\$ 39,208,742</u>	<u>\$ 835,426</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 35,080</u>	<u>\$ (218,257)</u>	<u>\$ 353,188</u>	<u>\$ 571,445</u>
Other financing (uses):				
Transfers out	\$ (35,080)	\$ (41,276)	\$ (39,810)	\$ 1,466
Total other financing (uses)	<u>\$ (35,080)</u>	<u>\$ (41,276)</u>	<u>\$ (39,810)</u>	<u>\$ 1,466</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (259,533)</u>	<u>\$ 313,378</u>	<u>\$ 572,911</u>
Fund balance at beginning of year			<u>2,298,765</u>	
Fund balance at end of year			<u>\$ 2,612,143</u>	

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

Exhibit D-6

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2005**

	<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	\$ -	\$ -	\$ 11,466	\$ 11,466
Charges for services	621,204	591,600	510,208	(81,392)
Recovered costs	-	-	8,090	8,090
Intergovernmental	742,184	925,368	986,365	60,997
Total revenues	<u>\$ 1,363,388</u>	<u>\$ 1,516,968</u>	<u>\$ 1,516,129</u>	<u>\$ (839)</u>
Expenditures:				
Current:				
Education	\$ 1,398,468	\$ 1,558,244	\$ 1,369,554	\$ 188,690
Total expenditures	<u>\$ 1,398,468</u>	<u>\$ 1,558,244</u>	<u>\$ 1,369,554</u>	<u>\$ 188,690</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (35,080)</u>	<u>\$ (41,276)</u>	<u>\$ 146,575</u>	<u>\$ 187,851</u>
Other financing sources:				
Transfers in	\$ 35,080	\$ 41,276	\$ 39,810	\$ (1,466)
Total other financing sources	<u>\$ 35,080</u>	<u>\$ 41,276</u>	<u>\$ 39,810</u>	<u>\$ (1,466)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 186,385</u>	<u>\$ 186,385</u>
Fund balance at beginning of year			<u>658,413</u>	
Fund balance at end of year			<u>\$ 844,798</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, 2005

<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	\$ 12,248,250	\$ 12,159,177	\$ (89,073)
Real and personal public service corporation property taxes	344,354	314,038	(30,316)
Personal property taxes	4,135,520	3,663,731	(471,789)
Mobile home taxes	7,584	9,397	1,813
Machinery and tools taxes	1,700,000	1,730,900	30,900
Penalties and interest	205,000	206,217	1,217
Total general property taxes	<u>\$ 18,640,708</u>	<u>\$ 18,083,460</u>	<u>\$ (557,248)</u>
Other local taxes:			
Local sales and use taxes	\$ 9,400,000	\$ 10,739,589	\$ 1,339,589
Consumer utility taxes	2,016,000	1,849,330	(166,670)
Business license taxes	5,020,278	5,274,648	254,370
Franchise license taxes	266,000	285,736	19,736
Motor vehicle license taxes	500,000	504,105	4,105
Bank stock taxes	357,430	389,143	31,713
Taxes on recordation and wills	260,000	521,520	261,520
Tobacco taxes	1,300,000	967,983	(332,017)
Admission and amusement taxes	170,000	164,417	(5,583)
Hotel and motel room taxes	1,140,000	1,262,314	122,314
Restaurant food taxes	6,400,000	6,711,580	311,580
Emergency telephone service taxes	401,471	431,884	30,413
Public rights-of-way use fee	136,800	138,735	1,935
Total other local taxes	<u>\$ 27,367,979</u>	<u>\$ 29,240,984</u>	<u>\$ 1,873,005</u>
Permits, privilege fees and regulatory licenses:			
Animal licenses	\$ 10,000	\$ 6,484	\$ (3,516)
Permits and other licenses	298,520	397,137	98,617
Total permits, privilege fees and regulatory licenses	<u>\$ 308,520</u>	<u>\$ 403,621</u>	<u>\$ 95,101</u>
Fines and forfeitures:			
Circuit court fines	\$ 402,000	\$ 504,791	\$ 102,791
Drug forfeiture	-	99,238	99,238
Total fines and forfeitures	<u>\$ 402,000</u>	<u>\$ 604,029</u>	<u>\$ 202,029</u>
Revenue from use of money and property:			
Revenue from use of money	\$ 265,000	\$ 477,830	\$ 212,830
Revenue from use of property	26,000	132,260	106,260
Total revenue from use of money and property	<u>\$ 291,000</u>	<u>\$ 610,090</u>	<u>\$ 319,090</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, 2005

<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	\$ 5,000	\$ 2,740	\$ (2,260)
Charges for law enforcement and traffic control	1,500	11,688	10,188
Charges for parks and recreation	245,700	278,415	32,715
Total charges for services	<u>\$ 252,200</u>	<u>\$ 292,843</u>	<u>\$ 40,643</u>
Miscellaneous:			
Payment from Harrisonburg Electric Commission	\$ 4,100,000	\$ 4,100,000	\$ -
Payments in lieu of taxes:			
Electric plant and equipment	305,600	305,600	-
Public housing	8,000	9,994	1,994
Others	11,500	10,649	(851)
Sale of land	-	158,316	158,316
Sale of used equipment	32,500	74,641	42,141
Sale of materials and supplies	1,500	3,142	1,642
Donations - JMU & EMU	105,000	102,000	(3,000)
Donations	18,060	49,400	31,340
Total miscellaneous	<u>\$ 4,582,160</u>	<u>\$ 4,813,742</u>	<u>\$ 231,582</u>
Recovered costs:			
Recoveries and rebates	\$ 254,100	\$ 163,050	\$ (91,050)
EOC payments from Rockingham County	552,294	473,074	(79,220)
Court appointed attorney	20,000	26,534	6,534
Insurance recoveries	10,000	2,473	(7,527)
Total recovered costs	<u>\$ 836,394</u>	<u>\$ 665,131</u>	<u>\$ (171,263)</u>
Intergovernmental:			
Revenue from the Commonwealth:			
Non-categorical aid:			
ABC profits	\$ 41,000	\$ 23,715	\$ (17,285)
Wine taxes	44,000	24,858	(19,142)
Railroad rolling stock taxes	10,800	11,484	684
Mobile home titling taxes	4,000	3,941	(59)
Tax on deeds (grantor tax)	107,000	102,924	(4,076)
Personal property tax reimbursement	1,255,000	1,405,711	150,711
State aid to localities, police	1,035,900	1,284,688	248,788
Auto rental taxes	135,000	160,718	25,718
Animal friendly license plate	838	838	-
Total non-categorical aid	<u>\$ 2,633,538</u>	<u>\$ 3,018,877</u>	<u>\$ 385,339</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, 2005

<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	\$ 133,909	\$ 5,909
Treasurer	116,000	117,704	1,704
Medical examiner fees	350	690	340
Registrar	30,200	49,339	19,139
Total shared expenses	<u>\$ 274,550</u>	<u>\$ 301,642</u>	<u>\$ 27,092</u>
Other categorical aid:			
Hazardous material grant	\$ 12,500	\$ 12,000	\$ (500)
Office of emergency services grant	11,597	11,597	-
Fire programs fund	122,524	79,667	(42,857)
Two-for-life	13,333	13,333	-
Bicycle helmet grant	489	489	-
Litter control grant	6,300	6,226	(74)
Street and highway maintenance	2,954,843	3,053,309	98,466
Total other categorical aid	<u>\$ 3,121,586</u>	<u>\$ 3,176,621</u>	<u>\$ 55,035</u>
Total categorical aid	<u>\$ 3,396,136</u>	<u>\$ 3,478,263</u>	<u>\$ 82,127</u>
Total revenue from the Commonwealth	<u>\$ 6,029,674</u>	<u>\$ 6,497,140</u>	<u>\$ 467,466</u>
Revenue from the Federal Government:			
Categorical aid:			
Local law enforcement block grant	\$ 11,135	\$ 11,135	\$ -
Special awards grant	9,212	9,212	-
Police DMV grant	29,836	29,836	-
FEMA assistance to firefighters grant	94,943	94,943	-
Homeland security grants	238,683	238,683	-
HRT regional team grant	-	42,857	42,857
Weed and seed funds	10,092	10,092	-
VDG urban forestry grant	5,000	-	(5,000)
Voting machines	25,500	-	(25,500)
Total revenue from the Federal Government	<u>\$ 424,401</u>	<u>\$ 436,758</u>	<u>\$ 12,357</u>
Total intergovernmental	<u>\$ 6,454,075</u>	<u>\$ 6,933,898</u>	<u>\$ 479,823</u>
Total General Fund	<u><u>\$ 59,135,036</u></u>	<u><u>\$ 61,647,798</u></u>	<u><u>\$ 2,512,762</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, 2005

<u>Fund, Major and Minor Revenue Sources</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Primary Government: (continued)			
Special Revenue Funds:			
Emergency Communications Center Fund:			
Recovered costs:			
EOC payments from Rockingham County	\$ 212,516	\$ -	\$ (212,516)
Total recovered costs	<u>\$ 212,516</u>	<u>\$ -</u>	<u>\$ (212,516)</u>
Intergovernmental:			
Revenue from the Commonwealth:			
Categorical aid:			
Shared expenses:			
Dispatchers	\$ 62,143	\$ -	\$ (62,143)
Total revenue from the Commonwealth	<u>\$ 62,143</u>	<u>\$ -</u>	<u>\$ (62,143)</u>
Total intergovernmental	<u>\$ 62,143</u>	<u>\$ -</u>	<u>\$ (62,143)</u>
Total Emergency Communications Center Fund	<u><u>\$ 274,659</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (274,659)</u></u>
Community Development Block Grant Fund:			
Intergovernmental:			
Revenue from the Federal Government:			
Non-categorical aid:			
Community Development Block Grant	\$ 648,000	\$ 496,977	\$ (151,023)
Total revenue from the Federal Government	<u>\$ 648,000</u>	<u>\$ 496,977</u>	<u>\$ (151,023)</u>
Total intergovernmental	<u>\$ 648,000</u>	<u>\$ 496,977</u>	<u>\$ (151,023)</u>
Total Community Development Block Grant Fund	<u><u>\$ 648,000</u></u>	<u><u>\$ 496,977</u></u>	<u><u>\$ (151,023)</u></u>
Total Special Revenue Funds	<u><u>\$ 922,659</u></u>	<u><u>\$ 496,977</u></u>	<u><u>\$ (425,682)</u></u>
Capital Projects Funds:			
General Capital Projects Fund:			
Revenue from use of money and property:			
Revenue from use of money	\$ 51,744	\$ 77,193	\$ 25,449
Total revenue from use of money and property	<u>\$ 51,744</u>	<u>\$ 77,193</u>	<u>\$ 25,449</u>
Miscellaneous:			
Donations	\$ 50,000	\$ 50,000	\$ -
Total miscellaneous	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<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, 2005

<u>Fund, Major and Minor Revenue Sources</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Capital Projects Funds: (continued)			
General Capital Projects Fund: (continued)			
Recovered costs:			
Reimbursement for radio system from Rockingham County	\$ 33,205	\$ 60,197	\$ 26,992
Reimbursement for EOC from Rockingham County	1,036,139	1,137,625	101,486
Total recovered costs	<u>\$ 1,069,344</u>	<u>\$ 1,197,822</u>	<u>\$ 128,478</u>
Intergovernmental:			
Revenue from the Federal Government:			
Categorical aid:			
ISTEA grant	\$ 172,486	\$ 329,286	\$ 156,800
Total revenue from the Federal Government	<u>\$ 172,486</u>	<u>\$ 329,286</u>	<u>\$ 156,800</u>
Total intergovernmental	<u>\$ 172,486</u>	<u>\$ 329,286</u>	<u>\$ 156,800</u>
Total General Capital Projects Fund	<u><u>\$ 1,343,574</u></u>	<u><u>\$ 1,654,301</u></u>	<u><u>\$ 310,727</u></u>
School Bond Capital Projects Fund:			
Revenue from local sources:			
Revenue from use of money	\$ 103,799	\$ 98,591	\$ (5,208)
Total revenue from local sources	<u>\$ 103,799</u>	<u>\$ 98,591</u>	<u>\$ (5,208)</u>
Total School Bond Capital Projects Fund	<u><u>\$ 103,799</u></u>	<u><u>\$ 98,591</u></u>	<u><u>\$ (5,208)</u></u>
Total Capital Projects Funds	<u><u>\$ 1,447,373</u></u>	<u><u>\$ 1,752,892</u></u>	<u><u>\$ 305,519</u></u>
Grand Total Revenues - Primary Government	<u><u>\$ 61,505,068</u></u>	<u><u>\$ 63,897,667</u></u>	<u><u>\$ 2,392,599</u></u>
Component Unit - School Board:			
School Fund:			
Revenue from use of money and property	\$ 9,822	\$ 14,539	\$ 4,717
Charges for services	535,014	358,392	(176,622)
Miscellaneous	36,900	36,900	-
Recovered costs	31,106	40,603	9,497
Payment from primary government	19,193,377	19,193,377	-
Total revenue from local sources	<u>\$ 19,806,219</u>	<u>\$ 19,643,811</u>	<u>\$ (162,408)</u>
Intergovernmental:			
Revenue from the Commonwealth:			
Categorical aid:			
Share of state sales tax	\$ 3,282,965	\$ 3,304,354	\$ 21,389
Basic school aid	8,127,104	8,207,789	80,685
State standard of quality funds	1,855,479	1,830,006	(25,473)

(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, 2005

<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)			
Fringe benefits	758,995	788,464	29,469
Lottery funds	465,548	509,064	43,516
At risk	295,734	294,815	(919)
Primary class size	335,021	325,946	(9,075)
Technology initiative	206,000	206,000	-
English as second language	615,051	591,433	(23,618)
School construction	143,943	144,228	285
Other state funds	366,293	414,964	48,671
Total categorical aid	<u>\$ 16,452,133</u>	<u>\$ 16,617,063</u>	<u>\$ 164,930</u>
 Total revenue from the Commonwealth	 <u>\$ 16,452,133</u>	 <u>\$ 16,617,063</u>	 <u>\$ 164,930</u>
 Revenue from the Federal Government:			
Categorical aid:			
Title I	\$ 809,751	\$ 747,296	\$ (62,455)
Special education	901,914	840,331	(61,583)
Education technology	899,147	850,876	(48,271)
Reading first grant	337,999	338,588	589
Title III	160,000	85,262	(74,738)
ESEA - Title II Part A	206,806	193,175	(13,631)
Vocational education	81,906	81,915	9
JROTC funds	43,908	46,964	3,056
Other federal funds	126,128	116,649	(9,479)
Total categorical aid	<u>\$ 3,567,559</u>	<u>\$ 3,301,056</u>	<u>\$ (266,503)</u>
 Total revenue from the Federal Government	 <u>\$ 3,567,559</u>	 <u>\$ 3,301,056</u>	 <u>\$ (266,503)</u>
 Total intergovernmental	 <u>\$ 20,019,692</u>	 <u>\$ 19,918,119</u>	 <u>\$ (101,573)</u>
 Total School Fund	 <u>\$ 39,825,911</u>	 <u>\$ 39,561,930</u>	 <u>\$ (263,981)</u>
 School Cafeteria Fund:			
Revenue from use of money and property	\$ -	\$ 11,466	\$ 11,466
Charges for services	591,600	510,208	(81,392)
Recovered costs	-	8,090	8,090
Total revenue from local sources	<u>\$ 591,600</u>	<u>\$ 529,764</u>	<u>\$ (61,836)</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, 2005

<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	\$ 24,877	\$ 531
Total categorical aid	<u>\$ 24,346</u>	<u>\$ 24,877</u>	<u>\$ 531</u>
Total revenue from the Commonwealth	<u>\$ 24,346</u>	<u>\$ 24,877</u>	<u>\$ 531</u>
Revenue from the Federal Government:			
Categorical aid:			
School food program	\$ 901,022	\$ 870,923	\$ (30,099)
USDA donated food	-	90,565	90,565
Total categorical aid	<u>\$ 901,022</u>	<u>\$ 961,488</u>	<u>\$ 60,466</u>
Total revenue from the Federal Government	<u>\$ 901,022</u>	<u>\$ 961,488</u>	<u>\$ 60,466</u>
Total intergovernmental	<u>\$ 925,368</u>	<u>\$ 986,365</u>	<u>\$ 60,997</u>
Total School Cafeteria Fund	<u><u>\$ 1,516,968</u></u>	<u><u>\$ 1,516,129</u></u>	<u><u>\$ (839)</u></u>
Grand Total Revenues			
Component Unit - School Board	<u><u>\$ 41,342,879</u></u>	<u><u>\$ 41,078,059</u></u>	<u><u>\$ (264,820)</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, 2005

<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	\$ 198,438	\$ 200,207	\$ (1,769)
Total legislative	<u>\$ 198,438</u>	<u>\$ 200,207</u>	<u>\$ (1,769)</u>
General and financial administration:			
City manager	\$ 331,037	\$ 329,446	\$ 1,591
City attorney	92,055	82,031	10,024
Human resources	166,521	166,278	243
Independent auditor	8,200	7,950	250
Commissioner of the revenue	355,012	356,790	(1,778)
Assessors	185,273	171,212	14,061
Equalization	4,500	4,185	315
Treasurer	451,923	454,949	(3,026)
Finance	335,170	330,627	4,543
Retirement board	12,918	-	12,918
Information technology	323,718	317,749	5,969
Purchasing agent	118,888	113,438	5,450
Dues to municipal league	18,245	18,245	-
Reserve for contingencies	-	-	-
Total general and financial administration	<u>\$ 2,403,460</u>	<u>\$ 2,352,900</u>	<u>\$ 50,560</u>
Board of elections:			
Registrar	\$ 169,057	\$ 136,111	\$ 32,946
Total board of elections	<u>\$ 169,057</u>	<u>\$ 136,111</u>	<u>\$ 32,946</u>
Total general government administration	<u>\$ 2,770,955</u>	<u>\$ 2,689,218</u>	<u>\$ 81,737</u>
Jail and judicial administration:			
Joint expenditures with Rockingham County	\$ 1,958,000	\$ 1,929,277	\$ 28,723
Total jail and judicial administration	<u>\$ 1,958,000</u>	<u>\$ 1,929,277</u>	<u>\$ 28,723</u>
Public safety:			
Law enforcement and traffic control:			
Administration	\$ 344,712	\$ 327,076	\$ 17,636
Operations	3,407,518	3,416,341	(8,823)
Criminal investigations	720,801	688,813	31,988
Support services	1,800,988	1,749,775	51,213
Gang task force	38,630	34,812	3,818
Total law enforcement and traffic control	<u>\$ 6,312,649</u>	<u>\$ 6,216,817</u>	<u>\$ 95,832</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, 2005

<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	\$ 134,659	\$ 116,699	\$ 17,960
Administration	311,882	309,488	2,394
Suppression	4,002,911	3,904,928	97,983
Prevention	234,349	234,956	(607)
Training	154,698	155,886	(1,188)
E-911 system	921,507	933,755	(12,248)
Public safety building	231,793	236,642	(4,849)
Total fire and rescue services	<u>\$ 5,991,799</u>	<u>\$ 5,892,354</u>	<u>\$ 99,445</u>
Correction and detention:			
City operated institutions	\$ 86,000	\$ 77,877	\$ 8,123
Total correction and detention	<u>\$ 86,000</u>	<u>\$ 77,877</u>	<u>\$ 8,123</u>
Inspections:			
Building	\$ 512,036	\$ 490,044	\$ 21,992
Total inspections	<u>\$ 512,036</u>	<u>\$ 490,044</u>	<u>\$ 21,992</u>
Other protection:			
Animal control	\$ 102,994	\$ 98,530	\$ 4,464
Coroner	900	1,050	(150)
Emergency services	443,362	426,051	17,311
Total other protection	<u>\$ 547,256</u>	<u>\$ 525,631</u>	<u>\$ 21,625</u>
Total public safety	<u>\$ 13,449,740</u>	<u>\$ 13,202,723</u>	<u>\$ 247,017</u>
Public works:			
Maintenance of highways, streets, bridges and sidewalks:			
General engineering	\$ 797,502	\$ 727,786	\$ 69,716
Highway and street maintenance	3,499,179	2,994,133	505,046
Street lights	455,800	451,699	4,101
Snow and ice removal	188,946	176,206	12,740
Traffic engineering	1,045,753	962,490	83,263
Highway and street beautification	299,173	270,181	28,992
Total maintenance of highways, streets, bridges and sidewalks	<u>\$ 6,286,353</u>	<u>\$ 5,582,495</u>	<u>\$ 703,858</u>
Sanitation and waste removal:			
Street and road cleaning	\$ 271,042	\$ 270,581	\$ 461
Insect and rodent control	10,220	9,979	241
Total sanitation and waste removal	<u>\$ 281,262</u>	<u>\$ 280,560</u>	<u>\$ 702</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, 2005

<u>Fund, Function, Activity and Elements</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Primary Government: (continued)			
General Fund: (continued)			
Public works: (continued)			
Maintenance of general buildings and grounds:			
General properties	\$ 4,524,855	\$ 233,706	\$ 4,291,149
Total maintenance of general buildings and grounds	<u>\$ 4,524,855</u>	<u>\$ 233,706</u>	<u>\$ 4,291,149</u>
Total public works	<u>\$ 11,092,470</u>	<u>\$ 6,096,761</u>	<u>\$ 4,995,709</u>
Health and welfare:			
Health:			
Local health department	\$ 306,871	\$ 300,729	\$ 6,142
Total health	<u>\$ 306,871</u>	<u>\$ 300,729</u>	<u>\$ 6,142</u>
Mental health and mental retardation:			
Community services board	\$ 206,470	\$ 206,470	\$ -
Total mental health and mental retardation	<u>\$ 206,470</u>	<u>\$ 206,470</u>	<u>\$ -</u>
Welfare/social services:			
Tax relief for the elderly	\$ 21,000	\$ 15,481	\$ 5,519
Social services - Joint expenditures with Rockingham County	1,774,180	1,774,175	5
Total welfare/social services	<u>\$ 1,795,180</u>	<u>\$ 1,789,656</u>	<u>\$ 5,524</u>
Total health and welfare	<u>\$ 2,308,521</u>	<u>\$ 2,296,855</u>	<u>\$ 11,666</u>
Education:			
Payment to School Board	\$ 19,193,377	\$ 19,193,377	\$ -
Total education	<u>\$ 19,193,377</u>	<u>\$ 19,193,377</u>	<u>\$ -</u>
Parks, recreation and culture:			
Parks and recreation:			
Administration	\$ 875,025	\$ 743,859	\$ 131,166
Parks	835,799	624,531	211,268
Recreation centers and playgrounds	590,262	455,028	135,234
National guard armory	83,721	82,224	1,497
Simms recreation center	38,657	38,472	185
Westover pool	480,839	321,642	159,197
Athletics	433,924	379,611	54,313
Blacks run greenway	51,755	41,008	10,747
Total parks and recreation	<u>\$ 3,389,982</u>	<u>\$ 2,686,375</u>	<u>\$ 703,607</u>
Total parks, recreation and culture	<u>\$ 3,389,982</u>	<u>\$ 2,686,375</u>	<u>\$ 703,607</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, 2005

<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	\$ 202,258	\$ 148,353	\$ 53,905
Zoning administrator	148,751	145,100	3,651
Zoning and board of zoning appeals	4,892	3,938	954
Economic development	1,085,775	1,017,523	68,252
Downtown renaissance	56,400	54,176	2,224
Total planning	<u>\$ 1,498,076</u>	<u>\$ 1,369,090</u>	<u>\$ 128,986</u>
Community development:			
Convention and Visitors Bureau	\$ 188,500	\$ 188,500	\$ -
Chamber of Commerce (American Legion Parade)	3,000	3,000	-
Massanutten Regional Library	336,590	336,590	-
Salvation Army	10,000	10,000	-
Rescue Squad - Gas and oil	20,000	20,000	-
Upper Valley Regional Park Authority	15,000	15,000	-
Regional Juvenile Detention Home	308,031	308,031	-
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	95,000	95,000	-
Central Shenandoah Valley Planning District	13,285	13,285	-
Valley Program for Aging	25,000	25,000	-
Blue Ridge Legal Services	5,277	5,277	-
Shenandoah Valley Airport	67,923	67,923	-
Community Mediation Center	2,000	2,000	-
Cats Cradle	419	419	-
Harrisonburg Little League Association	6,000	6,000	-
First Step, Inc.	21,000	21,000	-
Free Clinic	8,500	8,500	-
Downtown Renaissance	43,600	46,165	(2,565)
Arts Council of the Valley	45,000	45,000	-
Rockingham County Fair Association	50,000	50,000	-
Other non-departmental	574	574	-
Total community development	<u>\$ 1,304,049</u>	<u>\$ 1,306,614</u>	<u>\$ (2,565)</u>
Total planning and community development	<u>\$ 2,802,125</u>	<u>\$ 2,675,704</u>	<u>\$ 126,421</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, 2005

<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	\$ 4,156,753	\$ 4,156,753	\$ -
Interest and fiscal charges	3,867,400	3,863,973	3,427
Total debt service	<u>\$ 8,024,153</u>	<u>\$ 8,020,726</u>	<u>\$ 3,427</u>
Total General Fund	<u>\$ 64,989,323</u>	<u>\$ 58,791,016</u>	<u>\$ 6,198,307</u>
Special Revenue Funds:			
Emergency Communications Center Fund:			
Public safety:			
Other protection:			
Emergency operations center	\$ -	\$ -	\$ -
E-911 system	274,659	-	274,659
Total other protection	<u>\$ 274,659</u>	<u>\$ -</u>	<u>\$ 274,659</u>
Total public safety	<u>\$ 274,659</u>	<u>\$ -</u>	<u>\$ 274,659</u>
Total Emergency Communications Center Fund	<u>\$ 274,659</u>	<u>\$ -</u>	<u>\$ 274,659</u>
Community Development Block Grant Fund:			
Planning and community development:			
Community development:			
Community development block grant	\$ 431,620	\$ 339,020	\$ 92,600
Total community development	<u>\$ 431,620</u>	<u>\$ 339,020</u>	<u>\$ 92,600</u>
Total planning and community development	<u>\$ 431,620</u>	<u>\$ 339,020</u>	<u>\$ 92,600</u>
Total Community Development Block Grant Fund	<u>\$ 431,620</u>	<u>\$ 339,020</u>	<u>\$ 92,600</u>
Total Special Revenue Funds	<u>\$ 706,279</u>	<u>\$ 339,020</u>	<u>\$ 367,259</u>
Capital Projects Funds:			
General Capital Projects Fund:			
Capital projects	<u>\$ 28,893,601</u>	<u>\$ 13,078,617</u>	<u>\$ 15,814,984</u>
Total General Capital Projects Fund	<u>\$ 28,893,601</u>	<u>\$ 13,078,617</u>	<u>\$ 15,814,984</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, 2005

<u>Fund, Function, Activity and Elements</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Primary Government: (continued)			
Capital Projects Funds: (continued)			
School Bond Capital Projects Fund:			
Capital projects	\$ 11,941,329	\$ 8,016,098	\$ 3,925,231
Total School Bond Capital Projects Fund	<u>\$ 11,941,329</u>	<u>\$ 8,016,098</u>	<u>\$ 3,925,231</u>
Total Capital Projects Funds	<u>\$ 40,834,930</u>	<u>\$ 21,094,715</u>	<u>\$ 19,740,215</u>
Grand Total Expenditures - Primary Government	<u>\$ 106,530,532</u>	<u>\$ 80,224,751</u>	<u>\$ 26,305,781</u>
Component Unit - School Board:			
School Fund:			
Education:			
Instruction	\$ 30,780,111	\$ 30,301,421	\$ 478,690
Administration, attendance and health	1,992,484	1,925,088	67,396
Pupil transportation	1,368,298	1,280,449	87,849
Operations and maintenance	3,641,352	3,450,422	190,930
Technology	2,259,923	2,251,362	8,561
Facilities	2,000	-	2,000
Total education	<u>\$ 40,044,168</u>	<u>\$ 39,208,742</u>	<u>\$ 835,426</u>
Total School Fund	<u>\$ 40,044,168</u>	<u>\$ 39,208,742</u>	<u>\$ 835,426</u>
School Cafeteria Fund:			
Education:			
Food services	\$ 1,558,244	\$ 1,369,554	\$ 188,690
Total education	<u>\$ 1,558,244</u>	<u>\$ 1,369,554</u>	<u>\$ 188,690</u>
Total School Cafeteria Fund	<u>\$ 1,558,244</u>	<u>\$ 1,369,554</u>	<u>\$ 188,690</u>
School Capital Projects Fund:			
Capital projects	\$ 133,332	\$ 100	\$ 133,232
Total School Capital Projects Fund	<u>\$ 133,332</u>	<u>\$ 100</u>	<u>\$ 133,232</u>
Grand Total Expenditures Component Unit - School Board	<u>\$ 41,735,744</u>	<u>\$ 40,578,396</u>	<u>\$ 1,157,348</u>

PART III

STATISTICAL SECTION

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Table 1

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	Charges For Services	Miscellaneous (2)	Recovered Costs	Intergovernmental	Total
2005	\$ 18,083,460	\$ 29,240,984	\$ 403,621	\$ 604,029	\$ 636,095	\$ 1,161,443	\$ 4,850,642	\$ 713,824	\$ 28,335,359	\$ 84,029,457
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

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) - Adjusted to include payments from the Harrisonburg Electric Commission, a component unit, for 1996-2002.

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	Education	Parks, Recreation and Cultural	Planning and Community Development	Debt Service	Total
2005	\$ 2,689,218	\$ 1,929,277	\$ 13,202,723	\$ 6,096,761	\$ 2,296,855	\$ 40,578,296	\$ 2,686,375	\$ 3,014,724	\$ 8,020,726	\$ 80,514,955
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

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.

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
2005	\$ 19,595,631	\$ 19,005,106	96.99%	\$ 277,848	\$ 19,282,954	98.40%	\$ 1,434,613	7.32%
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%

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
2005	\$ 1,972,526,708	\$ 253,980,570	\$ 94,040,800	\$ 1,255,800	\$ 50,610,910	\$ 294,118	\$ 2,372,708,906
2004	1,924,757,616	263,080,560	100,386,700	1,264,400	53,862,258	250,109	2,343,601,643
2003	1,814,221,588	252,204,750	107,362,900	1,380,700	55,213,438	239,938	2,230,623,314
2002	1,793,533,004	250,506,200	120,401,100	1,292,100	55,484,976	295,760	2,221,513,140
2001	1,656,732,868	248,202,911	117,159,400	1,303,800	52,567,436	296,180	2,076,262,595
2000	1,600,041,524	237,204,519	106,835,400	1,318,400	52,168,424	529,083	1,998,097,350
1999	1,498,239,901	211,870,100	99,863,400	1,615,200	49,689,229	444,794	1,861,722,624
1998	1,451,829,090	211,234,848	95,561,464	1,546,500	46,588,622	375,867	1,807,136,391
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

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
2005	\$ 0.62	\$ 2.00	\$ 2.00	\$ 0.62
2004	0.62	2.00	2.00	0.62
2003	0.62	2.00	2.00	0.62
2002	0.62	2.00	2.00	0.62
2001	0.62	2.00	2.00	0.62
2000	0.62	2.00	2.00	0.62
1999	0.62	2.00	2.00	0.62
1998	0.62	2.00	2.00	0.62
1997	0.62	2.00	2.00	0.62
1996	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, 2005

Table 6

	Company	Industry	Property Taxes	Percent of Total Property Taxes
1.	IntraPac Corp.	Specialty Packaging Products	\$ 426,624	2.18%
2.	Tenneco Automotive Inc.	Automotive Parts	376,815	1.92%
3.	Banta Corp.	Printing	326,585	1.67%
4.	LB&J Limited	Student Housing and Development	244,920	1.25%
5.	Packaging Corporation of America	Containerboard and Corrugated Packaging Products	204,411	1.04%
6.	Verizon Communications Inc.	Public Utility	178,216	0.91%
7.	SDG Macerich Properties, LP	Shopping Centers	167,917	0.86%
8.	Park Village, Inc.	Retirement Community	164,177	0.84%
9.	Reddy Ice Corp.	Ice and Cold Storage	158,495	0.81%
10.	Graham Packaging Company, LP	Plastic Packaging Products	134,590	0.69%
	Total		\$ 2,382,750	12.17%

CITY OF HARRISONBURG, VIRGINIA
COMPUTATION OF LEGAL DEBT MARGIN
At June 30, 2005

Table 7

Total assessed value of taxed real property	\$ <u>2,023,137,618</u>
Debt limit - 10 percent of total assessed value	\$ 202,313,762
Amount of debt applicable to debt limit:	
Gross debt (1)	<u>134,656,835</u>
Legal debt margin	\$ <u>67,656,927</u>

Notes:

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

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)
2005	43,178	\$ 2,372,708,906	\$ 123,681,150	\$ 40,015,000	\$ 83,666,150	3.53%	\$ 1,938
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

Notes:

- (1) - Estimated by the City's Department of Planning and Community Development for 1996-1999 and 2001-2005. 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 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		
2005	\$ 3,291,925	\$ 3,444,235	\$ 6,736,160	\$ 80,514,955	8.37%
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%

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 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	
2005	\$ 1,352,301	\$ 809,890	\$ 542,411	\$ -	\$ 360,340	\$ 360,340	1.51
2004	1,065,775	738,832	326,943	-	360,340	360,340	0.91
2003	840,477	826,358	14,119	-	360,340	360,340	0.04
2002	332,723	216,731	115,992	-	360,340	360,340	0.32
2001	215,665	-	215,665	-	360,340	360,340	0.60

Notes:

- (1) - Bonds were issued in fiscal year 2000. Revenue bond coverage calculations were not meaningful 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 Three 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	
2005	\$ 5,638,373	\$ 2,626,124	\$ 3,012,249	\$ -	\$ 505,379	\$ 505,379	5.96
2004	5,189,678	2,224,332	2,965,346	-	508,879	508,879	5.83
2003	5,099,925	2,245,198	2,854,727	-	316,636	316,636	9.02

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)
2005	43,178	\$ (5)	4,088	3.4
2004	43,137	24,240	4,028	3.2
2003	43,001	23,005	4,026	3.2
2002	42,200	23,282	3,912	3.2
2001	41,350	22,054	3,768	2.3
2000	40,468	20,632	3,575	1.8
1999	34,800	20,165	3,557	1.3
1998	34,400	19,185	3,560	1.4
1997	34,400	18,691	3,492	2.3
1996	34,170	18,429	3,498	2.3

Notes:

- (1) - Estimated by the City's Department of Planning and Community Development for 1996-1999 and 2001-2005. Bureau of Census for 2000.
- (2) - Bureau of Economic Analysis, U. S. Department of Commerce. Amounts for 1996-2003 have been adjusted based upon the latest available data.
- (3) - From the City of Harrisonburg School Board.
- (4) - Virginia Employment Commission. Amounts for 1996-2004 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) (4)		Total	Building Permits (1)			Bank Deposits (3) (In Thousands)		
	Commercial	Residential		Nontaxable	Number of Units	Commercial/Industrial Construction (5)		Number of Units	Residential Construction
2005	\$ 666,253,010	\$ 1,306,273,698	\$ 615,388,202	\$ 2,587,914,910	188	\$ 28,096,267	474	\$ 30,642,665	(7)
2004	645,047,950	1,279,709,666	611,886,084	2,536,643,700	176	33,255,327	412	23,294,125	821,448
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	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	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	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	170	17,582,540	228	16,684,174	718,417

Notes:

- (1) - Source is the City's Department of Planning and Community Development.
- (2) - Source is the Commissioner of the Revenue.
- (3) - Source is the Federal Deposit Insurance Corporation.
- (4) - Certain land values have been reclassified from commercial to residential for 1996.
- (5) - Previously reported amounts have been combined for 1996-1998.
- (6) - 100% reassessment of real property.
- (7) - Information is not available for this time period.

CITY OF HARRISONBURG, VIRGINIA
MISCELLANEOUS STATISTICS
At June 30, 2005

Table 14

Date of incorporation	1849
Type of city	First class
Form of government	Council-Manager
Area	17.3 square miles
Fire protection:	
Number of stations	4
Number of fire fighters, dispatchers and officers exclusive of volunteer firemen but includes part time	85
Police protection:	
Number of stations	3
Number of policemen and other employees	81
Public works:	
Miles of streets	132.62
Number of street lights	3,189
Education:	
Number of schools	6
Number of teachers	410
Number of students	4,088
Water system:	
Number of customers	13,148
Average daily consumption (gallons)	5,154,657
Linear feet of water lines	1,332,055
Sewer system:	
Number of customers	11,269
Average daily consumption (gallons)	4,155,477
Linear feet of sewer lines	1,042,286
Building permits issued	958
Recreation and culture:	
Number of parks	12
Employees:	
City, other than school system	650
City school system	672
Harrisonburg Electric Commission	52

PART IV

COMPLIANCE SECTION

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

Honorable Members of City Council
City of Harrisonburg, Virginia

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Harrisonburg, Virginia, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 4, 2005. 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 4, 2005.**

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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings and questioned costs as Item 05-1.

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 4, 2005

**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, 2005. 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, 2005.

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 caused by error or fraud 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, S. L. P.

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 4, 2005

**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 4, 2005

CITY OF HARRISONBURG, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2005

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 Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. **No instances of noncompliance** material to the financial statements were disclosed.
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:

Community Development Block Grants/Entitlement Grants	14.218
Special Education Cluster:	
Grants to States	84.027
Preschool Grants	84.173
State Domestic Preparedness Equipment Support Program	97.004
Federal Transit 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

05-1 Commonwealth of Virginia: Conflict of Interest Statements

Condition:

Certain Conflict of Interest Statements were not filed by January 15th as required by State code.

Recommendation:

We recommend that the City set forth procedures to ensure all forms are filed timely.

Management's Response:

The auditee concurs with this comment and will take steps to ensure that the forms are filed timely.

CITY OF HARRISONBURG, VIRGINIA
SUMMARY OF COMPLIANCE MATTERS
June 30, 2005

As more fully described in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, we performed tests of the City's compliance with certain provisions of the laws, regulations, contracts, and grants shown below.

STATE COMPLIANCE MATTERS

Code of Virginia

Budget and Appropriation Laws
Cash and Investment Laws
Conflicts of Interest Act
Local Retirement Systems
Debt Provisions
Procurement Laws
Uniform Disposition of Unclaimed Property Act
Personal Property Tax Relief Act
Enhanced E-911 Service Taxes

State Agency Requirements

Education
Highway Maintenance Funds

FEDERAL COMPLIANCE MATTERS

Compliance Supplement for Single Audits of State and Local Governments

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

CITY OF HARRISONBURG, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2005

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
Department of Agriculture:		
Direct payments:		
Wildlife Habitat Incentive Program	10.914	\$ 74,000
Pass-through payments:		
Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	189,846
National School Lunch Program	10.555	681,077
Department of Agriculture and Consumer Services:		
National School Lunch Program (Commodities) (part of Child Nutrition Cluster)	10.555	<u>78,312</u>
Total Department of Agriculture		\$ <u>1,023,235</u>
Department of Housing and Urban Development:		
Direct payments:		
Community Development Block Grants/Entitlement Grants	14.218	<u>\$ 496,977</u>
Total Department of Housing and Urban Development		\$ <u>496,977</u>
Department of the Interior:		
Pass-through payments:		
Shenandoah Valley Pure Water 2000 Forum, Inc.:		
Challenge Cost Share	15.642	<u>\$ 72,500</u>
Total Department of the Interior		\$ <u>72,500</u>
Department of Justice:		
Direct payments:		
Local Law Enforcement Block Grants Program	16.592	\$ 23,101
Community Capacity Development Office	16.595	10,092
Bulletproof Vest Partnership Program	16.607	5,621
Pass-through payments:		
Department of Criminal Justice Service:		
Byrne Formula Grant Program	16.579	<u>9,212</u>
Total Department of Justice		\$ <u>48,026</u>

(continued)

CITY OF HARRISONBURG, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2005

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
Department of Transportation:		
Direct payments:		
Federal Transit - Formula Grants (Part of Federal Transit Cluster)	20.507	\$ 1,857,372
Pass-through payments:		
Department of Rail and Public Transportation:		
Federal Transit - Metropolitan Planning Grants	20.205	329,286
Department of Motor Vehicles:		
Highway Safety Cluster:		
State and Community Highway Safety (154 Funds)	20.000	3,236
State and Community Highway Safety	20.600	18,126
Safety Incentive Grants for Use of Seatbelts	20.604	<u>8,473</u>
Total Department of Transportation		\$ <u>2,216,493</u>
Department of Education:		
Pass-through payments:		
Department of Education:		
Title I Grants to Local Educational Agencies	84.010	\$ 747,296
Vocational Education - Basic Grants to States	84.048	81,915
Safe and Drug-Free Schools and Communities - State Grants	84.186	24,006
Innovative Education Program Strategies	84.298	27,002
Education Technology State Grants	84.318	871,319
Reading First State Grants	84.357	338,588
English Language Acquisition Grants	84.365	85,262
Improving Teacher Quality State Grants	84.367	193,175
Assessments and Related Activities - State Grants	84.369	19,223
Special Education Cluster:		
Grants to States	84.027	791,062
Preschool Grants	84.173	<u>49,269</u>
Total Department of Education		\$ <u>3,228,117</u>
Department of Health and Human Services:		
Pass-through payments:		
Department of Education:		
Refugee and Entrant Assistance - Discretionary Grants	93.576	<u>\$ 25,975</u>
Total Health and Human Services		\$ <u>25,975</u>

(continued)

CITY OF HARRISONBURG, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2005

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
Department of Homeland Security:		
Direct payments:		
State Domestic Preparedness Equipment Support Program	97.004	\$ 2,309
Assistance to Firefighters Grant	97.044	62,626
State and Local All Hazards Emergency Operations Planning	97.051	863
Pass-through payments:		
Department of Emergency Management:		
State Domestic Preparedness Equipment Support Program	97.004	<u>403,451</u>
Total Department of Homeland Security		<u>\$ 469,249</u>
Department of Defense:		
Direct payments:		
JROTC Funds	12.VA 170853	<u>\$ 46,964</u>
Total Department of Defense		<u>\$ 46,964</u>
Total expenditure of federal awards		<u><u>\$ 7,627,536</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, 2005

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, 2005, the School Board, a component unit, had food commodities totaling \$23,427 in inventory.

Note 3. Subrecipients

The City provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Expended</u>
Community Development Block Grants/Entitlement Grants	14.218	\$ 236,848

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