

City of Harrisonburg, Virginia

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2010



City of Harrisonburg, Virginia

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2010



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

Report Cover: The front cover is the entranceway to the City's newest playground. A Dream Come True Playground, located on Neff Avenue, is designed to allow children with and without disabilities to play together on the same playground. The original project idea was planned as a community service project by Girl Scout Troop 506 in 2001 and gained full support of the City's Department of Parks and Recreation in 2004. Through the City's financial support and private donations, this \$1.5 million project opened to the public in April 2010. Additional information can be found by visiting www.adreamcometrueplayground.org.

CITY OF HARRISONBURG, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
TABLE OF CONTENTS
Year Ended June 30, 2010

Introductory Section

Letter of Transmittal	1-5
Certificate of Achievement for Excellence in Financial Reporting - 2009	6
Organization Chart	7
Directory of Principal Officials	8

Financial Section

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

Basic Financial Statements

Exhibit 1	Statement of Net Assets	21
Exhibit 2	Statement of Activities	22-23
Exhibit 3	Governmental Funds - Balance Sheet	24
Exhibit 4	Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	25
Exhibit 5	Governmental Funds - Statement of Revenues, Expenditures and Changes in Fund Balances	26
Exhibit 6	Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	27
Exhibit 7	General Fund - Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	28
Exhibit 8	Proprietary Funds - Balance Sheet	29
Exhibit 9	Proprietary Funds - Statement of Revenues, Expenses and Changes in Fund Net Assets	30
Exhibit 10	Proprietary Funds - Statement of Cash Flows	31-32
Exhibit 11	Fiduciary Funds - Statement of Fiduciary Assets and Liabilities	33
	Notes to Financial Statements	34-71

Required Supplementary Information

Exhibit 12	Schedule of Funding Progress for Defined Benefit Pension Plans	72
Exhibit 12	Schedule of Funding Progress for Postretirement Healthcare Benefit Plans	72
	Notes to Required Supplementary Information	73

Other Supplementary Information

	Internal Service Funds:	74
Exhibit A-1	Combining Balance Sheet	75
Exhibit A-2	Combining Statement of Revenues, Expenses and Changes in Fund Net Assets	76
Exhibit A-3	Combining Statement of Cash Flows	77-78
	Agency Funds:	79
Exhibit B-1	Combining Statement of Fiduciary Assets and Liabilities	80
Exhibit B-2	Statement of Changes in Fiduciary Assets and Liabilities	81-82
	Discretely Presented Component Unit - School Board:	83
Exhibit C-1	Balance Sheet	84
Exhibit C-2	Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	85

CITY OF HARRISONBURG, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
TABLE OF CONTENTS
Year Ended June 30, 2010

Financial Section (continued)

Exhibit C-3	Statement of Revenues, Expenditures and Changes in Fund Balances	86
Exhibit C-4	Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	87
Exhibit C-5	School Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	88
Exhibit C-6	School Nutrition Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	89
	Other Supplementary Schedules:	90
	Detail Schedules of Governmental Funds and Discretely Presented Component Unit - School Board:	
Schedule 1	Schedule of Revenues - Budget and Actual	91-96
Schedule 2	Schedule of Expenditures - Budget and Actual	97-102

Statistical Section

Table 1	Net Assets by Component - Last Nine Fiscal Years	103
Table 2	Changes in Net Assets - Last Nine Fiscal Years	104-105
Table 3	Fund Balances (Governmental Funds) - Last Ten Fiscal Years	106
Table 4	Changes in Fund Balances (Governmental Funds) - Last Ten Fiscal Years	107-108
Table 5	Assessed Value and Actual Value of Taxable Property - Last Ten Fiscal Years	109
Table 6	Property Tax Rates - Per \$100 of Assessed Value - Last Ten Fiscal Years	110
Table 7	Principal Property Taxpayers - Current Year and Nine Years Ago	111
Table 8	Property Tax Levies and Collections - Last Ten Fiscal Years	112
Table 9	Ratios of Outstanding Debt by Type - Last Ten Fiscal Years	113
Table 10	Ratios of General Bonded Debt Outstanding - Last Ten Fiscal Years	114
Table 11	Legal Debt Margin Information - Last Ten Fiscal Years	115
Table 12	Demographic and Economic Statistics - Last Ten Fiscal Years	116
Table 13	Principal Employers - Current Year and Nine Years Ago	117
Table 14	Full-time Equivalent Employees by Function - Last Ten Fiscal Years	118
Table 15	Operating Indicators by Function - Last Ten Fiscal Years	119
Table 16	Capital Asset Statistics by Function - Last Ten Fiscal Years	120

Compliance Section

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	121-122
Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with <i>OMB Circular A-133</i>	123-124
Independent Auditor's Comments on Resolution of Prior Year Major Federal Award Programs Audit Findings	125
Summary of Compliance Matters	126
Schedule of Findings and Questioned Costs	127-128
Schedule of Prior Year Findings	129
Schedule of Expenditures of Federal Awards	130-132
Notes to Schedule of Expenditures of Federal Awards	133

INTRODUCTORY SECTION

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

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City of Harrisonburg, Virginia

Office of the City Manager

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

Kurt D. Hodgen
City Manager

November 30, 2010

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, 2010 is hereby submitted in accordance with Section 45 of the *City Charter* and Section 15.2-2511 of the *Code of Virginia*, 1950, as amended. The *City Charter* and the *Code of Virginia* require that the City issue annually a report on its financial position and operations, and that this report be audited by either the state auditor or an independent firm of certified public accountants in accordance with generally accepted auditing standards (GAAS). This report has been prepared by the Department of Finance to conform to the standards of financial reporting as established by the Governmental Accounting Standards Board (GASB), generally accepted accounting principles (GAAP) and the Commonwealth of Virginia Auditor of Public Accounts (APA).

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

Brown, Edwards & Company, LLP, a firm of licensed certified public accountants, have audited the City's financial statements. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City 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, 2010, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

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

Profile of the City of Harrisonburg

Background. The City was established in 1780 and was named for Thomas Harrison, who donated the land for the Rockingham County Court House, which became the permanent county seat of Rockingham County in 1781. The City was incorporated in 1849 and was proclaimed a city of the first class in April 1990. It now encompasses 17.3 square miles and serves a population of approximately 45,889.

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

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

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

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

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

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

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

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

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

Budgetary control is maintained at the department level as delineated in the appropriation ordinance. The City Manager is authorized to transfer budgeted amounts within funds other than capital projects funds. Supplemental appropriations, transfers between funds and transfers within capital projects funds require the approval of City Council. Also, supplemental appropriations which exceed one percent of the total expenditures shown in the currently adopted budget require a public hearing prior to approval by City Council. All appropriations lapse at year-end except appropriations for capital projects funds and the Community Development Block Grant (CDBG) Fund. Appropriations for capital projects funds are valid until the end of the project and CDBG fund appropriations are valid until the grant period is completed. Encumbrances outstanding at year-end are reported as reservation of fund balance, since they do not constitute expenditures or liabilities, and are generally reappropriated in the following fiscal year. A budget-to-actual comparison is provided in this report for the general fund. This comparison is presented on 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:

- Appropriated \$180,000 for Water Street Pedestrian Bridge.
- Appropriated \$512,000 for Erickson Avenue/Stone Spring Road project.
- Appropriated \$400,000 for the eastern water source development.
- Appropriated \$1,500,000 for 4 replacement transit buses.
- Appropriated \$117,000 for bus data collection terminals, next stop enunciators and other equipment.
- Appropriated \$135,000 for repair of transit building.
- Appropriated \$350,000 for the City's share of Rockingham County's landfill costs.
- Appropriated \$130,000 for a sanitation dump truck.

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 22,283. James Madison University, a state-supported school, is located near the geographic center of the City and has approximately 18,232 undergraduate students. Eastern Mennonite University, a private institution with approximately 1,578 students is also located in the City. Bridgewater College, located just south of the City, is also private and has an approximate enrollment of 1,590 students. State-supported Blue Ridge Community College has an enrollment of approximately 4,883 students.

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

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

The City continues to plan and work on its next major transportation project: Erickson Avenue Extension and Stone Spring Road Improvement. The total project is anticipated to cost approximately \$62.7 million of which \$22.6 million has already been expended and approximately \$5.1 million in cash is on hand. It is planned that this project will be completed in at least three phases. \$9.6 million for phase two construction has been borrowed in the fiscal year 2011. It is estimated that the City will receive 1.5 million from the Commonwealth and 5.8 million from the Federal Government for the rebuild of the Stone Spring Road bridge across Interstate 81 which is a part of phase two construction. But due to the current economic situation, there are no plans to continue construction once phase two is completed. However, planning will continue for the final phase of the project.

The City is in the process of constructing a waterline to the South Fork of the Shenandoah River, which is located approximately 17 miles east of the City. The estimated total cost of the project is \$33.8 million of which \$5.9 million has already been expended and \$5.3 million in cash is on hand. The projected completion date is estimated to be prior to 2013.

The City is in the process of constructing a new eight million gallon water tank which is located on Tower Street. The estimated cost of the project is \$3.0 million of which approximately \$2.3 million has already been expended and approximately \$0.6 million is on hand. The City expects to borrow \$2.3 million through the American Recovery and Reinvestment Act of 2009 (ARRA) for this project. \$1.15 million of the borrowed amount will be a principal forgiveness and the remaining \$1.15 million will be a 30-year zero percent interest rate loan. The City has currently borrowed \$2.2 million of the ARRA funds. \$1.1 million of the amount is from the zero interest rate loan and the other \$1.1 million is from the principal forgiveness loan. The projected completion date is anticipated to be December 2010.

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, 2009. This was the fifteenth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and organized CAFR. This report satisfied both GAAP and applicable legal requirements.

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

Acknowledgments

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

Respectfully submitted,

Kurt D. Hodgen
City Manager

Lester O. Seal, CPA
Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Harrisonburg
Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2009

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



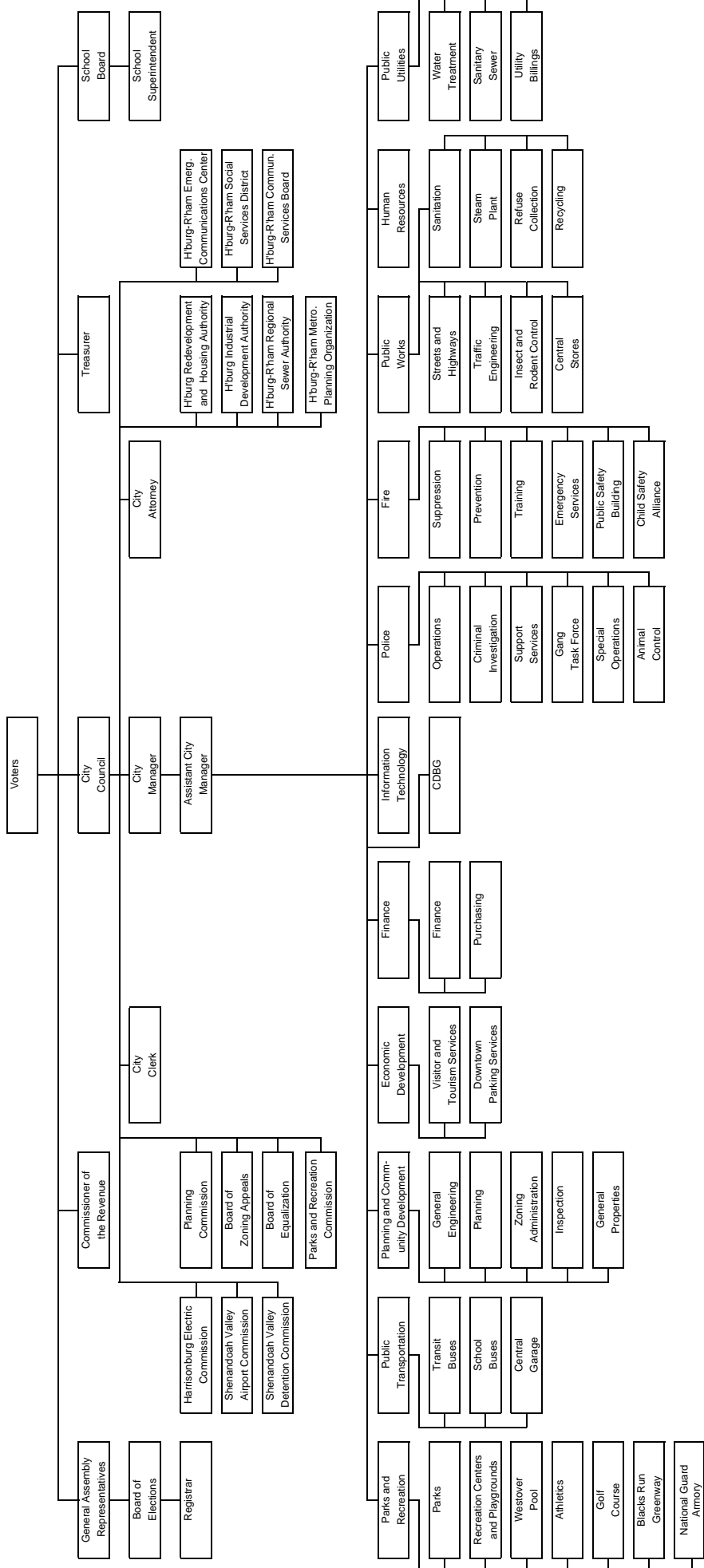
A stylized handwritten signature in black ink, appearing to read "JEFFREY R. ENEVER".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Enever".

Executive Director

City of Harrisonburg, Virginia Organization Chart



CITY OF HARRISONBURG, VIRGINIA
DIRECTORY OF PRINCIPAL OFFICIALS
June 30, 2010

CITY COUNCIL

Kai E. Degner	Mayor
Richard A. Baugh	Vice Mayor
J. Ted Byrd	Council Member
Carolyn W. Frank	Council Member
David K. Wiens	Council Member

CITY OFFICIALS

Kurt D. Hodgen	City Manager
Evan L. Vass	Assistant City Manager
Jeffrey L. Shafer	City Treasurer
June W. Hosaflook	Commissioner of the Revenue
Earl Q. Thumma, Jr.	City Attorney
Yvonne H. "Bonnie" Ryan	City Clerk
Lester O. Seal	Director of Finance
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. "Reggie" Smith	Director of Public Transportation
Jennifer W. Rhodes	Director of Human Resources
E. Lee Foerster, Jr.	Director of Parks and Recreation
Brian B. Shull	Director of Economic Development
Paul A. Malabad	Director of Information Technology
Deborah Logan	City Registrar

SCHOOL BOARD

Sallie M. Strickler	Chairperson
Dominic D. "Nick" Swayne	Vice Chairperson
Timothy J. Lacey	Board Member
Kerri M. Wilson	Board Member
Gregory L. Coffman	Board Member
Thomas C. Mendez	Board Member

SCHOOL OFFICIALS

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

FINANCIAL SECTION

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

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INDEPENDENT AUDITOR'S REPORT

Honorable Members of City Council
City of Harrisonburg, Virginia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Harrisonburg, Virginia, as of and for the year ended June 30, 2010, 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 \$74,159,578 as of June 30, 2010, and total revenues of \$53,374,893 for the year then ended. Those financial statements were audited by another auditor whose reports thereon have been furnished to us; and our opinion, insofar as it relates to the amounts included for the discretely presented component unit Harrisonburg Electric Commission, is based on the reports of the other auditor.

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

In our opinion, based on our audit and the reports of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Harrisonburg, Virginia, as of June 30, 2010, 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 23, 2010, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 11 through 20, and the schedules of funding progress on pages 72 and 73 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditor have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section; the combining and individual non-major fund financial statements and budget and actual schedules collectively referred to as Other Supplementary Information; and the statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City. The Other Supplementary Information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied by us and the other auditor in the audit of the basic financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied by us and the other auditor in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on them.

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 23, 2010

CITY OF HARRISONBURG, VIRGINIA 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, 2010. 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 \$254.4 million (net assets). Of this amount, \$55.1 million (unrestricted net assets) may be used to meet the City's obligations to citizens and creditors.
- The City's total net assets decreased by \$1.5 million.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$29.4 million, a decrease of \$7.1 million in comparison with the previous year. Approximately 84.7 percent of this total amount, \$24.9 million, is available for spending at the City's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$18 million, or 22.5 percent of total General Fund expenditures and other financing uses.
- The City's total long-term debt decreased by \$6 million during the current fiscal year.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

The City maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Community Development Block Grant Fund and General Capital Projects Fund, which are considered to be major funds.

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

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

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

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

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

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

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 34 through 71 of this report.

Required supplementary information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligations to provide pension and postretirement healthcare benefits to its employees. This information is presented immediately following the notes to financial statements and can be found on pages 72 through 73 of this report.

Other supplementary information. This report also presents certain other supplementary information concerning the combining statements referred to earlier in connection with internal service funds, agency funds and School Board individual fund financial statements. This information is presented immediately following required supplementary information. The combining and individual fund statements and schedules can be found on pages 74 through 89 of this report.

Government-wide Financial Analysis (Primary Government)

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceed liabilities by \$254.4 million at the close of the most recent fiscal year.

The largest portion of the City's net assets (78.2 percent) reflects its investment in capital assets (e.g., land, buildings and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, which amounts to \$55.1 million, may be used to meet the City's ongoing obligations to citizens and creditors.

City of Harrisonburg's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 85,638,386	\$ 90,490,420	\$ 32,355,369	\$ 33,069,236	\$ 117,993,755	\$ 123,559,656
Capital assets	255,277,196	257,058,556	99,991,527	99,032,663	355,268,723	356,091,219
Total assets	\$ 340,915,582	\$ 347,548,976	\$ 132,346,896	\$ 132,101,899	\$ 473,262,478	\$ 479,650,875
Current and other liabilities	\$ 38,918,384	\$ 37,761,101	\$ 3,173,316	\$ 3,250,199	\$ 42,091,700	\$ 41,011,300
Long-term liabilities	135,169,711	140,896,991	41,551,295	41,800,467	176,721,006	182,697,458
Total liabilities	\$ 174,088,095	\$ 178,658,092	\$ 44,724,611	\$ 45,050,666	\$ 218,812,706	\$ 223,708,758
Net assets:						
Invested in capital assets, net of related debt	\$ 134,630,600	\$ 136,515,744	\$ 64,272,566	\$ 63,946,619	\$ 198,903,166	\$ 200,462,363
Restricted	459,667	345,524	-	-	459,667	345,524
Unrestricted	31,737,220	32,029,616	23,349,719	23,104,614	55,086,939	55,134,230
Total net assets	\$ 166,827,487	\$ 168,890,884	\$ 87,622,285	\$ 87,051,233	\$ 254,449,772	\$ 255,942,117

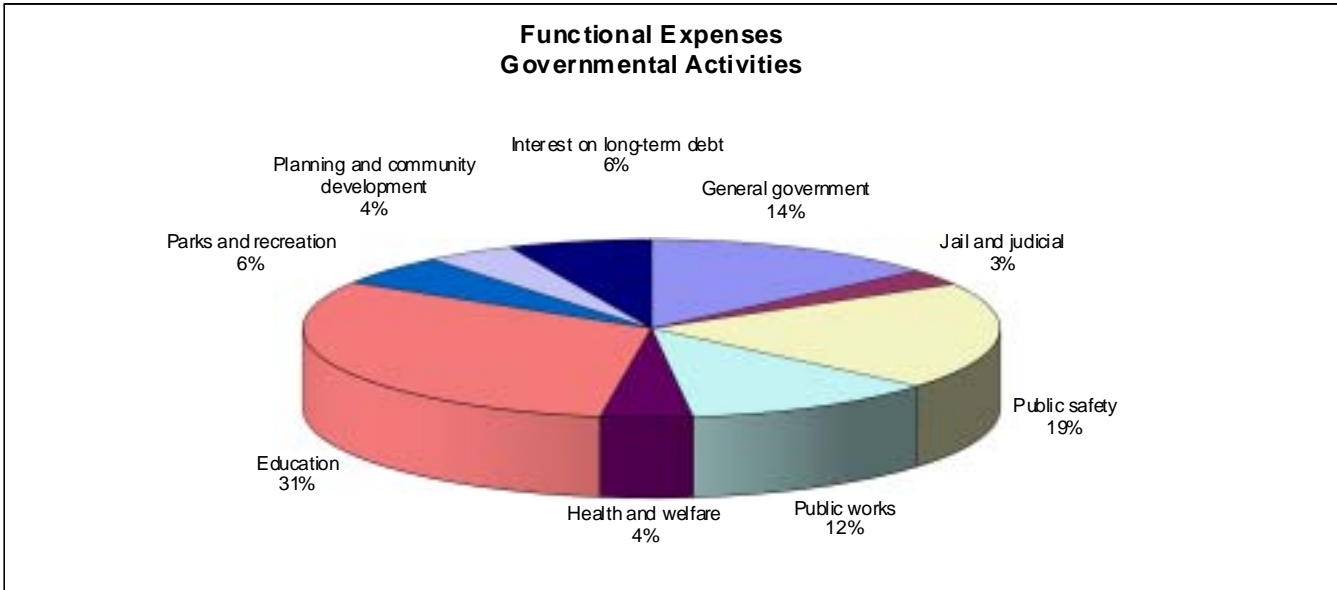
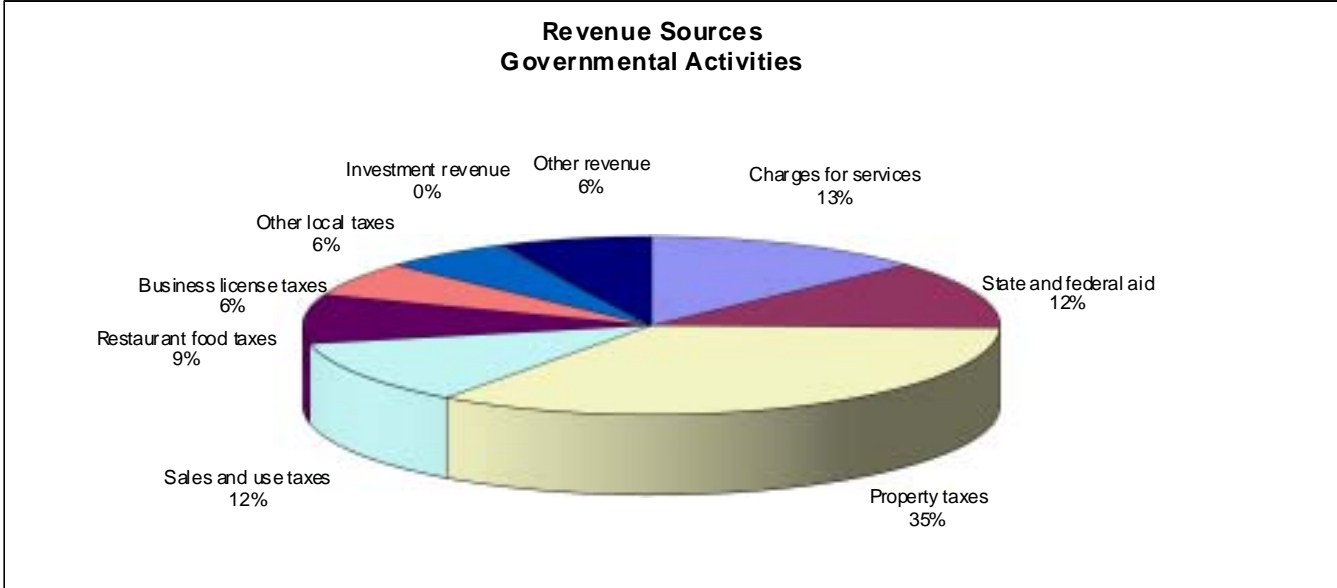
City of Harrisonburg's Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for services	\$ 11,712,317	\$ 11,232,462	\$ 25,183,004	\$ 25,555,401	\$ 36,895,321	\$ 36,787,863
Operating grants and contributions	6,537,125	6,931,438	1,496,827	1,444,903	8,033,952	8,376,341
Capital grants and contributions	1,105,400	4,827,882	2,176,754	8,458,276	3,282,154	13,286,158
General revenues:						
Property taxes	30,867,419	29,049,768	-	-	30,867,419	29,049,768
Sales and use taxes	10,487,699	11,053,388	-	-	10,487,699	11,053,388
Restaurant food taxes	8,001,430	8,095,857	-	-	8,001,430	8,095,857
Business license taxes	5,571,597	6,072,551	-	-	5,571,597	6,072,551
Other local taxes	5,274,469	5,275,971	-	-	5,274,469	5,275,971
Grants and contributions not restricted to specific programs	3,465,825	3,488,042	-	-	3,465,825	3,488,042
Payment from component units	4,800,000	4,800,000	-	-	4,800,000	4,800,000
Investment revenue	151,425	658,303	79,908	505,917	231,333	1,164,220
Other revenue	1,570,827	1,202,291	1,167,345	1,927,746	2,738,172	3,130,037
Gain on disposal of capital assets	-	238,903	1,855	8,100	1,855	247,003
Total revenues	\$ 89,545,533	\$ 92,926,856	\$ 30,105,693	\$ 37,900,343	\$ 119,651,226	\$ 130,827,199
Expenses:						
General government administration	\$ 12,693,219	\$ 12,735,815	\$ -	\$ -	\$ 12,693,219	\$ 12,735,815
Jail and judicial administration	2,689,276	3,012,532	-	-	2,689,276	3,012,532
Public safety	17,934,535	18,518,912	-	-	17,934,535	18,518,912
Public works	10,924,418	11,935,693	-	-	10,924,418	11,935,693
Health and welfare	3,911,386	4,369,125	-	-	3,911,386	4,369,125
Education	28,735,066	31,253,898	-	-	28,735,066	31,253,898
Parks, recreation and cultural	5,100,351	5,379,470	-	-	5,100,351	5,379,470
Planning and community development	3,867,423	4,032,505	-	-	3,867,423	4,032,505
Interest on long-term debt	6,131,512	5,860,753	-	-	6,131,512	5,860,753
Water	-	-	5,118,820	5,359,913	5,118,820	5,359,913
Sewer	-	-	7,391,517	6,772,876	7,391,517	6,772,876
Public transportation	-	-	6,767,823	6,817,081	6,767,823	6,817,081
Sanitation	-	-	9,878,225	10,809,914	9,878,225	10,809,914
Total expenses	\$ 91,987,186	\$ 97,098,703	\$ 29,156,385	\$ 29,759,784	\$ 121,143,571	\$ 126,858,487
Excess (deficiency) before transfers	\$ (2,441,653)	\$ (4,171,847)	\$ 949,308	\$ 8,140,559	\$ (1,492,345)	\$ 3,968,712
Transfers	378,256	(875,910)	(378,256)	875,910	-	-
Change in net assets	\$ (2,063,397)	\$ (5,047,757)	\$ 571,052	\$ 9,016,469	\$ (1,492,345)	\$ 3,968,712
Net assets at beginning of year	168,890,884	173,938,641	87,051,233	78,034,764	255,942,117	251,973,405
Net assets at end of year	<u>\$ 166,827,487</u>	<u>\$ 168,890,884</u>	<u>\$ 87,622,285</u>	<u>\$ 87,051,233</u>	<u>\$ 254,449,772</u>	<u>\$ 255,942,117</u>

Governmental activities. Governmental activities decreased the City's net assets by \$2.1 million. Key elements affecting governmental activities are as follows:

- Property tax revenue increased \$1.8 million (6.3 percent) during the current year as a result of an increase in real estate reassessments.
- Sales and use taxes decreased \$565,689 (5.1 percent) as a result of declining economic activity.
- Business license taxes decreased \$500,954 (8.2 percent) as a result of declining economic activity.
- Investment revenue decreased \$506,878 (77 percent) as a result of lower interest rates.
- Capital grants and contributions decreased \$3.7 million primarily from decreasing right-of-way and easement purchases associated with the Stone Spring Road/Erickson Avenue improvement project which are eligible for federal and state funding.

- Expenses in the public safety activity decreased \$584,377 (3.2 percent) primarily due to a decrease in funding for the Harrisonburg-Rockingham Emergency Communications Center and a general overall decrease from measures taken to reduce expenses as the result of declining revenue.
- Expenses in the public works activity decreased \$1 million (8.5 percent) primarily due to a decrease in street repaving expenses.
- Expenses in the education activity decreased \$2.5 million (8.1 percent) due to a decrease of \$634,176 in operating funding to the School Board. Also, as a result of the completion of a new elementary/middle school complex, the City transferred an additional \$1.9 million in certain long-term debt financed capital assets to the School Board in the previous year.
- Expenses for interest on long-term debt increased \$270,759 (4.6 percent) due to a \$13.5 million bond issue in the previous fiscal year.



Business-type activities. Business-type activities increased the City's net assets by \$571,052. Key elements affecting business-type activities are as follows:

- Charges for services decreased \$372,397 (1.5 percent) due a decrease in developer requested water connections. Also, sanitation activity revenue declined from a decrease in usage of Rockingham County's landfill.

- Capital grants and contributions decreased \$6.3 million (74.3 percent) due to a decrease of \$4.5 million in intergovernmental funding for the purchase of 14 new transit buses in the previous year and a decrease in contributions of water and sewer lines from developers.
- Investment revenue decreased \$426,009 (84.2 percent) as a result of lower interest rates.
- Other revenue decreased \$760,401 (39.4 percent) as a result of a decrease in developer requested water and sewer connections.
- Expenses in the water activity decreased \$241,093 (4.5 percent) mainly from decreased expenses for water connections requested by developers.
- Expenses in the sewer activity increased \$618,641 (9.1 percent) primarily from increased contributions to the Harrisonburg-Rockingham Regional Sewer Authority.
- Expenses in the sanitation activity decreased \$931,689 (8.6 percent) mainly from a decrease in usage of Rockingham County's landfill, a decrease in natural gas usage at the steam plant and a decrease in maintenance and repairs at the steam plant.

Government-wide Financial Analysis (Component Units)

School Board activities. Net assets of the School Board increased \$1.5 million during the current year to \$33.5 million, as compared to a \$2.6 million increase in the previous year. School Board expenses decreased \$1.6 million (2.7 percent) as a result of a three-month Virginia Retirement System contributions holiday along with other measures designed to reduce expenses as the result of declining revenue. Operating funding from the City and state decreased \$634,176 (2.6%) and \$2.3 million (9.5%), respectively. The decrease in state funding was partially offset by \$1.9 million in additional federal funding.

HEC activities. HEC's net assets increased \$3.3 million during the year, as compared to a \$904,904 increase in the previous year. Operating revenues decreased \$6.4 million (10.7 percent) during the current year, while expenses decreased \$8.9 million (15.1 percent). The decrease in expenses was due to the decreased cost of electricity purchased. These decreased costs were passed through to customers in the fuel cost adjustment rate resulting in decreased operating revenue.

Financial Analysis of the Government's Funds

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

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

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$18 million, while total fund balance was \$20 million. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures and other financing uses. Unreserved fund balance represents 22.5 percent of total General Fund expenditures and other financing uses, while total fund balance represents 24.9 percent of that same amount.

Total fund balance in the General Fund increased approximately \$429,000 mainly from a targeted effort city-wide to reduce expenditures due to declining tax revenue collections from the current weak economic environment. Other financial factors affecting the General Fund have been included in the above discussion of the City's governmental activities.

The General Capital Projects Fund has a total fund balance of \$9.6 million, of which the entire amount is either reserved or designated unreserved for various projects. Revenue, including transfers in, totaled \$4.2 million, of which \$3.6 million was intergovernmental revenue and \$527,102 was from transfers from the General Fund. Intergovernmental revenue included \$171,428 from the City's participation in the Virginia Urban Construction Initiative program

and \$3.2 million from the state and federal government for road project funding. Expenditures totaled \$11.7 million, of which the most significant were Phase I construction expenditures for the Stone Spring Road/Erickson Avenue improvement project and continued engineering and right-of-way expenditures for other phases of this project.

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

Water Fund. Net assets in the Water Fund increased \$1.2 million compared to an increase of \$2.5 million in the previous year. Charges for services remained flat due to a decrease in water consumption, while total operating expenses decreased \$274,915 (5.6 percent). Capital contributions decreased \$520,904 from contributions of \$1.7 million in water lines from several large development projects and from general City financed projects in the previous year. This was offset by a \$1.1 intergovernmental grant for the construction of a new water tank on Tower Street. Other factors affecting the Water Fund's results are the same as those discussed earlier in connection with the business-type activities analysis.

Sewer Fund. Net assets in the Sewer Fund decreased \$1 million compared to an increase of \$2.2 million in the previous year. Charges for services increased \$375,765 (5.9 percent) due to a sewer authority rate increase, while total operating expenses increased \$648,435 (9.6 percent). Capital contributions decreased \$2.4 million from contributions of sewer lines from several large development projects and from general City financed projects in the previous year. Other factors affecting the Sewer Fund's results are the same as those discussed earlier in connection with the business-type activities analysis.

Public Transportation Fund. Net assets in the Public Transportation Fund decreased \$929,006 compared to an increase of \$3.6 million in the previous year. Operating revenues decreased \$137,846 (4.2 percent) mainly due to a decrease in revenue from the Harrisonburg City School Board for school bus services, while total operating expenses increased \$160,728 (2.5 percent). Capital contributions decreased \$4.5 million due to federal and state funding for the purchase of 14 new transit buses in the previous year. Other factors affecting the Public Transportation Fund's results are the same as those discussed earlier in connection with the business-type activities analysis.

Sanitation Fund. Net assets in the Sanitation Fund increased \$1.4 million compared to an increase of \$863,848 in the previous year. Operating revenues decreased \$283,188 (2.8 percent) due to decreased usage of Rockingham County's landfill and decreased reimbursements from James Madison University for operations and maintenance at the steam plant, while total operating expenses decreased \$765,072 (8 percent).

General Fund Budgetary Highlights

Differences between the original and the final amended General Fund budget amounted to \$1.9 million, or 2.3 percent of the original budget, and can be briefly summarized as follows:

- \$557,412 appropriated for various fire department purposes including state and federal grants.
- \$388,977 appropriated for various police department purposes including state and federal grants.
- \$330,000 appropriated for snow and ice removal.
- \$269,241 appropriated for additional funding to the Harrisonburg-Rockingham Social Services District.
- \$211,048 appropriated for prior year encumbrances.
- \$149,917 appropriated for other purposes. Funding was provided by various sources such as grant funding, donations and other miscellaneous revenues.

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

- Local tax revenue (other than property taxes) was under the final amended budget by approximately \$2.7 million. This was primarily the result of a continued decline in economic activity.

- Intergovernmental revenue was under the final amended budget by approximately \$1.2 million. This was primarily the result of a continued decrease in funding from the Commonwealth of Virginia. Also, there were several grant funded activities that were budgeted in the current year but deferred into the subsequent fiscal year.
- Public works expenditures were under the final amended budget by approximately \$1.8 million. The variance was primarily the result of a cutback or delay in street repaving, sidewalk repair and capital outlay expenditures that were budgeted.
- Public safety expenditures were under the final amended budget by approximately \$1.4 million. The variance was primarily the result of an effort to keep expenditures under budget due to declining tax revenue.

Capital Asset and Debt Administration

Capital assets. At the end of the current fiscal year, the City's investment in capital assets for its governmental and business-type activities totaled \$355.3 million (net of accumulated depreciation). This investment in capital assets includes land, easements, buildings, improvements other than buildings, machinery and equipment, infrastructure (e.g., streets and bridges), JMU land and steam agreement (an intangible asset), contractual landfill asset (an intangible asset) and construction in progress. The City's total investment in capital assets for the current fiscal year decreased \$822,496.

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

- Construction was completed on the Port Republic Road Phase III improvement project increasing governmental activities' infrastructure and decreasing construction in progress by \$2.9 million.
- Construction was completed on the Dream Come True Playground development project increasing various governmental activities' capital asset classes and decreasing construction in progress by \$1.6 million.
- Construction and engineering continued on the Stone Spring Road/Erickson Avenue improvement projects increasing governmental activities' construction in progress by \$6.3 million.
- Construction continued on a new eight million gallon water tank on Tower Street, increasing business-type activities' construction in progress by \$2.8 million.
- Construction and engineering continued on the eastern source water line development project to the South Fork of the Shenandoah River increasing business-type activities' construction in progress by \$2.1 million. Construction included a booster pump station and an intake pump station.
- Construction was completed on various water and sewer line projects increasing business-type activities' infrastructure and decreasing construction in progress by \$3.7 million.

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

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 45,255,569	\$ 46,002,746	\$ 945,095	\$ 945,095	\$ 46,200,664	\$ 46,947,841
Easements	899,066	850,100	315,297	269,057	1,214,363	1,119,157
Construction in progress	17,668,473	14,548,854	11,266,405	8,832,494	28,934,878	23,381,348
Buildings	97,958,216	102,650,151	9,520,928	9,597,458	107,479,144	112,247,609
Improvements other than buildings	7,509,980	5,979,235	9,504,951	9,862,260	17,014,931	15,841,495
Machinery and equipment	14,577,567	15,288,377	25,584,425	28,595,221	40,161,992	43,883,598
Infrastructure	71,408,325	71,739,093	40,120,327	38,026,403	111,528,652	109,765,496
JMU agreement	-	-	291,991	318,536	291,991	318,536
Contractual landfill asset	-	-	2,442,108	2,586,139	2,442,108	2,586,139
Total capital assets	\$ 255,277,196	\$ 257,058,556	\$ 99,991,527	\$ 99,032,663	\$ 355,268,723	\$ 356,091,219

Additional information on the City's capital assets can be found in Note 7 on pages 43 through 45 of this report.

Long-term debt. At the end of the current fiscal year, the City had total long-term debt outstanding of \$176.7 million. Of this amount, \$160.8 million comprises debt backed by the full faith and credit of the City. \$9.4 million of this amount is debt that is secured by a specified revenue source that is also backed by the full faith and credit of the City in the event these revenues are insufficient to make debt service payments. The City's total long-term debt decreased \$6 million during the current fiscal year.

During fiscal year 2010, the City issued \$1.1 million in general obligation bonds for business-type activities' projects. This borrowing was for the purpose of constructing a new eight million gallon water tank on Tower Street and obtained through the Commonwealth of Virginia's Drinking Water State Revolving Fund loan program.

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

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
General obligation bonds	\$ 83,904,656	\$ 86,509,105	\$ 26,528,271	\$ 26,886,976	\$ 110,432,927	\$ 113,396,081
General obligation school bonds	40,948,214	43,555,410	-	-	40,948,214	43,555,410
General obligation revenue bonds	-	-	9,392,103	9,598,939	9,392,103	9,598,939
Capital leases	6,635,404	7,480,465	-	-	6,635,404	7,480,465
Landfill closure and postclosure	-	-	4,228,912	4,077,810	4,228,912	4,077,810
Compensated absences	2,838,524	2,929,990	1,046,219	1,053,604	3,884,743	3,983,594
Postretirement healthcare benefits	842,913	422,021	355,790	183,138	1,198,703	605,159
Total long-term debt	\$ 135,169,711	\$ 140,896,991	\$ 41,551,295	\$ 41,800,467	\$ 176,721,006	\$ 182,697,458

During fiscal year 2010, the City's credit rating was upgraded to an AA- rating from Standard & Poor's and an Aa2 rating from Moody's.

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 \$383.9 million of which \$221.8 million is available for use.

Additional information on the City's long-term debt can be found in Note 11 on pages 47 through 58 of this report.

Economic Factors and Next Year's Budgets and Rates

The following were factors in preparing the City's 2011 fiscal year budget.

- The unemployment rate of the City of Harrisonburg in December 2009 was 6.4 percent, which is an increase from a rate of 4.6 percent in December 2008. This rate compares favorably to the 6.7 percent state rate and the 9.7 percent national rate in December 2009.
- No cost-of-living salary adjustments for City employees while keeping 14 open positions vacant.
- An anticipated decrease of \$1 million in estimated tax collections from sales and use taxes due to an unfavorable economy.
- A one-time revenue source of \$2.3 million as the result of debt refunding savings from the Virginia Public School Authority to be used as an offset for debt service payments.
- A continued decrease in investment income from declining interest rates.
- A decrease of \$283,000 in various state funding.
- No increase in capital projects funding due to decreased revenue estimates.

The approved \$84.8 million fiscal year 2011 General Fund budget included the use of approximately \$364,000 from unreserved and undesignated fund balance. Real property reassessments for fiscal year 2011 will provide an additional \$658,000 in estimated real estate tax collections.

The seasonal water rate charge was increased \$0.16 per one thousand gallons to \$0.24 per one thousand gallons. The seasonal water rate is included on customer bills from July through November of each year.

A sewer authority rate increase of \$0.73 per one thousand gallons was approved to provide continued funding for the Harrisonburg-Rockingham Regional Sewer Authority's \$90 million wastewater treatment plant upgrade that is required to protect the Chesapeake Bay.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. A copy of this report in its entirety may be downloaded from the City's website at www.harrisonburgva.gov. 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, 2010

Exhibit 1

	Primary Government			Component Units	
	Governmental	Business-type	Total	School	HEC
	Activities	Activities		Board	
Assets					
Cash and cash equivalents	\$ 31,890,528	\$ 30,519,485	\$ 62,410,013	\$ 10,056,403	\$ 4,735,918
Investments	-	-	-	-	9,000,000
Receivables (net of allowance for uncollectibles)	38,432,075	2,198,179	40,630,254	1,325,242	5,777,865
Due from primary government	-	-	-	-	163,242
Due from component unit	4,851	-	4,851	46,926	86,703
Internal balances	911,848	(911,848)	-	-	-
Inventory	1,919,429	-	1,919,429	43,547	1,878,369
Prepaid expenses	111,316	40,847	152,163	1,038,752	109,907
Loans receivable	10,577,131	-	10,577,131	-	-
Restricted assets	1,056,775	204,948	1,261,723	-	-
Capital assets:					
Capital assets, not being depreciated	63,823,108	12,526,797	76,349,905	5,611,429	6,356,679
Capital assets (net of accumulated depreciation)	191,454,088	87,464,730	278,918,818	22,048,952	46,050,895
Other assets	734,433	303,758	1,038,191	-	-
Total assets	\$ 340,915,582	\$ 132,346,896	\$ 473,262,478	\$ 40,171,251	\$ 74,159,578
Liabilities					
Accounts payable	\$ 3,447,894	\$ 655,503	\$ 4,103,397	\$ 40,135	\$ 3,661,722
Accrued payroll	980,216	469,044	1,449,260	4,507,358	-
Accrued interest	2,394,835	723,611	3,118,446	-	-
Due to primary government	-	-	-	-	4,851
Due to component unit	98,535	64,707	163,242	86,703	46,926
Customer deposits	-	276,493	276,493	-	850,192
Unearned revenue	31,663,869	941,050	32,604,919	-	-
Other liabilities	333,035	39,373	372,408	-	253,525
Liabilities payable from restricted assets	-	3,535	3,535	-	-
Long-term liabilities:					
Due within one year	7,866,844	2,375,657	10,242,501	298,885	438,920
Due in more than one year	127,302,867	39,175,638	166,478,505	1,694,613	755,941
Total liabilities	\$ 174,088,095	\$ 44,724,611	\$ 218,812,706	\$ 6,627,694	\$ 6,012,077
Net assets					
Invested in capital assets (net of related debt)	\$ 134,630,600	\$ 64,272,566	\$ 198,903,166	\$ 27,660,381	\$ 52,407,574
Restricted for:					
Debt service	284,297	-	284,297	-	-
Drug forfeiture	67,691	-	67,691	-	-
Police department grants	10,828	-	10,828	-	-
Fire department grants	96,851	-	96,851	-	-
Unrestricted	31,737,220	23,349,719	55,086,939	5,883,176	15,739,927
Total net assets	\$ 166,827,487	\$ 87,622,285	\$ 254,449,772	\$ 33,543,557	\$ 68,147,501

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, 2010

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government administration	\$ 12,693,219	\$ 9,478,806	\$ 312,248	\$ -
Jail and judicial administration	2,689,276	504,223	-	-
Public safety	17,934,535	265,515	1,888,708	-
Public works	10,924,418	-	3,636,464	1,105,400
Health and welfare	3,911,386	-	-	-
Education	28,735,066	-	-	-
Parks, recreation and cultural	5,100,351	1,042,513	11,246	-
Planning and community development	3,867,423	421,260	688,459	-
Interest on long-term debt	6,131,512	-	-	-
Total governmental activities	\$ 91,987,186	\$ 11,712,317	\$ 6,537,125	\$ 1,105,400
Business-type activities:				
Water	\$ 5,118,820	\$ 5,414,295	\$ 22,000	\$ 1,711,668
Sewer	7,391,517	6,748,325	-	274,286
Public transportation	6,767,823	3,153,152	1,474,827	190,800
Sanitation	9,878,225	9,867,232	-	-
Total business-type activities	\$ 29,156,385	\$ 25,183,004	\$ 1,496,827	\$ 2,176,754
Total primary government	\$ 121,143,571	\$ 36,895,321	\$ 8,033,952	\$ 3,282,154
Component units:				
School Board	\$ 56,211,189	\$ 1,841,244	\$ 14,676,553	\$ -
Harrisonburg Electric Commission (HEC)	50,082,614	53,208,645	-	-
Total component units	\$ 106,293,803	\$ 55,049,889	\$ 14,676,553	\$ -

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

Change in net assets

Net assets at beginning of year
Net assets at end of year

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

Net (Expense) Revenue and Changes in Net Assets					
Primary Government			Component Units		
Governmental Activities	Business-type Activities	Total	School Board	HEC	
\$ (2,902,165)	\$ -	\$ (2,902,165)	\$ -	\$ -	
(2,185,053)	-	(2,185,053)	-	-	
(15,780,312)	-	(15,780,312)	-	-	
(6,182,554)	-	(6,182,554)	-	-	
(3,911,386)	-	(3,911,386)	-	-	
(28,735,066)	-	(28,735,066)	-	-	
(4,046,592)	-	(4,046,592)	-	-	
(2,757,704)	-	(2,757,704)	-	-	
(6,131,512)	-	(6,131,512)	-	-	
<u>\$ (72,632,344)</u>	<u>\$ -</u>	<u>\$ (72,632,344)</u>	<u>\$ -</u>	<u>\$ -</u>	
\$ -	\$ 2,029,143	\$ 2,029,143	\$ -	\$ -	
-	(368,906)	(368,906)	-	-	
-	(1,949,044)	(1,949,044)	-	-	
-	(10,993)	(10,993)	-	-	
<u>\$ -</u>	<u>\$ (299,800)</u>	<u>\$ (299,800)</u>	<u>\$ -</u>	<u>\$ -</u>	
<u>\$ (72,632,344)</u>	<u>\$ (299,800)</u>	<u>\$ (72,932,144)</u>	<u>\$ -</u>	<u>\$ -</u>	
\$ -	\$ -	\$ -	\$ (39,693,392)	\$ -	
-	-	-	-	3,126,031	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (39,693,392)</u>	<u>\$ 3,126,031</u>	
\$ 30,867,419	\$ -	\$ 30,867,419	\$ -	\$ -	
10,487,699	-	10,487,699	-	-	
8,001,430	-	8,001,430	-	-	
5,571,597	-	5,571,597	-	-	
5,274,469	-	5,274,469	-	-	
3,465,825	-	3,465,825	17,043,127	-	
-	-	-	23,993,391	-	
4,800,000	-	4,800,000	-	-	
151,425	79,908	231,333	900	166,248	
1,570,827	1,167,345	2,738,172	169,182	-	
-	1,855	1,855	-	-	
378,256	(378,256)	-	-	-	
<u>\$ 70,568,947</u>	<u>\$ 870,852</u>	<u>\$ 71,439,799</u>	<u>\$ 41,206,600</u>	<u>\$ 166,248</u>	
\$ (2,063,397)	\$ 571,052	\$ (1,492,345)	\$ 1,513,208	\$ 3,292,279	
<u>168,890,884</u>	<u>87,051,233</u>	<u>255,942,117</u>	<u>32,030,349</u>	<u>64,855,222</u>	
<u>\$ 166,827,487</u>	<u>\$ 87,622,285</u>	<u>\$ 254,449,772</u>	<u>\$ 33,543,557</u>	<u>\$ 68,147,501</u>	

CITY OF HARRISONBURG, VIRGINIA
GOVERNMENTAL FUNDS
BALANCE SHEET
At June 30, 2010

Exhibit 3

	<u>General Fund</u>	<u>Community Development Block Grant Fund</u>	<u>General Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Assets				
Cash and cash equivalents	\$ 17,853,146	\$ -	\$ 9,590,455	\$ 27,443,601
Receivables (net of allowance for uncollectibles)	36,609,730	178,774	1,638,494	38,426,998
Inventory	110,387	-	-	110,387
Prepaid expenditures	106,193	-	-	106,193
Advance to other funds	246,507	-	-	246,507
Loans receivable	10,577,131	-	-	10,577,131
Restricted assets	284,297	-	772,478	1,056,775
Total assets	\$ 65,787,391	\$ 178,774	\$ 12,001,427	\$ 77,967,592
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 1,049,659	\$ 86,384	\$ 1,519,885	\$ 2,655,928
Accrued payroll	945,250	3,049	-	948,299
Due to component unit	80,255	-	17,676	97,931
Advance from other funds	-	89,341	-	89,341
Deferred revenue	43,474,897	122,388	819,414	44,416,699
Other liabilities	273,035	-	60,000	333,035
Total liabilities	\$ 45,823,096	\$ 301,162	\$ 2,416,975	\$ 48,541,233
Fund Balances:				
Reserved	\$ 1,919,969	\$ -	\$ 2,595,584	\$ 4,515,553
Unreserved:				
Designated	1,662,934	-	6,988,868	8,651,802
Undesignated	16,381,392	(122,388)	-	16,259,004
Total fund balances	\$ 19,964,295	\$ (122,388)	\$ 9,584,452	\$ 29,426,359
Total liabilities and fund balances	\$ 65,787,391	\$ 178,774	\$ 12,001,427	\$ 77,967,592

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, 2010

Exhibit 4

Total fund balance of governmental funds (Exhibit 3)	\$ 29,426,359
Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:	
Certain revenues are not available to pay for current period expenditures and therefore are deferred in the funds.	12,752,830
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	254,582,085
Certain liabilities, including bonds and related accounts, are not payable from current financial resources and therefore are not reported in the funds.	(136,702,390)
Internal service funds are used by management to charge the costs of certain activities to other funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net assets.	<u>6,768,603</u>
Net assets of governmental activities (Exhibit 1)	<u>\$ 166,827,487</u>

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

CITY OF HARRISONBURG, VIRGINIA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2010

Exhibit 5

	<u>General Fund</u>	<u>Community Development Block Grant Fund</u>	<u>General Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Revenues:				
General property taxes	\$ 31,009,074	\$ -	\$ -	\$ 31,009,074
Other local taxes	29,295,439	-	-	29,295,439
Permits, privilege fees and regulatory licenses	354,076	-	-	354,076
Fines and forfeitures	598,904	-	-	598,904
Use of money and property	185,724	-	12,120	197,844
Charges for services	1,193,264	-	-	1,193,264
Miscellaneous	1,458,755	-	82,141	1,540,896
Payments from component units	4,800,000	-	-	4,800,000
Intergovernmental	9,390,122	548,169	3,561,485	13,499,776
Total revenues	<u>\$ 78,285,358</u>	<u>\$ 548,169</u>	<u>\$ 3,655,746</u>	<u>\$ 82,489,273</u>
Expenditures:				
Current:				
General government administration	\$ 3,494,629	\$ -	\$ -	\$ 3,494,629
Jail and judicial administration	2,392,315	-	-	2,392,315
Public safety	17,033,685	-	-	17,033,685
Public works	7,085,021	-	-	7,085,021
Health and welfare	3,889,521	-	-	3,889,521
Education	23,993,390	-	-	23,993,390
Parks, recreation and cultural	4,590,497	-	-	4,590,497
Planning and community development	3,195,954	543,342	-	3,739,296
Debt service:				
Principal retirement	6,144,985	-	-	6,144,985
Interest and fiscal charges	5,776,747	-	-	5,776,747
Capital projects	-	-	11,668,260	11,668,260
Total expenditures	<u>\$ 77,596,744</u>	<u>\$ 543,342</u>	<u>\$ 11,668,260</u>	<u>\$ 89,808,346</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 688,614</u>	<u>\$ 4,827</u>	<u>\$ (8,012,514)</u>	<u>\$ (7,319,073)</u>
Other financing sources (uses):				
Transfers in	\$ 2,252,990	\$ -	\$ 527,102	\$ 2,780,092
Transfers out	(2,512,974)	(84,014)	-	(2,596,988)
Total other financing sources (uses)	<u>\$ (259,984)</u>	<u>\$ (84,014)</u>	<u>\$ 527,102</u>	<u>\$ 183,104</u>
Net change in fund balances	<u>\$ 428,630</u>	<u>\$ (79,187)</u>	<u>\$ (7,485,412)</u>	<u>\$ (7,135,969)</u>
Fund balances at beginning of year	<u>19,535,665</u>	<u>(43,201)</u>	<u>17,069,864</u>	<u>36,562,328</u>
Fund balances at end of year	<u>\$ 19,964,295</u>	<u>\$ (122,388)</u>	<u>\$ 9,584,452</u>	<u>\$ 29,426,359</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, 2010

Exhibit 6

Total net change in fund balances of governmental funds (Exhibit 5)	\$ (7,135,969)
<p>Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:</p>	
<p>Certain revenues reported in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds. This amount is the net change in these revenues.</p>	408,943
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay expenditures exceeded depreciation expense.</p>	1,013,936
<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>	(591,579)
<p>The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>	6,016,434
<p>Internal service funds are used by management to charge the costs of certain activities to other funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.</p>	990,412
<p>The transfer of capital assets to business-type activities and to the School Board (component unit) affects only the statement of activities. These transfers do not have an effect on current financial resources and, therefore, are not reported in governmental funds.</p>	<u>(2,765,574)</u>
Change in net assets of governmental activities (Exhibit 2)	\$ <u><u>(2,063,397)</u></u>

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

GENERAL FUND

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

For the Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
General property taxes	\$ 30,600,652	\$ 30,600,652	\$ 31,009,074	\$ 408,422
Other local taxes	33,832,500	32,032,500	29,295,439	(2,737,061)
Permits, privilege fees and regulatory licenses	932,800	932,800	354,076	(578,724)
Fines and forfeitures	528,000	528,000	598,904	70,904
Use of money and property	375,000	375,000	185,724	(189,276)
Charges for services	1,234,700	1,234,700	1,193,264	(41,436)
Miscellaneous	1,167,781	1,236,324	1,458,755	222,431
Payments from component units	4,800,000	4,800,000	4,800,000	-
Intergovernmental	7,975,075	10,590,654	9,390,122	(1,200,532)
Total revenues	<u>\$ 81,446,508</u>	<u>\$ 82,330,630</u>	<u>\$ 78,285,358</u>	<u>\$ (4,045,272)</u>
Expenditures:				
Current:				
General government administration	\$ 4,075,810	\$ 3,773,050	\$ 3,494,629	\$ 278,421
Jail and judicial administration	2,000,314	2,394,314	2,392,315	1,999
Public safety	17,318,055	18,448,496	17,033,685	1,414,811
Public works	8,519,722	8,914,702	7,085,021	1,829,681
Health and welfare	3,878,201	3,892,542	3,889,521	3,021
Education	25,107,585	25,107,585	23,993,390	1,114,195
Parks, recreation and cultural	4,982,009	4,995,481	4,590,497	404,984
Planning and community development	3,473,238	3,528,257	3,195,954	332,303
Debt service:				
Principal retirement	6,088,199	6,148,199	6,144,985	3,214
Interest and fiscal charges	5,866,479	5,806,479	5,776,747	29,732
Total expenditures	<u>\$ 81,309,612</u>	<u>\$ 83,009,105</u>	<u>\$ 77,596,744</u>	<u>\$ 5,412,361</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 136,896</u>	<u>\$ (678,475)</u>	<u>\$ 688,614</u>	<u>\$ 1,367,089</u>
Other financing sources (uses):				
Transfers in	\$ 2,168,976	\$ 2,229,976	\$ 2,252,990	\$ 23,014
Transfers out	(2,305,872)	(2,512,974)	(2,512,974)	-
Total other financing sources (uses)	<u>\$ (136,896)</u>	<u>\$ (282,998)</u>	<u>\$ (259,984)</u>	<u>\$ 23,014</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (961,473)</u>	<u>\$ 428,630</u>	<u>\$ 1,390,103</u>
Fund balance at beginning of year			<u>19,535,665</u>	
Fund balance at end of year			<u>\$ 19,964,295</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, 2010

Exhibit 8

	Enterprise Funds					Internal Service Funds
	Water Fund	Sewer Fund	Public Transportation Fund	Sanitation Fund	Total	
Assets						
Current assets:						
Cash and cash equivalents	\$ 10,606,607	\$ 5,108,498	\$ 655,028	\$ 14,149,352	\$ 30,519,485	\$ 4,446,927
Receivables (net of allowance for uncollectibles)	639,609	854,872	25,217	540,257	2,059,955	5,077
Due from component unit	-	-	-	-	-	4,851
Due from other governments	69,412	-	68,812	-	138,224	-
Inventory	-	-	-	-	-	1,809,042
Prepaid expenses	4,865	2,973	18,480	14,529	40,847	5,123
Restricted assets	204,948	-	-	-	204,948	-
Total current assets	\$ <u>11,525,441</u>	\$ <u>5,966,343</u>	\$ <u>767,537</u>	\$ <u>14,704,138</u>	\$ <u>32,963,459</u>	\$ <u>6,271,020</u>
Noncurrent assets:						
Capital assets (net of accumulated depreciation)	\$ 44,450,020	\$ 24,850,298	\$ 7,290,926	\$ 23,400,283	\$ 99,991,527	\$ 695,111
Other assets	99,524	-	-	204,234	303,758	-
Total noncurrent assets	\$ <u>44,549,544</u>	\$ <u>24,850,298</u>	\$ <u>7,290,926</u>	\$ <u>23,604,517</u>	\$ <u>100,295,285</u>	\$ <u>695,111</u>
Total assets	\$ <u>56,074,985</u>	\$ <u>30,816,641</u>	\$ <u>8,058,463</u>	\$ <u>38,308,655</u>	\$ <u>133,258,744</u>	\$ <u>6,966,131</u>
Liabilities and Net Assets						
Current liabilities:						
Accounts payable	\$ 310,195	\$ 17,037	\$ 70,865	\$ 257,406	\$ 655,503	\$ 791,966
Accrued payroll	71,609	54,927	238,841	103,667	469,044	31,917
Accrued interest	237,827	-	-	485,784	723,611	-
Due to component unit	5,544	1,536	1,495	56,132	64,707	604
Advance from other funds	-	-	-	-	-	157,166
Customer deposits	276,493	-	-	-	276,493	-
Unearned revenue	584,950	356,100	-	-	941,050	-
Other liabilities	39,373	-	-	-	39,373	-
Liabilities payable from restricted assets	3,535	-	-	-	3,535	-
Compensated absences	107,034	84,581	160,223	153,380	505,218	39,133
Landfill closure and postclosure	-	-	-	111,274	111,274	-
Current portion of bonds payable	299,354	-	-	1,459,811	1,759,165	-
Total current liabilities	\$ <u>1,935,914</u>	\$ <u>514,181</u>	\$ <u>471,424</u>	\$ <u>2,627,454</u>	\$ <u>5,548,973</u>	\$ <u>1,020,786</u>
Noncurrent liabilities:						
Compensated absences	\$ 152,675	\$ 99,544	\$ 94,483	\$ 194,299	\$ 541,001	\$ 56,310
Postretirement healthcare benefits	74,665	53,187	109,712	118,226	355,790	32,280
Landfill closure and postclosure	-	-	-	4,117,638	4,117,638	-
Bonds payable	11,552,355	-	-	22,608,854	34,161,209	-
Total noncurrent liabilities	\$ <u>11,779,695</u>	\$ <u>152,731</u>	\$ <u>204,195</u>	\$ <u>27,039,017</u>	\$ <u>39,175,638</u>	\$ <u>88,590</u>
Total liabilities	\$ <u>13,715,609</u>	\$ <u>666,912</u>	\$ <u>675,619</u>	\$ <u>29,666,471</u>	\$ <u>44,724,611</u>	\$ <u>1,109,376</u>
Net assets:						
Invested in capital assets (net of related debt)	\$ 32,799,724	\$ 24,850,298	\$ 7,290,926	\$ (668,382)	\$ 64,272,566	\$ 695,111
Unrestricted	9,559,652	5,299,431	91,918	9,310,566	24,261,567	5,161,644
Total net assets	\$ <u>42,359,376</u>	\$ <u>30,149,729</u>	\$ <u>7,382,844</u>	\$ <u>8,642,184</u>	\$ <u>88,534,133</u>	\$ <u>5,856,755</u>
Total liabilities and net assets	\$ <u>56,074,985</u>	\$ <u>30,816,641</u>	\$ <u>8,058,463</u>	\$ <u>38,308,655</u>		\$ <u>6,966,131</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.					(911,848)	
Net assets of business-type activities (Exhibit 1)					\$ <u>87,622,285</u>	

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

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 For the Year Ended June 30, 2010

	Enterprise Funds					Internal Service Funds
	Water Fund	Sewer Fund	Public Transportation Fund	Sanitation Fund	Total	
Operating revenues:						
Charges for services	\$ 5,389,182	\$ 6,743,974	\$ 3,153,152	\$ 9,739,068	\$ 25,025,376	\$ 15,881,918
Connection fees	25,113	4,351	-	-	29,464	-
Total operating revenues	\$ 5,414,295	\$ 6,748,325	\$ 3,153,152	\$ 9,739,068	\$ 25,054,840	\$ 15,881,918
Operating expenses:						
Personal services	\$ 1,303,958	\$ 954,008	\$ 2,585,673	\$ 2,042,539	\$ 6,886,178	\$ 620,515
Fringe benefits	482,807	384,211	905,622	894,926	2,667,566	229,648
Purchased services	318,218	90,675	138,370	1,599,746	2,147,009	525,854
Internal services	173,594	174,695	1,158,731	285,934	1,792,954	2,969
Other charges	404,941	99,561	319,661	1,226,052	2,050,215	617,579
Materials and supplies	270,320	65,603	116,657	291,503	744,083	45,609
Contributions to regional sewer authority	-	4,317,121	-	-	4,317,121	-
Depreciation and amortization	1,676,924	1,303,833	1,493,680	2,176,586	6,651,023	29,722
Landfill closure and postclosure	-	-	-	234,113	234,113	-
Cost of inventory issued	-	-	-	-	-	2,758,623
Claims related charges	-	-	-	-	-	10,375,885
Total operating expenses	\$ 4,630,762	\$ 7,389,707	\$ 6,718,394	\$ 8,751,399	\$ 27,490,262	\$ 15,206,404
Operating income (loss)	\$ 783,533	\$ (641,382)	\$ (3,565,242)	\$ 987,669	\$ (2,435,422)	\$ 675,514
Nonoperating revenues (expenses):						
Intergovernmental revenue	\$ 22,000	\$ -	\$ 1,474,827	\$ -	\$ 1,496,827	\$ -
Connection application fees	278,487	352,549	-	-	631,036	-
Miscellaneous revenue	20,362	11,893	33,779	275	66,309	138
Reimbursement of bond payment	-	-	-	598,164	598,164	-
Investment revenue	32,133	14,268	48	33,459	79,908	10,202
Interest expense	(372,691)	-	-	(1,138,663)	(1,511,354)	-
Gain (loss) on disposal of capital assets	-	1,855	(45,363)	-	(43,508)	-
Total nonoperating revenues (expenses)	\$ (19,709)	\$ 380,565	\$ 1,463,291	\$ (506,765)	\$ 1,317,382	\$ 10,340
Income (loss) before contributions and transfers	\$ 763,824	\$ (260,817)	\$ (2,101,951)	\$ 480,904	\$ (1,118,040)	\$ 685,854
Capital contributions	1,711,668	274,286	190,800	-	2,176,754	-
Transfers in	-	-	982,145	927,209	1,909,354	195,152
Transfers out	(1,259,289)	(1,028,321)	-	-	(2,287,610)	-
Change in net assets	\$ 1,216,203	\$ (1,014,852)	\$ (929,006)	\$ 1,408,113	\$ 680,458	\$ 881,006
Net assets at beginning of year	41,143,173	31,164,581	8,311,850	7,234,071		4,975,749
Net assets at end of year	\$ 42,359,376	\$ 30,149,729	\$ 7,382,844	\$ 8,642,184		\$ 5,856,755
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.					(109,406)	
Change in net assets of business-type activities (Exhibit 2)					\$ 571,052	

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, 2010

	Enterprise Funds					Internal Service Funds
	Water Fund	Sewer Fund	Public Transportation Fund	Sanitation Fund	Total	
Cash flows from operating activities:						
Receipts from customers	\$ 5,335,291	\$ 6,566,733	\$ 3,162,474	\$ 10,002,800	\$ 25,067,298	\$ 3,475,552
Receipts from premiums	-	-	-	-	-	12,403,400
Receipts from other sources	20,362	11,893	28,576	275	61,106	138
Receipts from customer deposits	152,325	-	-	-	152,325	-
Payments to employees	(1,303,623)	(946,589)	(2,450,082)	(2,035,772)	(6,736,066)	(629,983)
Payments for fringe benefits	(446,480)	(360,892)	(838,239)	(836,844)	(2,482,455)	(215,847)
Payments to vendors	(1,014,679)	(254,696)	(627,917)	(3,288,258)	(5,185,550)	(3,892,877)
Payments for internal services	(173,594)	(174,695)	(1,173,987)	(285,934)	(1,808,210)	(2,969)
Payments to other governmental units	-	(4,317,121)	-	-	(4,317,121)	-
Payments for claims related charges	-	-	-	-	-	(10,244,870)
Payments to refund customer deposits	(133,109)	-	-	-	(133,109)	-
Net cash provided by (used for) operating activities	\$ 2,436,493	\$ 524,633	\$ (1,899,175)	\$ 3,556,267	\$ 4,618,218	\$ 892,544
Cash flows from noncapital financing activities:						
Operating grants	\$ 22,000	\$ -	\$ 1,612,059	\$ -	\$ 1,634,059	\$ -
Transfers in	-	-	982,145	927,209	1,909,354	195,152
Transfers out	(1,259,289)	(1,028,321)	-	-	(2,287,610)	-
Interfund loan	-	-	(36,883)	-	(36,883)	(12,388)
Net cash provided by (used for) noncapital financing activities	\$ (1,237,289)	\$ (1,028,321)	\$ 2,557,321	\$ 927,209	\$ 1,218,920	\$ 182,764
Cash flows from capital and related financing activities:						
Capital grants	\$ 1,051,106	\$ -	\$ 140,400	\$ -	\$ 1,191,506	\$ -
Capital contributions	25,094	97,946	88,800	-	211,840	-
Connection application fees	169,300	255,150	-	-	424,450	-
Payment from JMU for long-term debt	-	-	-	602,131	602,131	-
Proceeds from sale of capital assets	-	1,855	4,950	-	6,805	-
Proceeds from long-term debt	1,051,106	-	-	-	1,051,106	-
Refund of capital grants	-	-	(46,354)	-	(46,354)	-
Principal paid on long-term debt	(210,000)	-	-	(1,435,000)	(1,645,000)	-
Interest paid on long-term debt	(504,202)	-	-	(1,135,134)	(1,639,336)	-
Purchase and construction of capital assets	(5,699,188)	(395,677)	(191,160)	(274,142)	(6,560,167)	-
Net cash used for capital and related financing activities	\$ (4,116,784)	\$ (40,726)	\$ (3,364)	\$ (2,242,145)	\$ (6,403,019)	\$ -
Cash flows from investing activities:						
Interest received	\$ 32,268	\$ 14,325	\$ 46	\$ 33,572	\$ 80,211	\$ 10,236
Net cash provided by investing activities	\$ 32,268	\$ 14,325	\$ 46	\$ 33,572	\$ 80,211	\$ 10,236
Net increase (decrease) in cash and cash equivalents	\$ (2,885,312)	\$ (530,089)	\$ 654,828	\$ 2,274,903	\$ (485,670)	\$ 1,085,544
Cash and cash equivalents:						
Beginning	13,696,867	5,638,587	200	11,874,449	31,210,103	3,361,383
Ending	\$ 10,811,555	\$ 5,108,498	\$ 655,028	\$ 14,149,352	\$ 30,724,433	\$ 4,446,927

(continued)

CITY OF HARRISONBURG, VIRGINIA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 For the Year Ended June 30, 2010

	Enterprise Funds					Internal Service Funds
	Water Fund	Sewer Fund	Public Transportation Fund	Sanitation Fund	Total	
Reconciliation of cash and cash equivalents to the balance sheet:						
Cash and cash equivalents - Current assets	\$ 10,606,607	\$ 5,108,498	\$ 655,028	\$ 14,149,352	\$ 30,519,485	\$ 4,446,927
Cash and cash equivalents - Restricted assets	204,948	-	-	-	204,948	-
	<u>\$ 10,811,555</u>	<u>\$ 5,108,498</u>	<u>\$ 655,028</u>	<u>\$ 14,149,352</u>	<u>\$ 30,724,433</u>	<u>\$ 4,446,927</u>

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

Operating income (loss)	\$ 783,533	\$ (641,382)	\$ (3,565,242)	\$ 987,669	\$ (2,435,422)	\$ 675,514
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Depreciation and amortization	1,676,924	1,303,833	1,493,680	2,176,586	6,651,023	29,722
Connection fees	(25,113)	(4,351)	-	-	(29,464)	-
Landfill closure and postclosure	-	-	-	151,102	151,102	-
Miscellaneous revenue	20,362	11,893	28,576	275	61,106	138
Change in assets and liabilities:						
(Increase) decrease in:						
Accounts receivable	(47,234)	(176,651)	(5,934)	263,535	33,716	(1,609)
Due from component unit	-	-	-	-	-	(1,357)
Inventory	-	-	-	-	-	45,827
Prepaid expenses	(4,865)	(2,973)	(1,122)	(14,529)	(23,489)	2,078
Increase (decrease) in:						
Accounts payable	(15,157)	4,601	(50,673)	(72,040)	(133,269)	137,660
Accrued payroll	7,844	6,210	150,686	4,074	168,814	3
Due to component unit	(1,173)	(1,047)	(136)	(1,370)	(3,726)	234
Customer deposits	19,216	-	-	-	19,216	-
Other liabilities	(6,657)	-	-	-	(6,657)	-
Compensated absences	(7,522)	1,782	(4,865)	3,221	(7,384)	(10,210)
Postretirement healthcare benefits	36,335	22,718	55,855	57,744	172,652	14,544
Net cash provided by (used for) operating activities	<u>\$ 2,436,493</u>	<u>\$ 524,633</u>	<u>\$ (1,899,175)</u>	<u>\$ 3,556,267</u>	<u>\$ 4,618,218</u>	<u>\$ 892,544</u>

Non - cash capital and related financing activities:

Additions to capital assets:						
Contributed by developers	\$ 591,150	\$ 176,340	\$ -	\$ -	\$ 767,490	\$ -
Purchase and construction on account	224,733	2,530	54,375	92,043	373,681	-
Capitalized interest	155,597	-	-	-	155,597	-

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, 2010

Exhibit 11

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 2,383,847
Receivables	270,854
Prepaid items	<u>44,486</u>
Total assets	\$ <u>2,699,187</u>
Liabilities	
Accounts payable	\$ 36,645
Accrued payroll	84,084
Amounts held for others	<u>2,578,458</u>
Total liabilities	\$ <u>2,699,187</u>

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

Note 1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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

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

B. Government-wide and Fund Financial Statements

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

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

The City reports the following major governmental funds:

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

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

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

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.

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

Note 1. Summary of Significant Accounting Policies (continued)

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), the **Industrial Development Authority Fund** and the **Emergency Communications Center Fund**.

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

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

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

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

D. 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 Fund, which adopts a project-length budget, and the Community Development Block Grant Fund, which adopts a grant-length budget. Formal budgetary integration is employed in all funds as a management control device during the year except for the Health Insurance and all agency funds.

Note 1. Summary of Significant Accounting Policies (continued)

Prior to May 1, the City Manager submits to the City Council a balanced proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them. Prior to June 30, the City Council holds public hearings to obtain citizen comments, and a final budget is legally enacted through the passage of an Appropriation Ordinance. All budget data presented is the original budget and the revised budget as of June 30, 2010.

The appropriated budget places legal restrictions on expenditures at the fund level. The City Manager is authorized to transfer budgeted amounts within funds as may best meet the needs and interests of the City. The City may increase total appropriations at the fund level through approval of City Council. Supplemental appropriations were made during the year in the General Fund totaling \$1,906,595. Supplemental appropriations that exceed one percent of the budget require a public hearing prior to approval. Appropriations lapse at June 30, except for capital projects funds and the Community Development Block Grant Fund.

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

E. Assets, Liabilities and Net Asset or Fund Equity

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

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

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

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

4. Property taxes. Property taxes are levied as of January 1 on property values assessed annually. The last effective general real property reassessment was January 1, 2010. Property taxes attach as an enforceable lien on property as of January 1, but are not collected until the following fiscal year. Real estate taxes are due and collectible twice a year, on December 5 and June 5. Personal property taxes are due and collectible annually on December 5. The portion of the tax receivable that is not collected within 60 days after June 30 is shown as deferred

Note 1. Summary of Significant Accounting Policies (continued)

revenue in the fund financial statements. A penalty of ten percent of the tax is assessed after the applicable payment date. Interest at an annual rate of ten percent is charged on delinquent real estate property tax accounts beginning January 1 and July 1. Interest at an annual rate of four percent is charged on delinquent personal property tax accounts beginning January 1.

The City calculates its allowance for uncollectible delinquent property tax accounts using historical collection data and specific account analysis. The allowance at June 30, 2010 amounted to \$1,001,785.

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

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The amount of interest capitalized for fiscal year 2010 in the Water Fund was \$155,597.

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

Buildings	40 years
Improvements other than buildings	10-50 years
Machinery and equipment	2-30 years
Infrastructure	20-40 years
JMU land and steam agreement	25 years
Contractual landfill asset:	
Landfill cell construction costs	Capacity usage of landfill cell
Other landfill capital costs	5 years

Note 1. Summary of Significant Accounting Policies (continued)

8. School Board Capital Assets. Under current legislation enacted by the Commonwealth of Virginia, local governments have a “tenancy in common” with the School Board whenever the locality incurs “on-behalf” debt for school property. In order to match the capital asset with the related debt, the legislation permits the City to report the portion of the school property related to the outstanding financial obligation in the primary government. As principal is repaid, capital assets equal to the amount of principal debt reduction will be removed from the primary government’s financial statements and reported in the School Board’s financial statements. The School Board retains authority and responsibility over the operation and control of the property. The City transferred \$2,765,574 in net capital assets to the School Board during the current year on the government-wide statement of activities.

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

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

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

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

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

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

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

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

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

Bonds payable	\$ (125,899,271)
Bond issue premiums/discounts (net)	(47,377)
Deferred charge for bond issue costs	734,433
Deferred charge for bond refunding	1,093,778
Capital leases	(6,635,404)
Compensated absences (not including internal service funds)	(2,743,081)
Postretirement healthcare benefits (not including internal service funds)	(810,633)
Accrued interest	<u>(2,394,835)</u>
Net adjustment	\$ <u><u>(136,702,390)</u></u>

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

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

Capital outlay	\$ 8,983,173
Depreciation expense	<u>(7,969,237)</u>
Net adjustment	\$ <u><u>1,013,936</u></u>

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

Principal payments	\$ 6,144,985
Amortization of bond premiums/discounts (net)	9,204
Amortization of bond issue costs	(40,272)
Amortization of deferred bond refunding charges	<u>(97,483)</u>
Net adjustment	\$ <u><u>6,016,434</u></u>

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

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

Compensated absences (not including internal service funds)	\$ 81,255
Postretirement healthcare benefits (not including internal service funds)	(406,348)
Accrued interest	<u>(266,486)</u>
Net adjustment	<u>\$ (591,579)</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. As of June 30, 2010, there were no securities subject to interest rate risk.

Credit risk. Statutes authorize the City and its component units to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, “prime quality” commercial paper and certain corporate notes, bankers acceptances, repurchase agreements, the LGIP and SNAP. The City’s investment policy does not further limit these investment choices. As of June 30, 2010, all City investments in external investment pools and money market funds were rated AAAM by Standard & Poor’s.

The following is a summary of deposit and investment balances at June 30, 2010.

	Primary Government	Component Units		Total
		School Board	HEC	
Investments:				
Local Government Investment Pool (LGIP)	\$ 61,571,911	\$ 9,834,855	\$ 412,325	\$ 71,819,091
State Non-Arbitrage Pool (SNAP)	977,426	-	-	977,426
U.S. Government Money Market Fund	3,995,199	633,906	-	4,629,105
U.S. Treasury Money Market Fund	284,297	-	-	284,297
Money Market Account (United Bank)	-	-	2,000,000	2,000,000
Certificates of Deposit	-	-	7,000,000	7,000,000
Deposits	<u>(1,438,453)</u>	<u>(412,358)</u>	<u>4,321,293</u>	<u>2,470,482</u>
Total deposits and investments	<u>\$ 65,390,380</u>	<u>\$ 10,056,403</u>	<u>\$ 13,733,618</u>	<u>\$ 89,180,401</u>

Note 4. Receivables

The following is a summary of receivables at June 30, 2010.

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	HEC
Property taxes receivable	\$ 33,462,386	\$ -	\$ 33,462,386	\$ -	\$ -
Other taxes receivable	1,274,597	-	1,274,597	-	-
Accounts receivable	5,066	2,088,820	2,093,886	-	5,164,116
Interest receivable	303,485	103	303,588	4	-
Other receivables	360,704	66,377	427,081	306,872	613,749
Due from other governments:					
Commonwealth of Virginia	2,531,563	95,923	2,627,486	964,306	-
Federal Government	1,496,059	42,302	1,538,361	54,060	-
Allowance for uncollectibles	<u>(1,001,785)</u>	<u>(95,346)</u>	<u>(1,097,131)</u>	<u>-</u>	<u>-</u>
Total	\$ <u>38,432,075</u>	\$ <u>2,198,179</u>	\$ <u>40,630,254</u>	\$ <u>1,325,242</u>	\$ <u>5,777,865</u>

Note 5. Restricted Assets

The following is a summary of restricted assets at June 30, 2010.

	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents:			
Bond construction account	\$ 772,478	\$ 204,948	\$ 977,426
Bond debt service reserve account	<u>284,297</u>	<u>-</u>	<u>284,297</u>
Total	\$ <u>1,056,775</u>	\$ <u>204,948</u>	\$ <u>1,261,723</u>

Note 6. Loans Receivable

The following is a summary of loans receivable in the General Fund at June 30, 2010.

Borrowing Entity	Loan Date	Term (in years)	Interest Rate	Balance	Current Portion
Harrisonburg Redevelopment and Housing Authority	June 23, 2009	20	4.45%	\$ 5,672,591	\$ 204,045
Harrisonburg Redevelopment and Housing Authority	October 24, 2006	26.5	4.21%	3,337,250	87,500
Virginia Technology Incubator, LLC	August 1, 2006	5	7.50%	22,290	18,986
Lucy F. Simms, LP	January 20, 2005	20	4.76%	1,170,000	1,170,000
Massanutten Regional Library	May 15, 2000	n/a	0.0%	<u>375,000</u>	<u>-</u>
Total				\$ <u>10,577,131</u>	\$ <u>1,480,531</u>

Note 7. Capital Assets

Primary Government

The following is a summary of the changes in capital assets of the governmental activities for fiscal year 2010.

	Balance June 30, 2009	Additions	Reductions	Balance June 30, 2010
Capital assets, not being depreciated:				
Land	\$ 46,002,746	\$ 68,316	\$ (815,493)	\$ 45,255,569
Easements	850,100	48,966	-	899,066
Construction in progress	<u>14,548,854</u>	<u>8,232,344</u>	<u>(5,112,725)</u>	<u>17,668,473</u>
Capital assets, not being depreciated	<u>\$ 61,401,700</u>	<u>\$ 8,349,626</u>	<u>\$ (5,928,218)</u>	<u>\$ 63,823,108</u>
Capital assets, being depreciated:				
Buildings	\$ 120,572,543	\$ 172,660	\$ (2,362,207)	\$ 118,382,996
Improvements other than buildings	8,615,977	1,881,736	-	10,497,713
Machinery and equipment	24,405,904	776,581	-	25,182,485
Infrastructure	<u>124,019,182</u>	<u>2,915,295</u>	<u>-</u>	<u>126,934,477</u>
Capital assets, being depreciated	<u>\$ 277,613,606</u>	<u>\$ 5,746,272</u>	<u>\$ (2,362,207)</u>	<u>\$ 280,997,671</u>
Less accumulated depreciation:				
Buildings	\$ (17,922,392)	\$ (2,914,514)	\$ 412,126	\$ (20,424,780)
Improvements other than buildings	(2,636,742)	(350,991)	-	(2,987,733)
Machinery and equipment	(9,117,527)	(1,487,391)	-	(10,604,918)
Infrastructure	<u>(52,280,089)</u>	<u>(3,246,063)</u>	<u>-</u>	<u>(55,526,152)</u>
Accumulated depreciation	<u>\$ (81,956,750)</u>	<u>\$ (7,998,959)</u>	<u>\$ 412,126</u>	<u>\$ (89,543,583)</u>
Capital assets, being depreciated (net)	<u>\$ 195,656,856</u>	<u>\$ (2,252,687)</u>	<u>\$ (1,950,081)</u>	<u>\$ 191,454,088</u>

The primary government has included in the above schedule land in the amount of \$113,878, buildings in the amount of \$11,704,921 (\$4,367,480 in accumulated depreciation) and machinery and equipment in the amount of \$5,939,144 (\$470,168 in accumulated depreciation) that are associated with capital lease obligations.

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

General government administration	\$ 24,683
Jail and judicial administration	296,961
Public safety	1,253,044
Public works	3,675,563
Health and welfare	21,865
Education	1,976,102
Parks, recreation and culture	610,589
Planning and community development	110,430
Internal service funds (allocated to various functions)	<u>29,722</u>
Total governmental activities depreciation expense	<u>\$ 7,998,959</u>

Note 7. Capital Assets (continued)

The following is a summary of the changes in capital assets of the business-type activities for fiscal year 2010.

	Balance June 30, 2009	Additions	Reductions	Balance June 30, 2010
Capital assets, not being depreciated:				
Land	\$ 945,095	\$ -	\$ -	\$ 945,095
Easements	269,057	46,240	-	315,297
Construction in progress	<u>8,832,494</u>	<u>6,173,046</u>	<u>(3,739,135)</u>	<u>11,266,405</u>
Capital assets, not being depreciated	<u>\$ 10,046,646</u>	<u>\$ 6,219,286</u>	<u>\$ (3,739,135)</u>	<u>\$ 12,526,797</u>
Capital assets, being depreciated:				
Buildings	\$ 13,234,479	\$ 260,000	\$ -	\$ 13,494,479
Improvements other than buildings	15,269,871	52,950	(13,087)	15,309,734
Machinery and equipment	50,053,073	331,810	(270,495)	50,114,388
Infrastructure	67,558,494	4,246,625	(4,607)	71,800,512
JMU land and steam agreement	2,041,898	-	-	2,041,898
Contractual landfill asset	<u>3,283,014</u>	<u>215,995</u>	<u>(10,955)</u>	<u>3,488,054</u>
Capital assets, being depreciated	<u>\$ 151,440,829</u>	<u>\$ 5,107,380</u>	<u>\$ (299,144)</u>	<u>\$ 156,249,065</u>
Less accumulated depreciation:				
Buildings	\$ (3,637,021)	\$ (336,530)	\$ -	\$ (3,973,551)
Improvements other than buildings	(5,407,611)	(410,259)	13,087	(5,804,783)
Machinery and equipment	(21,457,852)	(3,342,606)	270,495	(24,529,963)
Infrastructure	(29,532,091)	(2,152,701)	4,607	(31,680,185)
JMU land and steam agreement	(1,723,362)	(26,545)	-	(1,749,907)
Contractual landfill asset	<u>(696,875)</u>	<u>(360,026)</u>	<u>10,955</u>	<u>(1,045,946)</u>
Accumulated depreciation	<u>\$ (62,454,812)</u>	<u>\$ (6,628,667)</u>	<u>\$ 299,144</u>	<u>\$ (68,784,335)</u>
Capital assets, being depreciated (net)	<u>\$ 88,986,017</u>	<u>\$ (1,521,287)</u>	<u>\$ -</u>	<u>\$ 87,464,730</u>

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

Water	\$ 1,672,529
Sewer	1,303,833
Public transportation	1,493,680
Sanitation	<u>2,158,625</u>
Total business-type activities depreciation expense	<u>\$ 6,628,667</u>

Note 7. Capital Assets (continued)

The following is a summary of the changes in capital assets of the City's component units for fiscal year 2010.

Component Unit – School Board:

	Balance June 30, 2009	Additions	Reductions	Balance June 30, 2010
Capital assets, not being depreciated:				
Land	\$ 4,795,936	\$ 815,493	\$ -	\$ 5,611,429
Capital assets, not being depreciated	<u>\$ 4,795,936</u>	<u>\$ 815,493</u>	<u>\$ -</u>	<u>\$ 5,611,429</u>
Capital assets, being depreciated:				
Buildings	\$ 31,315,219	\$ 2,362,207	\$ -	\$ 33,677,426
Improvements other than buildings	71,168	24,000	-	95,168
Machinery and equipment	4,586,861	76,742	(25,000)	4,638,603
Capital assets, being depreciated	<u>\$ 35,973,248</u>	<u>\$ 2,462,949</u>	<u>\$ (25,000)</u>	<u>\$ 38,411,197</u>
Less accumulated depreciation:				
Buildings	\$ (12,978,799)	\$ (1,216,350)	\$ -	\$ (14,195,149)
Improvements other than buildings	(13,555)	(4,658)	-	(18,213)
Machinery and equipment	(1,792,537)	(381,346)	25,000	(2,148,883)
Accumulated depreciation	<u>\$ (14,784,891)</u>	<u>\$ (1,602,354)</u>	<u>\$ 25,000</u>	<u>\$ (16,362,245)</u>
Capital assets, being depreciated (net)	<u>\$ 21,188,357</u>	<u>\$ 860,595</u>	<u>\$ -</u>	<u>\$ 22,048,952</u>

Component Unit – HEC:

	Balance June 30, 2009	Additions	Reductions	Balance June 30, 2010
Capital assets, not being depreciated:				
Land	\$ 2,096,537	\$ 2,000	\$ -	\$ 2,098,537
Construction in progress	5,122,387	3,783,241	(4,647,486)	4,258,142
Capital assets, not being depreciated	<u>\$ 7,218,924</u>	<u>\$ 3,785,241</u>	<u>\$ (4,647,486)</u>	<u>\$ 6,356,679</u>
Capital assets, being depreciated:				
Buildings	\$ 2,723,674	\$ -	\$ -	\$ 2,723,674
Machinery and equipment	5,637,266	13,992	-	5,651,258
Infrastructure	89,019,733	4,909,230	(752,443)	93,176,520
Capital assets, being depreciated	<u>\$ 97,380,673</u>	<u>\$ 4,923,222</u>	<u>\$ (752,443)</u>	<u>\$ 101,551,452</u>
Less accumulated depreciation:				
Buildings	\$ (1,561,072)	\$ (72,139)	\$ -	\$ (1,633,211)
Machinery and equipment	(7,184,587)	(700,166)	-	(7,884,753)
Infrastructure	(43,612,249)	(3,122,787)	752,443	(45,982,593)
Accumulated depreciation	<u>\$ (52,357,908)</u>	<u>\$ (3,895,092)</u>	<u>\$ 752,443</u>	<u>\$ (55,500,557)</u>
Capital assets, being depreciated (net)	<u>\$ 45,022,765</u>	<u>\$ 1,028,130</u>	<u>\$ -</u>	<u>\$ 46,050,895</u>

Note 8. Interfund Balances

The General Fund has an advance to other funds in the amount \$246,507. This amount is comprised of loans to the Community Development Block Grant Fund and Central Stores Fund in the amounts of \$89,341 and \$157,166, respectively. The purpose of these loans is to eliminate year end cash and cash equivalents deficit balances.

Note 9. Interfund Transfers

Interfund transfers are generally used to subsidize the operations and programs of certain funds. The following is a summary of interfund transfers for the year ended June 30, 2010.

Transfer in	Transfer out				Total
	General Fund	Community Development Block Grant Fund	Water Fund	Sewer Funds	
General Fund	\$ -	\$ 84,014	\$ 1,150,752	\$ 1,018,224	\$ 2,252,990
General Capital Projects Fund	527,102	-	-	-	527,102
Public Transportation Fund	982,145	-	-	-	982,145
Sanitation Fund	927,209	-	-	-	927,209
Internal Service Funds	76,518	-	108,537	10,097	195,152
Total	\$ 2,512,974	\$ 84,014	\$ 1,259,289	\$ 1,028,321	\$ 4,884,598

Note 10. Unearned Revenue/Deferred Revenue

The following is a summary of unearned and deferred revenue at June 30, 2010.

	Governmental Activities			Total
	General Fund	Community Development Block Grant Fund	General Capital Projects Fund	
Property taxes billed in fiscal year 2011	\$ 31,220,035	\$ -	\$ -	\$ 31,220,035
Intergovernmental grants (cash advances)	348,189	-	-	348,189
Advance collection of parking leases	57,780	-	-	57,780
Golf memberships	37,865	-	-	37,865
Total unearned revenue	\$ 31,663,869	\$ -	\$ -	\$ 31,663,869
Total unearned revenue	\$ 31,663,869	\$ -	\$ -	\$ 31,663,869
Uncollected property tax billings	941,041	-	-	941,041
Other local taxes	98,414	-	-	98,414
Interest receivable	303,212	-	-	303,212
Reimbursement from Housing Authority	178,234	-	-	178,234
Intergovernmental	24,729	122,388	819,414	966,531
Loans receivable	10,202,131	-	-	10,202,131
Other deferred revenue	63,267	-	-	63,267
Total deferred revenue	\$ 43,474,897	\$ 122,388	\$ 819,414	\$ 44,416,699

Note 10. Unearned Revenue/Deferred Revenue (continued)

Unearned revenue for business-type activities in the amount of \$941,050 represents connection application fees for which the services had not been provided as of year-end. This amount is comprised of \$584,950 in the Water Fund and \$356,100 in the Sewer Fund.

Note 11. Long-term Liabilities

Primary Government

The following is a summary of the debt service requirements for the long-term liabilities of the governmental activities as of June 30, 2010.

Year Ending June 30,	General Obligation Bonds		General Obligation School Bonds		Capital Leases		Total Governmental Activities	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
	2011	\$ 3,129,741	\$ 3,551,509	\$ 2,615,000	\$ 1,998,056	\$ 883,446	\$ 277,984	\$ 6,628,187
2012	3,276,787	3,416,061	2,630,000	1,868,653	924,073	237,058	6,830,860	5,521,772
2013	3,417,001	3,273,332	2,340,000	1,741,818	966,354	194,347	6,723,355	5,209,497
2014	3,558,304	3,137,655	2,115,000	1,623,705	1,010,142	149,370	6,683,446	4,910,730
2015	3,714,316	2,995,499	1,975,000	1,521,240	490,060	102,469	6,179,376	4,619,208
2016-2020	18,689,345	12,543,321	11,140,000	6,037,229	2,361,329	224,099	32,190,674	18,804,649
2021-2025	18,748,946	8,825,924	12,285,000	3,067,650	-	-	31,033,946	11,893,574
2026-2030	20,689,831	4,717,305	5,740,000	296,565	-	-	26,429,831	5,013,870
2031-2035	9,835,000	902,812	-	-	-	-	9,835,000	902,812
Total	\$ 85,059,271	\$ 43,363,418	\$ 40,840,000	\$ 18,154,916	\$ 6,635,404	\$ 1,185,327	\$ 132,534,675	\$ 62,703,661

The following is a summary of the debt service requirements for the long-term liabilities of the business-type activities as of June 30, 2010.

Year Ending June 30,	General Obligation Bonds		General Obligation Revenue Bonds		Total Business-type Activities	
	Principal	Interest	Principal	Interest	Principal	Interest
	2011	\$ 1,567,518	\$ 1,142,534	\$ 220,000	\$ 456,966	\$ 1,787,518
2012	1,624,599	1,081,963	230,000	446,841	1,854,599	1,528,804
2013	1,681,681	1,016,150	240,000	436,266	1,921,681	1,452,416
2014	1,743,857	946,673	250,000	425,491	1,993,857	1,372,164
2015	1,811,222	874,306	265,000	414,287	2,076,222	1,288,593
2016-2020	8,124,891	3,261,297	1,505,000	1,874,722	9,629,891	5,136,019
2021-2025	9,165,949	1,266,171	1,905,000	1,338,875	11,070,949	2,605,046
2026-2030	666,117	54,937	2,430,000	1,042,000	3,096,117	1,096,937
2031-2035	189,333	-	2,420,000	249,500	2,609,333	249,500
2036-2040	189,333	-	-	-	189,333	-
Funds not drawn down	(84,894)	-	-	-	(84,894)	-
Total	\$ 26,679,606	\$ 9,644,031	\$ 9,465,000	\$ 6,684,948	\$ 36,144,606	\$ 16,328,979

Note 11. Long-term Liabilities (continued)

The following is a summary of the changes to the long-term liabilities of the governmental activities for fiscal year 2010.

	Balance June 30, 2009	Additions	Reductions	Balance June 30, 2010	Due Within One Year
Bonds payable:					
General obligation bonds	\$ 87,759,195	\$ -	\$ (2,699,924)	\$ 85,059,271	\$ 3,129,741
General obligation school bonds	43,440,000	-	(2,600,000)	40,840,000	2,615,000
Bond premiums/discounts (net)	56,581	-	(9,204)	47,377	9,183
Deferred bond refunding charges	<u>(1,191,261)</u>	-	<u>97,483</u>	<u>(1,093,778)</u>	<u>(97,483)</u>
Total bonds payable	\$ 130,064,515	\$ -	\$ (5,211,645)	\$ 124,852,870	\$ 5,656,441
Capital leases	7,480,465	-	(845,061)	6,635,404	883,446
Compensated absences	2,929,990	1,515,698	(1,607,164)	2,838,524	1,326,957
Postretirement healthcare benefits	<u>422,021</u>	<u>652,171</u>	<u>(231,279)</u>	<u>842,913</u>	<u>-</u>
Governmental activities long-term debt	<u>\$ 140,896,991</u>	<u>\$ 2,167,869</u>	<u>\$ (7,895,149)</u>	<u>\$ 135,169,711</u>	<u>\$ 7,866,844</u>

Long-term liabilities for governmental activities are generally liquidated by the General Fund. The Central Garage and Central Stores Fund are consolidated into the governmental activities in the government-wide financial statements. Accordingly, long-term liabilities for these funds are included as part of the above totals. At June 30, 2010, \$115,668 and \$12,055 of compensated absences and postretirement healthcare benefits are included in the above amounts for these internal service funds.

The following is a summary of the changes to the long-term liabilities of the business-type activities for fiscal year 2010.

	Balance June 30, 2009	Additions	Reductions	Balance June 30, 2010	Due Within One Year
Bonds payable:					
General obligation bonds	\$ 27,063,500	\$ 1,051,106	\$ (1,435,000)	\$ 26,679,606	\$ 1,567,518
General obligation revenue bonds	9,675,000	-	(210,000)	9,465,000	220,000
Bond premiums/discounts (net)	(66,897)	-	(1,357)	(68,254)	1,357
Deferred bond refunding charges	<u>(185,688)</u>	-	<u>29,710</u>	<u>(155,978)</u>	<u>(29,710)</u>
Total bonds payable	\$ 36,485,915	\$ 1,051,106	\$ (1,616,647)	\$ 35,920,374	\$ 1,759,165
Compensated absences	1,053,604	491,806	(499,191)	1,046,219	505,218
Landfill closure and postclosure	4,077,810	234,112	(83,010)	4,228,912	111,274
Postretirement healthcare benefits	<u>183,138</u>	<u>267,523</u>	<u>(94,871)</u>	<u>355,790</u>	<u>-</u>
Business-type activities long-term debt	<u>\$ 41,800,467</u>	<u>\$ 2,044,547</u>	<u>\$ (2,293,719)</u>	<u>\$ 41,551,295</u>	<u>\$ 2,375,657</u>

The following is the detail for the long-term liabilities of the governmental activities as of June 30, 2010.

General Obligation Bonds:

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

Bonds bearing interest at 4.000% maturing on July 15, 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

Note 11. Long-term Liabilities (continued)

General Obligation Bonds (continued):

Bonds bearing interest at 4.500% maturing on July 15, 2015	470,000
Bonds bearing interest at 4.625% maturing on July 15, 2016	490,000
Bonds bearing interest at 4.750% maturing on July 15, 2017	510,000
Bonds bearing interest at 4.750% maturing on July 15, 2018	535,000
	<hr/>
Subtotal	\$ 4,070,000

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

Bonds bearing interest at 3.17% maturing on July 15, 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	\$ 3,869,200

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

Bonds bearing interest at 3.300% maturing on June 1, 2011	\$ 60,000
Bonds bearing interest at 3.400% maturing on June 1, 2012	65,000
Bonds bearing interest at 3.625% maturing on June 1, 2013	65,000
Bonds bearing interest at 3.750% maturing on June 1, 2014	65,000
Bonds bearing interest at 3.875% maturing on June 1, 2015	70,000
Bonds bearing interest at 4.000% maturing on June 1, 2016	75,000
Bonds bearing interest at 4.100% maturing on June 1, 2017	75,000
Bonds bearing interest at 4.200% maturing on June 1, 2018	80,000
Bonds bearing interest at 4.750% maturing on June 1, 2019	80,000
Bonds bearing interest at 4.750% maturing on June 1, 2020	85,000
Bonds bearing interest at 4.750% maturing on June 1, 2021	90,000
Bonds bearing interest at 4.750% maturing on June 1, 2022	95,000
Bonds bearing interest at 4.750% maturing on June 1, 2023	100,000
Bonds bearing interest at 4.750% maturing on June 1, 2024	105,000
Bonds bearing interest at 4.750% maturing on June 1, 2025	110,000
Bonds bearing interest at 5.000% maturing on June 1, 2026	115,000
Bonds bearing interest at 5.000% maturing on June 1, 2027	120,000
Bonds bearing interest at 5.000% maturing on June 1, 2028	125,000
Bonds bearing interest at 5.000% maturing on June 1, 2029	130,000
Bonds bearing interest at 5.000% maturing on June 1, 2030	140,000
Bonds bearing interest at 5.000% maturing on June 1, 2031	145,000
Bonds bearing interest at 5.000% maturing on June 1, 2032	150,000
Bonds bearing interest at 5.000% maturing on June 1, 2033	160,000
Bonds bearing interest at 5.000% maturing on June 1, 2034	170,000
Bonds bearing interest at 5.000% maturing on June 1, 2035	175,000
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Subtotal	\$ 2,650,000

Note 11. Long-term Liabilities (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, 2010	\$	293,692
Bonds bearing interest at 3.55% maturing on July 15, 2011		304,119
Bonds bearing interest at 3.55% maturing on July 15, 2012		314,915
Bonds bearing interest at 3.55% maturing on July 15, 2013		326,094
Bonds bearing interest at 3.55% maturing on July 15, 2014		337,671
Bonds bearing interest at 3.55% maturing on July 15, 2015		349,658
Bonds bearing interest at 3.55% maturing on July 15, 2016		362,071
Bonds bearing interest at 3.55% maturing on July 15, 2017		374,924
Bonds bearing interest at 3.55% maturing on July 15, 2018		388,234
Bonds bearing interest at 3.55% maturing on July 15, 2019		402,016
Bonds bearing interest at 3.55% maturing on July 15, 2020		416,288
Bonds bearing interest at 3.55% maturing on July 15, 2021		431,066
Bonds bearing interest at 3.55% maturing on July 15, 2022		446,369
Bonds bearing interest at 3.55% maturing on July 15, 2023		462,215
Bonds bearing interest at 3.55% maturing on July 15, 2024		478,624
Bonds bearing interest at 3.55% maturing on July 15, 2025		495,615
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Subtotal	\$	6,183,571

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

Bonds bearing interest at 5.000% maturing on February 1, 2011	\$	1,250,000
Bonds bearing interest at 5.000% maturing on February 1, 2012		1,315,000
Bonds bearing interest at 4.000% maturing on February 1, 2013		1,380,000
Bonds bearing interest at 4.000% maturing on February 1, 2014		1,435,000
Bonds bearing interest at 5.000% maturing on February 1, 2015		1,495,000
Bonds bearing interest at 5.125% maturing on February 1, 2016		1,570,000
Bonds bearing interest at 4.000% maturing on February 1, 2017		1,650,000
Bonds bearing interest at 3.750% maturing on February 1, 2018		1,715,000
Bonds bearing interest at 4.000% maturing on February 1, 2019		1,780,000
Bonds bearing interest at 4.000% maturing on February 1, 2020		1,850,000
Bonds bearing interest at 4.000% maturing on February 1, 2021		1,925,000
Bonds bearing interest at 4.100% maturing on February 1, 2022		2,000,000
Bonds bearing interest at 4.100% maturing on February 1, 2023		2,080,000
Bonds bearing interest at 4.125% maturing on February 1, 2024		2,170,000
Bonds bearing interest at 4.125% maturing on February 1, 2025		2,255,000
Bonds bearing interest at 4.125% maturing on February 1, 2026		2,350,000
Bonds bearing interest at 4.125% maturing on February 1, 2027		2,445,000
Bonds bearing interest at 4.250% maturing on February 1, 2028		2,550,000
Bonds bearing interest at 4.250% maturing on February 1, 2029		2,655,000
Bonds bearing interest at 4.250% maturing on February 1, 2030		2,770,000
Bonds bearing interest at 4.250% maturing on February 1, 2031		2,885,000
Bonds bearing interest at 4.250% maturing on February 1, 2032		3,010,000
Bonds bearing interest at 4.250% maturing on February 1, 2033		3,140,000
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Subtotal	\$	47,675,000

Note 11. Long-term Liabilities (continued)

General Obligation Bonds (continued):

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

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

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

Bonds bearing interest at 4.45% maturing on August 1, 2010	\$	427,349
Bonds bearing interest at 4.45% maturing on August 1, 2011		447,268
Bonds bearing interest at 4.45% maturing on August 1, 2012		467,186
Bonds bearing interest at 4.45% maturing on August 1, 2013		488,010
Bonds bearing interest at 4.45% maturing on August 1, 2014		510,645
Bonds bearing interest at 4.45% maturing on August 1, 2015		534,186
Bonds bearing interest at 4.45% maturing on August 1, 2016		557,726
Bonds bearing interest at 4.45% maturing on August 1, 2017		583,983
Bonds bearing interest at 4.45% maturing on August 1, 2018		610,240
Bonds bearing interest at 4.45% maturing on August 1, 2019		638,307
Bonds bearing interest at 4.45% maturing on August 1, 2020		667,280
Bonds bearing interest at 4.45% maturing on August 1, 2021		697,158
Bonds bearing interest at 4.45% maturing on August 1, 2022		728,847
Bonds bearing interest at 4.45% maturing on August 1, 2023		762,347
Bonds bearing interest at 4.45% maturing on August 1, 2024		796,752
Bonds bearing interest at 4.45% maturing on August 1, 2025		832,968
Bonds bearing interest at 4.45% maturing on August 1, 2026		870,995
Bonds bearing interest at 4.45% maturing on August 1, 2027		910,832
Bonds bearing interest at 4.45% maturing on August 1, 2028		952,481
Bonds bearing interest at 4.45% maturing on August 1, 2029		995,940
		<hr/>
Subtotal	\$	13,480,500

Note 11. Long-term Liabilities (continued)

General Obligation Bonds (continued):

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

Bonds bearing interest at 4.45% maturing on February 1, 2011	\$	141,000
Bonds bearing interest at 4.45% maturing on February 1, 2012		157,000
Bonds bearing interest at 4.45% maturing on February 1, 2013		167,000
Bonds bearing interest at 4.45% maturing on February 1, 2014		183,000
Bonds bearing interest at 4.45% maturing on February 1, 2015		198,000
Bonds bearing interest at 4.45% maturing on February 1, 2016		212,000
Bonds bearing interest at 4.45% maturing on February 1, 2017		227,000
Bonds bearing interest at 4.45% maturing on February 1, 2018		246,000
Bonds bearing interest at 4.45% maturing on February 1, 2019		264,000
Bonds bearing interest at 4.45% maturing on February 1, 2020		283,000
Bonds bearing interest at 4.45% maturing on February 1, 2021		301,000
Bonds bearing interest at 4.45% maturing on February 1, 2022		318,000
Bonds bearing interest at 4.45% maturing on February 1, 2023		340,000
Bonds bearing interest at 4.45% maturing on February 1, 2024		361,000
Bonds bearing interest at 4.45% maturing on February 1, 2025		387,000
Bonds bearing interest at 4.45% maturing on February 1, 2026		412,000
Bonds bearing interest at 4.45% maturing on February 1, 2027		436,000
Bonds bearing interest at 4.45% maturing on February 1, 2028		465,000
Bonds bearing interest at 4.45% maturing on February 1, 2029		493,000
Bonds bearing interest at 4.45% maturing on February 1, 2030		<u>425,000</u>
Subtotal	\$	<u>6,016,000</u>
Total General Obligation Bonds	\$	<u><u>85,059,271</u></u>

General Obligation School Bonds:

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

Bonds bearing interest at 5.85% maturing on December 15, 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>1,070,000</u>

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

Bonds bearing interest at 6.40% maturing on December 15, 2010	\$	310,000
Bonds bearing interest at 6.40% maturing on December 15, 2011		<u>275,000</u>
Subtotal	\$	<u>585,000</u>

Note 11. Long-term Liabilities (continued)

General Obligation School Bonds (continued):

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

Bonds bearing interest at 6.225% 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>875,000</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 4.475% 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>1,000,000</u>

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

Bonds bearing interest at 5.600% maturing on July 15, 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>2,805,000</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, 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

Note 11. Long-term Liabilities (continued)

General Obligation School Bonds (continued):

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>\$ 34,505,000</u>
Total General Obligation School Bonds	<u><u>\$ 40,840,000</u></u>

Capital Leases:

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

Lease bearing interest at 6.08% maturing August 24, 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>\$ 462,904</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 5.00% maturing on June 20, 2011	\$ 467,500
Lease bearing interest at 5.00% maturing on June 20, 2012	490,000
Lease bearing interest at 5.00% maturing on June 20, 2013	515,000
Lease bearing interest at 5.00% maturing on June 20, 2014	<u>540,000</u>
Subtotal	<u>\$ 2,012,500</u>

Note 11. Long-term Liabilities (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, 2010	\$ 350,000
Lease bearing interest at 3.76% maturing on December 1, 2011	364,000
Lease bearing interest at 3.76% maturing on December 1, 2012	377,000
Lease bearing interest at 3.76% maturing on December 1, 2013	391,000
Lease bearing interest at 3.76% maturing on December 1, 2014	406,000
Lease bearing interest at 3.76% maturing on December 1, 2015	421,000
Lease bearing interest at 3.76% maturing on December 1, 2016	437,000
Lease bearing interest at 3.76% maturing on December 1, 2017	454,000
Lease bearing interest at 3.76% maturing on December 1, 2018	471,000
Lease bearing interest at 3.76% maturing on December 1, 2019	<u>489,000</u>
Subtotal	<u>\$ 4,160,000</u>
Total Capital Leases	<u>\$ 6,635,404</u>
Total Governmental Activities	<u><u>\$ 132,534,675</u></u>

The following is the detail for the long-term liabilities of the business-type activities as of June 30, 2010.

General Obligation Bonds:

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

Bonds bearing interest at 4.000% maturing on July 15, 2010	\$ 1,000,000
Bonds bearing interest at 4.250% maturing on July 15, 2011	1,045,000
Bonds bearing interest at 4.375% maturing on July 15, 2012	1,085,000
Bonds bearing interest at 4.375% maturing on July 15, 2013	1,135,000
Bonds bearing interest at 4.400% maturing on July 15, 2014	1,185,000
Bonds bearing interest at 4.500% maturing on July 15, 2015	1,235,000
Bonds bearing interest at 4.625% maturing on July 15, 2016	1,290,000
Bonds bearing interest at 4.750% maturing on July 15, 2017	1,350,000
Bonds bearing interest at 4.750% maturing on July 15, 2018	1,415,000
Bonds bearing interest at 5.000% maturing on July 15, 2019	1,485,000
Bonds bearing interest at 5.000% maturing on July 15, 2020	1,555,000
Bonds bearing interest at 5.000% maturing on July 15, 2021	1,635,000
Bonds bearing interest at 5.000% maturing on July 15, 2022	1,715,000
Bonds bearing interest at 5.000% maturing on July 15, 2023	1,800,000
Bonds bearing interest at 5.000% maturing on July 15, 2024	<u>1,890,000</u>
Subtotal	<u>\$ 20,820,000</u>

Note 11. Long-term Liabilities (continued)

General Obligation Bonds (continued):

\$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 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>2,500,000</u>

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

Bonds bearing interest at 3.65% maturing on August 21, 2010	\$	100,000
Bonds bearing interest at 3.65% maturing on August 21, 2011		100,000
Bonds bearing interest at 3.65% maturing on August 21, 2012		100,000
Bonds bearing interest at 3.65% maturing on August 21, 2013		100,000
Bonds bearing interest at 3.65% maturing on August 21, 2014		100,000
Bonds bearing interest at 3.65% maturing on August 21, 2015		100,000
Bonds bearing interest at 3.65% maturing on August 21, 2016		100,000
Bonds bearing interest at 3.65% maturing on August 21, 2017		100,000
Bonds bearing interest at 3.65% maturing on August 21, 2018		<u>100,000</u>
Subtotal	\$	<u>900,000</u>

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

Bonds bearing interest at 4.45% maturing on August 1, 2010	\$	44,651
Bonds bearing interest at 4.45% maturing on August 1, 2011		46,732
Bonds bearing interest at 4.45% maturing on August 1, 2012		48,814
Bonds bearing interest at 4.45% maturing on August 1, 2013		50,990
Bonds bearing interest at 4.45% maturing on August 1, 2014		53,355
Bonds bearing interest at 4.45% maturing on August 1, 2015		55,814
Bonds bearing interest at 4.45% maturing on August 1, 2016		58,274
Bonds bearing interest at 4.45% maturing on August 1, 2017		61,017
Bonds bearing interest at 4.45% maturing on August 1, 2018		63,760
Bonds bearing interest at 4.45% maturing on August 1, 2019		66,693
Bonds bearing interest at 4.45% maturing on August 1, 2020		69,720
Bonds bearing interest at 4.45% maturing on August 1, 2021		72,842
Bonds bearing interest at 4.45% maturing on August 1, 2022		76,153
Bonds bearing interest at 4.45% maturing on August 1, 2023		79,653
Bonds bearing interest at 4.45% maturing on August 1, 2024		83,248
Bonds bearing interest at 4.45% maturing on August 1, 2025		<u>87,032</u>

Note 11. Long-term Liabilities (continued)

General Obligation Bonds (continued):

Bonds bearing interest at 4.45% maturing on August 1, 2026	91,005
Bonds bearing interest at 4.45% maturing on August 1, 2027	95,168
Bonds bearing interest at 4.45% maturing on August 1, 2028	99,519
Bonds bearing interest at 4.45% maturing on August 1, 2029	<u>104,060</u>
Subtotal	\$ <u>1,408,500</u>

\$1,136,000 General Obligation Water Bonds, Series 2009 (Virginia Resources Authority Drinking Water State Revolving Fund), issued November 20, 2009, maturing semi-annually:

Bonds bearing interest at 0% maturing on August 1, 2010 and February 1, 2011	\$ 37,867
Bonds bearing interest at 0% maturing on August 1, 2011 and February 1, 2012	37,867
Bonds bearing interest at 0% maturing on August 1, 2012 and February 1, 2013	37,867
Bonds bearing interest at 0% maturing on August 1, 2013 and February 1, 2014	37,867
Bonds bearing interest at 0% maturing on August 1, 2014 and February 1, 2015	37,867
Bonds bearing interest at 0% maturing on August 1, 2015 and February 1, 2016	37,866
Bonds bearing interest at 0% maturing on August 1, 2016 and February 1, 2017	37,867
Bonds bearing interest at 0% maturing on August 1, 2017 and February 1, 2018	37,867
Bonds bearing interest at 0% maturing on August 1, 2018 and February 1, 2019	37,867
Bonds bearing interest at 0% maturing on August 1, 2019 and February 1, 2020	37,866
Bonds bearing interest at 0% maturing on August 1, 2020 and February 1, 2021	37,866
Bonds bearing interest at 0% maturing on August 1, 2021 and February 1, 2022	37,867
Bonds bearing interest at 0% maturing on August 1, 2022 and February 1, 2023	37,867
Bonds bearing interest at 0% maturing on August 1, 2023 and February 1, 2024	37,867
Bonds bearing interest at 0% maturing on August 1, 2024 and February 1, 2025	37,866
Bonds bearing interest at 0% maturing on August 1, 2025 and February 1, 2026	37,866
Bonds bearing interest at 0% maturing on August 1, 2026 and February 1, 2027	37,867
Bonds bearing interest at 0% maturing on August 1, 2027 and February 1, 2028	37,867
Bonds bearing interest at 0% maturing on August 1, 2028 and February 1, 2029	37,867
Bonds bearing interest at 0% maturing on August 1, 2029 and February 1, 2030	37,866
Bonds bearing interest at 0% maturing on August 1, 2030 and February 1, 2031	37,866
Bonds bearing interest at 0% maturing on August 1, 2031 and February 1, 2032	37,867
Bonds bearing interest at 0% maturing on August 1, 2031 and February 1, 2033	37,867
Bonds bearing interest at 0% maturing on August 1, 2031 and February 1, 2034	37,867
Bonds bearing interest at 0% maturing on August 1, 2031 and February 1, 2035	37,866
Bonds bearing interest at 0% maturing on August 1, 2031 and February 1, 2036	37,866
Bonds bearing interest at 0% maturing on August 1, 2031 and February 1, 2037	37,867
Bonds bearing interest at 0% maturing on August 1, 2031 and February 1, 2038	37,867
Bonds bearing interest at 0% maturing on August 1, 2031 and February 1, 2039	37,867
Bonds bearing interest at 0% maturing on August 1, 2031 and February 1, 2040	37,866
Funds not drawn down at year-end	<u>(84,894)</u>
Subtotal	\$ <u>1,051,106</u>
Total General Obligation Bonds	\$ <u><u>26,679,606</u></u>

Note 11. Long-term Liabilities (continued)

General Revenue Obligation Bonds:

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

Bonds bearing interest at 4.500% maturing on July 15, 2010	\$ 220,000
Bonds bearing interest at 4.500% maturing on July 15, 2011	230,000
Bonds bearing interest at 4.500% maturing on July 15, 2012	240,000
Bonds bearing interest at 4.300% maturing on July 15, 2013	250,000
Bonds bearing interest at 4.400% maturing on July 15, 2014	265,000
Bonds bearing interest at 4.500% maturing on July 15, 2015	275,000
Bonds bearing interest at 4.625% maturing on July 15, 2016	285,000
Bonds bearing interest at 4.700% maturing on July 15, 2017	300,000
Bonds bearing interest at 4.750% maturing on July 15, 2018	315,000
Bonds bearing interest at 4.875% maturing on July 15, 2019	330,000
Bonds bearing interest at 5.000% maturing on July 15, 2020	345,000
Bonds bearing interest at 5.000% maturing on July 15, 2021	360,000
Bonds bearing interest at 5.000% maturing on July 15, 2022	380,000
Bonds bearing interest at 5.000% maturing on July 15, 2023	400,000
Bonds bearing interest at 5.000% maturing on July 15, 2024	420,000
Bonds bearing interest at 5.000% maturing on July 15, 2025	440,000
Bonds bearing interest at 5.000% maturing on July 15, 2026	460,000
Bonds bearing interest at 5.000% maturing on July 15, 2027	485,000
Bonds bearing interest at 5.000% maturing on July 15, 2028	510,000
Bonds bearing interest at 5.000% maturing on July 15, 2029	535,000
Bonds bearing interest at 5.000% maturing on July 15, 2030	560,000
Bonds bearing interest at 5.000% maturing on July 15, 2031	590,000
Bonds bearing interest at 5.000% maturing on July 15, 2032	620,000
Bonds bearing interest at 5.000% maturing on July 15, 2033	<u>650,000</u>
Subtotal	<u>\$ 9,465,000</u>
Total General Obligation Revenue Bonds	<u><u>\$ 9,465,000</u></u>

Landfill Closure and Postclosure:

Estimated cost of landfill closure and postclosure:	
City Landfill	\$ 1,451,510
County Landfill	<u>2,777,402</u>
Total Landfill Closure and Postclosure	<u>\$ 4,228,912</u>
Total Business-type Activities	<u><u>\$ 40,373,518</u></u>
Total Primary Government Long-term Liabilities (Excluding compensated absences and unamortized premiums/discounts)	<u><u>\$ 172,908,193</u></u>

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

In June 2004, the City and James Madison University (JMU) entered into a revised and amended agreement concerning the sale and purchase of steam and chilled water from the City owned resource recovery facility. This facility produces steam and chilled water to meet all the heating and cooling needs of JMU's College of Integrated Science and Technology, as well as other buildings. To the extent that the City continues to operate this facility,

Note 11. Long-term Liabilities (continued)

JMU has agreed to annually reimburse the City for the annual debt service payments on the City's \$4,260,000 Solid Waste Disposal System Refunding Bonds and on the City's \$1,000,000 Series 2008 General Obligation Bonds. The current year reimbursements for debt service payments on these bonds totaled \$602,131. The total outstanding balance of the two bond issues at June 30, 2010 was \$3,400,000.

In October 2006, the City issued \$50 million in general obligation public improvement bonds, of which \$3.5 million was issued on behalf of and loaned to the Harrisonburg Redevelopment and Housing Authority (Authority) for the purpose of renovating public housing units owned by the Authority. The Authority has agreed to reimburse the City for its share of the principal and interest payments on the City's \$50 million bond issue as the debt service payments come due. As of June 30, 2010, the outstanding balance of the loan is \$3,337,250.

In June 2009, the City issued \$14.9 million in general obligation public improvement bonds, of which \$6.4 million was issued on behalf of and loaned to the Harrisonburg Redevelopment and Housing Authority (Authority) for the purpose of renovating public housing units owned by the Authority. The Authority has agreed to reimburse the City for its share of the principal and interest payments on the City's \$14.9 million bond issue as the debt service payments come due. As of June 30, 2010, the City had advanced to the Authority \$5.7 million.

Component Unit – School Board

At June 30, 2010, the School Board had \$1,993,498 in long-term liabilities outstanding. This long-term liability is comprised of \$793,508 in compensated absences, of which \$298,885 is due within one year and \$1,199,990 in postretirement healthcare benefits, of which the entire amount is due in more than one year.

Component Unit – HEC

At June 30, 2010, HEC had \$1,194,861 in long-term liabilities outstanding. This long-term liability is comprised of \$438,920 in compensated absences, of which the entire amount is due within one year and \$755,941 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 BB&T Bank at a rate equal to LIBOR plus 175 basis points. There were no borrowings against this line of credit during fiscal year 2010.

Note 12. Judicial Complex Lease Agreement

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

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

Note 13. Social Services and Health Department Lease Agreement

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

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

Note 14. Harrisonburg Redevelopment and Housing Authority Agreements

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

The City has agreed to a non-binding moral obligation pledge to pay all operating expenses for the project, including debt service, to the extent that revenues from any leases are insufficient to pay these expenses. In fiscal year 2010, the City made payments totaling \$253,623 to the Authority for this project.

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

The City has agreed to a non-binding moral obligation pledge to pay all operating expenses for the project, including debt service, to the extent that the revenue from the lease is insufficient to pay these expenses. In fiscal year 2010, the City made payments totaling \$67,668 to the Authority for this project.

Note 15. 2000 Series Public Recreational Facility Bonds Refunded and Defeased

In June 2009, the City refunded and defeased in substance its 2000 Series Public Recreational Facility Bonds (old bonds). This defeasance was accomplished by placing the proceeds of new bonds in an irrevocable trust with an escrow agent to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liabilities of the old bonds are not included in the City's outstanding debt. On June 30, 2010, \$6,065,000 of the old bonds outstanding are considered defeased.

Note 16. Conduit Debt

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

As of June 30, 2010, there were three series of Industrial Development Authority Revenue Bonds and 17 series of Redevelopment and Housing Authority Revenue Bonds outstanding, with an aggregate principal amount of \$221.2 million and \$180.1 million respectively.

Note 17. Fund Balance

The following is a summary of amounts that are reported on the governmental funds balance sheet identified as reserved fund balance and designated fund balance at June 30, 2010.

	General Fund	General Capital Projects Fund	Total
Reserved for:			
Encumbrances	\$ 732,602	\$ 1,823,106	\$ 2,555,708
Loans receivable	375,000	-	375,000
Prepaid expenditures	106,193	-	106,193
Advances to other funds	246,507	-	246,507
Capital projects	-	772,478	772,478
Debt service	284,297	-	284,297
Drug forfeiture	67,691	-	67,691
Police department grants	10,828	-	10,828
Fire department grants	96,851	-	96,851
	<u>\$ 1,919,969</u>	<u>\$ 2,595,584</u>	<u>\$ 4,515,553</u>
Total reserved fund balance			
Designated for:			
Subsequent years' expenditures	\$ 363,722	\$ 6,988,868	\$ 7,352,590
Debt service (old high school)	1,159,212	-	1,159,212
Parks and recreation department	138,000	-	138,000
Fire department	2,000	-	2,000
	<u>\$ 1,662,934</u>	<u>\$ 6,988,868</u>	<u>\$ 8,651,802</u>
Total designated fund balance			

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 65 with five years of credited service (age 60 with five years of credited service for participating local law enforcement officers and firefighters) or at age 50 with 30 years of credited service (age 50 with 25 years of credited service for participating local law enforcement

Note 18. Defined Benefit Pension Plan (continued)

officers and firefighters). Employees who retire with an unreduced benefit are entitled to an annual retirement benefit payable monthly for life in an amount equal to 1.7 percent (1.85 percent for local law enforcement officers and firefighters) of their average final compensation (AFC) for each year of credited service. AFC is defined as the highest consecutive 36 months of reported compensation. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for an annual cost-of-living adjustment limited to five percent per year beginning in their second year of retirement. Participating local law enforcement officers and firefighters may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the *Code of Virginia* (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2009-Annual-Report.pdf> or obtained by writing to the VRS at P.O. Box 2500, Richmond, VA 23218-2500.

Funding Policy. Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their annual reported compensation to the VRS. This 5% member contribution has been assumed by the employer. In addition, the City, the City of Harrisonburg School Board (School Board) and the Harrisonburg Electric Commission (HEC), are required to contribute the remaining amounts necessary to fund their participation in the VRS using the actuarial basis specified by statute and approved by the VRS Board of Trustees. The City and HEC's contribution rate for the fiscal year ended 2010 was 9.94 percent of annual covered payroll. The School Board non-professional employees' contribution rate for the fiscal year ended 2010 was 5.31 percent of annual covered payroll. The School Board professional employees' contribution rate for the VRS statewide teacher pool for the first nine months of fiscal year ended 2010 was 8.81 percent of annual covered payroll but was reduced to zero percent for the last three months. Total contributions made to the VRS statewide teacher pool for professional employees by the School Board for the fiscal years ending June 30, 2010, 2009, and 2008 were \$1,771,261, \$2,529,891, and \$2,740,269, respectively, and were equal to the required contributions for each year.

Annual Pension Cost. For fiscal year 2010, the City of Harrisonburg and HEC's annual pension cost of \$2,414,092 was equal to the required and actual contributions. The School Board's non-professional employees annual pension cost of \$92,785 was equal to the required and actual contributions. The required contribution was determined as part of the June 30, 2007 actuarial valuation using the entry age normal actuarial cost method as amended for additional benefit provisions for local law enforcement officers and firefighters. The actuarial assumptions at June 30, 2007 included (a) 7.5 percent investment rate of return, (b) projected salary increases ranging from 3.75 percent to 5.60 percent per year (3.50 percent to 4.75 percent per year for local law enforcement officers and firefighters), (c) 2.5 percent per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.5 percent. The actuarial value of the City's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The City, HEC and the School Board's non-professional employees unfunded actuarial accrued liability is being amortized as a level percentage of payroll on an open basis within a period of 20 years. The following is the annual pension cost, the percentage of annual pension cost contributed to VRS and the net pension obligation for fiscal year 2010 and the preceding two fiscal years.

Note 18. Defined Benefit Pension Plan (continued)

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
City of Harrisonburg and HEC Employees:			
2010	\$ 2,414,092	100%	\$ -
2009	2,425,535	100%	-
2008	2,639,332	100%	-
School Board Non-Professional Employees:			
2010	\$ 92,785	100%	\$ -
2009	92,657	100%	-
2008	62,960	100%	-

Funded Status and Funding Progress. As of June 30, 2009, the most recent actuarial valuation date, the plan for City and HEC employees was 81.89 percent funded. The actuarial accrued liability for benefits was \$98,633,810, and the actuarial value of assets was \$80,770,770, resulting in an unfunded actuarial accrued liability (UAAL) of \$17,863,040. The covered payroll (annual payroll of the active employees covered by the plan) was \$25,741,526 and the ratio of UAAL to the covered payroll was 69.39 percent.

As of June 30, 2009, the most recent actuarial valuation date, the plan for the School Board non-professional employees was 102.25 percent funded. The actuarial accrued liability for benefits was \$5,194,889, and the actuarial value of assets was \$5,312,010, resulting in a funded actuarial accrued liability (FAAL) of \$117,121. The covered payroll (annual payroll of the active employees covered by the plan) was \$1,739,318 and the ratio of FAAL to the covered payroll was 6.73 percent.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Note 19. Postretirement Healthcare Benefits**Plan Description**

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

School Board. The Harrisonburg City School Board provides certain healthcare benefits for retired employees through the Harrisonburg City School Board Postretirement Healthcare Benefit Plan (Plan). The plan is administered through a single-employer defined benefit plan and is considered other postemployment benefits (OPEB). The Plan provides for an option to eligible retirees and their eligible dependents to continue their coverage in the

Note 19. Postretirement Healthcare Benefits (continued)

same health insurance program available to all School Board employees at the active employee rates. Eligible retirees must be 50 years of age and meet the Virginia Retirement System requirements for service or disability retirement. Retirees must have at least ten years of cumulative eligible service with the School Board with a minimum of five years immediately prior to retirement. Depending on the number of years of eligible service, the retiree may remain on the plan for a maximum of fifteen years but in all instances the benefit ends upon the retiree's eligibility for Medicare coverage. These benefit provisions are established and may be amended by the Harrisonburg City School Board through the School Board's Human Resources Policy Manual. The Plan does not issue a publicly available financial report.

Funding Policy

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

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

Annual OPEB Cost and Net OPEB Obligation

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

	Primary Government	Component Unit <u>School Board</u>
Annual required contribution	\$ 920,683	\$ 1,051,681
Interest on the net OPEB obligation	24,206	24,976
Adjustment to the annual required contribution	<u>(25,195)</u>	<u>(25,997)</u>
Annual OPEB cost (expense)	\$ 919,694	\$ 1,050,660
Contributions made	<u>(326,150)</u>	<u>(475,070)</u>
Increase in the net OPEB obligation	\$ 593,544	\$ 575,590
Net OPEB obligation at beginning of year	<u>605,159</u>	<u>624,400</u>
Net OPEB obligation at end of year	<u>\$ 1,198,703</u>	<u>\$ 1,199,990</u>

Note 19. Postretirement Healthcare Benefits (continued)

The following is the annual OPEB cost, the percentage of annual OPEB cost contributed to the plans and the net OPEB obligation for fiscal year 2010 of the City and School Board. Current financial reporting standards require trend information to be provided for the current year and the two preceding year. However, fiscal year 2009 was considered the transition year, therefore only two years are included in the following table.

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
City of Harrisonburg:			
2010	\$ 919,694	35.5%	\$ 1,198,703
2009	931,500	35.0%	605,159
Harrisonburg City School Board:			
2010	\$ 1,050,660	45.2%	\$ 1,199,990
2009	1,031,900	39.5%	624,400

Funded Status and Funding Progress

City of Harrisonburg. As of July 1, 2009, the most recent actuarial valuation date, the plan had not been funded. The actuarial accrued liability for benefits was \$8,853,278. There were no plan assets resulting in an unfunded actuarial accrued liability (UAAL) of \$8,853,278. The covered payroll (annual payroll of the active employees covered by the plan) was \$21,634,700 and the ratio of UAAL to the covered payroll was 40.92 percent.

School Board. As of July 1, 2009, the most recent actuarial valuation date, the plan had not been funded. The actuarial accrued liability for benefits was \$9,771,679. There were no plan assets resulting in an unfunded actuarial accrued liability (UAAL) of \$9,771,679. The covered payroll (annual payroll of the active employees covered by the plan) was \$30,117,052 and the ratio of UAAL to the covered payroll was 32.45 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

City of Harrisonburg. In the July 1, 2009 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4 percent investment rate of return and an annual healthcare cost trend rate of 9 percent initially, reduced by decrements to an ultimate rate of 5 percent after 7 years. The unfunded actuarial accrued liability is being amortized using the level percentage of payroll method on an open basis over an initial 30 year period. The remaining amortization period at the end of the current fiscal year is 28 years.

School Board. In the July 1, 2009 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4 percent investment rate of return and an annual healthcare cost trend rate of 9 percent initially, reduced by decrements to an ultimate rate of 5 percent after 7 years. The unfunded actuarial accrued liability is being amortized using the level percentage of payroll method on an open basis over an initial 30 year period. The remaining amortization period at the end of the current fiscal year is 28 years.

Note 19. Postretirement Healthcare Benefits (continued)

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

Component Unit – HEC

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

Note 20. Transactions with Component Units

For the year ended June 30, 2010, the City's General Fund made cash payments to the School Board, a component unit, totaling \$23,993,390. These payments are made in equal monthly installments for the purpose of funding the School Board's operating budget.

For the year ended June 30, 2010, the Harrisonburg Electric Commission, a component unit, made cash payments to the City's General Fund totaling \$4,800,000. These payments are made in equal monthly installments for the purpose of funding the General Fund budget.

Note 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. \$1,451,510 of the amount reported as landfill closure and postclosure care liability at June 30, 2010 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 \$590,580 for groundwater remediation. These amounts are based on current year costs. Actual costs ultimately may differ due to inflation, changes in technology, or changes in regulations. The City plans to fund its landfill closure and postclosure care costs with available funds from the Sanitation Fund.

Note 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. \$410,031 of the amount reported as landfill closure and postclosure care liability at June 30, 2010 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 \$23,078 in liability incurred by the City prior to July 1, 1994. The County closed this cell in 2000.

The City also recognizes \$2,367,371 associated with a new, and subsequently expanded, landfill cell opened in 2001, which is based on the use of 50.89% of the estimated capacity of the new landfill cell. The City will recognize its remaining estimated cost of closure and postclosure care of \$2,284,669 as the remaining capacity of this existing cell is used. Actual costs may be different due to inflation, changes in technology, or changes in regulations. The City plans to fund these landfill closure and postclosure care costs with available funds from the Sanitation Fund.

Note 23. Commitments

The City has a construction contract outstanding for Phase I of a project to connect and improve Stone Spring Road and Erickson Avenue. The contract totals \$6.6 million, of which \$6.1 million had been expended as of June 30, 2010. This contract is a commitment of the General Capital Projects Fund and is being financed through transfers from the General Fund, federal and state intergovernmental revenue and the issuance of bonds.

The City has a construction contract outstanding for Phase II of a project to connect and improve Stone Spring Road and Erickson Avenue. The contract totals \$20.7 million and no funds had been expended as of June 30, 2010. This contract is a commitment of the General Capital Projects Fund and is being financed through transfers from the General Fund, federal and state intergovernmental revenue and the issuance of bonds.

The City has construction contracts outstanding for the construction of two water pump stations related to the eventual waterline construction project to the South Fork of the Shenandoah River. The contracts total \$1 million, of which \$830,000 had been expended as of June 30, 2010. These contracts are commitments of the Water Fund and are being financed through current available funds and the issuance of bonds.

Note 24. Subsequent Events

On July 21, 2010, the City issued \$43.3 million in general obligation bonds, of which \$9.5 million was for the purpose of partially funding Phase II of the Stone Spring Road and Erickson Avenue construction and improvement project and \$33.8 million was used to advance refund several outstanding bond issues.

In July 2010, the City received a \$2.2 million credit on a debt service payment to the Virginia Public School Authority (VPSA) and will receive an approximate \$100,000 credit on a subsequent debt service payment in January 2011. Previously in October 2009, the VPSA refinanced several of its outstanding bond issues including its Series 2001C Bonds of which the City was a participant. The City's share of the refinancing savings totaled \$2.3 million.

Note 25. Intangible Landfill Asset

In June 1994, the City and Rockingham County (County) entered into an agreement that allows the City to use the County's landfill facility and the County in turn to use the City's steam plant facility for the disposal of solid waste. The City and County each retains ownership and title to their own respective facilities. Either party may terminate the agreement upon written notice to the other at least five years prior to the effective date of such termination. Pursuant to the agreement, the City agreed to make contributions to the County for the City's share of landfill cell construction costs and for other capital costs incurred by the County. The City will receive the benefit of these contributions over at least a five year time period and has determined that the contributions represent intangible capital assets of the Sanitation Fund.

Note 26. Intangible James Madison University Land and Steam Agreement Asset

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

Note 27. Joint Venture (Harrisonburg-Rockingham Regional Sewer Authority)

The City, Rockingham County, and the towns of Bridgewater, Dayton and Mt. Crawford have entered into a contract with the Harrisonburg-Rockingham Regional Sewer Authority (Authority), whereby the Authority agrees to operate a sewage disposal system for the participating municipalities. The municipalities have an ongoing financial responsibility based on an agreement to make annual contributions to the Authority for operations and maintenance based on their respective usage of the system. The municipalities also agree to make contributions to the Authority for debt service. In fiscal year 2010, the City's contributions totaled \$4,317,121 of which \$2,247,543 was for operations, \$1,678,316 was for debt service and \$391,262 was for capital purposes. These contributions are made from the Sewer Fund. The City does not have an ongoing financial interest in the Authority since it does not have access to the Authority's resources or surpluses, nor is it liable for the Authority's debts or deficits. To obtain a copy of the audited financial statements, contact the Authority at P.O. Box 8, 856 North River Road, Mt. Crawford, Virginia 22841.

As required by regulatory agencies, the Authority began construction upgrades to its existing facilities during fiscal year 2008. The total cost of this upgrade project is approximately \$90 million which will be funded through grants from the Commonwealth of Virginia and debt financing issued by the Authority. The project is scheduled to be completed in the fall 2010. It is anticipated that the City's share of the debt financing will be approximately \$27.8 million.

The Authority has \$72,601,979 of total debt outstanding at June 30, 2010. The City's share of the required principal and interest payments for the Authority's bond issues can be projected as follows:

Fiscal Year	Principal	Interest	Total
2011	\$ 543,088	\$ 1,258,140	\$ 1,801,228
2012	1,602,697	1,230,999	2,833,696
2013	1,655,406	1,173,926	2,829,332
2014	1,712,932	1,116,063	2,828,995
2015	1,771,642	1,056,783	2,828,425
2016-2020	9,907,943	4,228,896	14,136,839
2021-2025	9,112,001	2,372,108	11,484,109
2026-2030	8,159,603	944,283	9,103,886
2031	437,580	6,564	444,144
Total	<u>\$ 34,902,892</u>	<u>\$ 13,387,762</u>	<u>\$ 48,290,654</u>

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

	June 30, 2010	June 30, 2009	Increase (Decrease)
Current assets	\$ 5,797,672	\$ 3,694,533	\$ 2,103,139
Restricted assets	2,285,711	1,475,801	809,910
Capital assets	105,724,204	93,915,791	11,808,413
Other assets	749,516	696,181	53,335
Total assets	<u>\$ 114,557,103</u>	<u>\$ 99,782,306</u>	<u>\$ 14,774,797</u>
Current liabilities	\$ 5,585,867	\$ 8,539,901	\$ (2,954,034)
Liabilities payable from restricted assets	859,601	839,873	19,728
Long-term liabilities	71,332,066	58,304,131	13,027,935
Total liabilities	<u>\$ 77,777,534</u>	<u>\$ 67,683,905</u>	<u>\$ 10,093,629</u>
Net assets	<u>\$ 36,779,569</u>	<u>\$ 32,098,401</u>	<u>\$ 4,681,168</u>

Note 28. Joint Venture (Harrisonburg-Rockingham Emergency Communications Center)

The City and Rockingham County (County) entered into an agreement that created the Harrisonburg-Rockingham Emergency Communications Center (HRECC), whereby the HRECC operates a joint emergency operations center and a joint two-way radio communications system. The City and County have an ongoing financial responsibility in that the City and County have agreed to equally provide any necessary funding for the HRECC. In fiscal year 2010, the City's contributions totaled \$1,540,805. These contributions are made from the General Fund. The City and County have equal undivided interests in any property purchased or used by the HRECC. To obtain a copy of the audited financial statements, contact the City of Harrisonburg Finance Department, 345 South Main Street, Harrisonburg, Virginia 22801.

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

	<u>June 30, 2010</u>	<u>June 30, 2009</u>	<u>Increase (Decrease)</u>
Current assets	\$ 2,612,537	\$ 1,645,395	\$ 967,142
Capital assets	<u>2,355,618</u>	<u>2,072,145</u>	<u>283,473</u>
Total assets	<u>\$ 4,968,155</u>	<u>\$ 3,717,540</u>	<u>\$ 1,250,615</u>
Current liabilities	\$ 117,350	\$ 243,598	\$ (126,248)
Long-term liabilities	<u>246,349</u>	<u>204,398</u>	<u>41,951</u>
Total liabilities	<u>\$ 363,699</u>	<u>\$ 447,996</u>	<u>\$ (84,297)</u>
Net assets	<u>\$ 4,604,456</u>	<u>\$ 3,269,544</u>	<u>\$ 1,334,912</u>

Note 29. Jointly Governed Organizations

The Harrisonburg-Rockingham Social Services District (District) was established by the City and the County of Rockingham (County) to provide social services for the residents of the City and County. Both the City and County appoint one member each to the governing board. The District is a separate legal entity and is a discretely presented component unit of the County. The City contributed \$3,141,979 to the District for the year ended June 30, 2010.

The Shenandoah Valley Juvenile Center Commission (Commission) was established to provide a regional juvenile detention home. The Commission currently serves the Cities of Harrisonburg, Staunton, Waynesboro and Lexington, Virginia and the Counties of Augusta, Rockingham and Rockbridge, Virginia. The governing body is composed of one member appointed by each participating locality. The Commission is a separate legal entity with no participating locality having a voting majority. The Commission is perpetual and no participating locality has access to its resources or surpluses, nor is any participant liable for the Commission's debts or deficits. The City contributed \$470,100 to the Commission for the year ended June 30, 2010.

Note 30. 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 31. Lucy F. Simms Continuing Education Center

In January 2005, the City entered into an agreement to sell the historic portion of the Lucy F. Simms Continuing Education Center (Center) to Lucy F. Simms, LP (Partnership). This arrangement allowed for the use of certain tax credits to assist in financing the renovations of the historic portion of the Center. Pursuant to the agreement, the Partnership issued to the City a \$1.17 million deferred principal and interest note maturing in November 2024 at an interest rate of 4.76%. Also, the Partnership assumed an outstanding \$2.97 million general obligation note payable that the City had previously issued in December 2003. The City has the option to repurchase the historic portion of the building after the close of the five-year compliance period for the tax credit. On September 1, 2010 the City exercised the option to repurchase the historic portion of the building.

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. 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. Other external agencies also participate in the health insurance program including Harrisonburg-Rockingham Emergency Communications Center, Harrisonburg-Rockingham Community Services Board, Harrisonburg-Rockingham Regional Sewer Authority, Harrisonburg-Rockingham Alcohol Safety Action Program, Harrisonburg Redevelopment and Housing Authority, Harrisonburg Downtown Renaissance and the Massanutten Regional Library. This fund accounts for the health insurance activities of the aforementioned entities but does not constitute a transfer of risk from the City. Significant claims, over \$150,000, are covered by commercial insurance.

The City records an estimated liability for indemnity health care claims. Claims liabilities are based on estimates of the ultimate cost of reported claims, related claim adjustment expenses and an estimate for claims incurred but not reported (IBNR) based on historical experience. The following represents the change in approximate aggregate liabilities for the fund from July 1, 2008 to June 30, 2010:

<u>Fiscal Year</u>	<u>Beginning Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Ending Liability</u>
2010	\$ 549,110	\$ 10,375,885	\$ 10,244,870	\$ 680,125
2009	818,609	10,735,354	11,004,853	549,110

Note 33. Contingent Liabilities

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

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

Note 34. New Governmental Accounting Standards Board (GASB) Standards

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

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**REQUIRED
SUPPLEMENTARY INFORMATION**

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

Exhibit 12

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
City of Harrisonburg and Harrisonburg Electric Commission Defined Benefit Pension Plan (Virginia Retirement System)						
June 30, 2009	\$ 80,770,770	\$ 98,633,810	\$ 17,863,040	81.89%	\$ 25,741,526	69.39%
June 30, 2008	78,009,996	92,195,533	14,185,537	84.61%	24,741,319	57.34%
June 30, 2007	69,608,195	82,377,988	12,769,793	84.50%	22,879,551	55.81%
City of Harrisonburg School Board Defined Benefit Pension Plan (Virginia Retirement System)						
June 30, 2009	\$ 5,312,010	\$ 5,194,889	\$ (117,121)	102.25%	\$ 1,739,318	(6.73%)
June 30, 2008	5,222,220	4,723,535	(498,685)	110.56%	1,580,346	(31.56%)
June 30, 2007	4,358,593	4,320,100	(38,493)	100.89%	1,431,498	(2.69%)
City of Harrisonburg Postretirement Healthcare Benefit Plan						
July 1, 2009	\$ -	\$ 8,853,278	\$ 8,853,278	0.00%	\$ 21,634,700	40.92%
July 1, 2008	-	9,293,100	9,293,100	0.00%	21,763,083	42.70%
City of Harrisonburg School Board Postretirement Healthcare Benefit Plan						
July 1, 2009	\$ -	\$ 9,771,679	\$ 9,771,679	0.00%	\$ 30,117,052	32.45%
July 1, 2008	-	9,426,300	9,426,300	0.00%	30,453,694	30.95%
Harrisonburg Electric Commission Postretirement Healthcare Benefit Plan						
July 1, 2009	\$ -	\$ 755,941	\$ 755,941	0.00%	\$ 2,688,337	28.12%
July 1, 2008	-	713,018	713,018	0.00%	2,618,221	27.23%

CITY OF HARRISONBURG, VIRGINIA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2010

Note 1. Defined Benefit Pension Plans

The assumptions used for the June 30, 2009 actuarial valuation reflect a change in the asset valuation method. The method used in prior valuations was a five-year smoothed market value of assets, but with a corridor of not less than 80 percent or more than 120 percent of the market value of assets. This corridor has been suspended for this valuation. The assumptions also reflect a change in economic and demographic assumptions, which include an increase in the rates of withdrawals, a decrease in the rates of disability retirements and a change in the rates of service retirements.

The assumptions used for the June 30, 2008 actuarial valuation reflect a change in the benefit multiplier for local law enforcement officers and firefighters from 1.7 percent to 1.85 percent and a change in the payroll growth rate from 2.5 percent to 3 percent.

Note 2. Postretirement Healthcare Benefit Plans

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

**OTHER
SUPPLEMENTARY INFORMATION**

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Internal Service Funds

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

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

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

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

CITY OF HARRISONBURG, VIRGINIA
INTERNAL SERVICE FUNDS
COMBINING BALANCE SHEET
At June 30, 2010

Exhibit A-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	\$ 124,565	\$ -	\$ 4,322,362	\$ 4,446,927
Receivables	5,066	-	11	5,077
Due from component unit	4,851	-	-	4,851
Inventory	621,158	1,187,884	-	1,809,042
Prepaid expenses	5,123	-	-	5,123
Total current assets	<u>\$ 760,763</u>	<u>\$ 1,187,884</u>	<u>\$ 4,322,373</u>	<u>\$ 6,271,020</u>
Noncurrent assets:				
Capital assets (net of accumulated depreciation)	\$ 14,560	\$ 680,551	\$ -	\$ 695,111
Total noncurrent assets	<u>\$ 14,560</u>	<u>\$ 680,551</u>	<u>\$ -</u>	<u>\$ 695,111</u>
Total assets	<u><u>\$ 775,323</u></u>	<u><u>\$ 1,868,435</u></u>	<u><u>\$ 4,322,373</u></u>	<u><u>\$ 6,966,131</u></u>
Liabilities and Net Assets				
Current liabilities:				
Accounts payable	\$ 96,872	\$ 14,969	\$ 680,125	\$ 791,966
Accrued payroll	28,243	3,674	-	31,917
Due to component unit	285	319	-	604
Advances from other funds	-	157,166	-	157,166
Compensated absences	35,699	3,434	-	39,133
Total current liabilities	<u>\$ 161,099</u>	<u>\$ 179,562</u>	<u>\$ 680,125</u>	<u>\$ 1,020,786</u>
Noncurrent liabilities:				
Compensated absences	\$ 52,121	\$ 4,189	\$ -	\$ 56,310
Postretirement healthcare benefits	27,848	4,432	-	32,280
Total noncurrent liabilities	<u>\$ 79,969</u>	<u>\$ 8,621</u>	<u>\$ -</u>	<u>\$ 88,590</u>
Total liabilities	<u>\$ 241,068</u>	<u>\$ 188,183</u>	<u>\$ 680,125</u>	<u>\$ 1,109,376</u>
Net assets:				
Invested in capital assets	\$ 14,560	\$ 680,551	\$ -	\$ 695,111
Unrestricted	519,695	999,701	3,642,248	5,161,644
Total net assets	<u>\$ 534,255</u>	<u>\$ 1,680,252</u>	<u>\$ 3,642,248</u>	<u>\$ 5,856,755</u>
Total liabilities and net assets	<u><u>\$ 775,323</u></u>	<u><u>\$ 1,868,435</u></u>	<u><u>\$ 4,322,373</u></u>	<u><u>\$ 6,966,131</u></u>

INTERNAL SERVICE FUNDS

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

For the Year Ended June 30, 2010

	<u>Central Garage Fund</u>	<u>Central Stores Fund</u>	<u>Health Insurance Fund</u>	<u>Total</u>
Operating revenues:				
Charges for services	\$ 2,693,778	\$ 784,740	\$ 12,403,400	\$ 15,881,918
Total operating revenues	<u>\$ 2,693,778</u>	<u>\$ 784,740</u>	<u>\$ 12,403,400</u>	<u>\$ 15,881,918</u>
Operating expenses:				
Personal services	\$ 551,105	\$ 69,410	\$ -	\$ 620,515
Fringe benefits	206,090	23,558	-	229,648
Purchased services	26,579	8,888	490,387	525,854
Internal services	2,085	884	-	2,969
Other charges	7,459	14,076	596,044	617,579
Materials and supplies	44,198	1,411	-	45,609
Depreciation	8,193	21,529	-	29,722
Cost of inventory issued	1,907,543	851,080	-	2,758,623
Claims related charges	-	-	10,375,885	10,375,885
Total operating expenses	<u>\$ 2,753,252</u>	<u>\$ 990,836</u>	<u>\$ 11,462,316</u>	<u>\$ 15,206,404</u>
Operating income (loss)	<u>\$ (59,474)</u>	<u>\$ (206,096)</u>	<u>\$ 941,084</u>	<u>\$ 675,514</u>
Nonoperating revenues:				
Miscellaneous revenue	\$ 138	\$ -	\$ -	\$ 138
Investment revenue	177	-	10,025	10,202
Total nonoperating revenues	<u>\$ 315</u>	<u>\$ -</u>	<u>\$ 10,025</u>	<u>\$ 10,340</u>
Income (loss) before transfers	<u>\$ (59,159)</u>	<u>\$ (206,096)</u>	<u>\$ 951,109</u>	<u>\$ 685,854</u>
Transfers in	<u>69,722</u>	<u>125,430</u>	<u>-</u>	<u>195,152</u>
Change in net assets	<u>\$ 10,563</u>	<u>\$ (80,666)</u>	<u>\$ 951,109</u>	<u>\$ 881,006</u>
Net assets at beginning of year	<u>523,692</u>	<u>1,760,918</u>	<u>2,691,139</u>	<u>4,975,749</u>
Net assets at end of year	<u><u>\$ 534,255</u></u>	<u><u>\$ 1,680,252</u></u>	<u><u>\$ 3,642,248</u></u>	<u><u>\$ 5,856,755</u></u>

CITY OF HARRISONBURG, VIRGINIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2010

	<u>Central Garage Fund</u>	<u>Central Stores Fund</u>	<u>Health Insurance Fund</u>	<u>Total</u>
Cash flows from operating activities:				
Receipts from customers	\$ 2,690,812	\$ 784,740	\$ -	\$ 3,475,552
Receipts from premiums	-	-	12,403,400	12,403,400
Receipts other sources	138	-	-	138
Payments to employees	(561,744)	(68,239)	-	(629,983)
Payments for fringe benefits	(193,939)	(21,908)	-	(215,847)
Payments to vendors	(1,999,695)	(806,751)	(1,086,431)	(3,892,877)
Payments for internal services	(2,085)	(884)	-	(2,969)
Payments for claims related charges	-	-	(10,244,870)	(10,244,870)
Net cash provided by (used for) operating activities	<u>\$ (66,513)</u>	<u>\$ (113,042)</u>	<u>\$ 1,072,099</u>	<u>\$ 892,544</u>
Cash flows from noncapital financing activities:				
Transfers in	\$ 69,722	\$ 125,430	\$ -	\$ 195,152
Interfund loan	-	(12,388)	-	(12,388)
Net cash provided by noncapital financing activities	<u>\$ 69,722</u>	<u>\$ 113,042</u>	<u>\$ -</u>	<u>\$ 182,764</u>
Cash flows from investing activities:				
Interest received	\$ 178	-	10,058	10,236
Net cash provided by investing activities	<u>\$ 178</u>	<u>\$ -</u>	<u>\$ 10,058</u>	<u>\$ 10,236</u>
Net increase in cash and cash equivalents	\$ 3,387	\$ -	\$ 1,082,157	\$ 1,085,544
Cash and cash equivalents:				
Beginning	<u>121,178</u>	<u>-</u>	<u>3,240,205</u>	<u>3,361,383</u>
Ending	<u>\$ 124,565</u>	<u>\$ -</u>	<u>\$ 4,322,362</u>	<u>\$ 4,446,927</u>

(continued)

CITY OF HARRISONBURG, VIRGINIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2010

	<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 provided by (used for) operating activities:				
Operating income (loss)	\$ (59,474)	\$ (206,096)	\$ 941,084	\$ 675,514
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	8,193	21,529	-	29,722
Miscellaneous revenue	138	-	-	138
Change in assets and liabilities:				
(Increase) decrease in:				
Accounts receivable	(1,609)	-	-	(1,609)
Due from component unit	(1,357)	-	-	(1,357)
Inventory	(26,956)	72,783	-	45,827
Prepaid expenses	2,078	-	-	2,078
Increase (decrease) in:				
Accounts payable	10,678	(4,033)	131,015	137,660
Accrued payroll	(344)	347	-	3
Due to component unit	285	(51)	-	234
Compensated absences	(11,116)	906	-	(10,210)
Postretirement healthcare benefits	12,971	1,573	-	14,544
Net cash provided by (used for) operating activities	<u>\$ (66,513)</u>	<u>\$ (113,042)</u>	<u>\$ 1,072,099</u>	<u>\$ 892,544</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.

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

CITY OF HARRISONBURG, VIRGINIA
 AGENCY FUNDS
 COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
 At June 30, 2010

Exhibit B-1

	<u>Juvenile Crime Control Fund</u>	<u>Industrial Development Authority Fund</u>	<u>Emergency Communications Center Fund</u>	<u>Total</u>
Assets				
Cash and cash equivalents	\$ 16,998	\$ 69,652	\$ 2,297,197	\$ 2,383,847
Receivables	-	-	270,854	270,854
Prepaid items	-	-	44,486	44,486
Total assets	<u>\$ 16,998</u>	<u>\$ 69,652</u>	<u>\$ 2,612,537</u>	<u>\$ 2,699,187</u>
Liabilities				
Accounts payable	\$ 5	\$ -	\$ 36,640	\$ 36,645
Accrued payroll	3,374	-	80,710	84,084
Amounts held for others	13,619	69,652	2,495,187	2,578,458
Total liabilities	<u>\$ 16,998</u>	<u>\$ 69,652</u>	<u>\$ 2,612,537</u>	<u>\$ 2,699,187</u>

CITY OF HARRISONBURG, VIRGINIA
 AGENCY FUNDS
 STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 For the Year Ended June 30, 2010

	<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	\$ 16,716	\$ 107,556	\$ 107,274	\$ 16,998
Total assets	\$ 16,716	\$ 107,556	\$ 107,274	\$ 16,998
Liabilities:				
Accounts payable	\$ -	\$ 5	\$ -	\$ 5
Accrued payroll	1,662	3,374	1,662	3,374
Amounts held for others	15,054	107,556	108,991	13,619
Total liabilities	\$ 16,716	\$ 110,935	\$ 110,653	\$ 16,998
<u>Industrial Development Authority Fund</u>				
Assets:				
Cash and cash equivalents	\$ 58,229	\$ 11,423	\$ -	\$ 69,652
Total assets	\$ 58,229	\$ 11,423	\$ -	\$ 69,652
Liabilities:				
Amounts held for others	\$ 58,229	\$ 11,423	\$ -	\$ 69,652
Total liabilities	\$ 58,229	\$ 11,423	\$ -	\$ 69,652
<u>Emergency Communications Center Fund</u>				
Assets:				
Cash and cash equivalents	\$ 770,429	\$ 4,666,323	\$ 3,139,555	\$ 2,297,197
Receivables	810,884	270,854	810,884	270,854
Prepaid items	64,082	44,486	64,082	44,486
Total assets	\$ 1,645,395	\$ 4,981,663	\$ 4,014,521	\$ 2,612,537
Liabilities:				
Accounts payable	\$ 171,954	\$ 36,640	\$ 171,954	\$ 36,640
Accrued payroll	70,643	80,710	70,643	80,710
Amounts held for others	1,402,798	4,125,281	3,032,892	2,495,187
Total liabilities	\$ 1,645,395	\$ 4,242,631	\$ 3,275,489	\$ 2,612,537

(continued)

CITY OF HARRISONBURG, VIRGINIA
 AGENCY FUNDS
 STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 For the Year Ended June 30, 2010

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
<u>Total - All Agency Funds</u>				
Assets:				
Cash and cash equivalents	\$ 845,374	\$ 4,785,302	\$ 3,246,829	\$ 2,383,847
Receivables	810,884	270,854	810,884	270,854
Prepaid items	<u>64,082</u>	<u>44,486</u>	<u>64,082</u>	<u>44,486</u>
Total assets	<u>\$ 1,720,340</u>	<u>\$ 5,100,642</u>	<u>\$ 4,121,795</u>	<u>\$ 2,699,187</u>
Liabilities:				
Accounts payable	\$ 171,954	\$ 36,645	\$ 171,954	\$ 36,645
Accrued payroll	72,305	84,084	72,305	84,084
Amounts held for others	<u>1,476,081</u>	<u>4,244,260</u>	<u>3,141,883</u>	<u>2,578,458</u>
Total liabilities	<u>\$ 1,720,340</u>	<u>\$ 4,364,989</u>	<u>\$ 3,386,142</u>	<u>\$ 2,699,187</u>

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 Nutrition 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, 2010

Exhibit C-1

	<u>School Fund</u>	<u>School Nutrition Fund</u>	<u>School Capital Projects Fund</u>	<u>Totals</u>
Assets				
Cash and cash equivalents	\$ 7,363,811	\$ 1,205,465	\$ 1,487,127	\$ 10,056,403
Receivables	1,325,238	4	-	1,325,242
Due from component unit	46,926	-	-	46,926
Inventory	-	43,547	-	43,547
Prepaid expenditures	<u>1,014,064</u>	<u>24,688</u>	-	<u>1,038,752</u>
Total assets	<u>\$ 9,750,039</u>	<u>\$ 1,273,704</u>	<u>\$ 1,487,127</u>	<u>\$ 12,510,870</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 38,216	\$ 1,919	\$ -	\$ 40,135
Accrued payroll	4,414,285	93,073	-	4,507,358
Due to component unit	86,703	-	-	86,703
Deferred revenue	<u>72,825</u>	<u>-</u>	<u>-</u>	<u>72,825</u>
Total liabilities	<u>\$ 4,612,029</u>	<u>\$ 94,992</u>	<u>\$ -</u>	<u>\$ 4,707,021</u>
Fund Balances:				
Reserved for:				
Encumbrances	\$ 150,535	\$ -	\$ -	\$ 150,535
Prepaid expenditures	1,014,064	24,688	-	1,038,752
Unreserved:				
Designated	-	-	1,487,127	1,487,127
Undesignated	<u>3,973,411</u>	<u>1,154,024</u>	<u>-</u>	<u>5,127,435</u>
Total fund balances	<u>\$ 5,138,010</u>	<u>\$ 1,178,712</u>	<u>\$ 1,487,127</u>	<u>\$ 7,803,849</u>
Total liabilities and fund balances	<u>\$ 9,750,039</u>	<u>\$ 1,273,704</u>	<u>\$ 1,487,127</u>	<u>\$ 12,510,870</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, 2010**

Exhibit C-2

Total fund balance of governmental funds (Exhibit C-1)	\$ 7,803,849
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.	72,825
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	27,660,381
Long-term liabilities, and related accounts, are not payable from current financial resources and therefore are not reported in the funds.	<u>(1,993,498)</u>
Net assets of governmental activities (Exhibit 1)	<u>\$ 33,543,557</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, 2010

Exhibit C-3

	<u>School Fund</u>	<u>School Nutrition Fund</u>	<u>School Capital Projects Fund</u>	<u>Totals</u>
Revenues:				
Use of money and property	\$ 11,981	\$ 900	\$ -	\$ 12,881
Charges for services	1,264,073	577,171	-	1,841,244
Miscellaneous	140,442	3,640	-	144,082
Payment from primary government	23,993,391	-	-	23,993,391
Intergovernmental	27,096,067	1,858,039	-	28,954,106
Total revenues	<u>\$ 52,505,954</u>	<u>\$ 2,439,750</u>	<u>\$ -</u>	<u>\$ 54,945,704</u>
Expenditures:				
Current:				
Instruction	\$ 40,038,957	\$ -	\$ -	\$ 40,038,957
Administration, attendance and health	2,612,771	-	-	2,612,771
Pupil transportation	1,847,308	-	-	1,847,308
Operations and maintenance	4,610,845	-	-	4,610,845
Food services	-	2,359,422	-	2,359,422
Technology	3,015,515	24,783	-	3,040,298
Capital projects	-	-	42,705	42,705
Total expenditures	<u>\$ 52,125,396</u>	<u>\$ 2,384,205</u>	<u>\$ 42,705</u>	<u>\$ 54,552,306</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 380,558</u>	<u>\$ 55,545</u>	<u>\$ (42,705)</u>	<u>\$ 393,398</u>
Other financing sources (uses):				
Transfers in	\$ 216,560	\$ -	\$ -	\$ 216,560
Transfers out	-	-	(216,560)	(216,560)
Total other financing sources (uses)	<u>\$ 216,560</u>	<u>\$ -</u>	<u>\$ (216,560)</u>	<u>\$ -</u>
Net change in fund balances	\$ 597,118	\$ 55,545	\$ (259,265)	\$ 393,398
Fund balances at beginning of year	<u>4,540,892</u>	<u>1,123,167</u>	<u>1,746,392</u>	<u>7,410,451</u>
Fund balances at end of year	<u>\$ 5,138,010</u>	<u>\$ 1,178,712</u>	<u>\$ 1,487,127</u>	<u>\$ 7,803,849</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, 2010

Exhibit C-4

Total net change in fund balances of governmental funds (Exhibit C-3)	\$	393,398
<p>Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:</p>		
<p>Certain revenues reported in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds. This amount is the net change in these revenues.</p>		
		13,119
<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.</p>		
Capital outlay expenditures	\$ 100,742	
Depreciation expense	<u>(1,190,228)</u>	
Net adjustment	<u>\$ (1,089,486)</u>	(1,089,486)
<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>		
		(569,397)
<p>The transfer of capital assets between the primary government and the School Board affects only the statement of activities. These transfers do not have an effect on current financial resources and, therefore, are not reported in governmental funds.</p>		
		<u>2,765,574</u>
Change in net assets of governmental activities (Exhibit 2)	\$	<u><u>1,513,208</u></u>

CITY OF HARRISONBURG, VIRGINIA
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
SCHOOL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2010

Exhibit C-5

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Use of money and property	\$ 10,000	\$ 10,000	\$ 11,981	\$ 1,981
Charges for services	1,225,664	1,225,664	1,264,073	38,409
Miscellaneous	90,042	90,042	140,442	50,400
Payment from primary government	25,107,585	25,107,585	23,993,391	(1,114,194)
Intergovernmental	27,059,407	28,198,552	27,096,067	(1,102,485)
Total revenues	<u>\$ 53,492,698</u>	<u>\$ 54,631,843</u>	<u>\$ 52,505,954</u>	<u>\$ (2,125,889)</u>
Expenditures:				
Current:				
Instruction	\$ 41,466,910	\$ 42,134,344	\$ 40,038,957	\$ 2,095,387
Administration, attendance and health	2,827,404	2,939,933	2,612,771	327,162
Pupil transportation	1,925,652	1,932,152	1,847,308	84,844
Operations and maintenance	4,810,987	5,199,176	4,610,845	588,331
Technology	2,459,745	3,036,106	3,015,515	20,591
Facilities	2,000	2,000	-	2,000
Total expenditures	<u>\$ 53,492,698</u>	<u>\$ 55,243,711</u>	<u>\$ 52,125,396</u>	<u>\$ 3,118,315</u>
Deficiency of revenues under expenditures	<u>\$ -</u>	<u>\$ (611,868)</u>	<u>\$ 380,558</u>	<u>\$ 992,426</u>
Other financing sources:				
Transfers in	\$ -	\$ 216,560	\$ 216,560	\$ -
Total other financing sources	<u>\$ -</u>	<u>\$ 216,560</u>	<u>\$ 216,560</u>	<u>\$ -</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (395,308)</u>	<u>\$ 597,118</u>	<u>\$ 992,426</u>
Fund balance at beginning of year			<u>4,540,892</u>	
Fund balance at end of year			<u>\$ 5,138,010</u>	

CITY OF HARRISONBURG, VIRGINIA
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
SCHOOL NUTRITION FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2010

Exhibit C-6

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Use of money and property	\$ -	\$ -	\$ 900	\$ 900
Charges for services	824,997	855,997	577,171	(278,826)
Recovered costs	-	-	3,640	3,640
Intergovernmental	1,479,082	1,506,237	1,858,039	351,802
Total revenues	<u>\$ 2,304,079</u>	<u>\$ 2,362,234</u>	<u>\$ 2,439,750</u>	<u>\$ 77,516</u>
Expenditures:				
Current:				
Food services	\$ 2,294,079	\$ 2,323,734	\$ 2,359,422	\$ (35,688)
Technology	10,000	38,500	24,783	13,717
Total expenditures	<u>\$ 2,304,079</u>	<u>\$ 2,362,234</u>	<u>\$ 2,384,205</u>	<u>\$ (21,971)</u>
Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 55,545</u>	<u>\$ 55,545</u>
Fund balance at beginning of year			<u>1,123,167</u>	
Fund balance at end of year			<u>\$ 1,178,712</u>	

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Other Supplementary Schedules

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

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

CITY OF HARRISONBURG, VIRGINIA
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
For the Year Ended June 30, 2010

Fund, Major and Minor Revenue Sources	Final Budget	Actual	Variance Positive (Negative)
Primary Government:			
General Fund:			
General property taxes:			
Real property taxes	\$ 22,414,900	\$ 22,471,813	\$ 56,913
Real and personal public service corporation property taxes	291,000	315,297	24,297
Personal property taxes	5,997,752	6,002,949	5,197
Mobile home taxes	7,000	6,976	(24)
Machinery and tools taxes	1,700,000	1,918,964	218,964
Penalties and interest	190,000	293,075	103,075
Total general property taxes	<u>\$ 30,600,652</u>	<u>\$ 31,009,074</u>	<u>\$ 408,422</u>
Other local taxes:			
Local sales and use taxes	\$ 12,000,000	\$ 10,487,699	\$ (1,512,301)
Consumer utility taxes	1,052,000	1,063,641	11,641
Business license taxes	6,000,000	5,571,597	(428,403)
Motor vehicle license taxes	757,500	698,446	(59,054)
Bank stock taxes	400,000	556,236	156,236
Taxes on recordation and wills	600,000	311,749	(288,251)
Tobacco taxes	875,000	759,637	(115,363)
Admission and amusement taxes	197,000	198,641	1,641
Hotel and motel room taxes	1,800,000	1,505,247	(294,753)
Restaurant food taxes	8,245,000	8,001,668	(243,332)
Short-term rental taxes	-	17,778	17,778
Public rights-of-way use fee	106,000	123,100	17,100
Total other local taxes	<u>\$ 32,032,500</u>	<u>\$ 29,295,439</u>	<u>\$ (2,737,061)</u>
Permits, privilege fees and regulatory licenses:			
Animal licenses	\$ 7,000	\$ 6,167	\$ (833)
Permits and other licenses	925,800	347,909	(577,891)
Total permits, privilege fees and regulatory licenses	<u>\$ 932,800</u>	<u>\$ 354,076</u>	<u>\$ (578,724)</u>
Fines and forfeitures:			
Circuit court fines	\$ 460,000	\$ 504,223	\$ 44,223
Parking fines	68,000	38,956	(29,044)
Drug forfeiture	-	55,725	55,725
Total fines and forfeitures	<u>\$ 528,000</u>	<u>\$ 598,904</u>	<u>\$ 70,904</u>
Use of money and property:			
Use of money	\$ 350,000	\$ 73,411	\$ (276,589)
Use of property	25,000	112,313	87,313
Total use of money and property	<u>\$ 375,000</u>	<u>\$ 185,724</u>	<u>\$ (189,276)</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, 2010

Fund, Major and Minor Revenue Sources	Final Budget	Actual	Variance Positive (Negative)
Primary Government: (continued)			
General Fund: (continued)			
Charges for services:			
Charges for law enforcement and traffic control	\$ 15,000	\$ 23,176	\$ 8,176
Charges for parking	111,000	117,180	6,180
Charges for rescue services	-	10,395	10,395
Charges for parks and recreation	391,000	396,393	5,393
Charges for golf course	717,700	646,120	(71,580)
Total charges for services	<u>\$ 1,234,700</u>	<u>\$ 1,193,264</u>	<u>\$ (41,436)</u>
Miscellaneous:			
Payments in lieu of taxes:			
Electric plant and equipment	\$ 326,047	\$ 326,047	\$ -
Public housing	8,000	-	(8,000)
Service charge on tax exempt property	11,000	11,066	66
Sale of used equipment	50,000	16,416	(33,584)
Debt service reimbursement from HRHA	228,803	402,249	173,446
Donations - JMU & EMU	102,000	102,000	-
Donations	113,373	86,239	(27,134)
Other miscellaneous	397,101	514,738	117,637
Total miscellaneous	<u>\$ 1,236,324</u>	<u>\$ 1,458,755</u>	<u>\$ 222,431</u>
Payments from component units:			
Payment from Harrisonburg Electric Commission	\$ 4,800,000	\$ 4,800,000	\$ -
Total payments from component units	<u>\$ 4,800,000</u>	<u>\$ 4,800,000</u>	<u>\$ -</u>
Intergovernmental:			
Revenue from the Commonwealth:			
Non-categorical aid:			
Railroad rolling stock taxes	\$ 11,276	\$ 12,016	\$ 740
Mobile home titling taxes	7,000	4,590	(2,410)
Tax on deeds (grantor tax)	145,000	106,072	(38,928)
Personal property tax reimbursement	1,522,583	1,522,583	-
Communication sales and use taxes	1,800,000	1,694,108	(105,892)
Auto rental taxes	170,000	134,200	(35,800)
Animal friendly license plate	778	714	(64)
Total non-categorical aid	<u>\$ 3,656,637</u>	<u>\$ 3,474,283</u>	<u>\$ (182,354)</u>
Categorical aid:			
Shared expenses:			
Commissioner of the revenue	\$ 161,721	\$ 141,948	\$ (19,773)
Treasurer	141,587	123,902	(17,685)
Medical examiner fees	100	-	(100)
Registrar	56,563	46,398	(10,165)
Total shared expenses	<u>\$ 359,971</u>	<u>\$ 312,248</u>	<u>\$ (47,723)</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, 2010

Fund, Major and Minor Revenue Sources	Final Budget	Actual	Variance Positive (Negative)
Primary Government: (continued)			
General Fund: (continued)			
Intergovernmental: (continued)			
Revenue from the Commonwealth: (continued)			
Other categorical aid:			
Virginia tourism marketing grant	\$ -	\$ 1,599	\$ 1,599
Natural resources grant	2,200	2,200	-
Enhancing stream health grant	4,965	9,046	4,081
Hazardous materials grant	33,880	12,213	(21,667)
Fire programs fund	112,011	114,093	2,082
Four-for-life	23,750	25,639	1,889
Fire incident reporting system grant	1,000	1,000	-
Department of health grant	25,550	25,550	-
Litter control grant	-	7,748	7,748
Spay and neuter funds	51	119	68
Internet crimes against children grant	2,897	2,897	-
State aid to localities, police	1,556,029	1,308,432	(247,597)
Street and highway maintenance	3,590,668	3,628,716	38,048
Street and highway construction	114,000	-	(114,000)
Total other categorical aid	<u>\$ 5,467,001</u>	<u>\$ 5,139,252</u>	<u>\$ (327,749)</u>
Total categorical aid	<u>\$ 5,826,972</u>	<u>\$ 5,451,500</u>	<u>\$ (375,472)</u>
Total revenue from the Commonwealth	<u>\$ 9,483,609</u>	<u>\$ 8,925,783</u>	<u>\$ (557,826)</u>
Revenue from the Federal Government:			
Categorical aid:			
Homeland security grant	\$ 528,377	\$ 314,448	\$ (213,929)
Police DMV grant	41,748	41,748	-
Justice assistance grant	191,831	90,054	(101,777)
Criminal history records grant	150,000	-	(150,000)
COPS metropolitan grant	6,089	6,089	-
Railroad crossing improvement grant	189,000	-	(189,000)
Energy efficiency conservation block grant	-	12,000	12,000
Total revenue from the Federal Government	<u>\$ 1,107,045</u>	<u>\$ 464,339</u>	<u>\$ (642,706)</u>
Total intergovernmental	<u>\$ 10,590,654</u>	<u>\$ 9,390,122</u>	<u>\$ (1,200,532)</u>
Total General Fund	<u><u>\$ 82,330,630</u></u>	<u><u>\$ 78,285,358</u></u>	<u><u>\$ (4,045,272)</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, 2010

Fund, Major and Minor Revenue Sources	Final Budget	Actual	Variance Positive (Negative)
Primary Government: (continued)			
Special Revenue Fund:			
Community Development Block Grant Fund:			
Intergovernmental:			
Revenue from the Federal Government:			
Non-categorical aid:			
Community Development Block Grant	\$ 926,725	\$ 548,169	\$ (378,556)
Total revenue from the Federal Government	\$ 926,725	\$ 548,169	\$ (378,556)
Total intergovernmental	\$ 926,725	\$ 548,169	\$ (378,556)
Total Community Development Block Grant Fund	\$ 926,725	\$ 548,169	\$ (378,556)
Total Special Revenue Fund	\$ 926,725	\$ 548,169	\$ (378,556)
Capital Projects Fund:			
General Capital Projects Fund:			
Use of money and property	\$ 16,969	\$ 12,120	\$ (4,849)
Miscellaneous	82,166	82,141	(25)
Intergovernmental:			
Revenue from the Commonwealth:			
Categorical aid:			
DEQ grant	3,159	-	(3,159)
Street and highway construction	57,000	171,428	114,428
VDOT revenue sharing	1,215,371	1,889,095	673,724
Total revenue from the Commonwealth	\$ 1,275,530	\$ 2,060,523	\$ 784,993
Revenue from the Federal Government:			
Categorical aid:			
Preserve America grant	\$ 150,000	\$ 150,000	\$ -
Street and highway construction	1,482,336	1,350,962	(131,374)
Total revenue from the Federal Government	\$ 1,632,336	\$ 1,500,962	\$ (131,374)
Total intergovernmental	\$ 2,907,866	\$ 3,561,485	\$ 653,619
Total General Capital Projects Fund	\$ 3,007,001	\$ 3,655,746	\$ 648,745
Total Capital Projects Fund	\$ 3,007,001	\$ 3,655,746	\$ 648,745
Grand Total Revenues (Primary Government)	\$ 86,264,356	\$ 82,489,273	\$ (3,775,083)

(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, 2010

Fund, Major and Minor Revenue Sources	Final Budget	Actual	Variance Positive (Negative)
Component Unit - School Board:			
School Fund:			
Use of money and property	\$ 10,000	\$ 11,981	\$ 1,981
Charges for services	1,225,664	1,264,073	38,409
Miscellaneous	90,042	140,442	50,400
Payment from primary government	25,107,585	23,993,391	(1,114,194)
Intergovernmental:			
Revenue from the Commonwealth:			
Categorical aid:			
Share of state sales tax	3,850,000	4,018,415	168,415
Basic school aid	10,979,816	10,259,138	(720,678)
State standard of quality funds	2,242,309	2,173,685	(68,624)
Fringe benefits	1,457,470	1,273,616	(183,854)
Lottery funds	-	296,450	296,450
At risk	826,627	827,234	607
Primary class size	609,796	701,081	91,285
Technology initiative	258,000	258,000	-
English as second language	1,060,807	984,826	(75,981)
Regional tuition programs (special education)	681,649	814,246	132,597
Other state funds	465,634	280,568	(185,066)
Total categorical aid	<u>\$ 22,432,108</u>	<u>\$ 21,887,259</u>	<u>\$ (544,849)</u>
Total revenue from the Commonwealth	<u>\$ 22,432,108</u>	<u>\$ 21,887,259</u>	<u>\$ (544,849)</u>
Revenue from the Federal Government:			
Categorical aid:			
Title I	\$ 1,036,661	\$ 964,286	\$ (72,375)
Special education	899,364	1,022,906	123,542
Education technology	509,055	442,048	(67,007)
Reading first grant	287,816	267,640	(20,176)
Title III	221,717	156,676	(65,041)
ESEA - Title II Part A	201,415	185,649	(15,766)
American recovery and reinvestment act (ARRA)	2,446,360	1,991,972	(454,388)
Other federal funds	164,056	177,631	13,575
Total revenue from the Federal Government	<u>\$ 5,766,444</u>	<u>\$ 5,208,808</u>	<u>\$ (557,636)</u>
Total intergovernmental	<u>\$ 28,198,552</u>	<u>\$ 27,096,067</u>	<u>\$ (1,102,485)</u>
Total School Fund	<u><u>\$ 54,631,843</u></u>	<u><u>\$ 52,505,954</u></u>	<u><u>\$ (2,125,889)</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, 2010

Fund, Major and Minor Revenue Sources	Final Budget	Actual	Variance Positive (Negative)
Component Unit - School Board: (continued)			
School Nutrition Fund:			
Use of money and property	\$ -	\$ 900	\$ 900
Charges for services	855,997	577,171	(278,826)
Miscellaneous	-	3,640	3,640
Intergovernmental:			
Revenue from the Commonwealth:			
Categorical aid:			
School food program	44,782	52,614	7,832
Total categorical aid	<u>\$ 44,782</u>	<u>\$ 52,614</u>	<u>\$ 7,832</u>
Total revenue from the Commonwealth	<u>\$ 44,782</u>	<u>\$ 52,614</u>	<u>\$ 7,832</u>
Revenue from the Federal Government:			
Categorical aid:			
School food program	\$ 1,461,455	\$ 1,687,434	\$ 225,979
USDA donated food	-	117,991	117,991
Total revenue from the Federal Government	<u>\$ 1,461,455</u>	<u>\$ 1,805,425</u>	<u>\$ 343,970</u>
Total intergovernmental	<u>\$ 1,506,237</u>	<u>\$ 1,858,039</u>	<u>\$ 351,802</u>
Total School Nutrition Fund	<u><u>\$ 2,362,234</u></u>	<u><u>\$ 2,439,750</u></u>	<u><u>\$ 77,516</u></u>
Grand Total Revenues (Component Unit - School Board)	<u><u>\$ 56,994,077</u></u>	<u><u>\$ 54,945,704</u></u>	<u><u>\$ (2,048,373)</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, 2010

Fund, Function, Activity and Elements	Final Budget	Actual	Variance Positive (Negative)
Primary Government:			
General Fund:			
General government administration:			
Legislative:			
City Council	\$ 175,587	\$ 172,297	\$ 3,290
Total legislative	<u>\$ 175,587</u>	<u>\$ 172,297</u>	<u>\$ 3,290</u>
General and financial administration:			
City manager	\$ 459,407	\$ 417,307	\$ 42,100
City attorney	162,618	152,557	10,061
Human resources	234,971	223,407	11,564
Independent auditor	13,500	13,500	-
Commissioner of the revenue	423,313	402,473	20,840
Assessors	298,530	271,320	27,210
Equalization	3,125	2,814	311
Treasurer	497,221	461,845	35,376
Finance	432,832	426,257	6,575
Information technology	728,386	652,268	76,118
Purchasing agent	133,392	130,649	2,743
Dues to municipal league	31,651	30,780	871
Reserve for contingencies	5,292	-	5,292
Total general and financial administration	<u>\$ 3,424,238</u>	<u>\$ 3,185,177</u>	<u>\$ 239,061</u>
Board of elections:			
Registrar	\$ 173,225	\$ 137,155	\$ 36,070
Total board of elections	<u>\$ 173,225</u>	<u>\$ 137,155</u>	<u>\$ 36,070</u>
Total general government administration	<u>\$ 3,773,050</u>	<u>\$ 3,494,629</u>	<u>\$ 278,421</u>
Jail and judicial administration:			
Joint expenditures with Rockingham County	\$ 2,394,314	\$ 2,392,315	\$ 1,999
Total jail and judicial administration	<u>\$ 2,394,314</u>	<u>\$ 2,392,315</u>	<u>\$ 1,999</u>
Public safety:			
Law enforcement and traffic control:			
Administration	\$ 711,097	\$ 710,373	\$ 724
Operations	2,963,202	2,760,388	202,814
Criminal investigations	1,190,057	1,085,964	104,093
Support services	1,964,266	1,654,429	309,837
Gang task force	157,266	129,595	27,671
Special operations	1,298,252	1,128,050	170,202
Total law enforcement and traffic control	<u>\$ 8,284,140</u>	<u>\$ 7,468,799</u>	<u>\$ 815,341</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, 2010

Fund, Function, Activity and Elements	Final Budget	Actual	Variance Positive (Negative)
Primary Government: (continued)			
General Fund: (continued)			
Public safety: (continued)			
Fire and rescue services:			
Administration	\$ 564,604	\$ 464,865	\$ 99,739
Suppression	5,645,785	5,426,963	218,822
Prevention	371,268	322,996	48,272
Training	193,816	180,682	13,134
Total fire and rescue services	<u>\$ 6,775,473</u>	<u>\$ 6,395,506</u>	<u>\$ 379,967</u>
Correction and detention:			
City operated institutions	\$ 91,970	\$ 91,057	\$ 913
Total correction and detention	<u>\$ 91,970</u>	<u>\$ 91,057</u>	<u>\$ 913</u>
Inspections:			
Building	\$ 619,005	\$ 594,670	\$ 24,335
Total inspections	<u>\$ 619,005</u>	<u>\$ 594,670</u>	<u>\$ 24,335</u>
Other protection:			
Public safety building	\$ 369,105	\$ 293,889	\$ 75,216
Child safety alliance	43,067	42,034	1,033
Animal control	272,739	267,721	5,018
Coroner	1,000	320	680
Emergency services	451,192	338,884	112,308
Harrisonburg-Rockingham ECC	1,540,805	1,540,805	-
Total other protection	<u>\$ 2,677,908</u>	<u>\$ 2,483,653</u>	<u>\$ 194,255</u>
Total public safety	<u>\$ 18,448,496</u>	<u>\$ 17,033,685</u>	<u>\$ 1,414,811</u>
Public works:			
Maintenance of highways, streets, bridges and sidewalks:			
General engineering	\$ 941,858	\$ 840,128	\$ 101,730
Highway and street maintenance	4,567,115	3,213,886	1,353,229
Street lights	494,592	494,028	564
Snow and ice removal	550,773	540,281	10,492
Traffic engineering	1,192,272	1,062,085	130,187
Highway and street beautification	273,674	231,468	42,206
Total maintenance of highways, streets, bridges and sidewalks	<u>\$ 8,020,284</u>	<u>\$ 6,381,876</u>	<u>\$ 1,638,408</u>
Sanitation and waste removal:			
Street and road cleaning	\$ 474,068	\$ 396,672	\$ 77,396
Insect and rodent control	41,404	3,196	38,208
Total sanitation and waste removal	<u>\$ 515,472</u>	<u>\$ 399,868</u>	<u>\$ 115,604</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, 2010

Fund, Function, Activity and Elements	Final Budget	Actual	Variance Positive (Negative)
Primary Government: (continued)			
General Fund: (continued)			
Public works: (continued)			
Maintenance of general buildings and grounds:			
General properties	\$ 378,946	\$ 303,277	\$ 75,669
Total maintenance of general buildings and grounds	\$ 378,946	\$ 303,277	\$ 75,669
Total public works	\$ 8,914,702	\$ 7,085,021	\$ 1,829,681
Health and welfare:			
Health:			
Local health department	\$ 371,058	\$ 371,058	\$ -
Total health	\$ 371,058	\$ 371,058	\$ -
Mental health and mental retardation:			
Community services board	\$ 300,394	\$ 300,394	\$ -
Total mental health and mental retardation	\$ 300,394	\$ 300,394	\$ -
Welfare/social services:			
Tax relief for the elderly	\$ 76,100	\$ 76,090	\$ 10
Joint expenditures with Rockingham County	3,144,990	3,141,979	3,011
Total welfare/social services	\$ 3,221,090	\$ 3,218,069	\$ 3,021
Total health and welfare	\$ 3,892,542	\$ 3,889,521	\$ 3,021
Education:			
Payment to Harrisonburg City School Board	\$ 25,107,585	\$ 23,993,390	\$ 1,114,195
Total education	\$ 25,107,585	\$ 23,993,390	\$ 1,114,195
Parks, recreation and culture:			
Parks and recreation:			
Administration	\$ 925,542	\$ 860,218	\$ 65,324
Parks	998,088	937,723	60,365
Recreation centers and playgrounds	557,221	517,696	39,525
National guard armory	100,876	87,673	13,203
Simms recreation center	286,387	263,257	23,130
Westover pool	415,420	393,079	22,341
Athletics	477,985	434,771	43,214
Blacks run greenway	52,303	49,741	2,562
Golf course grounds management	704,593	609,981	94,612
Golf course clubhouse management	477,066	436,358	40,708
Total parks and recreation	\$ 4,995,481	\$ 4,590,497	\$ 404,984
Total parks, recreation and culture	\$ 4,995,481	\$ 4,590,497	\$ 404,984

(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, 2010

Fund, Function, Activity and Elements	Final Budget	Actual	Variance Positive (Negative)
Primary Government: (continued)			
General Fund: (continued)			
Planning and community development:			
Planning:			
Planning	\$ 205,168	\$ 182,281	\$ 22,887
Zoning administrator	159,726	135,888	23,838
Zoning and board of zoning appeals	5,366	2,384	2,982
Economic development	762,618	613,649	148,969
Downtown renaissance	162,249	160,038	2,211
Tourism and visitors services	336,833	326,988	9,845
Downtown parking services	261,380	217,295	44,085
Total planning	<u>\$ 1,893,340</u>	<u>\$ 1,638,523</u>	<u>\$ 254,817</u>
Community development:			
Massanutten Regional Library	\$ 444,754	\$ 444,754	\$ -
Regional Juvenile Detention Home	470,100	470,100	-
Harrisonburg Rescue Squad	125,000	125,000	-
Shenandoah Valley Airport	67,923	67,923	-
Blue Ridge Community College	46,484	46,484	-
Boys and Girls Club	46,500	46,500	-
Arts Council of the Valley	36,000	36,000	-
Other contributions	398,156	320,670	77,486
Total community development	<u>\$ 1,634,917</u>	<u>\$ 1,557,431</u>	<u>\$ 77,486</u>
Total planning and community development	<u>\$ 3,528,257</u>	<u>\$ 3,195,954</u>	<u>\$ 332,303</u>
Debt service:			
Principal retirement	\$ 6,148,199	\$ 6,144,985	\$ 3,214
Interest and fiscal charges	<u>5,806,479</u>	<u>5,776,747</u>	<u>29,732</u>
Total debt service	<u>\$ 11,954,678</u>	<u>\$ 11,921,732</u>	<u>\$ 32,946</u>
Total General Fund	<u><u>\$ 83,009,105</u></u>	<u><u>\$ 77,596,744</u></u>	<u><u>\$ 5,412,361</u></u>

(continued)

CITY OF HARRISONBURG, VIRGINIA
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
For the Year Ended June 30, 2010

Fund, Function, Activity and Elements	Final Budget	Actual	Variance Positive (Negative)
Primary Government: (continued)			
Special Revenue Fund:			
Community Development Block Grant Fund:			
Planning and community development:			
Community development:			
Community development block grant	\$ 842,200	\$ 543,342	\$ 298,858
Total community development	<u>\$ 842,200</u>	<u>\$ 543,342</u>	<u>\$ 298,858</u>
Total planning and community development	\$ 842,200	\$ 543,342	\$ 298,858
Total Community Development Block Grant Fund	<u>\$ 842,200</u>	<u>\$ 543,342</u>	<u>\$ 298,858</u>
Total Special Revenue Fund	<u>\$ 842,200</u>	<u>\$ 543,342</u>	<u>\$ 298,858</u>
Capital Projects Fund:			
General Capital Projects Fund:			
Capital projects	\$ 23,515,877	\$ 11,668,260	\$ 11,847,617
Total General Capital Projects Fund	<u>\$ 23,515,877</u>	<u>\$ 11,668,260</u>	<u>\$ 11,847,617</u>
Total Capital Projects Fund	<u>\$ 23,515,877</u>	<u>\$ 11,668,260</u>	<u>\$ 11,847,617</u>
Grand Total Expenditures (Primary Government)	<u>\$ 107,367,182</u>	<u>\$ 89,808,346</u>	<u>\$ 17,558,836</u>
Component Unit - School Board:			
School Fund:			
Education:			
Instruction	\$ 42,134,344	\$ 40,038,957	\$ 2,095,387
Administration, attendance and health	2,939,933	2,612,771	327,162
Pupil transportation	1,932,152	1,847,308	84,844
Operations and maintenance	5,199,176	4,610,845	588,331
Technology	3,036,106	3,015,515	20,591
Facilities	<u>2,000</u>	<u>-</u>	<u>2,000</u>
Total education	<u>\$ 55,243,711</u>	<u>\$ 52,125,396</u>	<u>\$ 3,118,315</u>
Total School Fund	<u>\$ 55,243,711</u>	<u>\$ 52,125,396</u>	<u>\$ 3,118,315</u>
School Nutrition Fund:			
Education:			
Food services	\$ 2,323,734	\$ 2,359,422	\$ (35,688)
Technology	<u>38,500</u>	<u>24,783</u>	<u>13,717</u>
Total education	<u>\$ 2,362,234</u>	<u>\$ 2,384,205</u>	<u>\$ (21,971)</u>
Total School Nutrition Fund	<u>\$ 2,362,234</u>	<u>\$ 2,384,205</u>	<u>\$ (21,971)</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, 2010

Fund, Function, Activity and Elements	Final Budget	Actual	Variance Positive (Negative)
Component Unit - School Board: (continued)			
School Capital Projects Fund:			
Capital projects	\$ 1,529,832	\$ 42,705	\$ 1,487,127
Total School Capital Projects Fund	\$ 1,529,832	\$ 42,705	\$ 1,487,127
Grand Total Expenditures (Component Unit - School Board)	\$ 59,135,777	\$ 54,552,306	\$ 4,583,471

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STATISTICAL SECTION

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

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

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

Debt Capacity. Tables 9 through 11 present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future. The City does not have any overlapping debt.

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

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

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

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

Table 1

	Fiscal Year								
	2010	2009	2008	2007	2006	2005	2004	2003	2002
Governmental activities									
Invested in capital assets, net of related debt	\$ 134,630,600	\$ 136,515,744	\$ 132,202,885	\$ 125,843,397	\$ 135,003,446	\$ 120,370,317	\$ 117,904,477	\$ 117,143,440	\$ 116,097,619
Restricted ^a	459,667	345,524	961,442	1,039,017	1,304,291	1,119,024	766,544	905,353	621,915
Unrestricted ^b	31,737,220	32,029,616	40,774,314	36,167,946	21,859,603	24,597,079	23,302,565	20,723,167	20,974,296
Total governmental activities net assets	\$ 166,827,487	\$ 168,890,884	\$ 173,938,641	\$ 163,050,360	\$ 158,167,340	\$ 146,086,420	\$ 141,973,586	\$ 138,771,960	\$ 137,693,830
Business-type activities									
Invested in capital assets, net of related debt	\$ 64,272,566	\$ 63,946,619	\$ 55,215,398	\$ 54,121,109	\$ 49,644,177	\$ 49,759,377	\$ 49,213,863	\$ 50,858,770	\$ 55,634,074
Restricted ^a	-	-	-	-	-	-	444,437	452,716	471,168
Unrestricted	23,349,719	23,104,614	22,819,366	21,189,184	22,849,797	21,189,878	20,915,553	17,141,684	15,478,829
Total business-type activities net assets ^c	\$ 87,622,285	\$ 87,051,233	\$ 78,034,764	\$ 75,310,293	\$ 72,493,974	\$ 70,949,255	\$ 70,573,853	\$ 68,453,170	\$ 71,584,071
Primary government									
Invested in capital assets, net of related debt	\$ 198,903,166	\$ 200,462,363	\$ 187,418,283	\$ 179,964,506	\$ 184,647,623	\$ 170,129,694	\$ 167,118,340	\$ 168,002,210	\$ 171,731,693
Restricted	459,667	345,524	961,442	1,039,017	1,304,291	1,119,024	1,210,981	1,358,069	1,093,083
Unrestricted	55,086,939	55,134,230	63,593,680	57,357,130	44,709,400	45,786,957	44,218,118	37,864,851	36,453,125
Total primary government net assets	\$ 254,449,772	\$ 255,942,117	\$ 251,973,405	\$ 238,360,653	\$ 230,661,314	\$ 217,035,675	\$ 212,547,439	\$ 207,225,130	\$ 209,277,901

Notes: The City implemented GASB Statement 34 in 2003. Information for 2002 is comparative financials that was used in preparing management's discussion and analysis in 2003.

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

^bFor 2007, the increase in governmental activities' unrestricted net assets and the decrease in invested in capital assets was due to the sale of the old Harrisonburg High School complex to James Madison University.

^cIn 2007, the City increased the business-type activities' beginning net assets within the basic financial statements. The information in this table prior to 2007 are the unadjusted amounts.

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

Table 2

	Fiscal Year									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	
Expenses:										
Governmental activities:										
General government administration	\$ 12,693,219	\$ 12,735,815	\$ 11,767,148	\$ 10,607,363	\$ 9,494,062	\$ 8,659,789	\$ 8,095,033	\$ 7,285,396	\$ 6,374,698	
Jail and judicial administration	2,689,276	3,012,532	2,521,878	2,695,536	2,247,160	1,720,208	1,411,339	1,463,027	1,658,125	
Public safety	17,934,535	18,518,912	16,446,587	16,122,159	14,598,247	13,385,735	12,308,346	10,483,000	9,755,527	
Public works	10,924,418	11,935,693	10,621,521	11,140,416	10,280,042	8,932,355	9,570,485	8,654,789	9,090,230	
Health and welfare	3,911,386	4,369,125	3,764,612	3,130,065	2,571,383	2,318,720	2,157,251	1,939,214	1,529,544	
Education	28,735,066	31,253,898	25,922,982	25,341,757	24,630,393	21,784,772	20,351,713	21,325,763	20,508,326	
Parks, recreation and cultural ^a	5,100,351	5,379,470	5,103,321	4,692,190	4,468,904	2,781,327	2,636,326	2,551,774	2,328,603	
Planning and community development ^b	3,867,423	4,032,505	4,125,103	5,265,157	2,970,408	2,426,890	1,526,341	1,368,001	1,236,155	
Interest on long-term debt	6,131,512	5,860,753	6,078,904	5,612,049	4,368,265	3,869,356	3,898,786	4,042,808	3,234,219	
Business-type activities:										
Water	5,118,820	5,359,913	4,951,007	4,560,390	4,034,616	3,805,703	3,362,062	3,506,917	3,052,628	
Sewer	7,391,517	6,772,876	6,413,266	5,717,556	5,075,967	4,872,836	4,870,754	4,457,413	4,237,627	
Public transportation	6,767,823	6,817,081	6,042,341	5,538,155	5,070,888	4,635,925	4,162,232	3,882,258	3,381,260	
Sanitation ^{c,d,e}	9,878,225	10,809,914	11,162,477	10,604,466	10,446,466	8,764,331	5,795,311	9,620,247	5,308,102	
Public parking	-	-	-	-	175,050	209,084	208,202	200,964	188,878	
Golf course ^a	-	-	-	-	-	1,416,361	1,338,559	1,430,431	416,016	
Total expenses	\$ 121,143,571	\$ 126,858,487	\$ 114,921,147	\$ 111,027,259	\$ 100,421,434	\$ 89,583,392	\$ 81,692,740	\$ 82,212,002	\$ 72,299,938	
Program revenues:										
Governmental activities:										
Charges for services:										
General government administration	\$ 9,478,806	\$ 8,620,160	\$ 7,913,474	\$ 7,067,373	\$ 6,845,784	\$ 6,591,292	\$ 6,408,739	\$ 5,136,588	\$ 3,618,948	
Jail and judicial administration	504,223	493,611	432,767	380,856	517,689	604,029	563,954	400,247	362,860	
Parks, recreation and cultural	1,042,513	1,063,064	1,003,942	775,673	787,786	278,415	235,998	232,074	246,327	
Other activities	686,775	1,055,627	1,278,101	768,070	548,215	441,843	109,456	427,509	278,135	
Operating grants and contributions	6,537,125	6,931,438	6,620,432	7,163,982	6,566,639	6,204,915	5,700,106	5,010,255	4,567,252	
Capital grants and contributions ^f	1,105,400	4,827,882	5,540,980	3,996,228	71,267	622,947	115,122	505,800	95,013	
Business-type activities:										
Charges for services:										
Water	5,414,295	5,727,877	6,024,104	5,424,741	5,263,336	4,802,169	4,690,818	4,568,073	4,509,192	
Sewer	6,748,325	6,377,771	6,080,893	5,572,991	5,148,993	4,916,716	4,744,819	4,741,882	5,094,093	
Public transportation	3,153,152	3,290,998	2,906,147	2,667,281	2,467,922	2,236,842	2,139,596	1,951,396	1,906,474	
Sanitation	9,867,232	10,158,755	9,023,207	8,006,673	7,483,560	6,544,948	5,289,201	4,466,694	3,921,321	
Other activities	-	-	-	-	178,530	752,842	717,992	664,239	385,689	
Operating grants and contributions	1,496,827	1,444,903	1,242,498	1,140,983	1,198,685	966,231	912,114	910,460	840,845	
Capital grants and contributions ^g	2,176,754	8,458,276	1,684,705	2,201,180	2,571,747	1,824,444	1,041,271	675,965	1,576,411	
Total program revenues	\$ 48,211,427	\$ 58,450,362	\$ 49,751,250	\$ 45,166,031	\$ 39,650,153	\$ 36,787,633	\$ 32,669,186	\$ 29,681,182	\$ 27,412,560	
Net (expense) revenue:										
Governmental activities	\$ (72,632,344)	\$ (74,106,921)	\$ (63,562,360)	\$ (64,454,510)	\$ (60,281,484)	\$ (51,135,711)	\$ (48,822,245)	\$ (47,401,299)	\$ (46,546,892)	
Business-type activities	(299,800)	5,698,796	(1,607,537)	(1,406,718)	(489,797)	(1,660,048)	(201,309)	(5,129,521)	1,659,514	
Total net (expense) revenue	\$ (72,932,144)	\$ (68,408,125)	\$ (65,169,897)	\$ (65,861,228)	\$ (60,771,281)	\$ (52,795,759)	\$ (49,023,554)	\$ (52,530,820)	\$ (44,887,378)	

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

Table 2

	Fiscal Year								
	2010	2009	2008	2007	2006	2005	2004	2003	2002
General revenues and other changes in net assets:									
Governmental activities:									
General revenues:									
Property taxes	\$ 30,867,419	\$ 29,049,768	\$ 27,464,833	\$ 23,731,628	\$ 20,248,223	\$ 18,235,771	\$ 18,120,703	\$ 17,387,139	\$ 17,838,430
Sales and use taxes	10,487,699	11,053,388	11,772,450	11,695,874	11,421,441	10,739,589	9,747,138	8,629,363	8,344,866
Restaurant food taxes ^a	8,001,430	8,095,857	8,021,419	7,673,364	7,091,567	6,723,886	6,351,607	4,882,551	4,609,629
Business license taxes	5,571,597	6,072,551	6,196,857	6,042,082	5,728,339	5,306,290	5,013,674	4,771,569	4,286,104
Other local taxes ^b	5,274,469	5,275,971	5,515,800	6,572,592	7,201,363	6,503,792	6,468,977	4,862,829	5,026,104
Unrestricted grants and contributions	3,465,825	3,488,042	3,768,406	2,754,072	1,832,499	1,729,433	1,904,575	2,037,354	1,731,701
Unrestricted payment from component units	4,800,000	4,800,000	4,800,000	4,793,875	4,400,000	4,100,000	3,800,000	3,600,000	3,400,000
Investment revenue ^c	151,425	658,303	2,644,259	3,534,382	1,363,309	752,552	568,770	939,030	1,218,831
Other revenue	1,570,827	1,202,291	1,447,468	1,486,856	1,872,657	879,680	1,062,402	1,766,000	853,952
Gain on sale of capital asset	-	238,903	-	-	-	535,732	-	-	-
Special item ^{k,l,m}	-	-	4,109,942	2,183,062	11,005,846	-	-	-	1,124,500
Transfers	378,256	(875,910)	(1,386,572)	(1,130,257)	197,160	(258,180)	(1,013,975)	(396,406)	(2,201,350)
Business-type activities:									
General revenues:									
Investment revenue	79,908	505,917	1,101,241	1,403,613	1,082,397	609,291	376,714	993,067	595,581
Other revenue	1,167,345	1,927,746	1,844,195	1,034,676	1,149,279	1,167,979	931,303	609,147	752,163
Gain on sale of capital asset	1,855	8,100	-	-	-	-	-	-	-
Transfers	(378,256)	875,910	1,386,572	1,130,257	(197,160)	258,180	1,013,975	396,406	2,201,350
Total general revenues and other changes in net assets	\$ 71,439,799	\$ 72,376,637	\$ 78,686,870	\$ 72,906,076	\$ 74,396,920	\$ 57,283,995	\$ 54,345,863	\$ 50,478,049	\$ 49,781,861
Change in net assets:									
Governmental activities	\$ (2,063,397)	\$ (5,047,757)	\$ 10,792,502	\$ 4,883,020	\$ 12,080,920	\$ 4,112,834	\$ 3,201,626	\$ 1,078,130	\$ (314,125)
Business-type activities	571,052	9,016,469	2,724,471	2,161,828	1,544,719	375,402	2,120,683	(3,130,901)	5,208,608
Total change in net assets	\$ (1,492,345)	\$ 3,968,712	\$ 13,516,973	\$ 7,044,848	\$ 13,625,639	\$ 4,488,236	\$ 5,322,309	\$ (2,052,771)	\$ 4,894,483

^aFor 2006, the increase in parks and recreation activity expenses reflected a reporting change for the operations of the golf course. Prior to 2006, the golf course was reported as a business-type activity.
^bFor 2007, the increase in the planning and community development activity expenses reflected the recognition of a loan guarantee associated with the Lucy F. Simms Continuing Education Center renovation project.
^cFor 2005, the increase in sanitation activity expenses reflected a full year of depreciation on the rebuilt steam plant and an increase in interest expense.
^dFor 2004, the decrease in sanitation activity expenses reflected a change in the method the City used to estimate its landfill closure liability. This change was a change in accounting estimate and reported in expenses.
^eFor 2003, the increase in sanitation activity expenses reflected an increased usage of Rockingham County's landfill during the rebuild of the steam plant. The City also recognized a \$2.9 million capital asset write down after dismantling the original steam plant.
^fFor 2007, the increase in capital grants and contributions reflected the City's initial participation in the Virginia Urban Construction Initiative Program. The City received \$3.4 million in 2007 from this program of which \$2.5 million was a one-time payment.
^gFor 2009, the increase in capital grants and contributions reflected \$4.5 million in intergovernmental funding for the purchase of new transit buses and contributions of \$2.4 million in water and sewer lines from developers.
^hFor 2004, the City increased the rate on restaurant food taxes from five percent to six percent.
ⁱFor 2004, the City enacted a tobacco tax.
^jFor 2009, the decrease in investment revenue was the result of a decrease in idle funds available for investing from unexpended bond proceeds and lower interest rates.
^kFor 2006, the School Board transferred the old Harrisonburg High School complex to the City resulting in a special item.
^lFor 2007, the City sold the old Harrisonburg High School complex to James Madison University resulting in a special item.
^mFor 2008, the City sold land on Port Republic Road to James Madison University resulting in a special item.

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

	Fiscal Year									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
General Fund										
Reserved ^a	\$ 1,919,969	\$ 1,182,653	\$ 2,826,425	\$ 2,236,878	\$ 2,476,413	\$ 7,007,790	\$ 1,742,724	\$ 3,893,332	\$ 3,343,661	\$ 2,335,249
Unreserved ^b	18,044,326	18,353,012	22,456,048	22,189,247	12,276,469	12,446,635	13,914,873	11,554,969	12,210,749	15,812,273
Total general fund	\$ 19,964,295	\$ 19,535,665	\$ 25,282,473	\$ 24,426,125	\$ 14,752,882	\$ 19,454,425	\$ 15,657,597	\$ 15,448,301	\$ 15,554,410	\$ 18,147,522
All other governmental funds										
Reserved ^{c,d}	\$ 2,595,584	\$ 16,219,222	\$ 6,311,871	\$ 27,124,862	\$ 6,163,562	\$ 6,653,999	\$ 14,481,938	\$ 34,289,267	\$ 44,510,372	\$ 1,714,575
Unreserved, reported in:										
Special revenue funds	(122,388)	(43,201)	(15,513)	-	201,533	-	-	-	-	-
Capital projects funds	6,988,868	850,642	7,734,064	12,876,114	2,823,990	6,538,433	6,505,695	5,739,731	5,675,612	4,347,952
Total all other governmental funds	\$ 9,462,064	\$ 17,026,663	\$ 14,030,422	\$ 40,000,976	\$ 9,189,085	\$ 13,192,432	\$ 20,987,633	\$ 40,028,998	\$ 50,185,984	\$ 6,062,527

Notes: Certain prior year balances have been reclassified to reflect current financial reporting (2001-2002). Any significant increases or decreases for 2010 are explained in Management's Discussion and Analysis.

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

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

^cFor 2002, the increase in other governmental funds reserved fund balance was the result of unspent bond proceeds issued for the construction of a new high school.

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

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

Table 4

	Fiscal Year									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Revenues:										
General property taxes	\$ 31,009,074	\$ 28,997,708	\$ 27,048,821	\$ 23,716,424	\$ 20,151,128	\$ 18,083,460	\$ 18,331,474	\$ 17,664,091	\$ 17,486,315	\$ 17,045,598
Other local taxes	29,295,439	30,439,109	31,533,497	31,976,274	31,493,067	29,240,984	27,544,279	23,210,201	22,045,646	21,294,591
Permits, privilege fees and regulatory licenses	354,076	848,149	1,099,610	552,074	503,149	403,621	333,288	390,820	244,187	198,890
Fines and forfeitures	598,904	570,997	518,259	504,628	517,689	604,029	563,954	400,247	362,860	292,835
Use of money and property ^{a,b}	197,844	662,621	2,523,091	3,675,662	2,227,982	785,874	683,526	1,309,574	1,452,653	1,423,126
Charges for services	1,193,264	1,193,156	1,098,841	842,690	811,677	292,843	252,891	261,442	277,538	270,095
Miscellaneous	1,540,896	1,700,774	1,733,883	1,001,438	882,152	955,799	1,022,722	1,494,156	919,172	1,346,077
Recovered costs	-	-	217,422	1,198,496	1,266,205	1,670,896	870,207	485,348	273,376	238,195
Payments from component units	4,800,000	4,800,000	4,800,000	4,793,875	4,400,000	4,100,000	3,800,000	3,600,000	3,400,000	3,200,000
Intergovernmental ^c	13,499,776	13,628,264	13,191,514	12,771,940	7,703,658	7,760,161	6,953,417	7,123,215	6,120,590	5,825,737
Total revenues	\$ 82,489,273	\$ 82,840,778	\$ 83,764,938	\$ 81,033,501	\$ 69,956,707	\$ 63,897,667	\$ 60,355,758	\$ 55,939,094	\$ 52,582,337	\$ 51,135,144
Expenditures:										
Current:										
General government administration	\$ 3,494,629	\$ 3,454,035	\$ 3,533,956	\$ 3,195,490	\$ 2,902,847	\$ 2,689,218	\$ 2,460,537	\$ 2,241,589	\$ 2,351,943	\$ 2,070,324
Jail and judicial administration	2,392,315	2,715,571	2,224,918	2,398,575	1,975,668	1,929,277	1,696,498	1,192,269	1,387,367	1,114,568
Public safety	17,033,685	18,351,114	16,282,631	15,906,087	14,266,182	13,202,723	12,672,049	10,552,139	9,549,373	8,961,870
Public works ^d	7,085,021	8,643,955	8,314,632	7,911,328	11,167,310	6,096,761	6,548,826	5,829,360	6,996,447	5,700,813
Health and welfare	3,889,521	4,347,260	3,742,747	3,108,200	2,549,518	2,296,855	2,135,386	1,917,348	1,507,679	1,259,631
Education	23,993,390	24,627,567	22,960,156	22,299,274	21,622,750	19,193,377	18,667,629	19,167,629	18,378,482	16,662,462
Parks, recreation and cultural ^e	4,590,497	4,819,548	4,832,776	4,852,311	4,488,905	2,686,375	2,763,595	2,693,787	2,299,492	3,096,183
Planning and community development ^f	3,739,296	4,112,650	6,046,145	3,564,027	3,206,577	3,014,724	2,118,465	1,352,651	1,215,923	1,904,718
Debt service:										
Principal retirement	6,144,985	5,852,898	4,594,087	4,885,030	4,202,660	4,156,753	3,130,078	3,907,176	3,121,527	2,737,399
Interest and fiscal charges ^{g,h}	5,776,747	5,879,099	6,732,755	4,167,115	4,255,457	3,863,973	3,687,224	4,191,172	2,002,919	1,990,527
Bond issuance costs	-	58,379	-	-	-	-	-	29,839	-	-
Payment to advanced refunding escrow	-	520,040	-	-	-	-	-	-	-	-
Capital projects ⁱ	11,668,260	15,865,369	35,015,071	32,370,731	6,744,259	21,094,715	28,078,487	14,601,540	9,477,302	482,713
Total expenditures	\$ 89,808,346	\$ 99,247,485	\$ 114,279,874	\$ 104,658,168	\$ 77,382,133	\$ 80,224,751	\$ 83,958,774	\$ 67,676,499	\$ 58,288,454	\$ 45,981,208
Excess (deficiency) of revenues over (under) expenditures	\$ (7,319,073)	\$ (16,406,707)	\$ (30,514,936)	\$ (23,624,667)	\$ (7,425,426)	\$ (16,327,084)	\$ (23,603,016)	\$ (11,737,405)	\$ (5,706,117)	\$ 5,153,936

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

Table 4

	Fiscal Year									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Other financing sources (uses):										
Long-term debt issued or incurred	\$ -	\$ 13,480,500	\$ -	\$ 50,000,000	\$ -	\$ 13,390,000	\$ 5,905,000	\$ 1,759,345	\$ 49,180,000	\$ 800,000
Refunding debt issued	-	7,377,000	-	-	-	-	-	5,616,300	-	-
Payment to advanced refunding escrow	-	(7,412,601)	-	-	-	-	-	(5,586,461)	-	-
Premium on long-term debt issued	-	99,617	-	-	-	-	30,769	-	164,376	-
Discount on long-term debt issued	-	-	-	(176,698)	-	-	(9,211)	-	(14,586)	-
Transfers in	2,780,092	4,713,939	6,622,370	17,534,802	5,660,761	4,782,750	3,657,540	4,492,749	4,726,841	2,940,893
Transfers out	(2,596,988)	(4,602,315)	(8,218,306)	(18,945,703)	(6,940,225)	(5,844,039)	(4,813,151)	(4,898,937)	(6,820,169)	(4,963,889)
Total other financing sources (uses)	\$ 183,104	\$ 13,656,140	\$ (1,595,936)	\$ 48,412,401	\$ (1,279,464)	\$ 12,328,711	\$ 4,770,947	\$ 1,382,996	\$ 47,236,462	\$ (1,222,996)
Special item:										
Sale of capital asset	\$ -	\$ -	\$ 7,000,000	\$ 15,697,400	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net change in fund balances	\$ (7,135,969)	\$ (2,750,567)	\$ (25,110,872)	\$ 40,485,134	\$ (8,704,890)	\$ (3,998,373)	\$ (18,832,069)	\$ (10,354,409)	\$ 41,530,345	\$ 3,930,940
Debt service as a percentage of noncapital expenditures	14.75%	13.88%	14.37%	12.65%	13.00%	13.92%	12.62%	15.57%	10.89%	11.04%

Notes: Certain prior year balances have been reclassified to reflect current financial reporting (2001-2002). Any significant increases or decreases for 2010 are explained in Management's Discussion and Analysis.

^aFor 2006, the increase in the use of money and property was the result of a rental payment from James Madison University for the lease of the old high school complex.
^bFor 2009, the decrease in the use of money and property was the result of a decrease in idle funds available for investing from unexpended bond proceeds and lower interest rates.
^cFor 2007, the increase in intergovernmental revenue reflected the City's initial participation in the Virginia Urban Construction Initiative Program. The City received \$3.4 million of which \$2.5 million was a one-time payment.
^dFor 2006, the increase in public works expenditures was the result of the purchase of land on Port Republic Road.
^eFor 2006, the increase in parks and recreation expenditures reflected a reporting change for the operations of the golf course. Prior to 2006, the golf course was reported as an enterprise fund.
^fFor 2008, the increase in planning and community development expenditures reflected the payment of a loan guarantee associated with the Lucy F. Simms Continuing Education Center renovation project.
^gFor 2003, the increase in debt service interest expenditures was the result of the first interest payment on bonds issued for the construction of a new high school.
^hFor 2008, the increase in debt service interest expenditures was the result of the first interest payment on bonds issued for the construction of an elementary/middle school complex and related road improvements.
ⁱFor the period 2002 through 2005 and again in 2007 through 2008, the City had various major construction projects in progress including the new high school and an elementary middle school complex.
^jFor 2002, the amount for long-term debt issued was the result of bonds issued for the construction of a new high school and for the purchase and renovation of a public safety building.
^kFor 2007, the amount for long-term debt issued was the result of bonds issued for the construction of a new elementary/middle school complex and related infrastructure.
^lFor 2007, the City sold the old Harrisonburg High School complex to James Madison University.
^mFor 2008, the City sold land on Port Republic Road to James Madison University.

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

Table 5

Fiscal Year	Real Estate ¹			Personal Property						Total Direct Tax Rate
	Residential	Commercial/ Industrial	Public Service Corporations ⁴	Personal Property ²	Machinery and Tools ³	Mobile Homes ¹	Public Service Corporations ⁴			
2010	\$ 2,454,130,651	\$ 1,333,884,176	\$ 50,623,169	\$ 298,874,400	\$ 95,937,200	\$ 1,200,100	\$ 487,596	\$ 0.76		
2009	2,275,254,580	1,173,035,128	48,074,787	318,429,100	86,797,005	1,152,400	213,409	0.78		
2008	2,111,233,782	1,094,534,067	47,220,357	302,216,554	83,446,563	1,245,100	273,687	0.79		
2007	1,528,652,129	828,541,876	40,459,620	287,097,150	85,627,100	1,300,700	294,465	0.91		
2006	1,473,033,038	808,066,456	45,930,020	275,969,700	82,172,500	1,217,300	339,674	0.80		
2005	1,306,273,698	666,253,010	50,610,910	253,980,570	94,040,800	1,255,800	294,118	0.82		
2004	1,279,709,666	645,047,950	53,862,258	263,080,560	100,386,700	1,264,400	250,109	0.83		
2003	1,217,171,818	597,049,770	55,213,438	252,204,750	107,362,900	1,380,700	239,938	0.84		
2002	1,193,864,907	599,668,097	55,484,976	250,506,200	120,401,100	1,292,100	295,760	0.85		
2001	1,101,403,701	555,329,167	52,567,436	248,202,911	117,159,400	1,303,800	296,180	0.86		

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

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

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

Table 6

Fiscal Year	Real Estate			Personal Property						Total Direct Tax Rate
	Residential	Commercial/Industrial	Public Service Corporations	Business Equipment	Machinery and Tools	Mobile Homes	Public Service Corporations	Other ¹		
2010	\$ 0.59	\$ 0.59	\$ 0.59	\$ 2.00	\$ 2.00	\$ 0.59	\$ 3.00	3.00	\$	0.76
2009	0.59	0.59	0.59	2.00	2.00	0.59	3.00	3.00		0.78
2008	0.59	0.59	0.59	2.00	2.00	0.59	3.00	3.00		0.79
2007	0.62	0.62	0.62	3.00	2.00	0.62	3.00	3.00		0.91
2006	0.62	0.62	0.62	2.00	2.00	0.62	2.00	2.00		0.80
2005	0.62	0.62	0.62	2.00	2.00	0.62	2.00	2.00		0.82
2004	0.62	0.62	0.62	2.00	2.00	0.62	2.00	2.00		0.83
2003	0.62	0.62	0.62	2.00	2.00	0.62	2.00	2.00		0.84
2002	0.62	0.62	0.62	2.00	2.00	0.62	2.00	2.00		0.85
2001	0.62	0.62	0.62	2.00	2.00	0.62	2.00	2.00		0.86

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

Notes: ¹Other personal property includes business vehicles.

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

Table 7

Property Taxpayer	Fiscal Year 2010			Fiscal Year 2001		
	Property Taxes	Rank	Percent of Total Property Taxes	Property Taxes	Rank	Percent of Total Property Taxes
Tenneco Inc.	\$ 402,300	1	1.31%	\$ 498,614	1	2.77%
R.R. Donnelly & Sons Company	362,094	2	1.18%	250,510	4	1.39%
Graham Packaging Company, LP	341,027	3	1.11%	219,682	6	1.22%
American Campus Communities, Inc.	329,252	4	1.07%	-	-	-
Packaging Corporation of America	295,082	5	0.96%	236,698	5	1.32%
Montebello Packaging, Inc.	271,047	6	0.88%	-	-	-
Simon Property Group, Inc.	248,949	7	0.81%	-	-	-
Virginia Mennonite Retirement Community	192,904	8	0.63%	-	-	-
Wal-Mart Stores, Inc.	144,514	9	0.47%	-	-	-
The Harrisonburg Crossing LLC	132,380	10	0.43%	-	-	-
Tyco International Ltd.	-	-	-	374,660	2	2.08%
IntraPac Corporation	-	-	-	324,464	3	1.80%
Verizon Communications Inc.	-	-	-	206,062	7	1.15%
LB&J Limited	-	-	-	202,611	8	1.13%
Reddy Ice Corporation	-	-	-	182,339	9	1.01%
Dunham Bush, Inc.	-	-	-	181,272	10	1.01%
Total	\$ 2,719,549		8.85%	\$ 2,676,912		14.88%

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

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

Table 8

Fiscal Year	Taxes Levied for the Fiscal Year (Original Levy)		Adjustments	Total Adjusted Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
	Fiscal Year (Original Levy)	Adjustments			Amount	Percentage of Levy		Amount	Percentage of Levy
2010	\$ 30,809,804	\$ -	\$ -	30,809,804	29,834,014	96.83%	-	\$ 29,834,014	96.83%
2009	29,095,900	29,166	29,166	29,125,066	28,136,769	96.70%	556,065	28,692,834	98.61%
2008	27,221,485	7,304	7,304	27,228,789	26,384,561	96.93%	566,439	26,951,000	98.98%
2007	23,722,324	48,397	48,397	23,770,721	22,950,373	96.75%	538,329	23,488,702	98.81%
2006	21,683,449	71,639	71,639	21,755,088	21,076,071	97.20%	486,525	21,562,596	99.12%
2005	19,595,631	15,592	15,592	19,611,223	18,925,288	96.58%	406,261	19,331,549	98.57%
2004	19,617,311	(6,036)	(6,036)	19,611,275	19,080,972	97.27%	340,496	19,421,468	99.03%
2003	18,890,133	10,421	10,421	18,900,554	18,103,663	95.84%	665,864	18,769,527	99.31%
2002	18,973,108	889	889	18,973,997	18,116,477	95.49%	737,811	18,854,288	99.37%
2001	17,990,551	34,085	34,085	18,024,636	17,226,173	95.75%	682,833	17,909,006	99.36%

Notes: From 2001-2006, the Commonwealth of Virginia directly reimbursed localities a percentage of certain personal property taxes when the locality collected the taxpayer share of the tax. These reimbursements are included in current year collections and collections in subsequent years. Beginning in 2007, the Commonwealth of Virginia began funding a pre-determined amount to each locality not dependent on when the locality collected the taxpayers share. These reimbursements are not included in current year collections.

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

Table 9

Type of debt	Fiscal Year									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Governmental activities:										
General obligation bonds ^{a,b,c,d}	\$ 83,904,656	\$ 86,509,105	\$ 69,781,995	\$ 70,898,658	\$ 22,136,433	\$ 22,929,704	\$ 16,404,464	\$ 13,834,193	\$ 14,806,624	\$ 7,431,347
General obligation school bonds ^e	40,948,214	43,555,410	46,167,606	48,744,802	51,301,998	53,849,194	56,381,390	57,913,586	60,007,995	20,404,376
General obligation revenue bonds ^{bf}	-	-	6,186,488	6,258,756	6,321,024	6,343,292	-	-	-	-
Notes payable	-	-	-	-	400,000	400,000	3,297,307	916,785	1,135,035	1,382,053
Capital leases	6,635,404	7,480,465	8,287,363	9,058,940	9,797,450	10,575,685	5,373,206	5,888,681	6,051,585	6,440,419
State literary fund loans	-	-	-	-	11,825	23,650	35,475	101,900	205,350	316,025
Business-type activities:										
General obligation bonds ^g	26,528,271	26,886,976	25,743,287	26,968,098	28,152,909	29,292,721	29,586,475	29,839,303	30,082,131	6,515,000
General obligation revenue bonds ^h	9,392,103	9,598,939	9,800,776	9,992,612	10,179,448	10,356,284	16,868,680	16,862,785	16,856,889	6,332,364
Notes payable	-	-	-	-	-	-	128,527	426,346	709,726	979,367
Total primary government	\$ 167,408,648	\$ 174,030,895	\$ 165,967,515	\$ 171,921,866	\$ 128,301,087	\$ 133,770,530	\$ 128,075,524	\$ 125,783,579	\$ 129,855,335	\$ 49,800,951
Percentage of personal income ¹	10.86%	12.21%	12.08%	13.14%	10.55%	11.69%	11.64%	12.15%	12.61%	5.30%
Per capita ¹	\$ 3,507	\$ 3,792	\$ 3,667	\$ 3,809	\$ 2,915	\$ 3,098	\$ 2,969	\$ 2,925	\$ 3,077	\$ 1,204

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

^aFor 2009, the City issued \$13.5 million in general obligation bonds for various capital project purposes.

^bFor 2009, the City issued \$6.25 million in general obligation bonds to advance refund \$6.16 million in general obligation revenue bonds.

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

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

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

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

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

^hFor 2002, the City issued \$10.6 million in general obligation revenue bonds for the expansion of the water treatment plant and other water system projects.

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

Table 10

	Fiscal Year									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
General obligation bonds ^{a,b,c,d}	\$ 110,432,927	\$ 113,396,081	\$ 95,525,282	\$ 97,866,756	\$ 50,289,342	\$ 52,222,425	\$ 45,990,939	\$ 43,673,496	\$ 44,888,755	\$ 13,946,347
General obligation school bonds ^e	40,948,214	43,555,410	46,167,606	48,744,802	51,301,998	53,849,194	56,381,390	57,913,586	60,007,995	20,404,376
Total	\$ 151,381,141	\$ 156,951,491	\$ 141,692,888	\$ 146,611,558	\$ 101,591,340	\$ 106,071,619	\$ 102,372,329	\$ 101,587,082	\$ 104,896,750	\$ 34,350,723
Percentage of assessed real property value ¹	3.94%	4.49%	4.36%	6.11%	4.37%	5.24%	5.17%	5.43%	5.67%	2.01%
Per capita ²	\$ 3,172	\$ 3,420	\$ 3,131	\$ 3,248	\$ 2,308	\$ 2,457	\$ 2,373	\$ 2,362	\$ 2,486	\$ 831

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

^aFor 2009, the City issued \$13.5 million in general obligation bonds for various capital project purposes.

^bFor 2009, the City issued \$6.25 million in general obligation bonds to advance refund \$6.16 million in general obligation revenue bonds.

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

^dFor 2002, the City issued \$31.3 million in general obligation bonds for the purchase and renovation of a public safety building and for the rebuild of the steam plant.

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

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

Table 11

	Fiscal Year									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Debt limit	\$ 383,863,800	\$ 349,636,450	\$ 325,298,821	\$ 239,765,363	\$ 232,702,951	\$ 202,313,762	\$ 197,861,987	\$ 186,943,503	\$ 184,901,798	\$ 170,930,030
Total debt applicable to limit	162,043,877	167,937,695	158,497,695	163,765,205	119,311,725	124,081,150	123,383,909	120,646,331	123,835,111	43,422,445
Legal debt margin	\$ 221,819,923	\$ 181,698,755	\$ 166,801,126	\$ 76,000,158	\$ 113,391,226	\$ 78,232,612	\$ 74,478,078	\$ 66,297,172	\$ 61,066,687	\$ 127,507,585
Total debt applicable to the limit as percentage of debt limit ^{a,b}	42.21%	48.03%	48.72%	68.30%	51.27%	61.33%	62.36%	64.54%	66.97%	25.40%
Legal Debt Margin Calculation for Fiscal Year 2010										
Total assessed value of taxed real property	\$ 3,838,637,996									
Debt limit (10% of total assessed value)	\$ 383,863,800									
Debt applicable to limit:										
General obligation bonds	111,738,877									
General obligation school bonds	40,840,000									
General obligation revenue bonds	9,465,000									
Legal debt margin	\$ 221,819,923									

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

^aFor 2002, the City issued a total of \$83.4 million in debt to finance various projects. See Table 9 for a further explanation of the projects financed.

^bFor 2007, the City issued a total of \$50 million in debt to finance various projects. See Table 9 for a further explanation of the projects financed.

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

Table 12

Fiscal Year	Population ¹	Personal Income (in thousands)	Per Capita Personal Income ²	School Enrollment ³	Unemployment Rate Percentage ⁴
2010	47,731	\$ 1,541,711	\$ 32,300	4,323	7.3
2009	45,889	1,425,083	31,055	4,241	5.5
2008	45,255	1,373,897	30,359	4,363	3.3
2007	45,138	1,308,686	28,993	4,356	2.8
2006	44,008	1,216,249	27,637	4,347	3.3
2005	43,178	1,144,347	26,503	4,088	4.0
2004	43,137	1,100,382	25,509	4,028	3.7
2003	43,001	1,035,077	24,071	4,026	3.7
2002	42,200	1,030,186	24,412	3,912	3.5
2001	41,350	939,761	22,727	3,768	2.3

Sources: ¹ Estimated by the City's Department of Planning and Community Development for 2001-2010. ² Bureau of Economic Analysis, United States Department of Commerce. Amounts for 2001-2009 have been adjusted based upon the latest available data. Data for 2010 has been estimated based on per capita personal income trends for the previous ten years. ³ City of Harrisonburg School Board. ⁴ Virginia Employment Commission. The unemployment rate is an annual average. The amount for 2009 has been adjusted based upon the latest available data.

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

Table 13

Employers	Fiscal Year 2010			Fiscal Year 2001		
	Approximate Employees	Rank	Percent of Total City Emp- loyment	Employees	Rank	Percent of Total City Emp- loyment
James Madison University	>999	1	> 3.35%	>999	1	n/a
Rockingham Memorial Hospital ^a	>999	2	> 3.35%	>999	2	n/a
Harrisonburg City Public Schools	500 - 999	3	1.67% - 3.35%	500 - 999	4	n/a
City of Harrisonburg	500 - 999	4	1.67% - 3.35%	500 - 999	6	n/a
Rosetta Stone Inc.	500 - 999	5	1.67% - 3.35%	-	-	-
Tenneco Inc.	500 - 999	6	1.67% - 3.35%	500 - 999	3	n/a
Wal-Mart Stores, Inc.	250 - 499	7	0.84% - 1.67%	500 - 999	5	n/a
Tyson Foods, Inc.	250 - 499	8	0.84% - 1.67%	250 - 499	7	n/a
Virginia Mennonite Retirement Community	250 - 499	9	0.84% - 1.67%	250 - 499	9	n/a
Graham Packaging Company, LP	250 - 499	10	0.84% - 1.67%	250 - 499	8	n/a
IntraPac Corporation	-	-	-	250 - 499	10	n/a
Total City Employment	29,872			n/a		

Source: *Virginia Employment Commission.*

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

^aIn July 2010, Rockingham Memorial Hospital moved to a new location just outside of the city limits in Rockingham County.

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

Table 14

Function	Fiscal Year									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
General government administration	45.7	46.1	43.9	41.8	39.0	37.9	37.0	35.1	33.9	34.1
Public safety:										
Police ^a	108.8	110.8	107.8	101.6	101.8	97.7	100.4	94.8	94.2	90.9
Fire	80.5	79.8	76.8	72.3	71.5	68.5	68.2	65.0	64.0	64.0
Other ^b	13.0	13.0	12.0	12.0	11.5	10.2	22.0	22.0	20.5	20.5
Public works	73.1	76.2	74.3	74.2	66.7	66.0	66.0	62.9	65.8	65.9
Parks, recreation and cultural ^c	70.7	71.2	70.6	69.4	66.8	65.6	66.7	63.1	60.4	46.6
Planning and community development ^d	19.1	19.4	17.2	18.8	11.9	11.7	10.6	11.3	10.1	9.2
Water	33.2	33.2	31.4	30.1	29.7	29.7	29.6	28.6	28.6	28.6
Sewer	23.7	23.7	22.6	23.3	22.9	22.9	22.9	21.9	21.9	21.9
Public transportation ^e	87.1	86.4	78.6	79.8	79.2	76.4	77.1	67.7	66.6	65.4
Sanitation ^f	60.9	61.5	60.9	56.9	56.9	55.0	54.0	46.8	45.0	44.4
Central garage	14.7	15.4	15.8	13.0	13.0	13.0	13.0	13.0	13.0	12.0
Central stores	2.0	2.0	2.0	2.0	1.0	1.0	1.0	2.0	2.0	2.0
Total	632.5	638.7	613.9	595.2	571.9	555.6	568.5	534.2	526.0	505.5

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

Notes: Full-time equivalent amounts are budgeted positions.

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

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

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

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

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

^fThe increase for sanitation in 2004 reflects the hiring of additional personnel to staff the rebuilt and expanded steam plant.

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

Table 15

Function	Fiscal Year									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Police										
Calls answered	43,634	40,327	26,658	28,232	30,901	34,059	33,987	30,839	29,960	26,329
Traffic citations	8,437	8,177	5,326	6,295	7,144	9,796	8,825	7,101	5,460	5,043
Fire										
Calls answered	4,473	4,381	4,314	3,991	4,088	3,994	3,763	3,606	3,313	3,162
Inspections	1,927	1,983	1,218	1,387	1,472	1,623	1,296	1,198	683	1,976
Public works										
Streets repaved (total miles)	6.90	9.47	10.42	7.47	4.88	4.17	4.13	10.22	7.31	10.65
Parks and recreation										
Pool admissions	48,304	43,872	41,229	30,736	42,633	42,710	47,718	45,153	44,042	33,554
Rounds of golf played ^a	20,812	21,896	21,024	19,235	20,311	20,636	20,458	18,271	6,111	-
Planning and community development										
Building permits issued	748	961	1,747	829	1,039	958	893	896	624	463
Water										
Daily consumption (millions of gallons)	5.17	5.38	5.50	5.40	5.35	5.15	5.14	4.96	5.33	5.92
New customer connections	110	528	509	347	435	262	272	267	302	237
Sewer										
Daily consumption (millions of gallons)	4.20	4.12	3.95	4.26	4.36	4.16	4.11	n/a	n/a	n/a
New customer connections	8	13	36	52	46	42	33	22	38	15
Public transportation										
Transit bus passengers	1,862,500	1,709,558	1,489,770	1,492,276	1,380,851	1,150,587	1,040,010	993,823	1,047,320	1,256,856
Sanitation										
Avg. daily steam plant intake (tons) ^b	143.7	149.8	130.4	128.5	145.6	117.5	48.3	44.6	59.4	65.6
Recycling collected (tons)	722.6	1,048.3	942.3	1,234.2	1,847.3	1,353.9	n/a	n/a	n/a	n/a

Source: Various City of Harrisonburg departments.

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

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

^bDue to the rebuild and expansion of the steam plant, the steam plant was only in operation for a portion of 2003 and 2004.

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

Table 16

Function	Fiscal Year									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Police										
Police stations	3	3	3	3	3	3	3	4	4	4
Patrol units (including motorcycles)	47	43	43	42	40	n/a	n/a	n/a	n/a	n/a
Fire										
Fire stations	4	4	4	4	4	4	4	4	4	4
Fire trucks	13	13	12	12	13	12	12	12	11	11
Public works:										
Streets (centerline miles)	135.34	135.34	134.07	134.07	132.62	132.62	132.62	132.62	132.62	132.62
Parks, recreation and cultural										
Parks (including athletic facilities)	12	11	11	10	10	10	10	10	10	10
Parks acreage	877	869	869	869	869	869	869	869	869	869
Golf course acreage	215	215	215	215	201	201	201	201	201	181
Water:										
Water lines (linear feet)	1,467,840	1,469,084	1,443,140	1,441,109	1,432,761	1,332,055	1,324,896	1,268,051	1,251,667	1,238,335
Storage capacity (millions of gallons) ^a	25.25	23.25	38.25	33.25	33.25	27.95	27.95	27.95	27.95	27.95
Sewer:										
Sewer lines (linear feet)	1,071,840	1,063,710	1,018,647	1,007,810	999,431	1,042,286	1,012,041	939,037	944,350	925,720
Public transportation:										
Transit buses	36	36	36	31	33	n/a	n/a	n/a	n/a	n/a
Sanitation										
Steam plant capacity (tons per day) ^b	200	200	200	200	200	200	200	100	100	100
Refuse collection trucks	7	7	6	6	6	6	6	6	6	6
Recycling collection trucks	3	3	3	4	4	4	4	4	4	4

Source: Various City of Harrisonburg departments.

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

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

^aIn 2008, the City completed construction of a new 5 million gallon water tank on Ramblewood Road.

^aIn 2009, the City took out of service a 15 million gallon reservoir on Tower Street in preparations for constructing a new water tank.

^aIn 2010, the City completed construction of a new 8 million gallon water tank on Tower Street and took out of service a 6 million gallon reservoir on Tower Street.

^bIn 2004, the City completed a rebuild and subsequent expansion of the steam plant.

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COMPLIANCE SECTION

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

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

Honorable Members of City Council
City of Harrisonburg, Virginia

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Harrisonburg, Virginia, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 23, 2010. Our report was modified to include a reference to another auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Another auditor audited the financial statements of the discretely presented component unit Harrisonburg Electric Commission, as described in our report on the City's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by that auditor.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected or corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. **The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings and Questioned Costs as Items 10-2, 10-3, and 10-4.**

We noted certain matters that we reported to the City’s management in a separate letter dated November 23, 2010.

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

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 23, 2010

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
*OMB CIRCULAR A-133***

Honorable Members of City Council
City of Harrisonburg, Virginia

Compliance

We have audited the compliance of the City of Harrisonburg, Virginia with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City of Harrisonburg, Virginia complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with *OMB Circular A-133* and which is described in the accompanying Schedule of Findings and Questioned Costs as Item 10-1.

Internal Control over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 23, 2010

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

Honorable Members of City Council
City of Harrisonburg, Virginia

We reviewed the prior year report during the course of this audit to determine if the City of Harrisonburg, Virginia has implemented adequate corrective action with respect to previously reported audit findings. As noted in the Summary Schedule of Prior Year Findings the prior year single audit disclosed two findings with regard to a major federal award program. We did not detect similar findings in the current year.

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 23, 2010

CITY OF HARRISONBURG, VIRGINIA
SUMMARY OF COMPLIANCE MATTERS
June 30, 2010

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

STATE COMPLIANCE MATTERS

Code of Virginia

Budget and Appropriation Laws

Cash and Investment Laws

Conflicts of Interest Act

Local Retirement Systems

Debt Provisions

Procurement Laws

Uniform Disposition of Unclaimed Property Act

State Agency Requirements

Education

Highway Maintenance Funds

FEDERAL COMPLIANCE MATTERS

Compliance Supplement for Single Audits of State and Local Governments

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

CITY OF HARRISONBURG, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2010

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an **unqualified opinion** on the financial statements.
2. **No significant deficiencies** relating to the audit of the financial statements is reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. **No instances of noncompliance** material to the financial statements were disclosed during the audit.
4. **No significant deficiencies** relating to the audit of the major federal award programs were reported in the Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with *OMB Circular A-133*.
5. The auditor's report on compliance for the major federal award programs expresses an **unqualified opinion**.
6. The audit disclosed **one audit finding** relating to major programs.
7. The programs tested as major programs include:

<u>Name of Program:</u>	<u>CFDA #</u>
Title I Grants to Local Educational Agencies	84.010
Title I Grants to Local Educational Agencies – ARRA	84.010
Special Education Cluster	84.027, 84.173
Special Education Cluster – ARRA	84.027, 84.173
Public Safety Interoperable Communications Grant Program	11.555
Community Development Block Grant/Entitlement Grants	14.218
ARRA Entitlement Grants (CDBG-R)	14.253
Federal Transit Cluster	20.500, 20.507
Federal Transit Cluster – ARRA	20.507
Capitalization Grants for Drinking Water State Revolving Funds	66.468
Capitalization Grant for Drinking Water State Revolving Funds – ARRA	66.468
State Fiscal Stabilization Fund (SFSF) – Educational State Grants – ARRA	84.394
Education Technology State Grants	84.318
Educational Technology State Grants – ARRA	84.386

8. The **threshold** for distinguishing Type A and B programs was **\$374,852**.
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

10-1: **Special Education – CFDA 84.027 and 84.173**

Condition:

Reimbursement requests for May 2010 included salaries and fringes not paid until July and August 2010.

(Continued)

CITY OF HARRISONBURG, VIRGINIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2010**

**D. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT
(Continued)**

10-1: Special Education – CFDA 84.027 and 84.173 (Continued)

Recommendation:

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

Management's Response:

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

D. FINDINGS AND QUESTIONED COSTS – COMMONWEALTH OF VIRGINIA

10-2: Highway Maintenance Work Orders

Condition:

In a sample of 20 work orders, we noted that one work order was calculated using the wrong equipment code.

Recommendation:

Procedures should be implemented to ensure that the proper equipment code is used on each work order.

Management's Response:

The auditee concurs with the recommendation.

10-3: Highway Maintenance Work Orders

Condition:

In a sample of 20 work orders, we noted that one work order did not include all equipment uses on the work order.

Recommendation:

Procedures should be implemented to ensure that all equipment uses are properly included in the total work order calculation that is entered into the system.

Management's Response:

The auditee concurs with the recommendation.

10-4: Inclusion of Nondiscrimination Clause

Condition:

In accordance with Section 2.2-4311 of the Virginia Public Procurement Act, every contract in excess of \$10,000 should include those nondiscrimination clauses as specified in the Act. We noted one contract from a sample of 21 that did not include the provisions as set forth in the previously mentioned code section.

Recommendation:

All contracts should be reviewed to determine that all required clauses are included prior to contract issuance.

Management's Response:

The auditee concurs with the recommendation.

CITY OF HARRISONBURG, VIRGINIA
SCHEDULE OF PRIOR YEAR FINDINGS
Year Ended June 30, 2010

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

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

Condition:

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

Recommendation:

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

Current Status:

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

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

Condition:

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

Recommendation:

Steps should be taken to ensure that these amounts agree.

Current Status:

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

CITY OF HARRISONBURG, VIRGINIA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended June 30, 2010

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
Department of Agriculture:		
Pass-through payments:		
Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	\$ 444,052
National School Lunch Program	10.555	1,213,241
Fresh Fruit and Vegetable Program	10.582	30,142
Department of Agriculture and Consumer Services:		
National School Lunch Program (Commodities) (part of Child Nutrition Cluster)	10.555	<u>112,073</u>
Total Department of Agriculture		\$ <u>1,799,508</u>
Department of Commerce:		
Direct payment:		
Public Safety Interoperable Communications Grant Program	11.555	<u>\$ 512,321</u>
Total Department of Commerce		\$ <u>512,321</u>
Department of Housing and Urban Development:		
Direct payment:		
CDBG - Entitlement Grants Cluster:		
Entitlement Grants	14.218	\$ 353,754
ARRA Entitlement Grants (CDBG-R) (Recovery Act Funded)	14.253	<u>143,252</u>
Total Department of Housing and Urban Development		\$ <u>497,006</u>
Department of Justice:		
Direct payments:		
Public Safety Partnership and Community Policing Grants	16.710	\$ 6,089
Edward Byrne Memorial Justice Assistance Grant Program (JAG)	16.738	2,293
Edward Byrne Memorial Justice Assistance Grant Program (JAG) - ARRA	16.804	<u>85,289</u>
Total Department of Justice		\$ <u>93,671</u>
Department of Transportation:		
Direct payments:		
Federal Transit Cluster:		
Federal Transit - Capital Investment Grants	20.500	\$ 39,528
Federal Transit - Formula Grants	20.507	888,880
Federal Transit - Formula Grants - ARRA	20.507	10,590
Pass-through payments:		
Department of Rail and Public Transportation:		
Highway Planning and Construction	20.205	843,571
Harrisonburg-Rockingham Metropolitan Planning Organization:		
Federal Transit - Metropolitan Planning Grants	20.505	100,408

CITY OF HARRISONBURG, VIRGINIA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended June 30, 2010

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
Department of Transportation: (continued)		
Pass-through payments: (continued)		
Department of Motor Vehicles:		
Highway Safety Cluster:		
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	17,861
Alcohol Open Container Requirements	20.607	<u>23,887</u>
Total Department of Transportation		\$ <u>1,924,725</u>
Environmental Protection Agency:		
Pass-through payments:		
Virginia Water Supply Revolving Fund:		
Capitalization Grants for Drinking Water State Revolving Funds	66.468	\$ 11,611
Capitalization Grants for Drinking Water State Revolving Funds - ARRA	66.468	<u>2,086,731</u>
Total Environmental Protection Agency		\$ <u>2,098,342</u>
Department of Energy:		
Direct payments:		
Energy Efficiency and Conservation Block Grant Program (EECBG) - ARRA	81.128	<u>12,000</u>
Total Department of Energy		\$ <u>12,000</u>
Department of Education:		
Pass-through payments:		
Department of Education:		
Title I Grants to Local Educational Agencies	84.010	\$ 960,293
Title I Grants to Local Educational Agencies - ARRA	84.010	291,838
Career and Technical Education - Basic Grants to States	84.048	103,404
Safe and Drug-Free Schools and Communities-State Grants	84.186	16,526
Education Technology State Grants	84.318	440,961
Reading First State Grants	84.357	277,929
English Language Acquisition Grants	84.365	159,133
Improving Teacher Quality State Grants	84.367	185,649
Educational Technology State Grants, Recovery Act - ARRA	84.386	19,887
Education for Homeless Children and Youth, Recovery Act - ARRA	84.387	3,363
State Fiscal Stabilization Fund (SFSF)-Educational State Grants, Recovery Act - ARRA	84.394	1,101,203
Special Education Cluster:		
Grants to States	84.027	995,233
Grants to States - ARRA	84.027	542,076
Preschool Grants	84.173	27,673
Preschool Grants - ARRA	84.173	<u>19,427</u>
Total Department of Education		\$ <u>5,144,595</u>

CITY OF HARRISONBURG, VIRGINIA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended June 30, 2010

<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:		
Interoperable Emergency Communications Grant Program (IECGP)	97.001	\$ 42,434
Emergency Management Performance Grants	97.042	1,811
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	64,593
Pass-through payments:		
Department of Emergency Services:		
Assistance to Firefighters Grant	97.044	172,162
State Homeland Security Program (SHSP)	97.073	<u>62,348</u>
Total Department of Homeland Security		\$ <u>343,348</u>
Department of Defense:		
Direct payment:		
JROTC Funds	12.VA 170853	\$ <u>69,551</u>
Total Department of Defense		\$ <u>69,551</u>
Total expenditures of federal awards		\$ <u><u>12,495,067</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, 2010

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, 2010, the School Board, a component unit, had food commodities totaling \$17,955 in inventory.

Note 3. Subrecipients

The City provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Expended</u>
Public Safety Interoperable Grant Program	11.555	\$ 512,321
Community Development Block Grants/Entitlement Grants	14.218	239,019
Interoperable Emergency Communications Grant Program (IECGP)	97.001	42,434
State Homeland Security Program (SHSP)	97.073	2,580

Note 4. Loan Programs

Included in this schedule is a loan obtained through the Virginia Water Supply Revolving Fund in the amount of \$1,047,236. At June 30, 2010, the outstanding balance on this loan was \$1,047,236. The loan was provided through the following federal awards programs:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Expended</u>
Capitalization Grants for Drinking Water State Revolving Funds	66.468	\$ 11,611
Capitalization Grants for Drinking Water State Revolving Funds - ARRA	66.468	1,035,625

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