

**City of Harrisonburg, Virginia**  
Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2011



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



**CITY OF HARRISONBURG, VIRGINIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**TABLE OF CONTENTS**  
**Year Ended June 30, 2011**

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**Introductory Section**

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Letter of Transmittal	1-5
Certificate of Achievement for Excellence in Financial Reporting - 2010	6
Organization Chart	7
Directory of Principal Officials	8

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**Financial Section**

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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, 2011**

---

**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 Ten Fiscal Years	103
Table 2	Changes in Net Assets - Last Ten 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	Tax Revenue by Source - Last Ten Fiscal Years	109
Table 6	Assessed Value and Actual Value of Taxable Property - Last Ten Fiscal Years	110
Table 7	Property Tax Rates - Per \$100 of Assessed Value - Last Ten Fiscal Years	111
Table 8	Principal Property Taxpayers - Current Year and Nine Years Ago	112
Table 9	Property Tax Levies and Collections - Last Ten Fiscal Years	113
Table 10	Ratios of Outstanding Debt by Type - Last Ten Fiscal Years	114
Table 11	Ratios of General Bonded Debt Outstanding - Last Ten Fiscal Years	115
Table 12	Legal Debt Margin Information - Last Ten Fiscal Years	116
Table 13	Demographic and Economic Statistics - Last Ten Fiscal Years	117
Table 14	Principal Employers - Current Year and Nine Years Ago	118
Table 15	Full-time Equivalent Employees by Function - Last Ten Fiscal Years	119
Table 16	Operating Indicators by Function - Last Ten Fiscal Years	120
Table 17	Capital Asset Statistics by Function - Last Ten Fiscal Years	121

**Compliance Section**

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	122-123
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>	124-125
Independent Auditor's Comments on Resolution of Prior Year Major Federal Award Programs Audit Findings	126
Summary of Compliance Matters	127
Schedule of Findings and Questioned Costs	128-129
Schedule of Prior Year Findings	130
Schedule of Expenditures of Federal Awards	131-133
Notes to Schedule of Expenditures of Federal Awards	134

# 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, 2011

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, 2011 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, 2011, 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*

**The City With The Planned Future**

*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 49,491.

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 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 \$1.3 million for 3 new transit buses.
- Appropriated \$700,000 for architecture and engineering for Phase I of a new public transportation facility.
- Appropriated \$517,000 for the City's share of Rockingham County's landfill costs.
- Appropriated \$350,000 for the downtown streetscape plan.
- Appropriated \$250,000 for two refuse collection trucks.
- Appropriated \$195,000 for Smithland Road athletic soccer field lighting.
- Appropriated \$136,000 for water main upgrades.
- Appropriated \$300,000 for sewer main upgrades.

### **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 26,931. James Madison University, a state-supported school, is located near the geographic center of the City and has approximately 18,671 undergraduate students. Eastern Mennonite

University, a private institution with approximately 1,589 students is also located in the City. Bridgewater College, located just south of the City, is also private and has an approximate enrollment of 1,688 students. State-supported Blue Ridge Community College has an enrollment of approximately 4,983 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 the Stone Spring Road and Erickson Avenue Improvement project. The total project is anticipated to cost approximately \$62.7 million of which \$32.4 million has already been expended and approximately \$10.7 million in cash is on hand. It is planned that this project will be completed in at least four phases. Phase I construction was completed during the year followed by the start of construction for Phase II. Phase II is estimated to cost approximately \$21.1 million and is projected to be completed by May 2013. It is estimated that the City will receive \$7.5 million in state and federal funding for the rebuild of the Stone Spring Road bridge across Interstate 81 while \$9.6 million was borrowed in fiscal year 2011 for Phase II construction. Phase III is estimated to cost approximately \$11 million and is projected to begin April 2012 and be completed by October 2013. This phase of construction will be funded using state and federal funding. However, the City anticipates that it may need to do some short-term borrowing to initially fund this 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 \$32.5 million of which \$7.2 million has already been expended and \$2.5 million in cash is on hand. The projected completion date is undetermined at this time and will depend on supply/demand, partnering opportunities and the bidding environment.

The City is currently in the planning stages for improvements to Reservoir Street. It is estimated that this project will cost approximately \$14 million. The project is projected to be funded with at least \$5 million from state funding sources and if necessary the remaining \$9 million will be funded by a local bond issue. It is anticipated that right-of-way acquisitions will begin in fiscal year 2012. Construction is projected to begin in fiscal year 2015 and to be completed in fiscal year 2016.

The City is currently in the planning stages for the construction of a new public transportation administration and maintenance facility that will replace the current facility. The project will be funded by the City, the Virginia Department of Rail and Public Transportation and the Federal Transit Administration. The project is estimated to cost between \$12 and \$18 million and take two years to complete. Based upon estimated usage of the new facility, the funding for this project will be approximately 37 percent Federal, 5 percent Commonwealth and 58 percent City. Construction is projected to begin in July 2012 and be completed in June of 2014. The city plans to issue debt to finance its share of the construction cost.

## **Certificate of Achievement**

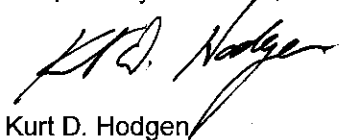
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2010. This was the sixteenth consecutive year 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.

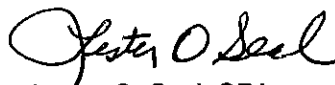
## **Acknowledgments**

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, 2010

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



President

Executive Director

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graph TD
    Mayor[Mayor] --- CityCouncil[City Council]
    Mayor --- SchoolBoard[School Board]
    Mayor --- SchoolSuperintendent[School Superintendent]
    Mayor --- Commissioner[Commissioner of the Revenue]
    Mayor --- CityClerk[City Clerk]
    Mayor --- CityAttorney[City Attorney]
    Mayor --- CityManager[City Manager]
    Mayor --- AssistantCityManager[Assistant City Manager]
    Mayor --- Treasurer[Treasurer]
    Mayor --- PlanningCommission[Planning Commission]
    Mayor --- BoardOfZoningAppeals[Board of Zoning Appeals]
    Mayor --- BoardOfEqualization[Board of Equalization]
    Mayor --- ParksAndRecreationCommission[Parks and Recreation Commission]
    Mayor --- HarrisburgElectricCommission[Harrisburg Electric Commission]
    Mayor --- ShenandoahValleyAirportCommission[Shenandoah Valley Airport Commission]
    Mayor --- ShenandoahValleyDetentionCommission[Shenandoah Valley Detention Commission]
    Mayor --- GeneralAssemblyRepresentatives[General Assembly Representatives]
    Mayor --- BoardOfElections[Board of Elections]
    Mayor --- Registrar[Registrar]
    Mayor --- ParksAndRecreation[Parks and Recreation]
    Mayor --- PublicTransportation[Public Transportation]
    Mayor --- PlanningAndCommunityDevelopment[Planning and Community Development]
    Mayor --- EconomicDevelopment[Economic Development]
    Mayor --- Finance[Finance]
    Mayor --- InformationTechnology[Information Technology]
    Mayor --- Police[Police]
    Mayor --- Fire[Fire]
    Mayor --- PublicWorks[Public Works]
    Mayor --- HumanResources[Human Resources]
    Mayor --- PublicUtilities[Public Utilities]
    Mayor --- WaterTreatment[Water Treatment]
    Mayor --- SanitarySewer[Sanitary Sewer]
    Mayor --- UtilityBillings[Utility Billings]
    Mayor --- StreetsAndHighways[Streets and Highways]
    Mayor --- TrafficEngineering[Traffic Engineering]
    Mayor --- InsectAndRodentControl[Insect and Rodent Control]
    Mayor --- CentralStores[Central Stores]
    Mayor --- Suppression[Suppression]
    Mayor --- Prevention[Prevention]
    Mayor --- Training[Training]
    Mayor --- EmergencyServices[Emergency Services]
    Mayor --- PublicSafetyBuilding[Public Safety Building]
    Mayor --- ChildSafetyAlliance[Child Safety Alliance]
    Mayor --- Operations[Operations]
    Mayor --- CriminalInvestigation[Criminal Investigation]
    Mayor --- SupportServices[Support Services]
    Mayor --- GangTaskForce[Gang Task Force]
    Mayor --- SpecialOperations[Special Operations]
    Mayor --- AnimalControl[Animal Control]
    Mayor --- CDBG[CDBG]
    Mayor --- Finance2[Finance]
    Mayor --- Purchasing[Purchasing]
    Mayor --- VisitorAndTourismServices[Visitor and Tourism Services]
    Mayor --- DowntownParkingServices[Downtown Parking Services]
    Mayor --- GeneralEngineering[General Engineering]
    Mayor --- Planning2[Planning]
    Mayor --- ZoningAdministration[Zoning Administration]
    Mayor --- Inspection[Inspection]
    Mayor --- GeneralProperties[General Properties]
    Mayor --- TransitBuses[Transit Buses]
    Mayor --- SchoolBuses[School Buses]
    Mayor --- CentralGarage[Central Garage]
    Mayor --- Parks[Parks]
    Mayor --- RecreationCentersAndPlaygrounds[Recreation Centers and Playgrounds]
    Mayor --- WestoverPool[Westover Pool]
    Mayor --- Athletics[Athletics]
    Mayor --- SimmsContinuingEducationCenter[Simms Continuing Education Center]
    Mayor --- BlacksRunGreenway[Blacks Run Greenway]
    Mayor --- NationalGuardArmory[National Guard Armory]
    Mayor --- GolfCourse[Golf Course]
  
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**CITY OF HARRISONBURG, VIRGINIA**  
**DIRECTORY OF PRINCIPAL OFFICIALS**  
**June 30, 2011**

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**CITY COUNCIL**

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Richard A. Baugh	Mayor
J. Ted Byrd	Vice Mayor
Kai E. Degner	Council Member
David K. Wiens	Council Member
Charles R. Chenault	Council Member

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**CITY OFFICIALS**

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Kurt D. Hodgen	City Manager
Anne C. Lewis	Assistant City Manager
Jeffrey L. Shafer	City Treasurer
June W. Hosaflook	Commissioner of the Revenue
Earl Q. Thumma, Jr.	City Attorney
Erica S. Kann	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 L. Whistleman	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

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**SCHOOL BOARD**

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Dominic D. "Nick" Swayne	Chairperson
Kerri M. Wilson	Vice Chairperson
Timothy J. Lacey	Board Member
Sallie M. Strickler	Board Member
Polly B. Fravel	Board Member
Steve S. Barranco	Board Member

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**SCHOOL OFFICIALS**

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Scott R. Kizner, Ph.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, 2011, 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 opinions on these financial statements based on our audit.

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

**In our opinion, based on our audit, 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, 2011, 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 28, 2011, 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 and the schedules of funding progress as listed in the Table of Contents 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 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 financial statements as a whole. 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 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 financial statements. 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 in the audit of the 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 financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the 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 28, 2011

## **CITY OF HARRISONBURG, VIRGINIA MANAGEMENT'S DISCUSSION AND ANALYSIS**

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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, 2011. 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 \$257.5 million (net assets). Of this amount, \$60.5 million (unrestricted net assets) may be used to meet the City's obligations to citizens and creditors.
- The City's total net assets increased by \$3.1 million.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$38.2 million, an increase of \$8.8 million in comparison with the previous year. Approximately 85.2 percent of this total amount, \$32.5 million, is available for spending at the City's discretion (unrestricted fund balance).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$18.7 million, or 23.3 percent of total General Fund expenditures and other financing uses (less debt refunding transactions).
- The City's total long-term debt increased by \$2.8 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 \$257.5 million at the close of the most recent fiscal year.

The largest portion of the City's net assets (76.3 percent) reflects its investment in capital assets (e.g., land, buildings and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, which amounts to \$60.5 million, may be used to meet the City's ongoing obligations to citizens and creditors.

#### City of Harrisonburg's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 96,287,704	\$ 85,638,386	\$ 33,434,906	\$ 32,355,369	\$ 129,722,610	\$ 117,993,755
Capital assets	253,176,437	255,277,196	98,305,164	99,991,527	351,481,601	355,268,723
<b>Total assets</b>	<b>\$ 349,464,141</b>	<b>\$ 340,915,582</b>	<b>\$ 131,740,070</b>	<b>\$ 132,346,896</b>	<b>\$ 481,204,211</b>	<b>\$ 473,262,478</b>
Current and other liabilities	\$ 40,965,706	\$ 38,918,384	\$ 3,169,024	\$ 3,173,316	\$ 44,134,730	\$ 42,091,700
Long-term liabilities	138,750,000	135,169,711	40,790,593	41,551,295	179,540,593	176,721,006
<b>Total liabilities</b>	<b>\$ 179,715,706</b>	<b>\$ 174,088,095</b>	<b>\$ 43,959,617</b>	<b>\$ 44,724,611</b>	<b>\$ 223,675,323</b>	<b>\$ 218,812,706</b>
<b>Net assets:</b>						
Invested in capital assets, net of related debt	\$ 132,778,540	\$ 134,630,600	\$ 63,773,381	\$ 64,272,566	\$ 196,551,921	\$ 198,903,166
Restricted	464,466	459,667	-	-	464,466	459,667
Unrestricted	36,505,429	31,737,220	24,007,072	23,349,719	60,512,501	55,086,939
<b>Total net assets</b>	<b>\$ 169,748,435</b>	<b>\$ 166,827,487</b>	<b>\$ 87,780,453</b>	<b>\$ 87,622,285</b>	<b>\$ 257,528,888</b>	<b>\$ 254,449,772</b>

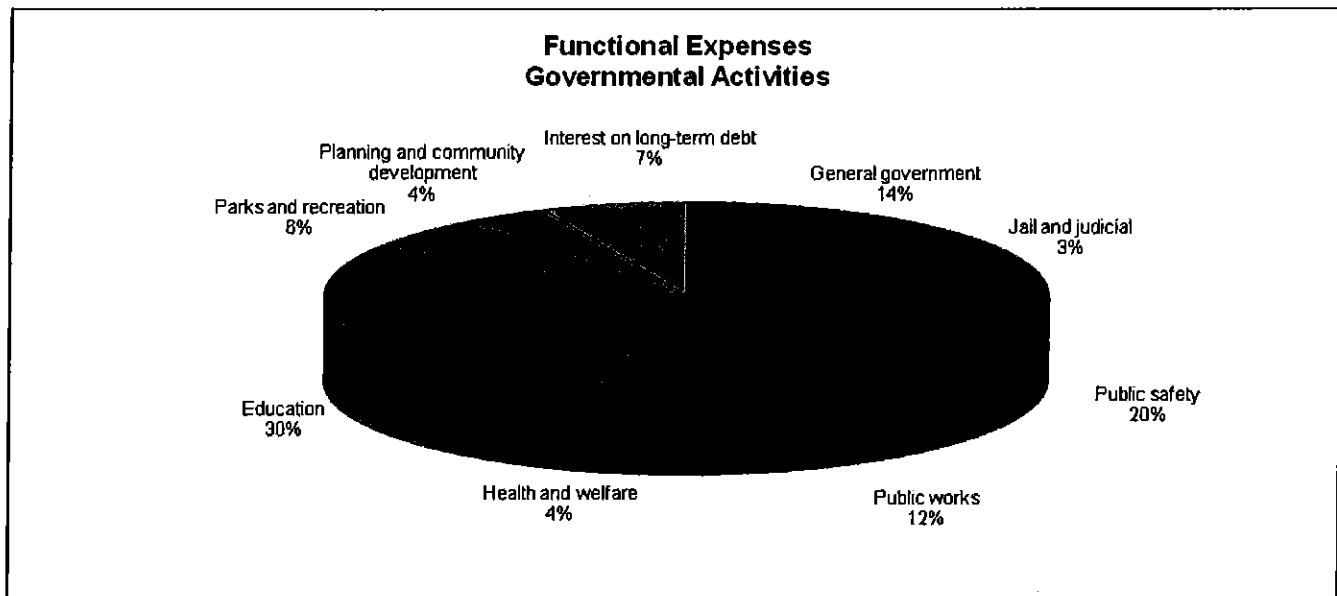
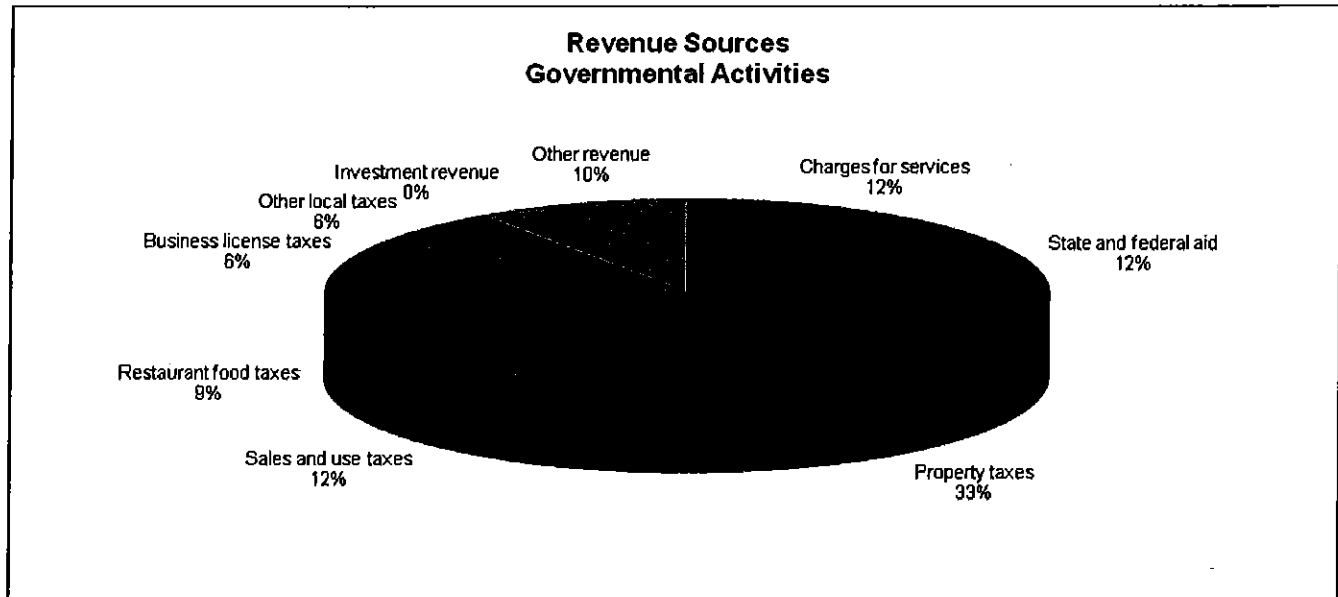
**City of Harrisonburg's Changes in Net Assets**

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 11,769,056	\$ 11,712,317	\$ 27,273,885	\$ 25,183,004	\$ 39,042,941	\$ 36,895,321
Operating grants and contributions	6,779,026	6,537,125	1,353,559	1,496,827	8,132,585	8,033,952
Capital grants and contributions	1,394,887	1,105,400	840,082	2,176,754	2,234,969	3,282,154
<b>General revenues:</b>						
Property taxes	31,465,340	30,867,419	-	-	31,465,340	30,867,419
Sales and use taxes	11,030,783	10,487,699	-	-	11,030,783	10,487,699
Restaurant food taxes	8,414,191	8,001,430	-	-	8,414,191	8,001,430
Business license taxes	5,587,085	5,571,597	-	-	5,587,085	5,571,597
Other local taxes	5,382,633	5,274,469	-	-	5,382,633	5,274,469
Grants and contributions not restricted to specific programs	3,520,574	3,465,825	-	-	3,520,574	3,465,825
Payment from component units	4,900,000	4,800,000	-	-	4,900,000	4,800,000
Investment revenue	87,557	151,425	52,446	79,908	140,003	231,333
Other revenue	4,254,403	1,570,827	1,215,028	1,167,345	5,469,431	2,738,172
Gain on disposal of capital assets	-	-	4,525	1,855	4,525	1,855
<b>Total revenues</b>	<b>\$ 94,585,535</b>	<b>\$ 89,545,533</b>	<b>\$ 30,739,525</b>	<b>\$ 30,105,693</b>	<b>\$ 125,325,060</b>	<b>\$ 119,651,226</b>
<b>Expenses:</b>						
<b>General government</b>						
administration	\$ 12,711,047	\$ 12,693,219	\$ -	\$ -	\$ 12,711,047	\$ 12,693,219
Jail and judicial administration	3,158,825	2,689,276	-	-	3,158,825	2,689,276
Public safety	18,414,704	17,934,535	-	-	18,414,704	17,934,535
Public works	11,384,626	10,924,418	-	-	11,384,626	10,924,418
Health and welfare	3,933,460	3,911,386	-	-	3,933,460	3,911,386
Education	27,641,213	28,735,066	-	-	27,641,213	28,735,066
Parks, recreation and cultural	5,279,763	5,100,351	-	-	5,279,763	5,100,351
Planning and community development	3,618,639	3,867,423	-	-	3,618,639	3,867,423
Interest on long-term debt	6,006,543	6,131,512	-	-	6,006,543	6,131,512
Water	-	-	5,014,952	5,118,820	5,014,952	5,118,820
Sewer	-	-	8,165,858	7,391,517	8,165,858	7,391,517
Public transportation	-	-	6,916,882	6,767,823	6,916,882	6,767,823
Sanitation	-	-	9,999,432	9,878,225	9,999,432	9,878,225
<b>Total expenses</b>	<b>\$ 92,148,820</b>	<b>\$ 91,987,186</b>	<b>\$ 30,097,124</b>	<b>\$ 29,156,385</b>	<b>\$ 122,245,944</b>	<b>\$ 121,143,571</b>
<b>Excess (deficiency) before transfers</b>	<b>\$ 2,436,715</b>	<b>\$ (2,441,653)</b>	<b>\$ 642,401</b>	<b>\$ 949,308</b>	<b>\$ 3,079,116</b>	<b>\$ (1,492,345)</b>
<b>Transfers</b>	<b>484,233</b>	<b>378,256</b>	<b>(484,233)</b>	<b>(378,256)</b>	<b>-</b>	<b>-</b>
<b>Change in net assets</b>	<b>\$ 2,920,948</b>	<b>\$ (2,063,397)</b>	<b>\$ 158,168</b>	<b>\$ 571,052</b>	<b>\$ 3,079,116</b>	<b>\$ (1,492,345)</b>
<b>Net assets at beginning of year</b>	<b>166,827,487</b>	<b>168,890,884</b>	<b>87,622,285</b>	<b>87,051,233</b>	<b>254,449,772</b>	<b>255,942,117</b>
<b>Net assets at end of year</b>	<b>\$ 169,748,435</b>	<b>\$ 166,827,487</b>	<b>\$ 87,780,453</b>	<b>\$ 87,622,285</b>	<b>\$ 257,528,888</b>	<b>\$ 254,449,772</b>

**Governmental activities.** Governmental activities increased the City's net assets by \$2.9 million. Key elements affecting governmental activities are as follows:

- Property tax revenue increased \$597,921 million (1.9 percent) during the current year as a result of a slight increase in real estate reassessments.
- Sales and use taxes increased \$543,084 (5.2 percent) as a result of improved economic activity.
- Restaurant food taxes increased \$412,761 (5.2 percent) as a result of improved economic activity.
- Other revenue increased \$2.7 million as the result of a \$2.3 million credit on debt service payments to the Virginia Public School Authority (VPSA). The VPSA refinanced several outstanding bond issues including its Series 2001C Bonds of which the City was a participant.

- Expenses in the jail and judicial administration activity increased \$469,549 (17.5 percent) primarily due to an increase in operational costs of the joint city/county jail.
- Expenses in the public safety activity increased \$480,169 (2.7 percent) primarily due to grant funded equipment purchases.
- Expenses in the public works activity increased \$460,208 (4.2 percent) primarily due to an increase in street repaving expenses and depreciation from the completion of the Stone Spring Road/Erickson Avenue Phase I construction project.
- Expenses in the education activity decreased \$1.1 million (3.8 percent) due primarily to the return of \$1.9 million in unused funding from the School Board.



**Business-type activities.** Business-type activities increased the City's net assets by \$158,168. Key elements affecting business-type activities are as follows:

- Charges for services increased \$2.1 million (8.3 percent) largely due an increase in sewer activity revenue of \$1.3 million as the result of increased rates. Public transportation charges for services also increased approximately \$420,000 from increased revenue from James Madison University for transit bus services and from the School Board for special education school bus services.

- Capital grants and contributions decreased \$1.3 million (61.4 percent) primarily due to a \$1.1 million intergovernmental grant for the construction of a new water tank on Tower Street in the previous year.
- Expenses in the sewer activity increased \$774,341 (10.5 percent) primarily from increased contributions to the Harrisonburg-Rockingham Regional Sewer Authority.

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

**School Board activities.** Net assets of the School Board remained essentially flat during the year, as compared to a \$1.5 million increase in the previous year. School Board expenses increased \$1.2 million (2.2 percent) due to an increase in the School Board's OPEB obligation and increased pupil transportation expenses for special education school bus services. The School Board returned \$1.9 million to the City in unused funding which decreased operating funding from the City by \$1 million (4.2 percent) compared to the previous year. State operating funding increased \$557,765 primarily from increased basic school aid revenue.

**HEC activities.** HEC's net assets increased \$2.1 million during the year, as compared to a \$4.8 million increase in the previous year. Operating revenues increased \$7 million (13.1 percent) during the current year, while expenses increased \$8.4 million (18.5 percent). The increase in expenses was due to an increased cost of electricity purchased. Only 7.5 percent of these increased costs were passed through to customers in the form of rate increases.

### **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, unrestricted fund balance (the total of committed, assigned and unassigned 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, unrestricted fund balance of the General Fund was \$23.7 million, while total fund balance was \$25.3 million. As a measure of the General Fund's liquidity, it may be useful to compare both unrestricted fund balance and total fund balance to total fund expenditures and other financing uses. Unrestricted fund balance represents 29.5 percent (23.3 percent in the prior year) of total General Fund expenditures and other financing uses (less debt refunding transactions), while total fund balance represents 31.4 percent (24.9 percent in the prior year) of that same amount.

Total fund balance in the General Fund increased \$5.3 million mainly from a \$2.3 million debt service payment credit from the Virginia Public School Authority and the return of \$1.9 million in unused funding from the School Board. Other financial factors affecting the General Fund have been included in the above discussion of the City's governmental activities.

The General Capital Projects Fund has a total fund balance of \$12.9 million, of which the entire amount is either restricted or committed for various projects. Revenue, including other financing sources, totaled \$16.2 million, of which \$5.9 million was intergovernmental revenue, \$9.6 million was the issuance of bonds and \$641,360 was from transfers from the General Fund. Intergovernmental revenue included \$5.3 million in funding from the state and federal government for the Stone Spring Road/Erickson Avenue improvement project. The \$9.6 million in proceeds from the issuance of bonds was for partially funding the Stone Spring Road/Erickson Avenue Phase II improvement project. Expenditures totaled \$12.9 million, of which the most significant were Phase I and Phase II construction expenditures for the Stone Spring Road/Erickson Avenue improvement 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 \$162,677 compared to an increase of \$1.2 million in the previous year. Charges for services increased \$304,137 (5.6 percent) due to a small seasonal water rate increase and increased water consumption, while total operating expenses increased \$66,160 (1.4 percent). Capital contributions decreased \$1.4 million mainly from a \$1.1 intergovernmental grant for the construction of a new water tank on Tower Street in the previous year. Interest expense decreased \$102,799 (27.6 percent) as the City refinanced existing debt during the year along with an increase in capitalized interest on construction projects.

**Sewer Fund.** Net assets in the Sewer Fund decreased \$424,842 compared to a decrease of \$1 million in the previous year. Charges for services increased \$1.3 million (19.3 percent) due to a sewer authority rate increase, while total operating expenses increased \$763,242 (10.3 percent). Increasing contributions to the Harrisonburg-Rockingham Regional Sewer Authority was the primary factor for the increase in operating expenses.

**Public Transportation Fund.** Net assets in the Public Transportation Fund decreased \$845,499 compared to a decrease of \$929,006 in the previous year. Operating revenues increased \$420,602 (13.3 percent) mainly due to an increase in revenue from the School Board for special education school bus services and an increase in funding from James Madison University for transit bus services, while total operating expenses increased \$146,149 (2.2 percent). Expenses increased primarily due to an increase in fuel costs and maintenance and repair on buses.

**Sanitation Fund.** Net assets in the Sanitation Fund increased \$1.4 million compared to an increase of \$1.4 million in the previous year. Operating revenues remained flat due to a decrease in steam plant tipping fee revenue as the steam plant was shut down for maintenance for a short period of time during the year, while total operating expenses increased \$352,648 (4 percent) primarily due to an increase in landfill closure liabilities. Interest expense decreased \$249,430 (21.9 percent) as the City refinanced existing debt during the year.

### **General Fund Budgetary Highlights**

Differences between the original and the final amended General Fund budget amounted to \$8.3 million, or 9.8 percent of the original budget, and can be briefly summarized as follows:

- \$5.9 million appropriated for a debt refunding transaction including payment to the escrow agent.
- \$1.2 million appropriated for prior year encumbrances.
- \$350,472 appropriated for various police department purposes including state and federal grants.
- \$347,355 appropriated for various fire department purposes including state and federal grants.
- \$242,628 appropriated for additional funding to the Harrisonburg-Rockingham Social Services District.
- \$185,392 appropriated for recreation center improvements through an energy efficiency grant.
- \$51,133 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:

- Public works expenditures were under the final amended budget by approximately \$2.1 million. The variance was primarily the result of a cutback or delay in street repaving, sidewalk repair and capital outlay expenditures that were budgeted.
- Education expenditures were under the final amended budget by approximately \$1.9 million. The variance was due to the return of unused funds by the School Board.
- Debt service expenditures were under the final amended budget by approximately \$717,000. The variance was due to anticipated debt service on a new bond issuance, however, only the first interest payment was due during the year.

## 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 \$351.5 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), Rockingham County landfill agreement (an intangible asset) and construction in progress. The City's total investment in capital assets for the current fiscal year decreased \$3.8 million.

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

- Construction was completed on the Stone Spring Road/Erickson Avenue Phase I improvement project increasing governmental activities' infrastructure by \$7.4 million and improvements other than buildings by \$1.3 million while decreasing construction in progress by \$8.7 million.
- Construction began on the Stone Spring Road/Erickson Avenue Phase II improvement project increasing governmental activities' construction in progress by \$4.3 million.
- Exercised the option to repurchase the historic portion of the Lucy F. Simms Continuing Education Center increasing buildings by \$1.4 million.
- Construction was completed on a new eight million gallon water tank on Tower Street, increasing business-type activities' improvements other than buildings and decreasing construction in progress by \$3.1 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 \$2.9 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 \$2 million.

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

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 45,557,062	\$ 45,255,569	\$ 945,095	\$ 945,095	\$ 46,502,157	\$ 46,200,664
Easements	899,066	899,066	333,187	315,297	1,232,253	1,214,363
Construction in progress	14,356,029	17,668,473	9,185,155	11,266,405	23,541,184	28,934,878
Buildings	94,063,401	97,958,216	9,205,290	9,520,928	103,268,691	107,479,144
Improvements other than buildings	8,629,053	7,509,980	12,423,139	9,504,951	21,052,192	17,014,931
Machinery and equipment	13,915,568	14,577,567	22,814,387	25,584,425	36,729,955	40,161,992
Intangibles:						
JMU agreement	-	-	265,447	291,991	265,447	291,991
County landfill agreement	-	-	2,114,906	2,442,108	2,114,906	2,442,108
Other	130,000	-	-	-	130,000	-
Infrastructure	75,626,258	71,408,325	41,018,558	40,120,327	116,644,816	111,528,652
<b>Total capital assets</b>	<b>\$ 253,176,437</b>	<b>\$ 255,277,196</b>	<b>\$ 98,305,164</b>	<b>\$ 99,991,527</b>	<b>\$ 351,481,601</b>	<b>\$ 355,268,723</b>

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 \$179.5 million. Of this amount, \$163.5 million comprises debt backed by the full faith and credit of the City. \$469,862 of this amount is debt that is secured by a specified revenue source that is also backed by the full faith and credit of the City in the event these revenues are insufficient to make debt service payments. The City's total long-term debt increased \$2.8 million during the current fiscal year.

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

- The issuance of \$9.5 million in general obligation bonds to partially fund the Stone Spring Road/Erickson Avenue Phase II improvement project in governmental activities.
- The issuance of \$33.8 million in general obligation bonds to refund several outstanding bond issues for governmental and business-type activities. The City was able to reduce its total debt service payments on the old bonds by \$3.2 million.

City of Harrisonburg's Long-term Debt Outstanding (net of premiums/discounts and deferred refunding charges)						
	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
General obligation bonds	\$ 128,931,460	\$ 124,852,870	\$ 34,061,921	\$ 26,528,271	\$ 162,993,381	\$ 151,381,141
General obligation revenue bonds	-	-	469,862	9,392,103	469,862	9,392,103
Capital leases	5,751,958	6,635,404	-	-	5,751,958	6,635,404
Landfill closure and postclosure	-	-	4,724,044	4,228,912	4,724,044	4,228,912
Compensated absences	2,796,736	2,838,524	1,003,845	1,046,219	3,800,581	3,884,743
Postretirement healthcare benefits	1,269,846	842,913	530,921	355,790	1,800,767	1,198,703
<b>Total long-term debt</b>	<b>\$ 138,750,000</b>	<b>\$ 135,169,711</b>	<b>\$ 40,790,593</b>	<b>\$ 41,551,295</b>	<b>\$ 179,540,593</b>	<b>\$ 176,721,006</b>

The City maintained its AA- bond rating from Standard and Poor's and its Aa2 bond 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 \$392.7 million of which \$226.7 million is available for use.

Additional information on the City's long-term debt can be found in Note 11 on pages 47 through 59 of this report.

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

The approved \$90.6 million fiscal year 2012 General Fund budget included the use of approximately \$2.5 million from unassigned fund balance and approximately \$409,000 from committed fund balance. The following were factors in preparing the fiscal year 2012 General Fund budget.

- The unemployment rate for the City in December 2010 was 6.8 percent, which was an increase from a rate of 6.4 percent in December 2009. This rate was higher than the 6.4 percent state rate but still compares favorably to the 9.1 percent national rate in December 2010.
- A two percent cost-of-living salary adjustment for City employees.
- The reclassification of refuse collection, landfill and recycling activities from the Sanitation Fund to the General Fund. This increased the General Fund's expenditure budget by \$4.1 million; however, this increase was offset by \$4.3 million in charges for services revenue associated with these activities.
- Little or no growth in other local tax revenue.
- A 20 percent increase in the fees for building permits.
- Only a slight increase in capital projects funding due to little or no growth in revenue estimates.

A water rate increase of \$0.05 per one thousand gallons was approved to provide continued funding for the financing of the construction of a waterline from the Shenandoah River.

A sewer authority rate increase of \$0.29 per one thousand gallons was approved to provide funding for the City's share of debt service for the Harrisonburg-Rockingham Regional Sewer Authority's \$90 million wastewater treatment plant expansion and increased operational costs associated with the expansion.

## **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](http://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, 2011

Exhibit 1

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	HEC
<b>Assets</b>					
Cash and cash equivalents	\$ 38,489,008	\$ 31,776,019	\$ 70,265,027	\$ 8,891,771	\$ 5,056,521
Investments	-	-	-	-	11,500,000
Receivables (net of allowance for uncollectibles)	39,236,754	2,150,471	41,387,225	1,633,237	6,022,499
Due from primary government	-	-	-	-	182,273
Due from component unit	6,392	39,394	45,786	48,708	111,499
Internal balances	1,031,386	(1,031,386)	-	-	-
Inventory	1,893,477	-	1,893,477	87,117	1,798,680
Prepaid expenses	295,332	103,931	399,263	1,047,010	131,782
Loans receivable	9,860,523	-	9,860,523	-	-
Restricted assets	4,683,437	-	4,683,437	-	-
Capital assets:					
Capital assets, not being depreciated	60,812,157	10,463,437	71,275,594	5,611,429	4,355,645
Capital assets (net of accumulated depreciation)	192,364,280	87,841,727	280,206,007	23,762,515	57,359,730
Other assets	791,395	396,477	1,187,872	-	-
<b>Total assets</b>	<b>\$ 349,464,141</b>	<b>\$ 131,740,070</b>	<b>\$ 481,204,211</b>	<b>\$ 41,081,787</b>	<b>\$ 86,518,629</b>
<b>Liabilities</b>					
Accounts payable	\$ 4,193,908	\$ 590,577	\$ 4,784,485	\$ 185,458	\$ 4,708,427
Accrued payroll	1,002,430	463,338	1,465,768	4,601,978	-
Accrued interest	2,439,944	526,524	2,966,468	-	-
Due to primary government	-	-	-	39,394	6,392
Due to component unit	97,676	84,597	182,273	111,499	48,708
Customer deposits	-	273,496	273,496	-	843,142
Unearned revenue	32,795,548	1,167,888	33,963,436	-	-
Other liabilities	165,532	62,604	228,136	-	408,213
Liabilities payable from restricted assets	270,668	-	270,668	-	-
Long-term liabilities:					
Due within one year	8,422,014	2,494,130	10,916,144	297,633	371,833
Due in more than one year	130,327,986	38,296,463	168,624,449	2,270,296	772,172
<b>Total liabilities</b>	<b>\$ 179,715,706</b>	<b>\$ 43,959,617</b>	<b>\$ 223,675,323</b>	<b>\$ 7,506,258</b>	<b>\$ 7,158,887</b>
<b>Net assets</b>					
Invested in capital assets (net of related debt)	\$ 132,778,540	\$ 63,773,381	\$ 196,551,921	\$ 29,373,944	\$ 61,715,375
Restricted for:					
Public safety	180,169	-	180,169	-	-
Debt service	284,297	-	284,297	-	-
Unrestricted	36,505,429	24,007,072	60,512,501	4,201,585	17,644,367
<b>Total net assets</b>	<b>\$ 169,748,435</b>	<b>\$ 87,780,453</b>	<b>\$ 257,528,888</b>	<b>\$ 33,575,529</b>	<b>\$ 79,359,742</b>

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

CITY OF HARRISONBURG, VIRGINIA  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
Governmental activities:				
General government administration	\$ 12,711,047	\$ 9,266,743	\$ 275,340	\$ -
Jail and judicial administration	3,158,825	553,923	-	-
Public safety	18,414,704	117,865	2,091,004	-
Public works	11,384,626	-	3,769,610	1,394,887
Health and welfare	3,933,460	-	-	-
Education	27,641,213	-	-	-
Parks, recreation and cultural	5,279,763	1,103,317	19,046	-
Planning and community development	3,618,639	727,208	624,026	-
Interest on long-term debt	6,006,543	-	-	-
<b>Total governmental activities</b>	<b>\$ 92,148,820</b>	<b>\$ 11,769,056</b>	<b>\$ 6,779,026</b>	<b>\$ 1,394,887</b>
Business-type activities:				
Water	\$ 5,014,952	\$ 5,793,929	\$ -	\$ 341,181
Sewer	8,165,858	8,047,117	-	329,490
Public transportation	6,916,882	3,573,754	1,353,559	59,390
Sanitation	9,999,432	9,859,085	-	110,021
<b>Total business-type activities</b>	<b>\$ 30,097,124</b>	<b>\$ 27,273,885</b>	<b>\$ 1,353,559</b>	<b>\$ 840,082</b>
<b>Total primary government</b>	<b>\$ 122,245,944</b>	<b>\$ 39,042,941</b>	<b>\$ 8,132,585</b>	<b>\$ 2,234,969</b>
<b>Component units:</b>				
School Board	\$ 57,446,274	\$ 1,983,037	\$ 14,638,132	\$ -
Harrisonburg Electric Commission (HEC)	58,394,863	60,201,861	-	126,973
<b>Total component units</b>	<b>\$ 115,841,137</b>	<b>\$ 62,184,898</b>	<b>\$ 14,638,132</b>	<b>\$ 126,973</b>

General revenues:

Property taxes  
Sales and use taxes  
Restaurant food taxes  
Business license taxes  
Other local taxes  
Unrestricted grants and contributions  
Unrestricted payment from primary government  
Unrestricted payment from component units  
Investment revenue  
Other revenue  
Gain on disposal of capital assets  
Transfers

Total general revenues, special items and transfers

Change in net assets

Net assets at beginning of year, as restated

Net assets at end of year

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



Net (Expense) Revenue and Changes in Net Assets					
Primary Government			Component Units		
Governmental Activities	Business-type Activities	Total	School Board	HEC	
\$ (3,168,964)	\$ -	\$ (3,168,964)	\$ -	\$ -	
(2,604,902)	-	(2,604,902)	-	-	
(16,205,835)	-	(16,205,835)	-	-	
(6,220,129)	-	(6,220,129)	-	-	
(3,933,460)	-	(3,933,460)	-	-	
(27,641,213)	-	(27,641,213)	-	-	
(4,157,400)	-	(4,157,400)	-	-	
(2,267,405)	-	(2,267,405)	-	-	
(6,006,543)	-	(6,006,543)	-	-	
<u>\$ (72,205,851)</u>	<u>\$ -</u>	<u>\$ (72,205,851)</u>	<u>\$ -</u>	<u>\$ -</u>	
\$ -	\$ 1,120,158	\$ 1,120,158	\$ -	\$ -	
-	210,749	210,749	-	-	
-	(1,930,179)	(1,930,179)	-	-	
-	(30,326)	(30,326)	-	-	
<u>\$ -</u>	<u>\$ (629,598)</u>	<u>\$ (629,598)</u>	<u>\$ -</u>	<u>\$ -</u>	
<u>\$ (72,205,851)</u>	<u>\$ (629,598)</u>	<u>\$ (72,835,449)</u>	<u>\$ -</u>	<u>\$ -</u>	
\$ -	\$ -	\$ -	\$ (40,825,105)	\$ -	
-	-	-	-	1,933,971	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (40,825,105)</u>	<u>\$ 1,933,971</u>	
\$ 31,465,340	\$ -	\$ 31,465,340	\$ -	\$ -	
11,030,783	-	11,030,783	-	-	
8,414,191	-	8,414,191	-	-	
5,587,085	-	5,587,085	-	-	
5,382,633	-	5,382,633	-	-	
3,520,574	-	3,520,574	17,650,827	-	
-	-	-	22,992,077	-	
4,900,000	-	4,900,000	-	-	
87,557	52,446	140,003	1,909	126,687	
4,254,403	1,215,028	5,469,431	212,264	-	
-	4,525	4,525	-	-	
484,233	(484,233)	-	-	-	
<u>\$ 75,126,799</u>	<u>\$ 787,766</u>	<u>\$ 75,914,565</u>	<u>\$ 40,857,077</u>	<u>\$ 126,687</u>	
\$ 2,920,948	\$ 158,168	\$ 3,079,116	\$ 31,972	\$ 2,060,658	
<u>166,827,487</u>	<u>87,622,285</u>	<u>254,449,772</u>	<u>33,543,557</u>	<u>77,299,084</u>	
<u>\$ 169,748,435</u>	<u>\$ 87,780,453</u>	<u>\$ 257,528,888</u>	<u>\$ 33,575,529</u>	<u>\$ 79,359,742</u>	

**CITY OF HARRISONBURG, VIRGINIA**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
**At June 30, 2011**

**Exhibit 3**

	<b>General Fund</b>	<b>Community Development Block Grant Fund</b>	<b>General Capital Projects Fund</b>	<b>Total Governmental Funds</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 22,384,619	\$ -	\$ 10,308,004	\$ 32,692,623
Receivables (net of allowance for uncollectibles)	37,091,742	216,940	1,923,684	39,232,366
Due from other funds	24,199	-	-	24,199
Inventory	81,804	-	-	81,804
Prepaid expenditures	283,090	531	-	283,621
Advance to other funds	315,392	-	-	315,392
Loans receivable	9,860,523	-	-	9,860,523
Restricted assets	284,297	-	4,399,140	4,683,437
<b>Total assets</b>	<b>\$ 70,325,666</b>	<b>\$ 217,471</b>	<b>\$ 16,630,828</b>	<b>\$ 87,173,965</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 1,257,083	\$ 84,011	\$ 1,939,360	\$ 3,280,454
Accrued payroll	963,763	3,245	-	967,008
Due to other funds	-	-	24,199	24,199
Due to component unit	96,720	-	-	96,720
Advance from other funds	-	129,684	-	129,684
Deferred revenue	42,574,889	6,955	1,473,648	44,055,492
Other liabilities	165,532	-	-	165,532
Liabilities payable from restricted assets	-	-	270,668	270,668
<b>Total liabilities</b>	<b>\$ 45,057,987</b>	<b>\$ 223,895</b>	<b>\$ 3,707,875</b>	<b>\$ 48,989,757</b>
<b>Fund Balances:</b>				
Nonspendable	\$ 1,055,286	\$ 531	\$ -	\$ 1,055,817
Restricted	464,466	-	4,128,472	4,592,938
Committed	860,879	-	8,794,481	9,655,360
Assigned	4,175,696	-	-	4,175,696
Unassigned	18,711,352	(6,955)	-	18,704,397
<b>Total fund balances</b>	<b>\$ 25,267,679</b>	<b>\$ (6,424)</b>	<b>\$ 12,922,953</b>	<b>\$ 38,184,208</b>
<b>Total liabilities and fund balances</b>	<b>\$ 70,325,666</b>	<b>\$ 217,471</b>	<b>\$ 16,630,828</b>	<b>\$ 87,173,965</b>

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, 2011**

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**Exhibit 4**

Total fund balance of governmental funds (Exhibit 3)	\$ 38,184,208
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.	12,140,188
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	252,510,570
Certain liabilities, including bonds and related accounts, are not payable from current financial resources and therefore are not reported in the funds.	(140,248,639)
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>7,162,108</u>
Net assets of governmental activities (Exhibit 1)	\$ <u><u>169,748,435</u></u>

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

CITY OF HARRISONBURG, VIRGINIA  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
For the Year Ended June 30, 2011

Exhibit 5

	General Fund	Community Development Block Grant Fund	General Capital Projects Fund	Total Governmental Funds
<b>Revenues:</b>				
General property taxes	\$ 31,525,525	\$ -	\$ -	\$ 31,525,525
Other local taxes	30,439,292	-	-	30,439,292
Permits, privilege fees and regulatory licenses	561,431	-	-	561,431
Fines and forfeitures	626,169	-	-	626,169
Use of money and property	170,725	-	17,359	188,084
Charges for services	1,377,980	-	-	1,377,980
Miscellaneous	4,087,693	-	72,296	4,159,989
Payments from component units	4,900,000	-	-	4,900,000
Intergovernmental	9,825,785	567,214	5,861,693	16,254,692
Total revenues	\$ 83,514,600	\$ 567,214	\$ 5,951,348	\$ 90,033,162
<b>Expenditures:</b>				
Current:				
General government administration	\$ 3,612,654	\$ -	\$ -	\$ 3,612,654
Jail and judicial administration	2,861,864	-	-	2,861,864
Public safety	17,180,648	-	-	17,180,648
Public works	7,324,180	-	-	7,324,180
Health and welfare	3,911,595	-	-	3,911,595
Education	22,992,077	-	-	22,992,077
Parks, recreation and cultural	4,685,460	-	-	4,685,460
Planning and community development	2,891,183	450,968	-	3,342,151
Debt service:				
Principal retirement	6,568,187	-	-	6,568,187
Interest and fiscal charges	5,846,542	-	-	5,846,542
Bond issue costs	77,341	-	-	77,341
Capital projects	-	-	12,888,316	12,888,316
Total expenditures	\$ 77,951,731	\$ 450,968	\$ 12,888,316	\$ 91,291,015
<b>Excess (deficiency) of revenues over (under) expenditures</b>	\$ 5,562,869	\$ 116,246	\$ (6,936,968)	\$ (1,257,853)
<b>Other financing sources (uses):</b>				
Long-term debt issued	\$ -	\$ -	\$ 9,515,000	\$ 9,515,000
Refunding debt issued	5,691,105	-	-	5,691,105
Premium on long-term debt issued	233,483	-	129,424	362,907
Payment to bond refunding escrow agent	(5,847,247)	-	-	(5,847,247)
Transfer in	2,249,585	-	641,360	2,890,945
Transfers out	(2,586,411)	(282)	(10,315)	(2,597,008)
Total other financing sources (uses)	\$ (259,485)	\$ (282)	\$ 10,275,469	\$ 10,015,702
<b>Net change in fund balances</b>	\$ 5,303,384	\$ 115,964	\$ 3,338,501	\$ 8,757,849
Fund balances at beginning of year	19,964,295	(122,388)	9,584,452	29,426,359
Fund balances at end of year	\$ 25,267,679	\$ (6,424)	\$ 12,922,953	\$ 38,184,208

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, 2011**

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**Exhibit 6**

Total net change in fund balances of governmental funds (Exhibit 5)	\$	8,757,849
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Amounts reported for governmental activities in the statement of activities (Exhibit 2)  
are different because:

Certain revenues reported in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds. This amount is the net change in these revenues.		869,852
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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.		(800,022)
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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.		(3,138,182)
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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.		(408,067)
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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.		393,505
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The transfer of capital assets 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.		(2,753,987)
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Change in net assets of governmental activities (Exhibit 2)	\$	<u>2,920,948</u>
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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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
General property taxes	\$ 31,616,560	\$ 31,616,560	\$ 31,525,525	\$ (91,035)
Other local taxes	30,511,500	30,511,500	30,439,292	(72,208)
Permits, privilege fees and regulatory licenses	437,565	437,565	561,431	123,866
Fines and forfeitures	563,000	563,000	626,169	63,169
Use of money and property	123,400	123,400	170,725	47,325
Charges for services	1,268,940	1,278,668	1,377,980	99,312
Miscellaneous	3,804,919	3,922,822	4,087,693	164,871
Payments from component units	4,900,000	4,900,000	4,900,000	-
Intergovernmental	9,021,264	9,413,798	9,825,785	411,987
Total revenues	<u>\$ 82,247,148</u>	<u>\$ 82,767,313</u>	<u>\$ 83,514,600</u>	<u>\$ 747,287</u>
<b>Expenditures:</b>				
Current:				
General government administration	\$ 4,121,249	\$ 4,012,891	\$ 3,612,654	\$ 400,237
Jail and judicial administration	2,818,344	2,939,344	2,861,864	77,480
Public safety	17,017,278	18,006,954	17,180,648	826,306
Public works	8,334,533	9,412,906	7,324,180	2,088,726
Health and welfare	3,641,175	3,911,595	3,911,595	-
Education	24,901,397	24,901,397	22,992,077	1,909,320
Parks, recreation and cultural	5,105,395	5,125,011	4,685,460	439,551
Planning and community development	3,067,141	3,231,810	2,891,183	340,627
Debt service:				
Principal retirement	6,881,459	6,821,459	6,568,187	253,272
Interest and fiscal charges	6,420,044	6,310,734	5,846,542	464,192
Bond issue costs	-	77,341	77,341	-
Total expenditures	<u>\$ 82,308,015</u>	<u>\$ 84,751,442</u>	<u>\$ 77,951,731</u>	<u>\$ 6,799,711</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>\$ (60,867)</u>	<u>\$ (1,984,129)</u>	<u>\$ 5,562,869</u>	<u>\$ 7,546,998</u>
<b>Other financing sources (uses):</b>				
Refunding debt issued	\$ -	\$ 5,691,105	\$ 5,691,105	\$ -
Premium on long-term debt issued	-	233,483	233,483	-
Payment to advanced refunding escrow	-	(5,847,247)	(5,847,247)	-
Transfers in	2,237,796	2,237,796	2,249,585	11,789
Transfers out	(2,540,651)	(2,586,411)	(2,586,411)	-
Total other financing sources (uses)	<u>\$ (302,855)</u>	<u>\$ (271,274)</u>	<u>\$ (259,485)</u>	<u>\$ 11,789</u>
<b>Net change in fund balance</b>	<u>\$ (363,722)</u>	<u>\$ (2,255,403)</u>	<u>\$ 5,303,384</u>	<u>\$ 7,558,787</u>
Fund balance at beginning of year			19,964,295	
Fund balance at end of year			<u>\$ 25,267,679</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, 2011

Exhibit 8

	Enterprise Funds					Internal Service Funds
	Water Fund	Sewer Fund	Public Transportation Fund	Sanitation Fund	Total	
<b>Assets</b>						
Current assets:						
Cash and cash equivalents	\$ 8,870,024	\$ 5,670,088	\$ 1,049,482	\$ 16,186,425	\$ 31,776,019	\$ 5,796,385
Receivables (net of allowance for uncollectibles)	622,465	813,133	13,419	550,763	1,999,780	4,388
Due from component unit	-	-	39,394	-	39,394	6,392
Due from other governments	-	-	150,691	-	150,691	-
Inventory	-	-	-	-	-	1,811,673
Prepaid expenses	11,860	14,038	44,250	33,783	103,931	11,711
Total current assets	\$ 9,504,349	\$ 6,497,259	\$ 1,297,236	\$ 16,770,971	\$ 34,069,815	\$ 7,630,549
Noncurrent assets:						
Capital assets (net of accumulated depreciation)	\$ 46,437,379	\$ 24,160,064	\$ 6,032,718	\$ 21,675,003	\$ 98,305,164	\$ 665,867
Other assets	133,128	-	-	263,349	396,477	-
Total noncurrent assets	\$ 46,570,507	\$ 24,160,064	\$ 6,032,718	\$ 21,938,352	\$ 98,701,641	\$ 665,867
<b>Total assets</b>	<b>\$ 56,074,856</b>	<b>\$ 30,657,323</b>	<b>\$ 7,329,954</b>	<b>\$ 38,709,323</b>	<b>\$ 132,771,456</b>	<b>\$ 8,296,416</b>
<b>Liabilities and Net Assets</b>						
Current liabilities:						
Accounts payable	\$ 230,417	\$ 71,319	\$ 132,948	\$ 155,893	\$ 590,577	\$ 913,454
Accrued payroll	80,504	55,098	224,351	103,385	463,338	35,422
Accrued interest	185,579	-	-	340,945	526,524	-
Due to component unit	6,202	4,098	1,788	72,509	84,597	956
Advance from other funds	-	-	-	-	-	185,708
Customer deposits	273,496	-	-	-	273,496	-
Unearned revenue	591,788	576,100	-	-	1,167,888	880,244
Other liabilities	62,604	-	-	-	62,604	-
Compensated absences	111,826	58,955	154,087	118,432	443,300	60,121
Landfill closure and postclosure	-	-	-	124,099	124,099	-
Current portion of bonds payable	334,728	-	-	1,592,003	1,926,731	-
Total current liabilities	\$ 1,877,144	\$ 765,570	\$ 513,174	\$ 2,507,266	\$ 5,663,154	\$ 2,075,905
Noncurrent liabilities:						
Compensated absences	\$ 162,724	\$ 90,634	\$ 113,065	\$ 194,122	\$ 560,545	\$ 42,757
Postretirement healthcare benefits	111,521	76,232	166,370	176,798	530,921	47,032
Landfill closure and postclosure	-	-	-	4,599,945	4,599,945	-
Bonds payable	11,401,414	-	-	21,203,638	32,605,052	-
Total noncurrent liabilities	\$ 11,675,659	\$ 166,866	\$ 279,435	\$ 26,174,503	\$ 38,296,463	\$ 89,789
<b>Total liabilities</b>	<b>\$ 13,552,803</b>	<b>\$ 932,436</b>	<b>\$ 792,609</b>	<b>\$ 28,681,769</b>	<b>\$ 43,959,617</b>	<b>\$ 2,165,694</b>
Net assets:						
Invested in capital assets (net of related debt)	\$ 34,701,237	\$ 24,160,064	\$ 6,032,718	\$ (1,120,638)	\$ 63,773,381	\$ 665,867
Unrestricted	7,820,816	5,564,823	504,627	11,148,192	25,038,458	5,464,855
<b>Total net assets</b>	<b>\$ 42,522,053</b>	<b>\$ 29,724,887</b>	<b>\$ 6,537,345</b>	<b>\$ 10,027,554</b>	<b>\$ 88,811,839</b>	<b>\$ 6,130,722</b>
<b>Total liabilities and net assets</b>	<b>\$ 56,074,856</b>	<b>\$ 30,657,323</b>	<b>\$ 7,329,954</b>	<b>\$ 38,709,323</b>		<b>\$ 8,296,416</b>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.					(1,031,386)	
Net assets of business-type activities (Exhibit 1)					\$ 87,780,453	

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

CITY OF HARRISONBURG, VIRGINIA  
**PROPRIETARY FUNDS**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
For the Year Ended June 30, 2011

Exhibit 9

	Enterprise Funds					Internal Service Funds
	Water Fund	Sewer Fund	Public Transportation Fund	Sanitation Fund	Total	
<b>Operating revenues:</b>						
Charges for services	\$ 5,693,319	\$ 8,045,758	\$ 3,573,754	\$ 9,746,254	\$ 27,059,085	\$ 15,668,669
Connection fees	100,610	1,359	-	-	101,969	-
Total operating revenues	\$ 5,793,929	\$ 8,047,117	\$ 3,573,754	\$ 9,746,254	\$ 27,161,054	\$ 15,668,669
<b>Operating expenses:</b>						
Personal services	\$ 1,384,670	\$ 878,615	\$ 2,589,985	\$ 1,959,036	\$ 6,812,306	\$ 647,163
Fringe benefits	484,605	360,011	899,593	836,144	2,580,353	234,725
Purchased services	249,178	74,884	152,332	1,616,774	2,093,168	555,452
Internal services	192,218	200,433	1,396,486	237,540	2,026,677	4,483
Other charges	438,006	127,850	295,877	1,321,967	2,183,700	709,283
Materials and supplies	256,305	82,979	88,936	344,379	772,599	51,366
Contributions to regional sewer authority	-	5,064,567	-	-	5,064,567	-
Landfill closure and postclosure	-	-	-	617,188	617,188	-
Depreciation and amortization	1,691,940	1,363,610	1,441,334	2,171,019	6,667,903	29,244
Cost of inventory issued	-	-	-	-	-	2,843,153
Claims related charges	-	-	-	-	-	10,519,326
Total operating expenses	\$ 4,696,922	\$ 8,152,949	\$ 6,864,543	\$ 9,104,047	\$ 28,818,461	\$ 15,594,195
<b>Operating income (loss)</b>	\$ 1,097,007	\$ (105,832)	\$ (3,290,789)	\$ 642,207	\$ (1,657,407)	\$ 74,474
<b>Nonoperating revenues (expenses):</b>						
Intergovernmental revenue	\$ -	\$ -	\$ 1,353,559	\$ -	\$ 1,353,559	\$ -
Connection application fees	240,890	403,141	-	-	644,031	-
Miscellaneous revenue	30,163	212	47,575	8,047	85,997	1,299
Reimbursement of bond payment	-	-	-	597,831	597,831	-
Investment revenue	16,884	9,559	596	25,407	52,446	7,898
Interest expense	(269,892)	-	-	(889,233)	(1,159,125)	-
Gain on disposal of capital assets	-	-	2,025	2,500	4,525	-
Total nonoperating revenues (expenses)	\$ 18,045	\$ 412,912	\$ 1,403,755	\$ (255,448)	\$ 1,579,264	\$ 9,197
<b>Income (loss) before contributions and transfers</b>	\$ 1,115,052	\$ 307,080	\$ (1,887,034)	\$ 386,759	\$ (78,143)	\$ 83,671
Capital contributions	341,181	329,490	59,390	110,021	840,082	-
Transfers in	-	-	982,145	888,590	1,870,735	190,296
Transfers out	(1,293,556)	(1,061,412)	-	-	(2,354,968)	-
<b>Change in net assets</b>	\$ 162,677	\$ (424,842)	\$ (845,499)	\$ 1,385,370	\$ 277,706	\$ 273,967
Net assets at beginning of year	42,359,376	30,149,729	7,382,844	8,642,184		5,856,755
Net assets at end of year	\$ 42,522,053	\$ 29,724,887	\$ 6,537,345	\$ 10,027,554		\$ 6,130,722
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.					(119,538)	
Change in net assets of business-type activities (Exhibit 2)					\$ 158,168	

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, 2011

Exhibit 10  
 Page 1

	Enterprise Funds					Internal Service Funds
	Water Fund	Sewer Fund	Public Transportation Fund	Sanitation Fund	Total	
<b>Cash flows from operating activities:</b>						
Receipts from customers	\$ 5,738,666	\$ 8,076,236	\$ 3,527,058	\$ 9,730,894	\$ 27,072,854	\$ 3,643,919
Receipts from premiums	-	-	-	-	-	12,904,134
Receipts from other sources	25,163	-	51,418	8,047	84,628	1,299
Receipts from customer deposits	145,725	-	-	-	145,725	-
Payments to employees	(1,362,837)	(910,715)	(2,592,354)	(1,992,317)	(6,858,223)	(637,114)
Payments for fringe benefits	(457,687)	(351,468)	(869,095)	(800,535)	(2,478,785)	(225,193)
Payments to vendors	(969,580)	(290,137)	(528,170)	(3,401,364)	(5,189,251)	(4,158,326)
Payments for internal services	(192,218)	(200,433)	(1,381,230)	(237,540)	(2,011,421)	(4,483)
Payments to other governmental units	-	(5,064,567)	-	-	(5,064,567)	-
Payments to refund customer deposits	(148,722)	-	-	-	(148,722)	-
Payments for claims related charges	-	-	-	-	-	(10,401,521)
Net cash provided by (used for) operating activities	\$ 2,778,510	\$ 1,258,916	\$ (1,792,373)	\$ 3,307,185	\$ 5,552,238	\$ 1,122,715
<b>Cash flows from noncapital financing activities:</b>						
Operating grants	\$ -	\$ -	\$ 1,291,182	\$ -	\$ 1,291,182	\$ -
Transfers in	-	-	982,145	888,590	1,870,735	190,296
Transfers out	(1,293,556)	(1,061,412)	-	-	(2,354,968)	-
Interfund loan	-	-	-	-	-	28,542
Net cash provided by (used for) noncapital financing activities	\$ (1,293,556)	\$ (1,061,412)	\$ 2,273,327	\$ 888,590	\$ 806,949	\$ 218,838
<b>Cash flows from capital and related financing activities:</b>						
Capital grants	\$ 84,894	\$ -	\$ 5,917	\$ -	\$ 90,811	\$ -
Capital contributions	-	-	33,971	110,021	143,992	-
Connection application fees	348,338	635,750	-	-	984,088	-
Payment from JMU for long-term debt	-	-	-	602,147	602,147	-
Proceeds from sale of capital assets	-	-	2,025	2,500	4,525	-
Proceeds from long-term debt	9,850,170	-	-	19,632,270	29,482,440	-
Bond issue costs paid	(130,054)	-	-	(251,327)	(381,381)	-
Principal paid on long-term debt	(302,518)	-	-	(1,485,000)	(1,787,518)	-
Interest paid on long-term debt	(443,775)	-	-	(905,245)	(1,349,020)	-
Payment to bond refunding escrow agent	(9,635,223)	-	-	(19,380,943)	(29,016,166)	-
Purchase and construction of capital assets	(3,215,229)	(281,235)	(129,010)	(508,565)	(4,134,039)	-
Net cash provided by (used for) capital and related financing activities	\$ (3,443,397)	\$ 354,515	\$ (87,097)	\$ (2,184,142)	\$ (5,360,121)	\$ -
<b>Cash flows from investing activities:</b>						
Interest received	\$ 16,912	\$ 9,571	\$ 597	\$ 25,440	\$ 52,520	\$ 7,905
Net cash provided by investing activities	\$ 16,912	\$ 9,571	\$ 597	\$ 25,440	\$ 52,520	\$ 7,905
<b>Net increase (decrease) in cash and cash equivalents</b>	\$ (1,941,531)	\$ 561,590	\$ 394,454	\$ 2,037,073	\$ 1,051,586	\$ 1,349,458
<b>Cash and cash equivalents:</b>						
Beginning	10,811,555	5,108,498	655,028	14,149,352	30,724,433	4,446,927
Ending	\$ 8,870,024	\$ 5,670,088	\$ 1,049,482	\$ 16,186,425	\$ 31,776,019	\$ 5,796,385

(continued)

CITY OF HARRISONBURG, VIRGINIA  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 For the Year Ended June 30, 2011

Exhibit 10  
 Page 2

	Enterprise Funds					Internal Service Funds
	Water Fund	Sewer Fund	Public Transportation Fund	Sanitation Fund	Total	
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:						
Operating income (loss)	\$ 1,097,007	\$ (105,832)	\$ (3,290,789)	\$ 642,207	\$ (1,657,407)	\$ 74,474
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Depreciation and amortization	1,691,940	1,363,610	1,441,334	2,171,019	6,667,903	29,244
Connection fees	(100,610)	(1,359)	-	-	(101,969)	-
Miscellaneous revenue	25,163	-	51,418	8,047	84,628	1,299
Change in assets and liabilities:						
(Increase) decrease in:						
Accounts receivable	22,116	30,477	7,954	(14,856)	45,691	682
Due from component unit	-	-	(39,394)	-	(39,394)	(1,540)
Inventory	-	-	-	-	-	(2,631)
Prepaid expenses	(6,995)	(11,065)	(25,770)	(19,254)	(63,084)	(6,588)
Increase (decrease) in:						
Accounts payable	(31,595)	(8,158)	7,968	(14,653)	(46,438)	121,488
Accrued payroll	8,895	171	(14,490)	(281)	(5,705)	3,505
Due to component unit	657	2,563	293	16,376	19,889	352
Customer deposits	(2,997)	-	-	-	(2,997)	-
Unearned revenue	-	-	-	-	-	880,244
Other liabilities	23,231	-	-	-	23,231	-
Compensated absences	14,842	(34,536)	12,445	(35,124)	(42,373)	7,434
Postretirement healthcare benefits	36,856	23,045	56,658	58,572	175,131	14,752
Landfill closure and postclosure	-	-	-	495,132	495,132	-
Net cash provided by (used for) operating activities	\$ 2,778,510	\$ 1,258,916	\$ (1,792,373)	\$ 3,307,185	\$ 5,552,238	\$ 1,122,715
Non - cash capital and related financing activities:						
Additions to capital assets:						
Contributed by developers	\$ 325,700	\$ 329,490	\$ -	\$ -	\$ 655,190	\$ -
Purchase and construction on account	172,515	65,182	108,490	5,183	351,370	-
Capitalized interest	184,018	-	-	-	184,018	-

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, 2011

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Exhibit 11

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 2,994,316
Receivables	368,235
Prepaid items	<u>61,920</u>
<b>Total assets</b>	<b>\$ <u>3,424,471</u></b>
<b>Liabilities</b>	
Accounts payable	\$ 79,411
Accrued payroll	83,920
Amounts held for others	<u>3,261,140</u>
<b>Total liabilities</b>	<b>\$ <u>3,424,471</u></b>

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 26<sup>th</sup> 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 net assets are available for use, it is the City's policy to use restricted net assets first, and then unrestricted net assets 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 for 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 Fund, an internal service fund, 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 final budget as of June 30, 2011.

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 \$8,336,434. 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 encumber 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 either commitments or assignments of fund balance since they do not constitute expenditures or liabilities but rather the City's intent to expend funds. Encumbered amounts are generally reappropriated by City Council in the next fiscal year.

### **E. Assets, Liabilities and Net Assets 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, 2011. 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, 2011 amounted to \$912,746.

**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 using the consumption method.

**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 2011 in the Water Fund was \$184,018.

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
James Madison University land and steam agreement	25 years
Rockingham County landfill agreement:	
Landfill cell construction costs	Capacity usage of landfill cell
Other landfill capital costs	5 years

**8. School Board Capital Assets.** Under current legislation enacted by the Commonwealth of Virginia, local governments have a "tenancy in common" with the School Board whenever the locality incurs "on-behalf" debt for school property. In order to match the capital asset with the related debt, the legislation permits the City to report the portion of the school property related to the outstanding financial obligation in the primary government. As principal is repaid, capital assets equal to the amount of principal debt reduction will be removed from the primary government's financial statements and reported in the School Board's financial statements. The School Board retains authority and responsibility over the operation and control of the property. The City transferred \$2,753,987 in net capital assets to the School Board during the current year on the government-wide statement of activities.



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

**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 balance.** In the fund financial statements, the City may report certain fund balance amounts as non-spendable, restricted, committed, assigned or unassigned. *Nonspendable fund balance* consists of amounts that cannot be spent because they are either not in spendable form such as inventories or prepaid items or amounts that are legally or contractually required to be maintained intact. *Restricted fund balance* is a constraint on fund balance that is externally imposed such as by creditors or grantors or imposed by law or enabling legislation for a specific purpose. *Committed fund balance* is a constraint imposed by formal action of City Council, as the highest level of decision making authority, for a specific purpose and may only be modified or rescinded by formal action of City Council. *Assigned fund balance* is a constraint imposed at a lower level of decision making authority for a specific purpose and only reflects the City's intent to expend funds for a specific purpose. Assigned fund balance also includes encumbrances reappropriated in the subsequent fiscal year by City Council and amounts used to balance the subsequent year's budget. There has been no formal policy established for any official to assign fund balance for specific purposes. *Unassigned fund balance* consists of amounts not assigned to other funds and that has not been restricted, committed or assigned for specific purposes within the same fund.

The City considers restricted fund balance to be spent first when an expenditure is incurred for purposes for which both restricted and unrestricted amounts are available. When unrestricted amounts are available for use, the City will first use committed, then assigned and finally unassigned fund balance when an expenditure is incurred.

The City's formally adopted General Fund minimum fund balance policy requires unassigned fund balance to be equal to no less than 10 percent of the total General Fund budget plus an additional four percent for liquidity purposes resulting in a total of 14 percent of the General Fund budget.

**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	\$ (129,885,635)
Bond issue premiums/discounts (net)	(387,469)
Deferred charge for bond issue costs	791,395
Deferred charge for bond refunding	1,341,644
Capital leases	(5,751,958)
Compensated absences (not including internal service funds)	(2,693,858)
Postretirement healthcare benefits (not including internal service funds)	(1,222,814)
Accrued interest	<u>(2,439,944)</u>
Net adjustment	\$ <u>(140,248,639)</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	\$ 7,457,018
Depreciation expense (not including internal service funds)	<u>(8,257,040)</u>
Net adjustment	\$ <u>(800,022)</u>

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

Debt issued	\$ (15,206,105)
Deferred charge for bond issue costs on debt issued	179,451
Deferred charge for bond issue premiums on debt issued	(362,907)
Payment to bond refunding escrow agent	5,847,247
Principal payments	6,568,187
Amortization of bond premiums/discounts (net)	23,137
Amortization of bond issue costs	(42,735)
Amortization of deferred bond refunding charges	(110,765)
Interest expense included in bond refunding	<u>(33,692)</u>
Net adjustment	\$ <u>(3,138,182)</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)	\$ 49,223
Postretirement healthcare benefits (not including internal service funds)	(412,181)
Accrued interest	<u>(45,109)</u>
Net adjustment	\$ <u>(408,067)</u>

**Note 3. Deposits and Investments**

**Deposits.** The entire bank balances of the City and its component units were covered by the Federal Depository Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (Act). Under the Act, banks and savings institutions holding public deposits in excess of the amounts insured by FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial institutions may choose between two collateralization methodologies, and depending upon that choice, will pledge collateral that ranges in amounts from 50 percent to 130 percent of excess deposits. Accordingly, all deposits are considered insured or fully collateralized. 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 financial 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, 2011, 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, 2011, 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, 2011.

	Primary Government	Component Units		Total
		School Board	HEC	
Investments:				
Local Government Investment Pool (LGIP)	\$ 67,143,281	\$ 8,392,292	\$ 413,181	\$ 75,948,754
State Non-Arbitrage Pool (SNAP)	4,399,140	-	-	4,399,140
U.S. Government Money Market Fund	6,348,365	788,634	-	7,136,999
U.S. Treasury Money Market Fund	284,297	-	-	284,297
Certificates of Deposit	-	-	5,500,000	5,500,000
Money Market Account	-	-	6,000,000	6,000,000
Deposits	<u>(1,182,885)</u>	<u>(289,155)</u>	<u>4,641,040</u>	<u>3,169,000</u>
Total deposits and investments	\$ <u>76,992,198</u>	\$ <u>8,891,771</u>	\$ <u>16,554,221</u>	\$ <u>102,438,190</u>

#### Note 4. Receivables

The following is a summary of receivables at June 30, 2011.

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	HEC
Property taxes receivable	\$ 33,910,113	\$ -	\$ 33,910,113	\$ -	\$ -
Other taxes receivable	1,341,526	-	1,341,526	-	-
Accounts receivable	4,384	2,049,772	2,054,156	-	6,022,499
Interest receivable	61	29	90	-	-
Other receivables	307,308	36,712	344,020	210,945	-
Due from other governments:					
Commonwealth of Virginia	2,587,568	23,744	2,611,312	971,041	-
Federal Government	1,998,540	126,947	2,125,487	451,251	-
Allowance for uncollectibles	(912,746)	(86,733)	(999,479)	-	-
Total	\$ 39,236,754	\$ 2,150,471	\$ 41,387,225	\$ 1,633,237	\$ 6,022,499

#### Note 5. Restricted Assets

The following is a summary of restricted assets at June 30, 2011.

	Governmental Activities
Cash and cash equivalents:	
Bond construction account	\$ 4,399,140
Bond debt service reserve account	284,297
Total	\$ 4,683,437

#### Note 6. Loans Receivable

The following is a summary of loans receivable in the General Fund at June 30, 2011.

Borrowing Entity	Loan Date	Term (in years)	Interest Rate	Balance	Current Portion
Harrisonburg Redevelopment and Housing Authority	June 23, 2009	20	4.45%	\$ 6,232,469	\$ 213,556
Harrisonburg Redevelopment and Housing Authority	October 24, 2006	26.5	4.21%	3,249,750	92,050
Virginia Technology Incubator, LLC	August 1, 2006	5	7.50%	3,304	3,304
Massanutten Regional Library	May 15, 2000	n/a	0.0%	375,000	-
Total				\$ 9,860,523	\$ 308,910

## Note 7. Capital Assets

### Primary Government

The following is a summary of the changes in capital assets of the governmental activities for fiscal year 2011.

	Balance June 30, 2010	Additions	Reductions	Balance June 30, 2011
Capital assets, not being depreciated:				
Land	\$ 45,255,569	\$ 301,493	\$ -	\$ 45,557,062
Easements	899,066	-	-	899,066
Construction in progress	17,668,473	6,052,468	(9,364,912)	14,356,029
Capital assets, not being depreciated	<u>\$ 63,823,108</u>	<u>\$ 6,353,961</u>	<u>\$ (9,364,912)</u>	<u>\$ 60,812,157</u>
Capital assets, being depreciated:				
Buildings	\$ 118,382,996	\$ 1,721,615	\$ (3,267,500)	\$ 116,837,111
Improvements other than buildings	10,497,713	1,570,188	-	12,067,901
Machinery and equipment	25,182,485	879,120	(141,022)	25,920,583
Intangibles	-	130,000	-	130,000
Infrastructure	126,934,477	7,649,540	-	134,584,017
Capital assets, being depreciated	<u>\$ 280,997,671</u>	<u>\$ 11,950,463</u>	<u>\$ (3,408,522)</u>	<u>\$ 289,539,612</u>
Less accumulated depreciation:				
Buildings	\$ (20,424,780)	\$ (2,862,443)	\$ 513,513	\$ (22,773,710)
Improvements other than buildings	(2,987,733)	(451,115)	-	(3,438,848)
Machinery and equipment	(10,604,918)	(1,541,119)	141,022	(12,005,015)
Intangibles	-	-	-	-
Infrastructure	(55,526,152)	(3,431,607)	-	(58,957,759)
Accumulated depreciation	<u>\$ (89,543,583)</u>	<u>\$ (8,286,284)</u>	<u>\$ 654,535</u>	<u>\$ (97,175,332)</u>
Capital assets, being depreciated (net)	<u>\$ 191,454,088</u>	<u>\$ 3,664,179</u>	<u>\$ (2,753,987)</u>	<u>\$ 192,364,280</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 (\$4,660,103 in accumulated depreciation) and machinery and equipment in the amount of \$5,939,144 (\$767,117 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	\$ 12,733
Jail and judicial administration	296,961
Public safety	1,313,372
Public works	3,899,483
Health and welfare	21,865
Education	1,895,149
Parks, recreation and culture	703,729
Planning and community development	113,748
Internal service funds (allocated to various functions)	<u>29,244</u>
Total governmental activities depreciation expense	<u>\$ 8,286,284</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 2011.

	Balance June 30, 2010	Additions	Reductions	Balance June 30, 2011
Capital assets, not being depreciated:				
Land	\$ 945,095	\$ -	\$ -	\$ 945,095
Easements	315,297	17,890	-	333,187
Construction in progress	11,266,405	3,664,763	(5,746,013)	9,185,155
Capital assets, not being depreciated	<u>\$ 12,526,797</u>	<u>\$ 3,682,653</u>	<u>\$ (5,746,013)</u>	<u>\$ 10,463,437</u>
Capital assets, being depreciated:				
Buildings	\$ 13,494,479	\$ -	\$ (7,000)	\$ 13,487,479
Improvements other than buildings	15,309,734	3,298,266	-	18,608,000
Machinery and equipment	50,114,388	502,901	(416,064)	50,201,225
Intangibles:				
JMU land and steam agreement	2,041,898	-	-	2,041,898
Rockingham County landfill agreement	3,488,054	77,417	(156,254)	3,409,217
Infrastructure	71,800,512	3,163,612	(32,375)	74,931,749
Capital assets, being depreciated	<u>\$ 156,249,065</u>	<u>\$ 7,042,196</u>	<u>\$ (611,693)</u>	<u>\$ 162,679,568</u>
Less accumulated depreciation:				
Buildings	\$ (3,973,551)	\$ (315,638)	\$ 7,000	\$ (4,282,189)
Improvements other than buildings	(5,804,783)	(380,078)	-	(6,184,861)
Machinery and equipment	(24,529,963)	(3,272,939)	416,064	(27,386,838)
Intangibles:				
JMU land and steam agreement	(1,749,907)	(26,544)	-	(1,776,451)
Rockingham County landfill agreement	(1,045,946)	(404,619)	156,254	(1,294,311)
Infrastructure	(31,680,185)	(2,265,381)	32,375	(33,913,191)
Accumulated depreciation	<u>\$ (68,784,335)</u>	<u>\$ (6,665,199)</u>	<u>\$ 611,693</u>	<u>\$ (74,837,841)</u>
Capital assets, being depreciated (net)	<u>\$ 87,464,730</u>	<u>\$ 376,997</u>	<u>\$ -</u>	<u>\$ 87,841,727</u>

The above total for additions to accumulated depreciation does not agree with the total depreciation by function/programs of business-type activities shown below by \$24,700. This difference represents accumulated depreciation on capital assets transferred from governmental activities.

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

Water	\$ 1,685,870
Sewer	1,363,610
Public transportation	1,441,334
Sanitation	<u>2,146,985</u>
Total business-type activities depreciation expense	<u>\$ 6,637,799</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 2011.

**Component Unit – School Board:**

	Balance June 30, 2010	Additions	Reductions	Balance June 30, 2011
Capital assets, not being depreciated:				
Land	\$ 5,611,429	\$ -	\$ -	\$ 5,611,429
Capital assets, not being depreciated	<u>\$ 5,611,429</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,611,429</u>
Capital assets, being depreciated:				
Buildings	\$ 33,677,426	\$ 3,267,500	\$ -	\$ 36,944,926
Improvements other than buildings	95,168	175,935	-	271,103
Machinery and equipment	4,638,603	-	-	4,638,603
Capital assets, being depreciated	<u>\$ 38,411,197</u>	<u>\$ 3,443,435</u>	<u>\$ -</u>	<u>\$ 41,854,632</u>
Less accumulated depreciation:				
Buildings	\$ (14,195,149)	\$ (1,398,690)	\$ -	\$ (15,593,839)
Improvements other than buildings	(18,213)	(4,758)	-	(22,971)
Machinery and equipment	(2,148,883)	(326,424)	-	(2,475,307)
Accumulated depreciation	<u>\$ (16,362,245)</u>	<u>\$ (1,729,872)</u>	<u>\$ -</u>	<u>\$ (18,092,117)</u>
Capital assets, being depreciated (net)	<u>\$ 22,048,952</u>	<u>\$ 1,713,563</u>	<u>\$ -</u>	<u>\$ 23,762,515</u>

**Component Unit – HEC:**

	Balance June 30, 2010	Additions	Reductions	Balance June 30, 2011
Capital assets, not being depreciated:				
Land	\$ 2,098,537	\$ 840,519	\$ -	\$ 2,939,056
Construction in progress	4,258,142	3,071,898	(5,913,451)	1,416,589
Capital assets, not being depreciated	<u>\$ 6,356,679</u>	<u>\$ 3,912,417</u>	<u>\$ (5,913,451)</u>	<u>\$ 4,355,645</u>
Capital assets, being depreciated:				
Buildings	\$ 2,723,674	\$ 56,658	\$ -	\$ 2,780,332
Machinery and equipment	5,651,258	457,781	(97,776)	6,011,263
Infrastructure	100,690,520	5,429,959	(384,852)	105,735,627
Capital assets, being depreciated	<u>\$ 109,065,452</u>	<u>\$ 5,944,398</u>	<u>\$ (482,628)</u>	<u>\$ 114,527,222</u>
Less accumulated depreciation:				
Buildings	\$ (1,633,211)	\$ (72,717)	\$ -	\$ (1,705,928)
Machinery and equipment	(5,433,847)	(304,780)	97,776	(5,640,851)
Infrastructure	(46,795,916)	(3,409,649)	384,852	(49,820,713)
Accumulated depreciation	<u>\$ (53,862,974)</u>	<u>\$ (3,787,146)</u>	<u>\$ 482,628</u>	<u>\$ (57,167,492)</u>
Capital assets, being depreciated (net)	<u>\$ 55,202,478</u>	<u>\$ 2,157,252</u>	<u>\$ -</u>	<u>\$ 57,359,730</u>

**Note 7. Capital Assets (continued)**

The beginning balance of HEC's infrastructure assets have been increased by \$7.5 million with a corresponding increase in infrastructure accumulated depreciation of approximately \$813,000. Machinery and equipment accumulated depreciation has decreased by \$2.45 million. See Note 31 for further details.

**Note 8. Interfund Balances**

The General Fund has an advance to other funds in the amount \$315,392. This amount is comprised of loans to the Community Development Block Grant Fund and Central Stores Fund in the amounts of \$129,684 and \$185,708, 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, 2011.

Transfer in	Transfer out					Total
	General Fund	Community Development Block Grant Fund	General Capital Projects Fund	Water Fund	Sewer Funds	
General Fund	\$ -	\$ 282	\$ 10,315	\$ 1,187,452	\$ 1,051,536	\$ 2,249,585
General Capital Projects Fund	641,360	-	-	-	-	641,360
Public Transportation Fund	982,145	-	-	-	-	982,145
Sanitation Fund	888,590	-	-	-	-	888,590
Internal Service Funds	74,316	-	-	106,104	9,876	190,296
Total	<u>\$ 2,586,411</u>	<u>\$ 282</u>	<u>\$ 10,315</u>	<u>\$ 1,293,556</u>	<u>\$ 1,061,412</u>	<u>\$ 4,951,976</u>

**Note 10. Unearned Revenue/Deferred Revenue**

The following is a summary of unearned and deferred revenue at June 30, 2011.

	Governmental Activities				Total
	General Fund	Community Development Block Grant Fund	General Capital Projects Fund	Internal Service Funds	
Property taxes billed in fiscal year 2012	\$ 31,808,604	\$ -	\$ -	\$ -	\$ 31,808,604
Advance collection of parking leases	64,410	-	-	-	64,410
Golf course season passes	42,290	-	-	-	42,290
Health insurance premiums	-	-	-	880,244	880,244
Total unearned revenue	<u>\$ 31,915,304</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 880,244</u>	<u>\$ 32,795,548</u>
Total unearned revenue	\$ 31,915,304	\$ -	\$ -	\$ 880,244	\$ 32,795,548
Uncollected property tax billings	880,856	-	-	-	880,856
Other local taxes	73,814	-	-	-	73,814
Reimbursement from Housing Authority	172,628	-	-	-	172,628
Intergovernmental	46,764	6,955	1,473,648	-	1,527,367
Loans receivable	9,485,523	-	-	-	9,485,523
Total deferred revenue	<u>\$ 42,574,889</u>	<u>\$ 6,955</u>	<u>\$ 1,473,648</u>	<u>\$ 880,244</u>	<u>\$ 44,935,736</u>



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

Unearned revenue for business-type activities in the amount of \$1,167,888 represents connection application fees for which the services had not been provided as of year-end. This amount is comprised of \$591,788 in the Water Fund and \$576,100 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, 2011.

Year Ending June 30,	General Obligation Bonds		Capital Leases		Total Governmental Activities	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 6,287,119	\$ 5,500,072	\$ 924,073	\$ 237,058	\$ 7,211,192	\$ 5,737,130
2013	6,142,333	5,223,762	966,354	194,347	7,108,687	5,418,109
2014	5,883,687	4,970,178	1,010,142	149,370	6,893,829	5,119,548
2015	5,886,008	4,731,421	490,060	102,469	6,376,068	4,833,890
2016	6,131,745	4,476,291	510,329	81,652	6,642,074	4,557,943
2017-2021	31,743,024	18,360,376	1,851,000	142,447	33,594,024	18,502,823
2022-2026	35,617,471	11,144,858	-	-	35,617,471	11,144,858
2027-2031	25,419,248	4,127,781	-	-	25,419,248	4,127,781
2032-2035	6,775,000	446,125	-	-	6,775,000	446,125
Total	<u>\$ 129,885,635</u>	<u>\$ 58,980,864</u>	<u>\$ 5,751,958</u>	<u>\$ 907,343</u>	<u>\$ 135,637,593</u>	<u>\$ 59,888,207</u>

The following is a summary of the debt service requirements for the long-term liabilities of the business-type activities as of June 30, 2011.

Year Ending June 30,	General Obligation Bonds		General Obligation Revenue Bonds		Total Business-type Activities	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 1,804,267	\$ 1,142,145	\$ 230,000	\$ 15,975	\$ 2,034,267	\$ 1,158,120
2013	1,861,349	1,072,738	240,000	5,400	2,101,349	1,078,138
2014	2,433,473	1,008,046	-	-	2,433,473	1,008,046
2015	2,504,529	940,157	-	-	2,504,529	940,157
2016	2,566,379	868,658	-	-	2,566,379	868,658
2017-2021	10,355,242	3,257,392	-	-	10,355,242	3,257,392
2022-2026	8,735,753	1,506,260	-	-	8,735,753	1,506,260
2027-2031	3,169,085	636,103	-	-	3,169,085	636,103
2032-2036	1,989,333	110,000	-	-	1,989,333	110,000
2037-2040	151,467	-	-	-	151,467	-
Total	<u>\$ 35,570,877</u>	<u>\$ 10,541,499</u>	<u>\$ 470,000</u>	<u>\$ 21,375</u>	<u>\$ 36,040,877</u>	<u>\$ 10,562,874</u>

## 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 2011.

	Balance June 30, 2010	Additions	Reductions	Balance June 30, 2011	Due Within One Year
Bonds payable:					
General obligation bonds	\$ 125,899,271	\$ 15,206,105	\$ (11,219,741)	\$ 129,885,635	\$ 6,287,119
Bond premiums/discounts (net)	47,377	362,907	(22,815)	387,469	24,944
Deferred bond refunding charges	(1,093,778)	(358,631)	110,765	(1,341,644)	(112,471)
Total bonds payable	\$ 124,852,870	\$ 15,210,381	\$ (11,131,791)	\$ 128,931,460	\$ 6,199,592
Capital leases	6,635,404	-	(883,446)	5,751,958	924,073
Compensated absences	2,838,524	1,457,866	(1,499,654)	2,796,736	1,298,349
Postretirement healthcare benefits	842,913	684,399	(257,466)	1,269,846	-
Governmental activities long-term debt	\$ 135,169,711	\$ 17,352,646	\$ (13,772,357)	\$ 138,750,000	\$ 8,422,014

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, 2011, \$102,878 and \$47,032 of compensated absences and postretirement healthcare benefits, respectively, 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 2011.

	Balance June 30, 2010	Additions	Reductions	Balance June 30, 2011	Due Within One Year
Bonds payable:					
General obligation bonds	\$ 26,679,606	\$ 28,148,789	\$ (19,257,518)	\$ 35,570,877	\$ 1,804,267
General obligation revenue bonds	9,465,000	-	(8,995,000)	470,000	230,000
Bond premiums/discounts (net)	(68,254)	1,333,651	16,408	1,281,805	96,640
Deferred bond refunding charges	(155,978)	(2,819,227)	184,306	(2,790,899)	(204,176)
Total bonds payable	\$ 35,920,374	\$ 26,663,213	\$ (28,051,804)	\$ 34,531,783	\$ 1,926,731
Compensated absences	1,046,219	468,026	(510,400)	1,003,845	443,300
Postretirement healthcare benefits	355,790	280,744	(105,613)	530,921	-
Landfill closure and postclosure	4,228,912	617,188	(122,056)	4,724,044	124,099
Business-type activities long-term debt	\$ 41,551,295	\$ 28,029,171	\$ (28,789,873)	\$ 40,790,593	\$ 2,494,130

The following is the detail for the long-term liabilities of the governmental activities as of June 30, 2011.

### General Obligation Bonds:

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

Bonds bearing interest at 5.85% maturing on December 15, 2011	\$ 380,000
Bonds bearing interest at 5.85% maturing on December 15, 2012	305,000
Subtotal	\$ 685,000

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

## General Obligation Bonds (continued):

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

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

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

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>\$ 655,000</u>

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

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>\$ 900,000</u>

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

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>\$ 2,550,000</u>

**Note 11. Long-term Liabilities (continued)****General Obligation Bonds (continued):**

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

Bonds bearing interest at 4.100% maturing on July 15, 2011	\$ 1,400,000
Bonds bearing interest at 5.100% maturing on July 15, 2012	1,465,000
Bonds bearing interest at 5.100% maturing on July 15, 2013	1,540,000
Bonds bearing interest at 4.600% maturing on July 15, 2014	1,620,000
Bonds bearing interest at 4.850% maturing on July 15, 2015	1,695,000
Bonds bearing interest at 4.850% maturing on July 15, 2016	1,780,000
Bonds bearing interest at 4.850% maturing on July 15, 2017	1,870,000
Bonds bearing interest at 4.850% maturing on July 15, 2018	1,960,000
Bonds bearing interest at 4.975% maturing on July 15, 2019	2,060,000
Bonds bearing interest at 5.100% maturing on July 15, 2020	2,165,000
Bonds bearing interest at 5.100% maturing on July 15, 2021	2,280,000
Bonds bearing interest at 5.100% maturing on July 15, 2022	2,400,000
Bonds bearing interest at 5.100% maturing on July 15, 2023	2,525,000
Bonds bearing interest at 5.100% maturing on July 15, 2024	2,660,000
Bonds bearing interest at 5.100% maturing on July 15, 2025	2,795,000
Bonds bearing interest at 5.100% maturing on July 15, 2026	<u>2,945,000</u>
Subtotal	\$ <u>33,160,000</u>

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

Bonds bearing interest at 4.250% maturing on July 15, 2011	\$ 395,000
Bonds bearing interest at 4.375% maturing on July 15, 2012	<u>410,000</u>
Subtotal	\$ <u>805,000</u>

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

Bonds bearing interest at 3.17% maturing on July 15, 2011	\$ 518,400
Bonds bearing interest at 3.17% maturing on July 15, 2012	532,900
Bonds bearing interest at 3.17% maturing on July 15, 2013	551,200
Bonds bearing interest at 3.17% maturing on July 15, 2014	568,000
Bonds bearing interest at 3.17% maturing on July 15, 2015	588,600
Bonds bearing interest at 3.17% maturing on July 15, 2016	<u>607,400</u>
Subtotal	\$ <u>3,366,500</u>

**Note 11. Long-term Liabilities (continued)****General Obligation Bonds (continued):**

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

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	\$ 5,889,879

\$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, 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	\$ 46,425,000

**Note 11. Long-term Liabilities (continued)****General Obligation Bonds (continued):**

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

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	\$ 1,040,000

\$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, 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
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Subtotal	\$ 13,053,151

**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, 2012	\$ 157,000
Bonds bearing interest at 4.45% maturing on February 1, 2013	167,000
Bonds bearing interest at 4.45% maturing on February 1, 2014	183,000
Bonds bearing interest at 4.45% maturing on February 1, 2015	198,000
Bonds bearing interest at 4.45% maturing on February 1, 2016	212,000
Bonds bearing interest at 4.45% maturing on February 1, 2017	227,000
Bonds bearing interest at 4.45% maturing on February 1, 2018	246,000
Bonds bearing interest at 4.45% maturing on February 1, 2019	264,000
Bonds bearing interest at 4.45% maturing on February 1, 2020	283,000
Bonds bearing interest at 4.45% maturing on February 1, 2021	301,000
Bonds bearing interest at 4.45% maturing on February 1, 2022	318,000
Bonds bearing interest at 4.45% maturing on February 1, 2023	340,000
Bonds bearing interest at 4.45% maturing on February 1, 2024	361,000
Bonds bearing interest at 4.45% maturing on February 1, 2025	387,000
Bonds bearing interest at 4.45% maturing on February 1, 2026	412,000
Bonds bearing interest at 4.45% maturing on February 1, 2027	436,000
Bonds bearing interest at 4.45% maturing on February 1, 2028	465,000
Bonds bearing interest at 4.45% maturing on February 1, 2029	493,000
Bonds bearing interest at 4.45% maturing on February 1, 2030	425,000

Subtotal \$ 5,875,000

\$9,515,000 Public Improvement Bonds, Series 2010A, issued August 11, 2010, maturing annually with interest payable semi-annually:

Bonds bearing interest at 2.000% maturing on July 15, 2011	\$ 365,000
Bonds bearing interest at 2.000% maturing on July 15, 2012	370,000
Bonds bearing interest at 2.000% maturing on July 15, 2013	380,000
Bonds bearing interest at 2.000% maturing on July 15, 2014	385,000
Bonds bearing interest at 2.000% maturing on July 15, 2015	395,000
Bonds bearing interest at 2.000% maturing on July 15, 2016	405,000
Bonds bearing interest at 4.000% maturing on July 15, 2017	415,000
Bonds bearing interest at 4.000% maturing on July 15, 2018	430,000
Bonds bearing interest at 2.500% maturing on July 15, 2019	445,000
Bonds bearing interest at 3.000% maturing on July 15, 2020	460,000
Bonds bearing interest at 3.000% maturing on July 15, 2021	470,000
Bonds bearing interest at 3.000% maturing on July 15, 2022	485,000
Bonds bearing interest at 3.000% maturing on July 15, 2023	500,000
Bonds bearing interest at 3.125% maturing on July 15, 2024	515,000
Bonds bearing interest at 3.250% maturing on July 15, 2025	535,000
Bonds bearing interest at 3.375% maturing on July 15, 2026	550,000
Bonds bearing interest at 3.500% maturing on July 15, 2027	570,000
Bonds bearing interest at 3.500% maturing on July 15, 2028	590,000
Bonds bearing interest at 3.625% maturing on July 15, 2029	615,000
Bonds bearing interest at 3.750% maturing on July 15, 2030	635,000

Subtotal \$ 9,515,000

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

## General Obligation Bonds (continued):

\$5,691,105 Public Improvement Refunding Bonds, Series 2010B, issued August 11, 2010, maturing annually with interest payable semi-annually:

Bonds bearing interest at 2.000% maturing on July 15, 2011	\$ 80,332
Bonds bearing interest at 2.000% maturing on July 15, 2012	80,332
Bonds bearing interest at 2.000% maturing on July 15, 2013	325,383
Bonds bearing interest at 3.000% maturing on July 15, 2014	331,692
Bonds bearing interest at 2.000% maturing on July 15, 2015	342,301
Bonds bearing interest at 3.000% maturing on July 15, 2016	348,611
Bonds bearing interest at 3.000% maturing on July 15, 2017	360,622
Bonds bearing interest at 5.000% maturing on July 15, 2018	371,839
Bonds bearing interest at 3.000% maturing on July 15, 2019	310,236
Bonds bearing interest at 4.000% maturing on July 15, 2020	322,247
Bonds bearing interest at 4.000% maturing on July 15, 2021	335,660
Bonds bearing interest at 3.000% maturing on July 15, 2022	348,372
Bonds bearing interest at 3.000% maturing on July 15, 2023	360,383
Bonds bearing interest at 3.125% maturing on July 15, 2024	368,095
Bonds bearing interest at 3.250% maturing on July 15, 2025	120,000
Bonds bearing interest at 3.375% maturing on July 15, 2026	125,000
Bonds bearing interest at 3.375% maturing on July 15, 2027	125,000
Bonds bearing interest at 3.500% maturing on July 15, 2028	130,000
Bonds bearing interest at 3.625% maturing on July 15, 2029	140,000
Bonds bearing interest at 3.750% maturing on July 15, 2030	140,000
Bonds bearing interest at 4.000% maturing on July 15, 2031	145,000
Bonds bearing interest at 4.000% maturing on July 15, 2032	155,000
Bonds bearing interest at 4.000% maturing on July 15, 2033	160,000
Bonds bearing interest at 4.000% maturing on July 15, 2034	<u>165,000</u>
Subtotal	\$ <u>5,691,105</u>
Total General Obligation Bonds	\$ <u><u>129,885,635</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, 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>396,958</u>



**Note 11. Long-term Liabilities (continued)****Capital Leases (continued):**

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

Lease bearing interest at 5.00% maturing on June 20, 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>1,545,000</u>
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\$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, 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>3,810,000</u>
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Total Capital Leases	\$ <u>5,751,958</u>
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<b>Total Governmental Activities</b>	<b>\$ <u>135,637,593</u></b>
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The following is the detail for the long-term liabilities of the business-type activities as of June 30, 2011.

**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 4.250% maturing on July 15, 2011	\$ 1,045,000
Bonds bearing interest at 4.375% maturing on July 15, 2012	<u>1,085,000</u>

Subtotal	\$ <u>2,130,000</u>
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**Note 11. Long-term Liabilities (continued)**

## General Obligation Bonds (continued):

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

Bonds bearing interest at 3.3750% maturing on October 1, 2011	\$ 395,000
Bonds bearing interest at 3.6250% maturing on October 1, 2012	410,000
Bonds bearing interest at 3.6250% maturing on October 1, 2013	420,000
Bonds bearing interest at 3.6250% maturing on October 1, 2014	435,000
Bonds bearing interest at 4.4766% maturing on October 1, 2015	<u>455,000</u>
Subtotal	<u>\$ 2,115,000</u>

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

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>\$ 800,000</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, 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	87,032
Bonds bearing interest at 4.45% maturing on August 1, 2026	91,005
Bonds bearing interest at 4.45% maturing on August 1, 2027	95,168
Bonds bearing interest at 4.45% maturing on August 1, 2028	99,519
Bonds bearing interest at 4.45% maturing on August 1, 2029	<u>104,060</u>
Subtotal	<u>\$ 1,363,849</u>

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

## General Obligation Bonds (continued):

\$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, 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	37,866
Bonds bearing interest at 0% maturing on August 1, 2014 and February 1, 2015	37,866
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	37,867
Bonds bearing interest at 0% maturing on August 1, 2025 and February 1, 2026	37,867
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, 2032 and February 1, 2033	37,867
Bonds bearing interest at 0% maturing on August 1, 2033 and February 1, 2034	37,867
Bonds bearing interest at 0% maturing on August 1, 2034 and February 1, 2035	37,866
Bonds bearing interest at 0% maturing on August 1, 2035 and February 1, 2036	37,866
Bonds bearing interest at 0% maturing on August 1, 2036 and February 1, 2037	37,867
Bonds bearing interest at 0% maturing on August 1, 2037 and February 1, 2038	37,867
Bonds bearing interest at 0% maturing on August 1, 2038 and February 1, 2039	37,867
Bonds bearing interest at 0% maturing on August 1, 2039 and February 1, 2040	37,866
Subtotal	<u>\$ 1,098,133</u>

\$28,063,895 Public Improvement Refunding Bonds, Series 2010B, issued August 11, 2010, maturing annually with interest payable semi-annually:

Bonds bearing interest at 2.000% maturing on July 15, 2011	\$ 179,668
Bonds bearing interest at 2.000% maturing on July 15, 2012	179,668
Bonds bearing interest at 2.000% maturing on July 15, 2013	1,824,617
Bonds bearing interest at 3.000% maturing on July 15, 2014	1,878,308
Bonds bearing interest at 2.000% maturing on July 15, 2015	1,917,699
Bonds bearing interest at 3.000% maturing on July 15, 2016	1,961,389
Bonds bearing interest at 3.000% maturing on July 15, 2017	2,014,378
Bonds bearing interest at 5.000% maturing on July 15, 2018	2,103,161
Bonds bearing interest at 3.000% maturing on July 15, 2019	1,704,764
Bonds bearing interest at 4.000% maturing on July 15, 2020	1,762,753
Bonds bearing interest at 4.000% maturing on July 15, 2021	1,829,340
Bonds bearing interest at 3.000% maturing on July 15, 2022	1,891,628

**Note 11. Long-term Liabilities (continued)****General Obligation Bonds (continued):**

Bonds bearing interest at 3.000% maturing on July 15, 2023	1,949,617
Bonds bearing interest at 3.125% maturing on July 15, 2024	2,006,905
Bonds bearing interest at 3.250% maturing on July 15, 2025	470,000
Bonds bearing interest at 3.375% maturing on July 15, 2026	480,000
Bonds bearing interest at 3.375% maturing on July 15, 2027	500,000
Bonds bearing interest at 3.500% maturing on July 15, 2028	520,000
Bonds bearing interest at 3.625% maturing on July 15, 2029	535,000
Bonds bearing interest at 3.750% maturing on July 15, 2030	555,000
Bonds bearing interest at 4.000% maturing on July 15, 2031	575,000
Bonds bearing interest at 4.000% maturing on July 15, 2032	600,000
Bonds bearing interest at 4.000% maturing on July 15, 2033	625,000
Subtotal	<u>\$ 28,063,895</u>
Total General Obligation Bonds	<u><u>\$ 35,570,877</u></u>

**General Obligation Revenue Bonds:**

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

Bonds bearing interest at 4.500% maturing on July 15, 2011	\$ 230,000
Bonds bearing interest at 4.500% maturing on July 15, 2012	<u>240,000</u>
Subtotal	<u>\$ 470,000</u>
Total General Obligation Revenue Bonds	<u><u>\$ 470,000</u></u>

**Landfill Closure and Postclosure:**

Estimated cost of landfill closure and postclosure:	
City Landfill	\$ 1,665,315
County Landfill	<u>3,058,729</u>
Total Landfill Closure and Postclosure	<u>\$ 4,724,044</u>
Total Business-type Activities	<u><u>\$ 40,764,921</u></u>
<b>Total Primary Government Long-term Liabilities (Excluding compensated absences and unamortized premiums/discounts)</b>	<u><u>\$ 176,402,514</u></u>

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

In June 2004, the City and James Madison University (JMU) entered into a revised and amended agreement concerning the sale and purchase of steam and chilled water from the City owned resource recovery facility. This facility produces steam and chilled water to meet all the heating and cooling needs of JMU's College of Integrated Science and Technology, as well as other buildings. To the extent that the City continues to operate this facility, JMU has agreed to annually reimburse the City for the annual debt service payments on the City's \$4,260,000 Solid Waste Disposal System Refunding Bonds and on the City's \$1,000,000 Series 2008 General Obligation Bonds. The current year reimbursements for debt service payments on these bonds totaled \$602,147. The total outstanding balance of the two bond issues at June 30, 2011 was \$2,915,000.

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

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, 2011, the outstanding balance of the loan is \$3,249,750.

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, 2011, the outstanding balance of the loan is \$6,232,469.

### **Component Unit – School Board**

At June 30, 2011, the School Board had \$2,567,929 in long-term liabilities outstanding. This long-term liability is comprised of \$823,599 in compensated absences, of which \$297,633 is due within one year and \$1,744,330 in postretirement healthcare benefits, of which the entire amount is due in more than one year.

### **Component Unit – HEC**

At June 30, 2011, HEC had \$1,144,005 in long-term liabilities outstanding. This long-term liability is comprised of \$371,833 in compensated absences, of which the entire amount is due within one year and \$772,172 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 1.4 percent. There were no borrowings against this line of credit during fiscal year 2011.

## **Note 12. Capital Lease Agreements**

**Jail and 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 refund bonds previously issued by the Authority in 1991 that were used to construct a joint jail and judicial complex. The bonds are limited obligations of the Authority payable solely from certain rent payments to be made by the City and the County and from certain funds established for the project under the a agreement. The obligations of the City and County to make rent payments will be subject to annual appropriation by the City Council and the County Board of Supervisors, neither of which shall be under any legal obligation to make such appropriation. Neither the bonds nor the lease agreement constitutes a pledge of the full faith and credit or taxing power of the City or County, however, it is considered a capital lease.

**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 for combined Social Services and Health Departments. The bonds are limited obligations of the Authority payable solely from certain rent payments to be made by the City and the County. The obligations of the City and County to make rent payments will be subject to annual appropriation by the City Council and the County Board of Supervisors, neither of which shall be under any legal obligation to make such appropriation. Neither the bonds nor the lease agreement constitutes a pledge of the full faith and credit or taxing power of the City or County, however, it is considered a capital lease.

### **Note 13. 2002A, 2002B and 2003B Series Bonds Advance Refunded and Defeased**

In August 2010, the City issued \$33,755,000 in General Obligation Public Improvement Refunding Bonds with an average interest rate of 3.45 percent to advance refund certain outstanding debt. A portion of the net proceeds of \$34,863,413 (after payment of \$458,722 in issuance costs) were used to purchase \$32,177,526 of U.S. government securities. Those securities and a remaining amount of \$2,685,887 from the bond issue were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the obligations described below.

**2002A Series Public Safety and Steam Plant General Obligation Bonds.** The City refunded \$20,575,000 of outstanding 2002A Series Bonds (a partial refunding) with an average interest rate of 4.87 percent. The refunding bonds were issued to provide for future debt service payments on obligations due on July 15, 2013 through July 15, 2024. As a result, the 2002A Series Bonds due after July 15, 2013 are considered defeased and have been removed from the City's outstanding debt.

**2002B Series Water General Obligation Revenue Bonds.** The City refunded \$8,775,000 of outstanding 2002B Series Bonds (a partial refunding) with an average interest rate of 4.97 percent. The refunding bonds were issued to provide for future debt service payments on obligations due on July 15, 2013 through July 15, 2033. As a result, the 2002B Series Bonds due after July 15, 2013 are considered defeased and have been removed from the City's outstanding debt.

**2003B General Obligation Bonds.** The City refunded \$2,650,000 of outstanding 2003B General Obligation Bonds with an average interest rate of 4.88 percent. The refunding bonds were issued to provide for future debt service payments on the 2003B Series Bonds. As a result, the 2003B Series Bonds were considered defeased and were removed from the City's outstanding debt. Prior to June 30, 2011, these bonds were redeemed in their entirety and are no longer considered defeased.

The advance refunding resulted in the reacquisition price exceeding the net carrying amount of the old debt by \$3,177,858. This difference, reported in the accompanying financial statements as a deduction from long-term debt, is being amortized through fiscal year 2034. The City advance refunded the 2002A, 2002B and 2003B Series Bonds to reduce its total debt service payments over the next 23 years by \$3,190,921 and to obtain an economic gain (difference between the present value of the old and new debt service payments) of \$2,480,015.

### **Note 14. 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, 2011, there were three series of Industrial Development Authority Revenue Bonds and 13 series of Redevelopment and Housing Authority Revenue Bonds outstanding, with an aggregate principal amount of \$220.6 million and \$137.1 million respectively.

**Note 15. Fund Balance**

The following is a summary of amounts that are reported on the governmental funds balance sheet identified as nonspendable, restricted, committed or assigned fund balance at June 30, 2011.

	General Fund	Community Development Block Grant Fund	General Capital Projects Fund	Total
<b>Nonspendable:</b>				
Inventory	\$ 81,804	\$ -	\$ -	\$ 81,804
Prepaid expenditures	283,090	531	-	283,621
Advance to other funds	315,392	-	-	315,392
Loans receivable	375,000	-	-	375,000
<b>Total nonspendable fund balance</b>	<b>\$ 1,055,286</b>	<b>\$ 531</b>	<b>\$ -</b>	<b>\$ 1,055,817</b>
<b>Restricted for:</b>				
Public safety	\$ 180,169	\$ -	\$ -	\$ 180,169
Public works	-	-	4,128,472	4,128,472
Debt service	284,297	-	-	284,297
<b>Total restricted fund balance</b>	<b>\$ 464,466</b>	<b>\$ -</b>	<b>\$ 4,128,472</b>	<b>\$ 4,592,938</b>
<b>Committed to:</b>				
Public works	\$ -	\$ -	\$ 8,480,084	\$ 8,480,084
Parks and recreation	138,000	-	306,637	444,637
Planning and community development	-	-	7,760	7,760
Debt service	722,879	-	-	722,879
<b>Total committed fund balance</b>	<b>\$ 860,879</b>	<b>\$ -</b>	<b>\$ 8,794,481</b>	<b>\$ 9,655,360</b>
<b>Assigned to:</b>				
General government administration	\$ 106,118	\$ -	\$ -	\$ 106,118
Public safety	13,700	-	-	13,700
Public works	1,023,737	-	-	1,023,737
Parks and recreation	69,337	-	-	69,337
Planning and community development	24,712	-	-	24,712
Subsequent years' expenditures	2,938,092	-	-	2,938,092
<b>Total assigned fund balance</b>	<b>\$ 4,175,696</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,175,696</b>

**Note 16. 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 is currently being renovated by the Authority for use by the School Board for 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.

## **Note 16. Harrisonburg Redevelopment and Housing Authority Agreements (continued)**

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 2011, 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 2011, the City made payments totaling \$67,668 to the Authority for this project.

## **Note 17. 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 (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Benefits vest after five years of service credit. Employees earn one month of service credit for each month they are employed and their employer is paying into the VRS. Employees are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as credit in their plan. VRS administers two defined benefit plans for local government employees.

**Plan 1.** Employees hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 50 with at least 30 years of service credit or age 65 with at least five years of service credit. Employees may retire with a reduced benefit as early as age 50 with at least 10 years of service credit or age 55 with at least five years of service credit.

**Plan 2.** Employees hired or rehired after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. Employees may retire with a reduced benefit as early as age 60 with at least five years of service credit.

**Hazardous duty employees.** Under both plans, eligible hazardous duty employees (police officers and firefighters) are eligible for an unreduced benefit beginning at age 50 with at least 25 years of service credit or age 60 with at least five years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 10 years of service credit. All other provisions of the employee's plan apply.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation (AFC) multiplied by the employee's total service credit. Under Plan 1, AFC is the average of the employee's 36 consecutive months of highest compensation. Under Plan 2, AFC is the average of the employee's 60 consecutive months of highest compensation. The retirement multiplier is 1.7 percent for non-hazardous duty employees and 1.85 percent for eligible hazardous duty employees. In addition, eligible hazardous employees receive a monthly benefit supplement if they retire prior to age 65. At retirement, employees can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for employees electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.



## Note 17. Defined Benefit Pension Plan (continued)

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed five percent. Under Plan 2, the COLA cannot exceed six percent. During years of no inflation or deflation, the COLA is zero percent. 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/2010-annual-report.pdf> or obtained by writing to the VRS at P.O. Box 2500, Richmond, VA 23218-2500.

**Funding Policy.** Employees are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute five percent of their annual reported compensation to the VRS. This five percent employee 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 2011 was 9.79 percent of annual covered payroll. The School Board non-professional employees' contribution rate for the fiscal year ended 2011 was 4.79 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 2011 was 3.93 percent of annual covered payroll. Total contributions made to the VRS statewide teacher pool for professional employees by the School Board for the fiscal years ending June 30, 2011, 2010, and 2009 were \$1,114,949, \$1,771,261, and \$2,529,891, respectively, and were equal to the required contributions for each year.

**Annual Pension Cost.** For fiscal year 2011, the City of Harrisonburg and HEC's annual pension cost of \$2,345,165 was equal to the required and actual contributions. The School Board's non-professional employees annual pension cost of \$83,557 was equal to the required and actual contributions. The required contribution for fiscal year 2011 was determined as part of the June 30, 2009 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) 7.5 percent investment rate of return (net of administrative expenses), (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 projected 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 2011 and the preceding two fiscal years.

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
<b>City of Harrisonburg and HEC Employees:</b>			
2011	\$ 2,345,165	100%	\$ -
2010	2,414,092	100%	-
2009	2,425,535	100%	-
<b>School Board Non-Professional Employees:</b>			
2011	\$ 83,557	100%	\$ -
2010	92,785	100%	-
2009	92,657	100%	-

## **Note 17. Defined Benefit Pension Plan (continued)**

**Funded Status and Funding Progress.** As of June 30, 2010, the most recent actuarial valuation date, the plan for City and HEC employees was 74.97 percent funded. The actuarial accrued liability for benefits was \$109,854,111, and the actuarial value of assets was \$82,356,705, resulting in an unfunded actuarial accrued liability (UAAL) of \$27,497,406. The covered payroll (annual payroll of the active employees covered by the plan) was \$25,648,340 and the ratio of UAAL to the covered payroll was 107.21 percent.

As of June 30, 2010, the most recent actuarial valuation date, the plan for the School Board non-professional employees was 94.11 percent funded. The actuarial accrued liability for benefits was \$5,736,323, and the actuarial value of assets was \$5,398,199, resulting in an unfunded actuarial accrued liability (FAAL) of \$338,124. The covered payroll (annual payroll of the active employees covered by the plan) was \$1,763,475 and the ratio of FAAL to the covered payroll was 19.17 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 18. 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 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.

**Note 18. Postretirement Healthcare Benefits (continued)**

**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 70 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	School Board
Annual required contribution	\$ 967,103	\$ 1,100,957
Interest on the net OPEB obligation	47,948	48,000
Adjustment to the annual required contribution	(49,908)	(49,962)
Annual OPEB cost (expense)	\$ 965,143	\$ 1,098,995
Contributions made	(363,079)	(554,655)
Increase in the net OPEB obligation	\$ 602,064	\$ 544,340
Net OPEB obligation at beginning of year	1,198,703	1,199,990
Net OPEB obligation at end of year	\$ 1,800,767	\$ 1,744,330

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 2011 and the preceding two fiscal years for the City and School Board.

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
<b>City of Harrisonburg:</b>			
2011	\$ 965,143	37.6%	\$ 1,800,767
2010	919,694	35.5%	1,198,703
2009	931,500	35.0%	605,159
<b>School Board:</b>			
2011	\$ 1,098,995	50.5%	\$ 1,744,330
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, 2010, the most recent actuarial valuation date, the plan had not been funded. The actuarial accrued liability for benefits was \$9,437,811. There were no plan assets resulting in an unfunded actuarial accrued liability (UAAL) of \$9,437,811. The covered payroll (annual payroll of the active employees covered by the plan) was \$21,212,679 and the ratio of UAAL to the covered payroll was 44.49 percent.

**School Board.** As of July 1, 2010, the most recent actuarial valuation date, the plan had not been funded. The actuarial accrued liability for benefits was \$10,335,676. There were no plan assets resulting in an unfunded actuarial accrued liability (UAAL) of \$10,335,676. The covered payroll (annual payroll of the active employees covered by the plan) was \$30,114,574 and the ratio of UAAL to the covered payroll was 34.32 percent.

## **Note 18. Postretirement Healthcare Benefits (continued)**

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, 2010 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 27 years.

**School Board.** In the July 1, 2010 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 27 years.

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

### **Component Unit – HEC**

The Harrisonburg Electric Commission (HEC) provides certain health care benefits for employees who retire from HEC. Further information on the plan is included in HEC's separately issued financial statements.

## **Note 19. Transactions with Component Units**

For the year ended June 30, 2011, the City's General Fund made cash payments to the School Board, a component unit, totaling \$22,992,077. 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, 2011, the Harrisonburg Electric Commission, a component unit, made cash payments to the City's General Fund totaling \$4,900,000. These payments are made in equal monthly installments for the purpose of funding the General Fund budget.

## Note 20. 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. \$1,665,315 of the amount reported as landfill closure and postclosure care liability at June 30, 2011 represents the cumulative amount reported to date based on the use of 100 percent of the capacity of the landfill. Included in the total liability is an additional \$652,228 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 21. 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. \$414,951 of the amount reported as landfill closure and postclosure care liability at June 30, 2011 represents the cumulative amount reported to date based on the use of 100 percent 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 \$23,355 in liability incurred by the City prior to July 1, 1994. The County closed this cell in 2001.

The City also recognizes \$2,643,778 associated with a new, and subsequently expanded, landfill cell opened in 2001, which is based on the use of 54.86 percent of the estimated capacity of the new landfill cell. The City will recognize its remaining estimated cost of closure and postclosure care of \$2,175,006 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 22. Commitments

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 \$21.1 million, of which \$9.3 million had been expended as of June 30, 2011. 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 previously issued bonds.

The following is a summary of significant encumbrances at June 30, 2011.

	General Fund	General Capital Projects Fund	Total
Street repaving program	\$ 876,221	\$ -	\$ 876,221
Various bridge repairs	127,320	-	127,320
Information technology strategic plan	66,799	-	66,799
Parks roadway repaving	33,245	-	33,245
Stone Spring Road/Erickson Avenue construction project	-	5,054,607	5,054,607
Other purposes	134,019	87,088	221,107
Total encumbrances	\$ 1,237,604	\$ 5,141,695	\$ 6,379,299

There were no existing encumbrances in the Community Development Block Grant Fund.

## **Note 23. Intangible Assets**

**Rockingham County Landfill Agreement.** 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.

**James Madison University (JMU) Land and Steam Agreement.** In September 1981, the City entered into an agreement with James Madison University 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 24. Significant Revenue Transaction**

In fiscal year 2011, the City received a \$2.3 million credit on debt service payments to the Virginia Public School Authority (VPSA). 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. This credit is shown as other revenue under general revenues for governmental activities on Exhibit 2 and as miscellaneous revenue for the General Fund on Exhibit 5.

## **Note 25. Subsequent Events**

On November 15, 2011, the City sold \$28.6 million in general obligation bonds, of which \$5.9 million was for the purpose of partially funding the Reservoir Street construction and improvement project and \$22.7 million was used to current refund several outstanding bond issues. The bonds will be issued and the closing transaction will occur on December 6, 2011.

## **Note 26. Joint Ventures**

**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 2011, the City's contributions totaled \$5,064,567 of which \$2,501,731 was for operations, \$2,275,076 was for debt service and \$287,760 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.

The Authority substantially completed a construction project to address enhance nutrient removal (ENR) as required by regulatory agencies. The total cost of this project was approximately \$90 million. The project was funded through grants from the Commonwealth of Virginia and debt financing issued by the Authority. The City's share of the debt financing will be approximately \$27.5 million.

**Note 26. Joint Ventures (continued)**

The construction contractor filed a suit against the Authority demanding \$899,932 for allegedly "extra" work in connection with the construction at the Authority's North River Waste Water Treatment Facility. The Authority and the contractor agreed to settle the claim for \$310,000. The Authority will fund this settlement from existing funds and the City will not be assessed an additional amount.

The Authority has \$73,644,297 of total debt outstanding at June 30, 2011. The City's share of the required principal and interest payments for the Authority's bond issues can be projected as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 1,595,193	\$ 1,221,240	\$ 2,816,433
2013	1,647,211	1,164,826	2,812,037
2014	1,704,450	1,107,246	2,811,696
2015	1,762,859	1,048,264	2,811,123
2016	1,829,868	982,246	2,812,114
2017-2021	10,229,238	3,815,915	14,045,153
2022-2026	8,454,451	2,037,633	10,492,084
2027-2031	7,973,896	670,955	8,644,851
Total	<u>\$ 35,197,166</u>	<u>\$ 12,048,325</u>	<u>\$ 47,245,491</u>

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

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Increase (Decrease)</u>
Current assets	\$ 3,666,049	\$ 5,797,672	\$ (2,131,623)
Restricted assets	2,941,871	2,285,711	656,160
Capital assets	103,332,477	105,724,204	(2,391,727)
Other assets	<u>862,024</u>	<u>749,516</u>	<u>112,508</u>
Total assets	<u>\$ 110,802,421</u>	<u>\$ 114,557,103</u>	<u>\$ (3,754,682)</u>
Current liabilities	\$ 3,638,198	\$ 5,585,867	\$ (1,947,669)
Liabilities payable from restricted assets	2,236,974	859,601	1,377,373
Long-term liabilities	<u>70,014,734</u>	<u>71,332,066</u>	<u>(1,317,332)</u>
Total liabilities	<u>\$ 75,889,906</u>	<u>\$ 77,777,534</u>	<u>\$ (1,887,628)</u>
Net assets	<u>\$ 34,912,515</u>	<u>\$ 36,779,569</u>	<u>\$ (1,867,054)</u>

**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 2011, the City's contributions totaled \$1,416,715. 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.

**Note 26. Joint Ventures (continued)**

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, 2011</u>	<u>June 30, 2010</u>	<u>Increase (Decrease)</u>
Current assets	\$ 3,324,853	\$ 2,612,537	\$ 712,316
Capital assets	<u>2,839,740</u>	<u>2,355,618</u>	<u>484,122</u>
Total assets	<u>\$ 6,164,593</u>	<u>\$ 4,968,155</u>	<u>\$ 1,196,438</u>
Current liabilities	\$ 159,655	\$ 117,350	\$ 42,305
Long-term liabilities	<u>278,598</u>	<u>246,349</u>	<u>32,249</u>
Total liabilities	<u>\$ 438,253</u>	<u>\$ 363,699</u>	<u>\$ 74,554</u>
Net assets	<u>\$ 5,726,340</u>	<u>\$ 4,604,456</u>	<u>\$ 1,121,884</u>

**Note 27. Jointly Governed Organizations**

**Harrisonburg-Rockingham Social Services District (District).** The 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 \$3,184,808 to the District for the year ended June 30, 2011.

**Shenandoah Valley Juvenile Center Commission (Commission).** The 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 \$225,028 to the Commission for the year ended June 30, 2011.

**Note 28. 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 29. Risk Management**

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



**Note 29. Risk Management (continued)**

The City is self-insured for health insurance purposes and has retained Anthem Blue Cross and Blue Shield to administer the program. The City currently reports these activities in the Health Insurance Fund, which is an internal service fund. This fund serves the City, primary government; Harrisonburg School Board and Harrisonburg Electric Commission, component units. 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, 2009 to June 30, 2011:

<u>Fiscal Year</u>	<u>Beginning Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Ending Liability</u>
2011	\$ 680,125	\$ 10,519,326	\$ 10,401,521	\$ 797,930
2010	549,110	10,375,885	10,244,870	680,125

**Note 30. 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 31. Restatement of Beginning Net Assets**

The beginning net assets of the Harrisonburg Electric Commission's (HEC) have been restated and increased by \$9.15 million to correct for excess depreciation recorded in prior years and to record the effect of changing the method of accounting for capital contributions. In prior years, HEC had reported capital contributions as a reduction in the related capital asset instead of reporting these capital contributions as revenue.

**Note 32. New Governmental Accounting Standards Board (GASB) Standards**

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement establishes financial reporting guidance for deferred outflows of resources and deferred inflows of resources as defined in GASB Concept Statement No.4, *Elements of Financial Statements*. Concept Statement No. 4 also identifies net position as the residual of all other elements presented in a statement of net position. This statement amends the net asset reporting requirements in all previous pronouncements by renaming this residual amount as net position, rather than net assets. The provisions of the statement are effective for fiscal year 2013 and will have an effect on certain reporting presentations in the City's financial statements.

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SUPPLEMENTARY INFORMATION**

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

**Exhibit 12**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability</b>	<b>Unfunded Actuarial Accrued Lia- bility (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll</b>
<b>City of Harrisonburg and Harrisonburg Electric Commission Defined Benefit Pension Plan (Virginia Retirement System)</b>						
June 30, 2010	\$ 82,356,705	\$ 109,854,111	\$ 27,497,406	74.97%	\$ 25,648,340	107.21%
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%
<b>City of Harrisonburg School Board Defined Benefit Pension Plan (Virginia Retirement System)</b>						
June 30, 2010	\$ 5,398,199	\$ 5,736,323	\$ 338,124	94.11%	\$ 1,763,475	19.17%
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%)
<b>City of Harrisonburg Postretirement Healthcare Benefit Plan</b>						
July 1, 2010	\$ -	\$ 9,437,811	\$ 9,437,811	0.00%	\$ 21,212,679	44.49%
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%
<b>City of Harrisonburg School Board Postretirement Healthcare Benefit Plan</b>						
July 1, 2010	\$ -	\$ 10,335,676	\$ 10,335,676	0.00%	\$ 30,114,574	34.32%
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%
<b>Harrisonburg Electric Commission Postretirement Healthcare Benefit Plan</b>						
July 1, 2010	\$ -	\$ 772,172	\$ 772,172	0.00%	\$ 2,798,787	27.59%
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, 2011**

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**Note 1. Defined Benefit Pension Plans**

The assumptions used for the June 30, 2010 actuarial valuation reflects a change in the investment rate of return. The investment rate of return assumption was lowered from 7.5 percent to 7 percent.

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.

**REQUIRED  
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, 2011

Exhibit A-1

	Central Garage Fund	Central Stores Fund	Health Insurance Fund	Total
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 128,803	\$ -	\$ 5,667,582	\$ 5,796,385
Receivables	4,384	-	4	4,388
Due from component unit	6,392	-	-	6,392
Inventory	562,699	1,248,974	-	1,811,673
Prepaid expenses	11,219	492	-	11,711
Total current assets	<u>\$ 713,497</u>	<u>\$ 1,249,466</u>	<u>\$ 5,667,586</u>	<u>\$ 7,630,549</u>
Noncurrent assets:				
Capital assets (net of accumulated depreciation)	\$ 6,845	\$ 659,022	\$ -	\$ 665,867
Total noncurrent assets	<u>\$ 6,845</u>	<u>\$ 659,022</u>	<u>\$ -</u>	<u>\$ 665,867</u>
<b>Total assets</b>	<u><u>\$ 720,342</u></u>	<u><u>\$ 1,908,488</u></u>	<u><u>\$ 5,667,586</u></u>	<u><u>\$ 8,296,416</u></u>
<b>Liabilities and Net Assets</b>				
Current liabilities:				
Accounts payable	\$ 79,731	\$ 35,793	\$ 797,930	\$ 913,454
Accrued payroll	31,143	4,279	-	35,422
Due to component unit	341	615	-	956
Advances from other funds	-	185,708	-	185,708
Unearned revenue	-	-	880,244	880,244
Compensated absences	54,618	5,503	-	60,121
Total current liabilities	<u>\$ 165,833</u>	<u>\$ 231,898</u>	<u>\$ 1,678,174</u>	<u>\$ 2,075,905</u>
Noncurrent liabilities:				
Compensated absences	\$ 38,313	\$ 4,444	\$ -	\$ 42,757
Postretirement healthcare benefits	41,005	6,027	-	47,032
Total noncurrent liabilities	<u>\$ 79,318</u>	<u>\$ 10,471</u>	<u>\$ -</u>	<u>\$ 89,789</u>
<b>Total liabilities</b>	<u><u>\$ 245,151</u></u>	<u><u>\$ 242,369</u></u>	<u><u>\$ 1,678,174</u></u>	<u><u>\$ 2,165,694</u></u>
Net assets:				
Invested in capital assets	\$ 6,845	\$ 659,022	\$ -	\$ 665,867
Unrestricted	468,346	1,007,097	3,989,412	5,464,855
<b>Total net assets</b>	<u><u>\$ 475,191</u></u>	<u><u>\$ 1,666,119</u></u>	<u><u>\$ 3,989,412</u></u>	<u><u>\$ 6,130,722</u></u>
<b>Total liabilities and net assets</b>	<u><u>\$ 720,342</u></u>	<u><u>\$ 1,908,488</u></u>	<u><u>\$ 5,667,586</u></u>	<u><u>\$ 8,296,416</u></u>

## INTERNAL SERVICE FUNDS

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

For the Year Ended June 30, 2011

	Central Garage Fund	Central Stores Fund	Health Insurance Fund	Total
<b>Operating revenues:</b>				
Charges for services	\$ 2,939,751	\$ 705,027	\$ 12,023,891	\$ 15,668,669
Total operating revenues	<u>\$ 2,939,751</u>	<u>\$ 705,027</u>	<u>\$ 12,023,891</u>	<u>\$ 15,668,669</u>
<b>Operating expenses:</b>				
Personal services	\$ 573,751	\$ 73,412	\$ -	\$ 647,163
Fringe benefits	209,576	25,149	-	234,725
Purchased services	37,767	9,802	507,883	555,452
Internal services	3,490	993	-	4,483
Other charges	39,636	12,418	657,229	709,283
Materials and supplies	49,948	1,418	-	51,366
Depreciation	7,715	21,529	-	29,244
Cost of inventory issued	2,145,341	697,812	-	2,843,153
Claims related charges	-	-	10,519,326	10,519,326
Total operating expenses	<u>\$ 3,067,224</u>	<u>\$ 842,533</u>	<u>\$ 11,684,438</u>	<u>\$ 15,594,195</u>
<b>Operating income (loss)</b>	<u>\$ (127,473)</u>	<u>\$ (137,506)</u>	<u>\$ 339,453</u>	<u>\$ 74,474</u>
<b>Nonoperating revenues:</b>				
Miscellaneous revenue	\$ 1,299	\$ -	\$ -	\$ 1,299
Investment revenue	187	-	7,711	7,898
Total nonoperating revenues	<u>\$ 1,486</u>	<u>\$ -</u>	<u>\$ 7,711</u>	<u>\$ 9,197</u>
<b>Income (loss) before transfers</b>	<u>\$ (125,987)</u>	<u>\$ (137,506)</u>	<u>\$ 347,164</u>	<u>\$ 83,671</u>
Transfers in	<u>66,923</u>	<u>123,373</u>	<u>-</u>	<u>190,296</u>
<b>Change in net assets</b>	<u>\$ (59,064)</u>	<u>\$ (14,133)</u>	<u>\$ 347,164</u>	<u>\$ 273,967</u>
Net assets at beginning of year	<u>534,255</u>	<u>1,680,252</u>	<u>3,642,248</u>	<u>5,856,755</u>
Net assets at end of year	<u>\$ 475,191</u>	<u>\$ 1,666,119</u>	<u>\$ 3,989,412</u>	<u>\$ 6,130,722</u>

CITY OF HARRISONBURG, VIRGINIA  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
For the Year Ended June 30, 2011

Exhibit A-3  
Page 1

	Central Garage Fund	Central Stores Fund	Health Insurance Fund	Total
<b>Cash flows from operating activities:</b>				
Receipts from customers	\$ 2,938,892	\$ 705,027	\$ -	\$ 3,643,919
Receipts from premiums	-	-	12,904,134	12,904,134
Receipts other sources	1,299	-	-	1,299
Payments to employees	(566,415)	(70,699)	-	(637,114)
Payments for fringe benefits	(201,363)	(23,830)	-	(225,193)
Payments to vendors	(2,231,795)	(761,420)	(1,165,111)	(4,158,326)
Payments for internal services	(3,490)	(993)	-	(4,483)
Payments for claims related charges	-	-	(10,401,521)	(10,401,521)
Net cash provided by (used for) operating activities	\$ (62,872)	\$ (151,915)	\$ 1,337,502	\$ 1,122,715
<b>Cash flows from noncapital financing activities:</b>				
Transfers in	\$ 66,923	\$ 123,373	\$ -	\$ 190,296
Interfund loan	-	28,542	-	28,542
Net cash provided by noncapital financing activities	\$ 66,923	\$ 151,915	\$ -	\$ 218,838
<b>Cash flows from investing activities:</b>				
Interest received	\$ 187	\$ -	\$ 7,718	\$ 7,905
Net cash provided by investing activities	\$ 187	\$ -	\$ 7,718	\$ 7,905
<b>Net increase in cash and cash equivalents</b>	\$ 4,238	\$ -	\$ 1,345,220	\$ 1,349,458
<b>Cash and cash equivalents:</b>				
Beginning	124,565	-	4,322,362	4,446,927
Ending	\$ 128,803	\$ -	\$ 5,667,582	\$ 5,796,385

(continued)

CITY OF HARRISONBURG, VIRGINIA  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
For the Year Ended June 30, 2011

Exhibit A-3  
Page 2

	Central Garage Fund	Central Stores Fund	Health Insurance Fund	Total
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>				
Operating income (loss)	\$ (127,473)	\$ (137,506)	\$ 339,453	\$ 74,474
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	7,715	21,529	-	29,244
Miscellaneous revenue	1,299	-	-	1,299
Change in assets and liabilities:				
(Increase) decrease in:				
Accounts receivable	682	-	-	682
Due from component unit	(1,540)	-	-	(1,540)
Inventory	58,459	(61,090)	-	(2,631)
Prepaid expenses	(6,096)	(492)	-	(6,588)
Increase (decrease) in:				
Accounts payable	(17,141)	20,824	117,805	121,488
Accrued payroll	2,900	605	-	3,505
Due to component unit	56	296	-	352
Unearned revenue	-	-	880,244	880,244
Compensated absences	5,110	2,324	-	7,434
Postretirement healthcare benefits	13,157	1,595	-	14,752
Net cash provided by (used for) operating activities	\$ <u>(62,872)</u>	\$ <u>(151,915)</u>	\$ <u>1,337,502</u>	\$ <u>1,122,715</u>

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## **Agency Funds**

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

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

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

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

## AGENCY FUNDS

## COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

At June 30, 2011

	Juvenile Crime Control Fund	Industrial Development Authority Fund	Emergency Communications Center Fund	Total
<b>Assets</b>				
Cash and cash equivalents	\$ 16,720	\$ 82,024	\$ 2,895,572	\$ 2,994,316
Receivables	-	-	368,235	368,235
Prepaid items	874	-	61,046	61,920
<b>Total assets</b>	<u>\$ 17,594</u>	<u>\$ 82,024</u>	<u>\$ 3,324,853</u>	<u>\$ 3,424,471</u>
<b>Liabilities</b>				
Accounts payable	\$ 5	\$ -	\$ 79,406	\$ 79,411
Accrued payroll	3,671	-	80,249	83,920
Amounts held for others	13,918	82,024	3,165,198	3,261,140
<b>Total liabilities</b>	<u>\$ 17,594</u>	<u>\$ 82,024</u>	<u>\$ 3,324,853</u>	<u>\$ 3,424,471</u>



CITY OF HARRISONBURG, VIRGINIA  
 AGENCY FUNDS  
 STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
 For the Year Ended June 30, 2011

Exhibit B-2  
 Page 1

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<b><u>Juvenile Crime Control Fund</u></b>				
Assets:				
Cash and cash equivalents	\$ 16,998	\$ 91,897	\$ 92,175	\$ 16,720
Prepaid items	-	874	-	874
<b>Total assets</b>	<b>\$ 16,998</b>	<b>\$ 92,771</b>	<b>\$ 92,175</b>	<b>\$ 17,594</b>
Liabilities:				
Accounts payable	\$ 5	\$ 5	\$ 5	\$ 5
Accrued payroll	3,374	3,671	3,374	3,671
Amounts held for others	13,619	91,897	91,598	13,918
<b>Total liabilities</b>	<b>\$ 16,998</b>	<b>\$ 95,573</b>	<b>\$ 94,977</b>	<b>\$ 17,594</b>
<b><u>Industrial Development Authority Fund</u></b>				
Assets:				
Cash and cash equivalents	\$ 69,652	\$ 12,987	\$ 615	\$ 82,024
<b>Total assets</b>	<b>\$ 69,652</b>	<b>\$ 12,987</b>	<b>\$ 615</b>	<b>\$ 82,024</b>
Liabilities:				
Amounts held for others	\$ 69,652	\$ 12,987	\$ 615	\$ 82,024
<b>Total liabilities</b>	<b>\$ 69,652</b>	<b>\$ 12,987</b>	<b>\$ 615</b>	<b>\$ 82,024</b>
<b><u>Emergency Communications Center Fund</u></b>				
Assets:				
Cash and cash equivalents	\$ 2,297,197	\$ 3,938,792	\$ 3,340,417	\$ 2,895,572
Receivables	270,854	368,235	270,854	368,235
Prepaid items	44,486	61,046	44,486	61,046
<b>Total assets</b>	<b>\$ 2,612,537</b>	<b>\$ 4,368,073</b>	<b>\$ 3,655,757</b>	<b>\$ 3,324,853</b>
Liabilities:				
Accounts payable	\$ 36,640	\$ 79,406	\$ 36,640	\$ 79,406
Accrued payroll	80,710	80,249	80,710	80,249
Amounts held for others	2,495,187	3,978,996	3,308,985	3,165,198
<b>Total liabilities</b>	<b>\$ 2,612,537</b>	<b>\$ 4,138,651</b>	<b>\$ 3,426,335</b>	<b>\$ 3,324,853</b>

(continued)

CITY OF HARRISONBURG, VIRGINIA  
 AGENCY FUNDS  
 STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
 For the Year Ended June 30, 2011

Exhibit B-2  
 Page 2

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<b><u>Total - All Agency Funds</u></b>				
Assets:				
Cash and cash equivalents	\$ 2,383,847	\$ 4,043,676	\$ 3,433,207	\$ 2,994,316
Receivables	270,854	368,235	270,854	368,235
Prepaid items	44,486	61,920	44,486	61,920
<b>Total assets</b>	<b>\$ 2,699,187</b>	<b>\$ 4,473,831</b>	<b>\$ 3,748,547</b>	<b>\$ 3,424,471</b>
Liabilities:				
Accounts payable	\$ 36,645	\$ 79,411	\$ 36,645	\$ 79,411
Accrued payroll	84,084	83,920	84,084	83,920
Amounts held for others	2,578,458	4,083,880	3,401,198	3,261,140
<b>Total liabilities</b>	<b>\$ 2,699,187</b>	<b>\$ 4,247,211</b>	<b>\$ 3,521,927</b>	<b>\$ 3,424,471</b>

## **Discretely Presented Component Unit – School Board**

### **General Fund**

**School Fund** - This fund accounts for the operations of the School Board's elementary, middle and high schools not accounted for and reported in other funds.

### **Special Revenue Fund**

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specific purposes other than debt service or capital projects.

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

### **Capital Projects Fund**

Capital projects funds are used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of major capital facilities and other capital assets 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, 2011

Exhibit C-1

	School Fund	School Nutrition Fund	School Capital Projects Fund	Totals
<b>Assets</b>				
Cash and cash equivalents	\$ 6,284,286	\$ 1,307,339	\$ 1,300,146	\$ 8,891,771
Receivables	1,624,785	8,452	-	1,633,237
Due from component unit	48,708	-	-	48,708
Inventory	-	87,117	-	87,117
Prepaid expenditures	1,026,493	20,517	-	1,047,010
<b>Total assets</b>	<u>\$ 8,984,272</u>	<u>\$ 1,423,425</u>	<u>\$ 1,300,146</u>	<u>\$ 11,707,843</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 32,384	\$ -	\$ 153,074	\$ 185,458
Accrued payroll	4,515,354	86,624	-	4,601,978
Due to primary government	39,394	-	-	39,394
Due to component unit	111,499	-	-	111,499
Deferred revenue	204,312	-	-	204,312
<b>Total liabilities</b>	<u>\$ 4,902,943</u>	<u>\$ 86,624</u>	<u>\$ 153,074</u>	<u>\$ 5,142,641</u>
<b>Fund Balances:</b>				
<b>Nonspendable:</b>				
Inventory	\$ -	\$ 87,117	\$ -	\$ 87,117
Prepaid expenditures	1,026,493	20,517	-	1,047,010
<b>Committed to:</b>				
Food services	-	1,229,167	-	1,229,167
Capital projects	-	-	1,147,072	1,147,072
<b>Assigned to:</b>				
Instruction	58,911	-	-	58,911
Administration, attendance and health	5,186	-	-	5,186
Pupil transportation	350	-	-	350
Operations and maintenance	24,299	-	-	24,299
Unassigned	2,966,090	-	-	2,966,090
<b>Total fund balances</b>	<u>\$ 4,081,329</u>	<u>\$ 1,336,801</u>	<u>\$ 1,147,072</u>	<u>\$ 6,565,202</u>
<b>Total liabilities and fund balances</b>	<u>\$ 8,984,272</u>	<u>\$ 1,423,425</u>	<u>\$ 1,300,146</u>	<u>\$ 11,707,843</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, 2011

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Exhibit C-2

Total fund balance of governmental funds (Exhibit C-1)	\$ 6,565,202
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.	204,312
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	29,373,944
Long-term liabilities, and related accounts, are not payable from current financial resources and therefore are not reported in the funds.	<u>(2,567,929)</u>
Net assets of governmental activities (Exhibit 1)	\$ <u><u>33,575,529</u></u>

CITY OF HARRISONBURG, VIRGINIA  
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
For the Year Ended June 30, 2011

Exhibit C-3

	School Fund	School Nutrition Fund	School Capital Projects Fund	Totals
<b>Revenues:</b>				
Use of money and property	\$ 32,493	\$ 1,909	\$ -	\$ 34,402
Charges for services	1,419,905	563,132	-	1,983,037
Miscellaneous	157,632	19,373	-	177,005
Payment from primary government	22,992,077	-	-	22,992,077
Intergovernmental	27,336,381	2,069,870	-	29,406,251
Total revenues	<u>\$ 51,938,488</u>	<u>\$ 2,654,284</u>	<u>\$ -</u>	<u>\$ 54,592,772</u>
<b>Expenditures:</b>				
Current:				
Instruction	\$ 40,347,484	\$ -	\$ -	\$ 40,347,484
Administration, attendance and health	2,700,402	-	-	2,700,402
Pupil transportation	2,135,899	-	-	2,135,899
Operations and maintenance	4,630,006	-	-	4,630,006
Food services	-	2,462,176	-	2,462,176
Technology	3,181,378	-	-	3,181,378
Capital projects	-	34,019	340,055	374,074
Total expenditures	<u>\$ 52,995,169</u>	<u>\$ 2,496,195</u>	<u>\$ 340,055</u>	<u>\$ 55,831,419</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>\$ (1,056,681)</u>	<u>\$ 158,089</u>	<u>\$ (340,055)</u>	<u>\$ (1,238,647)</u>
Fund balances at beginning of year	<u>5,138,010</u>	<u>1,178,712</u>	<u>1,487,127</u>	<u>7,803,849</u>
Fund balances at end of year	<u>\$ 4,081,329</u>	<u>\$ 1,336,801</u>	<u>\$ 1,147,072</u>	<u>\$ 6,565,202</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, 2011**

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**Exhibit C-4**

Total net change in fund balances of governmental funds (Exhibit C-3) \$ (1,238,647)

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

Certain revenues reported in the statement of activities that do not provide current financial  
resources are not reported as revenues in governmental funds. This amount is the net change  
in these revenues. 131,487

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

Capital outlay expenditures	\$	175,935	
Depreciation expense		<u>(1,216,359)</u>	
Net adjustment	\$	<u>(1,040,424)</u>	(1,040,424)

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. (574,431)

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. 2,753,987

Change in net assets of governmental activities (Exhibit 2) \$ 31,972

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

Exhibit C-5

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Use of money and property	\$ 10,000	\$ 10,000	\$ 32,493	\$ 22,493
Charges for services	1,220,679	1,220,679	1,419,905	199,226
Miscellaneous	88,042	88,042	157,632	69,590
Payment from primary government	24,901,397	24,901,397	22,992,077	(1,909,320)
Intergovernmental	25,806,120	26,403,522	27,336,381	932,859
Total revenues	<u>\$ 52,026,238</u>	<u>\$ 52,623,640</u>	<u>\$ 51,938,488</u>	<u>\$ (685,152)</u>
<b>Expenditures:</b>				
Current:				
Instruction	\$ 40,117,197	\$ 40,169,947	\$ 40,347,484	\$ (177,537)
Administration, attendance and health	2,708,232	2,731,472	2,700,402	31,070
Pupil transportation	1,941,167	2,210,514	2,135,899	74,615
Operations and maintenance	4,326,466	4,459,520	4,630,006	(170,486)
Technology	2,933,176	3,202,722	3,181,378	21,344
Total expenditures	<u>\$ 52,026,238</u>	<u>\$ 52,774,175</u>	<u>\$ 52,995,169</u>	<u>\$ (220,994)</u>
<b>Deficiency of revenues under expenditures</b>	<u>\$ -</u>	<u>\$ (150,535)</u>	<u>\$ (1,056,681)</u>	<u>\$ (906,146)</u>
Fund balance at beginning of year			<u>5,138,010</u>	
Fund balance at end of year			<u>\$ 4,081,329</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, 2011

Exhibit C-6

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Use of money and property	\$ -	\$ -	\$ 1,909	\$ 1,909
Charges for services	757,052	757,052	563,132	(193,920)
Recovered costs	-	-	19,373	19,373
Intergovernmental	1,725,966	1,750,716	2,069,870	319,154
Total revenues	<u>\$ 2,483,018</u>	<u>\$ 2,507,768</u>	<u>\$ 2,654,284</u>	<u>\$ 146,516</u>
<b>Expenditures:</b>				
Current:				
Food services	\$ 2,450,018	\$ 2,474,768	\$ 2,462,176	\$ 12,592
Technology	33,000	33,000	34,019	(1,019)
Total expenditures	<u>\$ 2,483,018</u>	<u>\$ 2,507,768</u>	<u>\$ 2,496,195</u>	<u>\$ 11,573</u>
<b>Excess of revenues over expenditures</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 158,089</u>	<u>\$ 158,089</u>
Fund balance at beginning of year			<u>1,178,712</u>	
Fund balance at end of year			<u>\$ 1,336,801</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, 2011

Schedule 1  
Page 1

<u>Fund, Major and Minor Revenue Sources</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Primary Government:</b>			
<b>General Fund:</b>			
General property taxes:			
Real property taxes	\$ 23,172,710	\$ 22,871,691	\$ (301,019)
Real and personal public service corporation property taxes	309,000	311,567	2,567
Personal property taxes	6,102,650	6,227,915	125,265
Mobile home taxes	7,200	7,568	368
Machinery and tools taxes	1,825,000	1,849,859	24,859
Penalties and interest	200,000	256,925	56,925
Total general property taxes	\$ 31,616,560	\$ 31,525,525	\$ (91,035)
Other local taxes:			
Local sales and use taxes	\$ 11,000,000	\$ 11,030,783	\$ 30,783
Consumer utility taxes	1,061,000	1,079,982	18,982
Business license taxes	6,000,000	5,587,085	(412,915)
Motor vehicle license taxes	670,500	667,392	(3,108)
Bank stock taxes	450,000	577,159	127,159
Taxes on recordation and wills	260,000	381,220	121,220
Tobacco taxes	765,000	700,232	(64,768)
Admission and amusement taxes	197,000	182,473	(14,527)
Hotel and motel room taxes	1,628,000	1,634,615	6,615
Restaurant food taxes	8,245,000	8,403,911	158,911
Short-term rental taxes	70,000	59,244	(10,756)
Public right-of-way use fee	165,000	135,196	(29,804)
Total other local taxes	\$ 30,511,500	\$ 30,439,292	\$ (72,208)
Permits, privilege fees and regulatory licenses:			
Animal licenses	\$ 7,000	\$ 4,808	\$ (2,192)
Permits and other licenses	430,565	556,623	126,058
Total permits, privilege fees and regulatory licenses	\$ 437,565	\$ 561,431	\$ 123,866
Fines and forfeitures:			
Circuit court fines	\$ 523,000	\$ 553,923	\$ 30,923
Parking fines	40,000	44,205	4,205
Drug forfeiture	-	28,041	28,041
Total fines and forfeitures	\$ 563,000	\$ 626,169	\$ 63,169
Use of money and property:			
Use of money	\$ 103,000	\$ 53,018	\$ (49,982)
Use of property	20,400	117,707	97,307
Total use of money and property	\$ 123,400	\$ 170,725	\$ 47,325

(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, 2011

Schedule 1  
Page 2

<b>Fund, Major and Minor Revenue Sources</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Primary Government: (continued)</b>			
<b>General Fund: (continued)</b>			
Charges for services:			
Charges for law enforcement and traffic control	\$ 24,728	\$ 23,618	\$ (1,110)
Charges for parking	89,700	124,665	34,965
Charges for rescue services	130,000	126,380	(3,620)
Charges for parks and recreation	401,500	428,540	27,040
Charges for golf course	632,740	674,777	42,037
Total charges for services	\$ 1,278,668	\$ 1,377,980	\$ 99,312
Miscellaneous:			
Payments in lieu of taxes:			
Electric plant and equipment	\$ 329,077	\$ 329,077	\$ -
Public housing	8,000	-	(8,000)
Service charge on tax exempt property	10,500	45,716	35,216
Debt service reimbursement from HRHA	714,768	714,768	-
Donations - JMU & EMU	102,000	130,000	28,000
Donations	98,809	54,167	(44,642)
VPSA refunding bond issue credit	2,279,895	2,279,895	-
Other miscellaneous	379,773	534,070	154,297
Total miscellaneous	\$ 3,922,822	\$ 4,087,693	\$ 164,871
Payments from component units:			
Payment from Harrisonburg Electric Commission	\$ 4,900,000	\$ 4,900,000	\$ -
Total payments from component units	\$ 4,900,000	\$ 4,900,000	\$ -
Intergovernmental:			
Revenue from the Commonwealth:			
Non-categorical aid:			
Railroad rolling stock taxes	\$ 12,400	\$ 382	\$ (12,018)
Mobile home titling taxes	4,500	4,039	(461)
Tax on deeds (grantor tax)	145,000	130,841	(14,159)
Personal property tax reimbursement	1,522,583	1,522,583	-
Communication sales and use taxes	1,714,000	1,685,724	(28,276)
Auto rental taxes	150,000	185,927	35,927
Animal friendly license plate	778	610	(168)
Total non-categorical aid	\$ 3,549,261	\$ 3,530,106	\$ (19,155)
Categorical aid:			
Shared expenses:			
Commissioner of the revenue	\$ 131,623	\$ 128,916	\$ (2,707)
Treasurer	109,983	105,658	(4,325)
Medical examiner fees	100	-	(100)
Registrar	56,500	40,766	(15,734)
Total shared expenses	\$ 298,206	\$ 275,340	\$ (22,866)

(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, 2011

Schedule 1  
Page 3

<b>Fund, Major and Minor Revenue Sources</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Primary Government: (continued)</b>			
<b>General Fund: (continued)</b>			
Intergovernmental: (continued)			
Revenue from the Commonwealth: (continued)			
Other categorical aid:			
Virginia tourism marketing grant	\$ 1,600	\$ -	\$ (1,600)
Hazardous materials grant	9,000	10,000	1,000
Fire programs fund	108,299	120,521	12,222
Four-for-life	27,866	27,866	-
Carbon monoxide detector grant	864	864	-
Litter control grant	7,700	8,580	880
Spay and neuter funds	119	45	(74)
State aid to localities, police	1,356,284	1,282,237	(74,047)
Street and highway maintenance	3,628,715	3,761,030	132,315
Total other categorical aid	\$ 5,140,447	\$ 5,211,143	\$ 70,696
Total categorical aid	\$ 5,438,653	\$ 5,486,483	\$ 47,830
Total revenue from the Commonwealth	\$ 8,987,914	\$ 9,016,589	\$ 28,675
Revenue from the Federal Government:			
Categorical aid:			
Homeland security grant	\$ 213,728	\$ 229,179	\$ 15,451
Local law enforcement block grant	-	2,181	2,181
Police DMV grant	27,775	35,096	7,321
Justice assistance grant	28,900	51,418	22,518
Criminal history records grant	150,000	300,000	150,000
ABC grant	5,000	5,000	-
Drug-free community grant	481	2,284	1,803
Occupant protection and education grant	-	11,838	11,838
Energy efficiency conservation block grant	-	172,200	172,200
Total revenue from the Federal Government	\$ 425,884	\$ 809,196	\$ 383,312
Total intergovernmental	\$ 9,413,798	\$ 9,825,785	\$ 411,987
<b>Total General Fund</b>	<b>\$ 82,767,313</b>	<b>\$ 83,514,600</b>	<b>\$ 747,287</b>

(continued)

CITY OF HARRISONBURG, VIRGINIA  
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD  
SCHEDULE OF REVENUES - BUDGET AND ACTUAL  
For the Year Ended June 30, 2011

Schedule 1  
Page 4

<b>Fund, Major and Minor Revenue Sources</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Primary Government: (continued)</b>			
<b>Special Revenue Fund:</b>			
<b>Community Development Block Grant Fund:</b>			
Intergovernmental:			
Revenue from the Federal Government:			
Non-categorical aid:			
Community Development Block Grant	\$ 928,335	\$ 567,214	\$ (361,121)
Total revenue from the Federal Government	\$ 928,335	\$ 567,214	\$ (361,121)
Total intergovernmental	\$ 928,335	\$ 567,214	\$ (361,121)
<b>Total Community Development Block Grant Fund</b>	<b>\$ 928,335</b>	<b>\$ 567,214</b>	<b>\$ (361,121)</b>
<b>Total Special Revenue Fund</b>	<b>\$ 928,335</b>	<b>\$ 567,214</b>	<b>\$ (361,121)</b>
<b>Capital Projects Fund:</b>			
<b>General Capital Projects Fund:</b>			
Use of money and property	\$ 86	\$ 17,359	\$ 17,273
Miscellaneous	72,296	72,296	-
Intergovernmental:			
Revenue from the Commonwealth:			
Categorical aid:			
VDOT bridge reimbursement	1,452,171	879,870	(572,301)
Street and highway construction	-	37,908	37,908
VDOT revenue sharing	1,460,904	110,905	(1,349,999)
Total revenue from the Commonwealth	\$ 2,913,075	\$ 1,028,683	\$ (1,884,392)
Revenue from the Federal Government:			
Categorical aid:			
Street and highway construction	\$ 7,400,472	\$ 4,833,010	\$ (2,567,462)
Total revenue from the Federal Government	\$ 7,400,472	\$ 4,833,010	\$ (2,567,462)
Total intergovernmental	\$ 10,313,547	\$ 5,861,693	\$ (4,451,854)
<b>Total General Capital Projects Fund</b>	<b>\$ 10,385,929</b>	<b>\$ 5,951,348</b>	<b>\$ (4,434,581)</b>
<b>Total Capital Projects Fund</b>	<b>\$ 10,385,929</b>	<b>\$ 5,951,348</b>	<b>\$ (4,434,581)</b>
<b>Grand Total Revenues (Primary Government)</b>	<b>\$ 94,081,577</b>	<b>\$ 90,033,162</b>	<b>\$ (4,048,415)</b>

(continued)

CITY OF HARRISONBURG, VIRGINIA  
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD  
SCHEDULE OF REVENUES - BUDGET AND ACTUAL  
For the Year Ended June 30, 2011

Schedule 1  
Page 5

<b>Fund, Major and Minor Revenue Sources</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Component Unit - School Board:</b>			
<b>School Fund:</b>			
Use of money and properly	\$ 10,000	\$ 32,493	\$ 22,493
Charges for services	1,220,679	1,419,905	199,226
Miscellaneous	88,042	157,632	69,590
Payment from primary government	24,901,397	22,992,077	(1,909,320)
<b>Intergovernmental:</b>			
Revenue from the Commonwealth:			
Categorical aid:			
Share of state sales tax	3,850,000	4,174,844	324,844
Basic school aid	10,721,046	10,721,996	950
State standard of quality funds	2,159,209	2,264,467	105,258
Fringe benefits	1,056,171	1,101,369	45,198
At risk	921,466	944,566	23,100
Primary class size	731,840	728,603	(3,237)
Technology initiative	258,000	258,000	-
English as second language	938,367	980,804	42,437
Regional tuition programs (special education)	681,660	877,161	195,501
Other state funds	320,127	384,350	64,223
Total categorical aid	\$ 21,637,886	\$ 22,436,160	\$ 798,274
Total revenue from the Commonwealth	\$ 21,637,886	\$ 22,436,160	\$ 798,274
<b>Revenue from the Federal Government:</b>			
Categorical aid:			
Title I	\$ 1,249,211	\$ 1,117,999	\$ (131,212)
Special education	934,433	849,181	(85,252)
Education technology	635,925	92,226	(543,699)
Reading first grant	8,404	8,404	-
Title III	203,843	197,958	(5,885)
ESEA - Title II Part A	221,023	406,923	185,900
American recovery and reinvestment act (ARRA)	1,344,584	2,061,727	717,143
Other federal funds	168,213	165,803	(2,410)
Total revenue from the Federal Government	\$ 4,765,636	\$ 4,900,221	\$ 134,585
Total intergovernmental	\$ 26,403,522	\$ 27,336,381	\$ 932,859
<b>Total School Fund</b>	<b>\$ 52,623,640</b>	<b>\$ 51,938,488</b>	<b>\$ (685,152)</b>

(continued)



CITY OF HARRISONBURG, VIRGINIA  
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD  
SCHEDULE OF REVENUES - BUDGET AND ACTUAL  
For the Year Ended June 30, 2011

Schedule 1  
Page 6

<b>Fund, Major and Minor Revenue Sources</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Component Unit - School Board: (continued)</b>			
<b>School Nutrition Fund:</b>			
Use of money and property	\$ -	\$ 1,909	\$ 1,909
Charges for services	757,052	563,132	(193,920)
Miscellaneous	-	19,373	19,373
<b>Intergovernmental:</b>			
Revenue from the Commonwealth:			
Categorical aid:			
School food program	58,446	61,478	3,032
Total categorical aid	\$ 58,446	\$ 61,478	\$ 3,032
Total revenue from the Commonwealth	\$ 58,446	\$ 61,478	\$ 3,032
Revenue from the Federal Government:			
Categorical aid:			
School food program	\$ 1,692,270	\$ 1,865,274	\$ 173,004
USDA donated food	-	143,118	143,118
Total revenue from the Federal Government	\$ 1,692,270	\$ 2,008,392	\$ 316,122
Total intergovernmental	\$ 1,750,716	\$ 2,069,870	\$ 319,154
<b>Total School Nutrition Fund</b>	<b>\$ 2,507,768</b>	<b>\$ 2,654,284</b>	<b>\$ 146,516</b>
<b>Grand Total Revenues (Component Unit - School Board)</b>	<b>\$ 55,131,408</b>	<b>\$ 54,592,772</b>	<b>\$ (538,636)</b>

CITY OF HARRISONBURG, VIRGINIA  
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD  
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
For the Year Ended June 30, 2011

Schedule 2  
Page 1

Fund, Function, Activity and Elements	Final Budget	Actual	Variance Positive (Negative)
<b>Primary Government:</b>			
<b>General Fund:</b>			
General government administration:			
Legislative:			
City Council	\$ 183,345	\$ 172,539	\$ 10,806
Total legislative	\$ 183,345	\$ 172,539	\$ 10,806
General and financial administration:			
City manager	\$ 447,280	\$ 413,419	\$ 33,861
City attorney	166,977	156,980	9,997
Human resources	240,290	227,192	13,098
Independent auditor	15,590	15,590	-
Commissioner of the revenue	421,918	394,178	27,740
Assessors	286,048	275,242	10,806
Equalization	2,975	2,970	5
Treasurer	498,910	466,073	32,837
Finance	427,177	411,016	16,161
Information technology	860,153	764,139	96,014
Purchasing agent	136,460	130,704	5,756
Dues to municipal league	34,437	34,437	-
Reserve for contingencies	119,037	-	119,037
Total general and financial administration	\$ 3,657,252	\$ 3,291,940	\$ 365,312
Board of elections:			
Registrar	\$ 172,294	\$ 148,175	\$ 24,119
Total board of elections	\$ 172,294	\$ 148,175	\$ 24,119
Total general government administration	\$ 4,012,891	\$ 3,612,654	\$ 400,237
Jail and judicial administration:			
Joint expenditures with Rockingham County	\$ 2,939,344	\$ 2,861,864	\$ 77,480
Total jail and judicial administration	\$ 2,939,344	\$ 2,861,864	\$ 77,480
Public safety:			
Law enforcement and traffic control:			
Administration	\$ 727,173	\$ 673,669	\$ 53,504
Operations	2,813,071	2,683,994	129,077
Criminal investigations	1,173,771	1,129,498	44,273
Support services	2,148,308	2,078,261	70,047
Gang task force	190,705	166,081	24,624
Special operations	1,211,125	1,104,623	106,502
Total law enforcement and traffic control	\$ 8,264,153	\$ 7,836,126	\$ 428,027

(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, 2011

Schedule 2  
Page 2

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	\$ 502,879	\$ 475,376	\$ 27,503
Suppression	5,696,769	5,461,149	235,620
Prevention	346,790	334,872	11,918
Training	216,908	205,147	11,761
Total fire and rescue services	\$ 6,763,346	\$ 6,476,544	\$ 286,802
Correction and detention:			
City operated institutions	\$ 83,406	\$ 80,668	\$ 2,738
Total correction and detention	\$ 83,406	\$ 80,668	\$ 2,738
Inspections:			
Building	\$ 634,739	\$ 604,117	\$ 30,622
Total inspections	\$ 634,739	\$ 604,117	\$ 30,622
Other protection:			
Public safety building	\$ 322,751	\$ 317,409	\$ 5,342
Child safety alliance	43,927	39,137	4,790
Animal control	279,890	274,833	5,057
Coroner	1,000	180	820
Emergency services	197,027	134,919	62,108
Harrisonburg-Rockingham ECC	1,416,715	1,416,715	-
Total other protection	\$ 2,261,310	\$ 2,183,193	\$ 78,117
Total public safety	\$ 18,006,954	\$ 17,180,648	\$ 826,306
Public works:			
Maintenance of highways, streets, bridges and sidewalks:			
General engineering	\$ 893,701	\$ 838,217	\$ 55,484
Highway and street maintenance	5,416,824	3,630,208	1,786,616
Street lights	524,383	524,074	309
Snow and ice removal	270,695	267,889	2,806
Traffic engineering	1,179,685	1,135,503	44,182
Highway and street beautification	281,821	239,673	42,148
Total maintenance of highways, streets, bridges and sidewalks	\$ 8,567,109	\$ 6,635,564	\$ 1,931,545
Sanitation and waste removal:			
Street and road cleaning	\$ 425,975	\$ 387,660	\$ 38,315
Insect and rodent control	40,904	3,188	37,716
Total sanitation and waste removal	\$ 466,879	\$ 390,848	\$ 76,031

(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, 2011

Schedule 2  
Page 3

<u>Fund, Function, Activity and Elements</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Primary Government: (continued)</b>			
<b>General Fund: (continued)</b>			
Public works: (continued)			
Maintenance of general buildings and grounds:			
General properties	\$ 378,918	\$ 297,768	\$ 81,150
Total maintenance of general buildings and grounds	\$ 378,918	\$ 297,768	\$ 81,150
 Total public works	 \$ 9,412,906	 \$ 7,324,180	 \$ 2,088,726
 Health and welfare:			
Health:			
Local health department	\$ 363,810	\$ 363,810	\$ -
Total health	\$ 363,810	\$ 363,810	\$ -
 Mental health and mental retardation:			
Community services board	\$ 285,375	\$ 285,375	\$ -
Total mental health and mental retardation	\$ 285,375	\$ 285,375	\$ -
 Welfare/social services:			
Tax relief for the elderly	\$ 77,602	\$ 77,602	\$ -
Joint expenditures with Rockingham County	3,184,808	3,184,808	-
Total welfare/social services	\$ 3,262,410	\$ 3,262,410	\$ -
 Total health and welfare	 \$ 3,911,595	 \$ 3,911,595	 \$ -
 Education:			
Payment to Harrisonburg City School Board	\$ 24,901,397	\$ 22,992,077	\$ 1,909,320
 Total education	 \$ 24,901,397	 \$ 22,992,077	 \$ 1,909,320
 Parks, recreation and culture:			
Parks and recreation:			
Administration	\$ 1,004,484	\$ 863,195	\$ 141,289
Parks	884,161	841,327	42,834
Recreation centers and playgrounds	734,111	708,201	25,910
National guard armory	98,075	85,784	12,291
Simms continuing education center	358,605	287,517	71,088
Westover pool	422,995	393,464	29,531
Athletics	458,321	425,348	32,973
Blacks run greenway	48,081	44,233	3,848
Golf course grounds management	683,506	613,213	70,293
Golf course clubhouse management	432,672	423,178	9,494
Total parks and recreation	\$ 5,125,011	\$ 4,685,460	\$ 439,551
 Total parks, recreation and culture	 \$ 5,125,011	 \$ 4,685,460	 \$ 439,551

(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, 2011

Schedule 2  
Page 4

<u>Fund, Function, Activity and Elements</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Primary Government: (continued)</b>			
<b>General Fund: (continued)</b>			
Planning and community development:			
Planning:			
Planning	\$ 204,558	\$ 184,339	\$ 20,219
Zoning administrator	146,797	137,427	9,370
Zoning and board of zoning appeals	6,526	3,283	3,243
Economic development	599,726	458,196	141,530
Downtown renaissance	185,716	176,629	9,087
Tourism and visitors services	338,607	323,395	15,212
Downtown parking services	253,522	205,018	48,504
Total planning	<u>\$ 1,735,452</u>	<u>\$ 1,488,287</u>	<u>\$ 247,165</u>
Community development:			
Massanutten Regional Library	\$ 431,412	\$ 431,412	\$ -
Regional Juvenile Detention Home	225,030	225,028	2
Shenandoah Valley Airport	67,923	67,923	-
Boys and Girls Club	52,745	52,745	-
Blue Ridge Community College	45,984	45,984	-
Arts Council of the Valley	34,920	34,920	-
Other contributions	638,344	544,884	93,460
Total community development	<u>\$ 1,496,358</u>	<u>\$ 1,402,896</u>	<u>\$ 93,462</u>
Total planning and community development	<u>\$ 3,231,810</u>	<u>\$ 2,891,183</u>	<u>\$ 340,627</u>
Debt service:			
Principal retirement	\$ 6,821,459	\$ 6,568,187	\$ 253,272
Interest and fiscal charges	6,310,734	5,846,542	464,192
Bond issue costs	77,341	77,341	-
Total debt service	<u>\$ 13,209,534</u>	<u>\$ 12,492,070</u>	<u>\$ 717,464</u>
<b>Total General Fund</b>	<u><u>\$ 84,751,442</u></u>	<u><u>\$ 77,951,731</u></u>	<u><u>\$ 6,799,711</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, 2011

Schedule 2  
Page 5

<u>Fund, Function, Activity and Elements</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Primary Government: (continued)</b>			
<b>Special Revenue Fund:</b>			
<b>Community Development Block Grant Fund:</b>			
Planning and community development:			
Community development:			
Community development block grant	\$ 928,335	\$ 450,968	\$ 477,367
Total community development	\$ 928,335	\$ 450,968	\$ 477,367
Total planning and community development	\$ 928,335	\$ 450,968	\$ 477,367
<b>Total Community Development Block Grant Fund</b>	<b>\$ 928,335</b>	<b>\$ 450,968</b>	<b>\$ 477,367</b>
<b>Total Special Revenue Fund</b>	<b>\$ 928,335</b>	<b>\$ 450,968</b>	<b>\$ 477,367</b>
<b>Capital Projects Fund:</b>			
<b>General Capital Projects Fund:</b>			
Capital projects	\$ 31,018,152	\$ 12,888,316	\$ 18,129,836
<b>Total General Capital Projects Fund</b>	<b>\$ 31,018,152</b>	<b>\$ 12,888,316</b>	<b>\$ 18,129,836</b>
<b>Total Capital Projects Fund</b>	<b>\$ 31,018,152</b>	<b>\$ 12,888,316</b>	<b>\$ 18,129,836</b>
<b>Grand Total Expenditures (Primary Government)</b>	<b>\$ 116,697,929</b>	<b>\$ 91,291,015</b>	<b>\$ 25,406,914</b>
<b>Component Unit - School Board:</b>			
<b>School Fund:</b>			
Education:			
Instruction	\$ 40,169,947	\$ 40,347,484	\$ (177,537)
Administration, attendance and health	2,731,472	2,700,402	31,070
Pupil transportation	2,210,514	2,135,899	74,615
Operations and maintenance	4,459,520	4,630,006	(170,486)
Technology	3,202,722	3,181,378	21,344
Total education	\$ 52,774,175	\$ 52,995,169	\$ (220,994)
<b>Total School Fund</b>	<b>\$ 52,774,175</b>	<b>\$ 52,995,169</b>	<b>\$ (220,994)</b>
<b>School Nutrition Fund:</b>			
Education:			
Food services	\$ 2,474,768	\$ 2,462,176	\$ 12,592
Technology	33,000	34,019	(1,019)
Total education	\$ 2,507,768	\$ 2,496,195	\$ 11,573
<b>Total School Nutrition Fund</b>	<b>\$ 2,507,768</b>	<b>\$ 2,496,195</b>	<b>\$ 11,573</b>

(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, 2011

Schedule 2  
Page 6

<u>Fund, Function, Activity and Elements</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Component Unit - School Board: (continued)			
School Capital Projects Fund:			
Capital projects	\$ <u>1,487,127</u>	\$ <u>340,055</u>	\$ <u>1,147,072</u>
Total School Capital Projects Fund	\$ <u>1,487,127</u>	\$ <u>340,055</u>	\$ <u>1,147,072</u>
Grand Total Expenditures (Component Unit - School Board)	\$ <u>56,769,070</u>	\$ <u>55,831,419</u>	\$ <u>937,651</u>

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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 5 contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

**Revenue Capacity.** Tables 6 through 9 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 10 through 12 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 13 and 14 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 15 through 17 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 Ten Fiscal Years  
(accrual basis of accounting)

Table 1

	Fiscal Year									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>Governmental activities</b>										
Invested in capital assets, net of related debt	\$ 132,778,540	\$ 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*	464,466	459,667	345,524	961,442	1,039,017	1,304,291	1,119,024	766,544	905,353	621,915
Unrestricted*	36,505,429	31,737,220	32,029,616	40,774,314	98,167,946	21,859,603	24,597,079	23,302,565	20,723,167	20,974,296
Total governmental activities net assets	\$ 169,748,435	\$ 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
<b>Business-type activities</b>										
Invested in capital assets, net of related debt	\$ 63,773,381	\$ 64,272,566	\$ 63,946,619	\$ 55,215,398	\$ 54,121,108	\$ 49,644,177	\$ 49,759,377	\$ 49,213,863	\$ 50,858,770	\$ 55,634,074
Restricted*	-	-	-	-	-	-	-	444,437	452,716	471,168
Unrestricted	24,007,072	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*	\$ 87,780,453	\$ 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
<b>Primary government</b>										
Invested in capital assets, net of related debt	\$ 196,551,921	\$ 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	464,466	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	60,512,501	55,086,938	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	\$ 257,528,888	\$ 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.

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

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

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

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

Table 2

	Fiscal Year									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>Expenses:</b>										
Governmental activities:										
General government administration	\$ 12,711,047	\$ 12,693,219	\$ 12,735,815	\$ 11,767,148	\$ 10,807,363	\$ 9,494,062	\$ 8,659,789	\$ 8,095,033	\$ 7,285,396	\$ 6,374,698
Jail and judicial administration	3,158,825	2,889,276	3,012,532	2,521,878	2,895,536	2,247,160	1,720,208	1,411,339	1,463,027	1,658,125
Public safety	18,414,704	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	11,384,626	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	3,933,460	3,911,386	4,369,125	3,764,612	3,130,085	2,571,383	2,318,720	2,157,251	1,939,214	1,529,544
Education	27,641,213	28,735,086	31,253,898	25,922,982	25,341,757	24,630,393	21,784,772	20,351,713	21,325,763	20,508,326
Parks, recreation and cultural <sup>a</sup>	5,279,783	5,100,351	5,379,470	5,103,321	4,692,190	4,458,904	2,781,327	2,636,326	2,551,774	2,328,603
Planning and community development <sup>b</sup>	3,618,639	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	6,006,543	6,131,512	5,880,753	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	5,014,952	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	8,165,858	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	6,916,982	6,767,823	6,817,081	6,042,941	5,538,155	5,070,888	4,635,925	4,162,292	3,882,258	3,381,260
Sanitation <sup>c,d</sup>	9,999,432	9,878,225	10,809,914	11,162,477	10,604,466	10,446,049	8,764,331	5,795,311	9,620,247	5,308,102
Public parking	-	-	-	-	-	175,050	209,084	208,202	200,964	188,878
Golf course <sup>e</sup>	-	-	-	-	-	-	1,416,361	1,338,559	1,430,431	416,016
Total expenses	\$ 122,245,944	\$ 121,143,571	\$ 126,858,487	\$ 114,921,147	\$ 111,027,259	\$ 100,421,434	\$ 89,583,392	\$ 81,692,740	\$ 82,212,002	\$ 72,239,938
<b>Program revenues:</b>										
Governmental activities:										
Charges for services:										
General government administration	\$ 9,266,743	\$ 9,478,805	\$ 8,620,160	\$ 7,913,474	\$ 7,067,373	\$ 6,845,784	\$ 6,591,292	\$ 6,408,739	\$ 5,136,588	\$ 3,518,948
Jail and judicial administration	553,923	504,223	493,611	432,767	380,856	517,889	604,029	563,954	400,247	362,860
Parks, recreation and cultural	1,103,317	1,042,513	1,063,064	1,003,942	775,673	787,786	278,415	235,998	232,074	246,327
Other activities	845,073	686,775	1,055,627	1,278,101	768,070	548,215	441,843	109,456	427,509	278,135
Operating grants and contributions	6,779,026	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 <sup>f,g</sup>	1,394,887	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	5,793,929	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	8,047,117	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	3,573,754	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	9,859,085	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	-	-	-	-	-	176,530	752,842	717,992	664,239	395,689
Operating grants and contributions	1,353,559	1,496,827	1,444,903	1,242,498	1,140,983	1,198,885	986,231	912,114	910,460	840,845
Capital grants and contributions <sup>h</sup>	840,082	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	\$ 49,410,495	\$ 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
<b>Net (expense) revenue:</b>										
Governmental activities	\$ (72,205,851)	\$ (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	(629,598)	(299,800)	5,698,796	(1,807,537)	(1,406,718)	(489,797)	(1,660,048)	(201,309)	(5,129,521)	1,659,514
Total net (expense) revenue	\$ (72,835,449)	\$ (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 Ten Fiscal Years  
(accrual basis of accounting)

Table 2

	Fiscal Year									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
General revenues and other changes in net assets:										
Governmental activities:										
General revenues:										
Property taxes	\$ 31,465,340	\$ 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	11,030,783	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 <sup>1</sup>	8,414,191	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	5,587,085	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 <sup>1</sup>	5,382,633	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	3,520,574	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	4,900,000	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 <sup>2</sup>	87,557	151,425	658,303	2,644,259	3,534,382	1,363,309	752,552	568,770	939,030	1,218,831
Other revenue	4,254,403	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 <sup>3,4,5</sup>	-	-	-	4,109,942	2,183,062	11,005,846	-	-	-	1,124,500
Transfers	484,233	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	52,446	79,908	505,917	1,101,241	1,403,613	1,082,397	609,291	376,714	993,087	595,581
Other revenue	1,215,028	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 assets	4,525	1,855	8,100	-	-	-	-	-	-	-
Transfers	(484,233)	(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	\$ 75,914,565	\$ 71,439,799	\$ 72,376,837	\$ 78,686,870	\$ 72,906,076	\$ 74,395,920	\$ 57,283,995	\$ 54,345,863	\$ 50,478,049	\$ 49,781,861
Change in net assets:										
Governmental activities	\$ 2,920,948	\$ (2,063,397)	\$ (5,047,757)	\$ 10,792,502	\$ 4,883,020	\$ 12,080,920	\$ 4,112,834	\$ 3,201,826	\$ 1,078,130	\$ (314,125)
Business-type activities	158,168	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	\$ 3,079,116	\$ (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

<sup>1</sup>For 2006, the increase in parks and recreation activity expenses reflected a reporting change for the operations of the golf course. Prior to 2006, the golf course was reported as a business-type activity.

<sup>2</sup>For 2007, the increase in the planning and community development activity expenses reflected the recognition of a loan guarantee associated with the Lucy F. Simms Continuing Education Center renovation project.

<sup>3</sup>For 2005, the increase in sanitation activity expenses reflected a full year of depreciation on the rebuilt steam plant and an increase in interest expense.

<sup>4</sup>For 2004, the decrease in sanitation activity expenses reflected a change in the method the City used to estimate its landfill closure liability. This change was a change in accounting estimate and reported in expenses.

<sup>5</sup>For 2003, the increase in sanitation activity expenses reflected an increased usage of Rockingham County's landfill during the rebuild of the steam plant. The City also recognized a \$2.9 million capital asset write down after dismantling the original steam plant.

<sup>6</sup>For 2007, the increase in capital grants and contributions reflected the City's initial participation in the Virginia Urban Construction Initiative Program. The City received \$3.4 million in 2007 from this program of which \$2.5 million was a one-time payment.

<sup>7</sup>For 2010, the decrease in capital grants and contributions reflected decreasing right-of-way and easement purchases associated with the Stone Spring Road/Erickson Avenue Improvement project which were eligible for federal and state funding.

<sup>8</sup>For 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.

<sup>9</sup>For 2004, the City enacted a tobacco tax.

<sup>10</sup>For 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.

<sup>11</sup>For 2006, the School Board transferred the old Harrisonburg High School complex to the City resulting in a special item.

<sup>12</sup>For 2007, the City sold the old Harrisonburg High School complex to James Madison University resulting in a special item.

<sup>13</sup>For 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)

Table 3

	Fiscal Year									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
General Fund										
Nonspendable	\$ 1,055,286	\$ 838,087	\$ 772,046	\$ 609,960	\$ 611,347	\$ 873,061	\$ 375,000	\$ 748,700	\$ 1,324,693	\$ 1,764,223
Restricted <sup>a</sup>	464,466	459,667	345,524	959,650	1,037,225	1,059,596	5,248,969	574,755	429,450	372,590
Committed <sup>b</sup>	860,879	1,297,212	1,879,300	2,344,663	3,311,602	31,700	31,700	47,431	77,431	247,431
Assigned <sup>c</sup>	4,175,696	1,096,324	175,380	5,620,402	4,754,769	2,059,387	2,641,228	2,285,041	3,020,412	4,507,273
Unassigned	18,711,352	16,273,005	16,363,415	15,747,798	14,711,182	10,729,138	11,157,528	12,001,670	10,596,315	8,662,893
Total general fund	\$ 25,267,679	\$ 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
All other governmental funds										
Nonspendable	\$ 531	\$ -	\$ -	\$ -	\$ -	\$ 7,534	\$ -	\$ 273,449	\$ 394,982	\$ 516,515
Restricted <sup>d</sup>	4,128,472	772,478	9,365,268	2,134,402	25,913,479	4,364,535	6,110,398	13,209,321	33,162,818	42,478,886
Committed	8,794,481	8,811,974	7,704,596	11,911,533	14,087,497	4,817,016	7,082,034	7,504,863	6,471,198	7,190,583
Unassigned, reported in:										
Special revenue funds	(6,955)	(122,388)	(43,201)	(15,513)	-	-	-	-	-	-
Total all other governmental funds	\$ 12,916,529	\$ 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

**Notes:** Certain prior year balances have been reclassified to reflect current financial reporting (2002-2010). Any significant increases or decreases for 2011 are explained in Management's Discussion and Analysis.

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

<sup>b</sup>For 2007, the increase in general fund committed fund balance was the result of the proceeds from the sale of the old Harrisonburg High School complex to James Madison University being committed for debt service on the old high school's existing outstanding debt.

<sup>c</sup>For 2009, the decrease in general fund assigned fund balance was the result of fund balance not being used to balance the subsequent year's budget and less encumbrances being reappropriated in fiscal year 2010.

<sup>d</sup>The increases and decreases in other governmental funds' restricted fund balance are the result of bond proceeds that are used for various capital project purposes.

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

Table 4

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>Revenues:</b>										
General property taxes	\$ 31,525,525	\$ 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
Other local taxes	30,439,292	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
Permits, privilege fees and regulatory licenses	561,431	354,076	848,149	1,099,610	552,074	503,149	403,621	333,288	390,820	244,187
Fines and forfeitures	626,169	598,904	570,997	518,259	504,628	517,689	604,029	563,954	400,247	362,860
Use of money and property <sup>a,b</sup>	188,084	197,844	662,621	2,523,091	3,675,662	2,227,982	785,874	683,526	1,309,574	1,452,653
Charges for services	1,377,980	1,193,264	1,193,156	1,098,841	842,690	811,677	292,843	252,891	261,442	277,538
Miscellaneous	4,159,989	1,540,896	1,700,774	1,733,883	1,001,438	882,152	955,799	1,022,722	1,494,156	919,172
Recovered costs	-	-	-	217,422	1,188,496	1,266,205	1,670,896	870,207	485,348	273,376
Payments from component units	4,900,000	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
Intergovernmental <sup>c</sup>	16,254,692	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
<b>Total revenues</b>	<b>\$ 90,033,162</b>	<b>\$ 82,489,273</b>	<b>\$ 82,840,778</b>	<b>\$ 83,764,938</b>	<b>\$ 81,033,501</b>	<b>\$ 69,956,707</b>	<b>\$ 63,897,667</b>	<b>\$ 60,355,758</b>	<b>\$ 55,939,094</b>	<b>\$ 52,582,337</b>
<b>Expenditures:</b>										
<b>Current:</b>										
General government administration	\$ 3,612,654	\$ 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
Jail and judicial administration	2,861,864	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
Public safety	17,180,848	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
Public works <sup>a</sup>	7,324,180	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
Health and welfare	3,911,595	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
Education	22,992,077	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
Parks, recreation and cultural <sup>a</sup>	4,685,460	4,590,497	4,819,548	4,832,776	4,852,311	4,488,905	2,686,375	2,763,595	2,693,787	2,298,492
Planning and community development <sup>a</sup>	3,342,151	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
Debt service:										
Principal retirement	6,568,187	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
Interest and fiscal charges <sup>a,h</sup>	5,846,542	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
Bond issuance costs	77,341	-	58,379	-	-	-	-	-	29,839	-
Payment to advanced refunding escrow	-	-	520,040	-	-	-	-	-	-	-
Capital projects <sup>i</sup>	12,888,316	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
<b>Total expenditures</b>	<b>\$ 91,291,015</b>	<b>\$ 89,808,346</b>	<b>\$ 99,247,485</b>	<b>\$ 114,279,874</b>	<b>\$ 104,658,168</b>	<b>\$ 77,382,133</b>	<b>\$ 80,224,751</b>	<b>\$ 83,958,774</b>	<b>\$ 67,676,499</b>	<b>\$ 58,288,454</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>\$ (1,257,853)</b>	<b>\$ (7,319,073)</b>	<b>\$ (16,406,707)</b>	<b>\$ (30,514,936)</b>	<b>\$ (23,624,667)</b>	<b>\$ (7,425,426)</b>	<b>\$ (16,327,084)</b>	<b>\$ (23,603,016)</b>	<b>\$ (11,737,405)</b>	<b>\$ (5,706,117)</b>



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

Table 4

	Fiscal Year									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Other financing sources (uses):										
Long-term debt issued or incurred <sup>1k</sup>	\$ 9,515,000	\$ -	\$ 13,480,500	\$ -	\$ 50,000,000	\$ -	\$ 13,390,000	\$ 5,905,000	\$ 1,759,345	\$ 49,180,000
Refunding debt issued	5,691,105	-	7,377,000	-	-	-	-	-	5,616,300	-
Premium on long-term debt issued	362,907	-	99,617	-	-	-	-	30,769	-	164,376
Discount on long-term debt issued	-	-	-	-	-	-	-	(9,211)	-	(14,586)
Payment to bond refunding escrow agent	(5,847,247)	-	(7,412,601)	-	(176,698)	-	-	-	-	-
Transfers in	2,890,945	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
Transfers out	(2,597,008)	(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)
Total other financing sources (uses)	\$ 10,015,702	\$ 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
Special item:										
Sale of capital asset <sup>1m</sup>	\$ -	\$ -	\$ 7,000,000	\$ 15,697,400	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net change in fund balances	\$ 8,757,849	\$ (7,135,969)	\$ 4,249,433	\$ (16,413,472)	\$ 24,787,734	\$ (8,704,890)	\$ (3,998,373)	\$ (18,832,069)	\$ (10,354,409)	\$ 41,530,345
Debt service as a percentage of noncapital expenditures	14.84%	14.75%	13.88%	14.37%	12.65%	13.00%	13.92%	12.62%	15.57%	10.89%

**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.

<sup>1k</sup>For 2006, the increase in the use of money and property was the result of a rental payment from James Madison University for the lease of the old high school complex.

<sup>1m</sup>For 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.

<sup>2</sup>For 2007, the increase in intergovernmental revenue reflected the City's initial participation in the Virginia Urban Construction Initiative Program. The City received \$3.4 million of which \$2.5 million was a one-time payment.

<sup>3</sup>For 2006, the increase in public works expenditures was the result of the purchase of land on Port Republic Road.

<sup>4</sup>For 2006, the increase in parks and recreation expenditures reflected a reporting change for the operations of the golf course. Prior to 2006, the golf course was reported as an enterprise fund.

<sup>5</sup>For 2008, the increase in planning and community development expenditures reflected the payment of a loan guarantee associated with the Lucy F. Simms Continuing Education Center renovation project.

<sup>6</sup>For 2003, the increase in debt service interest expenditures was the result of the first interest payment on bonds issued for the construction of a new high school.

<sup>7</sup>For 2008, the increase in debt service interest expenditures was the result of the first interest payment on bonds issued for the construction of an elementary/middle school complex and related road improvements.

<sup>8</sup>For 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.

<sup>9</sup>For 2002, the amount for long-term debt issued was the result of bonds issued for the construction of a new high school and for the purchase and renovation of a public safety building.

<sup>10</sup>For 2007, the amount for long-term debt issued was the result of bonds issued for the construction of a new elementary/middle school complex and related infrastructure.

<sup>11</sup>For 2007, the City sold the old Harrisonburg High School complex to James Madison University.

<sup>12</sup>For 2008, the City sold land on Port Republic Road to James Madison University.

CITY OF HARRISONBURG, VIRGINIA  
TAX REVENUES BY SOURCE  
Last Ten Fiscal Years  
(modified accrual basis of accounting)

Table 5

	Fiscal Year									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
General property taxes										
Real estate taxes <sup>a</sup>	\$ 22,871,691	\$ 22,471,813	\$ 20,253,878	\$ 18,794,716	\$ 14,614,206	\$ 14,082,477	\$ 12,159,177	\$ 11,969,561	\$ 11,288,356	\$ 11,087,429
Real and personal public service corporation property taxes	311,567	315,297	290,145	296,523	257,361	288,174	314,038	345,127	391,553	328,833
Personal property taxes <sup>b</sup>	6,227,915	6,002,949	6,481,657	6,135,629	6,903,578	3,967,554	3,663,731	3,759,559	3,628,528	3,468,809
Mobile home taxes	7,568	6,976	6,779	6,642	7,958	7,036	9,397	8,040	8,106	6,592
Machinery and tools taxes	1,849,859	1,918,964	1,769,620	1,571,168	1,713,458	1,634,123	1,730,900	2,052,925	2,123,228	2,416,808
Penalties and interest	256,925	293,075	195,629	244,143	219,863	171,764	206,217	196,262	224,320	177,844
Total general property taxes	\$ 31,525,525	\$ 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
Other local taxes										
Local sales and use taxes	\$ 11,030,783	\$ 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
Consumer utility taxes <sup>c</sup>	1,079,982	1,063,641	1,059,448	1,053,085	1,489,300	1,878,219	1,849,330	1,788,124	1,779,697	1,719,629
Business license taxes	5,587,085	5,571,597	6,072,551	6,208,829	6,044,898	5,745,193	5,274,648	5,013,674	4,771,569	4,286,104
Franchise license taxes <sup>d</sup>	-	-	-	-	167,399	304,159	285,736	279,204	263,211	318,109
Motor vehicle license taxes	667,392	698,446	708,619	723,115	736,579	502,226	504,105	497,052	485,653	474,235
Bank stock taxes	577,159	556,236	487,649	362,690	481,402	501,430	389,143	329,333	357,430	451,557
Taxes on recordation and wills	381,220	311,749	380,766	598,229	595,283	746,064	521,520	358,406	292,595	244,676
Tobacco taxes <sup>e</sup>	700,232	759,637	794,917	888,029	878,952	882,623	967,983	1,303,021	-	-
Admission and amusement taxes	182,473	198,641	195,222	195,197	172,964	169,701	164,417	178,760	167,925	154,373
Hotel and motel room taxes	1,634,615	1,505,247	1,536,035	1,599,097	1,533,589	1,429,097	1,262,314	1,182,250	940,032	919,412
Restaurant food taxes <sup>f</sup>	8,403,911	8,001,668	8,037,199	8,027,404	7,671,308	7,099,944	6,711,580	6,351,607	4,882,551	4,609,629
Emergency telephone service taxes <sup>g</sup>	-	-	-	-	401,181	669,166	431,884	378,655	483,364	406,572
Short-term rental taxes	59,244	17,778	-	-	-	-	-	-	-	-
Public right-of-way use fee	135,196	123,100	113,315	125,372	107,545	143,804	138,735	137,055	156,811	116,484
Total other local taxes	\$ 30,439,292	\$ 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

<sup>a</sup>For 2008, the increase in real estate taxes was the result of an increase in real property assessments.

<sup>b</sup>For 2007, the increase in personal property taxes was the result of an increase in personal property tax rate.

<sup>c</sup>For 2008, the decrease in these various other local taxes was the result of the state enacting the communications sales and use tax. This state tax replaced various local taxes with each locality in the state receiving a predetermined percentage of the total communications sales and use tax which is now considered an intergovernmental revenue.

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

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

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

Table 6

Fiscal Year	Real Estate <sup>1</sup>			Personal Property				Total Direct Tax Rate
	Residential	Commercial/Industrial	Public Service Corporations <sup>4</sup>	Personal Property <sup>2</sup>	Machinery and Tools <sup>3</sup>	Mobile Homes <sup>1</sup>	Public Service Corporations <sup>4</sup>	
2011	\$ 2,510,853,924	\$ 1,364,937,892	\$ 50,956,726	\$ 305,187,900	\$ 91,009,800	\$ 1,188,000	\$ 364,071	0.76
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

<sup>11</sup> **Source:** City of Harrisonburg Commissioner of the Revenue Property Tax Records.

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

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

Table 7

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 <sup>1</sup>	
2011	\$ 0.59	\$ 0.59	\$ 0.59	\$ 2.00	\$ 2.00	0.59	\$ 3.00	3.00	\$ 0.76
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

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

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

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

**Table 8**

Property Taxpayer	Fiscal Year 2011			Fiscal Year 2002		
	Property Taxes	Rank	Percent of Total Property Taxes	Property Taxes	Rank	Percent of Total Property Taxes
Graham Packaging Company, LP	\$ 375,683	1	1.20%	\$ 205,520	8	1.08%
Tenneco Inc.	357,038	2	1.14%	524,842	1	2.77%
American Campus Communities, Inc.	338,269	3	1.08%	-	-	-
R.R. Donnelley & Sons Company	333,197	4	1.06%	275,292	4	1.45%
Packaging Corporation of America	302,988	5	0.97%	239,257	5	1.26%
Montebello Packaging, Inc.	265,887	6	0.85%	-	-	-
Simon Property Group, Inc.	248,930	7	0.79%	-	-	-
Wal-Mart Stores, Inc.	194,692	8	0.62%	-	-	-
Virginia Mennonite Retirement Community	193,847	9	0.62%	-	-	-
Ariake U.S.A., Inc.	165,756	10	0.53%	-	-	-
Tyco International Ltd.	-	-	-	346,306	2	1.83%
IntraPac Corporation	-	-	-	332,616	3	1.75%
LB&J Limited	-	-	-	231,377	6	1.22%
Verizon Communications Inc.	-	-	-	208,014	7	1.10%
Pilgrims Pride Corporation	-	-	-	179,872	9	0.95%
Reddy Ice Corporation	-	-	-	171,708	10	0.91%
<b>Total</b>	<b>\$ 2,776,287</b>		<b>8.86%</b>	<b>\$ 2,714,804</b>		<b>14.32%</b>

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

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

Table 9

Fiscal Year	Taxes Levied for the		Adjustments	Total Adjusted Levy	Collected within the			Collections in Subsequent Years	Total Collections to Date		
	Fiscal Year (Original Levy)	Fiscal Year Levy			Fiscal Year of the Levy		Amount		Percentage of Levy		
					Amount	Percentage of Levy					
2011	\$	31,326,231	\$	-	\$	30,500,885	97.37%	-	\$	30,500,885	97.37%
2010		30,809,804	(11,492)	30,798,312		29,834,014	96.83%	525,379		30,359,393	98.54%
2009		29,095,900	18,722	29,114,622		28,136,769	96.70%	679,384		28,816,153	98.97%
2008		27,221,485	(15,733)	27,205,752		26,384,561	96.93%	602,586		26,987,147	99.20%
2007		23,722,324	34,260	23,756,584		22,950,373	96.75%	567,228		23,517,601	98.99%
2006		21,683,449	69,888	21,753,337		21,076,071	97.20%	501,134		21,577,205	99.19%
2005		19,595,631	15,108	19,610,739		18,925,288	96.58%	411,671		19,336,959	98.60%
2004		19,617,311	(6,126)	19,611,185		19,080,972	97.27%	343,899		19,424,871	99.05%
2003		18,890,133	10,247	18,900,380		18,103,663	95.84%	669,436		18,773,099	99.33%
2002		18,973,108	889	18,973,997		18,116,477	95.49%	738,627		18,855,104	99.37%

**Notes:** From 2002-2006, 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 10

Type of debt	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>Governmental activities:</b>										
General obligation bonds <sup>a,b,c</sup>	\$ 128,931,460	\$ 124,852,870	\$ 130,064,515	\$ 115,949,601	\$ 119,643,460	\$ 73,438,431	\$ 76,778,898	\$ 72,785,854	\$ 71,747,779	\$ 74,814,619
General obligation revenue bonds <sup>b,d</sup>	-	-	-	6,186,488	6,258,756	6,321,024	6,343,292	-	-	-
Notes payable	-	-	-	-	-	400,000	400,000	3,297,307	916,785	1,135,035
Capital leases	5,751,958	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
State literary fund loans	-	-	-	-	-	11,825	23,650	35,475	101,900	205,350
<b>Business-type activities:</b>										
General obligation bonds <sup>a</sup>	34,061,922	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
General obligation revenue bonds <sup>a,e</sup>	469,862	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
Notes payable	-	-	-	-	-	-	-	128,527	426,346	709,726
<b>Total primary government</b>	<b>\$ 169,215,202</b>	<b>\$ 167,408,648</b>	<b>\$ 174,030,895</b>	<b>\$ 165,967,515</b>	<b>\$ 171,921,866</b>	<b>\$ 128,301,087</b>	<b>\$ 133,770,530</b>	<b>\$ 128,075,524</b>	<b>\$ 125,783,579</b>	<b>\$ 129,855,335</b>
Percentage of personal income <sup>1</sup>	10.83%	11.16%	12.10%	11.96%	13.13%	10.55%	11.68%	11.63%	12.15%	12.60%
Per capita <sup>1</sup>	\$ 3,419	\$ 3,423	\$ 3,792	\$ 3,667	\$ 3,809	\$ 2,915	\$ 3,098	\$ 2,969	\$ 2,925	\$ 3,077

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements. <sup>1</sup>See Table 13 for personal income and population data.

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

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

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

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

<sup>e</sup>For 2011, the City issued \$28.1 million in general obligation bonds to advance refund \$17.7 million in general obligation bonds and \$8.78 million in general obligation revenue bonds.

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

Table 11

	Fiscal Year									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
General obligation bonds <sup>a,b,d</sup>	\$ 162,993,382	\$ 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
Total	\$ 162,993,382	\$ 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
Percentage of assessed real property value <sup>1</sup>	4.15%	3.94%	4.49%	4.36%	6.11%	4.37%	5.24%	5.17%	5.43%	5.67%
Per capita <sup>2</sup>	\$ 3,293	\$ 3,095	\$ 3,420	\$ 3,131	\$ 3,248	\$ 2,308	\$ 2,457	\$ 2,373	\$ 2,362	\$ 2,486

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements. <sup>1</sup>See Table 6 for assessed real property data. <sup>2</sup>See Table 13 for population data.

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

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

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

<sup>d</sup>For 2011, the City issued \$28.1 million in general obligation bonds to advance refund \$17.7 million in general obligation bonds and \$8.78 million in general obligation revenue bonds.



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

Table 12

	Fiscal Year									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Debt limit	\$ 392,674,854	\$ 383,863,800	\$ 349,636,450	\$ 325,298,821	\$ 239,765,363	\$ 232,702,851	\$ 202,313,762	\$ 197,861,987	\$ 186,943,503	\$ 184,901,798
Total debt applicable to limit	165,926,512	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
Legal debt margin	\$ 226,748,342	\$ 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
Total debt applicable to the limit as percentage of debt limit *	42.26%	42.21%	48.03%	48.72%	68.30%	51.27%	61.33%	62.36%	64.54%	66.97%
<b>Legal Debt Margin Calculation for Fiscal Year 2011</b>										
Total assessed value of taxed real property	\$ 3,926,748,542									
Debt limit (10% of total assessed value)	\$ 392,674,854									
Debt applicable to limit:										
General obligation bonds	165,456,512									
General obligation revenue bonds	470,000									
Legal debt margin	\$ 226,748,342									

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.

\*For 2007, the City issued a total of \$50 million in debt to finance various projects. See Table 10 for a further explanation of the projects financed.

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

**Table 13**

<b>Fiscal Year</b>	<b>Population<sup>1</sup></b>	<b>Personal Income (in thousands)</b>	<b>Per Capita Personal Income<sup>2</sup></b>	<b>School Enrollment<sup>3</sup></b>	<b>Unemployment Rate Percentage<sup>4</sup></b>
2011	49,491	\$ 1,562,530	\$ 31,572	4,513	7.1
2010	48,914	1,500,339	30,673	4,323	7.5
2009	45,889	1,438,850	31,355	4,241	5.6
2008	45,255	1,387,247	30,654	4,363	3.4
2007	45,138	1,309,273	29,006	4,356	2.8
2006	44,008	1,216,645	27,646	4,347	3.4
2005	43,178	1,144,821	26,514	4,088	4.0
2004	43,137	1,100,986	25,523	4,028	3.7
2003	43,001	1,035,679	24,085	4,026	3.7
2002	42,200	1,030,777	24,426	3,912	3.5

**Sources:** <sup>1</sup> Estimated by the City's Department of Planning and Community Development for 2002-2009 and 2011. United States Census Bureau for 2010. <sup>2</sup> Bureau of Economic Analysis, United States Department of Commerce. Amounts for 2002-2010 have been adjusted based upon the latest available data. Data for 2011 has been estimated based on per capita personal income trends for the previous ten years. <sup>3</sup> City of Harrisonburg School Board. <sup>4</sup> Virginia Employment Commission. The unemployment rate is an annual average. The rates for 2006-2010 have been adjusted based upon the latest available data.

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

**Table 14**

Employers	Fiscal Year 2011			Fiscal Year 2002		
	Approximate Employees	Rank	Percent of Total City Emp- loyment	Employees	Rank	Percent of Total City Emp- loyment
James Madison University	>999	1	> 3.31%	>999	1	n/a
Harrisonburg City Public Schools	500 - 999	2	1.65% - 3.31%	500 - 999	4	n/a
Rosetta Stone Inc.	500 - 999	3	1.65% - 3.31%	-	-	-
City of Harrisonburg	500 - 999	4	1.65% - 3.31%	500 - 999	6	n/a
Tenneco Inc.	500 - 999	5	1.65% - 3.31%	500 - 999	3	n/a
George's Chicken, LLC	250 - 499	6	0.83% - 1.65%	250 - 499	8	n/a
Wal-Mart Stores, Inc.	250 - 499	7	0.83% - 1.65%	500 - 999	5	n/a
Virginia Mennonite Retirement Community	250 - 499	8	0.83% - 1.65%	250 - 499	10	n/a
Graham Packaging Company, LP	250 - 499	9	0.83% - 1.65%	-	-	n/a
Packaging Corporation of America	100 - 249	10	0.33% - 0.83%	-	-	n/a
Rockingham Memorial Hospital	-	-	-	>999	2	n/a
Pilgrims Pride Corporation	-	-	-	250 - 499	7	n/a
IntraPac Corporation	-	-	-	250 - 499	9	n/a
Total City Employment	30,223			n/a		

**Source:** *Virginia Employment Commission.*

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

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

Table 15

Function	Fiscal Year									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
General government administration	45.4	45.7	46.1	43.9	41.8	39.0	37.9	37.0	35.1	33.9
Public safety:										
Police <sup>a</sup>	108.5	108.8	110.8	107.8	101.6	101.8	97.7	100.4	94.8	94.2
Fire	80.8	80.5	79.8	76.8	72.3	71.5	68.5	68.2	65.0	64.0
Other <sup>b</sup>	13.0	13.0	13.0	12.0	12.0	11.5	10.2	22.0	22.0	20.5
Public works	72.6	73.1	76.2	74.3	74.2	66.7	66.0	66.0	62.9	65.8
Parks, recreation and cultural	75.6	70.7	71.2	70.6	69.4	66.8	65.6	66.7	63.1	60.4
Planning and community development <sup>c</sup>	18.8	19.1	19.4	17.2	18.8	11.9	11.7	10.6	11.3	10.1
Water	33.1	33.2	33.2	31.4	30.1	29.7	29.7	29.6	28.6	28.6
Sewer	23.8	23.7	23.7	22.6	23.3	22.9	22.9	22.9	21.9	21.9
Public transportation <sup>d</sup>	87.8	87.1	86.4	78.6	79.8	79.2	76.4	77.1	67.7	66.6
Sanitation <sup>e</sup>	56.9	60.9	61.5	60.9	56.9	56.9	55.0	54.0	46.8	45.0
Central garage	14.7	14.7	15.4	15.8	13.0	13.0	13.0	13.0	13.0	13.0
Central stores	2.0	2.0	2.0	2.0	2.0	1.0	1.0	1.0	2.0	2.0
Total	633.0	632.5	638.7	613.9	595.2	571.9	555.6	568.5	534.2	526.0

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

Notes: Full-time equivalent amounts are budgeted positions.

- <sup>a</sup>The City has added additional police department personnel over the past ten years as demand for services continue to increase.
- <sup>b</sup>For 2005, the decrease for other public safety reflects the transfer of employees to the Harrisonburg-Rockingham Emergency Communications Center.
- <sup>c</sup>For 2007, the increase for planning and community development reflects the creation of a tourism and visitors services division.
- <sup>d</sup>The City has added additional public transportation personnel over the past ten years as demand for transit and school bus services continue to increase.
- <sup>e</sup>For 2004, the increase for sanitation 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 16

Function	Fiscal Year									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Police										
Calls answered	42,384	43,634	40,321	26,658	28,232	30,901	34,059	33,987	30,839	29,960
Traffic citations	11,378	8,437	8,177	5,326	6,295	7,144	9,796	8,825	7,101	5,460
Fire										
Calls answered	4,514	4,473	4,381	4,314	3,991	4,088	3,994	3,763	3,606	3,313
Inspections	1,868	1,927	1,983	1,218	1,387	1,472	1,623	1,296	1,198	683
Public works										
Streets repaved (total miles)	5.47	6.90	9.47	10.42	7.47	4.88	4.17	4.13	10.22	7.31
Parks and recreation										
Pool admissions	47,417	48,304	43,872	41,229	30,736	42,633	42,710	47,718	45,153	44,042
Rounds of golf played <sup>a</sup>	21,906	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	739	748	961	1,747	829	1,039	958	893	896	624
Water										
Daily consumption (millions of gallons)	5.44	5.17	5.38	5.50	5.40	5.35	5.15	5.14	4.96	5.33
New customer connections	151	110	528	509	347	435	262	272	267	302
Sewer										
Daily consumption (millions of gallons)	4.33	4.20	4.12	3.95	4.26	4.36	4.16	4.11	n/a	n/a
New customer connections	132	8	13	36	52	46	42	33	22	38
Public transportation										
Transit bus passengers	2,063,301	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
Sanitation										
Avg. daily steam plant intake (tons) <sup>b</sup>	138.5	149.6	148.3	130.4	128.5	145.6	117.5	48.3	44.6	59.4
Materials recycled (tons)	827.8	722.6	1,048.3	942.3	1,234.2	1,847.3	1,353.9	n/a	n/a	n/a

Source: Various City of Harrisonburg departments.

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

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

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

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

Table 17

Function	Fiscal Year									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Police										
Police stations	3	3	3	3	3	3	3	3	4	4
Patrol units (including motorcycles)	46	47	43	43	42	40	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	13	12	12	13	12	12	12	11
Public works:										
Streets (centerline miles)	137.92	137.92	135.34	134.07	134.07	132.62	132.62	132.62	132.62	132.62
Parks, recreation and cultural										
Parks (including athletic facilities)	12	12	11	11	10	10	10	10	10	10
Parks acreage	877	877	869	869	869	869	869	869	869	869
Golf course acreage	215	215	215	215	215	201	201	201	201	201
Water:										
Water lines (linear feet)	1,523,193	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
Storage capacity (millions of gallons) <sup>a</sup>	25.25	25.25	23.25	38.25	33.25	33.25	27.95	27.95	27.95	27.95
Sewer:										
Sewer lines (linear feet)	1,075,233	1,071,840	1,063,710	1,018,647	1,007,810	999,431	1,042,286	1,012,041	939,037	944,350
Public transportation:										
Transit buses	36	36	36	36	31	33	n/a	n/a	n/a	n/a
Sanitation										
Steam plant capacity (tons per day) <sup>b</sup>	200	200	200	200	200	200	200	200	100	100
Refuse collection trucks	7	7	7	6	6	6	6	6	6	6
Recycling collection trucks	3	3	3	3	4	4	4	4	4	4

Source: Various City of Harrisonburg departments.

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

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

<sup>a</sup>In 2008, the City completed construction of a new 5 million gallon water tank on Ramblewood Road.

<sup>a</sup>In 2009, the City took out of service a 15 million gallon reservoir on Tower Street in preparations for constructing a new water tank.

<sup>a</sup>In 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.

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

# 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, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 28, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting 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 in Item 11-3.**

We noted certain matters that we reported to the City's management in a separate letter dated November 28, 2011.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, City Council, others within the entity, state and federal awarding agencies, and pass-through entities. 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 28, 2011

**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, 2011. 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, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with *OMB Circular A-133* and which are described in the accompanying schedule of findings and questioned costs as Items 11-1 and 11-2.**

## Internal Control over Compliance

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.**

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, City Council, others within the entity, state, and federal awarding agencies and pass-through entities. 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 28, 2011



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

Honorable Members of City Council  
City of Harrisonburg, Virginia

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia  
November 28, 2011

**CITY OF HARRISONBURG, VIRGINIA**  
**SUMMARY OF COMPLIANCE MATTERS**  
**June 30, 2011**

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, 2011**

**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 **two audit findings** relating to major programs.
7. The programs tested as major programs include:

<u>Name of Program:</u>	<u>CFDA #</u>
Title I Grants to Local Educational Agencies	84.010
Title I Grants to Local Educational Agencies – ARRA	84.389
Special Education Cluster	84.027, 84.173
Special Education Cluster – ARRA	84.391, 84.392
Highway Planning and Construction	20.205

8. The **threshold for** distinguishing Type A and B programs was **\$445,974**.
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**

**11-1: Title I – CFDA 84.010**

***Condition:***

In a sample of 25 expenditures, three were noted where the amount requested for reimbursement did not agree with the expenditure recorded. The City schools requested a net amount of \$271.10 less than the actual expenditures.

***Recommendation:***

The employee submitting the reimbursement requests should review the general ledger detail to ensure amounts requested are accurate. The Excel spreadsheet prepared by the payroll clerk should also be reviewed for accuracy.

***Management's Response:***

*The auditee concurs with the finding and will implement a process where the Excel spreadsheet prepared by the payroll clerk is reviewed prior to submitting reimbursement requests.*

**CITY OF HARRISONBURG, VIRGINIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**Year Ended June 30, 2011**

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

**11-2: Highway Construction – CFDA 20.205**

***Condition:***

In a sample of ten expenditures, five reimbursement requests were filed prior to checks being issued to pay invoices.

***Recommendation:***

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

***Management's Response:***

*The auditee concurs with the finding.*

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

**11-3: Highway Maintenance Work Orders**

***Condition:***

In a sample of 20 work orders, we noted three work orders calculated using the wrong equipment code, three where the wrong prices were used for the equipment code, and four where the wrong labor rates were used. There was a similar finding in the previous year.

***Recommendation:***

Procedures should be implemented to ensure that the proper equipment code, equipment code prices, and labor rates are used on each work order.

***Management's Response:***

*The auditee concurs with the recommendation.*



**CITY OF HARRISONBURG, VIRGINIA**

**SCHEDULE OF PRIOR YEAR FINDINGS**

**Year Ended June 30, 2011**

**A. 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.

***Recommendation:***

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

***Current Status:***

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

CITY OF HARRISONBURG, VIRGINIA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2011

Page 1

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<b>Department of Agriculture:</b>		
Pass-through payments:		
Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	\$ 487,731
National School Lunch Program	10.555	1,324,619
Fresh Fruit and Vegetable Program	10.582	28,174
Department of Agriculture and Consumer Services:		
National School Lunch Program (Commodities) (part of Child Nutrition Cluster)	10.555	<u>109,809</u>
<b>Total Department of Agriculture</b>		<b>\$ 1,950,333</b>
<b>Department of Housing and Urban Development:</b>		
Direct payment:		
CDBG - Entitlement Grants Cluster:		
Entitlement Grants	14.218	<u>\$ 456,999</u>
<b>Total Department of Housing and Urban Development</b>		<b>\$ 456,999</b>
<b>Department of Justice:</b>		
Direct payments:		
Enforcing Underage Drinking Laws Program	16.727	5,000
Edward Byrne Memorial Justice Assistance Grant Program (JAG) - ARRA	16.804	12,375
Pass-through payments:		
Department of Criminal Justice:		
Edward Byrne Memorial Justice Assistance Grant Program (JAG)	16.738	<u>\$ 342,284</u>
<b>Total Department of Justice</b>		<b>\$ 359,659</b>
<b>Department of Transportation:</b>		
Direct payments:		
Child Safety and Child Booster Seats Incentive Grants	20.613	\$ 11,838
Federal Transit Cluster:		
Federal Transit - Formula Grants	20.507	645,466
Federal Transit - Formula Grants - ARRA	20.507	144,343
Pass-through payments:		
Department of Rail and Public Transportation:		
Highway Planning and Construction	20.205	5,313,834
Department of Conservation and Recreation		
Recreational Trails Program	20.219	17,846
Harrisonburg-Rockingham Metropolitan Planning Organization:		
Federal Transit - Metropolitan Planning Grants	20.505	24,800
Department of Motor Vehicles:		
Alcohol Open Container Requirements	20.607	<u>35,096</u>
<b>Total Department of Transportation</b>		<b>\$ 6,193,223</b>

(continued)

**CITY OF HARRISONBURG, VIRGINIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2011**

Page 2

<b>Federal Grantor/Pass-through Grantor/Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Federal Expenditures</b>
<b>Environmental Protection Agency:</b>		
Pass-through payments:		
Virginia Water Supply Revolving Fund:		
Capitalization Grants for Drinking Water State Revolving Funds	66.468	\$ 63,670
Capitalization Grants for Drinking Water State Revolving Funds - ARRA	66.468	84,894
<b>Total Environmental Protection Agency</b>		<b>\$ 148,564</b>
<b>Department of Energy:</b>		
Direct payments:		
Energy Efficiency and Conservation Block Grant Program (EECBG) - ARRA	81.128	\$ 194,200
<b>Total Department of Energy</b>		<b>\$ 194,200</b>
<b>Department of Education:</b>		
Pass-through payments:		
Department of Education:		
Title I Grants to Local Educational Agencies	84.010	\$ 1,117,999
Title I Grants to Local Educational Agencies - ARRA	84.010	305,289
Career and Technical Education - Basic Grants to States	84.048	82,661
Safe and Drug-Free Schools and Communities-State Grants	84.186	9,600
Education Technology State Grants	84.318	92,226
Reading First State Grants	84.357	8,404
English Language Acquisition Grants	84.365	197,958
Improving Teacher Quality State Grants	84.367	406,923
Educational Technology State Grants, Recovery Act - ARRA	84.386	487,308
Education for Homeless Children and Youth, Recovery Act - ARRA	84.387	10,345
State Fiscal Stabilization Fund (SFSF)-Educational State Grants, Recovery Act - ARRA	84.394	744,852
Special Education Cluster:		
Grants to States	84.027	821,507
Grants to States - ARRA	84.027	522,551
Preschool Grants	84.173	27,674
Preschool Grants - ARRA	84.173	16,132
<b>Total Department of Education</b>		<b>\$ 4,851,429</b>
<b>Department of Health and Human Services:</b>		
Direct payments:		
Drug-Free Communities Support Program	93.276	\$ 2,284
<b>Total Department of Health and Human Services</b>		<b>\$ 2,284</b>

(continued)

CITY OF HARRISONBURG, VIRGINIA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2011

Page 3

<b>Federal Grantor/Pass-through Grantor/Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Federal Expenditures</b>
<b>Department of Homeland Security:</b>		
Direct payments:		
Interoperable Emergency Communications Grant Program (IECGP)	97.001	\$ 77,336
Interoperable Emergency Communications	97.055	4,920
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	62,009
Pass-through payments:		
Department of Emergency Management:		
Assistance to Firefighters Grant	97.044	54,629
State Homeland Security Program (SHSP)	97.073	<u>436,676</u>
<b>Total Department of Homeland Security</b>		<b>\$ <u>635,570</u></b>
<b>Department of Defense:</b>		
Direct payment:		
JROTC Funds	12.VA 170853	\$ <u>73,542</u>
<b>Total Department of Defense</b>		<b>\$ <u>73,542</u></b>
<b>Total expenditures of federal awards</b>		<b>\$ <u><u>14,865,803</u></u></b>

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, 2011**

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**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, 2011, the School Board, a component unit, had food commodities totaling \$51,264 in inventory.

**Note 3. Subrecipients**

The City provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Expended</u>
Community Development Block Grants/Entitlement Grants	14.218	\$ 231,726
Educational Technology State Grants	84.318	78,550
Educational Technology State Grants, Recovery Act-ARRA	84.386	450,506
Interoperable Emergency Communications Grant Program (IECGP)	97.001	77,336
Interoperable Emergency Communications	97.055	4,920
State Homeland Security Program (SHSP)	97.073	324,305

**Note 4. Loan Programs**

Included in this schedule is loan proceeds obtained through the Virginia Water Supply Revolving Fund in the amount of \$63,670. At June 30, 2011, the outstanding balance on this loan was \$1,098,133. The current year loan portion was provided through the following federal award program:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Expended</u>
Capitalization Grants for Drinking Water State Revolving Funds	66.468	\$ 63,670

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