

CITY OF HARRISONBURG, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR
JULY 1, 2002 TO JUNE 30, 2003



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

CITY OF HARRISONBURG, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
Year Ended June 30, 2003

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PART I

INTRODUCTORY SECTION

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City of Harrisonburg Virginia

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

Roger D. Baker
City Manager

November 17, 2003

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, 2003, is hereby submitted in accordance with Section 45 of the *City Charter* and Section 15.2-2511 of the *Code of Virginia*, 1950, as amended. The *City Charter* and the *Code of Virginia* require that the City issue annually a report on its financial position and operations, and that this report be audited by either the state auditor or an independent firm of certified public accountants in accordance with generally accepted auditing standards (GAAS). This report has been prepared by the Department of Finance to conform with the standards of financial reporting as established by the Governmental Accounting Standards Board (GASB), generally accepted accounting standards (GAAP) and the Commonwealth of Virginia Auditor of Public Accounts (APA).

This is the first report issued under new accounting standards set forth by the Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments*. For the first time the financial statements will include a Management Discussion and Analysis (MDA) section providing an analysis of the City's overall financial position and results of operations. This report also includes full accrual accounting financial statements for all of the City's activities and a change in the presentation of the fund financial statements to focus on the City's major funds.

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.

The City's financial statements have been audited by Brown, Edwards & Company, LLP, a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2003, 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

The City With the Planned Future

by GAAS and the *Specifications for Audits of Counties, Cities and Towns*, issued by the APA. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended June 30, 2003, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements was also designed to meet the federal Single Audit Act Amendments of 1996 and the related U. S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations* to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements set forth in the General Accounting Office's *Government Auditing Standards* require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements. Special emphasis is placed on internal controls and compliance with legal requirements involving the administration of federal awards. These reports are available in the compliance section of this report.

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

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

Profile of the City of Harrisonburg

Background. The City was established in 1780 and was named for Thomas Harrison, who donated the land for the Rockingham County Court House, which became the permanent county seat of Rockingham County in 1781. The City was incorporated in 1849 and was proclaimed a city of the first class in April of 1990. It now encompasses 17.3 square miles and serves a population of approximately 42,200.

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

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

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

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

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

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

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

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

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

Major Initiatives

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

- Hired two additional police personnel. One new police officer II and one new investigator. Also, upgraded six police officers two to master police officers.
- Appropriated \$272,572 for the replacement of a fire engine.
- Appropriated \$195,000 for a diesel exhaust system for the fire stations.
- Appropriated \$500,000 for two-way communications.
- Appropriated \$500,000 for Erickson Avenue extension.
- Appropriated \$200,000 for Cantrell Avenue Road improvements.
- Appropriated \$360,000 for Hardesty Higgins House.
- Appropriated \$340,000 for the western raw waterline.
- Appropriated \$150,000 for water tank repairs.
- Appropriated \$340,000 for water treatment plant expansion.
- Appropriated \$669,527 for eastern water source development.
- Appropriated \$300,000 for the continued work on the Blacks Run Interceptor.
- Appropriated \$300,000 for I and I abatement.
- Appropriated \$3,000,000 for the steam plant rebuild.
- Appropriated \$441,668 for the City's share of Rockingham County's landfill expenses.
- Appropriated \$750,000 for three transit buses.
- Appropriated \$150,000 for one 78-passenger bus and one 52-passenger bus.

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 20,441. James Madison University, a state-supported school, is located near the geographic center of the City and has approximately 15,612 undergraduate students. Eastern Mennonite University, a private institution with approximately 1,429 students is also located in the City. Bridgewater College, located just south of the City, is also private and has an approximate enrollment of 1,100 students. State-supported Blue Ridge Community College has an enrollment of approximately 2,300 students.

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

Harrisonburg Crossing, the regions newest retail shopping center, opened its 500,000 square foot center in May 2003. This development will provide a major boost to the City's retail sales outlook.

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

The City continues to plan and work on its next major transportation project: Erickson Avenue Extension and Stone Spring Road Improvement. The total project is anticipated to cost approximately \$32.6 million of which \$5.4 million is already on hand. It is planned that this project will be completed in at least four phases. It is

currently projected that \$8 million will be borrowed in the fall of 2004; \$6 million will be borrowed in the fall of 2005; \$4 million will be borrowed in fiscal year 2008 and the final \$9.2 million will be borrowed in fiscal year 2009. The estimated final completion date for the project is 2011, but various phases will be completed during the construction period. The final completion date will be impacted by the widening of Interstate 81, because of the rebuild of the Stone Spring Road bridge over the interstate. In fiscal year 2006 the City will start using \$800,000 of its annual state road allocation funding to defray the cost of the aforementioned indebtedness.

The City is in the process of constructing a waterline to the Shenandoah River, which is located approximately 17 miles east of the City. The estimated cost of the project is \$15 million of which \$2.6 million is on hand and the remaining \$12.4 million will be borrowed in the fall of 2004. The projected completion date is anticipated to be 2007.

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

Risk Management. The City uses a variety of techniques to identify and monitor its risks and exposures for the programs and activities that are provided. An on-going safety program has been initiated to help prevent losses and to better identify problem areas that need attention. Additional information can be found in Note 32 of the notes to financial statements.

Certificate of Achievement


The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2002. This was the eight consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and organized CAFR. This report satisfied both GAAP and applicable legal requirements.


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

Acknowledgments

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

Respectfully submitted,


Roger D. Baker
City Manager


Lester O. Seal, CPA
Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Harrisonburg,
Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2002

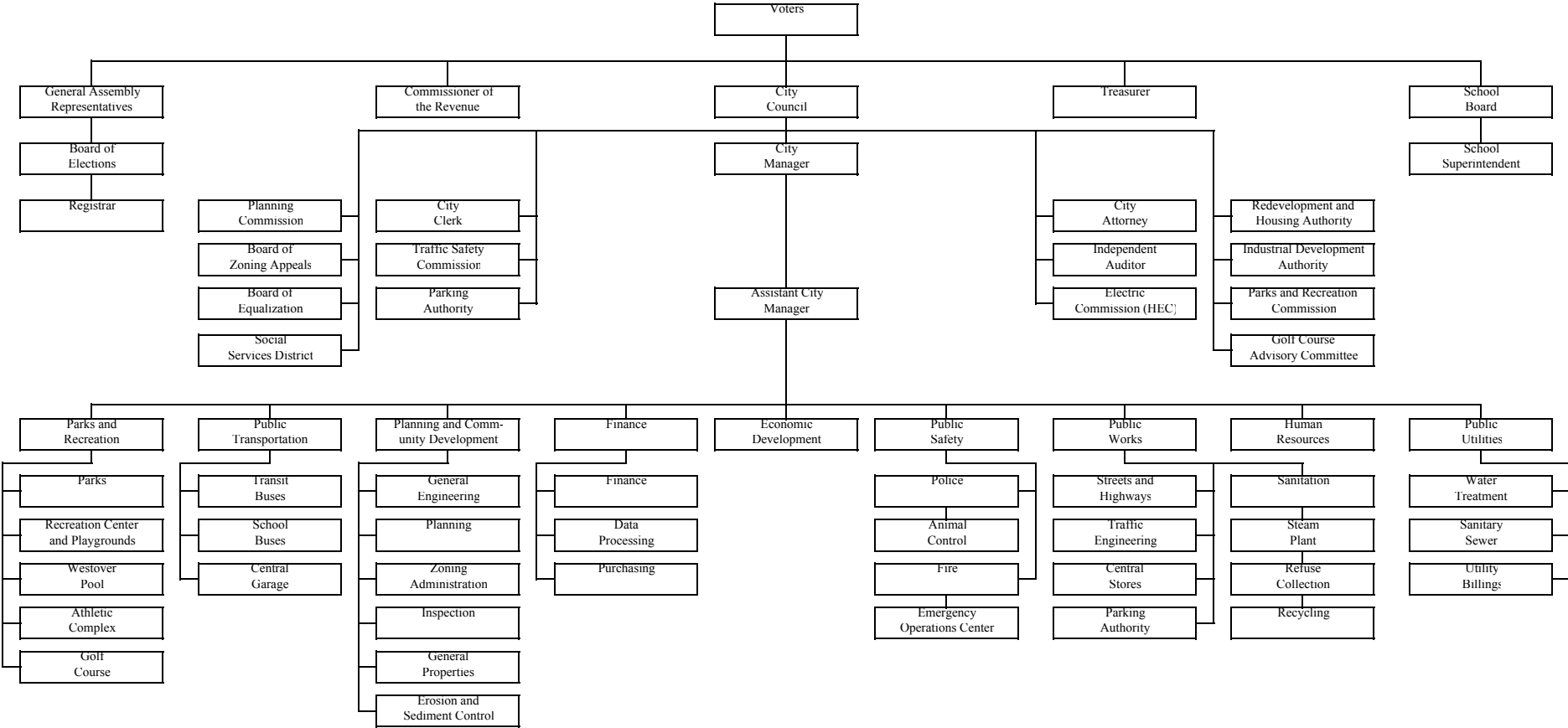
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

City of Harrisonburg, Virginia Organization Chart



CITY OF HARRISONBURG, VIRGINIA

Directory of Principal Officials

June 30, 2003

CITY COUNCIL

Joseph G. Fitzgerald, Mayor

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

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

OFFICIALS

Roger D. Baker	City Manager
Kurt D. Hodgen	Assistant City Manager
Rebecca B. Neal	City Treasurer
June W. Hosaflook	Commissioner of the Revenue
Thomas H. Miller, Jr.	City Attorney
Yvonne H. "Bonnie" Ryan	City Clerk
Lester O. Seal	Director of Finance
E. Lee Foerster, Jr.	Director of Parks and Recreation
Donald G. Harper	Police Chief
Larry W. Shifflett	Fire Chief
A. Michael Collins	Director of Public Utilities
James D. Baker	Director of Public Works
Stacy H. Turner	Director of Planning and Community Development
Reginald S. Smith	Director of Transportation
Jennifer L. Whistleman	Director of Human Resources
Brian B. Shull	Director of Economic Development
Earl W. Anderson	City Planner
Daniel J. Rublee	City Engineer
Alison B. Banks	Zoning Administrator

SCHOOL BOARD

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

Gregory L. Coffman, Chairperson
Thomas C. Mendez, Vice Chairperson
Diane L. Foucar-Szocki, Ed.D, Board Member

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

PART II

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Honorable Members of City Council
City of Harrisonburg, Virginia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Harrisonburg, Virginia, as of and for the year ended June 30, 2003, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit Harrisonburg Electric Commission, which statements reflect total assets of \$62,477,630 as of June 30, 2003, and total revenues of \$39,639,349 for the year then ended. Those financial statements were audited by other auditors whose reports have been furnished to us; and our opinion, insofar as it relates to the amounts included for the discretely presented component unit Harrisonburg Electric Commission, is based on the reports of the other auditors.

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

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Harrisonburg, Virginia, as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis on pages 11 through 20 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2003, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The information listed in the introductory and statistical sections in the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 7, 2003

Management's Discussion and Analysis

As management of the City of Harrisonburg (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2003. 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 \$209,715,805 (net assets). Of this amount, \$37,537,883 (unrestricted net assets) may be used to meet the City's obligations to citizens and creditors.
- The City's total net assets decreased by \$2,052,771.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$55,477,299, a decrease of \$10,354,409 in comparison with the prior year. Approximately 30 percent of this total amount, \$16,635,679, is available for spending at the City's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$10,895,948, or 19 percent of total General Fund expenditures and other financing uses, exclusive of refunding transactions.
- The City's total long-term debt decreased by \$1,908,384 during the current fiscal year.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The basic proprietary fund financial statements can be found on pages 29 through 33 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 34 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 35-71 of this report.

Other supplementary information. In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information. This information includes the combining statements referred to earlier in connection with the internal service funds, combining agency fund financial statements and School Board individual fund financial statements. This information is presented immediately following the notes to financial statements. The combining and individual fund statements and schedules can be found on pages 72 through 97 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 \$209,715,805 at the close of the most recent fiscal year.

The largest portion of the City's net assets (81.5 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 (\$37,537,883) may be used to meet the City's ongoing obligations to citizens and creditors.

City of Harrisonburg's Net Assets

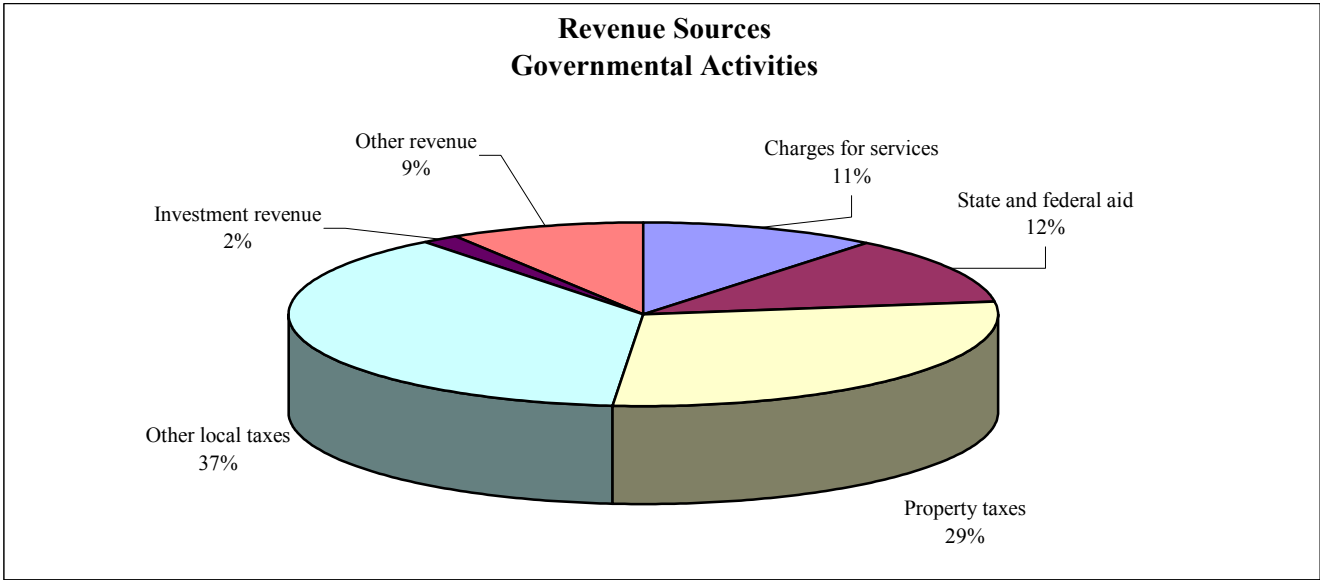
	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
Current and other assets	\$ 82,207,881	\$ 90,114,391	\$ 45,139,022	\$ 58,886,282	\$ 127,346,903	\$ 149,000,673
Capital assets	163,801,622	154,602,671	84,138,528	69,967,943	247,940,150	224,570,614
Total assets	\$ 246,009,503	\$ 244,717,062	\$ 129,277,550	\$ 128,854,225	\$ 375,287,053	\$ 373,571,287
Current and other liabilities	\$ 25,063,697	\$ 22,995,902	\$ 5,486,952	\$ 1,877,826	\$ 30,550,649	\$ 24,873,728
Long-term liabilities	82,173,846	84,027,330	52,846,753	52,901,653	135,020,599	136,928,983
Total liabilities	\$ 107,237,543	\$ 107,023,232	\$ 58,333,705	\$ 54,779,479	\$ 165,571,248	\$ 161,802,711
Net assets:						
Invested in capital assets, net of related debt	\$ 117,314,943	\$ 116,289,421	\$ 53,504,910	\$ 58,284,025	\$ 170,819,853	\$ 174,573,446
Restricted	905,353	621,915	452,716	471,168	1,358,069	1,093,083
Unrestricted	20,551,664	20,782,494	16,986,219	15,319,553	37,537,883	36,102,047
Total net assets	\$ 138,771,960	\$ 137,693,830	\$ 70,943,845	\$ 74,074,746	\$ 209,715,805	\$ 211,768,576

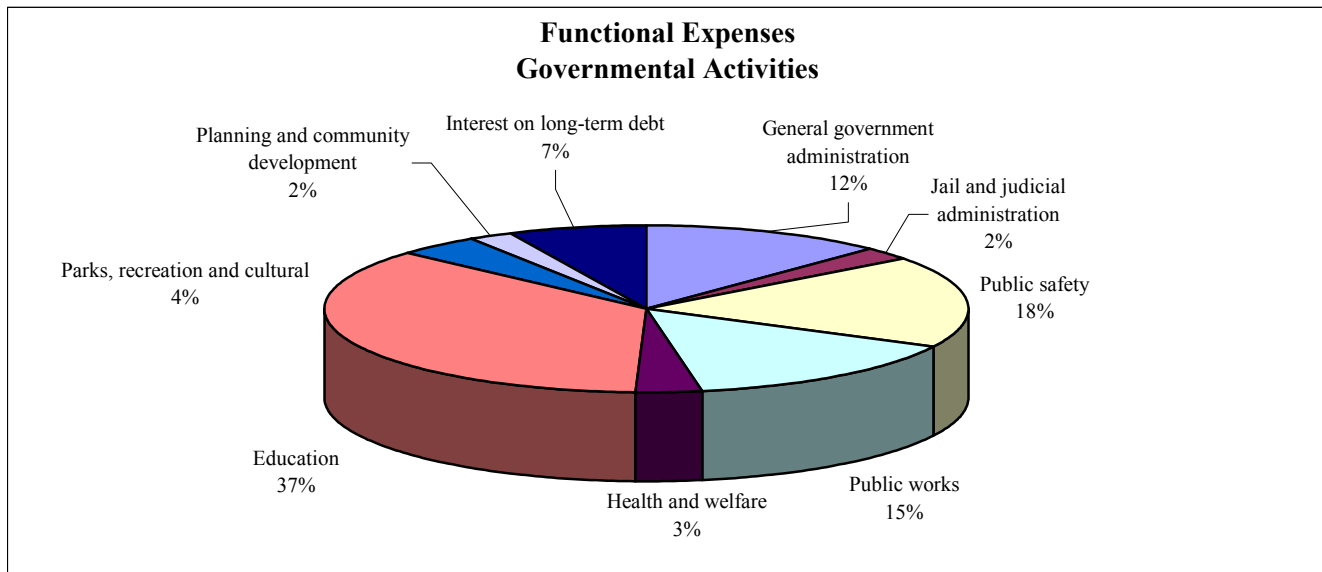
City of Harrisonburg's Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
Revenues:						
Program revenues:						
Charges for services	\$ 6,616,812	\$ 4,779,646	\$ 16,382,284	\$ 15,826,769	\$ 22,999,096	\$ 20,606,415
Operating grants and contributions	3,406,009	3,260,444	910,460	840,845	4,316,469	4,101,289
Capital grants and contributions	505,800	95,013	675,965	1,576,411	1,181,765	1,671,424
General revenues:						
Property taxes	17,387,139	17,838,430	-	-	17,387,139	17,838,430
Other local taxes	23,146,312	22,266,703	-	-	23,146,312	22,266,703
Grants and contributions not restricted to specific programs	3,221,206	2,765,133	-	-	3,221,206	2,765,133
Investment revenue	939,030	1,218,831	993,067	595,581	1,932,097	1,814,412
Other revenue	5,366,000	4,253,952	609,147	752,163	5,975,147	5,006,115
Total revenues	\$ 60,588,308	\$ 56,478,152	\$ 19,570,923	\$ 19,591,769	\$ 80,159,231	\$ 76,069,921
Expenses:						
General government						
administration	7,285,396	6,374,698	-	-	7,285,396	6,374,698
Jail and judicial administration	1,463,027	1,658,125	-	-	1,463,027	1,658,125
Public safety	10,483,000	9,755,527	-	-	10,483,000	9,755,527
Public works	8,654,789	9,090,230	-	-	8,654,789	9,090,230
Health and welfare	1,939,214	1,529,544	-	-	1,939,214	1,529,544
Education	21,325,763	20,508,326	-	-	21,325,763	20,508,326
Parks, recreation and cultural	2,551,774	2,328,603	-	-	2,551,774	2,328,603
Planning and community development	1,368,001	1,236,155	-	-	1,368,001	1,236,155
Interest on long-term debt	4,042,808	3,234,219	-	-	4,042,808	3,234,219
Water	-	-	3,506,917	3,052,628	3,506,917	3,052,628
Sewer	-	-	4,457,413	4,237,627	4,457,413	4,237,627
Public transportation	-	-	3,882,258	3,381,260	3,882,258	3,381,260
Sanitation	-	-	9,620,247	5,308,102	9,620,247	5,308,102
Public parking	-	-	200,964	188,878	200,964	188,878
Golf course	-	-	1,430,431	416,016	1,430,431	416,016
Total expenses	\$ 59,113,772	\$ 55,715,427	\$ 23,098,230	\$ 16,584,511	\$ 82,212,002	\$ 72,299,938
Increase in net assets before transfers and special items	\$ 1,474,536	\$ 762,725	\$(3,527,307)	\$ 3,007,258	\$(2,052,771)	\$ 3,769,983
Transfers	(396,406)	(2,201,350)	396,406	2,201,350	-	-
Special item	-	1,124,500	-	-	-	1,124,500
Change in net assets	\$ 1,078,130	\$ (314,125)	\$(3,130,901)	\$ 5,208,608	\$(2,052,771)	\$ 4,894,483
Net assets at beginning of year	137,693,830	138,007,955	74,074,746	68,866,138	211,768,576	206,874,093
Net assets at end of year	<u>\$ 138,771,960</u>	<u>\$ 137,693,830</u>	<u>\$ 70,943,845</u>	<u>\$ 74,074,746</u>	<u>\$ 209,715,805</u>	<u>\$ 211,768,576</u>

Governmental activities. Governmental activities increased the City’s net assets by \$1,078,130. Key elements of this increase are as follows:

- Other local taxes increased \$879,609 (4 percent) during the current year. More specifically, business license taxes increased \$485,465 (11.3 percent), restaurant food taxes increased \$272,922 (5.9 percent) and sales and use taxes increased \$284,497 (3.4 percent).
- Other revenue increased \$1,112,048 (26.1 percent) from an increase in contributions from the Harrisonburg Electric Commission of \$231,000 and a one-time revenue item from the Harrisonburg Redevelopment and Housing Authority of \$665,000 as a reimbursement for the early retirement of the City’s previously outstanding Elderly Housing Facility bond issue.
- Charges for services increased \$1,837,166 (38.4 percent) in part due to the reporting of the City’s health insurance fund, an internal service fund, in governmental activities. The City increased health insurance premiums in its self-insured plan by 20 percent for the current year. Several external agencies participate in this plan, thus revenue pertaining to these participants is not consolidated (eliminated) within governmental activities. Also, general government administration expenses increased 14.3 percent as a result of increased expenditures associated with the external participants.
- Expenses in the public works function decreased \$435,441 (4.8 percent) due to a decrease in expenses associated with the City’s street repaving program.
- Transfers decreased \$1,804,944 due mainly to a decrease of \$2,145,260 in transfers to the Sanitation Fund (a business-type activity).
- Offsetting the above mentioned decreases in expenses was an increase of \$808,589 (25 percent) in interest on long-term debt due to a full year of interest expense on a \$41.5 million bond issue that was issued in the prior fiscal year. Also, the education function increased \$817,437 (4 percent) due to an increase in funding for the School Board.





Business-type activities. Business-type activities decreased the City’s net assets by \$3,130,901. Key elements of this decrease are as follows:

- Capital grants and contributions decreased by \$900,446 (57.1 percent) during the current year. In the previous year, the City’s transportation department purchased a trolley bus and three new transit buses. Federal and state grants typically cover approximately 90 percent of these purchases. The transportation department did not purchase any new transit buses during the current year.
- Transfers decreased \$1,804,944 as mentioned above in the discussion of governmental activities.
- Expenses in the sanitation function increased \$4,312,145 (81.2 percent) due to the increased usage of Rockingham County’s landfill during the rebuild of the City’s steam plant. Also associated with this rebuild, the City dismantled the original steam plant resulting in a write down of \$2,951,716.

Government-wide Financial Analysis (Component Units)

School Board activities. Unrestricted net assets of the School Board increased \$631,942 (22.2 percent) during the current year to \$3,477,936. School Board expenses increased \$2,716,554 (8.2 percent). The increase in expenses was offset by an increase in intergovernmental revenue of \$1,575,142 (9.9 percent) and an increase in funding from the City of \$789,147 (4.3 percent).

HEC activities. Operating revenues increased by \$4,836,199 during the current year as a result of two factors. First, an abnormally long and cold winter created higher than usual electricity usage. Second, HEC purchases most of the electricity it distributes to its customers through Dominion Virginia Power, which increased its fuel factor adjustment charge. HEC in turned passed this increase on to its customers. Expenses increased proportionally to the operating revenue increases. Depreciation also increased as a result of new capital assets brought on line during the year. HEC’s net assets increased \$1,549,851 during the year, as compared to a \$1,417,582 increase in the previous year. Total current assets increased \$1,549,031 (13.1 percent) as a result of the operating results mentioned above, no long-term debt and a decrease in capital asset investments.

Financial Analysis of the Government’s Funds

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

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

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$10,895,948, while total fund balance reached \$15,448,301. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditure and other financing uses. Unreserved fund balance represents 19 percent of total General Fund expenditures and other financing uses, while total fund balance represents 26.9 percent of that same amount.

The General Capital Projects Fund total fund balance decreased \$2,646,809. This was the result of current year expenditures exceeding current year revenues and transfers. A portion of the funding for these expenditures was funded in previous fiscal years through bond issues and transfers from the General Fund.

The School Bond Capital Projects Fund total fund balance decreased by \$7,510,177. This was the result of expenditures associated with the construction of a new high school. Funding through a \$41,500,000 bond issue was obtained in fiscal year 2002.

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

Net assets in the Water Fund increased \$1,254,334 compared to a \$1,482,796 increase in the previous year. Charges for services decreased \$52,871 due to unusually wet weather overall during the year, which decreased water consumption. Also, interest expense increased due to a full year of interest incurred on bonds issued in late fiscal year 2002.

Net assets in the Sewer Fund increased \$329,874 compared to a \$722,039 increase in the previous year. Charges for services decreased \$353,155 due to the same factors previously discussed with the water fund and the loss of a large industrial customer, which moved its operations into Rockingham County.

Net assets in the Public Transportation Fund decreased \$376,312 compared to an increase of \$978,896 in the previous year. Capital grant contributions decreased \$944,589 due to factors discussed earlier in connection with the business-type activities analysis.

Net assets in the Sanitation Fund decreased \$4,053,285 compared to an increase of \$1,754,861 in the previous year. The factors of the Sanitation Fund's results are the same as those discussed earlier in connection with the business-type activities analysis.

Net assets in the Golf Course Fund decreased \$206,640 during the current year. Fiscal year 2003 was the first full year that the City's golf course has been open for play.

General Fund Budgetary Highlights

Differences between the original and the final amended General Fund budget amounted to \$2,770,266, or 4.9 percent of the original budget, and can be briefly summarized as follows:

- \$974,678 appropriated for the reappropriation of prior year encumbrances.
- \$500,000 appropriated for the City's share of the SPCA's new building construction project. City Council approved a transfer from the general capital projects fund to provide funding for this appropriation.
- \$265,812 appropriated for various police, fire and community development grants. \$58,752 was from unexpended grant revenue from previous fiscal years.

- \$253,344 appropriated to the Harrisonburg-Rockingham Social Services District for increased expenditures associated with the Comprehensive Services Act.
- \$200,000 appropriated for construction and renovations for the Lucy F. Simms Continuing Education Center.
- \$200,000 appropriated for the construction of a skateboard park. In fiscal year 2002, City Council had designated fund balance for this project.
- \$103,608 appropriated for a transfer to the Golf Course Fund for operating purposes.
- \$100,000 appropriated for a transfer to the General Capital Projects Fund for the purpose of purchasing land.
- \$172,824 appropriated for other purposes. Funding was provided by various sources such as police asset forfeiture funds, emergency telephone service taxes and other miscellaneous revenues.

Capital Asset and Debt Administration

Capital assets. The City’s investment in capital assets for its governmental and business-type activities as of June 30, 2003, amounts to \$247,940,150 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, machinery and equipment, infrastructure (e.g., streets and bridges) and construction in progress. The total increase in the City’s investment in capital assets for the current fiscal year was 10.4 percent (a 5.9 percent increase for governmental activities and a 20.2 percent increase for business-type activities).

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

- Construction continued on the City’s new high school increasing governmental activities’ construction in progress by \$8,060,415.
- Construction continued on a new rescue squad facility increasing governmental activities’ construction in progress by \$1,660,230.
- Construction was completed on the improvements and renovations to Port Republic Road increasing the governmental activities’ infrastructure by \$1,037,898.
- Construction was completed on improvements to various streets around the new Harrisonburg Crossing Shopping Center increasing the governmental activities’ infrastructure by \$1,357,026.
- Construction continued on a rebuilt steam plant increasing the business-type activities’ construction in progress by \$14,864,101. In conjunction with this rebuild, the City wrote off the original steam plant, which decreased business-type buildings \$2,951,716.
- Construction continued on an expanded water treatment plant increasing the business-type activities’ construction in progress by \$2,214,644.

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

	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
Land	\$ 36,436,237	\$ 36,063,386	\$ 4,867,491	\$ 4,741,807	\$ 41,303,728	\$ 40,805,193
Buildings	30,902,795	33,458,008	6,553,262	9,846,731	37,456,057	43,304,739
Improvements other than buildings	915,569	795,700	8,063,748	8,415,335	8,979,317	9,211,035
Machinery and equipment	4,446,878	4,218,090	8,658,670	9,542,084	13,105,548	13,760,174
Infrastructure	77,075,770	75,972,614	33,178,152	31,605,351	110,253,922	107,577,965
Construction in progress	14,024,373	4,094,873	22,817,205	5,816,636	36,841,578	9,911,509
Total capital assets	\$ 163,801,622	\$ 154,602,671	\$ 84,138,528	\$ 69,967,944	\$ 247,940,150	\$ 224,570,615

Additional information on the City’s capital assets can be found in Note 7 on pages 45 through 46 of this report.

Long-term debt. At the end of the current fiscal year, the City had total long-term debt outstanding of \$135,020,599. Of this amount, \$118,551,767 comprises debt backed by the full faith and credit of the City. \$16,862,785 is debt that is secured by specified revenue sources which is also backed by the full faith and credit of the City in the event these revenues are insufficient to make debt service payments. The City's total long-term debt decreased \$1,908,384 during the current fiscal year.

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

- The City advanced refunded a portion of a \$7,330,000 fiscal year 1996 bond issue in its governmental activities. The City was able to reduce its debt service payments over the next 14 years by \$354,921.
- The City incurred a \$1,486,773 contractual obligation in its governmental activities for street improvements associated with the new Harrisonburg Crossing Shopping Center.

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

	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
General obligation bonds	\$ 13,834,193	\$ 14,806,624	\$ 29,839,303	\$ 30,082,131	\$ 43,673,496	\$ 44,888,755
General obligation school bonds	57,913,586	60,007,995	-	-	57,913,586	60,007,995
General obligation revenue bonds	-	-	16,862,785	16,856,889	16,862,785	16,856,889
Notes payable	916,785	1,135,035	426,346	709,726	1,343,131	1,844,761
Capital leases	5,888,681	6,051,585	-	-	5,888,681	6,051,585
State Literary Fund loans	101,900	205,350	-	-	101,900	205,350
Landfill closure and postclosure	-	-	5,033,745	4,625,044	5,033,745	4,625,044
Contractual obligation	1,486,773	-	-	-	1,486,773	-
Compensated absences	2,031,928	1,820,741	684,574	627,863	2,716,502	2,448,604
Total long-term debt	\$ 82,173,846	\$ 84,027,330	\$ 52,846,753	\$ 52,901,653	\$ 135,020,599	\$ 136,928,983

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

State statutes limit the amount of general obligation debt a governmental entity may incur to 10 percent of its total assessed real property valuation. The current debt limitation for the City is \$186,943,503 of which \$60,408,491 is available for use.

Additional information on the City's long-term debt can be found in Note 11 on pages 49 through 61 of this report.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the City's 2004 fiscal year budget.

- The unemployment rate of the City of Harrisonburg in June 2003 was 2.8 percent, which is an increase from a rate of 2.5 percent a year ago. This rate still compares favorably to the 4.3 percent state average and 6.5 percent national average.
- The completion and grand opening of the Harrisonburg Crossing Shopping Center occurred in May 2003.
- The impact of the Commonwealth of Virginia's budget situation.

The approved \$58.3 million fiscal year 2004 General Fund budget included the use of \$698,105 from unreserved and undesignated fund balance. City Council approved increasing the restaurant food tax and the hotel and motel room tax from 5 percent to 6 percent. Also, City Council approved the enactment of a new 30-cent per pack cigarette tax.

An approximate three percent increase in water rates was approved to assist in funding the debt service payments on the City's June 2002 Water Fund bond issue. Also, residential refuse collection rates were increased from \$10 to \$12 a month and commercial refuse collection rates were increased proportionally.

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. 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, 2003

Exhibit 1

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	HEC
Assets					
Cash and cash equivalents	\$ 19,862,054	\$ 22,153,608	\$ 42,015,662	\$ 6,258,674	\$ 7,969,369
Receivables (net of allowance for uncollectibles)	24,017,170	1,778,031	25,795,201	831,372	3,928,788
Due from primary government	-	-	-	-	91,366
Due from component unit	7,395	33,603	40,998	-	46,074
Internal balances	199,926	(199,926)	-	-	-
Inventory	1,317,496	-	1,317,496	26,498	1,230,796
Prepaid expenses	-	48,064	48,064	196,274	30,831
Loans receivable	1,324,694	-	1,324,694	-	-
Restricted assets	35,307,643	20,214,571	55,522,214	-	-
Capital assets (net of accumulated depreciation)	163,801,622	84,138,528	247,940,150	20,897,619	49,180,406
Other assets	171,503	1,111,071	1,282,574	-	-
Total assets	\$ 246,009,503	\$ 129,277,550	\$ 375,287,053	\$ 28,210,437	\$ 62,477,630
Liabilities					
Accounts payable	\$ 1,917,631	\$ 542,626	\$ 2,460,257	\$ 71,853	\$ 2,627,604
Accrued liabilities	323,127	116,577	439,704	3,158,816	-
Accrued interest	1,256,948	95,232	1,352,180	-	-
Due to primary government	-	-	-	2,219	38,779
Due to component unit	62,813	28,553	91,366	46,074	-
Deferred revenue	19,357,552	175,796	19,533,348	-	-
Other liabilities	169,231	6,893	176,124	-	161,187
Customer deposits	-	194,622	194,622	-	508,138
Liabilities payable from restricted assets	1,976,395	4,326,653	6,303,048	-	-
Long-term debt:					
Due within one year	4,334,620	1,142,586	5,477,206	255,001	274,103
Due in more than one year	77,839,226	51,704,167	129,543,393	300,919	729,397
Total liabilities	\$ 107,237,543	\$ 58,333,705	\$ 165,571,248	\$ 3,834,882	\$ 4,339,208
Net assets					
Invested in capital assets, net of related debt	\$ 117,314,943	\$ 53,504,910	\$ 170,819,853	\$ 20,897,619	\$ 49,180,406
Restricted	905,353	452,716	1,358,069	-	-
Unrestricted	20,551,664	16,986,219	37,537,883	3,477,936	8,958,016
Total net assets	\$ 138,771,960	\$ 70,943,845	\$ 209,715,805	\$ 24,375,555	\$ 58,138,422

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, 2003

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government administration	\$ 7,285,396	\$ 5,136,588	\$ 286,323	\$ -
Jail and judicial administration	1,463,027	400,247	-	-
Public safety	10,483,000	470,329	256,182	-
Public works	8,654,789	-	2,833,504	496,000
Health and welfare	1,939,214	-	-	-
Education	21,325,763	-	-	-
Parks, recreation and cultural	2,551,774	232,074	-	9,800
Planning and community development	1,368,001	377,574	30,000	-
Interest on long-term debt	4,042,808	-	-	-
Total governmental activities	\$ 59,113,772	\$ 6,616,812	\$ 3,406,009	\$ 505,800
Business-type activities:				
Water	\$ 3,506,917	\$ 4,558,073	\$ -	\$ 353,225
Sewer	4,457,413	4,741,882	-	308,039
Public transportation	3,882,258	1,951,396	910,460	14,701
Sanitation	9,620,247	4,466,694	-	-
Public parking	200,964	183,449	-	-
Golf course	1,430,431	480,790	-	-
Total business-type activities	\$ 23,098,230	\$ 16,382,284	\$ 910,460	\$ 675,965
Total primary government	\$ 82,212,002	\$ 22,999,096	\$ 4,316,469	\$ 1,181,765
Component units:				
School Board	\$ 36,008,175	\$ 893,391	\$ 6,860,620	\$ -
Harrisonburg Electric Commission (HEC)	39,567,908	41,046,318	-	-
Total component units	\$ 75,576,083	\$ 41,939,709	\$ 6,860,620	\$ -

General revenues:
Property taxes
Local sales and use taxes
Grants and contributions not restricted to specific programs
Payment from primary government
Investment revenue
Other revenue
Transfers

Total general revenues and transfers

Change in net assets

Net assets at beginning of year

Net assets at end of year

Exhibit 2

Net (Expense) Revenue and Changes in Net Assets

Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	School Board	HEC
\$ (1,862,485)	\$ -	\$ (1,862,485)	\$ -	\$ -
(1,062,780)	-	(1,062,780)	-	-
(9,756,489)	-	(9,756,489)	-	-
(5,325,285)	-	(5,325,285)	-	-
(1,939,214)	-	(1,939,214)	-	-
(21,325,763)	-	(21,325,763)	-	-
(2,309,900)	-	(2,309,900)	-	-
(960,427)	-	(960,427)	-	-
(4,042,808)	-	(4,042,808)	-	-
<u>\$ (48,585,151)</u>	<u>\$ -</u>	<u>\$ (48,585,151)</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ 1,404,381	\$ 1,404,381	\$ -	\$ -
-	592,508	592,508	-	-
-	(1,005,701)	(1,005,701)	-	-
-	(5,153,553)	(5,153,553)	-	-
-	(17,515)	(17,515)	-	-
-	(949,641)	(949,641)	-	-
<u>\$ -</u>	<u>\$ (5,129,521)</u>	<u>\$ (5,129,521)</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ (48,585,151)</u>	<u>\$ (5,129,521)</u>	<u>\$ (53,714,672)</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ (28,254,164)	\$ -
-	-	-	-	1,478,410
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (28,254,164)</u>	<u>\$ 1,478,410</u>
\$ 17,387,139	\$ -	\$ 17,387,139	\$ -	\$ -
23,146,312	-	23,146,312	-	-
3,221,206	-	3,221,206	10,548,588	-
-	-	-	19,167,629	-
939,030	993,067	1,932,097	9,968	71,441
5,366,000	609,147	5,975,147	164,212	-
(396,406)	396,406	-	-	-
<u>\$ 49,663,281</u>	<u>\$ 1,998,620</u>	<u>\$ 51,661,901</u>	<u>\$ 29,890,397</u>	<u>\$ 71,441</u>
1,078,130	(3,130,901)	(2,052,771)	1,636,233	1,549,851
<u>137,693,830</u>	<u>74,074,746</u>	<u>211,768,576</u>	<u>22,739,322</u>	<u>56,588,571</u>
<u>\$ 138,771,960</u>	<u>\$ 70,943,845</u>	<u>\$ 209,715,805</u>	<u>\$ 24,375,555</u>	<u>\$ 58,138,422</u>

CITY OF HARRISONBURG, VIRGINIA
GOVERNMENTAL FUNDS
BALANCE SHEET
At June 30, 2003

Exhibit 3

	<u>General</u> <u>Fund</u>	<u>General</u> <u>Capital</u> <u>Projects</u> <u>Fund</u>	<u>School Bond</u> <u>Capital</u> <u>Projects</u> <u>Fund</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
Assets				
Cash and cash equivalents	\$ 11,158,712	\$ 7,116,142	\$ -	\$ 18,274,854
Receivables (net of allowance for uncollectibles)	23,991,238	24,352	-	24,015,590
Advance to other funds	-	394,982	-	394,982
Loans receivable	1,324,694	-	-	1,324,694
Restricted assets	<u>284,297</u>	<u>2,030,460</u>	<u>32,992,886</u>	<u>35,307,643</u>
Total assets	<u>\$ 36,758,941</u>	<u>\$ 9,565,936</u>	<u>\$ 32,992,886</u>	<u>\$ 79,317,763</u>
Liabilities				
Accounts payable	\$ 334,095	\$ 669,296	\$ -	\$ 1,003,391
Accrued liabilities	310,165	-	-	310,165
Due to component unit	62,758	-	-	62,758
Advance from other funds	394,982	-	-	394,982
Deferred revenue	20,039,409	-	-	20,039,409
Other liabilities	169,231	-	-	169,231
Liabilities payable from restricted assets	<u>-</u>	<u>61,655</u>	<u>1,798,873</u>	<u>1,860,528</u>
Total liabilities	<u>\$ 21,310,640</u>	<u>\$ 730,951</u>	<u>\$ 1,798,873</u>	<u>\$ 23,840,464</u>
Fund Balances				
Fund balances:				
Reserved	\$ 4,552,353	\$ 3,095,254	\$ 31,194,013	\$ 38,841,620
Unreserved:				
Designated	798,458	5,739,731	-	6,538,189
Undesignated	<u>10,097,490</u>	<u>-</u>	<u>-</u>	<u>10,097,490</u>
Total fund balances	<u>\$ 15,448,301</u>	<u>\$ 8,834,985</u>	<u>\$ 31,194,013</u>	<u>\$ 55,477,299</u>
Total liabilities and fund balances	<u>\$ 36,758,941</u>	<u>\$ 9,565,936</u>	<u>\$ 32,992,886</u>	<u>\$ 79,317,763</u>

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

CITY OF HARRISONBURG, VIRGINIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
At June 30, 2003

Exhibit 4

Total fund balance of governmental funds (Exhibit 3)	\$ 55,477,299
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.	681,857
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	163,706,236
Certain liabilities, including bonds and related accounts, are not payable from current financial resources and therefore are not reported in the funds.	(83,308,811)
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>2,215,379</u>
Net assets of governmental activities (Exhibit 1)	\$ <u><u>138,771,960</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, 2003

Exhibit 5

	<u>General Fund</u>	<u>General Capital Projects Fund</u>	<u>School Bond Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Revenues:				
General property taxes	\$ 17,664,091	\$ -	\$ -	\$ 17,664,091
Other local taxes	23,210,201	-	-	23,210,201
Permits, privilege fees and regulatory licenses	390,820	-	-	390,820
Fines and forfeitures	400,247	-	-	400,247
Revenue from use of money and property	710,454	48,882	550,238	1,309,574
Charges for services	261,442	-	-	261,442
Miscellaneous	4,175,895	-	-	4,175,895
Recovered costs	1,338,655	64,954	-	1,403,609
Intergovernmental	7,028,215	95,000	-	7,123,215
Total revenues	<u>\$ 55,180,020</u>	<u>\$ 208,836</u>	<u>\$ 550,238</u>	<u>\$ 55,939,094</u>
Expenditures:				
Current:				
General government administration	\$ 2,241,589	\$ -	\$ -	\$ 2,241,589
Jail and judicial administration	1,192,269	-	-	1,192,269
Public safety	10,552,139	-	-	10,552,139
Public works	5,829,360	-	-	5,829,360
Health and welfare	1,917,348	-	-	1,917,348
Education	19,167,629	-	-	19,167,629
Parks, recreation and cultural	2,693,787	-	-	2,693,787
Planning and community development	1,352,651	-	-	1,352,651
Debt service:				
Principal retirement	3,907,176	-	-	3,907,176
Interest and fiscal charges	4,191,172	-	-	4,191,172
Bond issuance costs	29,839	-	-	29,839
Capital projects	-	6,541,125	8,060,415	14,601,540
Total expenditures	<u>\$ 53,074,959</u>	<u>\$ 6,541,125</u>	<u>\$ 8,060,415</u>	<u>\$ 67,676,499</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 2,105,061</u>	<u>\$ (6,332,289)</u>	<u>\$ (7,510,177)</u>	<u>\$ (11,737,405)</u>
Other financing sources (uses):				
Long-term debt issued or incurred	\$ 272,572	\$ 1,486,773	\$ -	\$ 1,759,345
Refunding bonds issued	5,616,300	-	-	5,616,300
Payment to advanced refunding escrow	(5,586,461)	-	-	(5,586,461)
Transfers in	1,794,042	2,698,707	-	4,492,749
Transfers out	(4,398,937)	(500,000)	-	(4,898,937)
Total other financing sources (uses)	<u>\$ (2,302,484)</u>	<u>\$ 3,685,480</u>	<u>\$ -</u>	<u>\$ 1,382,996</u>
Net change in fund balances	<u>\$ (197,423)</u>	<u>\$ (2,646,809)</u>	<u>\$ (7,510,177)</u>	<u>\$ (10,354,409)</u>
Fund balances at beginning of year, as restated	<u>15,645,724</u>	<u>11,481,794</u>	<u>38,704,190</u>	<u>65,831,708</u>
Fund balances at end of year	<u>\$ 15,448,301</u>	<u>\$ 8,834,985</u>	<u>\$ 31,194,013</u>	<u>\$ 55,477,299</u>

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

CITY OF HARRISONBURG, VIRGINIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2003

Exhibit 6

Total net change in fund balances of governmental funds (Exhibit 5)	\$ (10,354,409)
Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay expenditures exceeded depreciation expense in the current period.	11,038,014
Other capital asset transactions.	(124,379)
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.	(370,650)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	2,044,372
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.	185,947
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.	360,239
The donation of capital assets between the primary government and the School Board (component unit) effects only the statement of activities. These donations do not have an effect on current financial resources and, therefore, are not reported in governmental funds.	<u>(1,701,004)</u>
Change in net assets of governmental activities (Exhibit 2)	<u>\$ 1,078,130</u>

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

GENERAL FUND

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

For the Year Ended June 30, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
General property taxes	\$ 17,305,720	\$ 17,305,720	\$ 17,664,091	\$ 358,371
Other local taxes	22,465,215	22,465,215	23,210,201	744,986
Permits, privilege fees and regulatory licenses	163,920	163,920	390,820	226,900
Fines and forfeitures	300,500	300,500	400,247	99,747
Revenue from use of money and property	962,130	962,130	710,454	(251,676)
Charges for services	249,200	249,200	261,442	12,242
Miscellaneous	4,054,200	4,186,720	4,175,895	(10,825)
Recovered costs	497,840	576,071	1,338,655	762,584
Intergovernmental	5,893,998	6,077,479	7,028,215	950,736
Total revenues	<u>\$ 51,892,723</u>	<u>\$ 52,286,955</u>	<u>\$ 55,180,020</u>	<u>\$ 2,893,065</u>
Expenditures:				
Current:				
General government administration	\$ 2,940,562	\$ 2,356,612	\$ 2,241,589	\$ 115,023
Jail and judicial administration	1,872,100	1,872,100	1,192,269	679,831
Public safety	10,586,762	12,037,241	10,552,139	1,485,102
Public works	6,573,913	6,483,433	5,829,360	654,073
Health and welfare	1,650,830	1,919,932	1,917,348	2,584
Education	19,167,629	19,167,629	19,167,629	-
Parks, recreation and cultural	2,535,796	2,962,530	2,693,787	268,743
Planning and community development	1,389,631	1,454,150	1,352,651	101,499
Debt service:				
Principal retirement	3,301,349	3,278,349	3,907,176	(628,827)
Interest and fiscal charges	4,205,809	4,205,809	4,191,172	14,637
Bond issue costs	-	-	29,839	(29,839)
Total expenditures	<u>\$ 54,224,381</u>	<u>\$ 55,737,785</u>	<u>\$ 53,074,959</u>	<u>\$ 2,662,826</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (2,331,658)</u>	<u>\$ (3,450,830)</u>	<u>\$ 2,105,061</u>	<u>\$ 5,555,891</u>
Other financing sources (uses):				
Long-term debt issued	\$ 272,572	\$ 272,572	\$ 272,572	\$ -
Refunding bonds issued	-	-	5,616,300	5,616,300
Payment to advanced refunding escrow	-	-	(5,586,461)	(5,586,461)
Transfers in	1,265,136	1,794,042	1,794,042	-
Transfers out	(2,755,800)	(4,012,662)	(4,398,937)	(386,275)
Total other financing sources (uses)	<u>\$ (1,218,092)</u>	<u>\$ (1,946,048)</u>	<u>\$ (2,302,484)</u>	<u>\$ (356,436)</u>
Net change in fund balance	<u>\$ (3,549,750)</u>	<u>\$ (5,396,878)</u>	<u>\$ (197,423)</u>	<u>\$ 5,199,455</u>
Fund balance at beginning of year, as restated			15,645,724	
Fund balance at end of year			<u>\$ 15,448,301</u>	

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

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	Enterprise Funds							Internal Service Funds
	Water Fund	Sewer Fund	Public Transportation Fund	Sanitation Fund	Parking Authority Fund	Golf Course Fund	Total	
Assets								
Current assets:								
Cash and cash equivalents	\$ 8,464,675	\$ 5,199,338	\$ 815,812	\$ 7,063,569	\$ 551,757	\$ 58,457	\$ 22,153,608	\$ 1,587,200
Receivables (net of allowance for uncollectibles):								
Accounts	498,241	502,846	22,620	511,280	60	2,015	1,537,062	1,403
Interest	1,278	795	121	1,065	83	6	3,348	177
Other	-	13,270	-	64,555	-	-	77,825	-
Due from component unit	-	-	-	33,603	-	-	33,603	7,395
Due from other governments	-	-	159,796	-	-	-	159,796	-
Inventory	-	-	-	-	-	-	-	1,317,496
Prepaid expenses	-	34,886	13,178	-	-	-	48,064	-
Total current assets	\$ 8,964,194	\$ 5,751,135	\$ 1,011,527	\$ 7,674,072	\$ 551,900	\$ 60,478	\$ 24,013,306	\$ 2,913,671
Noncurrent assets:								
Restricted assets:								
Cash and cash equivalents	\$ 4,746,208	\$ -	\$ -	\$ 2,765,217	\$ -	\$ 8,405	\$ 7,519,830	\$ -
Investments	3,014,392	-	-	9,043,176	-	433,225	12,490,793	-
Interest receivable	48,215	-	-	144,647	-	11,086	203,948	-
Total restricted assets	\$ 7,808,815	\$ -	\$ -	\$ 11,953,040	\$ -	\$ 452,716	\$ 20,214,571	\$ -
Capital assets:								
Land	\$ 179,891	\$ 24,048	\$ -	\$ 3,002,800	\$ 308,033	\$ 1,352,719	\$ 4,867,491	\$ -
Buildings	4,526,437	566,208	1,158,045	1,938,443	1,659,615	1,119,480	10,968,228	-
Improvements other than buildings	5,668,542	-	56,675	627,359	34,424	4,681,613	11,068,613	-
Machinery and equipment	1,308,321	1,767,701	6,446,182	7,319,438	44,264	366,527	17,252,433	166,222
Infrastructure	24,482,360	27,699,039	-	-	-	-	52,181,399	-
Construction in progress	4,391,742	1,406,686	10,841	17,007,936	-	-	22,817,205	-
Gross capital assets	\$ 40,557,293	\$ 31,463,682	\$ 7,671,743	\$ 29,895,976	\$ 2,046,336	\$ 7,520,339	\$ #####	\$ 166,222
Less accumulated depreciation	15,843,380	10,168,363	3,115,111	3,968,322	1,525,006	396,659	35,016,841	70,836
Net capital assets	\$ 24,713,913	\$ 21,295,319	\$ 4,556,632	\$ 25,927,654	\$ 521,330	\$ 7,123,680	\$ 84,138,528	\$ 95,386
Other assets:								
JMU agreement	\$ -	\$ -	\$ -	\$ 477,803	\$ -	\$ -	\$ 477,803	\$ -
Bond issue costs	118,865	-	-	367,122	-	147,281	633,268	-
Total other assets	\$ 118,865	\$ -	\$ -	\$ 844,925	\$ -	\$ 147,281	\$ 1,111,071	\$ -
Total assets	\$ 41,605,787	\$ 27,046,454	\$ 5,568,159	\$ 46,399,691	\$ 1,073,230	\$ 7,784,155	\$ #####	\$ 3,009,057

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

	Enterprise Funds						Total	Internal Service Funds
	Water Fund	Sewer Fund	Public Transportation Fund	Sanitation Fund	Parking Authority Fund	Golf Course Fund		
Liabilities and Net Assets								
Current liabilities:								
Accounts payable	\$ 103,207	\$ 20,882	\$ 14,750	\$ 387,846	\$ 1,664	\$ 14,277	\$ 542,626	\$ 914,240
Accrued liabilities	20,503	18,299	29,758	34,755	2,273	10,989	116,577	12,962
Accrued interest	-	-	-	65,204	-	30,028	95,232	-
Due to component unit	2,263	2,855	1,531	18,926	2,048	930	28,553	55
Deferred revenue	18,090	-	-	-	129,714	27,992	175,796	-
Compensated absences	87,767	69,875	97,491	127,973	5,840	19,902	408,848	37,352
Other liabilities	-	-	-	-	-	6,893	6,893	-
Customer deposits	194,622	-	-	-	-	-	194,622	-
Landfill closure and postclosure	-	-	-	180,919	-	-	180,919	-
Current portion of bonds and notes	-	-	-	552,819	-	-	552,819	-
Total current liabilities	\$ 426,452	\$ 111,911	\$ 143,530	\$ 1,368,442	\$ 141,539	\$ 111,011	\$ 2,302,885	\$ 964,609
Noncurrent liabilities:								
Liabilities payable from restricted assets:								
Accounts payable	\$ 369,223	\$ -	\$ -	\$ 3,198,610	\$ -	\$ -	\$ 3,567,833	\$ -
Accrued interest	233,236	-	-	525,584	-	-	758,820	-
Total liabilities payable from restricted assets	\$ 602,459	\$ -	\$ -	\$ 3,724,194	\$ -	\$ -	\$ 4,326,653	\$ -
Long-term liabilities:								
Compensated absences	\$ 100,153	\$ 38,352	\$ 41,283	\$ 90,084	\$ 5,854	\$ -	\$ 275,726	\$ 28,995
Landfill closure and postclosure	-	-	-	4,852,826	-	-	4,852,826	-
Note payable (net of current portion)	-	-	-	128,527	-	-	128,527	-
Bonds payable (net of current portion and unamortized discount)	10,524,957	-	-	29,584,303	-	6,337,828	46,447,088	-
Total long-term liabilities	\$ 10,625,110	\$ 38,352	\$ 41,283	\$ 34,655,740	\$ 5,854	\$ 6,337,828	\$ 51,704,167	\$ 28,995
Total liabilities	\$ 11,654,021	\$ 150,263	\$ 184,813	\$ 39,748,376	\$ 147,393	\$ 6,448,839	\$ 58,333,705	\$ 993,604
Net assets:								
Invested in capital assets, net of related debt	\$ 21,514,177	\$ 21,295,319	\$ 4,556,632	\$ 4,684,319	\$ 521,330	\$ 933,133	\$ 53,504,910	\$ 95,386
Restricted for:								
Debt service	-	-	-	-	-	452,716	452,716	-
Unrestricted	8,437,589	5,600,872	826,714	1,966,996	404,507	(50,533)	17,186,145	1,920,067
Total net assets	\$ 29,951,766	\$ 26,896,191	\$ 5,383,346	\$ 6,651,315	\$ 925,837	\$ 1,335,316	\$ 71,143,771	\$ 2,015,453
Total liabilities and net assets	\$ 41,605,787	\$ 27,046,454	\$ 5,568,159	\$ 46,399,691	\$ 1,073,230	\$ 7,784,155		\$ 3,009,057
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.							(199,926)	
Net assets of business-type activities (Exhibit 1)							<u>70,943,845</u>	

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

For the Year Ended June 30, 2003

	Enterprise Funds							Internal Service Funds
	Water Fund	Sewer Fund	Public Transportation Fund	Sanitation Fund	Parking Authority Fund	Golf Course Fund	Total	
Operating revenues:								
Charges for services	\$ 4,335,634	\$ 4,702,089	\$ 1,951,396	\$ 4,205,548	\$ 107,977	\$ 480,790	\$ 15,783,434	\$ 8,901,795
Connection fees	222,439	39,793	-	-	-	-	262,232	-
Other revenue	-	-	-	-	75,472	-	75,472	-
Total operating revenues	\$ 4,558,073	\$ 4,741,882	\$ 1,951,396	\$ 4,205,548	\$ 183,449	\$ 480,790	\$ 16,121,138	\$ 8,901,795
Operating expenses:								
Personal services	\$ 928,399	\$ 671,165	\$ 1,711,038	\$ 1,372,869	\$ 89,520	\$ 385,914	\$ 5,158,905	\$ 432,717
Fringe benefits	284,469	209,023	465,428	436,519	22,938	104,195	1,522,572	112,787
Purchased services	232,510	103,497	80,036	1,485,126	16,291	63,841	1,981,301	274,394
Internal services	158,784	109,729	659,059	139,046	8,469	31,127	1,106,214	2,053
Other charges	344,923	97,303	221,091	787,556	35,374	72,539	1,558,786	487,446
Materials and supplies	296,113	129,958	138,451	88,555	10,000	168,742	831,819	44,471
Depreciation and amortization	1,046,794	936,313	577,733	948,151	18,042	240,962	3,767,995	13,680
Regional sewer authority:								
Operations	-	1,196,624	-	-	-	-	1,196,624	-
Debt service	-	997,134	-	-	-	-	997,134	-
Landfill closure and postclosure	-	-	-	666,968	-	-	666,968	-
Cost of inventory issued	-	-	-	-	-	-	-	1,598,067
Claims related charges	-	-	-	-	-	-	-	5,788,442
Total operating expenses	\$ 3,291,992	\$ 4,450,746	\$ 3,852,836	\$ 5,924,790	\$ 200,634	\$ 1,067,320	\$ 18,788,318	\$ 8,754,057
Operating income (loss)	\$ 1,266,081	\$ 291,136	\$ (1,901,440)	\$ (1,719,242)	\$ (17,185)	\$ (586,530)	\$ (2,667,180)	\$ 147,738
Nonoperating revenues (expenses):								
Operating grants	\$ -	\$ -	\$ 910,460	\$ -	\$ -	\$ -	\$ 910,460	\$ -
Connection availability fees	223,323	119,270	-	-	-	-	342,593	-
Miscellaneous revenue	1,893	-	4,190	651	-	15,282	22,016	-
Reimbursement of bond payment	-	-	-	505,684	-	-	505,684	-
Investment revenue	316,636	80,995	11,917	560,950	8,164	14,405	993,067	17,705
Interest expense	(198,845)	-	-	(741,012)	-	(363,072)	(1,302,929)	-
Loss on disposal of capital asset	-	-	-	(2,951,716)	-	-	(2,951,716)	-
Total nonoperating revenues (net)	\$ 343,007	\$ 200,265	\$ 926,567	\$ (2,625,443)	\$ 8,164	\$ (333,385)	\$ (1,480,825)	\$ 17,705
Income (loss) before contributions and transfers	\$ 1,609,088	\$ 491,401	\$ (974,873)	\$ (4,344,685)	\$ (9,021)	\$ (919,915)	\$ (4,148,005)	\$ 165,443
Capital contributions	353,225	437,786	14,701	-	-	-	805,712	-
Transfers in	-	-	583,860	291,400	22,424	716,275	1,613,959	139,529
Transfers out	(707,979)	(599,313)	-	-	(40,008)	-	(1,347,300)	-
Change in net assets	\$ 1,254,334	\$ 329,874	\$ (376,312)	\$ (4,053,285)	\$ (26,605)	\$ (203,640)	\$ (3,075,634)	\$ 304,972
Net assets at beginning of year, as restated	28,697,432	26,566,317	5,759,658	10,704,600	952,442	1,538,956		1,710,481
Net assets at end of year	\$ 29,951,766	\$ 26,896,191	\$ 5,383,346	\$ 6,651,315	\$ 925,837	\$ 1,335,316		\$ 2,015,453
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.							(55,267)	
Change in net assets of business-type activities (Exhibit 2)							\$ (3,130,901)	

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, 2003

	Enterprise Funds							Internal Services Funds
	Water Fund	Sewer Fund	Public Transportation Fund	Sanitation Fund	Parking Authority Fund	Golf Course Fund	Total	
Cash flows from operating activities:								
Receipts from customers	\$ 4,369,902	\$ 4,783,710	\$ 1,942,158	\$ 4,042,648	\$ 188,613	\$ 488,881	\$ 15,815,912	\$ 2,109,174
Receipts from connection fees	222,439	40,010	-	-	-	-	262,449	-
Receipts from premiums	-	-	-	-	-	-	-	6,791,960
Receipts from other sources	1,893	-	4,190	651	99,244	15,282	121,260	-
Receipts from customer deposits	118,020	-	-	-	-	-	118,020	-
Payments to employees	(927,345)	(657,125)	(1,691,738)	(1,343,381)	(87,839)	(375,577)	(5,083,005)	(426,006)
Payments for fringe benefits	(284,407)	(207,982)	(463,649)	(434,347)	(22,812)	(103,421)	(1,516,618)	(112,283)
Payments to vendors	(859,041)	(341,651)	(451,089)	(2,398,762)	(60,404)	(300,038)	(4,410,985)	(2,523,949)
Payments for internal services	(158,784)	(109,729)	(659,059)	(139,046)	(8,469)	(31,127)	(1,106,214)	(2,053)
Payments to regional sewer authority	-	(2,228,644)	-	-	-	-	(2,228,644)	-
Payments for claims related charges	-	-	-	-	-	-	-	(5,731,395)
Payments to refund customer deposits	(102,573)	-	-	-	-	-	(102,573)	-
Net cash provided by (used for) operating activities	\$ 2,380,104	\$ 1,278,589	\$ (1,319,187)	\$ (272,237)	\$ 108,333	\$ (306,000)	\$ 1,869,602	\$ 105,448
Cash flows from noncapital financing activities:								
Operating grants	\$ -	\$ -	\$ 955,236	\$ -	\$ -	\$ -	\$ 955,236	\$ -
Transfers in	-	-	583,860	291,400	22,424	330,000	1,227,684	139,529
Transfers out	(707,979)	(599,313)	-	-	(40,008)	-	(1,347,300)	-
Principal paid on long-term debt	-	-	-	(283,380)	-	-	(283,380)	-
Interest paid on long-term debt	-	-	-	(28,934)	-	-	(28,934)	-
Net cash provided by (used for) noncapital financing activities	\$ (707,979)	\$ (599,313)	\$ 1,539,096	\$ (20,914)	\$ (17,584)	\$ 330,000	\$ 523,306	\$ 139,529
Cash flows from capital and related financing activities:								
Capital grants	\$ -	\$ -	\$ 64,743	\$ -	\$ -	\$ -	\$ 64,743	\$ -
Capital contributions	-	39,634	-	-	-	-	39,634	-
Connection availability fees	223,323	119,270	-	-	-	-	342,593	-
Bond issue costs paid	(43,410)	-	-	(104,184)	-	-	(147,594)	-
Principal paid on long-term debt	-	-	-	(245,000)	-	-	(245,000)	-
Interest paid on long-term debt	(316,636)	-	-	(977,590)	-	(360,340)	(1,654,566)	-
Payment from JMU for long-term debt	-	-	-	508,609	-	-	508,609	-
Purchase and construction of fixed assets	(3,120,857)	(920,271)	(224,912)	(11,864,886)	(160,108)	(16,575)	(16,307,609)	-
Net cash used for capital and related financing activities	\$ (3,257,580)	\$ (761,367)	\$ (160,169)	\$ (12,683,051)	\$ (160,108)	\$ (376,915)	\$ (17,399,190)	\$ -
Cash flows from investing activities:								
Proceeds from maturity of investments	\$ 1,487,000	\$ -	\$ -	\$ 4,461,000	\$ -	\$ -	\$ 5,948,000	\$ -
Interest received	428,221	81,684	12,018	894,667	8,247	32,909	1,457,746	17,872
Net cash provided by investing activities	\$ 1,915,221	\$ 81,684	\$ 12,018	\$ 5,355,667	\$ 8,247	\$ 32,909	\$ 7,405,746	\$ 17,872
Net increase (decrease) in cash and cash equivalents	\$ 329,766	\$ (407)	\$ 71,758	\$ (7,620,535)	\$ (61,112)	\$ (320,006)	\$ (7,600,536)	\$ 262,849
Cash and cash equivalents:								
Beginning, as restated	12,881,117	5,199,745	744,054	17,449,321	612,869	386,868	37,273,974	1,324,351
Ending	\$ 13,210,883	\$ 5,199,338	\$ 815,812	\$ 9,828,786	\$ 551,757	\$ 66,862	\$ 29,673,438	\$ 1,587,200

(continued)

CITY OF HARRISONBURG, VIRGINIA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2003

	Enterprise Funds						Total	Internal Services Funds
	Water Fund	Sewer Fund	Public Transportation Fund	Sanitation Fund	Parking Authority Fund	Golf Course Fund		
Reconciliation of cash and cash equivalents to the balance sheet:								
Cash and cash equivalents - Current assets	\$ 8,464,675	\$ 5,199,338	\$ 815,812	\$ 7,063,569	\$ 551,757	\$ 58,457	\$ 22,153,608	\$ 1,587,200
Cash and cash equivalents - Restricted assets	4,746,208	-	-	2,765,217	-	8,405	7,519,830	-
	<u>\$ 13,210,883</u>	<u>\$ 5,199,338</u>	<u>\$ 815,812</u>	<u>\$ 9,828,786</u>	<u>\$ 551,757</u>	<u>\$ 66,862</u>	<u>\$ 29,673,438</u>	<u>\$ 1,587,200</u>

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

Operating income (loss)	\$ 1,266,081	\$ 291,136	\$ (1,901,440)	\$ (1,719,242)	\$ (17,185)	\$ (586,530)	\$ (2,667,180)	\$ 147,738
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:								
Depreciation and amortization	1,046,794	936,313	577,733	948,151	18,042	240,962	3,767,995	13,680
Landfill closure and monitoring costs	-	-	-	408,701	-	-	408,701	-
Miscellaneous revenue	1,893	-	4,190	651	-	15,282	22,016	-
Change in assets and liabilities:								
(Increase) decrease in:								
Accounts receivable	34,014	81,621	(9,238)	(155,720)	2,234	434	(46,655)	2,158
Due from component unit	-	-	-	(1,528)	-	-	(1,528)	(2,819)
Inventory	-	-	-	-	-	-	-	(126,945)
Prepaid expenses	-	(34,886)	253	-	-	6,490	(28,143)	-
Increase (decrease) in:								
Accounts payable	19,772	(11,323)	(11,584)	219,696	1,103	4,313	221,977	64,365
Accrued liabilities	2,167	4,028	6,771	7,765	573	3,465	24,769	4,124
Due to component unit	(5,263)	645	189	(4,606)	178	(714)	(9,571)	55
Deferred revenue	254	-	-	-	102,154	(614)	101,794	-
Other liabilities	-	-	-	-	-	3,269	3,269	-
Customer deposits	15,447	-	-	-	-	-	15,447	-
Compensated absences	(1,055)	11,055	13,939	23,895	1,234	7,643	56,711	3,092
Net cash provided by (used for) operating activities	<u>\$ 2,380,104</u>	<u>\$ 1,278,589</u>	<u>\$ (1,319,187)</u>	<u>\$ (272,237)</u>	<u>\$ 108,333</u>	<u>\$ (306,000)</u>	<u>\$ 1,869,602</u>	<u>\$ 105,448</u>

Non - cash capital and related financing activities:

Additions to capital assets:								
Contributed by developers	\$ 353,225	\$ 255,135	\$ -	\$ -	\$ -	\$ -	\$ 608,360	\$ -
Contributed by government	-	129,747	-	-	-	-	129,747	-
Purchase and construction on account	421,564	15,759	-	3,217,480	-	-	3,654,803	-

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, 2003

Exhibit 11

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 24,829
Interest receivable	<u>1</u>
Total assets	\$ <u>24,830</u>
Liabilities	
Accounts payable	\$ 5,227
Accrued liabilities	809
Amounts held for others	<u>18,794</u>
Total liabilities	\$ <u>24,830</u>

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

CITY OF HARRISONBURG, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

Note 1. Summary of Significant Accounting Policies

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

A. Reporting entity

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

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

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

B. Adoption of new governmental accounting standards

The City and its component units have adopted GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments* for fiscal year 2003. The City has implemented both the general provisions of Statement No. 34 and the retroactive reporting of infrastructure in the accompanying financial statements.

C. 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

Note 1. Summary of Significant Accounting Policies (continued)

benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial 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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 45 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The City reports the following major governmental funds:

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

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

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

The City reports the following major proprietary funds:

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

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

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

Additionally, the City reports the following fund types:

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

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

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

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

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

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

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

Note 1. Summary of Significant Accounting Policies (continued)

E. Stewardship, Compliance, and Accountability

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

Prior to May 1, the City Manager submits to the City Council a balanced proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them. Prior to June 30, the City Council holds public hearings to obtain citizen comments, and a final budget is legally enacted through the passage of an Appropriation Ordinance. All budget data presented in the accompanying financial statements is the original budget and the revised budget as of June 30, 2003.

The appropriated budget places legal restrictions on expenditures at the department or category level. The appropriation for each department or category can be revised only by the City Council. The City Manager is authorized to transfer budgeted amounts within departments. The City may amend its budget by increasing total appropriations at the fund level through approval of City Council. Supplemental appropriations were made during the year in the General Fund totaling \$2,770,266. Supplemental appropriations that exceed \$500,000 or 1% of the budget, whichever is less, require a public hearing prior to approval. Appropriations lapse at June 30, except for capital projects funds.

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

Excess of expenditures over appropriations. For the year ended June 30, 2003, expenditures exceeded appropriations at the fund, activity or element level as follows:

General Fund:	
Fire - Administration	\$ 1,173
Fire - Training	975
Street lights	1,887
Snow and ice removal	14
Street and road cleaning	1,337
Debt service:	
Principal	628,827

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

F. Assets, liabilities and net asset or fund equity

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

Note 1. Summary of Significant Accounting Policies (continued)

2. Investments. In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, the City's investments are reported at fair value. Fair value is obtained by using readily determinable quoted market valuations. Interest earned on pooled investments held by the School Board is assigned to the General Fund.

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

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

4. Property taxes. Property taxes are levied as of January 1 on property values assessed every two years. The last effective general real property reassessment was January 1, 2001. Property taxes attach as an enforceable lien on property as of January 1. Real estate taxes are due and collectible twice a year, on December 5 and June 5. Personal property taxes are due and collectible annually on December 5. The portion of the tax receivable that is not collected within 45 days after June 30 is shown as deferred revenue in the fund financial statements. A penalty of 10% of the tax is assessed after the applicable payment date. Interest at an annual rate of 10% is charged on unpaid accounts beginning January 1 and July 1.

The City calculates its allowance for uncollectible delinquent property tax accounts using historical collection data and specific account analysis. The allowance at June 30, 2003 amounted to \$699,728.

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

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of borrowing until completion of the project with interest earned on invested proceeds over the same period. The amount of interest capitalized for the year was \$311,784 in the Water Fund and \$694,351 in the Sanitation Fund.

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

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

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

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

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

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

A reconciliation between the total fund balance as reported in the governmental fund balance sheet and net assets of governmental activities as reported in the government-wide statement of net assets is provided on Exhibit 4. One element of that reconciliation explains that “Certain liabilities, including bonds and related accounts, are not payable from current financial resources and therefore are not reported in the funds.” The details of the \$83,308,811 difference are as follows:

General obligation bonds	\$ (72,286,300)
Bond issue premiums/discounts (net)	(183,635)
Deferred charge for bond issue costs	171,503
Deferred charge for bond refunding	722,156
Notes payable	(916,785)
Capital leases	(5,888,681)
Literary Fund Loans	(101,900)
Contractual obligation	(1,486,773)
Compensated absences (not including internal service funds)	(1,965,581)
Accrued interest	<u>(1,372,815)</u>
Net adjustment	\$ <u>(83,308,811)</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 \$11,038,014 difference are as follows:

Capital outlay	\$ 15,564,652
Depreciation expense	<u>(4,526,638)</u>
Net adjustment	\$ <u>11,038,014</u>

Another element of that reconciliation states that “The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$2,044,372 difference are as follows:

Debt issued or incurred	\$ (7,375,645)
Payment to bond refunding escrow agent	5,586,461
Deferred charge for bond issue costs on debt issued	29,839
Principal payments	3,907,176
Amortization of bond premiums/discounts (net)	8,507
Amortization of bond issue costs	(11,488)
Amortization of deferred bond refunding charges	(6,920)
Interest expense included in bond refunding	<u>(93,558)</u>
Net adjustment	\$ <u>2,044,372</u>

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

Another element of that reconciliation is labeled “Other capital asset transactions.” The details of this \$124,379 difference are as follows:

Donation of capital assets	\$ 9,800
Carrying value of capital asset disposals	<u>(134,179)</u>
Net adjustment	<u>\$ (124,379)</u>

Another element of that reconciliation states that “Expenses reported in the statement of activities that do not require the use of current financial resources are not reported as expenditures in governmental funds.” The details of this \$185,947 difference are as follows:

Compensated absences	\$ (208,095)
Accrued interest	<u>394,042</u>
Net adjustment	<u>\$ 185,947</u>

Note 3. Deposits and Investments

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

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

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

The City and its component units' investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the City or its agent in the City's name holds the securities. Category 2 includes investments that are uninsured and unregistered for which the securities are held by the counterparty's trust department or agent in the City's name. Category 3 includes investments that are uninsured and unregistered for which the securities are held by the counterparty, or by its trust department or agent but not in the City's name.

Note 3. Deposits and Investments (continued)

The reported amount is the fair value of the investments. At June 30, 2003, the deposits and investment balances were as follows:

Primary Government:

	Category			Reported Amount
	1	2	3	
U.S. Government and Agency Notes	\$ -	\$ -	\$ 12,753,702	\$ 12,753,702
Commercial Paper	-	-	314,894	314,894
Subtotal	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,068,596</u>	\$ 13,068,596
U.S. Government Securities Money Market Fund				7,199,261
U.S. Treasury Securities Money Market Fund				292,702
Virginia State Treasurer's Local Government Investment Pool (LGIP)				35,733,779
Virginia State Non-Arbitrage Pool (SNAP)				42,534,771
Total investments				\$ 98,829,109
Deposits				(2,524,384)
Total deposits and investments of the primary government				<u>\$ 96,304,725</u>

Component Unit - School Board:

	Category			Reported Amount
	1	2	3	
U.S. Government and Agency Notes	\$ -	\$ -	\$ 36,671	\$ 36,671
Commercial Paper	-	-	43,922	43,922
Subtotal	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 80,593</u>	\$ 80,593
U.S. Government Securities Money Market Fund				1,004,153
Virginia State Treasurer's Local Government Investment Pool (LGIP)				4,984,149
Total investments				\$ 6,068,895
Deposits				189,779
Total deposits and investments of the primary government				<u>\$ 6,258,674</u>

Component Unit - HEC:

Virginia State Treasurer's Local Government Investment Pool (LGIP)	\$ 2,907,003
Total investments	\$ 2,907,003
Deposits	5,060,066
Total deposits and investments of the component unit - HEC	<u>\$ 7,967,069</u>

Reconciliation to Government-wide Financial Statements

Cash on hand and petty cash (primary government)	\$ 1,054,032
Cash on hand and petty cash (component units)	2,300
Grand total deposits and investments of the reporting entity	110,530,468
Total reporting entity	<u>\$ 111,586,800</u>
Cash and cash equivalents (primary government)	\$ 42,015,662
Cash and cash equivalents (component unit - School Board)	6,258,674
Cash and cash equivalents (component unit - HEC)	7,969,369
Restricted assets:	
Cash and cash equivalents (primary government)	42,827,473
Investments (primary government)	12,490,793
Cash and cash equivalents (Exhibit 11)	24,829
Total reporting entity	<u>\$ 111,586,800</u>

Note 4. Receivables

The following is a summary of the receivables account at June 30, 2003:

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	HEC
Property taxes receivable	\$ 20,772,456	\$ -	\$ 20,772,456	\$ -	\$ -
Other taxes receivable	1,433,590	-	1,433,590	-	-
Accounts receivable	1,403	1,573,233	1,574,636	-	3,779,535
Interest receivable	3,798	3,348	7,146	-	-
Other receivable	34,907	77,825	112,732	44,946	149,253
Due from other governments:					
Commonwealth of Virginia	2,470,744	-	2,470,744	267,936	-
Federal government	-	159,796	159,796	518,490	-
Allowance for uncollectibles	<u>(699,728)</u>	<u>(36,171)</u>	<u>(735,899)</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 24,017,170</u>	<u>\$ 1,778,031</u>	<u>\$ 25,795,201</u>	<u>\$ 831,372</u>	<u>\$ 3,928,788</u>

Note 5. Restricted Assets

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

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents:			
Bond construction account	\$ 35,023,346	\$ 7,511,425	\$ 42,534,771
Bond debt service reserve account	284,297	8,405	292,702
Investments:			
Bond construction account	-	12,057,568	12,057,568
Bond debt service reserve account	-	433,225	433,225
Interest receivable:			
Bond construction account	-	192,862	192,862
Bond debt service reserve account	-	11,086	11,086
Total	<u>\$ 35,307,643</u>	<u>\$ 20,214,571</u>	<u>\$ 55,522,214</u>

Note 6. Loans Receivable

The following is a summary of the loans receivable in the General Fund at June 30, 2003:

Borrowing Entity	Loan Date	Term (in years)	Interest Rate	Balance June 30, 2003	Current Portion
Harrisonburg Redevelopment and Housing Authority	June 26, 1998	20	5.5%	\$ 422,735	\$ 27,400
Teamshare Systems, Inc.	August 21, 1998	5	6.0%	10,904	10,904
Massanutten Regional Library	May 15, 2000	n/a	0.0%	375,000	-
Virginia Technology Incubator, LLC	July 6, 2001	5	7.0%	121,072	12,378
Harrisonburg Rescue Squad, Inc.	October 1, 2001	5	0.0%	394,983	111,405
Total				<u>\$ 1,324,694</u>	<u>\$ 162,087</u>

Note 7. Capital Assets

The following is a summary of the changes in capital assets for the year ended June 30, 2003:

Primary Government:

	Balance June 30, 2002	Additions	Deletions	Balance June 30, 2003
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 36,063,386	\$ 391,005	\$ (18,154)	\$ 36,436,237
Construction in progress	<u>4,094,873</u>	<u>13,115,033</u>	<u>(3,185,533)</u>	<u>14,024,373</u>
Capital assets not being depreciated	<u>\$ 40,158,259</u>	<u>\$ 13,506,038</u>	<u>\$ (3,203,687)</u>	<u>\$ 50,460,610</u>
Capital assets, being depreciated:				
Buildings	\$ 41,108,070	\$ 255,414	\$ (2,266,880)	\$ 39,096,604
Improvements other than buildings	1,655,691	181,695	-	1,837,386
Machinery and equipment	9,571,660	928,841	(286,968)	10,213,533
Infrastructure	<u>107,808,945</u>	<u>3,874,577</u>	<u>-</u>	<u>111,683,522</u>
Capital assets being depreciated	<u>\$ 160,144,366</u>	<u>\$ 5,240,527</u>	<u>\$ (2,553,848)</u>	<u>\$ 162,831,045</u>
Total capital assets, gross	<u>\$ 200,302,625</u>	<u>\$ 18,746,565</u>	<u>\$ (5,757,535)</u>	<u>\$ 213,291,655</u>
Less accumulated depreciation:				
Buildings	\$ (7,650,062)	\$ (1,048,502)	\$ 504,755	\$ (8,193,809)
Improvements other than buildings	(859,991)	(61,826)	-	(921,817)
Machinery and equipment	(5,353,570)	(658,569)	245,484	(5,766,655)
Infrastructure	<u>(31,836,331)</u>	<u>(2,771,421)</u>	<u>-</u>	<u>(34,607,752)</u>
Accumulated depreciation	<u>\$ (45,699,954)</u>	<u>\$ (4,540,318)</u>	<u>\$ 750,239</u>	<u>\$ (49,490,033)</u>
Total capital assets, net	<u>\$ 154,602,671</u>	<u>\$ 14,206,247</u>	<u>\$ (5,007,296)</u>	<u>\$ 163,801,622</u>

The primary government has included in the above schedule land in the amount of \$113,878, buildings in the amount of \$11,972,716 (\$2,511,039 in accumulated depreciation) and machinery and equipment in the amount of \$363,429 (\$6,058 in accumulated depreciation) that are associated with capital lease obligations.

Note 7. Capital Assets (continued)

	Balance <u>June 30, 2002</u>	Additions	Deletions	Balance <u>June 30, 2003</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 4,741,807	\$ 125,684	\$ -	\$ 4,867,491
Construction in progress	<u>5,816,636</u>	<u>19,381,152</u>	<u>(2,380,583)</u>	<u>22,817,205</u>
Capital assets not being depreciated	\$ <u>10,558,443</u>	\$ <u>19,506,836</u>	\$ <u>(2,380,583)</u>	\$ <u>27,684,696</u>
Capital assets, being depreciated:				
Buildings	\$ 17,988,422	\$ -	\$ (7,020,194)	\$ 10,968,228
Improvements other than buildings	11,034,189	34,424	-	11,068,613
Machinery and equipment	16,843,997	567,447	(159,011)	17,252,433
Infrastructure	<u>49,089,284</u>	<u>3,092,115</u>	<u>-</u>	<u>52,181,399</u>
Capital assets being depreciated	\$ <u>94,955,892</u>	\$ <u>3,693,986</u>	\$ <u>(7,179,205)</u>	\$ <u>91,470,673</u>
Total capital assets, gross	\$ <u>105,514,335</u>	\$ <u>23,200,822</u>	\$ <u>(9,559,788)</u>	\$ <u>119,155,369</u>
Less accumulated depreciation:				
Buildings	\$ (8,141,691)	\$ (341,753)	\$ 4,068,478	\$ (4,414,966)
Improvements other than buildings	(2,618,854)	(386,011)	-	(3,004,865)
Machinery and equipment	(7,301,913)	(1,450,861)	159,011	(8,593,763)
Infrastructure	<u>(17,483,933)</u>	<u>(1,545,888)</u>	<u>26,574</u>	<u>(19,003,247)</u>
Accumulated depreciation	\$ <u>(35,546,391)</u>	\$ <u>(3,724,513)</u>	\$ <u>4,254,063</u>	\$ <u>(35,016,841)</u>
Total capital assets, net	\$ <u><u>69,967,944</u></u>	\$ <u><u>19,476,309</u></u>	\$ <u><u>(5,305,725)</u></u>	\$ <u><u>84,138,528</u></u>

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

Governmental activities:

General government administration	\$ 104,494
Jail and judicial administration	270,758
Public safety	448,062
Public works	3,031,765
Health and welfare	21,866
Education	457,130
Parks, recreation and culture	185,502
Planning and community development	7,061
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	<u>13,680</u>
Total governmental activities depreciation expense	\$ <u><u>4,540,318</u></u>

Business-type activities:

Water	\$ 1,042,806
Sewer	936,313
Public transportation	577,733
Sanitation	900,814
Public parking	18,042
Golf course	<u>235,387</u>
Total business-type activities depreciation expense	\$ <u><u>3,711,095</u></u>

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

	Balance June 30, 2002	Additions	Deletions	Balance June 30, 2003
Capital assets, not being depreciated:				
Land	\$ 754,232	\$ -	\$ -	\$ 754,232
Capital assets not being depreciated	<u>\$ 754,232</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 754,232</u>
Capital assets, being depreciated:				
Buildings	\$ 28,716,028	\$ 2,182,575	\$ -	\$ 30,898,603
Machinery and equipment	<u>1,698,181</u>	<u>63,794</u>	<u>(34,496)</u>	<u>1,727,479</u>
Capital assets being depreciated	<u>\$ 30,414,209</u>	<u>\$ 2,246,369</u>	<u>\$ (34,496)</u>	<u>\$ 32,626,082</u>
Total capital assets, gross	<u>\$ 31,168,441</u>	<u>\$ 2,246,369</u>	<u>\$ (34,496)</u>	<u>\$ 33,380,314</u>
Less accumulated depreciation:				
Buildings	\$ (10,229,959)	\$ (1,142,032)	\$ -	\$ (11,371,991)
Machinery and equipment	<u>(1,045,154)</u>	<u>(100,046)</u>	<u>34,496</u>	<u>(1,110,704)</u>
Total accumulated depreciation	<u>\$ (11,275,113)</u>	<u>\$ (1,242,078)</u>	<u>\$ 34,496</u>	<u>\$ (12,482,695)</u>
Total capital assets, net	<u>\$ 19,893,328</u>	<u>\$ 1,004,291</u>	<u>\$ -</u>	<u>\$ 20,897,619</u>

Component Unit – HEC:

	Balance June 30, 2002	Additions	Deletions	Balance June 30, 2003
Capital assets, not being depreciated:				
Land	\$ 1,859,299	\$ -	\$ -	\$ 1,859,299
Construction in progress	<u>3,215,809</u>	<u>1,876,110</u>	<u>(3,469,112)</u>	<u>1,622,807</u>
Capital assets not being depreciated	<u>\$ 5,075,108</u>	<u>\$ 1,876,110</u>	<u>\$ (3,469,112)</u>	<u>\$ 3,482,106</u>
Capital assets, being depreciated:				
Buildings	\$ 2,668,319	\$ 6,144	\$ -	\$ 2,674,463
Machinery and equipment	6,033,392	145,953	(922)	6,178,423
Infrastructure	<u>67,519,267</u>	<u>4,063,300</u>	<u>(228,679)</u>	<u>71,353,888</u>
Capital assets being depreciated	<u>\$ 76,220,978</u>	<u>\$ 4,215,397</u>	<u>\$ (229,601)</u>	<u>\$ 80,206,774</u>
Total capital assets, gross	<u>\$ 81,296,086</u>	<u>\$ 6,091,507</u>	<u>\$ (3,698,713)</u>	<u>\$ 83,688,880</u>
Less accumulated depreciation:				
Buildings	\$ (1,058,696)	\$ (70,777)	\$ -	\$ (1,129,473)
Machinery and equipment	(4,393,057)	(793,213)	-	(5,186,270)
Infrastructure	<u>(25,893,533)</u>	<u>(2,560,431)</u>	<u>261,233</u>	<u>(28,192,731)</u>
Accumulated depreciation	<u>\$ (31,345,286)</u>	<u>\$ (3,424,421)</u>	<u>\$ 261,233</u>	<u>\$ (34,508,474)</u>
Total capital assets, net	<u>\$ 49,950,800</u>	<u>\$ 2,667,086</u>	<u>\$ (3,437,480)</u>	<u>\$ 49,180,406</u>

Note 8. Interfund Balances

A loan in the amount of \$607,665 was made from the General Capital Projects Fund to the General Fund in fiscal year 2001 to offset a loan the City made from the General Fund to the Harrisonburg Rescue Squad. The loan is being repaid monthly and the balance as of June 30, 2003 was \$394,982.

Note 9. Deferred Revenue

The following is a summary of deferred revenue at June 30, 2003:

	General Fund	Water Fund	Parking Authority Fund	Golf Course Fund
Uncollected property tax billing	\$ 560,785	\$ -	\$ -	-
Property taxes billed in fiscal year 2004	19,357,552	-	-	-
Overpayment of customer accounts	-	18,090	-	-
Advance collection of parking leases	-	-	30,470	-
Annual memberships/sponsorships	-	-	-	27,992
Insurance recovery	-	-	99,244	-
Other	121,072	-	-	-
Total	\$ 20,039,409	\$ 18,090	\$ 129,714	\$ 27,992

Note 10. Interfund Transfers

Interfund transfers are generally used mainly to subsidize the operations and programs of certain funds. A portion of the transfers from the Water and Sewer Funds to the General Fund included annual payments in lieu of taxes. \$386,275 of the transfer from the General Fund to the Golf Course Fund was for capital purposes. The following is a summary of interfund transfers for the year ended June 30, 2003:

Transfer in	Transfer out					Total
	General Fund	General Capital Projects Fund	Water Fund	Sewer Fund	Parking Authority Fund	
General Fund	\$ -	\$ 500,000	\$ 659,254	\$ 594,780	\$ 40,008	\$ 1,794,042
General Capital Projects Fund	2,698,707	-	-	-	-	2,698,707
Public Transportation Fund	583,860	-	-	-	-	583,860
Sanitation Fund	291,400	-	-	-	-	291,400
Parking Authority Fund	22,424	-	-	-	-	22,424
Golf Course Fund	716,275	-	-	-	-	716,275
Internal Service Funds	86,271	-	48,725	4,533	-	139,529
Total	\$ 4,398,937	\$ 500,000	\$ 707,979	\$ 599,313	\$ 40,008	\$ 6,246,237

Note 11. Long-Term Debt

Primary Government

Debt Service Requirement for Long-term Debt:

Governmental activities:

Year Ending June 30,	General Obligation Bonds		General Obligation School Bonds		Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
	2004	\$ 433,700	\$ 505,347	\$ 1,525,000	\$ 2,879,494	\$ 194,142
2005	755,100	539,644	2,525,000	2,771,161	187,771	43,924
2006	792,600	508,373	2,540,000	2,642,639	181,445	29,924
2007	820,300	474,785	2,550,000	2,514,606	22,473	16,097
2008	858,000	442,583	2,570,000	2,386,484	330,954	15,020
2009-2013	4,771,400	1,721,357	12,790,000	9,993,719	-	-
2014-2018	5,115,200	743,308	10,500,000	7,100,806	-	-
2019-2023	985,000	71,356	11,830,000	4,295,660	-	-
2024-2027	-	-	10,925,000	1,149,923	-	-
Total	\$ 14,531,300	\$ 5,006,753	\$ 57,755,000	\$ 35,734,492	\$ 916,785	\$ 163,502

Year Ending June 30,	Capital Leases		State Literary Fund Loans		Total Governmental Activities	
	Principal	Interest	Principal	Interest	Principal	Interest
	2004	\$ 515,475	\$ 290,104	\$ 66,425	\$ 4,003	\$ 2,734,742
2005	537,521	267,872	11,825	1,774	4,017,217	3,624,375
2006	478,235	245,136	11,825	1,182	4,004,105	3,427,254
2007	436,510	224,372	11,825	591	3,841,108	3,230,451
2008	457,577	202,516	-	-	4,216,531	3,046,603
2009-2013	2,670,832	634,011	-	-	20,232,232	12,349,087
2014-2018	792,531	54,875	-	-	16,407,731	7,898,989
2019-2023	-	-	-	-	12,815,000	4,367,016
2024-2027	-	-	-	-	10,925,000	1,149,923
Total	\$ 5,888,681	\$ 1,918,886	\$ 101,900	\$ 7,550	\$ 79,193,666	\$ 42,831,183

Business-type activities:

Year Ending June 30,	General Obligation Bonds		General Obligation Revenue Bonds		Note Payable		Total Business-type Activities	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
	2004	\$ 255,000	\$ 1,398,733	\$ -	\$ 869,219	\$ 297,819	\$ 14,495	\$ 552,819
2005	265,000	1,385,859	175,000	865,719	128,527	1,605	568,527	2,253,183
2006	1,120,000	1,359,426	205,000	857,994	-	-	1,325,000	2,217,420
2007	1,160,000	1,317,888	255,000	848,344	-	-	1,415,000	2,166,232
2008	1,205,000	1,270,315	270,000	837,022	-	-	1,475,000	2,107,337
2009-2013	6,835,000	5,478,204	1,640,000	3,979,591	-	-	8,475,000	9,457,795
2014-2018	7,550,000	3,716,725	2,255,000	3,521,929	-	-	9,805,000	7,238,654
2019-2023	7,805,000	1,933,856	3,085,000	2,845,200	-	-	10,890,000	4,779,056
2024-2028	3,690,000	186,750	4,210,000	1,881,044	-	-	7,900,000	2,067,794
2029-2033	-	-	4,285,000	626,162	-	-	4,285,000	626,162
2033-2034	-	-	650,000	16,250	-	-	650,000	16,250
Total	\$ 29,885,000	\$ 18,047,756	\$ 17,030,000	\$ 17,148,474	\$ 426,346	\$ 16,100	\$ 47,341,346	\$ 35,212,330

Note 11. Long-term Debt (continued)

Changes in Long-term Debt:

	Balance June 30, 2002	Additions	Reductions	Balance June 30, 2003	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 14,785,000	\$ 5,616,300	\$ (5,870,000)	\$ 14,531,300	\$ 433,700
General obligation school bonds	59,840,000	-	(2,085,000)	57,755,000	1,525,000
Bond premiums/discounts (net)	189,619	-	(5,984)	183,635	8,533
Deferred bond refunding charges	-	(729,076)	6,920	(722,156)	(55,373)
Total bonds payable	\$ 74,814,619	\$ 4,887,224	\$ (7,954,064)	\$ 71,747,779	\$ 1,911,860
Notes payable	1,135,035	-	(218,250)	916,785	194,142
Capital leases	6,051,585	272,572	(435,476)	5,888,681	515,475
State Literary Fund Loans	205,350	-	(103,450)	101,900	66,425
Contractual obligation	-	1,486,773	-	1,486,773	600,000
Compensated absences	1,820,741	1,182,156	(970,969)	2,031,928	1,046,718
Governmental activities long-term debt	<u>\$ 84,027,330</u>	<u>\$ 7,828,725</u>	<u>\$ (9,682,209)</u>	<u>\$ 82,173,846</u>	<u>\$ 4,334,620</u>

Long-term debt for governmental activities is generally liquidated by the General Fund. The Central Garage and Central Stores Fund are consolidated into the governmental activities in the government-wide financial statements. Accordingly, long-term liabilities for these funds are included as part of the above totals. At June 30, 2003, \$66,347 of these internal service funds compensated absences are included in the above amounts.

	Balance June 30, 2002	Additions	Reductions	Balance June 30, 2003	Due Within One Year
Business-type activities:					
Bonds payable:					
General obligation bonds	\$ 30,130,000	-	\$ (245,000)	\$ 29,885,000	\$ 255,000
General obligation revenue bonds	17,030,000	-	-	17,030,000	-
Bond discounts	(220,980)	-	8,068	(212,912)	-
Total bonds payable	\$ 46,939,020	-	\$ (236,932)	\$ 46,702,088	\$ 255,000
Note payable	709,726	-	(283,380)	426,346	297,819
Landfill closure and postclosure	4,625,044	666,968	(258,267)	5,033,745	180,919
Compensated absences	627,863	418,811	(362,100)	684,574	408,848
Business-type activities long-term debt	<u>\$ 52,901,653</u>	<u>\$ 1,085,779</u>	<u>\$ (1,140,679)</u>	<u>\$ 52,846,753</u>	<u>\$ 1,142,586</u>

Details of Long-term Debt:

The following is the detail of the primary government's long-term debt as of June 30, 2003.

Governmental activities:

General Obligation Bonds:

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

Bonds bearing interest at 5.40% maturing on July 15, 2003	\$ 295,000
Bonds bearing interest at 5.30% maturing on July 15, 2004	310,000
Bonds bearing interest at 5.40% maturing on July 15, 2005	330,000
Bonds bearing interest at 5.50% maturing on July 15, 2006	<u>350,000</u>
Subtotal	<u>\$ 1,285,000</u>

Note 11. Long-term Debt (continued)

General Obligation Bonds (continued):

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

Bonds bearing interest at 3.85% maturing on April 1, 2004	\$ 55,000
Bonds bearing interest at 3.85% maturing on April 1, 2005	55,000
Bonds bearing interest at 3.85% maturing on April 1, 2006	60,000
Bonds bearing interest at 3.85% maturing on April 1, 2007	60,000
Bonds bearing interest at 3.85% maturing on April 1, 2008	60,000
Bonds bearing interest at 3.85% maturing on April 1, 2009	65,000
Bonds bearing interest at 3.85% maturing on April 1, 2010	70,000
Bonds bearing interest at 3.85% maturing on April 1, 2011	70,000
Bonds bearing interest at 3.85% maturing on April 1, 2012	75,000
Bonds bearing interest at 3.85% maturing on April 1, 2013	80,000
Bonds bearing interest at 3.85% maturing on April 1, 2014	80,000
Bonds bearing interest at 3.85% maturing on April 1, 2015	85,000
Bonds bearing interest at 3.85% maturing on April 1, 2016	90,000
Bonds bearing interest at 3.85% maturing on April 1, 2017	95,000
Bonds bearing interest at 3.85% maturing on April 1, 2018	100,000
Bonds bearing interest at 3.85% maturing on April 1, 2019	105,000
Bonds bearing interest at 3.85% maturing on April 1, 2020	110,000
Bonds bearing interest at 3.85% maturing on April 1, 2021	115,000
Bonds bearing interest at 3.85% maturing on April 1, 2022	<u>120,000</u>
Subtotal	\$ <u>1,550,000</u>

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

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

Note 11. Long-term Debt (continued)

General Obligation Bonds (continued):

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

Bonds bearing interest at 3.17% maturing on July 15, 2003	\$ 83,700
Bonds bearing interest at 3.17% maturing on July 15, 2004	80,100
Bonds bearing interest at 3.17% maturing on July 15, 2005	82,600
Bonds bearing interest at 3.17% maturing on July 15, 2006	85,300
Bonds bearing interest at 3.17% maturing on July 15, 2007	458,000
Bonds bearing interest at 3.17% maturing on July 15, 2008	472,100
Bonds bearing interest at 3.17% maturing on July 15, 2009	485,300
Bonds bearing interest at 3.17% maturing on July 15, 2010	502,700
Bonds bearing interest at 3.17% maturing on July 15, 2011	518,400
Bonds bearing interest at 3.17% maturing on July 15, 2012	532,900
Bonds bearing interest at 3.17% maturing on July 15, 2013	551,200
Bonds bearing interest at 3.17% maturing on July 15, 2014	568,000
Bonds bearing interest at 3.17% maturing on July 15, 2015	588,600
Bonds bearing interest at 3.17% maturing on July 15, 2016	<u>607,400</u>
Subtotal	\$ <u>5,616,300</u>
Total General Obligation Bonds	\$ <u>14,531,300</u>

General Obligation School Bonds:

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

Bonds bearing interest at 5.60% maturing on December 15, 2003	\$ 570,000
Bonds bearing interest at 5.70% maturing on December 15, 2004	530,000
Bonds bearing interest at 5.85% maturing on December 15, 2005	500,000
Bonds bearing interest at 5.85% maturing on December 15, 2006	480,000
Bonds bearing interest at 5.85% maturing on December 15, 2007	460,000
Bonds bearing interest at 5.85% maturing on December 15, 2008	450,000
Bonds bearing interest at 5.85% maturing on December 15, 2009	410,000
Bonds bearing interest at 5.85% maturing on December 15, 2010	385,000
Bonds bearing interest at 5.85% maturing on December 15, 2011	380,000
Bonds bearing interest at 5.85% maturing on December 15, 2012	<u>305,000</u>
Subtotal	\$ <u>4,470,000</u>

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

Bonds bearing interest at 6.20% maturing on December 15, 2003	\$ 385,000
Bonds bearing interest at 6.30% maturing on December 15, 2004	375,000
Bonds bearing interest at 6.35% maturing on December 15, 2005	370,000
Bonds bearing interest at 6.35% maturing on December 15, 2006	360,000

Note 11. Long-term Debt (continued)

General Obligation School Bonds (continued):

Bonds bearing interest at 6.35% maturing on December 15, 2007	350,000
Bonds bearing interest at 6.35% maturing on December 15, 2008	345,000
Bonds bearing interest at 6.40% maturing on December 15, 2009	330,000
Bonds bearing interest at 6.40% maturing on December 15, 2010	310,000
Bonds bearing interest at 6.40% maturing on December 15, 2011	<u>275,000</u>
Subtotal	\$ <u>3,100,000</u>

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

Bonds bearing interest at 6.100% maturing on July 15, 2003	\$ 215,000
Bonds bearing interest at 6.100% maturing on July 15, 2004	215,000
Bonds bearing interest at 6.100% maturing on July 15, 2005	220,000
Bonds bearing interest at 6.100% maturing on July 15, 2006	215,000
Bonds bearing interest at 6.100% maturing on July 15, 2007	220,000
Bonds bearing interest at 6.225% maturing on July 15, 2008	220,000
Bonds bearing interest at 6.225% maturing on July 15, 2009	215,000
Bonds bearing interest at 6.225% maturing on July 15, 2010	220,000
Bonds bearing interest at 6.225% maturing on July 15, 2011	220,000
Bonds bearing interest at 6.225% maturing on July 15, 2012	215,000
Bonds bearing interest at 6.300% maturing on July 15, 2013	<u>220,000</u>
Subtotal	\$ <u>2,395,000</u>

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

Bonds bearing interest at 4.600% maturing on July 15, 2003	\$ 100,000
Bonds bearing interest at 4.600% maturing on July 15, 2004	100,000
Bonds bearing interest at 4.100% maturing on July 15, 2005	100,000
Bonds bearing interest at 4.100% maturing on July 15, 2006	100,000
Bonds bearing interest at 4.200% maturing on July 15, 2007	100,000
Bonds bearing interest at 4.225% maturing on July 15, 2008	100,000
Bonds bearing interest at 5.100% maturing on July 15, 2009	100,000
Bonds bearing interest at 4.475% maturing on July 15, 2010	100,000
Bonds bearing interest at 4.600% maturing on July 15, 2011	100,000
Bonds bearing interest at 4.600% maturing on July 15, 2012	100,000
Bonds bearing interest at 4.725% maturing on July 15, 2013	100,000
Bonds bearing interest at 4.725% maturing on July 15, 2014	100,000
Bonds bearing interest at 5.100% maturing on July 15, 2015	100,000
Bonds bearing interest at 5.100% maturing on July 15, 2016	100,000
Bonds bearing interest at 5.100% maturing on July 15, 2017	100,000
Bonds bearing interest at 5.225% maturing on July 15, 2018	100,000
Bonds bearing interest at 5.225% maturing on July 15, 2019	<u>100,000</u>
Subtotal	\$ <u>1,700,000</u>

Note 11. Long-term Debt (continued)

General Obligation School Bonds (continued):

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

Bonds bearing interest at 5.600% maturing on July 15, 2003	\$ 255,000
Bonds bearing interest at 5.600% maturing on July 15, 2004	255,000
Bonds bearing interest at 5.100% maturing on July 15, 2005	255,000
Bonds bearing interest at 5.100% maturing on July 15, 2006	255,000
Bonds bearing interest at 5.100% maturing on July 15, 2007	255,000
Bonds bearing interest at 5.100% maturing on July 15, 2008	255,000
Bonds bearing interest at 5.100% maturing on July 15, 2009	255,000
Bonds bearing interest at 5.600% maturing on July 15, 2010	255,000
Bonds bearing interest at 5.225% maturing on July 15, 2011	255,000
Bonds bearing interest at 5.600% maturing on July 15, 2012	255,000
Bonds bearing interest at 5.600% maturing on July 15, 2013	255,000
Bonds bearing interest at 5.600% maturing on July 15, 2014	255,000
Bonds bearing interest at 5.600% maturing on July 15, 2015	255,000
Bonds bearing interest at 5.600% maturing on July 15, 2016	255,000
Bonds bearing interest at 5.600% maturing on July 15, 2017	255,000
Bonds bearing interest at 5.600% maturing on July 15, 2018	255,000
Bonds bearing interest at 5.600% maturing on July 15, 2019	255,000
Bonds bearing interest at 5.600% maturing on July 15, 2020	<u>255,000</u>
Subtotal	\$ <u>4,590,000</u>

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

Bonds bearing interest at 4.100% maturing on July 15, 2004	\$ 1,050,000
Bonds bearing interest at 4.100% maturing on July 15, 2005	1,095,000
Bonds bearing interest at 4.100% maturing on July 15, 2006	1,140,000
Bonds bearing interest at 4.100% maturing on July 15, 2007	1,185,000
Bonds bearing interest at 4.100% maturing on July 15, 2008	1,235,000
Bonds bearing interest at 4.100% maturing on July 15, 2009	1,290,000
Bonds bearing interest at 4.100% maturing on July 15, 2010	1,345,000
Bonds bearing interest at 4.100% maturing on July 15, 2011	1,400,000
Bonds bearing interest at 5.100% maturing on July 15, 2012	1,465,000
Bonds bearing interest at 5.100% maturing on July 15, 2013	1,540,000
Bonds bearing interest at 4.600% maturing on July 15, 2014	1,620,000
Bonds bearing interest at 4.850% maturing on July 15, 2015	1,695,000
Bonds bearing interest at 4.850% maturing on July 15, 2016	1,780,000
Bonds bearing interest at 4.850% maturing on July 15, 2017	1,870,000
Bonds bearing interest at 4.850% maturing on July 15, 2018	1,960,000
Bonds bearing interest at 4.975% maturing on July 15, 2019	2,060,000

Note 11. Long-term Debt (continued)

General Obligation School Bonds (continued):

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>41,500,000</u>
Total General Obligation School Bonds	\$ <u><u>57,755,000</u></u>

Notes Payable:

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

Note bearing interest at 6.00% maturing on January 1, 2004 and July 1, 2004	\$ 14,614
Note bearing interest at 6.00% maturing on January 1, 2005	<u>7,307</u>
Subtotal	\$ <u>21,921</u>

\$499,900 SunTrust Bank Note, dated June 26, 1998, maturing monthly with interest payable monthly on the 29th of each month. Balloon payment on June 29, 2008:

Note bearing interest at 4.69% maturing July 29, 2003 to June 29, 2004	\$ 19,528
Note bearing interest at 4.69% maturing July 29, 2004 to June 29, 2005	20,464
Note bearing interest at 4.69% maturing July 29, 2005 to June 29, 2006	21,445
Note bearing interest at 4.69% maturing July 29, 2006 to June 29, 2007	22,473
Note bearing interest at 4.69% maturing July 29, 2007 to June 29, 2008	<u>330,954</u>
Subtotal	\$ <u>414,864</u>

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

Note bearing interest at 8.00% maturing on May 8, 2004	\$ 160,000
Note bearing interest at 8.00% maturing on May 8, 2005	160,000
Note bearing interest at 8.00% maturing on May 8, 2006	<u>160,000</u>
Subtotal	\$ <u>480,000</u>
Total Notes Payable	\$ <u><u>916,785</u></u>

Note 11. Long-term Debt (continued)

Capital Leases:

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

Lease bearing interest at 6.08% maturing August 24, 2003 and February 26, 2004	\$ 43,120
Lease bearing interest at 6.08% maturing August 24, 2004 and February 26, 2005	45,690
Lease bearing interest at 6.08% maturing August 24, 2005 and February 26, 2006	48,686
Lease bearing interest at 6.08% maturing August 24, 2006 and February 26, 2007	51,510
Lease bearing interest at 6.08% maturing August 24, 2007 and February 26, 2008	55,077
Lease bearing interest at 6.08% maturing August 24, 2008 and February 26, 2009	58,398
Lease bearing interest at 6.08% maturing August 24, 2009 and February 26, 2010	62,061
Lease bearing interest at 6.08% maturing August 24, 2010 and February 26, 2011	65,946
Lease bearing interest at 6.08% maturing August 24, 2011 and February 26, 2012	70,073
Lease bearing interest at 6.08% maturing August 24, 2012 and February 26, 2013	74,354
Lease bearing interest at 6.08% maturing August 24, 2013 and February 26, 2014	79,142
Lease bearing interest at 6.08% maturing August 24, 2014 and February 26, 2015	84,060
Lease bearing interest at 6.08% maturing August 24, 2015 and February 26, 2016	<u>89,329</u>
Subtotal	<u>\$ 827,446</u>

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

Lease bearing interest at 4.50% maturing on June 20, 2004	\$ 337,500
Lease bearing interest at 4.50% maturing on June 20, 2005	352,500
Lease bearing interest at 4.75% maturing on June 20, 2006	367,500
Lease bearing interest at 4.75% maturing on June 20, 2007	385,000
Lease bearing interest at 5.00% maturing on June 20, 2008	402,500
Lease bearing interest at 5.00% maturing on June 20, 2009	422,500
Lease bearing interest at 5.00% maturing on June 20, 2010	445,000
Lease bearing interest at 5.00% maturing on June 20, 2011	467,500
Lease bearing interest at 5.00% maturing on June 20, 2012	490,000
Lease bearing interest at 5.00% maturing on June 20, 2013	515,000
Lease bearing interest at 5.00% maturing on June 20, 2014	<u>540,000</u>
Subtotal	<u>\$ 4,725,000</u>

Note 11. Long-term Debt (continued)

Capital Leases (continued):

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

Lease bearing interest at 5.40% maturing on July 15, 2003 and January 15, 2004	\$ 45,261
Lease bearing interest at 5.40% maturing on July 15, 2004 and January 15, 2005	<u>47,855</u>
Subtotal	\$ <u>93,116</u>

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

Lease bearing interest at 2.08% maturing July 24, 2003 to June 24, 2004	\$ 89,594
Lease bearing interest at 2.08% maturing July 24, 2004 to June 24, 2005	91,476
Lease bearing interest at 2.08% maturing July 24, 2005 to June 24, 2006	<u>62,049</u>
Subtotal	\$ <u>243,119</u>

Total Capital Leases \$ 5,888,681

State Literary Fund Loans:

\$535,316 State Literary Fund Loan of 1984, issued January 15, 1984, maturing annually with interest payable annually:

Loan bearing interest at 3.00% maturing on January 15, 2004	\$ <u>26,800</u>
Subtotal	\$ <u>26,800</u>

\$555,824 State Literary Fund Loan of 1984, issued January 15, 1984, maturing annually with interest payable annually:

Loan bearing interest at 3.00% maturing on January 15, 2004	\$ <u>27,800</u>
Subtotal	\$ <u>27,800</u>

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

Loan bearing interest at 5.00% maturing on August 15, 2003	\$ 11,825
Loan bearing interest at 5.00% maturing on August 15, 2004	11,825
Loan bearing interest at 5.00% maturing on August 15, 2005	11,825
Loan bearing interest at 5.00% maturing on August 15, 2006	<u>11,825</u>
Subtotal	\$ <u>47,300</u>

Total State Literary Fund Loans \$ 101,900

Total Governmental Activities \$ 79,193,666

Note 11. Long-term Debt (continued)

Business-type activities:

General Obligation Bonds:

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

Bonds bearing interest at 4.875% maturing on October 1, 2003	\$ 255,000
Bonds bearing interest at 5.025% maturing on October 1, 2004	265,000
Bonds bearing interest at 5.125% maturing on October 1, 2005	280,000
Bonds bearing interest at 5.225% maturing on October 1, 2006	295,000
Bonds bearing interest at 5.825% maturing on October 1, 2007	310,000
Bonds bearing interest at 5.825% maturing on October 1, 2008	325,000
Bonds bearing interest at 5.825% maturing on October 1, 2009	340,000
Bonds bearing interest at 5.825% maturing on October 1, 2010	360,000
Bonds bearing interest at 5.825% maturing on October 1, 2011	385,000
Bonds bearing interest at 5.825% maturing on October 1, 2012	405,000
Bonds bearing interest at 5.825% maturing on October 1, 2013	425,000
Bonds bearing interest at 5.825% maturing on October 1, 2014	455,000
Bonds bearing interest at 5.825% maturing on October 1, 2015	<u>475,000</u>
Subtotal	\$ <u>4,575,000</u>

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

Bonds bearing interest at 3.000% maturing on July 15, 2005	\$ 840,000
Bonds bearing interest at 3.250% maturing on July 15, 2006	865,000
Bonds bearing interest at 3.750% maturing on July 15, 2007	895,000
Bonds bearing interest at 4.000% maturing on July 15, 2008	925,000
Bonds bearing interest at 4.000% maturing on July 15, 2009	965,000
Bonds bearing interest at 4.000% maturing on July 15, 2010	1,000,000
Bonds bearing interest at 4.250% maturing on July 15, 2011	1,045,000
Bonds bearing interest at 4.375% maturing on July 15, 2012	1,085,000
Bonds bearing interest at 4.375% maturing on July 15, 2013	1,135,000
Bonds bearing interest at 4.400% maturing on July 15, 2014	1,185,000
Bonds bearing interest at 4.500% maturing on July 15, 2015	1,235,000
Bonds bearing interest at 4.625% maturing on July 15, 2016	1,290,000
Bonds bearing interest at 4.750% maturing on July 15, 2017	1,350,000
Bonds bearing interest at 4.750% maturing on July 15, 2018	1,415,000
Bonds bearing interest at 5.000% maturing on July 15, 2019	1,485,000
Bonds bearing interest at 5.000% maturing on July 15, 2020	1,555,000
Bonds bearing interest at 5.000% maturing on July 15, 2021	1,635,000
Bonds bearing interest at 5.000% maturing on July 15, 2022	1,715,000
Bonds bearing interest at 5.000% maturing on July 15, 2023	1,800,000
Bonds bearing interest at 5.000% maturing on July 15, 2024	<u>1,890,000</u>
Subtotal	\$ <u>25,310,000</u>
Total General Obligation Bonds	\$ <u>29,885,000</u>

Note 11. Long-term Debt (continued)

General Obligation Revenue Bonds:

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

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

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

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

Note 11. Long-term Debt (continued)

General Obligation Revenue Bonds (continued):

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

Note Payable:

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

Note bearing interest at 4.98% maturing July 19, 2003 to June 19, 2004	\$ 297,819
Note bearing interest at 4.98% maturing July 19, 2004 to June 19, 2005	<u>128,527</u>
Total Notes Payable	\$ <u>426,346</u>

Landfill Closure and Postclosure:

Estimated cost of landfill closure and postclosure:	
City Landfill	\$ 3,894,934
County Landfill - Assumed by the City	<u>1,138,811</u>
Total Landfill Closure and Postclosure	\$ <u>5,033,745</u>
Total Business-type Activities	\$ <u>52,375,091</u>

Total Primary Government Long-Term Debt (Excluding the contractual obligation, compensated absences and unamortized premiums/discounts) \$ 131,568,757

Note 11. Long-term Debt (continued)

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

In March 1995, the City and James Madison University (JMU) entered into an agreement concerning an expanded resource recovery facility. Pursuant to this agreement, the City issued \$6,000,000 of Solid Waste Disposal Bonds in 1995 to finance the expansion. This facility produces steam and chilled water to meet all the heating and cooling needs of JMU's College of Integrated Science and Technology, as well as, other buildings. To the extent that the City continues to operate this facility, JMU has agreed to annually reimburse the City for the annual debt service payments on the above mentioned bond issue. The current year reimbursement for principal and interest on this bond totaled \$508,609. The outstanding balance of the City's bond issue at June 30, 2003 was \$4,575,000.

In December 2001, the City entered into a contractual agreement with AIG Baker Development, L.L.C. (AIG Baker) in which the City agreed to reimburse AIG Baker for costs that it incurred for certain street improvements while developing a retail shopping center. Under the terms of the agreement, the City agreed to reimburse AIG Baker the lower of \$600,000 per year or the tax revenues generated per year by the shopping center, but the total would not exceed actual costs incurred. The reimbursements are to occur within three years from the time AIG Baker completes the shopping center. The shopping center was completed as of June 30, 2003. Accordingly, the City will reimburse AIG Baker a total of \$1,486,773 over the next three fiscal years. These reimbursements will be comprised of \$600,000 in June 2003, \$600,000 in June 2004 and \$286,773 in June 2005.

Component Unit – School Board

At June 30, 2003, the School Board had \$555,920 in long-term liabilities outstanding. This long-term liability is comprised of \$555,920 in compensated absences, of which \$255,001 is due within one year.

Component Unit – HEC

At June 30, 2003, HEC had \$1,003,500 in long-term liabilities outstanding. This long-term liability is comprised of \$257,153 in compensated absences, of which the entire amount is due within one year and \$746,347 in postretirement health care benefits, of which \$16,950 is due within one year.

The Harrisonburg Electric Commission has a \$1,000,000 unsecured line of credit with SunTrust Bank at a rate equal to LIBOR plus 100 basis points. There were no borrowings against this line of credit at June 30, 2003.

Note 12. Restricted Net Assets

The amounts that are reported on the government-wide statement of net assets identified as restricted net assets are comprised of the following:

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Debt service	\$ 284,297	\$ 452,716	\$ 737,013
E-911	445,903	-	445,903
Drug forfeiture	49,246	-	49,246
Police department grants	80,886	-	80,886
Fire department grants	15,021	-	15,021
Community development department grants	30,000	-	30,000
Total	<u>\$ 905,353</u>	<u>\$ 452,716</u>	<u>\$ 1,358,069</u>

Note 13. Fund Balance

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

	General Fund	General Capital Projects Fund	School Bond Capital Projects Fund
Reserved for:			
Encumbrances	\$ 2,322,307	\$ 731,467	\$ -
Loans receivable	1,324,693	-	-
Advance to other funds	-	394,982	-
Capital projects	-	1,968,805	31,194,013
Debt service	284,297	-	-
E-911	445,903	-	-
Drug forfeiture	49,246	-	-
Fire department grants	80,886	-	-
Police department grants	15,021	-	-
Community development department grant	30,000	-	-
Total reserved fund balance	<u>\$ 4,552,353</u>	<u>\$ 3,095,254</u>	<u>\$ 31,194,013</u>
Designated for:			
Subsequent years' expenditures	\$ 698,105	\$ 5,739,731	\$ -
Purchase of municipal building and land	15,731	-	-
Port Republic Road project	52,922	-	-
Ramblewood athletic complex	31,700	-	-
Total designated fund balance	<u>\$ 798,458</u>	<u>\$ 5,739,731</u>	<u>\$ -</u>

Note 14. Restatement of Beginning Fund Balance and Net Assets

The City has increased the beginning fund balance or net assets balance of the General Fund, all Enterprise Funds and the Internal Service Funds. This adjustment is the result of an accounting correction. In prior fiscal years, the City has been recording its share of employee health insurance premium expenditures/expenses that pertained to the month of July of the following year as expenditures/expenses for the month of June. This accounting error generally had been overstating expenditures/expenses and fund liabilities for prior fiscal years.

The Water Fund beginning net asset balance has been increased by \$1,059,642, and the Sewer Fund beginning net asset balance has been increased by \$2,535,886. These adjustments represent the net book value of water and sewer line construction completed in January 2000 by the Virginia Department of Transportation as part of a major road improvement project inside the City.

The Water Fund beginning net asset balance has been increased by \$1,723,745. This adjustment is the net book value of the City's reservoir, which in previous years had been reported as a capital asset in the General Fixed Assets Account Group (GFAAG).

Note 14. Restatement of Beginning Fund Balance and Net Assets (continued)

The following table shows the effect of these changes to the beginning fund balance or net assets previously reported for the General Fund, Enterprise Funds and Internal Service Funds:

	Enterprise Funds							Internal Service Funds
	General Fund	Water Fund	Sewer Fund	Public Transportation Fund	Sanitation Fund	Parking Authority Fund	Golf Course Fund	
Beginning fund balance/net assets, as previously reported	\$ 15,554,410	\$ 25,906,872	\$ 24,024,541	\$ 5,746,151	\$ 10,691,878	\$ 951,893	\$ 1,535,694	\$ 1,707,481
Accounting correction	91,314	7,173	5,890	13,507	12,722	549	3,262	3,000
Water and sewer lines constructed	-	1,059,642	2,535,886	-	-	-	-	-
From the GFAAG	-	1,723,745	-	-	-	-	-	-
Beginning fund balance/net assets, as restated	<u>\$ 15,645,724</u>	<u>\$ 28,697,432</u>	<u>\$ 26,566,317</u>	<u>\$ 5,759,658</u>	<u>\$ 10,704,600</u>	<u>\$ 952,442</u>	<u>\$ 1,538,956</u>	<u>\$ 1,710,481</u>

Also, the City increased the beginning cash and cash equivalents balances on the statement of cash flows for the Enterprise Fund and Internal Service Funds by the amounts shown in the above table for the accounting correction.

Note 15. Judicial Complex Lease Agreement

On May 1, 1998, the City of Harrisonburg (the City) and the County of Rockingham (the County) entered into a restated and amended lease agreement with the Harrisonburg Redevelopment and Housing Authority (the Authority). Pursuant to the terms of this lease, the Authority sold a bond issue for \$12,305,000 entitled "Public Facility Lease Revenue Refunding Bonds (Rockingham County and City of Harrisonburg Project) Series of 1998." The proceeds of this bond issue were used to purchase U. S. government securities, which were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1991 Series Lease Revenue Bonds.

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

Note 16. Social Services and Health Department Lease Agreement

On August 24, 1995, the City of Harrisonburg (the City) and the County of Rockingham (the County) entered into a lease agreement with the Harrisonburg Redevelopment and Housing Authority (the Authority). Pursuant to the terms of this lease, the Authority sold a bond issue for \$2,665,000 entitled "Public Facility Lease Revenue Bond (Rockingham County and City of Harrisonburg Project)." The proceeds of this bond issue were used to renovate and equip a building to house the City's and County's combined Social Services and Health Departments. This building is on land owned by the Authority and located within the City limits.

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

Note 17. Defined Benefit Pension Plan

Plan Description

The City of Harrisonburg contributes to the Virginia Retirement System (VRS), an agent and cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System (System). All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 50 with 30 years of credited service (age 50 and 25 years of credited service for participating local law enforcement officers and firefighters) or at age 65 with at least five years of credited service (age 60 and five years of credited service for participating local law enforcement officers and firefighters). Employees who retire with an unreduced benefit are entitled to an annual retirement benefit payable monthly for life in an amount equal to 1.7 percent of their average final compensation (AFC). AFC is defined as the highest consecutive 36 months of salary. An optional reduced retirement benefit is available to members of VRS as early as age 50 with at least 10 years of credited service or age 55 with five years of credited service (age 50 for participating local law enforcement officers and firefighters). Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living increases limited to five percent per year beginning in their second year of retirement. Participating local law enforcement officers and firefighters may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the *Code of Virginia* (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia. The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be obtained by writing the System at P.O. Box 2500, Richmond, VA 23218-2500.

Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their annual salary to the VRS. The employer may assume this 5% member contribution. In addition, the City of Harrisonburg, the City of Harrisonburg School Board (School Board) and the Harrisonburg Electric Commission (HEC), are required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by *Code of Virginia* (1950) and approved by the VRS Board of Trustees. The City of Harrisonburg and HEC's contribution rate for the fiscal year ended 2003 was 6% of annual covered payroll. The School Board non-professional employees' contribution rate for the fiscal year ended 2003 was 0.5% of annual covered payroll. Total required contributions made to the VRS statewide teacher pool for professional employees by the School Board for the years ending June 30, 2003, 2002, and 2001 were \$747,432, \$654,595, and \$1,244,205, respectively, and were equal to the required contributions for each year.

Annual Pension Cost

For 2003, the City of Harrisonburg and HEC's annual pension cost of \$1,035,499 was equal to the required and actual contributions. The School Board non-professional employees' annual pension cost of \$5,284 was equal to the required and actual contributions. The required contribution was determined as part of the June 30, 2001 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 8% investment rate of return, (b) projected salary increases ranging from 4.25% to 6.10% per year, (c) 3% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3%. The actuarial value of the City's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period.

Note 17. Defined Benefit Pension Plan (continued)

Trend Information

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
City of Harrisonburg and HEC Employees:			
2003	\$ 1,035,499	100%	\$ -
2002	1,204,017	100%	-
2001	1,192,363	100%	-
School Board Non-Professional Employees:			
2003	\$ 5,284	100%	\$ -
2002	-	100%	-
2001	-	100%	-

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Plan Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
City of Harrisonburg and HEC Employees:						
June 30, 2002	\$ 51,069,882	\$ 53,283,723	\$ 2,213,841	95.85%	\$ 16,225,758	13.64%
June 30, 2001	49,086,180	48,262,209	(823,971)	101.71%	15,393,122	(5.35%)
June 30, 2000	44,257,453	42,686,409	(1,571,044)	103.68%	14,139,108	(11.11%)
School Board Non-Professional Employees:						
June 30, 2002	\$ 3,459,677	\$ 2,608,123	\$ (851,554)	132.65%	\$ 1,029,955	(82.68%)
June 30, 2001	3,370,176	2,393,897	(976,279)	140.78%	986,255	(98.31%)
June 30, 2000	3,080,941	2,173,963	(906,978)	141.72%	922,549	(48.79%)

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

Note 18. Postretirement Health Care Benefits

Primary Government

The City has elected to continue health care benefits for retirees who are at least 50 years of age and have at least 15 years of consecutive retirement eligible service with the City. The employee must also meet VRS retirement requirements and must not be eligible for Medicare. This plan applies to retired employees beginning January 1, 2000. The City will contribute towards the cost of health insurance for a qualifying retired employee at the same rate as for an active employee. Employees who retired between July 1, 1991 and December 31, 1999 and elected the health insurance continuance coverage will continue to have the City contribute towards their health care cost.

Note 18. Postretirement Health Care Benefits (continued)

The City will continue to contribute towards these former employee's health care cost at the rate of \$7 per month for each year of service to the City up to a maximum of \$250 or 60 percent, whichever is less, for the group plan selected by the eligible retiree during the immediate past five years of employment. The City contributes on a "pay-as-you-go" basis. There were 18 retired employees participating during the year, and the City made a total contribution of \$47,187 for retirees.

Component Unit – School Board

The School Board has elected to continue health care benefits for retirees who are at least 50 years of age and have at least 10 years of cumulative service (a minimum of five years with the School Board immediately preceding retirement). The employee must also meet VRS retirement requirements and must not be eligible for Medicare. This plan applies to retired employees beginning December 7, 1999. The School Board will contribute toward the cost of health insurance at the same rate as for active employees. The benefit is payable for a variable time period which is based upon the years of service to the School Board. The contribution for the retired employee will be for the group plan selected by the eligible retiree during the last five years prior to retirement. Employees who retired prior to December 7, 1999 will be covered by the prior policy of 65 percent of the cost of the plan selected. The School Board contributes on a "pay-as-you-go" basis. There were 44 retired employees participating during the year, and the School Board made a total contribution of \$116,120 for retirees.

Component Unit – HEC

The Harrisonburg Electric Commission (HEC) has elected to continue health care benefits for retirees who are at least 50 years of age and have at least 15 years of consecutive retirement eligible service with HEC. The employee must also meet VRS retirement requirements and must not be eligible for Medicare. This plan applies to retired employees beginning January 1, 2000. HEC will contribute towards the cost of health insurance for a qualifying retired employee at the same rate as for an active employee. Employees who retired between July 1, 1991 and December 31, 1999 and elected the health insurance continuance coverage will continue to have HEC contribute towards their health care cost. HEC will contribute at the rate of \$7 per month for each year of service to HEC up to a maximum of \$250 or 60 percent, whichever is less, for the group plan selected by the eligible retiree during the immediate past five years of employment. Effective July 1, 1995, the Harrisonburg Electric Commission adopted Statement No. 106 "Employers' Accounting for Postretirement Benefits Other than Pensions." The statement requires the cost of employee postretirement benefits to be accrued over the employee's service period. Four retired employees met eligibility requirements and the estimated employee postretirement benefit payable as of June 30, 2003 was \$746,347.

Note 19. 1996 Public Improvement Bond Partially Refunded and Defeased

In May 2003, the City of Harrisonburg issued \$5,616,300 in General Obligation Bonds with an average interest rate of 3.17 percent to advance refund \$4,805,000 of outstanding 1996 Series Public Improvement Bonds with an average interest rate of 5.84 percent. The net proceeds of \$5,586,461 (after payment of \$29,839 in issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on obligations due on July 15, 2007 through July 15, 2016. As a result, the 1996 Series Bonds due after July 15, 2006 are considered defeased and have been removed from the City's outstanding debt.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$729,076. The difference, reported in the accompanying financial statements as a deduction from long-term debt, is being amortized through fiscal year 2017. The City advanced refunded a portion of the 1996 Series Bonds to reduce its total debt service payments over the next 14 years by \$354,921 and to obtain an economic gain (difference between the present value of the old and new debt service payments) of \$297,510.

Note 20. 1979 Elderly Housing Facility Bonds Retired

In February 2003, the City retired the remaining outstanding balance of \$665,000 on its 1979 Elderly Housing Facility Bonds. In conjunction with the retirement of these bonds, the Harrisonburg Redevelopment and Housing Authority (Authority) issued \$1,000,000 in Harrisonburg Redevelopment and Housing Authority Public Facility Bonds (Lineweaver Project) Series 2003. The Authority used a portion of the proceeds from its bond issue to reimburse the City for the retirement of the 1979 Elderly Housing Facility Bonds. Accordingly, the 1979 Elderly Housing Facility Bonds have been removed from the City's outstanding debt.

Note 21. Conduit Debt

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

As of June 30, 2003, there was one series of Industrial Revenue Bonds and 18 series of Redevelopment and Housing Authority Bonds outstanding, with an aggregate principal amount of \$1.0 million and \$224.1 million respectively.

Note 22. Transactions with Component Units

For the year ended June 30, 2003, the City's General Fund made cash payments to the School Board, a component unit, totaling \$19,167,629. These payments are made monthly for the purpose of funding the School Board's operating budget.

For the year ended June 30, 2003, the Harrisonburg Electric Commission, a component unit, made cash payments to the City's General Fund totaling \$3,600,000. These payments are made monthly for the purpose of funding the General Fund budget.

Note 23. 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.

Note 24. Joint Venture

The City, Rockingham County, and the towns of Bridgewater, Dayton and Mt. Crawford have entered into a contract with the Harrisonburg-Rockingham Regional Sewer Authority (Authority), whereby the Authority agrees to operate a sewage disposal system for the participating municipalities. The municipalities have an ongoing financial responsibility based on an agreement to make annual contributions to the Authority for operations and maintenance based on their respective usage of the system. The municipalities also agree to make annual contributions to the Authority for debt service, except for Mt. Crawford, which made an upfront payment for its share. The Authority has \$18,612,538 of total debt outstanding that includes refunding and project debt. The payments on the refunding

Note 24. Joint Venture (continued)

portion of the debt are computed in the same ratio as volume of waste treated, and the payments on the project debt are at a fixed percentage. The City's variable rate is approximately 68.16 percent and the fixed rate is 73.884 percent. The City does not have an ongoing financial interest in the Authority since it does not have access to the Authority's resources or surpluses, nor is it liable for the Authority's debts or deficits. To obtain a copy of the audited financial statements, contact the Harrisonburg-Rockingham Regional Sewer Authority, P.O. Box 8, 856 North River Road, Mt. Crawford, Virginia 22841.

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

Fiscal Year	Principal	Interest	Total
2004	\$ 547,864	\$ 646,123	\$ 1,193,987
2005	572,406	619,768	1,192,174
2006	583,884	589,352	1,173,236
2007	603,069	571,799	1,174,868
2008	629,310	554,563	1,183,873
2009-2013	3,014,635	2,381,173	5,395,808
2014-2018	3,822,192	1,563,003	5,385,195
2019-2022	3,803,922	493,424	4,297,346
Total	<u>\$ 13,577,282</u>	<u>\$ 7,419,205</u>	<u>\$ 20,996,487</u>

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

	June 30, 2003	June 30, 2002	Increase (Decrease)
Current assets	\$ 993,877	\$ 720,863	\$ 273,014
Restricted assets	4,784,666	3,612,238	1,172,428
Capital assets	23,974,895	25,418,819	(1,443,924)
Other assets	502,611	488,501	14,110
Total assets	<u>\$ 30,256,049</u>	<u>\$ 30,240,421</u>	<u>\$ 15,628</u>
Current liabilities	\$ 324,335	\$ 255,354	\$ 68,981
Liabilities payable from restricted assets	893,091	708,897	184,194
Long-term liabilities	16,437,194	16,300,049	137,145
Total liabilities	<u>\$ 17,654,620</u>	<u>\$ 17,264,300</u>	<u>\$ 390,320</u>
Net assets	<u>\$ 12,601,429</u>	<u>\$ 12,976,121</u>	<u>\$ (374,692)</u>

Note 25. Jointly Governed Organizations

The Harrisonburg-Rockingham Social Services District (District) was created by the City of Harrisonburg and Rockingham County (County) to provide social services for the residents of the City and County. Both the City and County appoint one member each to the governing board. The District is a separate legal entity and is a discretely presented component unit of the County. The City contributed \$1,465,467 to the District for the year ended June 30, 2003.

Note 26. 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 has no ongoing financial interest or responsibility to the Authority.

Note 27. Commitments and Contingencies

Primary Government

The City has a contract outstanding for a study regarding connecting Erickson Avenue and Stone Spring Road. This contract totals \$1,663,480 and \$1,287,357 had been expended on the contract as of June 30, 2003. This contract is a commitment of the General Capital Projects Fund and is being financed through transfers from the General Fund.

The City has a contract outstanding for the construction of a new high school. This contract totals \$36,654,311 and \$7,662,216 had been expended on the contract as of June 30, 2003. This contract is a commitment of the School Bond Capital Projects Fund and is being financed through the proceeds of a bond issue.

The City has construction and engineering contracts outstanding for the expansion of the water treatment plant. These contracts total \$4,457,064 and \$1,971,678 had been expended on the contracts as of June 30, 2003. These contracts are commitments of the Water Fund and are being financed through the proceeds of a bond issue.

The City has contracts outstanding for the upgrade and rebuild of the resource recovery facility (steam plant). These contracts total \$20,361,000 and \$14,271,996 had been expended on the contracts as of June 30, 2003. The contracts are commitments of the Sanitation Fund and are being financed through the proceeds of a bond issue.

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

Note 28. Subsequent Event

On September 23, 2003, the City Council approved the signing of a contract for the construction and renovations of the Lucy F. Simms Continuing Education Center, in partnership with the Harrisonburg Redevelopment and Housing Authority. It is anticipated that the total cost of this project will be approximately \$5.5 million and take approximately two years to complete. The City has agreed to fund the entire cost of the project during construction and renovations. After substantial completion, it is anticipated that the City will be reimbursed approximately \$2.8 million from several nonprofit organizations that will be utilizing this building.

Note 29. Landfill Closure and Postclosure Care Costs

State and federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. \$3,894,934 of the amount reported as landfill closure and postclosure care liability at June 30, 2003 represents the cumulative amount reported to date based on the use of 100% of the estimated capacity of the landfill. The City closed its landfill in 1994. This amount is based on what it would cost to perform all closure and postclosure care in 2003. Actual costs may be different due to inflation, changes in technology, or changes in regulations.

Note 29. Landfill Closure and Postclosure Care Costs (continued)

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

Note 30. 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. \$348,706 of the amount reported as landfill closure and postclosure care liability at June 30, 2003 represents the cumulative amount reported to date based on the use of 100% of the estimated capacity of the County's old landfill cell. This amount is based upon the estimated closure and postclosure care costs incurred since July 1, 1994, which is calculated by using the population ratio of the City and County, plus \$19,382 in liability incurred by the City prior to July 1, 1994. The County closed this cell in 2000.

The City also recognizes \$790,105 associated with a new landfill cell opened in 2001 which is based on the use of 59.5% of the estimated capacity of the new landfill cell. The City will recognize its remaining estimated cost of closure and postclosure care of \$537,759 as the remaining capacity of this new cell is used. The County expects to close the new cell in 2005. The City plans to fund these landfill closure and postclosure care costs with available funds from the Sanitation Fund.

Note 31. Steam Agreement with James Madison University

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

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

Note 32. Risk Management

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

Note 32. Risk Management (continued)

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

The City records an estimated liability for indemnity health care claims. Claims liabilities are based on estimates of the ultimate cost of reported claims, related claim adjustment expenses and an estimate for claims incurred but not reported (IBNR) based on historical experience. The following represents the change in approximate aggregate liabilities for the fund from July 1, 2001 to June 30, 2003:

<u>Fiscal Year</u>	<u>Beginning Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Ending Liability</u>
2002	\$ 994,072	\$ 5,223,077	\$ 5,429,449	\$ 787,700
2003	787,700	5,788,442	5,731,395	844,747

Note 33. New Governmental Accounting Standards Board (GASB) Standards

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

**OTHER
SUPPLEMENTARY INFORMATION**

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Internal Service Funds

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

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

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

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

CITY OF HARRISONBURG, VIRGINIA
INTERNAL SERVICE FUNDS
COMBINING BALANCE SHEET
At June 30, 2003

	<u>Central Garage Fund</u>	<u>Central Stores Fund</u>	<u>Health Insurance Fund</u>	<u>Total</u>
Assets				
Current assets:				
Cash and cash equivalents	\$ 86,624	\$ 65,165	\$ 1,435,411	\$ 1,587,200
Receivables:				
Accounts	1,403	-	-	1,403
Interest	12	-	165	177
Due from component unit	7,395	-	-	7,395
Inventory	387,590	929,906	-	1,317,496
Prepaid expenses	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total current assets	\$ <u>483,024</u>	\$ <u>995,071</u>	\$ <u>1,435,576</u>	\$ <u>2,913,671</u>
Noncurrent assets:				
Capital assets:				
Machinery and equipment	\$ <u>153,279</u>	\$ <u>12,943</u>	\$ <u>-</u>	\$ <u>166,222</u>
Gross capital assets	\$ 153,279	\$ 12,943	\$ -	\$ 166,222
Less accumulated depreciation	<u>66,522</u>	<u>4,314</u>	<u>-</u>	<u>70,836</u>
Net capital assets	\$ <u>86,757</u>	\$ <u>8,629</u>	\$ <u>-</u>	\$ <u>95,386</u>
Total assets	<u>\$ 569,781</u>	<u>\$ 1,003,700</u>	<u>\$ 1,435,576</u>	<u>\$ 3,009,057</u>

CITY OF HARRISONBURG, VIRGINIA
INTERNAL SERVICE FUNDS
COMBINING BALANCE SHEET
At June 30, 2003

	<u>Central Garage Fund</u>	<u>Central Stores Fund</u>	<u>Health Insurance Fund</u>	<u>Total</u>
Liabilities and Net Assets				
Current liabilities:				
Accounts payable	\$ 69,094	\$ 399	\$ 844,747	\$ 914,240
Accrued liabilities	12,218	744	-	12,962
Due to component unit	-	55	-	55
Compensated absences	<u>35,814</u>	<u>1,538</u>	<u>-</u>	<u>37,352</u>
 Total current liabilities	 <u>\$ 117,126</u>	 <u>\$ 2,736</u>	 <u>\$ 844,747</u>	 <u>\$ 964,609</u>
Noncurrent liabilities:				
Long-term liabilities:				
Compensated absences	<u>\$ 27,119</u>	<u>\$ 1,876</u>	<u>\$ -</u>	<u>\$ 28,995</u>
 Total liabilities	 <u>\$ 144,245</u>	 <u>\$ 4,612</u>	 <u>\$ 844,747</u>	 <u>\$ 993,604</u>
Net assets:				
Invested in capital assets	\$ 86,757	\$ 8,629	\$ -	\$ 95,386
Unrestricted	<u>338,779</u>	<u>990,459</u>	<u>590,829</u>	<u>1,920,067</u>
 Total net assets	 <u>\$ 425,536</u>	 <u>\$ 999,088</u>	 <u>\$ 590,829</u>	 <u>\$ 2,015,453</u>
 Total liabilities and net assets	 <u>\$ 569,781</u>	 <u>\$ 1,003,700</u>	 <u>\$ 1,435,576</u>	 <u>\$ 3,009,057</u>

INTERNAL SERVICE FUNDS

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

For the Year Ended June 30, 2003

	Central Garage Fund	Central Stores Fund	Health Insurance Fund	Total
Operating revenues:				
Charges for services	\$ 1,613,404	\$ 496,431	\$ 6,791,960	\$ 8,901,795
Total operating revenues	<u>\$ 1,613,404</u>	<u>\$ 496,431</u>	<u>\$ 6,791,960</u>	<u>\$ 8,901,795</u>
Operating expenses:				
Personal services	\$ 404,400	\$ 28,317	\$ -	\$ 432,717
Fringe benefits	106,599	6,188	-	112,787
Purchased services	17,321	2,362	254,711	274,394
Internal services	1,507	546	-	2,053
Other charges	11,271	10,273	465,902	487,446
Materials and supplies	42,388	2,083	-	44,471
Depreciation	11,092	2,588	-	13,680
Cost of inventory issued	1,103,346	494,721	-	1,598,067
Claims related charges	-	-	5,788,442	5,788,442
Total operating expenses	<u>\$ 1,697,924</u>	<u>\$ 547,078</u>	<u>\$ 6,509,055</u>	<u>\$ 8,754,057</u>
Operating income (loss)	<u>\$ (84,520)</u>	<u>\$ (50,647)</u>	<u>\$ 282,905</u>	<u>\$ 147,738</u>
Nonoperating revenues:				
Investment revenue	\$ 1,215	\$ -	\$ 16,490	\$ 17,705
Total nonoperating revenues	<u>\$ 1,215</u>	<u>\$ -</u>	<u>\$ 16,490</u>	<u>\$ 17,705</u>
Income (loss) before transfers	<u>\$ (83,305)</u>	<u>\$ (50,647)</u>	<u>\$ 299,395</u>	<u>\$ 165,443</u>
Transfers in	<u>82,872</u>	<u>56,657</u>	<u>-</u>	<u>139,529</u>
Change in net assets	<u>\$ (433)</u>	<u>\$ 6,010</u>	<u>\$ 299,395</u>	<u>\$ 304,972</u>
Net assets at beginning of year, as restated	<u>425,969</u>	<u>993,078</u>	<u>291,434</u>	<u>1,710,481</u>
Net assets at end of year	<u><u>\$ 425,536</u></u>	<u><u>\$ 999,088</u></u>	<u><u>\$ 590,829</u></u>	<u><u>\$ 2,015,453</u></u>

CITY OF HARRISONBURG, VIRGINIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2003

	Central Garage Fund	Central Stores Fund	Health Insurance Fund	Total
Cash flows from operating activities:				
Receipts from customers	\$ 1,612,743	\$ 496,431	\$ -	\$ 2,109,174
Receipts from premiums	-	-	6,791,960	6,791,960
Payments to employees	(396,878)	(29,128)	-	(426,006)
Payments for fringe benefits	(106,036)	(6,247)	-	(112,283)
Payments to vendors	(1,176,821)	(626,515)	(720,613)	(2,523,949)
Payments for internal services	(1,507)	(546)	-	(2,053)
Payments for claims related charges	-	-	(5,731,395)	(5,731,395)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net cash provided by (used for) operating activities	\$ (68,499)	\$ (166,005)	\$ 339,952	\$ 105,448
Cash flows from noncapital financing activities:				
Transfers in	\$ 82,872	\$ 56,657	\$ -	\$ 139,529
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net cash provided by noncapital financing activities	\$ 82,872	\$ 56,657	\$ -	\$ 139,529
Cash flows from investing activities:				
Interest received	\$ 1,220	\$ -	\$ 16,652	\$ 17,872
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net cash provided by investing activities	\$ 1,220	\$ -	\$ 16,652	\$ 17,872
Net increase (decrease) in cash and cash equivalents				
	\$ 15,593	\$ (109,348)	\$ 356,604	\$ 262,849
Cash and cash equivalents:				
Beginning, as restated	<u>71,031</u>	<u>174,513</u>	<u>1,078,807</u>	<u>1,324,351</u>
Ending	<u>\$ 86,624</u>	<u>\$ 65,165</u>	<u>\$ 1,435,411</u>	<u>\$ 1,587,200</u>

(continued)

CITY OF HARRISONBURG, VIRGINIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2003

	<u>Central Garage Fund</u>	<u>Central Stores Fund</u>	<u>Health Insurance Fund</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash used for operating activities:				
Operating income (loss)	\$ (84,520)	\$ (50,647)	\$ 282,905	\$ 147,738
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	11,092	2,588	-	13,680
Change in assets and liabilities:				
(Increase) decrease in:				
Accounts receivable	2,158	-	-	2,158
Due from component unit	(2,819)	-	-	(2,819)
Inventory	(24,265)	(102,680)	-	(126,945)
Increase (decrease) in:				
Accounts payable	21,770	(14,452)	57,047	64,365
Accrued liabilities	4,429	(305)	-	4,124
Due to component unit	-	55	-	55
Compensated absences	3,656	(564)	-	3,092
Net cash provided by (used for) operating activities	<u>\$ (68,499)</u>	<u>\$ (166,005)</u>	<u>\$ 339,952</u>	<u>\$ 105,448</u>

Agency Funds

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

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

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

CITY OF HARRISONBURG, VIRGINIA
FIDUCIARY FUNDS
COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
At June 30, 2003

Exhibit B-1

	Agency Funds		
	Juvenile Crime Control Fund	Industrial Development Authority Fund	Total
Assets			
Cash and cash equivalents	\$ 15,916	\$ 8,913	\$ 24,829
Interest receivable	-	1	1
Total assets	\$ 15,916	\$ 8,914	\$ 24,830
Liabilities			
Accounts payable	\$ 5,227	\$ -	\$ 5,227
Accrued liabilities	809	-	809
Amounts held for others	9,880	8,914	18,794
Total liabilities	\$ 15,916	\$ 8,914	\$ 24,830

CITY OF HARRISONBURG, VIRGINIA
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
For the Year Ended June 30, 2003

Exhibit B-2

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
<u>Juvenile Crime Control Fund</u>				
Assets:				
Cash and cash equivalents	\$ 40,384	\$ 121,348	\$ 145,816	\$ 15,916
Total assets	\$ 40,384	\$ 121,348	\$ 145,816	\$ 15,916
Liabilities:				
Accounts payable	\$ 1,007	\$ 5,227	\$ 1,007	\$ 5,227
Accrued liabilities	1,057	809	1,057	809
Amounts held for others	38,320	121,348	149,788	9,880
Total liabilities	\$ 40,384	\$ 127,384	\$ 151,852	\$ 15,916
<u>Industrial Development Authority Fund</u>				
Assets:				
Cash and cash equivalents	\$ 8,781	\$ 132	\$ -	\$ 8,913
Interest receivable	2	1	2	1
Total assets	\$ 8,783	\$ 133	\$ 2	\$ 8,914
Liabilities:				
Amounts held for others	\$ 8,783	\$ 131	\$ -	\$ 8,914
Total liabilities	\$ 8,783	\$ 131	\$ -	\$ 8,914
<u>Total - All Agency Funds</u>				
Assets:				
Cash and cash equivalents	\$ 49,165	\$ 121,480	\$ 145,816	\$ 24,829
Interest receivable	2	1	2	1
Total assets	\$ 49,167	\$ 121,481	\$ 145,818	\$ 24,830
Liabilities:				
Accounts payable	\$ 1,007	\$ 5,227	\$ 1,007	\$ 5,227
Accrued liabilities	1,057	809	1,057	809
Amounts held for others	47,103	121,479	149,788	18,794
Total liabilities	\$ 49,167	\$ 127,515	\$ 151,852	\$ 24,830

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Discretely Presented Component Unit – School Board

Special Revenue Funds

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

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

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

Capital Projects Funds

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

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

CITY OF HARRISONBURG, VIRGINIA
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
GOVERNMENTAL FUNDS
BALANCE SHEET
At June 30, 2003

Exhibit C-1

	<u>School Fund</u>	<u>School Cafeteria Fund</u>	<u>School Capital Projects Fund</u>	<u>Totals</u>
Assets				
Cash and cash equivalents	\$ 5,525,654	\$ 598,113	\$ 134,907	\$ 6,258,674
Receivables	831,372	-	-	831,372
Due from other funds	-	15,808	-	15,808
Inventory	-	26,498	-	26,498
Prepaid expenditures	196,274	-	-	196,274
Total assets	<u>\$ 6,553,300</u>	<u>\$ 640,419</u>	<u>\$ 134,907</u>	<u>\$ 7,328,626</u>
Liabilities				
Accounts payable	\$ 71,028	\$ -	\$ 825	\$ 71,853
Accrued liabilities	3,158,816	-	-	3,158,816
Due to other funds	15,808	-	-	15,808
Due to primary government	2,219	-	-	2,219
Due to component unit	46,074	-	-	46,074
Total liabilities	<u>\$ 3,293,945</u>	<u>\$ -</u>	<u>\$ 825</u>	<u>\$ 3,294,770</u>
Fund Balances				
Fund balances:				
Reserved	\$ 196,274	\$ -	\$ -	\$ 196,274
Unreserved:				
Designated	1,215,203	-	134,082	1,349,285
Undesignated	1,847,878	640,419	-	2,488,297
Total fund balances	<u>\$ 3,259,355</u>	<u>\$ 640,419</u>	<u>\$ 134,082</u>	<u>\$ 4,033,856</u>
Total liabilities and fund balances	<u>\$ 6,553,300</u>	<u>\$ 640,419</u>	<u>\$ 134,907</u>	<u>\$ 7,328,626</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, 2003

Exhibit C-2

Total fund balance of governmental funds (Exhibit C-1)	\$ 4,033,856
Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	20,897,619
Long-term liabilities, and related accounts, are not payable from current financial resources and therefore are not reported in the funds.	<u>(555,920)</u>
Net assets of governmental activities (Exhibit 1)	\$ <u><u>24,375,555</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, 2003

Exhibit C-3

	<u>School Fund</u>	<u>School Cafeteria Fund</u>	<u>School Capital Projects Fund</u>	<u>Totals</u>
Revenues:				
Revenue from use of money and property	\$ 9,821	\$ 9,968	\$ -	\$ 19,789
Charges for services	353,582	539,809	-	893,391
Miscellaneous	8,000	-	-	8,000
Recovered costs	136,737	9,654	-	146,391
Payment from primary government	19,167,629	-	-	19,167,629
Intergovernmental	14,939,060	769,144	-	15,708,204
Total revenues	<u>\$ 34,614,829</u>	<u>\$ 1,328,575</u>	<u>\$ -</u>	<u>\$ 35,943,404</u>
Expenditures:				
Current:				
Education	\$ 33,914,360	\$ 1,271,230	\$ -	\$ 35,185,590
Capital projects	-	-	11,820	11,820
Total expenditures	<u>\$ 33,914,360</u>	<u>\$ 1,271,230</u>	<u>\$ 11,820</u>	<u>\$ 35,197,410</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 700,469</u>	<u>\$ 57,345</u>	<u>\$ (11,820)</u>	<u>\$ 745,994</u>
Other financing sources (uses):				
Transfers in	\$ -	\$ 86,668	\$ -	\$ 86,668
Transfers out	(86,668)	-	-	(86,668)
Total other financing sources (uses)	<u>\$ (86,668)</u>	<u>\$ 86,668</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balances	\$ 613,801	\$ 144,013	\$ (11,820)	\$ 745,994
Fund balances at beginning of year, as restated	<u>2,645,554</u>	<u>496,406</u>	<u>145,902</u>	<u>3,287,862</u>
Fund balances at end of year	<u>\$ 3,259,355</u>	<u>\$ 640,419</u>	<u>\$ 134,082</u>	<u>\$ 4,033,856</u>

Note: Restatement of Beginning Fund Balances

The School Board has increased the beginning fund balance of the School Fund and School Cafeteria Fund by \$387,780 and \$12,946 respectively. This adjustment is the result of an accounting correction. In prior fiscal years, the School Board has been recording its share of employee health and dental insurance premium expenditures that pertained to the month of July of the following year as expenditures for the month of June. This accounting error generally had been overstating expenditures and fund liabilities for prior fiscal years.

CITY OF HARRISONBURG, VIRGINIA
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2003

Exhibit C-4

Total net change in fund balances of governmental funds (Exhibit C-3)	\$	745,994
<p>Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay expenditures in the current period.</p>		
Capital outlay expenditures	\$	63,794
Depreciation expense		<u>(760,507)</u>
Net adjustment	\$	<u>(696,713)</u> (696,713)
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.		(114,052)
The donation of capital assets between the primary government and the School Board (component unit) effects only the statement of activities. These donations do not have an effect on current financial resources and, therefore, are not reported in governmental funds.		<u>1,701,004</u>
Change in net assets of governmental activities (Exhibit 2)	\$	<u><u>1,636,233</u></u>

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

Exhibit C-5

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2003**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Revenue from use of money and property	\$ 11,659	\$ 11,659	\$ 9,821	\$ (1,838)
Charges for services	430,917	430,917	353,582	(77,335)
Miscellaneous	7,500	7,500	8,000	500
Recovered costs	22,606	22,606	136,737	114,131
Payment from primary government	19,167,629	19,167,629	19,167,629	-
Intergovernmental	14,014,197	14,815,717	14,939,060	123,343
Total revenues	<u>\$ 33,654,508</u>	<u>\$ 34,456,028</u>	<u>\$ 34,614,829</u>	<u>\$ 158,801</u>
Expenditures:				
Current:				
Education	\$ 33,868,915	\$ 34,590,435	\$ 33,914,360	\$ 676,075
Total expenditures	<u>\$ 33,868,915</u>	<u>\$ 34,590,435</u>	<u>\$ 33,914,360</u>	<u>\$ 676,075</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (214,407)</u>	<u>\$ (134,407)</u>	<u>\$ 700,469</u>	<u>\$ 834,876</u>
Other financing (uses):				
Transfers out	\$ (34,459)	\$ (114,459)	\$ (86,668)	\$ 27,791
Total other financing (uses)	<u>\$ (34,459)</u>	<u>\$ (114,459)</u>	<u>\$ (86,668)</u>	<u>\$ 27,791</u>
Net change in fund balance	<u>\$ (248,866)</u>	<u>\$ (248,866)</u>	<u>\$ 613,801</u>	<u>\$ 862,667</u>
Fund balance at beginning of year, as restated			<u>2,645,554</u>	
Fund balance at end of year			<u>\$ 3,259,355</u>	

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

Exhibit C-6

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Revenue from use of money and property	\$ -	\$ -	\$ 9,968	\$ 9,968
Charges for services	598,772	598,772	539,809	(58,963)
Recovered costs	-	-	9,654	9,654
Intergovernmental	628,591	628,591	769,144	140,553
Total revenues	<u>\$ 1,227,363</u>	<u>\$ 1,227,363</u>	<u>\$ 1,328,575</u>	<u>\$ 101,212</u>
Expenditures:				
Current:				
Education	\$ 1,261,822	\$ 1,341,822	\$ 1,271,230	\$ 70,592
Total expenditures	<u>\$ 1,261,822</u>	<u>\$ 1,341,822</u>	<u>\$ 1,271,230</u>	<u>\$ 70,592</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (34,459)</u>	<u>\$ (114,459)</u>	<u>\$ 57,345</u>	<u>\$ 171,804</u>
Other financing sources:				
Transfers in	\$ 34,459	\$ 114,459	\$ 86,668	\$ (27,791)
Total other financing sources	<u>\$ 34,459</u>	<u>\$ 114,459</u>	<u>\$ 86,668</u>	<u>\$ (27,791)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 144,013</u>	<u>\$ 144,013</u>
Fund balance at beginning of year, as restated			<u>496,406</u>	
Fund balance at end of year			<u>\$ 640,419</u>	

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Other Supplementary Schedules

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

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

CITY OF HARRISONBURG, VIRGINIA
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
For the Year Ended June 30, 2003

<u>Fund, Major and Minor Revenue Sources</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Primary Government:			
General Fund:			
General property taxes:			
Real property taxes	\$ 11,220,300	\$ 11,288,356	\$ 68,056
Real and personal public service corporation property taxes	351,000	391,553	40,553
Personal property taxes	3,476,000	3,628,528	152,528
Mobile home taxes	7,920	8,106	186
Machinery and tools taxes	2,100,000	2,123,228	23,228
Penalties and interest	150,500	224,320	73,820
Total general property taxes	<u>\$ 17,305,720</u>	<u>\$ 17,664,091</u>	<u>\$ 358,371</u>
Other local taxes:			
Local sales and use taxes	\$ 8,300,000	\$ 8,629,363	\$ 329,363
Consumer utility taxes	1,620,800	1,779,697	158,897
Business license taxes	4,552,504	4,771,569	219,065
Franchise license taxes	234,000	263,211	29,211
Motor vehicle license taxes	460,000	485,653	25,653
Bank stock taxes	425,000	357,430	(67,570)
Taxes on recordation and wills	221,000	292,595	71,595
Admission and amusement taxes	156,000	167,925	11,925
Hotel and motel room taxes	933,000	940,032	7,032
Restaurant food taxes	4,801,631	4,882,551	80,920
Emergency telephone service taxes	541,280	483,364	(57,916)
Public rights-of-way use fee	220,000	156,811	(63,189)
Total other local taxes	<u>\$ 22,465,215</u>	<u>\$ 23,210,201</u>	<u>\$ 744,986</u>
Permits, privilege fees and regulatory licenses:			
Animal licenses	\$ 7,600	\$ 13,246	\$ 5,646
Permits and other licenses	156,320	377,574	221,254
Total permits, privilege fees and regulatory licenses	<u>\$ 163,920</u>	<u>\$ 390,820</u>	<u>\$ 226,900</u>
Fines and forfeitures:			
Circuit court fines	\$ 300,500	\$ 400,247	\$ 99,747
Total fines and forfeitures	<u>\$ 300,500</u>	<u>\$ 400,247</u>	<u>\$ 99,747</u>
Revenue from use of money and property:			
Revenue from use of money	\$ 700,000	\$ 322,205	\$ (377,795)
Revenue from use of property	262,130	388,249	126,119
Total revenue from use of money and property	<u>\$ 962,130</u>	<u>\$ 710,454</u>	<u>\$ (251,676)</u>

(continued)

CITY OF HARRISONBURG, VIRGINIA
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
For the Year Ended June 30, 2003

<u>Fund, Major and Minor Revenue Sources</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Primary Government: (continued)			
General Fund: (continued)			
Charges for services:			
Courthouse maintenance fees	\$ 12,000	\$ 17,610	\$ 5,610
Charges for law enforcement and traffic control	14,000	11,758	(2,242)
Charges for parks and recreation	223,200	232,074	8,874
Total charges for services	<u>\$ 249,200</u>	<u>\$ 261,442</u>	<u>\$ 12,242</u>
Miscellaneous:			
Payment from Harrisonburg Electric Commission	\$ 3,600,000	\$ 3,600,000	\$ -
Payments in lieu of taxes:			
Electric plant and equipment	306,000	306,000	-
Public housing	8,000	9,490	1,490
Others	10,200	16,013	5,813
Sale of land	100,000	133,333	33,333
Sale of used equipment	20,000	26,480	6,480
Sale of materials and supplies	3,000	3,360	360
Donations - JMU & EMU	97,000	47,000	(50,000)
Donations	42,520	34,219	(8,301)
Total miscellaneous	<u>\$ 4,186,720</u>	<u>\$ 4,175,895</u>	<u>\$ (10,825)</u>
Recovered costs:			
Recoveries and rebates	\$ 115,871	\$ 92,570	\$ (23,301)
EOC payments from Rockingham County	306,740	420,394	113,654
Court appointed attorney	18,000	24,931	6,931
Insurance recoveries	12,360	12,660	300
Elderly Housing Facility - bond maturities	123,100	788,100	665,000
Total recovered costs	<u>\$ 576,071</u>	<u>\$ 1,338,655</u>	<u>\$ 762,584</u>
Intergovernmental:			
Revenue from the Commonwealth:			
Non-categorical aid:			
ABC profits	\$ 49,020	\$ 48,949	\$ (71)
Wine taxes	55,450	45,323	(10,127)
Railroad rolling stock taxes	10,900	11,270	370
Mobile home titling taxes	7,000	7,181	181
Tax on deeds (grantor tax)	147,650	101,952	(45,698)
Personal property tax reimbursement	1,008,000	1,608,548	600,548
State aid to localities, police	1,067,946	1,183,852	115,906
Auto rental taxes	150,000	178,709	28,709
Drug forfeiture	-	34,676	34,676
Animal friendly license plate	746	746	-
Total non-categorical aid	<u>\$ 2,496,712</u>	<u>\$ 3,221,206</u>	<u>\$ 724,494</u>

(continued)

CITY OF HARRISONBURG, VIRGINIA
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
For the Year Ended June 30, 2003

<u>Fund, Major and Minor Revenue Sources</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Primary Government: (continued)			
General Fund: (continued)			
Intergovernmental: (continued)			
Revenue from the Commonwealth: (continued)			
Categorical aid:			
Shared expenses:			
Commissioner of the revenue	\$ 130,000	\$ 129,296	\$ (704)
Treasurer	120,000	114,506	(5,494)
Medical examiner fees	350	270	(80)
Registrar	37,000	42,521	5,521
Total shared expenses	<u>\$ 287,350</u>	<u>\$ 286,593</u>	<u>\$ (757)</u>
Other categorical aid:			
Hazardous material grant	\$ 12,000	\$ 12,000	\$ -
Hazmat Response expenses	-	482	482
Fire programs fund	54,000	54,216	216
Two-for-life	11,200	11,761	561
CJS Law Enforcement Grant	1,250	1,250	-
Disaster Plan and Operation	6,959	2,959	(4,000)
School resource officer grant	16,496	16,496	-
Litter control grant	6,300	6,326	26
Street and highway maintenance	2,727,182	2,827,178	99,996
Total other categorical aid	<u>\$ 2,835,387</u>	<u>\$ 2,932,668</u>	<u>\$ 97,281</u>
Total categorical aid	<u>\$ 3,122,737</u>	<u>\$ 3,219,261</u>	<u>\$ 96,524</u>
Total revenue from the Commonwealth	<u>\$ 5,619,449</u>	<u>\$ 6,440,467</u>	<u>\$ 821,018</u>
Revenue from the Federal Government:			
Categorical aid:			
Local law enforcement block grant	\$ 25,016	\$ 25,016	\$ -
CJS Law Enforcement Grant	3,750	3,750	-
Bullet Proof Vest Partnership Grant	5,956	5,956	-
Police DMV grant	27,295	30,993	3,698
FEMA flood plain grant	30,000	30,000	-
Weed and Seed Funds	21,908	21,908	-
Domestic Preparedness Equipment Grant	44,105	56,650	12,545
Disaster Plan and Operation	-	12,475	12,475
ISTEA Grant	300,000	401,000	101,000
Total revenue from the Federal Government	<u>\$ 458,030</u>	<u>\$ 587,748</u>	<u>\$ 129,718</u>
Total intergovernmental	<u>\$ 6,077,479</u>	<u>\$ 7,028,215</u>	<u>\$ 950,736</u>
Total General Fund	<u><u>\$ 52,286,955</u></u>	<u><u>\$ 55,180,020</u></u>	<u><u>\$ 2,893,065</u></u>

(continued)

CITY OF HARRISONBURG, VIRGINIA
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
For the Year Ended June 30, 2003

<u>Fund, Major and Minor Revenue Sources</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Primary Government: (continued)			
Capital Projects Funds:			
General Capital Projects Fund:			
Revenue from use of money and property:			
Revenue from use of money	\$ -	\$ 48,882	\$ 48,882
Total revenue from use of money and property	<u>\$ -</u>	<u>\$ 48,882</u>	<u>\$ 48,882</u>
Recovered costs:			
Reimbursement for radio system from Rockingham County	\$ -	\$ 26,362	\$ 26,362
Reimbursement for EOC from Rockingham County	-	38,592	38,592
Total recovered costs	<u>\$ -</u>	<u>\$ 64,954</u>	<u>\$ 64,954</u>
Intergovernmental:			
Revenue from the Commonwealth:			
Categorical aid:			
Other categorical aid:			
Reimbursement for bridge construction	\$ -	\$ 95,000	\$ 95,000
Total other categorical aid	<u>\$ -</u>	<u>\$ 95,000</u>	<u>\$ 95,000</u>
Total categorical aid	<u>\$ -</u>	<u>\$ 95,000</u>	<u>\$ 95,000</u>
Total revenue from the Commonwealth	<u>\$ -</u>	<u>\$ 95,000</u>	<u>\$ 95,000</u>
Total intergovernmental	<u>\$ -</u>	<u>\$ 95,000</u>	<u>\$ 95,000</u>
Total General Capital Projects Fund	<u>\$ -</u>	<u>\$ 208,836</u>	<u>\$ 208,836</u>
School Bond Capital Projects Fund:			
Revenue from use of money and property:			
Revenue from use of money	\$ -	\$ 550,238	\$ 550,238
Total revenue from use of money and property	<u>\$ -</u>	<u>\$ 550,238</u>	<u>\$ 550,238</u>
Total School Bond Capital Projects Fund	<u>\$ -</u>	<u>\$ 550,238</u>	<u>\$ 550,238</u>
Total Capital Projects Funds	<u>\$ -</u>	<u>\$ 759,074</u>	<u>\$ 759,074</u>
Grand Total Revenues - Primary Government	<u>\$ 52,286,955</u>	<u>\$ 55,939,094</u>	<u>\$ 3,652,139</u>
Component Unit - School Board:			
School Fund:			
Revenue from use of money and property	\$ 11,659	\$ 9,821	\$ (1,838)
Charges for services	430,917	353,582	(77,335)
Miscellaneous	7,500	8,000	500
Recovered costs	22,606	136,737	114,131
Payment from primary government	19,167,629	19,167,629	-

(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, 2003

<u>Fund, Major and Minor Revenue Sources</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Component Unit - School Board: (continued)			
School Fund: (continued)			
Intergovernmental:			
Revenue from the Commonwealth:			
Categorical aid:			
Share of state sales tax	\$ 2,436,323	\$ 2,494,923	\$ 58,600
Basic school aid	6,265,922	6,352,661	86,739
State standard of quality funds	1,286,595	1,310,231	23,636
Fringe benefits	563,467	545,756	(17,711)
Lottery funds	375,512	463,023	87,511
At risk	226,657	209,113	(17,544)
Primary class size	273,401	280,022	6,621
Technology initiative	232,000	206,000	(26,000)
English as second language	215,262	246,014	30,752
School construction	138,997	139,242	245
Other state funds	383,985	407,802	23,817
Total categorical aid	<u>\$ 12,398,121</u>	<u>\$ 12,654,787</u>	<u>\$ 256,666</u>
Total revenue from the Commonwealth	<u>\$ 12,398,121</u>	<u>\$ 12,654,787</u>	<u>\$ 256,666</u>
Revenue from the Federal Government:			
Categorical aid:			
Title I	\$ 727,744	\$ 697,799	\$ (29,945)
Special education	562,285	573,072	10,787
Education technology	617,100	504,279	(112,821)
ESEA - Title II Part A	101,850	166,754	64,904
Drug free schools (Title IV)	28,919	27,626	(1,293)
Vocational education	80,596	80,679	83
Language acquisition state grant	22,363	53,069	30,706
Emergency immigrant assistance (Title VII)	78,407	14,442	(63,965)
ESEA - Title II Part B	25,488	27,915	2,427
Innovative education programs (Title VI)	58,903	35,300	(23,603)
JROTC funds	36,576	43,908	7,332
Refugee community and family	23,780	18,757	(5,023)
Other federal funds	53,585	40,673	(12,912)
Total categorical aid	<u>\$ 2,417,596</u>	<u>\$ 2,284,273</u>	<u>\$ (133,323)</u>
Total revenue from the Federal Government	<u>\$ 2,417,596</u>	<u>\$ 2,284,273</u>	<u>\$ (133,323)</u>
Total intergovernmental	<u>\$ 14,815,717</u>	<u>\$ 14,939,060</u>	<u>\$ 123,343</u>
Total School Fund	<u><u>\$ 34,456,028</u></u>	<u><u>\$ 34,614,829</u></u>	<u><u>\$ 158,801</u></u>

(continued)

CITY OF HARRISONBURG, VIRGINIA
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
For the Year Ended June 30, 2003

<u>Fund, Major and Minor Revenue Sources</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Component Unit - School Board: (continued)			
School Cafeteria Fund:			
Revenue from use of money and property	\$ -	\$ 9,968	\$ 9,968
Charges for services	598,772	539,809	(58,963)
Recovered costs	-	9,654	9,654
Intergovernmental:			
Revenue from the Commonwealth:			
Categorical aid:			
School food program	\$ 22,492	\$ 24,346	\$ 1,854
Total categorical aid	<u>\$ 22,492</u>	<u>\$ 24,346</u>	<u>\$ 1,854</u>
Total revenue from the Commonwealth	<u>\$ 22,492</u>	<u>\$ 24,346</u>	<u>\$ 1,854</u>
Revenue from the Federal Government:			
Categorical aid:			
School food program	\$ 606,099	\$ 672,584	\$ 66,485
USDA donated food	-	72,214	72,214
Total categorical aid	<u>\$ 606,099</u>	<u>\$ 744,798</u>	<u>\$ 138,699</u>
Total revenue from the Federal Government	<u>\$ 606,099</u>	<u>\$ 744,798</u>	<u>\$ 138,699</u>
Total intergovernmental	<u>\$ 628,591</u>	<u>\$ 769,144</u>	<u>\$ 140,553</u>
Total School Cafeteria Fund	<u><u>\$ 1,227,363</u></u>	<u><u>\$ 1,328,575</u></u>	<u><u>\$ 101,212</u></u>
Grand Total Revenues			
Component Unit - School Board	<u><u>\$ 35,683,391</u></u>	<u><u>\$ 35,943,404</u></u>	<u><u>\$ 260,013</u></u>

CITY OF HARRISONBURG, VIRGINIA
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
For the Year Ended June 30, 2003

<u>Fund, Function, Activity and Elements</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Primary Government:			
General Fund:			
General government administration:			
Legislative:			
City Council	\$ 105,274	\$ 96,773	\$ 8,501
Total legislative	<u>\$ 105,274</u>	<u>\$ 96,773</u>	<u>\$ 8,501</u>
General and financial administration:			
City manager	\$ 303,795	\$ 302,727	\$ 1,068
City attorney	69,349	53,712	15,637
Human resources	152,389	148,299	4,090
Independent auditor	6,200	6,200	-
Commissioner of the revenue	310,101	291,979	18,122
Assessors	156,377	153,279	3,098
Equalization	4,500	4,311	189
Treasurer	407,609	407,434	175
Finance	340,055	336,404	3,651
Retirement board	12,918	-	12,918
Data processing	247,935	239,207	8,728
Purchasing agent	92,745	91,273	1,472
Dues to municipal league	18,000	17,722	278
Reserve for contingencies	-	-	-
Total general and financial administration	<u>\$ 2,121,973</u>	<u>\$ 2,052,547</u>	<u>\$ 69,426</u>
Board of elections:			
Registrar	\$ 129,365	92,269	\$ 37,096
Total board of elections	<u>\$ 129,365</u>	<u>\$ 92,269</u>	<u>\$ 37,096</u>
Total general government administration	<u>\$ 2,356,612</u>	<u>\$ 2,241,589</u>	<u>\$ 115,023</u>
Jail and judicial administration:			
Joint expenditures with Rockingham County	\$ 1,872,100	\$ 1,192,269	\$ 679,831
Total jail and judicial administration	<u>\$ 1,872,100</u>	<u>\$ 1,192,269</u>	<u>\$ 679,831</u>
Public safety:			
Law enforcement and traffic control:			
Administration	\$ 321,028	\$ 292,349	\$ 28,679
Operations	2,746,071	2,567,570	178,501
Criminal investigations	663,116	655,486	7,630
Support services	1,546,511	1,462,470	84,041
Total law enforcement and traffic control	<u>\$ 5,276,726</u>	<u>\$ 4,977,875</u>	<u>\$ 298,851</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, 2003

<u>Fund, Function, Activity and Elements</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Primary Government: (continued)			
General Fund: (continued)			
Public safety: (continued)			
Fire and rescue services:			
Emergency operations center	\$ 554,170	\$ 79,266	\$ 474,904
Administration	243,624	244,797	(1,173)
Suppression	3,642,643	3,493,182	149,461
Prevention	192,531	192,351	180
Training	132,587	133,562	(975)
E-911 system	758,580	754,232	4,348
Total fire and rescue services	<u>\$ 5,524,135</u>	<u>\$ 4,897,390</u>	<u>\$ 626,745</u>
Correction and detention:			
City operated institutions	\$ 86,667	\$ 86,191	\$ 476
Total correction and detention	<u>\$ 86,667</u>	<u>\$ 86,191</u>	<u>\$ 476</u>
Inspections:			
Building	\$ 445,935	\$ 438,422	\$ 7,513
Total inspections	<u>\$ 445,935</u>	<u>\$ 438,422</u>	<u>\$ 7,513</u>
Other protection:			
Animal control	\$ 588,298	\$ 84,994	\$ 503,304
Coroner	900	400	500
Emergency services	114,580	66,867	47,713
Total other protection	<u>\$ 703,778</u>	<u>\$ 152,261</u>	<u>\$ 551,517</u>
Total public safety	<u>\$ 12,037,241</u>	<u>\$ 10,552,139</u>	<u>\$ 1,485,102</u>
Public works:			
Maintenance of highways, streets, bridges and sidewalks:			
General engineering	\$ 744,776	\$ 660,002	\$ 84,774
Highway and street maintenance	3,223,438	2,678,611	544,827
Street lights	436,718	438,605	(1,887)
Snow and ice removal	278,874	278,888	(14)
Traffic engineering	876,240	865,621	10,619
Highway and street beautification	258,546	248,129	10,417
Total maintenance of highways, streets, bridges and sidewalks	<u>\$ 5,818,592</u>	<u>\$ 5,169,856</u>	<u>\$ 648,736</u>
Sanitation and waste removal:			
Street and road cleaning	\$ 240,403	\$ 241,740	\$ (1,337)
Insect and rodent control	8,600	5,612	2,988
Total sanitation and waste removal	<u>\$ 249,003</u>	<u>\$ 247,352</u>	<u>\$ 1,651</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, 2003

<u>Fund, Function, Activity and Elements</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Primary Government: (continued)			
General Fund: (continued)			
Public works: (continued)			
Maintenance of general buildings and grounds:			
Harrison Plaza	\$ 181,483	\$ 181,289	\$ 194
General properties	234,355	230,863	3,492
Total maintenance of general buildings and grounds	<u>\$ 415,838</u>	<u>\$ 412,152</u>	<u>\$ 3,686</u>
Total public works	<u>\$ 6,483,433</u>	<u>\$ 5,829,360</u>	<u>\$ 654,073</u>
Health and welfare:			
Health:			
Local health department	\$ 286,685	\$ 286,550	\$ 135
Total health	<u>286,685</u>	<u>\$ 286,550</u>	<u>\$ 135</u>
Mental health and mental retardation:			
Community services board	\$ 146,780	\$ 146,780	\$ -
Total mental health and mental retardation	<u>\$ 146,780</u>	<u>\$ 146,780</u>	<u>\$ -</u>
Welfare/social services:			
Tax relief for the elderly	\$ 21,000	\$ 18,551	\$ 2,449
Social services - Joint expenditures with Rockingham County	1,465,467	1,465,467	-
Total welfare/social services	<u>\$ 1,486,467</u>	<u>\$ 1,484,018</u>	<u>\$ 2,449</u>
Total health and welfare	<u>\$ 1,919,932</u>	<u>\$ 1,917,348</u>	<u>\$ 2,584</u>
Education:			
Payment to School Board	\$ 19,167,629	\$ 19,167,629	\$ -
Total education	<u>\$ 19,167,629</u>	<u>\$ 19,167,629</u>	<u>\$ -</u>
Parks, recreation and culture:			
Parks and recreation:			
Administration	\$ 1,935,475	\$ 1,780,602	\$ 154,873
Recreation centers and playgrounds	451,269	420,053	31,216
National guard armory	89,194	78,658	10,536
Simms recreation center	37,061	34,265	2,796
Westover pool	333,166	293,919	39,247
Athletic complex	116,365	86,290	30,075
Total parks and recreation	<u>\$ 2,962,530</u>	<u>\$ 2,693,787</u>	<u>\$ 268,743</u>
Total parks, recreation and culture	<u>\$ 2,962,530</u>	<u>\$ 2,693,787</u>	<u>\$ 268,743</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, 2003

<u>Fund, Function, Activity and Elements</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Primary Government: (continued)			
General Fund: (continued)			
Planning and community development:			
Planning:			
Planning	\$ 168,287	\$ 159,655	\$ 8,632
Zoning administrator	127,455	125,422	2,033
Zoning and board of zoning appeals	4,489	3,621	868
Economic development	236,726	163,493	73,233
Total planning	<u>\$ 536,957</u>	<u>\$ 452,191</u>	<u>\$ 84,766</u>
Community development:			
Convention and Visitors Bureau	\$ 93,750	\$ 93,750	\$ -
Chamber of Commerce (American Legion Parade)	3,000	3,000	-
Massanutten Regional Library	317,122	317,122	-
Salvation Army	35,000	35,000	-
Rescue Squad - Gas and oil	20,000	12,664	7,336
Upper Valley Regional Park Authority	15,000	15,000	-
Regional Juvenile Detention Home	157,259	157,259	-
Shenandoah Valley Soil and Water Conservation	3,850	3,850	-
Blue Ridge Community College	5,000	5,000	-
Blue Ridge Community College - Site improvement	33,200	33,200	-
First Night	5,000	5,000	-
Woodbine Cemetery	1,500	1,500	-
Boys and Girls Club	45,000	45,000	-
Central Shenandoah Valley Planning District	9,489	9,489	-
Valley Program for Aging	25,000	25,000	-
Blue Ridge Legal Services	5,277	5,277	-
Shenandoah Valley Airport	35,000	35,000	-
Shenandoah Valley Airport - Capital outlay	10,000	10,000	-
CATV System	5,000	702	4,298
Community Mediation Center	2,000	2,000	-
First Step, Inc.	21,000	21,000	-
Free Clinic	5,000	5,000	-
Arts Council of the Valley	40,000	40,000	-
Other non-departmental	24,746	19,647	5,099
Total community development	<u>\$ 917,193</u>	<u>\$ 900,460</u>	<u>\$ 16,733</u>
Total planning and community development	<u>\$ 1,454,150</u>	<u>\$ 1,352,651</u>	<u>\$ 101,499</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, 2003

<u>Fund, Function, Activity and Elements</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Primary Government: (continued)			
General Fund: (continued)			
Debt service:			
Principal	\$ 3,278,349	\$ 3,907,176	\$ (628,827)
Interest and fiscal charges	4,205,809	4,191,172	14,637
Bond issuance costs	-	29,839	(29,839)
	<u>7,484,158</u>	<u>8,128,187</u>	<u>(644,029)</u>
Total debt service	\$ 7,484,158	\$ 8,128,187	\$ (644,029)
Total General Fund	\$ 55,737,785	\$ 53,074,959	\$ 2,662,826
Capital Projects Funds:			
General Capital Projects Fund:			
Capital projects	\$ 14,345,509	\$ 6,541,125	\$ 7,804,384
Total General Capital Projects Fund	\$ 14,345,509	\$ 6,541,125	\$ 7,804,384
School Bond Capital Projects Fund:			
Capital projects	\$ 39,576,291	\$ 8,060,415	\$ 31,515,876
Total School Bond Capital Projects Fund	\$ 39,576,291	\$ 8,060,415	\$ 31,515,876
Total Capital Projects Funds	\$ 53,921,800	\$ 14,601,540	\$ 39,320,260
Grand Total Expenditures - Primary Government	\$ 109,659,585	\$ 67,676,499	\$ 41,983,086
Component Unit - School Board:			
School Fund:			
Education:			
Instruction	\$ 26,995,056	\$ 26,661,884	\$ 333,172
Administration, attendance and health	1,804,354	1,675,197	129,157
Pupil transportation	1,084,022	1,049,153	34,869
Operations and maintenance	2,954,512	2,862,763	91,749
Technology	1,750,491	1,665,363	85,128
Facilities	2,000	-	2,000
	<u>34,590,435</u>	<u>33,914,360</u>	<u>676,075</u>
Total education	\$ 34,590,435	\$ 33,914,360	\$ 676,075
Total School Fund	\$ 34,590,435	\$ 33,914,360	\$ 676,075

(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, 2003

<u>Fund, Function, Activity and Elements</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Component Unit - School Board: (continued)			
School Cafeteria Fund:			
Education:			
Food services	\$ 1,341,822	\$ 1,271,230	\$ 70,592
Total education	\$ 1,341,822	\$ 1,271,230	\$ 70,592
Total School Cafeteria Fund	\$ 1,341,822	\$ 1,271,230	\$ 70,592
School Capital Projects Fund:			
Capital projects	\$ 145,902	\$ 11,820	\$ 134,082
Total School Capital Projects Fund	\$ 145,902	\$ 11,820	\$ 134,082
Grand Total Expenditures			
Component Unit - School Board	\$ 36,078,159	\$ 35,197,410	\$ 880,749

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PART III

STATISTICAL TABLES SECTION

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

Table 1

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees and Regulatory Licenses	Fines and Forfeitures	Use of Money and Property (3)	Charges For Services (3)	Miscellaneous (3) (4)	Recovered Costs (3)	Intergovernmental (2) (3)	Total
2003	\$ 17,664,091	\$ 23,210,201	\$ 390,820	\$ 400,247	\$ 730,243	\$ 1,154,833	\$ 4,183,895	\$ 1,485,046	\$ 22,736,419	\$ 71,955,795
2002	17,486,315	22,045,646	244,187	362,860	941,113	1,113,432	3,980,165	578,436	20,145,382	66,897,536
2001	17,045,598	21,294,591	198,890	292,835	1,461,539	1,082,785	3,680,850	910,704	19,209,017	65,176,809
2000	17,054,434	20,499,212	275,030	304,837	1,286,939	956,890	3,397,117	488,463	17,917,082	62,180,004
1999	16,011,451	19,224,215	319,401	344,481	1,073,729	851,021	3,490,417	436,233	15,298,510	57,049,458
1998	15,371,970	17,310,465	286,926	286,086	918,944	883,623	2,757,767	479,784	13,531,037	51,826,602
1997	14,681,417	16,276,752	301,671	261,947	842,803	814,853	3,254,053	388,216	13,666,099	50,487,811
1996	14,080,729	15,524,202	232,330	231,551	584,224	724,092	3,056,134	787,010	12,476,933	47,697,205
1995	13,387,476	15,082,766	171,846	213,123	489,985	759,502	3,196,252	377,074	15,040,994	48,719,018
1994	13,051,936	13,646,484	145,163	260,830	250,122	979,699	2,547,928	444,942	13,093,868	44,420,972

Notes:

- (1) - Includes General and Special Revenue Funds of the primary government and the School and School Cafeteria Funds of the discretely presented component unit, the School Board. Does not include the School Board payment from the General Fund.
- (2) - Includes food stamp revenues of \$2,107,653 and \$1,863,683 for 1995 and 1994, respectively.
- (3) - Adjusted to eliminate revenues of capital projects funds for 1994-1995.
- (4) - Adjusted to include payments from the Harrisonburg Electric Commission, a component unit, for 1994-2002.

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

Table 2

Fiscal Year	General Government Administration	Jail and Judicial Administration	Public Safety	Public Works	Health and Welfare (2)	Education	Parks, Recreation and Cultural	Planning and Community Development	Debt Service	Total (3)
2003	\$ 2,241,589	\$ 1,192,269	\$ 10,552,139	\$ 5,829,360	\$ 1,917,348	\$ 35,185,590	\$ 2,693,787	\$ 1,352,651	\$ 8,128,187	\$ 69,092,920
2002	2,351,943	1,387,367	9,549,373	6,996,447	1,507,679	32,815,374	2,299,492	1,215,923	5,124,446	63,248,044
2001	2,070,324	1,114,568	8,961,870	5,700,813	1,259,631	30,552,781	3,096,183	1,904,718	4,727,926	59,388,814
2000	1,991,202	1,103,909	8,160,062	5,595,777	1,223,537	28,592,957	1,952,945	2,962,276	4,714,103	56,296,768
1999	1,808,890	760,227	7,540,801	5,308,267	1,177,598	26,600,191	2,421,165	939,101	4,820,639	51,376,879
1998	1,760,554	782,737	6,807,647	5,196,689	1,021,194	24,603,105	1,777,893	738,485	5,898,248	48,586,552
1997	1,604,917	598,001	6,702,275	5,164,780	790,858	23,227,886	1,967,162	882,526	4,741,578	45,679,983
1996	1,592,391	683,501	5,558,036	4,792,404	808,876	21,734,090	1,594,048	728,009	4,806,801	42,298,156
1995	1,778,557	785,861	5,020,005	3,892,659	3,776,757	20,421,569	1,489,018	649,621	4,976,552	42,790,599
1994	3,050,230	1,220,677	4,304,850	5,443,297	3,325,103	19,169,130	1,327,056	656,157	4,689,541	43,186,041

- Notes:
- (1) - Includes General and Special Revenue Funds of the primary government; the School and School Cafeteria Funds of the discretely presented component unit, the School Board. Does not include General Fund payment to the School Board.
 - (2) - Includes food stamp expenditures of \$2,068,458 and \$1,870,026 for 1995 and 1994, respectively.
 - (3) - Adjusted to eliminate expenditures of capital projects funds for 1994-1995.

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

Table 3

Fiscal Year	Total Tax Levy (1)	Current Tax Collections (1) (2)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1)	Percent Delinquent Taxes to Tax Levy
2003	\$ 18,890,132	\$ 18,184,369	96.26%	\$ 863,950	\$ 19,048,319	100.84%	\$ 1,414,904	7.49%
2002	18,973,108	18,240,516	96.14%	287,844	18,528,360	97.66%	1,536,532	8.10%
2001	17,990,551	17,444,637	96.97%	347,306	17,791,943	98.90%	1,217,951	6.77%
2000	17,245,401	16,824,966	97.56%	501,831	17,326,797	100.47%	1,022,408	5.93%
1999	15,944,864	15,517,768	97.32%	346,223	15,863,991	99.49%	1,117,733	7.01%
1998	15,538,894	15,056,606	96.90%	188,162	15,244,768	98.11%	1,108,292	7.13%
1997	14,631,278	14,307,919	97.79%	238,879	14,546,798	99.42%	854,073	5.84%
1996	14,068,974	13,712,441	97.47%	258,133	13,970,574	99.30%	819,298	5.82%
1995	13,311,206	13,057,900	98.10%	213,735	13,271,635	99.70%	701,591	5.27%
1994	13,027,903	12,693,343	97.43%	270,197	12,963,540	99.51%	640,187	4.91%

Notes:

(1) - Exclusive of penalties and interest.

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

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

Table 4

Fiscal Year	Real Estate (1)	Personal Property (2)	Machinery and Tools (3)	Mobile Homes (1)	Public Service Corporations (4)		Total
					Real Estate (1)	Personal Property	
2003	\$ 1,814,221,588	\$ 252,204,750	\$ 107,362,900	\$ 1,380,700	\$ 55,213,438	\$ 239,938	\$ 2,230,623,314
2002	1,793,533,004	250,506,200	120,401,100	1,292,100	55,484,976	295,760	2,221,513,140
2001	1,656,732,868	248,202,911	117,159,400	1,303,800	52,567,436	296,180	2,076,262,595
2000	1,600,041,524	237,204,519	106,835,400	1,318,400	52,168,424	529,083	1,998,097,350
1999	1,498,239,901	211,870,100	99,863,400	1,615,200	49,689,229	444,794	1,861,722,624
1998	1,451,829,090	211,234,848	95,561,464	1,546,500	46,588,622	375,867	1,807,136,391
1997	1,389,229,849	197,144,423	86,508,800	1,449,600	38,271,689	382,582	1,712,986,943
1996	1,359,944,691	178,033,679	86,742,500	1,426,700	38,825,425	417,527	1,665,390,522
1995	1,328,319,354	154,450,600	86,540,917	1,501,100	37,464,389	706,356	1,608,982,716
1994	1,316,329,600	150,846,100	80,528,200	1,505,100	36,452,030	757,910	1,586,418,940

Notes:

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

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

Table 5

Fiscal Year	Real Estate (1)	Personal Property (1)	Machinery and Tools	Mobile Homes
2003	\$ 0.62	\$ 2.00	\$ 2.00	\$ 0.62
2002	0.62	2.00	2.00	0.62
2001	0.62	2.00	2.00	0.62
2000	0.62	2.00	2.00	0.62
1999	0.62	2.00	2.00	0.62
1998	0.62	2.00	2.00	0.62
1997	0.62	2.00	2.00	0.62
1996	0.62	2.00	2.00	0.62
1995	0.62	2.00	2.00	0.62
1994	0.62	2.00	2.00	0.62

Notes:

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

**CITY OF HARRISONBURG, VIRGINIA
 PRINCIPAL PROPERTY TAXPAYERS
 Year Ended June 30, 2003**

Table 6

	Company	Industry	Property Taxes	Percent of Total Property Taxes
1.	Tenneco Automotive Inc.	Automotive Parts	\$ 480,160	2.52%
2.	CCL Container	Specialty Packaging Products	339,755	1.78%
3.	Banta Corp.	Printing	325,960	1.71%
4.	LB&J Limited	Student Housing and Development	228,175	1.20%
5.	Packaging Corporation of America	Containerboard and Corrugated Packaging Products	214,303	1.13%
6.	Pilgrim's Pride Corp.	Poultry	210,835	1.11%
7.	Owens-Brockway Plastics, Inc.	Plastic Packaging Products	207,552	1.09%
8.	Verizon Communications Inc.	Public Utility	196,485	1.03%
9.	SDG Macerich Properties, LP	Shopping Centers	166,103	0.87%
10.	Reddy Ice Corp.	Ice and Cold Storage	164,632	0.86%
		Total	\$ 2,533,960	13.30%

CITY OF HARRISONBURG, VIRGINIA
COMPUTATION OF LEGAL DEBT MARGIN
At June 30, 2003

Table 7

Total assessed value of taxed real property	\$ <u>1,869,435,026</u>
Debt limit - 10 percent of total assessed value	\$ 186,943,503
Amount of debt applicable to debt limit:	
Gross debt (1)	<u>126,535,012</u>
Legal debt margin	\$ <u>60,408,491</u>

Notes:

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

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

Table 8

Fiscal Year	Population (1)	Assessed Value	Gross General Bonded Debt (2) (3)	Less Debt Payable from Enterprise Revenues (3)	Net General Bonded Debt	Ratio of Net General Bonded Debt to Assessed Value	Net General Bonded Debt per Capita (4)
2003	43,001	\$ 2,230,623,314	\$ 119,303,200	\$ 46,915,000	\$ 72,388,200	3.25%	\$ 1,683
2002	42,200	2,221,513,140	121,990,350	47,160,000	74,830,350	3.37%	1,773
2001	41,350	2,076,262,595	41,425,615	13,289,590	28,136,025	1.36%	680
2000	40,468	1,998,097,350	45,678,446	15,296,746	30,381,700	1.52%	751
1999	34,800	1,861,722,624	38,209,545	10,782,170	27,427,375	1.47%	788
1998	34,400	1,807,136,391	40,040,689	12,567,639	27,473,050	1.52%	799
1997	34,400	1,712,986,943	43,573,478	14,249,753	29,323,725	1.71%	852
1996	34,170	1,665,390,522	47,055,786	15,740,061	31,315,725	1.88%	916
1995	34,170	1,608,982,716	37,032,660	11,059,935	25,972,725	1.61%	760
1994	33,500	1,586,418,940	40,280,418	12,310,693	27,969,725	1.76%	835

Notes:

- (1) - Estimated by the City's Department of Planning and Community Development for 1994-1999 and 2001-2003. Bureau of Census for 2000. Previous fiscal year population amounts have been adjusted.
- (2) - Includes General Obligation Bonds, Virginia Public School Authority Bonds, and Literary Fund Loans.
- (3) - Adjusted to reflect elimination of nongeneral bonded debt for 1994-1996.
- (4) - The City of Harrisonburg has no overlapping debt.

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

Table 9

Fiscal Year	Debt Service (2) (3)			Total General Expenditures (1)	Percent of Debt Service To Total General Expenditures
	Principal	Interest	Total		
2003	\$ 3,253,450	\$ 3,809,711	\$ 7,063,161	\$ 69,092,920	10.22%
2002	2,485,675	1,587,130	4,072,805	63,248,044	6.44%
2001	2,245,675	1,611,770	3,857,445	59,388,814	6.50%
2000	2,145,675	1,528,048	3,673,723	56,296,768	6.53%
1999	2,050,675	1,591,175	3,641,850	51,376,879	7.09%
1998	1,850,675	1,938,391	3,789,066	48,586,552	7.80%
1997	1,992,000	1,414,847	3,406,847	45,679,983	7.46%
1996	1,987,000	1,547,359	3,534,359	42,298,156	8.36%
1995	1,997,000	1,601,191	3,598,191	42,790,599	8.41%
1994	1,872,000	1,553,980	3,425,980	43,939,497	7.80%

Notes:

- (1) - Includes General and Special Revenue Funds of the primary government and the School and School Cafeteria Funds of the discretely presented component unit, the School Board. Does not include the School Board payment from the General Fund
- (2) - Includes General Obligation Bonds, Virginia Public School Authority Bonds, and Literary Fund Loans.
- (3) - Adjusted to reflect debt service for general bonded debt only for 1994-1996.

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

Table 10

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

Notes:

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

CITY OF HARRISONBURG, VIRGINIA
REVENUE BOND COVERAGE
WATER FUND
Current Fiscal Year (1)

Table 11

Fiscal Year	Gross Revenue (2)	Operating Expenses (3)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2003	\$ 5,099,925	\$ 2,245,198	\$ 2,854,727	\$ -	\$ 198,845	\$ 198,845	14.36

Notes:

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

CITY OF HARRISONBURG, VIRGINIA
DEMOGRAPHIC STATISTICS
Last Ten Fiscal Years

Table 12

Fiscal Year	Population (1)	Per Capita Income (2)	School Enrollment (3)	Unemployment Rate Percentage (4)
2003	43,001	\$ (5)	4,026	2.1
2002	42,200	22,945	3,912	2.1
2001	41,350	21,937	3,768	1.8
2000	40,468	20,593	3,575	1.0
1999	34,800	20,299	3,557	1.3
1998	34,400	19,244	3,560	1.4
1997	34,400	18,738	3,492	1.8
1996	34,170	18,569	3,498	2.5
1995	34,170	18,377	3,475	2.3
1994	33,500	17,852	3,439	2.3

Notes:

- (1) - Estimated by the City's Department of Planning and Community Development for 1994-1999 and 2001-2003. Bureau of Census for 2000.
- (2) - Bureau of Economic Analysis, U. S. Department of Commerce. Amounts for 1994-2000 have been adjusted based upon the latest available data.
- (3) - From the City of Harrisonburg School Board.
- (4) - Virginia Employment Commission. Amounts for 1994-2002 have been adjusted.
- (5) - Information is not available for this time period.

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

Table 13

Fiscal Year	Assessed Property Value (2) (3)				Building Permits (1)			Bank Deposits (5) (In Thousands)	
	Commercial	Residential	Nontaxable	Total	Number of Units	Commercial/Industrial Construction (4)	Number of Units Residential Construction		
2003	\$ 597,049,770	\$ 1,217,171,818	\$ 580,089,312	\$ 2,394,310,900	160	\$ 72,460,865	486	\$ 27,046,089	\$ (7)
2002	599,668,097	1,193,864,907	580,636,624	2,374,169,628	(6) 99	25,595,802	382	20,360,551	775,000
2001	555,329,167	1,101,403,702	572,123,259	2,228,856,128	116	16,427,131	263	13,334,574	798,275
2000	539,248,951	1,060,792,573	568,744,754	2,168,786,278	(6) 124	26,175,607	349	20,381,946	761,911
1999	506,440,080	991,799,821	560,973,839	2,059,213,740	144	51,205,929	370	48,960,709	754,715
1998	490,215,716	961,613,374	511,876,474	1,963,705,564	(6) 160	25,043,338	282	18,418,821	715,369
1997	477,247,281	911,982,568	466,156,737	1,855,386,586	112	40,509,499	326	30,314,935	699,483
1996	465,398,100	895,256,000	468,147,400	1,828,801,500	(6) 170	17,582,540	228	16,684,174	718,417
1995	453,309,700	876,490,000	431,931,200	1,761,730,900	166	37,132,252	207	10,104,236	707,047
1994	449,489,100	862,215,000	420,029,000	1,731,733,100	(6) 150	17,670,330	192	11,836,530	702,249

Notes:

- (1) - Source is the City's Department of Planning and Community Development.
- (2) - Source is the Commissioner of the Revenue.
- (3) - Certain land values have been reclassified from commercial to residential for 1994-1996.
- (4) - Previously reported amounts have been combined for 1994-1998.
- (5) - Source is the Branch Deposits for Financial Institutions in Virginia, produced by Financial Institute Data Exchange for 1994-1995 and the Federal Deposit Insurance Corporation for years thereafter.
- (6) - 100% reassessment of real property.
- (7) - Information is not available for this time period.

CITY OF HARRISONBURG, VIRGINIA
MISCELLANEOUS STATISTICS
At June 30, 2003

Table 14

Date of incorporation	1849
Type of city	First class
Form of government	Council-Manager
Area	17.3 square miles
Miles of streets	132.62
Number of street lights	3,179
Fire protection:	
Number of stations	4
Number of fire fighters, dispatchers and officers exclusive of volunteer firemen but includes part time	75
Police protection:	
Number of stations	4
Number of policemen, dispatchers and officers	91
Education:	
Number of schools	6
Number of teachers	373
Number of students	4,026
Water System:	
Number of customers	12,057
Average daily consumption (gallons)	4,956,810
Linear feet of water lines	1,268,051
Sewer System:	
Number of customers	10,509
Linear feet of sewer lines	939,037
Building permits issued	896
Recreation and culture:	
Number of parks	11
Employees:	
City, other than school system	572
City school system	607
Harrisonburg Electric Commission	53

PART IV

COMPLIANCE SECTION

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING 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 City of Harrisonburg, Virginia, as of and for the year ended June 30, 2003, and have issued our report thereon dated November 7, 2003. 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.

Compliance

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 grants including certain provisions of the compliance matters described in the Summary of Compliance Matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

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

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 7, 2003

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

Honorable Members of City Council
City of Harrisonburg, Virginia

Compliance

We have audited the compliance of the City of Harrisonburg, Virginia with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2003. The City's major federal programs are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City of Harrisonburg, Virginia complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

Internal Control over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 7, 2003

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

Honorable Members of City Council
City of Harrisonburg, Virginia

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

Brown, Edwards & Company, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 7, 2003

CITY OF HARRISONBURG, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2003

A. SUMMARY OF AUDIT RESULTS

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

Highway Planning and Construction	20.205
Title I Grants to Local Educational Agencies	84.010
Education Technology State Grants	84.318
8. The **threshold** for distinguishing Type A and B programs was **\$300,000**.
9. The City was determined to be a **low-risk auditee**.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None.

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

None.

D. FINDINGS AND QUESTIONED COSTS – COMMONWEALTH OF VIRGINIA

None.

CITY OF HARRISONBURG, VIRGINIA
SUMMARY OF COMPLIANCE MATTERS
June 30, 2003

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

STATE COMPLIANCE MATTERS

Code of Virginia

Budget and Appropriation Laws

Cash and Investment Laws

Conflicts of Interest Act

Local Retirement Systems

Debt Provisions

Procurement Laws

Uniform Disposition of Unclaimed Property Act

Personal Property Tax Relief Act

Enhanced E-911 Service Taxes

State Agency Requirements

Education

Highway Maintenance Funds

FEDERAL COMPLIANCE MATTERS

Compliance Supplement for Single Audits of State and Local Governments

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

CITY OF HARRISONBURG, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2003

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
Department of Agriculture:		
Pass-through payments:		
Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	\$ 115,978
National School Lunch Program	10.555	556,606
Department of Agriculture and Consumer Services:		
National School Lunch Program (Commodities) (part of Child Nutrition Cluster)	10.555	<u>73,198</u>
Total Department of Agriculture		\$ <u>745,782</u>
Department of Justice:		
Direct payments:		
State Domestic Preparedness Equipment Support Program	16.007	\$ 44,105
Bryne Formula Grant Program	16.579	3,750
Local Law Enforcement Block Grants Program	16.592	21,670
Executive Office for Weed and Seed	16.595	21,908
Bulletproof Vest Partnership Program	16.607	<u>8,230</u>
Total Department of Justice		\$ <u>99,663</u>
Department of Labor:		
Pass-through payments:		
Department of Education:		
Employment Services and Job Training Pilots - Demonstrations and Research	17.249	\$ 5,890
Employment and Training Administration Pilots, Demonstrations and Research Projects	17.261	<u>34,083</u>
Total Department of Labor		\$ <u>39,973</u>
Department of Transportation:		
Direct payments:		
Highway Planning and Construction	20.205	\$ 401,000
Pass-through payments:		
Department of Rail and Public Transportation:		
Federal Transit - Capital Investment Grants	20.500	12,251
Formula Grants for Other than Urbanized Areas	20.509	584,856
Department of Motor Vehicles:		
Highway Safety Cluster:		
State and Community Highway Safety	20.600	<u>30,993</u>
Total Department of Transportation		\$ <u>1,029,100</u>

(continued)

CITY OF HARRISONBURG, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2003

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
Federal Emergency Management Agency:		
Direct payments:		
Emergency Management Performance Grants	83.552	\$ 12,475
State and Local All Hazards Emergency Operations Planning	83.562	<u>12,544</u>
Total Federal Emergency Management Agency		\$ <u>25,019</u>
Department of Education:		
Pass-through payments:		
Department of Education:		
Title I Grants to Local Educational Agencies	84.010	\$ 697,799
Vocational Education - Basic Grants to States	84.048	80,679
Immigrant Education	84.162	14,442
Safe and Drug-Free Schools and Communities - State Grants	84.186	27,626
Eisenhower Professional Development State Grants	84.281	27,915
Innovative Education Program Strategies	84.298	35,300
Education Technology State Grants	84.318	504,279
Advance Placement Program	84.330	700
English Language Acquisition Grants	84.365	53,069
Improving Teacher Quality State Grants	84.367	166,754
Special Education Cluster:		
Grants to States	84.027	542,915
Preschool Grants	84.173	<u>30,157</u>
Total Department of Education		\$ <u>2,181,635</u>
Department of Health and Human Services:		
Pass-through payments:		
Department of Education:		
Refugee and Entrant Assistance - Discretionary Grants	93.576	<u>18,757</u>
Total Health and Human Services		\$ <u>18,757</u>
Department of Defense:		
Direct payments:		
JROTC Funds	12.VA 170853	<u>43,908</u>
Total Department of Defense		\$ <u>43,908</u>
Total expenditure of federal awards		\$ <u><u>4,183,837</u></u>

The accompanying notes to schedule of expenditures of federal awards are an integral part of this schedule.

CITY OF HARRISONBURG, VIRGINIA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2003

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, 2003, the School Board, a component unit, had food commodities totaling \$14,431 in inventory.

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