

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
Fiscal Year Ended June 30, 2006**



Prepared by:

Department of Finance
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COUNTY OF ROCKINGHAM, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2006

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INTRODUCTORY SECTION



BOARD OF SUPERVISORS

PABLO CUEVAS

Election District No. 1

CHARLES W. AHREND

Election District No. 2

DEE E. FLOYD

Election District No. 3

WILLIAM B. KYGER, JR.

Election District No. 4

MICHAEL A. BREEDEN

Election District No. 5

JOSEPH S. PAXTON

County Administrator

ROCKINGHAM COUNTY

November 20, 2006

Board of Supervisors
County of Rockingham
20 East Gay Street
Harrisonburg, VA 22802

Gentlemen:

It is my pleasure to submit to you the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2006. This report has been prepared in accordance with Section 15.2-2503 of the *Code of Virginia*, 1950, as amended.

Upon completing your review of this introductory section, you are encouraged to turn to the narrative introduction, overview, and analysis found in management's discussion and analysis (MD&A) for a more detailed overview of the County's financial position.

The State's budget allocations continue to shift responsibilities to localities, particularly in areas such as education, transportation, and social services.

The ongoing war on terrorism and Homeland Security efforts continue to be a focus of attention for federal, state, and local governments, with the County's particular attention being placed on public safety and emergency preparedness. The CAFR reflects a continued increase in the cost to provide fire and rescue services with paid personnel as the County finds it increasingly difficult to meet that need with volunteers.

The Board authorized \$23.7 million this past year for the renovations of J. Frank Hillyard and Wilbur S. Pence Middle Schools. Further discussions with the School Board continue as the County addresses key growth issues, including the construction of two elementary schools and a high school on the eastern side of the County over the next few years.

Other significant events and actions during the period are as follows:

- Renovations at J. Frank Hillyard and Wilbur S. Pence Middle Schools continue to progress.
- Substantially completed the first phase of the County's Research and Technology Park on Route 11 North.
- Completed construction, and brought into service, a 2 million gallon water tank in the Grassy Creek area.
- Completed construction of a wastewater pump station and related pipelines in the Lakewood area.
- Rewrote the ordinance regulating the subdivision of property.
- Construction continued on the infrastructure for an 800 MHz two-way radio system that will serve the County and City of Harrisonburg (City).
- Completed design for Phase III (piggyback) of the landfill.

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Website: www.co.rockingham.va.us



Looking to the future, a number of issues under discussion by the Board may result in capital projects, and need to be considered in the County's financial planning. These issues include:

- Identifying sites for two new elementary schools and a high school to address short and long-term school needs;
- Planning for an addition to the administration center to meet present and future space needs for County operations;
- Working with the City to acquire additional operational space for social services, community services board, health department, and other related state and federal agencies;
- Working with member jurisdictions to design an upgrade and expansion to the regional wastewater treatment facility to meet Chesapeake Bay environmental regulations;
- Beginning preliminary research to locate the next disposal area for the County landfill, which is key for the region as it serves both the County and City; and
- Beginning the design for a new connector road to link western and eastern Rockingham County along an approved conceptual route that redirects traffic around downtown Harrisonburg.

The economy of the region continues to be strong. As noted in last year's report, the Board approved (October 2005) rezoning 200+ acres of land adjacent to the City for the construction of a new medical complex for Rockingham Memorial Hospital. Construction is underway on the state of the art hospital complex to serve the citizens of this area. Completion is projected for 1st quarter 2010.

In other economic news,

- the Adolph Coors plant in eastern Rockingham County will complete a \$350 million expansion in early 2007 that includes the addition of a high speed can fill line and the construction of a brewing facility.
- RR Donnelley, a provider of print and related services, will invest \$17 million in its plant in Rockingham County. Virginia successfully competed against several other states for the project which involved three localities in the Commonwealth.
- Merck & Co., Inc. will invest \$40 million to prepare its facility in Elkton to support the production of a vaccine candidate. The investment will include construction of a new building on its property and the installation of new manufacturing equipment for the process. The expansion, which is expected to be operational in 2007, will allow the Elkton facility to undertake part of the manufacturing process for GARDASIL™, Merck's vaccine in development to prevent certain infections.
- The Preston Lake development, approved by the Board in 2006, is expected to break ground in early spring 2007. This project will set a standard for future developments in the County with its mix of upscale commercial design and layout, and various options for housing.

Completion of these projects will provide a significant increase in tax revenue for the County and provide necessary financial resources to meet the service demands of the area. These activities support the Board's objective to encourage steady, sustainable growth, which fosters a strong local economy and makes Rockingham County "*a great place to be*". For more information on the services provided by the County please refer to our website at www.rockinghamcountyva.gov.

The Government Finance Officers Association of the United States and Canada has awarded the County a Certificate of Achievement for Excellence in Financial Reporting for the 24th consecutive year. This award certifies our continuing efforts to achieve the highest standards in government accounting and financial reporting.

On behalf of the County's management team, I extend our sincerest appreciation to the members of the Board of Supervisors for the confidence expressed and resources rendered to us throughout the year, which allow the implementation of the Board's policies. We look forward to continuing to work together with you in providing an efficient and effective level of service to the citizens of Rockingham County.

Respectfully submitted,



Joseph S. Paxton





BOARD OF SUPERVISORS

PABLO CUEVAS

Election District No. 1

CHARLES W. AHREND

Election District No. 2

DEE E. FLOYD

Election District No. 3

WILLIAM B. KYGER, JR.

Election District No. 4

MICHAEL A. BREEDEN

Election District No. 5

JOSEPH S. PAXTON
County Administrator

ROCKINGHAM COUNTY

November 20, 2006

To the Board of Supervisors, County Administrator,
The Citizens of the County of Rockingham, and
The Financial Community:

The Finance Department is pleased to present the County of Rockingham's (the County) Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2006. The report is designed to present fairly the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County in all material respects, and to demonstrate compliance with applicable finance-related legal and contractual provisions. The report adheres to the principle of full disclosure so that the reader may gain the maximum understanding of the County's financial affairs.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

PBGH, LLP, Certified Public Accountants, have issued an unqualified ("clean") opinion on the County of Rockingham's financial statements for the year ended June 30, 2006. The independent auditors' report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.

Profile of the Government

The County of Rockingham, located in the heart of the Shenandoah Valley, is the third largest county in Virginia in land area with 853.65 square miles and an estimated population of 71,600. The independent city of Harrisonburg, with an estimated population of 43,500 serves as the County seat, and is the largest city in western Virginia between the Roanoke and the Washington, D.C. metropolitan areas.

The County of Rockingham was established in 1778 by an act of the Virginia General Assembly, and is organized under the traditional form of County government. Under this form, the County's governmental operations are directed by a five-member Board of Supervisors (Board) who are elected by election districts. The Board is responsible for establishing the policies and ordinances that provide the direction for the government and for approving the annual budget.



This report includes the financial activities of the County of Rockingham (primary government), as well as the financial activities of the County's component units. Component units are legally separate entities for which the primary government is financially accountable and, therefore, are included in the primary government's CAFR.

The County provides a full range of services including law enforcement, emergency medical response, and fire protection; judicial services; correctional facilities; disposal of solid waste; utility services; planning and zoning; and recreational and cultural activities.

The County provides courthouse and jail facilities, as well as the services of the Sheriff, Commonwealth's Attorney, and Clerk of the Circuit Court for the City of Harrisonburg (City). The total costs of these services are presented in this report and supporting schedules. The City reimburses the County for one-half of the net local cost incurred in the provision of these services.

Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position and results of operations from those of the primary government. The Rockingham County School Board is a legally separate entity and is reported as a discretely presented component unit. The County has consolidated social service operations with the City which is named the Harrisonburg-Rockingham Social Services District (District). The District is also a separate legal entity and is a discretely presented component unit in the government-wide financial statements.

The School, School Textbook, and School Cafeteria Funds are included in the supporting schedules in this report since the Board is required to approve the budget for these operations. The County believes that the omission of these funds from the supporting schedules would not give the reader an accurate depiction of the overall results of the operations of County government.

Additional information on the financial reporting entity can be found in Note 1.A. in the notes to the financial statements.

State law requires the County Administrator to submit a balanced budget to the Board no later than April 15th of each year. Each department and agency prepares its budget request for review and amendment by the County Administrator prior to inclusion in the County's general operating budget. The School Board and Social Services Administrative Board prepare their budgets and transmit them to the County Administrator. The County Administrator then submits his recommendation to the Board's Finance Committee for consideration and recommendation to the full Board.

The Board establishes a time and place for a public hearing on the budget. A hearing must be held at least seven days prior to the adoption of the budget. Except for the School's budget, which may only be increased or decreased by major category or as a whole, the Board may insert new items of expenditure or may increase, decrease, or remove items of expenditure (other than debt service or other legal requirements). On April 27, 2005, the Board approved the budget for fiscal year 2006. During the fiscal year 2006, as is customary, the Board also approved supplemental budget amendments.

Local Economy

The County continues to enjoy a strong, diverse local economy and local indicators point to continued stability. The County has a varied manufacturing, industrial, distribution, services, and higher education base that adds to the relative stability of the unemployment rate (currently 2.7%). Major industries with headquarters or divisions located within the County's boundaries include a chemical manufacturer, brewery, printer, food service, retail distributors, four-season resort, and several poultry processors. Higher education also has a major presence within the area with a state university, private university, and a private college with a combined full-time enrollment of over 18,000 students.

According to the most recent report published in 2002 by the U.S. Census of Agriculture, Rockingham County is 2nd in the country in market value of poultry and poultry products sold, and is 39th in the country in market value of total agricultural products sold. Rockingham County's total cash receipts from agricultural production ranks 1st in the state (\$446 million) and exceeds the combined totals of the next four ranking counties.

The County experienced a steady increase in building activity for fiscal year 2006. Over \$196 million was authorized for new construction and renovations in the County for this time period including seven projects, each of which involved an investment of more than one million dollars. Some of the projects include: White Birch Estates, Inc. (retirement home); Kyger Funeral Home (new funeral home); Crossroads Plaza (small shopping/professional complex); and Beam Brothers Trucking (addition to trucking facility).

In April 2004, the County completed work on its "Comprehensive Plan for 2020 and Beyond", which guides the Board of Supervisors in its actions pertaining to land use, and promotes sustained economic development for the community.

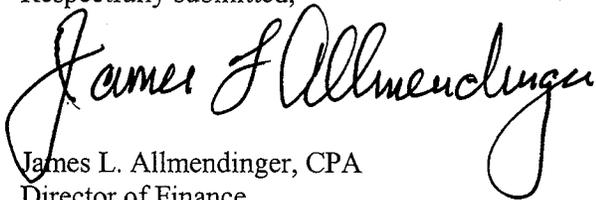
Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County of Rockingham for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2005. This was the 24th consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles 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.

The Finance Department expresses its appreciation to County staff that assisted and contributed in the preparation of this report. A special thank you is extended to the Board members and the County Administrator for their continued strong leadership and dedicated pursuit of excellence in financial reporting.

Respectfully submitted,



James L. Allmendinger, CPA
Director of Finance

COUNTY OF ROCKINGHAM, VIRGINIA

Directory of Principal Officials
June 30, 2006

Board of Supervisors

Michael A. Breeden, Chairman
District 5
William B. Kyger, Vice-Chairman
District 4

Pablo Cuevas
District 1

Charles W. Ahrend
District 2

Dee E. Floyd
District 3

County Administrator

Joseph S. Paxton

School Board

Dennis Stoneburner, Chairman
District 2
Dan R. Breeden, Vice-Chairman
District 5

Anthony Slater
District 1

John Myers, Jr.
District 3

William Gamble
District 4

Superintendent of Schools

Dr. John H. Kidd

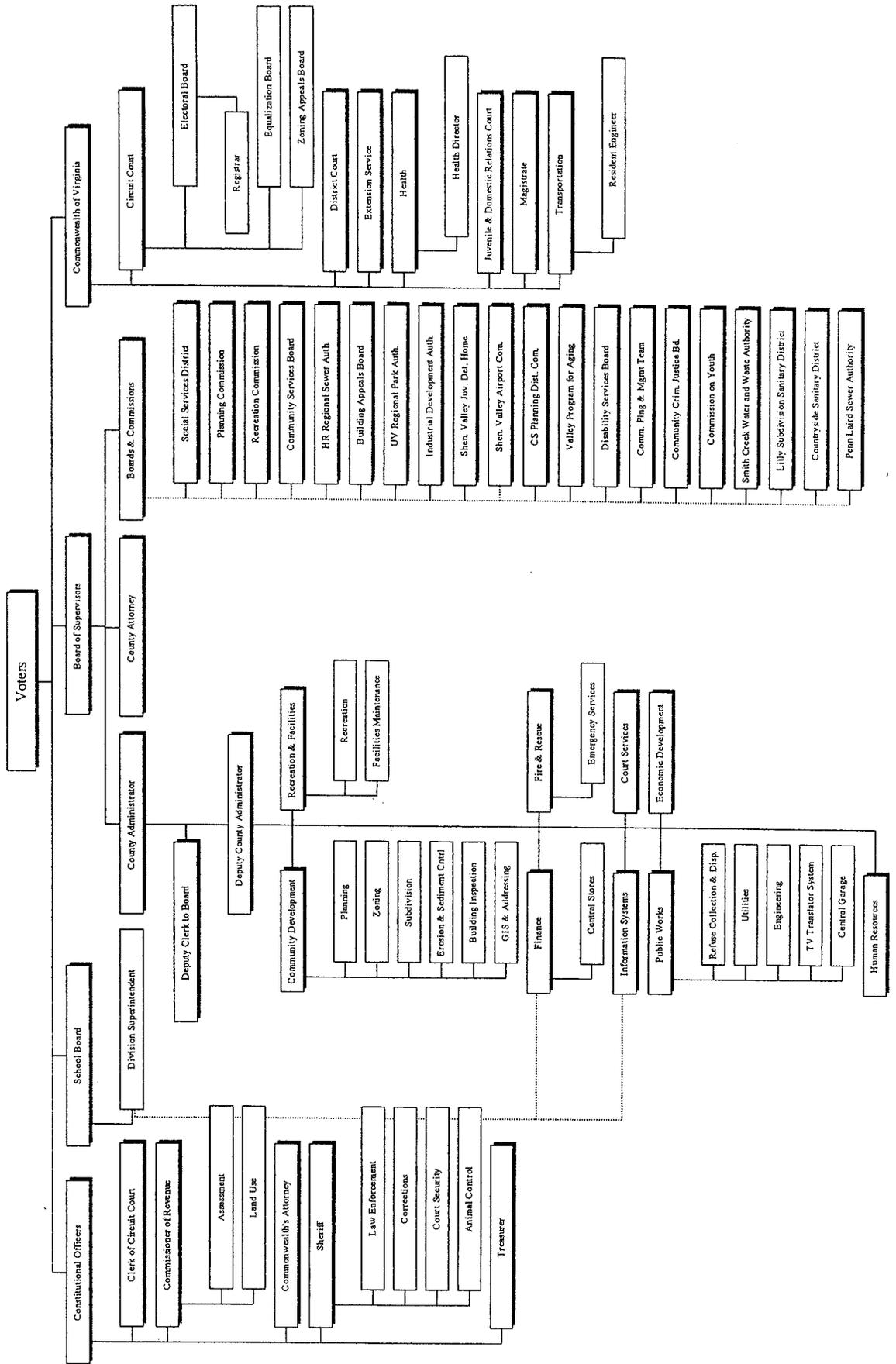
Other Officials

Stephen G. King
G. Chris Brown
Donald D. Driver, Jr.
Richard E. Connellee
Donald W. Farley
L. Todd Garber
Marsha L. Garst
L. Wayne Harper
James L. Allmendinger
Franklin P. O'Byrne
Wendell J. Eberly
Rhonda G. Henderson
Warren G. Heidt
Kenneth N. McNett
Stephen N. Riddlebarger
S. Kay Shifflett
Robert A. Symons
William L. Vaughn

Deputy County Administrator
County Attorney
Director of Social Services
Commissioner of the Revenue
Sheriff
Treasurer
Commonwealth Attorney
Clerk of the Circuit Court
Director of Finance
Director of Information Services
Director of Parks and Recreation
Director of Planning
Director of Public Works
Director of Court Services
Director of Human Resources
Registrar
Director of Fire and Rescue
Director of Community Development

**COUNTY OF ROCKINGHAM, VIRGINIA
GOVERNMENT ORGANIZATIONAL CHART**

JUNE 30, 2006



Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Rockingham,
Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

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.



Carla E. Perry

President

Jeffrey R. Emery

Executive Director

FINANCIAL SECTION



www.pbgh.com

Mensel D. Dean
Gregory W. Geisert
Herman W. Hale
John L. Vincie, III
Keith L. Wampler
Daniel B. Martin
Sean R. O'Connell

Kevin D. Humphries
Bradford R. Jones
Virginia B. Miller
John E. Zigler, Jr
Michael T. Kennison
Michael A. Garber
Donald W. Knotts

INDEPENDENT AUDITORS' REPORT

To the Honorable Members of the Board of Supervisors
County of Rockingham, 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 County of Rockingham, Virginia, (County) as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications 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, 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 County of Rockingham, Virginia, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2006 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis (pages 12 to 30) and the required supplementary information (page 77) are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We 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.

The accompanying introductory and statistical sections, as listed in the Table of Contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Rockingham, Virginia's basic financial statements. The combining and individual nonmajor fund financial statements and other schedules, listed in the Table of Contents as supplementary information, 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 the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is 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.

PBGH, LLP

Harrisonburg, Virginia
September 15, 2006

Management's Discussion and Analysis

As management of the County of Rockingham, Virginia, (County) we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with the letters of transmittal in the Introductory Section of this report and the County's financial statements following this analysis. **All amounts, unless otherwise indicated, are expressed in thousands of dollars.**

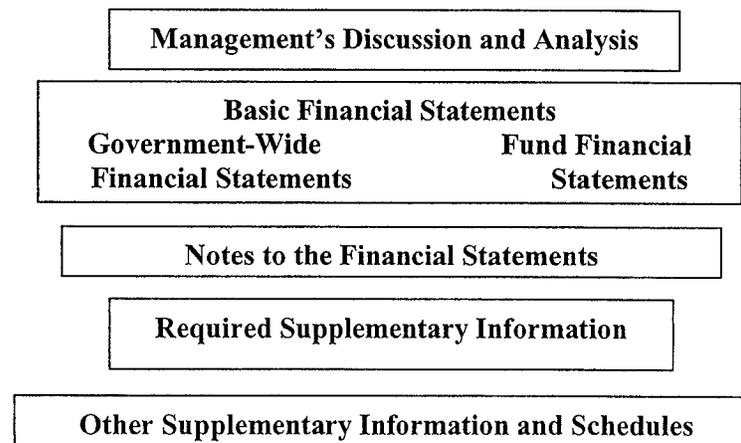
Financial Highlights

- The County's total net assets, excluding component units, increased this fiscal year by \$7,405 to \$39,190 at June 30, 2006. Of this amount, there was \$46,580 invested in the County's capital assets, net of related debt, and a negative \$12,450 in unrestricted funds as a result of recording the debt for the component unit – School Board within the governmental activities. Debt is recorded within the primary government since the County is legally obligated to make payments for this debt; however, the corresponding assets are reported in the component unit – School Board statements since the School Board holds title to the assets.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$31,368, a decrease of \$4,962 in comparison with the prior year. Approximately 65 percent of this total amount, \$23,836 is available for spending at the government's discretion (unreserved, undesignated fund balance).
- During the current fiscal year, the unreserved, undesignated fund balance in the General Fund decreased by \$6,979, from \$25,345 to \$18,366. This \$6,979 is considerably less than the \$10,610 the County had budgeted for in the 2006 fiscal year. It was intended that this use of available fund balance to offset one-time expenditures would avoid the need to raise taxes or other charges during the 2006 fiscal year for the acquisition of capital equipment and facilities, ensuring that operational costs for needed services are funded from on-going revenues to protect the quality of life for County residents. The unreserved, undesignated fund balance in the General Fund of \$18,366 at the end of the current fiscal year represents 21 percent of total General Fund expenditures, excluding transfers out.

Overview of the Financial Statements

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

Components of the Financial Section



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

The *statement of net assets* presents information on all of the County'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 County is improving or declining.

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 County 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 County include general government administration, judicial administration, public safety, public works, health and social services, education, parks, recreation and cultural, and community development. The business-type activities of the County include water and sewer, solid waste, and other proprietary fund operations.

The government-wide financial statements include not only the County itself (known as the *primary government*), but also a legally separate school board and a legally separate social services district for which the County is financially accountable. Financial information for these *component units* is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 31-33 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 County, 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 County 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 *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 the 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 County maintains six 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, the Special Revenue E-911 Fund, and the General Capital Projects Fund, all of which are considered to be major funds. Data from the other three governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The County adopts an annual appropriated budget for its 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 34-38 of this report.

Proprietary funds. The County 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 County uses enterprise funds to account for its water and sewer activities and for its solid waste operation. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses an internal service fund to account for revenue and expenses associated with providing office supplies to other departments or agencies of the County on a cost-reimbursement basis. Because this service predominantly benefits governmental rather than business-type functions, it has been 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 proprietary fund financial statements provide separate information for the Water and Sewer, Smith Creek Water & Waste Authority, and Solid Waste Funds, all of which are considered to be major funds of the County. Conversely, the non-major enterprise funds are combined into a single, aggregated presentation in the proprietary fund financial statements.

The basic proprietary fund financial statements can be found on pages 39-42 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 statement because the resources of those funds are *not* available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statement can be found on page 43 of this report.

Notes to the 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 the financial statements can be found on pages 44-76 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the County's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 77 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$39,190 at the close of the most recent fiscal year. This is an increase of 23 percent in comparison with the prior year.

By far, the largest portion of the County's net assets, \$46,580, reflects its investment in capital assets (e.g. land, buildings, improvements, machinery and equipment, and construction in progress, net of accumulated depreciation), less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to its citizens; consequently, these assets are not readily available for future spending. Although the County's investment in its 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 would not likely be used to liquidate these liabilities.

An additional portion of the County's net assets, \$5,061, represents resources that are subject to external restrictions on how they may be used. There was an increase of \$837 in restricted net assets reported in connection with the County's governmental activities. This was mostly due to the new E-911 communications system. There was a decrease of \$192 in restricted net assets reported in connection with the County's business-type activities. This decrease is the result of unspent debt proceeds in the prior fiscal year being expended this current fiscal year to complete the Route 11 North sewer project.

The unrestricted portion of the County's net assets for the primary government changed from a negative \$9,409 to a negative \$12,450. This negative balance is due to the County financing the necessary capital asset projects of the component unit School Board. Since the County is legally obligated for the retirement of the debt, it is required to record the liability for this financing; however, the capital asset which statutorily is owned by the School Board is recorded with the component unit. Please refer to Note 1(E)(8) of the financial statements for further explanation.

The government's net assets increased by \$7,405 during the current fiscal year. The key factor contributing to this positive outcome was stronger than expected economy resulting in higher revenue, particularly from real property taxes, personal property taxes, and other local taxes. In addition, while expenditures increased this year, the actual results were significantly below the final budget amounts, the two largest areas of savings were education and community development.

By far, the largest portion of the component unit School Board's net assets reflects its investment in capital assets (e.g. land, buildings, improvements, machinery and equipment, and construction in progress, net of accumulated depreciation). As explained above and in note 1(E)(8) of this report, the School Board does not have taxing authority by law and, therefore, cannot incur debt through general obligation bonds for its capital assets.

The restricted portion of the component unit School Board was reduced from \$23 to \$0 due to the use of funds restricted for capital projects during the current fiscal year. The deficit balance of \$5,126 is due mainly to the recording of the liability for compensated absences and the construction projects at J. Frank Hillyard Middle and Wilbur Pence Middle Schools resulting in accounts payable that will be paid from interim financing received by the County in July (after fiscal year-end).

The following table presents the condensed Statements of Net Assets in a comparative format:

	Governmental Activities		Business-type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 37,038	\$ 42,762	\$ 6,065	\$ 4,788	\$ 43,103	\$ 47,550
Capital assets, net	33,079	26,151	29,768	29,455	62,847	55,606
Total assets	70,117	68,913	35,833	34,243	105,950	103,156
Other liabilities	3,507	4,339	328	608	3,835	4,947
Noncurrent liabilities	53,666	55,884	9,259	10,540	62,925	66,424
Total liabilities	57,173	60,223	9,587	11,148	66,760	71,371
Net Assets:						
Investment in capital assets, net of related debt	21,591	13,858	24,988	22,920	46,579	36,778
Restricted	5,061	4,224	-	192	5,061	4,416
Unrestricted (deficit)	(13,708)	(9,392)	1,258	(17)	(12,450)	(9,409)
Total net assets	\$ 12,944	\$ 8,690	\$ 26,246	\$ 23,095	\$ 39,190	\$ 31,785

	Component Units			
	School Board		Harrisonburg- Rockingham Social Services District	
	2006	2005	2006	2005
Current and other assets	\$ 12,271	\$ 13,525	\$ 3,075	\$ 3,199
Capital assets, net	86,187	78,091	170	109
Total assets	98,458	91,616	3,245	3,308
Other liabilities	14,567	11,422	1,524	1,655
Noncurrent liabilities	2,830	2,694	268	248
Total liabilities	17,397	14,116	1,792	1,903
Net Assets:				
Investment in capital assets, net of related debt	86,187	78,091	170	109
Restricted	-	23	-	-
Unrestricted (deficit)	(5,126)	(1,498)	1,283	1,296
Total net assets	\$ 81,061	\$ 76,616	\$ 1,453	\$ 1,405

The following table presents a condensed Statement of Activities in a comparative format:

	Governmental Activities		Business-type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program revenues:						
Charges for services	\$ 6,312	\$ 5,529	\$ 7,007	\$ 6,552	\$ 13,319	\$ 12,081
Operating grants and contributions	10,577	8,780	34	39	10,611	8,819
Capital grants and contributions	538	779	2,124	-	2,662	779
General revenues:						
General property taxes	48,388	44,311	-	-	48,388	44,311
Other local taxes	9,964	8,900	-	-	9,964	8,900
Intergovernmental non-categorical aid	6,606	6,027	-	-	6,606	6,027
Use of money and property	1,490	989	214	124	1,704	1,113
Gain on sale of capital assets	-	592	-	-	-	592
Miscellaneous	185	116	248	278	433	394
Total revenues	84,060	76,023	9,627	6,993	93,687	83,016
Expenses:						
General government administration	4,564	4,332	-	-	4,564	4,332
Judicial administration	3,109	2,690	-	-	3,109	2,690
Public safety	16,729	15,626	-	-	16,729	15,626
Public works	2,187	1,879	6,872	5,372	9,059	7,251
Health and social services	4,403	3,328	-	-	4,403	3,328
Education	39,932	33,315	-	-	39,932	33,315
Parks, recreation and cultural	2,084	2,174	-	-	2,084	2,174
Community development	3,830	2,618	-	-	3,830	2,618
Interest	2,572	2,450	-	-	2,572	2,450
Total expenses	79,410	68,412	6,872	5,372	86,282	73,784
Changes in net assets before transfers	4,650	7,611	2,755	1,621	7,405	9,232
Transfers	(396)	(750)	396	750	-	-
Change in net assets	4,254	6,861	3,151	2,371	7,405	9,232
Net assets, beginning as restated	8,690	1,829	23,095	20,724	31,785	22,553
Net assets, ending	\$ 12,944	\$ 8,690	\$ 26,246	\$ 23,095	\$ 39,190	\$ 31,785

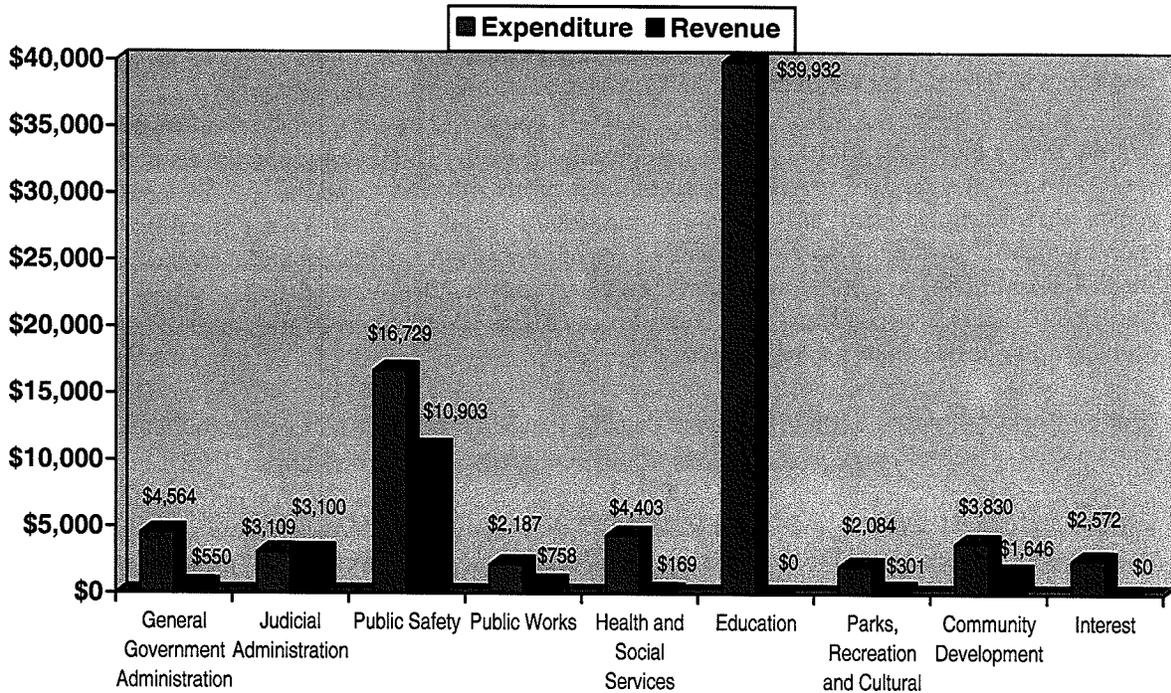
County of Rockingham, Virginia
Summary Statement of Changes in Net Assets (Continued)
For the Fiscal Years Ended June 30, 2006 and 2005

	Component Units			
	School Board		Harrisonburg-Rockingham Social Services District	
	2006	2005	2006	2005
Revenues:				
Program revenues:				
Charges for services	\$ 4,574	\$ 4,278	\$ -	\$ -
Operating grants and contributions	62,090	58,008	12,409	10,450
Capital grants and contributions	2,200	1,080	-	-
General revenues:				
Grants and contributions not restricted to specific programs	39,932	33,315	4,802	3,929
Intergovernmental non-categorical aid	132	130	-	-
Use of money and property	95	128	62	36
Miscellaneous	403	4,014	242	209
Total revenues	109,426	100,953	17,515	14,624
Expenses:				
Health and social services	-	-	17,467	14,785
Education	104,981	103,398	-	-
Total expenses	104,981	103,398	17,467	14,785
Change in net assets	4,445	(2,445)	48	(161)
Net assets, beginning, as restated	76,616	79,061	1,405	1,566
Net assets, ending	\$ 81,061	\$ 76,616	\$ 1,453	\$ 1,405

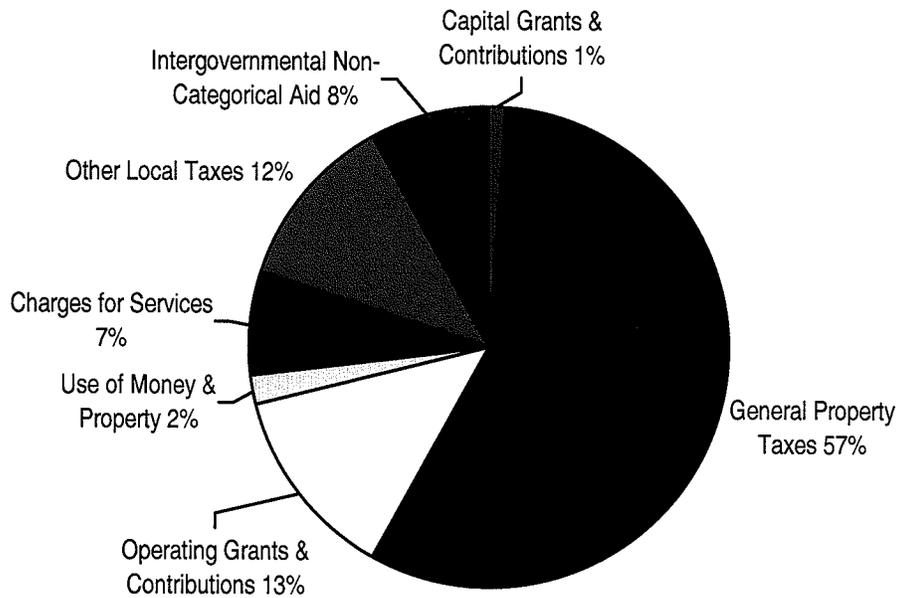
Governmental activities. Governmental activities increased the County's net assets by \$4,254, thereby accounting for 57 percent of the total growth in the net assets of the County. Key elements of this increase are as follows:

- Charges for services increased \$783 (14 percent) during the year. This increase is from the City of Harrisonburg's share of higher public safety and public works costs; and from increased receipts by the central garage for fuel and maintenance of the County's fleet of vehicles. There was a decrease in the funding received from the Commonwealth of Virginia in correction-and-detention fees for use of the Regional Jail.
- Operating grants and contributions increased \$1,797 (20 percent) during the year. This was primarily from the \$1,500 grant received from the Governor's Opportunity Fund as an incentive from the Commonwealth paid to Wal-Mart to encourage the new Distribution Center.
- Capital grants and contributions decreased \$241 (31 percent) due to the completion of the District Courts building renovation in the prior year.
- General property taxes increased \$4,077 (9 percent) during the year. This was due to two factors: first, the County is required to reassess real estate every four years to ensure that property is taxed on a value that approximates fair market value; and second, a strong local economy that has fostered commercial and residential building growth. Real property taxes and personal property taxes contributed to most of this increase.
- Other local taxes increased \$1,064 (12 percent) during the year. This increase was primarily due to a rate hike in the E-911 tax to pay for the debt service from the construction of the new 800MHz radio system under construction and a continued strong economy resulting in more local sales and use taxes; as well as taxes on recordation of land transactions and wills.
- Intergovernmental non-categorical aid increased \$579 (10 percent) during the year. This was mainly due to an increase in personal property tax relief received from the Commonwealth of Virginia.
- Use of money and property increased \$501 (51 percent) during the year. This was due to improved investment returns this fiscal year.
- Gain on sale of capital assets decreased \$592 (100 percent) during the year. This was the result of no capital asset sales during the current fiscal year.

Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities



For the most part, increases in expenses closely paralleled inflation and growth in the demand for services. Certain noteworthy exceptions were as follows:

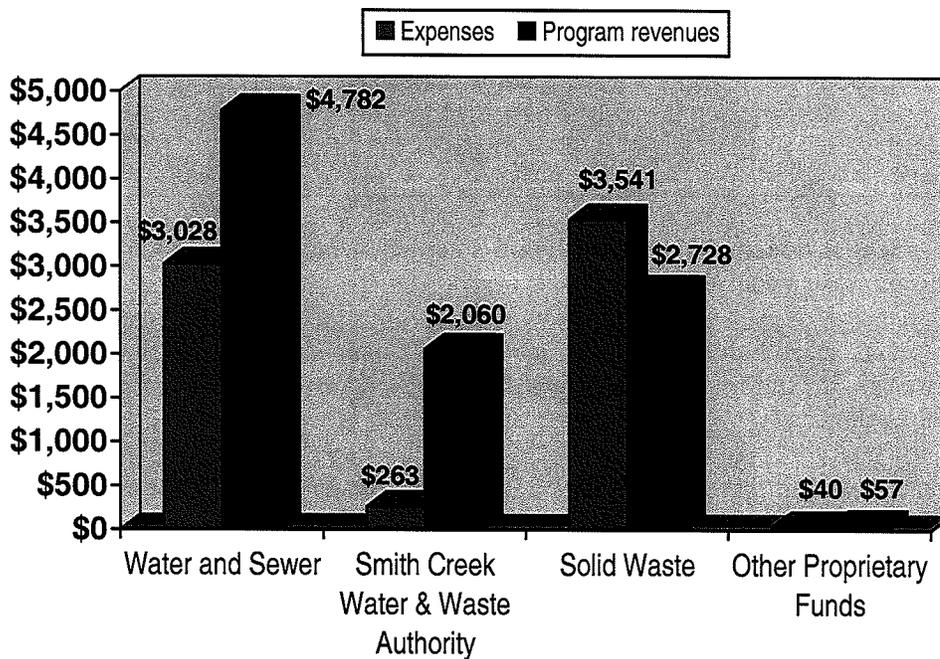
- Judicial administration increased \$419 (16 percent) during the year. A large portion of this increase was for expenditures from federal grants for the Department of Court Services and for additional attorneys authorized by the State for the Commonwealth Attorney's office.
- Public safety increased \$1,103 (7 percent) during the year. The County-operated regional correction and detention center had increased expenditures primarily due to additional personnel and related costs that resulted from an increased number of local inmates in the facility. The E-911 communication system also had increased expenditures due to higher call volumes that created a need for additional personnel and related costs. Animal control expenditures declined this year due to a \$500 special expenditure last year to assist the Rockingham-Harrisonburg SPCA with the construction of their new animal shelter.
- Public works increased \$308 (16 percent) during the year. The key factors for this increase were the higher cost of vehicle fuel; as well as electricity and heating of the buildings.
- Health and social services increased \$1,075 (32 percent) during the year. The appropriation to the Harrisonburg-Rockingham Social Services District increased \$657 over last year due to larger caseloads and higher costs. The County also contributed \$250 this year to assist the Harrisonburg-Rockingham Free Clinic with their capital improvements project to add a wing on the facility to meet increased demand for service. Institutional care further increased \$106 this year.
- Education increased \$6,617 (20 percent) during the year. This includes a transfer of funds to the School Capital Projects Fund of \$4,323 to assist with the construction projects at J. Frank Hillyard Middle and Wilbur Pence Middle Schools. The remaining portion of the increase was the result of higher personnel, transportation, and maintenance costs.
- Community development increased \$1,212 (46 percent) during the year. This was due to the \$1,500 grant received from the Governor's Opportunity Fund to be provided to the new Wal-Mart Distribution Center.

Business-type activities. Business-type activities increased the County's net assets by \$3,151, accounting for 43 percent of the total growth in the government's net assets. Key elements of this increase are as follows:

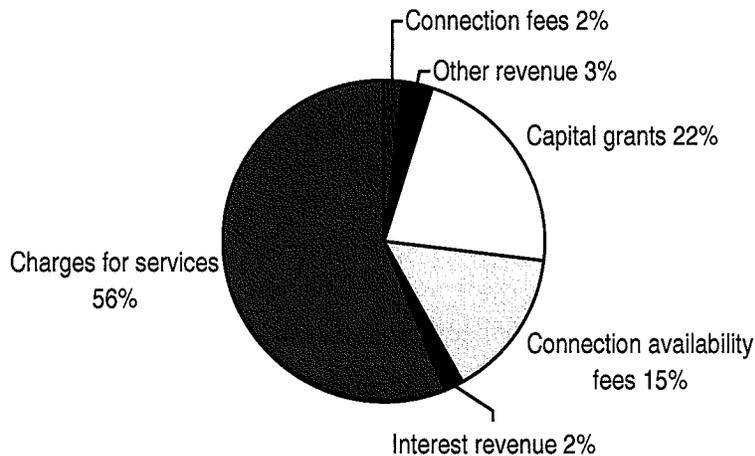
- Revenues for business-type activities increased by \$2,634 (38 percent) during the year. Key factors for this change were:
 - 1) \$570 higher revenue for charges for services due to more customers, higher usage, and rate increases effective September 1, 2005.
 - 2) \$467 more revenue in connection availability fees from the Water and Sewer Fund.
 - 3) A decrease of \$562 in connection fees from Smith Creek Water & Waste Authority due to the completion of the water and sewer construction projects last year.
- Capital grants and contributions increased by \$2,124 (100 percent) during the year. This is mostly the result of a Federal grant received for the sewer construction project of the Smith Creek Water & Waste Authority.

- Expenses for business-type activities increased by \$1,500 (28 percent) during the year. Key factors for this change were:
 - 1) Depreciation and amortization increased \$536.
 - 2) Contractual services increased \$453.
 - 3) Repairs and maintenance increased \$191.
 - 4) Personal services increased \$166.

Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities



Component Unit – School Board. The School Board’s net assets increased by \$4,445 this fiscal year. Key elements of this increase are as follows:

- Operating grants and contributions increased \$4,082 over the prior fiscal year. The State provided over \$3,325 of this increase through State sales tax receipts, basic school aid, and other state school funding.
- Capital grants and contributions increased \$1,120 over the prior year. The State provided this additional funding from the lottery and other state revenues.
- Grants and contributions not restricted to specific programs increased \$6,617 over the prior year. The County appropriated an additional \$2,359 to the School Fund this year, in addition to appropriating \$4,323 to the School Capital Projects Fund for renovations in progress and \$75 directly to the School Textbook Fund.
- Miscellaneous revenue decreased by \$3,611 from the prior year due to the School Activity Fund being reported as an agency fund this year (see Note 1.A.).
- Expenses of the School Board increased by only \$1,583 over the prior fiscal year, which was a more favorable outcome than in past years.

Financial Analysis of the Government’s Funds

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

Governmental funds. The focus of the County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the County'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.

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$31,368, a decrease of \$4,962 in comparison with the prior year. Approximately 76 percent of this total amount (\$23,836) constitutes *unreserved, undesignated fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved or designated* to indicate that it is not available for new spending because it has already been committed 1) for an advance to other funds (\$764), 2) for the new E-911 communications system (\$4,659), 3) for designated capital projects (\$1,480), or 4) for a variety of other restricted purposes (\$629).

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, unreserved, undesignated fund balance of the General Fund was \$18,366, while total fund balance reached \$20,707. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved, undesignated fund balance represents 21 percent of total General Fund expenditures, while total fund balance represents 23 percent of that same amount.

The fund balance of the County's General Fund decreased by \$6,948 during the current fiscal year. This is significantly less than the original budget expecting a \$10,610 decrease and the final budget showing a \$15,713 decrease. The key factors influencing this result are as follows:

- Revenue increased \$8,112 from the prior fiscal year. While most revenue categories grew, the two largest components were:
 1. General property taxes increased \$3,778 over the prior fiscal year. The main revenue sources of this increase were real property taxes up by \$3,270. The increase in the real estate taxes is due to commercial and industrial construction, as well as the residential real estate market continuing to show strength.
 2. Intergovernmental revenue climbed \$2,612 over last year. \$1,500 of this increase was due to the funds received from the Governor's Opportunity Fund to be provided to the new Wal-Mart Distribution Center. Most of the remaining additional revenue also came from the State.
- Expenditures increased \$18,897 over the prior fiscal year. While most of the expenditure categories also increased, the two largest components were:
 1. Debt service principal increased \$8,532 over the prior fiscal year due to the County retiring the \$8,500 interim financing for the Elkton Middle and Montevideo Middle Schools' renovations.
 2. Education increased \$6,757 over the prior fiscal year. There was a transfer of funds to the School Capital Projects Fund of \$4,323 and the remaining amount of the increase was the result of higher personnel, transportation, and maintenance costs.
- The County issued general obligation bonds in November 2005 as long-term financing for the Elkton Middle and Montevideo Middle Schools' renovations. Proceeds of \$9,404 and a premium on issuance of debt of \$519 were received.

- Transfers out increased \$5,982 from the prior fiscal year. The largest components of this change were as follows:
 1. Transfers to the Capital Projects Fund increased \$4,036, from \$3,936 to \$7,972. Construction of the School Administration building totaled \$3,701 this year and the first phase of the County's Research and Technology Park totaled \$2,379 this year. This also included establishing a reserve of \$1,000 for the Chesapeake Bay compliance upgrade and \$1,500 for the Human Services building expansion.
 2. Transfers to the Special Revenue E-911 Fund increased \$2,300 from the prior year to pay for the radio equipment linked to the new E-911 communications system.

The Special Revenue E-911 Fund has a total fund balance of \$4,659, all of which is reserved for E-911 activities. Revenue increased \$914 due to the increase in the 911 fee from \$1.50 to \$3.00 per telephone line effective July 1, 2005. Expenditures decreased \$957 due to a reduction in infrastructure expenditures for the new system this fiscal year. The Fund began paying debt service this fiscal year totaling \$627. The Fund also received a \$2,300 transfer from the General Fund this year to pay for the new radio equipment.

The General Capital Projects Fund has a total fund balance of \$5,599, of which \$5,469 is unreserved and undesignated. The County had capital outlays of \$6,995 during the current fiscal year which were funded by 1) a transfer of \$7,972 from the General Fund and 2) revenues of \$171.

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

Net assets of these funds increased \$3,151 this fiscal year to \$26,246. The largest portion of these net assets, \$24,988, continues to reflect the County's investment in capital assets. The unrestricted net assets of the proprietary funds changed from a deficit of \$17 last fiscal year to a positive \$1,258 this fiscal year.

Other factors concerning the finances of these funds have already been addressed in the discussion of the County's business-type activities.

General Fund Budgetary Highlights

During the year there was a \$17,360 increase in appropriations between the original and final amended budget. Following are the ten largest components of the increase:

- \$8,500 supplemental appropriation for the retirement of interim financing to renovate the Elkton Middle and Montevideo Middle Schools.
- \$2,500 supplemental appropriation to the School Capital Projects Fund for construction projects at J. Frank Hillyard Middle and Wilbur Pence Middle Schools.
- \$1,500 supplemental appropriation for funds received from the Governor's Opportunity Fund to be provided to the new Wal-Mart Distribution Center.
- \$1,423 supplemental appropriation to transfer to the School Capital Projects Fund the amount of permanent financing received in excess of the interim financing, and the bond premium.
- \$400 supplemental appropriation for repairs and improvements to Plains Elementary School.

- \$366 supplemental appropriation to the Harrisonburg-Rockingham Social Services District for the local portion of additional costs from the Comprehensive Services Act.
- \$280 supplemental appropriation to transfer funds to the Water and Sewer Fund for additional costs of the Wal-Mart water line extension.
- \$235 supplemental appropriation to transfer to the School Fund for carryover for Massanutten Technical Center's collision repair shop.
- \$213 supplemental appropriation due to the increase in gasoline prices and additional automotive parts and supplies.
- \$175 supplemental appropriation for the painting of the regional jail.

The increase in appropriations was possible because of a number of factors including: receiving permanent financing for the Elkton Middle and Montevideo Middle Schools' renovations; receiving funds from the Governor's Opportunity Fund for the Wal-Mart grant; the receipt of additional anticipated revenues; the reduction of other expenditures; and the use of the unreserved, undesignated fund balance in the General Fund.

Capital Asset and Debt Administration

Capital assets. The County's investment in capital assets for its governmental and business-type activities as of June 30, 2006, amounts to \$62,847 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, improvements, and machinery and equipment. The total increase in the County's investment in capital assets for the current fiscal year was 13 percent (a 26 percent increase for governmental activities and a 1 percent increase for business-type activities).

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

Governmental Activities

- Buildings
 - Construction was completed on the School Administration Building totaling \$4,396.
- Improvements Other Than Buildings
 - Construction was completed on the build-out of the second floor and renovation of the first floor of the District Courts building totaling \$2,145.
- Construction In Progress
 - Construction continued on the Research and Technology Park; construction in progress as of the close of the fiscal year was \$3,713, an increase of \$2,379 during this current fiscal year.
 - The E-911 communications system upgrade continued; construction in progress as of the close of this fiscal year was \$4,496, an increase of \$1,242 during this current fiscal year.

Business-Type Activities

- Improvements Other Than Buildings
 - Construction was completed on the Spotswood High School waterline extension and storage tank totaling \$1,598.
 - Construction was completed on the Lakewood sewer line and pump station totaling \$1,458.
 - Construction was completed on the Grassy Creek water line and storage tank totaling \$1,177.
 - Construction was completed on the Countryside Sanitary District water line totaling \$306.

- Construction In Progress
 - Construction in progress continued for the landfill expansion phase 3 project; construction in progress as of the fiscal year was \$560, an increase of \$209 during this current fiscal year.

County of Rockingham, Virginia
Summary Statement of Capital Assets
As of June 30, 2006 and 2005

	Governmental Activities		Business-type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
Non-Depreciable Assets:						
Land	\$ 3,199	\$ 3,199	\$ 888	\$ 610	\$ 4,087	\$ 3,809
Construction in progress	8,228	7,422	723	3,840	8,951	11,262
Depreciable Capital Assets:						
Buildings	24,579	20,024	85	85	24,664	20,109
Improvements	4,414	2,269	39,047	34,425	43,461	36,694
Machinery and equipment	6,602	5,857	3,750	3,572	10,352	9,429
Accumulated depreciation	(13,943)	(12,620)	(14,725)	(13,077)	(28,668)	(25,697)
Total	\$ 33,079	\$ 26,151	\$ 29,768	\$ 29,455	\$ 62,847	\$ 55,606

Major capital events of the component unit School Board during the current fiscal year include the following:

- Elkton and Montevideo Middle Schools' expansion and renovation in progress, totaled \$14,159, an increase of \$1,139 during the current year.

- J. Frank Hillyard and Wilbur Pence Middle Schools' expansion and renovation started this fiscal year and totaled \$9,083.

County of Rockingham, Virginia
Summary Statement of Capital Assets (Continued)
As of June 30, 2006 and 2005

	Component Units			
	School Board		Harrisonburg-Rockingham Social Services District	
	2006	2005	2006	2005
Non-Depreciable Assets:				
Land	\$ 2,972	\$ 2,972	\$ -	\$ -
Construction in progress	23,696	13,310	-	-
Depreciable Capital Assets:				
Buildings	101,256	100,947	-	-
Improvements	8,787	8,412	3	3
Machinery and equipment	22,079	21,328	446	338
Accumulated depreciation	(72,603)	(68,878)	(279)	(232)
Total	\$ 86,187	\$ 78,091	\$ 170	\$ 109

More detailed information about the County's capital assets is presented in Note 5 of the financial statements.

Long-term obligations. At the end of the current fiscal year, the County had total bonded debt outstanding of \$40,135. All bonded debt issued by the County is for educational purposes, primarily for the construction of school facilities.

County of Rockingham, Virginia
Summary Statement of Long-Term Obligations
As of June 30, 2006 and 2005

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
General obligation bonds	\$ 39,218	\$ 32,538	\$ -	\$ -	\$ 39,218	\$ 32,538
Literary fund loans	917	1,148	-	-	917	1,148
Lease revenue note payable	-	8,500	-	-	-	8,500
Capital leases	11,488	12,293	-	-	11,488	12,293
Unamortized premium	776	299	23	25	799	324
Revenue bonds	-	-	4,756	6,511	4,756	6,511
Landfill obligation	-	-	4,350	3,889	4,350	3,889
Compensated absences	1,267	1,106	130	115	1,397	1,221
Total	\$ 53,666	\$ 55,884	\$ 9,259	\$ 10,540	\$ 62,925	\$ 66,424

The County's latest bond rating by Moody's Investor Services, Inc. for general obligation bonds is "A+".

Article VII, Section 10(b), Constitution of Virginia, stipulates that no debt shall be contracted by or on behalf of any county or district thereof unless approved by an affirmative vote of a majority of the qualified voters of the County. No referendum was called to issue general obligation debt in the 2006 fiscal year.

The ratio of net bonded debt to assessed valuation and the amount of bonded debt per capita are useful indicators of the County's debt position to management, citizens, and investors. Data for the County at the end of the 2006 fiscal year is as follows:

Estimated Population	Assessed Valuation of All Taxable Property	Net Bonded Debt	Ratio of Debt to Assessed Valuation	Net Bonded Debt per Capita
71,600	\$6,239,580	\$40,135,000	.0064	\$ 561

More detailed information about the County's long-term obligations is presented in Note 6 of the financial statements.

Economic factors and next year's budget and rates

- The unemployment rate at June 30, 2006 for the County was 2.7 percent, which is a decrease from a rate of 3.3 percent a year ago. This compares favorably to the Virginia statewide unemployment rate of 3.3 percent and the United States national average of 4.8 percent.
- The steady recovery of the economy and the actions of the Virginia General Assembly have resulted in more predictable levels of state funding levels, and have made the projection of revenues for fiscal year 2007 less difficult than previous years. The State's budget allocations; however, continue to shift responsibilities to localities. This is particularly evident in areas such as education, transportation, and social services. Revenue estimates continue to have been projected conservatively to be responsible to the County's citizens in funding planned levels of service for next year.
- Federal revenues are primarily from grant sources, and with the federal fiscal year not beginning until October 1, it is difficult to know which grants will be approved. However, it is important to point out that those expenditures that are dependent on federal or state grants will not be incurred until the grant is approved and the County has assurances that it will receive those funds.

All of these factors were considered in preparing the County's budget for the 2007 fiscal year.

As mentioned earlier in the Financial Highlights, the unreserved, undesignated fund balance in the General Fund at fiscal year-end was \$18,366. The County has appropriated \$8,953 of this amount for spending in the 2007 fiscal year budget. This use of available fund balance is to offset one-time capital project expenditures and thus lessen the need to raise taxes.

The 2007 fiscal year budget includes the general real property reassessment that is determined every four years. With the average property values increasing 45 percent, the Board reduced the real estate tax from 71 cents to 58 cents per \$100 of assessed value for calendar year 2006. The net change results in an average increase of 18 percent in real estate taxes. This action was taken to meet the County's increased financial burden, while providing needed services and maintaining the quality of life for County residents.

Revenues in the Water and Sewer Fund were budgeted to increase due to more customers, increased usage, and the result of sewer monthly fees increasing in September of last fiscal year. Water and sewer connection fees are projected to increase effective January 1, 2007. These fee changes are necessary to provide needed services, maintain infrastructure, and help fund capital costs to meet proposed nutrient reduction requirements at the wastewater treatment plants.

Revenues in the Solid Waste Fund were also budgeted to increase. This is due to rates increasing from \$32 per ton to \$35 per ton effective September 1, 2005 and projected to increase again during the 2007 fiscal year. The County is making these rate changes due to facing significant charges related to closing the existing phases of the current cell area and constructing a new area (phase III). In addition, the County must address the increased cost of disposal related to increasing regulation requirements and higher fuel costs.

Requests for Information

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, County of Rockingham, PO Box 1252, Harrisonburg, Virginia 22803, telephone (540)564-3010. The County's website address is www.rockinghamcountyva.gov.



BASIC FINANCIAL STATEMENTS



COUNTY OF ROCKINGHAM, VIRGINIA

STATEMENT OF NET ASSETS

June 30, 2006

	Primary Government			Component Units	
	Governmental	Business-type	Totals	School	Harrisonburg- Rockingham Social Services
	Activities	Activities		Board	District
ASSETS					
Cash, cash equivalents and temporary cash investments	\$ 24,822,041	\$ 5,930,042	\$ 30,752,083	\$ 9,162,241	\$ 1,295,057
Receivables, net:					
Property taxes	3,268,709	-	3,268,709	-	-
Utility taxes	131,948	-	131,948	-	-
Trade and other accounts	528,337	718,741	1,247,078	249,627	92,819
Note receivable	-	86,740	86,740	-	-
Accrued interest	210,533	35,707	246,240	9,250	9,623
Due from other governments	2,213,372	-	2,213,372	2,663,745	1,677,539
Due from component unit - school board	1,189,769	-	1,189,769	-	-
Internal balances	763,500	(763,500)	-	-	-
Prepaid items	39,084	-	39,084	-	-
Inventory	52,943	34,390	87,333	185,489	-
Restricted cash	3,817,745	-	3,817,745	-	-
Financing costs, net of accumulated amortization	-	23,574	23,574	-	-
Capital assets, net of accumulated depreciation:					
Land	3,198,581	888,104	4,086,685	2,972,138	-
Buildings	24,578,898	84,613	24,663,511	101,256,476	-
Improvements other than buildings	4,413,663	39,046,563	43,460,226	8,787,044	3,156
Machinery and equipment	6,601,817	3,750,579	10,352,396	22,079,448	445,724
Construction in progress	8,228,644	722,989	8,951,633	23,695,477	-
Less: accumulated depreciation	(13,943,010)	(14,725,186)	(28,668,196)	(72,603,308)	(278,827)
Total assets	70,116,574	35,833,356	105,949,930	98,457,627	3,245,091
LIABILITIES					
Accounts payable	693,809	170,184	863,993	2,793,163	1,283,204
Retainage payable	-	-	-	392,102	-
Accrued payroll	675,177	77,162	752,339	9,889,869	149,066
Accrued liabilities	449,320	-	449,320	-	-
Accrued interest	1,053,765	80,856	1,134,621	-	-
Unearned revenue	635,040	-	635,040	-	91,575
Due to other governments	-	-	-	301,546	-
Due to primary government	-	-	-	1,189,769	-
Noncurrent liabilities:					
Due within one year	4,902,690	315,112	5,217,802	1,515,799	156,997
Due in more than one year	48,762,888	8,943,860	57,706,748	1,314,319	110,953
Total liabilities	57,172,689	9,587,174	66,759,863	17,396,567	1,791,795
NET ASSETS					
Invested in capital assets, net of related debt	21,591,028	24,988,500	46,579,528	86,187,275	170,053
Restricted:					
Nonexpendable trust	11,143	-	11,143	-	-
Expendable:					
Park maintenance	8,840	-	8,840	-	-
E-911	4,659,454	-	4,659,454	-	-
Law enforcement	96,904	-	96,904	-	-
Debt service	284,297	-	284,297	-	-
Unrestricted (deficit)	(13,707,781)	1,257,682	(12,450,099)	(5,126,215)	1,283,243
Total net assets	\$ 12,943,885	\$ 26,246,182	\$ 39,190,067	\$ 81,061,060	\$ 1,453,296

See Notes to Financial Statements.

COUNTY OF ROCKINGHAM, VIRGINIA

STATEMENT OF ACTIVITIES

Year Ended June 30, 2006

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets																			
	Program Revenues					Component Units														
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Totals	School Board	Harrisonburg-Rockingham Social Services District											
Primary Government																				
Governmental activities:																				
General government administration	\$ 4,564,294	\$ 4,764	\$ 446,138	\$ 99,075	\$ (4,014,317)	\$ -	\$ (4,014,317)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Judicial administration	3,109,327	1,213,214	1,819,324	67,119	(9,670)	-	(9,670)	-	-	-	-	-	-	-	-	-	-	-	-	-
Public safety	16,728,591	3,974,894	6,556,093	372,230	(5,825,374)	-	(5,825,374)	-	-	-	-	-	-	-	-	-	-	-	-	-
Public works	2,187,373	757,503	-	-	(1,429,870)	-	(1,429,870)	-	-	-	-	-	-	-	-	-	-	-	-	-
Health and social services	4,402,543	52,834	116,012	-	(4,233,697)	-	(4,233,697)	-	-	-	-	-	-	-	-	-	-	-	-	-
Education	39,932,203	-	-	-	(39,932,203)	-	(39,932,203)	-	-	-	-	-	-	-	-	-	-	-	-	-
Parks, recreation and cultural	2,083,985	300,701	-	-	(1,783,284)	-	(1,783,284)	-	-	-	-	-	-	-	-	-	-	-	-	-
Community development	3,830,069	7,615	1,638,937	-	(2,183,517)	-	(2,183,517)	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	2,572,000	-	-	-	(2,572,000)	-	(2,572,000)	-	-	-	-	-	-	-	-	-	-	-	-	-
Total governmental activities	79,410,385	6,311,525	10,576,504	538,424	(61,983,932)	-	(61,983,932)	-	-	(61,983,932)	-	(61,983,932)	-							
Business-type activities:																				
Water and sewer	3,330,466	4,772,135	10,000	1,861,994	-	3,313,663	3,313,663	-	-	-	-	-	-	-	-	-	-	-	-	-
Solid waste	3,541,130	2,234,945	24,025	261,494	-	(1,020,666)	(1,020,666)	-	-	-	-	-	-	-	-	-	-	-	-	-
Total business-type activities	6,871,596	7,007,080	34,025	2,123,488	-	2,292,997	2,292,997	-	-	2,292,997	-	2,292,997	-							
Total primary government	\$ 86,281,981	\$ 13,318,605	\$ 10,610,529	\$ 2,661,912	(61,983,932)	2,292,997	(59,690,935)	-	-	(59,690,935)	-	(59,690,935)	-							
Component Units:																				
Rockingham County School Board:																				
Education:																				
Instruction	\$ 82,718,284	\$ 2,323,912	\$ 60,079,957	\$ 2,200,194	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Administration, attendance and health	3,577,646	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(18,114,221)
Pupil transportation services	6,327,098	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,577,646)
Operation and maintenance services	8,131,472	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(6,327,098)
School food services	4,226,604	2,250,378	2,009,678	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(8,131,472)
																				33,452
Total school board	104,981,104	4,574,290	62,089,635	2,200,194	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(36,116,985)

COUNTY OF ROCKINGHAM, VIRGINIA

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2006

	General	Special Revenue E-911	General Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash, cash equivalents and temporary cash investments	\$ 17,221,607	\$ 1,464,357	\$ 6,023,014	\$ 109,700	\$ 24,818,678
Receivables, net:					
Property taxes	3,268,709	-	-	-	3,268,709
Utility taxes	131,948	-	-	-	131,948
Trade and other accounts	314,169	89,290	121,580	-	525,039
Accrued interest	169,088	20,224	19,386	1,835	210,533
Due from other governments	2,213,372	-	-	-	2,213,372
Due from component unit - school board	1,189,769	-	-	-	1,189,769
Prepaid items	39,084	-	-	-	39,084
Inventory	37,312	-	-	-	37,312
Advance to other funds	763,500	-	-	-	763,500
Restricted cash	-	3,513,588	-	304,157	3,817,745
Total assets	\$ 25,348,558	\$ 5,087,459	\$ 6,163,980	\$ 415,692	\$ 37,015,689
LIABILITIES					
Accounts payable	\$ 375,563	\$ 199,341	\$ 108,375	\$ 10,530	\$ 693,809
Accrued payroll	672,701	-	-	2,476	675,177
Accrued liabilities	-	114,320	335,000	-	449,320
Unearned revenue	3,593,685	114,344	121,580	-	3,829,609
Total liabilities	4,641,949	428,005	564,955	13,006	5,647,915
FUND BALANCES					
Reserved for:					
Advance to other funds	763,500	-	-	-	763,500
Inventory	37,312	-	-	-	37,312
Prepaid items	39,084	-	-	-	39,084
Nonexpendable trust principal	-	-	-	11,143	11,143
Park maintenance	-	-	-	8,840	8,840
E-911	-	4,659,454	-	-	4,659,454
Law enforcement	-	-	-	96,904	96,904
Debt service	-	-	-	284,297	284,297
Unreserved:					
Designated:					
Capital projects	1,479,682	-	-	-	1,479,682
Encumbrances	21,060	-	130,116	-	151,176
Undesignated:					
General fund	18,365,971	-	-	-	18,365,971
Capital projects funds	-	-	5,468,909	1,502	5,470,411
Total fund balances	20,706,609	4,659,454	5,599,025	402,686	31,367,774
Total liabilities and fund balances	\$ 25,348,558	\$ 5,087,459	\$ 6,163,980	\$ 415,692	\$ 37,015,689

COUNTY OF ROCKINGHAM, VIRGINIA

RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS

June 30, 2006

	Governmental Funds
Total fund balances - total governmental funds	\$ 31,367,774
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.	
Governmental capital assets	\$ 47,021,603
Less accumulated depreciation	<u>(13,943,010)</u>
Net capital assets	33,078,593
Unearned revenue represents amounts that were not available to fund current expenditures and therefore is not reported as revenue in the governmental funds.	
	3,194,569
Internal service funds are used by management to charge the costs of goods provided to other departments or funds. The assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Assets.	
	22,292
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds.	
General obligation bonds, including unamortized premiums	(39,993,674)
Literary loans	(917,386)
Capital leases	(11,487,565)
Compensated absences	(1,266,953)
Interest payable	<u>(1,053,765)</u>
	<u>(54,719,343)</u>
Net assets of governmental activities	<u>\$ 12,943,885</u>

See Notes to Financial Statements.

COUNTY OF ROCKINGHAM, VIRGINIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 Year Ended June 30, 2006

	General	Special Revenue E-911	General Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues:					
General property taxes	\$ 48,094,569	\$ -	\$ -	\$ -	\$ 48,094,569
Other local taxes	8,889,061	1,075,362	-	-	9,964,423
Permits, privilege fees and regulatory licenses	985,817	-	-	-	985,817
Fines and forfeitures	182,105	-	-	163,700	345,805
Use of money and property	1,247,182	165,302	54,059	24,683	1,491,226
Charges for services	2,846,255	-	-	-	2,846,255
Miscellaneous	125,070	-	55,827	-	180,897
Recovered costs	2,132,868	-	61,319	-	2,194,187
Intergovernmental	17,419,528	240,000	-	-	17,659,528
Total revenues	81,922,455	1,480,664	171,205	188,383	83,762,707
Expenditures:					
Current:					
General government administration	4,250,012	-	-	-	4,250,012
Judicial administration	2,927,878	-	-	-	2,927,878
Public safety	15,197,297	2,347,083	-	138,808	17,683,188
Public works	2,181,679	-	-	-	2,181,679
Health and social services	4,108,260	-	-	-	4,108,260
Education	39,932,203	-	-	-	39,932,203
Parks, recreation and cultural	1,754,520	-	-	-	1,754,520
Community development	3,771,777	-	-	-	3,771,777
Capital outlay	-	-	6,994,594	-	6,994,594
Debt service:					
Principal	11,895,443	364,860	-	-	12,260,303
Interest and fiscal charges	2,118,276	261,866	-	7,204	2,387,346
Total expenditures	88,137,345	2,973,809	6,994,594	146,012	98,251,760
Revenues over (under) expenditures	(6,214,890)	(1,493,145)	(6,823,389)	42,371	(14,489,053)
Other financing sources (uses):					
Issuance of debt	9,404,190	-	-	-	9,404,190
Premium on issuance of debt	518,642	-	-	-	518,642
Transfers in	11,553	2,300,000	7,971,899	-	10,283,452
Transfers out	(10,667,519)	-	-	(11,553)	(10,679,072)
Total other financing sources (uses), net	(733,134)	2,300,000	7,971,899	(11,553)	9,527,212
Net change in fund balances	(6,948,024)	806,855	1,148,510	30,818	(4,961,841)
Fund balance, beginning	27,654,633	3,852,599	4,450,515	371,868	36,329,615
Fund balance, ending	\$ 20,706,609	\$ 4,659,454	\$ 5,599,025	\$ 402,686	\$ 31,367,774

COUNTY OF ROCKINGHAM, VIRGINIA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2006**

	Governmental Funds	
Net change in fund balances - total governmental funds	\$	(4,961,841)
Reconciliation of amounts reported for governmental activities in the Statement of Activities:		
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>		
Expenditure for capital assets	\$	8,292,345
Less depreciation expense		<u>(1,364,945)</u>
Excess of capital outlays over depreciation		6,927,400
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Change in deferred revenue		297,422
<p>Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.</p>		
Debt issued or incurred:		
General obligation debt		(9,404,190)
Premium on general obligation debt		(518,642)
Principal repayments:		
General obligation debt		<u>12,260,303</u>
		2,337,471
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>		
Accrued interest		(226,315)
Compensated absences		(160,541)
Amortization of premium		<u>41,661</u>
		(345,195)
<p>Internal service funds are used by management to charge the costs of certain activities, such as central purchasing, to individual funds. The net expense of the internal service fund is reported with governmental activities.</p>		
Total revenues		46,075
Total expenses		<u>(47,208)</u>
		<u>(1,133)</u>
Change in net assets of governmental activities	\$	<u>4,254,124</u>

See Notes to Financial Statements.

COUNTY OF ROCKINGHAM, VIRGINIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL - GENERAL FUND
 Year Ended June 30, 2006

	General Fund			Variance with Final Budget Over (Under)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues:				
General property taxes	\$ 46,165,000	\$ 46,165,000	\$ 48,094,569	\$ 1,929,569
Other local taxes	7,594,000	7,594,000	8,889,061	1,295,061
Permits, privilege fees and regulatory licenses	844,150	844,150	985,817	141,667
Fines and forfeitures	193,000	193,000	182,105	(10,895)
Use of money and property	608,203	608,203	1,247,182	638,979
Charges for services	2,496,686	2,709,686	2,846,255	136,569
Miscellaneous	45,000	47,000	125,070	78,070
Recovered costs	1,936,486	2,133,616	2,132,868	(748)
Intergovernmental	15,659,618	17,580,451	17,419,528	(160,923)
Total revenues	75,542,143	77,875,106	81,922,455	4,047,349
Expenditures:				
Current:				
General government administration	4,482,412	4,653,012	4,250,012	(403,000)
Judicial administration	2,983,216	3,182,926	2,927,878	(255,048)
Public safety	14,971,783	15,829,483	15,197,297	(632,186)
Public works	1,832,627	2,219,177	2,181,679	(37,498)
Health and social services	3,550,862	4,130,320	4,108,260	(22,060)
Education	37,417,617	42,050,474	39,932,203	(2,118,271)
Parks, recreation and cultural	1,918,460	1,929,460	1,754,520	(174,940)
Community development	3,218,614	4,693,547	3,771,777	(921,770)
Debt service:				
Principal	3,395,443	11,895,443	11,895,443	-
Interest and fiscal charges	2,204,406	2,204,406	2,118,276	(86,130)
Total expenditures	75,975,440	92,788,248	88,137,345	(4,650,903)
Revenues under expenditures	(433,297)	(14,913,142)	(6,214,890)	8,698,252
Other financing sources (uses):				
Issuance of debt	-	9,404,190	9,404,190	-
Premium on issuance of debt	-	518,642	518,642	-
Transfers in	-	-	11,553	11,553
Transfers out	(10,176,375)	(10,723,149)	(10,667,519)	55,630
Total other financing uses, net	(10,176,375)	(800,317)	(733,134)	67,183
Net change in fund balance	(10,609,672)	(15,713,459)	(6,948,024)	8,765,435
Fund balance, beginning	10,609,672	15,713,459	27,654,633	11,941,174
Fund balance, ending	\$ -	\$ -	\$ 20,706,609	\$ 20,706,609

See Notes to Financial Statements.

COUNTY OF ROCKINGHAM, VIRGINIA

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 June 30, 2006

	Business-Type Activities - Enterprise Funds				Totals	Governmental Activity - Internal Service Fund
	Water and Sewer	Smith Creek Water & Waste Authority	Solid Waste	Other Proprietary Funds		
ASSETS						
Current Assets:						
Cash, cash equivalents and temporary cash investments	\$ 2,261,107	\$ 550,585	\$ 2,868,271	\$ 250,079	\$ 5,930,042	\$ 3,363
Trade and other accounts receivable	302,311	149,483	249,700	17,247	718,741	3,298
Note receivable	43,370	-	-	-	43,370	-
Accrued interest	14,481	3,385	17,246	595	35,707	-
Inventory	34,390	-	-	-	34,390	15,631
Total current assets	2,655,659	703,453	3,135,217	267,921	6,762,250	22,292
Noncurrent Assets:						
Note receivable	43,370	-	-	-	43,370	-
Financing costs, net of accumulated amortization	15,066	8,508	-	-	23,574	-
Capital assets:						
Land	257,572	-	600,870	29,662	888,104	-
Buildings	12,995	-	62,718	8,900	84,613	-
Improvements other than buildings	22,867,396	6,592,841	9,140,820	445,506	39,046,563	-
Machinery and equipment	795,982	23,108	2,926,019	5,470	3,750,579	-
Construction in progress	84,904	-	560,184	77,901	722,989	-
Less accumulated depreciation	(6,887,850)	(292,101)	(7,498,301)	(46,934)	(14,725,186)	-
Total capital assets (net of accumulated depreciation)	17,130,999	6,323,848	5,792,310	520,505	29,767,662	-
Total noncurrent assets	17,189,435	6,332,356	5,792,310	520,505	29,834,606	-
Total assets	19,845,094	7,035,809	8,927,527	788,426	36,596,856	22,292
LIABILITIES						
Current Liabilities:						
Accounts payable and deposits	122,847	4,088	40,012	3,237	170,184	-
Compensated absences	30,412	-	41,339	-	71,751	-
Accrued payroll	37,624	-	39,538	-	77,162	-
Accrued interest	15,703	60,417	-	4,736	80,856	-
Advance from other funds	640,000	-	-	123,500	763,500	-
Revenue bonds	80,000	97,881	-	6,197	184,078	-
Landfill obligation	-	-	59,283	-	59,283	-
Total current liabilities	926,586	162,386	180,172	137,670	1,406,814	-
Noncurrent Liabilities:						
Compensated absences	26,260	-	32,005	-	58,265	-
Revenue bonds	1,363,096	3,066,897	-	165,091	4,595,084	-
Landfill obligation	-	-	4,290,511	-	4,290,511	-
Total noncurrent liabilities	1,389,356	3,066,897	4,322,516	165,091	8,943,860	-
Total liabilities	2,315,942	3,229,283	4,502,688	302,761	10,350,674	-
NET ASSETS						
Invested in capital assets, net of related debt	15,687,903	3,159,070	5,792,310	349,217	24,988,500	-
Unrestricted (deficit)	1,841,249	647,456	(1,367,471)	136,448	1,257,682	22,292
Total net assets	\$ 17,529,152	\$ 3,806,526	\$ 4,424,839	\$ 485,665	\$ 26,246,182	\$ 22,292

COUNTY OF ROCKINGHAM, VIRGINIA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUNDS
 Year Ended June 30, 2006

	Business-type Activities - Enterprise Funds				Totals	Governmental Activity - Internal Service Fund
	Water and Sewer	Smith Creek Water & Waste Authority	Solid Waste	Other Proprietary Funds		
Operating revenues:						
Charges for services	\$ 2,994,632	\$ 154,938	\$ 2,234,945	\$ 45,110	\$ 5,429,625	\$ 46,075
Connection fees	120,196	30,100	-	-	150,296	-
Other revenue	152,801	285	119,025	50	272,161	-
Total operating revenues	3,267,629	185,323	2,353,970	45,160	5,852,082	46,075
Operating expenses:						
Personal services	733,843	-	830,480	-	1,564,323	-
Fringe benefits	291,794	-	325,788	-	617,582	-
Contractual services	148,487	21,422	691,760	14,500	876,169	-
Regional Sewer Authority assessment for debt service	39,683	-	-	-	39,683	-
Electrical services	277,507	-	22,276	4,460	304,243	-
Water and sewer services	216	-	8,505	-	8,721	-
Repairs and maintenance	60,665	-	391,582	52	452,299	-
Internal services	57,015	-	6,715	-	63,730	-
Vehicle parts and supplies	12,193	-	123,677	-	135,870	-
Other charges	758,084	6,278	120,984	8,942	894,288	47,208
Depreciation and amortization	549,328	134,693	1,045,913	6,133	1,736,067	-
Total operating expenses	2,928,815	162,393	3,567,680	34,087	6,692,975	47,208
Operating income (loss)	338,814	22,930	(1,213,710)	11,073	(840,893)	(1,133)
Nonoperating revenues (expenses):						
Operating grants	-	-	-	10,000	10,000	-
Capital grants	-	1,861,994	261,494	-	2,123,488	-
Connection availability fees	1,427,159	-	-	-	1,427,159	-
Interest revenue	86,700	12,773	112,650	1,722	213,845	-
Interest expense	(101,597)	(100,676)	-	(5,441)	(207,714)	-
Gain on disposal of equipment	2,543	-	26,550	-	29,093	-
Total nonoperating revenues, net	1,414,805	1,774,091	400,694	6,281	3,595,871	-
Income (loss) before transfers	1,753,619	1,797,021	(813,016)	17,354	2,754,978	(1,133)
Transfers in	280,000	-	-	316,620	596,620	-
Transfers out	(201,000)	-	-	-	(201,000)	-
Change in net assets	1,832,619	1,797,021	(813,016)	333,974	3,150,598	(1,133)
Total net assets, beginning	15,696,533	2,009,505	5,237,855	151,691	23,095,584	23,425
Total net assets, ending	\$ 17,529,152	\$ 3,806,526	\$ 4,424,839	\$ 485,665	\$ 26,246,182	\$ 22,292

See Notes to Financial Statements.

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2006**

	Business-type Activities - Enterprise Funds				Totals	Governmental Activity - Internal Service Fund
	Smith Creek Water & Sewer	Water & Waste Authority	Solid Waste	Other Proprietary Funds		
Cash Flows From Operating Activities:						
Receipts from customers	\$ 3,105,518	\$ 172,419	\$ 2,412,900	\$ 49,649	\$ 5,740,486	\$ 46,956
Payments to suppliers for goods and services	(818,108)	(19,906)	(790,611)	(68,609)	(1,697,234)	(51,712)
Payments to employees for services	(1,023,829)	-	(1,143,477)	-	(2,167,306)	-
Internal activity - payments to other funds	(57,015)	-	(6,715)	-	(63,730)	-
Other receipts (payments), net	(605,283)	(5,993)	(96,959)	(3,524)	(711,759)	-
Net cash provided by (used in) operating activities	601,283	146,520	375,138	(22,484)	1,100,457	(4,756)
Cash Flows From Noncapital and Related Financing Activities:						
Operating grants	-	-	-	10,000	10,000	-
Cash Flows From Capital and Related Financing Activities:						
Capital grants	-	1,861,994	261,494	-	2,123,488	-
Proceeds from issuance of debt	-	1,333,000	-	171,288	1,504,288	-
Payment of advance from other funds	(55,000)	-	-	(207,116)	(262,116)	-
Connection availability fees	1,427,159	-	-	-	1,427,159	-
Principal paid on bonds	(75,000)	(3,184,701)	-	-	(3,259,701)	-
Interest paid on outstanding debt	(103,424)	(68,670)	-	(4,226)	(176,320)	-
Transfer from other funds for capital purposes	280,000	-	-	316,620	596,620	-
Transfers to other funds for capital purposes	(201,000)	-	-	-	(201,000)	-
Acquisition and construction of capital assets	(1,312,988)	-	(646,809)	(53,552)	(2,013,349)	-
Net cash provided by (used in) capital and related financing activities	(40,253)	(58,377)	(385,315)	223,014	(260,931)	-
Cash Flows From Investing Activities:						
Receipts from collection of loan	43,370	-	-	-	43,370	-
Interest received on investment securities	80,376	11,529	113,133	1,274	206,312	-
Net cash provided by investing activities	123,746	11,529	113,133	1,274	249,682	-
Net increase (decrease) in cash and cash equivalents	684,776	99,672	102,956	211,804	1,099,208	(4,756)
Cash and cash equivalents:						
Beginning	1,576,331	450,913	2,765,315	38,275	4,830,834	8,119
Ending	\$ 2,261,107	\$ 550,585	\$ 2,868,271	\$ 250,079	\$ 5,930,042	\$ 3,363

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2006**

	Business-type Activities - Enterprise Funds				Totals	Governmental Activity - Internal Service Fund
	Water and Sewer	Smith Creek Water & Waste Authority	Solid Waste	Other Proprietary Funds		
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:						
Operating income (loss)	\$ 338,814	\$ 22,930	\$ (1,213,710)	\$ 11,073	\$ (840,893)	\$ (1,133)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation and amortization	549,328	134,693	1,045,913	6,133	1,736,067	-
Gain on disposal of equipment	2,543	-	26,550	-	29,093	-
Change in assets and liabilities:						
(Increase) decrease in:						
Accounts receivable	(11,853)	(12,619)	56,405	4,539	36,472	881
Inventory	9,650	-	-	-	9,650	(4,310)
Increase (decrease) in:						
Accounts payable	(150,208)	1,516	(20,887)	(44,229)	(213,808)	(194)
Accrued liabilities	(136,991)	-	20,141	-	(116,850)	-
Landfill obligation	-	-	460,726	-	460,726	-
Net cash provided by (used in) operating activities	\$ 601,283	\$ 146,520	\$ 375,138	\$ (22,484)	\$ 1,100,457	\$ (4,756)
Schedule of Noncash Capital and Related Financing Activities:						
Capital assets acquired through incurrence of accounts payable	\$ 33,669	\$ -	\$ -	\$ -	\$ 33,669	\$ -

COUNTY OF ROCKINGHAM, VIRGINIA

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2006

	Agency Funds
<hr/>	
ASSETS	
Cash, cash equivalents and temporary cash investments	\$ 1,763,375
Accounts receivable	<u>86,600</u>
Total assets	<u>1,849,975</u>
LIABILITIES	
Accounts payable	<u>1,849,975</u>
Total liabilities	<u><u>\$ 1,849,975</u></u>

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies

The financial statements of the County of Rockingham, Virginia, conform with accounting principles generally accepted in the United States of America as applied to government units promulgated by the Governmental Accounting Standards Board (GASB). The more significant of the government's accounting policies are described below.

A. Reporting Entity

The County of Rockingham was created by an act of the General Assembly of Virginia in 1778, and provides a wide range of municipal services contemplated by statute or charter. As required by accounting principles generally accepted in the United States of America, these financial statements present the County (primary government) and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government. Each blended and discretely presented component unit has a June 30 year end.

Blended Component Units. The Lilly Subdivision Sanitary District, the Smith Creek Water & Waste Authority, the Penn Laird Sewer Authority, and the Countryside Sanitary District serve the citizens of the primary government that are in their respective districts and authority and are governed by a board comprised of the primary government's Board of Supervisors. The districts and authorities are reported as enterprise funds.

Discretely Presented Component Units:

School Board

The School Board is responsible for elementary and secondary education within the government's jurisdiction and is elected by the voters of Rockingham County. The School Board is fiscally dependent upon the government because the government's Board of Supervisors approves the School Board's budget, levies taxes and must approve any debt issuances of the School Board. The School Board is presented as a governmental fund type and consists of four special revenue funds and one capital projects fund which include the following:

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

A. Reporting Entity (Continued)

School Operating Fund accounts for the general operations of the School Board. Financing is provided by specific allocations from the state and federal governments, by appropriation from the General Fund of the primary government by the Board of Supervisors, and charges for services.

School Textbook Fund accounts for textbook inventory.

School Cafeteria Fund accounts for the centralized School cafeteria operations.

School Capital Projects Fund accounts for financial resources used for the acquisition or construction of major capital facilities of the School Board, other than those financed by the Massanutten Technical Center.

Massanutten Technical Center - Operating Fund accounts for the general operations of the Massanutten Technical Center. The Massanutten Technical Center funds are under the control of the Massanutten Technical Center Board of Control appointed by the Rockingham County School Board and Harrisonburg City School Board.

Additionally, the School Board reports two agency funds, which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Agency funds consist of the School Activity Fund and Massanutten Technical Center Activity Fund.

The Component Unit - School Board does not issue a separate set of financial statements. All financial information of the School Board is presented with this Comprehensive Annual Financial Report.

Complete financial statements for the School Activity Fund, Massanutten Technical Center - Operating Fund, and Massanutten Technical Center Activity Fund can be obtained from their respective administrative offices.

School Activity Funds
County of Rockingham
100 Mt. Clinton Pike
Harrisonburg, Virginia 22802

Massanutten Technical Center
325 Pleasant Valley Road
Harrisonburg, Virginia 22801

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

A. Reporting Entity (Continued)

Harrisonburg-Rockingham Social Services District

Harrisonburg-Rockingham Social Services District (District) is a regional district created by the governing bodies of the County of Rockingham and City of Harrisonburg to provide social services for the residents of the County of Rockingham and the City of Harrisonburg. The participating entities appoint one member each to the governing board. The District is a legally separate organization. Its financial statements are presented as a discrete presentation of the County's financial statements because of the District's fiscal dependency on the County. The District is presented as a governmental fund type consisting of one special revenue fund as follows:

Social Services Fund accounts for the general operations of the District. Financing is provided by specific allocations from the state and federal governments, by appropriation from the General Fund of the primary government by the Board of Supervisors, and by the City of Harrisonburg.

The Component Unit - Harrisonburg-Rockingham Social Services District does not issue a separate set of financial statements. All financial information of the District is presented with this Comprehensive Annual Financial Report.

B. Government-Wide and Fund Financial Statements

Government-Wide Statements: The Statement of Net Assets and the Statement of Activities display information about the primary government (the County) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the County. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. 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 presents a comparison between direct expenses and program revenues for the different business-type activities of the County and for each function of the County's governmental activities. *Direct expenses* are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a *particular* function. Indirect expense allocations that have been made in the funds have been reversed for the Statement of Activities. *Program revenues* include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as *general revenues*.

Fund Financial Statements: The fund financial statements provide information about the County's funds, including its fiduciary funds and blended component units. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

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

Government-Wide, Proprietary, and Fiduciary Fund Financial Statements: The government-wide and proprietary fund financial statements are reported using the *economic resources measurement focus*. The government-wide, proprietary, and fiduciary fund financial statements are reported using the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from the property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements. Governmental funds are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Under this method, revenues are recognized when measurable and available. The County considers all revenues reported in the governmental funds to be available if the revenues are collected within 75 days after year-end, except property taxes which are recognized as revenue if they have been collected within 45 days after year-end. Property taxes, sales taxes, franchise taxes, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt, acquisitions under capital leases and sales of capital assets are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues to fund the program.

All governmental and business-type activities and enterprise funds of the County follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Operating expenses include cost of services, administrative expenses and depreciation on capital assets. All expenses not meeting this definition are reported as nonoperating expenses.

The County reports the following major governmental funds:

General Fund. This is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

General Capital Projects Fund. This fund accounts for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds.

E-911 Fund. This fund is used to account for funds designated for the E-911 emergency telephone system. This fund is financed in accordance with the provisions of Section 58.1-3813.1 of the *Code of Virginia*, 1950, as amended, which permits a county to levy a utility tax on users of local telephone services. The monthly tax rate is currently set at \$3.00 per access line.

The County reports the following major enterprise funds:

Water and Sewer Fund. This fund accounts for services to the general public which are financed primarily by charges to users of such services.

Smith Creek Water & Waste Authority. This fund accounts for services provided to those areas within the Smith Creek Water & Waste Authority and is financed primarily by charges to users of such services.

Solid Waste Fund. This fund accounts for the operation, maintenance, and development of various landfills and disposal sites.

Additionally, the County reports the following fund types:

Internal Service Fund. This fund accounts for revenue and expenses associated with providing office supplies to other departments or agencies of the County on a cost-reimbursement basis.

Agency Funds. These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Agency funds consist of the following: Special Welfare, Employee Benefits, Rockingham County Industrial Development Authority, Bond Escrow, Disability Services Board, Community Association for Rural Transportation, Massanutten Technical Center and Upper Valley Regional Park Authority.

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

D. Budgetary Data

The Board of Supervisor's fiscal control is exercised through two distinct processes: budgeting and appropriations. The County budget is developed for informative and fiscal planning purposes only and presents an itemized listing of contemplated expenditures and estimated revenues for the ensuing fiscal year. Certain expenditures are mandated by statute and need to be included in the County budget. Mandated expenditures include the matching share of the expenditures of the Treasurer and Commissioner of the Revenue, support of public schools, Sheriff, Commonwealth Attorney, Clerk of Circuit Court, jail, voter registration, social service programs, and the operating costs of the state/local public health program. The Board of Supervisors approves the budget after a public hearing.

When the budget becomes effective at the beginning of the fiscal year, the Board of Supervisors must make appropriations before money may be expended for any budgeted program, project or operation. Appropriations are made on an annual basis with supplemental appropriations made as needed. Such appropriations may be greater than contemplated in the annual budget. All appropriations lapse at year-end.

The County Administrator is authorized to transfer budgeted amounts within the primary government functions. The discretely presented component units, the School Board and the District, are authorized to transfer budgeted amounts within their major categories. The County may amend its budget to increase the aggregate amount to be appropriated during the current fiscal year as shown in the currently adopted budget. A supplemental appropriation which exceeds one percent of the total revenue shown in the currently adopted budget or the sum of \$500,000, whichever is less, must be accomplished by publishing a notice of a meeting and a public hearing in a newspaper having general circulation in that locality seven days prior to the meeting date. The notice shall state the County's intent to amend the amounts to be appropriated and include a brief synopsis of the proposed action.

The budgets are prepared using the same accounting basis and practices as are used to account for and prepare the financial reports for each fund; thus, the budgets presented in this report for comparison to actual amounts are presented in accordance with accounting principles generally accepted in the United States of America. Budgetary compliance is monitored and reported at the operating function level. Budgetary control is maintained at the subfunction level by the encumbrance of estimated purchase orders prior to release of purchase orders to vendors. Purchase orders which will result in an overrun of function balances are not released until additional appropriations are made.

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

E. Assets, Liabilities and Equity

1. Deposits and Investments

The County considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Cash of individual funds other than the Special Welfare, Upper Valley Regional Park Authority, School Activity and the Massanutten Technical Center Activity Fund is combined to form a pool of cash and investments. The pool consists primarily of government and corporate obligations, commercial paper and an external local government investment pool. The government and corporate securities are stated at fair value based on quoted market prices and the investment in the local government investment pool (a 2a7-like pool) is reported at the pool's share price. Interest earned as a result of pooling is distributed to the appropriate funds utilizing a formula based on average monthly balances.

Investments are stated at fair value based on quoted market prices.

2. Property Taxes

Property taxes are levied as of January 1 with real estate values determined every four years and personal property values assessed annually. The last general real property reassessment was effective January 1, 2006. Property taxes attach as an enforceable lien on property as of January 1. Real estate taxes are due and collectible twice a year, on June 5 and December 5 in the same year as levied. Personal property taxes are due and collectible annually on December 5 in the same year as levied. That portion of the taxes receivable which is not collected within 45 days after June 30 is shown as deferred revenue. A penalty of 10% of the tax is assessed after the applicable payment date. Interest is charged to all unpaid accounts beginning July 1 and January 1, as applicable, at an annual rate of 10%.

3. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements using the consumption method.

4. Inventory

Inventories are stated at cost using the first-in, first-out method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

E. Assets, Liabilities and Equity (Continued)

5. Restricted Cash

In accordance with the capital lease for the Joint Judicial Complex, half of the highest annual lease payment is required to be restricted to provide additional security for the bondholders. This amount is classified as restricted cash on the Statement of Net Assets because its use is limited by applicable bond covenants. The Albert K. Long Trust Fund's cash balance is restricted in accordance with the trust agreement. The E-911 Fund has restricted a portion of its cash balance in accordance with its debt agreement.

6. Capital Assets

Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000. Capital assets are accounted for at cost. Assets acquired by gift are accounted for at the asset's fair market value at the date the property was received. The Commonwealth of Virginia, not the County, has primary responsibility to construct and maintain infrastructure, such as streets and bridges, within the County. The County may, at its option, contribute to improvements to the road system. Such expenditures would be expensed during the year incurred. Interest incurred during construction on governmental activities' capital assets is not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings	20 to 30 years
Improvements other than buildings	10 to 50 years
Machinery and equipment	5 to 15 years

7. Compensated Absences

Employees accumulate vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement based on full-time or part-time status. In the primary government and the discretely presented component unit, the District, an employee can accumulate up to 42 days of vacation and no more than \$5,000 of sick leave liability. Also, in the primary government, compensatory time can be earned at 1 ½ hours in lieu of overtime pay. Compensatory time must be used within 90 days after earning the time. If not used in the specified time period, payment of the time is made to the employee.

Compensated absences are accrued when incurred in proprietary funds and reported as a fund liability. In prior years, the General Fund was responsible for paying the liability for compensated absences for general government employees.

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

E. Assets, Liabilities and Equity (Continued)

7. Compensated Absences (Continued)

In the discretely presented component unit, the School Board, a 12-month employee can accumulate up to 36 days of vacation and an unlimited amount of sick leave. An employee earns one day of sick leave at the end of each month worked up to a maximum of 12 days per year. Upon retirement after age 55, all full-time school employees will be compensated at one day for every three days of unused sick leave up to a maximum of two months of salary.

Compensated absences that are expected to be liquidated with expendable available resources are reported as expenditures and fund liabilities of the governmental fund that will pay it. A liability for these amounts is reported in governmental funds only if they have matured.

All amounts accrued for compensated absences are recorded on the entity-wide statements.

8. Long-Term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type Statement of Net Assets. Bond premiums and discounts, as well as 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 premium or discount.

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

9. Component Unit - School Board Capital Asset and Debt Presentation

By law, the School Board does not have taxing authority and, therefore, it cannot incur debt through general obligation bonds to fund the acquisition, construction or improvement to its capital assets. That responsibility lies with the local governing body who issues the debt on behalf of the School Board. However, the *Code of Virginia* requires the School Board to hold title to the capital assets (buildings and equipment) due to their responsibility for maintaining the asset.

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

E. Assets, Liabilities and Equity (Continued)

9. Component Unit – School Board Capital Asset and Debt Presentation (Continued)

In the Statement of Net Assets, this scenario presents a dilemma for the primary government. Debt issued on behalf of the School Board is reported as a liability of the primary government, thereby reducing the net assets of the primary government. The corresponding capital assets are reported as assets of the Component Unit - School Board (title holder), thereby increasing their net assets.

The Virginia General Assembly legislature amended the *Code of Virginia* to allow a tenancy in common with the School Board whenever the locality incurs a financial obligation which is payable over more than one fiscal year for any school property. The tenancy in common terminates when the associated debt has been paid in full. For financial reporting purposes, the legislation permits the locality to report the portion of the school property related to any outstanding financial obligation, thus eliminating a potential deficit from financing capital assets with debt. The legislation also allows local governments to elect not to acquire a tenancy in common by adopting a resolution to that effect.

The County concluded that, while joint tenancy would resolve a deficit in the primary government's net assets, the continual computation process that would be required to allocate principal, interest, asset amount, and depreciation between the County and the School Board would be cumbersome and not provide any added benefit to the financial statements. Therefore, the Board of Supervisors adopted a resolution declining tenancy in common for current and future obligations.

10. 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 restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. Any deficits in fund balances will be remedied through the issuance of debt or interfund transfers.

11. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments

Deposits. All cash of the County of Rockingham is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. seq. of the *Code of Virginia* or covered by federal depository insurance.

Investments. The LGIP is a professionally managed money market fund which invests in qualifying obligations and securities as permitted by Virginia statutes. Pursuant to Section 2.2-4605 *Code of Virginia*, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at their regularly scheduled monthly meetings. The fair value of the position of the LGIP is the same as the value of the pool shares, i.e., the LGIP maintains a stable net asset value of \$1 per share.

Investment Policy:

Statutes authorize local governments and other public bodies to invest in obligations of the United States or its 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, and the State Treasurer's Local Government Investment Pool (LGIP).

The goal of the County is to obtain the highest possible yield on available financial assets while observing the primary goal of preservation of principle, providing necessary cash flow, and investing consistent with state law.

The County's investment policy establishes the maximum percentages of the portfolio permitted in each of the following instruments:

U. S. Treasury Obligations	100% maximum
U. S. Government Agency Securities and Instruments of Government Sponsored Corporations	100% maximum
Bankers' Acceptances	40% maximum
Repurchase Agreements	25% maximum
Certificate of Deposits – Commercial Banks	100% maximum
Certificate of Deposits – Savings and Loan Associations	10% maximum
Commercial Paper	35% maximum
Corporate Notes	35% maximum
Local Government Investment Pool	75% maximum
Money Market Funds	100% maximum

Further, no more than 25% of the total portfolio can be invested in Commercial Paper, Corporate Notes, Repurchase Agreements, or Bankers' Acceptances with any one institution, and no more than 5% of total portfolio in any one issue for any Bankers' Acceptance, Corporate Note, or Commercial Paper. No more than 80% of the total portfolio can be invested in Certificates of Deposits with any one commercial bank and no more than \$100,000 in any one Savings and Loan Association. No more than \$5 million can be invested in the LGIP.

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

Credit Risk:

As required by state statute, the Policy requires that commercial paper have a short-term debt rating of no less than “A-1” (or its equivalent) from at least two of the following; Moody’s Investors Service, Standard & Poor’s and Fitch Investor’s Service. Corporate notes, negotiable certificates of deposit and bank deposit notes maturing in less than one year must have a short-term debt rating of at least “A-1” by Standard & Poor’s and “P-1” by Moody’s Investor Service. Notes having a maturity of greater than one year must be rated “AA” by Standard & Poor’s and “Aa” by Moody’s Investor Service.

As of June 30, 2006, 45% was invested in “A-1+” Agency Notes, 16% was invested in “AAA” U. S. Agency Securities, and 39% was invested in “AAAm” rated Money Market Funds. All credit ratings presented in this paragraph are Standard and Poor’s ratings.

Concentration of Credit Risk:

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of a government’s investment in a single issuer. If certain investments in any one issuer represent 5% of total investments, there must be a disclosure for the amount and issuer. At June 30, 2006, the portion of the County’s portfolio, excluding the LGIP, U. S. Government guaranteed obligations and money market mutual funds, that exceed 5% of the total portfolio are as follows:

Federal National Mortgage Association	19.94%
Federal Home Loan Mortgage Corporation	19.79%
Federal Home Loan Bank	16.09%

Interest Rate Risk:

Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair value of an investment.

As a means of limiting exposure to fair value losses arising from rising interest rates, the County’s policy limits the investment of operating funds to investments with a stated maturity of no more than two years from the date of purchase. The allowable percentage of portfolio permitted in each maturity range is as follows:

Overnight	100% maximum
2 – 29 days	70% maximum
30 days – 1 year	70% maximum
1 – 2 years	30% maximum

	Fair Value	Investment Maturities (in years)	
		Less Than 1 Year	1 – 2 Years
U. S. Agencies	\$ 32,859,106	\$ 31,545,110	\$ 1,313,996

Interest rate risk does not apply to the local government investment pool since it is a 2a7-like pool.

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 3. Receivables

Receivables at June 30, 2006 for the government's individual major funds and nonmajor, internal service, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Primary Government

	General Fund	General Capital Projects Fund	E-911 Fund	Water and Sewer Fund	Smith Creek Water & Waste Authority	Solid Waste Fund	Nonmajor Proprietary Funds	Totals
Property taxes	\$ 4,198,709	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,198,709
Utility taxes	131,948	-	-	-	-	-	-	131,948
Trade and other accounts	314,169	121,580	89,290	308,311	150,483	259,700	17,247	1,260,780
Gross receivables	4,644,826	121,580	89,290	308,311	150,483	259,700	17,247	5,591,437
Less allowance for uncollectible accounts	(930,000)	-	-	(6,000)	(1,000)	(10,000)	-	(947,000)
Net receivables	\$ 3,714,826	\$ 121,580	\$ 89,290	\$ 302,311	\$ 149,483	\$ 249,700	\$ 17,247	\$ 4,644,437

Governmental funds report *unearned revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *unearned revenue* reported in the governmental funds were as follows:

	Unavailable	Unearned
Delinquent property taxes receivable (General Fund)	\$ 2,929,224	\$ -
Advance collection of 2006-2007 taxes (General Fund)	-	520,696
Intergovernmental (General Capital Projects Fund)	121,580	-
Intergovernmental (E-911 Fund)	-	114,344
Intergovernmental (General Fund)	143,765	-
	\$ 3,194,569	\$ 635,040

The County determines its allowance for uncollectible delinquent property tax accounts using historical collection data and specific account analysis. The allowance amounted to \$930,000 as of June 30, 2006 and is based on the following:

.42% of taxes levied during fiscal years ended June 30, 2001, 2002 and 2003	\$624,000
Real estate taxes 4-20 years delinquent	\$306,000

Component Units - School Board and Harrisonburg-Rockingham Social Services District

The component units' receivables are considered fully collectible and, therefore, an allowance for uncollectible accounts is not applicable for those receivables.

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 4. Due From Other Governments

Amounts due from other governments include the following:

Primary Government:	
General Fund:	
Commonwealth of Virginia:	
Local sales taxes	\$ 777,775
Non-categorical aid:	
Personal property tax relief	21,549
Categorical aid:	
Shared costs:	
Commonwealth Attorney	51,370
Sheriff	473,103
Clerk of circuit court	38,575
Other	35,012
Other categorical aid:	
Methamphetamine grant	3,026
Soil conservation	39,742
Other	28,499
Federal government:	
Boarding and care of prisoners	60,902
Categorical aid:	
Weed and seed	34,227
Project Safe Neighborhoods	25,000
Gang task force	53,697
Ground safety transportation	9,094
Other	2,747
County of Augusta	33,525
City of Harrisonburg	212,296
Other governments	313,233
Total Primary Government	<u>2,213,372</u>

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 4. Due From Other Governments (Continued)

Component Unit - School Board:	
School Operating Fund:	
Commonwealth of Virginia:	
State sales tax receipts	\$ 1,962,679
Federal government:	
Education grants	647,167
Other governments	7,213
Total School Operating Fund	<u>2,617,059</u>
Nonmajor Funds of the Discretely Presented	
Component Unit – School Board:	
City of Harrisonburg	46,686
Total Component Unit - School Board	<u>\$ 2,663,745</u>
Component Unit - Harrisonburg-Rockingham Social Services District:	
Commonwealth of Virginia:	
Comprehensive Services Act	\$ 995,485
Public assistance and administration	239,781
Other state funds	8,498
Federal government:	
Public assistance and administration	433,775
Total Component Unit - Harrisonburg-Rockingham	<u>1,677,539</u>
Social Services District	<u>\$ 1,677,539</u>

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Assets

Capital asset activity for the year ended June 30, 2006 is as follows:

Primary Government:

	Beginning Balance	Increases	(Deletions)/ Reclassifications	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 3,198,581	\$ -	\$ -	\$ 3,198,581
Construction in progress	7,421,644	3,621,342	(2,814,342)	8,228,644
Total capital assets, not being depreciated	10,620,225	3,621,342	(2,814,342)	11,427,225
Capital assets, being depreciated:				
Buildings	20,024,256	3,859,436	695,206	24,578,898
Improvements other than buildings	2,269,053	25,474	2,119,136	4,413,663
Machinery and equipment	5,857,170	786,093	(41,446)	6,601,817
Total capital assets being depreciated	28,150,479	4,671,003	2,772,896	35,594,378
Less accumulated depreciation for:				
Buildings	(7,464,090)	(735,555)	-	(8,199,645)
Improvements other than buildings	(407,183)	(132,449)	-	(539,632)
Machinery and equipment	(4,748,238)	(496,941)	41,446	(5,203,733)
Total accumulated depreciation	(12,619,511)	(1,364,945)	41,446	(13,943,010)
Total capital assets being depreciated, net	15,530,968	3,306,058	2,814,342	21,651,368
Governmental activities capital assets, net	\$ 26,151,193	\$ 6,927,400	\$ -	\$ 33,078,593

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

Governmental activities:	
General government administration	\$ 315,964
Judicial administration	281,126
Public safety	573,784
Public works	17,156
Health and social services	44,156
Parks, recreation and cultural	75,598
Community development	57,161
Total depreciation expense - governmental activities	\$ 1,364,945

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Assets (Continued)

	Beginning Balance	Increases	(Deletions)/ Reclassifications	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 610,197	\$ 277,907	\$ -	\$ 888,104
Construction in progress	3,839,951	331,543	(3,448,505)	722,989
Total capital assets, not being depreciated	4,450,148	609,450	(3,448,505)	1,611,093
Capital assets, being depreciated:				
Buildings	84,613	-	-	84,613
Improvements other than buildings	34,424,619	1,173,439	3,448,505	39,046,563
Machinery and equipment	3,572,450	264,129	(86,000)	3,750,579
Total capital assets being depreciated	38,081,682	1,437,568	3,362,505	42,881,755
Less accumulated depreciation for:				
Buildings	(53,872)	(2,298)	-	(56,170)
Improvements other than buildings	(10,618,347)	(1,437,865)	-	(12,056,212)
Machinery and equipment	(2,404,250)	(294,554)	86,000	(2,612,804)
Total accumulated depreciation	(13,076,469)	(1,734,717)	86,000	(14,725,186)
Total capital assets being depreciated, net	25,005,213	(297,149)	3,448,505	28,156,569
Business-type activities capital assets, net	\$ 29,455,361	\$ 312,301	\$ -	\$ 29,767,662

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

Business-type activities:	
Water and Sewer	\$ 548,503
Solid Waste	1,045,913
Smith Creek Water & Waste Authority	134,168
Lilly Subdivision Sanitary District	3,073
Countryside Sanitary District	3,060
Total depreciation expense - business-type activities	\$ 1,734,717

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Assets (Continued)

Component Unit - School Board:

	Beginning Balance	Increases	(Deletions)/ Reclassifications	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 2,972,138	\$ -	\$ -	\$ 2,972,138
Construction in progress	13,309,615	10,475,806	(89,944)	23,695,477
Total capital assets, not being depreciated	16,281,753	10,475,806	(89,944)	26,667,615
Capital assets, being depreciated:				
Buildings	100,947,469	323,398	(14,391)	101,256,476
Improvements other than buildings	8,411,931	285,169	89,944	8,787,044
Machinery and equipment	21,328,175	1,048,626	(297,353)	22,079,448
Total capital assets being depreciated	130,687,575	1,657,193	(221,800)	132,122,968
Less accumulated depreciation for:				
Buildings	(44,157,539)	(2,990,454)	2,878	(47,145,115)
Improvements other than buildings	(7,700,532)	(249,041)	-	(7,949,573)
Machinery and equipment	(17,020,056)	(735,444)	246,880	(17,508,620)
Total accumulated depreciation	(68,878,127)	(3,974,939)	249,758	(72,603,308)
Total capital assets being depreciated, net	61,809,448	(2,317,746)	(27,958)	59,519,660
School capital assets, net	\$ 78,091,201	\$ 8,158,060	\$ (61,986)	\$ 86,187,275

Depreciation expense was charged to functions of the Component Unit - School Board as follows:

Instruction	\$ 3,402,148
Administration, attendance and health	39,739
Pupil transportation services	288,070
Operation and maintenance services	244,982
	<u>\$ 3,974,939</u>

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Assets (Continued)

Component Unit - Harrisonburg-Rockingham Social Services District:

	Beginning Balance	Increases	(Deletions)/ Reclassifications	Ending Balance
Capital assets being depreciated:				
Improvements other than buildings	\$ 3,156	\$ -	\$ -	\$ 3,156
Equipment	337,627	108,097	-	445,724
Total capital assets being depreciated	340,783	108,097	-	448,880
Less accumulated depreciation for:				
Improvements other than buildings	(578)	(106)	-	(684)
Equipment	(231,011)	(47,132)	-	(278,143)
Total accumulated depreciation	(231,589)	(47,238)	-	(278,827)
Harrisonburg-Rockingham Social Services District capital assets, net	\$ 109,194	\$ 60,859	\$ -	\$ 170,053

Depreciation expense was charged to the function of the Component Unit - Harrisonburg-Rockingham Social Services District as follows:

Administration – Welfare	<u>\$ 47,238</u>
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Note 6. Long-Term Obligations

The following is a summary of long-term liability activity of the primary government for the year ended June 30, 2006:

Primary Government:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
Bonds and notes payable:					
General obligation bonds	\$ 32,538,064	\$ 9,404,190	\$ (2,724,414)	\$ 39,217,840	\$ 3,109,465
Literary fund loans	1,147,886	-	(230,500)	917,386	230,500
Lease revenue note payable	8,500,000	-	(8,500,000)	-	-
Capital leases	12,292,954	-	(805,389)	11,487,565	839,349
Unamortized premium	298,853	518,642	(41,661)	775,834	-
	54,777,757	9,922,832	(12,301,964)	52,398,625	4,179,314
Compensated absences	1,106,412	1,867,112	(1,706,571)	1,266,953	723,376
Governmental activities long-term liabilities	\$ 55,884,169	\$ 11,789,944	\$ (14,008,535)	\$ 53,665,578	\$ 4,902,690

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Obligations (Continued)

Annual requirements to amortize long-term debt are as follows:

Year Ending June 30,	General Obligation Bonds		Literary Fund Loans		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 3,109,465	\$ 2,132,727	\$ 230,500	\$ 27,957	\$ 839,349	\$ 493,383
2008	3,130,094	1,870,715	193,000	20,847	876,379	455,299
2009	2,909,491	1,703,159	178,027	14,862	916,072	415,205
2010	2,902,580	1,541,546	173,500	9,476	959,332	373,033
2011	2,886,487	1,380,562	73,500	4,271	1,003,497	328,820
2012-2016	12,819,884	4,695,344	68,859	2,066	4,585,054	933,034
2017-2021	7,946,923	1,774,301	-	-	2,307,882	177,555
2022-2026	3,512,916	384,939	-	-	-	-
	<u>\$ 39,217,840</u>	<u>\$ 15,483,293</u>	<u>\$ 917,386</u>	<u>\$ 79,479</u>	<u>\$ 11,487,565</u>	<u>\$ 3,176,329</u>

General Obligation Bonds:

\$1,840,000 1990 series, issued August 1990, due in annual maturities of \$105,000 to \$120,000 through July 2010, plus interest at 7.0% to 7.1%	\$ 565,000
\$1,033,884 1992A series, issued November 1992, due in annual maturities of \$53,665 to \$63,848 through July 2012, plus interest at 6.00% to 6.35%	408,810
\$5,200,000 1992B series, issued December 1992, due in annual maturities of \$160,000 to \$250,000 through December 2012, plus interest at 5.85%	1,490,000
\$3,500,000 1993 series, issued November 1993, due in annual maturities of \$20,000 to \$150,000 through December 2013, plus interest at 4.85% to 5.0%	660,000
\$10,700,000 1994 series, issued December 1994, due in annual maturities of \$220,000 through December 2007, plus interest at 8.1%	440,000
\$3,800,000 1994A series, issued May 1994, due in annual maturities of \$195,000 through July 2013, plus interest at 6.1% to 6.3%	1,560,000
\$11,200,000 1996A series, issued May 1996, due in annual maturities of \$560,000 through July 2016, plus interest at 5.3% to 6.1%	6,160,000
\$7,471,945 1996B series, issued November 1996, due in annual maturities of \$368,413 to \$445,122 through July 2016, plus interest at 5.1% to 6.1%	4,445,858

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Obligations (Continued)

General Obligation Bonds: (Continued)

\$8,421,223 1999A series, issued November 1999, due in annual maturities of \$392,600 to \$517,103 through July 2019, plus interest at 5.10% to 6.1%	\$ 6,177,736
\$4,190,343 2000 series, issued November 2000, due in annual maturities of \$194,430 to \$247,440 through July 2020, plus interest at 5.1% to 5.85%	3,269,752
\$5,077,993 2003 series, issued November 2003, due in annual maturities of \$226,814 to \$297,277 through July 2023, plus interest at 4.6% to 5.35%	4,636,494
\$9,404,190 2005 series, issued November 2005, due in annual maturities of \$400,537 to \$545,699 through July 2025, plus interest at 4.6% to 5.1%	<u>9,404,190</u>
Total General Obligation Bonds	<u>\$ 39,217,840</u>

State Literary Fund Loans: (interest rate on all loans at 3% except as noted below)

\$750,000, issued July 1986, due in annual installments of \$37,500 through July 2006	\$ 37,500
\$136,274, issued October 1987, due in annual installments of \$7,000 through October 2007, plus interest at 4%	14,000
\$242,027 issued January 1989, due in annual installments of \$12,500 through January 2008, with final payment of \$4,527 on January 2009, plus interest at 4%	29,527
\$2,000,000, issued July 1989, due in annual installments of \$100,000 through July 2009	400,000
\$1,465,359, issued October 1991, due in annual installments of \$73,500 through October 2010, with final payment of \$68,859 on October 2011	<u>436,359</u>
Total State Literary Fund Loans	<u>\$ 917,386</u>

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Obligations (Continued)

Capital Leases:

Joint Judicial Complex:

Payments to the City of Harrisonburg Redevelopment and Housing Authority in annual installments ranging from \$385,000 to \$540,000 through June 2014, plus interest payable semi-annually ranging from 4.5%-5.0% \$ 3,667,500

Human Services Building:

Payments to the City of Harrisonburg Redevelopment and Housing Authority in semi-annual installments ranging from \$77,264 to \$133,994 through February 2016, plus interest at 6.08% 1,034,925

Emergency Communications Center:

\$7,150,000 lease purchase contract due in annual installments ranging from \$377,085 to \$609,297, through December 2019, plus interest payable semi-annually at 3.76% 6,785,140

Total Capital Leases \$ 11,487,565

Pursuant to Article VII, Section 10, (b) of the Constitution of Virginia, no debt shall be contracted by or on behalf of any county or district thereof unless approved by a majority vote of the qualified voters of said county. There is no limit on the amount of debt which a county may incur. Repayment of the capital leases will be funded through the General Fund. Repayment of the revenue bonds will be funded through the Water and Sewer Fund, the Smith Creek Water & Waste Authority, and the Countryside Sanitary District.

The capital leases with the City of Harrisonburg Redevelopment and Housing Authority are a result of Public Facility Lease Revenue Bonds issued under a Trust Agreement among the County of Rockingham, Virginia, the City of Harrisonburg, Virginia, and SunTrust Bank and Wachovia Securities, as Trustees. The bonds associated with the first capital lease were issued to refund bonds used to finance the acquisition and construction of a Joint Judicial Complex which the Housing Authority leases to the County and the City under a lease agreement. The second capital lease bonds were issued to finance the acquisition, construction and equipping of a human services building. The bonds associated with the Emergency Communications Center lease were issued to finance the acquisition and construction of emergency use equipment and radio towers throughout the County.

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Obligations (Continued)

The assets acquired through capital leases, included in the Statement of Net Assets, are as follows:

	Governmental Activities		
	Joint Judicial Complex	Human Services Building	Emergency Communications Center
Capital assets:			
Land	\$ 1,254,155	\$ 162,300	\$ -
Construction in progress	-	-	4,256,140
Buildings	9,419,396	1,311,904	-
Improvements other than buildings	-	8,518	-
Machinery and equipment	156,767	84,132	-
Less: accumulated depreciation	(3,875,850)	(551,816)	-
	<u>\$ 6,954,468</u>	<u>\$ 1,015,038</u>	<u>\$ 4,256,140</u>

The following is a summary of long-term liability activity for the County's business-type activities:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Business-type activities:					
Revenue bonds	\$ 6,511,479	\$ 1,504,288	\$ (3,259,701)	\$ 4,756,066	\$ 184,078
Landfill obligation	3,889,068	460,726	-	4,349,794	59,283
Compensated absences	115,417	258,117	(243,518)	130,016	71,751
Unamortized premium	24,379	-	(1,283)	23,096	-
Business-type activities long-term liabilities	<u>\$ 10,540,343</u>	<u>\$ 2,223,131</u>	<u>\$ (3,504,502)</u>	<u>\$ 9,258,972</u>	<u>\$ 315,112</u>

Annual requirements to amortize long-term debt are as follows:

Year Ending June 30,	Revenue Bonds	
	Principal	Interest
2007	\$ 184,078	\$ 218,522
2008	195,978	170,132
2009	199,522	163,573
2010	203,181	156,705
2011	206,958	149,567
2012-2016	1,035,899	636,116
2017-2021	1,150,573	442,750
2022-2026	671,881	234,963
2027-2031	174,571	170,189
2032-2036	214,482	130,278
2037-2041	263,519	81,241
2042-2046	255,424	22,234
	<u>\$ 4,756,066</u>	<u>\$ 2,576,270</u>

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Obligations (Continued)

Water and Sewer Fund:

Infrastructure Revenue Bonds (Virginia Pooled Financing Program):
\$1,580,000 issued June 2004, due in annual installments of \$80,000
to \$100,000 through October 2023, plus interest payable semi-
annually ranging from 3.1%-5.1% \$ 1,420,000

Smith Creek Water & Waste Authority

Virginia Revolving Loan Fund:
\$2,078,500 issued November 2001, due in semi-annual
installments of \$87,261 to \$136,396 through September 2022,
including interest at 3.0% 1,831,778

Taxable Waste Water System Revenue Bond, Series 2005:
\$1,333,000 issued in September 2005, interest only first year,
then due in monthly installments of \$5,746 through September 2045,
including interest at 4.125% 1,333,000

Countryside Sanitary District

Virginia Revolving Loan Fund:
\$171,288 issued June 2006, due in semi-annual
installments of \$5,857 through April 2026,
including interest at 3.25%
171,288
\$ 4,756,066

Information relative to the County's landfill obligation is contained in Note 12.

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Obligations (Continued)

The following is a summary of long-term debt transactions of the Component Unit - School Board, for the year ended June 30, 2006:

Component Unit - School Board:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Post-retirement benefits	\$ 36,280	\$ -	\$ -	\$ 36,280	-
Compensated absences	2,657,590	2,698,347	(2,562,099)	2,793,838	1,515,799
	<u>\$ 2,693,870</u>	<u>\$ 2,698,347</u>	<u>\$ (2,562,099)</u>	<u>\$ 2,830,118</u>	<u>\$ 1,515,799</u>

In addition to providing pension benefits, the Component Unit - School Board provides partial payment of health insurance premiums for school employees who retire before they reach age 65 provided they have been employed by the School for ten consecutive years. This benefit continues until the employee reaches age 65. The School Board pays \$10 per month per individual. For the year ended June 30, 2006, there were 85 participants and the School Board recognized an expenditure of \$9,940.

The following is a summary of long-term transactions of the Component Unit - Harrisonburg-Rockingham Social Services District, for the year ended June 30, 2006:

Component Unit - Harrisonburg-Rockingham Social Services District:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Compensated absences	\$ 247,930	\$ 248,430	\$ (228,410)	\$ 267,950	\$ 156,997

Note 7. Government Services Provided by Authorities

The County of Rockingham, the City of Harrisonburg and the Towns of Bridgewater, Dayton, and Mt. Crawford entered into a guaranty agreement with the Harrisonburg-Rockingham Regional Sewer Authority (Authority) dated December 15, 1992. Under the terms of this agreement, these municipalities jointly and severally guaranteed the Authority's 1992 Sewer Revenue Bonds, Series A, in the original amount of \$20,555,000 to upgrade and expand its treatment plant and refinance existing debt. In March 1998, the Authority issued \$16,520,000 Sewer System Revenue Refunding Bonds, Series 1998. Proceeds from the sale of the 1998 Bonds are escrowed to refund \$15,250,000 principal amount of the 1992 Term Bonds. In 2003, the Authority issued \$1,452,800 Sewer System Revenue Refunding Bonds, Series 2003, of which \$800,000 was for capital improvements with the remainder used to retire existing bonds.

The 1992 bond issue consists of a Term Bond bearing interest at 5.90% and is to be retired in a principal installment of \$5,000 in 2007.

The 1998 bond issue consists of Serial Bonds and Term Bonds. The Serial Bonds of \$5,535,000 are to be retired in annual principal installments increasing from \$355,000 in 2007 to \$900,000 in 2013. The Serial Bonds bear interest at annual rates ranging from 4.35% currently to 4.875% at maturity in 2013. The Term Bonds bear interest at 5.00% and are to be retired in principal installments of \$5,230,000 in 2018 and \$5,205,000 in 2022.

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 7. Government Services Provided by Authorities (Continued)

The 2003 bond issue consists of serial bonds of \$1,108,150 which are to be retired in monthly principal installments increasing from \$40,029 to \$40,852. The bonds bear interest at 2.22% and mature in 2008.

The County is obligated for 3.407% of the above debt service.

The Authority bills the localities a monthly charge which includes an assessment for their respective shares of the Authority's debt service and operating expenditures based on the locality usage of the sewage treatment facilities. Based on the current average usage, the County's assessment for the Authority's operating and debt service expenditures for the ensuing year will approximate \$320,000 and \$45,000, respectively. To obtain a copy of the audited financial statements, contact the Authority at 856 North River Road, P. O. Box 8, Mt. Crawford, Virginia, 22841.

Additional information relative to the Authority is contained in Note 16.

Note 8. Defined Benefit Pension Plan

A. Plan Description

Name of Plan: Virginia Retirement System (VRS)

Identification of Plan: Agent and Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

Administering Entity: Virginia Retirement System (System)

The County of Rockingham, and its component units, the Harrisonburg-Rockingham Social Services District (District) and the Rockingham County School Board (School Board), contribute to the Virginia Retirement System (VRS), an agent and cost sharing multiple-employer defined benefit pension plan administered by the VRS.

All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 for participating local law enforcement officers, firefighters and sheriffs) or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years of service for participating local law enforcement officers, firefighters and sheriffs) payable monthly for life in an amount equal to 1.7 percent of their average final compensation (AFC) for each year of credited service. 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 5% per year beginning in their second year of retirement. AFC is defined as the highest consecutive 36 months of reported compensation. Participating local law enforcement officers, firefighters and sheriffs may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the *Code of Virginia* (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their website at <http://www.varetire.org/pdf/2005annurept.pdf> or obtained by writing to the System at P. O. Box 2500, Richmond, Virginia, 23218-2500.

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 8. Defined Benefit Pension Plan (Continued)

B. Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their annual reported salary to the VRS. This 5% member contribution has been assumed by the County, the District, and the School Board. In addition, the County, the District, and the School Board are required to contribute the remaining amounts necessary to fund their participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. For the fiscal year ended June 30, 2006, the contribution rate for the County and the District was 12.50% and for the School Board's non-professional employees was 9.00% of annual covered payroll.

For the years ended June 30, 2006, 2005 and 2004, total employer and employee contributions made to the VRS statewide teacher cost-sharing pool for professional employees by the School Board were \$5,858,024, \$5,310,525, and \$3,990,609, respectively, and were equal to 100% of the required contribution for professional employees for each year.

C. Annual Pension Cost (APC)

For fiscal year 2006, the County, the District, and the School Board's non-professional employees annual pension costs of \$2,766,210 were equal to the required and actual contributions. The required contributions were determined as part of the June 30, 2003 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 8% investment rate of return, (b) projected salary increases ranging from 4% to 7% per year, and (c) 3% per year cost-of-living adjustment. Both (a) and (b) included an inflation component of 3%. The actuarial value of the assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County, the District, and the School Board's non-professional employees unfunded actuarial accrued liability is being amortized as a level percentage of payroll on an open basis within a period of 30 years or less.

Three-year trend information for the County and the District is as follows:

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2006	\$ 2,196,623	100%	\$ -
June 30, 2005	2,041,981	100%	-
June 30, 2004	1,525,111	100%	-

The District and the County contribute to a combined account. Therefore, separate annual pension cost for this component unit and the primary government are not available.

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 8. Defined Benefit Pension Plan (Continued)

Three-year trend information for the Component Unit - School Board non-professional employees, is as follows:

Fiscal Year Ended	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation
June 30, 2006	\$ 569,587	100%	\$ -
June 30, 2005	541,663	100%	-
June 30, 2004	340,723	100%	-

Note 9. Advances To/From Other Funds

Interfund balances as of June 30, 2006 are as follows:

Payable Fund	Receivable Fund
	General Fund:
Primary Government:	
Water and Sewer	\$ 640,000
Lilly Subdivision Sanitary District	123,500
Total primary government	<u>\$ 763,500</u>
Component Unit – School Board:	
School Capital Projects Fund	<u>\$ 1,189,769</u>

The advance from the General Fund to the Water and Sewer Fund is an interest bearing loan to aid in the construction of a water filtration plant and is to be repaid through 2014 with principal payments ranging from \$60,000 to \$95,000 annually plus interest at 5.5%. The advance from the General Fund to the Lilly Subdivision Sanitary District is to be repaid through 2024 with annual principal payments of \$6,500 plus interest at 3.25%. No formal terms have been established for the advance from the primary government to the Component Unit – School Board.

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 10. Interfund Transfers

A summary of interfund transfer activity is presented as follows:

	Transfer from Fund			Total Transferred In
	General Fund	Joint Judicial Complex	Water and Sewer	
Transfer To Fund:				
Primary government:				
Governmental activities:				
General Fund	\$ -	\$ 11,553	\$ -	\$ 11,553
General Capital Projects Fund	7,971,899	-	-	7,971,899
E-911 Fund	2,300,000	-	-	2,300,000
Water and Sewer Fund	280,000	-	-	280,000
Penn Laird Sewer Authority Fund	-	-	201,000	201,000
Countryside Sanitary District Fund	115,620	-	-	115,620
Total Transferred Out	\$ 10,667,519	\$ 11,553	\$ 201,000	\$ 10,880,072

The transfer from the Joint Judicial Complex to the General Fund was for the reduction of principal and interest paid on the Joint Judicial Complex debt.

The transfer from the General Fund to the General Capital Projects Fund was for capital project expenditures.

The transfer from the General Fund to the E-911 Fund was to transfer funds for the E-911 upgrade.

The transfer from the General Fund to the Water and Sewer Fund was to transfer funds for the extension of water and sewer service.

The transfer from the General Fund to the Countryside Sanitary District Fund was to provide funding for new water line construction.

The transfer from the Water and Sewer Fund to the Penn Laird Sewer Authority Fund was to provide funding for new sewer line construction.

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 11. Surety Bonds

Primary Government:

	<u>Amount</u>
Fidelity and Deposit Company of Maryland:	
Constitutional Officers	
L. Wayne Harper, Clerk of the Circuit Court	\$ 1,000,000
L. Todd Garber, Treasurer	750,000
Richard E. Connellee, Commissioner of the Revenue	3,000
Donald W. Farley, Sheriff	30,000
The above Constitutional Officers' employees – blanket bond	500,000
Public Officials Employees Comprehensive, Dishonesty, Disappearance, and Destruction Policy	1,000,000
Comprehensive Money and Securities and Depositors Forgery Policy	1,000,000
Travelers Casualty and Surety Company of Am and Deposit Co. of Maryland – Surety:	
Dee E. Floyd, Supervisor	1,000
Charles W. Ahrend, Supervisor	1,000
Michael A. Breeden, Chairman, Board of Supervisors	1,000
William B. Kyger, Jr., Vice-Chairman, Board of Supervisors	1,000
Pablo Cuevas, Chairman, Supervisor	1,000
County Engineer	1,000
Commonwealth of Virginia:	
Law Enforcement Liability Insurance	1,000,000
Public Officials Liability Insurance	1,000,000
<i>Component Units:</i>	
School Board:	
VML:	
School District Legal Liability	6,000,000
School Employees Comprehensive Dishonesty, Disappearance, and Destruction Policy	250,000
Harrisonburg-Rockingham Social Services District:	
Fidelity and Deposit Company of Maryland:	
Social Services District Employees Comprehensive Dishonesty, Disappearance, and Destruction Policy	250,000
Commonwealth of Virginia:	
Public Officials Liability Insurance	1,000,000

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12. Landfill Closure and Postclosure Care Cost

Effective July 1, 1994, the County and the City of Harrisonburg (City) entered into an agreement to operate a consolidated landfill. Under the terms of the agreement, the operating and closure capital costs of the landfill are to be funded through fees and charges of the landfill. The remaining capital costs will be funded by the County and the City based on their respective usage before the agreement and based on their respective share of the total population after the agreement.

State and federal laws and regulations require the County 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 Solid Waste Fund reports a portion of these closure and postclosure care costs as an operating expense in each period based on the landfill capacity used as of each balance sheet date. This liability has been calculated for only the County's share of the capital cost, which amounts to approximately 71% at June 30, 2006. The \$4,349,794 reported as landfill closure and postclosure care liability at June 30, 2006, represents the cumulative amount reported to date based on the use of 100% of the landfill's old cell, and the use of 79% of the landfill's new cell. The Solid Waste Fund will report the County's estimated liability of closure and postclosure care of \$607,000 for the new cell as the remaining estimated capacity is filled. These amounts are based on the cost to perform all closure and postclosure care in 2006. The County closed the landfill's old cell in 2001 and expects to begin closing the new cell in 2007. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The City of Harrisonburg is responsible for the remaining 29% of the landfill closure and postclosure care liability as of June 30, 2006 estimated at \$1,766,000.

Note 13. Major Customers

The Water and Sewer Fund has one major customer. For the year ended June 30, 2006, water and sewer revenue from this customer was approximately \$1.5 million. Accounts receivable from this customer was approximately \$132,000 at June 30, 2006.

The Solid Waste Fund has two major customers. Revenues from these customers for the year ended June 30, 2006 were approximately \$1.1 million. There are accounts receivable from these customers of approximately \$43,000 at June 30, 2006.

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 14. Risk Management

The County and its component units are exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees and others; and natural disasters. To reduce insurance costs and the need for self-insurance, the County has joined together with other municipalities in the Commonwealth of Virginia in several public entity risk pools that operate as common risk management and insurance programs for member municipalities. The County is not self-insured.

The County has coverage with the Virginia Association of Counties Group Self Insurance Association (Association) for workers' compensation. Each Association member jointly and severally agrees to assume, pay and discharge any liability. The County pays the Association contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the Association and claims and awards are to be paid. In the event of a loss deficit and depletion of all available excess insurance, the Association may assess all members the proportion in which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

The County continues to carry commercial insurance for all other risks of losses. Settled claims from these risks have not exceeded commercial coverage in any of the last three fiscal years.

Note 15. Pending GASB Statements

At June 30, 2006, the Governmental Accounting Standards Board (GASB) had issued two statements not yet implemented by the County. The statements which might impact the County are as follows:

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and required supplemental information. Statement No. 45 will be effective for periods beginning after December 15, 2008.

GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, establishes criteria that governments will use to ascertain whether the proceeds received collateralized by future collections of receivables or revenues should be reported as revenues or as a liability. This Statement also includes a provision that stipulates that governments should not revalue assets that are transferred between financial reporting entity components. Statement No. 48 will be effective for periods beginning after December 15, 2006.

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 16. Summary Disclosure of Significant Commitments and Contingencies

Subsequent to year-end, the Rockingham County Board of Supervisors authorized participation in the Virginia Public School Authority issuance and sale of General Obligation School Bonds, Series 2006, in a principal amount of \$13,147,200, due in annual maturities ranging from \$560,000 to \$744,000 through July 2026 plus interest.

The County is a member of the Harrisonburg-Rockingham Regional Sewer Authority (Authority). With the passing by the federal government of the Clear Water Act and other initiatives associated with the Chesapeake Bay, the Authority must upgrade their facilities in accordance with this Act. The County will be responsible for sharing in the cost of these upgrades. As of June 30, 2006, the portion of the County's liability has yet to be determined.

Federal and State-Assisted Programs

The County has received proceeds from several federal and state grant programs. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. Based on past experience, no provision has been made in the accompanying financial statements for the refund of grant monies.

Note 17. Restatement of Beginning Net Assets

The following table shows the change to beginning net assets from the amounts previously reported:

	Component Unit - School Board
Net assets, June 30, 2005, as previously reported	\$ 77,499,954
Effect of reclassifying School Activity Funds and Massanutten Technical Center Activity Funds to fiduciary funds	<u>(883,883)</u>
Net assets, June 30, 2005 as restated	<u>\$ 76,616,071</u>

**REQUIRED SUPPLEMENTARY
INFORMATION**



COUNTY OF ROCKINGHAM, VIRGINIA AND COMPONENT UNITS

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Actuarial Accrued (Asset) Liability	Unfunded Actuarial Accrued (Asset) Liability	Funded Ratio	Annual Covered Payroll	Unfunded Actuarial Accrued (Asset) Liability as a Percentage of Covered Payroll
A. Primary Government and Harrisonburg-Rockingham Social Services District, a component unit - employees:							
June 30, 2003	\$ 34,190,038	\$ 34,959,573	\$ 769,535		97.80%	\$ 14,664,074	5.25%
June 30, 2004	35,874,312	38,629,007	2,754,695		92.87%	15,322,985	17.98%
June 30, 2005	38,149,903	44,774,077	6,624,174		85.21%	16,610,874	39.88%
B. Component Unit - School Board non-professional employees:							
June 30, 2003	\$ 15,787,580	\$ 15,129,981	\$ (657,599)		104.35%	\$ 5,756,615	(11.42%)
June 30, 2004	16,047,452	16,027,360	(20,092)		100.13%	5,661,105	(0.35%)
June 30, 2005	16,566,313	18,273,228	1,706,915		90.66%	6,052,483	28.20%



SUPPLEMENTARY INFORMATION



NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Fund

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

Asset Forfeiture Fund – This fund is used to account for confiscated funds collected for law enforcement purposes.

Capital Projects Fund

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.

Joint Judicial Complex – This fund is used to account for financial resources established as a debt service reserve for one-half of the maximum annual debt service payment for the lease reserve bonds issued to permit the construction of a new jail and a lower courts complex built jointly by the City of Harrisonburg, Virginia and the County of Rockingham, Virginia. The amounts included in the combining statements reflect the County's share (50%) of this project.

Permanent Fund

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

Albert K. Long Trust – This fund is used to account for the trust principal amount received and the related interest income. The interest portion of the trust can be used for upkeep and maintenance of the Albert K. Long Park.

COUNTY OF ROCKINGHAM, VIRGINIA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2006

	Special Revenue Asset Forfeiture Fund	Capital Projects Joint Judicial Complex	Permanent Fund Albert K. Long Trust	Total Nonmajor Governmental Funds
ASSETS				
Cash, cash equivalents and temporary cash investments	\$ 109,208	\$ 492	\$ -	\$ 109,700
Accrued interest	702	1,010	123	1,835
Restricted cash	-	284,297	19,860	304,157
Total assets	\$ 109,910	\$ 285,799	\$ 19,983	\$ 415,692
LIABILITIES				
Accounts payable	\$ 10,530	\$ -	\$ -	\$ 10,530
Accrued payroll	2,476	-	-	2,476
Total liabilities	13,006	-	-	13,006
FUND BALANCES				
Reserved for:				
Nonexpendable trust principal	-	-	11,143	11,143
Expendable:				
Park maintenance	-	-	8,840	8,840
Law enforcement	96,904	-	-	96,904
Debt service	-	284,297	-	284,297
Unreserved:				
Designated for subsequent years' expenditures	-	1,502	-	1,502
Total fund balances	96,904	285,799	19,983	402,686
Total liabilities and fund balances	\$ 109,910	\$ 285,799	\$ 19,983	\$ 415,692

COUNTY OF ROCKINGHAM, VIRGINIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2006

	Special Revenue Asset Forfeiture Fund	Capital Projects Joint Judicial Complex	Permanent Fund Albert K. Long Trust	Total Nonmajor Governmental Funds
Revenues:				
Fines and forfeitures	\$ 163,700	\$ -	\$ -	\$ 163,700
Use of money and property	4,166	19,737	780	24,683
Total revenues	167,866	19,737	780	188,383
Expenditures:				
Current:				
Public safety	138,808	-	-	138,808
Debt service:				
Interest and fiscal charges	-	7,204	-	7,204
Total expenditures	138,808	7,204	-	146,012
Revenues over expenditures	29,058	12,533	780	42,371
Other financing uses:				
Transfers out	-	(11,553)	-	(11,553)
Net change in fund balances	29,058	980	780	30,818
Fund balance, beginning	67,846	284,819	19,203	371,868
Fund balance, ending	\$ 96,904	\$ 285,799	\$ 19,983	\$ 402,686



NONMAJOR PROPRIETARY FUNDS

Lilly Subdivision Sanitary District – This fund is used to account for the provision of water and sewer services to the Lilly Subdivision Sanitary District, a blended component unit.

Countryside Sanitary District – This fund is used to account for the provision of water and sewer services to the Countryside Sanitary District, a blended component unit.

Penn Laird Sewer Authority - This fund is used to account for the provision of water and sewer services to the Penn Laird Sewer Authority, a blended component unit.

COUNTY OF ROCKINGHAM, VIRGINIA

COMBINING STATEMENT OF NET ASSETS
NONMAJOR PROPRIETARY FUNDS
June 30, 2006

	Lilly Subdivision Sanitary District	Countryside Sanitary District	Penn Laird Sewer Authority	Total Nonmajor Proprietary Funds
ASSETS				
Current assets:				
Cash, cash equivalents and temporary cash investments	\$ 28,975	\$ 57,647	\$ 163,457	\$ 250,079
Trade and other accounts receivable	3,817	13,430	-	17,247
Accrued interest	176	-	419	595
Total current assets	32,968	71,077	163,876	267,921
Noncurrent assets:				
Capital assets:				
Land	20,600	-	9,062	29,662
Buildings	8,900	-	-	8,900
Improvements other than buildings	139,484	306,022	-	445,506
Machinery and equipment	5,470	-	-	5,470
Construction in progress	-	-	77,901	77,901
Less accumulated depreciation	(43,874)	(3,060)	-	(46,934)
Total noncurrent assets	130,580	302,962	86,963	520,505
Total assets	163,548	374,039	250,839	788,426
LIABILITIES				
Current liabilities:				
Accounts payable	1,508	1,723	6	3,237
Accrued interest	3,344	1,392	-	4,736
Advance from other funds	123,500	-	-	123,500
Revenue bonds	-	6,197	-	6,197
Total current liabilities	128,352	9,312	6	137,670
Noncurrent liabilities:				
Revenue bonds	-	165,091	-	165,091
Total noncurrent liabilities	-	165,091	-	165,091
Total liabilities	128,352	174,403	6	302,761
NET ASSETS				
Invested in capital assets	130,580	131,674	86,963	349,217
Unrestricted (deficit)	(95,384)	67,962	163,870	136,448
Total net assets	\$ 35,196	\$ 199,636	\$ 250,833	\$ 485,665

COUNTY OF ROCKINGHAM, VIRGINIA

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 NONMAJOR PROPRIETARY FUNDS
 Year Ended June 30, 2006

	Lilly Subdivision Sanitary District	Countryside Sanitary District	Penn Laird Sewer Authority	Total Nonmajor Proprietary Funds
Operating revenues:				
Charges for services	\$ 29,394	\$ 15,716	\$ -	\$ 45,110
Other revenue	50	-	-	50
Total operating revenues	29,444	15,716	-	45,160
Operating expenses:				
Contractual services	12,152	2,325	23	14,500
Electrical services	4,460	-	-	4,460
Repairs and maintenance	52	-	-	52
Other charges	3,574	5,368	-	8,942
Depreciation and amortization	3,073	3,060	-	6,133
Total operating expenses	23,311	10,753	23	34,087
Operating income (loss)	6,133	4,963	(23)	11,073
Nonoperating revenues (expenses):				
Operating grant	-	10,000	-	10,000
Interest revenue	972	44	706	1,722
Interest expense	(4,049)	(1,392)	-	(5,441)
Total nonoperating revenues, net	(3,077)	8,652	706	6,281
Income before transfers	3,056	13,615	683	17,354
Transfers in	-	115,620	201,000	316,620
Change in net assets	3,056	129,235	201,683	333,974
Total net assets, beginning	32,140	70,401	49,150	151,691
Total net assets, ending	\$ 35,196	\$ 199,636	\$ 250,833	\$ 485,665

COUNTY OF ROCKINGHAM, VIRGINIA

STATEMENT OF CASH FLOWS
 NONMAJOR PROPRIETARY FUNDS
 Year Ended June 30, 2006

	Lilly Subdivision Sanitary District	Countryside Sanitary District	Penn Laird Sewer Authority	Total Nonmajor Proprietary Funds
Cash Flows From Operating Activities:				
Receipts from customers	\$ 29,690	\$ 19,959	\$ -	\$ 49,649
Payments to suppliers for goods and services	(16,434)	(52,158)	(17)	(68,609)
Other payments, net	(3,524)	-	-	(3,524)
Net cash provided by (used in) operating activities	9,732	(32,199)	(17)	(22,484)
Cash Flows From Noncapital and Related Financing Activities:				
Operating grants	-	10,000	-	10,000
Cash Flows From Capital and Related Financing Activities:				
Proceeds from issuance of debt	-	171,288	-	171,288
Payment of advance from other funds	(6,500)	(200,616)	-	(207,116)
Interest paid on outstanding debt	(4,226)	-	-	(4,226)
Transfer from other funds for capital purposes	-	115,620	201,000	316,620
Acquisition and construction of capital assets	-	(6,490)	(47,062)	(53,552)
Net cash provided by (used in) capital and related financing activities	(10,726)	79,802	153,938	223,014
Cash Flows From Investing Activities:				
Interest received on investment securities	943	44	287	1,274
Net increase (decrease) in cash and cash equivalents	(51)	57,647	154,208	211,804
Cash and cash equivalents:				
Beginning	29,026	-	9,249	38,275
Ending	\$ 28,975	\$ 57,647	\$ 163,457	\$ 250,079
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 6,133	\$ 4,963	\$ (23)	\$ 11,073
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	3,073	3,060	-	6,133
Change in assets and liabilities:				
Decrease in accounts receivable	296	4,243	-	4,539
Increase (decrease) in accounts payable	230	(44,465)	6	(44,229)
Net cash provided by (used in) operating activities	\$ 9,732	\$ (32,199)	\$ (17)	\$ (22,484)

FIDUCIARY FUNDS

Special Welfare – This fund is used to account for assets held by the County for individuals under custody of the Social Services District.

Employee Benefits – This fund is used to account for assets held by the County for employees selecting voluntary benefits through payroll deductions and benefits provided through COBRA.

Rockingham County Industrial Development Authority – This fund is used to account for assets held by the County for the Rockingham County Industrial Development Authority.

Bond Escrow – This fund is used to account for subdivision, sediment and erosion control bonds held by the County for developers.

Disability Services Board – This fund is used to account for assets held by the County for the Disability Services Board.

Community Association for Rural Transportation – This fund is used to account for assets held by the County for the Community Association for Rural Transportation.

Massanutten Technical Center – This fund is used to account for assets held by the County for the Massanutten Technical Center.

Upper Valley Regional Park Authority – This fund is used to account for assets held by the County for the Upper Valley Regional Park Authority.

COUNTY OF ROCKINGHAM, VIRGINIA

COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 June 30, 2006

	Agency Funds							Totals
	Special Welfare	Employee Benefits	Rockingham County Industrial Development Authority	Bond Escrow	Disability Services Board	Massanutten Technical Center	Upper Valley Regional Park Authority	
ASSETS								
Cash, cash equivalents and temporary cash investments	\$ 49,601	\$ 233,982	\$ 33,571	\$ 867,403	\$ 10,487	\$ 485,375	\$ 82,956	\$ 1,763,375
Accounts receivable	-	25,251	208	5,414	692	55,035	-	86,600
Total assets	\$ 49,601	\$ 259,233	\$ 33,779	\$ 872,817	\$ 11,179	\$ 540,410	\$ 82,956	\$ 1,849,975
LIABILITIES								
Accounts payable	\$ 49,601	\$ 259,233	\$ 33,779	\$ 872,817	\$ 11,179	\$ 540,410	\$ 82,956	\$ 1,849,975
Total liabilities	\$ 49,601	\$ 259,233	\$ 33,779	\$ 872,817	\$ 11,179	\$ 540,410	\$ 82,956	\$ 1,849,975

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
Year Ended June 30, 2006**

	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006
<u>SPECIAL WELFARE</u>				
ASSETS				
Cash, cash equivalents and temporary cash investments	\$ 75,416	\$ 124,172	\$ 149,987	\$ 49,601
LIABILITIES				
Accounts payable	\$ 75,416	\$ 124,172	\$ 149,987	\$ 49,601

EMPLOYEE BENEFITS

ASSETS				
Cash, cash equivalents and temporary cash investments	\$ 132,446	\$ 240,780	\$ 139,244	\$ 233,982
Accounts receivable	15,645	25,251	15,645	25,251
Total assets	\$ 148,091	\$ 266,031	\$ 154,889	\$ 259,233
LIABILITIES				
Accounts payable	\$ 148,091	\$ 266,031	\$ 154,889	\$ 259,233

ROCKINGHAM COUNTY INDUSTRIAL
DEVELOPMENT AUTHORITY

ASSETS				
Cash, cash equivalents and temporary cash investments	\$ 32,382	\$ 12,463	\$ 11,274	\$ 33,571
Accounts receivable	165	208	165	208
Total assets	\$ 32,547	\$ 12,671	\$ 11,439	\$ 33,779
LIABILITIES				
Accounts payable	\$ 32,547	\$ 12,671	\$ 11,439	\$ 33,779

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
Year Ended June 30, 2006**

	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006
BOND ESCROW				
ASSETS				
Cash, cash equivalents and temporary cash investments	\$ 840,835	\$ 487,148	\$ 460,580	\$ 867,403
Accounts receivable	4,503	5,414	4,503	5,414
Total assets	\$ 845,338	\$ 492,562	\$ 465,083	\$ 872,817

LIABILITIES				
Accounts payable	\$ 845,338	\$ 492,562	\$ 465,083	\$ 872,817

DISABILITY SERVICES BOARD

ASSETS				
Cash, cash equivalents and temporary cash investments	\$ 5,565	\$ 16,362	\$ 11,440	\$ 10,487
Accounts receivable	23	692	23	692
Total assets	\$ 5,588	\$ 17,054	\$ 11,463	\$ 11,179

LIABILITIES				
Accounts payable	\$ 5,588	\$ 17,054	\$ 11,463	\$ 11,179

COMMUNITY ASSOCIATION FOR RURAL TRANSPORTATION

ASSETS				
Cash, cash equivalents and temporary cash investments	\$ -	\$ 93,107	\$ 93,107	\$ -
Accounts receivable	61,207	-	61,207	-
Total assets	\$ 61,207	\$ 93,107	\$ 154,314	\$ -

LIABILITIES				
Accounts payable	\$ 61,207	\$ 93,107	\$ 154,314	\$ -

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
Year Ended June 30, 2006**

	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006
MASSANUTTEN TECHNICAL CENTER				
ASSETS				
Cash, cash equivalents and temporary cash investments	\$ 647,020	\$ 4,492,640	\$ 4,654,285	\$ 485,375
Accounts receivable	40,579	55,035	40,579	55,035
Total assets	\$ 687,599	\$ 4,547,675	\$ 4,694,864	\$ 540,410
LIABILITIES				
Accounts payable	\$ 687,599	\$ 4,547,675	\$ 4,694,864	\$ 540,410

UPPER VALLEY REGIONAL PARK AUTHORITY

ASSETS				
Cash, cash equivalents and temporary cash investments	\$ 104,288	\$ 589,141	\$ 610,473	\$ 82,956
LIABILITIES				
Accounts payable	\$ 104,288	\$ 589,141	\$ 610,473	\$ 82,956

TOTALS - ALL AGENCY FUNDS

ASSETS				
Cash, cash equivalents and temporary cash investments	\$ 1,837,952	\$ 6,055,813	\$ 6,130,390	\$ 1,763,375
Accounts receivable	122,122	86,600	122,122	86,600
Total assets	\$ 1,960,074	\$ 6,142,413	\$ 6,252,512	\$ 1,849,975
LIABILITIES				
Accounts payable	\$ 1,960,074	\$ 6,142,413	\$ 6,252,512	\$ 1,849,975



DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD

School Operating Fund – This fund accounts for the operations of the School Board. Financing is provided by specific allocations from state and federal governments, and by appropriations from the primary government by the Board of Supervisors.

School Cafeteria Fund – This fund accounts for the operations of the centralized school cafeteria operations.

School Capital Projects Fund – This fund accounts for financial resources to be used for the acquisition or construction of major capital facilities of the School Board, other than those financed by the Massanutten Technical Center.

School Textbook Fund – This fund accounts for the operations of the centralized school textbook operation.

Massanutten Technical Center – Operating Fund – This fund accounts for the general operations of the Massanutten Technical Center.

FIDUCIARY FUNDS

School Activity Fund – This fund accounts for the activity funds at each individual school.

Massanutten Technical Center – Activity Fund – This fund accounts for activities to raise funds for school use. The Massanutten Technical Center Funds are under control of the Massanutten Technical Center Board of Control appointed by the Rockingham County School Board and Harrisonburg City School Board.

COUNTY OF ROCKINGHAM, VIRGINIA

**COMBINING BALANCE SHEET
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
June 30, 2006**

	School Operating Fund	School Cafeteria Fund	School Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash, cash equivalents and temporary cash investments	\$ 7,190,245	\$ 1,066,495	\$ -	\$ 905,501	\$ 9,162,241
Trade and other accounts receivable	241,005	3,820	-	4,802	249,627
Accrued interest	-	5,703	-	3,547	9,250
Due from other governments	2,617,059	-	-	46,686	2,663,745
Inventory	73,647	43,806	-	68,036	185,489
Total assets	\$ 10,121,956	\$ 1,119,824	\$ -	\$ 1,028,572	\$ 12,270,352
LIABILITIES					
Accounts payable	\$ 673,173	\$ 3,866	\$ 2,016,684	\$ 99,440	\$ 2,793,163
Retainage payable	-	-	392,102	-	392,102
Accrued payroll	9,448,783	296,777	2,300	142,009	9,889,869
Due to other governments	-	-	-	301,546	301,546
Due to primary government	-	-	1,189,769	-	1,189,769
Total liabilities	10,121,956	300,643	3,600,855	542,995	14,566,449
FUND BALANCES					
Reserved for:					
Inventory	73,647	43,806	-	68,036	185,489
Unreserved:					
Designated for subsequent years' expenditures	-	775,375	-	417,541	1,192,916
Undesignated (deficit)	(73,647)	-	(3,600,855)	-	(3,674,502)
Total fund balances (deficits)	-	819,181	(3,600,855)	485,577	(2,296,097)
Total liabilities and fund balances (deficits)	\$ 10,121,956	\$ 1,119,824	\$ -	\$ 1,028,572	\$ 12,270,352

Total Fund balances (deficits) \$ (2,296,097)

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.

Governmental capital assets	\$ 158,790,583	
Less accumulated depreciation	(72,603,308)	
Net Capital Assets		86,187,275

Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds.

Post-retirement benefits	(36,280)	
Compensated absences	(2,793,838)	
		(2,830,118)

Net assets of governmental activities \$ 81,061,060

COUNTY OF ROCKINGHAM, VIRGINIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD

Year Ended June 30, 2006

	School Operating Fund	School Cafeteria Fund	School Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Use of money and property	\$ 22,739	\$ 30,050	\$ 14,208	\$ 27,521	\$ 94,518
Charges for services	1,560,387	2,250,378	-	763,525	4,574,290
Miscellaneous	65,216	-	322,656	15,373	403,245
Appropriation from General Fund	35,534,371	-	4,322,832	75,000	39,932,203
Intergovernmental	56,012,355	2,009,678	2,200,194	4,199,610	64,421,837
Total revenues	93,195,068	4,290,106	6,859,890	5,081,029	109,426,093
Expenditures:					
Current:					
Education	92,730,068	4,191,238	-	5,357,180	102,278,486
Capital outlay	-	-	10,662,444	-	10,662,444
Total expenditures	92,730,068	4,191,238	10,662,444	5,357,180	112,940,930
Revenues over (under) expenditures	465,000	98,868	(3,802,554)	(276,151)	(3,514,837)
Other financing sources (uses):					
Transfers in	-	-	-	465,000	465,000
Transfers out	(465,000)	-	-	-	(465,000)
Net change in fund balances	-	98,868	(3,802,554)	188,849	(3,514,837)
Fund balances, beginning	-	720,313	201,699	296,728	1,218,740
Fund balances (deficit), ending	\$ -	\$ 819,181	\$ (3,600,855)	\$ 485,577	\$ (2,296,097)

Net change in fund balances \$ (3,514,837)

Reconciliation of amounts reported for governmental activities in the Statement of Activities:

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 outlays were more than depreciation in the current period.

Expenditure for capital assets	\$ 12,132,999	
Less depreciation expense	(3,974,939)	
Excess of capital outlay over depreciation		8,158,060

The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins and donations) is to decrease net assets (61,986)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated absences	(136,248)	(136,248)
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Change in net assets of governmental activities \$ 4,444,989

COUNTY OF ROCKINGHAM, VIRGINIA

COMBINING BALANCE SHEET

NONMAJOR FUNDS OF THE DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD

June 30, 2006

	School Textbook Fund	Massanutten Technical Center - Operating Fund	Total Nonmajor Governmental Funds
ASSETS			
Cash, cash equivalents and temporary cash investments	\$ 420,126	\$ 485,375	\$ 905,501
Trade and other accounts receivable	-	4,802	4,802
Accrued interest	-	3,547	3,547
Due from other governments	-	46,686	46,686
Inventory	68,036	-	68,036
Total assets	\$ 488,162	\$ 540,410	\$ 1,028,572
LIABILITIES			
Accounts payable	\$ -	\$ 99,440	\$ 99,440
Accrued payroll	2,585	139,424	142,009
Due to other government	-	301,546	301,546
Total liabilities	2,585	540,410	542,995
FUND BALANCES			
Reserved for:			
Inventory	68,036	-	68,036
Unreserved:			
Designated for subsequent years' expenditures	417,541	-	417,541
Total fund balances	485,577	-	485,577
Total liabilities and fund balances	\$ 488,162	\$ 540,410	\$ 1,028,572

COUNTY OF ROCKINGHAM, VIRGINIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR FUNDS OF THE DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
 Year Ended June 30, 2006

	School Textbook Fund	Massanutten Technical Center - Operating Fund	Total Nonmajor Governmental Funds
Revenues:			
Use of money and property	\$ -	\$ 27,521	\$ 27,521
Charges for services	2,666	760,859	763,525
Miscellaneous	-	15,373	15,373
Appropriation from General Fund	75,000	-	75,000
Intergovernmental	455,688	3,743,922	4,199,610
Total revenues	533,354	4,547,675	5,081,029
Expenditures:			
Current:			
Education	809,505	4,547,675	5,357,180
Total expenditures	809,505	4,547,675	5,357,180
Revenues under expenditures	(276,151)	-	(276,151)
Other financing sources:			
Transfers in	465,000	-	465,000
Net change in fund balances	188,849	-	188,849
Fund balance, beginning	296,728	-	296,728
Fund balance, ending	\$ 485,577	\$ -	\$ 485,577

COUNTY OF ROCKINGHAM, VIRGINIA

**COMBINING STATEMENT OF FIDUCIARY NET ASSETS - SCHOOL BOARD
FIDUCIARY FUNDS**

June 30, 2006

	Agency Funds		
	School Activity Fund	Massanutten Technical Center Activity Fund	Totals
ASSETS			
Cash, cash equivalents and temporary cash investments	\$ 862,423	\$ 126,912	\$ 989,335
Accounts receivable	14,221	319	14,540
Total assets	\$ 876,644	\$ 127,231	\$ 1,003,875
LIABILITIES			
Accounts payable	\$ 876,644	\$ 127,231	\$ 1,003,875
Total liabilities	\$ 876,644	\$ 127,231	\$ 1,003,875

COUNTY OF ROCKINGHAM, VIRGINIA

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - SCHOOL BOARD
ALL AGENCY FUNDS**

Year Ended June 30, 2006

	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006
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SCHOOL ACTIVITY FUND

ASSETS

Cash, cash equivalents and temporary cash investments	\$ 763,878	\$ 3,840,782	\$ 3,742,237	\$ 862,423
Accounts receivable	17,527	14,221	17,527	14,221
Total assets	\$ 781,405	\$ 3,855,003	\$ 3,759,764	\$ 876,644

LIABILITIES

Accounts payable	\$ 781,405	\$ 3,855,003	\$ 3,759,764	\$ 876,644
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MASSANUTTEN TECHNICAL CENTER ACTIVITY FUND

ASSETS

Cash, cash equivalents and temporary cash investments	\$ 121,803	\$ 213,476	\$ 208,367	\$ 126,912
Accounts receivable	7,909	319	7,909	319
Total assets	\$ 129,712	\$ 213,795	\$ 216,276	\$ 127,231

LIABILITIES

Accounts payable	\$ 129,712	\$ 213,795	\$ 216,276	\$ 127,231
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TOTALS - ALL AGENCY FUNDS

ASSETS

Cash, cash equivalents and temporary cash investments	\$ 885,681	\$ 4,054,258	\$ 3,950,604	\$ 989,335
Accounts receivable	25,436	14,540	25,436	14,540
Total assets	\$ 911,117	\$ 4,068,798	\$ 3,976,040	\$ 1,003,875

LIABILITIES

Accounts payable	\$ 911,117	\$ 4,068,798	\$ 3,976,040	\$ 1,003,875
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**DISCRETELY PRESENTED COMPONENT UNIT –
HARRISONBURG – ROCKINGHAM SOCIAL SERVICES DISTRICT**

This fund accounts for the general operations of the Social Services District. Financing is provided by specific allocations from state and federal governments, by appropriation from the General Fund of the County by the Board of Supervisors and by the City of Harrisonburg.

COUNTY OF ROCKINGHAM, VIRGINIA

BALANCE SHEET
DISCRETELY PRESENTED COMPONENT UNIT - HARRISONBURG-ROCKINGHAM
SOCIAL SERVICES DISTRICT
June 30, 2006

ASSETS	
Cash, cash equivalents and temporary cash investments	\$ 1,295,057
Trade and other accounts receivable	92,819
Accrued interest	9,623
Due from other governments	<u>1,677,539</u>
Total assets	<u>\$ 3,075,038</u>
LIABILITIES	
Accounts payable	\$ 1,283,204
Accrued payroll	149,066
Unearned revenue	<u>91,575</u>
Total liabilities	<u>1,523,845</u>
FUND BALANCE	
Unreserved, undesignated	<u>1,551,193</u>
Total liabilities and fund balance	<u>\$ 3,075,038</u>
Fund balance	\$ 1,551,193

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not current financial resources and therefore not reported in the governmental funds.

Governmental capital assets	\$ 448,880	
Less accumulated depreciation	<u>(278,827)</u>	
Net Capital Assets		170,053

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds.

Compensated absences		<u>(267,950)</u>
Net assets of governmental activities	\$	<u>1,453,296</u>

COUNTY OF ROCKINGHAM, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
DISCRETELY PRESENTED COMPONENT UNIT - HARRISONBURG-ROCKINGHAM
SOCIAL SERVICES DISTRICT
Year Ended June 30, 2006**

Revenues:		
Use of money and property	\$	61,494
Miscellaneous		2,233,634
Appropriation from General Fund		2,811,135
Intergovernmental		<u>12,409,206</u>
Total revenues		<u>17,515,469</u>
Expenditures:		
Current:		
Health and social services		<u>17,507,539</u>
Total expenditures		<u>17,507,539</u>
Net change in fund balance		7,930
Fund balance, beginning		<u>1,543,263</u>
Fund balance, ending	\$	<u><u>1,551,193</u></u>
Net change in fund balance	\$	7,930
Reconciliation of amounts reported for governmental activities in the Statement of Activities:		
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 outlays exceeded depreciation in the current period.		
Expenditure for capital assets	\$	108,097
Less depreciation expense		<u>(47,238)</u>
Excess of capital outlays over depreciation		60,859
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated absences		<u>(20,020)</u>
Change in net assets of governmental activities	\$	<u><u>48,769</u></u>



SUPPLEMENTAL SCHEDULES



**GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNITS
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
Year Ended June 30, 2006**

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government:				
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 29,740,000	\$ 29,740,000	\$ 31,497,653	\$ 1,757,653
Real and personal public service corporation property taxes	960,000	960,000	791,663	(168,337)
Personal property taxes	7,010,000	7,010,000	7,782,448	772,448
Machinery and tools taxes	7,300,000	7,300,000	6,543,625	(756,375)
Merchants' capital taxes	700,000	700,000	755,943	55,943
Penalties and interest	455,000	455,000	723,237	268,237
Total general property taxes	46,165,000	46,165,000	48,094,569	1,929,569
Other local taxes:				
Local sales and use taxes	3,800,000	3,800,000	4,358,695	558,695
Consumer utility taxes	1,471,000	1,471,000	1,554,418	83,418
Utility gross receipts taxes	280,000	280,000	336,494	56,494
Bank stock taxes	13,000	13,000	12,588	(412)
Motor vehicle licenses	1,200,000	1,200,000	1,182,848	(17,152)
Taxes on recordation and wills	740,000	740,000	1,339,981	599,981
Hotel and motel room taxes	90,000	90,000	104,037	14,037
Total other local taxes	7,594,000	7,594,000	8,889,061	1,295,061
Permits, privilege fees and regulatory licenses:				
Animal licenses	17,000	17,000	14,967	(2,033)
Permits and other licenses	827,150	827,150	970,850	143,700
Total permits, privilege fees and regulatory licenses	844,150	844,150	985,817	141,667
Fines and forfeitures	193,000	193,000	182,105	(10,895)
Use of money and property:				
Revenue from use of money	400,000	400,000	1,035,909	635,909
Revenue from use of property	208,203	208,203	211,273	3,070
Total use of money and property	608,203	608,203	1,247,182	638,979

**GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNITS
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
Year Ended June 30, 2006**

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government:				
General Fund:				
Revenue from local sources:				
Charges for services:				
Excess fees of clerk	\$ 571,000	\$ 571,000	\$ 745,164	\$ 174,164
Commonwealth attorney's fees	163,500	163,500	134,116	(29,384)
Law enforcement and traffic control	146,986	146,986	152,437	5,451
Correction and detention	996,750	996,750	896,917	(99,833)
Parks and recreation	280,000	280,000	299,921	19,921
Gypsy moth suppression fees	6,000	6,000	-	(6,000)
Computer services	4,500	4,500	4,764	264
Health	25,000	25,000	52,834	27,834
Garage fees	295,000	508,000	552,487	44,487
Planning and community development	7,950	7,950	7,615	(335)
Total charges for services	2,496,686	2,709,686	2,846,255	136,569
Miscellaneous	45,000	47,000	125,070	78,070
Recovered costs:				
City of Harrisonburg:				
Judicial administration	251,939	278,363	270,845	(7,518)
Public safety	1,269,224	1,402,344	1,364,467	(37,877)
Public works	190,269	210,225	204,547	(5,678)
Other entities:				
Public safety	225,054	242,684	292,540	49,856
Public works	-	-	469	469
Total recovered costs	1,936,486	2,133,616	2,132,868	(748)
Total revenue from local sources	59,882,525	60,294,655	64,502,927	4,208,272
Intergovernmental:				
Revenue from the Commonwealth:				
Non-categorical aid:				
ABC profits	30,000	30,000	30,914	914
Wine taxes	32,000	32,000	32,404	404
Mobile home titling taxes	100,000	100,000	70,445	(29,555)
Rental vehicle taxes	3,600	3,600	4,013	413
Personal property tax relief	5,970,000	5,970,000	6,059,059	89,059
Recordation taxes	252,000	252,000	207,615	(44,385)
Total non-categorical aid	6,387,600	6,387,600	6,404,450	16,850

**GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNITS
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
Year Ended June 30, 2006**

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government:				
General Fund:				
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Shared costs:				
Commonwealth attorney	\$ 477,000	\$ 477,000	\$ 590,598	\$ 113,598
Sheriff	5,543,671	5,543,671	5,548,785	5,114
Commissioner of the revenue	203,000	203,000	203,769	769
Treasurer	183,000	183,000	184,259	1,259
Medical examiner	750	750	480	(270)
Registrar/Electoral Board	44,000	44,000	57,250	13,250
Clerk of circuit court	453,000	453,000	453,670	670
Jail operations	566,000	566,000	570,047	4,047
Total shared costs	7,470,421	7,470,421	7,608,858	138,437
Other categorical aid:				
Emergency medical services	34,000	34,000	56,533	22,533
Community corrections grant	343,305	343,305	329,661	(13,644)
Soil conservation	160,000	160,000	138,937	(21,063)
Fire program	104,000	119,557	119,557	-
Hazardous materials program	6,000	6,000	6,101	101
Victim witness grant	-	-	12,746	12,746
Resource officers grant	-	32,370	25,335	(7,035)
Methamphetamine grant	51,594	51,594	40,852	(10,742)
OEMS consolidated grant program	-	-	2,000	2,000
Domestic violence victim grant	-	50,000	25,077	(24,923)
Governor's opportunity fund	-	1,500,000	1,500,000	-
Other	-	3,395	8,175	4,780
Total other categorical aid	698,899	2,300,221	2,264,974	(35,247)
Total categorical aid	8,169,320	9,770,642	9,873,832	103,190
Total revenue from the Commonwealth	14,556,920	16,158,242	16,278,282	120,040

**GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNITS
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
Year Ended June 30, 2006**

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government:				
General Fund:				
Intergovernmental:				
Revenue from the federal government:				
Non-categorical aid:				
Payment for federal lands	\$ 180,000	\$ 180,000	\$ 201,469	\$ 21,469
Categorical aid:				
Victim witness grant	71,765	70,956	50,991	(19,965)
FEMA funding	12,836	12,836	10,844	(1,992)
Highway safety	40,000	40,000	16,919	(23,081)
Welfare	-	-	116,012	116,012
Domestic violence coordinator grant	27,412	27,412	19,137	(8,275)
Gun violence grant	57,627	57,627	-	(57,627)
Weed and seed	225,979	225,979	253,295	27,316
LLEBG crime prevention	-	-	495	495
Community prosecution program	90,993	90,993	19,095	(71,898)
Other	396,086	716,406	452,989	(263,417)
Total categorical aid	922,698	1,242,209	939,777	(302,432)
Total revenue from the federal government	1,102,698	1,422,209	1,141,246	(280,963)
Total intergovernmental	15,659,618	17,580,451	17,419,528	(160,923)
Total General Fund	\$ 75,542,143	\$ 77,875,106	\$ 81,922,455	\$ 4,047,349
Special Revenue Funds:				
E-911 Fund:				
Revenue from local sources:				
Other local taxes:				
Emergency telephone service taxes	\$ 1,188,000	\$ 1,188,000	\$ 1,075,362	\$ (112,638)
Revenue from use of money	35,000	35,000	165,302	130,302
Total revenue from local sources	1,223,000	1,223,000	1,240,664	17,664
Intergovernmental:				
Revenue from the federal government:				
Categorical aid:				
COPS technology	494,739	494,739	-	(494,739)
VDEM joint competitive grant	280,000	280,000	140,000	(140,000)
Other	100,000	100,000	100,000	-
Total intergovernmental	874,739	874,739	240,000	(634,739)
Total E-911 Fund	2,097,739	2,097,739	1,480,664	(617,075)

**GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNITS
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
Year Ended June 30, 2006**

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government:				
Special Revenue Funds:				
Asset Forfeiture Fund:				
Revenue from local sources:				
Fines and forfeitures:				
Seized funds - judicial administration	\$ 40,000	\$ 65,000	\$ 63,089	\$ (1,911)
Seized funds - public safety	40,000	40,000	100,611	60,611
Total fines and forfeitures	80,000	105,000	163,700	58,700
Revenue from use of money	-	-	4,166	4,166
Total revenue from local sources	80,000	105,000	167,866	62,866
Total Asset Forfeiture Fund	80,000	105,000	167,866	62,866
Total Special Revenue Funds	\$ 2,177,739	\$ 2,202,739	\$ 1,648,530	\$ (554,209)
Capital Projects Funds:				
General Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money	\$ -	\$ -	\$ 54,059	\$ 54,059
Miscellaneous	-	-	55,827	55,827
Recovered costs from other governments	-	75,000	61,319	(13,681)
Total revenue from local sources	-	75,000	171,205	96,205
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Flood mitigation	-	47,500	-	(47,500)
Revenue from the federal government:				
Categorical aid:				
Flood mitigation	-	187,500	-	(187,500)
Total intergovernmental	-	235,000	-	(235,000)
Total General Capital Projects Fund	-	310,000	171,205	(138,795)
Joint Judicial Complex Fund:				
Revenue from local sources:				
Revenue from use of money	-	-	19,737	19,737
Total Joint Judicial Complex Fund	-	-	19,737	19,737
Total Capital Projects Funds	\$ -	\$ 310,000	\$ 190,942	\$ (119,058)
Permanent Fund:				
Albert K. Long Trust:				
Revenue from local sources:				
Revenue from use of money	\$ -	\$ -	\$ 780	\$ 780
Total Permanent Fund	\$ -	\$ -	\$ 780	\$ 780
Grand Total Revenues - Primary Government	\$ 77,719,882	\$ 80,387,845	\$ 83,762,707	\$ 3,374,862

**GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNITS
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
Year Ended June 30, 2006**

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Component Units:				
Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of property	\$ 23,000	\$ 23,000	\$ 22,739	\$ (261)
Charges for services	1,240,000	1,473,000	1,560,387	87,387
Miscellaneous	47,500	49,500	65,216	15,716
Appropriation from General Fund	37,417,617	37,652,642	35,534,371	(2,118,271)
Total revenue from local sources	38,728,117	39,198,142	37,182,713	(2,015,429)
Intergovernmental:				
Revenue from the Commonwealth:				
Non-categorical aid:				
Rolling stock tax	52,000	52,000	49,980	(2,020)
Categorical aid:				
State sales tax receipts	11,112,699	11,477,699	11,134,123	(343,576)
Basic school aid	26,058,628	26,693,628	26,736,988	43,360
Other state school funds	12,496,933	12,714,143	12,756,237	42,094
Total categorical aid	49,668,260	50,885,470	50,627,348	(258,122)
Total revenue from the Commonwealth	49,720,260	50,937,470	50,677,328	(260,142)
Revenue from the federal government:				
Categorical aid:				
National forest receipts	75,000	75,000	82,028	7,028
Title I	1,085,000	1,285,000	1,213,783	(71,217)
Title VIB	2,330,000	2,500,000	2,576,567	76,567
Other school funds	895,264	1,426,541	1,462,649	36,108
Total revenue from the federal government	4,385,264	5,286,541	5,335,027	48,486
Total intergovernmental	54,105,524	56,224,011	56,012,355	(211,656)
Total School Operating Fund	92,833,641	95,422,153	93,195,068	(2,227,085)

**GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNITS
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
Year Ended June 30, 2006**

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Component Units:				
Component Unit - School Board:				
School Textbook Fund:				
Revenue from local sources:				
Charges for services	\$ -	\$ -	\$ 2,666	\$ 2,666
Appropriation from General Fund	-	75,000	75,000	-
Total revenue from local sources	-	75,000	77,666	2,666
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Financial assistance/textbook rental	443,373	443,373	455,688	12,315
Total School Textbook Fund	443,373	518,373	533,354	14,981
School Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money	10,000	10,000	30,050	20,050
Charges for services	2,287,016	2,287,016	2,250,378	(36,638)
Total revenue from local sources	2,297,016	2,297,016	2,280,428	(16,588)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	70,000	70,000	72,626	2,626
Revenue from the federal government:				
Categorical aid:				
School food program grant	1,561,009	1,775,009	1,937,052	162,043
Total intergovernmental	1,631,009	1,845,009	2,009,678	164,669
Total School Cafeteria Fund	3,928,025	4,142,025	4,290,106	148,081
School Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money	-	-	14,208	14,208
Miscellaneous	-	-	322,656	322,656
Appropriation from General Fund	6,692,451	11,015,283	4,322,832	(6,692,451)
Total revenue from local sources	6,692,451	11,015,283	4,659,696	(6,355,587)

**GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNITS
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
Year Ended June 30, 2006**

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Component Units:				
Component Unit - School Board:				
School Capital Projects Fund:				
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Lottery	\$ 861,318	\$ 861,318	\$ 869,649	\$ 8,331
Other state revenues	246,231	1,329,899	1,330,545	646
Total intergovernmental	1,107,549	2,191,217	2,200,194	8,977
Total School Capital Projects Fund	7,800,000	13,206,500	6,859,890	(6,346,610)
Massanutten Technical Center - Operating Fund:				
Revenue from local sources:				
Revenue from use of money	-	-	27,521	27,521
Charges for services	581,700	612,644	760,859	148,215
Miscellaneous	26,000	26,000	15,373	(10,627)
House project	40,000	40,000	-	(40,000)
Total revenue from local sources	647,700	678,644	803,753	125,109
Intergovernmental:				
Revenue from the Commonwealth	342,730	384,730	348,641	(36,089)
Revenue from the federal government	218,098	218,098	167,518	(50,580)
Local governments:				
Appropriation from Rockingham County	2,162,605	2,397,630	2,198,920	(198,710)
Appropriation from the City of Harrisonburg	1,090,205	1,131,680	1,028,843	(102,837)
Total local governments	3,252,810	3,529,310	3,227,763	(301,547)
Total intergovernmental	3,813,638	4,132,138	3,743,922	(388,216)
Total Massanutten Technical Center - Operating Fund	4,461,338	4,810,782	4,547,675	(263,107)
Total Revenues - Component Unit - School Board	\$ 109,466,377	\$ 118,099,833	\$ 109,426,093	\$ (8,673,740)

**GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNITS
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
Year Ended June 30, 2006**

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Component Units:				
Component Unit - Harrisonburg-Rockingham				
Social Services District:				
Revenue from local sources:				
Revenue from use of money	\$ -	\$ -	\$ 61,494	\$ 61,494
Miscellaneous:				
City of Harrisonburg share	1,979,936	1,989,744	1,991,283	1,539
Other	151,015	191,015	242,351	51,336
Total miscellaneous	2,130,951	2,180,759	2,233,634	52,875
Appropriation from the General Fund	2,231,677	2,811,135	2,811,135	-
Total revenue from local sources	4,362,628	4,991,894	5,106,263	114,369
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Social services administration:				
Public assistance and administration	2,930,477	3,149,091	2,803,610	(345,481)
Comprehensive Services Act	4,152,588	4,921,284	4,558,941	(362,343)
Total revenue from the Commonwealth	7,083,065	8,070,375	7,362,551	(707,824)
Revenue from the federal government:				
Categorical aid:				
Social services administration:				
Welfare	5,660,372	6,033,192	5,046,655	(986,537)
Total intergovernmental	12,743,437	14,103,567	12,409,206	(1,694,361)
Total Revenues - Component Unit - Harrisonburg-Rockingham Social Services District	\$ 17,106,065	\$ 19,095,461	\$ 17,515,469	\$ (1,579,992)
Grand Total Revenues - Component Units	\$ 126,572,442	\$ 137,195,294	\$ 126,941,562	\$ (10,253,732)

**GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNITS
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
Year Ended June 30, 2006**

Entity, Fund, Function, Activity and Elements	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Over (Under)
Primary Government:				
General Fund:				
General government administration:				
Legislative:				
Board of Supervisors	\$ 166,624	\$ 166,624	\$ 160,489	\$ (6,135)
General and financial:				
Executive administration	385,990	385,990	374,258	(11,732)
Legal services	356,809	356,809	286,124	(70,685)
Independent auditor	68,950	68,950	52,100	(16,850)
Commissioner of the revenue	659,290	659,290	609,687	(49,603)
Reassessment and equalization	323,591	323,591	250,324	(73,267)
Treasurer	514,653	514,653	499,745	(14,908)
Fiscal services	592,853	605,853	586,650	(19,203)
Human resources	180,820	180,820	178,017	(2,803)
Information systems	938,195	938,195	859,390	(78,805)
Land use assessment	47,013	47,013	39,623	(7,390)
Central switchboard	62,542	62,542	61,628	(914)
Total general and financial	4,130,706	4,143,706	3,797,546	(346,160)
Board of elections:				
Electoral board and officials	68,741	226,341	184,161	(42,180)
Registrar	116,341	116,341	107,816	(8,525)
Total board of elections	185,082	342,682	291,977	(50,705)
Total general government administration	4,482,412	4,653,012	4,250,012	(403,000)
Judicial administration:				
Courts:				
Circuit court	193,177	193,177	178,471	(14,706)
General district court	15,400	23,400	23,427	27
Juvenile and domestic relations court	23,470	25,370	23,057	(2,313)
Clerk of the circuit court	739,030	792,030	767,532	(24,498)
Department of court services	1,100,823	1,131,919	900,138	(231,781)
Total courts	2,071,900	2,165,896	1,892,625	(273,271)
Commonwealth attorney	911,316	1,017,030	1,035,253	18,223
Total judicial administration	2,983,216	3,182,926	2,927,878	(255,048)

**GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNITS
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
Year Ended June 30, 2006**

Entity, Fund, Function, Activity and Elements	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government:				
General Fund:				
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 4,837,532	\$ 5,123,792	\$ 4,861,643	\$ (262,149)
Fire and rescue services:				
Fire department	2,813,300	2,893,613	2,806,368	(87,245)
Volunteer fire companies	478,842	503,699	457,681	(46,018)
Ambulance and rescue squads	405,338	447,791	453,871	6,080
Fire extinction service	13,545	13,545	11,218	(2,327)
Total fire and rescue services	3,711,025	3,858,648	3,729,138	(129,510)
Correction and detention:				
County operated institutions	5,397,417	5,701,417	5,703,396	1,979
Building inspections				
	554,757	641,757	605,325	(36,432)
Other protection:				
Animal control	202,110	234,927	224,554	(10,373)
Emergency services	268,942	268,942	73,241	(195,701)
Total other protection	471,052	503,869	297,795	(206,074)
Total public safety	14,971,783	15,829,483	15,197,297	(632,186)
Public works:				
General administration	69,521	69,521	65,420	(4,101)
Road viewers	320	320	-	(320)
Garage operations	394,018	607,018	595,667	(11,351)
Maintenance:				
General properties	256,638	256,638	255,552	(1,086)
Courthouse	176,744	186,744	178,165	(8,579)
County office building	125,298	164,298	167,519	3,221
Extension/central garage building	30,246	46,746	46,265	(481)
Human Services/Health department building	120,229	120,229	118,855	(1,374)
TV translator system	55,450	55,450	51,913	(3,537)
County administration complex	212,130	258,680	258,252	(428)
District courts	236,356	272,856	259,205	(13,651)
Sheriff department	155,677	180,677	184,866	4,189
Total public works	1,832,627	2,219,177	2,181,679	(37,498)

**GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNITS
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
Year Ended June 30, 2006**

Entity, Fund, Function, Activity and Elements	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government:				
General Fund:				
Health and social services:				
Health:				
Supplement to local health department	\$ 573,646	\$ 573,646	\$ 539,574	\$ (34,072)
Mental health and mental retardation:				
Community Services Board	279,519	279,519	279,519	-
Social services:				
Property tax relief for elderly/handicapped	150,000	150,000	162,012	12,012
Appropriation to the Harrisonburg-Rockingham Social Services District				
	2,231,677	2,811,135	2,811,135	-
Institutional care				
	316,020	316,020	316,020	-
Total health and social services	3,550,862	4,130,320	4,108,260	(22,060)
Education:				
Appropriation to the Rockingham County School Board				
	37,417,617	42,050,474	39,932,203	(2,118,271)
Total education	37,417,617	42,050,474	39,932,203	(2,118,271)
Parks, recreation and cultural:				
Parks and recreation:				
Administration	113,283	113,283	112,073	(1,210)
Maintenance	342,471	342,471	180,554	(161,917)
Athletic events/programs	792,706	794,706	782,893	(11,813)
Total parks and recreation	1,248,460	1,250,460	1,075,520	(174,940)
Cultural:				
Regional library	670,000	679,000	679,000	-
Total parks, recreation and cultural	1,918,460	1,929,460	1,754,520	(174,940)
Community development:				
Planning and community development	617,336	617,336	553,083	(64,253)
Geographic information systems	147,929	147,929	137,187	(10,742)
Economic development	843,748	2,343,748	2,057,012	(286,736)
Soil and water conservation district	183,873	183,873	171,722	(12,151)
Cooperative extension program	215,109	215,109	164,987	(50,122)
Gypsy moth program	12,000	12,000	2,330	(9,670)
Environmental management	141,383	141,383	120,177	(21,206)
Contributions, grants, and other	1,057,236	1,032,169	565,279	(466,890)
Total community development	3,218,614	4,693,547	3,771,777	(921,770)

**GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNITS
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
Year Ended June 30, 2006**

Entity, Fund, Function, Activity and Elements	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government:				
General Fund:				
Debt service:				
Principal - County	\$ 440,529	\$ 440,529	\$ 440,529	\$ -
Principal - School Board	2,954,914	11,454,914	11,454,914	-
Total principal	3,395,443	11,895,443	11,895,443	-
Interest and fiscal charges - County	271,043	271,043	270,042	(1,001)
Interest and fiscal charges - School Board	1,933,363	1,933,363	1,848,234	(85,129)
Total interest and fiscal charges	2,204,406	2,204,406	2,118,276	(86,130)
Total debt service	5,599,849	14,099,849	14,013,719	(86,130)
Total General Fund	\$ 75,975,440	\$ 92,788,248	\$ 88,137,345	\$ (4,650,903)
Special Revenue Funds:				
E-911 Fund:				
Public safety:				
E-911 communication system	\$ 7,771,249	\$ 7,771,249	\$ 2,347,083	\$ (5,424,166)
Debt service:				
Principal	364,860	364,860	364,860	-
Interest and fiscal charges	261,981	261,981	261,866	(115)
Total debt service	626,841	626,841	626,726	(115)
Total E-911 Fund	8,398,090	8,398,090	2,973,809	(5,424,281)
Asset Forfeiture Fund:				
Public safety:				
Law enforcement	80,000	139,000	138,808	(192)
Total Asset Forfeiture Fund	80,000	139,000	138,808	(192)
Total Special Revenue Funds	\$ 8,478,090	\$ 8,537,090	\$ 3,112,617	\$ (5,424,473)
Capital Projects Funds:				
General Capital Projects Fund:				
Capital projects	\$ 7,705,125	\$ 8,281,899	\$ 6,994,594	\$ (1,287,305)
Total General Capital Projects Fund	7,705,125	8,281,899	6,994,594	(1,287,305)
Joint Judicial Complex Fund:				
Debt service:				
Interest and fiscal charges	-	-	7,204	7,204
Total Joint Judicial Complex Fund	-	-	7,204	7,204
Total Capital Projects Funds	\$ 7,705,125	\$ 8,281,899	\$ 7,001,798	\$ (1,280,101)
Grand Total Expenditures - Primary Government	\$ 92,158,655	\$ 109,607,237	\$ 98,251,760	\$ (11,355,477)

**GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNITS
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
Year Ended June 30, 2006**

Entity, Fund, Function, Activity and Elements	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Component Units:				
Component Unit - School Board:				
School Operating Fund:				
Education:				
Instruction	\$ 74,726,857	\$ 76,621,278	\$ 74,417,886	\$ (2,203,392)
Administration, attendance and health	3,542,583	3,591,674	3,509,979	(81,695)
Pupil transportation services	6,182,252	6,609,252	6,513,386	(95,866)
Operation and maintenance services	8,381,949	8,599,949	8,288,817	(311,132)
Total School Operating Fund	92,833,641	95,422,153	92,730,068	(2,692,085)
School Textbook Fund:				
Education:				
Purchase of textbooks	685,373	810,373	809,505	(868)
Total School Textbook Fund	685,373	810,373	809,505	(868)
School Cafeteria Fund:				
Education:				
School food services	3,978,025	4,192,025	4,191,238	(787)
Total School Cafeteria Fund	3,978,025	4,192,025	4,191,238	(787)
School Capital Projects Fund:				
Capital projects	7,800,000	13,206,500	10,662,444	(2,544,056)
Total School Capital Projects Fund	7,800,000	13,206,500	10,662,444	(2,544,056)
Massanutten Technical Center - Operating Fund:				
Secondary	3,071,366	3,347,866	3,138,282	(209,584)
Continuing education	775,889	776,389	845,018	68,629
Dayton Learning Center	597,203	669,647	564,375	(105,272)
Total education	4,444,458	4,793,902	4,547,675	(246,227)
Debt service:				
Principal	13,400	13,400	-	(13,400)
Interest	3,480	3,480	-	(3,480)
Total debt service	16,880	16,880	-	(16,880)
Total Massanutten Technical Center - Operating Fund	4,461,338	4,810,782	4,547,675	(263,107)
Total Expenditures - Component Unit - School Board	\$ 109,758,377	\$ 118,441,833	\$ 112,940,930	\$ (5,500,903)

**GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNITS
 SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
 Year Ended June 30, 2006**

Entity, Fund, Function, Activity and Elements	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Component Units:				
Component Unit - Harrisonburg-Rockingham				
Social Services District:				
Social services:				
Public assistance	\$ 5,489,709	\$ 5,968,901	\$ 4,928,848	\$ (1,040,053)
Comprehensive Services Act	6,414,010	7,595,935	7,500,224	(95,711)
Administration:				
Welfare	4,879,259	5,207,538	4,806,076	(401,462)
Food stamp	298,832	298,832	251,499	(47,333)
Fuel assistance	24,255	24,255	20,892	(3,363)
Total Expenditures - Component Unit - Harrisonburg-Rockingham Social Services District				
	<u>\$ 17,106,065</u>	<u>\$ 19,095,461</u>	<u>\$ 17,507,539</u>	<u>\$ (1,587,922)</u>
Grand Total Expenditures - Component Units				
	<u>\$ 126,864,442</u>	<u>\$ 137,537,294</u>	<u>\$ 130,448,469</u>	<u>\$ (7,088,825)</u>



STATISTICAL SECTION

COUNTY OF ROCKINGHAM, VIRGINIA

STATISTICAL SECTION CONTENTS

The statistical section of the County's comprehensive annual financial report presents detailed information as a context for understanding what the information presented in the financial statements, note disclosures and required supplementary information say about the County's overall financial health. This information has not been audited by the independent auditor.

Contents	Pages
Financial Trends These tables contain trend information to help the reader understand how the County's financial performance and well being have changed over time.	111 - 123
Revenue Capacity These tables contain information to help the reader assess the County's most significant local revenue sources, the property tax, as well as other revenue sources.	124 - 128
Debt Capacity These tables present information to help the reader assess the affordability of the County's current level of outstanding debt and the County's ability to issue additional debt in the future.	129 - 131
Demographic and Economic Information These tables offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place.	132 - 133
Operating Information These tables contain service and infrastructure data to help the reader understand how the information in the County's financial report relates to the services the County provides and the activities it performs.	134 - 139

Sources: Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial report for the relevant year. The County implemented GASB 34 in fiscal year 2002; tables presenting government-wide information include information beginning in that year.



STATISTICAL SECTION
Comments Relative to Statistical Section

The following statistical table recommended by the National Council on Governmental Accounting is not included for the reason stated below:

The table showing legal debt margin is omitted because counties in the State of Virginia are not subject to the 10% legal debt margin as cities and towns are. The only restriction counties must follow is pursuant to Article VII, Section 10 (b) of the Constitution of Virginia, no debt shall be contracted by or on behalf of any county or district thereof unless approved by a majority vote of the qualified voters of said county.

COUNTY OF ROCKINGHAM, VIRGINIA

Table 2

NET ASSETS BY COMPONENT

Last Five Fiscal Years (1)
(accrual basis of accounting)
(Unaudited)

	Fiscal Year				
	2002	2003	2004	2005	2006
Primary government:					
Governmental activities:					
Invested in capital assets, net of related debt	\$ 12,155,566	\$ 12,203,256	\$ 14,393,817	\$ 13,858,239	\$ 21,591,028
Restricted	621,406	641,075	435,684	4,223,450	5,060,638
Unrestricted (deficit)	(14,611,426)	(8,361,369)	(13,000,411)	(9,391,928)	(13,707,781)
Total governmental activities net assets	\$ (1,834,454)	\$ 4,482,962	\$ 1,829,090	\$ 8,689,761	\$ 12,943,885
Business-type activities:					
Invested in capital assets, net of related debt	\$ 19,241,957	\$ 19,694,606	\$ 19,043,067	\$ 22,919,503	\$ 24,988,500
Restricted	-	-	2,018,084	192,676	-
Unrestricted (deficit)	204,121	176,586	(478,118)	(16,595)	1,257,682
Total business-type activities net assets	\$ 19,446,078	\$ 19,871,192	\$ 20,583,033	\$ 23,095,584	\$ 26,246,182
Primary government:					
Invested in capital assets, net of related debt	\$ 31,397,523	\$ 31,897,862	\$ 33,436,884	\$ 36,777,742	\$ 46,579,528
Restricted	621,406	641,075	2,453,768	4,416,126	5,060,638
Unrestricted (deficit)	(14,407,305)	(8,184,783)	(13,478,529)	(9,408,523)	(12,450,099)
Total primary government net assets	\$ 17,611,624	\$ 24,354,154	\$ 22,412,123	\$ 31,785,345	\$ 39,190,067
Component units: (2)					
Component unit - school board:					
Invested in capital assets, net of related debt	\$ 73,226,795	\$ 70,748,895	\$ 71,481,509	\$ 78,091,201	\$ 86,187,275
Restricted	-	-	7,124,235	22,976	-
Unrestricted (deficit)	6,038	1,248,182	1,339,750	(614,223)	(5,126,115)
Total component unit - school board net assets	\$ 73,232,833	\$ 71,997,077	\$ 79,945,494	\$ 77,499,954	\$ 81,061,160

Component unit - HRSSD					
Invested in capital assets, net of related debt	\$ 90,578	\$ 91,562	\$ 84,871	\$ 109,194	\$ 170,053
Unrestricted	712,964	1,149,654	1,480,989	1,295,333	1,283,243
	<u>\$ 803,542</u>	<u>\$ 1,241,216</u>	<u>\$ 1,565,860</u>	<u>\$ 1,404,527</u>	<u>\$ 1,453,296</u>
Total component unit - HRSSD net assets					
Component units:					
Invested in capital assets, net of related debt	\$ 73,317,373	\$ 70,840,457	\$ 71,566,380	\$ 78,200,395	\$ 86,357,328
Restricted	-	-	7,124,235	22,976	-
Unrestricted (deficit)	719,002	2,397,836	2,820,739	681,110	(3,842,872)
	<u>\$ 74,036,375</u>	<u>\$ 73,238,293</u>	<u>\$ 81,511,354</u>	<u>\$ 78,904,481</u>	<u>\$ 82,514,456</u>
Total reporting entity net assets					
Total reporting entity: (3)					
Invested in capital assets, net of related debt	\$ 65,326,891	\$ 67,660,056	\$ 68,375,203	\$ 81,292,187	\$ 92,025,796
Restricted	621,406	641,075	9,578,003	4,439,102	5,060,638
Unrestricted (deficit)	25,699,702	29,291,316	25,970,271	24,958,537	24,618,089
	<u>\$ 91,647,999</u>	<u>\$ 97,592,447</u>	<u>\$ 103,923,477</u>	<u>\$ 110,689,826</u>	<u>\$ 121,704,523</u>

Notes:

(1) This table reports financial information based on the accrual basis of accounting. The County implemented GASB 34, the new reporting standard, in fiscal year 2002. Therefore, ten years of data is not available but will be accumulated over time.

(2) Component Unit net assets are included in this table due to public schools and social services being significant portions of the County operations. In Virginia, the County issues debt to finance the construction of facilities for these component units because they do not have borrowing or taxing authority.

(3) The sum of the rows for the Reporting Entity identified as "Invested in capital assets, net of related debt" and "Unrestricted" do not equal the sum of the rows from the total Primary Government and the total Component Units. This is because the outstanding debt for the schools has not been subtracted from the total Primary Governments "Invested in capital assets" since the debt for the school board does not correspond to the capital assets of the Primary Government. However, when the Primary Government and the Component Unit are combined, the outstanding debt needs to be accounted for by reducing the balance classified as "Invested in capital assets, net of related debt."

COUNTY OF ROCKINGHAM, VIRGINIA

Table 3

CHANGES IN NET ASSETS

Page 1

Last Five Fiscal Years (1)

(accrual basis of accounting)

(Unaudited)

	Fiscal Year				
	2002	2003	2004	2005	2006
Primary government:					
Expenses:					
Governmental activities:					
General government administration	\$ 3,902,963	\$ 3,939,890	\$ 3,950,687	\$ 4,331,629	\$ 4,564,294
Judicial administration	2,431,187	2,506,361	2,595,053	2,690,201	3,109,327
Public safety	12,662,544	13,010,712	13,949,886	15,625,806	16,728,591
Public works	1,792,802	1,782,907	1,760,352	1,878,903	2,187,373
Health and social services	2,514,942	2,693,816	3,008,207	3,327,684	4,402,543
Education	31,225,243	33,798,748	42,671,090	33,315,177	39,932,203
Parks, recreation and cultural	1,422,312	1,111,503	1,632,593	2,174,207	2,083,985
Community development	1,342,947	1,400,302	2,221,753	2,618,587	3,830,069
Interest	2,779,634	2,382,799	2,380,870	2,449,883	2,572,000
Total governmental activities	60,074,574	62,627,038	74,170,491	68,412,077	79,410,385
Business-type activities:					
Water and sewer	2,059,717	2,232,039	2,573,701	2,862,348	3,330,466
Solid waste	2,762,090	3,112,398	3,569,076	2,509,976	3,541,130
Total business-type activities	4,821,807	5,344,437	6,142,777	5,372,324	6,871,596
Total primary government expenses	64,896,381	67,971,475	80,313,268	73,784,401	86,281,981
Program revenue:					
Governmental activities:					
Charges for services:					
General government administration	4,574	5,415	4,945	6,145	4,764
Judicial administration	778,468	975,080	1,346,906	1,206,212	1,213,214
Public safety	2,756,358	2,876,282	3,123,080	3,440,187	3,974,894
Public works	394,893	420,554	539,784	590,386	757,503
Health and social services	16,057	25,927	32,856	2,429	52,834
Parks, recreation and cultural	267,256	284,397	279,036	276,009	300,701
Community development	11,451	21,112	4,232	7,150	7,615
Operating grants and contributions:					
General government administration	433,351	395,922	387,113	440,535	446,138
Judicial administration	1,550,408	1,514,726	1,858,291	1,627,479	1,819,324
Public safety	5,855,190	6,014,815	6,095,750	6,483,737	6,556,093
Public works	16,460	-	-	-	-
Health and social services	125,669	98,394	82,283	99,123	116,012
Community development	3,170	139,860	118,445	129,303	1,638,937
Capital grants and contributions:					
General government administration	-	-	-	-	99,075
Judicial administration	-	-	-	-	67,119
Public safety	18,691	12,787	259,573	778,954	372,230
Total governmental activities	12,231,996	12,785,271	14,132,294	15,087,649	17,426,453

COUNTY OF ROCKINGHAM, VIRGINIA

Table 3

CHANGES IN NET ASSETS (CONTINUED)

Page 2

Last Five Fiscal Years (1)
(accrual basis of accounting)
(Unaudited)

	Fiscal Year				
	2002	2003	2004	2005	2006
Primary government:					
Program revenue:					
Business-type activities:					
Charges for services:					
Water and sewer	\$ 1,966,550	\$ 2,351,194	\$ 2,809,116	\$ 4,163,147	\$ 4,772,135
Solid waste	2,678,472	2,587,332	2,805,457	2,388,453	2,329,945
Operating grants and contributions:					
Water and sewer	-	-	-	22,701	10,000
Solid waste	18,234	18,822	17,124	16,825	24,025
Capital grants and contributions:					
Water and sewer	-	-	-	-	1,861,994
Solid waste	-	-	-	-	261,494
Total business-type activities	4,663,256	4,957,348	5,631,697	6,591,126	9,259,593
Total primary government revenues	16,895,252	17,742,619	19,763,991	21,678,775	26,686,046
Net (expense) revenue:					
Governmental activities	(47,842,578)	(49,841,767)	(60,038,197)	(53,324,428)	(61,983,932)
Business-type activities	(158,551)	(387,089)	(511,080)	1,218,802	2,387,997
Total primary government, net expense	(48,001,129)	(50,228,856)	(60,549,277)	(52,105,626)	(59,595,935)
Governmental activities:					
Taxes:					
General property taxes	37,905,366	41,452,338	43,256,851	44,310,735	48,387,991
Local sales and use	3,405,473	3,479,862	3,709,024	4,173,990	4,358,695
Consumer utility	1,509,605	1,562,062	1,570,123	1,552,430	1,554,418
Motor vehicles licenses	1,086,260	1,102,769	1,135,372	1,158,694	1,182,848
Other	1,233,296	1,455,244	1,460,257	2,014,632	2,868,462
Intergovernmental, non-categorical aid	5,949,658	6,294,699	6,316,216	6,027,401	6,605,919
Use of money and property	976,559	756,135	573,390	988,875	1,490,446
Miscellaneous	272,789	156,333	173,659	116,108	184,897
Gain on sale of capital assets	-	-	-	592,234	-
Transfers	(23,152)	(100,259)	(810,567)	(750,000)	(395,620)
Total governmental activities	52,315,854	56,159,183	57,384,325	60,185,099	66,238,056
Business-type activities:					
Use of money and property	294,179	106,833	79,486	124,469	213,845
Miscellaneous	211,400	605,111	332,868	278,209	153,136
Transfers	23,152	100,259	810,567	750,000	395,620
Total business-type activities	528,731	812,203	1,222,921	1,152,678	762,601
Total primary government	52,844,585	56,971,386	58,607,246	61,337,777	67,000,657
Changes in net assets:					
Governmental activities	4,473,276	6,317,416	(2,653,872)	6,860,671	4,254,124
Business-type activities	370,180	425,114	711,841	2,371,480	3,150,598
Total primary government	\$ 4,843,456	\$ 6,742,530	\$ (1,942,031)	\$ 9,232,151	\$ 7,404,722

COUNTY OF ROCKINGHAM, VIRGINIA

Table 3

CHANGES IN NET ASSETS (CONTINUED)

Page 3

Last Five Fiscal Years (1)
(accrual basis of accounting)
(Unaudited)

	Fiscal Year				
	2002	2003	2004	2005	2006
Component units: (3)					
Component unit - school board:					
Expenses:					
Instruction	\$ 69,656,968	\$ 73,743,072	\$ 76,718,694	\$ 82,963,375	\$ 82,718,284
Administration, attendance and health	2,596,316	2,779,792	2,701,575	3,207,704	3,577,646
Pupil transportation	4,376,845	4,686,549	5,260,280	5,790,881	6,327,098
Operation and maintenance services	6,175,379	7,075,922	6,773,293	7,445,756	8,131,472
School food services	3,650,577	3,570,536	3,831,693	3,989,993	4,226,604
Total expenses	86,456,085	91,855,871	95,285,535	103,397,709	104,981,104
Program revenues:					
Charges for services	3,706,917	4,217,990	3,909,179	4,277,812	4,574,290
Operating grants and contributions	46,715,522	48,030,050	51,934,037	58,007,681	62,089,635
Capital grants and contributions	1,158,218	1,033,219	1,034,559	1,079,671	2,200,194
Total program revenues	51,580,657	53,281,259	56,877,775	63,365,164	68,864,119
Net expense	(34,875,428)	(38,574,612)	(38,407,760)	(40,032,545)	(36,116,985)
General revenues and other changes in net assets:					
Grants and contributions not restricted to specific programs	31,225,243	33,798,748	42,671,090	33,315,177	39,932,203
Intergovernmental, non-categorical aid	128,825	128,943	127,102	130,361	132,008
Use of money and property	76,753	59,034	63,665	127,926	94,518
Miscellaneous	3,248,430	3,352,131	3,494,320	4,013,541	403,245
Total general revenues and other changes in net assets	34,679,251	37,338,856	46,356,177	37,587,005	40,561,974
Total component unit - school board change in net assets	\$ (196,177)	\$ (1,235,756)	\$ 7,948,417	\$ (2,445,540)	\$ 4,444,989
Component unit - HRSSD:					
Expenses:					
Public assistance	\$ 2,431,115	\$ 2,835,959	\$ 3,650,031	\$ 4,124,818	\$ 4,928,848
Comprehensive services act	3,891,140	5,274,645	5,438,545	6,362,925	7,500,224
Welfare	3,260,283	3,388,831	3,614,985	4,042,064	4,765,237
Food stamp	227,781	226,125	217,461	237,799	251,499
Fuel assistance	23,240	19,406	24,529	17,430	20,892
Total expenses	9,833,559	11,744,966	12,945,551	14,785,036	17,466,700
Program revenues:					
Operating grants and contributions	7,174,747	8,839,166	9,550,620	10,449,895	12,409,206
Total program revenues	7,174,747	8,839,166	9,550,620	10,449,895	12,409,206
Net expense	(2,658,812)	(2,905,800)	(3,394,931)	(4,335,141)	(5,057,494)

COUNTY OF ROCKINGHAM, VIRGINIA

Table 3
Page 4

CHANGES IN NET ASSETS (CONTINUED)
Last Five Fiscal Years (1)
(accrual basis of accounting)
(Unaudited)

	Fiscal Year				
	2002	2003	2004	2005	2006
General revenues and other changes in net assets:					
Grants and contributions not restricted to specific programs	\$ 2,549,438	\$ 3,169,437	\$ 3,542,594	\$ 3,928,685	\$ 4,802,418
Use of money and property	31,987	8,558	17,396	36,235	61,494
Miscellaneous	149,412	165,479	159,585	208,888	242,351
Total general revenues and other changes in net assets	2,730,837	3,343,474	3,719,575	4,173,808	5,106,263
Total component unit - HRSSD change in net assets	\$ 72,025	\$ 437,674	\$ 324,644	\$ (161,333)	\$ 48,769
Total component units change in net assets	\$ (124,152)	\$ (798,082)	\$ 8,273,061	\$ (2,606,873)	\$ 4,493,758
Total reporting entity change in net assets	\$ 4,719,304	\$ 5,944,448	\$ 6,331,030	\$ 6,625,278	\$ 11,898,480

Notes:

- (1) This table reports financial information based on the accrual basis of accounting. The County implemented GASB 34, the new reporting standards, in fiscal year 2002. Therefore, ten years of data is not available but will be accumulated over time.
- (2) Net (expense) revenue is the difference between the expenses and program revenues. This difference indicates the degree to which a function or program is supported with its own fees and program-specific grants versus its reliance upon funding from taxes and other general revenues. Numbers in a parentheses are net expenses indicating that expenses were greater than program revenues and, therefore, general revenues were needed to finance that function or program. Numbers without parentheses are net revenues, demonstrating that program revenues were more than sufficient to cover expenses.
- (3) Component units were included in this table due to their significance to the County.

COUNTY OF ROCKINGHAM, VIRGINIA

Table 4

PROGRAM REVENUES BY FUNCTION/PROGRAM
Last Five Fiscal Years (1)
(accrual basis of accounting)
(Unaudited)

Function/Program	Fiscal Year				
	2002	2003	2004	2005	2006
Primary government:					
Governmental activities:					
General government administration	\$ 437,925	\$ 401,337	\$ 392,058	\$ 446,680	\$ 549,977
Judicial administration	2,328,876	2,489,806	3,205,197	2,833,691	3,099,657
Public safety	8,630,239	8,903,884	9,478,403	10,702,878	10,903,217
Public works	411,353	420,554	539,784	590,386	757,503
Health and social services	141,726	124,321	115,139	101,552	168,846
Parks, recreation and cultural	267,256	284,397	279,036	276,009	300,701
Community development	14,621	160,972	122,677	136,453	1,646,552
Total governmental activities	12,231,996	12,785,271	14,132,294	15,087,649	17,426,453
Business-type activities:					
Water and sewer	1,966,550	2,351,194	2,809,116	4,185,848	6,644,129
Solid waste	2,696,706	2,606,154	2,822,581	2,405,278	2,615,464
Total business-type activities	4,663,256	4,957,348	5,631,697	6,591,126	9,259,593
Total primary government	\$ 16,895,252	\$ 17,742,619	\$ 19,763,991	\$ 21,678,775	\$ 26,686,046
Component units:					
Component unit - school board:					
Instruction	\$ 47,938,281	\$ 49,627,624	\$ 53,037,748	\$ 59,294,355	\$ 64,604,063
School food services	3,642,376	3,653,635	3,840,027	4,070,809	4,260,056
Total component unit - school board	51,580,657	53,281,259	56,877,775	63,365,164	68,864,119
Component unit - HRSSD:					
Public assistance	1,480,148	1,708,367	2,025,719	2,305,594	2,803,610
Comprehensive services	2,405,728	3,433,703	3,365,709	3,639,558	4,558,941
Welfare	3,288,871	3,697,096	4,159,192	4,504,743	5,046,655
Total component unit - HRSSD	7,174,747	8,839,166	9,550,620	10,449,895	12,409,206
Total component units	\$ 58,755,404	\$ 62,120,425	\$ 66,428,395	\$ 73,815,059	\$ 81,273,325
Total reporting entity	\$ 75,650,656	\$ 79,863,044	\$ 86,192,386	\$ 95,493,834	\$ 107,959,371

Note:

(1) This table reports financial information based on the accrual basis of accounting. The County implemented GASB 34, the new reporting standard, in fiscal year 2002. Therefore, ten years of data is not available but will be accumulated over time.

COUNTY OF ROCKINGHAM, VIRGINIA

FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General Fund:										
Reserved	\$ 1,208,579	\$ 1,106,060	\$ 972,549	\$ 3,964,405	\$ 3,497,888	\$ 2,896,089	\$ 2,205,041	\$ 1,585,765	\$ 1,081,608	\$ 839,896
Unreserved	14,001,873	15,615,921	18,580,269	16,793,735	19,641,357	20,306,938	22,827,035	25,574,115	26,573,025	19,866,713
Total General Fund	\$ 15,210,452	\$ 16,721,981	\$ 19,552,818	\$ 20,758,140	\$ 23,139,245	\$ 23,203,027	\$ 25,032,076	\$ 27,159,880	\$ 27,654,633	\$ 20,706,609
All Other Governmental Funds:										
Reserved	\$ 1,093,965	\$ 1,006,768	\$ 1,676,466	\$ -	\$ -	\$ 681,336	\$ 641,075	\$ 435,684	\$ 4,223,450	\$ 5,060,638
Unreserved, reported in:										
Capital projects funds	-	-	-	1,382,788	308,558	32,517	169,820	4,193,201	4,451,532	5,600,527
Special revenue funds	141,965	154,574	120,121	235,818	401,471	-	-	-	-	-
Total all other governmental funds	\$ 1,235,930	\$ 1,161,342	\$ 1,796,587	\$ 1,618,606	\$ 710,029	\$ 713,853	\$ 810,895	\$ 4,628,885	\$ 8,674,982	\$ 10,661,165

COUNTY OF ROCKINGHAM, VIRGINIA

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Fiscal Years (1)

(modified accrual basis of accounting)

(Unaudited)

	1997	1998	1999	2000
Revenues:				
General property taxes	\$ 31,147,076	\$ 33,389,208	\$ 35,921,902	\$ 36,602,625
Other local taxes	5,582,003	5,777,552	6,366,226	6,823,283
Permits, privilege fees and licenses	323,661	358,328	585,878	432,093
Fines and forfeitures	120,111	170,214	197,379	245,756
Use of money and property	1,272,544	1,440,593	1,484,963	1,531,052
Charges for services	1,176,795	1,441,681	1,253,709	1,648,572
Miscellaneous	165,818	369,709	68,256	458,593
Recovered costs	552,700	916,479	845,762	1,198,966
Intergovernmental	6,547,563	6,822,612	7,451,149	10,271,732
Total revenues	46,888,271	50,686,376	54,175,224	59,212,672
Expenditures:				
General government administration	2,229,345	2,612,726	2,905,821	2,844,829
Judicial administration	1,275,690	1,385,291	1,571,550	1,743,050
Public safety	7,196,375	8,175,896	9,140,743	10,396,069
Public works	942,690	1,040,129	1,167,082	1,494,111
Health and social services	1,514,237	1,684,378	1,907,179	2,344,336
Education	27,045,732	28,965,908	30,496,226	32,244,724
Parks, recreation and cultural	865,184	1,036,950	1,163,826	1,140,002
Community development	719,385	799,750	1,191,790	1,451,244
Capital outlay	1,492,094	901,932	657,925	3,764,468
Debt service:				
Principal	4,119,857	5,070,946	3,958,548	4,132,760
Interest and fiscal charges	3,218,346	3,129,063	2,847,313	2,672,818
Total expenditures	50,618,935	54,802,969	57,008,003	64,228,411
Revenues over (under) expenditures	(3,730,664)	(4,116,593)	(2,832,779)	(5,015,739)
Other financing sources (uses):				
Transfers in	879,814	1,043,445	1,021,161	3,384,197
Transfers out	(1,188,079)	(1,156,191)	(1,009,518)	(3,384,036)
Issuance of debt	7,471,945	9,770,277	10,176,399	8,421,223
Payment to refunded bond escrow agent	(3,320,862)	(10,326,392)	-	(10,000,000)
Premium on issuance debt	-	-	-	-
Insurance recoveries	-	-	-	-
Proceeds from sale of property	-	-	104,799	-
Total other financing sources (uses), net	3,842,818	(668,861)	10,292,841	(1,578,616)
Net change in fund balance	\$ 112,154	\$ (4,785,454)	\$ 7,460,062	\$ (6,594,355)

Table 6

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Fiscal Year					
2001	2002	2003	2004	2005	2006
\$ 36,802,773	\$ 37,629,080	\$ 41,485,976	\$ 43,549,045	\$ 44,316,136	\$ 48,094,569
7,388,875	7,234,718	7,599,937	7,874,776	8,899,746	9,964,423
529,528	564,038	566,961	883,449	1,091,022	985,817
179,883	198,166	280,512	272,038	341,372	345,805
1,965,753	977,396	756,500	573,597	989,271	1,491,226
1,728,948	1,998,313	2,334,588	2,521,638	2,736,286	2,846,255
808,221	274,834	206,725	185,356	125,108	180,897
1,416,419	1,485,705	1,439,817	1,913,080	2,138,396	2,194,187
12,411,291	13,931,784	14,457,379	14,858,098	14,807,578	17,659,528
63,231,691	64,294,034	69,128,395	72,631,077	75,444,915	83,762,707
3,303,140	3,534,242	3,680,361	3,744,157	3,903,904	4,250,012
1,995,772	2,224,122	2,374,371	2,399,019	2,401,199	2,927,878
11,529,163	12,357,708	12,677,941	13,545,603	18,562,820	17,683,188
1,629,314	1,695,038	1,778,941	1,741,907	1,856,947	2,181,679
2,274,100	2,473,227	2,649,174	2,963,451	3,283,105	4,108,260
35,666,854	38,730,770	33,798,748	42,671,090	33,315,177	39,932,203
1,276,111	1,432,932	1,424,179	1,513,347	1,696,824	1,754,520
1,345,459	1,330,798	1,338,739	2,164,328	2,543,545	3,771,777
1,356,819	231,379	226,616	2,821,843	4,421,217	6,994,594
4,497,894	5,424,690	4,693,313	3,930,375	3,363,146	12,260,303
2,895,769	2,821,598	2,450,662	2,272,171	2,563,385	2,387,346
67,770,395	72,256,504	67,093,045	79,767,291	77,911,269	98,251,760
(4,538,704)	(7,962,470)	2,035,350	(7,136,214)	(2,466,354)	(14,489,053)
197,924	226,744	451,675	6,857,283	3,939,188	10,283,452
(1,197,924)	(249,896)	(560,934)	(7,667,850)	(4,689,188)	(10,679,072)
4,193,986	768,250	-	13,577,993	7,150,000	9,404,190
-	-	-	-	-	-
-	-	-	314,582	-	518,642
-	-	-	-	14,970	-
-	25,705	-	-	592,234	-
3,193,986	770,803	(109,259)	13,082,008	7,007,204	9,527,212
\$ (1,344,718)	\$ (7,191,667)	\$ 1,926,091	\$ 5,945,794	\$ 4,540,850	\$ (4,961,841)

COUNTY OF ROCKINGHAM, VIRGINIA

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Fiscal Years (1)

(modified accrual basis of accounting)

(Unaudited)

	1997	1998	1999	2000
Debt Service as a percentage of noncapital expenditures:				
Primary government:				
Total debt service	\$ 7,338,203	\$ 8,200,009	\$ 6,805,861	\$ 6,805,578
Total expenditures	\$ 50,618,935	\$ 54,802,969	\$ 57,008,003	\$ 64,228,411
Less: Capital outlay - primary government	784,989	1,011,053	799,796	3,444,165
Noncapital expenditures	\$ 49,833,946	\$ 53,791,916	\$ 56,208,207	\$ 60,784,246
Debt service as a percentage of noncapital expenditures	14.73%	15.24%	12.11%	11.20%
Component units - School Board and HRSSD: (2, 3)				
Expenditures:				
School board	\$ 76,127,489	\$ 69,182,389	\$ 69,400,604	\$ 84,421,116
HRSSD	5,316,657	6,273,113	7,406,234	7,911,039
Less: Capital outlay - school board	17,823,801	6,809,643	4,396,013	13,919,739
Less: Capital outlay - HRSSD	-	28,473	5,519	49,616
Noncapital expenditures	\$ 63,620,345	\$ 68,617,386	\$ 72,405,306	\$ 78,362,800
Total reporting entity:				
Total noncapital expenditures	\$ 85,550,694	\$ 92,483,915	\$ 96,957,554	\$ 105,684,395
Debt service as a percentage of noncapital expenditures	8.58%	8.87%	7.02%	6.44%

Table 6
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Fiscal Year					
2001	2002	2003	2004	2005	2006
\$ 7,393,663	\$ 8,246,288	\$ 7,143,975	\$ 6,202,546	\$ 5,926,531	\$ 6,147,649
\$ 67,770,395	\$ 72,256,504	\$ 67,093,045	\$ 79,767,291	\$ 77,911,269	\$ 98,251,760
1,484,705	520,406	820,817	2,922,826	7,365,247	8,292,345
\$ 66,285,690	\$ 71,736,098	\$ 66,272,228	\$ 76,844,465	\$ 70,546,022	\$ 89,959,415
11.15%	11.50%	10.78%	8.07%	8.40%	6.83%
\$ 84,796,618	\$ 86,380,339	\$ 84,756,765	\$ 92,605,357	\$ 106,275,713	\$ 112,940,930
8,622,529	9,803,498	11,776,529	12,924,157	14,794,697	17,507,539
9,006,507	7,053,993	1,395,345	4,693,088	10,634,666	12,132,999
61,457	31,486	32,252	26,764	62,982	108,097
\$ 84,351,183	\$ 89,098,358	\$ 95,105,697	\$ 100,809,662	\$ 110,372,762	\$ 118,207,373
\$ 113,617,596	\$ 117,722,659	\$ 123,802,115	\$ 130,560,527	\$ 143,047,977	\$ 163,224,530
6.51%	7.00%	5.77%	4.75%	4.14%	3.77%

COUNTY OF ROCKINGHAM, VIRGINIA

Table 6
Page 3

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS (CONTINUED)
Last Ten Fiscal Years (1)
(modified accrual basis of accounting)
(Unaudited)

Notes:

- (1) For the years 1997 through 2001, the amount used for capital outlay was obtained from the increase to the General Fixed Asset Account Group, which is no longer used under the GASB 34 reporting model. For fiscal years 2002 through 2006, the amounts used for capital outlay were obtained from the Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities.
- (2) Expenditures of the School Board do not include those associated with the School Activity Funds or the Massanutten Technical Center Activity Funds.
- (3) In Virginia, the County issues debt to finance the construction of school facilities for the public schools because the public schools do not have borrowing or taxing authority. Therefore, the debt service payments related to school facilities are presented as debt service of the primary government. Debt service as a percentage of noncapital expenditures for the total reporting entity more appropriately reflects the unique Virginia school debt requirement.
- (4) Prior to implementation of GASB 34, the County's contribution to the public schools and social services district were reported as transfers out. Implementation of GASB 34 required that the contribution to component units be reported as expenditures. For comparability, the fiscal years 1997 through 2001 have been restated on this table to reflect the transfers as expenditures.
- (5) For the reporting entity totals, the total noncapital expenditures have been reduced by the amounts given by the primary government to the public schools, Massanutten Technical Center and the social services district so those expenditures are not included twice.
- (6) In fiscal year 2006, a short-term note of \$8,500,000 was paid in full with the issuance of new debt. The amount shown as debt service has been reduced by this amount.

COUNTY OF ROCKINGHAM, VIRGINIA

Table 7

TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

Fiscal Year June 30,	Property	Local Sales and Use	Motor Vehicle	Consumer Utility	Recordation and Wills	Other	Total
1997	\$ 30,681,521	\$ 2,546,098	\$ 900,959	\$ 1,370,165	\$ 271,501	\$ 493,280	\$ 36,263,524
1998	32,912,370	2,518,767	935,408	1,394,377	383,190	545,810	38,689,922
1999	35,396,646	2,952,037	981,889	1,439,482	388,327	604,491	41,762,872
2000	35,945,344	3,263,036	1,011,534	1,497,905	392,182	658,626	42,768,627
2001	36,232,694	3,549,252	1,044,124	1,528,635	422,660	844,204	43,621,569
2002	37,080,936	3,405,473	1,086,260	1,509,605	521,828	711,552	44,315,654
2003	40,899,975	3,479,862	1,102,769	1,562,062	573,736	881,508	48,499,912
2004	42,906,378	3,709,024	1,135,372	1,570,123	705,107	755,150	50,781,154
2005	43,718,481	4,173,990	1,158,694	1,552,430	1,099,537	1,089,069	52,792,201
2006	47,371,332	4,358,695	1,182,848	1,554,418	1,339,981	1,528,481	57,335,755
Change 1997-2006	54.40%	71.19%	31.29%	13.45%	393.55%	209.86%	58.11%

Note:

(1) Property tax revenue does not include penalties and interest collected on delinquent tax collections.

COUNTY OF ROCKINGHAM, VIRGINIA

Table 8

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

Last Ten Fiscal Years

(Unaudited)

Fiscal Year June 30,	Residential Property	Commercial Property	Industrial Property	Farm Property	Nontaxable Property	Total Assessed Value	Total Taxable Assessed Value	Percent Growth	Total Direct Tax Rate	Actual Taxable Value	Value as a Percentage of Actual Value
1996	\$	N/A	\$	N/A	\$	\$ 2,681,920,440	\$ 2,477,850,870	N/A	\$	\$ 2,477,759,860	100.00%
1997	N/A	N/A	N/A	N/A	309,039,470	2,758,925,310	2,556,173,100	3.16%	0.68	2,556,090,986	100.00%
1998	N/A	N/A	N/A	N/A	362,358,900	3,099,765,400	2,891,935,450	13.14%	0.68	2,891,816,614	100.00%
1999	N/A	N/A	N/A	N/A	375,185,300	3,185,500,904	2,983,270,464	3.16%	0.68	2,983,182,729	100.00%
2000	N/A	N/A	N/A	N/A	139,583,223	3,298,471,470	3,093,609,910	3.70%	0.71	3,093,518,518	100.00%
2001	N/A	N/A	N/A	N/A	401,135,000	3,391,234,650	3,188,012,740	3.05%	0.71	3,187,903,303	100.00%
2002	N/A	N/A	N/A	N/A	144,077,065	3,957,473,750	3,630,296,110	13.87%	0.71	3,630,180,728	100.00%
2003	2,621,240,300	311,011,200	74,694,400	1,059,924,520	480,514,300	4,085,982,820	3,759,025,750	3.55%	0.71	3,758,922,211	100.00%
2004	2,704,721,500	339,385,200	75,199,000	980,876,800	494,591,600	4,188,863,900	3,864,864,330	2.82%	0.71	3,864,760,780	100.00%
2005	2,719,118,100	426,343,400	179,948,800	995,250,300	629,380,300	4,320,660,600	4,001,623,870	3.54%	0.71	4,001,525,015	100.00%

Source:

Rockingham County land books

Notes:

(1) Rockingham County land books did not provide land classification break downs prior to 2003.

(2) Values are reassessed every four years.

COUNTY OF ROCKINGHAM, VIRGINIA

Table 9

**DIRECT AND OVERLAPPING PROPERTY TAX RATES
Last Ten Fiscal Years
(Unaudited)**

Rockingham County

Fiscal Year June 30,	Real Estate	Personal Property	Mobile Homes	Machinery and Tools	Merchants' Capital	Farm Machinery
1997	\$ 0.66/0.68	\$ 2.80	\$ 0.68	\$ 2.55	\$ 0.87	\$ 0.44
1998	0.68/0.68	2.80	0.68	2.55	0.87	0.44
1999	0.68/0.68	2.80	0.68	2.55	0.87	0.44
2000	0.68/0.71	2.80	0.68	2.55	0.87	0.44
2001	0.71/0.71	2.80	0.71	2.55	0.87	0.44
2002	0.71/0.71	2.80	0.71	2.55	0.87	0.44
2003	0.71/0.71	2.80	0.71	2.55	0.87	0.44
2004	0.71/0.71	2.80	0.71	2.55	0.87	0.44
2005	0.71/0.71	2.80	0.71	2.55	0.87	0.44
2006	0.71/0.58	2.80	0.71	2.55	0.87	0.44

Note:

(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.

Overlapping Governments

Fiscal Year June 30,	Real Estate	Personal Property	Mobile Homes	Machinery and Tools	Merchants' Capital	Farm Machinery
1997	\$ 0.05-0.17	\$ 0.085-0.75	\$ 0.085-0.75	\$ 0.30-0.75	\$ -	\$ -
1998	0.05-0.17	0.20-0.75	0.17	0.30-0.75	-	-
1999	0.05-0.17	0.20-0.75	0.11-0.17	0.30-0.75	-	-
2000	0.05-0.17	0.20-0.75	0.07-0.17	0.30-0.75	-	-
2001	0.05-0.17	0.20-0.75	0.07-0.17	0.30-0.75	0.30	0.30
2002	0.05-0.16	0.20-0.75	0.07-0.16	0.30-0.75	0.30	0.30
2003	0.05-0.16	0.20-0.75	0.07-0.16	0.30-0.75	0.30	0.30
2004	0.05-0.16	0.20-0.75	0.07-0.16	0.30-0.75	0.30	0.30
2005	0.05-0.16	0.20-0.75	0.07-0.16	0.30-0.75	0.30	0.30
2006	0.05-0.16	0.20-0.75	0.07-0.16	0.30-0.75	0.30	0.30

Notes:

(1) The above table shows ranges of tax rates since individual towns set varying rates. People residing in the following towns pay property taxes to the town in addition to the taxes paid to the County. The towns included in the above table include Bridgewater, Broadway, Dayton, Elkton, Grottoes, Mt. Crawford, and Timberville.

(2) Information obtained from the Rockingham County Commissioner of the Revenue.

COUNTY OF ROCKINGHAM, VIRGINIA

Table 10

PRINCIPAL PROPERTY TAXPAYERS

Current Year

(Unaudited)

Taxpayer	Taxable Assessed Value	Rank	Percentage of Total County Taxable Assessed Value
Great Eastern Resort Management	\$ 359,675,800	1	5.36%
Adolph Coors Company	101,715,000	2	1.52%
Merck & Company, Inc.	84,246,000	3	1.26%
Morningstar Foods	62,342,200	4	0.93%
Marshall's	56,178,000	5	0.84%
Wal-Mart	45,284,640	6	0.68%
R.R. Donnelley & Sons Co.	38,408,000	7	0.57%
Cargill	35,111,000	8	0.52%
Sysco	30,083,000	9	0.45%
Pilgrims Pride	25,221,100	10	0.38%
Total	\$ 838,264,740		12.51%

Source:

Under the State Code of Virginia, the Rockingham County Commissioner of the Revenue is required to keep all assessment books for a term of six years. After six years have passed, the records may be destroyed. The information remaining from ten years ago does not leave accurate information for the fiscal year 1997.

COUNTY OF ROCKINGHAM, VIRGINIA

Table 11

REAL PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Fiscal Years

(Unaudited)

Fiscal Year	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
1997	\$ 18,195,218	\$ 17,404,672	95.66%	\$ 776,750	\$ 18,181,422	99.92%
1998	19,529,242	18,804,240	96.29%	706,794	19,511,034	99.91%
1999	21,202,522	20,318,991	95.83%	856,645	21,175,636	99.87%
2000	22,277,733	21,392,701	96.03%	848,982	22,241,683	99.84%
2001	23,484,723	22,428,050	95.50%	1,006,979	23,435,029	99.79%
2002	25,485,227	24,297,305	95.34%	1,123,203	25,420,508	99.75%
2003	27,739,199	26,608,312	95.92%	1,030,999	27,639,311	99.64%
2004	28,511,609	27,410,447	96.14%	930,695	28,341,142	99.40%
2005	29,197,949	28,174,266	96.49%	699,104	28,873,370	98.89%
2006	32,096,563	31,059,882	96.77%	-	31,059,882	96.77%

Source:

Rockingham County Treasurer

COUNTY OF ROCKINGHAM, VIRGINIA

Table 12

RATIOS OF OUTSTANDING DEBT BY TYPE AND GENERAL BONDED DEBT OUTSTANDING
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Governmental Activities				Business-Type Activities				Total Primary Government	Percentage of	
	General Obligation Bonds	Literary Fund Loans	Lease Revenue Note Payable	Capital Leases	Revenue Bonds	Landfill Obligation	Per Capita Personal Income	Debt Per Capita			
1997	\$ 38,529,422	\$ 3,323,069	\$ -	\$ 12,576,453	\$ 471,414	\$ 4,696,000	\$ 59,596,358	3.22%	\$ 902		
1998	39,500,135	3,017,877	-	7,664,008	450,992	3,323,692	53,956,704	3.74%	816		
1999	36,169,548	2,712,685	-	7,517,638	429,495	3,473,183	50,302,549	4.10%	756		
2000	41,158,963	2,407,494	-	7,121,878	406,866	3,691,454	54,786,655	4.03%	809		
2001	41,528,637	2,134,890	-	6,717,257	383,044	3,324,699	54,088,527	4.30%	787		
2002	37,525,719	1,862,286	-	6,349,740	1,745,138	2,912,310	50,395,193	4.63%	726		
2003	33,457,927	1,620,336	-	5,966,169	2,410,071	3,174,899	46,629,402	5.28%	669		
2004	35,249,675	1,378,386	8,500,000	5,563,989	6,678,696	3,755,282	61,126,028	4.22%	854		
2005	32,538,064	1,147,886	8,500,000	12,292,954	6,511,479	3,889,068	64,879,451	4.11%	922		
2006	39,217,840	917,386	-	11,487,565	4,576,066	4,349,794	60,548,651	N/A	N/A		

General bonded debt outstanding:

Fiscal Year	General Obligation Bonds	Literary Fund Loans	Total	Percentage of	
				Actual Value of Property	Debt Per Capita
1997	\$ 38,529,422	\$ 3,323,069	\$ 41,852,491	1.69%	\$ 633
1998	39,500,135	3,017,877	42,518,012	1.66%	643
1999	36,169,548	2,712,685	38,882,233	1.34%	585
2000	41,158,963	2,407,494	43,566,457	1.46%	643
2001	41,528,637	2,134,890	43,663,527	1.41%	636
2002	37,525,719	1,862,286	39,388,005	1.24%	568
2003	33,457,927	1,620,336	35,078,263	0.97%	503
2004	35,249,675	1,378,386	36,628,061	0.97%	520
2005	32,538,064	1,147,886	33,685,950	0.87%	470
2006	39,217,840	917,386	40,135,226	1.00%	N/A

Notes:

(1) Details regarding the County's outstanding debt may be found in the notes to the basic financial statements.

(2) Population and personal income data can be found in table 15.

(3) See table 8 for property value data.

N/A -Per capita personal income and population were unavailable at fiscal year end.

COUNTY OF ROCKINGHAM, VIRGINIA

Table 13

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

Year Ended June 30, 2006

(Unaudited)

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Town of Bridgewater, Virginia	\$ 2,144,450	7.85%	\$ 168,387
Town of Broadway, Virginia	-	N/A	-
Town of Dayton, Virginia	-	N/A	-
Town of Elkton, Virginia	-	N/A	-
Town of Grottoes, Virginia	802,514	3.22%	25,872
Town of Mt. Crawford, Virginia	-	N/A	-
Town of Timberville, Virginia	-	N/A	-
			<hr/>
Subtotal, overlapping debt			194,259
County Direct Debt			<hr/> 51,622,791
Total direct and overlapping debt			<hr/> \$ 51,817,050 <hr/>

Note:

- (1) The information needed for this table from the towns of Broadway, Dayton, Elkton, Mt. Crawford, and Timberville was not available.

COUNTY OF ROCKINGHAM, VIRGINIA

Table 14

PLEGGED-REVENUE COVERAGE
Last Ten Fiscal Years
(Unaudited)

Water and Sewer Fund							
Fiscal Year	Utility Service Charges	Operating Expenses	Net Available Revenue	Debt Service		Total	Coverage
				Principal	Interest		
1997	\$ 1,492,029	\$ 941,228	\$ 550,801	\$ 19,399	\$ 26,189	\$ 45,588	12.08
1998	1,530,804	981,691	549,113	20,422	80,134	100,556	5.46
1999	1,746,775	1,059,829	686,946	21,497	77,983	99,480	6.91
2000	1,836,538	1,178,799	657,739	22,629	75,470	98,099	6.70
2001	1,893,123	1,464,886	428,237	23,822	72,348	96,170	4.45
2002	2,038,336	1,461,306	577,030	25,076	69,163	94,239	6.12
2003	2,174,747	1,566,451	608,296	26,397	65,861	92,258	6.59
2004	2,804,100	1,816,675	987,425	331,571	67,119	398,690	2.48
2005	3,499,380	1,978,876	1,520,504	85,000	91,768	176,768	8.60
2006	4,781,488	2,379,487	2,402,001	75,000	101,597	176,597	13.60

Smith Creek Water & Waste Authority Fund							
Fiscal Year	Utility Service Charges	Operating Expenses	Net Available Revenue	Debt Service		Total	Coverage
				Principal	Interest		
2004	\$ 109,694	\$ 19,327	\$ 90,367	\$ 79,804	\$ 60,416	\$ 140,220	0.64
2005	745,161	28,735	716,426	82,217	103,237	185,454	3.86
2006	2,060,090	27,700	2,032,390	3,184,701	100,676	3,285,377	0.62

Countryside Sanitary District Fund							
Fiscal Year	Utility Service Charges	Operating Expenses	Net Available Revenue	Debt Service		Total	Coverage
				Principal	Interest		
2006	\$ 25,760	\$ 7,693	\$ 18,067	\$ -	\$ 1,392	\$ 1,392	12.98

Notes:

- (1) Utility service charges include all revenues of the fund except gains on sales of capital assets.
- (2) Operating expenses are exclusive of depreciation and amortization, interest expense and losses on sales of capital assets.
- (3) Smith Creek Water & Waste Authority began making payments on its outstanding debt in fiscal year 2004.
- (4) In fiscal year 2006, the Smith Creek Water & Waste Authority received a grant of \$1.9 million and a new loan, which was used to pay a short-term loan of \$3.1 million.

COUNTY OF ROCKINGHAM, VIRGINIA

Table 15

DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Years
(Unaudited)

Fiscal Year	(1) Population	Personal Income	(2) Per Capita Personal Income	(3) School Enrollment	(4) Unemployment Rate
1997	66,100	\$ 1,268,128,500	\$ 19,185	10,373	1.6%
1998	66,100	1,332,906,500	20,165	10,479	1.4%
1999	66,500	1,372,028,000	20,632	10,580	1.3%
2000	67,725	1,493,607,150	22,054	10,570	1.9%
2001	68,700	1,599,473,400	23,282	10,693	2.5%
2002	69,400	1,618,893,800	23,327	10,720	3.5%
2003	69,700	1,717,547,400	24,642	10,891	3.5%
2004	70,400	1,814,912,000	25,780	10,781	3.0%
2005	71,600	1,910,288,000	26,680	10,860	3.3%
2006	N/A	N/A	N/A	10,279	2.7%

Sources:

(1) Estimated by the Weldon Cooper Center on a calendar year basis, University of Virginia estimate for all years.

(2) Bureau of Economic Analysis (calendar year).

(3) County of Rockingham School Division as of September 30 each year.

(4) Virginia Employment Commission - Harrisonburg/Rockingham County Branch at fiscal year end.

N/A - Information unavailable at fiscal year end



COUNTY OF ROCKINGHAM, VIRGINIA

Table 16

PRINCIPAL EMPLOYERS
Current Year
(Unaudited)

Employer	Employees	Rank	Percentage of Total County Employment
Rockingham County School Board	1,844	1	4.73%
Cargill	1,000 and over	2	2.57%
Merck & Company, Inc.	500 to 999	3	1.28%
Perdue	500 to 999	4	1.28%
Pilgrim's Pride	500 to 999	5	1.28%
Marshall's	500 to 999	6	1.28%
Great Eastern Resort Management	500 to 999	7	1.28%
Stellar Management Grouping	500 to 999	8	1.28%
County of Rockingham	534	9	1.37%
Virginia Poultry Growers Coop, Inc.	500 to 999	10	1.28%

Source:

Virginia Employment Commission.

Note:

Information for 1997 is unavailable and not presented above.

COUNTY OF ROCKINGHAM, VIRGINIA

Table 17

FULL-TIME EQUIVALENT COUNTY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM

Last Ten Fiscal Years

(Unaudited)

Function/Program	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General government administration:										
Legislative	5	5	5	5	5	5	5	5	5	5
General and financial:										
Commissioner of the revenue	14	14	15	15	16	15	16	16	16	16
Treasurer	8	8	8	9	9	9	8	8	8	8
Executive administration and legal	4	5	4	4	4	4	4	6	6	6
Finance	10	11	11	12	13	13	11	10	10	10
Human resources	-	-	-	-	2	2	2	2	2	2
Information systems	8	9	9	10	13	14	12.5	12.5	10	11
Central switchboard	1	1	1	1	1.5	1.5	1.5	1.5	1.5	1.5
Board of elections	2	2	2	2	2	2	2	2	2	2
Judicial administration:										
Courts:										
Clerk of the circuit court	10	10	12	13	13	13	13	13	13	13
Court services	6	6	7	10	10	11	12	12.5	13.5	13.5
Commonwealth attorney	10	10	9	10	10	10.5	13	14	14	21
Public safety:										
Sheriff	150	154	155	147	156	158	159	158	166	165
Fire and rescue	20	21	27	28	37	38.5	39.5	41	44	57
Building inspections	12	13	14	17	20	22	23	22	26	28
Other protection	2	2	2	2	2	2	2	2	2	2
Public works:										
General administration	4	4	4	3	3	3	4	4	5	4
Garage operations	2	2	2	2	2	2	2	2	2	2
Maintenance	13	13	13	13	15	15.5	15	16	18	19
Parks, recreation and cultural	6	7	7	7	9	9	8	8	9.5	9.5
Community development:										
Planning and community development	1	1	1	1	1	1	1	1	1	1
Extension	-	1	1	1	-	-	-	-	-	-
Economic development	1	1	1	1	1	1	1	1	1	1
Soil and water conservation	-	1	1	1	-	-	-	-	-	-
Nutrient management	-	1	1	1	-	-	-	-	-	-

COUNTY OF ROCKINGHAM, VIRGINIA

OPERATING INDICATORS BY FUNCTION/PROGRAM

Last Ten Fiscal Years

(Unaudited)

Function/Program	1997	1998	1999
Police:			
Calls for service	6,911	8,116	8,332
Adult arrest	3,171	3,778	4,501
Juvenile arrest	100	108	205
Traffic citations	1,997	3,048	3,737
Fire:			
Total fire runs	5,237	5,903	5,903
Total rescue runs	6,298	6,818	7,305
Building safety:			
Total value all permits	\$ 86,712,180	\$ 93,586,886	\$ 114,983,758
Public service:			
Garbage collected (ton)	N/A	N/A	N/A
Recycle collected (ton)	N/A	N/A	N/A
Parks and recreation:			
Recreation program attendance	10,025	10,300	11,430
Aquatics program attendance	40	48	42
Water and sewer:			
New water connections	89	142	123
New wastewater connections	110	125	165
Average daily water consumption (gallons)	17,783,600	17,105,700	20,897,083
Average daily sewage treatment (gallons)	24,383,700	20,172,100	18,958,820
Transportation:			
Total route miles	1,099	1,101	1,102
Education:			
Average daily membership	10,373	10,479	10,570
Kindergarteners	826	807	750
Grades 1-12	9,547	9,672	9,820

Table 18

Fiscal Year						
2000	2001	2002	2003	2004	2005	2006
14,928	14,056	14,750	15,654	17,807	20,505	13,670
4,993	4,775	4,731	4,843	4,951	4,752	3,024
317	293	369	302	322	294	130
4,097	3,291	4,583	3,939	3,019	2,685	1,491
6,330	6,469	6,256	6,453	7,016	7,420	5,462
8,234	7,372	7,344	7,730	8,442	8,764	6,248
\$ 89,944,581	\$ 117,672,742	\$ 110,595,201	\$ 173,699,324	\$ 221,691,117	\$ 225,175,100	
N/A	N/A	52,187	120,069	67,519	39,416	30,964
N/A	N/A	26,292	40,891	22,709	16,750	13,158
12,890	13,465	13,615	13,787	14,838	15,040	15,720
30	30	-	-	-	-	-
88	202	169	544	260	318	309
273	63	219	149	184	371	335
21,268,148	20,079,250	25,259,064	26,516,367	32,469,325	36,650,733	48,994,375
20,129,967	23,366,307	25,219,729	24,438,880	27,089,625	37,309,686	56,185,433
1,102	1,104	1,105	1,105	1,098	1,109	1,114
10,580	10,693	10,720	10,891	10,782	10,860	11,151
793	830	781	786	774	859	872
9,787	9,863	9,939	10,105	10,008	10,001	10,279

COUNTY OF ROCKINGHAM, VIRGINIA

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

Last Ten Fiscal Years

(Unaudited)

Function/Program	1997	1998	1999	2000
Police Stations	1	1	1	1
Fire Companies (not County owned)	12	12	12	12
Rescue Squads (not County owned)	9	9	9	9
Refuse Collection:				
Collection trucks				
Other public works				
Streets:				
Centerline Mileage:				
Interstate	58	58	58	58
Primary	159	159	159	159
Secondary	882	884	885	885
Number of street lights	10	10	10	10
Traffic signals	18	19	23	23
Parks and Recreation:				
Parks - number of acres	28	28	28	28
Neighborhood parks - number of acres	28	28	28	28
Baseball/softball diamonds	24	24	26	26
Soccer/football fields	9	9	9	9
Basketball courts	11	11	11	13
Parks with playground equipment	1	1	1	1
Picnic shelters	4	4	4	4
Community centers	2	2	2	2
Water:				
Wells (County owned)	5	5	5	5
Water lines (feet)	260,417	267,193	276,817	282,747
Fire hydrants	335	344	357	365
Storage capacity (MGPD)	4,588,000	4,588,000	4,588,000	4,588,000
Average daily consumption (MGPD)	801,655	663,192	687,027	699,226
Peak consumption (MGPD)	1,402,896	1,160,586	1,200,547	1,223,645
Wastewater:				
Sanitary sewers (miles)	196,834	202,004	212,074	222,354

Source:

Department heads for Rockingham County

Table 19

Fiscal Year						
2001	2002	2003	2004	2005	2006	
1	1	1	1	1	1	1
12	12	12	12	12	12	12
9	9	9	9	9	9	9
58	58	58	58	58	58	58
159	159	159	159	159	170	170
887	888	888	881	881	881	886
10	10	10	10	10	10	10
24	26	27	27	31	31	32
28	28	28	28	28	28	28
28	28	28	28	28	28	28
29	29	31	31	31	31	32
9	9	13	13	13	13	13
13	13	13	13	13	13	13
1	1	1	1	1	1	1
4	4	4	4	4	4	4
2	2	2	3	3	3	3
5	3	3	3	3	3	3
299,857	316,766	354,868	369,583	394,969	444,139	
388	410	460	479	512	576	
4,588,000	4,588,000	4,588,000	6,588,000	6,588,000	10,088,000	
660,139	829,142	871,771	1,067,484	1,204,955	1,610,774	
1,155,243	1,450,998	1,525,599	1,868,098	2,108,671	2,818,854	
240,394	274,411	283,487	301,007	330,799	409,498	



COMPLIANCE SECTION

COUNTY OF ROCKINGHAM, VIRGINIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2006

Federal Grantor/State Pass-Through Grantor/ Program Title	Federal CFDA Number	Expenditures
DEPARTMENT OF AGRICULTURE:		
<u>Direct payments:</u>		
<u>Department of Agriculture:</u>		
Cooperative Law Enforcement	10.000	\$ 4,250
Water and Waste Disposal Systems for Rural Communities - grant	10.760	1,425,513
Water and Waste Disposal Systems for Rural Communities - loan	10.760	1,333,000
		<u>2,762,763</u>
<u>Pass-through payments:</u>		
<u>Department of Social Services</u>		
State Administrative Matching Grants for Food Stamp Program	10.561	<u>505,260</u>
<u>Department of Agriculture and Consumer Services</u>		
Food Donations	10.550	584
Commodity Distributions	10.555	271,301
		<u>271,885</u>
<u>Department of Education:</u>		
Child Nutrition Cluster:		
School Breakfast Program	10.553	315,974
National School Lunch Program	10.555	1,349,777
Schools and Roads - Grants to States	10.665	82,028
		<u>1,747,779</u>
Total Department of Agriculture		<u>5,287,687</u>
DEPARTMENT OF TRANSPORTATION:		
<u>Pass-through payments:</u>		
<u>Department of Motor Vehicles</u>		
State and Community Highway Safety	20.607	<u>12,669</u>
Total Department of Transportation		<u>12,669</u>

COUNTY OF ROCKINGHAM, VIRGINIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2006

Federal Grantor/State Pass-Through Grantor/ Program Title	Federal CFDA Number	Expenditures
SOCIAL SECURITY ADMINISTRATION:		
<u>Direct payments:</u>		
<u>Social Security Administration:</u>		
Reward for Incarceration Notification	96.000	\$ 4,600
Total Social Security Administration		<u>4,600</u>
DEPARTMENT OF LABOR:		
<u>Pass-through payments:</u>		
<u>Virginia Employment Commission:</u>		
Workforce Investment Act (WIA) Cluster:		
WIA Adult Program	17.258	254,021
WIA Youth Activities	17.259	291,034
WIA Adult Dislocated Workers	17.260	<u>538,536</u>
Total Department of Labor		<u>1,083,591</u>
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE:		
<u>Pass-through payments:</u>		
<u>Department of Social Services:</u>		
AmeriCorps	94.006	<u>388</u>
Total Corporation for National and Community Service		<u>388</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES:		
<u>Direct payments:</u>		
<u>Department of Social Services:</u>		
General Relief Assistance	93.000	<u>113,657</u>
<u>Pass-through payments:</u>		
<u>Department of Health:</u>		
Rural Access to Emergency Devices	93.259	<u>23,310</u>

COUNTY OF ROCKINGHAM, VIRGINIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2006

Federal Grantor/State Pass-Through Grantor/ Program Title	Federal CFDA Number	Expenditures
DEPARTMENT OF HEALTH AND HUMAN SERVICES: (Continued)		
<u>Pass-through payments: (Continued)</u>		
<u>Department of Social Services:</u>		
Promoting Safe and Stable Families	93.556	\$ 38,509
Temporary Assistance to Needy Families	93.558	587,329
Refugee and Entrant Assistance - State Administered Programs	93.566	516
Low-Income Home Energy Assistance	93.568	32,863
Child Care Cluster:		
Child Care and Development Block Grant	93.575	411,084
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	429,973
Chafee Education and Training Vouchers Program (ETV)	93.599	545
Adoption Incentive Payments	93.603	4,950
Foster Care - Title IV-E	93.658	1,694,789
Adoption Assistance	93.659	226,494
Social Services Block Grant	93.667	642,698
Chafee Foster Care Independent Living	93.674	29,880
Medical Assistance Program (Medicaid; Title XIX)	93.778	443,731
		<u>4,543,361</u>
Total Department of Health and Human Services		<u>4,680,328</u>
DEPARTMENT OF JUSTICE, OFFICE OF JUSTICE PROGRAMS, BUREAU OF JUSTICE ASSISTANCE:		
<u>Direct payments:</u>		
<u>Department of Criminal Justice:</u>		
Executive Office for Weed and Seed	16.595	253,295
State Criminal Alien Assistance Program	16.606	65,030
Community Prosecution and Project Safe Neighborhoods	16.609	59,095
		<u>377,420</u>
<u>Pass-through payments:</u>		
<u>Department of Criminal Justice Services:</u>		
Violence Against Women Formula Grants	16.588	19,137
Byrne Formula Grant Program	16.579	91,693
Crime Victim Assistance - Discretionary Grants	16.575	50,991
Edward Byrne Memorial State and Local Law Enforcement Grant	16.580	128,697
Local Law Enforcement Block Grants Program	16.592	495
		<u>291,013</u>
Total Department of Justice, Office of Justice Programs, Bureau of Justice Assistance		<u>668,433</u>

COUNTY OF ROCKINGHAM, VIRGINIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2006

Federal Grantor/State Pass-Through Grantor/ Program Title	Federal CFDA Number	Expenditures
DEPARTMENT OF DEFENSE:		
<u>Direct payments:</u>		
<u>Bureau of Land Management</u>		
Payments to States in Lieu of Real Estate Taxes	12.112	\$ 201,215
Total Department of Defense		<u>201,215</u>
DEPARTMENT OF EDUCATION:		
<u>Direct payments:</u>		
Twenty-First Century Community Learning Centers	84.287	<u>195,000</u>
<u>Pass-through payments:</u>		
<u>Department of Education:</u>		
Title I Grants to Local Educational Agencies	84.010	1,213,783
Special Education Cluster:		
Special Education - Grants to States	84.027	2,646,714
Special Education - Preschool Grants	84.173	117,503
Adult Education - State Grant Program	84.002	167,518
Vocational Education - Basic Grants to States	84.048	165,508
Safe and Drug-Free Schools and Communities - State Grants	84.186	52,816
Fund for the Improvement of Education	84.215	289,980
State Grants for Innovative Programs	84.298	22,733
Education Technology State Grants	84.318	33,271
Advanced Placement Program	84.330	520
English Language Acquisition Grants	84.365	112,351
Improving Teacher Quality State Grants	84.367	397,872
Emergency Impact Aid for Displaced Students	84.938	4,950
		<u>5,225,519</u>
Total Department of Education		<u>5,420,519</u>

COUNTY OF ROCKINGHAM, VIRGINIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2006

Federal Grantor/State Pass-Through Grantor/ Program Title	Federal CFDA Number	Expenditures
DEPARTMENT OF HOMELAND SECURITY:		
<u>Pass-through payments:</u>		
<u>Department of Emergency Management:</u>		
State Domestic Preparedness Equipment Support Program	97.004	\$ 140,000
Emergency Management Performance Grants	97.042	10,844
Interoperable Communications Equipment	97.055	100,000
		<u>250,844</u>
Total Department of Homeland Security		<u>250,844</u>
DEPARTMENT OF THE INTERIOR:		
<u>Pass-through payments:</u>		
<u>Department of Environmental Quality:</u>		
Rents and Royalties paid on Federal Land	15.000	254
Total Department of the Interior		<u>254</u>
ELECTIONS ASSISTANCE COMMISSION:		
<u>Direct payments:</u>		
Help America Vote Act Requirements Payments	90.401	99,075
Total Elections Assistance Commission		<u>99,075</u>
Total Federal Awards Expended		<u>\$ 17,709,603</u>

COUNTY OF ROCKINGHAM, VIRGINIA

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Significant Accounting Policies

A. Basis of Presentation and Accounting

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the County of Rockingham, Virginia and component units of the Rockingham County School Board and the Harrisonburg-Rockingham Social Services District and is presented on the modified accrual basis of accounting. The information 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 basic financial statements.

Federal Financial Assistance – The Single Audit Act Amendments of 1996 (Public Law 104-156) and OMB Circular A-133 define federal financial assistance as grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations or other assistance. Nonmonetary deferral assistance including food commodities is considered federal assistance and, therefore, is reported on the Schedule of Expenditures of Federal Awards. Federal financial assistance does not include direct federal cash assistance to individuals.

Direct Payments – Assistance received directly from the Federal government is classified as direct payments on the “Schedule of Expenditures of Federal Awards.”

Pass-through Payments – Assistance received in a pass-through relationship from entities other than the Federal government is classified as pass-through payments on the Schedule of Expenditures of Federal Awards.

Major Programs – The Single Audit Act Amendments of 1996 and OMB Circular A-133 establish the criteria to be used in defining major programs. Major programs for the County of Rockingham, Virginia and its component units were determined using a risk-based approach in accordance with OMB Circular A-133.

Catalog of Federal Domestic Assistance – The Catalog of Federal Domestic Assistance (CFDA) is a government-wide compendium of individual federal programs. Each program included in the catalog is assigned a five-digit program identification number (CFDA Number), which is reflected in the accompanying schedule.

Cluster of Programs – Closely related programs that share common compliance requirements are grouped into clusters of programs. A cluster of programs is considered as one federal program for determining major programs. The following are the clusters administered by the County of Rockingham, Virginia and its component units: Child Nutrition, Special Education, Child Care, and Workforce Investment Act (WIA).

COUNTY OF ROCKINGHAM, VIRGINIA

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 2. Non-Cash Assistance

The County of Rockingham, Virginia participated in a federal program in which non-cash benefits are provided through the state to eligible program participants.

Food Distribution Program (CFDA Number 10.555) – The value of food commodities was calculated using the U.S. Department of Agriculture’s Food and Nutrition Service commodity price lists. The accompanying schedule includes commodity distributions of \$271,301 for CFDA Number 10.555.

Note 3. Loan Outstanding

The County had the following loan balance at June 30, 2006. This loan program is also included in the federal expenditures presented in the Schedule of Expenditures of Federal Awards.

<u>Program Title Outstanding</u>	<u>Federal CFDA Number</u>	<u>Amount</u>
Water and Waste Disposal Systems for Rural Communities	10.760	\$ 1,333,000



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

To the Honorable Members of the Board of Supervisors
County of Rockingham, Virginia

We have audited the basic financial statements of the County of Rockingham, Virginia, as of and for the year ended June 30, 2006 and have issued our report thereon dated September 15, 2006. 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 the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Rockingham, Virginia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. We also performed tests of compliance with the following program specific requirements as set forth in the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia: the Virginia Department of Education's requirements and the Virginia Department of Social Service's requirements, including the requirements for the Comprehensive Services Act. However, providing an opinion on compliance with those provisions and specifications 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*.

This report is intended solely for the information and use of the Board of Supervisors, management, the Auditor of Public Accounts, and other Federal and state agencies and is not intended to be and should not be used by anyone other than those specified parties.

PBGH, LLP

Harrisonburg, Virginia
September 15, 2006

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

To the Honorable Members of the Board of Supervisors
County of Rockingham, Virginia

Compliance

We have audited the compliance of the County of Rockingham, Virginia, (County) with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, that are applicable to each of its major Federal programs for the year ended June 30, 2006. The County of Rockingham's major Federal programs are identified in the Summary of Independent Auditors' 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 County of Rockingham's management. Our responsibility is to express an opinion on the County'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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards, specifications, 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 County'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 County of Rockingham's compliance with those requirements.

In our opinion, the County of Rockingham, 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, 2006.

Internal Control Over Compliance

The management of the County of Rockingham 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 County'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 and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

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 reportable 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 solely for the information and use of the Board of Supervisors, management, the Auditor of Public Accounts and other Federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties.

PBGH, LLP

Harrisonburg, Virginia
September 15, 2006

COUNTY OF ROCKINGHAM, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2006

I. SUMMARY OF INDEPENDENT AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified	_____ Yes	✓_____ No
Reportable conditions identified that are not considered to be material weaknesses	_____ Yes	✓_____ None Reported
Noncompliance material to financial statements noted	_____ Yes	✓_____ No

Federal awards

Internal control over major programs:

Material weaknesses identified	_____ Yes	✓_____ No
Reportable conditions identified that are not considered to be material weaknesses	_____ Yes	✓_____ None Reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	_____ Yes	✓_____ No
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COUNTY OF ROCKINGHAM, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2006

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
10.760	Water and Waste Disposal Systems for Rural Communities (loan and grant)
Child Nutrition Cluster:	
93.575	Child Care and Development Block Grant
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund
Special Education Cluster:	
84.027	Special Education – Grants to States
84.173	Special Education – Preschool Grants
Workforce Investment Act (WIA) Cluster:	
17.258	WIA Adult Program
17.259	WIA Youth Activities
17.260	WIA Adult Dislocated Workers

Dollar threshold used to distinguish between type A and type B programs \$ 531,288

Auditee qualified as low-risk auditee? √ Yes No

II. FINDINGS RELATING TO THE FINANCIAL STATEMENT AUDIT AS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS

A. Reportable Conditions in Internal Control

None Reported

B. Compliance Findings

None

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

COUNTY OF ROCKINGHAM, VIRGINIA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended June 30, 2006

The prior year single audit disclosed no findings in the Schedule of Findings and Questioned Costs and no uncorrected or unresolved findings exist from prior audit's Summary Schedule of Prior Audit Findings.

