

City of Harrisonburg, Virginia Annual Comprehensive Financial Report

Fiscal Year Ended June 30, 2021



Reservoir at Switzer Dam

City of Harrisonburg, Virginia

Annual Comprehensive Financial Report

For the Fiscal Year Ended June 30, 2021



This Report
Prepared by Department of Finance

Report Cover: The front cover is the City of Harrisonburg (City) owned Switzer Dam reservoir which is located 20 miles west of the City. Completed in 1972, the reservoir has a storage capacity of 2.3 million gallons and is the City's primary supply of drinking water.

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INTRODUCTORY SECTION

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

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CITY OF HARRISONBURG
OFFICE OF THE
CITY MANAGER

ERIC D. CAMPBELL, CITY MANAGER
409 SOUTH MAIN STREET, HARRISONBURG, VA 22801
OFFICE (540) 432-7701 • FAX (540) 432-7778

December 6, 2021

To the Honorable Mayor, Members of the City Council and the
Citizens of the City of Harrisonburg:

The Annual Comprehensive Financial Report of the City of Harrisonburg, Virginia (City), for the fiscal year ended June 30, 2021 is hereby submitted in accordance with Section 45 of the *City Charter* and Section 15.2-2511 of the *Code of Virginia*, 1950, as amended. The *City Charter* and the *Code of Virginia* require that the City issue annually a report on its financial position and operations, and that this report be audited by either the state auditor or an independent firm of certified public accountants in accordance with generally accepted auditing standards (GAAS). This report has been prepared by the Department of Finance to conform to the standards of financial reporting as established by the Governmental Accounting Standards Board (GASB), generally accepted accounting principles (GAAP) and the Commonwealth of Virginia Auditor of Public Accounts (APA).

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

Brown, Edwards & Company, LLP, a firm of licensed certified public accountants, have audited the City's financial statements. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. This examination was conducted using guidelines set forth by GAAS and the *Specifications for Audits of Counties, Cities and Towns*, issued by the APA. Based upon this audit, the independent auditor concluded that there was a reasonable basis for rendering an unmodified opinion that the City's financial statements for the fiscal year ended June 30, 2021, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements was also designed to meet the U. S. Office of Management and Budget's Uniform Guidance to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements set forth in the General Accounting Office's Government Auditing Standards require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements. Special emphasis is placed on internal controls and compliance with legal requirements involving the administration of federal awards. These reports are available in the compliance section of this report.

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

Profile of the City of Harrisonburg

Background. The City was established in 1780 and was named for Thomas Harrison, who donated the land for the Rockingham County Court House, which became the permanent county seat of Rockingham County in 1781. The City was incorporated in 1849 and became an independent city in 1916. It now encompasses 17.3 square miles and serves a population of approximately 52,000.

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

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

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

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

The City provides court and jail facilities, as well as the services of the Sheriff, Commonwealth Attorney, and Clerk of the Circuit Court through Rockingham County (County). The City reimburses the County one-half of the net expenditures for providing these services. The City is also a member of the Middle River Regional Jail Authority.

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

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

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

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

Budgetary control is maintained at the department level as delineated in the appropriation ordinance. The City Manager is authorized to transfer budgeted amounts within funds other than capital projects funds. Supplemental appropriations, transfers between funds and transfers within capital projects funds require the approval of City Council. Also, supplemental appropriations which exceed one percent of the total expenditures shown in the currently adopted budget require a public hearing prior to approval by City Council. All appropriations lapse at year-end except appropriations for capital projects funds and the Community Development Block Grant (CDBG) Fund. Appropriations for capital projects funds are valid until the end of the project and CDBG fund appropriations are valid until the grant period is completed. Encumbrances outstanding at year-end are generally reappropriated in the following fiscal year. A budget-to-actual comparison is provided in this report for the general fund. This comparison is presented on page 29.

Major Initiatives

The City's staff, following specific directives of the City Council and the City Manager, has been involved in a variety of projects and activities throughout the year. These projects and activities reflect the City's commitment to ensuring that the citizens of Harrisonburg live and work in an enviable environment. Due to a reduction in revenue projections from the COVID-19 pandemic, the City significantly curtailed its capital funding for general government purposes to only essential needs. The significant projects and activities are as follows:

- Appropriated \$315,000 for replacement equipment related to the City's information technology infrastructure.
- Appropriated \$2.2 million in the Public Transportation Fund for the purchase of three transit and four paratransit buses.
- Appropriated a total of \$2.3 million for various capital expenditures in the Water Fund. This includes \$400,000 in funding for a waterline to the South Fork of the Shenandoah River and \$900,000 for waterline asset replacements.
- Appropriated a total of \$2.1 million for various capital expenditures in the Sewer Fund. This includes \$1 million for a replacement metering project.
- Appropriated \$700,000 in the Sanitation Fund to provide funding for a city-wide solid waste collection bin program. This includes retrofitting solid waste trucks with lift arms to empty the collection bins.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

Local economy. The City is in the center of commerce and travel for the area, while the surrounding area is known for its poultry industry. The area is an educational center served by three institutions of higher learning located within or near the city with a total enrollment of approximately 26,100. James Madison University, a state-supported school, is located near the geographic center of the City and has approximately 22,500 students. Eastern Mennonite University, a private institution with approximately 2,000 students is also located in the City. Bridgewater College, located just south of the City, is also private and has an approximate enrollment of 1,600 students. State-supported Blue Ridge Community College is also located outside the city.

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

Global pandemic. In March 2020, the World Health Organization classified a strain of novel coronavirus (COVID-19) as a global pandemic. Subsequently in January 2021, the WHO announced a global emergency due to a new variant of COVID-19 which continues to spread globally. The full impact of the COVID-19 pandemic and the its new variant continues to evolve as of the date of this report. As with all local governments, the City has not been immune from the impact of the COVID-19 pandemic, not only from a community perspective, but also to the operations and financial condition of the City. Due to significant disruptions to the local economy, it is estimated that the City lost in excess of \$6 million in tax and other revenue in total from the beginning of the pandemic. As a response to this decrease in revenues, the City has been able to reduce expenditures, particularly planned capital outlay funding, enough to negate the impact of these reduced revenues.

In June 2020 and August 2021, the City was allocated a total of \$9.6 million in federal Coronavirus Aid, Relief, and Economic Security (CARES) Act Coronavirus Relief Funds (CRF) from the Commonwealth of Virginia. The City used a portion of this funding to provide assistance to local businesses and nonprofits in the community who have been negatively impacted by the COVID-19 pandemic and a portion to assist in the stabilization of the City's financial operations. In addition, the City was allocated a total of \$23.8 million in federal American Rescue Plan Act (ARPA) Coronavirus State and Local Fiscal Recovery Funds. The City received \$11.9 million of this funding in June 2021 and anticipates receiving the remaining funds in May 2022. No budget or formal plans for the use of these funds is currently in place.

The City has been actively monitoring and will continue to actively monitor the impact the COVID-19 pandemic and its resulting variants will have on the City's community and on the City's financial condition and operations. The City's General Fund is highly dependent on certain economically sensitive revenue sources such as sales, restaurant food and transient occupancy taxes. Due to the periodic evolution of the COVID-19 pandemic, the City is unable to estimate the full effects, if any, that the COVID-19 pandemic will have on its financial condition and operations for fiscal year 2022.

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

The City is in the process of constructing a waterline to the South Fork of the Shenandoah River, which is located approximately 17 miles east of the City. The initial phases of this project included the installation of waterlines from the City's water treatment plant across the City to the eastern City limits and the construction of a pump station and intake facility which have all been completed. The estimated total cost of the project is \$49.8 million. In August 2021, the City issued \$24.7 million in bonds to complete the final phases of the project. It is anticipated that the project will be completed by the end of calendar year 2023.

The City and the Harrisonburg City School (School Board) is currently constructing a second high school. This second high school is being constructed due to increasing enrollment in the school system and to alleviate overcrowding at the existing high school. In December 2019, the School Board entered into a \$90.3 million comprehensive agreement pursuant to the Virginia Public-Private Education and Infrastructure Act (PPEA) commencing construction of the new school. Due to the COVID-19 pandemic, in April 2020 all construction was

suspended on the project effective for one year. In June 2021, the School Board agreed to a \$7.8 million change order to recommence construction. The City issued \$84.6 million in bonds in August 2021 and the School Board agreed to provide an additional \$9 million in funding to complete the project. It is anticipated that the project will be completed in December 2023.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2021. This was the twenty-sixth consecutive year that the City has received this prestigious award. To be awarded a Certificate of Achievement, the City must publish an easily readable and organized ACFR. This report satisfied both GAAP and applicable legal requirements.

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

Acknowledgments

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

Respectfully submitted,

/s/

Eric D. Campbell
City Manager

/s/

Larry L. Propst, CPA
Director of Finance



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Harrisonburg
Virginia**

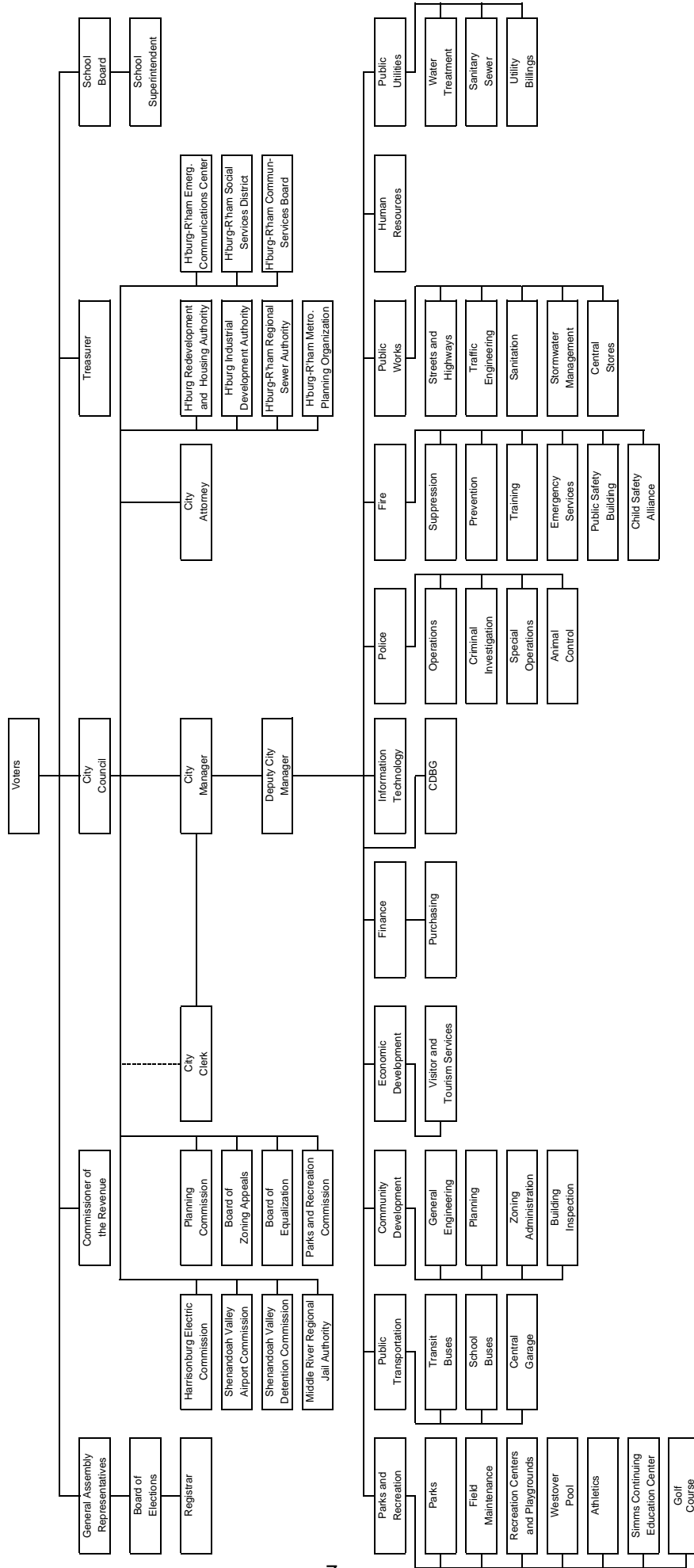
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morill

Executive Director/CEO

City of Harrisonburg, Virginia Organization Chart



CITY OF HARRISONBURG, VIRGINIA
DIRECTORY OF PRINCIPAL OFFICIALS
June 30, 2021

CITY COUNCIL

Deanna R. Reed	Mayor
Salvador "Sal" T. Romero	Vice Mayor
Laura A. Dent	Council Member
George J. Hirschmann	Council Member
Christopher B. Jones	Council Member

CITY OFFICIALS

Eric D. Campbell	City Manager
Alexander "Ande" Banks, IV	Deputy City Manager
Amy E. Snider	Assistant to the City Manager
G. Chris Brown	City Attorney
Pamela S. Ulmer	City Clerk
Jeffrey L. Shafer	City Treasurer
Karen I. Rose	Commissioner of the Revenue
A. Michael Collins	Director of Public Utilities
Brian B. Shull	Director of Economic Development
Paul A. Malabad	Director of Information Technology
Larry L. Propst	Director of Finance
Adam L. Fletcher	Director of Community Development
Thomas A. Hartman	Director of Public Works
Michael E. Parks	Director of Communications
Gerald M. Gatobu	Director of Public Transportation
Matthew J. Tobia	Fire Chief
Gabriel Camacho	Interim Police Chief
Angela K. Clem	Director of Human Resources
Brian B. Mancini	Interim Director of Parks and Recreation
Mark D. Finks	City Registrar

SCHOOL BOARD

Andrew Kohen	Chairperson
Kristen Loflin	Vice Chairperson
Deb Fitzgerald	Board Member
Obie Hill	Board Member
Kaylene Seigle	Board Member
Dominic D. "Nick" Swayne	Board Member

SCHOOL OFFICIALS

Dr. Michael G. Richards	Superintendent of Schools
Lisa M. Knupp	Clerk
Tracy Shaver	Executive Director of Finance

FINANCIAL SECTION

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

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of City Council
City of Harrisonburg, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Harrisonburg, Virginia (the "City") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 the *Specifications for Audits of Counties, Cities, and Towns* and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 City of Harrisonburg, Virginia, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 28 to the financial statements, the City adopted GASB Statement No. 84, *Fiduciary Activities*, during the fiscal year 2021. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, the other supplementary information (consisting of the combining and individual non-major fund financial statements and budgetary comparison schedules, the discretely presented component unit fund financial statements and budgetary comparison schedules, and the schedules of revenues and expenditures – budget to actual), and the statistical section presented in the supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is also not a required part of the basic financial statements.

The other supplementary information and the schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information (continued)

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2021 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
December 6, 2021

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CITY OF HARRISONBURG, VIRGINIA MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Harrisonburg (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1 through 5 of this report.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$288.5 million (net position). Of this amount, \$53.3 million (unrestricted net position) may be used to meet the City's obligations to citizens and creditors.
- The City's total net position increased by \$8.8 million.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$62.6 million, an increase of \$8.2 million in comparison with the previous year. Approximately 72.7 percent of this total amount, \$45.5 million, is unassigned.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$45.5 million, or 38.4 percent of total General Fund expenditures and other financing uses.
- The City's total long-term debt decreased by \$5.6 million during the current fiscal year.
- The COVID-19 global pandemic did have a continued impact on General Fund revenue specifically to restaurant food and transient occupancy tax collections as explained later.

Overview of the Financial Statements

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

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

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

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position 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 government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government administration, jail and judicial administration, public safety, public works, health and welfare, education, parks and recreation, and planning and community development. The business-type activities of the City include water, sewer, public transportation, sanitation and stormwater operations.

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

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

The government-wide financial statements can be found on pages 22 through 24 of this report.

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

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

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

The City maintains 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, General Capital Projects Fund and School Bond Capital Projects Fund 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 in the other supplementary information part of the financial section of this report.

The basic governmental fund financial statements can be found on pages 25 through 29 of this report.

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

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

The basic proprietary fund financial statements can be found on pages 30 through 33 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of

those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 34 through 35 of this report.

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 36 through 80 of this report.

Required supplementary information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligations to provide pension and postretirement healthcare benefits to its employees. This information is presented immediately following the notes to financial statements and can be found on pages 81 through 98 of this report.

Other supplementary information. This report also presents certain other supplementary information concerning the combining statements referred to earlier regarding nonmajor governmental funds, internal service funds, agency funds and School Board individual fund financial statements. This information is presented immediately following required supplementary information. The combining and individual fund statements and schedules can be found on pages 99 through 119 of this report.

Government-wide Financial Analysis (Primary Government)

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$288.5 million at the close of the most recent fiscal year.

The largest portion of the City's net position (81.3 percent) reflects its investment in capital assets (e.g., land, buildings and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, which amounts to \$53.3 million, may be used to meet the City's ongoing obligations to citizens and creditors.

City of Harrisonburg's Net Position

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 161,496,101	\$ 139,674,787	\$ 33,290,476	\$ 38,219,666	\$ 194,786,577	\$ 177,894,453
Capital assets	297,945,661	312,086,855	98,161,702	89,452,581	396,107,363	401,539,436
Total assets	459,441,762	451,761,642	131,452,178	127,672,247	590,893,940	579,433,889
Total deferred outflows of resources	13,359,726	10,238,172	3,375,318	2,757,866	16,735,044	12,996,038
Current and other liabilities	23,016,109	12,134,632	2,264,575	2,647,231	25,280,684	14,781,863
Long-term liabilities	199,990,253	204,764,802	35,933,937	36,762,987	235,924,190	241,527,789
Total liabilities	223,006,362	216,899,434	38,198,512	39,410,218	261,204,874	256,309,652
Total deferred inflows of resources	57,814,335	55,947,025	95,634	447,603	57,909,969	56,394,628
Net position:						
Net investment in capital assets	152,753,329	156,353,667	81,774,322	74,718,260	234,527,651	231,071,927
Restricted	715,006	574,269	-	-	715,006	574,269
Unrestricted	38,512,456	32,225,419	14,759,028	15,854,032	53,271,484	48,079,451
Total net position	\$ 191,980,791	\$ 189,153,355	\$ 96,533,350	\$ 90,572,292	\$ 288,514,141	\$ 279,725,647

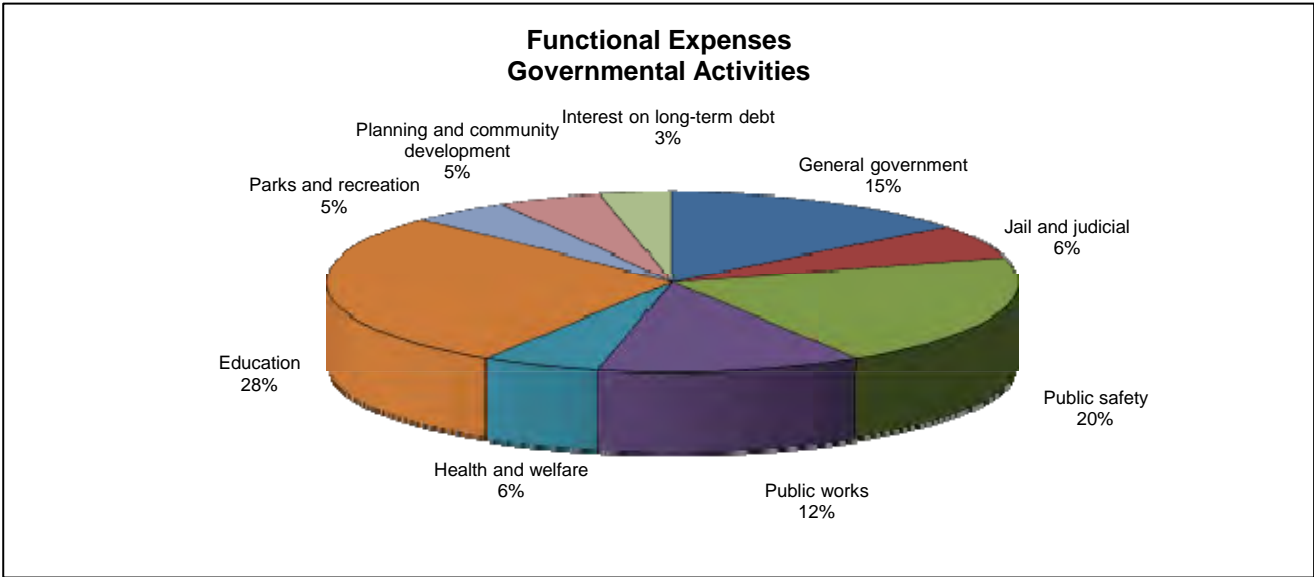
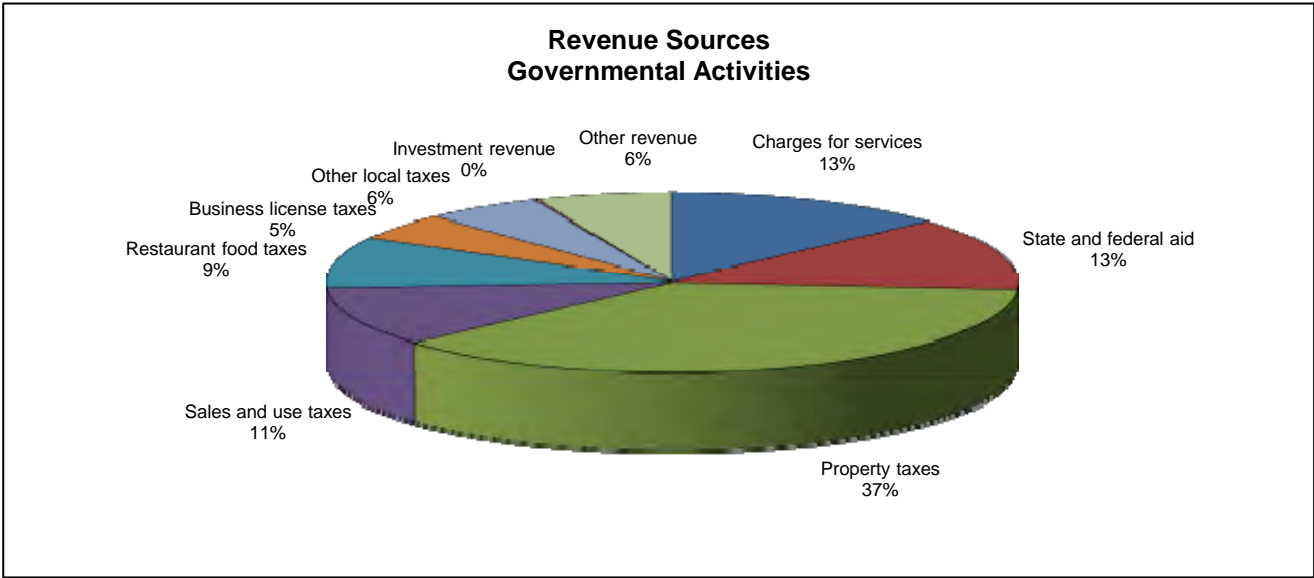
City of Harrisonburg's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 19,430,070	\$ 21,579,157	\$ 28,431,405	\$ 28,635,911	\$ 47,861,475	\$ 50,215,068
Operating grants and contributions	8,750,337	7,639,056	3,735,359	3,474,604	12,485,696	11,113,660
Capital grants and contributions	1,817,321	2,067,233	4,401,654	630,166	6,218,975	2,697,399
General revenues:						
Property taxes	54,171,307	51,447,886	-	-	54,171,307	51,447,886
Sales and use taxes	15,756,075	13,971,040	-	-	15,756,075	13,971,040
Restaurant food taxes	13,266,178	12,628,014	-	-	13,266,178	12,628,014
Business license taxes	7,148,413	7,224,775	-	-	7,148,413	7,224,775
Other local taxes	8,034,724	8,020,291	-	-	8,034,724	8,020,291
Grants and contributions not restricted to specific programs	8,977,259	6,932,654	-	-	8,977,259	6,932,654
Payment from component units	6,700,000	5,200,000	-	-	6,700,000	5,200,000
Investment revenue	239,283	922,992	90,899	552,598	330,182	1,475,590
Other revenue	2,149,401	2,265,355	719,084	821,500	2,868,485	3,086,855
Gain on disposal of capital assets	-	-	5,325	505	5,325	505
Total revenues	146,440,368	139,898,453	37,383,726	34,115,284	183,824,094	174,013,737
Expenses:						
General government administration	21,661,494	19,874,767	-	-	21,661,494	19,874,767
Jail and judicial administration	8,901,359	7,862,409	-	-	8,901,359	7,862,409
Public safety	29,906,040	27,899,118	-	-	29,906,040	27,899,118
Public works	18,224,718	15,225,728	-	-	18,224,718	15,225,728
Health and welfare	8,097,217	6,661,856	-	-	8,097,217	6,661,856
Education	41,403,674	44,874,482	-	-	41,403,674	44,874,482
Parks, recreation and cultural	6,823,509	6,799,136	-	-	6,823,509	6,799,136
Planning and community development	7,196,267	4,048,273	-	-	7,196,267	4,048,273
Interest on long-term debt	4,946,081	5,175,505	-	-	4,946,081	5,175,505
Water	-	-	6,389,098	6,564,988	6,389,098	6,564,988
Sewer	-	-	10,797,106	10,561,152	10,797,106	10,561,152
Public transportation	-	-	7,135,184	6,674,720	7,135,184	6,674,720
Sanitation	-	-	2,982,866	2,845,875	2,982,866	2,845,875
Stormwater	-	-	570,987	357,121	570,987	357,121
Total expenses	147,160,359	138,421,274	27,875,241	27,003,856	175,035,600	165,425,130
Excess (deficiency) before transfers	(719,991)	1,477,179	9,508,485	7,111,428	8,788,494	8,588,607
Transfers	3,547,427	3,095,543	(3,547,427)	(3,095,543)	-	-
Change in net position	2,827,436	4,572,722	5,961,058	4,015,885	8,788,494	8,588,607
Net position - beginning	189,153,355	184,580,633	90,572,292	86,556,407	279,725,647	271,137,040
Net position - ending	\$ 191,980,791	\$ 189,153,355	\$ 96,533,350	\$ 90,572,292	\$ 288,514,141	\$ 279,725,647

Governmental activities. Governmental activities increased the City's net position by \$2.8 million. Key elements affecting governmental activities are as follows:

- Charges for services decreased \$2.1 million (10 percent) primarily due to a one-month premium holiday provided to participants in the City's self-insured health insurance plan.
- Operating grants and contributions increased \$1.1 million (14.5 percent) due to an increase in the Community Development Block Grant program related to additional CARES Act funding and one-time economic development funding provided by the Commonwealth of Virginia.
- Property tax revenue increased \$2.7 million (5.3 percent) in the current year mainly as the result of increasing property tax assessments and a general increase in personal property tax revenue.
- Local sales tax and restaurant food tax revenue increased \$2.4 million (8.3 percent), collectively, as a result of improved economic activity despite the COVID-19 pandemic.
- Grants and contributions not restricted to specific programs increased \$2 million due to the federal Coronavirus Relief Funds allocated to the City by the Commonwealth of Virginia.
- The annual contribution from the HEC increased \$1.5 million due to a one-time increase in recognition of the impact the COVID-19 pandemic has had on City tax revenue.
- Expenses in the general government administration activity increased \$1.8 million (9 percent) primarily due to an increase in claim payments in the City's self-insured health insurance plan.

- Expenses in the public safety activity increased \$2 million (7.2 percent) primarily due to an increase in personnel expenses, an increase in the contribution to the Harrisonburg-Rockingham Emergency Communication Center and COVID-19 mitigation expenses within the Public Safety Building. In addition, the allocation of internal service fund activities' operating loss contributed to the increase in public safety expenses.
- Expenses in the public works activity increased \$3 million (19.7 percent) primarily due the impairment of a construction in progress project and increased expenses for snow and ice removal during the winter.
- Expenses in the health and welfare activity increased \$1.4 million from contributions that were made to the Harrisonburg-Rockingham Community Services Board (HRCSB) for the City's share of a new HRCSB facility.
- Education activity expenses decreased \$3.5 million (7.7 percent) from general operational savings to the school system due to limited in-person instruction with the prevailing use of online learning throughout the school year. In addition, the School Board received several sources of CARES Act funding and additional state funding that was utilized to fund general operating expenses. These factors together decreased the dependence on local funding from the City.
- Expenses in the community development activity increased \$3.1 million (77.8 percent) primarily from community and business assistance payments provided by the City from its federal CARES Act funding.



Business-type activities. Business-type activities increased the City's net position by \$6 million. Key elements affecting business-type activities are as follows:

- Charges for services decreased \$204,506 (0.7 percent) due to water and sewer charges for services. Water and sewer charges for services were impacted by the COVID-19 pandemic from a decrease in usage from several larger customers.
- Operating grants and contributions increased \$260,755 (7.5 percent) primarily from additional federal and state revenue in the public transportation activity.
- Capital grants and contributions increased \$3.8 million primarily from federal and state revenue associated with the purchase of seven new transit buses and state revenue associated with a stormwater project.
- Investment revenue decreased \$461,699 (83.6 percent) due to lower interest rates.
- Expenses in the public transportation activity increased \$460,464 (6.9 percent) primarily from pension and other postemployment benefits and from the allocation of internal service fund activities' operating loss.

Government-wide Financial Analysis (Component Units)

School Board activities. The net position of the School Board increased \$74,298 during the year, as compared to a \$915,083 increase in the previous year. School Board expenses increased \$6.3 million (6.9 percent) due to a general increase in instructional expenses and COVID-19 related expenses for cleaning and mitigation measures, as well as technology support for online learning. The School Board's operational funding from the City decreased \$2.1 million (6.1 percent) compared to the previous year. State funding increased \$5 million while federal funding increased \$4.4 million from various CARES Act revenue sources.

HEC activities. HEC's net position increased \$463,901 during the year, as compared to a \$1.6 million increase in the previous year. Charges for services decreased \$3.4 million (5.6 percent) during the current year due to a general 2.5 percent rate decrease in order to assist customers during the COVID-19 pandemic and a decrease in the fuel adjustment factor, while expenses also decreased \$3.4 million (5.6 percent). The decrease in expenses was mostly a result of lower purchased power costs and a decrease in the fuel adjustment factor.

Financial Analysis of the Government's Funds

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

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

General Fund. The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$45.5 million, while total fund balance was \$52.1 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures and other financing uses. Unassigned fund balance represents 38.4 percent (30.5 percent in the prior year) of total General Fund expenditures and other financing uses, while total fund balance represents 44.1 percent (32.9 percent in the prior year) of that same amount.

Total fund balance in the General Fund increased \$12.7 million mainly from federal Coronavirus Relief Funds allocated to the City by the Commonwealth of Virginia, local sales tax and personal property tax revenue substantially exceeding budget projections and the continued deferral of capital outlay due to the COVID-19 pandemic. Total revenues increased \$9.1 million (7.7 percent). Real property taxes increased \$1.2 million (3.3 percent) as the result of increasing real property assessments, while personal property taxes increased \$1.4 million (12.9 percent) compared to the previous fiscal year. Local sales tax revenue increased \$1.8 million (12.8 percent) which exceeded

budget projections by \$2.3 million while restaurant food taxes increased \$638,164 (5.1 percent). Federal revenue increased \$3 million primarily from Coronavirus Relief Fund revenue. Total expenditures increased \$2.7 million (2.3 percent). Public works expenditures increased \$1.4 million primarily due to several state funded projects and program initiatives during the year. Education expenditures decreased \$2.1 million (6.1 percent) primarily due to additional state and federal funds that the School Board received during the year. Community Development expenditures increased \$2.8 million (78 percent) primarily due to community and business assistance provided by the City using CARES Act funding. Other financial factors affecting the General Fund have been included in the above discussion of the City's governmental activities.

General Capital Projects Fund. The General Capital Projects Fund has a total fund balance of \$8.4 million, of which the entire amount is either restricted or committed for various projects. Revenue, including other financing sources, totaled \$1.6 million, of which nearly the entire amount was intergovernmental revenue. Expenditures totaled \$6.7 million, of which the most significant were payments for the City's share of a new facility for the HRCSB, construction related to the I-81 Exit 245 realignment project and construction of the Garbers Church Road shared use path.

School Bond Capital Projects Fund. The School Bond Capital Projects Fund has a total fund balance of \$332,900, of which the entire amount is committed for the construction of a new high school. Expenditures totaled \$194,688 for construction costs of the new second high school.

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

Water Fund. The net position of the Water Fund increased \$2 million compared to an increase of \$2.3 million in the previous year. Operating revenues decreased \$169,584 (1.8 percent) primarily due to decreased customer usage as a result of the COVID-19 pandemic, while total operating expenses decreased \$116,023 (2 percent) primarily from a general decrease in operating expenses.

Sewer Fund. The net position of the Sewer Fund remained essentially unchanged compared to an increase of \$341,342 in the previous year. Operating revenues decreased \$122,727 (1.1 percent) primarily due to decreased customer usage as a result of the COVID-19 pandemic, while total operating expenses increased \$160,405 (1.5 percent) due to an increase in contributions to the regional sewer authority.

Public Transportation Fund. The net position of the Public Transportation Fund increased \$1.5 million compared to a decrease of \$915,332 in the previous year. Operating revenues were essentially flat compared to the previous year, while total operating expenses increased \$352,601 (5.3 percent) from increased pension and OPEB expenses. In addition, nonoperating intergovernmental revenue increased \$260,755 (7.5 percent) primarily due to federal CARES Act revenue received which provides for 100 percent reimbursement of net operating expenses compared to the normal 50 percent federal reimbursement of net operating expenses.

Sanitation Fund. The net position of the Sanitation Fund increased \$1.2 million compared to an increase of \$1.3 million in the previous year. Operating revenues increased \$96,139 (2.3 percent) compared to the previous year, while total operating expenses increased \$139,453 (5.4 percent) from increased pension and OPEB expenses.

Stormwater Fund. The net position of the Stormwater Fund increased \$1.6 million compared to an increase of \$1 million in the previous year. Operating revenues remaining essentially unchanged compared to the previous year, while operating expenses increased \$210,519 (58.9 percent) due a general increase in stormwater operating expenses.

General Fund Budgetary Highlights

Differences between the original and the final amended General Fund budget amounted to \$10.3 million, or 8.7 percent of the original budget, and can be briefly summarized as follows:

- \$5.9 million appropriated in CARES Act funds for various purposes.
- \$2.3 million appropriated for prior year encumbrances.
- \$750,000 appropriated from state and federal grants for public works purposes.
- \$500,000 appropriated from a state grant for economic development purposes.
- \$600,000 appropriated from state and federal grants for various fire department purposes.
- \$300,000 appropriated for other purposes.

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

- General property tax revenues were over the final amended budget by \$2.3 million. The variance was primarily the result of higher than projected personal property tax revenue.
- Other local tax revenues were over the final amended budget by \$3.3 million. The variance was primarily the result of higher than projected local sales and business license tax revenue.
- Public safety expenditures were under the final amended budget by \$2.5 million. The variance was the result of general budgetary savings in the police department. Also, the timing of various police and fire department capital outlay, including fire program expenditures in which the funds were budgeted but encumbered and reappropriated into the subsequent fiscal year.
- Public works expenditures were under the final amended budget by \$1.8 million. The variance was the result of the timing of capital outlay for paving, sidewalk replacements and various equipment expenditures. These funds were budgeted but encumbered and reappropriated into the subsequent fiscal year.
- Education expenditures were under the final amended budget by \$3.7 million as the School Board largely shifted to online learning due to the COVID-19 pandemic which provided expenditure savings and additional state and federal revenue received from various CARES Act funding sources.

Capital Asset and Debt Administration

Capital assets. At the end of the current fiscal year, the City's investment in capital assets for its governmental and business-type activities totaled \$396.1 million (net of accumulated depreciation). This investment in capital assets includes land, easements, buildings, improvements other than buildings, machinery and equipment, infrastructure (e.g., streets and bridges), intangible assets and construction in progress. The City's total investment in capital assets for the current fiscal year decreased \$5.4 million.

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

- Construction was completed on the replacement of the HVAC system at the local regional jail increasing governmental activities' buildings while decreasing construction in progress by \$2.5 million.
- Construction began on the Garbers Church Road shared use path increasing governmental activities' construction in progress by \$729,790.
- Construction in progress in governmental activities' decreased \$2 million due to an asset impairment for a project that is not going to be completed.
- Construction continued on the water line project to the South Fork of the Shenandoah River increasing business-type activities' construction in progress by \$5.7 million.
- Seven transit buses and two paratransit buses were purchased increasing business-type activities' machinery and equipment by \$3.2 million.

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

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 58,435,764	\$ 58,441,987	\$ 2,690,491	\$ 2,690,491	\$ 61,126,255	\$ 61,132,478
Easements	1,777,196	1,759,315	462,693	412,863	2,239,889	2,172,178
Construction in progress	16,272,611	19,772,199	29,637,335	22,132,944	45,909,946	41,905,143
Buildings	98,904,320	103,360,550	13,039,476	13,490,286	111,943,796	116,850,836
Improvements other than buildings	12,186,815	13,008,381	11,294,839	11,777,468	23,481,654	24,785,849
Machinery and equipment	14,651,603	16,083,110	9,202,730	6,595,640	23,854,333	22,678,750
Intangibles	8,833,699	9,448,333	514,234	311,101	9,347,933	9,759,434
Infrastructure	86,883,653	90,212,980	31,319,904	32,041,788	118,203,557	122,254,768
Total capital assets	\$ 297,945,661	\$ 312,086,855	\$ 98,161,702	\$ 89,452,581	\$ 396,107,363	\$ 401,539,436

Additional information on the City's capital assets can be found in Note 7 on pages 46 through 48 of this report.

Long-term debt. At the end of the current fiscal year, the City had total long-term debt outstanding of \$235.9 million. Of this amount, \$177.7 million comprises debt backed by the full faith and credit of the City. The City's total long-term debt increased \$5.6 million during the current fiscal year.

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

- An increase of \$8.4 million in pension and OPEB liabilities.

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

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
General obligation bonds	\$ 154,647,871	\$ 165,660,849	\$ 23,092,891	\$ 25,553,083	\$ 177,740,762	\$ 191,213,932
Regional jail agreement	4,081,401	5,048,154	-	-	4,081,401	5,048,154
Compensated absences	3,865,506	3,732,012	842,707	828,103	4,708,213	4,560,115
Net OPEB liability	11,627,389	11,249,778	2,321,473	2,244,015	13,948,862	13,493,793
Net pension liability	25,768,086	19,074,009	5,846,628	4,253,756	31,614,714	23,327,765
City landfill liability	-	-	1,132,273	1,186,065	1,132,273	1,186,065
County landfill obligation	-	-	2,697,965	2,697,965	2,697,965	2,697,965
Total long-term debt	\$ 199,990,253	\$ 204,764,802	\$ 35,933,937	\$ 36,762,987	\$ 235,924,190	\$ 241,527,789

The City's bond rating was upgraded by Standard and Poor's from AA to AA+ while the City maintained its Aa2 bond rating from Moody's.

State statutes limit the amount of general obligation debt a governmental entity may incur to 10 percent of its total assessed real property valuation. The current debt limitation for the City is \$449.1 million of which \$276.3 million is available for use.

Additional information on the City's long-term debt can be found in Note 8 on pages 49 through 52 of this report.

Economic Factors and Next Year's Budgets and Rates

The approved \$125.2 million fiscal year 2022 General Fund budget included the use of \$3 million of unassigned fund balance. In general, the City approved a fiscal year 2022 budget that reflected the uncertainty of the impact that the COVID-19 pandemic would continue to have on the local economy and tax revenue. The following were factors in the preparation and final approval of the fiscal year 2022 General Fund budget.

- The unemployment rate for the City in December 2020 was 5.4 percent, which was an increase from a rate of 2.3 percent in December 2019. This rate was lower than both the 5.7 percent state rate and the 6.5 percent national rate in December 2020.
- Approximate 2.9 percent increase in real estate assessments anticipated to provide an additional \$1.5 million in revenue compared to fiscal year 2021.
- Increased the real estate tax rate from \$0.86 to \$0.90. This tax rate increase is anticipated to provide an additional \$1.8 million in revenue. The real estate tax rate was increased in anticipation of a significant bond issue in fiscal year 2022 for construction of the second high school.
- A projected increase of \$1.6 million in personal property tax revenue.
- A total increase in other local tax revenue of \$673,400 compared to the fiscal year 2021 approved budget. Specifically, this included a projected increase in local sales tax revenue of \$1.2 million and an increase of \$784,100 in business license tax revenue. These increases were offset by projected decreases in restaurant food and hotel and motel room tax revenues totaling \$1.2 million.
- A decrease of \$1.5 million in the contribution from HEC.
- No significant increases in capital outlay and capital project except for capital funded from unassigned fund balance.
- No increase in the City's annual contribution to the School Board.
- The use of \$3 million from unassigned fund balance. The use of fund balance is to fund \$1 million for capital outlay, \$722,000 to fund debt service payments and \$1.2 million for the continued negative tax revenue impact of the COVID-19 pandemic.
- The first debt service payment totaling \$1 million related to the City's June 2020 issuance of bonds.
- Salary increases for both City and School Board employees.
- No increases in water or sewer rates.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. A copy of this report in its entirety may be downloaded from the City's website at www.harrisonburgva.gov. Questions concerning any of the information in this report or requests for additional financial information should be addressed to the City of Harrisonburg, Director of Finance, 409 South Main Street, Harrisonburg, VA 22801.

**BASIC
FINANCIAL STATEMENTS**

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CITY OF HARRISONBURG, VIRGINIA
STATEMENT OF NET POSITION
At June 30, 2021

Exhibit 1

	Primary Government			Component Units	
	Governmental	Business-type	Total	School	HEC
	Activities	Activities		Board	
Assets					
Cash and cash equivalents	\$ 83,865,555	\$ 29,466,801	\$ 113,332,356	\$ 15,495,648	\$ 28,322,636
Investments	-	-	-	-	12,000,000
Receivables (net of allowance for uncollectibles)	60,945,363	4,351,136	65,296,499	67,921	5,933,820
Due from primary government	-	-	-	-	106,457
Due from component units	100,869	-	100,869	-	103,711
Due from other governments	4,303,365	1,500,528	5,803,893	2,233,131	-
Internal balances	2,086,684	(2,086,684)	-	-	-
Inventory	1,172,685	-	1,172,685	126,757	1,779,467
Prepaid expenses	454,645	58,695	513,340	433,423	341,999
Loans receivable	7,436,065	-	7,436,065	-	-
Restricted assets	1,130,870	-	1,130,870	-	-
Capital assets:					
Capital assets, not being depreciated	76,485,571	32,790,519	109,276,090	6,294,184	5,862,995
Capital assets (net of accumulated depreciation)	221,460,090	65,371,183	286,831,273	44,556,688	54,205,142
Net pension asset	-	-	-	194,219	-
Total assets	459,441,762	131,452,178	590,893,940	69,401,971	108,656,227
Deferred outflows of resources					
Deferred bond refunding charges	2,351,319	923,510	3,274,829	-	-
Deferred OPEB outflows	1,850,422	373,915	2,224,337	3,145,595	89,084
Deferred pension outflows	9,157,985	2,077,893	11,235,878	20,736,866	1,372,555
Total deferred outflows of resources	13,359,726	3,375,318	16,735,044	23,882,461	1,461,639
Liabilities					
Accounts payable	2,342,318	882,633	3,224,951	130,227	4,929,178
Accrued payroll	1,528,073	351,609	1,879,682	9,228,574	113,064
Accrued interest	2,517,767	273,332	2,791,099	-	-
Due to primary government	-	-	-	95,435	5,434
Due to component units	90,708	15,749	106,457	103,711	-
Due to other governments	1,550,799	191,682	1,742,481	-	-
Customer deposits	-	280,033	280,033	-	1,099,178
Unearned revenue	12,255,403	206,850	12,462,253	-	-
Other liabilities	1,600,171	62,687	1,662,858	1,662,479	269,317
Liabilities payable from restricted assets	1,130,870	-	1,130,870	-	-
Long-term liabilities:					
Due within one year	15,134,545	3,117,665	18,252,210	324,835	649,816
Due in more than one year	184,855,708	32,816,272	217,671,980	97,189,290	6,024,123
Total liabilities	223,006,362	38,198,512	261,204,874	108,734,551	13,090,110
Deferred inflows of resources					
Property tax revenue	57,360,411	-	57,360,411	-	-
Deferred OPEB inflows	299,645	60,628	360,273	655,441	146,356
Deferred pension inflows	154,279	35,006	189,285	4,255,402	23,122
Total deferred inflows of resources	57,814,335	95,634	57,909,969	4,910,843	169,478
Net position					
Net investment in capital assets	152,753,329	81,774,322	234,527,651	50,850,872	60,068,137
Restricted for:					
Public safety	715,006	-	715,006	-	-
Unrestricted	38,512,456	14,759,028	53,271,484	(71,211,834)	36,790,141
Total net position	\$ 191,980,791	\$ 96,533,350	\$ 288,514,141	\$ (20,360,962)	\$ 96,858,278

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

CITY OF HARRISONBURG, VIRGINIA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government administration	\$ 21,661,494	\$ 13,647,248	\$ 361,601	\$ -
Jail and judicial administration	8,901,359	312,002	-	-
Public safety	29,906,040	138,279	1,961,088	-
Public works	18,224,718	-	5,267,077	1,817,321
Health and welfare	8,097,217	-	-	-
Education	41,403,674	3,853,040	-	-
Parks, recreation and cultural	6,823,509	809,418	-	-
Community development	7,196,267	670,083	1,160,571	-
Interest on long-term debt	4,946,081	-	-	-
Total governmental activities	147,160,359	19,430,070	8,750,337	1,817,321
Business-type activities:				
Water	6,389,098	9,513,077	-	237,750
Sewer	10,797,106	11,396,745	-	291,149
Public transportation	7,135,184	1,941,875	3,735,359	2,995,200
Sanitation	2,982,866	4,265,339	-	-
Stormwater	570,987	1,314,369	-	877,555
Total business-type activities	27,875,241	28,431,405	3,735,359	4,401,654
Total primary government	\$ 175,035,600	\$ 47,861,475	\$ 12,485,696	\$ 6,218,975
Component units:				
School Board	\$ 97,767,438	\$ 7,042	\$ 33,707,829	\$ -
Harrisonburg Electric Commission (HEC)	57,716,898	57,619,887	-	446,022
Total component units	\$ 155,484,336	\$ 57,626,929	\$ 33,707,829	\$ 446,022

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

Total general revenues and transfers

Change in net position

Net position at beginning of year, as restated

Net position at end of year

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

Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	School Board	HEC
\$ (7,652,645)	\$ -	\$ (7,652,645)	\$ -	\$ -
(8,589,357)	-	(8,589,357)	-	-
(27,806,673)	-	(27,806,673)	-	-
(11,140,320)	-	(11,140,320)	-	-
(8,097,217)	-	(8,097,217)	-	-
(37,550,634)	-	(37,550,634)	-	-
(6,014,091)	-	(6,014,091)	-	-
(5,365,613)	-	(5,365,613)	-	-
(4,946,081)	-	(4,946,081)	-	-
<u>(117,162,631)</u>	<u>-</u>	<u>(117,162,631)</u>	<u>-</u>	<u>-</u>
-	3,361,729	3,361,729	-	-
-	890,788	890,788	-	-
-	1,537,250	1,537,250	-	-
-	1,282,473	1,282,473	-	-
-	1,620,937	1,620,937	-	-
-	8,693,177	8,693,177	-	-
<u>(117,162,631)</u>	<u>8,693,177</u>	<u>(108,469,454)</u>	<u>-</u>	<u>-</u>
-	-	-	(64,052,567)	-
-	-	-	-	349,011
-	-	-	<u>(64,052,567)</u>	<u>349,011</u>
54,171,307	-	54,171,307	-	-
15,756,075	-	15,756,075	-	-
13,266,178	-	13,266,178	-	-
7,148,413	-	7,148,413	-	-
8,034,724	-	8,034,724	-	-
8,977,259	-	8,977,259	31,033,515	-
-	-	-	32,339,217	-
6,700,000	-	6,700,000	-	-
239,283	90,899	330,182	7,801	114,890
2,149,401	719,084	2,868,485	746,332	-
-	5,325	5,325	-	-
<u>3,547,427</u>	<u>(3,547,427)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>119,990,067</u>	<u>(2,732,119)</u>	<u>117,257,948</u>	<u>64,126,865</u>	<u>114,890</u>
2,827,436	5,961,058	8,788,494	74,298	463,901
<u>189,153,355</u>	<u>90,572,292</u>	<u>279,725,647</u>	<u>(20,435,260)</u>	<u>96,394,377</u>
\$ <u>191,980,791</u>	\$ <u>96,533,350</u>	\$ <u>288,514,141</u>	\$ <u>(20,360,962)</u>	\$ <u>96,858,278</u>

CITY OF HARRISONBURG, VIRGINIA
GOVERNMENTAL FUNDS
BALANCE SHEET
At June 30, 2021

Exhibit 3

	<u>General Fund</u>	<u>General Capital Projects Fund</u>	<u>School Bond Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Cash and cash equivalents	\$ 62,657,552	\$ 8,576,091	\$ 365,348	\$ 1,758,366	\$ 73,357,357
Receivables (net of allowance for uncollectibles)	60,940,001	-	-	847	60,940,848
Due from other funds	61,966	-	-	-	61,966
Due from component units	-	-	-	84,735	84,735
Due from other governments	3,904,762	334,896	-	63,707	4,303,365
Inventory	14,693	-	-	-	14,693
Prepaid expenditures	390,890	-	-	42,826	433,716
Loans receivable	7,352,706	-	-	83,359	7,436,065
Restricted assets	-	1,130,870	-	-	1,130,870
Total assets	\$ 135,322,570	\$ 10,041,857	\$ 365,348	\$ 2,033,840	\$ 147,763,615
Liabilities					
Accounts payable	\$ 1,175,183	\$ 254,118	\$ 32,448	\$ 70,145	\$ 1,531,894
Accrued payroll	1,302,895	-	-	181,162	1,484,057
Due to other funds	-	28,179	-	-	28,179
Due to component units	86,989	-	-	1,025	88,014
Due to other governments	1,550,799	-	-	-	1,550,799
Unearned revenue	12,035,567	219,836	-	-	12,255,403
Other liabilities	1,600,171	-	-	-	1,600,171
Payable from restricted assets:					
Accounts payable	-	1,130,870	-	-	1,130,870
Total liabilities	<u>17,751,604</u>	<u>1,633,003</u>	<u>32,448</u>	<u>252,332</u>	<u>19,669,387</u>
Deferred Inflows of Resources					
Unavailable revenue	65,447,456	-	-	83,359	65,530,815
Total deferred inflows of resources	<u>65,447,456</u>	<u>-</u>	<u>-</u>	<u>83,359</u>	<u>65,530,815</u>
Fund Balances					
Nonspendable	701,622	-	-	42,826	744,448
Restricted	715,006	-	-	-	715,006
Committed	63,402	8,408,854	332,900	1,120,162	9,925,318
Assigned	5,183,948	-	-	535,161	5,719,109
Unassigned	45,459,532	-	-	-	45,459,532
Total fund balances	<u>52,123,510</u>	<u>8,408,854</u>	<u>332,900</u>	<u>1,698,149</u>	<u>62,563,413</u>
Total liabilities, deferred inflows of resources and fund balances	\$ 135,322,570	\$ 10,041,857	\$ 365,348	\$ 2,033,840	\$ 147,763,615

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

CITY OF HARRISONBURG, VIRGINIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
At June 30, 2021

Exhibit 4

Total fund balances of governmental funds (Exhibit 3)	\$ 62,563,413
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:	
Certain revenues are not available to pay for current period expenditures and therefore are deferred in the funds.	8,170,404
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	292,130,626
Certain liabilities, including bonds and related accounts, are not payable from current financial resources and therefore are not reported in the funds.	(198,926,283)
Deferred outflows of resources and deferred inflows of resources related to OPEB and pensions are applicable to future periods and therefore are not reported in the funds.	10,226,753
Internal service funds are used by management to charge the costs of certain activities to other funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net position.	<u>17,815,878</u>
Net position of governmental activities (Exhibit 1)	<u>\$ 191,980,791</u>

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

CITY OF HARRISONBURG, VIRGINIA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2021

Exhibit 5

	<u>General Fund</u>	<u>General Capital Projects Fund</u>	<u>School Bond Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
General property taxes	\$ 54,138,251	\$ -	\$ -	\$ -	\$ 54,138,251
Other local taxes	44,205,390	-	-	-	44,205,390
Permits, privilege fees and regulatory licenses	563,800	-	-	-	563,800
Fines and forfeitures	378,174	-	-	-	378,174
Use of money and property	258,368	6,075	-	2,099	266,542
Charges for services	987,808	-	-	3,853,040	4,840,848
Miscellaneous	2,594,140	19,422	-	53,926	2,667,488
Payments from component units	6,700,000	-	-	-	6,700,000
Intergovernmental	17,788,919	1,615,350	-	650,571	20,054,840
Total revenues	<u>127,614,850</u>	<u>1,640,847</u>	<u>-</u>	<u>4,559,636</u>	<u>133,815,333</u>
Expenditures:					
Current:					
General government administration	6,376,268	-	-	-	6,376,268
Jail and judicial administration	9,145,721	-	-	-	9,145,721
Public safety	26,367,798	-	-	-	26,367,798
Public works	10,754,405	-	-	-	10,754,405
Health and welfare	5,202,298	-	-	-	5,202,298
Education	32,339,217	-	-	3,003,753	35,342,970
Parks, recreation and cultural	6,031,396	-	-	-	6,031,396
Community development	6,393,144	-	-	675,571	7,068,715
Debt service:					
Principal retirement	10,355,247	-	-	-	10,355,247
Interest and fiscal charges	5,347,806	-	-	-	5,347,806
Capital projects	-	6,747,714	194,688	-	6,942,402
Total expenditures	<u>118,313,300</u>	<u>6,747,714</u>	<u>194,688</u>	<u>3,679,324</u>	<u>128,935,026</u>
Excess (deficiency) of revenues over (under) expenditures	<u>9,301,550</u>	<u>(5,106,867)</u>	<u>(194,688)</u>	<u>880,312</u>	<u>4,880,307</u>
Other financing sources (uses):					
Transfers in	3,355,167	-	-	-	3,355,167
Total other financing sources (uses)	<u>3,355,167</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,355,167</u>
Net change in fund balances	12,656,717	(5,106,867)	(194,688)	880,312	8,235,474
Fund balances at beginning of year	<u>39,466,793</u>	<u>13,515,721</u>	<u>527,588</u>	<u>817,837</u>	<u>54,327,939</u>
Fund balances at end of year	<u>\$ 52,123,510</u>	<u>\$ 8,408,854</u>	<u>\$ 332,900</u>	<u>\$ 1,698,149</u>	<u>\$ 62,563,413</u>

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

CITY OF HARRISONBURG, VIRGINIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2021

Exhibit 6

Total net change in fund balances of governmental funds (Exhibit 5)	\$ 8,235,474
Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:	
Certain revenues reported in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds. This amount is the net change in these revenues.	318,351
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay expenditures.	(8,559,619)
The transfer of capital assets to the School Board (component unit) affects only the statement of activities. These transfers do not have an effect on current financial resources and, therefore, are not reported in governmental funds.	(3,840,035)
The net effect of various transactions involving capital assets (i.e., sales, disposals and donations) is to decrease net position on the statement of activities.	(1,540,577)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	11,759,567
Certain expenses reported in the statement of activities that do not require the use of current financial resources are not reported as expenditures in governmental funds. This amount is the net change in these expenses.	(161,158)
Governmental funds report employer OPEB and pension contributions as expenditures. However, in the statement of activities the cost of OPEB and pension benefits earned, net of employee contributions, are reported as OPEB and pension expense. This is the amount by which employer OPEB and pension expense exceeded OPEB and pension contributions.	(2,062,022)
Internal service funds are used by management to charge the costs of certain activities to other funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.	<u>(1,322,545)</u>
Change in net position of governmental activities (Exhibit 2)	<u>\$ 2,827,436</u>

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

GENERAL FUND

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

For the Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Revenues:				
General property taxes	\$ 51,863,100	\$ 51,863,100	\$ 54,138,251	\$ 2,275,151
Other local taxes	40,924,800	40,924,800	44,205,390	3,280,590
Permits, privilege fees and regulatory licenses	577,950	577,950	563,800	(14,150)
Fines and forfeitures	719,500	719,500	378,174	(341,326)
Use of money and property	65,000	65,000	258,368	193,368
Charges for services	1,338,400	1,338,400	987,808	(350,592)
Miscellaneous	2,469,447	2,479,359	2,594,140	114,781
Payments from component units	6,700,000	6,700,000	6,700,000	-
Intergovernmental	10,430,933	18,066,066	17,788,919	(277,147)
Total revenues	<u>115,089,130</u>	<u>122,734,175</u>	<u>127,614,850</u>	<u>4,880,675</u>
Expenditures:				
Current:				
General government administration	6,741,646	7,363,788	6,376,268	987,520
Jail and judicial administration	8,429,105	9,336,688	9,145,721	190,967
Public safety	26,521,037	28,875,968	26,367,798	2,508,170
Public works	10,209,298	12,545,919	10,754,405	1,791,514
Health and welfare	5,065,123	5,359,084	5,202,298	156,786
Education	36,008,259	36,008,259	32,339,217	3,669,042
Parks, recreation and cultural	6,239,844	6,549,060	6,031,396	517,664
Community development	3,469,833	6,984,092	6,393,144	590,948
Debt service:				
Principal retirement	10,355,247	10,355,247	10,355,247	-
Interest and fiscal charges	5,361,838	5,361,838	5,347,806	14,032
Total expenditures	<u>118,401,230</u>	<u>128,739,943</u>	<u>118,313,300</u>	<u>10,426,643</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,312,100)</u>	<u>(6,005,768)</u>	<u>9,301,550</u>	<u>15,307,318</u>
Other financing sources (uses):				
Transfers in	3,312,100	3,312,100	3,355,167	43,067
Total other financing sources (uses)	<u>3,312,100</u>	<u>3,312,100</u>	<u>3,355,167</u>	<u>43,067</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (2,693,668)</u>	12,656,717	<u>\$ 15,350,385</u>
Fund balance at beginning of year			<u>39,466,793</u>	
Fund balance at end of year			<u>\$ 52,123,510</u>	

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

CITY OF HARRISONBURG, VIRGINIA
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 At June 30, 2021

Exhibit 8

	Enterprise Funds						Internal Service Funds
	Water Fund	Sewer Fund	Public Transportation Fund	Sanitation Fund	Stormwater Fund	Total	
Assets							
Current assets:							
Cash and cash equivalents	\$ 9,136,782	\$ 8,810,929	\$ 1,624,521	\$ 5,635,602	\$ 4,258,967	\$ 29,466,801	\$ 10,508,198
Receivables (net of allowance for uncollectibles)	1,861,125	2,039,949	5,242	357,856	86,964	4,351,136	4,515
Due from component units	-	-	-	-	-	-	16,134
Due from other governments	-	-	622,973	-	877,555	1,500,528	-
Interfund loan receivable	-	1,456,000	-	-	-	1,456,000	-
Inventory	-	-	-	-	-	-	1,157,992
Prepaid expenses	-	1,833	2,776	54,086	-	58,695	20,929
Total current assets	<u>10,997,907</u>	<u>12,308,711</u>	<u>2,255,512</u>	<u>6,047,544</u>	<u>5,223,486</u>	<u>36,833,160</u>	<u>11,707,768</u>
Noncurrent assets:							
Capital assets (net of accumulated depreciation)	61,676,582	17,739,024	11,973,815	4,167,612	2,604,669	98,161,702	5,815,035
Total noncurrent assets	<u>61,676,582</u>	<u>17,739,024</u>	<u>11,973,815</u>	<u>4,167,612</u>	<u>2,604,669</u>	<u>98,161,702</u>	<u>5,815,035</u>
Total assets	<u>72,674,489</u>	<u>30,047,735</u>	<u>14,229,327</u>	<u>10,215,156</u>	<u>7,828,155</u>	<u>134,994,862</u>	<u>17,522,803</u>
Deferred outflows of resources							
Deferred bond refunding charges	524,412	-	-	399,098	-	923,510	-
Deferred OPEB outflows	121,380	104,676	62,485	82,450	2,924	373,915	50,706
Deferred pension outflows	712,488	461,851	503,257	368,092	32,205	2,077,893	290,140
Total deferred outflows of resources	<u>1,358,280</u>	<u>566,527</u>	<u>565,742</u>	<u>849,640</u>	<u>35,129</u>	<u>3,375,318</u>	<u>340,846</u>
Liabilities							
Current liabilities:							
Accounts payable	576,991	97,951	40,329	35,272	132,090	882,633	810,424
Accrued payroll	109,205	72,891	106,121	55,360	8,032	351,609	44,016
Accrued interest	184,389	-	-	88,943	-	273,332	-
Due to other funds	-	-	-	-	-	-	33,787
Due to component units	9,804	3,342	1,449	1,154	-	15,749	2,694
Due to other governments	-	-	145,520	46,162	-	191,682	-
Interfund loan payable	1,456,000	-	-	-	-	1,456,000	-
Customer deposits	280,033	-	-	-	-	280,033	-
Unearned revenue	130,450	76,400	-	-	-	206,850	-
Other liabilities	62,687	-	-	-	-	62,687	-
Compensated absences	160,282	101,062	111,563	82,355	6,464	461,726	67,678
Landfill closure	-	-	-	111,160	-	111,160	-
Current portion of bonds payable	1,048,705	-	-	1,496,074	-	2,544,779	-
Total current liabilities	<u>4,018,546</u>	<u>351,646</u>	<u>404,982</u>	<u>1,916,480</u>	<u>146,586</u>	<u>6,838,240</u>	<u>958,599</u>
Noncurrent liabilities:							
Compensated absences	147,784	96,427	36,067	100,703	-	380,981	33,694
Net OPEB liability	750,241	662,325	369,767	523,320	15,820	2,321,473	312,670
Net pension liability	2,004,748	1,299,522	1,416,030	1,035,713	90,615	5,846,628	816,376
Landfill closure	-	-	-	3,719,078	-	3,719,078	-
Bonds payable	15,863,087	-	-	4,685,025	-	20,548,112	-
Total noncurrent liabilities	<u>18,765,860</u>	<u>2,058,274</u>	<u>1,821,864</u>	<u>10,063,839</u>	<u>106,435</u>	<u>32,816,272</u>	<u>1,162,740</u>
Total liabilities	<u>22,784,406</u>	<u>2,409,920</u>	<u>2,226,846</u>	<u>11,980,319</u>	<u>253,021</u>	<u>39,654,512</u>	<u>2,121,339</u>
Deferred inflows of resources							
Deferred OPEB inflows	19,691	16,939	10,182	13,336	480	60,628	8,229
Deferred pension inflows	12,003	7,781	8,478	6,201	543	35,006	4,887
Total deferred inflows of resources	<u>31,694</u>	<u>24,720</u>	<u>18,660</u>	<u>19,537</u>	<u>1,023</u>	<u>95,634</u>	<u>13,116</u>
Net position							
Net investment in capital assets	45,289,202	17,739,024	11,973,815	4,167,612	2,604,669	81,774,322	5,815,035
Unrestricted	5,927,467	10,440,598	575,748	(5,102,672)	5,004,571	16,845,712	9,914,159
Total net position	<u>\$ 51,216,669</u>	<u>\$ 28,179,622</u>	<u>\$ 12,549,563</u>	<u>\$ (935,060)</u>	<u>\$ 7,609,240</u>	<u>98,620,034</u>	<u>\$ 15,729,194</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.						(2,086,684)	
Net position of business-type activities (Exhibit 1)						\$ 96,533,350	

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

CITY OF HARRISONBURG, VIRGINIA
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended June 30, 2021

Exhibit 9

	Enterprise Funds					Total	Internal Service Funds
	Water Fund	Sewer Fund	Public Transportation Fund	Sanitation Fund	Stormwater Fund		
Operating revenues:							
Charges for services	\$ 9,463,809	\$ 11,391,475	\$ 1,941,875	\$ 4,265,339	\$ 1,314,369	\$ 28,376,867	\$ 22,802,715
Connection fees	49,268	5,270	-	-	-	54,538	-
Total operating revenues	<u>9,513,077</u>	<u>11,396,745</u>	<u>1,941,875</u>	<u>4,265,339</u>	<u>1,314,369</u>	<u>28,431,405</u>	<u>22,802,715</u>
Operating expenses:							
Personal services	2,022,176	1,315,721	2,736,264	984,349	100,887	7,159,397	889,512
Fringe benefits	850,905	612,311	771,158	503,238	36,520	2,774,132	396,420
Purchased services	274,421	505,214	163,788	740,821	34,975	1,719,219	988,464
Internal services	272,461	368,501	1,503,690	220,185	36,822	2,401,659	5,635
Other charges	452,892	108,845	308,344	1,783	213,679	1,085,543	787,067
Materials and supplies	235,332	110,747	67,202	24,354	2,020	439,655	67,438
Depreciation and amortization	1,682,437	1,136,482	1,485,645	235,827	143,274	4,683,665	200,963
Contributions to regional sewer authority	-	6,576,527	-	-	-	6,576,527	-
Cost of inventory issued	-	-	-	-	-	-	3,695,094
Claims related charges	-	-	-	-	-	-	17,633,090
Total operating expenses	<u>5,790,624</u>	<u>10,734,348</u>	<u>7,036,091</u>	<u>2,710,557</u>	<u>568,177</u>	<u>26,839,797</u>	<u>24,663,683</u>
Operating income (loss)	<u>3,722,453</u>	<u>662,397</u>	<u>(5,094,216)</u>	<u>1,554,782</u>	<u>746,192</u>	<u>1,591,608</u>	<u>(1,860,968)</u>
Nonoperating revenues (expenses):							
Intergovernmental revenue	-	-	3,735,359	-	-	3,735,359	-
Connection application fees	113,732	212,731	-	-	-	326,463	-
Miscellaneous revenue	86,879	94,867	193,072	17,803	-	392,621	2,150
Investment revenue	36,795	29,062	5,337	8,230	11,475	90,899	35,080
Interest expense	(480,706)	-	-	(245,805)	-	(726,511)	-
Gain (loss) on disposal of capital assets	-	5,325	-	-	-	5,325	-
Total nonoperating revenues (expenses)	<u>(243,300)</u>	<u>341,985</u>	<u>3,933,768</u>	<u>(219,772)</u>	<u>11,475</u>	<u>3,824,156</u>	<u>37,230</u>
Income (loss) before contributions and transfers	3,479,153	1,004,382	(1,160,448)	1,335,010	757,667	5,415,764	(1,823,738)
Capital contributions	237,750	291,149	2,995,200	-	877,555	4,401,654	-
Transfers in	-	-	-	-	-	-	192,260
Transfers out	<u>(1,704,345)</u>	<u>(1,336,415)</u>	<u>(379,067)</u>	<u>(107,200)</u>	<u>(20,400)</u>	<u>(3,547,427)</u>	<u>-</u>
Change in net position	2,012,558	(40,884)	1,455,685	1,227,810	1,614,822	6,269,991	(1,631,478)
Net position at beginning of year	<u>49,204,111</u>	<u>28,220,506</u>	<u>11,093,878</u>	<u>(2,162,870)</u>	<u>5,994,418</u>		<u>17,360,672</u>
Net position at end of year	<u>\$ 51,216,669</u>	<u>\$ 28,179,622</u>	<u>\$ 12,549,563</u>	<u>\$ (935,060)</u>	<u>\$ 7,609,240</u>		<u>\$ 15,729,194</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.						<u>(308,933)</u>	
Change in net position of business-type activities (Exhibit 2)						<u>\$ 5,961,058</u>	

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

	Enterprise Funds						Internal Service Funds
	Water Fund	Sewer Fund	Public Transportation Fund	Sanitation Fund	Stormwater Fund	Total	
Cash flows from operating activities:							
Receipts from customers	\$ 9,051,768	\$ 10,914,308	\$ 1,941,895	\$ 4,238,457	\$ 1,302,663	\$ 27,449,091	\$ 5,321,304
Receipts from premiums	-	-	-	-	-	-	17,483,583
Receipts from other sources	78,129	94,867	191,195	17,803	-	381,994	2,150
Receipts from customer deposits	136,307	-	-	-	-	136,307	-
Payments to employees	(2,033,316)	(1,312,867)	(2,710,749)	(974,023)	(100,197)	(7,131,152)	(878,271)
Payments for fringe benefits	(667,494)	(477,068)	(680,793)	(402,935)	(30,337)	(2,258,627)	(324,789)
Payments to vendors	(969,456)	(738,017)	(453,208)	(838,458)	(90,817)	(3,089,956)	(5,448,262)
Payments for internal services	(272,461)	(368,501)	(1,503,690)	(220,185)	(36,822)	(2,401,659)	(5,635)
Payments to other governmental units	-	(6,576,527)	-	-	-	(6,576,527)	-
Payments to refund customer deposits	(204,136)	-	-	-	-	(204,136)	-
Payments for claims related charges	-	-	-	-	-	-	(17,626,475)
Net cash provided by (used for) operating activities	<u>5,119,341</u>	<u>1,536,195</u>	<u>(3,215,350)</u>	<u>1,820,659</u>	<u>1,044,490</u>	<u>6,305,335</u>	<u>(1,476,395)</u>
Cash flows from noncapital financing activities:							
Operating grants	-	-	3,795,838	-	-	3,795,838	-
Transfers in	-	-	-	-	-	-	192,260
Transfers out	(1,704,345)	(1,336,415)	(379,067)	(107,200)	(20,400)	(3,547,427)	-
Interfund loan	-	-	-	-	-	-	(11,016)
Net cash provided by (used for) noncapital financing activities	<u>(1,704,345)</u>	<u>(1,336,415)</u>	<u>3,416,771</u>	<u>(107,200)</u>	<u>(20,400)</u>	<u>248,411</u>	<u>181,244</u>
Cash flows from capital and related financing activities:							
Capital grants and contributions	-	-	2,995,200	-	-	2,995,200	-
Connection application fees	134,000	201,500	-	-	-	335,500	-
Proceeds from sale of capital assets	-	5,325	-	-	-	5,325	-
Principal paid on long-term debt	(1,004,866)	-	-	(1,362,753)	-	(2,367,619)	-
Interest paid on long-term debt	(496,062)	-	-	(221,313)	-	(717,375)	-
Purchase and construction of capital assets	(7,338,914)	(1,152,294)	(3,173,828)	(752,613)	(911,612)	(13,329,261)	-
Net cash used for capital and related financing activities	<u>(8,705,842)</u>	<u>(945,469)</u>	<u>(178,628)</u>	<u>(2,336,679)</u>	<u>(911,612)</u>	<u>(13,078,230)</u>	<u>-</u>
Cash flows from investing activities:							
Interest received	<u>38,667</u>	<u>30,619</u>	<u>5,609</u>	<u>8,812</u>	<u>12,155</u>	<u>95,862</u>	<u>36,598</u>
Net cash provided by investing activities	<u>38,667</u>	<u>30,619</u>	<u>5,609</u>	<u>8,812</u>	<u>12,155</u>	<u>95,862</u>	<u>36,598</u>
Net increase (decrease) in cash and cash equivalents	<u>(5,252,179)</u>	<u>(715,070)</u>	<u>28,402</u>	<u>(614,408)</u>	<u>124,633</u>	<u>(6,428,622)</u>	<u>(1,258,553)</u>
Cash and cash equivalents:							
Beginning	<u>14,388,961</u>	<u>9,525,999</u>	<u>1,596,119</u>	<u>6,250,010</u>	<u>4,134,334</u>	<u>35,895,423</u>	<u>11,766,751</u>
Ending	<u>\$ 9,136,782</u>	<u>\$ 8,810,929</u>	<u>\$ 1,624,521</u>	<u>\$ 5,635,602</u>	<u>\$ 4,258,967</u>	<u>\$ 29,466,801</u>	<u>\$ 10,508,198</u>

(continued)

	Enterprise Funds					Total	Internal Service Funds
	Water Fund	Sewer Fund	Public Transportation Fund	Sanitation Fund	Stormwater Fund		
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:							
Operating income (loss)	\$ 3,722,453	\$ 662,397	\$ (5,094,216)	\$ 1,554,782	\$ 746,192	\$ 1,591,608	\$ (1,860,968)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:							
Depreciation and amortization	1,682,437	1,136,482	1,485,645	235,827	143,274	4,683,665	200,963
Asset Impairment	-	-	-	-	164,686	164,686	-
Connection fees	(53,018)	(5,269)	-	-	-	(58,287)	-
Miscellaneous revenue	78,129	94,867	191,195	17,803	-	381,994	2,150
Change in assets, deferred outflows of resources, liabilities and deferred inflows of resources:							
(Increase) decrease in:							
Accounts receivable	(412,445)	(477,168)	20	(26,882)	(11,706)	(928,181)	(2,965)
Due from component units	-	-	-	-	-	-	5,137
Inventory	-	-	-	-	-	-	60,623
Prepaid expenses	-	(1,832)	(2,776)	(54,086)	-	(58,694)	(839)
Deferred outflows of resources	(257,917)	(162,623)	(218,937)	(139,111)	(13,768)	(792,356)	(113,647)
Increase (decrease) in:							
Accounts payable	38,606	19,854	6,604	29,029	(7,084)	87,009	27,758
Accrued payroll	(15,469)	3,367	18,475	10,015	2,309	18,697	(1,820)
Due to component units	3,121	260	(550)	157	-	2,988	(140)
Due to other governments	-	-	-	(3,294)	-	(3,294)	-
Customer deposits	(67,828)	-	-	-	-	(67,828)	-
Other liabilities	4,154	-	-	-	-	4,154	-
Compensated absences	5,680	(310)	9,695	1,093	(1,553)	14,605	13,858
Landfill closure	-	-	-	(53,792)	-	(53,792)	-
Net OPEB liability	20,885	20,091	17,340	19,539	(397)	77,458	12,493
Net pension liability	495,537	327,637	450,377	291,634	27,687	1,592,872	229,388
Deferred inflows of resources	(124,984)	(81,558)	(78,222)	(62,055)	(5,150)	(351,969)	(48,386)
Net cash provided by (used for) operating activities	\$ 5,119,341	\$ 1,536,195	\$ (3,215,350)	\$ 1,820,659	\$ 1,044,490	\$ 6,305,335	\$ (1,476,395)
Non - cash capital and related financing activities:							
Additions to capital assets:							
Contributed by developers	\$ 237,750	\$ 183,030	\$ -	\$ -	\$ -	\$ 420,780	\$ -
Contributed by other funds	-	108,119	-	-	-	108,119	-
Purchase and construction on account	464,541	-	-	-	-	464,541	-
Capital grants due from other governments	-	-	-	-	877,555	877,555	-

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

CITY OF HARRISONBURG, VIRGINIA
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
At June 30, 2021

Exhibit 11

	<u>Custodial Funds</u>
Assets	
Cash and cash equivalents	\$ 4,074,779
Receivables	1,135,257
Prepaid expenses	109,015
Total assets	<u>5,319,051</u>
Liabilities	
Accounts payable	198,280
Accrued payroll	143,612
Other liabilities	689,471
Total liabilities	<u>1,031,363</u>
Net Position	
Restricted for other organizations	<u>4,287,688</u>
Total net position	<u>\$ 4,287,688</u>

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

CITY OF HARRISONBURG, VIRGINIA
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
At June 30, 2021

Exhibit 12

	<u>Custodial Funds</u>
Additions:	
Funds received for benefit of other organizations	\$ 9,294,768
Total additions	<u>9,294,768</u>
Deductions:	
Funds disbursed for benefit of other organizations	<u>7,916,950</u>
Total deductions	<u>7,916,950</u>
Net increase in fiduciary net position	1,377,818
Net position at beginning of year, as restated	<u>2,909,870</u>
Net position at end of year	<u>\$ 4,287,688</u>

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

Note 1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

Discretely presented component units. The Harrisonburg City School Board (School Board) is responsible for elementary and secondary education within the City's jurisdiction. The School Board is comprised of six elected members. The City is financially accountable for the School Board in that the City Council must approve the School Board's budget, levies taxes to support the School Board's budget and issues debt on-behalf of the School Board. Additionally, the City is required by the Commonwealth of Virginia to provide annually a minimum level of financial support. The School Board does not issue separate financial statements.

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

B. Government-wide and Fund Financial Statements

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

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

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

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

Note 1. Summary of Significant Accounting Policies (continued)

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues, other than expenditure driven grant revenue, to be available if they are collected within 60 days after June 30. The City considers expenditure driven grant reimbursements as revenue in the period in which the expenditure has been incurred and all eligibility requirements have been met. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes are recorded as receivables when assessed, net of allowances for uncollectible amounts, and as revenue when the property taxes become available. Sales, restaurant food, admission and amusement, hotel and motel, consumer utility and other like taxes are recognized as receivables and revenue upon collection by the merchant or utility since the taxes are generally remitted in time to be used as a current financial resource for the payment of obligations incurred during the year. Taxes not collected within 60 days after June 30 are reflected as a deferred inflow of resources.

The City reports the following major governmental funds:

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

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

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

The City reports the following major proprietary funds:

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

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

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

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

Stormwater Fund – This fund accounts for the activities of the City's stormwater program.

Note 1. Summary of Significant Accounting Policies (continued)

Additionally, the City reports the following fund types:

Special revenue funds account for the administration of the community development block grant, operations of the school bus system and the administration of a revolving loan program.

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

Custodial funds account for assets held by the City in the **Economic Development Authority Fund** and the **Emergency Communications Center Fund**.

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

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

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

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

D. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except for the General Capital Projects Fund, which adopts a project-length budget, and the Community Development Block Grant Fund, which adopts a grant-length budget. Formal budgetary integration is employed in all funds as a management control device during the year except for the Health Insurance Fund, an internal service fund, and all fiduciary funds.

Prior to May 1, the City Manager submits to the City Council a balanced proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them. Prior to June 30, the City Council holds public hearings to obtain citizen comments, and a final budget is legally enacted through the passage of an Appropriation Ordinance. All budget data presented is the original budget and the final budget as of June 30, 2021.

The appropriated budget places legal restrictions on expenditures at the fund level. The City Manager is authorized to transfer budgeted amounts within funds as may best meet the needs and interests of the City. The City may increase total appropriations at the fund level through approval of City Council. Supplemental appropriations were

Note 1. Summary of Significant Accounting Policies (continued)

made during the year in the General Fund totaling \$10,338,713. Supplemental appropriations that exceed one percent of the budget require a public hearing prior to approval. Appropriations lapse at June 30, except for capital projects funds and the Community Development Block Grant Fund.

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

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance

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

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

The City is a voluntary participant in the Virginia State Local Government Investment Pool (LGIP), which is an external investment pool. The Virginia General Assembly has authorized the Treasury Board to administer the LGIP, which has delegated to the State Treasurer the administrative aspects of managing the pool. The City is also a voluntary participant in the Virginia State Non-Arbitrage Program (SNAP), which is an external investment pool. The Virginia General Assembly has authorized the Treasury Board to administer SNAP. The carrying value of the investment in these pools is determined by the pool's share price in accordance with GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. The LGIP and SNAP use amortized cost to value their portfolios. There are no withdrawal limitations or restrictions in the LGIP or SNAP.

3. Interfund receivables/payables. Activity between funds, including amounts that are anticipated to be repaid within one fiscal year, are reported as "due to/from other funds." All other activity between funds that are representative of long-term lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

4. Property taxes. Property taxes are levied as of January 1 on property values assessed annually. The last effective general real property reassessment was January 1, 2021. Property taxes attach as an enforceable lien on property as of January 1, but are not collected until the following fiscal year. Real estate taxes are due and collectible twice a year, on December 5 and June 5. Personal property taxes are due and collectible annually on December 5. The portion of the tax receivable that is not collected within 60 days after June 30 is shown as a deferred inflow of resources in the fund financial statements. A penalty of ten percent of the tax is assessed after the applicable payment date. Interest at an annual rate of ten percent is charged on delinquent real estate property tax accounts beginning January 1 and July 1. Interest at an annual rate of four percent is charged on delinquent personal property tax accounts beginning January 1.

The City calculates its allowance for uncollectible delinquent property tax accounts using historical collection data and specific account analysis. The allowance at June 30, 2021 amounted to \$1,044,021.

Note 1. Summary of Significant Accounting Policies (continued)

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

6. Restricted assets. The City has certain assets presented on the statement of net position or balance sheet as restricted for specific purposes. These restrictions limit the use of these funds and typically represent bond construction accounts or debt service reserve requirements.

7. Capital assets. Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. In general, the City defines capital assets as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of two years. Infrastructure, water/sewer lines and certain other improvements have a capitalization threshold that ranges from \$50,000 to \$100,000. All purchased capital assets are valued at historical cost or estimated historical cost. Donated capital assets are valued at their estimated acquisition price at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

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

Buildings	40 years
Improvements other than buildings	10-50 years
Machinery and equipment	2-30 years
Intangibles	3-30 years
Infrastructure	20-40 years

8. School Board capital assets. Under current legislation enacted by the Commonwealth of Virginia, local governments have a "tenancy in common" with the School Board whenever the locality incurs "on-behalf" debt for school property. In order to match the capital asset with the related debt, the legislation permits the City to report the portion of the school property related to the outstanding financial obligation in the primary government. As principal is repaid, capital assets equal to the amount of principal debt reduction will be removed from the primary government's financial statements and reported in the School Board's financial statements. The School Board retains authority and responsibility over the operation and control of the property. The City transferred \$3,840,035 in net capital assets to the School Board during the current fiscal year on the government-wide statement of activities.

9. Unearned revenue. Unearned revenue is recorded when asset recognition criteria have been met, but revenue recognition criteria have not been met.

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

Note 1. Summary of Significant Accounting Policies (continued)

11. Long-term obligations. In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. Bond premiums and discounts reported as other financing sources and uses. The face amount of debt issued is reported as other financing sources. Bond issuance costs are expended or expensed when incurred in both the fund and government-wide financial statements.

12. Pensions. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position of pension plans, and the additions to/deductions from the pension plans' net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

13. Other postemployment benefits (OPEB) - VRS programs. For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position of the VRS, and the additions to/deductions from the VRS OPEB's net fiduciary position have been determined on the same basis as they were reported by the VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

14. Deferred outflows/inflows of resources. In addition to assets, the financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense) until that time. The City has several items in this reporting category. One item is the deferred charge on debt refundings reported in the government-wide and proprietary funds statement of net position. A deferred charge on a debt refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item consists of contributions subsequent to the measurement date for OPEB and pensions. These will be recognized as reductions to the net OPEB and pension liabilities in the subsequent fiscal year. The third consists of various deferred outflows related to OPEB and pensions. These outflows will generally be recognized in OPEB and pension expense over a closed five-year period or over the average expected remaining service lives of all employees determined as of the beginning of the measurement period.

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The City has several items in this reporting category. The first item, unavailable revenue, is reported only in the governmental funds balance sheet. This item represents receivables not collected within 60 days after June 30 and are deferred and recognized as an inflow of resources in the period that the amounts become available. The second item, unearned property tax revenue, is reported on both the governmental funds balance sheet and on the government-wide statement of net position for governmental activities. This item represents property taxes levied on January 1 that are used to fund the subsequent fiscal year. The third consists of various deferred inflows related to OPEB and pensions. These inflows will generally be recognized in OPEB and pension expense over a closed five-year period or over the average expected remaining service lives of all employees determined as of the beginning of the measurement period.

Note 1. Summary of Significant Accounting Policies (continued)

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

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

The City's formally adopted General Fund minimum fund balance policy requires unassigned fund balance to be equal to no less than 14 percent of the total General Fund budget at the end of each fiscal year plus an additional four percent for liquidity purposes resulting in a total target amount of 18 percent of the General Fund budget.

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

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

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

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

Bonds payable	\$ (146,033,509)
Bond issue premiums/discounts (net)	(8,614,362)
Deferred charge for bond refunding	2,351,319
Compensated absences (not including internal service funds)	(3,764,134)
Net OPEB liability (not including internal service funds)	(11,314,719)
Net pension liability (not including internal service funds)	(24,951,710)
Middle River Regional Jail agreement	(4,081,401)
Accrued interest	<u>(2,517,767)</u>
Net adjustment	\$ <u><u>(198,926,283)</u></u>

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

Another element of that reconciliation states that “Deferred outflows of resources and deferred inflows of resources related to OPEB and pensions are applicable to future periods and therefore are not reported in the funds.” The details of this difference are as follows:

Deferred OPEB outflows (not including internal service funds)	\$ 1,799,716
Deferred pension outflows (not including internal service funds)	8,867,845
Deferred OPEB inflows (not including internal service funds)	(291,416)
Deferred pension inflows (not including internal service funds)	<u>(149,392)</u>
Net adjustment	\$ <u>10,226,753</u>

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

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

Capital outlay	\$ 3,770,407
Depreciation expense (not including internal service funds)	<u>(12,330,026)</u>
Net adjustment	\$ <u>(8,559,619)</u>

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

Principal payments	\$ 10,355,247
Payment on Middle River Regional Jail agreement	966,753
Amortization of bond premiums/discounts (net)	657,731
Amortization of deferred bond refunding charges	<u>(220,164)</u>
Net adjustment	\$ <u>11,759,567</u>

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

Compensated absences (not including internal service funds)	\$ (119,636)
Accrued interest	<u>(41,522)</u>
Net adjustment	\$ <u>(161,158)</u>

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

Another element of that reconciliation states that “Governmental funds report employer OPEB and pension contributions as expenditures. However, in the statement of activities the cost of OPEB and pension benefits earned, net of employee contributions, are reported as OPEB and pension expense.” The details of this difference are as follows:

Employer OPEB contributions (not including internal service funds)	\$ 521,319
Employer pension contributions (not including internal service funds)	2,692,473
OPEB expense (not including internal service funds)	(1,117,117)
Pension expense (not including internal service funds)	<u>(4,158,697)</u>
Net adjustment	<u>\$ (2,062,022)</u>

Note 3. Deposits and Investments

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

Investments. *Interest rate risk.* In accordance with the City’s investment policy, the City manages its exposure to declines in fair values by investing only in securities maturing in three years or less from the time of purchase. As of June 30, 2021, there were no securities subject to interest rate risk.

Credit risk. Statutes authorize the City and its component units to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, “prime quality” commercial paper and certain corporate notes, bankers acceptances, repurchase agreements, the LGIP and SNAP. The City’s investment policy does not further limit these investment choices. As of June 30, 2021, all City investments in external investment pools and money market funds were rated AAAM by Standard & Poor’s.

The following is a summary of deposit and investment balances at June 30, 2021.

	Primary Government	Component Units		Total
		School Board	HEC	
Investments:				
Local Government Investment Pool (LGIP)	\$ 99,152,317	\$ 12,533,402	\$ -	\$ 111,685,719
State Non-Arbitrage Pool (SNAP)	1,130,870	-	-	1,130,870
Certificates of Deposit	-	-	6,000,000	6,000,000
Money Market Account	-	-	6,000,000	6,000,000
Deposits	<u>18,238,947</u>	<u>2,961,546</u>	<u>28,322,636</u>	<u>49,523,129</u>
Total deposits and investments	<u>\$ 118,522,134</u>	<u>\$ 15,494,948</u>	<u>\$ 40,322,636</u>	<u>\$ 174,339,718</u>

Note 4. Restricted Assets

The City has certain assets presented on the government-wide statement of net position and the governmental funds balance sheet as restricted for specific purposes. Restricted assets for governmental activities in the amount of \$1,130,870 represents unspent bond proceeds.

Note 5. Receivables/Due from Other Governments

The following is a summary of receivables at June 30, 2021.

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	HEC
Receivables:					
Property taxes receivable	\$ 59,746,486	\$ -	\$ 59,746,486	\$ -	\$ -
Other taxes receivable	2,079,154	-	2,079,154	-	-
Accounts receivable	4,515	4,494,117	4,498,632	-	5,933,820
Interest receivable	2,637	-	2,637	-	-
Other receivables	156,592	13,841	170,433	67,921	-
Allowance for uncollectibles	<u>(1,044,021)</u>	<u>(156,822)</u>	<u>(1,200,843)</u>	-	-
Totals	<u>\$ 60,945,363</u>	<u>\$ 4,351,136</u>	<u>\$ 65,296,499</u>	<u>\$ 67,921</u>	<u>\$ 5,933,820</u>
Due from other governments:					
Commonwealth of Virginia	\$ 3,446,512	\$ 877,555	\$ 4,324,067	\$ 1,291,777	\$ -
Federal Government	<u>856,853</u>	<u>622,973</u>	<u>1,479,826</u>	<u>941,354</u>	<u>-</u>
Totals	<u>\$ 4,303,365</u>	<u>\$ 1,500,528</u>	<u>\$ 5,803,893</u>	<u>\$ 2,233,131</u>	<u>\$ -</u>

Note 6. Loans Receivable

The following is a summary of loans receivable at June 30, 2021.

Borrowing Entity/Loan Number	Loan Date	Term (in years)	Interest Rate	Balance	Current Portion
HRC SB*	August 14, 2019	14	2.30%	\$ 1,566,667	\$ 83,333
HRHA**	June 26, 2014	18	4.12%	2,055,000	135,000
HRHA**	December 6, 2011	17.5	3.19%	3,435,000	335,000
Massanutten Regional Library	May 15, 2000	n/a	0.0%	<u>296,039</u>	<u>-</u>
Total General Fund				<u>7,352,706</u>	<u>553,333</u>
2021-01	March 26, 2021	4	4.75%	24,050	5,859
2020-01	November 27, 2019	4	4.75%	17,187	6,192
2019-04	May 3, 2019	4	4.75%	11,303	5,072
2019-03	May 3, 2019	5	4.75%	13,871	4,158
2019-02	February 13, 2019	4	4.75%	9,805	5,005
2019-01	August 22, 2018	4	4.75%	5,641	3,942
2015-01	July 18, 2014	5	4.50%	<u>1,502</u>	<u>1,502</u>
Total Business Loan Program Fund				<u>83,359</u>	<u>31,730</u>
Total Governmental Activities				<u>\$ 7,436,065</u>	<u>\$ 585,063</u>

*Harrisonburg-Rockingham Community Services Board **Harrisonburg Redevelopment and Housing Authority

Note 7. Capital Assets

Primary Government

The following is a summary of the changes in capital assets of the governmental activities for fiscal year 2021.

	Balance June 30, 2020	Additions	Reductions	Balance June 30, 2021
Capital assets, not being depreciated:				
Land	\$ 58,441,987	\$ -	\$ (6,223)	\$ 58,435,764
Easements	1,759,315	17,881	-	1,777,196
Construction in progress	<u>19,772,199</u>	<u>2,568,429</u>	<u>(6,068,017)</u>	<u>16,272,611</u>
Capital assets, not being depreciated	<u>\$ 79,973,501</u>	<u>\$ 2,586,310</u>	<u>\$ (6,074,240)</u>	<u>\$ 76,485,571</u>
Capital assets, being depreciated:				
Buildings	\$ 144,974,558	\$ 3,075,025	\$ (5,822,646)	\$ 142,226,937
Improvements other than buildings	22,216,644	75,000	-	22,291,644
Machinery and equipment	41,623,880	1,109,097	(822,398)	41,910,579
Intangibles	12,239,505	-	-	12,239,505
Infrastructure	<u>186,860,772</u>	<u>1,526,869</u>	<u>-</u>	<u>188,387,641</u>
Capital assets, being depreciated	<u>407,915,359</u>	<u>5,785,991</u>	<u>(6,645,044)</u>	<u>407,056,306</u>
Less accumulated depreciation:				
Buildings	(41,614,008)	(3,622,989)	1,914,380	(43,322,617)
Improvements other than buildings	(9,208,263)	(896,566)	-	(10,104,829)
Machinery and equipment	(25,540,770)	(2,540,604)	822,398	(27,258,976)
Intangibles	(2,791,172)	(614,634)	-	(3,405,806)
Infrastructure	<u>(96,647,792)</u>	<u>(4,856,196)</u>	<u>-</u>	<u>(101,503,988)</u>
Accumulated depreciation	<u>(175,802,005)</u>	<u>(12,530,989)</u>	<u>2,736,778</u>	<u>(185,596,216)</u>
Capital assets, being depreciated (net)	<u>\$ 232,113,354</u>	<u>\$ (6,744,998)</u>	<u>\$ (3,908,266)</u>	<u>\$ 221,460,090</u>

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

General government administration	\$ 275,684
Jail and judicial administration	722,391
Public safety	2,048,853
Public works	5,920,948
Health and welfare	21,865
Education	2,371,485
Parks, recreation and culture	882,955
Planning and community development	85,845
Internal service funds (allocated to various functions)	<u>200,963</u>
Total governmental activities depreciation expense	<u>\$ 12,530,989</u>

Construction in progress has been reduced by \$1,978,820 due to an asset impairment. The City completed a street construction project in fiscal year 2014 which had a remaining phase to be completed. The City has determined that the final phase will more likely than not remain uncompleted. The \$1,978,820 asset impairment has been reported in the public works activity on the government-wide statement of activities.

Note 7. Capital Assets (continued)

The following is a summary of the changes in capital assets of the business-type activities for fiscal year 2021.

	Balance June 30, 2020	Additions	Reductions	Balance June 30, 2021
Capital assets, not being depreciated:				
Land	\$ 2,690,491	\$ -	\$ -	\$ 2,690,491
Easements	412,863	49,830	-	462,693
Construction in progress	22,132,944	8,159,513	(655,122)	29,637,335
Capital assets, not being depreciated	<u>\$ 25,236,298</u>	<u>\$ 8,209,343</u>	<u>\$ (655,122)</u>	<u>\$ 32,790,519</u>
Capital assets, being depreciated:				
Buildings	\$ 19,173,195	\$ -	\$ -	\$ 19,173,195
Improvements other than buildings	21,256,564	40,841	-	21,297,405
Machinery and equipment	27,196,682	4,472,339	(1,183,223)	30,485,798
Intangibles	745,379	327,611	-	1,072,990
Infrastructure	85,448,637	1,019,335	(25,906)	86,442,066
Capital assets, being depreciated	<u>153,820,457</u>	<u>5,860,126</u>	<u>(1,209,129)</u>	<u>158,471,454</u>
Less accumulated depreciation:				
Buildings	(5,682,909)	(450,810)	-	(6,133,719)
Improvements other than buildings	(9,479,096)	(523,470)	-	(10,002,566)
Machinery and equipment	(20,601,042)	(1,865,249)	1,183,223	(21,283,068)
Intangibles	(434,278)	(124,478)	-	(558,756)
Infrastructure	(53,406,849)	(1,741,219)	25,906	(55,122,162)
Accumulated depreciation	<u>(89,604,174)</u>	<u>(4,705,226)</u>	<u>1,209,129</u>	<u>(93,100,271)</u>
Capital assets, being depreciated (net)	<u>\$ 64,216,283</u>	<u>\$ 1,154,900</u>	<u>\$ -</u>	<u>\$ 65,371,183</u>

The above total for additions to accumulated depreciation does not agree with the total depreciation by function/programs of business-type activities shown below by \$21,561. This difference represents accumulated depreciation on capital assets transferred from governmental activities.

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

Water	\$ 1,682,437
Sewer	1,136,482
Public transportation	1,485,645
Sanitation	235,827
Stormwater	<u>143,274</u>
Total business-type activities depreciation expense	<u>\$ 4,683,665</u>

Note 7. Capital Assets (continued)

The following is a summary of the changes in capital assets of the City's component units for fiscal year 2021.

Component Unit – School Board

	Balance June 30, 2020	Additions	Reductions	Balance June 30, 2021
Capital assets, not being depreciated:				
Land	\$ 6,294,184	\$ -	\$ -	\$ 6,294,184
Capital assets, not being depreciated	<u>\$ 6,294,184</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,294,184</u>
Capital assets, being depreciated:				
Buildings	\$ 75,348,927	\$ 5,455,069	\$ -	\$ 80,803,996
Improvements other than buildings	337,913	-	-	337,913
Machinery and equipment	7,076,487	744,483	(413,064)	7,407,906
Intangibles	34,200	-	-	34,200
Capital assets, being depreciated	<u>82,797,527</u>	<u>6,199,552</u>	<u>(413,064)</u>	<u>88,584,015</u>
Less accumulated depreciation:				
Buildings	(35,931,613)	(3,595,917)	-	(39,527,530)
Improvements other than buildings	(103,806)	(17,482)	-	(121,288)
Machinery and equipment	(4,337,301)	(442,302)	413,064	(4,366,539)
Intangibles	(5,130)	(6,840)	-	(11,970)
Accumulated depreciation	<u>(40,377,850)</u>	<u>(4,062,541)</u>	<u>413,064</u>	<u>(44,027,327)</u>
Capital assets, being depreciated (net)	<u>\$ 42,419,677</u>	<u>\$ 2,137,011</u>	<u>\$ -</u>	<u>\$ 44,556,688</u>

Component Unit – HEC

	Balance June 30, 2020	Additions	Reductions	Balance June 30, 2021
Capital assets, not being depreciated:				
Land	\$ 3,090,187	\$ 553,855	\$ -	\$ 3,644,042
Construction in progress	3,244,359	3,058,569	(4,083,975)	2,218,953
Capital assets, not being depreciated	<u>\$ 6,334,546</u>	<u>\$ 3,612,424</u>	<u>\$ (4,083,975)</u>	<u>\$ 5,862,995</u>
Capital assets, being depreciated:				
Buildings	\$ 4,015,008	\$ 25,241	\$ -	\$ 4,040,249
Machinery and equipment	8,614,217	758,049	(46,960)	9,325,306
Infrastructure	122,047,946	3,396,635	(1,459,880)	123,984,701
Capital assets, being depreciated	<u>134,677,171</u>	<u>4,179,925</u>	<u>(1,506,840)</u>	<u>137,350,256</u>
Less accumulated depreciation:				
Buildings	(2,254,070)	(100,421)	-	(2,354,491)
Machinery and equipment	(7,132,088)	(364,604)	49,410	(7,447,282)
Infrastructure	(71,827,416)	(3,337,354)	1,821,429	(73,343,341)
Accumulated depreciation	<u>(81,213,574)</u>	<u>(3,802,379)</u>	<u>1,870,839</u>	<u>(83,145,114)</u>
Capital assets, being depreciated (net)	<u>\$ 53,463,597</u>	<u>\$ 377,546</u>	<u>\$ 363,999</u>	<u>\$ 54,205,142</u>

Note 8. Long-term Liabilities

Primary Government

The following is a summary of the debt service requirements for the long-term liabilities of the governmental activities as of June 30, 2021.

Year Ending June 30,	General Obligation Bonds				Total	
	Public Offerings		Direct Placements		Governmental Activities	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 9,235,660	\$ 4,749,134	\$ 1,936,000	\$ 510,460	\$ 11,171,660	\$ 5,259,594
2023	9,553,372	4,321,276	2,121,000	331,548	11,674,372	4,652,824
2024	10,020,382	3,873,777	1,668,000	297,802	11,688,382	4,171,579
2025	10,488,095	3,403,751	1,705,000	267,809	12,193,095	3,671,560
2026	10,700,000	2,949,953	1,740,000	238,249	12,440,000	3,188,202
2027-2031	42,855,000	9,322,120	7,300,000	773,339	50,155,000	10,095,459
2032-2036	21,380,000	2,944,368	4,976,000	232,245	26,356,000	3,176,613
2037-2041	10,355,000	795,225	-	-	10,355,000	795,225
Total	\$ 124,587,509	\$ 32,359,604	\$ 21,446,000	\$ 2,651,452	\$ 146,033,509	\$ 35,011,056

The following is a summary of the debt service requirements for the long-term liabilities of the business-type activities as of June 30, 2021.

Year Ending June 30,	General Obligation Bonds				Total	
	Public Offerings		Direct Placements		Business-type Activities	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 1,942,207	\$ 416,340	\$ 510,000	\$ 153,668	\$ 2,452,207	\$ 570,008
2023	2,004,495	348,754	525,000	143,696	2,529,495	492,450
2024	2,067,484	288,810	538,000	133,458	2,605,484	422,268
2025	2,124,772	225,808	552,000	122,966	2,676,772	348,774
2026	592,867	184,337	568,000	112,193	1,160,867	296,530
2027-2031	3,139,333	625,394	3,078,000	388,992	6,217,333	1,014,386
2032-2036	1,989,333	110,000	2,037,000	157,586	4,026,333	267,586
2037-2040	151,467	-	903,000	14,734	1,054,467	14,734
Total	\$ 14,011,958	\$ 2,199,443	\$ 8,711,000	\$ 1,227,293	\$ 22,722,958	\$ 3,426,736

The following is a summary of the changes to the long-term liabilities of the governmental activities for fiscal year 2021.

	Balance June 30, 2020	Additions	Reductions	Balance June 30, 2021	Due Within One Year
Bonds payable:					
General obligation bonds:					
Public offerings	\$ 133,684,756	\$ -	\$ (9,097,247)	\$ 124,587,509	\$ 9,235,660
Direct placements	22,704,000	-	(1,258,000)	21,446,000	1,936,000
Bond premiums/discounts (net)	9,272,093	-	(657,731)	8,614,362	651,647
Total bonds payable	165,660,849	-	(11,012,978)	154,647,871	11,823,307
Middle River Regional Jail agreement	5,048,154	-	(966,753)	4,081,401	987,732
Compensated absences	3,732,012	2,226,196	(2,092,702)	3,865,506	2,323,506
Net OPEB liability	11,249,778	1,148,830	(771,219)	11,627,389	-
Net pension liability	19,074,009	12,031,978	(5,337,901)	25,768,086	-
Governmental activities long-term debt	\$ 204,764,802	\$ 15,407,004	\$ (20,181,553)	\$ 199,990,253	\$ 15,134,545

Note 8. Long-term Liabilities (continued)

Long-term liabilities for governmental activities are generally liquidated by the General Fund. The Internal Service Funds are consolidated into the governmental activities in the government-wide financial statements. Accordingly, long-term liabilities for these funds are included as part of the above totals. At June 30, 2021, \$101,372, \$312,670 and \$816,376 of compensated absences, net OPEB liability and net pension liability, respectively, are included in the above amounts for these internal service funds.

The following is a summary of the changes to the long-term liabilities of the business-type activities for fiscal year 2021.

	Balance June 30, 2020	Additions	Reductions	Balance June 30, 2021	Due Within One Year
Bonds payable:					
General obligation bonds:					
Public offerings	\$ 15,882,577	\$ -	\$ (1,870,619)	\$ 14,011,958	\$ 1,942,207
Direct placements	9,208,000	-	(497,000)	8,711,000	510,000
Bond premiums/discounts (net)	462,506	-	(92,573)	369,933	92,572
Total bonds payable	25,553,083	-	(2,460,192)	23,092,891	2,544,779
Compensated absences	828,103	529,446	(514,842)	842,707	461,726
Net OPEB liability	2,244,015	240,121	(162,663)	2,321,473	-
Net pension liability	4,253,756	2,783,684	(1,190,812)	5,846,628	-
City landfill closure costs	1,186,065	-	(53,792)	1,132,273	111,160
County landfill contractual obligation	2,697,965	-	-	2,697,965	-
Business-type activities long-term debt	<u>\$ 36,762,987</u>	<u>\$ 3,553,251</u>	<u>\$ (4,382,301)</u>	<u>\$ 35,933,937</u>	<u>\$ 3,117,665</u>

The following is the detail for the long-term liabilities of the governmental and business-type activities as of June 30, 2021.

	Governmental Activities	Business-type Activities
General Obligation Bonds - Public Offerings:		
\$41,500,000 School Bonds (Virginia Public School Authority), Series 2001C, issued November 15, 2001, maturing July 15, 2026 at 4.1% - 5.1% interest	\$ 15,605,000	\$ -
\$1,125,000 Public Safety Refunding Bonds (VRA), Series 2009A, issued June 17, 2009, maturing October 1, 2021 at 3.125% - 5.125% interest	115,000	-
\$1,136,000 Water Bonds (VRA DWSRF), Series 2009, issued November 20, 2009, maturing February 1, 2040 at 0% interest	-	719,467
\$9,515,000 Public Improvement Bonds, Series 2010A, issued August 11, 2010, maturing July 15, 2030 at 2.0% - 4.0% interest	5,465,000	-
\$33,755,00 Public Improvement Refunding Bonds, Series 2010B, issued August 11, 2010, maturing July 15, 2034 at 2.0% - 5.0% interest	2,817,509	12,537,491
\$28,590,000 Public Improvement and Refunding Bonds, Series 2011, issued December 6, 2011, maturing August 1, 2031 at 2.0% - 4.0% interest	14,465,000	755,000
\$13,610,000 Public Improvement Bonds, Series 2014A, issued June 26, 2014, maturing July 15, 2034 at 2.0% - 5.0% interest	10,190,000	-
\$42,675,000 Public Improvement Refunding Bonds, Series 2014B, issued June 26, 2014, maturing July 15, 2032 at 2.0% - 5.0% interest	31,525,000	-

Note 8. Long-term Liabilities (continued)

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
General Obligation Bonds - Public Offerings (continued):		
\$40,215,000 Public Improvement Bonds, Series 2016, issued May 18, 2016, maturing July 15, 2040 at 2.0% - 5.0% interest	35,545,000	-
\$4,540,000 School Bond (Virginia Public School Authority), Series 2018, issued November 6, 2018, maturing July 15, 2033 at 4.05% - 5.05% interest	4,160,000	-
\$4,950,000 Bond (Virginia Resources Authority), Series 2019, issued August 14, 2019, maturing October 1, 2033 at 4.510% - 5.125% interest	<u>4,700,000</u>	<u>-</u>
Total General Obligation Bonds - Public Offerings	<u>\$ 124,587,509</u>	<u>\$ 14,011,958</u>
General Obligation Bonds - Direct Placements:		
\$8,050,000 Bond, Series 2012, issued December 7, 2012, maturing August 1, 2027 at 2.2% interest (interest reset October 16, 2020 at 1.079%)	4,088,000	-
\$7,622,000 Bond, Series 2015, issued December 22, 2015, maturing August 1, 2030 at 2.32% interest	2,888,000	2,495,000
\$2,350,000 Bond, Series 2017, issued September 8, 2017, maturing August 1, 2022 at 1.78% interest	970,000	-
\$7,000,000 Bond, Series 2017B, issued December 15, 2017, maturing August 1, 2037 at 2.94% interest (interest reset October 16, 2020 at 1.62%)	-	6,216,000
\$10,415,000 Bond, Series 2020A, issued June 24, 2020, maturing July 15, 2035 at 1.84%	10,415,000	-
\$3,085,000 Taxable Bond, Series 2020B, issued June 24, 2020, maturing July 15, 2024 at 2.09%	<u>3,085,000</u>	<u>-</u>
Total General Obligation Bonds - Direct Placements	<u>\$ 21,446,000</u>	<u>\$ 8,711,000</u>
Total General Obligation Bonds	<u>\$ 146,033,509</u>	<u>\$ 22,722,958</u>

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

The City is subject to a legal debt margin requirement based on the Constitution of Virginia. Under the requirement, the City's bonds or other interest-bearing obligations shall not exceed ten percent of its total taxable assessed real property valuation. As of June 30, 2021, the debt limitation for the City is \$449.1 million of which \$276.3 million is available for use.

In December 2011, the City issued \$28.6 million in general obligation public improvement and refunding bonds, of which \$6 million was issued on behalf of and loaned to the Harrisonburg Redevelopment and Housing Authority (Authority) for the purpose of renovating public housing units owned by the Authority. The Authority has agreed to reimburse the City for its share of the principal and interest payments as the debt service payments come due. The current fiscal year reimbursement for debt service payments associated with the bonds totaled \$443,125. As of June 30, 2021, the outstanding balance of the loan is \$3,435,000.

Note 8. Long-term Liabilities (continued)

In June 2014, the City issued \$42.7 million in general obligation refunding bonds, of which \$2.7 million was issued on behalf of and loaned to the Harrisonburg Redevelopment and Housing Authority (Authority) to advance refund a previous bond issue that was originally issued for the purpose of renovating public housing units owned by the Authority. The Authority has agreed to reimburse the City for its share of the principal and interest payments as the debt service payments come due. The current fiscal year reimbursement for debt service payments associated with the bonds totaled \$217,850. As of June 30, 2021, the outstanding balance of the loan is \$2,055,000.

In August 2019, the City issued \$4.95 million in general obligation bonds, of which \$1.65 million was issued on behalf of and loaned to the Harrisonburg-Rockingham Community Services Board (Board) for the purpose of constructing a new facility. The Board has agreed to reimburse the City for its share of the principal and interest payments as the debt service payments come due. The current fiscal year reimbursement for debt service payments associated with the bonds totaled \$162,627. As of June 30, 2021, the City is holding \$1.1 million to be advanced to the Board as construction reimbursements are requested.

Component Unit – School Board

At June 30, 2021, the School Board had \$97,514,125 in long-term liabilities outstanding. This long-term liability is comprised of \$1,723,608 in compensated absences, of which \$324,835 is due within one year, \$23,191,830 in net OPEB liabilities and \$72,598,687 in net pension liabilities, of which the entire amounts are due in more than one year.

Component Unit – HEC

At June 30, 2021, HEC had \$6,673,939 in long-term liabilities outstanding. This long-term liability is comprised of \$649,816 in compensated absences, of which the entire amount is due within one year and \$2,162,125 in net OPEB liabilities and \$3,861,998 in net pension liabilities, of which the entire amounts are due in more than one year.

Note 9. Conduit Debt

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

As of June 30, 2021, there were four series of Redevelopment and Housing Authority Revenue Bonds outstanding, with an aggregate principal amount of \$20.4 million.

Note 10. Landfill Closure and Postclosure Care Costs

In accordance with state and federal laws and regulations, the City is required to perform certain maintenance and monitoring functions at the City's closed landfill site for 30 years after the date of closure. The City closed its landfill in 1994. \$1,132,273 of the amount reported as landfill closure and postclosure care liability at June 30, 2021 represents the cumulative amount reported to date based on the use of 100 percent of the capacity of the landfill. Included in the total liability is an additional \$376,266 for groundwater remediation. These amounts are based on current year costs. Actual costs ultimately may differ due to inflation, changes in technology, or changes in regulations. The City plans to fund its landfill closure and postclosure care costs with available funds from the Sanitation Fund.

Note 11. Rockingham County Landfill Liability Agreement

Effective January 1, 2012, the City entered into a new agreement with Rockingham County (County) associated with solid waste activities of the two localities. As part of the agreement, the City will be considered a customer of the County landfill and will no longer make capital contributions for landfill expansion and other capital expenditures. The agreement also caps the City’s recognized share of the County’s closure and postclosure care costs as of the date of the agreement. Pursuant to the agreement, the City has recorded a \$2,697,965 contractual obligation to the County in the Sanitation Fund.

Note 12. Unearned Revenue

The following is a summary of unearned revenue at June 30, 2021 for governmental activities in the government-wide financial statements and for the fund financial statements.

	Governmental Activities		
	General		Total
	General Fund	Capital Projects Fund	
Advance collection of parking leases	\$ 27,050	\$ -	\$ 27,050
Golf course season passes	49,653	-	49,653
CARES Act coronavirus relief funds	41,817	-	41,817
ARPA funds	11,917,047	-	11,917,047
Construction reimbursement	-	219,836	219,836
Total unearned revenue	\$ 12,035,567	\$ 219,836	\$ 12,255,403

Unearned revenue for business-type activities in the amount of \$206,850 represents water and sewer connection application fees for which the services had not been provided as of year-end. This amount is comprised of \$130,450 in the Water Fund and \$76,400 in the Sewer Fund.

Note 13. Interfund Balances

The General Fund has due from other funds in the amount \$61,966. This amount is comprised of a loan to the Central Stores Fund in the amount of \$33,787 and a reimbursement from the General Capital Projects Fund in the amount of \$28,179. The purpose of the loan is to eliminate a year-end cash and cash equivalents deficit balance and is anticipated to be repaid within the subsequent fiscal year. The Sewer Fund has an interfund loan receivable in the amount of \$1,456,000 while the Water Fund has an interfund loan payable in the amount of \$1,456,000 for funds loaned from the Sewer Fund to the Water Fund for the purchase of land by the Water Fund.

Note 14. Interfund Transfers

Interfund transfers are generally used to subsidize the operations, programs and capital activities of certain funds. The following is a summary of interfund transfers for the year ended June 30, 2021.

Transfer in	Transfer out					Total
	Water Fund	Sewer Funds	Public Transportation Fund	Sanitation Fund	Stormwater Funds	
General Fund	\$ 1,527,300	\$ 1,321,200	\$ 379,067	\$ 107,200	\$ 20,400	\$ 3,355,167
Internal Service Funds	177,045	15,215	-	-	-	192,260
Total	\$ 1,704,345	\$ 1,336,415	\$ 379,067	\$ 107,200	\$ 20,400	\$ 3,547,427

Note 15. Fund Balance

The following is a summary of amounts that are reported on the governmental funds balance sheet identified as nonspendable, restricted, committed or assigned fund balance at June 30, 2021.

	General Fund	General Capital Projects Fund	School Bond Capital Projects Fund	Other Governmental Funds	Total
Nonspendable:					
Inventory	\$ 14,693	\$ -	\$ -	\$ -	\$ 14,693
Prepaid expenditures	390,890	-	-	42,826	433,716
Loans receivable	296,039	-	-	-	296,039
Total nonspendable fund balance	\$ 701,622	\$ -	\$ -	\$ 42,826	\$ 744,448
Restricted for:					
Public safety	\$ 715,006	\$ -	\$ -	\$ -	\$ 715,006
Total restricted fund balance	\$ 715,006	\$ -	\$ -	\$ -	\$ 715,006
Committed to:					
General government administration	\$ -	\$ 257,925	\$ -	\$ -	\$ 257,925
Jail and judicial administration	-	219,883	-	-	219,883
Public safety	-	2,340,638	-	-	2,340,638
Public works	-	5,057,919	-	-	5,057,919
Education	-	-	332,900	990,250	1,323,150
Parks, recreation and cultural	63,402	532,489	-	-	595,891
Community development	-	-	-	129,912	129,912
Total committed fund balance	\$ 63,402	\$ 8,408,854	\$ 332,900	\$ 1,120,162	\$ 9,925,318
Assigned to:					
General government administration	\$ 299,022	\$ -	\$ -	\$ -	\$ 299,022
Public safety	653,164	-	-	-	653,164
Public works	648,093	-	-	-	648,093
Parks, recreation and cultural	364,018	-	-	-	364,018
Community development	195,506	-	-	-	195,506
Subsequent years' expenditures	3,024,145	-	-	535,161	3,559,306
Total assigned fund balance	\$ 5,183,948	\$ -	\$ -	\$ 535,161	\$ 5,719,109

Note 16. Pension Plan - Agent Multiple-Employer

Plan Description. All full-time, salaried permanent employees of the City, the non-professional employees of the Harrisonburg City School Board (School Board) and the Harrisonburg Electric Commission (HEC) are automatically covered by the VRS Retirement Plan upon employment. This plan is an agent multiple-employer pension plan administered by the Virginia Retirement System (System) along with plans for other employer groups in the Commonwealth of Virginia. The City and HEC employees participate in the same retirement plan. Members earn one month of service credit for each month they are employed and for which they and their employer are paying contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service. The *Code of Virginia*, as amended, assigns the authority to establish and amend benefit provisions to the Virginia General Assembly.

Benefits Provided. VRS administers three different benefit structures for covered employees. Each benefit structure has different eligibility criteria.

Note 16. Pension Plan - Agent Multiple-Employer (continued)

Plan 1. Plan 1 is a defined benefit plan. Members hired before July 1, 2010 and who were vested as of January 1, 2013 are covered under Plan 1. Members become vested when they have at least five years of creditable service. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit as early as age 55 with at least five years of service credit or age 50 with at least 10 years of service credit.

Plan 2. Plan 2 is a defined benefit plan. Members hired between July 1, 2010 and December 31, 2013 or members hired before July 1, 2010 who were not vested as of January 1, 2013 are covered under Plan 2. Members become vested when they have at least five years of creditable service. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.

Hybrid Plan. The Hybrid Plan combines features of a defined benefit plan and a defined contribution plan. Members hired after January 1, 2014 and Plan 1 and Plan 2 members who opted into the plan during a special election window are covered under the Hybrid Plan. Members become vested in the defined benefit portion of the Hybrid Plan when they have at least five years of creditable service and become 100 percent vested in employer contributions to the defined contribution portion of the Hybrid Plan after four years of creditable service. Members are eligible for an unreduced retirement benefit from the defined benefit component beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit from the defined benefit component as early as age 60 with at least five years of service credit. Members are eligible to receive distributions from the defined contribution component upon leaving employment, subject to restrictions.

Hazardous duty members. Under Plans 1 and 2, eligible hazardous duty members (police officers and firefighters) are eligible for an unreduced benefit beginning at age 60 with at least five years of service credit or age 50 with at least 25 years of service credit. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply. Hazardous duty members are not eligible for the Hybrid Plan.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation (AFC) multiplied by the member's total service credit. Under Plan 1, AFC is the average of the member's 36 consecutive months of highest compensation. Under Plan 2 and the Hybrid Plan, AFC is the average of the member's 60 consecutive months of highest compensation. The defined benefit retirement multiplier is 1.7 percent for non-hazardous duty Plan 1 members, 1.65 percent for non-hazardous duty Plan 2 members (1.7 percent for service earned, purchased or granted prior to January 1, 2013), 1 percent for Hybrid Plan members and 1.85 percent for eligible hazardous duty members. In addition, eligible hazardous duty members receive a monthly benefit supplement if they retire prior to age 65. At retirement, members can elect the Basic Benefit, the Survivor Option, the Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

Members who retire with an unreduced benefit or a reduced benefit with at least 20 years of creditable service are eligible for an annual cost-of-living adjustment (COLA) effective July 1 after one full calendar year from the member's retirement date. Members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA is effective July 1 after one calendar year following the unreduced retirement eligibility date. Other exceptions also apply to the COLA effective date. Under Plan 1, the COLA matches the first three percent increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to four percent) for a maximum COLA of five percent. Under Plan 2 and the defined benefit component of the Hybrid

Note 16. Pension Plan - Agent Multiple-Employer (continued)

Plan, the COLA matches the first two percent increase in the CPI-U and half of any additional increase (up to two percent) for a maximum COLA of three percent.

The VRS also provides death and disability benefits to Plan 1 and Plan 2 members. Hybrid Plan members are covered by the Virginia Local Disability Program administered by VRS for disability benefits unless the local government provides an employer paid comparable program for its members. The City, School Board and HEC decided to provide an employer paid comparable program to its employees.

Employees Covered by Benefit Terms. At June 30, 2019, the following employees were covered by the benefit terms:

	Primary Government	Component Units	
		School Board	HEC
Inactive employees or beneficiaries currently receiving benefits	331	55	21
Inactive employees entitled to but not yet receiving benefits	391	62	24
Active employees	583	102	37
Total inactive and active employees	1,305	219	82

Contributions. The contribution requirement for active employees is governed by Section 51.1-145 the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute five percent of their annual reported compensation toward their retirement. The City and HEC's contractually required contribution rate for the fiscal year ended 2021 was 12.85 percent of covered employee compensation. The School Board non-professional employees' contribution rate for the fiscal year ended 2021 was 4.01 percent of covered employee compensation. These rates were based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. These rates, when combined with employee contributions, were expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the City, the School Board and HEC to the pension plans were \$3,411,460, \$80,951 and \$416,738, respectively, for the year ended June 30, 2021.

Net Pension Liability. The net pension liability is calculated separately for each employer and represents that particular employer's total pension liability less that employer's fiduciary net position. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2019 and rolled forward to the measurement date of June 30, 2020.

Actuarial Assumptions – General Employees. The total pension liability for general employees was based on an actuarial valuation as of June 30, 2019, using the entry age normal actuarial cost method. The following assumptions were applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

Inflation	2.50 percent
Salary increases, including inflation	3.50 percent – 5.35 percent
Investment rate of return, including inflation	6.75 percent (net of pension plan investment expense)

Mortality rates:

All Others (Non 10 Largest) – Non-Hazardous Duty: 15% of deaths are assumed to be service related.

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Note 16. Pension Plan - Agent Multiple-Employer (continued)

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward three years; females 1% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward two years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective July 1, 2019. Changes to the actuarial assumptions as a result of the experience study are as follows:

All Others (Non 10 Largest) – Non-Hazardous Duty: Updated mortality table; lowered retirement rates at older ages and changed final retirement from 70 to 75; lowered disability rates; no change to salary scale; increased rate of line of duty disability from 14% to 15%; lowered the discount rates from 7% to 6.75%.

Actuarial Assumptions – Hazardous Duty Employee. The total pension liability for hazardous duty employees was based on an actuarial valuation as of June 30, 2019, using the entry age normal actuarial cost method. The following assumptions were applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

Inflation	2.50 percent
Salary increases, including inflation	3.50 percent – 4.75 percent
Investment rate of return, including inflation	6.75 percent (net of pension plan investment expense*)

Mortality rates:

All Others (Non 10 Largest) – Hazardous Duty: 45% of deaths are assumed to be service related.

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward one year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward one year, 1% increase compounded from ages 70 to 90; females set forward three years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward two years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective July 1, 2019. Changes to the actuarial assumptions as a result of the experience study are as follows:

All Others (Non 10 Largest) – Hazardous Duty: Updated mortality table; increased age 50 rates and lowered retirement rates at older ages; adjusted disability rates to better fit experience; no change to salary scale; decreased rate of line of duty disability from 60% to 45%; lowered the discount rates from 7% to 6.75%.

Note 16. Pension Plan - Agent Multiple-Employer (continued)

Long-term Expected Rate of Return. The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
Multi-Asset Public Strategies (MAPS)	6.00%	3.04%	0.18%
Private Investment Partnersip (PIP)	3.00%	6.49%	0.19%
Total	100.00%		4.64%
		Inflation	2.50%
		Expected arithmetic nominal return*	7.14%

**The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median of 7.11%, including expected inflation of 2.5%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the fiscal year 2020 actuarial valuations, provide a median return of 6.81%.*

Discount Rate. The discount rate used to measure the total pension liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Political subdivisions were provided with an opportunity to use an alternate employer contribution rate. For the fiscal year ended June 30, 2020, the alternate rate was the employer contribution rate used in fiscal year 2012 or 100 percent of the actuarially determined employer contribution rate from the June 30, 2017, actuarial valuation, whichever was greater. From July 1, 2020 on, participating employers are assumed to continue to contribute 100 percent of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Note 16. Pension Plan - Agent Multiple-Employer (continued)

Changes in the Net Pension Liability. The following are the changes in net pension liability as of the measurement date of June 30, 2020:

Primary Government

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at June 30, 2019	\$ 138,833,231	\$ 115,505,466	\$ 23,327,765
Changes for the year:			
Service cost	3,093,586	-	3,093,586
Interest	9,140,366	-	9,140,366
Changes in assumptions	-	-	-
Differences between expected and actual experience	3,044,262	-	3,044,262
Contributions-employer	-	3,046,361	(3,046,361)
Contributions-employee	-	1,359,492	(1,359,492)
Net investment income	-	2,200,954	(2,200,954)
Benefit payments, including refunds of employee contributions	(6,829,326)	(6,829,326)	-
Administrative expense	-	(75,497)	75,497
Other changes	(2,125,094)	(1,665,139)	(459,955)
Net changes	<u>6,323,794</u>	<u>(1,963,155)</u>	<u>8,286,949</u>
Balances at June 30, 2020	<u>\$ 145,157,025</u>	<u>\$ 113,542,311</u>	<u>\$ 31,614,714</u>

Component Unit – School Board

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances at June 30, 2019	\$ 7,937,040	\$ 8,568,326	\$ (631,286)
Changes for the year:			
Service cost	220,684	-	220,684
Interest	523,147	-	523,147
Changes in assumptions	-	-	-
Differences between expected and actual experience	35,135	-	35,135
Contributions-employer	-	74,576	(74,576)
Contributions-employee	-	110,067	(110,067)
Net investment income	-	163,050	(163,050)
Benefit payments, including refunds of employee contributions	(373,425)	(373,425)	-
Administrative expense	-	(5,602)	5,602
Other changes	-	(192)	192
Net changes	<u>405,541</u>	<u>(31,526)</u>	<u>437,067</u>
Balances at June 30, 2020	<u>\$ 8,342,581</u>	<u>\$ 8,536,800</u>	<u>\$ (194,219)</u>

Note 16. Pension Plan - Agent Multiple-Employer (continued)

Component Unit – HEC

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at June 30, 2019	\$ 16,155,649	\$ 13,441,060	\$ 2,714,589
Changes for the year:			
Service cost	360,089	-	360,089
Interest	1,063,925	-	1,063,925
Changes in assumptions	-	-	-
Differences between expected and actual experience	354,348	-	354,348
Contributions-employer	-	354,592	(354,592)
Contributions-employee	-	158,243	(158,243)
Net investment income	-	256,188	(256,188)
Benefit payments, including refunds of employee contributions	(794,924)	(794,924)	-
Administrative expense	-	(8,788)	8,788
Other changes	593,041	463,759	129,282
Net changes	<u>1,576,479</u>	<u>429,070</u>	<u>1,147,409</u>
Balances at June 30, 2020	<u>\$ 17,732,128</u>	<u>\$ 13,870,130</u>	<u>\$ 3,861,998</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability using the discount rate of 6.75 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75 percent) or one percentage point higher (7.75 percent) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Primary Government:			
Net Pension Liability	\$ 50,872,136	\$ 31,614,714	\$ 15,687,379
Component Unit - School Board:			
Net Pension Liability (Asset)	\$ 658,003	\$ (194,219)	\$ (921,611)
Component Unit - HEC:			
Net Pension Liability	\$ 6,214,451	\$ 3,861,998	\$ 1,916,343

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2021, the City, the School Board and HEC recognized pension expense of \$5,345,045, \$193,268 and \$760,948, respectively. At June 30, 2021, the City, the School Board and HEC reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Note 16. Pension Plan - Agent Multiple-Employer (continued)

	Component Units					
	Primary Government		School Board		HEC	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,443,976	\$ 139,151	\$ 37,144	\$ -	\$ 298,552	\$ 16,998
Changes in assumptions	1,998,089	50,134	71,199	-	244,083	6,124
Net difference between projected and actual earnings on pension plan investments	3,382,353	-	254,814	-	413,182	-
Employer contributions subsequent to the measurement date	3,411,460	-	80,951	-	416,738	-
Total	\$ 11,235,878	\$ 189,285	\$ 444,108	\$ -	\$ 1,372,555	\$ 23,122

The amounts reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Primary Government	Component Units	
		School Board	HEC
2022	\$ 1,870,525	\$ 95,296	\$ 228,501
2023	2,880,253	99,390	351,847
2024	1,798,032	86,722	219,644
2025	1,086,323	81,749	132,703
2026	-	-	-
Thereafter	-	-	-

Pension Plan Data. Detailed information about the VRS Retirement Plan is available in the separately issued VRS 2020 Comprehensive Annual Financial Report. A copy of this report may be downloaded from the VRS website at varetire.org/Pdf/Publications/2020-annual-report.pdf or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Payable to the Pension Plan

At June 30, 2021, the City and School Board reported a payable of \$440,393 and \$15,644, respectively, for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2021.

Note 17. Pension Plan - Teacher Cost-Sharing Pool

Plan Description. All full-time, salaried permanent (professional) employees of the Harrisonburg City School Board (School Board) are automatically covered by the VRS Teacher Retirement Plan upon employment. This plan is a cost-sharing multiple-employer pension plan administered by the Virginia Retirement System (System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer are paying contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service. The *Code of Virginia*, as amended, assigns the authority to establish and amend benefit provisions to the Virginia General Assembly.

Note 17. Pension Plan - Teacher Cost-Sharing Pool (continued)

Benefits Provided. VRS administers three different benefit structures for covered employees. Each benefit structure has different eligibility criteria and are substantially the same as described in Note 16.

Contributions. The contribution requirement for active employees is governed by Section 51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to school divisions by the Virginia General Assembly. Members are required to contribute five percent of their annual reported compensation toward their retirement. The School Board's contractually required contribution rate for the year ended June 30, 2021 was 16.62 percent of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan were \$7,118,376 for the year ended June 30, 2021.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2021, the School Board reported a liability of \$72,598,687 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2019 and rolled forward to the measurement date of June 30, 2020. The School Board's proportion of the net pension liability was based on the actuarially determined employer contributions to the pension plan for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the school division's proportion was 0.49887%.

For the year ended June 30, 2021, the School Board recognized pension expense of \$9,431,611. Since there was a change in the proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2021, the School Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 4,255,402
Changes in assumptions	4,955,771	-
Net difference between projected and actual earnings on pension plan investments	5,521,934	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,696,677	-
Employer contributions subsequent to the measurement date	<u>7,118,376</u>	<u>-</u>
Total	<u>\$ 20,292,758</u>	<u>\$ 4,255,402</u>

The deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Note 17. Pension Plan - Teacher Cost-Sharing Pool (continued)

<u>Year Ending June 30,</u>	<u>Deferred Amounts to be Recognized</u>
2022	\$ 1,204,190
2023	2,778,776
2024	2,904,408
2025	2,081,063
2026	(49,457)
Thereafter	-

Actuarial Assumptions. The total pension liability was based on an actuarial valuation as of June 30, 2019, using the entry age normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

Inflation	2.50 percent
Salary increases, including inflation	3.50 percent – 5.95 percent
Investment rate of return, including inflation	7.00 percent (net of plan investment expense)

Teachers:

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back three years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with Scale BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective July 1, 2019. Changes to the actuarial assumptions were substantially the same as described in Note 16.

Long-term Expected Rate of Return. The long-term expected rate of return on pension System investments is substantially the same as described in Note 16.

Discount Rate. The discount rate used to measure the total pension liability is substantially the same as described in Note 16.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the School Board's proportionate share of the net pension liability using the discount rate of 6.75 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75 percent) or one percentage point higher (7.75 percent) than the current rate:

	<u>1% Decrease (5.75%)</u>	<u>Current Discount Rate (6.75%)</u>	<u>1% Increase (7.75%)</u>
Proportionate share of the net pension liability	\$ 106,518,578	\$ 72,598,687	\$ 44,542,648

Note 17. Pension Plan - Teacher Cost-Sharing Pool (continued)

Pension Plan Fiduciary Net Position. Detailed information about the VRS Teacher Retirement Plan's fiduciary net position is available in the separately issued VRS 2020 Comprehensive Annual Financial Report. A copy of this report may be downloaded from the VRS website at varetire.org/Pdf/Publications/2020-annual-report.pdf or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Payables to the Pension Plan. At June 30, 2021, the School Board reported a payable of \$764,666 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2021.

Note 18. Other Postemployment Benefits

VRS Group Life Insurance Program

Plan Description. All full-time, salaried permanent employees of the City, the Harrisonburg City School Board (School Board) and the Harrisonburg Electric Commission (HEC) are automatically covered by the Group Life Insurance Program (GLI Program) upon employment. The GLI Program is a cost-sharing multiple-employer defined benefit plan administered by the Virginia Retirement System (VRS) along with plans for other employer groups in the Commonwealth of Virginia and is considered other postemployment benefits (OPEB). The GLI Program provides a basic group life insurance benefit for participating employers. Title 51.1 of the *Code of Virginia* (1950), as amended, assigns the authority to establish and amend benefit provisions to the Virginia General Assembly.

In addition to the GLI Program benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the GLI Program OPEB.

Benefits Provided. The benefits payable under the GLI Program have several components. A natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled and an accidental death benefit is double the natural death benefit. In addition to the natural and accidental death benefits, additional benefits are provided under specific circumstances such as accidental dismemberment and an accelerated death benefit option.

The benefit amounts provided to covered employees are subject to a reduction factor. The benefit amount reduces by 25 percent on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25 percent on each subsequent January 1 until it reaches 25 percent of its original value. For covered employees with at least 30 years of creditable service, there is a minimum benefit payable of \$8,616 that is based on the VRS Plan 2 pension cost-of-living adjustment.

Contributions. The contribution requirement for the GLI Program is governed by Sections 51.1-506 and 51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Program was 1.34 percent of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80 percent and the employer component was 0.54 percent. The contractually required employer contribution rate for the year ended June 30, 2021 was 0.54 percent of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the City, the School Board and HEC to the GLI Program were \$147,874, \$255,191 and \$17,954, respectively, for the year ended June 30, 2021.

Note 18. Other Postemployment Benefits (continued)

VRS Group Life Insurance Program (continued)

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2021, the City, the School Board and HEC reported a liability of \$2,242,815, \$3,755,382 and \$272,315, respectively, for their proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation performed as of June 30, 2019 and rolled forward to the measurement date of June 30, 2020. The City, the School Board and HEC's proportion of the net OPEB liability was based on the actuarially determined employer contributions to the GLI Program for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At the June 30, 2020 measurement date, the City, the School Board and HEC's proportion was 0.13630%, 0.22503% and 0.01585%, respectively.

For the year ended June 30, 2021, the City, the School Board and HEC recognized OPEB expense of \$64,565, \$200,405 and \$19,637, respectively. Since there was a change in the proportionate share between measurement dates, a portion of the OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2021, the City, the School Board and HEC reported deferred outflows of resources and deferred inflows of resources related to the GLI Program from the following sources:

	Component Units					
	Primary Government		School Board		HEC	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 143,856	\$ 20,145	\$ 240,874	\$ 33,731	\$ 17,467	\$ 2,446
Changes of assumptions	112,166	46,831	187,812	78,414	13,619	5,686
Net difference between projected and actual earnings on OPEB plan investments	67,373	-	112,808	-	8,180	-
Changes in proportionate share	35,039	17,612	174,143	3,654	4,254	2,138
Employer contributions subsequent to the measurement date	147,874	-	255,191	-	17,954	-
Total	<u>\$ 506,308</u>	<u>\$ 84,588</u>	<u>\$ 970,828</u>	<u>\$ 115,799</u>	<u>\$ 61,474</u>	<u>\$ 10,270</u>

The deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Primary Government	Component Units	
		School Board	HEC
2022	\$ 41,328	\$ 113,788	\$ 5,018
2023	60,355	145,645	7,328
2024	77,412	160,876	9,399
2025	77,261	140,476	9,381
2026	16,988	36,177	2,063
Thereafter	502	2,876	61

Note 18. Other Postemployment Benefits (continued)

VRS Group Life Insurance Program (continued)

Actuarial Assumptions. The total OPEB liability was based on an actuarial valuation as of June 30, 2019, using the entry age normal actuarial cost method and actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020. The actuarial assumptions used are substantially the same as described in Note 16 and Note 17.

Long-term Expected Rate of Return. The long-term expected rate of return on VRS investments is substantially the same as the VRS pension plans described in Note 16.

Discount Rate. The discount rate used to measure the total OPEB liability was 6.75 percent and is substantially the same as described in Note 16.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate. The following presents the proportionate share of the net OPEB liability using the discount rate of 6.75 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75 percent) or one percentage point higher (7.75 percent) than the current rate:

	<u>1% Decrease (5.75%)</u>	<u>Current Discount Rate (6.75%)</u>	<u>1% Increase (7.75%)</u>
Primary Government:			
Net OPEB Liability	\$ 2,948,352	\$ 2,242,815	\$ 1,669,852
Component Unit - School Board:			
Net OPEB Liability	\$ 4,936,739	\$ 3,755,382	\$ 2,796,011
Component Unit - HEC:			
Net OPEB Liability	\$ 357,979	\$ 272,315	\$ 202,748

OPEB Plan Fiduciary Net Position. Detailed information about the VRS GLI Program Plan's fiduciary net position is available in the separately issued VRS 2020 Comprehensive Annual Financial Report. A copy of this report may be downloaded from the VRS website at varetire.org/Pdf/Publications/2020-annual-report.pdf or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Payables to the OPEB Plan. At June 30, 2021, the City and the School Board reported a payable of \$34,528 and \$61,286, respectively, for the outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2021.

VRS Health Insurance Credit Program – Teacher Cost-Sharing Pool

Plan Description. All full-time, salaried permanent (professional) employees of the Harrisonburg City School Board (School Board) are automatically covered by the Teacher Employee Health Insurance Credit Program (HIC Program) upon employment. The HIC Program is a cost-sharing multiple-employer defined benefit plan administered by the Virginia Retirement System (VRS) along with plans for other employer groups in the Commonwealth of Virginia and is considered other postemployment benefits (OPEB). Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The health insurance credit is a tax-free reimbursement in an amount set by the Virginia General Assembly for each year of service credit to be used towards qualified health insurance premiums that a retiree pays for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premium and ends upon the retiree's death. Title 51.1 of the *Code of Virginia* (1950), as amended, assigns the authority to establish and amend benefit provisions to the Virginia General Assembly.

Note 18. Other Postemployment Benefits (continued)

VRS Health Insurance Credit Program – Teacher Cost-Sharing Pool (continued)

Benefits Provided. Eligible employees who have 15 or more years of creditable VRS service and are enrolled in a qualified health insurance plan may participate in the program. For employees who retire, the monthly benefit is \$4.00 per year of creditable service per month with no cap on the benefit amount. For employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is either (1) \$4.00 per month, multiplied by twice the amount of service credit, or (2) \$4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower. The benefit cannot exceed the amount of the premium and ends upon the retiree's death.

Contributions. The contribution requirement for active employees is governed by Section 51.1-145(E) of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to school divisions by the Virginia General Assembly. The School Board's contractually required contribution rate for the year ended June 30, 2021 was 1.21 percent of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the HIC Program were \$542,192 for the year ended June 30, 2021. Employees are not required to contribute to the HIC Program.

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2021, the School Board reported a liability of \$6,531,844 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation performed as of June 30, 2019 and rolled forward to the measurement date of June 30, 2020. The School Board's proportion of the net OPEB liability was based on the actuarially determined employer contributions to the HIC Program for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the school division's proportion was 0.50071%.

For the year ended June 30, 2021, the School Board recognized OPEB expense of \$609,781. Since there was a change in the proportionate share between measurement dates, a portion of the OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2021, the School Board reported deferred outflows of resources and deferred inflows of resources related to the HIC Program from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 87,229
Changes in assumptions	129,125	35,688
Net difference between projected and actual earnings on OPEB plan investments	28,946	-
Changes in proportionate share	332,532	-
Employer contributions subsequent to the measurement date	<u>542,192</u>	<u>-</u>
Total	<u>\$ 1,032,795</u>	<u>\$ 122,917</u>

The deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Note 18. Other Postemployment Benefits (continued)

VRS Health Insurance Credit Program – Teacher Cost-Sharing Pool (continued)

<u>Year Ending June 30,</u>	<u>Deferred Amounts to be Recognized</u>
2022	\$ 77,890
2023	80,759
2024	79,797
2025	71,505
2026	42,149
Thereafter	15,586

Actuarial Assumptions. The total OPEB liability was based on an actuarial valuation as of June 30, 2019, using the entry age normal actuarial cost method and actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020. The actuarial assumptions used are substantially the same as described in Note 17.

Long-term Expected Rate of Return. The long-term expected rate of return on VRS investments is substantially the same as described in Note 16.

Discount Rate. The discount rate used to measure the total OPEB liability was 6.75 percent and is substantially the same as described in Note 16.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate. The following presents the School Board's proportionate share of the net OPEB liability using the discount rate of 6.75 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75 percent) or one percentage point higher (7.75 percent) than the current rate:

	<u>1% Decrease (5.75%)</u>	<u>Current Discount Rate (6.75%)</u>	<u>1% Increase (7.75%)</u>
Proportionate share of the net OPEB liability	\$ 7,311,719	\$ 6,531,844	\$ 5,869,008

OPEB Plan Fiduciary Net Position. Detailed information about the VRS HIC Program Plan's fiduciary net position is available in the separately issued VRS 2020 Comprehensive Annual Financial Report. A copy of this report may be downloaded from the VRS website at varetire.org/Pdf/Publications/2020-annual-report.pdf or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Payables to the OPEB Plan. At June 30, 2021, the School Board reported a payable of \$52,755 for the outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2021.

VRS Health Insurance Credit Program – Nonprofessional Employees

Plan Description. All full-time, salaried permanent (nonprofessional) employees of the Harrisonburg City School Board (School Board) are automatically covered by the Health Insurance Credit Program (HIC Program) upon employment. The HIC Program is an agent multiple-employer defined benefit plan administered by the Virginia Retirement System (VRS) along with plans for other employer groups in the Commonwealth of Virginia and is considered other postemployment benefits (OPEB). Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The health insurance credit is a tax-free reimbursement in an amount set by the Virginia General Assembly for each year of service credit

Note 18. Other Postemployment Benefits (continued)

VRS Health Insurance Credit Program – Nonprofessional Employees (continued)

to be used towards qualified health insurance premiums that a retiree pays for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premium and ends upon the retiree's death. Title 51.1 of the *Code of Virginia* (1950), as amended, assigns the authority to establish and amend benefit provisions to the Virginia General Assembly.

Benefits Provided. Eligible employees who have 15 or more years of creditable VRS service and are enrolled in a qualified health insurance plan may participate in the program. For employees who retire, the monthly benefit is \$1.50 per year of creditable service per month with a maximum benefit of \$45 per month. For employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is \$45 per month. The benefit cannot exceed the amount of the premium and ends upon the retiree's death.

Employees Covered by Benefit Terms. At June 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	-
Inactive employees entitled to but not yet receiving benefits	-
Active employees	<u>102</u>
Total inactive and active employees	<u>102</u>

Contributions. The contribution requirement for active employees is governed by Section 51.1-145(E) of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to school divisions by the Virginia General Assembly. The School Board's contractually required contribution rate for the year ended June 30, 2021 was 0.70 percent of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the HIC Program were \$17,138 for the year ended June 30, 2021. Employees are not required to contribute to the HIC Program.

Net OPEB Liability. The net OPEB liability is calculated separately for each employer and represents that particular employer's total OPEB liability less that employer's fiduciary net position. The net OPEB liability was measured as of June 30, 2020. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation performed as of June 30, 2019 and rolled forward to the measurement date of June 30, 2020.

Actuarial Assumptions. The total OPEB liability was based on an actuarial valuation as of June 30, 2019, using the entry age normal actuarial cost method and actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020. The actuarial assumptions used are substantially the same as described in Note 16.

Long-term Expected Rate of Return. The long-term expected rate of return on VRS investments is substantially the same as the VRS pension plans described in Note 16.

Discount Rate. The discount rate used to measure the total OPEB liability was 6.75 percent and is substantially the same as described in Note 16.

Note 18. Other Postemployment Benefits (continued)

VRS Health Insurance Credit Program – Nonprofessional Employees (continued)

Changes in the Net OPEB Liability. The following are the changes in net OPEB liability as of the measurement date of June 30, 2020:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balances at June 30, 2019	\$ -	\$ -	\$ -
Changes for the year:			
Changes in benefit terms	183,944	-	183,944
Net changes	183,944	-	183,944
Balances at June 30, 2020	\$ 183,944	\$ -	\$ 183,944

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate. The following presents the School Board's net OPEB liability using the discount rate of 6.75 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75 percent) or one percentage point higher (7.75 percent) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net OPEB Liability	\$ 202,619	\$ 183,944	\$ 167,811

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2021, the School Board recognized pension expense of \$183,944. At June 30, 2021, the School Board reported deferred outflows of resources and deferred inflows of resources related to the HIC from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions subsequent to the measurement date	\$ 17,138	\$ -
Total	\$ 17,138	\$ -

The deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.

HIC Program Data. Detailed information about the VRS HIC Program is available in the separately issued VRS 2020 Comprehensive Annual Financial Report. A copy of this report may be downloaded from the VRS website at varetire.org/Pdf/Publications/2020-annual-report.pdf or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Payables to the OPEB Plan. At June 30, 2021, the School Board reported a payable of \$1,496 for the outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2021.

Note 18. Other Postemployment Benefits (continued)

Local Health Insurance Program

Plan Description

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

School Board. The Harrisonburg City School Board provides certain healthcare benefits for retired employees through the Harrisonburg City School Board Postretirement Healthcare Benefit Plan (Plan). The plan is administered through a single-employer defined benefit plan and is considered other postemployment benefits (OPEB). The Plan provides for an option to eligible retirees and their eligible dependents to continue their coverage in the same health insurance program available to all School Board employees at the active employee rates. Eligible retirees must be 50 years of age and meet the Virginia Retirement System requirements for service or disability retirement. Retirees must have at least ten years of cumulative eligible service with the School Board with a minimum

of five years immediately prior to retirement. Depending on the number of years of eligible service, the retiree may remain on the plan for a maximum of fifteen years but in all instances the benefit ends upon the retiree's eligibility for Medicare coverage. These benefit provisions are established and may be amended by the Harrisonburg City School Board through the School Board's Human Resources Policy Manual. The Plan does not issue a publicly available financial report.

Benefits Provided

City of Harrisonburg. The City contributes \$10 for each full year of service up to a maximum of \$350 towards the retiree's monthly premium. The retiree must contribute any remaining monthly premium amount based on the coverage that is selected.

School Board. The School Board contributes \$10 for each full year of service up to a maximum of \$350 towards the retiree's monthly premium. The retiree must contribute the remaining monthly premium amount.

Employees Covered by Benefit Terms. At June 30, 2020, the following employees were covered by the benefit terms:

	<u>Primary Government</u>	<u>School Board</u>
Inactive employees currently receiving benefits	60	86
Active employees	<u>585</u>	<u>937</u>
Total inactive and active employees	<u><u>645</u></u>	<u><u>1,023</u></u>

Note 18. Other Postemployment Benefits (continued)

Local Health Insurance Program (continued)

Contributions. The contribution requirements of the City Plan are established and may be amended by the Harrisonburg City Council through the City's Human Resources Policy Manual. The contribution requirements of the School Board Plan are established and may be amended by the Harrisonburg City School Board through the School Board's Human Resources Policy Manual. The City and the School Board currently pay for these benefits on a pay-as-you-go basis.

Total OPEB Liability. The total OPEB liabilities of \$11,706,047 and \$12,720,660 for the City and School Board, respectively, were measured as of June 30, 2021 and were determined by actuarial valuations performed as of June 30, 2020.

Actuarial Assumptions. The total OPEB liabilities were based on an actuarial valuation as of June 30, 2020, using the entry age normal actuarial cost method. The following assumptions were applied to all periods included in the measurement.

Inflation	Not applicable
Salary increases	Not applicable
Investment rate of return	Not applicable
Healthcare cost trend rate	7.5 percent graded uniformly to 6.75 percent over 3 years and following the Getzen model thereafter to an ultimate rate of 3.94 percent in the year 2075.

The withdrawal, retirement, mortality, and disability assumptions are substantially the same as the assumptions used in the June 30, 2018 valuation of the Virginia Retirement System as described in Note 16.

Discount Rate. The discount rate used to measure the OPEB liabilities was 2.79 percent based on the S&P Municipal Bond 20 Year High Grade Rate Index.

Changes in the Total OPEB Liability. The following are the changes in the total OPEB liability as of the measurement date of June 30, 2021:

	Primary Government	School Board
Balances at June 30, 2020	\$ 11,249,852	\$ 12,195,570
Changes for the year:		
Service cost	634,950	950,447
Interest	317,734	345,273
Changes in assumptions	-	-
Differences between expected and actual experience	-	-
Benefit payments	(496,489)	(770,630)
Net changes	456,195	525,090
Balances at June 30, 2021	\$ 11,706,047	\$ 12,720,660

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following presents the City and the School Board's total OPEB liability using the discount rate of 2.79 percent, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.79 percent) or one percentage point higher (3.79 percent) than the current rate:

Note 18. Other Postemployment Benefits (continued)

Local Health Insurance Program (continued)

	<u>1% Decrease (1.79%)</u>	<u>Current Rate (2.79%)</u>	<u>1% Increase (3.79%)</u>
Primary Government:			
Total OPEB liability	\$ 12,994,851	\$ 11,706,047	\$ 10,561,109
School Board:			
Total OPEB liability	\$ 14,100,492	\$ 12,720,660	\$ 11,494,598

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate. The following presents the City and the School Board's total OPEB liability using the healthcare cost trend rate of 7.5 percent decreasing to 6.75 percent over three years, as well as what the total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower (6.5 percent decreasing to 5.75 percent over three years) or one percentage point higher (8.5 percent decreasing to 7.75 percent over three years) than the current rate:

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Primary Government:			
Total OPEB liability	\$ 10,214,305	\$ 11,706,047	\$ 13,528,446
School Board:			
Total OPEB liability	\$ 11,137,694	\$ 12,720,660	\$ 14,661,904

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2021, the City and the School Board recognized OPEB expense of \$1,313,270 and \$1,437,342, respectively. At June 30, 2021, the City and the School Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Primary Government</u>		<u>School Board</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,718,029	\$ -	\$ 1,124,834	\$ -
Changes in assumptions	-	275,685	-	416,725
Total	<u>\$ 1,718,029</u>	<u>\$ 275,685</u>	<u>\$ 1,124,834</u>	<u>\$ 416,725</u>

The amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	<u>Primary Government</u>	<u>School Board</u>
2022	\$ 360,586	\$ 141,622
2023	360,586	141,622
2024	360,586	141,622
2025	360,586	141,622
2026	-	141,621
Thereafter	-	-

Note 18. Other Postemployment Benefits (continued)

Local Health Insurance Program (continued)

Harrisonburg Electric Commission

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

OPEB Aggregate Totals

The following is a summary of the aggregate totals for deferred outflows of resources, deferred inflows of resources and net/total OPEB liability at June 30, 2021 and OPEB expense for the fiscal year ended June 30, 2021:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Net/Total OPEB Liability</u>	<u>OPEB Expense</u>
Primary Government:				
VRS Group Life Insurance Program	\$ 506,308	\$ 84,588	\$ 2,242,815	\$ 64,565
Local Health Insurance Program	<u>1,718,029</u>	<u>275,685</u>	<u>11,706,047</u>	<u>1,313,270</u>
Totals	<u>\$ 2,224,337</u>	<u>\$ 360,273</u>	<u>\$ 13,948,862</u>	<u>\$ 1,377,835</u>
Component Unit - School Board:				
VRS Group Life Insurance Program	\$ 970,828	\$ 115,799	\$ 3,755,382	\$ 200,405
VRS Health Insurance Credit Program	1,032,795	122,917	6,531,844	609,781
VRS Health Insurance Credit Program	17,138	-	183,944	183,944
Local Health Insurance Program	<u>1,124,834</u>	<u>416,725</u>	<u>12,720,660</u>	<u>1,437,342</u>
Totals	<u>\$ 3,145,595</u>	<u>\$ 655,441</u>	<u>\$ 23,191,830</u>	<u>\$ 2,431,472</u>
Component Unit - HEC:				
VRS Group Life Insurance Program	\$ 61,474	\$ 10,270	\$ 272,315	\$ 19,637
Local Health Insurance Program	<u>27,610</u>	<u>136,086</u>	<u>1,889,810</u>	<u>76,991</u>
Totals	<u>\$ 89,084</u>	<u>\$ 146,356</u>	<u>\$ 2,162,125</u>	<u>\$ 96,628</u>

Note 19. Transactions with Component Units

In fiscal year 2021, the City's General Fund made contributions to the School Board, a component unit, totaling \$32,339,217. These contributions are made in equal monthly installments for the purpose of funding the School Board's operating budget.

In fiscal year 2021, the Harrisonburg Electric Commission, a component unit, made contributions to the City's General Fund totaling \$6,700,000. These contributions are made in equal monthly installments for the purpose of funding the General Fund budget.

Note 20. Joint Ventures

Harrisonburg-Rockingham Regional Sewer Authority. The City, Rockingham County, and the towns of Bridgewater, Dayton and Mt. Crawford have entered into an agreement with the Harrisonburg-Rockingham Regional Sewer Authority (Authority), whereby the Authority agrees to operate a sewage disposal system for the participating municipalities. The municipalities have an ongoing financial responsibility based on an agreement to make annual contributions to the Authority for operations and maintenance based on their respective usage of the system. The municipalities also agree to make contributions to the Authority for debt service. In fiscal year 2021, the City's

Note 20. Joint Ventures (continued)

contributions totaled \$6,576,527 of which \$2,717,947 was for operations, \$3,462,880 was for debt service and \$395,700 was for capital purposes. These contributions are made from the Sewer Fund. The City does not have an ongoing financial interest in the Authority since it does not have access to the Authority’s resources or surpluses, nor is it liable for the Authority’s debts or deficits. To obtain a copy of the audited financial statements, contact the Authority at P.O. Box 8, 856 North River Road, Mt. Crawford, Virginia 22841.

The Authority has \$60.5 million of total debt outstanding at June 30, 2021. The City's share of the required principal and interest payments for the Authority's bond issues is projected as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 1,827,680	\$ 692,951	\$ 2,520,631
2023	1,984,397	702,647	2,687,044
2024	2,040,989	646,054	2,687,043
2025	2,099,322	587,721	2,687,043
2026	2,159,451	527,592	2,687,043
2027-2031	10,852,132	1,669,034	12,521,166
2032-2036	3,570,801	731,362	4,302,163
2037-2041	2,559,994	433,786	2,993,780
2042-2046	2,086,623	168,961	2,255,584
2047-2051	749,989	35,113	785,102
Total	\$ 29,931,378	\$ 6,195,221	\$ 36,126,599

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

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Increase (Decrease)</u>
Current assets	\$ 8,192,549	\$ 5,328,092	\$ 2,864,457
Restricted assets	3,773,689	3,610,447	163,242
Capital assets	99,031,344	97,648,123	1,383,221
Other assets	852,377	843,365	9,012
Total assets	111,849,959	107,430,027	4,419,932
Deferred outflows of resources	611,865	472,931	138,934
Current liabilities	3,923,062	3,598,062	325,000
Liabilities payable from restricted assets	3,324,407	3,180,797	143,610
Long-term liabilities	56,436,262	56,276,420	159,842
Total liabilities	63,683,731	63,055,279	628,452
Deferred inflows of resources	122,959	250,808	(127,849)
Net position	\$ 48,655,134	\$ 44,596,871	\$ 4,058,263

Harrisonburg-Rockingham Emergency Communications Center. The City and Rockingham County (County) entered into an agreement that created the Harrisonburg-Rockingham Emergency Communications Center (HRECC), whereby the HRECC operates a joint emergency operations center and a joint two-way radio communications system. The City and County have an ongoing financial responsibility in that the City and County have agreed to equally provide any necessary funding for the HRECC. In fiscal year 2021, the City’s contributions totaled \$3,123,768. These contributions are made from the General Fund. The City and County have equal undivided interests in any property purchased or used by the HRECC. The HRECC currently operates using certain

Note 20. Joint Ventures (continued)

capital assets of the City and County; however, the HRECC is responsible for the maintenance of these assets. To obtain a copy of the audited financial statements, contact the City of Harrisonburg Department of Finance, 409 South Main Street, Harrisonburg, Virginia 22801.

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

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Increase (Decrease)</u>
Current assets	\$ 4,513,603	\$ 3,107,109	\$ 1,406,494
Capital assets	<u>7,316,487</u>	<u>7,985,569</u>	<u>(669,082)</u>
Total assets	<u>11,830,090</u>	<u>11,092,678</u>	<u>737,412</u>
Deferred outflows of resources	<u>927,701</u>	<u>496,725</u>	<u>430,976</u>
Current liabilities	346,146	317,080	29,066
Long-term liabilities	<u>3,586,122</u>	<u>2,559,824</u>	<u>1,026,298</u>
Total liabilities	<u>3,932,268</u>	<u>2,876,904</u>	<u>1,055,364</u>
Deferred inflows of resources	<u>30,859</u>	<u>152,437</u>	<u>(121,578)</u>
Net position	<u>\$ 8,794,664</u>	<u>\$ 8,560,062</u>	<u>\$ 234,602</u>

Note 21. Jointly Governed Organizations

Harrisonburg-Rockingham Social Services District (District). The District was established by the City and the County of Rockingham (County) to provide social services for the residents of the City and County. Both the City and County appoint one member each to the governing board. The District is a separate legal entity and is a discretely presented component unit of the County. The City contributed \$3,826,311 to the District in fiscal year 2021.

Shenandoah Valley Juvenile Center Commission (Commission). The Commission was established to provide a regional juvenile detention home. The Commission currently serves the Cities of Harrisonburg, Staunton, Waynesboro and Lexington, Virginia and the Counties of Augusta, Rockingham and Rockbridge, Virginia. The governing body is composed of one member appointed by each participating locality. The Commission is a separate legal entity with no participating locality having a voting majority. The Commission is perpetual and no participating locality has access to its resources or surpluses, nor is any participant liable for the Commission's debts or deficits. The City contributed \$226,896 to the Commission in fiscal year 2021.

Middle River Regional Jail Authority (Authority). The Authority was established to provide a regional inmate facility for the member jurisdictions. The Authority currently serves the Cities of Harrisonburg, Staunton and Waynesboro, Virginia and the Counties of Augusta and Rockingham, Virginia. The governing body is composed of three members appointed by each participating locality. The Authority is a separate legal entity with no participating locality having a voting majority. The Authority is perpetual, and no participating locality has access to its resources or surpluses, nor is any participant liable for the Authority's debts or deficits. In accordance with a service agreement, the Authority will divide its charges to member jurisdictions into an operating and debt service component which will be allocated annually based on the percentage of prisoners from each member jurisdiction over the previous three calendar years. The City and County's annual contribution percentage will be combined based on the total number of prisoners between the two jurisdictions with the City and County each responsible for 50 percent of the contribution. The City contributed \$1,851,083 to the Authority in fiscal year 2021 of which \$1,561,308 was for operations and \$289,775 was for debt service.

Note 22. Related Organization

The City created the Harrisonburg Redevelopment and Housing Authority (Authority) to provide low-income housing to the residents of the City. The Authority is a separate legal entity and is governed by five commissioners who are appointed solely by the City Council. The City does not have an ongoing financial interest or responsibility to the Authority.

Note 23. Commitments

The Harrisonburg City School Board (School Board) entered into an agreement pursuant to the Virginia Public-Private Education and Infrastructure Act (PPEA) for the construction of a second high school. The PPEA agreement totals \$98.1 million, of which \$8.7 million had been expended as of June 30, 2021. This contract is a commitment of the School Bond Capital Projects Fund and will be financed through the issuance of bonds.

The City has construction contracts outstanding for the construction of the Garbers Church Road shared use path and Cale Trail. The contracts total \$2.7 million, of which \$467,000 had been expended as of June 30, 2021. These contracts are commitments of the General Capital Projects Fund and are being financed through transfers from the General Fund and intergovernmental revenue from the State of Virginia.

The following is a summary of significant encumbrances at June 30, 2021.

	General Fund	General Capital Projects Fund	Total
Replacement vehicles	\$ 656,342	\$ -	\$ 656,342
Street repaving	380,905	-	380,905
Athletic field complex fencing	154,685	-	154,685
Software renewal	140,975	-	140,975
Economic development incentive grant	100,000	-	100,000
Downtown mater plan	89,665	-	89,665
Zoning and subdivision ordinance update	86,168	-	86,168
Firefighter turnout gear	74,513	-	74,513
Garbers Church Road shared use path	-	946,251	946,251
Other purposes	476,550	172,351	648,901
	<u>476,550</u>	<u>172,351</u>	<u>648,901</u>
Total encumbrances	<u>\$ 2,159,803</u>	<u>\$ 1,118,602</u>	<u>\$ 3,278,405</u>

Note 24. Middle River Regional Jail Buy-In Agreement

The City, along with Rockingham County (County), entered into a buy-in agreement with Augusta County, the City of Staunton and the City of Waynesboro in which the City and County have agreed to purchase from the existing member jurisdictions the right to use capacity in the jail and become member jurisdictions of the Authority for \$21,543,588 effective July 1, 2015. The City is responsible for \$10,771,794 or 50 percent of the purchase price. The terms of the agreement required a payment of ten percent of the purchase price prior to June 30, 2015 with the balance of the purchase price payable in ten annual installments of \$1,076,298 commencing December 15, 2015. At June 30, 2021, the City has recorded an intangible asset for the purchased capacity of the jail in the amount of \$8,617,435 (net of depreciation) and a liability of \$4,081,401 in governmental activities on the government-wide statement of net position.

Note 25. Hotel and Conference Center

The City has entered into a Memorandum of Understanding (MOU) and associated documents with the Harrisonburg Economic Development Authority (EDA), James Madison University (JMU), dpM Partners, LLC (Developer) and the James Madison University Foundation, Inc. (Foundation) for the construction of a hotel and conference center by the Developer on the campus of JMU. The Developer has financed and owns the hotel portion of the project while the Foundation financed the conference center portion of the project with the Developer retaining ownership of the conference center. The real estate occupied by the hotel and conference center will continue to be owned by JMU and leased to the Developer.

The City has entered into a support agreement with the EDA whereas the City has agreed to a non-binding moral obligation pledge to appropriate all tax and other revenue generated from the hotel and conference center to the EDA to the extent necessary to reimburse the Foundation for its annual debt payments and the EDA has a non-recourse note to pay to the Foundation such appropriated funds received from the City and generated by tax revenue from the hotel and conference center. The pledged tax revenue will be calculated every September 1. The agreement remains in force for a maximum of 21 years from the date of the Certificate of Occupancy. The City's obligation terminates upon the repayment of the Foundation's construction debt or if the hotel and conference center ceases operations for one year. The agreement does not legally obligate the City for any debt incurred by the Foundation. The conference center portion of the project cost an estimated \$11 million. The City's reimbursement obligation to the EDA totaled \$845,290 for fiscal year 2021.

Note 26. Contingencies

All major federal programs and certain other programs in which the City participates were tested, by our auditors, for compliance with applicable grant requirements pursuant to the provisions of the U.S. Office of Management and Budget's Uniform Guidance. While no material matters of noncompliance were disclosed by the audit, the Federal Government may subject grant programs to additional compliance tests, which may result in disallowed expenditures. In the opinion of management, any future disallowance of current grant program expenditures, if any, would be immaterial.

The City may be subject to other legal proceedings and claims which arise in the ordinary course of business. In the opinion of management, the ultimate outcome of the claims and litigation, if any, will not have a material adverse effect on the City's financial position.

The City has certain debt instruments subject to arbitrage rebate calculations. In the opinion of management, there will be no material amounts required to be rebated.

As stated previously, HEC purchases electrical energy indirectly from Dominion Virginia Power (Dominion) through the Virginia Municipal Electric Association (VMEA) and resells it to city residents. In calendar year 2020, Due to the passing of the Virginia Clean Economy Act by the Virginia General Assembly, Dominion wrote off, through a depreciation account in its FERC Form 1, approximately \$747.3 million as a result of the closing of several of its fossil fueled generating plants. Accordingly, due to the large lump sum write off in the power cost calculations, Dominion has proposed an additional \$6 million payment from HEC. The VMEA Board of Directors has disputed the accounting methodology of this charge as recorded in Dominion's FERC Form 1 filing and have been in discussions with Dominion about the additional payment. As a result of these ongoing discussions, HEC has not recognized this \$6 million as a liability in its financial statements.

Note 27. Risk Management

The City is a member of the Virginia Risk Sharing Association (VRSA) for vehicles, property, inland marine, EDP, flood, general liability, line of duty, workman's compensation, cybersecurity and boiler and machinery. Each VRSA member jointly and severally agrees to assume, pay and discharge any liability. The City makes contributions and assessments into a designated cash reserve fund. This reserve fund is used to pay claims and awards, as well as,

Note 27. Risk Management (continued)

expenses incurred by VRSA. In the event of a loss deficit and depletion of all available excess reserves, VRSA may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs. However, since the inception of this insurance association, no additional assessments have been required. There has been no reduction in insurance coverage from coverage in the prior year. Insurance settlements have not exceeded insurance coverage for each of the past three fiscal years. The City insures its transit buses through the Virginia Transit Liability Pool.

The City is self-insured for health insurance purposes and has retained Anthem Blue Cross and Blue Shield to administer the program. The City currently reports these activities in the Health Insurance Fund, which is an internal service fund. This fund serves the City, primary government; Harrisonburg School Board and Harrisonburg Electric Commission, component units. Other external agencies also participate in the health insurance including Harrisonburg-Rockingham Emergency Communications Center, Harrisonburg-Rockingham Community Services Board, Harrisonburg-Rockingham Regional Sewer Authority, Harrisonburg-Rockingham Alcohol Safety Action Program, Harrisonburg Redevelopment and Housing Authority and the Massanutten Regional Library. This fund accounts for the health insurance activities of the aforementioned entities but does not constitute a transfer of risk from the City. Significant claims, over \$250,000, are covered by commercial insurance.

The City records an estimated liability for indemnity health care claims. Claims liabilities are based on estimates of the ultimate cost of reported claims, related claim adjustment expenses and an estimate for claims incurred but not reported (IBNR) based on historical experience. The following represents the change in approximate aggregate liabilities for the fund from July 1, 2019 to June 30, 2021:

<u>Fiscal Year</u>	<u>Beginning Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Ending Liability</u>
2021	\$ 629,264	\$ 17,633,090	\$ 17,626,475	\$ 635,879
2020	1,331,698	15,098,382	15,800,816	629,264

Note 28. Restatement of Beginning Net Positions

The beginning net positions of the School Board, a component unit, on the statement of activities and the fiduciary funds (custodial funds) on the statement of changes in fiduciary net position have been restated. The following is a summary of the restatements made to the beginning net positions.

	<u>Component Unit</u> <u>School Board</u>	<u>Fiduciary Funds</u> <u>Custodial Funds</u>
Net position at the beginning of year, as previously reported	\$ (21,151,556)	\$ -
Restatement for:		
Inclusion of the financial activity of the School Activity Fund	716,296	-
Effect of GASB 84 implementation	-	2,909,870
Net position at the beginning of year, as restated	<u>\$ (20,435,260)</u>	<u>\$ 2,909,870</u>

Note 29. Subsequent Event

On August 31, 2021, the City issued \$159.4 million in General Obligation Public Improvement and Refunding Bonds, Series 2021A&B. \$109.3 million of these bonds were issued for the construction of a new second high school and for the construction of a waterline and other infrastructure related to the City's eastern source water supply project. Additionally, the City issued \$50.1 million to refund numerous outstanding bond issues.

Note 30. COVID-19 Pandemic

In March 2020, the World Health Organization (WHO) classified a new strain of coronavirus (COVID-19) as a worldwide pandemic based on the rapid increase in exposure globally. In January 2021, the WHO announced a global emergency due to a new variant of COVID-19 which continues to spread globally. The full impact of the COVID-19 pandemic and the new variant continues to evolve as of the date of this report. Management has been actively monitoring and will continue to actively monitor the impact the COVID-19 pandemic continues to have on the City's community and on the City's financial condition and operations. As such, it is uncertain as to the full magnitude the pandemic may have on the City's financial condition and future operations. Due to the daily evolution of this pandemic, the City is unable to estimate the effects of the COVID-19 pandemic on its financial condition and operations for fiscal year 2022.

Note 31. New Governmental Accounting Standards Board (GASB) Standards

The GASB issues new financial reporting standards on an ongoing basis. The following are summaries of new standards that may be applicable to the City. Management has not yet determined the effects, if any, these standards will have on the City's financial statements. The effective dates below have been updated based on GASB Statement No. 95, *Postponement of the Effective Date of Certain Authoritative Guidance* due to the COVID-19 pandemic.

In June 2017, the GASB issued Statement No. 87, *Leases*. This Statement improves and establishes accounting and financial reporting standards for leases by governments. This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. This statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The provisions of this Statement are effective for fiscal year 2022.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. This Statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practices with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The provisions of this Statement are effective for fiscal year 2023.

In January 2020, the GASB issued Statement No. 92, *Omnibus*. This Statement enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have identified during implementation and application of certain GASB Statements. Certain provisions of this Statement are effective immediately and others for fiscal year 2022.

In March 2020, the GASB issued Statement No. 94, *Public-Private Partnerships and Availability Payment Arrangements*. This Statement improves financial reporting by addressing issues related to public-private and public-public partnership arrangements. The provisions of this Statement are effective for fiscal year 2023.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements for government end users. The provisions of this Statement are effective for fiscal year 2023.

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*. This Statement provides a more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans and other employee benefit plans, while mitigating the costs associated with reporting those plans. Certain provisions of this Statement are effective immediately and others for fiscal year 2022.

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**REQUIRED
SUPPLEMENTARY INFORMATION**

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CITY OF HARRISONBURG, VIRGINIA
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
PRIMARY GOVERNMENT AND HARRISONBURG ELECTRIC COMMISSION
Last Seven Plan Years

	Plan Year						
	2020	2019	2018	2017	2016	2015	2014
Total pension liability							
Service cost	\$ 3,453,675	\$ 3,004,555	\$ 2,927,437	\$ 3,022,461	\$ 3,026,951	\$ 2,906,016	\$ 2,799,358
Interest	10,204,291	9,842,472	9,390,900	9,266,705	8,791,188	8,375,607	7,980,324
Difference between expected and actual experience	3,398,610	307,442	399,173	(2,778,869)	1,637,704	173,707	-
Changes of assumptions	-	4,589,190	-	(1,001,160)	-	-	-
Benefit payments, including refunds of employee contributions	(7,624,250)	(7,217,461)	(6,175,039)	(6,597,062)	(5,552,156)	(5,214,037)	(4,954,890)
Other changes	(1,532,053)	173,692	503,292	(346,983)	(591,727)	(181,986)	44,008
Net change in total pension liability	7,900,273	10,699,890	7,045,763	1,565,092	7,311,960	6,059,307	5,868,800
Total pension liability - beginning	154,988,880	144,288,990	137,243,227	135,678,135	128,366,175	122,306,868	116,438,068
Total pension liability - ending	\$ 162,889,153	\$ 154,988,880	\$ 144,288,990	\$ 137,243,227	\$ 135,678,135	\$ 128,366,175	\$ 122,306,868
Plan fiduciary net position							
Contributions - employer	\$ 3,400,953	\$ 3,314,021	\$ 3,283,365	\$ 3,208,670	\$ 3,431,172	\$ 3,421,755	\$ 3,240,732
Contributions - employee	1,517,735	1,453,193	1,420,715	1,443,412	1,366,616	1,346,545	1,327,453
Net investment income	2,457,142	8,180,371	8,554,332	12,766,065	1,833,241	4,629,283	13,820,151
Benefit payments, including refunds of employee contributions	(7,624,250)	(7,217,461)	(6,175,039)	(6,597,062)	(5,552,156)	(5,214,037)	(4,954,890)
Administrative expense	(84,285)	(81,275)	(73,671)	(74,175)	(65,026)	(62,898)	(74,068)
Other changes	(1,201,380)	137,781	421,975	(304,054)	(460,018)	(149,841)	33,750
Net change in fiduciary net position	(1,534,085)	5,786,630	7,431,677	10,442,856	553,829	3,970,807	13,393,128
Plan fiduciary net position - beginning	128,946,526	123,159,896	115,728,219	105,285,363	104,731,534	100,760,727	87,367,599
Plan fiduciary net position - ending	\$ 127,412,441	\$ 128,946,526	\$ 123,159,896	\$ 115,728,219	\$ 105,285,363	\$ 104,731,534	\$ 100,760,727
Change in net pension liability	\$ 9,434,358	\$ 4,913,260	\$ (385,914)	\$ (8,877,764)	\$ 6,758,131	\$ 2,088,500	\$ (7,524,328)
Net pension liability - beginning	26,042,354	21,129,094	21,515,008	30,392,772	23,634,641	21,546,141	29,070,469
Net pension liability - ending	\$ 35,476,712	\$ 26,042,354	\$ 21,129,094	\$ 21,515,008	\$ 30,392,772	\$ 23,634,641	\$ 21,546,141
Plan fiduciary net position as a percentage of the total pension liability	78.22%	83.20%	85.36%	84.32%	77.60%	81.59%	82.38%
Covered payroll	\$ 31,292,489	\$ 30,041,564	\$ 28,492,059	\$ 27,653,817	\$ 27,055,004	\$ 26,909,663	\$ 25,811,638
Net pension liability as a percentage of covered payroll	113.37%	86.69%	74.16%	77.80%	112.34%	87.83%	83.47%

The plan years above are reported in the financial statements in the fiscal year following the plan year. For example, plan year 2019 information was presented in the fiscal year 2020 financial statements.

Current financial reporting standards require ten years of required supplementary information. However, fiscal year 2015 (plan year 2014) was the first year that information was available. Additional years will be included as they become available.

CITY OF HARRISONBURG, VIRGINIA
 SCHEDULE OF PENSION CONTRIBUTIONS
 PRIMARY GOVERNMENT AND HARRISONBURG ELECTRIC COMMISSION
 Last Seven Fiscal Years

	Fiscal Year						
	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 3,828,198	\$ 3,401,771	\$ 3,296,137	\$ 3,283,363	\$ 3,207,887	\$ 3,431,172	\$ 3,421,755
Contributions in relation to the contractually required contribution	3,828,198	3,401,771	3,296,137	3,283,363	3,207,887	3,431,172	3,421,755
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 30,883,351	\$ 31,292,489	\$ 30,041,564	\$ 28,492,059	\$ 27,653,817	\$ 27,055,004	\$ 26,909,663
Contributions as a percentage of covered payroll	12.40%	10.87%	10.97%	11.52%	11.60%	12.68%	12.72%

Current financial reporting standards require ten years of required supplementary information. However, fiscal year 2015 was the first year that information was available. Additional years will be included as they become available.

CITY OF HARRISONBURG, VIRGINIA
 SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
 SCHOOL BOARD NON-PROFESSIONAL EMPLOYEES
 Last Seven Plan Years

Exhibit 15

	Plan Year						
	2020	2019	2018	2017	2016	2015	2014
Total pension liability	\$ 220,684	\$ 211,475	\$ 201,048	\$ 199,527	\$ 204,651	\$ 211,969	\$ 215,283
Service cost	523,147	501,885	486,490	479,180	470,931	452,999	431,841
Interest	35,135	39,455	(115,580)	(180,228)	(161,984)	6,161	-
Difference between expected and actual experience	-	199,487	-	(31,097)	-	-	-
Changes of assumptions	(373,425)	(370,087)	(333,991)	(391,895)	(399,639)	(430,270)	(259,447)
Benefit payments, including refunds of employee contributions	405,541	582,215	237,967	75,487	113,959	240,859	387,677
Net change in total pension liability	7,937,040	7,354,825	7,116,858	7,041,371	6,927,412	6,686,553	6,298,876
Total pension liability - beginning	8,342,581	7,937,040	7,354,825	7,116,858	7,041,371	6,927,412	6,686,553
Total pension liability - ending							
Plan fiduciary net position	\$ 74,576	\$ 76,225	\$ 91,985	\$ 84,555	\$ 131,249	\$ 132,185	\$ 156,508
Contributions - employer	110,067	107,536	101,840	92,741	92,983	93,767	97,148
Contributions - employee	163,050	543,586	573,959	860,467	121,916	320,003	971,483
Net investment income	(373,425)	(370,087)	(333,991)	(391,895)	(399,639)	(430,270)	(259,447)
Benefit payments, including refunds of employee contributions	(5,602)	(5,434)	(4,976)	(5,077)	(4,533)	(4,518)	(5,184)
Administrative expense	(192)	(342)	(510)	(761)	(52)	(69)	51
Other changes	(31,526)	351,484	428,307	640,030	(58,076)	111,098	960,559
Net change in fiduciary net position	8,568,326	8,216,842	7,788,535	7,148,505	7,206,581	7,095,483	6,134,924
Plan fiduciary net position - beginning	8,536,800	8,568,326	8,216,842	7,788,535	7,148,505	7,206,581	7,095,483
Plan fiduciary net position - ending							
Change in net pension liability	\$ 437,067	\$ 230,731	\$ (190,340)	\$ (564,543)	\$ 172,035	\$ 129,761	\$ (572,882)
Net pension liability (asset) - beginning	(631,286)	(862,017)	(671,677)	(107,134)	(279,169)	(408,930)	163,952
Net pension liability (asset) - ending	(194,219)	(631,286)	(862,017)	(671,677)	(107,134)	(279,169)	(408,930)
Plan fiduciary net position as a percentage of the total pension liability	102.33%	107.95%	111.72%	109.44%	101.52%	104.03%	106.12%
Covered payroll	\$ 2,396,448	\$ 2,319,940	\$ 2,157,068	\$ 1,956,491	\$ 1,927,977	\$ 1,921,153	\$ 1,941,438
Net pension liability as a percentage of covered payroll	-8.10%	-27.21%	-39.96%	-34.33%	-5.56%	-14.53%	-21.06%

The plan years above are reported in the financial statements in the fiscal year following the plan year. For example, plan year 2019 information was presented in the fiscal year 2020 financial statements.

Current financial reporting standards require ten years of required supplementary information. However, fiscal year 2015 (plan year 2014) was the first year that information was available. Additional years will be included as they become available.

CITY OF HARRISONBURG, VIRGINIA
 SCHEDULE OF PENSION CONTRIBUTIONS
 SCHOOL BOARD NON-PROFESSIONAL EMPLOYEES
 Last Seven Fiscal Years

	Fiscal Year						
	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 80,951	\$ 77,314	\$ 76,755	\$ 91,974	\$ 86,379	\$ 131,459	\$ 132,185
Contributions in relation to the contractually required contribution	80,951	77,314	76,755	91,974	86,379	131,459	132,185
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 2,448,251	\$ 2,396,448	\$ 2,319,940	\$ 2,157,068	\$ 1,956,491	\$ 1,927,977	\$ 1,921,153
Contributions as a percentage of covered payroll	3.31%	3.23%	3.31%	4.26%	4.41%	6.82%	6.88%

Current financial reporting standards require ten years of required supplementary information. However, fiscal year 2015 was the first year that information was available. Additional years will be included as they become available.

CITY OF HARRISONBURG, VIRGINIA
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 SCHOOL BOARD TEACHER COST-SHARING POOL
 Last Seven Plan Years

	Plan Year						
	2020	2019	2018	2017	2016	2015	2014
Proportion of the net pension liability	0.49887%	0.49235%	0.48893%	0.47233%	0.45714%	0.44562%	0.44712%
Proportionate share of the net pension liability	\$ 72,598,687	\$ 64,796,058	\$ 57,498,000	\$ 58,087,000	\$ 64,064,000	\$ 56,088,000	\$ 54,033,000
Covered payroll	\$ 43,896,061	\$ 41,532,512	\$ 39,699,504	\$ 37,191,094	\$ 34,585,344	\$ 33,237,754	\$ 32,684,093
Proportionate share of the net pension liability as a percentage of its covered payroll	165.39%	156.01%	144.83%	156.19%	185.23%	168.75%	165.32%
Plan fiduciary net position as a percentage of the total pension liability	71.47%	73.51%	74.81%	72.92%	68.28%	70.68%	70.88%

The plan years above are reported in the financial statements in the fiscal year following the plan year. For example, plan year 2019 information was presented in the fiscal year 2020 financial statements.

Current financial reporting standards require ten years of required supplementary information. However, fiscal year 2015 (plan year 2014) was the first year that information was available. Additional years will be included as they become available.

CITY OF HARRISONBURG, VIRGINIA
 SCHEDULE OF PENSION CONTRIBUTIONS
 SCHOOL BOARD TEACHER COST-SHARING POOL
 Last Seven Fiscal Years

	Fiscal Year						
	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 7,118,376	\$ 6,629,088	\$ 6,309,660	\$ 6,173,973	\$ 5,307,792	\$ 4,835,653	\$ 4,676,599
Contributions in relation to the contractually required contribution	7,118,376	6,629,088	6,309,660	6,173,973	5,307,792	4,835,653	4,676,599
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 44,809,249	\$ 43,896,061	\$ 41,532,512	\$ 39,699,504	\$ 37,191,094	\$ 34,585,344	\$ 33,237,754
Contributions as a percentage of covered payroll	15.89%	15.10%	15.19%	15.55%	14.27%	13.98%	14.07%

Current financial reporting standards require ten years of required supplementary information. However, fiscal year 2015 was the first year that information was available. Additional years will be included as they become available.

SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY

PRIMARY GOVERNMENT AND HARRISONBURG ELECTRIC COMMISSION VRS GROUP LIFE INSURANCE PROGRAM

Last Four Plan Years

	Plan Year			
	2020	2019	2018	2017
Proportion of the net OPEB liability	0.15215%	0.15365%	0.14999%	0.14998%
Proportionate share of the net OPEB liability	\$ 2,515,130	\$ 2,502,491	\$ 2,286,723	\$ 2,251,536
Covered payroll	\$ 31,292,489	\$ 30,041,564	\$ 28,492,059	\$ 27,653,817
Proportionate share of the net OPEB liability as a percentage of its covered payroll	8.04%	8.33%	8.03%	8.14%
Plan fiduciary net position as a percentage of the total OPEB liability	52.64%	52.00%	51.22%	48.86%

The plan years above are reported in the financial statements in the fiscal year following the plan year. For example, plan year 2019 information was presented in the fiscal year 2020 financial statements.

Current financial reporting standards require ten years of required supplementary information. However, fiscal year 2018 (plan year 2017) was the first year that information was available. Additional years will be included as they become available.

CITY OF HARRISONBURG, VIRGINIA
 SCHEDULE OF OPEB CONTRIBUTIONS

Exhibit 20

PRIMARY GOVERNMENT AND HARRISONBURG ELECTRIC COMMISSION VRS GROUP LIFE INSURANCE PROGRAM
 Last Four Fiscal Years

	Fiscal Year			
	2021	2020	2019	2018
Contractually required contribution	\$ 165,828	\$ 164,163	\$ 157,904	\$ 149,509
Contributions in relation to the contractually required contribution	165,828	164,163	157,904	149,509
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 30,883,351	\$ 31,292,489	\$ 30,041,564	\$ 28,492,059
Contributions as a percentage of covered payroll	0.54%	0.52%	0.52%	0.52%

Current financial reporting standards require ten years of required supplementary information. However, fiscal year 2018 was the first year that information was available. Additional years will be included as they become available.

CITY OF HARRISONBURG, VIRGINIA
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
SCHOOL BOARD VRS GROUP LIFE INSURANCE PROGRAM
Last Four Plan Years

Exhibit 21

	Plan Year			
	2020	2019	2018	2017
Proportion of the net OPEB liability	0.22503%	0.22371%	0.22044%	0.21406%
Proportionate share of the net OPEB liability	\$ 3,755,382	\$ 3,640,357	\$ 3,347,000	\$ 3,221,000
Covered payroll	\$ 46,312,246	\$ 43,852,452	\$ 41,916,791	\$ 39,484,045
Proportionate share of the net OPEB liability as a percentage of its covered payroll	8.11%	8.30%	7.98%	8.16%
Plan fiduciary net position as a percentage of the total OPEB liability	52.64%	52.00%	51.22%	48.86%

The plan years above are reported in the financial statements in the fiscal year following the plan year. For example, plan year 2019 information was presented in the fiscal year 2020 financial statements.

Current financial reporting standards require ten years of required supplementary information. However, fiscal year 2018 (plan year 2017) was the first year that information was available. Additional years will be included as they become available.

CITY OF HARRISONBURG, VIRGINIA
SCHEDULE OF OPEB CONTRIBUTIONS
SCHOOL BOARD VRS GROUP LIFE INSURANCE PROGRAM
Last Four Fiscal Years

Exhibit 22

	Fiscal Year			
	2021	2020	2019	2018
Contractually required contribution	\$ 255,191	\$ 240,824	\$ 228,033	\$ 217,967
Contributions in relation to the contractually required contribution	255,191	240,824	228,033	217,967
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 47,257,500	\$ 46,312,246	\$ 43,852,452	\$ 41,916,791
Contributions as a percentage of covered payroll	0.54%	0.52%	0.52%	0.52%

Current financial reporting standards require ten years of required supplementary information. However, fiscal year 2018 was the first year that information was available. Additional years will be included as they become available.

CITY OF HARRISONBURG, VIRGINIA
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
SCHOOL BOARD TEACHER COST-SHARING VRS HEALTH INSURANCE CREDIT PROGRAM
Last Four Plan Years

Exhibit 23

	Plan Year			
	2020	2019	2018	2017
Proportion of the net OPEB liability	0.50071%	0.49516%	0.49147%	0.47489%
Proportionate share of the net OPEB liability	\$ 6,531,844	\$ 6,482,126	\$ 6,240,000	\$ 6,025,000
Covered payroll	\$ 43,896,061	\$ 41,532,512	\$ 39,747,031	\$ 37,191,094
Proportionate share of the net OPEB liability as a percentage of its covered payroll	14.88%	15.61%	15.70%	16.20%
Plan fiduciary net position as a percentage of the total OPEB liability	9.95%	8.97%	8.08%	7.04%

The plan years above are reported in the financial statements in the fiscal year following the plan year. For example, plan year 2019 information was presented in the fiscal year 2020 financial statements.

Current financial reporting standards require ten years of required supplementary information. However, fiscal year 2018 (plan year 2017) was the first year that information was available. Additional years will be included as they become available.

CITY OF HARRISONBURG, VIRGINIA
SCHEDULE OF OPEB CONTRIBUTIONS
SCHOOL BOARD TEACHER COST-SHARING VRS HEALTH INSURANCE CREDIT PROGRAM
Last Four Fiscal Years

Exhibit 24

	Fiscal Year			
	2021	2020	2019	2018
Contractually required contribution	\$ 542,192	\$ 526,753	\$ 498,390	\$ 488,888
Contributions in relation to the contractually required contribution	542,192	526,753	498,390	488,888
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 44,809,249	\$ 43,896,061	\$ 41,532,512	\$ 39,747,031
Contributions as a percentage of covered payroll	1.21%	1.20%	1.20%	1.23%

Current financial reporting standards require ten years of required supplementary information. However, fiscal year 2018 was the first year that information was available. Additional years will be included as they become available.

CITY OF HARRISONBURG, VIRGINIA
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
SCHOOL BOARD NON-PROFESSIONAL EMPLOYEES VRS HEALTH INSURANCE CREDIT PROGRAM
First Plan Year

Exhibit 25

	<u>Plan Year</u>
	<u>2020</u>
Total OPEB liability	
Service cost	\$ -
Interest	-
Changes of benefit terms	183,944
Difference between expected and actual experience	-
Benefit payments, including refunds of employee contributions	-
Net change in total OPEB liability	<u>183,944</u>
Total OPEB liability - beginning	-
Total OPEB liability - ending	<u>\$ 183,944</u>
Plan fiduciary net position	
Contributions - employer	\$ -
Contributions - employee	-
Net investment income	-
Benefit payments, including refunds of employee contributions	-
Administrative expense	-
Other changes	-
Net change in fiduciary net position	<u>-</u>
Plan fiduciary net position - beginning	-
Plan fiduciary net position - ending	<u>\$ -</u>
Change in net OPEB liability	\$ 183,944
Net OPEB liability (asset) - beginning	-
Net OPEB liability (asset) - ending	<u>\$ 183,944</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%
Covered-employee payroll	\$ 2,396,448
Net OPEB liability as a percentage of covered-employee payroll	7.68%

The plan years above are reported in the financial statements in the fiscal year following the plan year. For example, plan year 2020 information was presented in the fiscal year 2021 financial statements.

Current financial reporting standards require ten years of required supplementary information. However, fiscal year 2021 (plan year 2020) was the first year that this plan was available. Additional years will be included as they become available.

CITY OF HARRISONBURG, VIRGINIA
SCHEDULE OF OPEB CONTRIBUTIONS
SCHOOL BOARD NON-PROFESSIONAL EMPLOYEES VRS HEALTH INSURANCE CREDIT PROGRAM
First Fiscal Year

Exhibit 26

	<u>Fiscal Year</u>
	<u>2021</u>
Actuarially determined contribution	\$ 17,138
Contributions in relation to the actuarially determined contribution	17,138
Contribution deficiency (excess)	\$ <u><u>-</u></u>
Covered-employee payroll	\$ 2,448,251
Contributions as a percentage of covered-employee payroll	0.70%

Current financial reporting standards require ten years of required supplementary information. However, fiscal year 2021 was the first year that this plan was available. Additional years will be included as they become available.

CITY OF HARRISONBURG, VIRGINIA
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
PRIMARY GOVERNMENT LOCAL HEALTH INSURANCE PROGRAM
Last Four Plan Years

Exhibit 27

	Plan Year			
	2020	2019	2018	2017
Total OPEB liability				
Service cost	\$ 634,950	\$ 604,714	\$ 417,069	\$ 397,209
Interest	317,734	235,404	263,792	253,632
Difference between expected and actual experience	-	2,577,043	-	-
Changes of assumptions	-	(413,527)	-	-
Benefit payments	<u>(496,489)</u>	<u>(445,448)</u>	<u>(346,085)</u>	<u>(323,444)</u>
Net change in total OPEB liability	456,195	2,558,186	334,776	327,397
Total OPEB liability - beginning	<u>11,249,852</u>	<u>8,691,666</u>	<u>8,356,890</u>	<u>8,029,493</u>
Total OPEB liability - ending	<u>\$ 11,706,047</u>	<u>\$ 11,249,852</u>	<u>\$ 8,691,666</u>	<u>\$ 8,356,890</u>
Covered-employee payroll	\$ 28,056,808	\$ 26,874,560	\$ 25,454,327	\$ 24,715,319
Total OPEB liability as a percentage of covered-employee payroll	41.72%	41.86%	34.15%	33.81%

The plan years above are reported in the financial statements in the fiscal year following the plan year. For example, plan year 2019 information was presented in the fiscal year 2020 financial statements.

Current financial reporting standards require ten years of required supplementary information. However, fiscal year 2018 (plan year 2017) was the first year that information was available. Additional years will be included as they become available.

CITY OF HARRISONBURG, VIRGINIA
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
SCHOOL BOARD LOCAL HEALTH INSURANCE PROGRAM
Last Four Plan Years

Exhibit 28

	Plan Year			
	2020	2019	2018	2017
Total OPEB liability				
Service cost	\$ 950,447	\$ 905,188	\$ 640,131	\$ 609,649
Interest	345,273	288,277	324,811	318,768
Difference between expected and actual experience	-	1,574,768	-	-
Changes of assumptions	-	(583,415)	-	-
Benefit payments	<u>(770,630)</u>	<u>(691,406)</u>	<u>(765,839)</u>	<u>(715,737)</u>
Net change in total OPEB liability	525,090	1,493,412	199,103	212,680
Total OPEB liability - beginning	<u>12,195,570</u>	<u>10,702,158</u>	<u>10,503,055</u>	<u>10,290,375</u>
Total OPEB liability - ending	<u>\$ 12,720,660</u>	<u>\$ 12,195,570</u>	<u>\$ 10,702,158</u>	<u>\$ 10,503,055</u>
Covered-employee payroll	\$ 46,292,509	\$ 43,852,452	\$ 41,856,572	\$ 39,147,585
Total OPEB liability as a percentage of covered-employee payroll	27.48%	27.81%	25.57%	26.83%

The plan years above are reported in the financial statements in the fiscal year following the plan year. For example, plan year 2019 information was presented in the fiscal year 2020 financial statements.

Current financial reporting standards require ten years of required supplementary information. However, fiscal year 2018 (plan year 2017) was the first year that information was available. Additional years will be included as they become available.

Note 1. Pension Plans

The Harrisonburg Electric Commission (HEC), a component unit, participates in the City's pension plan. The amounts provided for the primary government includes both the City and HEC's combined pension information.

Changes of Benefit Terms. There have been no significant changes to the Virginia Retirement System (VRS) benefit provisions since the prior actuarial valuation.

Changes of Assumptions. The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

All Others (Non 10 Largest) – Non-Hazardous Duty:

- Updated mortality table to RP-2014 projected to 2020
- Lowered retirement rates at older ages and changed final retirement from 70 to 75
- Adjusted withdrawal rates at each year age and service through 9 years of service
- Decreased disability rates
- Increased line of duty disability rates from 14% to 15%
- Decreased the discount rate from 7% to 6.75%

All Others (Non 10 Largest) – Hazardous Duty:

- Updated mortality table to RP-2014 projected to 2020
- Increased retirement rates at age 50 and lowered rates at older ages
- Adjusted withdrawal rates at each year age and service through 9 years of service
- Adjusted disability rates
- Decreased line of duty disability rates from 60% to 45%
- Decreased the discount rate from 7% to 6.75%

Teacher Cost-Sharing Pool:

- Updated mortality table to RP-2014 projected to 2020
- Lowered retirement rates at older ages and changed final retirement from 70 to 75
- Adjusted withdrawal rates at each year age and service through 9 years of service
- Adjusted disability rates
- Decreased the discount rate from 7% to 6.75%

Note 2. Other Postemployment Benefit Plans

VRS Group Life Insurance Program

The Harrisonburg Electric Commission (HEC), a component unit, participates in the City's Group Life Insurance plan. The amounts provided for the primary government includes both the City and HEC's combined OPEB information.

Changes of Benefit Terms. There have been no significant changes to the Virginia Retirement System (VRS) benefit provisions since the prior actuarial valuation.

Changes of Assumptions. The changes in actuarial assumptions used are substantially the same as described in Note 1.

Note 2. Other Postemployment Benefit Plans (continued)

VRS Health Insurance Credit Program – Teacher Cost-Sharing Pool

Changes of Benefit Terms. There have been no significant changes to the Virginia Retirement System (VRS) benefit provisions since the prior actuarial valuation.

Changes of Assumptions. The changes in actuarial assumptions used are substantially the same as described in Note 1.

VRS Health Insurance Credit Program – Nonprofessional Employees

Changes of Benefit Terms. There have been no significant changes to the Virginia Retirement System (VRS) benefit provisions since the prior actuarial valuation.

Changes of Assumptions. The changes in actuarial assumptions used are substantially the same as described in Note 1.

Local Health Insurance Program

There are no assets accumulated in a trust to pay the related benefits of this program.

Changes of Benefit Terms. There have been no significant changes to the benefit provisions since the prior actuarial valuation.

Changes of Assumptions. The following changes were made to the actuarial assumptions and methods used in the June 30, 2019 actuarial valuation for the City and School Board:

- Decreased the discount rate from 3.13% to 2.79% based on the S&P Municipal Bond 20 Year High Grade Rate Index.
- The medical claims aging table was updated to be based on the aging factors in the Dale Yamamoto study released by the Society of Actuaries in June 2013.
- The assumed healthcare cost trend rate was changed from 7% grading uniformly to an ultimate rate of 5% over eight years to 7.5% grading uniformly to 6.75% over three years and following the Getzen model thereafter until reaching an ultimate rate of 3.94% in the year 2075.
- Mortality, retirement, withdrawal and disability assumptions were changed to be consistent with the most recent VRS report for GASB 68 issued in July 2018.

**OTHER
SUPPLEMENTARY INFORMATION**

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Nonmajor Governmental Funds

Special Revenue Funds

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

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

School Transportation Fund - This fund accounts for the operations of the City's school bus system. Financing is provided by payments for services from the Harrisonburg City School Board. Funding is a committed revenue source and is used only for the operations of the school bus system.

Business Loan Program Fund - This fund accounts for the administration of the Harrisonburg Business Loan Program which is a revolving loan program. This program provides microloans to qualifying local businesses. Financing originally has been provided by the Federal Government along with additional funding from the City.

CITY OF HARRISONBURG, VIRGINIA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
At June 30, 2021

Exhibit A-1

	<u>Special Revenue Funds</u>			<u>Total Nonmajor Governmental Funds</u>
	<u>Community Development Block Grant Fund</u>	<u>School Transportation Fund</u>	<u>Business Loan Program Fund</u>	
Assets				
Cash and cash equivalents	\$ 16	\$ 1,569,372	\$ 188,978	\$ 1,758,366
Receivables	-	513	334	847
Due from component units	-	84,735	-	84,735
Due from other governments	63,707	-	-	63,707
Prepaid expenditures	-	42,826	-	42,826
Loans receivable	-	-	83,359	83,359
Total assets	<u>\$ 63,723</u>	<u>\$ 1,697,446</u>	<u>\$ 272,671</u>	<u>\$ 2,033,840</u>
Liabilities				
Accounts payable	\$ 62,342	\$ 7,803	\$ -	\$ 70,145
Accrued payroll	1,381	179,781	-	181,162
Due to component units	-	1,025	-	1,025
Total liabilities	<u>63,723</u>	<u>188,609</u>	<u>-</u>	<u>252,332</u>
Deferred Inflows of Resources				
Unavailable revenue	-	-	83,359	83,359
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>83,359</u>	<u>83,359</u>
Fund Balances				
Nonspendable	-	42,826	-	42,826
Committed	-	990,250	129,912	1,120,162
Assigned	-	475,761	59,400	535,161
Total fund balances	<u>-</u>	<u>1,508,837</u>	<u>189,312</u>	<u>1,698,149</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 63,723</u>	<u>\$ 1,697,446</u>	<u>\$ 272,671</u>	<u>\$ 2,033,840</u>

CITY OF HARRISONBURG, VIRGINIA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2021

Exhibit A-2

	<u>Special Revenue Funds</u>			<u>Total Nonmajor Governmental Funds</u>
	<u>Community Development Block Grant Fund</u>	<u>School Transportation Fund</u>	<u>Business Loan Program Fund</u>	
Revenues:				
Use of money and property	\$ -	\$ 1,522	\$ 577	\$ 2,099
Charges for services	-	3,853,040	-	3,853,040
Miscellaneous	-	1,572	52,354	53,926
Intergovernmental	650,571	-	-	650,571
Total revenues	<u>650,571</u>	<u>3,856,134</u>	<u>52,931</u>	<u>4,559,636</u>
Expenditures:				
Current:				
Education	-	3,003,753	-	3,003,753
Community development	650,571	-	25,000	675,571
Total expenditures	<u>650,571</u>	<u>3,003,753</u>	<u>25,000</u>	<u>3,679,324</u>
Net change in fund balances	-	852,381	27,931	880,312
Fund balances at beginning of year	-	656,456	161,381	817,837
Fund balances at end of year	<u>\$ -</u>	<u>\$ 1,508,837</u>	<u>\$ 189,312</u>	<u>\$ 1,698,149</u>

SCHOOL TRANSPORTATION FUND

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

For the Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Use of money and property	\$ 2,000	\$ 2,000	\$ 1,522	\$ (478)
Charges for services	3,983,763	3,983,763	3,853,040	(130,723)
Miscellaneous	15,000	15,000	1,572	(13,428)
Total revenues	<u>4,000,763</u>	<u>4,000,763</u>	<u>3,856,134</u>	<u>(144,629)</u>
Expenditures:				
Current:				
Education	4,150,763	4,190,073	3,003,753	1,186,320
Total expenditures	<u>4,150,763</u>	<u>4,190,073</u>	<u>3,003,753</u>	<u>1,186,320</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (150,000)</u>	<u>\$ (189,310)</u>	852,381	<u>\$ (1,330,949)</u>
Fund balance at beginning of year			<u>656,456</u>	
Fund balance at end of year			<u>\$ 1,508,837</u>	

BUSINESS LOAN PROGRAM FUND

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

For the Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Use of money and property	\$ -	\$ -	\$ 577	\$ 577
Miscellaneous	40,000	40,000	52,354	12,354
Total revenues	<u>40,000</u>	<u>40,000</u>	<u>52,931</u>	<u>12,931</u>
Expenditures:				
Current:				
Community development	50,000	50,000	25,000	25,000
Total expenditures	<u>50,000</u>	<u>50,000</u>	<u>25,000</u>	<u>25,000</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (10,000)</u>	<u>\$ (10,000)</u>	27,931	<u>\$ (12,069)</u>
Fund balance at beginning of year			<u>161,381</u>	
Fund balance at end of year			<u>\$ 189,312</u>	

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Internal Service Funds

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

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

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

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

CITY OF HARRISONBURG, VIRGINIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
At June 30, 2021

Exhibit B-1

	<u>Central Garage Fund</u>	<u>Central Stores Fund</u>	<u>Health Insurance Fund</u>	<u>Total</u>
Assets				
Current assets:				
Cash and cash equivalents	\$ 1,158,792	\$ -	\$ 9,349,406	\$ 10,508,198
Receivables	4,515	-	-	4,515
Due from component units	16,134	-	-	16,134
Inventory	57,733	1,100,259	-	1,157,992
Prepaid expenses	20,929	-	-	20,929
Total current assets	<u>1,258,103</u>	<u>1,100,259</u>	<u>9,349,406</u>	<u>11,707,768</u>
Noncurrent assets:				
Capital assets (net of accumulated depreciation)	5,357,180	457,855	-	5,815,035
Total noncurrent assets	<u>5,357,180</u>	<u>457,855</u>	<u>-</u>	<u>5,815,035</u>
Total assets	<u>6,615,283</u>	<u>1,558,114</u>	<u>9,349,406</u>	<u>17,522,803</u>
Deferred outflows of resources				
Deferred OPEB outflows	46,110	4,596	-	50,706
Deferred pension outflows	255,788	34,352	-	290,140
Total deferred outflows of resources	<u>301,898</u>	<u>38,948</u>	<u>-</u>	<u>340,846</u>
Liabilities				
Current liabilities:				
Accounts payable	173,977	568	635,879	810,424
Accrued payroll	38,983	5,033	-	44,016
Due to other funds	-	33,787	-	33,787
Due to component units	2,422	272	-	2,694
Compensated absences	59,439	8,239	-	67,678
Total current liabilities	<u>274,821</u>	<u>47,899</u>	<u>635,879</u>	<u>958,599</u>
Noncurrent liabilities:				
Compensated absences	26,737	6,957	-	33,694
Net OPEB liability	285,350	27,320	-	312,670
Net pension liability	719,719	96,657	-	816,376
Total noncurrent liabilities	<u>1,031,806</u>	<u>130,934</u>	<u>-</u>	<u>1,162,740</u>
Total liabilities	<u>1,306,627</u>	<u>178,833</u>	<u>635,879</u>	<u>2,121,339</u>
Deferred inflows of resources				
Deferred OPEB inflows	7,480	749	-	8,229
Deferred pension inflows	4,309	578	-	4,887
Total deferred inflows of resources	<u>11,789</u>	<u>1,327</u>	<u>-</u>	<u>13,116</u>
Net position				
Net investment in capital assets	5,357,180	457,855	-	5,815,035
Unrestricted	241,585	959,047	8,713,527	9,914,159
Total net position	<u>\$ 5,598,765</u>	<u>\$ 1,416,902</u>	<u>\$ 8,713,527</u>	<u>\$ 15,729,194</u>

CITY OF HARRISONBURG, VIRGINIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended June 30, 2021

Exhibit B-2

	<u>Central Garage Fund</u>	<u>Central Stores Fund</u>	<u>Health Insurance Fund</u>	<u>Total</u>
Operating revenues:				
Charges for services	\$ 3,910,584	\$ 1,408,548	\$ 17,483,583	\$ 22,802,715
Total operating revenues	<u>3,910,584</u>	<u>1,408,548</u>	<u>17,483,583</u>	<u>22,802,715</u>
Operating expenses:				
Personal services	795,116	94,396	-	889,512
Fringe benefits	346,575	49,845	-	396,420
Purchased services	353,115	19,813	615,536	988,464
Internal services	4,469	1,166	-	5,635
Other charges	102,428	3,124	681,515	787,067
Materials and supplies	55,230	12,208	-	67,438
Depreciation	182,083	18,880	-	200,963
Cost of inventory issued	2,286,546	1,408,548	-	3,695,094
Claims related charges	-	-	17,633,090	17,633,090
Total operating expenses	<u>4,125,562</u>	<u>1,607,980</u>	<u>18,930,141</u>	<u>24,663,683</u>
Operating loss	<u>(214,978)</u>	<u>(199,432)</u>	<u>(1,446,558)</u>	<u>(1,860,968)</u>
Nonoperating revenues:				
Miscellaneous revenue	2,150	-	-	2,150
Investment revenue	2,997	-	32,083	35,080
Total nonoperating revenues	<u>5,147</u>	<u>-</u>	<u>32,083</u>	<u>37,230</u>
Loss before transfers	(209,831)	(199,432)	(1,414,475)	(1,823,738)
Transfers in	<u>-</u>	<u>192,260</u>	<u>-</u>	<u>192,260</u>
Change in net position	(209,831)	(7,172)	(1,414,475)	(1,631,478)
Net position at beginning of year	<u>5,808,596</u>	<u>1,424,074</u>	<u>10,128,002</u>	<u>17,360,672</u>
Net position at end of year	<u>\$ 5,598,765</u>	<u>\$ 1,416,902</u>	<u>\$ 8,713,527</u>	<u>\$ 15,729,194</u>

CITY OF HARRISONBURG, VIRGINIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2021

	<u>Central Garage Fund</u>	<u>Central Stores Fund</u>	<u>Health Insurance Fund</u>	<u>Total</u>
Cash flows from operating activities:				
Receipts from customers	\$ 3,912,756	\$ 1,408,548	\$ -	\$ 5,321,304
Receipts from premiums	-	-	17,483,583	17,483,583
Receipts other sources	2,150	-	-	2,150
Payments to employees	(783,655)	(94,616)	-	(878,271)
Payments for fringe benefits	(284,759)	(40,030)	-	(324,789)
Payments to vendors	(2,697,231)	(1,453,980)	(1,297,051)	(5,448,262)
Payments for internal services	(4,469)	(1,166)	-	(5,635)
Payments for claims related charges	-	-	(17,626,475)	(17,626,475)
Net cash provided by (used for) operating activities	<u>144,792</u>	<u>(181,244)</u>	<u>(1,439,943)</u>	<u>(1,476,395)</u>
Cash flows from noncapital financing activities:				
Transfers in	-	192,260	-	192,260
Interfund loan	-	(11,016)	-	(11,016)
Net cash provided by noncapital financing activities	<u>-</u>	<u>181,244</u>	<u>-</u>	<u>181,244</u>
Cash flows from investing activities:				
Interest received	<u>3,163</u>	<u>-</u>	<u>33,435</u>	<u>36,598</u>
Net cash provided by investing activities	<u>3,163</u>	<u>-</u>	<u>33,435</u>	<u>36,598</u>
Net increase (decrease) in cash and cash equivalents	147,955	-	(1,406,508)	(1,258,553)
Cash and cash equivalents:				
Beginning	<u>1,010,837</u>	<u>-</u>	<u>10,755,914</u>	<u>11,766,751</u>
Ending	<u>\$ 1,158,792</u>	<u>\$ -</u>	<u>\$ 9,349,406</u>	<u>\$ 10,508,198</u>

(continued)

CITY OF HARRISONBURG, VIRGINIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2021

	<u>Central Garage Fund</u>	<u>Central Stores Fund</u>	<u>Health Insurance Fund</u>	<u>Total</u>
Reconciliation of operating loss to net cash provided by (used for) operating activities:				
Operating loss	\$ (214,978)	\$ (199,432)	\$ (1,446,558)	\$ (1,860,968)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:				
Depreciation	182,083	18,880	-	200,963
Miscellaneous revenue	2,150	-	-	2,150
Change in assets, deferred outflows of resources, liabilities and deferred inflows of resources:				
(Increase) decrease in:				
Accounts receivable	(2,965)	-	-	(2,965)
Due from component units	5,137	-	-	5,137
Inventory	45,766	14,857	-	60,623
Prepaid expenses	(839)	-	-	(839)
Deferred outflows of resources	(102,328)	(11,319)	-	(113,647)
Increase (decrease) in:				
Accounts payable	38,116	(16,973)	6,615	27,758
Accrued payroll	(2,024)	204	-	(1,820)
Due to component units	(57)	(83)	-	(140)
Compensated absences	14,314	(456)	-	13,858
Net OPEB liability	11,530	963	-	12,493
Net pension liability	210,848	18,540	-	229,388
Deferred inflows of resources	(41,961)	(6,425)	-	(48,386)
Net cash provided by (used for) operating activities	<u>\$ 144,792</u>	<u>\$ (181,244)</u>	<u>\$ (1,439,943)</u>	<u>\$ (1,476,395)</u>

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Custodial Funds

Custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds or private-purpose trust funds.

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

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

CITY OF HARRISONBURG, VIRGINIA
 CUSTODIAL FUNDS
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 At June 30, 2021

Exhibit C-1

	<u>Economic Development Authority Fund</u>	<u>Emergency Communications Center Fund</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 120,231	\$ 3,954,548	\$ 4,074,779
Receivables	685,217	450,040	1,135,257
Prepaid expenses	-	109,015	109,015
Total assets	<u>805,448</u>	<u>4,513,603</u>	<u>5,319,051</u>
Liabilities			
Accounts payable	-	198,280	198,280
Accrued payroll	-	143,612	143,612
Other liabilities	685,217	4,254	689,471
Total liabilities	<u>685,217</u>	<u>346,146</u>	<u>1,031,363</u>
Net Position			
Restricted for other organizations	<u>120,231</u>	<u>4,167,457</u>	<u>4,287,688</u>
Total net position	<u>\$ 120,231</u>	<u>\$ 4,167,457</u>	<u>\$ 4,287,688</u>

CITY OF HARRISONBURG, VIRGINIA
 CUSTODIAL FUNDS
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 At June 30, 2021

Exhibit C-2

	<u>Economic Development Authority Fund</u>	<u>Emergency Communications Center Fund</u>	<u>Total</u>
Additions:			
Funds received for benefit of other organizations	\$ 1,345,680	\$ 7,949,088	\$ 9,294,768
Total additions	<u>1,345,680</u>	<u>7,949,088</u>	<u>9,294,768</u>
Deductions:			
Funds disbursed for benefit of other organizations	<u>1,345,290</u>	<u>6,571,660</u>	<u>7,916,950</u>
Total deductions	<u>1,345,290</u>	<u>6,571,660</u>	<u>7,916,950</u>
Net increase in fiduciary net position	390	1,377,428	1,377,818
Net position at beginning of year, as restated	<u>119,841</u>	<u>2,790,029</u>	<u>2,909,870</u>
Net position at end of year	<u>\$ 120,231</u>	<u>\$ 4,167,457</u>	<u>\$ 4,287,688</u>

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Discretely Presented Component Unit – School Board

General Fund

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

Special Revenue Fund

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

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

School Activity Fund - This fund accounts for the financial resources received from extracurricular school activities, such as from entertainment, athletic contests, club dues and from all school sponsored activities that involve school personnel, students or property.

CITY OF HARRISONBURG, VIRGINIA
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
GOVERNMENTAL FUNDS
BALANCE SHEET
At June 30, 2021

Exhibit D-1

	<u>School Fund</u>	<u>School Nutrition Fund</u>	<u>School Activity Fund</u>	<u>Totals</u>
Assets				
Cash and cash equivalents	\$ 11,625,211	\$ 3,141,747	\$ 728,690	\$ 15,495,648
Receivables	67,921	-	-	67,921
Due from other governments	2,038,650	194,481	-	2,233,131
Inventory	-	126,757	-	126,757
Prepaid expenditures	417,128	16,295	-	433,423
Total assets	\$ 14,148,910	\$ 3,479,280	\$ 728,690	\$ 18,356,880
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 61,932	\$ 68,295	\$ -	\$ 130,227
Accrued payroll	8,995,286	233,288	-	9,228,574
Due to primary government	95,435	-	-	95,435
Due to component units	103,711	-	-	103,711
Other liabilities	1,662,479	-	-	1,662,479
Total liabilities	10,918,843	301,583	-	11,220,426
Fund Balances:				
Nonspendable:				
Inventory	-	126,757	-	126,757
Prepaid expenditures	417,128	16,295	-	433,423
Committed to:				
Food services	-	2,911,906	-	2,911,906
Assigned to:				
Instruction	1,161,811	-	-	1,161,811
Administration, attendance and health	15,350	-	728,690	744,040
Pupil transportation	79,400	-	-	79,400
Operations and maintenance	546,210	-	-	546,210
Food services	-	122,739	-	122,739
Technology	77,596	-	-	77,596
Unassigned	932,572	-	-	932,572
Total fund balances	3,230,067	3,177,697	728,690	7,136,454
Total liabilities and fund balances	\$ 14,148,910	\$ 3,479,280	\$ 728,690	\$ 18,356,880

CITY OF HARRISONBURG, VIRGINIA
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
At June 30, 2021

Exhibit D-2

Total fund balances of governmental funds (Exhibit D-1)		\$ 7,136,454
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		50,850,872
Net pension assets are not current financial resources and, therefore, are not reported in the funds.		194,219
Long-term liabilities, and related accounts, are not payable from current financial resources and, therefore, are not reported in the funds.		(97,514,125)
Deferred outflows of resources and deferred inflows of resources related to OPEB and pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred OPEB outflows	\$ 3,145,595	
Deferred pension outflows	20,736,866	
Deferred OPEB inflows	(655,441)	
Deferred pension inflows	<u>(4,255,402)</u>	
Net adjustment	<u>\$ 18,971,618</u>	<u>18,971,618</u>
Net position of governmental activities (Exhibit 1)		\$ <u><u>(20,360,962)</u></u>

CITY OF HARRISONBURG, VIRGINIA
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2021

Exhibit D-3

	<u>School Fund</u>	<u>School Nutrition Fund</u>	<u>School Activity Fund</u>	<u>Totals</u>
Revenues:				
Use of money and property	\$ 195	\$ 7,801	\$ -	\$ 7,996
Charges for services	1,389	5,653	-	7,042
Miscellaneous	307,981	41,307	396,849	746,137
Payment from primary government	32,339,217	-	-	32,339,217
Intergovernmental	<u>55,667,474</u>	<u>5,233,835</u>	-	<u>60,901,309</u>
Total revenues	<u>88,316,256</u>	<u>5,288,596</u>	<u>396,849</u>	<u>94,001,701</u>
Expenditures:				
Current:				
Instruction	67,065,509	-	-	67,065,509
Administration, attendance and health	4,682,806	-	384,455	5,067,261
Pupil transportation	3,949,692	-	-	3,949,692
Operations and maintenance	6,420,274	-	-	6,420,274
Food services	-	4,447,057	-	4,447,057
Technology	<u>5,704,216</u>	<u>68,614</u>	-	<u>5,772,830</u>
Total expenditures	<u>87,822,497</u>	<u>4,515,671</u>	<u>384,455</u>	<u>92,722,623</u>
Net change in fund balances	493,759	772,925	12,394	1,279,078
Fund balances at beginning of year	<u>2,736,308</u>	<u>2,404,772</u>	<u>716,296</u>	<u>5,857,376</u>
Fund balances at end of year	<u>\$ 3,230,067</u>	<u>\$ 3,177,697</u>	<u>\$ 728,690</u>	<u>\$ 7,136,454</u>

Note: Restatement of Beginning Fund Balance

The School Activity Fund is being reported in the current fiscal year whereas previously this fund had not been reported. The beginning fund balance has been reported as \$716,296.

CITY OF HARRISONBURG, VIRGINIA
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2021

Exhibit D-4

Total net change in fund balances of governmental funds (Exhibit D-3) \$ 1,279,078

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

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

Capital outlay expenditures	\$	744,483	
Depreciation expense		<u>(2,447,507)</u>	
Net adjustment	\$	<u>(1,703,024)</u>	(1,703,024)

The transfer of capital assets between the primary government and the School Board affects only the statement of activities. These transfers do not have an effect on current financial resources and, therefore, are not reported in governmental funds. 3,840,035

Certain expenses reported in the statement of activities that do not require the use of current financial resources are not reported as expenditures in governmental funds. This amount is the net change in these expenses. (69,916)

Governmental funds report employer OPEB and contributions as expenditures. However, in the statement of activities the cost of OPEB and pension benefits earned, net of employee contributions, are reported as OPEB and pension expense. This is the amount by which employer OPEB and pension expense exceeded OPEB and pension contributions.

Employer OPEB contributions	\$	1,585,151	
Employer pension contributions		7,199,327	
OPEB expense		(2,431,474)	
Pension expense		<u>(9,624,879)</u>	
Net adjustment	\$	<u>(3,271,875)</u>	<u>(3,271,875)</u>

Change in net position of governmental activities (Exhibit 2) \$ 74,298

CITY OF HARRISONBURG, VIRGINIA
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
SCHOOL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2021

Exhibit D-5

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Use of money and property	\$ 30,000	\$ 30,000	\$ 195	\$ (29,805)
Charges for services	7,500	17,500	1,389	(16,111)
Miscellaneous	341,042	346,042	307,981	(38,061)
Payment from primary government	36,008,259	36,008,259	32,339,217	(3,669,042)
Intergovernmental	49,184,872	53,004,272	55,667,474	2,663,202
Total revenues	<u>85,571,673</u>	<u>89,406,073</u>	<u>88,316,256</u>	<u>(1,089,817)</u>
Expenditures:				
Current:				
Instruction	66,017,781	68,681,846	67,065,509	1,616,337
Administration, attendance and health	4,821,339	4,970,202	4,682,806	287,396
Pupil transportation	4,193,171	4,279,371	3,949,692	329,679
Operations and maintenance	6,304,145	7,044,358	6,420,274	624,084
Technology	4,235,237	5,829,527	5,704,216	125,311
Total expenditures	<u>85,571,673</u>	<u>90,805,304</u>	<u>87,822,497</u>	<u>2,982,807</u>
Excess (deficiency) of revenues over (under) expenditures	\$ <u>-</u>	\$ <u>(1,399,231)</u>	493,759	\$ <u>(4,072,624)</u>
Fund balance at beginning of year			<u>2,736,308</u>	
Fund balance at end of year			\$ <u>3,230,067</u>	

CITY OF HARRISONBURG, VIRGINIA
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
SCHOOL NUTRITION FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2021

Exhibit D-6

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Use of money and property	\$ 35,000	\$ 35,000	\$ 7,801	\$ (27,199)
Charges for services	377,108	75,000	5,653	(69,347)
Miscellaneous	35,000	35,000	41,307	6,307
Intergovernmental	4,096,072	4,809,500	5,233,835	424,335
Total revenues	<u>4,543,180</u>	<u>4,954,500</u>	<u>5,288,596</u>	<u>334,096</u>
Expenditures:				
Current:				
Food services	4,480,180	4,891,500	4,447,057	444,443
Technology	63,000	106,400	68,614	37,786
Total expenditures	<u>4,543,180</u>	<u>4,997,900</u>	<u>4,515,671</u>	<u>482,229</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (43,400)</u>	772,925	<u>\$ (148,133)</u>
Fund balance at beginning of year			<u>2,404,772</u>	
Fund balance at end of year			<u>\$ 3,177,697</u>	

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Other Supplementary Schedules

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

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

CITY OF HARRISONBURG, VIRGINIA
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
For the Year Ended June 30, 2021

Fund, Major and Minor Revenue Sources	Final Budget	Actual	Variance Positive (Negative)
Primary Government:			
General Fund:			
General property taxes:			
Real property taxes	\$ 37,538,200	\$ 38,261,010	\$ 722,810
Real and personal public service corporation property taxes	504,000	507,809	3,809
Personal property taxes	10,740,000	12,278,821	1,538,821
Mobile home taxes	10,900	10,271	(629)
Machinery and tools taxes	2,750,000	2,782,109	32,109
Penalties and interest	320,000	298,231	(21,769)
Total general property taxes	<u>51,863,100</u>	<u>54,138,251</u>	<u>2,275,151</u>
Other local taxes:			
Local sales and use taxes	13,442,800	15,756,075	2,313,275
Consumer utility taxes	1,997,400	1,974,312	(23,088)
Business license taxes	6,187,600	7,148,413	960,813
Motor vehicle license taxes	1,288,300	1,305,606	17,306
Bank stock taxes	750,000	836,616	86,616
Taxes on recordation and wills	476,800	578,628	101,828
Tobacco taxes	534,900	504,600	(30,300)
Admission and amusement taxes	147,400	21,481	(125,919)
Hotel and motel room taxes	2,938,000	2,553,827	(384,173)
Restaurant food taxes	12,944,600	13,266,178	321,578
Short-term rental taxes	111,100	113,074	1,974
Public right-of-way use fee	105,900	146,580	40,680
Total other local taxes	<u>40,924,800</u>	<u>44,205,390</u>	<u>3,280,590</u>
Permits, privilege fees and regulatory licenses:			
Animal licenses	4,000	5,490	1,490
Permits and other licenses	573,950	558,310	(15,640)
Total permits, privilege fees and regulatory licenses	<u>577,950</u>	<u>563,800</u>	<u>(14,150)</u>
Fines and forfeitures:			
Court fines	600,000	312,002	(287,998)
Parking fines	57,000	25,240	(31,760)
E-summons fee	47,500	23,257	(24,243)
Asset forfeiture	-	15,996	15,996
Other fines and forfeitures	15,000	1,679	(13,321)
Total fines and forfeitures	<u>719,500</u>	<u>378,174</u>	<u>(341,326)</u>
Use of money and property:			
Use of money	50,000	196,029	146,029
Use of property	15,000	62,339	47,339
Total use of money and property	<u>65,000</u>	<u>258,368</u>	<u>193,368</u>

(continued)

CITY OF HARRISONBURG, VIRGINIA
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
For the Year Ended June 30, 2021

Fund, Major and Minor Revenue Sources	Final Budget	Actual	Variance Positive (Negative)
Primary Government: (continued)			
General Fund: (continued)			
Charges for services:			
Charges for law enforcement and traffic control	\$ 65,000	\$ 3,470	\$ (61,530)
Charges for fire and rescue	9,500	262	(9,238)
Charges for parking	111,500	86,533	(24,967)
Charges for rescue services	130,000	88,125	(41,875)
Charges for parks and recreation	409,900	77,270	(332,630)
Charges for golf course	612,500	732,148	119,648
Total charges for services	<u>1,338,400</u>	<u>987,808</u>	<u>(350,592)</u>
Miscellaneous:			
Payments in lieu of taxes:			
Electric plant and equipment	596,800	596,863	63
Service charge on tax exempt property	101,600	106,891	5,291
Debt service reimbursement from HRHA	660,975	660,975	-
Debt service reimbursement from HRCBS	162,627	162,627	-
Donations - JMU	200,000	239,396	39,396
Donations	66,000	57,071	(8,929)
Other miscellaneous	691,357	770,317	78,960
Total miscellaneous	<u>2,479,359</u>	<u>2,594,140</u>	<u>114,781</u>
Payments from component units:			
Payment from Harrisonburg Electric Commission	6,700,000	6,700,000	-
Total payments from component units	<u>6,700,000</u>	<u>6,700,000</u>	<u>-</u>
Intergovernmental:			
Revenue from the Commonwealth:			
Non-categorical aid:			
Railroad rolling stock taxes	17,000	15,683	(1,317)
Mobile home titling taxes	3,000	6,209	3,209
Tax on deeds (grantor tax)	123,500	-	(123,500)
Personal property tax reimbursement	1,522,583	1,522,583	-
Communication sales and use taxes	1,289,900	1,191,292	(98,608)
Auto rental taxes	344,400	342,180	(2,220)
Animal friendly license plate	500	677	177
Games of skill taxes	-	141,264	141,264
Total non-categorical aid	<u>3,300,883</u>	<u>3,219,888</u>	<u>(80,995)</u>
Categorical aid:			
Shared expenses:			
Commissioner of the revenue	150,000	151,673	1,673
Treasurer	130,000	131,264	1,264
Registrar	51,000	49,916	(1,084)
Total shared expenses	<u>331,000</u>	<u>332,853</u>	<u>1,853</u>

(continued)

CITY OF HARRISONBURG, VIRGINIA
 GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
 SCHEDULE OF REVENUES - BUDGET AND ACTUAL
 For the Year Ended June 30, 2021

Fund, Major and Minor Revenue Sources	Final Budget	Actual	Variance Positive (Negative)
Primary Government: (continued)			
General Fund: (continued)			
Intergovernmental: (continued)			
Revenue from the Commonwealth: (continued)			
Other categorical aid:			
Fire programs fund	\$ 178,000	\$ 186,412	\$ 8,412
Other fire department	41,000	55,907	14,907
Internet crimes against children grant	-	13,911	13,911
Litter control grant	9,000	9,716	716
State aid to localities, police	1,455,000	1,523,437	68,437
Street and highway maintenance	5,068,500	5,113,854	45,354
Other categorical aid	500,050	512,482	12,432
Total other categorical aid	<u>7,251,550</u>	<u>7,415,719</u>	<u>164,169</u>
Total categorical aid	<u>7,582,550</u>	<u>7,748,572</u>	<u>166,022</u>
Total revenue from the Commonwealth	<u>10,883,433</u>	<u>10,968,460</u>	<u>85,027</u>
Revenue from the Federal Government:			
Categorical aid:			
CARES Act coronavirus relief funds	5,856,530	5,757,371	(99,159)
Fire grants	282,833	108,182	(174,651)
Police grants	95,568	73,239	(22,329)
VDOT - HSIP grant	921,436	855,337	(66,099)
Other categorical aid	26,266	26,330	64
Total revenue from the Federal Government	<u>7,182,633</u>	<u>6,820,459</u>	<u>(362,174)</u>
Total intergovernmental	<u>18,066,066</u>	<u>17,788,919</u>	<u>(277,147)</u>
Total General Fund	<u>\$ 122,734,175</u>	<u>\$ 127,614,850</u>	<u>\$ 4,880,675</u>
Special Revenue Funds:			
Community Development Block Grant Fund:			
Intergovernmental:			
Revenue from the Federal Government:			
Non-categorical aid:			
Community Development Block Grant	\$ 1,412,722	\$ 650,571	\$ (762,151)
Total revenue from the Federal Government	<u>1,412,722</u>	<u>650,571</u>	<u>(762,151)</u>
Total intergovernmental	<u>1,412,722</u>	<u>650,571</u>	<u>(762,151)</u>
Total Community Development Block Grant Fund	<u>\$ 1,412,722</u>	<u>\$ 650,571</u>	<u>\$ (762,151)</u>

(continued)

CITY OF HARRISONBURG, VIRGINIA
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
For the Year Ended June 30, 2021

Fund, Major and Minor Revenue Sources	Final Budget	Actual	Variance Positive (Negative)
Primary Government: (continued)			
Special Revenue Funds: (continued)			
School Transportation Fund:			
Use of money and property	\$ 2,000	\$ 1,522	\$ (478)
Charges for services	3,983,763	3,853,040	(130,723)
Miscellaneous	<u>15,000</u>	<u>1,572</u>	<u>(13,428)</u>
Total School Transportation Fund	<u>\$ 4,000,763</u>	<u>\$ 3,856,134</u>	<u>\$ (144,629)</u>
Business Loan Program Fund:			
Use of money and property	\$ -	\$ 577	\$ 577
Miscellaneous	<u>40,000</u>	<u>52,354</u>	<u>12,354</u>
Total Business Loan Program Fund	<u>\$ 40,000</u>	<u>\$ 52,931</u>	<u>\$ 12,931</u>
Total Special Revenue Funds	<u>\$ 5,453,485</u>	<u>\$ 4,559,636</u>	<u>\$ (893,849)</u>
Capital Projects Fund:			
General Capital Projects Fund:			
Use of money and property	\$ -	\$ 6,075	\$ 6,075
Miscellaneous	-	19,422	19,422
Intergovernmental:			
Revenue from the Commonwealth:			
Categorical aid:			
VDOT smart scale funds	1,747,336	1,022,620	(724,716)
VDOT revenue sharing	<u>3,265,037</u>	<u>466,064</u>	<u>(2,798,973)</u>
Total revenue from the Commonwealth	<u>5,012,373</u>	<u>1,488,684</u>	<u>(3,523,689)</u>
Revenue from the Federal Government:			
Categorical aid:			
Transportation alternatives program grant	683,142.00	98,566	(584,576)
Recreational trail program grant	<u>354,341.00</u>	<u>28,100</u>	<u>(326,241)</u>
Total revenue from the Federal Government	<u>1,037,483</u>	<u>126,666</u>	<u>(910,817)</u>
Total intergovernmental	<u>6,049,856</u>	<u>1,615,350</u>	<u>(4,434,506)</u>
Total General Capital Projects Fund	<u>\$ 6,049,856</u>	<u>\$ 1,640,847</u>	<u>\$ (4,409,009)</u>
Total Capital Projects Fund	<u>\$ 6,049,856</u>	<u>\$ 1,640,847</u>	<u>\$ (4,409,009)</u>
Grand Total Revenues (Primary Government)	<u>\$ 134,237,516</u>	<u>\$ 133,815,333</u>	<u>\$ (422,183)</u>

(continued)

CITY OF HARRISONBURG, VIRGINIA
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
For the Year Ended June 30, 2021

Fund, Major and Minor Revenue Sources	Final Budget	Actual	Variance Positive (Negative)
Primary Government: (continued)			
Component Unit - School Board:			
School Fund:			
Use of money and property	\$ 30,000	\$ 195	\$ (29,805)
Charges for services	17,500	1,389	(16,111)
Miscellaneous	346,042	307,981	(38,061)
Payment from primary government	36,008,259	32,339,217	(3,669,042)
Intergovernmental:			
Revenue from the Commonwealth:			
Categorical aid:			
Share of state sales tax	6,949,586	7,493,225	543,639
Basic school aid	21,083,504	19,700,255	(1,383,249)
State standard of quality funds	3,849,989	3,548,492	(301,497)
Fringe benefits	3,985,175	3,764,395	(220,780)
At risk	3,530,677	2,370,195	(1,160,482)
No loss funding	-	2,892,140	2,892,140
Primary class size	1,686,681	1,603,073	(83,608)
English as second language	1,889,630	1,778,295	(111,335)
Regional tuition programs (special education)	704,743	1,193,744	489,001
Supplement	1,542,419	1,603,494	61,075
Other state funds	1,209,702	2,886,536	1,676,834
Total categorical aid	<u>46,432,106</u>	<u>48,833,844</u>	<u>2,401,738</u>
 Total revenue from the Commonwealth	 <u>46,432,106</u>	 <u>48,833,844</u>	 <u>2,401,738</u>
 Revenue from the Federal Government:			
Categorical aid:			
CARES Act coronavirus relief funds	1,122,135	1,122,135	-
Title I	2,115,100	1,900,659	(214,441)
Special education	1,124,720	1,294,308	169,588
State assessment	1,261,515	-	(1,261,515)
Education stabilization fund	-	1,398,774	1,398,774
Other federal funds	948,696	1,117,754	169,058
 Total revenue from the Federal Government	 <u>6,572,166</u>	 <u>6,833,630</u>	 <u>261,464</u>
 Total intergovernmental	 <u>53,004,272</u>	 <u>55,667,474</u>	 <u>2,663,202</u>
 Total School Fund	 <u>\$ 89,406,073</u>	 <u>\$ 88,316,256</u>	 <u>\$ (1,089,817)</u>

(continued)

CITY OF HARRISONBURG, VIRGINIA
 GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
 SCHEDULE OF REVENUES - BUDGET AND ACTUAL
 For the Year Ended June 30, 2021

Fund, Major and Minor Revenue Sources	Final Budget	Actual	Variance Positive (Negative)
Component Unit - School Board: (continued)			
School Nutrition Fund:			
Use of money and property	\$ 35,000	\$ 7,801	\$ (27,199)
Charges for services	75,000	5,653	(69,347)
Miscellaneous	35,000	41,307	6,307
Intergovernmental:			
Revenue from the Commonwealth:			
Categorical aid:			
School food program	194,500	133,804	(60,696)
Total categorical aid	<u>194,500</u>	<u>133,804</u>	<u>(60,696)</u>
Total revenue from the Commonwealth	<u>194,500</u>	<u>133,804</u>	<u>(60,696)</u>
Revenue from the Federal Government:			
Categorical aid:			
School food program	4,615,000	4,471,163	(143,837)
USDA donated food	-	628,868	628,868
Total revenue from the Federal Government	<u>4,615,000</u>	<u>5,100,031</u>	<u>485,031</u>
Total intergovernmental	<u>4,809,500</u>	<u>5,233,835</u>	<u>424,335</u>
Total School Nutrition Fund	\$ <u>4,954,500</u>	\$ <u>5,288,596</u>	\$ <u>334,096</u>
School Activity Fund:			
Miscellaneous	\$ -	\$ 396,849	\$ 396,849
Total School Activity Fund	\$ -	\$ 396,849	\$ 396,849
Grand Total Revenues (Component Unit - School Board)	\$ <u>94,360,573</u>	\$ <u>94,001,701</u>	\$ <u>(358,872)</u>

CITY OF HARRISONBURG, VIRGINIA
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
For the Year Ended June 30, 2021

Fund, Function, Activity and Elements	Final Budget	Actual	Variance Positive (Negative)
Primary Government:			
General Fund:			
General government administration:			
Legislative:			
City Council	\$ 244,931	\$ 230,330	\$ 14,601
Total legislative	<u>244,931</u>	<u>230,330</u>	<u>14,601</u>
General and financial administration:			
City manager	988,154	872,566	115,588
City attorney	361,590	358,106	3,484
Human resources	506,916	466,105	40,811
Independent auditor	21,699	21,699	-
Commissioner of the revenue	494,004	481,654	12,350
Assessor	319,726	304,750	14,976
Equalization	3,090	3,086	4
Treasurer	674,983	665,703	9,280
Finance	594,775	563,025	31,750
Information technology	2,663,286	1,949,386	713,900
Purchasing agent	175,485	164,478	11,007
Total general and financial administration	<u>6,803,708</u>	<u>5,850,558</u>	<u>953,150</u>
Board of elections:			
Registrar	315,149	295,380	19,769
Total board of elections	<u>315,149</u>	<u>295,380</u>	<u>19,769</u>
Total general government administration	<u>7,363,788</u>	<u>6,376,268</u>	<u>987,520</u>
Jail and judicial administration:			
Joint expenditures with Rockingham County	6,323,473	6,218,340	105,133
Middle River Regional Jail	3,013,215	2,927,381	85,834
Total jail and judicial administration	<u>9,336,688</u>	<u>9,145,721</u>	<u>190,967</u>
Public safety:			
Law enforcement and traffic control:			
Administration	4,757,546	3,909,068	848,478
Operations	4,975,518	4,906,611	68,907
Criminal investigations	1,848,813	1,571,567	277,246
Special operations	1,421,164	1,205,002	216,162
Grants	166,597	154,782	11,815
Total law enforcement and traffic control	<u>13,169,638</u>	<u>11,747,030</u>	<u>1,422,608</u>

(continued)

CITY OF HARRISONBURG, VIRGINIA
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
For the Year Ended June 30, 2021

Fund, Function, Activity and Elements	Final Budget	Actual	Variance Positive (Negative)
Primary Government: (continued)			
General Fund: (continued)			
Public safety: (continued)			
Fire and rescue services:			
Administration	\$ 771,589	\$ 739,362	\$ 32,227
Suppression	8,170,669	7,678,962	491,707
Prevention	642,416	514,516	127,900
Training	368,534	264,057	104,477
Total fire and rescue services	<u>9,953,208</u>	<u>9,196,897</u>	<u>756,311</u>
Correction and detention:			
Court appointed attorneys	75,000	38,934	36,066
Shenandoah Valley Juvenile Center	226,896	226,896	-
Total correction and detention	<u>301,896</u>	<u>265,830</u>	<u>36,066</u>
Inspections:			
Building	975,363	869,005	106,358
Total inspections	<u>975,363</u>	<u>869,005</u>	<u>106,358</u>
Other protection:			
Public safety building	483,575	468,580	14,995
Child safety alliance	49,250	43,806	5,444
Animal control	461,508	453,570	7,938
Emergency services	357,762	199,312	158,450
Harrisonburg-Rockingham ECC	3,123,768	3,123,768	-
Total other protection	<u>4,475,863</u>	<u>4,289,036</u>	<u>186,827</u>
Total public safety	<u>28,875,968</u>	<u>26,367,798</u>	<u>2,508,170</u>
Public works:			
Maintenance of highways, streets, bridges and sidewalks:			
General engineering	816,093	594,826	221,267
Highway and street maintenance	6,578,603	5,535,053	1,043,550
Street lights	555,314	535,053	20,261
Snow and ice removal	483,497	480,801	2,696
Traffic engineering	2,411,165	2,186,565	224,600
Highway and street beautification	725,366	606,092	119,274
Downtown parking maintenance	155,531	131,225	24,306
Total maintenance of highways, streets, bridges and sidewalks	<u>11,725,569</u>	<u>10,069,615</u>	<u>1,655,954</u>
Sanitation and waste removal:			
Street and road cleaning	440,971	406,701	34,270
Total sanitation and waste removal	<u>440,971</u>	<u>406,701</u>	<u>34,270</u>

(continued)

CITY OF HARRISONBURG, VIRGINIA
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
For the Year Ended June 30, 2021

Fund, Function, Activity and Elements	Final Budget	Actual	Variance Positive (Negative)
Primary Government: (continued)			
General Fund: (continued)			
Public works: (continued)			
Maintenance of general buildings and grounds:			
General properties	\$ 379,379	\$ 278,089	\$ 101,290
Total maintenance of general buildings and grounds	<u>379,379</u>	<u>278,089</u>	<u>101,290</u>
Total public works	<u>12,545,919</u>	<u>10,754,405</u>	<u>1,791,514</u>
Health and welfare:			
Health:			
Local health department	512,000	375,635	136,365
Total health	<u>512,000</u>	<u>375,635</u>	<u>136,365</u>
Mental health and mental retardation:			
Community services board	875,773	870,773	5,000
Total mental health and mental retardation	<u>875,773</u>	<u>870,773</u>	<u>5,000</u>
Welfare/social services:			
Tax relief for the elderly and disabled veterans	145,000	129,579	15,421
Joint expenditures with Rockingham County	3,826,311	3,826,311	-
Total welfare/social services	<u>3,971,311</u>	<u>3,955,890</u>	<u>15,421</u>
Total health and welfare	<u>5,359,084</u>	<u>5,202,298</u>	<u>156,786</u>
Education:			
Payment to Harrisonburg City School Board	36,008,259	32,339,217	3,669,042
Total education	<u>36,008,259</u>	<u>32,339,217</u>	<u>3,669,042</u>
Parks, recreation and cultural:			
Parks and recreation:			
Administration	592,152	524,445	67,707
Parks	1,796,190	1,597,941	198,249
Field maintenance	385,466	335,072	50,394
Recreation centers and playgrounds	920,704	871,984	48,720
Simms continuing education center	433,081	379,380	53,701
Westover pool	560,326	526,268	34,058
Athletics	441,942	408,182	33,760
Golf course grounds management	477,752	454,102	23,650
Golf course clubhouse management	364,127	356,702	7,425
Total parks and recreation	<u>5,971,740</u>	<u>5,454,076</u>	<u>517,664</u>

(continued)

CITY OF HARRISONBURG, VIRGINIA
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
For the Year Ended June 30, 2021

Fund, Function, Activity and Elements	Final Budget	Actual	Variance Positive (Negative)
Primary Government: (continued)			
General Fund: (continued)			
Parks, recreation and cultural: (continued)			
Cultural:			
Massanutten Regional Library	\$ 577,320	\$ 577,320	\$ -
Total cultural	<u>577,320</u>	<u>577,320</u>	<u>-</u>
 Total parks, recreation and cultural	 <u>6,549,060</u>	 <u>6,031,396</u>	 <u>517,664</u>
Community development:			
Planning and community development:			
Planning	577,780	481,563	96,217
Zoning administrator	209,931	92,255	117,676
Board of zoning appeals	5,878	2,637	3,241
Economic development	1,189,022	1,015,657	173,365
Tourism and visitors services	535,699	463,024	72,675
Blacks run greenway	91,993	78,665	13,328
Shenandoah Valley Conference Center	900,000	845,290	54,710
Total planning and community development	<u>3,510,303</u>	<u>2,979,091</u>	<u>531,212</u>
Contributions:			
Harrisonburg Downtown Renaissance	143,151	143,151	-
Shenandoah Valley Airport	67,923	67,923	-
Blue Ridge Community College	67,672	67,672	-
CARES Act community assistance	2,645,039	2,603,220	41,819
Other contributions	685,599	532,087	153,512
Total contributions	<u>3,609,384</u>	<u>3,414,053</u>	<u>195,331</u>
 Total community development	 <u>7,119,687</u>	 <u>6,393,144</u>	 <u>726,543</u>
Debt service:			
Principal retirement	10,355,247	10,355,247	-
Interest and fiscal charges	5,361,838	5,347,806	14,032
 Total debt service	 <u>15,717,085</u>	 <u>15,703,053</u>	 <u>14,032</u>
 Total General Fund	 \$ <u>128,875,538</u>	 \$ <u>118,313,300</u>	 \$ <u>10,562,238</u>
Special Revenue Funds:			
Community Development Block Grant Fund:			
Community development:			
Planning and community development:			
Community development block grant	\$ 1,412,722	\$ 650,571	\$ 762,151
Total planning and community development	<u>1,412,722</u>	<u>650,571</u>	<u>762,151</u>
 Total community development	 <u>1,412,722</u>	 <u>650,571</u>	 <u>762,151</u>
 Total Community Development Block Grant Fund	 \$ <u>1,412,722</u>	 \$ <u>650,571</u>	 \$ <u>762,151</u>

(continued)

CITY OF HARRISONBURG, VIRGINIA
 GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
 SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
 For the Year Ended June 30, 2021

Fund, Function, Activity and Elements	Final Budget	Actual	Variance Positive (Negative)
Primary Government: (continued)			
Special Revenue Funds: (continued)			
School Transportation Fund:			
Education:			
School bus services	\$ 3,485,912	\$ 2,576,608	\$ 909,304
Field trips and charters	227,090	79,388	147,702
Administration	<u>477,071</u>	<u>347,757</u>	<u>129,314</u>
Total education	<u>4,190,073</u>	<u>3,003,753</u>	<u>1,186,320</u>
Total School Transportation Fund	<u>\$ 4,190,073</u>	<u>\$ 3,003,753</u>	<u>\$ 1,186,320</u>
Business Loan Program Fund:			
Community development:			
Planning and community development:			
Revolving loan program	\$ <u>50,000</u>	\$ <u>25,000</u>	\$ <u>25,000</u>
Total planning and community development	<u>50,000</u>	<u>25,000</u>	<u>25,000</u>
Total community development	<u>50,000</u>	<u>25,000</u>	<u>25,000</u>
Total Business Loan Program Fund	<u>\$ 50,000</u>	<u>\$ 25,000</u>	<u>\$ 25,000</u>
Total Special Revenue Funds	<u>\$ 5,652,795</u>	<u>\$ 3,679,324</u>	<u>\$ 1,973,471</u>
Capital Projects Fund:			
General Capital Projects Fund:			
Capital projects	\$ <u>21,015,717</u>	\$ <u>6,747,714</u>	\$ <u>14,268,003</u>
Total General Capital Projects Fund	<u>\$ 21,015,717</u>	<u>\$ 6,747,714</u>	<u>\$ 14,268,003</u>
School Bond Capital Projects Fund:			
Capital projects	\$ <u>771,388</u>	\$ <u>194,688</u>	\$ <u>576,700</u>
Total School Bond Capital Projects Fund	<u>\$ 771,388</u>	<u>\$ 194,688</u>	<u>\$ 576,700</u>
Total Capital Projects Fund	<u>\$ 21,787,105</u>	<u>\$ 6,942,402</u>	<u>\$ 14,844,703</u>
Grand Total Expenditures (Primary Government)	<u>\$ 156,315,438</u>	<u>\$ 128,935,026</u>	<u>\$ 27,380,412</u>

(continued)

CITY OF HARRISONBURG, VIRGINIA
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
For the Year Ended June 30, 2021

Fund, Function, Activity and Elements	Final Budget	Actual	Variance Positive (Negative)
Component Unit - School Board:			
School Fund:			
Education:			
Instruction	\$ 68,681,846	\$ 67,065,509	\$ 1,616,337
Administration, attendance and health	4,970,202	4,682,806	287,396
Pupil transportation	4,279,371	3,949,692	329,679
Operations and maintenance	7,044,358	6,420,274	624,084
Technology	<u>5,829,527</u>	<u>5,704,216</u>	<u>125,311</u>
Total education	<u>90,805,304</u>	<u>87,822,497</u>	<u>2,982,807</u>
Total School Fund	<u>\$ 90,805,304</u>	<u>\$ 87,822,497</u>	<u>\$ 2,982,807</u>
School Nutrition Fund:			
Education:			
Food services	\$ 4,891,500	\$ 4,447,057	\$ 444,443
Technology	<u>106,400</u>	<u>68,614</u>	<u>37,786</u>
Total education	<u>4,997,900</u>	<u>4,515,671</u>	<u>482,229</u>
Total School Nutrition Fund	<u>\$ 4,997,900</u>	<u>\$ 4,515,671</u>	<u>\$ 482,229</u>
School Activity Fund:			
Education:			
Administration, attendance and health	\$ -	\$ 384,455	\$ (384,455)
Total School Activity Fund	<u>\$ -</u>	<u>\$ 384,455</u>	<u>\$ (384,455)</u>
Grand Total Expenditures (Component Unit - School Board)	<u>\$ 95,803,204</u>	<u>\$ 92,722,623</u>	<u>\$ 3,080,581</u>

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STATISTICAL SECTION

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

Financial Trends. Tables 1 through 5 contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity. Tables 6 through 9 present information to help the reader assess the factors affecting the City's ability to generate property tax revenue which is the City's most significant local revenue source.

Debt Capacity. Tables 10 through 12 present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future. The City does not have any overlapping debt.

Demographic and Economic Information. Tables 13 and 14 offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time with other governments.

Operating Information. Tables 15 through 17 contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.

Sources: *Unless otherwise noted, the information in these tables is derived from the annual comprehensive financial reports for the relevant year.*

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

Table 1

	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Governmental activities										
Net investment in capital assets	\$ 152,753,329	\$ 156,353,667	\$ 153,994,976	\$ 151,215,449	\$ 150,611,197	\$ 145,194,280	\$ 146,765,571	\$ 143,056,305	\$ 140,255,728	\$ 136,256,502
Restricted	715,006	574,269	529,665	621,577	552,092	461,736	450,639	418,955	253,898	436,546
Unrestricted	38,512,456	32,225,419	30,055,992	25,264,435	20,679,052	19,107,622	15,778,923	36,848,497	38,537,607	37,720,341
Total governmental activities net position	\$ 191,980,791	\$ 189,153,355	\$ 184,580,633	\$ 177,101,461	\$ 171,842,341	\$ 164,763,638	\$ 162,995,133	\$ 180,323,757	\$ 179,047,233	\$ 174,413,389
Business-type activities										
Net investment in capital assets	\$ 81,774,322	\$ 74,718,260	\$ 72,830,573	\$ 74,517,218	\$ 74,997,991	\$ 62,658,600	\$ 61,417,998	\$ 59,661,294	\$ 64,061,195	\$ 61,531,423
Unrestricted	14,759,028	15,854,032	13,725,834	7,828,771	3,263,530	10,156,014	9,413,613	16,501,295	18,960,244	20,567,739
Total business-type activities net position	\$ 96,533,350	\$ 90,572,292	\$ 86,556,407	\$ 82,345,989	\$ 78,261,521	\$ 72,814,614	\$ 70,831,611	\$ 76,162,589	\$ 83,021,439	\$ 82,099,162
Primary government										
Net investment in capital assets	\$ 234,527,651	\$ 231,071,927	\$ 226,825,549	\$ 225,732,667	\$ 225,609,188	\$ 207,852,880	\$ 208,183,569	\$ 202,717,599	\$ 204,316,923	\$ 197,787,925
Restricted	715,006	574,269	529,665	621,577	552,092	461,736	450,639	418,955	253,898	436,546
Unrestricted	53,271,484	48,079,451	43,781,826	33,093,206	23,942,582	29,263,636	25,192,536	53,349,792	57,497,851	58,288,080
Total primary government net position	\$ 288,514,141	\$ 279,725,647	\$ 271,137,040	\$ 259,447,450	\$ 250,103,862	\$ 237,578,252	\$ 233,826,744	\$ 256,486,346	\$ 262,068,672	\$ 256,512,551

Notes: The City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27* in fiscal year 2015. The City implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* in fiscal year 2018. Prior year information has not been restated.

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

Table 2

	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Expenses:										
Governmental activities:										
General government administration	\$ 21,661,494	\$ 19,874,767	\$ 19,001,711	\$ 18,287,937	\$ 18,413,671	\$ 18,543,556	\$ 16,257,293	\$ 17,537,393	\$ 15,200,128	\$ 14,871,365
Jail and judicial administration	8,901,359	7,862,409	6,944,879	6,533,114	6,398,698	5,822,848	5,137,399	4,175,900	3,697,318	3,353,068
Public safety	29,906,040	27,899,118	25,954,253	23,971,425	23,583,838	22,969,794	21,525,960	21,008,014	19,726,959	19,019,283
Public works ^a	18,224,718	15,225,728	15,338,219	14,989,905	14,407,248	14,709,122	15,158,769	19,723,564	16,087,945	15,430,666
Health and welfare	8,097,217	6,661,856	4,928,872	4,793,211	4,757,945	4,579,647	4,103,981	3,941,088	3,792,389	3,684,731
Education	41,403,674	44,874,482	43,763,915	42,928,333	38,328,364	36,565,819	37,481,649	34,574,455	32,985,755	30,965,228
Parks, recreation and cultural	6,823,509	6,799,136	6,932,596	6,188,413	6,494,875	6,671,939	5,952,441	5,850,222	5,840,511	5,751,030
Community development	7,196,267	4,048,273	3,833,626	3,246,006	3,193,150	3,765,197	2,799,236	2,957,093	2,893,264	3,153,242
Interest on long-term debt	4,946,081	5,175,505	5,351,030	5,612,005	5,914,313	5,046,788	5,116,339	5,071,941	5,304,302	5,602,256
Business-type activities:										
Water	6,389,098	6,564,988	6,036,280	5,637,611	5,329,601	5,496,737	5,218,201	5,351,441	5,281,491	5,398,401
Sewer	10,797,106	10,561,152	10,232,327	9,534,683	9,850,111	9,702,160	9,526,208	9,536,716	9,501,243	9,217,798
Public transportation	7,135,184	6,674,720	6,469,580	6,252,571	6,365,032	6,348,417	6,327,540	5,218,865	4,915,643	4,817,708
Steam plant/sanitation ^{a,b}	2,982,866	2,845,875	2,285,700	3,110,955	3,319,439	4,208,851	7,185,575	7,397,708	7,751,402	6,670,472
Stormwater	570,987	357,121	334,676	454,261	414,677	255,371	-	-	-	-
Total expenses	\$ 175,035,600	\$ 165,425,130	\$ 157,407,664	\$ 151,540,430	\$ 146,770,962	\$ 144,686,246	\$ 141,790,591	\$ 142,344,400	\$ 132,978,350	\$ 127,935,248
Program revenues:										
Governmental activities:										
Charges for services:										
General government administration	\$ 13,647,248	\$ 15,197,693	\$ 15,308,060	\$ 15,254,826	\$ 14,033,150	\$ 13,413,592	\$ 12,092,994	\$ 11,197,390	\$ 9,808,618	\$ 9,590,439
Jail and judicial administration	312,002	504,769	567,202	691,717	553,894	515,404	549,825	651,517	526,549	417,063
Public works ^a	-	-	-	-	-	-	-	5,891,879	5,714,587	4,223,763
Education	3,853,040	4,076,465	4,028,807	3,751,213	3,361,589	3,099,596	3,018,032	2,712,725	2,402,874	2,163,748
Parks, recreation and cultural	809,418	713,263	1,045,925	1,067,881	1,170,361	1,130,856	1,132,452	1,143,398	1,078,285	1,156,262
Other activities	808,362	1,086,967	1,087,725	1,117,096	1,377,659	848,873	891,990	1,201,568	988,430	868,216
Operating grants and contributions	8,750,337	7,639,056	8,037,308	7,599,076	7,499,993	8,071,894	7,733,498	7,242,059	6,468,579	6,420,728
Capital grants and contributions ^{c,d,e}	1,817,321	2,067,233	802,583	4,422,820	4,575,920	2,112,546	2,511,563	6,052,309	4,057,173	3,020,379
Business-type activities:										
Charges for services:										
Water	9,513,077	9,682,661	8,594,711	8,049,249	7,621,237	6,866,608	6,566,279	6,204,657	6,033,702	5,803,549
Sewer	11,396,745	11,519,472	11,016,661	10,692,114	10,580,345	10,249,003	10,135,852	9,654,399	9,135,855	8,631,508
Public transportation	1,941,875	1,939,257	1,944,618	1,960,187	1,820,130	1,810,732	1,897,980	1,834,284	1,652,106	1,558,556
Steam plant/sanitation ^a	4,265,339	4,169,200	4,140,571	4,214,492	4,303,069	5,104,242	6,784,257	5,122,980	6,131,803	4,717,861
Stormwater	1,314,369	1,325,321	1,360,716	1,302,218	1,258,959	2,345,292	-	-	-	-
Operating grants and contributions	3,735,359	3,474,604	3,155,047	2,879,508	2,540,589	2,281,764	2,229,329	2,160,125	1,649,862	1,469,284
Capital grants and contributions ^f	4,401,654	630,166	201,124	606,769	4,199,180	606,645	2,689,399	6,506,406	3,277,876	3,226,291
Total program revenues	\$ 66,566,146	\$ 64,026,127	\$ 61,291,058	\$ 63,609,166	\$ 64,896,075	\$ 58,457,047	\$ 58,233,450	\$ 67,575,696	\$ 58,926,299	\$ 53,267,647
Net (expense) revenue:										
Governmental activities	\$ (117,162,631)	\$ (107,135,828)	\$ (101,171,491)	\$ (92,645,720)	\$ (88,919,536)	\$ (89,481,949)	\$ (85,602,713)	\$ (78,746,825)	\$ (74,483,476)	\$ (73,970,271)
Business-type activities	8,693,177	5,736,825	5,054,885	4,714,456	7,044,649	3,252,750	2,045,572	3,978,121	431,425	(697,330)
Total net (expense) revenue	\$ (108,469,454)	\$ (101,399,003)	\$ (96,116,606)	\$ (87,931,264)	\$ (81,874,887)	\$ (86,229,199)	\$ (83,557,141)	\$ (74,768,704)	\$ (74,052,051)	\$ (74,667,601)

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

Table 2

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
General revenues and other changes in net position:										
Governmental activities:										
General revenues:										
Property taxes	\$ 54,171,307	\$ 51,447,886	\$ 48,878,038	\$ 47,490,931	\$ 43,640,018	\$ 39,574,723	\$ 37,522,303	\$ 33,682,085	\$ 33,642,817	\$ 31,997,146
Sales and use taxes	15,756,075	13,971,040	14,336,901	13,609,547	13,207,791	12,994,784	12,532,757	11,956,912	11,450,969	10,744,198
Restaurant food taxes	13,266,178	12,628,014	14,225,678	13,623,551	12,257,672	11,914,152	11,026,410	10,398,660	9,948,280	8,815,101
Business license taxes	7,148,413	7,224,775	7,155,016	6,894,312	6,689,192	6,653,830	6,275,116	6,246,573	5,892,503	5,932,606
Other local taxes	8,034,724	8,020,291	8,644,605	8,296,309	7,083,413	7,119,400	6,798,376	6,105,467	5,877,472	5,599,612
Unrestricted grants and contributions ^a	8,977,259	6,932,654	3,408,497	3,407,878	3,464,103	3,501,028	3,569,638	3,521,348	3,476,659	3,423,474
Unrestricted payment from component units	6,700,000	5,200,000	5,999,506	5,000,000	5,000,000	5,000,000	4,900,000	4,900,000	4,900,000	4,900,000
Investment revenue	239,283	922,992	1,203,377	683,838	480,911	206,899	75,041	50,039	84,162	68,365
Other revenue	2,149,401	2,265,355	1,847,829	1,725,662	1,588,875	1,681,770	1,742,779	2,698,759	1,973,222	2,265,535
Special item ^b	-	-	-	-	-	-	-	-	-	(1,446,706)
Transfers	3,547,427	3,095,543	2,951,216	1,556,037	2,586,264	2,603,868	2,527,927	1,574,046	1,361,276	6,335,894
Business-type activities:										
General revenues:										
Investment revenue	90,899	552,598	776,589	392,616	131,300	55,180	15,198	19,563	31,340	32,121
Other revenue	719,084	821,500	1,324,397	1,203,620	857,222	1,237,883	1,286,114	1,117,388	1,805,733	1,308,949
Gain on disposal of capital assets	5,325	505	5,763	49,966	-	41,058	2,550	28,554	15,055	10,863
Special item ^j	-	-	-	-	-	-	(1,916,812)	(10,078,503)	-	-
Transfers	(3,547,427)	(3,095,543)	(2,951,216)	(1,556,037)	(2,586,264)	(2,603,868)	(2,527,927)	(1,574,046)	(1,361,276)	(6,335,894)
Total general revenues and other changes in net position	\$ 117,257,948	\$ 109,987,610	\$ 107,806,196	\$ 102,378,230	\$ 94,400,497	\$ 89,980,707	\$ 83,829,470	\$ 70,646,845	\$ 79,098,212	\$ 73,651,264
Change in net position:										
Governmental activities	\$ 2,827,436	\$ 4,572,722	\$ 7,479,172	\$ 9,642,345	\$ 7,078,703	\$ 1,768,505	\$ 1,367,634	\$ 2,387,064	\$ 4,123,884	\$ 4,664,954
Business-type activities	5,961,058	4,015,885	4,210,418	4,804,621	5,446,907	1,983,003	(1,095,305)	(6,508,923)	922,277	(5,681,291)
Total change in net position	\$ 8,788,494	\$ 8,588,607	\$ 11,689,590	\$ 14,446,966	\$ 12,525,610	\$ 3,751,508	\$ 272,329	\$ (4,121,859)	\$ 5,046,161	\$ (1,016,337)

Notes: The City implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27 in fiscal year 2015. The City implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions in fiscal year 2018. Prior year information has not been restated.

^aFor 2015, the changes in public works and steam plant/sanitation activity charges for services and expenses reflected the reclassification of refuse collection, recycling and landfill activities.

^bFor 2016, the changes in steam plant/sanitation activity expenses reflect the discontinued operations of the resource recovery facility.

^cFor 2015, the decrease in capital grants and contributions reflected decreasing right-of-way and easement purchases for the Reservoir Street project which were eligible for state funding.

^dFor 2017, the increase in capital grants and contributions reflected increased state and federal funding for several capital projects including the Reservoir Street project.

^eFor 2019, the decrease in capital grants and contributions reflected decreased state and federal funding for several completed capital projects including the Reservoir Street and MLK, Jr. Way projects.

^fFor 2014 and 2017, the increase in capital grants and contributions reflected state and federal funding from the purchase of new transit buses and other public transportation projects.

^gFor 2020, the increase in unrestricted grants and contributions reflected funding provided to the City through the federal CARES Act.

^hFor 2012, the City entered into a new solid waste agreement with Rockingham County. This is the net result of an impairment to an intangible asset and a reduced liability for the city's share of landfill closure costs.

ⁱFor 2014, the City agreed to sell the resource recovery facility to James Madison University. This is the net result of an impairment to the resource recovery facility.

^jFor 2015, the City recorded an additional impairment loss on the resource recovery facility for decommissioning costs.

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

	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
General Fund										
Nonspendable	\$ 701,622	\$ 681,708	\$ 811,931	\$ 835,475	\$ 874,897	\$ 745,877	\$ 623,774	\$ 652,688	\$ 613,043	\$ 780,708
Restricted	715,006	574,269	543,135	624,155	552,091	461,736	450,639	432,852	253,898	436,546
Committed	63,402	63,402	63,402	63,402	63,402	63,402	63,402	2,761,367	3,386,367	3,095,380
Assigned ^a	5,183,948	1,515,092	3,718,174	3,707,702	980,493	649,393	1,629,279	1,612,151	3,053,319	1,671,329
Unassigned	45,459,532	36,632,322	30,561,724	31,239,773	30,226,183	28,435,301	24,214,042	26,595,398	23,932,401	25,534,922
Total general fund	\$ 52,123,510	\$ 39,466,793	\$ 35,698,366	\$ 36,470,507	\$ 32,697,066	\$ 30,355,709	\$ 26,981,136	\$ 32,054,456	\$ 31,239,028	\$ 31,518,885
All other governmental funds										
Nonspendable	\$ 42,826	\$ -	\$ 36,341	\$ 34,666	\$ 50,508	\$ 16,652	\$ -	\$ 4,705	\$ 4,546	\$ -
Restricted ^b	-	3,728,628	-	93,683	4,712,073	40,156,421	1,464,504	11,210,744	7,215,617	5,758,290
Committed	9,861,916	10,933,208	11,291,474	9,652,568	8,247,053	9,729,172	11,102,093	12,928,163	13,686,487	10,650,430
Assigned	535,161	199,310	169,000	142,000	204,500	134,000	38,897	-	-	-
Unassigned, reported in:										
Special revenue funds	-	-	-	-	(184)	-	-	-	(60,493)	(6,955)
Total all other governmental funds	\$ 10,439,903	\$ 14,861,146	\$ 11,496,815	\$ 9,922,917	\$ 13,213,950	\$ 50,036,245	\$ 12,605,494	\$ 24,143,612	\$ 20,846,157	\$ 16,401,765

Notes: Any significant increases or decreases for 2021 are explained in Management's Discussion and Analysis.

^aFor 2018, the increase in general fund assigned fund balance was the result of approximately \$1.4 million of fund balance being used to balance the subsequent year's budget.

^bThe increases and decreases in other governmental funds' restricted fund balance are the result of bond proceeds that are used for various capital project purposes.

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

	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Revenues:										
General property taxes	\$ 54,138,251	\$ 51,574,257	\$ 48,977,152	\$ 47,667,485	\$ 43,233,944	\$ 39,444,384	\$ 37,481,440	\$ 33,559,753	\$ 33,745,312	\$ 32,180,329
Other local taxes	44,205,390	41,844,120	44,362,200	42,423,719	39,238,068	38,722,176	36,644,704	34,740,681	33,134,475	31,114,956
Permits, privilege fees and regulatory licenses	563,800	608,529	626,348	643,501	916,716	443,489	507,040	455,881	536,965	498,465
Fines and forfeitures	378,174	657,077	750,846	870,541	749,623	623,390	666,029	1,127,606	662,961	526,260
Use of money and property	266,542	853,812	1,128,111	701,781	540,939	262,328	187,061	162,014	194,763	171,599
Charges for services ^a	4,840,848	5,116,462	5,351,861	5,117,290	4,797,424	4,556,674	4,427,549	10,020,649	9,496,051	7,775,198
Miscellaneous	2,667,488	2,599,620	2,192,919	2,001,736	2,084,949	1,871,712	1,938,839	2,465,008	2,005,958	2,014,528
Recovered costs	-	913,476	617,164	1,110,065	632,746	59,225	201,177	291,795	165,551	606,506
Payments from component units	6,700,000	5,200,000	5,999,506	5,000,000	5,000,000	5,000,000	4,900,000	4,900,000	4,900,000	4,900,000
Intergovernmental ^b	20,054,840	18,499,297	13,179,815	15,955,862	15,672,199	13,563,043	13,613,522	16,414,070	14,809,888	15,344,247
Total revenues	\$ 133,815,333	\$ 127,866,650	\$ 123,185,922	\$ 121,491,980	\$ 112,866,608	\$ 104,546,421	\$ 100,567,361	\$ 104,137,457	\$ 99,651,924	\$ 95,132,088
Expenditures:										
Current:										
General government administration	\$ 6,376,268	\$ 6,528,256	\$ 5,499,582	\$ 5,369,900	\$ 5,211,161	\$ 4,974,666	\$ 4,641,047	\$ 4,583,135	\$ 4,082,373	\$ 4,003,007
Jail and judicial administration ^c	9,145,721	8,149,311	7,429,582	6,783,548	6,629,878	6,147,289	5,917,618	3,878,939	3,400,357	3,056,108
Public safety	26,367,798	26,153,150	25,511,647	23,687,182	22,234,145	21,754,032	20,940,401	20,335,693	18,639,647	17,802,068
Public works ^a	10,754,405	9,341,442	10,968,921	9,920,031	9,699,316	10,243,873	11,386,544	13,484,504	11,691,698	10,484,164
Health and welfare	5,202,298	5,063,287	4,907,007	4,771,346	4,736,080	4,557,782	4,082,115	3,919,223	3,770,524	3,662,866
Education	35,342,970	38,993,046	37,922,728	37,054,957	34,216,338	32,379,286	32,119,407	29,912,639	28,497,263	26,201,268
Parks, recreation and cultural	6,031,396	6,350,431	6,371,964	5,728,400	5,488,895	5,528,431	5,291,977	5,198,170	5,111,102	5,377,660
Community development	7,068,715	3,963,011	4,334,386	3,208,191	3,294,797	2,956,282	3,069,972	3,258,461	2,979,996	3,040,033
Debt service:										
Principal retirement	10,355,247	10,230,236	9,750,840	8,961,622	8,337,450	8,101,624	7,917,919	7,159,619	8,016,601	7,054,192
Interest and fiscal charges	5,347,806	5,767,384	5,731,121	6,073,912	5,869,531	5,105,619	4,371,146	5,179,111	5,335,520	5,406,443
Bond issuance costs	-	-	-	-	-	-	-	257,393	-	381,755
Capital projects	6,942,402	23,759,339	11,772,256	14,338,170	44,180,894	12,693,604	16,918,207	18,893,701	13,820,417	11,335,007
Total expenditures	\$ 128,935,026	\$ 144,298,893	\$ 130,200,034	\$ 125,897,259	\$ 149,898,485	\$ 114,442,488	\$ 116,656,353	\$ 116,060,588	\$ 105,345,498	\$ 97,804,571
Excess (deficiency) of revenues over (under) expenditures	\$ 4,880,307	\$ (16,432,243)	\$ (7,014,112)	\$ (4,405,279)	\$ (37,031,877)	\$ (9,896,067)	\$ (16,088,992)	\$ (11,923,131)	\$ (5,693,574)	\$ (2,672,483)

CITY OF HARRISONBURG, VIRGINIA
 CHANGES IN FUND BALANCES (GOVERNMENTAL FUNDS)

Table 4

Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Other financing sources (uses):										
Long-term debt issued or incurred	\$ -	\$ 18,450,000	\$ 4,540,000	\$ 2,350,000	\$ -	\$ 44,305,000	\$ -	\$ 14,150,000	\$ 8,050,000	\$ 5,865,000
Refunding debt issued	-	-	-	-	-	-	-	42,675,000	-	21,400,000
Premium on long-term debt issued	-	1,066,864	506,435	-	-	3,995,417	-	5,650,348	-	786,742
Payment to bond refunding escrow agent	-	-	-	-	-	-	-	(42,327,820)	-	-
Payment for current bond refunding	-	-	-	-	-	-	-	(5,146,875)	-	(21,649,901)
Sale of capital assets	-	-	-	-	125,215	-	-	-	-	-
Transfers in	3,355,167	9,447,465	8,349,690	6,310,560	5,251,256	3,828,083	5,836,294	4,445,856	8,250,668	8,279,617
Transfers out	-	(5,399,328)	(5,580,256)	(3,772,873)	(2,825,532)	(1,427,109)	(6,358,740)	(3,470,988)	(6,328,528)	(2,326,071)
Total other financing sources (uses)	\$ 3,355,167	\$ 23,565,001	\$ 7,815,869	\$ 4,887,687	\$ 2,550,939	\$ 50,701,391	\$ (522,446)	\$ 15,975,521	\$ 9,972,140	\$ 12,355,387
Net change in fund balances	\$ 8,235,474	\$ 7,132,758	\$ 801,757	\$ 482,408	\$ (34,480,938)	\$ 40,805,324	\$ (16,611,438)	\$ 4,052,390	\$ 4,278,566	\$ 9,682,904
Debt service as a percentage of noncapital expenditures	12.55%	12.88%	13.25%	13.46%	13.53%	13.01%	12.79%	12.74%	14.70%	14.15%

Notes: Any significant increases or decreases for 2021 are explained in Management's Discussion and Analysis. Any significant increases or decreases in general property taxes and other local taxes revenue are provided in Table 5. Any significant increases or decreases in long-term debt issued or incurred are provided in Table 10.

^aFor 2015, the change in charges for services and public works expenditures was the result of the reclassification of refuse collection, recycling and landfill activities.

^bFor 2020, the increase in intergovernmental revenues reflected funding provided to the City through the federal CARES Act.

^cFor 2015, the City made its first payment associated with the Middle River Regional Jail buy-in agreement.

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

	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
General property taxes	\$ 38,261,010	\$ 37,052,907	\$ 35,616,728	\$ 34,459,758	\$ 30,947,602	\$ 28,256,207	\$ 26,712,101	\$ 24,246,195	\$ 24,330,987	\$ 23,164,064
Real estate taxes ^a	507,809	503,888	491,573	474,656	440,408	393,020	448,017	294,775	344,311	305,419
Real and personal public service corporation property taxes	12,278,821	10,876,336	10,197,508	10,017,035	9,374,180	8,407,623	8,021,019	6,926,126	6,996,148	6,636,271
Personal property taxes ^b	10,271	10,251	9,654	10,013	8,778	8,475	7,033	6,485	8,069	7,613
Mobile home taxes	2,782,109	2,772,933	2,341,959	2,307,341	2,187,479	2,130,697	2,027,504	1,869,428	1,794,444	1,800,539
Machinery and tools taxes	298,231	357,942	319,730	398,682	275,497	248,362	265,766	216,744	271,353	266,423
Penalties and interest										
Total general property taxes	\$ 54,138,251	\$ 51,574,257	\$ 48,977,152	\$ 47,667,485	\$ 43,233,944	\$ 39,444,384	\$ 37,481,440	\$ 33,559,753	\$ 33,745,312	\$ 32,180,329
Other local taxes										
Local sales and use taxes ^c	\$ 15,756,075	\$ 13,971,040	\$ 14,336,901	\$ 13,609,547	\$ 13,207,791	\$ 12,994,784	\$ 12,532,757	\$ 11,956,912	\$ 11,450,969	\$ 10,744,198
Consumer utility taxes ^d	1,974,312	1,998,550	1,999,498	1,875,594	1,139,113	1,108,436	1,114,465	1,099,063	1,093,995	1,071,465
Business license taxes	7,148,413	7,224,775	7,155,016	6,894,312	6,689,192	6,653,830	6,275,116	6,246,573	5,892,503	5,932,606
Motor vehicle license taxes ^e	1,305,606	1,286,175	1,283,426	1,293,518	1,166,441	1,178,948	1,185,099	888,410	861,119	759,588
Bank stock taxes	836,616	665,686	836,191	787,205	761,882	757,086	580,676	562,403	514,445	543,099
Taxes on recordation and wills	578,628	489,922	492,631	444,493	442,184	408,096	603,848	443,901	359,086	273,405
Tobacco taxes	504,600	548,631	533,382	543,750	569,850	680,937	632,433	634,796	703,979	768,267
Admission and amusement taxes	21,481	116,113	171,011	190,133	175,755	181,678	172,616	144,475	175,395	178,371
Hotel and motel room taxes ^{f1}	2,553,827	2,630,068	3,136,402	2,950,142	2,625,363	2,577,891	2,276,431	2,110,603	1,963,223	1,838,184
Restaurant food taxes ^{f1}	13,266,178	12,628,014	14,225,678	13,623,551	12,257,672	11,937,309	11,050,508	10,436,529	9,913,531	8,833,426
Short-term rental taxes	113,074	136,392	104,274	100,731	109,110	119,579	115,248	103,840	93,218	61,237
Public right-of-way use fee	146,580	148,754	87,790	110,743	93,715	123,602	105,507	113,176	113,012	111,110
Total other local taxes	\$ 44,205,390	\$ 41,844,120	\$ 44,362,200	\$ 42,423,719	\$ 39,238,068	\$ 38,722,176	\$ 36,644,704	\$ 34,740,681	\$ 33,134,475	\$ 31,114,956

Notes: Any significant increases or decreases for 2021 are explained in Management's Discussion and Analysis.

^aFor 2013, 2015, 2016, 2017, 2018 and 2020, the increases in real estate taxes were the result of an increase in the real estate tax rate.

^bFor 2015, the increase in personal property taxes was the result of an increase in the personal property tax rate.

^cFor 2020, the decrease in tax revenue was the result of negative economic effects of the COVID-19 pandemic.

^dFor 2018, the increase in consumer utility taxes was the result of an increase in the tax rates.

^eFor 2015, the increase in motor vehicle license taxes was the result of an increase in the tax rates.

^fFor 2013 and 2018, the increases in hotel and motel room taxes and restaurant food taxes was the result of an increase in the tax rates.

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

Table 6

Fiscal Year	Real Estate ¹			Personal Property				Total	
	Residential	Commercial/ Industrial	Public Service Corporations ⁴	Personal Property ²	Machinery and Tools ³	Mobile Homes ¹	Public Service Corporations ⁴	Assessed Values	Total Direct Tax Rate
2021	\$ 2,782,886,650	\$ 1,649,108,907	\$ 58,944,000	\$ 500,829,435	\$ 135,804,213	\$ 1,223,000	\$ 25,440	\$ 5,128,821,645	1.08
2020	2,703,149,330	1,611,049,491	58,486,945	437,293,336	129,870,724	1,213,000	25,733	4,941,088,559	1.07
2019	2,639,449,190	1,552,749,097	57,558,115	408,242,550	109,866,156	1,196,200	66,550	4,769,127,858	1.05
2018	2,556,995,612	1,493,403,527	55,537,248	401,659,827	107,328,559	1,189,200	73,980	4,616,187,953	1.06
2017	2,521,144,415	1,470,670,436	55,740,297	388,479,303	102,466,936	1,207,900	160,955	4,539,870,242	0.99
2016	2,498,733,655	1,431,075,425	53,497,350	346,261,665	99,654,700	1,217,550	223,964	4,430,664,309	0.92
2015	2,463,332,515	1,407,562,622	52,607,250	332,061,200	95,391,700	1,042,700	463,264	4,352,461,251	0.89
2014	2,461,494,084	1,393,309,162	53,751,656	330,936,077	93,454,600	1,031,496	831,727	4,334,808,802	0.81
2013	2,475,833,386	1,382,285,462	52,516,179	337,161,049	89,963,300	1,115,803	448,655	4,339,323,834	0.81
2012	2,543,042,004	1,388,078,371	50,092,960	315,996,800	89,852,200	1,142,200	329,028	4,388,533,563	0.76

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

¹ Assessed at 100% of fair market value. ² Vehicles assessed at average trade-in value, as of January 1, as determined by the National Automobile Dealers Association (NADA).
³ Business equipment assessed values are based upon depreciation schedule, year of purchase and cost. ⁴ Assessed values are based upon depreciation schedule, year of purchase and cost.
⁵ Assessed values are established by the State Corporation Commission.

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

Table 7

Fiscal Year	Real Estate			Personal Property						Total Direct Tax Rate
	Residential	Commercial/ Industrial	Public Service Corporations	Business Equipment	Machinery and Tools	Mobile Homes	Public Service Corporations	Other ¹		
2021	\$ 0.86	\$ 0.86	\$ 0.86	\$ 2.12	\$ 2.12	\$ 0.86	\$ 3.50	3.50	\$ 3.50	1.08
2020	0.86	0.86	0.86	2.12	2.12	0.86	3.50	3.50	3.50	1.07
2019	0.85	0.85	0.85	2.12	2.12	0.85	3.50	3.50	3.50	1.06
2018	0.85	0.85	0.85	2.12	2.12	0.85	3.50	3.50	3.50	1.06
2017	0.78	0.78	0.78	2.12	2.12	0.78	3.50	3.50	3.50	0.99
2016	0.72	0.72	0.72	2.12	2.12	0.72	3.50	3.50	3.50	0.92
2015	0.69	0.69	0.69	2.12	2.12	0.69	3.50	3.50	3.50	0.89
2014	0.63	0.63	0.63	2.00	2.00	0.63	3.00	3.00	3.00	0.81
2013	0.63	0.63	0.63	2.00	2.00	0.63	3.00	3.00	3.00	0.81
2012	0.59	0.59	0.59	2.00	2.00	0.59	3.00	3.00	3.00	0.76

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

Notes: The City does not set property tax rates by various components such as by operations and debt service and has not included this information in the above table. The City does not have overlapping governments and has not included this information in the above table.¹ Other personal property includes business vehicles.

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

Table 8

Property Taxpayer	Fiscal Year 2021			Fiscal Year 2012		
	Property Taxes	Rank	Percent of Total Property Taxes	Property Taxes	Rank	Percent of Total Property Taxes
Anthem Inc	\$ 1,490,513	1	2.75%	\$ -	-	-
Packaging Corporation of America	862,294	2	1.59%	333,420	3	1.04%
Tenneco Inc	766,937	3	1.42%	370,116	2	1.16%
The Scion Group LLC	646,305	4	1.19%	-	-	-
George's Foods LLC	609,176	5	1.13%	230,732	9	0.72%
Asset Campus Housing, Inc.	537,159	6	0.99%	-	-	-
The Macerich Properties	457,119	7	0.84%	-	-	-
Kerry Group plc	384,971	8	0.71%	-	-	-
Hotel Madison LLC	354,697	9	0.66%	-	-	-
Virginia Mennonite Retirement Community	317,997	10	0.59%	200,669	10	0.63%
American Campus Communities Inc	-	-	-	392,784	1	1.23%
RR Donnelley & Sons Company	-	-	-	331,738	4	1.04%
Copper Beech Townhome Communities, LLC	-	-	-	329,781	5	1.03%
Graham Packaging Company LP	-	-	-	314,421	6	0.99%
Montebello Packaging, Inc.	-	-	-	254,409	7	0.80%
Simon Property Group Inc	-	-	-	248,806	8	0.78%
Total	\$ 6,427,168		11.87%	\$ 3,006,876		9.42%

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

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

Table 9

Fiscal Year	Taxes Levied for the		Adjustments	Total Adjusted Levy	Collected within the		Collections in		Total Collections to Date	
	Fiscal Year (Original Levy)	Fiscal Year			Fiscal Year of the Levy	Percentage of Levy	Subsequent Years	Amount	Percentage of Levy	Amount
2021	\$ 54,116,941	\$	- \$	54,116,941	\$ 53,013,472	97.96%	\$	-	\$ 53,013,472	97.96%
2020	51,411,484	10,580	10,580	51,422,064	50,377,781	97.99%		737,944	51,115,725	99.40%
2019	48,793,283	(2,302)	(2,302)	48,790,981	47,934,023	98.24%		600,537	48,534,560	99.47%
2018	47,285,573	(51,927)	(51,927)	47,233,646	46,313,920	97.95%		649,106	46,963,026	99.43%
2017	43,406,093	12,282	12,282	43,418,375	42,331,311	97.52%		846,193	43,177,504	99.45%
2016	39,427,910	38,993	38,993	39,466,903	38,629,078	97.97%		661,738	39,290,816	99.55%
2015	37,288,334	(5,849)	(5,849)	37,282,485	36,588,785	98.12%		550,207	37,138,992	99.62%
2014	33,472,734	18,164	18,164	33,490,898	32,671,163	97.61%		676,836	33,347,999	99.57%
2013	33,518,148	(13,364)	(13,364)	33,504,784	32,841,981	97.98%		547,188	33,389,169	99.65%
2012	31,917,343	(14,181)	(14,181)	31,903,162	31,164,825	97.64%		630,655	31,795,480	99.66%

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

Table 10

Type of debt	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Governmental activities:										
General obligation bonds ^a	\$ 154,647,871	\$ 165,660,849	\$ 156,533,967	\$ 161,338,577	\$ 168,044,998	\$ 176,312,408	\$ 135,804,398	\$ 143,420,307	\$ 132,292,894	\$ 130,818,002
Capital leases	-	-	489,000	960,000	1,414,000	2,032,839	2,723,162	3,391,389	3,321,531	4,827,885
Middle River Regional Jail agreement	4,081,401	5,048,154	5,994,375	6,920,498	7,826,952	8,714,153	9,694,615	-	-	-
Business-type activities:										
General obligation bonds	23,092,891	25,553,083	27,942,286	30,785,886	26,299,704	28,742,532	27,875,343	30,485,783	33,027,532	34,999,325
General obligation revenue bonds	-	-	-	-	-	-	-	-	-	239,994
Total primary government	\$ 181,822,163	\$ 196,262,086	\$ 190,959,628	\$ 200,004,961	\$ 203,585,654	\$ 215,801,932	\$ 176,097,518	\$ 177,297,479	\$ 168,641,957	\$ 170,885,206
Percentage of personal income ¹	8.64%	9.38%	9.36%	9.96%	10.33%	11.08%	9.44%	10.21%	9.88%	10.60%
Per capita ¹	\$ 3,447	\$ 3,788	\$ 3,536	\$ 3,663	\$ 3,723	\$ 3,980	\$ 3,269	\$ 3,370	\$ 3,235	\$ 3,360

Notes: The City does not have overlapping governments and has not included this information in the above table. Details regarding the City's outstanding debt can be found in the notes to the financial statements. Certain prior year balances have been reclassified to reflect current financial reporting (2012-2013). ¹See Table 13 for personal income and population data. Population estimates and personal income were adjusted on Table 13 for 2012-2020.

^aFor 2016, the City issued \$44.3 million in general obligation bonds primarily for school construction projects.

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

Table 11

	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
General obligation bonds ^a	\$ 177,740,762	\$ 191,213,932	\$ 184,476,253	\$ 192,124,463	\$ 194,344,702	\$ 205,054,940	\$ 163,679,741	\$ 173,906,090	\$ 165,320,426	\$ 165,817,327
Total	\$ 177,740,762	\$ 191,213,932	\$ 184,476,253	\$ 192,124,463	\$ 194,344,702	\$ 205,054,940	\$ 163,679,741	\$ 173,906,090	\$ 165,320,426	\$ 165,817,327
Percentage of assessed real property value ¹	3.96%	4.37%	4.34%	4.68%	4.80%	5.15%	4.17%	4.45%	4.23%	4.16%
Per capita ²	\$ 3,369	\$ 3,690	\$ 3,416	\$ 3,483	\$ 3,554	\$ 3,782	\$ 3,038	\$ 3,305	\$ 3,171	\$ 3,260

Notes: The City does not have overlapping governments and has not included this information in the above table. Details regarding the City's outstanding debt can be found in the notes to the financial statements. There is no restricted net position for debt service available for the repayment of principal on bonded debt. Certain prior year balances have been reclassified to reflect current financial reporting (2012-2013).³ See Table 6 for assessed real property data. ² See Table 13 for population data. Population estimates were adjusted on Table 13 for 2012-2020.

^aFor 2016, the City issued \$44.3 million in general obligation bonds primarily for school construction projects.

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

Table 12

	Fiscal Year										
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	
Debt limit	\$ 449,093,956	\$ 437,268,577	\$ 424,975,640	\$ 410,593,639	\$ 404,755,515	\$ 398,330,643	\$ 392,350,239	\$ 390,855,490	\$ 391,063,503	\$ 398,121,334	
Total debt applicable to limit	172,837,868	186,527,487	181,550,575	190,438,565	193,377,886	204,952,793	168,768,444	169,502,922	166,454,775	168,533,911	
Legal debt margin	\$ 276,256,088	\$ 250,741,090	\$ 243,425,065	\$ 220,155,074	\$ 211,377,629	\$ 193,377,850	\$ 223,581,795	\$ 221,352,568	\$ 224,608,728	\$ 229,587,423	
Total debt applicable to the limit as percentage of debt limit	38.49%	42.66%	42.72%	46.38%	47.78%	51.45%	43.01%	43.37%	42.56%	42.33%	
Legal Debt Margin Calculation for Fiscal Year 2021											
Total assessed value of taxed real property	\$ 4,490,939,557										
Debt limit (10% of total assessed value)	\$ 449,093,956										
Debt applicable to limit:											
General obligation bonds	168,756,467										
Middle River Regional Jail agreement	4,081,401										
Legal debt margin	\$ 276,256,088										

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

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

Table 13

Fiscal Year	Population¹	Personal Income (in thousands)	Per Capita Personal Income²	School Enrollment³	Unemployment Rate Percentage⁴
2021	52,752	\$ 2,103,317	\$ 39,872	6,141	5.5
2020	51,814	2,013,785	38,866	6,130	4.8
2019	53,997	2,041,249	37,803	5,910	3.3
2018	54,606	2,007,753	36,768	5,793	3.9
2017	54,689	1,969,952	36,021	5,660	4.7
2016	54,224	1,948,485	35,934	5,423	4.7
2015	53,875	1,865,637	34,629	5,158	5.7
2014	52,612	1,736,985	33,015	4,956	6.4
2013	52,127	1,706,794	32,743	4,709	6.4
2012	50,862	1,612,478	31,703	4,513	6.4

Notes: Population estimates have been adjusted for 2012-2019 using estimates from the University of Virginia Weldon Cooper Center for Public Policy. Personal income has been adjusted accordingly.

Sources: ¹ Estimated by the City's Department of Planning and Community Development for 2021. University of Virginia Weldon Cooper Center for Public Service for 2012-2019. United States Census Bureau for 2020. ² Bureau of Economic Analysis, United States Department of Commerce. Amounts for 2012-2020 have been adjusted based upon the latest available data. Data for 2021 has been estimated based on per capita personal income trends for the previous ten years. ³ City of Harrisonburg School Board. ⁴ Virginia Employment Commission. The unemployment rate is an annual average.

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

Table 14

Employers	Fiscal Year 2021			Fiscal Year 2012		
	Approximate Employees	Rank	Percent of Total City Employment	Approximate Employees	Rank	Percent of Total City Employment
James Madison University	> 999	1	> 3.45%	>999	1	> 3.17%
Harrisonburg City Public Schools	> 999	2	> 3.45%	500 - 999	2	1.59% - 3.17%
City of Harrisonburg	500 - 999	3	1.73% - 3.45%	500 - 999	5	1.59% - 3.17%
George's Foods LLC	500 - 999	4	1.73% - 3.45%	500 - 999	7	1.59% - 3.17%
Tenneco Inc	500 - 999	5	1.73% - 3.45%	500 - 999	6	1.59% - 3.17%
Shenandoah Processing LLC	250 - 499	6	0.87% - 1.72%	-	-	
Aramark Campus LLC	250 - 499	7	0.87% - 1.72%	500 - 999	3	1.59% - 3.17%
Eastern Mennonite University	250 - 499	8	0.87% - 1.72%	-	-	
Virginia Mennonite Retirement Community	250 - 499	9	0.87% - 1.72%	250 - 499	9	0.80% - 1.58%
Walmart Stores Inc	250 - 499	10	0.87% - 1.72%	250 - 499	8	0.80% - 1.58%
Rosetta Stone Inc.	-	-	-	500 - 999	4	1.59% - 3.17%
Packaging Corporation of America	-	-	-	100 - 249	10	0.33% - 0.79%
Total City Employment	28,898			31,416		

Source: *Virginia Employment Commission.*

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

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

Table 15

Function	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
General government administration	58.6	56.1	55.2	53.6	51.0	48.6	48.6	48.6	45.7	45.5
Public safety:										
Police ^a	136.6	136.6	134.6	130.4	125.9	118.4	114.4	114.2	107.6	107.4
Fire ^a	86.4	85.4	84.0	83.7	82.9	81.9	81.8	80.7	80.7	80.7
Other	16.0	16.0	16.0	16.0	15.0	14.0	14.0	14.0	14.0	13.0
Public works ^b	84.4	79.9	79.9	79.6	77.1	75.2	75.2	99.7	98.0	102.2
Education ^d	57.2	55.7	53.3	50.0	44.3	38.7	43.0	42.5	40.2	38.8
Parks, recreation and cultural	79.1	82.5	84.0	78.1	71.9	71.1	72.4	72.2	73.8	75.9
Planning and community development	13.7	14.4	13.6	16.7	16.7	16.2	17.0	17.0	16.4	17.8
Water	37.2	37.0	37.0	35.5	35.0	34.5	33.9	33.9	32.6	32.6
Sewer	28.1	28.1	28.1	28.7	26.0	24.5	24.6	24.4	24.1	22.2
Public transportation ^d	71.2	67.1	69.7	60.2	58.3	60.0	58.8	50.9	47.1	49.8
Steam plant/sanitation ^{b,c}	25.0	25.7	25.2	25.2	25.2	25.2	58.9	31.0	31.0	31.0
Stormwater	3.7	3.7	3.7	3.7	3.7	3.7	-	-	-	-
Central garage	16.2	15.5	15.6	15.7	15.6	15.5	14.8	15.1	15.8	15.8
Central stores	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Total	715.4	705.7	701.9	679.1	650.5	629.5	659.4	646.2	629.0	634.7

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

Notes: Full-time equivalent amounts are budgeted positions.

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

^bIn 2015, the City reclassified refuse collection, recycling and landfill employees from public works into sanitation.

^cIn 2015, the City discontinued the operations of the resource recovery facility.

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

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

Table 16

Function	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Police										
Calls answered ^a	110,466	55,086	42,999	42,900	41,536	42,686	40,099	39,132	34,935	33,021
Traffic citations	10,000	8,940	10,089	9,369	8,280	8,442	7,648	10,683	7,900	6,268
Fire										
Calls answered	5,135	5,458	5,493	5,636	5,310	5,574	5,246	4,708	4,923	4,789
Inspections	2,038	2,300	3,488	3,593	4,041	2,987	1,351	1,568	1,893	2,135
Public works										
Streets repaved (total miles)	12.00	10.65	6.97	7.85	8.88	8.22	11.69	9.98	5.10	5.58
Parks and recreation										
Pool admissions	18,247	21,831	32,155	28,890	38,873	34,651	37,398	37,258	32,605	44,397
Rounds of golf played	21,168	19,142	24,708	27,248	29,819	30,001	29,488	28,995	27,275	27,068
Planning and community development										
Building permits issued	566	595	573	648	702	664	691	651	1,035	810
Water										
Daily consumption (millions of gallons)	5.89	5.90	5.63	5.95	5.88	5.74	5.61	5.38	5.37	5.36
New customer connections	54	65	97	103	100	44	61	59	67	40
Sewer										
Daily consumption (millions of gallons)	4.86	4.87	4.76	4.89	4.74	4.68	4.57	4.40	4.27	4.29
New customer connections	46	27	17	14	77	13	15	12	14	8
Public transportation										
Transit bus passengers ^b	503,759	1,872,845	2,120,458	2,116,785	2,572,937	2,807,730	2,820,419	2,773,561	2,749,235	2,535,828
Sanitation										
Avg. daily steam plant intake (tons) ^c	-	-	-	-	-	-	-	67.8	125.1	111.7
Materials recycled (tons)	-	-	-	-	-	-	737.0	709.5	754.4	757.8
Solid waste collected (tons)	9,823	10,101	10,507	10,681	12,363	10,113	-	-	-	-

Source: Various City of Harrisonburg departments.

Notes: Operating indicators are not available for the general government function.

^aIn 2020, the Police Department transitioned to a new reporting system and the manner in which calls are received and data captured has changed.

^bIn 2020, the City significant decrease in transit bus passengers was due to the COVID-19 pandemic.

^cIn 2015, the City discontinued operations at the resource recovery facility.

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

Table 17

Function	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Police										
Police stations	3	3	3	3	3	3	3	3	3	3
Patrol units (including motorcycles)	72	70	69	64	56	48	49	48	48	48
Fire										
Fire stations	4	4	4	4	4	4	4	4	4	4
Fire trucks	13	14	13	12	12	12	12	12	12	13
Public works:										
Streets (centerline miles)	140.85	139.38	139.38	139.78	139.78	139.44	140.27	138.99	137.92	137.92
Parks, recreation and cultural										
Parks (including athletic facilities)	12	12	12	12	12	12	12	12	12	12
Parks acreage	877	877	877	877	877	877	877	877	877	877
Golf course acreage ^a	193	193	193	193	193	193	204	204	204	204
Water:										
Water lines (linear feet)	1,733,878	1,722,475	1,705,440	1,694,719	1,680,534	1,664,446	1,610,400	1,608,662	1,604,272	1,555,811
Storage capacity (millions of gallons)	28.50	28.50	28.50	25.25	25.25	25.25	25.25	25.25	25.25	25.25
Sewer:										
Sewer lines (linear feet)	1,098,405	1,095,104	1,082,400	1,075,269	1,066,269	1,059,020	1,024,320	1,024,591	1,077,694	1,078,563
Public transportation:										
Transit buses	51	51	51	51	50	50	48	44	42	42
Sanitation:										
Steam plant capacity (tons per day) ^b	-	-	-	-	-	-	-	200	200	200
Refuse collection trucks	7	7	7	7	7	7	8	7	7	7
Recycling collection trucks	3	3	3	3	4	4	2	4	3	3

Source: Various City of Harrisonburg departments.

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

^aIn 2016, the City transferred approximately ten acres of golf course property to the Harrisonburg City School Board for the construction of a new elementary school.
^bIn 2015, the City discontinued operations at the resource recovery facility.

COMPLIANCE SECTION

This part of the City's annual comprehensive financial report is intended to demonstrate the City's compliance with various state and federal legal matters, as well as, compliance with federal grant funding requirements. It is prepared in conformity with the provisions of the U.S. Office of Management and Budget's Uniform Guidance.

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INDEPENDENT AUDITOR’S 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 City Council
City of Harrisonburg, Virginia

We have audited, in accordance with the 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* and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Harrisonburg, Virginia (the “City”), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated December 6, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City’s internal control. Accordingly, we do not express an opinion on the effectiveness of City’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. **Given these limitations we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. **The results of our tests did not disclose any instances of noncompliance that are required to be reported under *Government Auditing Standards*.**

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
December 6, 2021



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
THE UNIFORM GUIDANCE**

To the Honorable Members of City Council
City of Harrisonburg, Virginia

Report on Compliance for Each Major Federal Program

We have audited the City of Harrisonburg, Virginia's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2021. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Harrisonburg, Virginia, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2021.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
December 6, 2021

CITY OF HARRISONBURG, VIRGINIA

SUMMARY OF COMPLIANCE MATTERS

June 30, 2021

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

STATE COMPLIANCE MATTERS

Code of Virginia

Budget and Appropriation Laws

Cash and Investment Laws

Conflicts of Interest Act

Local Retirement Systems

Debt Provisions

Procurement Laws

Governor's Opportunity Funds

Uniform Disposition of Unclaimed Property Act

Stormwater Utility Program

State Agency Requirements

Education

Highway Maintenance Funds

Fire Programs Aid to Localities

FEDERAL COMPLIANCE MATTERS

Compliance Supplement for Single Audits of State and Local Governments

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

CITY OF HARRISONBURG, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2021

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an **unmodified opinion** on the financial statements.
2. **No significant deficiencies** relating to the audit of the financial statements are reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. **No instances of noncompliance** material to the financial statements were disclosed during the audit.
4. **No significant deficiencies** relating to the audit of the major federal award programs were reported in the Independent Auditor's Report on Compliance For Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs expresses an **unmodified opinion**.
6. The audit disclosed **no audit findings** relating to major programs.
7. The programs tested as major programs include:

<u>Name of Program:</u>	<u>Assistance Listing #</u>
Highway Planning and Construction Cluster	20.205, 20.219
Federal Transit Cluster – Federal Transit – Formula Grants	20.507
COVID-19 – Coronavirus Relief Fund	21.019
COVID-19 – Elementary and Secondary School Emergency Relief	84.425D

8. The **threshold for** distinguishing Type A and B programs was **\$763,259**.
9. The City was determined to be a **low-risk auditee**.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None.

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

None.

D. FINDINGS – COMMONWEALTH OF VIRGINIA

None.

CITY OF HARRISONBURG, VIRGINIA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended June 30, 2021

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Assistance Listing Number	Pass-through Entity Identifying Number	Pass-through Payments to Subrecipients	Cluster Expenditures	Federal Expenditures
Department of Agriculture:					
Pass-through payments:					
Child Nutrition Cluster:					
Virginia Department of Education:					
School Breakfast Program	10.553	202020N850341	\$ -	\$ 3,320	
National School Lunch Program	10.555	202020N850341	-	5,215	
COVID-19 - Summer Food Service Program for Children	10.559	202020N850341	-	791,474	
COVID-19 - Summer Food Service Program for Children	10.559	202120N119941	-	3,309,423	
COVID-19 - Summer Food Service Program for Children	10.559	202121N109941	-	314,607	
Virginia Department of Agriculture and Consumer Services:					
National School Lunch Program (donated commodities)	10.555	Not Provided	-	<u>660,182</u>	
Total Child Nutrition Cluster					5,084,221
Virginia Department of Education:					
Child and Adult Care Food Program	10.558	202020N202041	-	-	18
Child and Adult Care Food Program	10.558	202020N850341	-	-	306
Fresh Fruit and Vegetable Program	10.582	202019L160341	-	-	5,950
Fresh Fruit and Vegetable Program	10.582	202120L160341	-	-	40,850
Virginia Department of Forestry:					
Cooperative Forestry Assistance	10.664	Not Provided	-	-	12,016
Cooperative Forestry Assistance	10.664	20UCF02	-	-	12,000
Department of Housing and Urban Development:					
Direct payments:					
CDBG - Entitlement Grants Cluster					
Community Development Block Grants/Entitlement Grants	14.218		232,457	397,169	
COVID-19 - Community Development Block Grants/Entitlement Gr	14.218		253,402	<u>253,402</u>	
Total CDBG - Entitlement Grants Cluster					650,571
Department of Justice:					
Pass-through payments:					
Virginia Department of Criminal Justice Services:					
Violence Against Women Formula Grants	16.588	20-E3245VA19	-	-	15,398
Violence Against Women Formula Grants	16.588	21-F3245VA20	-	-	24,758
Department of Transportation:					
Direct payments:					
Federal Transit Cluster:					
Federal Transit_Formula Grants	20.507		-	2,507,858	
COVID-19 - Federal Transit_Formula Grants	20.507		-	<u>2,244,079</u>	
Total Federal Transit Cluster					4,751,937
Pass-through payments:					
Highway Planning and Construction Cluster:					
Virginia Department of Transportation:					
Highway Planning and Construction	20.205	UPC 108809	-	980,061	
Highway Planning and Construction	20.205	UPC 111082	-	444,179	
Highway Planning and Construction	20.205	UPC 111084	-	143,378	
Highway Planning and Construction	20.205	UPC 111085	-	267,467	
Highway Planning and Construction	20.205	UPC 113685	-	67,525	
Highway Planning and Construction	20.205	UPC 113686	-	17,145	
Virginia Department of Conservation and Recreation:					
Recreational Trails Program	20.219	VRT-314-D-170	-	<u>28,164</u>	
Total Highway Planning and Construction Cluster					1,947,919
Virginia Department of Motor Vehicles:					
Highway Safety Cluster:					
State and Community Highway Safety	20.600	FSC-2020-50371-20371	-	1,362	
State and Community Highway Safety	20.600	FPS-2020-50369-20369	-	1,593	
State and Community Highway Safety	20.600	FSC-2021-51388-21388	-	8,500	
National Priority Safety Programs	20.616	FHLE-2021-51389-21389	-	<u>5,328</u>	
Total Highway Safety Cluster					16,783
Alcohol Open Container Requirements	20.607	154AL-2020-50365-20365	-	-	2,138
Alcohol Open Container Requirements	20.607	154AL-2021-51301-21301	-	-	7,170

(continued)

CITY OF HARRISONBURG, VIRGINIA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended June 30, 2021

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Assistance Listing Number	Pass-through Entity Identifying Number	Pass-through Payments to Subrecipients	Cluster Expenditures	Federal Expenditures
Department of the Treasury:					
Pass-through payments:					
Virginia Department of Accounts: COVID-19 - Coronavirus Relief Fund	21.019	SLT0022	428,410	-	5,625,442
Virginia Department of Education: COVID-19 - Coronavirus Relief Fund	21.019	SLT0218	-	-	1,122,135
Virginia Department of Housing and Community Development: COVID-19 - Coronavirus Relief Fund	21.019	SLT0022	-	-	74,617
Environmental Protection Agency:					
Pass-through payments:					
Virginia Department of Forestry: Chesapeake Bay Program	66.466	21VTCW03	-	-	2,250
Department of Education:					
Pass-through payments:					
Virginia Department of Education:					
Title I Grants to Local Educational Agencies	84.010	S010A190046	-	-	594,600
Title I Grants to Local Educational Agencies	84.010	S010A200046	-	-	1,306,058
Career and Technical Education - Basic Grants to States	84.048	V048A190046	-	-	46,287
Career and Technical Education - Basic Grants to States	84.048	V048A200046	-	-	126,328
English Language Acquisition State Grants	84.365	S365A190046	-	-	88,793
English Language Acquisition State Grants	84.365	S365A200046	-	-	104,047
Improving Teacher Quality State Grants	84.367	S367A180044	-	-	78,063
Improving Teacher Quality State Grants	84.367	S367A190044	-	-	183,457
School Improvement Grants	84.377	S377A150047	-	-	234,578
Student Support and Academic Enrichment Program	84.424	S424A190048	-	-	58,168
Student Support and Academic Enrichment Program	84.424	S424A200048	-	-	92,518
COVID-19 - Elementary and Secondary School Emergency Relief	84.425D	S425D200008	-	-	1,398,774
Special Education Cluster (IDEA):					
Special Education_Grants to States	84.027	H027A190107	-	197,937	
Special Education_Grants to States	84.027	H027A200107	-	1,066,996	
Special Education_Preschool Grants	84.173	H173A200112	-	29,375	
Total Special Education Cluster					1,294,308
State Council of Higher Education for Virginia: Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	Not Provided	-	-	4,320
Election Assistance Commission:					
Pass-through payments:					
Virginia Department of Elections: COVID-19 - 2018 HAVA Election Security Grants	90.404	Not Provided	-	-	57,312
Department of Homeland Security:					
Pass-through payments:					
Virginia Department of Emergency Management:					
Emergency Management Performance Grants	97.042	8490	-	-	7,500
Homeland Security Grant Program	97.067	8140	88,493	-	88,493
Homeland Security Grant Program	97.067	8547	80,000	-	80,000
Homeland Security Grant Program	97.067	8252	-	-	52,581
Homeland Security Grant Program	97.067	8253	-	-	13,637
Homeland Security Grant Program	97.067	8254	-	-	32,614
Homeland Security Grant Program	97.067	8671	-	-	1,850
Department of Defense:					
Direct payments:					
JROTC Funds	12.VA 170853				101,196
Total expenditures of federal awards					\$ 25,441,961

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

CITY OF HARRISONBURG, VIRGINIA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2021

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Harrisonburg, Virginia and its component units, and is presented on the modified accrual basis of accounting. The information contained in this schedule is presented in accordance with the requirements of the U.S. Office of Management and Budget’s Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general-purpose financial statements.

Note 2. Indirect Cost Allocation Rate

The City of Harrisonburg has not elected to use the de minimis indirect cost allocation rate.

Note 3. Food Distribution

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed as determined by the U.S. Department of Agriculture. At June 30, 2021, the School Board, a component unit, had food commodities totaling \$41,615 in inventory.

Note 4. Loan Programs

Included in prior year schedules were loan proceeds obtained through the Virginia Water Supply Revolving Fund in the total amount of \$1,136,000. The following is the federal award program and the outstanding balance on the loan at June 30, 2021.

<u>Program Title</u>	<u>Assistance Listing Number</u>	<u>Outstanding Loan Amount</u>
Capitalization Grants for Drinking Water State Revolving Funds	66.468	\$ 719,467

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