

# City of Harrisonburg, Virginia Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2017



*Heritage Oaks Golf Course*



# **City of Harrisonburg, Virginia**

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2017



This Report  
Prepared by Department of Finance

**Report Cover:** The front cover is the city-owned Heritage Oaks Golf Course located on Garbers Church Road. Opened for play in September 2001, the golf course is part of the City's Parks & Recreation system. Heritage Oaks is an 18-hole par 70 golf course that presents a diverse style of play, including links-style as well as traditional, tree-lined holes. To learn more about the golf course visit [www.heritageoaksgolf.com](http://www.heritageoaksgolf.com).

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**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
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# INTRODUCTORY SECTION

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

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# City of Harrisonburg, Virginia

Office of the City Manager

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

November 28, 2017

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

The Comprehensive Annual Financial Report of the City of Harrisonburg, Virginia (City), for the fiscal year ended June 30, 2017 is hereby submitted in accordance with Section 45 of the *City Charter* and Section 15.2-2511 of the *Code of Virginia*, 1950, as amended. The *City Charter* and the *Code of Virginia* require that the City issue annually a report on its financial position and operations, and that this report be audited by either the state auditor or an independent firm of certified public accountants in accordance with generally accepted auditing standards (GAAS). This report has been prepared by the Department of Finance to conform to the standards of financial reporting as established by the Governmental Accounting Standards Board (GASB), generally accepted accounting principles (GAAP) and the Commonwealth of Virginia Auditor of Public Accounts (APA).

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

Brown, Edwards & Company, LLP, a firm of licensed certified public accountants, have audited the City's financial statements. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. This examination was conducted using guidelines set forth by GAAS and the *Specifications for Audits of Counties, Cities and Towns*, issued by the APA. Based upon this audit, the independent auditor concluded that there was a reasonable basis for rendering an unmodified opinion that the City's financial statements for the fiscal year ended June 30, 2017, 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

**The City With The Planned Future**

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

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

## **Profile of the City of Harrisonburg**

**Background.** The City was established in 1780 and was named for Thomas Harrison, who donated the land for the Rockingham County Court House, which became the permanent county seat of Rockingham County in 1781. The City was incorporated in 1849 and was proclaimed a city of the first class in April 1990. It now encompasses 17.3 square miles and serves a population of approximately 54,200.

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

The 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 house and jail facilities, as well as the services of the Sheriff, Commonwealth Attorney, and Clerk of the Circuit Court through Rockingham County (County). The City reimburses the County one-half of the net expenditures for providing these services. The City 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 being the fiscal agent. Both the City and the County fund an equal share of HRECC's operations.

Electricity is provided by the Harrisonburg Electric Commission, created by ordinance of the City Council pursuant to the City Charter. The Commission is composed of 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. The significant projects and activities are as follows:

- Appropriated \$3.9 million from state sources for the Interstate 81 Exit 245 realignment project.
- Appropriated \$2.7 million from state and other sources for improvements to MLK, Jr. Way and South Main Street in support of the construction of the new Hotel Madison & Shenandoah Valley Conference Center.
- Appropriated \$2.5 million for the construction of a new solid waste transfer station.
- Appropriated \$1.7 million for a stream restoration project for Blacks Run to be coordinated with the initial phased construction of the Northend Greenway which will be a shared use path in the northern section of the city.
- Appropriated \$1.5 million from state sources for the construction of shared use paths on the west side of the city.
- Appropriated \$550,000 for the Harrisonburg-Rockingham Regional Jail HVAC replacement project.
- Appropriated \$500,000 from state sources for the Pleasant Valley Road bridge replacement project.

### **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 24,600. James Madison University, a state-supported school, is located near the geographic center of the City and has approximately 20,800 students. Eastern Mennonite University, a private institution with approximately 1,900 students is also located in the City. Bridgewater College, located just south of the City, is also private and has an approximate enrollment of 1,900 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 and bus transportation is available in the area. ViaAir operates out of the Shenandoah Valley Regional Airport in Weyers Cave, Virginia and provides passenger and freight service. There are several private airfields located in the area including Bridgewater Air Park located in Bridgewater. The area is served by the Norfolk Southern Corporation railroad. There are locally based private and common carriers serving the nation with general freight and specialties. Parcel post services are available for shopping, mailing and delivery service. Interstate 81 runs North and South through the area and intersects with Interstate 64 East and West at Staunton, Virginia for travel by car.

**Long-term planning.** Each year the City prepares a comprehensive Capital Improvements Program (CIP). The CIP is prepared in an effort to prioritize capital improvement needs over a five-year period and to plan for the appropriate financing of these projects. Planning for capital improvements is an important process for the City 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 \$37.3 million of which \$13.3 million has already been expended and there is approximately \$1 million in available cash. It is anticipated that this project will require a future \$23 million bond issue to complete with the next phase of the project beginning in the Spring of 2018. Currently, the projected completion date has not been determined.

The City is in the planning stages for improvements to northbound Exit 245 on Interstate 81. This project includes removal of the cloverleaf style exit ramp with a realigned exit ramp. It is estimated that the project will cost \$3.9 million and will be funded from state sources. It is anticipated that the project will be completed by the end of 2021.

The City is in the design stages for the construction of shared use paths in the western portion of the City. This project will connect neighborhoods, two parks and the new Bluestone Elementary School, as well as, Harrisonburg High School. It is estimated that the project will cost \$4.2 million and is funded from the issuance of bonds and state sources. It is anticipated that the project will be completed by the end of 2019.

The City is in the design stages for the construction of the first phase of the Northend Greenway. This will be a shared use path in the northern portion of the City that will ultimately connect to the Bluestone Trail in the southern portion of the city. In conjunction with the construction of the shared use path will be a stream restoration project along Blacks Run which runs adjacent to the shared use path as part of the City's stormwater management program. It is estimated that the project will cost \$3 million and is funded from state sources and currently available funds. It is anticipated that the project will be completed by the end of 2018.

### **Certificate of Achievement**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2016. This was the twenty-second consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and organized CAFR. This report satisfied both GAAP and applicable legal requirements.

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

**Acknowledgments**

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

Respectfully submitted,

/s/

Ande Banks  
Acting 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**

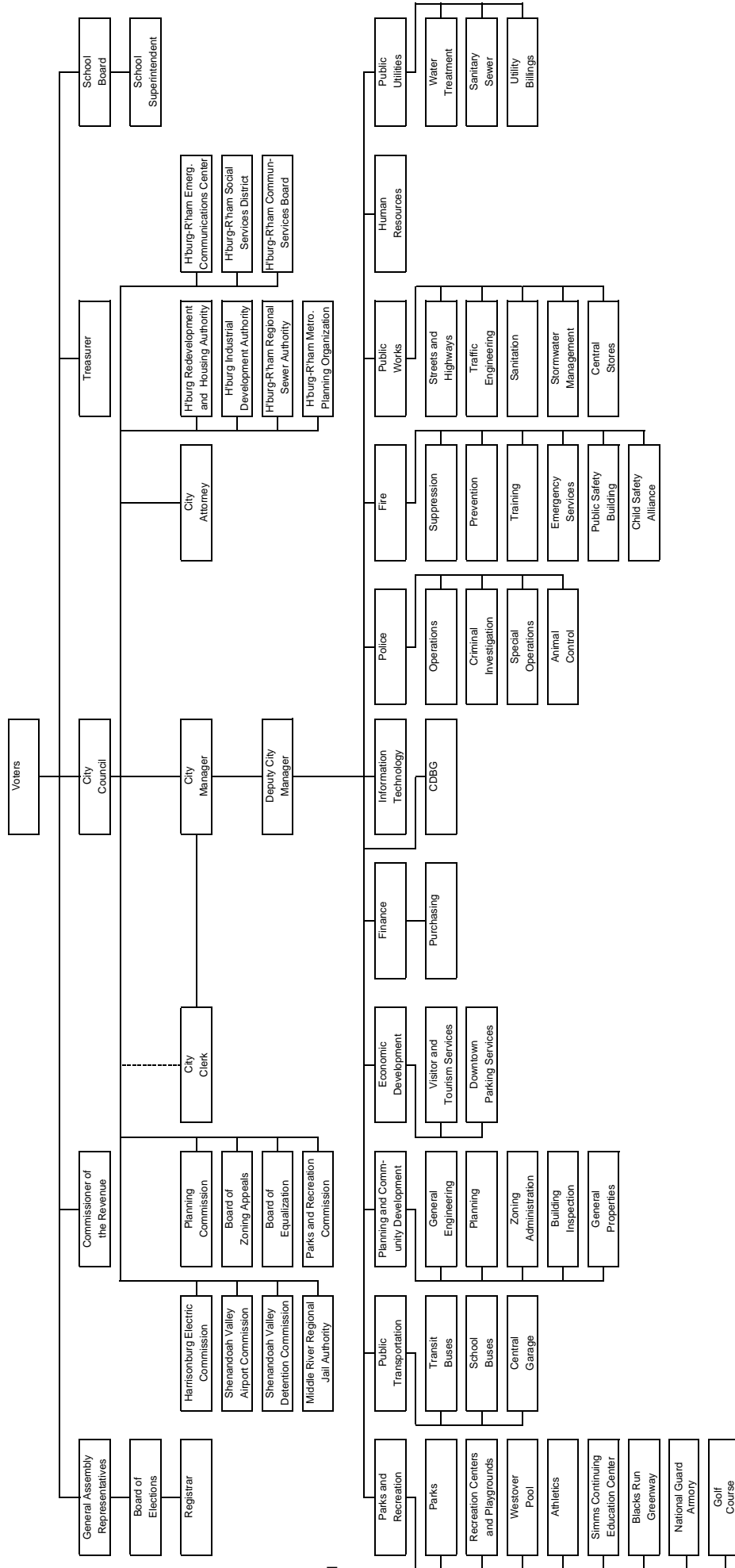
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2016**

Executive Director/CEO



# City of Harrisonburg, Virginia Organization Chart



**CITY OF HARRISONBURG, VIRGINIA**  
**DIRECTORY OF PRINCIPAL OFFICIALS**  
**June 30, 2017**

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**CITY COUNCIL**

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Deanna R. Reed	Mayor
Richard A. Baugh	Vice Mayor
J. Ted Byrd	Council Member
George J. Hirschmann	Council Member
Christopher B. Jones	Council Member

**CITY OFFICIALS**

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Kurt D. Hodgen	City Manager
Alexander "Ande" Banks, IV	Deputy City Manager
G. Chris Brown	City Attorney
Pamela S. Ulmer	Deputy City Clerk
Jeffrey L. Shafer	City Treasurer
Karen I. Rose	Commissioner of the Revenue
Stephen P. Monticelli	Police Chief
Ian J. Bennett	Fire Chief
Reginald S. "Reggie" Smith	Director of Public Transportation
James D. Baker	Director of Public Works
A. Michael Collins	Director of Public Utilities
Jennifer L. Whistleman	Director of Human Resources
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 Planning and Community Development
Luciana "Luanne" Santangelo	Director of Parks and Recreation
Deborah "Debbie" Logan	City Registrar

**SCHOOL BOARD**

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Andrew Kohen	Chairperson
Deb Fitzgerald	Vice Chairperson
Brent Holsinger	Board Member
Lauren Penrod	Board Member
Kaylene Seigle	Board Member
Dominic D. "Nick" Swayne	Board Member

**SCHOOL OFFICIALS**

---

Scott R. Kizner, Ph.D.	Superintendent of Schools
Lisa M. Lantz	Clerk
Tracy Shaver	Director of Finance

# FINANCIAL SECTION

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

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## INDEPENDENT AUDITOR'S REPORT

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, 2017, 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, 2017, 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.

## ***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*, and is also not a required part of the basic financial statements.

The other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate 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 and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

***Other Matters (Continued)***

*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 November 28, 2017 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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  
November 28, 2017

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

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As management of the City of Harrisonburg (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2017. 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 \$250.1 million (net position). Of this amount, \$23.9 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 \$12.5 million.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$45.9 million, a decrease of \$34.5 million in comparison with the previous year. Approximately 65.8 percent of this total amount, \$30.2 million, is unassigned.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$30.2 million, or 29.1 percent of total General Fund expenditures and other financing uses.
- The City's total long-term debt decreased by \$5.8 million during the current fiscal year.

### **Overview of the Financial Statements**

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

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

The statement of net position presents information on all of 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 of this report.

**Notes to financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 35 through 71 of this report.

**Required supplementary information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligations to provide pension and postretirement healthcare benefits to its employees. This information is presented immediately following the notes to financial statements and can be found on pages 72 through 79 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 80 through 100 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 \$250.1 million at the close of the most recent fiscal year.

The largest portion of the City's net position (90.2 percent) reflects its investment in capital assets (e.g., land, buildings and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net 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 \$23.9 million, may be used to meet the City's ongoing obligations to citizens and creditors.

#### City of Harrisonburg's Net Position

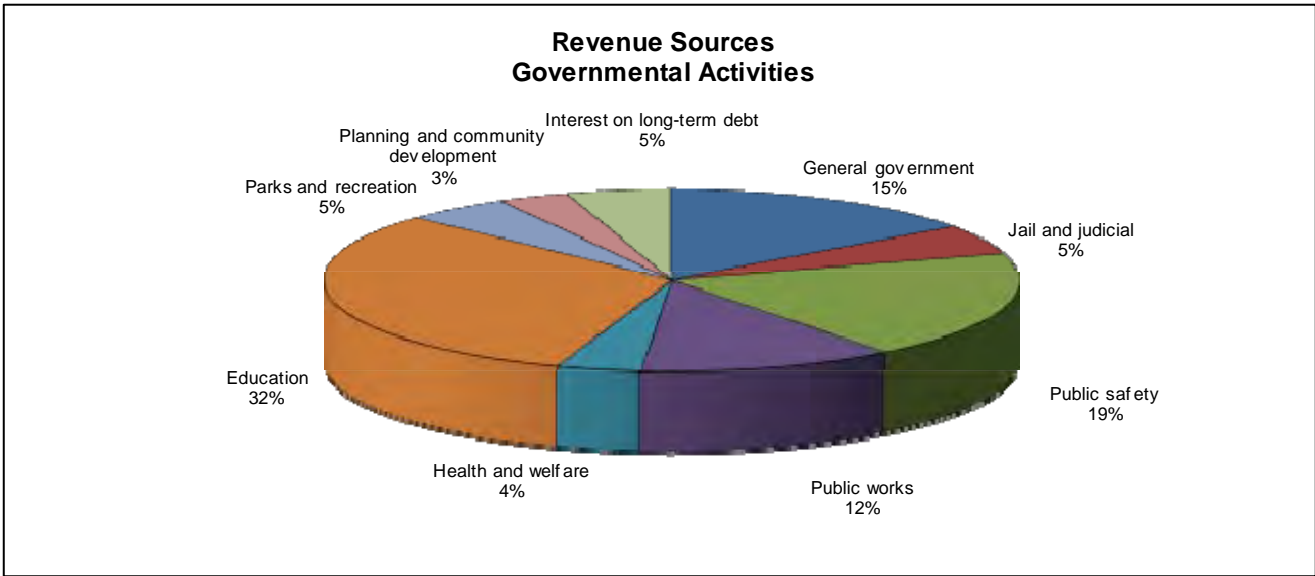
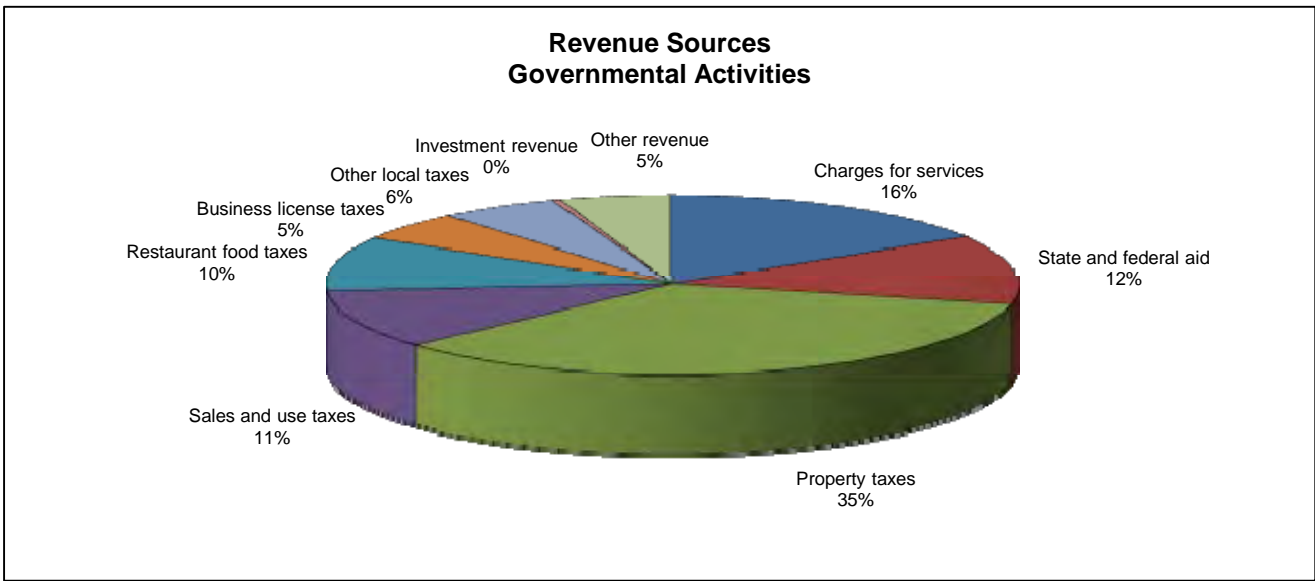
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 121,548,490	\$ 146,549,376	\$ 27,838,825	\$ 25,251,647	\$ 149,387,315	\$ 171,801,023
Capital assets	312,667,757	280,963,583	87,080,623	86,525,513	399,748,380	367,489,096
<b>Total assets</b>	<b>434,216,247</b>	<b>427,512,959</b>	<b>114,919,448</b>	<b>111,777,160</b>	<b>549,135,695</b>	<b>539,290,119</b>
<b>Total deferred outflows of resources</b>	<b>8,558,072</b>	<b>6,030,166</b>	<b>2,823,341</b>	<b>2,403,938</b>	<b>11,381,413</b>	<b>8,434,104</b>
Current and other liabilities	17,162,292	12,700,200	2,055,775	2,032,501	19,218,067	14,732,701
Long-term liabilities	206,725,268	211,078,056	37,425,493	38,874,872	244,150,761	249,952,928
<b>Total liabilities</b>	<b>223,887,560</b>	<b>223,778,256</b>	<b>39,481,268</b>	<b>40,907,373</b>	<b>263,368,828</b>	<b>264,685,629</b>
<b>Total deferred inflows of resources</b>	<b>47,044,418</b>	<b>45,001,231</b>	<b>-</b>	<b>459,111</b>	<b>47,044,418</b>	<b>45,460,342</b>
Net position:						
Net investment in capital assets	150,611,197	145,194,280	74,997,991	62,658,600	225,609,188	207,852,880
Restricted	552,092	461,736	-	-	552,092	461,736
Unrestricted	20,679,052	19,107,622	3,263,530	10,156,014	23,942,582	29,263,636
<b>Total net position</b>	<b>\$ 171,842,341</b>	<b>\$ 164,763,638</b>	<b>\$ 78,261,521</b>	<b>\$ 72,814,614</b>	<b>\$ 250,103,862</b>	<b>\$ 237,578,252</b>

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

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 20,496,653	\$ 19,008,321	\$ 25,583,740	\$ 26,375,877	\$ 46,080,393	\$ 45,384,198
Operating grants and contributions	7,499,993	8,071,894	2,540,589	2,281,764	10,040,582	10,353,658
Capital grants and contributions	4,575,920	2,112,546	4,199,180	606,645	8,775,100	2,719,191
General revenues:						
Property taxes	43,640,018	39,574,723	-	-	43,640,018	39,574,723
Sales and use taxes	13,207,791	12,994,784	-	-	13,207,791	12,994,784
Restaurant food taxes	12,257,672	11,914,152	-	-	12,257,672	11,914,152
Business license taxes	6,689,192	6,653,830	-	-	6,689,192	6,653,830
Other local taxes	7,083,413	7,119,400	-	-	7,083,413	7,119,400
Grants and contributions not restricted to specific programs	3,464,103	3,501,028	-	-	3,464,103	3,501,028
Payment from component units	5,000,000	5,000,000	-	-	5,000,000	5,000,000
Investment revenue	480,911	206,899	131,300	55,180	612,211	262,079
Other revenue	1,588,875	1,681,770	857,222	1,237,883	2,446,097	2,919,653
Gain on disposal of capital assets	-	-	-	41,058	-	41,058
<b>Total revenues</b>	<b>125,984,541</b>	<b>117,839,347</b>	<b>33,312,031</b>	<b>30,598,407</b>	<b>159,296,572</b>	<b>148,437,754</b>
Expenses:						
General government administration	18,413,671	18,543,556	-	-	18,413,671	18,543,556
Jail and judicial administration	6,398,698	5,822,848	-	-	6,398,698	5,822,848
Public safety	23,238,203	22,625,158	-	-	23,238,203	22,625,158
Public works	14,407,248	14,709,122	-	-	14,407,248	14,709,122
Health and welfare	4,757,945	4,579,647	-	-	4,757,945	4,579,647
Education	38,328,364	36,565,819	-	-	38,328,364	36,565,819
Parks, recreation and cultural	5,998,086	6,201,994	-	-	5,998,086	6,201,994
Planning and community development	4,035,574	4,579,778	-	-	4,035,574	4,579,778
Interest on long-term debt	5,914,313	5,046,788	-	-	5,914,313	5,046,788
Water	-	-	5,329,601	5,496,737	5,329,601	5,496,737
Sewer	-	-	9,850,111	9,702,160	9,850,111	9,702,160
Public transportation	-	-	6,365,032	6,348,417	6,365,032	6,348,417
Sanitation	-	-	3,319,439	4,208,851	3,319,439	4,208,851
Stormwater	-	-	414,677	255,371	414,677	255,371
<b>Total expenses</b>	<b>121,492,102</b>	<b>118,674,710</b>	<b>25,278,860</b>	<b>26,011,536</b>	<b>146,770,962</b>	<b>144,686,246</b>
Excess (deficiency) before transfers	4,492,439	(835,363)	8,033,171	4,586,871	12,525,610	3,751,508
Transfers	2,586,264	2,603,868	(2,586,264)	(2,603,868)	-	-
<b>Change in net position</b>	<b>7,078,703</b>	<b>1,768,505</b>	<b>5,446,907</b>	<b>1,983,003</b>	<b>12,525,610</b>	<b>3,751,508</b>
Net position - beginning	164,763,638	162,995,133	72,814,614	70,831,611	237,578,252	233,826,744
Net position - ending	\$ 171,842,341	\$ 164,763,638	\$ 78,261,521	\$ 72,814,614	\$ 250,103,862	\$ 237,578,252

**Governmental activities.** Governmental activities increased the City's net position by \$7.1 million. Key elements affecting governmental activities are as follows:

- Charges for services increased \$1.5 million (7.8 percent) due to an increase in revenue in the City's self-insured health insurance plan that is reported in governmental activities and increased building permit fees.
- Property tax revenue increased \$4.1 million (10.3 percent) during the current year as the result of a six cent increase in the real estate tax rate and an additional \$1 million in personal property tax revenue.
- Capital grants and contributions increased \$2.5 million primarily from intergovernmental funding of several capital projects including the Reservoir Street improvement project.
- Expenses in the jail and judicial administration activity increased \$575,850 (9.9 percent) due to a general increase in costs associated with shared services with Rockingham County and an increase in the contribution to the Middle River Regional Jail.
- Expenses in the education activity increased \$1.8 million (4.8 percent) primarily due to \$1.4 million in funding provided to the Harrisonburg City School Board for current construction projects.
- Expenses for interest on long-term debt increased \$867,525 (17.2 percent) from bonds issued in May 2016 for the construction of Bluestone Elementary School and the Elon Rhodes Early Learning Center.
- Expenses in the planning and community development activity decreased \$544,204 (11.9%) primarily from the recognition of a loss from the demolition of the old community development building in the previous fiscal year.



**Business-type activities.** Business-type activities increased the City’s net position by \$5.4 million. Key elements affecting business-type activities are as follows:

- Charges for services decreased \$792,137 (3 percent) due to the discontinued operations at the resource recovery facility in the sanitation activity. Water and sewer charges for services increased \$1.1 million (6.3 percent) from an approximate 4.5 percent water rate increase and a general increase in usage. These increases were offset by a decrease in stormwater charges for services which decreased \$1.1 million as the result of a reduction in the stormwater fee.
- Capital grants and contributions increased \$3.6 million primarily from intergovernmental revenue associated with the purchase of eight new transit buses and other public transportation projects.
- Expenses in the sanitation activity decreased \$889,412 (21.1 percent) as the result of discontinued operations at the resource recovery facility in sanitation activities.

## Government-wide Financial Analysis (Component Units)

**School Board activities.** The net position of the School Board increased \$2.3 million during the year, as compared to a \$3.5 million increase in the previous year. School Board expenses increased \$6.3 million (8.8 percent) due to a general increase in instructional expenses. The School Board's funding from the City increased \$1.5 million (5.1 percent) compared to the previous year, which included a \$1.4 contribution for school construction purposes. State funding increased \$4.1 million due to increased enrollment, while Federal funding increased \$712,417.

**HEC activities.** HEC's net position increased \$3.5 million during the year, as compared to a \$803,460 decrease in the previous year. Operating revenues remained essentially flat during the current year, while expenses decreased \$3.7 million (6.1 percent). A rate increase did increase operating revenue by nearly five percent during the year, however, a lower fuel adjustment factor offset this increase. The decrease in expenses was mostly a result of lower purchased power costs coupled with the decrease in the fuel adjustment factor and decreased electricity purchased.

## 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 \$30.2 million, while total fund balance was \$32.7 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 29.1 percent (28.7 percent in the prior year) of total General Fund expenditures and other financing uses, while total fund balance represents 31.5 percent (30.7 percent in the prior year) of that same amount.

Total fund balance in the General Fund increased \$2.3 million mainly from positive operating results. Total revenues increased \$4.4 million (9.6 percent). Real property taxes increased \$2.7 million (9.5 percent), as the result of an increased tax rate, while personal property taxes increased \$1 million (11.5 percent) compared to the previous fiscal year. Sales and use taxes increased \$213,007 (1.6 percent) and restaurant food taxes increased \$320,363 (2.7 percent) while building permit fees increased \$473,652 compared to the previous fiscal year. Total expenditures increased \$3.4 million (3.5 percent). Jail and judicial administration expenditures increased \$482,589 (7.85 percent) from a general increase in costs for shared services with Rockingham County and increased contributions to the Middle River Regional Jail. Debt service expenditures increased \$1 million (7.6 percent) from a full year of debt service payments related to a 2016 bond issue and the operating funding provided to the School Board increased \$1.5 million (5.1 percent). 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 \$10.6 million, of which the entire amount is either restricted or committed for various projects. Revenue, including other financing sources, totaled \$7.2 million, of which \$4.7 million was intergovernmental revenue, \$1.8 million was transfers from other funds and \$666,572 from other sources. Intergovernmental revenue included \$3.9 million in funding from the state for street improvement projects, and \$420,530 in state funding for a bridge replacement project. Expenditures, including other financing uses, totaled \$11.7 million, of which the most significant were for construction related to the Reservoir Street improvement project and renovations to Fire Station 1.

**School Bond Capital Projects Fund.** The School Bond Capital Projects Fund has a total fund balance of \$2 million, of which the entire amount is restricted for various school construction projects. Revenue, including other financing sources, totaled \$905,355, of which \$767,000 was transfers from other funds and \$138,355 was interest earnings on unexpended bond proceeds. Expenditures totaled \$33.3 million and included construction of Bluestone Elementary School, Elon Rhodes Early Learning Center and HVAC replacement at Thomas Harrison Middle 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 \$1.2 million compared to an increase of \$138,288 in the previous year. Operating revenues increased \$754,629 (11 percent) due to a water rate increase and increased consumption, while total operating expenses decreased \$167,150 (3.1 percent) from a decrease in depreciation expense.

**Sewer Fund.** The net position of the Sewer Fund decreased \$52,146 compared to a decrease of \$461,026 in the previous year. Operating revenues increased \$331,342 (3.2 percent) due to increased usage, while total operating expenses increased \$163,688 (1.7 percent) due to maintenance and repair of various infrastructure assets.

**Public Transportation Fund.** The net position of the Public Transportation Fund increased \$2.4 million. Operating revenues remained flat while total operating expenses increased \$92,942 (1.5 percent) from a general increase in operating costs.

**Sanitation Fund.** The net position of the Sanitation Fund increased \$1.1 million. Operating revenues decreased \$786,031 (15.5 percent) from a decrease in operating reimbursements from James Madison University (JMU) associated with the decommissioned resource recovery facility, while total operating expenses decreased \$761,868 (21 percent) due to a decrease in costs also associated with the decommissioned resource recovery facility. During the year, the City finalized the sale of the resource recovery facility to JMU in which the City received \$4.2 million

**Stormwater Fund.** The net position of the Stormwater Fund increased \$856,469 compared to an increase of \$2.2 million in the previous fiscal year. Operating revenues decreased \$1.1 million (46.3 percent) due to a decrease in the stormwater rate. Operating expenses increased \$159,634 (62.6 percent) as the result of increased depreciation expense, the hiring of additional staff to continue the implementation of the City's stormwater management program and costs incurred for the development of a city-wide stormwater improvement plan.

### **General Fund Budgetary Highlights**

Differences between the original and the final amended General Fund budget amounted to \$4.4 million, or 4.2 percent of the original budget, and can be briefly summarized as follows:

- \$2.4 million appropriated for prior year encumbrances.
- \$1.4 million appropriated for school construction purposes.
- \$395,539 appropriated for various fire department purposes including state and federal grants.
- \$188,823 appropriated for various police department purposes including state and federal grants.
- \$54,000 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:

- Other local tax revenues were under the final amended budget by \$703,532. The variance was primarily the result of lower than anticipated sales and use tax and restaurant food tax collections.

- Public safety expenditures were under the final amended budget by \$1.4 million. The variance was the result of general budgetary savings in the police department. Also, the timing of various fire department capital outlay and fire program expenditures in which the funds were encumbered and reappropriated into the subsequent fiscal year.
- Public works expenditures were under the final amended budget by \$2 million. The variance was the result of the timing of the City's paving program expenditures. These funds were encumbered and reappropriated into the subsequent fiscal year.

### Capital Asset and Debt Administration

**Capital assets.** At the end of the current fiscal year, the City's investment in capital assets for its governmental and business-type activities totaled \$399.7 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 increased \$32.3 million.

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

- Construction was completed on the Carlton Street roundabout project increasing governmental activities' infrastructure while decreasing construction in progress by \$1.5 million.
- Construction continued on three new school projects that include Bluestone Elementary School, Elon Rhodes Early Learning Center and the Thomas Harrison Middle School HVAC replacement projects increasing governmental activities' construction in progress by \$33.3 million.
- Construction continued on the Reservoir Street improvement project increasing governmental activities' construction in progress by \$6.2 million.
- Construction began on the improvements to Fire Station 1 increasing governmental activities' construction in progress by \$1.75 million.
- Construction began on a new solid waste transfer station increasing business-type activities' construction in progress by \$1.2 million.
- Construction continued on the Park View water tank project increasing business-type activities' construction in progress by \$2.3 million.
- Decommissioning of the resource recovery facility (held for sale) in business-type activities was completed during the year and was subsequently sold to James Madison University for \$4.2 million.

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

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Held for sale	\$ -	\$ -	\$ -	\$ 4,041,217	\$ -	\$ 4,041,217
Land	50,981,356	51,154,882	1,235,770	1,235,770	52,217,126	52,390,652
Easements	1,739,765	1,659,265	342,737	342,737	2,082,502	2,002,002
Construction in progress	59,432,512	17,993,331	19,884,208	15,839,153	79,316,720	33,832,484
Buildings	82,228,245	87,785,298	11,302,219	11,667,417	93,530,464	99,452,715
Improvements other than buildings	12,534,014	13,301,670	10,210,852	10,653,550	22,744,866	23,955,220
Machinery and equipment	13,686,375	14,210,376	10,823,067	8,321,157	24,509,442	22,531,533
Intangibles	10,697,098	11,223,407	573,415	-	11,270,513	11,223,407
Infrastructure	81,368,392	83,635,354	32,708,355	34,424,512	114,076,747	118,059,866
<b>Total capital assets</b>	<b>\$ 312,667,757</b>	<b>\$ 280,963,583</b>	<b>\$ 87,080,623</b>	<b>\$ 86,525,513</b>	<b>\$ 399,748,380</b>	<b>\$ 367,489,096</b>

Additional information on the City's capital assets can be found in Note 7 on pages 45 through 47 of this report.



**Long-term debt.** At the end of the current fiscal year, the City had total long-term debt outstanding of \$244.15 million. Of this amount, \$194.3 million comprises debt backed by the full faith and credit of the City. The City's total long-term debt decreased \$5.8 million during the current fiscal year.

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

- An increase of \$6.1 in the net pension liability.

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

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
General obligation bonds	\$ 168,044,998	\$ 176,312,408	\$ 26,299,704	\$ 28,742,532	\$ 194,344,702	\$ 205,054,940
Capital leases	1,414,000	2,032,839	-	-	1,414,000	2,032,839
Regional jail agreement	7,826,952	8,714,153	-	-	7,826,952	8,714,153
Compensated absences	3,507,704	3,517,623	750,025	840,433	4,257,729	4,358,056
Postretirement healthcare benefits	3,764,753	3,424,363	1,048,317	967,150	4,813,070	4,391,513
Net pension liability	22,166,861	17,076,670	4,995,220	4,013,503	27,162,081	21,090,173
City landfill closure costs	-	-	1,634,262	1,613,289	1,634,262	1,613,289
County landfill obligation	-	-	2,697,965	2,697,965	2,697,965	2,697,965
<b>Total long-term debt</b>	<b>\$ 206,725,268</b>	<b>\$ 211,078,056</b>	<b>\$ 37,425,493</b>	<b>\$ 38,874,872</b>	<b>\$ 244,150,761</b>	<b>\$ 249,952,928</b>

The City maintained its AA bond rating from Standard and Poor's and its Aa2 bond rating from Moody's.

State statutes limit the amount of general obligation debt a governmental entity may incur to 10 percent of its total assessed real property valuation. The current debt limitation for the City is \$404.8 million of which \$220.6 million is available for use.

Additional information on the City's long-term debt can be found in Note 8 on pages 48 through 50 of this report.

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

The approved \$111.7 million fiscal year 2018 General Fund budget did not include the use of unassigned fund balance. The following were factors in the preparation and final approval of the fiscal year 2018 General Fund budget.

- The unemployment rate for the City in December 2016 was 4.1 percent, which was a decrease from a rate of 4.6 percent in December 2016. This rate was higher than the 3.8 percent state rate but still compares favorably to the 4.5 percent national rate in December 2016.
- Approximate 1.5 percent increase in real estate assessments.
- Increased the real estate tax rate from \$0.78 to \$0.85. This tax rate increase is anticipated to provide an additional \$2.8 million in revenue compared to fiscal year 2017.
- Increased the restaurant food tax rate from 6.5 percent to 7 percent. This tax rate increase is anticipated to provide an additional \$924,000 in revenue compared to fiscal year 2017.
- Increased the hotel and motel room tax rate from 6.5 percent to 7 percent. This tax rate increase is anticipated to provide an additional \$211,000 in revenue compared to fiscal year 2017.
- Increase other various consumer utility tax rates which were anticipated to provide an additional \$900,000 in revenue compared to fiscal year 2017.
- An increase of \$3.2 million in additional funding to the School Board.
- An increase of \$810,000 in debt service expenditures related to the City's 2016 issuance of bonds for school construction and other various projects.

- An increase of \$3.2 million in additional funding the School Board mainly related to the opening of a new elementary school and pre-k facility.
- A general increase for the police department of approximately \$582,000 for the addition of new personnel.
- An increase of approximately \$560,000 in expenditures for the purchase of a new fire truck.
- Salary increases for both City and School Board employees.

A water rate increase of \$0.20 per one thousand gallons (approximately 8 percent) was approved to provide funding for anticipated debt service on a waterline construction project that will transport raw water from the South Fork of the Shenandoah River in Rockingham County to the City's water treatment plant.

A sewer rate increase of \$0.05 per one thousand gallons (approximately 1.5 percent) was approved to provided funding for the City's infiltration and inflow abatement program.

### **Requests for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. A copy of this report in its entirety may be downloaded from the City's website at [www.harrisonburgva.gov](http://www.harrisonburgva.gov). Questions concerning any of the information in this report or requests for additional financial information should be addressed to the City of Harrisonburg, Director of Finance, 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, 2017

Exhibit 1

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	HEC
<b>Assets</b>					
Cash and cash equivalents	\$ 45,744,575	\$ 25,797,257	\$ 71,541,832	\$ 10,666,253	\$ 10,287,834
Investments	-	-	-	-	12,000,000
Receivables (net of allowance for uncollectibles)	55,964,331	2,957,962	58,922,293	2,138,789	8,456,352
Due from primary government	-	-	-	-	117,016
Due from component units	64,113	-	64,113	-	130,442
Internal balances	1,929,484	(1,929,484)	-	-	-
Inventory	1,226,774	-	1,226,774	117,399	1,747,072
Prepaid expenses	548,563	84,240	632,803	634,648	212,817
Loans receivable	7,580,167	-	7,580,167	-	-
Restricted assets	8,490,483	928,850	9,419,333	-	-
Capital assets:					
Capital assets, not being depreciated	112,153,633	21,462,715	133,616,348	7,094,184	7,559,926
Capital assets (net of accumulated depreciation)	200,514,124	65,617,908	266,132,032	34,431,284	51,940,091
Net pension asset	-	-	-	107,134	-
<b>Total assets</b>	<u>434,216,247</u>	<u>114,919,448</u>	<u>549,135,695</u>	<u>55,189,691</u>	<u>92,451,550</u>
<b>Deferred outflows of resources</b>					
Deferred bond refunding charges	3,231,975	1,623,126	4,855,101	-	-
Deferred pension outflows	5,326,097	1,200,215	6,526,312	10,565,143	776,247
<b>Total deferred outflows of resources</b>	<u>8,558,072</u>	<u>2,823,341</u>	<u>11,381,413</u>	<u>10,565,143</u>	<u>776,247</u>
<b>Liabilities</b>					
Accounts payable	6,225,032	580,350	6,805,382	70,363	4,434,761
Accrued payroll	1,075,761	217,051	1,292,812	7,358,705	102,206
Accrued interest	2,790,279	377,488	3,167,767	-	-
Due to primary government	-	-	-	59,760	4,353
Due to component units	102,137	14,879	117,016	130,442	-
Customer deposits	-	339,480	339,480	-	1,101,477
Unearned revenue	2,047,170	286,100	2,333,270	-	-
Other liabilities	1,143,503	51,371	1,194,874	690,740	155,335
Liabilities payable from restricted assets	3,778,410	189,056	3,967,466	-	-
Long-term liabilities:					
Due within one year	12,353,870	2,969,015	15,322,885	197,272	518,682
Due in more than one year	194,371,398	34,456,478	228,827,876	68,618,307	4,002,863
<b>Total liabilities</b>	<u>223,887,560</u>	<u>39,481,268</u>	<u>263,368,828</u>	<u>77,125,589</u>	<u>10,319,677</u>
<b>Deferred inflows of resources</b>					
Property tax revenue	47,044,418	-	47,044,418	-	-
Deferred pension inflows	-	-	-	2,322,342	-
<b>Total deferred inflows of resources</b>	<u>47,044,418</u>	<u>-</u>	<u>47,044,418</u>	<u>2,322,342</u>	<u>-</u>
<b>Net position</b>					
Net investment in capital assets	150,611,197	74,997,991	225,609,188	41,525,468	59,500,017
Restricted for:					
Public safety	552,092	-	552,092	-	-
Unrestricted	20,679,052	3,263,530	23,942,582	(55,218,565)	23,408,103
<b>Total net position</b>	<u>\$ 171,842,341</u>	<u>\$ 78,261,521</u>	<u>\$ 250,103,862</u>	<u>\$ (13,693,097)</u>	<u>\$ 82,908,120</u>

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, 2017**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
Governmental activities:				
General government administration	\$ 18,413,671	\$ 14,033,150	\$ 304,346	\$ -
Jail and judicial administration	6,398,698	553,894	-	-
Public safety	23,238,203	315,567	1,875,991	-
Public works	14,407,248	-	4,646,760	4,575,920
Health and welfare	4,757,945	-	-	-
Education	38,328,364	3,361,589	-	-
Parks, recreation and cultural	5,998,086	1,170,361	-	-
Community development	4,035,574	1,062,092	672,896	-
Interest on long-term debt	5,914,313	-	-	-
<b>Total governmental activities</b>	<b>121,492,102</b>	<b>20,496,653</b>	<b>7,499,993</b>	<b>4,575,920</b>
Business-type activities:				
Water	5,329,601	7,621,237	-	135,650
Sewer	9,850,111	10,580,345	-	136,270
Public transportation	6,365,032	1,820,130	2,540,589	3,927,260
Sanitation	3,319,439	4,303,069	-	-
Stormwater	414,677	1,258,959	-	-
<b>Total business-type activities</b>	<b>25,278,860</b>	<b>25,583,740</b>	<b>2,540,589</b>	<b>4,199,180</b>
<b>Total primary government</b>	<b>\$ 146,770,962</b>	<b>\$ 46,080,393</b>	<b>\$ 10,040,582</b>	<b>\$ 8,775,100</b>
<b>Component units:</b>				
School Board	\$ 77,470,971	\$ 2,180,597	\$ 21,505,903	\$ -
Harrisonburg Electric Commission (HEC)	57,919,366	60,799,929	-	549,102
<b>Total component units</b>	<b>\$ 135,390,337</b>	<b>\$ 62,980,526</b>	<b>\$ 21,505,903</b>	<b>\$ 549,102</b>

General revenues:  
Property taxes  
Sales and use taxes  
Restaurant food taxes  
Business license taxes  
Other local taxes  
Unrestricted grants and contributions  
Unrestricted payment from primary government  
Unrestricted payment from component units  
Investment revenue  
Other revenue  
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
\$ (4,076,175)	\$ -	\$ (4,076,175)	\$ -	\$ -
(5,844,804)	-	(5,844,804)	-	-
(21,046,645)	-	(21,046,645)	-	-
(5,184,568)	-	(5,184,568)	-	-
(4,757,945)	-	(4,757,945)	-	-
(34,966,775)	-	(34,966,775)	-	-
(4,827,725)	-	(4,827,725)	-	-
(2,300,586)	-	(2,300,586)	-	-
(5,914,313)	-	(5,914,313)	-	-
<u>(88,919,536)</u>	<u>-</u>	<u>(88,919,536)</u>	<u>-</u>	<u>-</u>
-	2,427,286	2,427,286	-	-
-	866,504	866,504	-	-
-	1,922,947	1,922,947	-	-
-	983,630	983,630	-	-
-	844,282	844,282	-	-
<u>-</u>	<u>7,044,649</u>	<u>7,044,649</u>	<u>-</u>	<u>-</u>
<u>(88,919,536)</u>	<u>7,044,649</u>	<u>(81,874,887)</u>	<u>-</u>	<u>-</u>
-	-	-	(53,784,471)	-
-	-	-	-	3,429,665
<u>-</u>	<u>-</u>	<u>-</u>	<u>(53,784,471)</u>	<u>3,429,665</u>
43,640,018	-	43,640,018	-	-
13,207,791	-	13,207,791	-	-
12,257,672	-	12,257,672	-	-
6,689,192	-	6,689,192	-	-
7,083,413	-	7,083,413	-	-
3,464,103	-	3,464,103	24,725,802	-
-	-	-	30,898,823	-
5,000,000	-	5,000,000	-	-
480,911	131,300	612,211	10,268	100,824
1,588,875	857,222	2,446,097	468,662	-
2,586,264	(2,586,264)	-	-	-
<u>95,998,239</u>	<u>(1,597,742)</u>	<u>94,400,497</u>	<u>56,103,555</u>	<u>100,824</u>
7,078,703	5,446,907	12,525,610	2,319,084	3,530,489
<u>164,763,638</u>	<u>72,814,614</u>	<u>237,578,252</u>	<u>(16,012,181)</u>	<u>79,377,631</u>
<u>\$ 171,842,341</u>	<u>\$ 78,261,521</u>	<u>\$ 250,103,862</u>	<u>\$ (13,693,097)</u>	<u>\$ 82,908,120</u>

CITY OF HARRISONBURG, VIRGINIA  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
At June 30, 2017

Exhibit 3

	General Fund	General Capital Projects Fund	School Bond Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 31,777,802	\$ 8,225,601	\$ -	\$ 643,870	\$ 40,647,273
Receivables (net of allowance for uncollectibles)	53,095,266	2,756,963	-	109,093	55,961,322
Due from other funds	34,931	-	-	-	34,931
Due from component units	-	-	-	54,738	54,738
Inventory	88,263	-	-	-	88,263
Prepaid expenditures	468,878	-	-	50,508	519,386
Loans receivable	7,507,756	-	-	72,411	7,580,167
Restricted assets	-	2,786,151	5,704,332	-	8,490,483
<b>Total assets</b>	<b>\$ 92,972,896</b>	<b>\$ 13,768,715</b>	<b>\$ 5,704,332</b>	<b>\$ 930,620</b>	<b>\$ 113,376,563</b>
<b>Liabilities</b>					
Accounts payable	\$ 2,428,097	\$ 2,506,770	\$ -	\$ 73,873	\$ 5,008,740
Accrued payroll	882,591	-	-	161,594	1,044,185
Due to other funds	-	-	-	34,931	34,931
Due to component units	94,490	52	-	1,902	96,444
Unearned revenue	94,095	556,349	-	-	650,444
Other liabilities	1,143,503	-	-	-	1,143,503
Liabilities payable from restricted assets	-	72,498	3,705,912	-	3,778,410
<b>Total liabilities</b>	<b>4,642,776</b>	<b>3,135,669</b>	<b>3,705,912</b>	<b>272,300</b>	<b>11,756,657</b>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue	55,633,054	-	-	75,836	55,708,890
<b>Total deferred inflows of resources</b>	<b>55,633,054</b>	<b>-</b>	<b>-</b>	<b>75,836</b>	<b>55,708,890</b>
<b>Fund Balances</b>					
Nonspendable	874,897	-	-	50,508	925,405
Restricted	552,091	2,713,653	1,998,420	-	5,264,164
Committed	63,402	7,919,393	-	327,660	8,310,455
Assigned	980,493	-	-	204,500	1,184,993
Unassigned	30,226,183	-	-	(184)	30,225,999
<b>Total fund balances</b>	<b>32,697,066</b>	<b>10,633,046</b>	<b>1,998,420</b>	<b>582,484</b>	<b>45,911,016</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 92,972,896</b>	<b>\$ 13,768,715</b>	<b>\$ 5,704,332</b>	<b>\$ 930,620</b>	<b>\$ 113,376,563</b>

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



**CITY OF HARRISONBURG, VIRGINIA**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**At June 30, 2017**

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**Exhibit 4**

Total fund balances of governmental funds (Exhibit 3)	\$ 45,911,016
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.	8,664,472
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	306,102,436
Certain liabilities, including bonds and related accounts, are not payable from current financial resources and therefore are not reported in the funds.	(205,287,559)
Deferred pension outflows and deferred pension inflows are not current financial resources and are not payable from current financial resources and therefore are not reported in the funds.	5,144,253
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>11,307,723</u>
Net position of governmental activities (Exhibit 1)	<u>\$ 171,842,341</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, 2017

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>
<b>Revenues:</b>					
General property taxes	\$ 43,233,944	\$ -	\$ -	\$ -	\$ 43,233,944
Other local taxes	39,238,068	-	-	-	39,238,068
Permits, privilege fees and regulatory licenses	916,716	-	-	-	916,716
Fines and forfeitures	749,623	-	-	-	749,623
Use of money and property	366,386	33,826	138,355	2,372	540,939
Charges for services	1,435,575	-	-	3,361,849	4,797,424
Miscellaneous	2,033,554	-	-	51,395	2,084,949
Recovered costs	-	632,746	-	-	632,746
Payments from component units	5,000,000	-	-	-	5,000,000
Intergovernmental	10,356,205	4,708,103	-	607,891	15,672,199
Total revenues	<u>103,330,071</u>	<u>5,374,675</u>	<u>138,355</u>	<u>4,023,507</u>	<u>112,866,608</u>
<b>Expenditures:</b>					
Current:					
General government administration	5,211,161	-	-	-	5,211,161
Jail and judicial administration	6,629,878	-	-	-	6,629,878
Public safety	21,888,510	-	-	-	21,888,510
Public works	9,699,316	-	-	-	9,699,316
Health and welfare	4,736,080	-	-	-	4,736,080
Education	30,898,823	-	-	3,317,515	34,216,338
Parks, recreation and cultural	4,992,106	-	-	-	4,992,106
Community development	3,529,330	-	-	607,891	4,137,221
Debt service:					
Principal retirement	8,337,450	-	-	-	8,337,450
Interest and fiscal charges	5,869,531	-	-	-	5,869,531
Capital projects	-	10,908,564	33,272,330	-	44,180,894
Total expenditures	<u>101,792,185</u>	<u>10,908,564</u>	<u>33,272,330</u>	<u>3,925,406</u>	<u>149,898,485</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>1,537,886</u>	<u>(5,533,889)</u>	<u>(33,133,975)</u>	<u>98,101</u>	<u>(37,031,877)</u>
<b>Other financing sources (uses):</b>					
Sale of capital assets	125,215	-	-	-	125,215
Transfers in	2,706,256	1,778,000	767,000	-	5,251,256
Transfers out	<u>(2,028,000)</u>	<u>(797,532)</u>	<u>-</u>	<u>-</u>	<u>(2,825,532)</u>
Total other financing sources (uses)	<u>803,471</u>	<u>980,468</u>	<u>767,000</u>	<u>-</u>	<u>2,550,939</u>
<b>Net change in fund balances</b>	2,341,357	(4,553,421)	(32,366,975)	98,101	(34,480,938)
Fund balances at beginning of year	<u>30,355,709</u>	<u>15,186,467</u>	<u>34,365,395</u>	<u>484,383</u>	<u>80,391,954</u>
Fund balances at end of year	<u>\$ 32,697,066</u>	<u>\$ 10,633,046</u>	<u>\$ 1,998,420</u>	<u>\$ 582,484</u>	<u>\$ 45,911,016</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, 2017**

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**Exhibit 6**

Total net change in fund balances of governmental funds (Exhibit 5)	\$ (34,480,938)
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.	(185,441)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay expenditures exceeded depreciation expense.	34,817,556
The transfer of capital assets to the School Board (component unit) affects only the statement of activities. These transfers do not have an effect on current financial resources and, therefore, are not reported in governmental funds.	(2,613,167)
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.	(298,127)
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.	9,553,286
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.	(691,086)
Governmental funds report employer pension contributions as expenditures. However, in the statement of activities the cost of pension benefits earned, net of employee contributions, are reported as pension expense. This is the amount by which pension expense exceeded employer pension contributions.	(380,456)
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>1,357,076</u>
Change in net position of governmental activities (Exhibit 2)	<u>\$ 7,078,703</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, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
<b>Revenues:</b>				
General property taxes	\$ 42,637,300	\$ 42,637,300	\$ 43,233,944	\$ 596,644
Other local taxes	39,941,600	39,941,600	39,238,068	(703,532)
Permits, privilege fees and regulatory licenses	476,600	476,600	916,716	440,116
Fines and forfeitures	585,000	585,000	749,623	164,623
Use of money and property	137,500	137,500	366,386	228,886
Charges for services	1,459,400	1,459,400	1,435,575	(23,825)
Miscellaneous	1,903,528	1,907,528	2,033,554	126,026
Payments from component units	5,000,000	5,000,000	5,000,000	-
Intergovernmental	10,043,033	10,430,505	10,356,205	(74,300)
Total revenues	<u>102,183,961</u>	<u>102,575,433</u>	<u>103,330,071</u>	<u>754,638</u>
<b>Expenditures:</b>				
Current:				
General government administration	5,764,319	5,615,898	5,211,161	404,737
Jail and judicial administration	7,022,474	7,255,747	6,629,878	625,869
Public safety	22,676,811	23,244,144	21,888,510	1,355,634
Public works	10,390,295	11,670,495	9,699,316	1,971,179
Health and welfare	4,813,014	4,818,014	4,736,080	81,934
Education	30,062,539	31,462,539	30,898,823	563,716
Parks, recreation and cultural	5,196,476	5,244,474	4,992,106	252,368
Community development	3,617,723	3,719,723	3,529,330	190,393
Debt service:				
Principal retirement	8,337,452	8,337,450	8,337,450	-
Interest and fiscal charges	5,875,582	5,875,584	5,869,531	6,053
Total expenditures	<u>103,756,685</u>	<u>107,244,068</u>	<u>101,792,185</u>	<u>5,451,883</u>
<b>Excess (deficiency) of revenues over</b>				
<b>(under) expenditures</b>	<u>(1,572,724)</u>	<u>(4,668,635)</u>	<u>1,537,886</u>	<u>6,206,521</u>
<b>Other financing sources (uses):</b>				
Sale of capital assets	-	-	125,215	125,215
Transfers in	2,675,724	2,675,724	2,706,256	30,532
Transfers out	(1,103,000)	(2,028,000)	(2,028,000)	-
Total other financing sources (uses)	<u>1,572,724</u>	<u>647,724</u>	<u>803,471</u>	<u>155,747</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ (4,020,911)</u>	<u>2,341,357</u>	<u>\$ 6,362,268</u>
Fund balance at beginning of year			<u>30,355,709</u>	
Fund balance at end of year			<u>\$ 32,697,066</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, 2017

Exhibit 8

	Enterprise Funds						Internal Service Funds
	Water Fund	Sewer Fund	Public Transportation Fund	Sanitation Fund	Stormwater Fund	Total	
<b>Assets</b>							
Current assets:							
Cash and cash equivalents	\$ 8,069,180	\$ 6,798,607	\$ 682,631	\$ 8,033,336	\$ 2,213,503	\$ 25,797,257	\$ 5,097,302
Receivables (net of allowance for uncollectibles)	989,679	1,327,598	6,279	301,763	88,838	2,714,157	3,009
Due from component units	-	-	-	-	-	-	9,375
Due from other governments	-	-	243,805	-	-	243,805	-
Inventory	-	-	-	-	-	-	1,138,511
Prepaid expenses	31,888	14,303	21,793	15,458	798	84,240	29,177
Restricted assets	928,850	-	-	-	-	928,850	-
Total current assets	<u>10,019,597</u>	<u>8,140,508</u>	<u>954,508</u>	<u>8,350,557</u>	<u>2,303,139</u>	<u>29,768,309</u>	<u>6,277,374</u>
Noncurrent assets:							
Capital assets (net of accumulated depreciation)	48,800,163	19,996,438	14,535,319	2,858,978	889,725	87,080,623	6,565,321
Total noncurrent assets	<u>48,800,163</u>	<u>19,996,438</u>	<u>14,535,319</u>	<u>2,858,978</u>	<u>889,725</u>	<u>87,080,623</u>	<u>6,565,321</u>
<b>Total assets</b>	<u>58,819,760</u>	<u>28,136,946</u>	<u>15,489,827</u>	<u>11,209,535</u>	<u>3,192,864</u>	<u>116,848,932</u>	<u>12,842,695</u>
<b>Deferred outflows of resources</b>							
Deferred bond refunding charges	699,187	-	-	923,939	-	1,623,126	-
Deferred pension outflows	428,712	248,575	294,591	210,931	17,406	1,200,215	181,844
<b>Total deferred outflows of resources</b>	<u>1,127,899</u>	<u>248,575</u>	<u>294,591</u>	<u>1,134,870</u>	<u>17,406</u>	<u>2,823,341</u>	<u>181,844</u>
<b>Liabilities</b>							
Current liabilities:							
Accounts payable	76,840	96,402	48,785	289,718	68,605	580,350	1,216,292
Accrued payroll	70,684	43,805	64,419	33,310	4,833	217,051	31,576
Accrued interest	180,378	-	-	197,110	-	377,488	-
Due to component units	7,526	3,126	2,982	1,011	234	14,879	5,693
Customer deposits	339,480	-	-	-	-	339,480	-
Unearned revenue	181,200	104,900	-	-	-	286,100	1,396,726
Other liabilities	51,371	-	-	-	-	51,371	-
Liabilities payable from restricted assets	189,056	-	-	-	-	189,056	-
Compensated absences	144,065	73,073	71,741	55,319	4,509	348,707	58,917
Landfill closure	-	-	-	106,491	-	106,491	-
Current portion of bonds payable	672,705	-	-	1,841,112	-	2,513,817	-
Total current liabilities	<u>1,913,305</u>	<u>321,306</u>	<u>187,927</u>	<u>2,524,071</u>	<u>78,181</u>	<u>5,024,790</u>	<u>2,709,204</u>
Noncurrent liabilities:							
Compensated absences	132,707	103,968	82,718	81,925	-	401,318	51,379
Postretirement healthcare benefits	263,773	229,148	144,455	410,295	646	1,048,317	128,893
Net pension liability	1,784,274	1,034,556	1,226,071	877,878	72,441	4,995,220	756,824
Landfill closure	-	-	-	4,225,736	-	4,225,736	-
Bonds payable	12,848,908	-	-	10,936,979	-	23,785,887	-
Total noncurrent liabilities	<u>15,029,662</u>	<u>1,367,672</u>	<u>1,453,244</u>	<u>16,532,813</u>	<u>73,087</u>	<u>34,456,478</u>	<u>937,096</u>
<b>Total liabilities</b>	<u>16,942,967</u>	<u>1,688,978</u>	<u>1,641,171</u>	<u>19,056,884</u>	<u>151,268</u>	<u>39,481,268</u>	<u>3,646,300</u>
<b>Net position</b>							
Net investment in capital assets	36,717,531	19,996,438	14,535,319	2,858,978	889,725	74,997,991	6,565,321
Unrestricted	6,287,161	6,700,105	(392,072)	(9,571,457)	2,169,277	5,193,014	2,812,918
<b>Total net position</b>	<u>\$ 43,004,692</u>	<u>\$ 26,696,543</u>	<u>\$ 14,143,247</u>	<u>\$ (6,712,479)</u>	<u>\$ 3,059,002</u>	<u>80,191,005</u>	<u>\$ 9,378,239</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.						(1,929,484)	
Net position of business-type activities (Exhibit 1)						\$ 78,261,521	

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, 2017

Exhibit 9

	Enterprise Funds					Total	Internal Service Funds
	Water Fund	Sewer Fund	Public Transportation Fund	Sanitation Fund	Stormwater Fund		
<b>Operating revenues:</b>							
Charges for services	\$ 7,534,174	\$ 10,487,378	\$ 1,820,130	\$ 4,295,252	\$ 1,258,959	\$ 25,395,893	\$ 22,532,950
Connection fees	87,063	92,967	-	-	-	180,030	-
Total operating revenues	<u>7,621,237</u>	<u>10,580,345</u>	<u>1,820,130</u>	<u>4,295,252</u>	<u>1,258,959</u>	<u>25,575,923</u>	<u>22,532,950</u>
<b>Operating expenses:</b>							
Personal services	1,784,485	1,030,339	2,176,667	854,012	96,045	5,941,548	776,735
Fringe benefits	638,603	425,224	625,468	419,687	25,156	2,134,138	306,945
Purchased services	257,466	291,474	189,413	1,190,200	155,622	2,084,175	519,857
Internal services	207,074	300,494	1,225,241	133,556	13,038	1,879,403	7,403
Other charges	536,350	62,949	258,165	23,486	41,994	922,944	1,606,351
Materials and supplies	378,854	132,841	51,998	15,382	10,560	589,635	54,756
Depreciation and amortization	1,441,551	1,463,013	1,786,192	226,155	72,124	4,989,035	202,088
Contributions to regional sewer authority	-	6,137,105	-	-	-	6,137,105	-
Cost of inventory issued	-	-	-	-	-	-	3,041,445
Claims related charges	-	-	-	-	-	-	14,883,841
Total operating expenses	<u>5,244,383</u>	<u>9,843,439</u>	<u>6,313,144</u>	<u>2,862,478</u>	<u>414,539</u>	<u>24,677,983</u>	<u>21,399,421</u>
<b>Operating income (loss)</b>	<u>2,376,854</u>	<u>736,906</u>	<u>(4,493,014)</u>	<u>1,432,774</u>	<u>844,420</u>	<u>897,940</u>	<u>1,133,529</u>
<b>Nonoperating revenues (expenses):</b>							
Intergovernmental revenue	-	-	2,540,589	-	-	2,540,589	-
Connection application fees	172,737	291,533	-	-	-	464,270	-
Miscellaneous revenue	67,622	3,260	203,820	18,250	-	292,952	15,556
Reimbursement of bond payment	-	-	-	107,817	-	107,817	-
Investment revenue	63,710	43,450	-	12,091	12,049	131,300	17,011
Interest expense	(46,749)	-	-	(466,027)	-	(512,776)	-
Loss on disposal of capital assets	-	-	(57,661)	-	-	(57,661)	-
Total nonoperating revenues (expenses)	<u>257,320</u>	<u>338,243</u>	<u>2,686,748</u>	<u>(327,869)</u>	<u>12,049</u>	<u>2,966,491</u>	<u>32,567</u>
<b>Income (loss) before contributions and transfers</b>	<u>2,634,174</u>	<u>1,075,149</u>	<u>(1,806,266)</u>	<u>1,104,905</u>	<u>856,469</u>	<u>3,864,431</u>	<u>1,166,096</u>
Capital contributions	135,650	136,270	3,927,260	-	-	4,199,180	-
Transfers in	-	-	250,000	-	-	250,000	160,540
Transfers out	<u>(1,572,699)</u>	<u>(1,263,565)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,836,264)</u>	<u>-</u>
<b>Change in net position</b>	<u>1,197,125</u>	<u>(52,146)</u>	<u>2,370,994</u>	<u>1,104,905</u>	<u>856,469</u>	<u>5,477,347</u>	<u>1,326,636</u>
Net position at beginning of year	<u>41,807,567</u>	<u>26,748,689</u>	<u>11,772,253</u>	<u>(7,817,384)</u>	<u>2,202,533</u>		<u>8,051,603</u>
Net position at end of year	<u>\$ 43,004,692</u>	<u>\$ 26,696,543</u>	<u>\$ 14,143,247</u>	<u>\$ (6,712,479)</u>	<u>\$ 3,059,002</u>		<u>\$ 9,378,239</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.						(30,440)	
Change in net position of business-type activities (Exhibit 2)						\$ 5,446,907	

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	
<b>Cash flows from operating activities:</b>							
Receipts from customers	\$ 7,390,767	\$ 10,399,413	\$ 1,831,829	\$ 4,281,050	\$ 1,253,823	\$ 25,156,882	\$ 4,442,279
Receipts from premiums	-	-	-	-	-	-	18,698,108
Receipts from other sources	60,524	3,260	206,761	18,250	-	288,795	16,509
Receipts from customer deposits	164,069	-	-	-	-	164,069	-
Payments to employees	(1,795,154)	(1,052,890)	(2,179,592)	(887,208)	(93,211)	(6,008,055)	(764,224)
Payments for fringe benefits	(623,716)	(397,882)	(615,976)	(374,395)	(28,629)	(2,040,598)	(297,574)
Payments to vendors	(1,116,356)	(489,746)	(507,249)	(1,457,643)	(141,460)	(3,712,454)	(5,126,849)
Payments for internal services	(207,074)	(300,494)	(1,225,241)	(133,556)	(13,038)	(1,879,403)	(7,403)
Payments to other governmental units	-	(6,137,105)	-	-	-	(6,137,105)	-
Payments to refund customer deposits	(169,856)	-	-	-	-	(169,856)	-
Payments for claims related charges	-	-	-	-	-	-	(15,175,561)
Net cash provided by (used for) operating activities	<u>3,703,204</u>	<u>2,024,556</u>	<u>(2,489,468)</u>	<u>1,446,498</u>	<u>977,485</u>	<u>5,662,275</u>	<u>1,785,285</u>
<b>Cash flows from noncapital financing activities:</b>							
Operating grants	-	-	2,709,310	-	-	2,709,310	-
Transfers in	-	-	250,000	-	-	250,000	160,540
Transfers out	(1,572,699)	(1,263,565)	-	-	-	(2,836,264)	-
Interfund loan	-	-	-	-	-	-	(67,691)
Net cash provided by (used for) noncapital financing activities	<u>(1,572,699)</u>	<u>(1,263,565)</u>	<u>2,959,310</u>	<u>-</u>	<u>-</u>	<u>123,046</u>	<u>92,849</u>
<b>Cash flows from capital and related financing activities:</b>							
Capital grants and contributions	-	-	3,867,081	-	-	3,867,081	-
Connection application fees	255,800	380,500	-	-	-	636,300	-
Payment from JMU for long-term debt	-	-	-	109,125	-	109,125	-
Proceeds from sale of capital assets	-	-	-	4,200,000	-	4,200,000	-
Principal paid on long-term debt	(633,867)	-	-	(1,716,389)	-	(2,350,256)	-
Interest paid on long-term debt	(420,498)	-	-	(457,721)	-	(878,219)	-
Purchase and construction of capital assets	(2,279,101)	(515,957)	(4,068,602)	(1,762,175)	(469,542)	(9,095,377)	-
Net cash provided by (used for) capital and related financing activities	<u>(3,077,666)</u>	<u>(135,457)</u>	<u>(201,521)</u>	<u>372,840</u>	<u>(469,542)</u>	<u>(3,511,346)</u>	<u>-</u>
<b>Cash flows from investing activities:</b>							
Interest received	63,710	43,450	-	12,091	12,049	131,300	17,011
Net cash provided by investing activities	<u>63,710</u>	<u>43,450</u>	<u>-</u>	<u>12,091</u>	<u>12,049</u>	<u>131,300</u>	<u>17,011</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>(883,451)</u>	<u>668,984</u>	<u>268,321</u>	<u>1,831,429</u>	<u>519,992</u>	<u>2,405,275</u>	<u>1,895,145</u>
<b>Cash and cash equivalents:</b>							
Beginning	<u>9,881,481</u>	<u>6,129,623</u>	<u>414,310</u>	<u>6,201,907</u>	<u>1,693,511</u>	<u>24,320,832</u>	<u>3,202,157</u>
Ending	<u>\$ 8,998,030</u>	<u>\$ 6,798,607</u>	<u>\$ 682,631</u>	<u>\$ 8,033,336</u>	<u>\$ 2,213,503</u>	<u>\$ 26,726,107</u>	<u>\$ 5,097,302</u>
<b>Reconciliation of cash and cash equivalents to the statement of net position:</b>							
Cash and cash equivalents - Current assets	\$ 8,069,180	\$ 6,798,607	\$ 682,631	\$ 8,033,336	\$ 2,213,503	\$ 25,797,257	\$ 5,097,302
Cash and cash equivalents - Restricted assets	<u>928,850</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>928,850</u>	<u>-</u>
	<u>\$ 8,998,030</u>	<u>\$ 6,798,607</u>	<u>\$ 682,631</u>	<u>\$ 8,033,336</u>	<u>\$ 2,213,503</u>	<u>\$ 26,726,107</u>	<u>\$ 5,097,302</u>

(continued)

	Enterprise Funds					Total	Internal Service Funds
	Water Fund	Sewer Fund	Public Transportation Fund	Sanitation Fund	Stormwater Fund		
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>							
Operating income (loss)	\$ 2,376,854	\$ 736,906	\$ (4,493,014)	\$ 1,432,774	\$ 844,420	\$ 897,940	\$ 1,133,529
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:							
Depreciation and amortization	1,441,551	1,463,013	1,786,192	226,155	72,124	4,989,035	202,088
Pension expense net of employer contributions	78,841	(47,427)	17,335	(147,798)	27,349	(71,700)	8,237
Connection fees	(87,063)	(92,967)	-	-	-	(180,030)	-
Miscellaneous revenue	60,525	3,260	206,761	18,250	-	288,796	16,508
Change in assets and liabilities:							
(Increase) decrease in:							
Accounts receivable	(148,858)	(87,965)	11,699	(14,202)	(5,095)	(244,421)	117
Due from component units	-	-	-	-	-	-	(830)
Inventory	-	-	-	-	-	-	59,965
Prepaid expenses	(23,766)	(14,303)	(21,793)	(15,458)	(798)	(76,118)	(13,698)
Increase (decrease) in:							
Accounts payable	(5,657)	69,055	(8,459)	(64,255)	36,091	26,775	(332,140)
Accrued payroll	5,082	4,540	6,399	1,299	1,284	18,604	4,744
Due to component units	990	18	784	187	18	1,997	(16)
Customer deposits	(5,787)	-	-	-	-	(5,787)	-
Unearned revenue	-	-	-	-	-	-	688,777
Other liabilities	5,452	-	-	-	-	5,452	-
Compensated absences	(16,630)	(28,797)	(9,632)	(37,106)	1,757	(90,408)	7,230
Landfill closure	-	-	-	20,973	-	20,973	-
Postretirement healthcare benefits	21,670	19,223	14,260	25,679	335	81,167	10,774
Net cash provided by (used for) operating activities	\$ <u>3,703,204</u>	\$ <u>2,024,556</u>	\$ <u>(2,489,468)</u>	\$ <u>1,446,498</u>	\$ <u>977,485</u>	\$ <u>5,662,275</u>	\$ <u>1,785,285</u>
<b>Non - cash capital and related financing activities:</b>							
Additions to capital assets:							
Contributed by developers	\$ 135,650	\$ 136,270	\$ -	\$ -	\$ -	\$ 271,920	\$ -
Purchase and construction on account	210,904	11,832	-	199,976	22,750	445,462	-
Capitalized interest	390,637	-	-	17,636	-	408,273	-

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



CITY OF HARRISONBURG, VIRGINIA  
FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
At June 30, 2017

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Exhibit 11

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 2,368,263
Receivables	<u>87,653</u>
<b>Total assets</b>	<b>\$ <u>2,455,916</u></b>
<b>Liabilities</b>	
Accounts payable	\$ 71,935
Accrued payroll	83,204
Amounts held for others	<u>2,300,777</u>
<b>Total liabilities</b>	<b>\$ <u>2,455,916</u></b>

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

**Note 1. Summary of Significant Accounting Policies**

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

**A. Reporting Entity**

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

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

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

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net 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 fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues, 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.

*Agency 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 agency 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, 2017.

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 \$4,412,383. 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. 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, 2017. 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, 2017 amounted to \$516,974.

**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 \$5,000 and an estimated useful life in excess of two years. Infrastructure, water/sewer lines and certain other improvements have a capitalization threshold that ranges from \$25,000 to \$100,000. All purchased capital assets are valued at historical cost or estimated historical cost. Donated capital assets are valued at their estimated acquisition price at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. In the current fiscal year, the Water Fund incurred \$420,498 in interest expense of which \$390,637 was capitalized and the Sanitation Fund incurred \$457,721 in interest expense of which \$17,636 was 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 \$2,613,167 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. 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. 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, deferred outflows of resources, represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense/expenditure) until then. The City has five items that qualify for reporting in this 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 pensions. This will be recognized as a reduction to the net pension liability in fiscal year 2018. The third item consists of certain items related to the measurement of the net pension liability such as differences between expected and actual experience. The fourth item is the net difference between projected and actual earnings on pension plan investments. The differences for the third and fourth items will be recognized in pension expense over a closed five-year period. The fifth item consists of the School Board's participation in a cost-sharing pension plan, where changes in proportion and differences between employer contributions and the proportionate share of employer contributions are reported as a deferred outflow. These amounts will be recognized in pension expense 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, deferred inflows of resources, 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 four items that qualify for reporting in this 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 and fourth items consist of the School Board's participation in a cost-sharing pension plan. The third item is the difference between expected and actual experience of the pension plan. The fourth item is changes in proportion and differences between employer contributions and the proportionate share of employer contributions. The deferred inflows related to pensions will be recognized in pension expense over a closed five-year period.

**14. Fund balance.** In the fund financial statements, the City may report certain fund balance amounts as non-spendable, restricted, committed, assigned or unassigned. *Non-spendable 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

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

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 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.

**15. 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 balance 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	\$ (158,577,454)
Bond issue premiums/discounts (net)	(9,467,544)
Deferred charge for bond refunding	3,231,975
Capital leases	(1,414,000)
Compensated absences (not including internal service funds)	(3,397,408)
Postretirement healthcare benefits (not including internal service funds)	(3,635,860)
Net pension liability (not including internal service funds)	(21,410,037)
Middle River Regional Jail agreement	(7,826,952)
Accrued interest	<u>(2,790,279)</u>
Net adjustment	\$ <u><u>(205,287,559)</u></u>

Another element of that reconciliation states that "Deferred pension outflows and deferred pension inflows are not current financial resources and are not payable from current financial resources and therefore are not reported in the funds." The details of this difference are as follows:

Deferred pension outflows	\$ 5,144,253
Deferred pension inflows	<u>-</u>
Net adjustment	\$ <u><u>5,144,253</u></u>



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

**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	\$ 44,856,986
Depreciation expense (not including internal service funds)	<u>(10,039,430)</u>
Net adjustment	<u>\$ 34,817,556</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	\$ 8,337,450
Payment on Middle River Regional Jail agreement	887,201
Amortization of bond premiums/discounts (net)	548,799
Amortization of deferred bond refunding charges	<u>(220,164)</u>
Net adjustment	<u>\$ 9,553,286</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)	\$ 17,149
Postretirement healthcare benefits (not including internal service funds)	(329,616)
Accrued interest	<u>(378,619)</u>
Net adjustment	<u>\$ (691,086)</u>

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

Employer pension contributions (not including internal service funds)	\$ 2,259,780
Pension expense (not including internal service funds)	<u>(2,640,236)</u>
Net adjustment	<u>\$ (380,456)</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, 2017, 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, 2017, 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, 2017.

	Primary	Component Units		Total
	Government	School Board	HEC	
Investments:				
Local Government Investment Pool (LGIP)	\$ 66,403,370	\$ 10,025,304	\$ -	\$ 76,428,674
State Non-Arbitrage Pool (SNAP)	9,419,333	-	-	9,419,333
Certificates of Deposit	-	-	8,000,000	8,000,000
Money Market Account	-	-	4,000,000	4,000,000
Deposits	<u>7,493,963</u>	<u>640,249</u>	<u>10,287,834</u>	<u>18,422,046</u>
Total deposits and investments	<u>\$ 83,316,666</u>	<u>\$ 10,665,553</u>	<u>\$ 22,287,834</u>	<u>\$ 116,270,053</u>

### Note 4. Restricted Assets

The City has certain assets presented on the government-wide statement of net position, the governmental funds balance sheet and the proprietary funds statement of net position as restricted for specific purposes. Restricted assets for governmental and business-type activities in the amounts of \$8,490,483 and \$928,850, respectively, represent unspent bond proceeds.

**Note 5. Receivables**

The following is a summary of receivables at June 30, 2017.

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	HEC
Property taxes receivable	\$ 49,190,364	\$ -	\$ 49,190,364	\$ -	\$ -
Other taxes receivable	1,471,966	-	1,471,966	-	-
Accounts receivable	3,010	2,818,884	2,821,894	-	8,456,352
Interest receivable	1,974	-	1,974	-	-
Other receivables	424,615	10,111	434,726	749,076	-
Due from other governments:					
Commonwealth of Virginia	5,168,809	45,688	5,214,497	1,070,661	-
Federal Government	220,567	198,117	418,684	319,052	-
Allowance for uncollectibles	<u>(516,974)</u>	<u>(114,838)</u>	<u>(631,812)</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<b>\$ 55,964,331</b>	<b>\$ 2,957,962</b>	<b>\$ 58,922,293</b>	<b>\$ 2,138,789</b>	<b>\$ 8,456,352</b>

**Note 6. Loans Receivable**

The following is a summary of loans receivable at June 30, 2017.

Borrowing Entity/Loan Number	Loan Date	Term (in years)	Interest Rate	Balance	Current Portion
HRHA*	June 26, 2014	18	4.12%	\$ 2,530,000	\$ 110,000
HRHA*	December 6, 2011	17.5	3.19%	4,660,000	290,000
Massanutten Regional Library	May 15, 2000	n/a	0.0%	<u>317,756</u>	<u>26,845</u>
<b>Total General Fund</b>				<u>7,507,756</u>	<u>426,845</u>
2016-01	June 29, 2016	3	4.5%	7,086	3,319
2015-04	April 30, 2015	5	4.5%	12,209	4,007
2015-03	April 22, 2015	5	4.5%	15,045	4,522
2015-02	January 23, 2015	5	4.5%	13,616	5,084
2015-01	July 18, 2014	5	4.5%	11,102	5,200
2014-01	July 31, 2013	5	4.5%	6,345	5,418
2013-03	January 31, 2013	4	4.5%	6,544	3,502
2013-01	July 3, 2012	5	4.5%	<u>464</u>	<u>464</u>
<b>Total Business Loan Program Fund</b>				<u>72,411</u>	<u>31,516</u>
<b>Total Governmental Activities</b>				<u>\$ 7,580,167</u>	<u>\$ 458,361</u>

\*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 2017.

	Balance June 30, 2016	Additions	Reductions	Balance June 30, 2017
Capital assets, not being depreciated:				
Land	\$ 51,154,882	\$ 37,950	\$ (211,476)	\$ 50,981,356
Easements	1,659,265	80,500	-	1,739,765
Construction in progress	17,993,331	43,386,506	(1,947,325)	59,432,512
Capital assets, not being depreciated	<u>\$ 70,807,478</u>	<u>\$ 43,504,956</u>	<u>\$ (2,158,801)</u>	<u>\$ 112,153,633</u>
Capital assets, being depreciated:				
Buildings	\$ 120,466,566	\$ 202,962	\$ (3,980,783)	\$ 116,688,745
Improvements other than buildings	19,526,578	-	-	19,526,578
Machinery and equipment	35,211,474	1,393,211	(734,980)	35,869,705
Intangibles	11,738,036	-	-	11,738,036
Infrastructure	162,170,232	1,937,594	-	164,107,826
Capital assets, being depreciated	<u>349,112,886</u>	<u>3,533,767</u>	<u>(4,715,763)</u>	<u>347,930,890</u>
Less accumulated depreciation:				
Buildings	(32,681,268)	(2,866,966)	1,087,734	(34,460,500)
Improvements other than buildings	(6,224,908)	(767,656)	-	(6,992,564)
Machinery and equipment	(21,001,098)	(1,917,212)	734,980	(22,183,330)
Intangibles	(514,629)	(526,309)	-	(1,040,938)
Infrastructure	(78,534,878)	(4,204,556)	-	(82,739,434)
Accumulated depreciation	<u>(138,956,781)</u>	<u>(10,282,699)</u>	<u>1,822,714</u>	<u>(147,416,766)</u>
Capital assets, being depreciated (net)	<u>\$ 210,156,105</u>	<u>\$ (6,748,932)</u>	<u>\$ (2,893,049)</u>	<u>\$ 200,514,124</u>

The primary government has included in the preceding schedule machinery and equipment in the amount of \$5,939,144 (\$2,549,162 in accumulated depreciation) that are associated with capital lease obligations.

The above total for additions to accumulated depreciation does not agree with the total depreciation by function/programs of governmental activities shown below by \$41,181. This difference represents accumulated depreciation on capital assets transferred from business-type activities.

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

General government administration	\$ 205,265
Jail and judicial administration	656,021
Public safety	1,478,594
Public works	5,026,409
Health and welfare	21,865
Education	1,705,259
Parks, recreation and culture	822,827
Planning and community development	123,190
Internal service funds (allocated to various functions)	<u>202,088</u>
Total governmental activities depreciation expense	<u>\$ 10,241,518</u>

## Note 7. Capital Assets (continued)

The following is a summary of the changes in capital assets of the business-type activities for fiscal year 2017.

	Balance June 30, 2016	Additions	Reductions	Balance June 30, 2017
Capital assets, held for sale:				
Steam plant	\$ 4,041,217	\$ 158,783	\$ (4,200,000)	\$ -
Capital assets, held for sale	<u>\$ 4,041,217</u>	<u>\$ 158,783</u>	<u>\$ (4,200,000)</u>	<u>\$ -</u>
Capital assets, not being depreciated:				
Land	\$ 1,235,770	\$ -	\$ -	\$ 1,235,770
Easements	342,737	-	-	342,737
Construction in progress	15,839,153	5,126,621	(1,081,566)	19,884,208
Capital assets, not being depreciated	<u>\$ 17,417,660</u>	<u>\$ 5,126,621</u>	<u>\$ (1,081,566)</u>	<u>\$ 21,462,715</u>
Capital assets, being depreciated:				
Buildings	\$ 15,797,714	\$ -	\$ -	\$ 15,797,714
Improvements other than buildings	18,305,400	-	-	18,305,400
Machinery and equipment	24,793,536	4,744,203	(784,527)	28,753,212
Intangibles	-	617,379	-	617,379
Infrastructure	79,996,983	271,920	-	80,268,903
Capital assets, being depreciated	<u>138,893,633</u>	<u>5,633,502</u>	<u>(784,527)</u>	<u>143,742,608</u>
Less accumulated depreciation:				
Buildings	(4,130,297)	(365,199)	-	(4,495,496)
Improvements other than buildings	(7,651,850)	(442,698)	-	(8,094,548)
Machinery and equipment	(16,472,379)	(2,149,097)	691,332	(17,930,144)
Intangibles	-	(43,964)	-	(43,964)
Infrastructure	(45,572,471)	(1,988,077)	-	(47,560,548)
Accumulated depreciation	<u>(73,826,997)</u>	<u>(4,989,035)</u>	<u>691,332</u>	<u>(78,124,700)</u>
Capital assets, being depreciated (net)	<u>\$ 65,066,636</u>	<u>\$ 644,467</u>	<u>\$ (93,195)</u>	<u>\$ 65,617,908</u>

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

Water	\$ 1,441,551
Sewer	1,463,013
Public transportation	1,786,192
Sanitation	226,155
Stormwater	<u>72,124</u>
Total business-type activities depreciation expense	<u>\$ 4,989,035</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 2017.

**Component Unit – School Board**

	Balance June 30, 2016	Additions	Reductions	Balance June 30, 2017
Capital assets, not being depreciated:				
Land	\$ 6,294,184	\$ -	\$ -	\$ 6,294,184
Construction in progress	800,000	-	-	800,000
Capital assets, not being depreciated	<u>\$ 7,094,184</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,094,184</u>
Capital assets, being depreciated:				
Buildings	\$ 56,404,499	\$ 3,504,500	\$ -	\$ 59,908,999
Improvements other than buildings	95,168	35,145	-	130,313
Machinery and equipment	5,813,701	412,525	(36,013)	6,190,213
Capital assets, being depreciated	<u>62,313,368</u>	<u>3,952,170</u>	<u>(36,013)</u>	<u>66,229,525</u>
Less accumulated depreciation:				
Buildings	(24,888,653)	(2,330,984)	-	(27,219,637)
Improvements other than buildings	(46,763)	(6,907)	-	(53,670)
Machinery and equipment	(4,272,896)	(288,051)	36,013	(4,524,934)
Accumulated depreciation	<u>(29,208,312)</u>	<u>(2,625,942)</u>	<u>36,013</u>	<u>(31,798,241)</u>
Capital assets, being depreciated (net)	<u>\$ 33,105,056</u>	<u>\$ 1,326,228</u>	<u>\$ -</u>	<u>\$ 34,431,284</u>

**Component Unit – HEC**

	Balance June 30, 2016	Additions	Reductions	Balance June 30, 2017
Capital assets, not being depreciated:				
Land	\$ 3,090,187	\$ -	\$ -	\$ 3,090,187
Construction in progress	4,589,682	3,979,454	(4,099,397)	4,469,739
Capital assets, not being depreciated	<u>\$ 7,679,869</u>	<u>\$ 3,979,454</u>	<u>\$ (4,099,397)</u>	<u>\$ 7,559,926</u>
Capital assets, being depreciated:				
Buildings	\$ 2,785,852	\$ 493,714	\$ (8,337)	\$ 3,271,229
Machinery and equipment	7,153,270	726,320	(68,367)	7,811,223
Infrastructure	114,329,389	4,231,958	(2,319,882)	116,241,465
Capital assets, being depreciated	<u>124,268,511</u>	<u>5,451,992</u>	<u>(2,396,586)</u>	<u>127,323,917</u>
Less accumulated depreciation:				
Buildings	(1,919,948)	(79,978)	-	(1,999,926)
Machinery and equipment	(6,728,494)	(244,218)	61,410	(6,911,302)
Infrastructure	(65,195,825)	(3,151,385)	1,874,612	(66,472,598)
Accumulated depreciation	<u>(73,844,267)</u>	<u>(3,475,581)</u>	<u>1,936,022</u>	<u>(75,383,826)</u>
Capital assets, being depreciated (net)	<u>\$ 50,424,244</u>	<u>\$ 1,976,411</u>	<u>\$ (460,564)</u>	<u>\$ 51,940,091</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, 2017.

Year Ending June 30,	General				Total	
	Obligation Bonds		Capital Leases		Governmental Activities	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 8,507,622	\$ 6,007,395	\$ 454,000	\$ 44,631	\$ 8,961,622	\$ 6,052,026
2019	8,829,839	5,659,739	471,000	27,241	9,300,839	5,686,980
2020	9,121,236	5,283,860	489,000	9,193	9,610,236	5,293,053
2021	9,415,247	4,890,872	-	-	9,415,247	4,890,872
2022	9,541,660	4,480,219	-	-	9,541,660	4,480,219
2023-2027	52,837,850	15,855,078	-	-	52,837,850	15,855,078
2028-2032	36,964,000	7,001,746	-	-	36,964,000	7,001,746
2033-2037	14,955,000	2,183,263	-	-	14,955,000	2,183,263
2038-2041	8,405,000	513,825	-	-	8,405,000	513,825
<b>Total</b>	<b>\$ 158,577,454</b>	<b>\$ 51,875,997</b>	<b>\$ 1,414,000</b>	<b>\$ 81,065</b>	<b>\$ 159,991,454</b>	<b>\$ 51,957,062</b>

The following is a summary of the debt service requirements for the long-term liabilities of the business-type activities as of June 30, 2017.

Year Ending June 30,	General		Total	
	Obligation Bonds		Business-type Activities	
	Principal	Interest	Principal	Interest
2018	\$ 2,421,245	\$ 800,223	\$ 2,421,245	\$ 800,223
2019	2,515,028	707,038	2,515,028	707,038
2020	2,026,630	619,806	2,026,630	619,806
2021	2,089,619	551,506	2,089,619	551,506
2022	2,166,207	471,626	2,166,207	471,626
2023-2027	8,595,485	1,408,644	8,595,485	1,408,644
2028-2032	4,217,333	570,148	4,217,333	570,148
2033-2037	1,414,333	49,500	1,414,333	49,500
2038-2040	113,600	-	113,600	-
<b>Total</b>	<b>\$ 25,559,480</b>	<b>\$ 5,178,491</b>	<b>\$ 25,559,480</b>	<b>\$ 5,178,491</b>

The following is a summary of the changes to the long-term liabilities of the governmental activities for fiscal year 2017.

	Balance			Balance		Due Within One Year
	June 30, 2016	Additions	Reductions	June 30, 2017		
Bonds payable:						
General obligation bonds	\$ 166,296,065	\$ -	\$ (7,718,611)	\$ 158,577,454	\$ 8,507,622	
Bond premiums/discounts (net)	10,016,343	-	(548,799)	9,467,544	548,799	
Total bonds payable	176,312,408	-	(8,267,410)	168,044,998	9,056,421	
Capital leases	2,032,839	-	(618,839)	1,414,000	454,000	
Middle River Regional Jail agreement	8,714,153	-	(887,201)	7,826,952	906,454	
Compensated absences	3,517,623	1,907,400	(1,917,319)	3,507,704	1,936,995	
Postretirement healthcare benefits	3,424,363	581,552	(241,162)	3,764,753	-	
Net pension liability	17,076,670	9,833,293	(4,743,102)	22,166,861	-	
Governmental activities long-term debt	<b>\$ 211,078,056</b>	<b>\$ 12,322,245</b>	<b>\$ (16,675,033)</b>	<b>\$ 206,725,268</b>	<b>\$ 12,353,870</b>	

**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, 2017, \$110,296, \$128,893 and \$756,824 of compensated absences, postretirement healthcare benefits 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 2017.

	Balance June 30, 2016	Additions	Reductions	Balance June 30, 2017	Due Within One Year
Bonds payable:					
General obligation bonds	\$ 27,909,736	\$ -	\$ (2,350,256)	\$ 25,559,480	\$ 2,421,245
Bond premiums/discounts (net)	832,796	-	(92,572)	740,224	92,572
Total bonds payable	28,742,532	-	(2,442,828)	26,299,704	2,513,817
Compensated absences	840,433	413,075	(503,483)	750,025	348,707
Postretirement healthcare benefits	967,150	138,673	(57,506)	1,048,317	-
Net pension liability	4,013,503	2,096,866	(1,115,149)	4,995,220	-
City landfill closure costs	1,613,289	20,973	-	1,634,262	106,491
County landfill contractual obligation	2,697,965	-	-	2,697,965	-
Business-type activities long-term debt	<u>\$ 38,874,872</u>	<u>\$ 2,669,587</u>	<u>\$ (4,118,966)</u>	<u>\$ 37,425,493</u>	<u>\$ 2,969,015</u>

The following is the detail for the long-term liabilities of the governmental and business-type activities as of June 30, 2017.

	Governmental Activities	Business-type Activities
<b>General Obligation Bonds:</b>		
\$2,005,000 School Bonds (Virginia Public School Authority), Series 1999A, issued May 13, 1999, maturing July 15, 2019 at 4.100% - 5.225% interest	\$ 300,000	\$ -
\$5,100,000 School Bonds (Virginia Public School Authority), Series 2000A, issued May 13, 2000, maturing July 15, 2020 at 5.1% - 5.6% interest	1,020,000	-
\$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	23,660,000	-
\$1,000,000 Bonds, Series 2008, issued August 21, 2008, maturing August 21, 2018 at 3.65% interest	-	200,000
\$1,125,000 Public Safety Refunding Bonds (VRA), Series 2009A, issued June 17, 2009, maturing October 1, 2021 at 3.125% - 5.125% interest	535,000	-
\$1,136,000 Water Bonds (VRA DWSRF), Series 2009, issued November 20, 2009, maturing February 1, 2040 at 0% interest	-	870,934
\$9,515,000 Public Improvement Bonds, Series 2010A, issued August 11, 2010, maturing July 15, 2030 at 2.0% - 4.0% interest	7,215,000	-
\$33,755,00 Public Improvement Refunding Bonds, Series 2010B, issued August 11, 2010, maturing July 15, 2034 at 2.0% - 5.0% interest	4,182,454	20,122,546



**Note 8. Long-term Liabilities (continued)**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
<b>General Obligation Bonds (continued):</b>		
\$28,590,000 Public Improvement and Refunding Bonds, Series 2011, issued December 6, 2011, maturing August 1, 2031 at 2.0% - 4.0% interest	19,230,000	1,025,000
\$8,050,000 Bonds, Series 2012, issued December 7, 2012, maturing August 1, 2027 at 2.2% interest	6,156,000	-
\$13,610,000 Public Improvement Bonds, Series 2014A, issued June 26, 2014, maturing July 15, 2034 at 2.0% - 5.0% interest	12,515,000	-
\$42,675,000 Public Improvement Refunding Bonds, Series 2014B, issued June 26, 2014, maturing July 15, 2032 at 2.0% - 5.0% interest	39,680,000	-
\$7,622,000 Bonds, Series 2015, issued December 22, 2015, maturing August 1, 2030 at 2.32% interest	3,869,000	3,341,000
\$40,215,000 Public Improvement Bonds, Series 2016, issued May 18, 2016, maturing July 15, 2040 at 2.0% - 5.0% interest	<u>40,215,000</u>	-
Total General Obligation Bonds	<u>\$ 158,577,454</u>	<u>\$ 25,559,480</u>
<b>Capital Leases:</b>		
\$5,740,000 lease purchase effective December 17, 2004, maturing December 1, 2019 at 3.76% interest	<u>\$ 1,414,000</u>	<u>\$ -</u>
Total Capital Leases	<u>\$ 1,414,000</u>	<u>\$ -</u>

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

In June 2004, the City and James Madison University (JMU) entered into a revised and amended agreement concerning the sale and purchase of steam and chilled water from the City owned resource recovery facility that is no longer in operation. This facility produced steam and chilled water to meet the heating and cooling needs of JMU's College of Integrated Science and Technology, as well as other buildings. Although this facility is no longer in operation, JMU agreed to annually reimburse the City for the annual debt service payments on the City's \$1,000,000 Series 2008 General Obligation Bonds. The current fiscal year reimbursement for debt service payments associated with the bonds totaled \$109,125. The total outstanding balance of the bond issue at June 30, 2017 was \$200,000.

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 on the City's \$28.6 million bond issue as the debt service payments come due. The current fiscal year reimbursement for debt service payments associated with the bonds totaled \$438,825. As of June 30, 2017, the outstanding balance of the loan is \$4,660,000.

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 on the City's \$42.7 million bond issue as the debt service payments come due. The current fiscal year reimbursement for debt service payments associated with the bonds totaled \$215,600. As of June 30, 2017, the outstanding balance of the loan is \$2,530,000.

## **Note 8. Long-term Liabilities (continued)**

### **Component Unit – School Board**

At June 30, 2017, the School Board had \$68,815,579 in long-term liabilities outstanding. This long-term liability is comprised of \$826,118 in compensated absences, of which \$197,272 is due within one year, \$3,925,461 in postretirement healthcare benefits and \$64,064,000 in net pension liabilities, of which the entire amounts are due in more than one year.

### **Component Unit – HEC**

At June 30, 2017, HEC had \$4,521,545 in long-term liabilities outstanding. This long-term liability is comprised of \$518,682 in compensated absences, of which the entire amount is due within one year and \$772,172 in postretirement health care benefits and \$3,230,691 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, 2017, there were two series of Economic Development Authority Revenue Bonds and seven series of Redevelopment and Housing Authority Revenue Bonds outstanding, with an aggregate principal amount of \$192.7 million and \$35.3 million respectively.

## **Note 10. Harrisonburg Redevelopment and Housing Authority Agreement**

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

The City agreed to a non-binding moral obligation pledge to pay all operating expenses for the project, including debt service, to the extent that the revenue from the lease is insufficient to pay these expenses. In fiscal year 2017, the City made payments totaling \$67,668 to the Authority for this project.

## **Note 11. 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. \$1,634,262 of the amount reported as landfill closure and postclosure care liability at June 30, 2017 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 \$588,433 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 12. 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 13. Unearned Revenue**

The following is a summary of unearned revenue at June 30, 2017 for governmental activities in the government-wide financial statements and for the fund financial statements.

	Governmental Activities			
	General	General	Internal	Total
	Fund	Capital Projects Fund	Service Funds	
Advance collection of parking leases	\$ 52,286	\$ -	\$ -	\$ 52,286
Golf course season passes	41,809	-	-	41,809
Construction reimbursement	-	556,349	-	556,349
Health insurance premiums	-	-	1,396,726	1,396,726
<b>Total unearned revenue</b>	<b>\$ 94,095</b>	<b>\$ 556,349</b>	<b>\$ 1,396,726</b>	<b>\$ 2,047,170</b>

Unearned revenue for business-type activities in the amount of \$286,100 represents water and sewer connection application fees for which the services had not been provided as of year-end. This amount is comprised of \$181,200 in the Water Fund and \$104,900 in the Sewer Fund.

**Note 14. Interfund Balances**

The General Fund has due from other funds in the amount \$34,931. This amount is comprised of an interfund loan to the Community Development Block Grant Fund. 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.

**Note 15. 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, 2017.

Transfer in	Transfer out				Total
	General Fund	General Capital Projects Fund	Water Fund	Sewer Funds	
General Fund	\$ -	\$ 30,532	\$ 1,426,434	\$ 1,249,290	\$ 2,706,256
General Capital Projects Fund	1,778,000	-	-	-	1,778,000
School Bond Capital Projects Fund	-	767,000	-	-	767,000
Public Transportation Fund	250,000	-	-	-	250,000
Internal Service Funds	-	-	146,265	14,275	160,540
<b>Total</b>	<b>\$ 2,028,000</b>	<b>\$ 797,532</b>	<b>\$ 1,572,699</b>	<b>\$ 1,263,565</b>	<b>\$ 5,661,796</b>

**Note 16. 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, 2017.

	General Fund	General Capital Projects Fund	School Bond Capital Projects Fund	Other Governmental Funds	Total
<b>Nonspendable:</b>					
Inventory	\$ 88,263	\$ -	\$ -	\$ -	\$ 88,263
Prepaid expenditures	468,878	-	-	50,508	519,386
Loans receivable	317,756	-	-	-	317,756
<b>Total nonspendable fund balance</b>	<b>\$ 874,897</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 50,508</b>	<b>\$ 925,405</b>
<b>Restricted for:</b>					
Law enforcement	\$ 210,929	\$ -	\$ -	\$ -	\$ 210,929
Fire and rescue	341,162	-	-	-	341,162
Road projects	-	1,349,024	-	-	1,349,024
Trail projects	-	1,364,629	-	-	1,364,629
New elementary school	-	-	1,085,028	-	1,085,028
Pre-K facility	-	-	47,346	-	47,346
Thomas Harrison Middle School HVAC	-	-	866,046	-	866,046
<b>Total restricted fund balance</b>	<b>\$ 552,091</b>	<b>\$ 2,713,653</b>	<b>\$ 1,998,420</b>	<b>\$ -</b>	<b>\$ 5,264,164</b>
<b>Committed to:</b>					
Road projects	\$ -	\$ 2,821,801	\$ -	\$ -	\$ 2,821,801
Trail projects	-	1,153,908	-	-	1,153,908
Bridge projects	-	718,953	-	-	718,953
Jail HVAC replacement project	-	538,866	-	-	538,866
Computer aided dispatch project	-	404,230	-	-	404,230
Fire Station No. 1 renovations	-	334,435	-	-	334,435
Smithland athletic complex	-	307,489	-	-	307,489
Information technology strategic plan	-	267,990	-	-	267,990
Ramblewood athletic complex	-	265,231	-	-	265,231
Thomas Harrison house project	-	225,352	-	-	225,352
School transportation	-	-	-	236,433	236,433
Other purposes	63,402	881,138	-	91,227	1,035,767
<b>Total committed fund balance</b>	<b>\$ 63,402</b>	<b>\$ 7,919,393</b>	<b>\$ -</b>	<b>\$ 327,660</b>	<b>\$ 8,310,455</b>
<b>Assigned to:</b>					
Street paving	\$ 203,262	\$ -	\$ -	\$ -	\$ 203,262
Defibrillators	176,244	-	-	-	176,244
Subsequent years' expenditures	-	-	-	204,500	204,500
Other purposes	600,987	-	-	-	600,987
<b>Total assigned fund balance</b>	<b>\$ 980,493</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 204,500</b>	<b>\$ 1,184,993</b>

**Note 17. 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

## Note 17. Pension Plan - Agent Multiple-Employer (continued)

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. The System issues a publicly available comprehensive annual financial report for VRS. A copy of that report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2016-annual-report.pdf>.

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

**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.

**Note 17. Pension Plan - Agent Multiple-Employer (continued)**

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 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, 2015, the following employees were covered by the benefit terms:

	Primary Government	Component Units	
		School Board	HEC
Inactive employees or beneficiaries currently receiving benefits	274	48	22
Inactive employees entitled to but not yet receiving benefits	298	40	24
Active employees	548	92	45
Total inactive and active employees	1,120	180	91

**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 2017 was 11.76 percent of covered employee compensation. The School Board non-professional employees' contribution rate for the fiscal year ended 2017 was 4.68 percent of covered employee compensation. These rates were based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. 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. The following are the contributions from the City, the School Board and HEC to the pension plans:

Year Ending June 30,	Primary Government	Component Units	
		School Board	HEC
2017	\$ 2,866,895	\$ 86,379	\$ 340,992
2016	3,062,536	131,459	369,486

**Net Pension Liability.** The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

## Note 17. Pension Plan - Agent Multiple-Employer (continued)

**Actuarial Assumptions – General Employees.** The total pension liability for general employees was based on an actuarial valuation as of June 30, 2015, 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, 2016.

Inflation	2.50 percent
Salary increases	3.50 percent – 5.35 percent, including inflation
Investment rate of return	7.00 percent (net of pension plan investment expense), including inflation

Mortality rates: 14% of deaths are assumed to be service related.

### Largest 10 – Non-LEOS:

#### Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years.

#### Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

#### Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

### All Others (Non 10 Largest) – Non-LEOS:

#### Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years.

#### Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

#### Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

**Actuarial Assumptions – Hazardous Duty Employee.** The total pension liability for hazardous duty employees was based on an actuarial valuation as of June 30, 2015, 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, 2016.

Inflation	2.50 percent
Salary increases	3.50 percent – 4.75 percent, including inflation
Investment rate of return	7.00 percent (net of pension plan investment expense), including inflation

Mortality rates: 60% of deaths are assumed to be service related.

### Largest 10 – LEOS:

#### Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years.

#### Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

#### Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

## Note 17. Pension Plan - Agent Multiple-Employer (continued)

All Others (Non 10 Largest) – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

**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
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	100.00%		5.83%
		Inflation	2.50%
		Expected arithmetic nominal return	8.33%

**Discount Rate.** The discount rate used to measure the total pension liability was 7.00 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. Through the fiscal year ending June 30, 2018, the contribution rate will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed 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 17. 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, 2016:

**Primary Government**

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at June 30, 2015	\$ 114,546,477	\$ 93,456,304	\$ 21,090,173
Changes for the year:			
Service cost	2,700,994	-	2,700,994
Interest	7,844,508	-	7,844,508
Differences between expected and actual experience	1,461,347	-	1,461,347
Contributions-employer	-	3,061,686	(3,061,686)
Contributions-employee	-	1,219,452	(1,219,452)
Net investment income	-	1,635,828	(1,635,828)
Benefit payments, including refunds of employee contributions	(4,954,272)	(4,954,272)	-
Administrative expense	-	(58,023)	58,023
Other changes	(343,236)	(267,238)	(75,998)
Net changes	<u>6,709,341</u>	<u>637,433</u>	<u>6,071,908</u>
Balances at June 30, 2016	<u>\$ 121,255,818</u>	<u>\$ 94,093,737</u>	<u>\$ 27,162,081</u>

**Component Unit – School Board**

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances at June 30, 2015	\$ 6,927,412	\$ 7,206,581	\$ (279,169)
Changes for the year:			
Service cost	204,651	-	204,651
Interest	470,931	-	470,931
Differences between expected and actual experience	(161,984)	-	(161,984)
Contributions-employer	-	131,249	(131,249)
Contributions-employee	-	92,983	(92,983)
Net investment income	-	121,916	(121,916)
Benefit payments, including refunds of employee contributions	(399,639)	(399,639)	-
Administrative expense	-	(4,533)	4,533
Other changes	-	(52)	52
Net changes	<u>113,959</u>	<u>(58,076)</u>	<u>172,035</u>
Balances at June 30, 2016	<u>\$ 7,041,371</u>	<u>\$ 7,148,505</u>	<u>\$ (107,134)</u>

**Note 17. 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, 2015	\$ 13,819,698	\$ 11,275,230	\$ 2,544,468
Changes for the year:			
Service cost	325,957	-	325,957
Interest	946,680	-	946,680
Differences between expected and actual experience	176,357	-	176,357
Contributions-employer	-	369,486	(369,486)
Contributions-employee	-	147,164	(147,164)
Net investment income	-	197,413	(197,413)
Benefit payments, including refunds of employee contributions	(597,884)	(597,884)	-
Administrative expense	-	(7,003)	7,003
Other changes	(248,491)	(192,780)	(55,711)
Net changes	<u>602,619</u>	<u>(83,604)</u>	<u>686,223</u>
Balances at June 30, 2016	<u>\$ 14,422,317</u>	<u>\$ 11,191,626</u>	<u>\$ 3,230,691</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 7.00 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 (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
<b>Primary Government:</b>			
Net Pension Liability	\$ 43,498,084	\$ 27,162,081	\$ 13,633,208
<b>Component Unit - School Board:</b>			
Net Pension Liability (Asset)	\$ 701,043	\$ (107,134)	\$ (792,848)
<b>Component Unit - HEC:</b>			
Net Pension Liability	\$ 5,173,715	\$ 3,230,691	\$ 1,621,550

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

For the year ended June 30, 2017, the City, the School Board and HEC recognized pension expense of \$3,183,038, \$43,939 and \$344,035, respectively. At June 30, 2017, the City, the School Board and HEC reported deferred outflows of resources and deferred inflows of resources related to pensions 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	\$ 1,227,500	\$ -	\$ 2,323	\$ 114,342	\$ 146,000	\$ -
Net difference between projected and actual earnings on pension plan investments	2,431,917	-	185,649	-	289,255	-
Employer contributions subsequent to the measurement date	<u>2,866,895</u>	<u>-</u>	<u>86,379</u>	<u>-</u>	<u>340,992</u>	<u>-</u>
Total	<u>\$ 6,526,312</u>	<u>\$ -</u>	<u>\$ 274,351</u>	<u>\$ 114,342</u>	<u>\$ 776,247</u>	<u>\$ -</u>

## Note 17. Pension Plan - Agent Multiple-Employer (continued)

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 year ended June 30, 2018. 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
2018	\$ 379,839	\$ (45,084)	\$ 45,178
2019	379,840	(46,599)	45,178
2020	1,739,090	90,064	206,850
2021	1,160,648	75,249	138,049
2022	-	-	-
Thereafter	-	-	-

### Payable to the Pension Plan

At June 30, 2017, the City and School Board reported a payable of \$378,039 and \$14,976, respectively, for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2017.

## Note 18. 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. The System issues a publicly available comprehensive annual financial report for VRS. A copy of that report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2016-annual-report.pdf>.

**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 17.

**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, 2017 was 14.66 percent of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 that was adjusted for a contribution from the state in June 2015 of \$192.9 million as an accelerated payback of a deferred contribution in the 2010-12 biennium. The actuarial rate for the Teacher Retirement Plan was 16.32 percent. 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. Based on the provisions of Section 51.1-145 of the *Code of Virginia*, as amended, the contributions were funded at 89.84 percent of the actuarial rate for the year ended June 30, 2017. Contributions to the pension plan were \$5,307,792 and \$4,835,653 for the years ended June 30, 2017 and June 30, 2016, respectively.

**Note 18. Pension Plan - Teacher Cost-Sharing Pool (continued)**

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

At June 30, 2017, the School Board reported a liability of \$64,064,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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, 2016 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2016, the school division's proportion was 0.45714% as compared to 0.44562% at June 30, 2015.

For the year ended June 30, 2017, the School Board recognized pension expense of \$5,754,000. 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, 2017, 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>
Net difference between projected and actual earnings on pension plan investments	\$ 3,660,000	\$ -
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,323,000	-
Differences between expected and actual experience		2,076,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	132,000
Employer contributions subsequent to the measurement date	<u>5,307,792</u>	<u>-</u>
Total	<u>\$ 10,290,792</u>	<u>\$ 2,208,000</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 year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Deferred Amounts to be Recognized</u>
2018	\$ (184,000)
2019	(184,000)
2020	1,858,000
2021	1,304,000
2022	(19,000)
Thereafter	-

**Actuarial Assumptions.** The total pension liability was based on an actuarial valuation as of June 30, 2015, using the entry age normal actuarial cost method. The actuarial assumptions used are substantially the same as described in Note 17.

**Note 18. Pension Plan - Teacher Cost-Sharing Pool (continued)**

**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 17.

**Discount Rate.** The discount rate used to measure the total pension liability is substantially the same as described in Note 17.

**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 7.00 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 (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Proportionate share of the net pension liability	\$ 91,324,000	\$ 64,064,000	\$ 41,609,000

**Pension Plan Fiduciary Net Position.** Detailed information about the VRS Teacher Retirement Plan's fiduciary net position is available in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of this report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2016-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, 2017, the School Board reported a payable of \$597,826 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2017.

**Note 19. Postretirement Healthcare Benefit Plan**

**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 five 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

**Note 19. Postretirement Healthcare Benefit Plan (continued)**

for Medicare coverage. These benefit provisions are established and may be amended by the Harrisonburg City School Board through the School Board’s Human Resources Policy Manual. The Plan does not issue a publicly available financial report.

**Funding Policy**

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

**School Board.** The contribution requirements of the retirees and the School Board are established and may be amended by the Harrisonburg City School Board through the School Board’s Human Resources Policy Manual. The School Board currently pays for these benefits on a pay-as-you-go basis. Under the current plan, the School Board contributes \$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.

**Annual OPEB Cost and Net OPEB Obligation**

The following are the components of the annual OPEB cost (expense) for fiscal year 2017, the amount actually contributed to the plans and changes in the net OPEB obligation for the City and School Board.

	<u>Primary Government</u>	<u>School Board</u>
Annual required contribution	\$ 743,535	\$ 1,001,062
Interest on the net OPEB obligation	175,661	146,175
Adjustment to the annual required contribution	<u>(198,971)</u>	<u>(166,890)</u>
Annual OPEB cost (expense)	720,225	980,347
Contributions made	<u>(298,668)</u>	<u>(709,266)</u>
Increase in the net OPEB obligation	421,557	271,081
Net OPEB obligation at beginning of year	<u>4,391,513</u>	<u>3,654,380</u>
Net OPEB obligation at end of year	<u>\$ 4,813,070</u>	<u>\$ 3,925,461</u>

The following is the annual OPEB cost, the percentage of annual OPEB cost contributed to the plans and the net OPEB obligation for fiscal year 2017 and the preceding two fiscal years for the City and School Board.

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
<b>City of Harrisonburg:</b>			
2017	\$ 720,225	41.5%	\$ 4,813,070
2016	681,761	40.6%	4,391,513
2015	788,220	41.6%	3,986,296
<b>School Board:</b>			
2017	\$ 980,347	72.3%	\$ 3,925,461
2016	937,619	70.0%	3,654,380
2015	942,355	76.3%	3,373,489

## Note 19. Postretirement Healthcare Benefit Plan (continued)

### Funded Status and Funding Progress

**City of Harrisonburg.** As of July 1, 2016, the most recent actuarial valuation date, the plan had not been funded. The actuarial accrued liability for benefits was \$7,473,005. There were no plan assets resulting in an unfunded actuarial accrued liability (UAAL) of \$7,473,005. The covered payroll (annual payroll of the active employees covered by the plan) was \$24,148,273 and the ratio of UAAL to the covered payroll was 30.95 percent.

**School Board.** As of July 1, 2016, the most recent actuarial valuation date, the plan had not been funded. The actuarial accrued liability for benefits was \$10,724,969. There were no plan assets resulting in an unfunded actuarial accrued liability (UAAL) of \$10,724,969. The covered payroll (annual payroll of the active employees covered by the plan) was \$36,513,321 and the ratio of UAAL to the covered payroll was 29.37 percent.

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

### Actuarial Methods and Assumptions

**City of Harrisonburg.** In the July 1, 2016 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4 percent investment rate of return and an annual healthcare cost trend rate of 8 percent initially, reduced by decrements to an ultimate rate of 5 percent after 6 years. The actuarial valuation does not include a general inflation rate assumption as it is not pertinent to the valuation. The projected payroll growth rate is assumed to be 2.5 percent per year. The unfunded actuarial accrued liability is being amortized using the level percentage of payroll method over a closed 30-year period.

**School Board.** In the July 1, 2016 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4 percent investment rate of return and an annual healthcare cost trend rate of 8 percent initially, reduced by decrements to an ultimate rate of 5 percent after 6 years. The actuarial valuation does not include a general inflation rate assumption as it is not pertinent to the valuation. The projected payroll growth rate is assumed to be 2.5 percent per year. The unfunded actuarial accrued liability is being amortized using the level percentage of payroll method over a closed 30-year period.

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

### Component Unit – HEC

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

**Note 20. Virginia Health Insurance Credit Program**

**Plan Description.** The City of Harrisonburg School Board (School Board) participates in the Virginia Health Insurance Credit Program for its professional employees. The program is a cost-sharing multiple-employer defined benefit plan administered by the Virginia Retirement System (VRS) and is considered other postemployment benefits (OPEB). Eligible retirees who have 15 or more years of creditable VRS service and are enrolled in a qualified health insurance plan may participate in the program. The retiree receives \$4.00 per year of creditable service as a credit towards their monthly health insurance premiums not to exceed the retiree’s monthly insurance premium.

Title 51.1 of the *Code of Virginia* (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia. The VRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2016-annual-report.pdf> or obtained by writing to the VRS at P.O. Box 2500, Richmond, VA 23218-2500.

**Funding Policy.** The School Board is required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute an actuarially determined amount necessary to fund its participation in the program. The School Board’s contribution rate for fiscal year 2017 was 1.11 percent of annual covered payroll. Total contributions made by the School Board to the program for the fiscal years ending June 30, 2017, 2016, and 2015 were \$410,464, \$371,916, and \$352,230, respectively, and were equal to the required contributions for each year.

**Note 21. 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 2017, the City’s contributions totaled \$6,137,105 of which \$2,789,594 was for operations, \$2,851,982 was for debt service and \$495,529 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 \$61 million of total debt outstanding at June 30, 2017. The City's share of the required principal and interest payments for the Authority's bond issues is projected as follows:

Fiscal Year	Principal	Interest	Total
2018	\$ 2,058,031	\$ 843,996	\$ 2,902,027
2019	2,132,687	771,176	2,903,863
2020	2,201,180	695,159	2,896,339
2021	2,286,034	612,375	2,898,409
2022	2,372,308	526,200	2,898,508
2023-2027	8,207,083	1,796,732	10,003,815
2028-2032	6,789,751	473,403	7,263,154
2033-2037	760,683	23,002	783,685
Total	<u>\$ 26,807,757</u>	<u>\$ 5,742,043</u>	<u>\$ 32,549,800</u>



**Note 21. Joint Ventures (continued)**

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, 2017</u>	<u>June 30, 2016</u>	<u>Increase (Decrease)</u>
Current assets	\$ 5,663,057	\$ 5,328,171	\$ 334,886
Restricted assets	3,371,442	3,294,315	77,127
Capital assets	90,347,561	91,213,797	(866,236)
Other assets	<u>810,194</u>	<u>792,601</u>	<u>17,593</u>
Total assets	<u>100,192,254</u>	<u>100,628,884</u>	<u>(436,630)</u>
Deferred outflows of resources	<u>759,781</u>	<u>594,214</u>	<u>165,567</u>
Current liabilities	3,606,887	2,797,440	809,447
Liabilities payable from restricted assets	2,518,125	2,447,273	70,852
Long-term liabilities	<u>57,634,432</u>	<u>60,015,875</u>	<u>(2,381,443)</u>
Total liabilities	<u>63,759,444</u>	<u>65,260,588</u>	<u>(1,501,144)</u>
Deferred inflows of resources	<u>22,652</u>	<u>195,475</u>	<u>(172,823)</u>
Net position	<u>\$ 37,169,939</u>	<u>\$ 35,767,035</u>	<u>\$ 1,402,904</u>

**Harrisonburg-Rockingham Emergency Communications Center.** The City and Rockingham County (County) entered into an agreement that created the Harrisonburg-Rockingham Emergency Communications Center (HRECC), whereby the HRECC operates a joint emergency operations center and a joint two-way radio communications system. The City and County have an ongoing financial responsibility in that the City and County have agreed to equally provide any necessary funding for the HRECC. In fiscal year 2017, the City's contributions totaled \$2,085,208. 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 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, 2017</u>	<u>June 30, 2016</u>	<u>Increase (Decrease)</u>
Current assets	\$ 2,419,219	\$ 2,330,910	\$ 88,309
Capital assets	<u>5,113,085</u>	<u>5,099,125</u>	<u>13,960</u>
Total assets	<u>7,532,304</u>	<u>7,430,035</u>	<u>102,269</u>
Deferred outflows of resources	<u>444,950</u>	<u>200,965</u>	<u>243,985</u>
Current liabilities	155,139	163,162	(8,023)
Long-term liabilities	<u>2,457,080</u>	<u>1,888,596</u>	<u>568,484</u>
Total liabilities	<u>2,612,219</u>	<u>2,051,758</u>	<u>560,461</u>
Deferred inflows of resources	<u>-</u>	<u>152,275</u>	<u>(152,275)</u>
Net position	<u>\$ 5,365,035</u>	<u>\$ 5,426,967</u>	<u>\$ (458,192)</u>

## **Note 22. 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 \$3,495,148 to the District in fiscal year 2017.

**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 \$345,635 to the Commission in fiscal year 2017.

**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. Beginning in fiscal year 2016, the City and County will have an assumed combined total of 150 prisoners per day for the operating component and 250 prisoners per day for the debt service component that will be used in calculating annual member contributions. For subsequent fiscal years, the City and County's known actual daily usage will be used when calculating the three-year average. 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 \$904,943 to the Authority in fiscal year 2017 of which \$574,865 was for operations and \$330,078 was for debt service.

## **Note 23. 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 24. Transactions with Component Units**

In fiscal year 2017, the City's General Fund made contributions to the School Board, a component unit, totaling \$30,898,823. Of the the total contributions, \$29,498,823 was made in equal monthly installments for the purpose of funding the School Board's operating budget, while \$1,400,000 of the total contribution was made for school construction purposes.

In fiscal year 2017, the Harrisonburg Electric Commission, a component unit, made contributions to the City's General Fund totaling \$5,000,000. These contributions are made in equal monthly installments for the purpose of funding the General Fund budget.

## **Note 25. 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, 2017, the City has recorded an intangible asset for the purchased capacity of the jail in the amount of \$10,053,674 (net of depreciation) and a liability of \$7,826,952 in governmental activities on the government-wide statement of net position.

## **Note 26. Commitments**

The City has a construction contract outstanding for improvements to Reservoir Street. The contract totals \$10.8 million, of which \$8 million had been expended as of June 30, 2017. This contract is a commitment of the General Capital Projects Fund and is being financed through transfers from the General Fund, intergovernmental revenue from the State of Virginia and previously issued bonds.

The City has a construction contract outstanding for improvements to MLK Jr. Way and South Main Street. The contract totals \$3.2 million, of which \$775,000 had been expended as of June 30, 2017. This contract is a commitment of the General Capital Projects Fund and is being financed through transfers from the General Fund and intergovernmental revenue from the State of Virginia.

The City has a construction contract outstanding for the replacement of the Pleasant Valley Road bridge. The contract totals \$1.7 million, of which \$340,000 had been expended as of June 30, 2017. This contract is a commitment of the General Capital Projects Fund and is being financed through transfers from the General Fund, intergovernmental revenue from the State of Virginia and previously issued bonds.

The City has construction contracts outstanding for improvements on the campus of James Madison University. The contracts total \$1.9 million, of which \$780,000 had been expended as of June 30, 2017. These contracts are commitments of the General Capital Projects Fund and are being financed through reimbursements by James Madison University and intergovernmental revenue from the State of Virginia.

The City has a contract outstanding for the construction of Bluestone Elementary School. The contract totals \$26.4 million, of which \$25.2 million had been expended as of June 30, 2017. This contract is a commitment of the School Bond Capital Projects Fund and is being financed through previously issued bonds.

The City has a contract outstanding for the construction of the Elon Rhodes Early Learning Center. The contract totals \$6.3 million, of which \$6 million had been expended as of June 30, 2017. This contract is a commitment of the School Bond Capital Projects Fund and is being financed through previously issued bonds.

The City has a contract outstanding for the replacement of the HVAC equipment at Thomas Harrison Middle School. The contract totals \$4.4 million, of which \$3.5 million had been expended as of June 30, 2017. This contract is a commitment of the School Bond Capital Projects Fund and is being financed through previously issued bonds.

The City has a construction contract outstanding for the construction of a solid waste transfer station. The contract totals \$2.5 million, of which \$1.1 million had been expended as of June 30, 2017. This contract is a commitment of the Sanitation Fund and is being financed through currently available resources.

**Note 26. Commitments (continued)**

The following is a summary of significant encumbrances at June 30, 2017.

	General Fund	General Capital Projects Fund	Total
Street repaving	\$ 203,262	\$ -	\$ 203,262
Defibrillators	176,244	-	176,244
Reservoir Street improvements	-	1,351,994	1,351,994
Pleasant Valley Road bridge	-	641,981	641,981
Other purposes	600,987	466,629	1,067,616
Total encumbrances	<u>\$ 980,493</u>	<u>\$ 2,460,604</u>	<u>\$ 3,441,097</u>

**Note 27. 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.

**Note 28. Risk Management**

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

The City is self-insured for health insurance purposes and has retained Anthem Blue Cross and Blue Shield to administer the program. The City currently reports these activities in the Health Insurance Fund, which is an internal service fund. This fund serves the City, primary government; Harrisonburg School Board and Harrisonburg Electric Commission, component units. Other external agencies also participate in the health insurance 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 \$175,000, are covered by commercial insurance.

**Note 28. Risk Management (continued)**

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, 2015 to June 30, 2017:

Fiscal Year	Beginning Liability	Claims and Changes in Estimates	Claim Payments	Ending Liability
2017	\$ 1,339,569	\$ 14,883,841	\$ 15,175,561	\$ 1,047,849
2016	829,645	15,160,547	14,650,623	1,339,569

**Note 29. 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 will finance and own the hotel portion of the project while the Foundation will finance 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 beginning on the September 1 after the City has issued a Certificate of Occupancy for both the hotel and the conference center and on every September 1 thereafter. 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. Estimated construction costs of the conference center portion of the project are estimated to be \$11 million. It is anticipated construction will be completed in May 2018.

**Note 30. Restatement of Beginning Net Position**

The beginning net position of the School Board, a component unit, has been restated by \$441,805. The purpose of this restatement is to correct the reporting of the compensated absences liability in the previous fiscal year. The following is a summary of restatement made to the beginning net position at June 30, 2016.

Net position at the beginning of year, as previously reported	\$ (16,453,986)
Correction of prior year compensated absences liability	<u>441,805</u>
Net position at the beginning of year, as restated	<u><u>\$ (16,012,181)</u></u>

**Note 31. Subsequent Events**

On September 8, 2017, the City issued a \$2,365,000 general obligation bond through a direct bank loan to finance the purchase of mobile radios related to a project with Rockingham County to upgrade the joint radio system.

On November 28, 2017, City Council held a public hearing and subsequently approved the issuance of up to \$7 million for a direct bank loan general obligation bond to finance the first phase of the eastern source water supply project. Management intends to close on the transaction in December 2017.

## Note 32. 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.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement improves and establishes accounting and financial reporting standards for measuring liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditures of other postemployment benefits (OPEB). This Statement identifies the methods and assumptions that should be used for the various calculations of an OPEB plan. This statement also establishes note disclosure and required supplementary information requirements for employer reporting of OPEB plans. The provisions of this Statement are effective for fiscal year 2018.

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. The provisions of this Statement are effective for fiscal year 2019.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The provisions of this Statement are effective for fiscal year 2020.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. This Statement addresses practice issues that have been identified during implementation and application of certain GASB Statements on a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. The provisions of this Statement are effective for fiscal year 2018.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. This Statement improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The provisions of this Statement are effective for fiscal year 2018.

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 2021.

**REQUIRED  
SUPPLEMENTARY INFORMATION**

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

**Exhibit 12**

	Plan Year		
	2016	2015	2014
Total pension liability			
Service cost	\$ 3,026,951	\$ 2,906,016	\$ 2,799,358
Interest	8,791,188	8,375,607	7,980,324
Changes of benefit terms	-	-	-
Difference between expected and actual experience	1,637,704	173,707	-
Benefit payments, including refunds of employee contributions	(5,552,156)	(5,214,037)	(4,954,890)
Other changes	(591,727)	(181,986)	44,008
Net change in total pension liability	7,311,960	6,059,307	5,868,800
Total pension liability - beginning	128,366,175	122,306,868	116,438,068
Total pension liability - ending	<u>\$ 135,678,135</u>	<u>\$ 128,366,175</u>	<u>\$ 122,306,868</u>
Plan fiduciary net position			
Contributions - employer	\$ 3,431,172	\$ 3,421,755	\$ 3,240,732
Contributions - employee	1,366,616	1,346,545	1,327,453
Net investment income	1,833,241	4,629,283	13,820,151
Benefit payments, including refunds of employee contributions	(5,552,156)	(5,214,037)	(4,954,890)
Administrative expense	(65,026)	(62,898)	(74,068)
Other changes	(460,018)	(149,841)	33,750
Net change in fiduciary net position	553,829	3,970,807	13,393,128
Plan fiduciary net position - beginning	104,731,534	100,760,727	87,367,599
Plan fiduciary net position - ending	<u>\$ 105,285,363</u>	<u>\$ 104,731,534</u>	<u>\$ 100,760,727</u>
Change in net pension liability	\$ 6,758,131	\$ 2,088,500	\$ (7,524,328)
Net pension liability - beginning	23,634,641	21,546,141	29,070,469
Net pension liability - ending	<u>\$ 30,392,772</u>	<u>\$ 23,634,641</u>	<u>\$ 21,546,141</u>
Plan fiduciary net position as a percentage of the total pension liability	77.60%	81.59%	82.38%
Covered payroll	\$ 27,055,004	\$ 26,909,663	\$ 25,811,638
Net pension liability as a percentage of covered payroll	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 2015 information was presented in the fiscal year 2016 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 CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS**  
**SCHOOL BOARD NON-PROFESSIONAL EMPLOYEES**  
**Last Three Plan Years**

**Exhibit 13**

	Plan Year		
	2016	2015	2014
Total pension liability			
Service cost	\$ 204,651	\$ 211,969	\$ 215,283
Interest	470,931	452,999	431,841
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(161,984)	6,161	-
Benefit payments, including refunds of employee contributions	(399,639)	(430,270)	(259,447)
Net change in total pension liability	113,959	240,859	387,677
Total pension liability - beginning	6,927,412	6,686,553	6,298,876
Total pension liability - ending	<u>\$ 7,041,371</u>	<u>\$ 6,927,412</u>	<u>\$ 6,686,553</u>
Plan fiduciary net position			
Contributions - employer	\$ 131,249	\$ 132,185	\$ 156,508
Contributions - employee	92,983	93,767	97,148
Net investment income	121,916	320,003	971,483
Benefit payments, including refunds of employee contributions	(399,639)	(430,270)	(259,447)
Administrative expense	(4,533)	(4,518)	(5,184)
Other changes	(52)	(69)	51
Net change in fiduciary net position	(58,076)	111,098	960,559
Plan fiduciary net position - beginning	7,206,581	7,095,483	6,134,924
Plan fiduciary net position - ending	<u>\$ 7,148,505</u>	<u>\$ 7,206,581</u>	<u>\$ 7,095,483</u>
Change in net pension liability	\$ 172,035	\$ 129,761	\$ (572,882)
Net pension liability (asset) - beginning	(279,169)	(408,930)	163,952
Net pension liability (asset) - ending	<u>\$ (107,134)</u>	<u>\$ (279,169)</u>	<u>\$ (408,930)</u>
Plan fiduciary net position as a percentage of the total pension liability	101.52%	104.03%	106.12%
Covered payroll	\$ 1,927,977	\$ 1,921,153	\$ 1,941,438
Net pension asset as a percentage of covered payroll	-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 2015 information was presented in the fiscal year 2016 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**  
**Last Three Fiscal Years**

**Exhibit 14**

	<b>Fiscal Year</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
Actuarially determined contribution	\$ 3,207,887	\$ 3,431,172	\$ 3,421,755
Contributions in relation to the actuarially determined contribution	3,207,887	3,431,172	3,421,755
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered payroll	\$ 27,653,817	\$ 27,055,004	\$ 26,909,663
Contributions as a percentage of covered payroll	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 PENSION CONTRIBUTIONS**  
**SCHOOL BOARD NON-PROFESSIONAL EMPLOYEES**  
**Last Three Fiscal Years**

**Exhibit 15**

	<b>Fiscal Year</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
Actuarially determined contribution	\$ 86,379	\$ 131,459	\$ 132,185
Contributions in relation to the actuarially determined contribution	86,379	131,459	132,185
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 1,956,491	\$ 1,927,977	\$ 1,921,153
Contributions as a percentage of covered payroll	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 Three Plan Years**

**Exhibit 16**

	Plan Year		
	2016	2015	2014
School Board's proportion of the net pension liability	0.45714%	0.44562%	0.44712%
School Board's proportionate share of the net pension liability	\$ 64,064,000	\$ 56,088,000	\$ 54,033,000
School Board's covered payroll	\$ 34,585,344	\$ 33,237,754	\$ 32,684,093
School Board's proportionate share of the net pension liability as a percentage of its covered payroll	185.23%	168.75%	165.32%
Plan fiduciary net position as a percentage of the total pension liability	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 2015 information was presented in the fiscal year 2016 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 Three Fiscal Years**

**Exhibit 17**

	<b>Fiscal Year</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
Contractually required contribution	\$ 5,307,792	\$ 4,835,653	\$ 4,676,599
Contributions in relation to the contractually required contribution	5,307,792	4,835,653	4,676,599
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 37,191,094	\$ 34,585,344	\$ 33,237,754
Contributions as a percentage of covered payroll	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.

CITY OF HARRISONBURG, VIRGINIA  
 SCHEDULES OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFIT PLANS

Exhibit 18

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
<b>City of Harrisonburg Postretirement Healthcare Benefit Plan</b>						
July 1, 2016	\$ -	\$ 7,473,005	\$ 7,473,005	0.00%	\$ 24,148,273	30.95%
July 1, 2015	-	7,100,160	7,100,160	0.00%	24,016,650	29.56%
July 1, 2014	-	8,847,914	8,847,914	0.00%	22,970,245	38.52%
<b>City of Harrisonburg School Board Postretirement Healthcare Benefit Plan</b>						
July 1, 2016	\$ -	\$ 10,724,969	\$ 10,724,969	0.00%	\$ 36,513,321	29.37%
July 1, 2015	-	10,504,023	10,504,023	0.00%	35,158,907	29.88%
July 1, 2014	-	10,642,298	10,642,298	0.00%	34,625,531	30.74%
<b>Harrisonburg Electric Commission Postretirement Healthcare Benefit Plan</b>						
July 1, 2015	\$ -	\$ 1,381,100	\$ 1,381,100	0.00%	\$ 2,992,600	46.15%
July 1, 2012	-	1,304,300	1,304,300	0.00%	2,775,500	46.99%
July 1, 2010	-	772,172	772,172	0.00%	2,798,787	27.59%

**CITY OF HARRISONBURG, VIRGINIA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2017**

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**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 (System) benefit provisions since the prior actuarial valuation. The 2014 valuation includes hybrid plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2016 is minimal.

**Changes of Assumptions.** The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

Largest 10 – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Largest 10 – LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

Teacher Cost-Sharing Pool:

- Update mortality table
- Adjustments to the rates of service retirement
- Decrease in rates of withdrawals for 3 through 9 years of service
- Decrease in rates of disability
- Reduce rates of salary increase by 0.25% per year

**Note 2. Postretirement Healthcare Benefit Plan**

The assumptions used in the July 1, 2015 actuarial valuation for the City and School Board reflects a change in the actuarial assumption for the annual healthcare cost trend rate to 8 percent initially, reduced by decrements to an ultimate rate of 5 percent after 6 years.



**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, 2017

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>	
<b>Assets</b>				
Cash and cash equivalents	\$ -	\$ 463,351	\$ 180,519	\$ 643,870
Receivables	103,054	5,831	208	109,093
Due from component units	-	54,738	-	54,738
Prepaid expenditures	184	50,324	-	50,508
Loans receivable	-	-	72,411	72,411
<b>Total assets</b>	<u>\$ 103,238</u>	<u>\$ 574,244</u>	<u>\$ 253,138</u>	<u>\$ 930,620</u>
<b>Liabilities</b>				
Accounts payable	\$ 66,867	\$ 7,006	\$ -	\$ 73,873
Accrued payroll	1,440	160,154	-	161,594
Due to other funds	34,931	-	-	34,931
Due to component units	-	1,902	-	1,902
Total liabilities	<u>103,238</u>	<u>169,062</u>	<u>-</u>	<u>272,300</u>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue	-	3,425	72,411	75,836
Total deferred inflows of resources	<u>-</u>	<u>3,425</u>	<u>72,411</u>	<u>75,836</u>
<b>Fund Balances</b>				
Nonspendable	184	50,324	-	50,508
Committed	-	236,433	91,227	327,660
Assigned	-	115,000	89,500	204,500
Unassigned	(184)	-	-	(184)
Total fund balances	<u>-</u>	<u>401,757</u>	<u>180,727</u>	<u>582,484</u>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<u>\$ 103,238</u>	<u>\$ 574,244</u>	<u>\$ 253,138</u>	<u>\$ 930,620</u>

CITY OF HARRISONBURG, VIRGINIA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
For the Year Ended June 30, 2017

Exhibit A-2

	<u>Special Revenue Funds</u>			<b>Total Nonmajor Governmental Funds</b>
	<b>Community Development Block Grant Fund</b>	<b>School Transportation Fund</b>	<b>Business Loan Program Fund</b>	
<b>Revenues:</b>				
Use of money and property	\$ -	\$ 1,339	\$ 1,033	\$ 2,372
Charges for services	-	3,361,849	-	3,361,849
Miscellaneous	-	100	51,295	51,395
Intergovernmental	607,891	-	-	607,891
<b>Total revenues</b>	<u>607,891</u>	<u>3,363,288</u>	<u>52,328</u>	<u>4,023,507</u>
<b>Expenditures:</b>				
Current:				
Education	-	3,317,515	-	3,317,515
Community development	607,891	-	-	607,891
<b>Total expenditures</b>	<u>607,891</u>	<u>3,317,515</u>	<u>-</u>	<u>3,925,406</u>
<b>Excess of revenues over expenditures</b>	-	45,773	52,328	98,101
Fund balances at beginning of year	-	355,984	128,399	484,383
Fund balances at end of year	<u>\$ -</u>	<u>\$ 401,757</u>	<u>\$ 180,727</u>	<u>\$ 582,484</u>

CITY OF HARRISONBURG, VIRGINIA  
 SCHOOL TRANSPORTATION FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 For the Year Ended June 30, 2017

Exhibit A-3

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Use of money and property	\$ -	\$ -	\$ 1,339	\$ 1,339
Charges for services	3,319,640	3,319,640	3,361,849	42,209
Miscellaneous	-	-	100	100
Total revenues	<u>3,319,640</u>	<u>3,319,640</u>	<u>3,363,288</u>	<u>43,648</u>
<b>Expenditures:</b>				
Current:				
Education	<u>3,369,640</u>	<u>3,369,640</u>	<u>3,317,515</u>	<u>52,125</u>
Total expenditures	<u>3,369,640</u>	<u>3,369,640</u>	<u>3,317,515</u>	<u>52,125</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>\$ (50,000)</u>	<u>\$ (50,000)</u>	45,773	<u>\$ (8,477)</u>
Fund balance at beginning of year			<u>355,984</u>	
Fund balance at end of year			<u>\$ 401,757</u>	

BUSINESS LOAN PROGRAM FUND

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

For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Use of money and property	\$ -	\$ -	\$ 1,033	\$ 1,033
Miscellaneous	41,000	41,000	51,295	10,295
Total revenues	<u>41,000</u>	<u>41,000</u>	<u>52,328</u>	<u>11,328</u>
<b>Expenditures:</b>				
Current:				
Community development	125,000	125,000	-	125,000
Total expenditures	<u>125,000</u>	<u>125,000</u>	<u>-</u>	<u>125,000</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	\$ <u>(84,000)</u>	\$ <u>(84,000)</u>	52,328	\$ <u>(113,672)</u>
Fund balance at beginning of year			<u>128,399</u>	
Fund balance at end of year			\$ <u><u>180,727</u></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, 2017

Exhibit B-1

	<u>Central Garage Fund</u>	<u>Central Stores Fund</u>	<u>Health Insurance Fund</u>	<u>Total</u>
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 371,351	\$ 43,159	\$ 4,682,792	\$ 5,097,302
Receivables	3,009	-	-	3,009
Due from component units	9,375	-	-	9,375
Inventory	149,226	989,285	-	1,138,511
Prepaid expenses	27,548	1,629	-	29,177
Total current assets	<u>560,509</u>	<u>1,034,073</u>	<u>4,682,792</u>	<u>6,277,374</u>
Noncurrent assets:				
Capital assets (net of accumulated depreciation)	<u>6,031,944</u>	<u>533,377</u>	-	<u>6,565,321</u>
Total noncurrent assets	<u>6,031,944</u>	<u>533,377</u>	-	<u>6,565,321</u>
<b>Total assets</b>	<u>6,592,453</u>	<u>1,567,450</u>	<u>4,682,792</u>	<u>12,842,695</u>
<b>Deferred outflows of resources</b>				
Deferred pension outflows	<u>161,019</u>	<u>20,825</u>	-	<u>181,844</u>
<b>Total deferred outflows of resources</b>	<u>161,019</u>	<u>20,825</u>	-	<u>181,844</u>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	165,373	3,070	1,047,849	1,216,292
Accrued payroll	28,215	3,361	-	31,576
Due to component units	5,291	402	-	5,693
Unearned revenue	-	-	1,396,726	1,396,726
Compensated absences	52,036	6,881	-	58,917
Total current liabilities	<u>250,915</u>	<u>13,714</u>	<u>2,444,575</u>	<u>2,709,204</u>
Noncurrent liabilities:				
Compensated absences	44,889	6,490	-	51,379
Postretirement healthcare benefits	115,677	13,216	-	128,893
Net pension liability	670,152	86,672	-	756,824
Total noncurrent liabilities	<u>830,718</u>	<u>106,378</u>	-	<u>937,096</u>
<b>Total liabilities</b>	<u>1,081,633</u>	<u>120,092</u>	<u>2,444,575</u>	<u>3,646,300</u>
<b>Net position</b>				
Net investment in capital assets	6,031,944	533,377	-	6,565,321
Unrestricted	<u>(360,105)</u>	<u>934,806</u>	<u>2,238,217</u>	<u>2,812,918</u>
<b>Total net position</b>	<u>\$ 5,671,839</u>	<u>\$ 1,468,183</u>	<u>\$ 2,238,217</u>	<u>\$ 9,378,239</u>

CITY OF HARRISONBURG, VIRGINIA  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
For the Year Ended June 30, 2017

Exhibit B-2

	<u>Central Garage Fund</u>	<u>Central Stores Fund</u>	<u>Health Insurance Fund</u>	<u>Total</u>
<b>Operating revenues:</b>				
Charges for services	\$ 3,703,794	\$ 819,825	\$ 18,009,331	\$ 22,532,950
Total operating revenues	<u>3,703,794</u>	<u>819,825</u>	<u>18,009,331</u>	<u>22,532,950</u>
<b>Operating expenses:</b>				
Personal services	694,473	82,262	-	776,735
Fringe benefits	269,875	37,070	-	306,945
Purchased services	208,771	9,867	301,219	519,857
Internal services	5,668	1,735	-	7,403
Other charges	114,482	21,495	1,470,374	1,606,351
Materials and supplies	49,743	5,013	-	54,756
Depreciation	183,207	18,881	-	202,088
Cost of inventory issued	2,213,250	828,195	-	3,041,445
Claims related charges	-	-	14,883,841	14,883,841
Total operating expenses	<u>3,739,469</u>	<u>1,004,518</u>	<u>16,655,434</u>	<u>21,399,421</u>
<b>Operating income (loss)</b>	<u>(35,675)</u>	<u>(184,693)</u>	<u>1,353,897</u>	<u>1,133,529</u>
<b>Nonoperating revenues:</b>				
Miscellaneous revenue	15,556	-	-	15,556
Investment revenue	1,831	-	15,180	17,011
Total nonoperating revenues	<u>17,387</u>	<u>-</u>	<u>15,180</u>	<u>32,567</u>
<b>Income (loss) before contributions and transfers</b>	<u>(18,288)</u>	<u>(184,693)</u>	<u>1,369,077</u>	<u>1,166,096</u>
Transfers in	<u>-</u>	<u>160,540</u>	<u>-</u>	<u>160,540</u>
<b>Change in net position</b>	<u>(18,288)</u>	<u>(24,153)</u>	<u>1,369,077</u>	<u>1,326,636</u>
Net position at beginning of year	<u>5,690,127</u>	<u>1,492,336</u>	<u>869,140</u>	<u>8,051,603</u>
Net position at end of year	<u>\$ 5,671,839</u>	<u>\$ 1,468,183</u>	<u>\$ 2,238,217</u>	<u>\$ 9,378,239</u>

CITY OF HARRISONBURG, VIRGINIA  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
For the Year Ended June 30, 2017

	<u>Central Garage Fund</u>	<u>Central Stores Fund</u>	<u>Health Insurance Fund</u>	<u>Total</u>
<b>Cash flows from operating activities:</b>				
Receipts from customers	\$ 3,625,554	\$ 816,725	\$ -	\$ 4,442,279
Receipts from premiums	-	-	18,698,108	18,698,108
Receipts other sources	16,509	-	-	16,509
Payments to employees	(682,358)	(81,866)	-	(764,224)
Payments for fringe benefits	(260,362)	(37,212)	-	(297,574)
Payments to vendors	(2,573,163)	(745,602)	(1,808,084)	(5,126,849)
Payments for internal services	(5,668)	(1,735)	-	(7,403)
Payments for claims related charges	-	-	(15,175,561)	(15,175,561)
	<u>120,512</u>	<u>(49,690)</u>	<u>1,714,463</u>	<u>1,785,285</u>
<b>Net cash provided by (used for) operating activities</b>				
<b>Cash flows from noncapital financing activities:</b>				
Transfers in	-	160,540	-	160,540
Interfund loan	-	(67,691)	-	(67,691)
	<u>-</u>	<u>92,849</u>	<u>-</u>	<u>92,849</u>
<b>Net cash provided by noncapital financing activities</b>				
<b>Cash flows from investing activities:</b>				
Interest received	<u>1,831</u>	<u>-</u>	<u>15,180</u>	<u>17,011</u>
	<u>1,831</u>	<u>-</u>	<u>15,180</u>	<u>17,011</u>
<b>Net cash provided by investing activities</b>				
<b>Net increase in cash and cash equivalents</b>	122,343	43,159	1,729,643	1,895,145
<b>Cash and cash equivalents:</b>				
Beginning	<u>249,008</u>	<u>-</u>	<u>2,953,149</u>	<u>3,202,157</u>
Ending	<u>\$ 371,351</u>	<u>\$ 43,159</u>	<u>\$ 4,682,792</u>	<u>\$ 5,097,302</u>

(continued)

CITY OF HARRISONBURG, VIRGINIA  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
For the Year Ended June 30, 2017

	<u>Central Garage Fund</u>	<u>Central Stores Fund</u>	<u>Health Insurance Fund</u>	<u>Total</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>				
Operating income (loss)	\$ (35,675)	\$ (184,693)	\$ 1,353,897	\$ 1,133,529
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	183,207	18,881	-	202,088
Pension expense net of employer contributions	5,194	3,043	-	8,237
Miscellaneous revenue	16,508	-	-	16,508
Change in assets and liabilities:				
(Increase) decrease in:				
Accounts receivable	117	-	-	117
Due from component units	(830)	-	-	(830)
Inventory	(52,646)	112,611	-	59,965
Prepaid expenses	(12,069)	(1,629)	-	(13,698)
Increase (decrease) in:				
Accounts payable	(5,039)	1,110	(328,211)	(332,140)
Accrued payroll	4,385	359	-	4,744
Due to component units	(20)	4	-	(16)
Unearned revenue	-	-	688,777	688,777
Compensated absences	7,175	55	-	7,230
Postretirement healthcare benefits	10,205	569	-	10,774
Net cash provided by (used for) operating activities	<u>\$ 120,512</u>	<u>\$ (49,690)</u>	<u>\$ 1,714,463</u>	<u>\$ 1,785,285</u>

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## Agency Funds

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

**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  
 AGENCY FUNDS  
 COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
 At June 30, 2017

Exhibit C-1

	<u>Economic Development Authority Fund</u>	<u>Emergency Communications Center Fund</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 113,697	\$ 2,254,566	\$ 2,368,263
Receivables	<u>-</u>	<u>87,653</u>	<u>87,653</u>
<b>Total assets</b>	<u>\$ 113,697</u>	<u>\$ 2,342,219</u>	<u>\$ 2,455,916</u>
<b>Liabilities</b>			
Accounts payable	\$ -	\$ 71,935	\$ 71,935
Accrued payroll	-	83,204	83,204
Amounts held for others	<u>113,697</u>	<u>2,187,080</u>	<u>2,300,777</u>
<b>Total liabilities</b>	<u>\$ 113,697</u>	<u>\$ 2,342,219</u>	<u>\$ 2,455,916</u>



CITY OF HARRISONBURG, VIRGINIA  
 AGENCY FUNDS  
 STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
 For the Year Ended June 30, 2017

Exhibit C-2

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
<b><u>Economic Development Authority Fund</u></b>				
Assets:				
Cash and cash equivalents	\$ 111,305	\$ 3,082,480	\$ 3,080,088	\$ 113,697
<b>Total assets</b>	<b>\$ 111,305</b>	<b>\$ 3,082,480</b>	<b>\$ 3,080,088</b>	<b>\$ 113,697</b>
Liabilities:				
Amounts held for others	\$ 111,305	\$ 3,082,480	\$ 3,080,088	\$ 113,697
<b>Total liabilities</b>	<b>\$ 111,305</b>	<b>\$ 3,082,480</b>	<b>\$ 3,080,088</b>	<b>\$ 113,697</b>
<b><u>Emergency Communications Center Fund</u></b>				
Assets:				
Cash and cash equivalents	\$ 2,080,368	\$ 5,226,565	\$ 5,052,367	\$ 2,254,566
Receivables	182,083	87,653	182,083	87,653
<b>Total assets</b>	<b>\$ 2,262,451</b>	<b>\$ 5,314,218</b>	<b>\$ 5,234,450</b>	<b>\$ 2,342,219</b>
Liabilities:				
Accounts payable	\$ 88,106	\$ 71,935	\$ 88,106	\$ 71,935
Accrued payroll	75,056	83,204	75,056	83,204
Amounts held for others	2,099,289	5,132,134	5,044,343	2,187,080
<b>Total liabilities</b>	<b>\$ 2,262,451</b>	<b>\$ 5,287,273</b>	<b>\$ 5,207,505</b>	<b>\$ 2,342,219</b>
<b><u>Total - All Agency Funds</u></b>				
Assets:				
Cash and cash equivalents	\$ 2,191,673	\$ 8,309,045	\$ 8,132,455	\$ 2,368,263
Receivables	182,083	87,653	182,083	87,653
<b>Total assets</b>	<b>\$ 2,373,756</b>	<b>\$ 8,396,698</b>	<b>\$ 8,314,538</b>	<b>\$ 2,455,916</b>
Liabilities:				
Accounts payable	\$ 88,106	\$ 71,935	\$ 88,106	\$ 71,935
Accrued payroll	75,056	83,204	75,056	83,204
Amounts held for others	2,210,594	8,214,614	8,124,431	2,300,777
<b>Total liabilities</b>	<b>\$ 2,373,756</b>	<b>\$ 8,369,753</b>	<b>\$ 8,287,593</b>	<b>\$ 2,455,916</b>

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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.

### **Capital Projects Fund**

Capital projects funds are used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of major capital facilities and other capital assets other than those financed by proprietary funds and trust funds.

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

CITY OF HARRISONBURG, VIRGINIA  
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
At June 30, 2017

Exhibit D-1

	<u>School Fund</u>	<u>School Nutrition Fund</u>	<u>School Capital Projects Fund</u>	<u>Totals</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 7,254,959	\$ 1,528,294	\$ 1,883,000	\$ 10,666,253
Receivables	2,082,352	56,437	-	2,138,789
Inventory	-	117,399	-	117,399
Prepaid expenditures	614,648	20,000	-	634,648
<b>Total assets</b>	<u>\$ 9,951,959</u>	<u>\$ 1,722,130</u>	<u>\$ 1,883,000</u>	<u>\$ 13,557,089</u>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 20,824	\$ 49,539	\$ -	\$ 70,363
Accrued payroll	7,170,838	187,867	-	7,358,705
Due to primary government	59,760	-	-	59,760
Due to component units	130,442	-	-	130,442
Other liabilities	690,740	-	-	690,740
<b>Total liabilities</b>	<u>8,072,604</u>	<u>237,406</u>	<u>-</u>	<u>8,310,010</u>
Fund Balances:				
Nonspendable:				
Inventory	-	117,399	-	117,399
Prepaid expenditures	614,648	20,000	-	634,648
Committed to:				
Food services	-	1,347,325	-	1,347,325
Capital projects	-	-	1,883,000	1,883,000
Assigned to:				
Instruction	270,202	-	-	270,202
Administration, attendance and health	8,410	-	-	8,410
Pupil transportation	10,156	-	-	10,156
Operations and maintenance	136,433	-	-	136,433
Technology	134,795	-	-	134,795
Unassigned	704,711	-	-	704,711
<b>Total fund balances</b>	<u>1,879,355</u>	<u>1,484,724</u>	<u>1,883,000</u>	<u>5,247,079</u>
<b>Total liabilities and fund balances</b>	<u>\$ 9,951,959</u>	<u>\$ 1,722,130</u>	<u>\$ 1,883,000</u>	<u>\$ 13,557,089</u>

**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, 2017**

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**Exhibit D-2**

Total fund balances of governmental funds (Exhibit D-1)		\$ 5,247,079
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.		41,525,468
Net pension assets are not current financial resources and, therefore, are not reported in the funds.		107,134
Long-term liabilities, and related accounts, are not payable from current financial resources and, therefore, are not reported in the funds.		(68,815,579)
Deferred outflows of resources and deferred inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred pension outflows	\$ 10,565,143	
Deferred pension inflows	<u>(2,322,342)</u>	
Net adjustment	<u>\$ 8,242,801</u>	<u>8,242,801</u>
Net position of governmental activities (Exhibit 1)		\$ <u>(13,693,097)</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, 2017

Exhibit D-3

	<u>School Fund</u>	<u>School Nutrition Fund</u>	<u>School Capital Projects Fund</u>	<u>Totals</u>
<b>Revenues:</b>				
Use of money and property	\$ 39,479	\$ 10,267	\$ -	\$ 49,746
Charges for services	1,525,372	655,225	-	2,180,597
Miscellaneous	417,456	11,728	-	429,184
Payment from primary government	29,498,823	-	1,400,000	30,898,823
Intergovernmental	40,026,068	3,592,471	-	43,618,539
Total revenues	<u>71,507,198</u>	<u>4,269,691</u>	<u>1,400,000</u>	<u>77,176,889</u>
<b>Expenditures:</b>				
Current:				
Instruction	55,095,579	-	-	55,095,579
Administration, attendance and health	4,192,998	-	-	4,192,998
Pupil transportation	3,407,075	-	-	3,407,075
Operations and maintenance	4,953,239	-	-	4,953,239
Food services	-	4,078,246	-	4,078,246
Technology	3,684,573	26,066	-	3,710,639
Capital projects	-	-	-	-
Total expenditures	<u>71,333,464</u>	<u>4,104,312</u>	<u>-</u>	<u>75,437,776</u>
<b>Excess of revenues over expenditures</b>	<u>173,734</u>	<u>165,379</u>	<u>1,400,000</u>	<u>1,739,113</u>
<b>Other financing sources (uses):</b>				
Transfers in	-	-	483,000	483,000
Transfers out	-	(483,000)	-	(483,000)
Total other financing sources (uses)	<u>-</u>	<u>(483,000)</u>	<u>483,000</u>	<u>-</u>
<b>Net change in fund balances</b>	173,734	(317,621)	1,883,000	1,739,113
Fund balances at beginning of year	<u>1,705,621</u>	<u>1,802,345</u>	<u>-</u>	<u>3,507,966</u>
Fund balances at end of year	<u>\$ 1,879,355</u>	<u>\$ 1,484,724</u>	<u>\$ 1,883,000</u>	<u>\$ 5,247,079</u>

**CITY OF HARRISONBURG, VIRGINIA**  
**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2017**

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**Exhibit D-4**

Total net change in fund balances of governmental funds (Exhibit D-3) \$ 1,739,113

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	\$	447,670	
Depreciation expense		<u>(1,734,609)</u>	
Net adjustment	\$	<u><u>(1,286,939)</u></u>	(1,286,939)

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. (364,626)

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

Employer pension contributions	\$	5,394,171	
Pension expense		<u>(5,775,802)</u>	
Net adjustment	\$	<u><u>(381,631)</u></u>	(381,631)

The transfer of capital assets between the primary government and the School Board affects only the statement of activities. These transfers do not have an effect on current financial resources and, therefore, are not reported in governmental funds. 2,613,167

Change in net position of governmental activities (Exhibit 2) \$ 2,319,084

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, 2017

Exhibit D-5

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Use of money and property	\$ 30,000	\$ 30,000	\$ 39,479	\$ 9,479
Charges for services	1,523,633	1,523,633	1,525,372	1,739
Miscellaneous	341,042	341,042	417,456	76,414
Payment from primary government	30,062,539	30,062,539	29,498,823	(563,716)
Intergovernmental	38,513,852	39,152,651	40,026,068	873,417
Total revenues	<u>70,471,066</u>	<u>71,109,865</u>	<u>71,507,198</u>	<u>397,333</u>
<b>Expenditures:</b>				
Current:				
Instruction	54,247,591	54,876,635	55,095,579	(218,944)
Administration, attendance and health	4,105,509	4,157,473	4,192,998	(35,525)
Pupil transportation	3,488,923	3,569,948	3,407,075	162,873
Operations and maintenance	5,216,258	5,067,695	4,953,239	114,456
Technology	3,412,785	3,796,300	3,684,573	111,727
Total expenditures	<u>70,471,066</u>	<u>71,468,051</u>	<u>71,333,464</u>	<u>134,587</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	\$ <u>-</u>	\$ <u>(358,186)</u>	173,734	\$ <u>262,746</u>
Fund balance at beginning of year			<u>1,705,621</u>	
Fund balance at end of year			\$ <u>1,879,355</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, 2017

Exhibit D-6

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Use of money and property	\$ 1,500	\$ 1,500	\$ 10,267	\$ 8,767
Charges for services	619,473	659,473	655,225	(4,248)
Miscellaneous	10,000	10,000	11,728	1,728
Intergovernmental	2,995,000	3,324,500	3,592,471	267,971
Total revenues	<u>3,625,973</u>	<u>3,995,473</u>	<u>4,269,691</u>	<u>274,218</u>
<b>Expenditures:</b>				
Current:				
Food services	3,611,973	3,993,639	4,078,246	(84,607)
Technology	14,000	27,500	26,066	1,434
Total expenditures	<u>3,625,973</u>	<u>4,021,139</u>	<u>4,104,312</u>	<u>(83,173)</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>-</u>	<u>(25,666)</u>	<u>165,379</u>	<u>191,045</u>
<b>Other financing uses:</b>				
Transfers out	-	(483,000)	(483,000)	-
Total other financing uses	<u>-</u>	<u>(483,000)</u>	<u>(483,000)</u>	<u>-</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ (508,666)</u>	<u>(317,621)</u>	<u>\$ 191,045</u>
Fund balance at beginning of year			<u>1,802,345</u>	
Fund balance at end of year			<u>\$ 1,484,724</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, 2017

Fund, Major and Minor Revenue Sources	Final Budget	Actual	Variance Positive (Negative)
<b>Primary Government:</b>			
<b>General Fund:</b>			
General property taxes:			
Real property taxes	\$ 31,337,800	\$ 30,947,602	\$ (390,198)
Real and personal public service corporation property taxes	395,000	440,408	45,408
Personal property taxes	8,568,100	9,374,180	806,080
Mobile home taxes	8,400	8,778	378
Machinery and tools taxes	2,113,000	2,187,479	74,479
Penalties and interest	215,000	275,497	60,497
Total general property taxes	<u>42,637,300</u>	<u>43,233,944</u>	<u>596,644</u>
Other local taxes:			
Local sales and use taxes	13,523,100	13,207,791	(315,309)
Consumer utility taxes	1,136,900	1,139,113	2,213
Business license taxes	6,666,000	6,689,192	23,192
Motor vehicle license taxes	1,294,600	1,166,441	(128,159)
Bank stock taxes	750,000	761,882	11,882
Taxes on recordation and wills	510,100	442,184	(67,916)
Tobacco taxes	697,100	569,850	(127,250)
Admission and amusement taxes	177,300	175,755	(1,545)
Hotel and motel room taxes	2,538,000	2,625,363	87,363
Restaurant food taxes	12,422,000	12,257,672	(164,328)
Short-term rental taxes	110,400	109,110	(1,290)
Public right-of-way use fee	116,100	93,715	(22,385)
Total other local taxes	<u>39,941,600</u>	<u>39,238,068</u>	<u>(703,532)</u>
Permits, privilege fees and regulatory licenses:			
Animal licenses	6,000	4,548	(1,452)
Permits and other licenses	470,600	912,168	441,568
Total permits, privilege fees and regulatory licenses	<u>476,600</u>	<u>916,716</u>	<u>440,116</u>
Fines and forfeitures:			
Court fines	500,000	553,894	53,894
Parking fines	35,000	39,698	4,698
Alarm ordinance	-	47,937	47,937
E-summons fee	50,000	65,882	15,882
Drug forfeiture	-	42,212	42,212
Total fines and forfeitures	<u>585,000</u>	<u>749,623</u>	<u>164,623</u>
Use of money and property:			
Use of money	125,000	289,347	164,347
Use of property	12,500	77,039	64,539
Total use of money and property	<u>137,500</u>	<u>366,386</u>	<u>228,886</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, 2017

Fund, Major and Minor Revenue Sources	Final Budget	Actual	Variance Positive (Negative)
<b>Primary Government: (continued)</b>			
<b>General Fund: (continued)</b>			
Charges for services:			
Charges for law enforcement and traffic control	\$ 40,000	\$ 59,339	\$ 19,339
Charges for parking	109,900	110,226	326
Charges for rescue services	118,000	95,649	(22,351)
Charges for parks and recreation	480,200	455,711	(24,489)
Charges for golf course	711,300	714,650	3,350
Total charges for services	<u>1,459,400</u>	<u>1,435,575</u>	<u>(23,825)</u>
Miscellaneous:			
Payments in lieu of taxes:			
Electric plant and equipment	492,634	492,634	-
Service charge on tax exempt property	70,000	79,199	9,199
Debt service reimbursement from HRHA	655,550	655,550	-
Donations - JMU & EMU	145,000	145,000	-
Donations	69,000	58,185	(10,815)
Other miscellaneous	475,344	602,986	127,642
Total miscellaneous	<u>1,907,528</u>	<u>2,033,554</u>	<u>126,026</u>
Payments from component units:			
Payment from Harrisonburg Electric Commission	5,000,000	5,000,000	-
Total payments from component units	<u>5,000,000</u>	<u>5,000,000</u>	<u>-</u>
Intergovernmental:			
Revenue from the Commonwealth:			
Non-categorical aid:			
Railroad rolling stock taxes	18,000	16,569	(1,431)
Mobile home titling taxes	5,500	2,403	(3,097)
Tax on deeds (grantor tax)	140,000	124,378	(15,622)
Personal property tax reimbursement	1,522,583	1,522,583	-
Communication sales and use taxes	1,577,100	1,527,200	(49,900)
Auto rental taxes	270,000	270,405	405
Animal friendly license plate	500	565	65
Total non-categorical aid	<u>3,533,683</u>	<u>3,464,103</u>	<u>(69,580)</u>
Categorical aid:			
Shared expenses:			
Commissioner of the revenue	136,000	133,405	(2,595)
Treasurer	123,000	123,964	964
Registrar	46,000	46,977	977
Total shared expenses	<u>305,000</u>	<u>304,346</u>	<u>(654)</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, 2017

Fund, Major and Minor Revenue Sources	Final Budget	Actual	Variance Positive (Negative)
<b>Primary Government: (continued)</b>			
<b>General Fund: (continued)</b>			
Intergovernmental: (continued)			
Revenue from the Commonwealth: (continued)			
Other categorical aid:			
Fire programs fund	\$ 155,000	\$ 158,732	\$ 3,732
Other fire department	67,500	68,752	1,252
Internet crimes against children grant	-	11,142	11,142
Litter control grant	9,900	9,559	(341)
State aid to localities, police	1,350,900	1,350,908	8
Street and highway maintenance	4,478,000	4,630,301	152,301
VDOT revenue sharing	21,933	-	(21,933)
Other categorical aid	50,050	71,905	21,855
Total other categorical aid	<u>6,133,283</u>	<u>6,301,299</u>	<u>168,016</u>
Total categorical aid	<u>6,438,283</u>	<u>6,605,645</u>	<u>167,362</u>
Total revenue from the Commonwealth	<u>9,971,966</u>	<u>10,069,748</u>	<u>97,782</u>
Revenue from the Federal Government:			
Categorical aid:			
Fire grants	195,668	70,075	(125,593)
Police grants	262,871	216,382	(46,489)
Total revenue from the Federal Government	<u>458,539</u>	<u>286,457</u>	<u>(172,082)</u>
Total intergovernmental	<u>10,430,505</u>	<u>10,356,205</u>	<u>(74,300)</u>
<b>Total General Fund</b>	<u>\$ 102,575,433</u>	<u>\$ 103,330,071</u>	<u>\$ 754,638</u>
<b>Special Revenue Funds:</b>			
<b>Community Development Block Grant Fund:</b>			
Intergovernmental:			
Revenue from the Federal Government:			
Non-categorical aid:			
Community Development Block Grant	\$ 1,083,465	\$ 607,891	\$ (475,574)
Total revenue from the Federal Government	<u>1,083,465</u>	<u>607,891</u>	<u>(475,574)</u>
Total intergovernmental	<u>1,083,465</u>	<u>607,891</u>	<u>(475,574)</u>
<b>Total Community Development Block Grant Fund</b>	<u>\$ 1,083,465</u>	<u>\$ 607,891</u>	<u>\$ (475,574)</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, 2017

Fund, Major and Minor Revenue Sources	Final Budget	Actual	Variance Positive (Negative)
<b>Primary Government: (continued)</b>			
<b>Special Revenue Funds: (continued)</b>			
<b>School Transportation Fund:</b>			
Use of money and property	\$ -	\$ 1,339	\$ 1,339
Charges for services	3,319,640	3,361,849	42,209
Miscellaneous	-	100	100
	-	100	100
<b>Total School Transportation Fund</b>	<b>\$ 3,319,640</b>	<b>\$ 3,363,288</b>	<b>\$ 43,648</b>
<b>Business Loan Program Fund:</b>			
Use of money and property	\$ -	\$ 1,033	\$ 1,033
Miscellaneous	41,000	51,295	10,295
	41,000	52,328	11,328
<b>Total Business Loan Program Fund</b>	<b>\$ 41,000</b>	<b>\$ 52,328</b>	<b>\$ 11,328</b>
<b>Total Special Revenue Funds</b>	<b>\$ 4,444,105</b>	<b>\$ 4,023,507</b>	<b>\$ (420,598)</b>
<b>Capital Projects Fund:</b>			
<b>General Capital Projects Fund:</b>			
Use of money and property	\$ -	\$ 33,826	\$ 33,826
Recovered costs	1,297,124	632,746	(664,378)
Intergovernmental:			
Revenue from the Commonwealth:			
Categorical aid:			
VDOT smart scale funds	6,598,640	689,404	(5,909,236)
VDOT revenue sharing	9,832,641	3,601,424	(6,231,217)
VDOT state of good repair funds	499,100	417,255	(81,845)
	16,930,381	4,708,083	(12,222,298)
<b>Total revenue from the Commonwealth</b>	<b>16,930,381</b>	<b>4,708,083</b>	<b>(12,222,298)</b>
Revenue from the Federal Government:			
Categorical aid:			
Transportation alternatives program grant	621,256	20	(621,236)
	621,256	20	(621,236)
<b>Total revenue from the Federal Government</b>	<b>621,256</b>	<b>20</b>	<b>(621,236)</b>
<b>Total intergovernmental</b>	<b>17,551,637</b>	<b>4,708,103</b>	<b>(12,843,534)</b>
<b>Total General Capital Projects Fund</b>	<b>\$ 18,848,761</b>	<b>\$ 5,374,675</b>	<b>\$ (13,474,086)</b>

(continued)

CITY OF HARRISONBURG, VIRGINIA  
 GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD  
 SCHEDULE OF REVENUES - BUDGET AND ACTUAL  
 For the Year Ended June 30, 2017

Fund, Major and Minor Revenue Sources	Final Budget	Actual	Variance Positive (Negative)
<b>Primary Government: (continued)</b>			
<b>Capital Projects Fund: (continued)</b>			
<b>School Bond Capital Projects Fund:</b>			
Use of money and property	\$ -	\$ 138,355	\$ 138,355
<b>Total School Bond Capital Projects Fund</b>	<b>\$ -</b>	<b>\$ 138,355</b>	<b>\$ 138,355</b>
<b>Total Capital Projects Fund</b>	<b>\$ 18,848,761</b>	<b>\$ 5,513,030</b>	<b>\$ (13,335,731)</b>
<b>Grand Total Revenues (Primary Government)</b>	<b>\$ 125,868,299</b>	<b>\$ 112,866,608</b>	<b>\$ (13,001,691)</b>
<b>Component Unit - School Board:</b>			
<b>School Fund:</b>			
Use of money and property	\$ 30,000	\$ 39,479	\$ 9,479
Charges for services	1,523,633	1,525,372	1,739
Miscellaneous	341,042	417,456	76,414
Payment from primary government	30,062,539	29,498,823	(563,716)
Intergovernmental:			
Revenue from the Commonwealth:			
Categorical aid:			
Share of state sales tax	5,762,057	5,671,951	(90,106)
Basic school aid	16,158,120	16,440,684	282,564
State standard of quality funds	3,532,864	3,298,836	(234,028)
Fringe benefits	2,956,237	2,985,794	29,557
At risk	2,213,458	2,233,337	19,879
Primary class size	1,492,123	1,445,818	(46,305)
Technology initiative	456,400	623,058	166,658
English as second language	1,382,963	508,677	(874,286)
Regional tuition programs (special education)	1,187,061	1,312,778	125,717
Other state funds	689,640	2,005,099	1,315,459
Total categorical aid	<u>35,830,923</u>	<u>36,526,032</u>	<u>695,109</u>
Total revenue from the Commonwealth	<u>35,830,923</u>	<u>36,526,032</u>	<u>695,109</u>
Revenue from the Federal Government:			
Categorical aid:			
Title I	1,619,272	1,656,819	37,547
Special education	1,095,713	1,179,930	84,217
Title III	211,166	249,230	38,064
ESEA - Title II Part A	174,935	164,523	(10,412)
Other federal funds	220,642	249,534	28,892
Total revenue from the Federal Government	<u>3,321,728</u>	<u>3,500,036</u>	<u>178,308</u>
Total intergovernmental	<u>39,152,651</u>	<u>40,026,068</u>	<u>873,417</u>
<b>Total School Fund</b>	<b>\$ <u>71,109,865</u></b>	<b>\$ <u>71,507,198</u></b>	<b>\$ <u>397,333</u></b>

(continued)



CITY OF HARRISONBURG, VIRGINIA  
 GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD  
 SCHEDULE OF REVENUES - BUDGET AND ACTUAL  
 For the Year Ended June 30, 2017

Fund, Major and Minor Revenue Sources	Final Budget	Actual	Variance Positive (Negative)
<b>Component Unit - School Board: (continued)</b>			
<b>School Nutrition Fund:</b>			
Use of money and property	\$ 1,500	\$ 10,267	\$ 8,767
Charges for services	659,473	655,225	(4,248)
Miscellaneous	10,000	11,728	1,728
Intergovernmental:			
Revenue from the Commonwealth:			
Categorical aid:			
School food program	91,000	119,148	28,148
Total categorical aid	<u>91,000</u>	<u>119,148</u>	<u>28,148</u>
Total revenue from the Commonwealth	<u>91,000</u>	<u>119,148</u>	<u>28,148</u>
Revenue from the Federal Government:			
Categorical aid:			
School food program	3,233,500	3,266,602	33,102
USDA donated food	-	206,721	206,721
Total revenue from the Federal Government	<u>3,233,500</u>	<u>3,473,323</u>	<u>239,823</u>
Total intergovernmental	<u>3,324,500</u>	<u>3,592,471</u>	<u>267,971</u>
<b>Total School Nutrition Fund</b>	<u>\$ 3,995,473</u>	<u>\$ 4,269,691</u>	<u>\$ 274,218</u>
<b>School Capital Projects Fund:</b>			
Payment from primary government	\$ 1,400,000	\$ 1,400,000	\$ -
<b>Total School Capital Projects Fund</b>	<u>\$ 1,400,000</u>	<u>\$ 1,400,000</u>	<u>\$ -</u>
<b>Grand Total Revenues (Component Unit - School Board)</b>	<u>\$ 76,505,338</u>	<u>\$ 77,176,889</u>	<u>\$ 671,551</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, 2017**

<b>Fund, Function, Activity and Elements</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Primary Government:</b>			
<b>General Fund:</b>			
General government administration:			
Legislative:			
City Council	\$ 209,066	\$ 200,432	\$ 8,634
Total legislative	<u>209,066</u>	<u>200,432</u>	<u>8,634</u>
General and financial administration:			
City manager	555,109	436,490	118,619
City attorney	315,798	258,143	57,655
Human resources	440,360	381,001	59,359
Independent auditor	20,600	20,300	300
Commissioner of the revenue	469,614	442,517	27,097
Assessors	286,792	286,286	506
Equalization	3,025	1,915	1,110
Treasurer	587,528	584,684	2,844
Finance	494,985	477,300	17,685
Information technology	1,831,425	1,733,042	98,383
Purchasing agent	167,906	163,057	4,849
Total general and financial administration	<u>5,173,142</u>	<u>4,784,735</u>	<u>388,407</u>
Board of elections:			
Registrar	233,690	225,994	7,696
Total board of elections	<u>233,690</u>	<u>225,994</u>	<u>7,696</u>
Total general government administration	<u>5,615,898</u>	<u>5,211,161</u>	<u>404,737</u>
Jail and judicial administration:			
Joint expenditures with Rockingham County	5,246,539	4,648,636	597,903
Middle River Regional Jail	2,009,208	1,981,242	27,966
Total jail and judicial administration	<u>7,255,747</u>	<u>6,629,878</u>	<u>625,869</u>
Public safety:			
Law enforcement and traffic control:			
Administration	3,547,030	3,266,168	280,862
Operations	4,604,057	4,449,180	154,877
Criminal investigations	1,227,493	1,159,186	68,307
Special operations	1,273,841	1,152,948	120,893
Grants	450,290	400,129	50,161
Total law enforcement and traffic control	<u>11,102,711</u>	<u>10,427,611</u>	<u>675,100</u>
Fire and rescue services:			
Administration	570,729	552,967	17,762
Suppression	6,775,146	6,353,702	421,444
Prevention	559,310	542,018	17,292
Training	290,600	282,593	8,007
Total fire and rescue services	<u>8,195,785</u>	<u>7,731,280</u>	<u>464,505</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, 2017

Fund, Function, Activity and Elements	Final Budget	Actual	Variance Positive (Negative)
<b>Primary Government: (continued)</b>			
<b>General Fund: (continued)</b>			
Public safety: (continued)			
Correction and detention:			
Court appointed attorneys	\$ 85,000	\$ 71,122	\$ 13,878
Total correction and detention	<u>85,000</u>	<u>71,122</u>	<u>13,878</u>
Inspections:			
Building	775,179	707,050	68,129
Total inspections	<u>775,179</u>	<u>707,050</u>	<u>68,129</u>
Other protection:			
Public safety building	324,046	308,325	15,721
Child safety alliance	56,855	56,012	843
Animal control	403,772	364,292	39,480
Emergency services	215,588	137,610	77,978
Harrisonburg-Rockingham ECC	2,085,208	2,085,208	-
Total other protection	<u>3,085,469</u>	<u>2,951,447</u>	<u>134,022</u>
Total public safety	<u>23,244,144</u>	<u>21,888,510</u>	<u>1,355,634</u>
Public works:			
Maintenance of highways, streets, bridges and sidewalks:			
General engineering	791,011	743,227	47,784
Highway and street maintenance	7,489,554	5,932,012	1,557,542
Street lights	545,028	538,747	6,281
Snow and ice removal	266,739	201,620	65,119
Traffic engineering	1,440,363	1,313,466	126,897
Highway and street beautification	307,041	270,950	36,091
Total maintenance of highways, streets, bridges and sidewalks	<u>10,839,736</u>	<u>9,000,022</u>	<u>1,839,714</u>
Sanitation and waste removal:			
Street and road cleaning	475,426	402,889	72,537
Total sanitation and waste removal	<u>475,426</u>	<u>402,889</u>	<u>72,537</u>
Maintenance of general buildings and grounds:			
General properties	355,333	296,405	58,928
Total maintenance of general buildings and grounds	<u>355,333</u>	<u>296,405</u>	<u>58,928</u>
Total public works	<u>11,670,495</u>	<u>9,699,316</u>	<u>1,971,179</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, 2017

Fund, Function, Activity and Elements	Final Budget	Actual	Variance Positive (Negative)
<b>Primary Government: (continued)</b>			
<b>General Fund: (continued)</b>			
Health and welfare:			
Health:			
Local health department	\$ 438,360	\$ 402,256	\$ 36,104
Total health	<u>438,360</u>	<u>402,256</u>	<u>36,104</u>
Mental health and mental retardation:			
Community services board	<u>722,710</u>	<u>722,710</u>	-
Total mental health and mental retardation	<u>722,710</u>	<u>722,710</u>	-
Welfare/social services:			
Tax relief for the elderly and disabled veterans	117,000	115,966	1,034
Joint expenditures with Rockingham County	<u>3,539,944</u>	<u>3,495,148</u>	<u>44,796</u>
Total welfare/social services	<u>3,656,944</u>	<u>3,611,114</u>	<u>45,830</u>
Total health and welfare	<u>4,818,014</u>	<u>4,736,080</u>	<u>81,934</u>
Education:			
Payment to Harrisonburg City School Board	<u>31,462,539</u>	<u>30,898,823</u>	<u>563,716</u>
Total education	<u>31,462,539</u>	<u>30,898,823</u>	<u>563,716</u>
Parks, recreation and culture:			
Parks and recreation:			
Administration	1,018,694	907,365	111,329
Parks	1,064,232	1,030,282	33,950
Recreation centers and playgrounds	594,469	562,883	31,586
National guard armory	80,255	78,638	1,617
Simms continuing education center	367,300	351,192	16,108
Westover pool	466,560	451,978	14,582
Athletics	461,497	445,798	15,699
Blacks run greenway	48,917	45,837	3,080
Golf course grounds management	666,678	662,444	4,234
Golf course clubhouse management	475,872	455,689	20,183
Total parks and recreation	<u>5,244,474</u>	<u>4,992,106</u>	<u>252,368</u>
Total parks, recreation and culture	<u>5,244,474</u>	<u>4,992,106</u>	<u>252,368</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, 2017

Fund, Function, Activity and Elements	Final Budget	Actual	Variance Positive (Negative)
<b>Primary Government: (continued)</b>			
<b>General Fund: (continued)</b>			
Community development:			
Planning and community development:			
Planning	\$ 222,334	\$ 205,500	\$ 16,834
Zoning administrator	180,184	171,556	8,628
Board of zoning appeals	5,547	2,117	3,430
Economic development	922,543	824,506	98,037
Tourism and visitors services	464,388	447,788	16,600
Downtown parking services	236,825	190,092	46,733
Total planning and community development	<u>2,031,821</u>	<u>1,841,559</u>	<u>190,262</u>
Contributions:			
Massanutten Regional Library	496,789	496,789	-
Regional Juvenile Detention Commission	345,635	345,635	-
Harrisonburg Downtown Renaissance	127,501	127,501	-
Harrisonburg First Tee	70,000	70,000	-
Shenandoah Valley Airport	67,923	67,923	-
Blue Ridge Community College	67,672	67,672	-
Boys and Girls Club	51,500	51,500	-
Court Square Theater	51,000	51,000	-
Other contributions	409,882	409,751	131
Total contributions	<u>1,687,902</u>	<u>1,687,771</u>	<u>131</u>
Total community development	<u>3,719,723</u>	<u>3,529,330</u>	<u>190,393</u>
Debt service:			
Principal retirement	8,337,450	8,337,450	-
Interest and fiscal charges	5,875,584	5,869,531	6,053
Total debt service	<u>14,213,034</u>	<u>14,206,981</u>	<u>6,053</u>
<b>Total General Fund</b>	<u>\$ 107,244,068</u>	<u>\$ 101,792,185</u>	<u>\$ 5,451,883</u>
<b>Special Revenue Funds:</b>			
<b>Community Development Block Grant Fund:</b>			
Community development:			
Planning and community development:			
Community development block grant	\$ 1,083,465	\$ 607,891	\$ 475,574
Total planning and community development	<u>1,083,465</u>	<u>607,891</u>	<u>475,574</u>
Total community development	<u>1,083,465</u>	<u>607,891</u>	<u>475,574</u>
<b>Total Community Development Block Grant Fund</b>	<u>\$ 1,083,465</u>	<u>\$ 607,891</u>	<u>\$ 475,574</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, 2017

Fund, Function, Activity and Elements	Final Budget	Actual	Variance Positive (Negative)
<b>Primary Government: (continued)</b>			
<b>Special Revenue Funds: (continued)</b>			
<b>School Transportation Fund:</b>			
Education:			
School bus services	\$ 2,783,392	\$ 2,740,472	\$ 42,920
Field trips and charters	200,105	194,422	5,683
Administration	<u>386,143</u>	<u>382,621</u>	<u>3,522</u>
Total education	<u>3,369,640</u>	<u>3,317,515</u>	<u>52,125</u>
<b>Total School Transportation Fund</b>	<b><u>\$ 3,369,640</u></b>	<b><u>\$ 3,317,515</u></b>	<b><u>\$ 52,125</u></b>
<b>Business Loan Program Fund:</b>			
Community development:			
Planning and community development:			
Revolving loan program	\$ 125,000	\$ -	\$ 125,000
Total planning and community development	<u>125,000</u>	<u>-</u>	<u>125,000</u>
Total community development	<u>125,000</u>	<u>-</u>	<u>125,000</u>
<b>Total Business Loan Program Fund</b>	<b><u>\$ 125,000</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 125,000</u></b>
<b>Total Special Revenue Funds</b>	<b><u>\$ 4,578,105</u></b>	<b><u>\$ 3,925,406</u></b>	<b><u>\$ 652,699</u></b>
<b>Capital Projects Fund:</b>			
<b>General Capital Projects Fund:</b>			
Capital projects	\$ 35,122,721	\$ 10,908,564	\$ 24,214,157
<b>Total General Capital Projects Fund</b>	<b><u>\$ 35,122,721</u></b>	<b><u>\$ 10,908,564</u></b>	<b><u>\$ 24,214,157</u></b>
<b>School Bond Capital Projects Fund:</b>			
Capital projects	\$ 38,921,642	\$ 33,272,330	\$ 5,649,312
<b>Total School Bond Capital Projects Fund</b>	<b><u>\$ 38,921,642</u></b>	<b><u>\$ 33,272,330</u></b>	<b><u>\$ 5,649,312</u></b>
<b>Total Capital Projects Fund</b>	<b><u>\$ 74,044,363</u></b>	<b><u>\$ 44,180,894</u></b>	<b><u>\$ 29,863,469</u></b>
<b>Grand Total Expenditures (Primary Government)</b>	<b><u>\$ 185,866,536</u></b>	<b><u>\$ 149,898,485</u></b>	<b><u>\$ 35,968,051</u></b>

(continued)

CITY OF HARRISONBURG, VIRGINIA  
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD  
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
For the Year Ended June 30, 2017

Fund, Function, Activity and Elements	Final Budget	Actual	Variance Positive (Negative)
<b>Component Unit - School Board:</b>			
<b>School Fund:</b>			
Education:			
Instruction	\$ 54,876,635	\$ 55,095,579	\$ (218,944)
Administration, attendance and health	4,157,473	4,192,998	(35,525)
Pupil transportation	3,569,948	3,407,075	162,873
Operations and maintenance	5,067,695	4,953,239	114,456
Technology	<u>3,796,300</u>	<u>3,684,573</u>	<u>111,727</u>
Total education	<u>71,468,051</u>	<u>71,333,464</u>	<u>134,587</u>
<b>Total School Fund</b>	<b><u>\$ 71,468,051</u></b>	<b><u>\$ 71,333,464</u></b>	<b><u>\$ 134,587</u></b>
<b>School Nutrition Fund:</b>			
Education:			
Food services	\$ 3,993,639	\$ 4,078,246	\$ (84,607)
Technology	<u>27,500</u>	<u>26,066</u>	<u>1,434</u>
Total education	<u>4,021,139</u>	<u>4,104,312</u>	<u>(83,173)</u>
<b>Total School Nutrition Fund</b>	<b><u>\$ 4,021,139</u></b>	<b><u>\$ 4,104,312</u></b>	<b><u>\$ (83,173)</u></b>
<b>School Capital Projects Fund:</b>			
Capital projects	<u>1,883,000</u>	<u>-</u>	<u>1,883,000</u>
<b>Total School Capital Projects Fund</b>	<b><u>\$ 1,883,000</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 1,883,000</u></b>
<b>Grand Total Expenditures (Component Unit - School Board)</b>	<b><u>\$ 77,372,190</u></b>	<b><u>\$ 75,437,776</u></b>	<b><u>\$ 1,934,414</u></b>

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# STATISTICAL SECTION

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

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

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

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

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

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

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

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

Table 1

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Governmental activities</b>										
Net investment in capital assets	\$ 150,611,197	\$ 145,194,280	\$ 146,765,571	\$ 143,056,305	\$ 140,255,728	\$ 136,256,502	\$ 132,778,540	\$ 134,630,600	\$ 136,515,744	\$ 132,202,885
Restricted	552,092	461,736	450,639	418,955	253,898	436,546	464,466	459,667	345,524	961,442
Unrestricted	20,679,052	19,107,622	15,778,923	36,848,497	38,537,607	37,720,341	36,505,429	31,737,220	32,029,616	40,774,314
Total governmental activities net position	\$ 171,842,341	\$ 164,763,638	\$ 162,995,133	\$ 180,323,757	\$ 179,047,233	\$ 174,413,389	\$ 169,748,435	\$ 166,827,487	\$ 168,890,884	\$ 173,938,641
<b>Business-type activities</b>										
Net investment in capital assets	\$ 74,997,991	\$ 62,658,600	\$ 61,417,998	\$ 59,661,294	\$ 64,061,195	\$ 61,531,423	\$ 63,773,381	\$ 64,272,566	\$ 63,946,619	\$ 55,215,398
Unrestricted	3,263,530	10,156,014	9,413,613	16,501,295	18,960,244	20,567,739	24,007,072	23,349,719	23,104,614	22,819,366
Total business-type activities net position	\$ 78,261,521	\$ 72,814,614	\$ 70,831,611	\$ 76,162,589	\$ 83,021,439	\$ 82,099,162	\$ 87,780,453	\$ 87,622,285	\$ 87,051,233	\$ 78,034,764
<b>Primary government</b>										
Net investment in capital assets	\$ 225,609,188	\$ 207,852,880	\$ 208,183,569	\$ 202,717,599	\$ 204,316,923	\$ 197,787,925	\$ 196,551,921	\$ 198,903,166	\$ 200,462,363	\$ 187,418,283
Restricted	552,092	461,736	450,639	418,955	253,898	436,546	464,466	459,667	345,524	961,442
Unrestricted	23,942,582	29,263,636	25,192,536	53,349,792	57,497,851	58,288,080	60,512,501	55,086,939	55,134,230	63,593,680
Total primary government net position	\$ 250,103,862	\$ 237,578,252	\$ 233,826,744	\$ 256,486,346	\$ 262,068,672	\$ 256,512,551	\$ 257,528,888	\$ 254,449,772	\$ 255,942,117	\$ 251,973,405

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. 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									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Expenses:</b>										
Governmental activities:										
General government administration	\$ 18,413,671	\$ 18,543,556	\$ 16,257,293	\$ 17,537,393	\$ 15,200,128	\$ 14,871,365	\$ 12,711,047	\$ 12,693,219	\$ 12,735,815	\$ 11,767,148
Jail and judicial administration	6,398,698	5,822,848	5,137,399	4,175,900	3,697,318	3,353,068	3,158,825	2,689,276	3,012,532	2,521,878
Public safety	23,238,203	22,625,158	21,236,076	20,803,582	19,435,983	18,759,038	18,414,704	17,934,535	18,518,912	16,446,587
Public works <sup>a</sup>	14,407,248	14,709,122	15,158,769	19,723,564	16,087,945	15,430,666	11,384,626	10,924,418	11,935,693	10,621,521
Health and welfare	4,757,945	4,579,647	4,103,981	3,941,088	3,792,389	3,684,731	3,933,460	3,911,386	4,369,125	3,764,612
Education	38,328,364	36,565,819	37,481,649	34,574,455	32,985,755	30,965,228	27,641,213	28,735,066	31,253,898	25,922,982
Parks, recreation and cultural	5,998,086	6,201,994	5,486,051	5,399,332	5,396,157	5,319,618	5,279,763	5,100,351	5,379,470	5,103,321
Community development	4,035,574	4,579,778	3,555,510	3,612,415	3,628,594	3,844,899	3,618,639	3,867,423	4,032,505	4,125,103
Interest on long-term debt	5,914,313	5,046,788	5,116,339	5,071,941	5,304,302	5,602,256	6,006,543	6,131,512	5,860,753	6,078,904
Business-type activities:										
Water	5,329,601	5,496,737	5,218,201	5,351,441	5,281,491	5,398,401	5,014,952	5,118,820	5,359,913	4,951,007
Sewer	9,850,111	9,702,160	9,526,208	9,536,716	9,501,243	9,217,798	8,165,858	7,391,517	6,772,876	6,413,266
Public transportation	6,365,032	6,348,417	6,327,540	5,218,865	4,915,643	4,817,708	6,916,882	6,767,823	6,817,081	6,042,341
Steam plant/sanitation <sup>a,b</sup>	3,319,439	4,208,851	7,185,575	7,397,708	7,751,402	6,670,472	9,999,432	9,878,225	10,809,914	11,162,477
Stormwater	414,677	255,371	-	-	-	-	-	-	-	-
<b>Total expenses</b>	<b>\$ 146,770,962</b>	<b>\$ 144,686,246</b>	<b>\$ 141,790,591</b>	<b>\$ 142,344,400</b>	<b>\$ 132,978,350</b>	<b>\$ 127,935,248</b>	<b>\$ 122,245,944</b>	<b>\$ 121,143,571</b>	<b>\$ 126,858,487</b>	<b>\$ 114,921,147</b>
Program revenues:										
Governmental activities:										
Charges for services:										
General government administration	\$ 14,033,150	\$ 13,413,592	\$ 12,092,994	\$ 11,197,390	\$ 9,808,618	\$ 9,590,439	\$ 9,266,743	\$ 9,478,806	\$ 8,620,160	\$ 7,913,474
Jail and judicial administration	553,894	515,404	549,825	651,517	526,549	417,063	553,923	504,223	493,611	432,767
Public works <sup>a</sup>	-	-	-	5,891,879	5,714,587	4,223,763	-	-	-	-
Education <sup>c</sup>	3,361,589	3,099,596	3,018,032	2,712,725	2,402,874	2,163,748	-	-	-	-
Parks, recreation and cultural	1,170,361	1,130,856	1,132,452	1,143,398	1,078,285	1,156,262	1,103,317	1,042,513	1,063,064	1,003,942
Other activities	1,377,659	848,873	891,990	1,201,568	988,430	868,216	845,073	686,775	1,055,627	1,278,101
Operating grants and contributions	7,499,993	8,071,894	7,733,498	7,242,059	6,468,579	6,420,728	6,779,026	6,537,125	6,931,438	6,620,432
Capital grants and contributions <sup>d,e</sup>	4,575,920	2,112,546	2,511,563	6,052,309	4,057,173	3,020,379	1,394,887	1,105,400	4,827,882	5,540,980
Business-type activities:										
Charges for services:										
Water	7,621,237	6,866,608	6,566,279	6,204,657	6,033,702	5,803,549	5,793,929	5,414,295	5,727,877	6,024,104
Sewer	10,580,345	10,249,003	10,135,852	9,654,399	9,135,855	8,631,508	8,047,117	6,748,325	6,377,771	6,080,893
Public transportation <sup>c</sup>	1,820,130	1,810,732	1,897,980	1,834,284	1,652,106	1,558,556	3,573,754	3,153,152	3,290,998	2,906,147
Steam plant/sanitation <sup>a</sup>	4,303,069	5,104,242	6,784,257	5,122,980	6,131,803	4,717,861	9,859,085	9,867,232	10,158,755	9,023,207
Stormwater	1,258,959	2,345,292	-	-	-	-	-	-	-	-
Operating grants and contributions	2,540,589	2,281,764	2,229,329	2,160,125	1,649,862	1,469,284	1,353,559	1,496,827	1,444,903	1,242,498
Capital grants and contributions <sup>f</sup>	4,199,180	606,645	2,689,399	6,506,406	3,277,876	3,226,291	840,082	2,176,754	8,458,276	1,684,705
<b>Total program revenues</b>	<b>\$ 64,896,075</b>	<b>\$ 58,457,047</b>	<b>\$ 58,233,450</b>	<b>\$ 67,575,696</b>	<b>\$ 58,926,299</b>	<b>\$ 53,267,647</b>	<b>\$ 49,410,495</b>	<b>\$ 48,211,427</b>	<b>\$ 58,450,362</b>	<b>\$ 49,751,250</b>
Net (expense) revenue:										
Governmental activities	\$ (88,919,536)	\$ (89,481,949)	\$ (85,602,713)	\$ (78,746,825)	\$ (74,483,476)	\$ (73,970,271)	\$ (72,205,851)	\$ (72,632,344)	\$ (74,106,921)	\$ (63,562,360)
Business-type activities	7,044,649	3,252,750	2,045,572	3,978,121	431,425	(697,330)	(629,598)	(299,800)	5,698,796	(1,607,537)
<b>Total net (expense) revenue</b>	<b>\$ (81,874,887)</b>	<b>\$ (86,229,199)</b>	<b>\$ (83,557,141)</b>	<b>\$ (74,768,704)</b>	<b>\$ (74,052,051)</b>	<b>\$ (74,667,601)</b>	<b>\$ (72,835,449)</b>	<b>\$ (72,932,144)</b>	<b>\$ (68,408,125)</b>	<b>\$ (65,169,897)</b>

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

Table 2

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General revenues and other changes in net position:										
Governmental activities:										
General revenues:										
Property taxes	\$ 43,640,018	\$ 39,574,723	\$ 37,522,303	\$ 33,682,085	\$ 33,642,817	\$ 31,997,146	\$ 31,465,340	\$ 30,867,419	\$ 29,049,768	\$ 27,464,833
Sales and use taxes	13,207,791	12,994,784	12,532,757	11,956,912	11,450,969	10,744,198	11,030,783	10,487,699	11,053,388	11,772,450
Restaurant food taxes	12,257,672	11,914,152	11,026,410	10,398,660	9,948,280	8,815,101	8,414,191	8,001,430	8,095,857	8,021,419
Business license taxes	6,689,192	6,653,830	6,275,116	6,246,573	5,892,503	5,932,606	5,587,085	5,571,597	6,072,551	6,196,857
Other local taxes	7,083,413	7,119,400	6,798,376	6,105,467	5,877,472	5,599,612	5,382,633	5,274,469	5,275,971	5,515,800
Unrestricted grants and contributions	3,464,103	3,501,028	3,569,638	3,521,348	3,476,659	3,423,474	3,520,574	3,465,825	3,488,042	3,768,406
Unrestricted payment from component units	5,000,000	5,000,000	4,900,000	4,900,000	4,900,000	4,900,000	4,900,000	4,800,000	4,800,000	4,800,000
Investment revenue <sup>a</sup>	480,911	206,899	75,041	50,039	84,162	68,365	87,557	151,425	658,303	2,644,259
Other revenue <sup>b</sup>	1,588,875	1,681,770	1,742,779	2,698,759	1,973,222	2,265,535	4,254,403	1,570,827	1,202,291	1,447,468
Gain on sale of capital asset	-	-	-	-	-	-	-	-	-	238,903
Special item <sup>c</sup>	-	-	-	-	-	(1,446,706)	-	-	-	4,109,942
Transfers	2,586,264	2,603,868	2,527,927	1,574,046	1,361,276	6,335,894	484,233	378,256	(875,910)	(1,386,572)
Business-type activities:										
General revenues:										
Investment revenue	131,300	55,180	15,198	19,563	31,340	32,121	52,446	79,908	505,917	1,101,241
Other revenue	857,222	1,237,883	1,286,114	1,117,388	1,805,733	1,308,949	1,215,028	1,167,345	1,927,746	1,844,195
Gain on disposal of capital assets	-	41,058	2,550	28,554	15,055	10,863	4,525	1,855	8,100	-
Special item <sup>k</sup>	-	-	(1,916,812)	(10,078,503)	-	-	-	-	-	-
Transfers	(2,586,264)	(2,603,868)	(2,527,927)	(1,574,046)	(1,361,276)	(6,335,894)	(484,233)	(378,256)	875,910	1,386,572
Total general revenues and other changes in net position	\$ 94,400,497	\$ 89,980,707	\$ 83,829,470	\$ 70,646,845	\$ 79,098,212	\$ 73,651,264	\$ 75,914,565	\$ 71,439,799	\$ 72,376,837	\$ 78,686,870
Change in net position:										
Governmental activities	\$ 7,078,703	\$ 1,768,505	\$ 1,367,634	\$ 2,387,064	\$ 4,123,884	\$ 4,664,954	\$ 2,920,948	\$ (2,063,397)	\$ (5,047,757)	\$ 10,792,502
Business-type activities	5,446,907	1,983,003	(1,095,305)	(6,508,923)	922,277	(5,681,291)	158,168	571,052	9,016,469	2,724,471
Total change in net position	\$ 12,525,610	\$ 3,751,508	\$ 272,329	\$ (4,121,859)	\$ 5,046,161	\$ (1,016,337)	\$ 3,079,116	\$ (1,492,345)	\$ 3,968,712	\$ 13,516,973

**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. Prior year information has not been restated.

<sup>a</sup>For 2012 and 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.

<sup>b</sup>For 2016, the changes in steam plant/sanitation activity expenses reflect the discontinued operations of the resource recovery facility.

<sup>c</sup>For 2012, the changes in education and public transportation activity charges for services reflected the reclassification of school bus activity.

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

<sup>e</sup>For 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.

<sup>f</sup>For 2009, the increase in capital grants and contributions reflected \$4.5 million in intergovernmental funding for the purchase of new transit buses and contributions of \$2.4 million in water and sewer lines from developers.

<sup>g</sup>For 2009, the decrease in investment revenue was the result of a decrease in idle funds available for investing from unexpended bond proceeds and lower interest rates.

<sup>h</sup>For 2011, the increase in other revenue was the result of a one-time payment of \$2.3 million from the Virginia Public School Authority which refinanced its Series 2001C Bonds of which the City was a participant.

<sup>i</sup>For 2008, the City sold land on Port Republic Road to James Madison University resulting in a special item.

<sup>j</sup>For 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.

<sup>k</sup>For 2014, the City agreed to sell the resource recovery facility to JMU. This is the net result of an impairment to the resource recovery facility.

<sup>l</sup>For 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									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General Fund										
Nonspendable	\$ 874,897	\$ 745,877	\$ 623,774	\$ 652,688	\$ 613,043	\$ 780,708	\$ 1,055,286	\$ 838,087	\$ 772,046	\$ 609,960
Restricted	552,091	461,736	450,639	432,852	253,898	436,546	464,466	459,667	345,524	959,650
Committed <sup>a</sup>	63,402	63,402	63,402	2,761,367	3,386,367	3,095,380	860,879	1,297,212	1,879,300	2,344,663
Assigned <sup>b,c</sup>	980,493	649,393	1,629,279	1,612,151	3,053,319	1,671,329	4,175,696	1,096,324	175,380	5,620,402
Unassigned	30,226,183	28,435,301	24,214,042	26,595,398	23,932,401	25,534,922	18,711,352	16,273,005	16,363,415	15,747,798
Total general fund	\$ 32,697,066	\$ 30,355,709	\$ 26,981,136	\$ 32,054,456	\$ 31,239,028	\$ 31,518,885	\$ 25,267,679	\$ 19,964,295	\$ 19,535,665	\$ 25,282,473
All other governmental funds										
Nonspendable	\$ 50,508	\$ 16,652	\$ -	\$ 4,705	\$ 4,546	\$ -	\$ 531	\$ -	\$ -	\$ -
Restricted <sup>d</sup>	4,712,073	40,156,421	1,464,504	11,210,744	7,215,617	5,758,290	4,128,472	772,478	9,365,268	2,134,402
Committed	8,247,053	9,729,172	11,102,093	12,928,163	13,686,487	10,650,430	8,794,481	8,811,974	7,704,596	11,911,533
Assigned	204,500	134,000	38,897	-	-	-	-	-	-	-
Unassigned, reported in:										
Special revenue funds	(184)	-	-	-	(60,493)	(6,955)	(122,388)	(43,201)	(15,513)	-
Total all other governmental funds	\$ 13,213,950	\$ 50,036,245	\$ 12,605,494	\$ 24,143,612	\$ 20,846,157	\$ 16,401,765	\$ 12,801,096	\$ 9,541,251	\$ 17,054,351	\$ 14,045,935

**Notes:** Any significant increases or decreases for 2017 are explained in Management's Discussion and Analysis. Certain prior year balances have been reclassified to reflect current financial reporting (2008-2010).

<sup>a</sup>For 2012, the increase in general fund committed fund balance was the result of fund balance being committed to fund a landfill contractual obligation to Rockingham County.  
<sup>b</sup>For 2009, the decrease in general fund assigned fund balance was the result of fund balance not being used to balance the subsequent year's budget and less encumbrances being reappropriated in fiscal year 2010.  
<sup>c</sup>For 2011, the increase in general fund assigned fund balance was the result of approximately \$2.9 million of fund balance being used to balance the subsequent year's budget.  
<sup>d</sup>The increases and decreases in other governmental funds' restricted fund balance are the result of bond proceeds that are used for various capital project purposes.

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

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenues:										
General property taxes	\$ 43,233,944	\$ 39,444,384	\$ 37,481,440	\$ 33,559,753	\$ 33,745,312	\$ 32,180,329	\$ 31,525,525	\$ 31,009,074	\$ 28,997,708	\$ 27,048,821
Other local taxes	39,238,068	38,722,176	36,644,704	34,740,681	33,134,475	31,114,956	30,439,292	29,295,439	30,439,109	31,533,497
Permits, privilege fees and regulatory licenses	916,716	443,489	507,040	455,881	536,965	498,465	561,431	354,076	848,149	1,099,610
Fines and forfeitures	749,623	623,390	666,029	1,127,606	662,961	526,260	626,169	598,904	570,997	518,259
Use of money and property <sup>f</sup>	540,939	262,328	187,061	162,014	194,763	171,599	188,084	197,844	662,621	2,523,091
Charges for services <sup>b</sup>	4,797,424	4,556,674	4,427,549	10,020,649	9,496,051	7,775,198	1,377,980	1,193,264	1,193,156	1,098,841
Miscellaneous <sup>e</sup>	2,084,949	1,871,712	1,938,839	2,465,008	2,005,958	2,014,528	4,159,989	1,540,896	1,700,774	1,733,883
Recovered costs	632,746	59,225	201,177	291,795	165,551	606,506	-	-	-	217,422
Payments from component units	5,000,000	5,000,000	4,900,000	4,900,000	4,900,000	4,900,000	4,900,000	4,800,000	4,800,000	4,800,000
Intergovernmental	15,672,199	13,563,043	13,613,522	16,414,070	14,809,888	15,344,247	16,254,692	13,499,776	13,628,264	13,191,514
Total revenues	\$ 112,866,608	\$ 104,546,421	\$ 100,567,361	\$ 104,137,457	\$ 99,651,924	\$ 95,132,088	\$ 90,033,162	\$ 82,489,273	\$ 82,840,778	\$ 83,764,938
Expenditures:										
Current:										
General government administration	\$ 5,211,161	\$ 4,974,666	\$ 4,641,047	\$ 4,583,135	\$ 4,082,373	\$ 4,003,007	\$ 3,612,654	\$ 3,494,629	\$ 3,454,035	\$ 3,533,956
Jail and judicial administration <sup>d</sup>	6,629,878	6,147,289	5,917,618	3,878,939	3,400,357	3,056,108	2,861,864	2,392,315	2,715,571	2,224,918
Public safety	21,888,510	21,409,396	20,650,517	20,131,261	18,348,671	17,541,823	17,180,648	17,033,685	18,351,114	16,282,631
Public works <sup>b</sup>	9,699,316	10,243,873	11,386,544	13,484,504	11,691,698	10,484,164	7,324,180	7,085,021	8,643,955	8,314,632
Health and welfare	4,736,080	4,557,782	4,082,115	3,919,223	3,770,524	3,662,866	3,911,595	3,889,521	4,347,260	3,742,747
Education	34,216,338	32,379,286	32,119,407	29,912,639	28,497,263	26,201,268	22,992,077	23,993,390	24,627,567	22,960,156
Parks, recreation and cultural	4,992,106	5,058,486	4,825,587	4,747,280	4,666,748	4,946,248	4,685,460	4,590,497	4,819,548	4,832,776
Community development	4,137,221	3,770,863	3,826,246	3,913,783	3,715,326	3,731,690	3,342,151	3,739,296	4,112,650	6,046,145
Debt service:										
Principal retirement	8,337,450	8,101,624	7,917,919	7,159,619	8,016,601	7,054,192	6,568,187	6,144,985	5,852,898	4,594,087
Interest and fiscal charges	5,869,531	5,105,619	4,371,146	5,179,111	5,335,520	5,406,443	5,846,542	5,776,747	5,879,099	6,732,755
Bond issuance costs	-	-	-	257,393	-	381,755	77,341	-	58,379	-
Payment to bond refunding escrow agent	-	-	-	-	-	-	-	-	520,040	-
Capital projects <sup>e</sup>	44,180,894	12,693,604	16,918,207	18,893,701	13,820,417	11,335,007	12,888,316	11,668,260	15,865,369	35,015,071
Total expenditures	\$ 149,898,485	\$ 114,442,488	\$ 116,656,353	\$ 116,060,588	\$ 105,345,498	\$ 97,804,571	\$ 91,291,015	\$ 89,808,346	\$ 99,247,485	\$ 114,279,874
Excess (deficiency) of revenues over (under) expenditures	\$ (37,031,877)	\$ (9,896,067)	\$ (16,088,992)	\$ (11,923,131)	\$ (5,693,574)	\$ (2,672,483)	\$ (1,257,853)	\$ (7,319,073)	\$ (16,406,707)	\$ (30,514,936)



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

Table 4

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Other financing sources (uses):										
Long-term debt issued or incurred	\$ -	\$ 44,305,000	\$ -	\$ 14,150,000	\$ 8,050,000	\$ 5,865,000	\$ 9,515,000	\$ -	\$ 13,480,500	\$ -
Refunding debt issued	-	-	-	42,675,000	-	21,400,000	5,691,105	-	7,377,000	-
Premium on long-term debt issued	-	3,995,417	-	5,650,348	-	786,742	362,907	-	99,617	-
Payment to bond refunding escrow agent	-	-	-	(42,327,820)	-	-	(5,847,247)	-	(7,412,601)	-
Payment for current bond refunding	-	-	-	(5,146,875)	-	(21,649,901)	-	-	-	-
Sale of capital assets	125,215	-	-	-	-	-	-	-	-	-
Transfers in	5,251,256	3,828,083	5,836,294	4,445,856	8,250,668	8,279,617	2,890,945	2,780,092	4,713,939	6,622,370
Transfers out	(2,825,532)	(1,427,109)	(6,358,740)	(3,470,988)	(6,328,528)	(2,326,071)	(2,597,008)	(2,596,988)	(4,602,315)	(8,218,306)
Total other financing sources (uses)	\$ 2,550,939	\$ 50,701,391	\$ (522,446)	\$ 15,975,521	\$ 9,972,140	\$ 12,355,387	\$ 10,015,702	\$ 183,104	\$ 13,656,140	\$ (1,595,936)
Special item:										
Sale of capital asset <sup>1</sup>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,000,000
Net change in fund balances	\$ (34,480,938)	\$ 40,805,324	\$ (16,611,438)	\$ 4,052,390	\$ 4,278,566	\$ 9,682,904	\$ 8,757,849	\$ (7,135,969)	\$ (2,750,567)	\$ (25,110,872)
Debt service as a percentage of noncapital expenditures	13.53%	13.01%	12.79%	12.74%	14.70%	14.15%	14.81%	14.75%	13.86%	14.33%

**Notes:** Any significant increases or decreases for 2017 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.

<sup>a</sup>For 2009, the decrease in the use of money and property was the result of a decrease in idle funds available for investing from unexpended bond proceeds and lower interest rates.

<sup>b</sup>For 2012 and 2015, the change in charges for services and public works expenditures was the result of the reclassification of refuse collection, recycling and landfill activities.

<sup>c</sup>For 2011, the increase in miscellaneous revenue was the result of a one-time payment of \$2.3 million from the Virginia Public School Authority which refinanced its Series 2001C Bonds of which the City was a participant.

<sup>d</sup>For 2015, the City made its first payment associated with the Middle River Regional Jail buy-in agreement.

<sup>e</sup>For 2008, the City had various major construction projects in progress including an elementary middle school complex.

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

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

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General property taxes	\$ 30,947,602	\$ 28,256,207	\$ 26,712,101	\$ 24,246,195	\$ 24,330,987	\$ 23,164,064	\$ 22,871,691	\$ 22,471,813	\$ 20,253,878	\$ 18,794,716
Real estate taxes <sup>a,b</sup>	440,408	393,020	448,017	294,775	344,311	305,419	311,567	315,297	290,145	296,523
Real and personal public service corporation property taxes	9,374,180	8,407,623	8,021,019	6,926,126	6,996,148	6,636,271	6,227,915	6,002,949	6,481,657	6,135,629
Personal property taxes <sup>c</sup>	8,778	8,475	7,033	6,485	8,069	7,613	7,568	6,976	6,779	6,642
Mobile home taxes	2,187,479	2,130,697	2,027,504	1,869,428	1,794,444	1,800,539	1,849,859	1,918,994	1,769,620	1,571,168
Machinery and tools taxes	275,497	248,362	265,766	216,744	271,353	266,423	256,925	293,075	195,629	244,143
Penalties and interest	\$ 43,233,944	\$ 39,444,384	\$ 37,481,440	\$ 33,559,753	\$ 33,745,312	\$ 32,180,329	\$ 31,525,525	\$ 31,009,074	\$ 28,997,708	\$ 27,048,821
Total general property taxes	\$ 13,207,791	\$ 12,994,784	\$ 12,532,757	\$ 11,956,912	\$ 11,450,969	\$ 10,744,198	\$ 11,030,783	\$ 10,487,699	\$ 11,053,388	\$ 11,772,450
Other local taxes	1,139,113	1,108,436	1,114,465	1,099,063	1,093,995	1,071,465	1,079,982	1,063,641	1,059,448	1,053,085
Local sales and use taxes	6,689,192	6,653,830	6,275,116	6,246,573	5,892,503	5,932,606	5,587,085	5,571,597	6,072,551	6,208,829
Consumer utility taxes	1,166,441	1,178,948	1,185,099	888,410	861,119	759,588	667,392	698,446	708,619	723,115
Business license taxes	761,882	757,086	580,676	562,403	514,445	543,099	577,159	556,236	487,649	362,690
Motor vehicle license taxes <sup>d</sup>	442,184	408,096	603,848	443,901	359,086	273,405	381,220	311,749	380,766	598,229
Bank stock taxes	569,850	680,937	632,433	634,796	703,979	768,267	700,232	759,637	794,917	868,029
Taxes on recordation and wills	175,755	181,678	172,616	144,475	175,395	178,371	182,473	198,641	195,222	195,197
Tobacco taxes	2,625,363	2,577,891	2,276,431	2,110,603	1,963,223	1,838,184	1,634,615	1,505,247	1,536,035	1,599,097
Admission and amusement taxes	12,257,672	11,937,309	11,050,508	10,436,529	9,913,531	8,833,426	8,403,911	8,001,668	8,037,199	8,027,404
Hotel and motel room taxes <sup>e</sup>	109,110	119,579	115,248	103,840	93,218	61,237	59,244	17,778	-	-
Restaurant food taxes <sup>f</sup>	93,715	123,602	105,507	113,176	113,012	111,110	135,196	123,100	113,315	125,372
Short-term rental taxes	\$ 39,238,068	\$ 38,722,176	\$ 36,644,704	\$ 34,740,681	\$ 33,134,475	\$ 31,114,956	\$ 30,439,292	\$ 29,295,439	\$ 30,439,109	\$ 31,533,497
Public right-of-way use fee										
Total other local taxes										

**Notes:** Any significant increases or decreases for 2017 are explained in Management's Discussion and Analysis.

<sup>a</sup>For 2009 and 2010, the increases in real estate taxes were the result of an increase in real estate assessments.

<sup>b</sup>For 2013 and 2015, the increases in real estate taxes were the result of an increase in the real estate tax rate.

<sup>c</sup>For 2015, the increase in personal property taxes was the result of an increase in the personal property tax rate.

<sup>d</sup>For 2015, the increase in motor vehicle license taxes was the result of an increase in the tax rates.

<sup>e</sup>For 2013, 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 <sup>1</sup>			Personal Property				Total	
	Residential	Commercial/ Industrial	Public Service Corporations <sup>4</sup>	Personal Property <sup>2</sup>	Machinery and Tools <sup>3</sup>	Mobile Homes <sup>1</sup>	Public Service Corporations <sup>4</sup>	Assessed Values	Total Direct Tax Rate
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
2011	2,510,853,924	1,364,937,892	50,956,726	305,187,900	91,009,800	1,188,000	364,071	4,324,498,313	0.76
2010	2,454,130,651	1,333,884,176	50,623,169	298,874,400	95,937,200	1,200,100	487,596	4,235,137,292	0.76
2009	2,275,254,580	1,173,035,128	48,074,787	318,429,100	86,797,005	1,152,400	213,409	3,902,956,409	0.78
2008	2,111,233,782	1,094,534,067	47,220,357	302,216,554	83,446,563	1,245,100	273,687	3,640,170,110	0.79

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

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

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

Table 7

Fiscal Year	Real Estate			Personal Property							Total Direct Tax Rate
	Residential	Commercial/ Industrial	Public Service Corporations	Business Equipment	Machinery and Tools	Mobile Homes	Public Service Corporations	Other <sup>1</sup>			
2017	\$ 0.78	\$ 0.78	\$ 0.78	\$ 2.12	\$ 2.12	\$ 0.78	\$ 3.50	3.50	\$	0.99	
2016	0.72	0.72	0.72	2.12	2.12	0.72	3.50	3.50		0.92	
2015	0.69	0.69	0.69	2.12	2.12	0.69	3.50	3.50		0.89	
2014	0.63	0.63	0.63	2.00	2.00	0.63	3.00	3.00		0.81	
2013	0.63	0.63	0.63	2.00	2.00	0.63	3.00	3.00		0.81	
2012	0.59	0.59	0.59	2.00	2.00	0.59	3.00	3.00		0.76	
2011	0.59	0.59	0.59	2.00	2.00	0.59	3.00	3.00		0.76	
2010	0.59	0.59	0.59	2.00	2.00	0.59	3.00	3.00		0.76	
2009	0.59	0.59	0.59	2.00	2.00	0.59	3.00	3.00		0.78	
2008	0.59	0.59	0.59	2.00	2.00	0.59	3.00	3.00		0.79	

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

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

**Table 8**

Property Taxpayer	Fiscal Year 2017			Fiscal Year 2008		
	Property Taxes	Rank	Percent of Total Property Taxes	Property Taxes	Rank	Percent of Total Property Taxes
Anthem Inc	\$ 636,295	1	1.47%	-	-	-
Tenneco Inc	624,197	2	1.44%	\$ 359,886	1	1.32%
The Scion Group LLC	528,885	3	1.22%	-	-	-
Copper Beech Townhome Communities LLC	462,831	4	1.07%	-	-	-
George's Foods LLC	461,136	5	1.06%	-	-	-
Packaging Corporation of America	418,404	6	0.96%	249,705	5	0.92%
Graham Packaging Company LP	386,583	7	0.89%	238,837	6	0.88%
The Macerich Properties	329,102	8	0.76%	-	-	-
Ariake USA Inc	291,964	9	0.67%	-	-	-
Virginia Mennonite Retirement Community	277,704	10	0.64%	174,205	8	0.64%
RR Donnelley & Sons Company	-	-	-	356,311	2	1.31%
IntraPac Corportation	-	-	-	265,436	3	0.98%
GMH Communities Trust	-	-	-	251,374	4	0.92%
Simon Property Group Inc	-	-	-	200,512	7	0.74%
Walmart Stores Inc	-	-	-	142,641	9	0.52%
Verizon Communications Inc	-	-	-	129,081	10	0.47%
<b>Total</b>	<b>\$ 4,417,101</b>		<b>10.18%</b>	<b>\$ 2,367,988</b>		<b>8.70%</b>

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

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

Table 9

Fiscal Year	Taxes Levied for the		Adjustments	Total Adjusted Levy	Collected within the		Collections in		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
2017	\$ 43,406,093	\$	\$ -	43,406,093	\$ 42,331,311	97.52%	\$ -	-	\$ 42,331,311	97.52%
2016	39,427,910	59,476	59,476	39,487,386	38,629,078	97.97%	499,511	499,511	39,128,589	99.09%
2015	37,288,334	(190)	(190)	37,288,144	36,588,785	98.12%	469,068	469,068	37,057,853	99.38%
2014	33,472,734	19,125	19,125	33,491,859	32,671,163	97.61%	619,542	619,542	33,290,705	99.40%
2013	33,518,148	(12,704)	(12,704)	33,505,444	32,841,981	97.98%	522,400	522,400	33,364,381	99.58%
2012	31,917,343	(13,801)	(13,801)	31,903,542	31,164,825	97.64%	621,286	621,286	31,786,111	99.63%
2011	31,326,231	(2,342)	(2,342)	31,323,889	30,500,885	97.37%	689,597	689,597	31,190,482	99.57%
2010	30,809,804	(16,764)	(16,764)	30,793,040	29,834,014	96.83%	784,264	784,264	30,618,278	99.43%
2009	29,095,900	1,360	1,360	29,097,260	28,136,769	96.70%	769,189	769,189	28,905,958	99.34%
2008	27,221,485	(23,903)	(23,903)	27,197,582	26,384,561	96.93%	655,942	655,942	27,040,503	99.42%

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

Table 10

Type of debt	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Governmental activities:										
General obligation bonds <sup>a,b,c</sup>	\$ 168,044,998	\$ 176,312,408	\$ 135,804,398	\$ 143,420,307	\$ 132,292,894	\$ 130,818,002	\$ 130,273,104	\$ 125,946,648	\$ 131,255,776	\$ 116,394,892
General obligation revenue bonds <sup>b</sup>	-	-	-	-	-	-	-	-	-	6,186,488
Capital leases	1,414,000	2,032,839	2,723,162	3,391,389	3,321,531	4,827,885	5,751,958	6,635,404	7,480,465	8,287,363
Business-type activities:										
General obligation bonds <sup>d</sup>	26,299,704	28,742,532	27,875,343	30,485,783	33,027,532	34,999,325	36,852,820	26,684,249	27,072,664	25,958,685
General obligation revenue bonds <sup>d</sup>	-	-	-	-	-	239,994	469,862	9,392,103	9,598,939	9,800,776
Total primary government	\$ 195,758,702	\$ 207,087,779	\$ 166,402,903	\$ 177,297,479	\$ 168,641,957	\$ 170,885,206	\$ 173,347,744	\$ 168,658,404	\$ 175,407,844	\$ 166,628,204
Percentage of personal income <sup>1</sup>	9.84%	10.70%	8.91%	10.20%	9.88%	10.60%	11.42%	11.70%	11.89%	12.07%
Per capita <sup>1</sup>	\$ 3,598	\$ 3,819	\$ 3,089	\$ 3,370	\$ 3,235	\$ 3,360	\$ 3,463	\$ 3,448	\$ 3,644	\$ 3,571

**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 (2008-2013). <sup>1</sup>See Table 13 for personal income and population data. Population estimates and personal income were adjusted on Table 13 for 2008-2009 and 2011-2016.

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

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

<sup>c</sup>For 2016, the City issued \$44.3 million in general obligation bonds primarily for school construction projects.

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

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

Table 11

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General obligation bonds <sup>a,b,c,d</sup>	\$ 194,344,702	\$ 205,054,940	\$ 163,679,741	\$ 173,906,090	\$ 165,320,426	\$ 165,817,327	\$ 167,125,924	\$ 152,630,897	\$ 158,328,440	\$ 142,353,577
Total	\$ 194,344,702	\$ 205,054,940	\$ 163,679,741	\$ 173,906,090	\$ 165,320,426	\$ 165,817,327	\$ 167,125,924	\$ 152,630,897	\$ 158,328,440	\$ 142,353,577
Percentage of assessed real property value <sup>e</sup>	4.80%	5.15%	4.17%	4.45%	4.23%	4.16%	4.26%	3.98%	4.53%	4.38%
Per capita <sup>2</sup>	\$ 3,572	\$ 3,782	\$ 3,038	\$ 3,305	\$ 3,171	\$ 3,260	\$ 3,339	\$ 3,120	\$ 3,289	\$ 3,051

**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 (2008-2013).<sup>1</sup> See Table 6 for assessed real property data. <sup>2</sup> See Table 13 for population data. Population estimates were adjusted on Table 13 for 2008-2009 and 2011-2016.

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

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

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

<sup>d</sup>For 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										
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	
Debt limit	\$ 404,755,515	\$ 398,330,643	\$ 392,350,239	\$ 390,855,490	\$ 391,063,503	\$ 398,121,334	\$ 392,674,854	\$ 383,863,800	\$ 349,636,450	\$ 325,298,821	
Total debt applicable to limit	184,136,934	194,205,801	156,350,667	166,111,533	163,133,244	163,706,026	165,926,512	162,043,877	167,937,695	158,497,695	
Legal debt margin	\$ 220,618,581	\$ 204,124,842	\$ 235,999,572	\$ 224,743,957	\$ 227,930,259	\$ 234,415,308	\$ 226,748,342	\$ 221,819,923	\$ 181,698,755	\$ 166,801,126	
Total debt applicable to the limit as percentage of debt limit	45.49%	48.75%	39.85%	42.50%	41.72%	41.12%	42.26%	42.21%	48.03%	48.72%	
<b>Legal Debt Margin Calculation for Fiscal Year 2017</b>											
Total assessed value of taxed real property	\$ 4,047,555,148										
Debt limit (10% of total assessed value)	\$ 404,755,515										
Debt applicable to limit:											
General obligation bonds	184,136,934										
Legal debt margin	\$ 220,618,581										

**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	Population <sup>1</sup>	Personal Income (in thousands)	Per Capita Personal Income <sup>2</sup>	School Enrollment <sup>3</sup>	Unemployment Rate Percentage <sup>4</sup>
2017	54,402	\$ 1,988,992	\$ 36,561	5,793	4.6
2016	54,224	1,935,797	35,700	5,660	4.8
2015	53,875	1,866,930	34,653	5,423	5.8
2014	52,612	1,737,669	33,028	5,158	6.5
2013	52,127	1,707,420	32,755	4,956	7.0
2012	50,862	1,612,427	31,702	4,709	7.7
2011	50,057	1,517,328	30,312	4,513	7.8
2010	48,914	1,441,740	29,475	4,323	7.8
2009	48,134	1,475,452	30,653	4,241	5.5
2008	46,660	1,380,343	29,583	4,363	3.4

**Notes:** Population estimates have been adjusted for 2008-2009 and 2011-2016 using estimates from the University of Virginia Weldon Cooper Center for Public Policy. Personal income has been adjusted accordingly.

**Sources:** <sup>1</sup> Estimated by the City's Department of Planning and Community Development for 2017. University of Virginia Weldon Cooper Center for Public Service for 2008-2009 and 2011-2016. United States Census Bureau for 2010.

<sup>2</sup> Bureau of Economic Analysis, United States Department of Commerce. Amounts for 2008-2016 have been adjusted based upon the latest available data. Data for 2017 has been estimated based on per capita personal income trends for the previous ten years. <sup>3</sup> City of Harrisonburg School Board. <sup>4</sup> Virginia Employment Commission. The unemployment rate is an annual average.

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

**Table 14**

Employers	Fiscal Year 2017			Fiscal Year 2008		
	Approximate Employees	Rank	Percent of Total City Employment	Approximate Employees	Rank	Percent of Total City Employment
James Madison University	> 999	1	> 3.17%	> 999	1	> 3.20%
Harrisonburg City Public Schools	> 999	2	> 3.17%	500 - 999	3	1.60% - 3.20%
Aramark Campus LLC	500 - 999	3	1.59% - 3.17%	-	-	-
City of Harrisonburg	500 - 999	4	1.59% - 3.17%	500 - 999	4	1.60% - 3.20%
Tenneco Inc	500 - 999	5	1.59% - 3.17%	500 - 999	5	1.60% - 3.20%
George's Foods LLC	500 - 999	6	1.59% - 3.17%	250 - 499	10	0.80% - 1.60%
Eastern Mennonite University	250 - 499	7	0.79% - 1.58%	-	-	-
Shenandoah Processing LLC	250 - 499	8	0.79% - 1.58%	-	-	-
Virginia Mennonite Retirement Community	250 - 499	9	0.79% - 1.58%	250 - 499	8	0.80% - 1.60%
Rosetta Stone Inc	250 - 499	10	0.79% - 1.58%	500 - 999	7	1.60% - 3.20%
Rockingham Memorial Hospital	-	-	-	> 999	2	> 3.20%
Walmart Stores Inc	-	-	-	500 - 999	6	1.60% - 3.20%
Graham Packaging Company LP	-	-	-	250 - 499	9	0.80% - 1.60%
Total City Employment	31,499			31,216		

**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									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General government administration	51.0	48.6	48.6	48.6	45.7	45.5	45.4	45.7	46.1	43.9
Public safety:										
Police <sup>a</sup>	125.9	118.4	114.4	114.2	107.6	107.4	108.5	108.8	110.8	107.8
Fire <sup>a</sup>	82.9	81.9	81.8	80.7	80.7	80.7	80.8	80.5	79.8	76.8
Other	15.0	14.0	14.0	14.0	14.0	13.0	13.0	13.0	13.0	12.0
Public works <sup>b,c</sup>	77.1	75.2	75.2	99.7	98.0	102.2	72.6	73.1	76.2	74.3
Education <sup>b,e</sup>	44.3	38.7	43.0	42.5	40.2	38.8	-	-	-	-
Parks, recreation and cultural	71.9	71.1	72.4	72.2	73.8	75.9	75.6	70.7	71.2	70.6
Planning and community development <sup>d</sup>	16.7	16.2	17.0	17.0	16.4	17.8	18.8	19.1	19.4	17.2
Water	35.0	34.5	33.9	33.9	32.6	32.6	33.1	33.2	33.2	31.4
Sewer	26.0	24.5	24.6	24.4	24.1	22.2	23.8	23.7	23.7	22.6
Public transportation <sup>b,e</sup>	58.3	60.0	58.8	50.9	47.1	49.8	87.8	87.1	86.4	78.6
Steam plant/sanitation <sup>b,c,d</sup>	25.2	25.2	58.9	31.0	31.0	31.0	56.9	60.9	61.5	60.9
Stormwater	3.7	3.7	-	-	-	-	-	-	-	-
Central garage	15.6	15.5	14.8	15.1	15.8	15.8	14.7	14.7	15.4	15.8
Central stores	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
<b>Total</b>	<b>650.5</b>	<b>629.5</b>	<b>659.4</b>	<b>646.2</b>	<b>629.0</b>	<b>634.7</b>	<b>633.0</b>	<b>632.5</b>	<b>638.7</b>	<b>613.9</b>

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

**Notes:** Full-time equivalent amounts are budgeted positions.

<sup>a</sup>The City has added additional police and fire department personnel over the past ten years as demand for services continue to increase.

<sup>b</sup>In 2012, the City reclassified school bus employees into a separate activity from public transportation and refuse collection, recycling and landfill employees from sanitation into public works.

<sup>c</sup>In 2015, the City reclassified refuse collection, recycling and landfill employees from public works into sanitation.

<sup>d</sup>In 2015, the City discontinued the operations of the resource recovery facility.

<sup>e</sup>The City has added additional public transportation personnel over the past ten years as demand for transit and school bus services continue to increase.

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

Table 16

Function	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Police										
Calls answered	41,536	42,686	40,099	39,132	34,935	33,021	41,070	43,634	40,321	26,658
Traffic citations	8,280	8,442	7,648	10,683	7,900	6,268	9,359	8,437	8,177	5,326
Fire										
Calls answered	5,310	5,574	5,246	4,708	4,923	4,789	4,514	4,473	4,381	4,314
Inspections	4,041	2,987	1,351	1,568	1,893	2,135	1,868	1,927	1,983	1,218
Public works										
Streets repaved (total miles)	8.88	8.22	11.69	9.98	5.10	5.58	5.47	6.90	9.47	10.42
Parks and recreation										
Pool admissions	59,879	51,519	47,548	49,553	50,388	52,489	47,417	48,304	43,872	41,229
Rounds of golf played	29,819	30,001	29,488	28,995	27,275	27,068	21,906	20,812	21,896	21,024
Planning and community development										
Building permits issued	702	664	691	651	1,035	810	739	748	961	1,747
Water										
Daily consumption (millions of gallons)	5.88	5.74	5.61	5.38	5.37	5.36	5.44	5.17	5.38	5.50
New customer connections	100	44	61	59	67	40	151	110	528	509
Sewer										
Daily consumption (millions of gallons)	4.74	4.68	4.57	4.40	4.27	4.29	4.33	4.20	4.12	3.95
New customer connections	77	13	15	12	14	8	132	8	13	36
Public transportation										
Transit bus passengers	2,572,937	2,807,730	2,820,419	2,773,561	2,749,235	2,535,828	2,063,301	1,862,500	1,709,558	1,489,770
Sanitation										
Avg. daily steam plant intake (tons) <sup>a</sup>	-	-	-	67.8	125.1	111.7	138.5	149.6	148.3	130.4
Materials recycled (tons)	-	-	737.0	709.5	754.4	757.8	827.8	722.6	1,048.3	942.3
Solid waste collected (tons)	12,362.5	10,113.0	-	-	-	-	-	-	-	-

**Source:** Various City of Harrisonburg departments.

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

<sup>a</sup>In 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									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Police										
Police stations	3	3	3	3	3	3	3	3	3	3
Patrol units (including motorcycles)	56	48	49	48	48	48	46	47	43	43
Fire										
Fire stations	4	4	4	4	4	4	4	4	4	4
Fire trucks	12	12	12	12	12	13	13	13	13	12
Public works:										
Streets (centerline miles)	139.78	139.44	140.27	138.99	137.92	137.92	137.92	137.92	135.34	134.07
Parks, recreation and cultural										
Parks (including athletic facilities)	12	12	12	12	12	12	12	12	11	11
Parks acreage	877	877	877	877	877	877	877	877	869	869
Golf course acreage <sup>a</sup>	205	205	215	215	215	215	215	215	215	215
Water:										
Water lines (linear feet)	1,680,534	1,664,446	1,610,400	1,608,662	1,604,272	1,555,811	1,523,193	1,467,840	1,469,084	1,443,140
Storage capacity (millions of gallons) <sup>b,c</sup>	25.25	25.25	25.25	25.25	25.25	25.25	25.25	25.25	23.25	38.25
Sewer:										
Sewer lines (linear feet)	1,066,269	1,059,020	1,024,320	1,024,591	1,077,694	1,078,563	1,075,233	1,071,840	1,063,710	1,018,647
Public transportation:										
Transit buses	50	50	48	44	42	42	36	36	36	36
Sanitation:										
Steam plant capacity (tons per day) <sup>d</sup>	-	-	-	200	200	200	200	200	200	200
Refuse collection trucks	7	7	8	7	7	7	7	7	7	6
Recycling collection trucks	4	4	2	4	3	3	3	3	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.

<sup>a</sup>In 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.

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

<sup>c</sup>In 2010, the City completed construction of a new 8 million gallon water tank on Tower Street and took out of service a 6 million gallon reservoir on Tower Street.

<sup>d</sup>In 2015, the City discontinued operations at the resource recovery facility.

# COMPLIANCE SECTION

This part of the City's comprehensive annual financial report is intended to demonstrate the City's compliance with various state and federal legal matters, as well as, compliance with federal grant funding requirements. It is prepared in conformity with the provisions of the 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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 28, 2017.

**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) to determine the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. **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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. **The results of our tests did not disclose any instances of noncompliance or other matters 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, L.L.P.*

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia  
November 28, 2017

**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, 2017. The City's major federal program is 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, 2017.

## 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, L.L.P.*

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia  
November 28, 2017

**CITY OF HARRISONBURG, VIRGINIA**

**SUMMARY OF COMPLIANCE MATTERS**

**June 30, 2017**

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

Uniform Disposition of Unclaimed Property Act

*State Agency Requirements*

Education

Highway Maintenance Funds

**FEDERAL COMPLIANCE MATTERS**

Compliance Supplement for Single Audits of State and Local Governments

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

CITY OF HARRISONBURG, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2017

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 with Requirements For Each Major Program and on Internal Control over Compliance in Accordance with 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>CFDA #</u>
Title I – Grants to Local Education Agencies	84.010
Special Education Cluster – Grants to States	84.027
Special Education Cluster – Preschool Grants	84.173

8. The **threshold for** distinguishing Type A and B programs was **\$750,000**.
9. The City was determined to be a **low-risk auditee**.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None.

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

None.

D. FINDINGS AND QUESTIONED COSTS – COMMONWEALTH OF VIRGINIA

None.

CITY OF HARRISONBURG, VIRGINIA  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Year Ended June 30, 2017

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Pass-through Payments to Subrecipients	Cluster Expenditures	Federal Expenditures
<b>Department of Agriculture:</b>					
Pass-through payments:					
Child Nutrition Cluster:					
Department of Education:					
School Breakfast Program	10.553	201616N109941	\$ -	\$ 162,694	
School Breakfast Program	10.553	201717N109941	-	899,329	
National School Lunch Program	10.555	201616N109941	-	319,292	
National School Lunch Program	10.555	201717N109941	-	1,716,571	
Department of Health:					
Summer Food Service Program for Children	10.559	Not Provided	-	72,826	
Department of Agriculture and Consumer Services:					
National School Lunch Program (donated commodities)	10.555	Not Provided	-	198,931	
Total Child Nutrition Cluster					3,369,643
Department of Education:					
Fresh Fruit and Vegetable Program	10.582	201615L160341	-	-	11,498
Fresh Fruit and Vegetable Program	10.582	201616L160341	-	-	13,210
Fresh Fruit and Vegetable Program	10.582	201717L160341	-	-	71,182
<b>Department of Housing and Urban Development:</b>					
Direct payments:					
Community Development Block Grants/Entitlement Grants	14.218		250,541	-	607,891
<b>Department of Justice:</b>					
Direct payments:					
Bulletproof Vest Partnership Program	16.607		-	-	10,685
Public Safety Partnership and Community Policing Grants	16.710		-	-	140,441
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742		-	-	363
Equitable Sharing Program	16.922		-	-	18,078
Pass-through payments:					
Department of Criminal Justice Services:					
Violence Against Women Formula Grants	16.588	16-A3245VA15	-	-	15,981
Violence Against Women Formula Grants	16.588	17-B3245VA16	-	-	6,572
<b>Department of Transportation:</b>					
Direct payments:					
Federal Transit Formula Grants	20.507		-	-	2,903,183
Pass-through payments:					
Department of Transportation:					
Highway Planning and Construction	20.205	EN16-115-105	-	-	20
Highway Planning and Construction	20.205	U000-115-253	-	-	689,404
Department of Rail and Public Transportation:					
Formula Grants for Rural Areas	20.509	42117-21	-	-	1,637
Formula Grants for Rural Areas	20.509	42117-78	-	-	1,063
Formula Grants for Rural Areas	20.509	42117-94	-	-	4,412
Department of Motor Vehicles:					
State and Community Highway Safety	20.600	SC-2016-56087-6287	-	-	4,156
State and Community Highway Safety	20.600	SC-2017-57225-6874	-	-	8,000
Alcohol Open Container Requirements	20.607	154AL-2016-56088-6288	-	-	3,877
Alcohol Open Container Requirements	20.607	154AL-2017-57227-6876	-	-	15,322
<b>Department of Education:</b>					
Pass-through payments:					
Department of Education:					
Title I Grants to Local Educational Agencies	84.010	S010A150046	-	-	562,941
Title I Grants to Local Educational Agencies	84.010	S010A160046	-	-	1,093,878
Career and Technical Education - Basic Grants to States	84.048	V048A150046	-	-	4,189
Career and Technical Education - Basic Grants to States	84.048	V048A160046	-	-	97,348
Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)	84.330	S330B140002	-	-	4,547
English Language Acquisition State Grants	84.365	S365A150046	-	-	66,678
English Language Acquisition State Grants	84.365	S365A160046	-	-	182,552
Improving Teacher Quality State Grants	84.367	S367A150044	-	-	12,937
Improving Teacher Quality State Grants	84.367	S367A160044	-	-	153,586

CITY OF HARRISONBURG, VIRGINIA  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Year Ended June 30, 2017

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Pass-through Payments to Subrecipients</u>	<u>Cluster Expenditures</u>	<u>Federal Expenditures</u>
<b>Department of Education: (continued)</b>					
Pass-through payments: (continued)					
Department of Education: (continued)					
Special Education Cluster:					
Special Education_Grants to States	84.027	H027A150107	-	197,934	
Special Education_Grants to States	84.027	H027A160107	-	954,837	
Special Education_Preschool Grants	84.173	H173A160112	-	<u>27,159</u>	
Total Special Education Cluster					1,179,930
State Council of Higher Education for Virginia:					
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	Not Provided	-	-	51,880
<b>Department of Homeland Security:</b>					
Pass-through payments:					
Department of Emergency Management:					
Emergency Management Performance Grants	97.042	7163	-	-	7,500
Homeland Security Grant Program	97.067	15VA-HSGP-0603	-	16,139	37,745
Homeland Security Grant Program	97.067	7334	-	150,000	150,000
Homeland Security Grant Program	97.067	7339	-	-	24,830
<b>Department of Defense:</b>					
Direct payments:					
JROTC Funds	12.VA 170853				<u>91,570</u>
<b>Total expenditures of federal awards</b>					<b>\$ <u>11,618,729</u></b>

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



**CITY OF HARRISONBURG, VIRGINIA**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**June 30, 2017**

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**Note 1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Harrisonburg, Virginia and its component 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, 2017, the School Board, a component unit, had food commodities totaling \$44,538 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, 2017.

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Outstanding Loan Amount</u>
Capitalization Grants for Drinking Water State Revolving Funds	66.468	\$ 870,934

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