

City of Harrisonburg, Virginia Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2019



Downtown Harrisonburg

City of Harrisonburg, Virginia

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2019



This Report
Prepared by Department of Finance

CITY OF HARRISONBURG, VIRGINIA
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 OFFICE OF THE CITY MANAGER

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

November 27, 2019

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, 2019 is hereby submitted in accordance with Section 45 of the *City Charter* and Section 15.2-2511 of the *Code of Virginia*, 1950, as amended. The *City Charter* and the *Code of Virginia* require that the City issue annually a report on its financial position and operations, and that this report be audited by either the state auditor or an independent firm of certified public accountants in accordance with generally accepted auditing standards (GAAS). This report has been prepared by the Department of Finance to conform to the standards of financial reporting as established by the Governmental Accounting Standards Board (GASB), generally accepted accounting principles (GAAP) and the Commonwealth of Virginia Auditor of Public Accounts (APA).

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

Brown, Edwards & Company, LLP, a firm of licensed certified public accountants, have audited the City's financial statements. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. This examination was conducted using guidelines set forth by GAAS and the *Specifications for Audits of Counties, Cities and Towns*, issued by the APA. Based upon this audit, the independent auditor concluded that there was a reasonable basis for rendering an unmodified opinion that the City's financial statements for the fiscal year ended June 30, 2019, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements was also designed to meet the U. S. Office of Management and Budget's Uniform Guidance to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements set forth in the General Accounting Office's *Government Auditing Standards* require the

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

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

Profile of the City of Harrisonburg

Background. The City was established in 1780 and was named for Thomas Harrison, who donated the land for the Rockingham County Court House, which became the permanent county seat of Rockingham County in 1781. The City was incorporated in 1849 and became an independent city in 1916. It now encompasses 17.3 square miles and serves a population of approximately 55,000.

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

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

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

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

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

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

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

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

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

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

Major Initiatives

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

- Appropriated \$5 million from the issuance of bonds to purchase land for a second high school.
- Appropriated \$2.5 million in funding for the partial design of the second high school.
- Appropriated \$925,000 for the Harrisonburg-Rockingham Regional Jail HVAC replacement project.
- Appropriated \$800,000 for the rehabilitation of the MLK, Jr. Way bridge.
- Appropriated \$585,000 for the purchase of a new fire truck for the City's Fire Department.
- Appropriated \$580,000 for the replacement of a burn building utilized for training by the Fire Department.
- Appropriated a total of \$2.8 million for various capital expenditures in the Water Fund. This includes \$785,000 in additional funding for a waterline to the South Fork of the Shenandoah River.
- Appropriated a total of \$1.3 million for various capital expenditures in the Sewer Fund.
- Appropriated \$3.1 million for the purchase of seven replacement transit buses and two replacement paratransit buses with 94 percent of the funding provided by state and federal sources.
- Appropriated \$700,000 for the Mountain View Drive stream bank restoration 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 25,400. James Madison University, a state-supported school, is located near the geographic center of the City and has approximately 22,000 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 1,500 students. State-supported Blue Ridge Community College is also located outside the city.

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

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

The City is in the process of constructing a waterline to the South Fork of the Shenandoah River, which is located approximately 17 miles east of the City. The initial phases of this project included the installation of waterlines from the City's water treatment plant across the City to the eastern City limits and the construction of a pump station and intake facility which have all been completed. The estimated total cost of the project is \$38.9 million. There is approximately \$8.4 million in available funds and it is anticipated that this project will require a future \$15.1 million bond issue to complete with the next phases of the project beginning in fiscal year 2020. Currently, the projected completion date has not been determined.

The City is in the design stages for improvements to northbound Exit 245 on Interstate 81. This project entails moving the existing northbound exit ramp to align with Forest Hills Drive. 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. Currently, the projected completion date has not been determined.

The City is in the design stages for the for renovations to Fire Station 4. It is estimated that the project will cost \$2 million and will be funded from currently available funds. It is anticipated that the project will be completed in 2021.

The City is in the planning and design stages for the construction of a second high school. This second high school is being constructed due to increasing enrollment in the school system and to alleviate overcrowding at the existing high school. A site has been selected and the land was purchased in August 2018. Construction costs and a completion date have not been determined, however, the construction costs will be funded by a future bond issue.

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, 2018. This was the twenty-fourth consecutive year that the City has received this prestigious award. To be awarded a Certificate of Achievement, the City must publish an easily readable and organized 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/

Eric D. Campbell
City Manager

/s/

Larry L. Propst, CPA
Director of Finance



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

City of Harrisonburg
Virginia

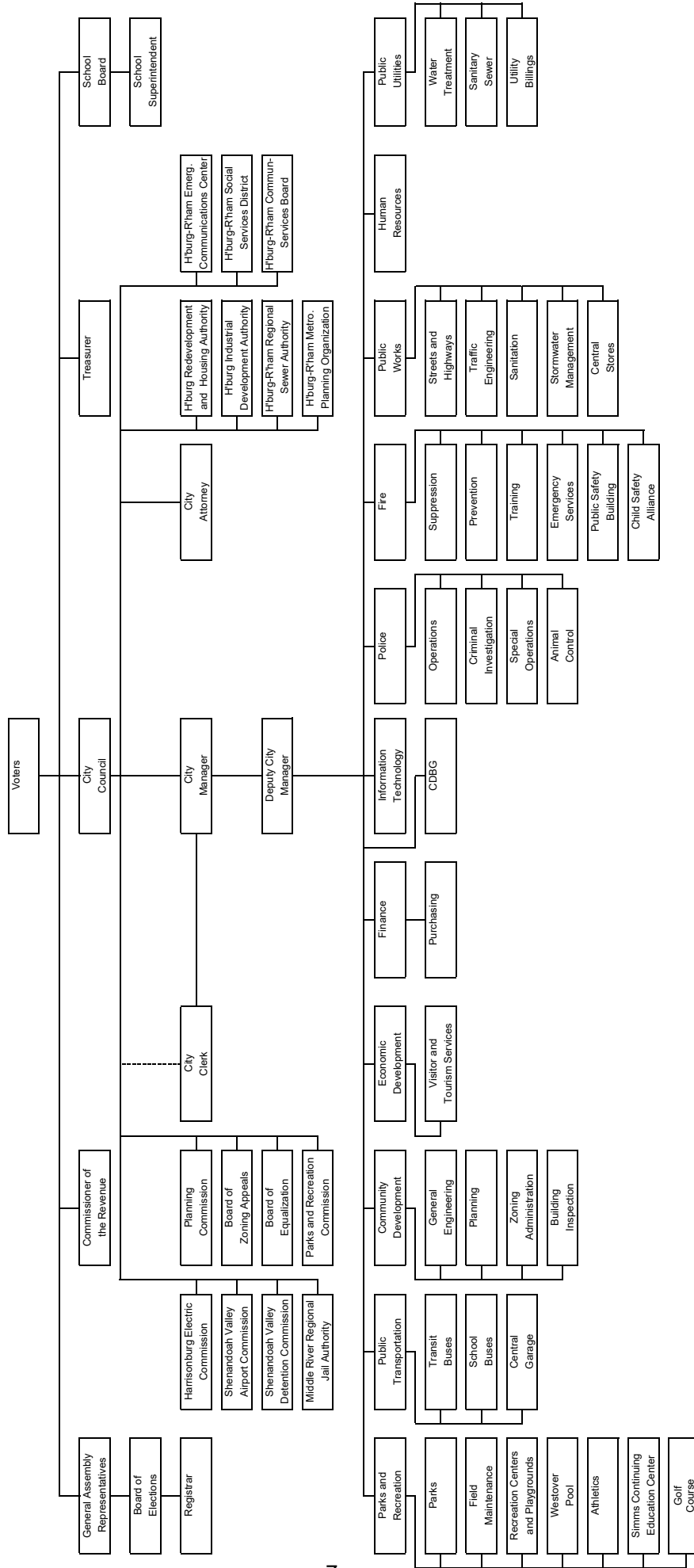
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morill

Executive Director/CEO

City of Harrisonburg, Virginia Organization Chart



CITY OF HARRISONBURG, VIRGINIA
DIRECTORY OF PRINCIPAL OFFICIALS
June 30, 2019

CITY COUNCIL

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

CITY OFFICIALS

Eric D. Campbell	City Manager
Alexander "Ande" Banks, IV	Deputy City Manager
Amy E. Snider	Assistant to the City Manager
G. Chris Brown	City Attorney
Pamela S. Ulmer	City Clerk
Jeffrey L. Shafer	City Treasurer
Karen I. Rose	Commissioner of the Revenue
Eric D. English	Police Chief
Ian J. Bennett	Fire Chief
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 Community Development
Luciana "Luanne" Santangelo	Director of Parks and Recreation
Gerald M. Gatobu	Interim Director of Public Transportation
Thomas A. Hartman	Director of Public Works
Deborah "Debbie" Logan	City Registrar

SCHOOL BOARD

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

SCHOOL OFFICIALS

J. Patrick Lintner	Interim Superintendent of Schools
Lisa M. Knupp	Clerk
Tracy Shaver	Executive 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, 2019, 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, 2019, 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.

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 27, 2019 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 27, 2019

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CITY OF HARRISONBURG, VIRGINIA MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Harrisonburg (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2019. 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 \$271.1 million (net position). Of this amount, \$43.8 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 \$11.7 million.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$47.2 million, an increase of \$801,757 in comparison with the previous year. Approximately 64.8 percent of this total amount, \$30.6 million, is unassigned.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$30.6 million, or 25.7 percent of total General Fund expenditures and other financing uses.
- The City's total long-term debt decreased by \$9.2 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 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 75 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 76 through 91 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 92 through 111 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 \$271.1 million at the close of the most recent fiscal year.

The largest portion of the City's net position (83.7 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 \$43.8 million, may be used to meet the City's ongoing obligations to citizens and creditors.

City of Harrisonburg's Net Position

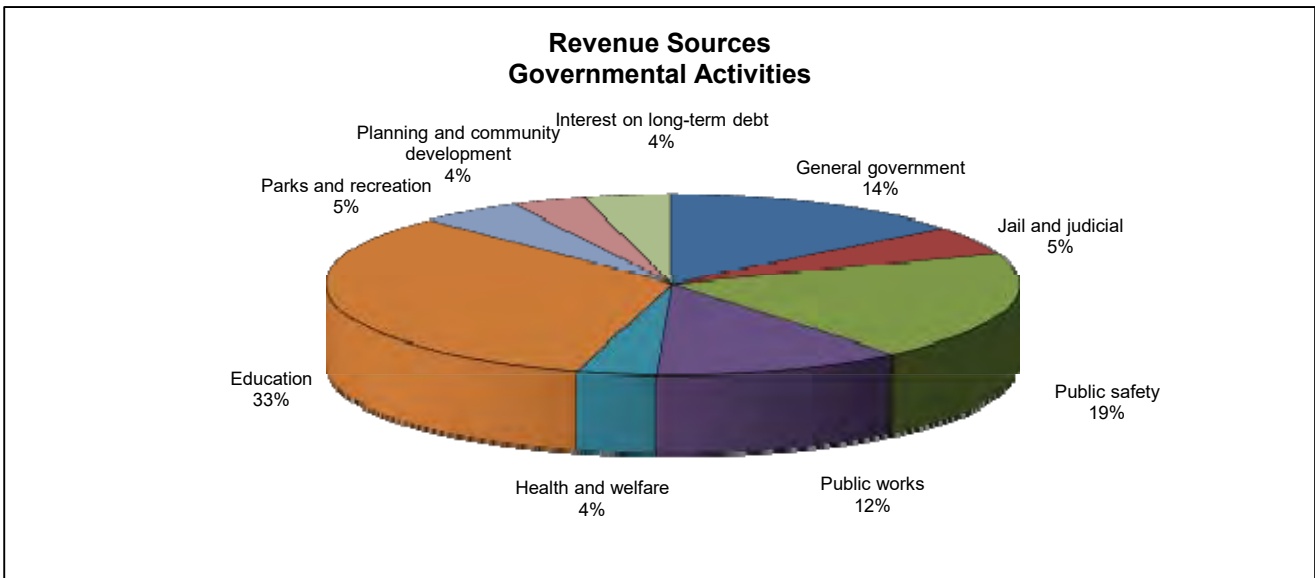
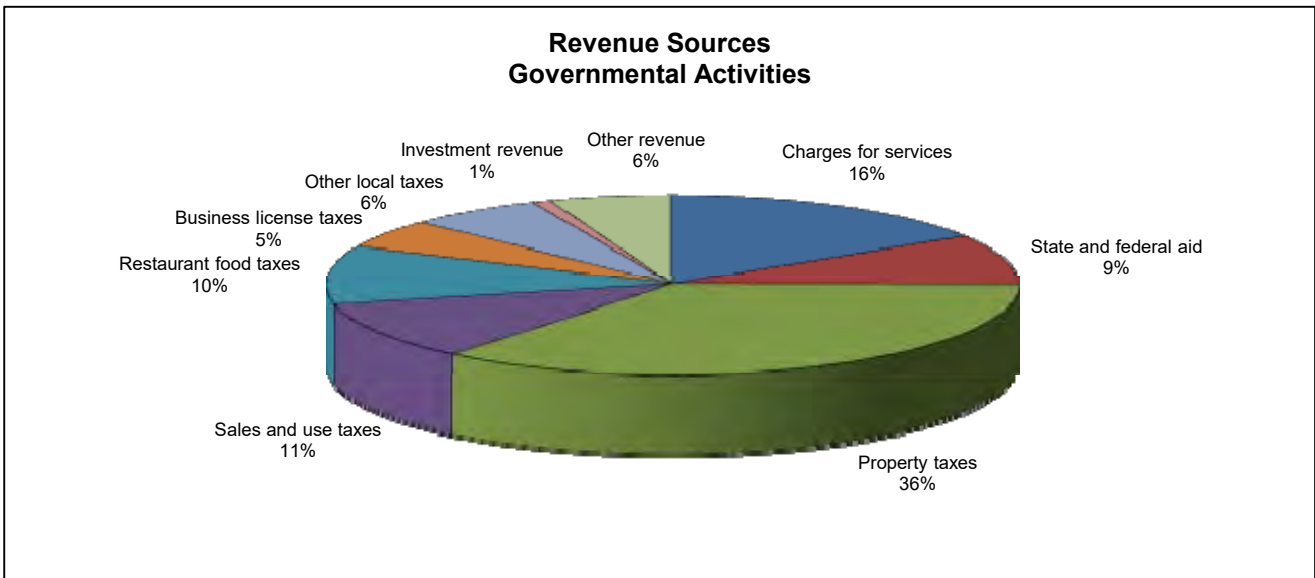
	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 128,192,958	\$ 118,788,156	\$ 40,416,230	\$ 37,340,222	\$ 168,609,188	\$ 156,128,378
Capital assets	307,749,252	310,447,307	84,780,404	86,844,024	392,529,656	397,291,331
Total assets	435,942,210	429,235,463	125,196,634	124,184,246	561,138,844	553,419,709
Total deferred outflows of resources	6,373,589	6,538,151	2,058,057	2,211,504	8,431,646	8,749,655
Current and other liabilities	13,027,939	9,427,784	2,234,498	2,148,953	15,262,437	11,576,737
Long-term liabilities	191,075,854	197,072,748	37,941,499	41,135,083	229,017,353	238,207,831
Total liabilities	204,103,793	206,500,532	40,175,997	43,284,036	244,279,790	249,784,568
Total deferred inflows of resources	53,631,373	52,171,621	522,287	765,725	54,153,660	52,937,346
Net position:						
Net investment in capital assets	153,994,976	151,215,449	72,830,573	74,517,218	226,825,549	225,732,667
Restricted	529,665	621,577	-	-	529,665	621,577
Unrestricted	30,055,992	25,264,435	13,725,834	7,828,771	43,781,826	33,093,206
Total net position	\$ 184,580,633	\$ 177,101,461	\$ 86,556,407	\$ 82,345,989	\$ 271,137,040	\$ 259,447,450

City of Harrisonburg's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 22,037,719	\$ 21,882,733	\$ 27,057,277	\$ 26,218,260	\$ 49,094,996	\$ 48,100,993
Operating grants and contributions	8,037,308	7,599,076	3,155,047	2,879,508	11,192,355	10,478,584
Capital grants and contributions	802,583	4,422,820	201,124	606,769	1,003,707	5,029,589
General revenues:						
Property taxes	48,878,038	47,490,931	-	-	48,878,038	47,490,931
Sales and use taxes	14,336,901	13,609,547	-	-	14,336,901	13,609,547
Restaurant food taxes	14,225,678	13,623,551	-	-	14,225,678	13,623,551
Business license taxes	7,155,016	6,894,312	-	-	7,155,016	6,894,312
Other local taxes	8,644,605	8,296,309	-	-	8,644,605	8,296,309
Grants and contributions not restricted to specific programs	3,408,497	3,407,878	-	-	3,408,497	3,407,878
Payment from component units	5,999,506	5,000,000	-	-	5,999,506	5,000,000
Investment revenue	1,203,377	683,838	776,589	392,616	1,979,966	1,076,454
Other revenue	1,847,829	1,725,662	1,324,397	1,203,620	3,172,226	2,929,282
Gain on disposal of capital assets	-	-	5,763	49,966	5,763	49,966
Total revenues	136,577,057	134,636,657	32,520,197	31,350,739	169,097,254	165,987,396
Expenses:						
General government administration	19,001,711	18,287,937	-	-	19,001,711	18,287,937
Jail and judicial administration	6,944,879	6,533,114	-	-	6,944,879	6,533,114
Public safety	25,693,917	23,660,985	-	-	25,693,917	23,660,985
Public works	15,338,219	14,989,905	-	-	15,338,219	14,989,905
Health and welfare	4,928,872	4,793,211	-	-	4,928,872	4,793,211
Education	43,763,915	42,928,333	-	-	43,763,915	42,928,333
Parks, recreation and cultural	6,382,119	5,664,779	-	-	6,382,119	5,664,779
Planning and community development	4,644,439	4,080,080	-	-	4,644,439	4,080,080
Interest on long-term debt	5,351,030	5,612,005	-	-	5,351,030	5,612,005
Water	-	-	6,036,280	5,637,611	6,036,280	5,637,611
Sewer	-	-	10,232,327	9,534,683	10,232,327	9,534,683
Public transportation	-	-	6,469,580	6,252,571	6,469,580	6,252,571
Sanitation	-	-	2,285,700	3,110,955	2,285,700	3,110,955
Stormwater	-	-	334,676	454,261	334,676	454,261
Total expenses	132,049,101	126,550,349	25,358,563	24,990,081	157,407,664	151,540,430
Excess (deficiency) before transfers	4,527,956	8,086,308	7,161,634	6,360,658	11,689,590	14,446,966
Transfers	2,951,216	1,556,037	(2,951,216)	(1,556,037)	-	-
Change in net position	7,479,172	9,642,345	4,210,418	4,804,621	11,689,590	14,446,966
Net position - beginning	177,101,461	167,459,116	82,345,989	77,541,368	259,447,450	245,000,484
Net position - ending	\$ 184,580,633	\$ 177,101,461	\$ 86,556,407	\$ 82,345,989	\$ 271,137,040	\$ 259,447,450

Governmental activities. Governmental activities increased the City's net position by \$7.5 million. Key elements affecting governmental activities are as follows:

- Capital grants and contributions decreased \$3.6 million (81.9 percent) due to the completion of several public works infrastructure projects in the previous year that were funded largely by state and federal grants.
- Property tax revenue increased \$1.4 million (2.9 percent) in the current year mainly as the result of increasing property tax assessments.
- Sales tax revenue increased \$727,354 (5.3 percent) due primarily to improved economic activity.
- Restaurant food tax revenue increased \$602,127 (4.4 percent) during the current year from improved economic activity.
- Investment revenue increased \$519,539 (76 percent) primarily from an increase in interest rates.
- Expenses in the public safety activity increased \$2 million (8.6 percent) primarily due to the City's contribution to the Harrisonburg-Rockingham Emergency Communications Center for its share of a computer aided dispatch/data management software project, as well as, an increase in personnel expenses for the police and fire departments.



Business-type activities. Business-type activities increased the City’s net position by \$4.2 million. Key elements affecting business-type activities are as follows:

- Charges for services increased \$839,017 (3.2 percent) due primarily to water and sewer charges for services. Water and sewer charges for services increased \$870,009 (4.6 percent) from an increase in water and sewer rates.
- Capital grants and contributions decreased \$405,645 primarily from a decrease in developer contributions in the water and sewer activities.
- Investment revenue increased \$383,973 (97.8 percent) primarily from an increase in interest rates.
- Expenses in the water activity increased \$398,669 (7.1 percent) primarily from the addition of new personnel.
- Expenses in the sewer activity increased \$697,644 (7.3 percent) as the result of increased contributions to the regional sewer authority and the addition of new personnel.
- Expenses in the sanitation activity decreased \$825,255 (26.3 percent) due to reduced solid waste transportation and disposal costs as the City is currently disposing of its solid waste that is not recyclable at the Rockingham County landfill. Previously the City had been delivering all solid waste to a private material recovery facility which closed the facility during the year. A reduction in the City’s closed landfill closure liability also contributed to the decrease in expenses.

Government-wide Financial Analysis (Component Units)

School Board activities. The net position of the School Board increased \$2.7 million during the year, as compared to a \$3.4 million increase in the previous year. School Board expenses increased \$4.6 million (5.7 percent) due to a general increase in instructional expenses. The School Board's operational funding from the City increased \$659,000 (2 percent) compared to the previous year. State funding increased \$3.2 million due to increased enrollment, while Federal funding increased \$385,685 mainly from breakfast and lunch food programs.

HEC activities. HEC's net position increased \$6.4 million during the year, as compared to a \$6.9 million increase in the previous year. Charges for services increased \$1.5 million (2.3 percent) during the current year due to an increase in the fuel adjustment factor, while expenses increased \$3.5 million (5.9 percent). The increase in expenses was mostly a result of higher purchased power costs due to the increase in the fuel adjustment factor and an increase in depreciation expense from the completion of a city-wide metering project.

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 \$30.6 million, while total fund balance was \$35.7 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 25.7 percent (28.3 percent in the prior year) of total General Fund expenditures and other financing uses, while total fund balance represents 30 percent (33 percent in the prior year) of that same amount.

Total fund balance in the General Fund decreased \$772,141 mainly from the transfer of \$2.5 million to the School Bond Capital Projects Fund to fund the initial engineering and design of a second high school. Total revenues increased \$3.8 million (3.4 percent). Real property taxes increased \$1.16 million (3.4 percent) as the result of increasing real property assessments, while personal property taxes increased \$180,473 (1.8 percent) compared to the previous fiscal year. Local sales tax revenue increased \$727,354 (5.3 percent) and restaurant food taxes increased \$602,127 (4.4 percent) due to a general improvement in economic activity. Use of money increased \$450,503 (75 percent) from increasing interest rates during the fiscal year. Total expenditures increased \$6 million (5.6 percent). Public safety expenditures increased \$1.9 million (8 percent) due to the purchase of a new fire truck and replacement firefighter air packs. Public works expenditures increased \$1.05 million due to the replacement of the traffic light at South Main Street and Bluestone Drive and the purchase of a new line painting truck. Other financial factors affecting the General Fund have been included in the above discussion of the City's governmental activities.

General Capital Projects Fund. The General Capital Projects Fund has a total fund balance of \$8.5 million, of which the entire amount is committed for various projects. Revenue, including other financing sources, totaled \$5.1 million, of which \$1.7 million was intergovernmental revenue, \$2.7 million was transfers from other funds and \$617,164 from other sources. Intergovernmental revenue included funding from the state for street and shared use path projects. Expenditures, including other financing uses, totaled \$6 million, of which the most significant were for construction related to a street improvement project for James Madison University, replacement of the HVAC system at the local regional jail and the Northend Greenway shared use path.

School Bond Capital Projects Fund. The School Bond Capital Projects Fund has a total fund balance of \$2.5 million, of which the entire amount is committed for various projects. Revenue, including other financing sources, totaled \$8.4 million, of which \$5 million was from the issuance of bonds, \$2.5 million was transfers from other funds, and \$799,506 was a payment from the School Board. Expenditures totaled \$5.8 million of which the most significant was the purchase of land for a second high school.

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

Water Fund. The net position of the Water Fund increased \$1.7 million compared to an increase of \$2.5 million in the previous year. Operating revenues increased \$545,462 (6.8 percent) primarily due to a water rate increase, while total operating expenses increased \$339,969 (6.7 percent) primarily from the addition of new personnel.

Sewer Fund. The net position of the Sewer Fund increased \$331,281 compared to an increase of \$1.1 million in the previous year. Operating revenues increased \$324,547 (3 percent) primarily due to a sewer rate increase, while total operating expenses increased \$704,473 (7.4 percent) due to an increase in contributions to the regional sewer authority and the addition of new personnel.

Public Transportation Fund. The net position of the Public Transportation Fund decreased \$1 million compared to a decrease of \$954,466 in the previous years. Operating revenues were essentially flat compared to the previous year, while total operating expenses increased \$217,992 due to an increase in transit bus maintenance and repair.

Sanitation Fund. The net position of the Sanitation Fund increased \$2 million. Operating revenues decreased \$70,271 (1.7 percent), while total operating expenses decreased \$738,966 (27.3 percent) from a decrease in solid waste disposal costs as the City is now disposing of all solid waste at the Rockingham County landfill and a reduction in the City's closed landfill liability.

Stormwater Fund. The net position of the Stormwater Fund increased \$1.1 million compared to an increase of \$869,075 million in the previous fiscal year. Operating revenues increased \$58,498 (4.5 percent), while operating expenses decreased \$119,520 (26.2 percent) due to the completion of a stormwater improvement plan in the previous fiscal year.

General Fund Budgetary Highlights

Differences between the original and the final amended General Fund budget amounted to \$7.6 million, or 6.6 percent of the original budget, and can be briefly summarized as follows:

- \$3.1 million appropriated for prior year encumbrances.
- \$2.5 million appropriated for the initial engineering and design of a second high school. The City intends to reimburse itself for this outlay from a future bond issue.
- \$950,000 appropriated for the first full year payment for the Shenandoah Valley Conference Center project from the tax receipts generated by the hotel and conference center.
- \$663,000 appropriated for various fire department purposes including state and federal grants.
- \$137,000 appropriated for various police department purposes including state and federal grants.
- \$225,000 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 over the final amended budget by \$1.1 million. The variance was primarily the result of higher than anticipated sales and restaurant food tax revenue.
- Use of money and property revenues were over the final amended budget by \$559,000. The variance was primarily the result of higher interest rates.

- Public safety expenditures were under the final amended budget by \$1.9 million. The variance was the result of general budgetary savings in the police department. Also, the timing of various police and fire department capital outlay, including the purchase of a fire truck, and fire program expenditures in which the funds were budgeted but encumbered and reappropriated into the subsequent fiscal year.
- Public works expenditures were under the final amended budget by \$943,000. The variance was the result of the timing of capital outlay for sidewalk replacements and various equipment expenditures. These funds were budgeted but 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 \$392.5 million (net of accumulated depreciation). This investment in capital assets includes land, easements, buildings, improvements other than buildings, machinery and equipment, infrastructure (e.g., streets and bridges), intangible assets and construction in progress. The City's total investment in capital assets for the current fiscal year decreased \$4.8 million.

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

- Property was purchased on behalf of the School Board for a second high school increasing governmental activities' land by \$5 million.
- The mobile radio project was completed during the year increasing governmental activities' machinery and equipment while decreasing construction in progress by \$2.2 million.
- Construction was completed on the Westover Pool improvement project increasing governmental activities' improvements other than buildings while decreasing construction in progress by \$969,000.
- Construction continued on the replacement of the HVAC system at the local regional jail increasing governmental activities' construction in progress by \$1.15 million.
- Construction continued on the Northend Greenway shared use path project increasing governmental activities' construction in progress by \$945,000.
- Engineering and design began on a second high school increasing governmental activities' construction in progress by \$792,000.
- A new fire truck and replacement firefighter air packs were purchased increasing governmental activities' machinery and equipment by \$551,000 and \$539,000, respectively.
- Construction began on the water line project to the South Fork of the Shenandoah River increasing business-type activities' construction in progress by \$670,000.
- Construction continued on the Park View water tank project increasing business-type activities' construction in progress by \$650,000.

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

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 56,074,448	\$ 50,981,356	\$ 1,235,770	\$ 1,235,770	\$ 57,310,218	\$ 52,217,126
Easements	1,739,765	1,739,765	393,371	346,921	2,133,136	2,086,686
Construction in progress	7,181,198	6,230,654	19,643,366	18,001,074	26,824,564	24,231,728
Buildings	110,754,424	117,564,770	13,332,064	13,533,393	124,086,488	131,098,163
Improvements other than buildings	11,964,718	11,766,360	9,562,792	9,768,155	21,527,510	21,534,515
Machinery and equipment	16,057,692	13,239,996	7,600,612	9,240,728	23,658,304	22,480,724
Intangibles	9,838,927	10,433,847	419,110	432,262	10,258,037	10,866,109
Infrastructure	94,138,080	98,490,559	32,593,319	34,285,721	126,731,399	132,776,280
Total capital assets	\$ 307,749,252	\$ 310,447,307	\$ 84,780,404	\$ 86,844,024	\$ 392,529,656	\$ 397,291,331

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 \$229 million. Of this amount, \$184.5 million comprises debt backed by the full faith and credit of the City. The City's total long-term debt decreased \$9.2 million during the current fiscal year.

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

- The issuance of \$4.5 million in general obligation bonds to fund the purchase of land for a second high school in governmental activities.
- A decrease of \$497,439 in the city landfill liability in business-type activities.

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

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
General obligation bonds	\$ 156,533,967	\$ 161,338,577	\$ 27,942,286	\$ 30,785,886	\$ 184,476,253	\$ 192,124,463
Capital leases	489,000	960,000	-	-	489,000	960,000
Regional jail agreement	5,994,375	6,920,498	-	-	5,994,375	6,920,498
Compensated absences	3,719,977	3,522,607	830,895	733,029	4,550,872	4,255,636
Net OPEB liability	8,834,489	8,535,403	1,903,574	1,833,310	10,738,063	10,368,713
Net pension liability	15,504,046	15,795,663	3,400,540	3,421,215	18,904,586	19,216,878
City landfill liability	-	-	1,166,239	1,663,678	1,166,239	1,663,678
County landfill obligation	-	-	2,697,965	2,697,965	2,697,965	2,697,965
Total long-term debt	\$ 191,075,854	\$ 197,072,748	\$ 37,941,499	\$ 41,135,083	\$ 229,017,353	\$ 238,207,831

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 \$425 million of which \$249.9 million is available for use.

Additional information on the City's long-term debt can be found in Note 8 on pages 48 through 51 of this report.

Economic Factors and Next Year's Budgets and Rates

The approved \$123.7 million fiscal year 2020 General Fund budget included the use of \$1.9 million of unassigned fund balance. The following were factors in the preparation and final approval of the fiscal year 2020 General Fund budget.

- The unemployment rate for the City in December 2018 was 3 percent, which was a decrease from a rate of 3.6 percent in December 2017. This rate was higher than the 2.6 percent state rate but still compares favorably to the 3.7 percent national rate in December 2018.
- Approximate 3 percent increase in real estate assessments.
- Increased the real estate tax rate from \$0.85 to \$0.86. This tax rate increase is anticipated to provide an additional \$425,000 in revenue compared to fiscal year 2019.
- An increase of \$1.4 million in additional funding to the School Board.
- An increase of \$340,000 in debt service expenditures related to the City's 2018 issuance of bonds for the purchase of land for a second high school.
- The use of \$1.9 million from unassigned fund balance to fund improvements to Purcell Park, renovations to Fire Station 4 and the MLK, Jr. Way bridge rehab project.
- Additional capital funding totaling \$1.1 million was transferred from the Health Insurance Fund for renovations to Fire Station 4.
- Salary increases for both City and School Board employees.

A water rate increase of \$0.29 per one thousand gallons (approximately 9 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 approximately 7 percent was approved to provide funding for projects at the Harrisonburg-Rockingham Regional Sewer Authority.

Requests for Information

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

**BASIC
FINANCIAL STATEMENTS**

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CITY OF HARRISONBURG, VIRGINIA
STATEMENT OF NET POSITION
At June 30, 2019

Exhibit 1

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	HEC
Assets					
Cash and cash equivalents	\$ 59,027,725	\$ 32,158,980	\$ 91,186,705	\$ 10,642,991	\$ 21,190,783
Investments	-	-	-	-	12,000,000
Receivables (net of allowance for uncollectibles)	58,751,089	3,563,273	62,314,362	2,100,071	8,166,680
Due from primary government	-	-	-	-	113,396
Due from component units	68,539	-	68,539	-	112,749
Internal balances	1,756,269	(1,756,269)	-	-	-
Inventory	1,273,160	-	1,273,160	170,331	1,990,549
Prepaid expenses	516,078	-	516,078	488,044	218,393
Loans receivable	6,786,628	-	6,786,628	-	-
Restricted assets	13,470	6,450,246	6,463,716	-	-
Capital assets:					
Capital assets, not being depreciated	64,995,411	21,272,507	86,267,918	6,294,184	6,582,113
Capital assets (net of accumulated depreciation)	242,753,841	63,507,897	306,261,738	40,677,418	54,450,709
Net pension asset	-	-	-	862,017	-
Total assets	435,942,210	125,196,634	561,138,844	61,235,056	104,825,372
Deferred outflows of resources					
Deferred bond refunding charges	2,791,647	1,273,317	4,064,964	-	-
Deferred OPEB outflows	509,456	110,845	620,301	2,261,981	71,056
Deferred pension outflows	3,072,486	673,895	3,746,381	10,931,814	440,838
Total deferred outflows of resources	6,373,589	2,058,057	8,431,646	13,193,795	511,894
Liabilities					
Accounts payable	3,840,858	713,036	4,553,894	161,050	3,706,916
Accrued payroll	1,283,678	250,487	1,534,165	8,418,680	106,161
Accrued interest	2,639,542	359,354	2,998,896	-	-
Due to primary government	-	-	-	64,274	4,265
Due to component units	95,792	17,604	113,396	112,749	-
Due to other governments	2,049,543	145,520	2,195,063	-	-
Customer deposits	-	347,109	347,109	-	1,132,532
Unearned revenue	1,184,535	258,600	1,443,135	-	-
Other liabilities	1,933,991	46,114	1,980,105	1,564,386	244,960
Liabilities payable from restricted assets	-	96,674	96,674	-	-
Long-term liabilities:					
Due within one year	13,866,508	2,903,543	16,770,051	292,268	512,591
Due in more than one year	177,209,346	35,037,956	212,247,302	79,055,645	4,427,921
Total liabilities	204,103,793	40,175,997	244,279,790	89,669,052	10,135,346
Deferred inflows of resources					
Property tax revenue	51,253,058	-	51,253,058	-	-
Deferred OPEB inflows	154,242	34,476	188,718	400,000	58,037
Deferred pension inflows	2,224,073	487,811	2,711,884	6,426,438	319,108
Total deferred inflows of resources	53,631,373	522,287	54,153,660	6,826,438	377,145
Net position					
Net investment in capital assets	153,994,976	72,830,573	226,825,549	46,971,602	61,032,822
Restricted for:					
Public safety	529,665	-	529,665	-	-
Unrestricted	30,055,992	13,725,834	43,781,826	(69,038,241)	33,791,953
Total net position	\$ 184,580,633	\$ 86,556,407	\$ 271,137,040	\$ (22,066,639)	\$ 94,824,775

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, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government administration	\$ 19,001,711	\$ 15,308,060	\$ 321,047	\$ -
Jail and judicial administration	6,944,879	567,202	-	-
Public safety	25,693,917	262,778	1,899,830	-
Public works	15,338,219	-	4,980,218	802,583
Health and welfare	4,928,872	-	-	-
Education	43,763,915	4,028,807	-	-
Parks, recreation and cultural	6,382,119	1,045,925	5,000	-
Community development	4,644,439	824,947	831,213	-
Interest on long-term debt	5,351,030	-	-	-
Total governmental activities	132,049,101	22,037,719	8,037,308	802,583
Business-type activities:				
Water	6,036,280	8,594,711	-	28,000
Sewer	10,232,327	11,016,661	-	69,470
Public transportation	6,469,580	1,944,618	3,155,047	103,654
Sanitation	2,285,700	4,140,571	-	-
Stormwater	334,676	1,360,716	-	-
Total business-type activities	25,358,563	27,057,277	3,155,047	201,124
Total primary government	\$ 157,407,664	\$ 49,094,996	\$ 11,192,355	\$ 1,003,707
Component units:				
School Board	\$ 85,926,313	\$ 1,971,432	\$ 24,202,182	\$ -
Harrisonburg Electric Commission (HEC)	62,461,096	67,176,906	-	1,424,689
Total component units	\$ 148,387,409	\$ 69,148,338	\$ 24,202,182	\$ 1,424,689

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

Total general revenues and transfers

Change in net position

Net position at beginning of year

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
\$ (3,372,604)	\$ -	\$ (3,372,604)	\$ -	\$ -
(6,377,677)	-	(6,377,677)	-	-
(23,531,309)	-	(23,531,309)	-	-
(9,555,418)	-	(9,555,418)	-	-
(4,928,872)	-	(4,928,872)	-	-
(39,735,108)	-	(39,735,108)	-	-
(5,331,194)	-	(5,331,194)	-	-
(2,988,279)	-	(2,988,279)	-	-
(5,351,030)	-	(5,351,030)	-	-
(101,171,491)	-	(101,171,491)	-	-
-	2,586,431	2,586,431	-	-
-	853,804	853,804	-	-
-	(1,266,261)	(1,266,261)	-	-
-	1,854,871	1,854,871	-	-
-	1,026,040	1,026,040	-	-
-	5,054,885	5,054,885	-	-
(101,171,491)	5,054,885	(96,116,606)	-	-
-	-	-	(59,752,699)	-
-	-	-	-	6,140,499
-	-	-	(59,752,699)	6,140,499
48,878,038	-	48,878,038	-	-
14,336,901	-	14,336,901	-	-
14,225,678	-	14,225,678	-	-
7,155,016	-	7,155,016	-	-
8,644,605	-	8,644,605	-	-
3,408,497	-	3,408,497	28,214,420	-
-	-	-	33,804,421	-
5,999,506	-	5,999,506	-	-
1,203,377	776,589	1,979,966	76,830	252,007
1,847,829	1,324,397	3,172,226	324,542	-
-	5,763	5,763	-	-
2,951,216	(2,951,216)	-	-	-
108,650,663	(844,467)	107,806,196	62,420,213	252,007
7,479,172	4,210,418	11,689,590	2,667,514	6,392,506
177,101,461	82,345,989	259,447,450	(24,734,153)	88,432,269
\$ 184,580,633	\$ 86,556,407	\$ 271,137,040	\$ (22,066,639)	\$ 94,824,775

CITY OF HARRISONBURG, VIRGINIA
GOVERNMENTAL FUNDS
BALANCE SHEET
At June 30, 2019

Exhibit 3

	<u>General Fund</u>	<u>General Capital Projects Fund</u>	<u>School Bond Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Cash and cash equivalents	\$ 35,068,474	\$ 10,494,782	\$ 2,543,094	\$ 589,932	\$ 48,696,282
Receivables (net of allowance for uncollectibles)	57,530,518	1,161,282	-	53,160	58,744,960
Due from other funds	143,005	-	-	-	143,005
Due from component units	-	-	-	60,117	60,117
Inventory	56,033	-	-	-	56,033
Prepaid expenditures	459,860	-	-	36,341	496,201
Loans receivable	6,671,039	-	-	115,589	6,786,628
Restricted assets	13,470	-	-	-	13,470
Total assets	\$ 99,942,399	\$ 11,656,064	\$ 2,543,094	\$ 855,139	\$ 114,996,696
Liabilities					
Accounts payable	\$ 1,166,264	\$ 1,190,587	\$ -	\$ 8,640	\$ 2,365,491
Accrued payroll	1,049,715	-	-	202,010	1,251,725
Due to other funds	-	23,047	-	44,124	67,171
Due to component units	91,218	-	-	2,258	93,476
Due to other governments	1,163,811	885,732	-	-	2,049,543
Unearned revenue	99,644	1,084,891	-	-	1,184,535
Other liabilities	1,933,991	-	-	-	1,933,991
Total liabilities	5,504,643	3,184,257	-	257,032	8,945,932
Deferred Inflows of Resources					
Unavailable revenue	58,739,390	-	-	116,193	58,855,583
Total deferred inflows of resources	58,739,390	-	-	116,193	58,855,583
Fund Balances					
Nonspendable	811,931	-	-	36,341	848,272
Restricted	543,135	-	-	-	543,135
Committed	63,402	8,471,807	2,543,094	276,573	11,354,876
Assigned	3,718,174	-	-	169,000	3,887,174
Unassigned	30,561,724	-	-	-	30,561,724
Total fund balances	35,698,366	8,471,807	2,543,094	481,914	47,195,181
Total liabilities, deferred inflows of resources and fund balances	\$ 99,942,399	\$ 11,656,064	\$ 2,543,094	\$ 855,139	\$ 114,996,696

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, 2019

Exhibit 4

Total fund balances of governmental funds (Exhibit 3)	\$ 47,195,181
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.	7,602,525
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	301,580,316
Certain liabilities, including bonds and related accounts, are not payable from current financial resources and therefore are not reported in the funds.	(190,078,671)
Deferred outflows of resources and deferred inflows of resources related to OPEB and pensions are applicable to future periods and therefore are not reported in the funds.	1,165,789
Internal service funds are used by management to charge the costs of certain activities to other funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net position.	<u>17,115,493</u>
Net position of governmental activities (Exhibit 1)	<u>\$ 184,580,633</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, 2019

Exhibit 5

	<u>General Fund</u>	<u>General Capital Projects Fund</u>	<u>School Bond Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
General property taxes	\$ 48,977,152	\$ -	\$ -	\$ -	\$ 48,977,152
Other local taxes	44,362,200	-	-	-	44,362,200
Permits, privilege fees and regulatory licenses	626,348	-	-	-	626,348
Fines and forfeitures	750,846	-	-	-	750,846
Use of money and property	1,121,183	-	-	6,928	1,128,111
Charges for services	1,323,658	-	-	4,028,203	5,351,861
Miscellaneous	2,121,602	-	-	71,317	2,192,919
Recovered costs	-	617,164	-	-	617,164
Payments from component units	5,200,000	-	799,506	-	5,999,506
Intergovernmental	10,639,385	1,734,010	-	806,420	13,179,815
Total revenues	<u>115,122,374</u>	<u>2,351,174</u>	<u>799,506</u>	<u>4,912,868</u>	<u>123,185,922</u>
Expenditures:					
Current:					
General government administration	5,499,582	-	-	-	5,499,582
Jail and judicial administration	7,429,582	-	-	-	7,429,582
Public safety	25,251,311	-	-	-	25,251,311
Public works	10,968,921	-	-	-	10,968,921
Health and welfare	4,907,007	-	-	-	4,907,007
Education	33,804,421	-	-	4,118,307	37,922,728
Parks, recreation and cultural	5,821,487	-	-	-	5,821,487
Community development	4,263,279	-	-	881,920	5,145,199
Debt service:					
Principal retirement	9,750,840	-	-	-	9,750,840
Interest and fiscal charges	5,731,121	-	-	-	5,731,121
Capital projects	-	5,933,709	5,838,547	-	11,772,256
Total expenditures	<u>113,427,551</u>	<u>5,933,709</u>	<u>5,838,547</u>	<u>5,000,227</u>	<u>130,200,034</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,694,823</u>	<u>(3,582,535)</u>	<u>(5,039,041)</u>	<u>(87,359)</u>	<u>(7,014,112)</u>
Other financing sources (uses):					
Long-term debt issued	-	-	4,540,000	-	4,540,000
Premium on long-term debt issued	-	-	506,435	-	506,435
Transfers in	3,066,363	2,747,627	2,535,700	-	8,349,690
Transfers out	<u>(5,533,327)</u>	<u>(46,929)</u>	-	-	<u>(5,580,256)</u>
Total other financing sources (uses)	<u>(2,466,964)</u>	<u>2,700,698</u>	<u>7,582,135</u>	<u>-</u>	<u>7,815,869</u>
Net change in fund balances	(772,141)	(881,837)	2,543,094	(87,359)	801,757
Fund balances at beginning of year	<u>36,470,507</u>	<u>9,353,644</u>	<u>-</u>	<u>569,273</u>	<u>46,393,424</u>
Fund balances at end of year	<u>\$ 35,698,366</u>	<u>\$ 8,471,807</u>	<u>\$ 2,543,094</u>	<u>\$ 481,914</u>	<u>\$ 47,195,181</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, 2019

Exhibit 6

Total net change in fund balances of governmental funds (Exhibit 5)	\$ 801,757
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.	(495,215)
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.	1,317,292
The transfer of capital assets to the School Board (component unit) affects only the statement of activities. These transfers do not have an effect on current financial resources and, therefore, are not reported in governmental funds.	(3,699,032)
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.	(117,804)
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.	5,981,569
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.	(175,492)
Governmental funds report employer OPEB and pension contributions as expenditures. However, in the statement of activities the cost of OPEB and pension benefits earned, net of employee contributions, are reported as OPEB and pension expense. This is the amount by which employer OPEB and pension contributions exceeded OPEB and pension expense.	1,156,306
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>2,709,791</u>
Change in net position of governmental activities (Exhibit 2)	<u>\$ 7,479,172</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, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
Revenues:				
General property taxes	\$ 48,279,500	\$ 48,479,500	\$ 48,977,152	\$ 497,652
Other local taxes	42,519,200	43,269,200	44,362,200	1,093,000
Permits, privilege fees and regulatory licenses	623,100	623,100	626,348	3,248
Fines and forfeitures	760,000	760,000	750,846	(9,154)
Use of money and property	562,500	562,500	1,121,183	558,683
Charges for services	1,428,500	1,428,500	1,323,658	(104,842)
Miscellaneous	1,914,944	1,922,273	2,121,602	199,329
Payments from component units	5,200,000	5,200,000	5,200,000	-
Intergovernmental	10,332,991	10,674,445	10,639,385	(35,060)
Total revenues	<u>111,620,735</u>	<u>112,919,518</u>	<u>115,122,374</u>	<u>2,202,856</u>
Expenditures:				
Current:				
General government administration	5,993,243	5,817,382	5,499,582	317,800
Jail and judicial administration	7,277,691	7,488,649	7,429,582	59,067
Public safety	25,207,388	27,116,493	25,251,311	1,865,182
Public works	11,011,849	11,912,210	10,968,921	943,289
Health and welfare	5,054,826	4,931,368	4,907,007	24,361
Education	34,612,539	34,419,222	33,804,421	614,801
Parks, recreation and cultural	6,020,856	6,307,033	5,821,487	485,546
Community development	3,687,666	4,660,778	4,263,279	397,499
Debt service:				
Principal retirement	9,750,840	9,750,840	9,750,840	-
Interest and fiscal charges	5,730,310	5,731,310	5,731,121	189
Total expenditures	<u>114,347,208</u>	<u>118,135,285</u>	<u>113,427,551</u>	<u>4,707,734</u>
Excess (deficiency) of revenues over				
(under) expenditures	<u>(2,726,473)</u>	<u>(5,215,767)</u>	<u>1,694,823</u>	<u>6,910,590</u>
Other financing sources (uses):				
Transfers in	2,999,100	2,999,100	3,066,363	67,263
Transfers out	(1,672,627)	(5,533,327)	(5,533,327)	-
Total other financing sources (uses)	<u>1,326,473</u>	<u>(2,534,227)</u>	<u>(2,466,964)</u>	<u>67,263</u>
Net change in fund balance	<u>\$ (1,400,000)</u>	<u>\$ (7,749,994)</u>	<u>(772,141)</u>	<u>\$ 6,977,853</u>
Fund balance at beginning of year			<u>36,470,507</u>	
Fund balance at end of year			<u>\$ 35,698,366</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, 2019

Exhibit 8

	Enterprise Funds						Internal Service Funds
	Water Fund	Sewer Fund	Public Transportation Fund	Sanitation Fund	Stormwater Fund	Total	
Assets							
Current assets:							
Cash and cash equivalents	\$ 10,954,776	\$ 10,098,909	\$ 1,567,133	\$ 5,964,479	\$ 3,573,683	\$ 32,158,980	\$ 10,331,443
Receivables (net of allowance for uncollectibles)	1,206,090	1,493,003	5,166	284,055	111,129	3,099,443	6,129
Due from component units	-	-	-	-	-	-	8,422
Due from other governments	-	-	463,830	-	-	463,830	-
Inventory	-	-	-	-	-	-	1,217,127
Prepaid expenses	-	-	-	-	-	-	19,877
Restricted assets	6,450,246	-	-	-	-	6,450,246	-
Total current assets	<u>18,611,112</u>	<u>11,591,912</u>	<u>2,036,129</u>	<u>6,248,534</u>	<u>3,684,812</u>	<u>42,172,499</u>	<u>11,582,998</u>
Noncurrent assets:							
Capital assets (net of accumulated depreciation)	50,089,478	17,950,851	11,483,780	3,874,123	1,382,172	84,780,404	6,168,936
Total noncurrent assets	<u>50,089,478</u>	<u>17,950,851</u>	<u>11,483,780</u>	<u>3,874,123</u>	<u>1,382,172</u>	<u>84,780,404</u>	<u>6,168,936</u>
Total assets	<u>68,700,590</u>	<u>29,542,763</u>	<u>13,519,909</u>	<u>10,122,657</u>	<u>5,066,984</u>	<u>126,952,903</u>	<u>17,751,934</u>
Deferred outflows of resources							
Deferred bond refunding charges	611,799	-	-	661,518	-	1,273,317	-
Deferred OPEB outflows	32,792	29,755	21,720	25,466	1,112	110,845	15,441
Deferred pension outflows	236,694	152,944	160,591	114,592	9,074	673,895	99,636
Total deferred outflows of resources	<u>881,285</u>	<u>182,699</u>	<u>182,311</u>	<u>801,576</u>	<u>10,186</u>	<u>2,058,057</u>	<u>115,077</u>
Liabilities							
Current liabilities:							
Accounts payable	531,658	72,017	45,746	52,790	10,825	713,036	1,475,367
Accrued payroll	84,698	59,340	67,727	36,188	2,534	250,487	31,953
Accrued interest	227,280	-	-	132,074	-	359,354	-
Due to other funds	-	-	-	-	-	-	75,834
Due to component units	10,581	3,725	2,245	1,053	-	17,604	2,316
Due to other governments	-	-	145,520	-	-	145,520	-
Customer deposits	347,109	-	-	-	-	347,109	-
Unearned revenue	165,700	92,900	-	-	-	258,600	-
Other liabilities	46,114	-	-	-	-	46,114	-
Liabilities payable from restricted assets	96,674	-	-	-	-	96,674	-
Compensated absences	147,394	85,145	86,589	73,244	5,770	398,142	50,771
Landfill closure	-	-	-	116,198	-	116,198	-
Current portion of bonds payable	987,705	-	-	1,401,498	-	2,389,203	-
Total current liabilities	<u>2,644,913</u>	<u>313,127</u>	<u>347,827</u>	<u>1,813,045</u>	<u>19,129</u>	<u>5,138,041</u>	<u>1,636,241</u>
Noncurrent liabilities:							
Compensated absences	160,428	103,243	69,959	99,123	-	432,753	32,683
Net OPEB liability	527,109	539,605	340,245	483,557	13,058	1,903,574	258,854
Net pension liability	1,194,379	771,770	810,359	578,244	45,788	3,400,540	502,770
Landfill closure	-	-	-	3,748,006	-	3,748,006	-
Bonds payable	17,927,497	-	-	7,625,586	-	25,553,083	-
Total noncurrent liabilities	<u>19,809,413</u>	<u>1,414,618</u>	<u>1,220,563</u>	<u>12,534,516</u>	<u>58,846</u>	<u>35,037,956</u>	<u>794,307</u>
Total liabilities	<u>22,454,326</u>	<u>1,727,745</u>	<u>1,568,390</u>	<u>14,347,561</u>	<u>77,975</u>	<u>40,175,997</u>	<u>2,430,548</u>
Deferred inflows of resources							
Deferred OPEB inflows	11,979	7,842	8,373	5,639	643	34,476	5,115
Deferred pension inflows	171,335	110,711	116,247	82,950	6,568	487,811	72,124
Total deferred inflows of resources	<u>183,314</u>	<u>118,553</u>	<u>124,620</u>	<u>88,589</u>	<u>7,211</u>	<u>522,287</u>	<u>77,239</u>
Net position							
Net investment in capital assets	38,139,647	17,950,851	11,483,780	3,874,123	1,382,172	72,830,573	6,168,936
Unrestricted	8,804,588	9,928,313	525,430	(7,386,040)	3,609,812	15,482,103	9,190,288
Total net position	<u>\$ 46,944,235</u>	<u>\$ 27,879,164</u>	<u>\$ 12,009,210</u>	<u>\$ (3,511,917)</u>	<u>\$ 4,991,984</u>	<u>88,312,676</u>	<u>\$ 15,359,224</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.						(1,756,269)	
Net position of business-type activities (Exhibit 1)						\$ 86,556,407	

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, 2019

Exhibit 9

	Enterprise Funds					Total	Internal Service Funds
	Water Fund	Sewer Fund	Public Transportation Fund	Sanitation Fund	Stormwater Fund		
Operating revenues:							
Charges for services	\$ 8,511,189	\$ 11,012,189	\$ 1,944,618	\$ 4,140,054	\$ 1,360,716	\$ 26,968,766	\$ 24,912,873
Connection fees	83,522	4,472	-	-	-	87,994	-
Total operating revenues	<u>8,594,711</u>	<u>11,016,661</u>	<u>1,944,618</u>	<u>4,140,054</u>	<u>1,360,716</u>	<u>27,056,760</u>	<u>24,912,873</u>
Operating expenses:							
Personal services	1,901,260	1,239,073	2,354,690	857,938	97,674	6,450,635	799,936
Fringe benefits	542,544	398,296	534,400	320,965	24,458	1,820,663	264,031
Purchased services	351,500	250,289	155,617	730,057	13,055	1,500,518	411,314
Internal services	176,955	362,953	1,542,224	196,407	30,799	2,309,338	6,572
Other charges	566,059	240,294	210,581	(445,769)	16,383	587,548	957,353
Materials and supplies	356,288	175,567	65,408	35,198	45,290	677,751	47,060
Depreciation and amortization	1,536,385	1,562,212	1,679,139	273,324	108,175	5,159,235	195,320
Contributions to regional sewer authority	-	6,016,007	-	-	-	6,016,007	-
Cost of inventory issued	-	-	-	-	-	-	3,654,773
Claims related charges	-	-	-	-	-	-	16,112,775
Total operating expenses	<u>5,430,991</u>	<u>10,244,691</u>	<u>6,542,059</u>	<u>1,968,120</u>	<u>335,834</u>	<u>24,521,695</u>	<u>22,449,134</u>
Operating income (loss)	<u>3,163,720</u>	<u>771,970</u>	<u>(4,597,441)</u>	<u>2,171,934</u>	<u>1,024,882</u>	<u>2,535,065</u>	<u>2,463,739</u>
Nonoperating revenues (expenses):							
Intergovernmental revenue	-	-	3,155,047	-	-	3,155,047	-
Connection application fees	259,587	566,528	-	-	-	826,115	-
Miscellaneous revenue	98,061	29,165	249,276	21,780	-	398,282	3,895
Reimbursement of bond payment	-	-	-	100,517	-	100,517	-
Investment revenue	401,842	219,882	27,980	55,530	71,355	776,589	146,033
Interest expense	(577,580)	-	-	(341,755)	-	(919,335)	-
Gain (loss) on disposal of capital assets	-	4,628	1,135	-	-	5,763	(3,191)
Total nonoperating revenues (expenses)	<u>181,910</u>	<u>820,203</u>	<u>3,433,438</u>	<u>(163,928)</u>	<u>71,355</u>	<u>4,342,978</u>	<u>146,737</u>
Income (loss) before contributions and transfers	<u>3,345,630</u>	<u>1,592,173</u>	<u>(1,164,003)</u>	<u>2,008,006</u>	<u>1,096,237</u>	<u>6,878,043</u>	<u>2,610,476</u>
Capital contributions	28,000	69,470	103,654	-	-	201,124	-
Transfers in	-	-	250,000	-	-	250,000	181,782
Transfers out	<u>(1,660,620)</u>	<u>(1,330,362)</u>	<u>(190,334)</u>	<u>-</u>	<u>(19,900)</u>	<u>(3,201,216)</u>	<u>-</u>
Change in net position	<u>1,713,010</u>	<u>331,281</u>	<u>(1,000,683)</u>	<u>2,008,006</u>	<u>1,076,337</u>	<u>4,127,951</u>	<u>2,792,258</u>
Net position at beginning of year	<u>45,231,225</u>	<u>27,547,883</u>	<u>13,009,893</u>	<u>(5,519,923)</u>	<u>3,915,647</u>		<u>12,566,966</u>
Net position at end of year	<u>\$ 46,944,235</u>	<u>\$ 27,879,164</u>	<u>\$ 12,009,210</u>	<u>\$ (3,511,917)</u>	<u>\$ 4,991,984</u>		<u>\$ 15,359,224</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.						82,467	
Change in net position of business-type activities (Exhibit 2)						\$ 4,210,418	

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

	Enterprise Funds						Internal Service Funds
	Water Fund	Sewer Fund	Public Transportation Fund	Sanitation Fund	Stormwater Fund	Total	
Cash flows from operating activities:							
Receipts from customers	\$ 8,296,428	\$ 10,869,986	\$ 1,958,647	\$ 4,140,588	\$ 1,293,723	\$ 26,559,372	\$ 5,320,219
Receipts from premiums	-	-	-	-	-	-	19,595,888
Receipts from other sources	101,425	29,165	247,414	21,780	-	399,784	3,880
Receipts from customer deposits	160,247	-	-	-	-	160,247	-
Payments to employees	(1,859,035)	(1,213,679)	(2,368,690)	(820,203)	(99,700)	(6,361,307)	(799,051)
Payments for fringe benefits	(644,558)	(459,296)	(604,254)	(358,475)	(28,430)	(2,095,013)	(305,421)
Payments to vendors	(1,240,770)	(593,344)	(465,348)	(839,050)	(75,636)	(3,214,148)	(5,131,156)
Payments for internal services	(176,955)	(362,953)	(1,542,224)	(196,407)	(30,799)	(2,309,338)	(6,572)
Payments to other governmental units	-	(6,034,075)	-	-	-	(6,034,075)	-
Payments to refund customer deposits	(157,288)	-	-	-	-	(157,288)	-
Payments for claims related charges	-	-	-	-	-	-	(15,567,598)
Net cash provided by (used for) operating activities	<u>4,479,494</u>	<u>2,235,804</u>	<u>(2,774,455)</u>	<u>1,948,233</u>	<u>1,059,158</u>	<u>6,948,234</u>	<u>3,110,189</u>
Cash flows from noncapital financing activities:							
Operating grants	-	-	3,243,387	-	-	3,243,387	-
Transfers in	-	-	250,000	-	-	250,000	181,782
Transfers out	(1,660,620)	(1,330,362)	(190,334)	-	(19,900)	(3,201,216)	-
Interfund loan	-	-	-	-	-	-	56,072
Net cash provided by (used for) noncapital financing activities	<u>(1,660,620)</u>	<u>(1,330,362)</u>	<u>3,303,053</u>	<u>-</u>	<u>(19,900)</u>	<u>292,171</u>	<u>237,854</u>
Cash flows from capital and related financing activities:							
Capital grants and contributions	48,000	-	126,982	-	-	174,982	-
Connection application fees	343,110	571,000	-	-	-	914,110	-
Payment from JMU for long-term debt	-	-	-	101,825	-	101,825	-
Proceeds from sale of capital assets	-	4,628	1,135	-	-	5,763	-
Principal paid on long-term debt	(922,867)	-	-	(1,828,160)	-	(2,751,027)	-
Interest paid on long-term debt	(602,475)	-	-	(333,190)	-	(935,665)	-
Purchase and construction of capital assets	(2,028,683)	(157,394)	(89,889)	(110,935)	(383,198)	(2,770,099)	-
Net cash provided by (used for) capital and related financing activities	<u>(3,162,915)</u>	<u>418,234</u>	<u>38,228</u>	<u>(2,170,460)</u>	<u>(383,198)</u>	<u>(5,260,111)</u>	<u>-</u>
Cash flows from investing activities:							
Interest received	401,486	219,557	27,930	55,424	71,239	775,636	145,793
Net cash provided by investing activities	<u>401,486</u>	<u>219,557</u>	<u>27,930</u>	<u>55,424</u>	<u>71,239</u>	<u>775,636</u>	<u>145,793</u>
Net increase (decrease) in cash and cash equivalents	<u>57,445</u>	<u>1,543,233</u>	<u>594,756</u>	<u>(166,803)</u>	<u>727,299</u>	<u>2,755,930</u>	<u>3,493,836</u>
Cash and cash equivalents:							
Beginning	<u>17,347,577</u>	<u>8,555,676</u>	<u>972,377</u>	<u>6,131,283</u>	<u>2,846,384</u>	<u>35,853,297</u>	<u>6,837,607</u>
Ending	<u>\$ 17,405,022</u>	<u>\$ 10,098,909</u>	<u>\$ 1,567,133</u>	<u>\$ 5,964,480</u>	<u>\$ 3,573,683</u>	<u>\$ 38,609,227</u>	<u>\$ 10,331,443</u>
Reconciliation of cash and cash equivalents to the statement of net position:							
Cash and cash equivalents - Current assets	\$ 10,954,776	\$ 10,098,909	\$ 1,567,133	\$ 5,964,479	\$ 3,573,683	\$ 32,158,980	\$ 10,331,443
Cash and cash equivalents - Restricted assets	<u>6,450,246</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,450,246</u>	<u>-</u>
	<u>\$ 17,405,022</u>	<u>\$ 10,098,909</u>	<u>\$ 1,567,133</u>	<u>\$ 5,964,479</u>	<u>\$ 3,573,683</u>	<u>\$ 38,609,226</u>	<u>\$ 10,331,443</u>

(continued)

	Enterprise Funds					Total	Internal Service Funds
	Water Fund	Sewer Fund	Public Transportation Fund	Sanitation Fund	Stormwater Fund		
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:							
Operating income (loss)	\$ 3,163,720	\$ 771,970	\$ (4,597,441)	\$ 2,171,934	\$ 1,024,882	\$ 2,535,065	\$ 2,463,739
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:							
Depreciation and amortization	1,536,385	1,562,212	1,679,139	273,324	108,175	5,159,235	195,320
Connection fees	(83,522)	(4,472)	-	-	-	(87,994)	-
Miscellaneous revenue	101,425	29,165	247,414	21,780	-	399,784	3,880
Change in assets, deferred outflows of resources, liabilities and deferred inflows of resources:							
(Increase) decrease in:							
Accounts receivable	(215,000)	(142,203)	14,030	534	(66,994)	(409,633)	5,186
Due from component units	-	-	-	-	-	-	(1,952)
Inventory	-	-	-	-	-	-	(22,078)
Prepaid expenses	12,498	-	-	-	-	12,498	(1,525)
Deferred outflows of resources	(11,415)	(16,090)	4,025	350	1,672	(21,458)	(599)
Increase (decrease) in:							
Accounts payable	(30,460)	(22,836)	2,052	(7,983)	10,337	(48,890)	513,667
Accrued payroll	5,056	1,775	(10,847)	5,190	(2,985)	(1,811)	1,801
Due to component units	2,535	(571)	(14)	(66)	(222)	1,662	(861)
Customer deposits	2,959	-	-	-	-	2,959	-
Other liabilities	240	-	-	-	-	240	-
Compensated absences	40,406	25,503	(4,291)	35,435	812	97,865	(857)
Landfill closure	-	-	-	(497,439)	-	(497,439)	-
Net OPEB liability	21,505	26,495	7,496	15,698	(13,345)	57,849	8,697
Net pension liability	13,904	48,184	(48,252)	(24,457)	(10,054)	(20,675)	(15,505)
Deferred inflows of resources	(80,742)	(43,328)	(67,766)	(46,067)	6,880	(231,023)	(38,724)
Net cash provided by (used for) operating activities	\$ 4,479,494	\$ 2,235,804	\$ (2,774,455)	\$ 1,948,233	\$ 1,059,158	\$ 6,948,234	\$ 3,110,189
Non - cash capital and related financing activities:							
Additions to capital assets:							
Contributed by developers	\$ 28,000	\$ 69,470	\$ -	\$ -	\$ -	\$ 97,470	\$ -
Purchase and construction on account	570,458	-	-	-	-	570,458	-

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, 2019

Exhibit 11

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 2,085,297
Receivables	<u>300,446</u>
Total assets	<u>\$ 2,385,743</u>
Liabilities	
Accounts payable	\$ 116,877
Accrued payroll	88,627
Amounts held for others	<u>2,180,239</u>
Total liabilities	<u>\$ 2,385,743</u>

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

Note 1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

Discretely presented component units. The Harrisonburg City School Board (School Board) is responsible for elementary and secondary education within the City's jurisdiction. The School Board is comprised of six elected members. The 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, 2019.

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 \$7,648,777. Supplemental appropriations that exceed one percent of the budget require a public hearing prior to approval. Appropriations lapse at June 30, except for capital projects funds and the Community Development Block Grant Fund.

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

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

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

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

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

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

4. Property taxes. Property taxes are levied as of January 1 on property values assessed annually. The last effective general real property reassessment was January 1, 2019. 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, 2019 amounted to \$797,608.

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

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

8. School Board capital assets. Under current legislation enacted by the Commonwealth of Virginia, local governments have a "tenancy in common" with the School Board whenever the locality incurs "on-behalf" debt for school property. In order to match the capital asset with the related debt, the legislation permits the City to report the portion of the school property related to the outstanding financial obligation in the primary government. As principal is repaid, capital assets equal to the amount of principal debt reduction will be removed from the primary government's financial statements and reported in the School Board's financial statements. The School Board retains authority and responsibility over the operation and control of the property. The City transferred \$3,699,032 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. Other postemployment benefits (OPEB) - VRS programs. For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS), and the additions to/deductions from the VRS OPEB's net fiduciary position have been determined on the same basis as they were reported by the VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

14. Deferred outflows/inflows of resources. In addition to assets, the financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources until that time. The City has several items in this reporting category. One item is the deferred charge on debt refundings reported in the government-wide and proprietary funds statement of net position. A deferred charge on a debt refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item consists of contributions subsequent to the measurement date for OPEB and pensions. These will be recognized as reductions to the net OPEB and pension liabilities in fiscal year 2020. The third consists of various deferred outflows related to OPEB and pensions as explained in more detail in Notes 17 through 21. These outflows will generally be recognized in OPEB and pension expense over a closed five-year period or over the average expected remaining service lives of all employees determined as of the beginning of the measurement period.

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources until that time. The City has several items in this reporting category. The first item, unavailable revenue, is reported only in the governmental funds balance sheet. This item represents receivables not collected within 60 days after June 30 and are deferred and recognized as an inflow of resources in the period that the amounts become available. The second item, unearned property tax revenue, is reported on both the governmental funds balance sheet and on the government-wide statement of net position for governmental activities. This item represents property taxes levied on January 1 that are used to fund the subsequent fiscal year. The third consists of various deferred inflows related to OPEB and pensions as explained in more detail in Notes 17 through 21. These inflows will generally be recognized in OPEB and pension expense over a closed five-year period or over the average expected remaining service lives of all employees determined as of the beginning of the measurement period.

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

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

Bonds payable	\$ (147,679,992)
Bond issue premiums/discounts (net)	(8,853,975)
Deferred charge for bond refunding	2,791,647
Capital leases	(489,000)
Compensated absences (not including internal service funds)	(3,636,523)
Net OPEB liability (not including internal service funds)	(8,575,635)
Net pension liability (not including internal service funds)	(15,001,276)
Middle River Regional Jail agreement	(5,994,375)
Accrued interest	<u>(2,639,542)</u>
Net adjustment	\$ <u><u>(190,078,671)</u></u>

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

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

Deferred OPEB outflows (not including internal service funds)	\$ 494,015
Deferred pension outflows (not including internal service funds)	2,972,850
Deferred OPEB inflows (not including internal service funds)	(149,127)
Deferred pension inflows (not including internal service funds)	<u>(2,151,949)</u>
Net adjustment	\$ <u>1,165,789</u>

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

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

Capital outlay	\$ 13,319,942
Depreciation expense (not including internal service funds)	<u>(12,002,650)</u>
Net adjustment	\$ <u>1,317,292</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:

Long-term debt issued	\$ (4,540,000)
Premium on long-term debt issued	(506,435)
Principal payments	9,750,840
Payment on Middle River Regional Jail agreement	926,123
Amortization of bond premiums/discounts (net)	571,205
Amortization of deferred bond refunding charges	<u>(220,164)</u>
Net adjustment	\$ <u>5,981,569</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)	\$ (198,227)
Accrued interest	<u>22,735</u>
Net adjustment	\$ <u>(175,492)</u>

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

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

Employer OPEB contributions (not including internal service funds)	\$ 408,135
Employer pension contributions (not including internal service funds)	2,340,198
OPEB expense (not including internal service funds)	(561,852)
Pension expense (not including internal service funds)	<u>(1,030,175)</u>
Net adjustment	<u>\$ 1,156,306</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, 2019, 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, 2019, 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, 2019.

	Primary Government	Component Units		Total
		School Board	HEC	
Investments:				
Local Government Investment Pool (LGIP)	\$ 87,454,964	\$ 10,341,923	\$ 3,000,000	\$ 100,796,887
State Non-Arbitrage Pool (SNAP)	6,450,246	-	-	6,450,246
Certificates of Deposit	-	-	7,500,000	7,500,000
Money Market Account	-	-	1,500,000	1,500,000
Deposits	<u>5,814,533</u>	<u>300,368</u>	<u>21,190,783</u>	<u>27,305,684</u>
Total deposits and investments	<u>\$ 99,719,743</u>	<u>\$ 10,642,291</u>	<u>\$ 33,190,783</u>	<u>\$ 143,552,817</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 \$13,470 and \$6,450,246, respectively, represent unspent bond proceeds.

Note 5. Receivables

The following is a summary of receivables at June 30, 2019.

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	HEC
Property taxes receivable	\$ 53,393,574	\$ -	\$ 53,393,574	\$ -	\$ -
Other taxes receivable	1,776,778	-	1,776,778	-	-
Accounts receivable	5,889	3,202,328	3,208,217	-	8,166,680
Interest receivable	5,352	953	6,305	64	-
Other receivables	172,878	6,043	178,921	618,208	-
Due from other governments:					
Commonwealth of Virginia	3,845,617	3,397	3,849,014	807,116	-
Federal Government	348,609	460,433	809,042	674,683	-
Allowance for uncollectibles	(797,608)	(109,881)	(907,489)	-	-
Total	\$ 58,751,089	\$ 3,563,273	\$ 62,314,362	\$ 2,100,071	\$ 8,166,680

Note 6. Loans Receivable

The following is a summary of loans receivable at June 30, 2019.

Borrowing Entity/Loan Number	Loan Date	Term (in years)	Interest Rate	Balance	Current Portion
HRHA*	June 26, 2014	18	4.12%	\$ 2,305,000	\$ 120,000
HRHA*	December 6, 2011	17.5	3.19%	4,070,000	310,000
Massanutten Regional Library	May 15, 2000	n/a	0.0%	296,039	-
Total General Fund				6,671,039	430,000
2019-04	May 3, 2019	4	4.75%	20,000	4,650
2019-03	May 3, 2019	5	4.75%	21,000	3,812
2019-02	February 13, 2019	4	4.75%	18,387	4,588
2019-01	August 22, 2018	4	4.75%	12,400	3,614
2018-02	February 21, 2018	5	4.75%	15,789	4,985
2018-01	November 20, 2017	5	4.75%	18,112	4,872
2016-01	June 29, 2016	3	4.50%	296	296
2015-02	January 23, 2015	5	4.50%	3,214	3,214
2015-01	July 18, 2014	5	4.50%	6,391	2,657
Total Business Loan Program Fund				115,589	32,688
Total Governmental Activities				\$ 6,786,628	\$ 462,688

*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 2019.

	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019
Capital assets, not being depreciated:				
Land	\$ 50,981,356	\$ 5,093,092	\$ -	\$ 56,074,448
Easements	1,739,765	-	-	1,739,765
Construction in progress	<u>6,230,654</u>	<u>5,250,365</u>	<u>(4,299,821)</u>	<u>7,181,198</u>
Capital assets, not being depreciated	<u>\$ 58,951,775</u>	<u>\$ 10,343,457</u>	<u>\$ (4,299,821)</u>	<u>\$ 64,995,411</u>
Capital assets, being depreciated:				
Buildings	\$ 154,543,714	\$ 698,504	\$ (5,145,195)	\$ 150,097,023
Improvements other than buildings	19,526,578	968,949	(185,492)	20,310,035
Machinery and equipment	36,033,775	5,054,786	(799,208)	40,289,353
Intangibles	12,028,595	-	-	12,028,595
Infrastructure	<u>185,700,847</u>	<u>436,263</u>	<u>(166,080)</u>	<u>185,971,030</u>
Capital assets, being depreciated	<u>407,833,509</u>	<u>7,158,502</u>	<u>(6,295,975)</u>	<u>408,696,036</u>
Less accumulated depreciation:				
Buildings	(36,978,944)	(3,809,818)	1,446,163	(39,342,599)
Improvements other than buildings	(7,760,218)	(770,591)	185,492	(8,345,317)
Machinery and equipment	(22,793,779)	(2,233,899)	796,017	(24,231,661)
Intangibles	(1,594,748)	(594,920)	-	(2,189,668)
Infrastructure	<u>(87,210,288)</u>	<u>(4,788,742)</u>	<u>166,080</u>	<u>(91,832,950)</u>
Accumulated depreciation	<u>(156,337,977)</u>	<u>(12,197,970)</u>	<u>2,593,752</u>	<u>(165,942,195)</u>
Capital assets, being depreciated (net)	<u>\$ 251,495,532</u>	<u>\$ (5,039,468)</u>	<u>\$ (3,702,223)</u>	<u>\$ 242,753,841</u>

The primary government has included in the preceding schedule machinery and equipment in the amount of \$5,939,144 (\$3,143,141 in accumulated depreciation) that are associated with capital lease obligations.

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

General government administration	\$ 236,212
Jail and judicial administration	657,669
Public safety	1,836,491
Public works	5,654,543
Health and welfare	21,865
Education	2,616,208
Parks, recreation and culture	856,400
Planning and community development	123,262
Internal service funds (allocated to various functions)	<u>195,320</u>
Total governmental activities depreciation expense	<u>\$ 12,197,970</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 2019.

	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019
Capital assets, not being depreciated:				
Land	\$ 1,235,770	\$ -	\$ -	\$ 1,235,770
Easements	346,921	46,450	-	393,371
Construction in progress	18,001,074	2,465,009	(822,717)	19,643,366
Capital assets, not being depreciated	<u>\$ 19,583,765</u>	<u>\$ 2,511,459</u>	<u>\$ (822,717)</u>	<u>\$ 21,272,507</u>
Capital assets, being depreciated:				
Buildings	\$ 18,425,149	\$ 230,658	\$ -	\$ 18,655,807
Improvements other than buildings	18,292,176	238,307	-	18,530,483
Machinery and equipment	26,326,892	398,097	(62,170)	26,662,819
Intangibles	617,379	128,000	-	745,379
Infrastructure	83,874,976	434,437	(40,830)	84,268,583
Capital assets, being depreciated	<u>147,536,572</u>	<u>1,429,499</u>	<u>(103,000)</u>	<u>148,863,071</u>
Less accumulated depreciation:				
Buildings	(4,891,756)	(431,986)	-	(5,323,742)
Improvements other than buildings	(8,524,021)	(443,669)	-	(8,967,690)
Machinery and equipment	(17,086,164)	(2,038,214)	62,170	(19,062,208)
Intangibles	(185,117)	(141,153)	-	(326,270)
Infrastructure	(49,589,255)	(2,126,839)	40,830	(51,675,264)
Accumulated depreciation	<u>(80,276,313)</u>	<u>(5,181,861)</u>	<u>103,000</u>	<u>(85,355,174)</u>
Capital assets, being depreciated (net)	<u>\$ 67,260,259</u>	<u>\$ (3,752,362)</u>	<u>\$ -</u>	<u>\$ 63,507,897</u>

The above total for additions to accumulated depreciation does not agree with the total depreciation by function/programs of governmental activities shown below by \$22,626. This difference represents accumulated depreciation on capital assets transferred from governmental activities.

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

Water	\$ 1,536,385
Sewer	1,562,212
Public transportation	1,679,139
Sanitation	273,324
Stormwater	<u>108,175</u>
Total business-type activities depreciation expense	<u>\$ 5,159,235</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 2019.

Component Unit – School Board

	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019
Capital assets, not being depreciated:				
Land	\$ 6,294,184	\$ -	\$ -	\$ 6,294,184
Capital assets, not being depreciated	<u>\$ 6,294,184</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,294,184</u>
Capital assets, being depreciated:				
Buildings	\$ 65,298,449	\$ 4,877,400	\$ -	\$ 70,175,849
Improvements other than buildings	324,063	-	-	324,063
Machinery and equipment	7,544,875	191,879	(784,490)	6,952,264
Capital assets, being depreciated	<u>73,167,387</u>	<u>5,069,279</u>	<u>(784,490)</u>	<u>77,452,176</u>
Less accumulated depreciation:				
Buildings	(29,753,807)	(2,937,959)	-	(32,691,766)
Improvements other than buildings	(69,651)	(16,789)	-	(86,440)
Machinery and equipment	(4,333,687)	(447,355)	784,490	(3,996,552)
Accumulated depreciation	<u>(34,157,145)</u>	<u>(3,402,103)</u>	<u>784,490</u>	<u>(36,774,758)</u>
Capital assets, being depreciated (net)	<u>\$ 39,010,242</u>	<u>\$ 1,667,176</u>	<u>\$ -</u>	<u>\$ 40,677,418</u>

Component Unit – HEC

	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019
Capital assets, not being depreciated:				
Land	\$ 3,090,187	\$ -	\$ -	\$ 3,090,187
Construction in progress	4,996,667	3,621,803	(5,126,544)	3,491,926
Capital assets, not being depreciated	<u>\$ 8,086,854</u>	<u>\$ 3,621,803</u>	<u>\$ (5,126,544)</u>	<u>\$ 6,582,113</u>
Capital assets, being depreciated:				
Buildings	\$ 3,333,618	\$ 49,963	\$ -	\$ 3,383,581
Machinery and equipment	7,987,503	770,511	(257,177)	8,500,837
Infrastructure	117,558,527	5,174,548	(2,309,723)	120,423,352
Capital assets, being depreciated	<u>128,879,648</u>	<u>5,995,022</u>	<u>(2,566,900)</u>	<u>132,307,770</u>
Less accumulated depreciation:				
Buildings	(2,079,019)	(85,539)	-	(2,164,558)
Machinery and equipment	(6,904,409)	(331,636)	252,963	(6,983,082)
Infrastructure	(66,783,616)	(4,177,476)	2,251,671	(68,709,421)
Accumulated depreciation	<u>(75,767,044)</u>	<u>(4,594,651)</u>	<u>2,504,634</u>	<u>(77,857,061)</u>
Capital assets, being depreciated (net)	<u>\$ 53,112,604</u>	<u>\$ 1,400,371</u>	<u>\$ (62,266)</u>	<u>\$ 54,450,709</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, 2019.

Year Ending June 30,	General Obligation Bonds						Total	
	Public Offerings		Direct Placements		Capital Leases		Governmental Activities	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 8,510,236	\$ 5,365,182	\$ 1,231,000	\$ 212,934	\$ 489,000	\$ 9,193	\$ 10,230,236	\$ 5,587,309
2021	8,847,246	4,928,749	1,258,000	187,207	-	-	10,105,246	5,115,956
2022	8,970,660	4,524,449	1,286,000	160,910	-	-	10,256,660	4,685,359
2023	9,278,372	4,110,429	1,313,000	134,043	-	-	10,591,372	4,244,472
2024	9,730,383	3,677,409	843,000	111,033	-	-	10,573,383	3,788,442
2025-2029	46,468,095	12,142,784	3,871,000	267,113	-	-	50,339,095	12,409,897
2030-2034	30,410,000	4,731,789	633,000	14,767	-	-	31,043,000	4,746,556
2035-2039	10,700,000	1,415,338	-	-	-	-	10,700,000	1,415,338
2040-2041	4,330,000	130,800	-	-	-	-	4,330,000	130,800
Total	\$ 137,244,992	\$ 41,026,929	\$ 10,435,000	\$ 1,088,007	\$ 489,000	\$ 9,193	\$ 148,168,992	\$ 42,124,129

The following is a summary of the debt service requirements for the long-term liabilities of the business-type activities as of June 30, 2019.

Year Ending June 30,	General Obligation Bonds				Total	
	Public Offerings		Direct Placements		Business-type Activities	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 1,812,630	\$ 554,358	\$ 484,000	\$ 260,340	\$ 2,296,630	\$ 814,698
2021	1,870,621	491,082	497,000	247,261	2,367,621	738,343
2022	1,942,207	416,340	510,000	233,832	2,452,207	650,172
2023	2,004,495	348,754	525,000	220,025	2,529,495	568,779
2024	2,067,484	288,810	538,000	205,840	2,605,484	494,650
2025-2029	4,596,239	848,961	2,917,000	802,674	7,513,239	1,651,635
2030-2034	3,174,333	296,578	2,467,000	415,061	5,641,333	711,639
2035-2039	189,333	-	1,754,000	105,046	1,943,333	105,046
2040	37,866	-	-	-	37,866	-
Total	\$ 17,695,208	\$ 3,244,883	\$ 9,692,000	\$ 2,490,079	\$ 27,387,208	\$ 5,734,962

The following is a summary of the changes to the long-term liabilities of the governmental activities for fiscal year 2019.

	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019	Due Within One Year
Bonds payable:					
General obligation bonds:					
Public offerings	\$ 140,781,832	\$ 4,540,000	\$ (8,076,840)	\$ 137,244,992	\$ 8,510,236
Direct placements	11,638,000	-	(1,203,000)	10,435,000	1,231,000
Bond premiums/discounts (net)	8,918,745	506,435	(571,205)	8,853,975	582,460
Total bonds payable	161,338,577	5,046,435	(9,851,045)	156,533,967	10,323,696
Capital leases	960,000	-	(471,000)	489,000	489,000
Middle River Regional Jail agreement	6,920,498	-	(926,123)	5,994,375	946,221
Compensated absences	3,522,607	2,133,489	(1,936,119)	3,719,977	2,107,591
Net OPEB liability	8,535,403	971,194	(672,108)	8,834,489	-
Net pension liability	15,795,663	9,382,628	(9,674,245)	15,504,046	-
Governmental activities long-term debt	\$ 197,072,748	\$ 17,533,746	\$ (23,530,640)	\$ 191,075,854	\$ 13,866,508

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, 2019, \$83,454, \$258,854 and \$502,770 of compensated absences, net OPEB liability and net pension liability, respectively, are included in the above amounts for these internal service funds.

The following is a summary of the changes to the long-term liabilities of the business-type activities for fiscal year 2019.

	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019	Due Within One Year
Bonds payable:					
General obligation bonds:					
Public offerings	\$ 19,901,235	\$ -	\$ (2,206,027)	\$ 17,695,208	\$ 1,812,630
Direct placements	10,237,000	-	(545,000)	9,692,000	484,000
Bond premiums/discounts (net)	647,651	-	(92,573)	555,078	92,573
Total bonds payable	30,785,886	-	(2,843,600)	27,942,286	2,389,203
Compensated absences	733,029	504,534	(406,668)	830,895	398,142
Net OPEB liability	1,833,310	217,162	(146,898)	1,903,574	-
Net pension liability	3,421,215	2,074,688	(2,095,363)	3,400,540	-
City landfill closure costs	1,663,678	-	(497,439)	1,166,239	116,198
County landfill contractual obligation	2,697,965	-	-	2,697,965	-
Business-type activities long-term debt	<u>\$ 41,135,083</u>	<u>\$ 2,796,384</u>	<u>\$ (5,989,968)</u>	<u>\$ 37,941,499</u>	<u>\$ 2,903,543</u>

The following is the detail for the long-term liabilities of the governmental and business-type activities as of June 30, 2019.

	Governmental Activities	Business-type Activities
General Obligation Bonds - Public Offerings:		
\$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	\$ 100,000	\$ -
\$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	510,000	-
\$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	19,830,000	-
\$1,125,000 Public Safety Refunding Bonds (VRA), Series 2009A, issued June 17, 2009, maturing October 1, 2021 at 3.125% - 5.125% interest	330,000	-
\$1,136,000 Water Bonds (VRA DWSRF), Series 2009, issued November 20, 2009, maturing February 1, 2040 at 0% interest	-	795,200
\$9,515,000 Public Improvement Bonds, Series 2010A, issued August 11, 2010, maturing July 15, 2030 at 2.0% - 4.0% interest	6,370,000	-
\$33,755,000 Public Improvement Refunding Bonds, Series 2010B, issued August 11, 2010, maturing July 15, 2034 at 2.0% - 5.0% interest	3,449,992	16,005,008
\$28,590,000 Public Improvement and Refunding Bonds, Series 2011, issued December 6, 2011, maturing August 1, 2031 at 2.0% - 4.0% interest	16,945,000	895,000

Note 8. Long-term Liabilities (continued)

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
General Obligation Bonds - Public Offerings (continued):		
\$13,610,000 Public Improvement Bonds, Series 2014A, issued June 26, 2014, maturing July 15, 2034 at 2.0% - 5.0% interest	11,380,000	-
\$42,675,000 Public Improvement Refunding Bonds, Series 2014B, issued June 26, 2014, maturing July 15, 2032 at 2.0% - 5.0% interest	35,810,000	-
\$40,215,000 Public Improvement Bonds, Series 2016, issued May 18, 2016, maturing July 15, 2040 at 2.0% - 5.0% interest	37,980,000	-
\$4,540,000 School Bonds (Virginia Public School Authority), Series 2018, issued November 6, 2018, maturing July 15, 2033 at 4.05% - 5.05% interest	<u>4,540,000</u>	<u>-</u>
Total General Obligation Bonds - Public Offerings	<u>\$ 137,244,992</u>	<u>\$ 17,695,208</u>
General Obligation Bonds - Direct Placements:		
\$8,050,000 Bond, Series 2012, issued December 7, 2012, maturing August 1, 2027 at 2.2% interest	5,145,000	-
\$7,622,000 Bond, Series 2015, issued December 22, 2015, maturing August 1, 2030 at 2.32% interest	3,390,000	2,928,000
\$2,350,000 Bond, Series 2017, issued September 8, 2017, maturing August 1, 2022 at 1.78% interest	1,900,000	-
\$7,000,000 Bond, Series 2017B, issued December 15, 2017, maturing August 1, 2037 at 2.94% interest	<u>-</u>	<u>6,764,000</u>
Total General Obligation Bonds - Direct Placements	<u>\$ 10,435,000</u>	<u>\$ 9,692,000</u>
Total General Obligation Bonds	<u>\$ 147,679,992</u>	<u>\$ 27,387,208</u>
Capital Leases:		
\$5,740,000 lease purchase effective December 17, 2004, maturing December 1, 2019 at 3.76% interest	<u>\$ 489,000</u>	<u>\$ -</u>
Total Capital Leases	<u>\$ 489,000</u>	<u>\$ -</u>

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

The City is subject to a legal debt margin requirement based on the Constitution of Virginia. Under the requirement, the City's bonds or other interest-bearing obligations shall not exceed ten percent of its total taxable assessed real property valuation. As of June 30, 2019, the debt limitation for the City is \$425 million of which \$249.9 million is available for use.

In December 2011, the City issued \$28.6 million in general obligation public improvement and refunding bonds, of which \$6 million was issued on behalf of and loaned to the Harrisonburg Redevelopment and Housing Authority (Authority) for the purpose of renovating public housing units owned by the Authority. The Authority has agreed to reimburse the City for its share of the principal and interest payments as the debt service payments come due. The current fiscal year reimbursement for debt service payments associated with the bonds totaled \$439,925. As of June 30, 2019, the outstanding balance of the loan is \$4,070,000.

Note 8. Long-term Liabilities (continued)

In June 2014, the City issued \$42.7 million in general obligation refunding bonds, of which \$2.7 million was issued on behalf of and loaned to the Harrisonburg Redevelopment and Housing Authority (Authority) to advance refund a previous bond issue that was originally issued for the purpose of renovating public housing units owned by the Authority. The Authority has agreed to reimburse the City for its share of the principal and interest payments as the debt service payments come due. The current fiscal year reimbursement for debt service payments associated with the bonds totaled \$214,975. As of June 30, 2019, the outstanding balance of the loan is \$2,305,000.

Component Unit – School Board

At June 30, 2019, the School Board had \$79,347,913 in long-term liabilities outstanding. This long-term liability is comprised of \$1,560,755 in compensated absences, of which \$292,268 is due within one year, \$20,289,158 in net OPEB liabilities and \$57,498,000 in net pension liabilities, of which the entire amounts are due in more than one year.

Component Unit – HEC

At June 30, 2019, HEC had \$4,940,512 in long-term liabilities outstanding. This long-term liability is comprised of \$512,591 in compensated absences, of which the entire amount is due within one year and \$2,203,413 in net OPEB liabilities and \$2,224,508 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, 2019, there was one series of Economic Development Authority Revenue Bonds and five series of Redevelopment and Housing Authority Revenue Bonds outstanding, with an aggregate principal amount of \$8.45 million and \$23.9 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 2019, 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. \$1,166,239 of the amount reported as landfill closure and postclosure care liability at June 30, 2019 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 \$431,684 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. Due to a reduction in the remaining closure period approved by the Virginia Department of Environmental Quality, a net negative expense for other charges has been reported in the Sanitation Fund Statement of Revenues, Expenses and Changes in Net Position.

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, 2019 for governmental activities in the government-wide financial statements and for the fund financial statements.

	Governmental Activities		
	General		Total
	General Fund	Capital Projects Fund	
Advance collection of parking leases	\$ 48,854	\$ -	\$ 48,854
Golf course season passes	50,790	-	50,790
Construction reimbursement	-	1,084,891	1,084,891
Total unearned revenue	\$ 99,644	\$ 1,084,891	\$ 1,184,535

Unearned revenue for business-type activities in the amount of \$258,600 represents water and sewer connection application fees for which the services had not been provided as of year-end. This amount is comprised of \$165,700 in the Water Fund and \$92,900 in the Sewer Fund.

Note 14. Interfund Balances

The General Fund has due from other funds in the amount \$143,005. This amount is comprised of loans to the Community Development Block Grant Fund and Central Stores Fund in the amounts of \$44,124 and \$75,834, respectively. The purpose of these loans is to eliminate year-end cash and cash equivalents deficit balances and are anticipated to be repaid within the subsequent fiscal year. All other balances are for services provided between funds.

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, 2019.

Note 15. Interfund Transfers (continued)

Transfer in	Transfer out						Total
	General Fund	General Capital Projects Fund	Water Fund	Sewer Funds	Public Transportation Fund	Stormwater Fund	
General Fund	\$ -	\$ 46,929	\$ 1,495,200	\$ 1,314,000	\$ 190,334	\$ 19,900	\$ 3,066,363
General Capital Projects Fund	2,747,627	-	-	-	-	-	2,747,627
School Capital Projects Fund	2,535,700	-	-	-	-	-	2,535,700
Public Transportation Fund	250,000	-	-	-	-	-	250,000
Internal Service Funds	-	-	165,420	16,362	-	-	181,782
Total	\$ 5,533,327	\$ 46,929	\$ 1,660,620	\$ 1,330,362	\$ 190,334	\$ 19,900	\$ 8,781,472

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, 2019.

	General Fund	General Capital Projects Fund	School Bond Capital Projects Fund	Other Governmental Funds	Total
Nonspendable:					
Inventory	\$ 56,032	\$ -	\$ -	\$ -	\$ 56,032
Prepaid expenditures	459,860	-	-	36,341	496,201
Loans receivable	296,039	-	-	-	296,039
Total nonspendable fund balance	\$ 811,931	\$ -	\$ -	\$ 36,341	\$ 848,272
Restricted for:					
General government administration	\$ 13,470	\$ -	\$ -	\$ -	\$ 13,470
Public safety	529,665	-	-	-	529,665
Total restricted fund balance	\$ 543,135	\$ -	\$ -	\$ -	\$ 543,135
Committed to:					
General government administration	\$ -	\$ 265,884	\$ -	\$ -	\$ 265,884
Jail and judicial administration	-	1,044,116	-	-	1,044,116
Public safety	-	930,534	-	-	930,534
Public works	-	5,923,784	-	-	5,923,784
Education	-	-	2,543,094	229,649	2,772,743
Parks, recreation and cultural	63,402	307,489	-	-	370,891
Community development	-	-	-	46,924	46,924
Total committed fund balance	\$ 63,402	\$ 8,471,807	\$ 2,543,094	\$ 276,573	\$ 11,354,876
Assigned to:					
General government administration	\$ 144,253	\$ -	\$ -	\$ -	\$ 144,253
Public safety	906,929	-	-	-	906,929
Public works	429,258	-	-	-	429,258
Parks, recreation and cultural	294,134	-	-	-	294,134
Community development	15,000	-	-	-	15,000
Subsequent years' expenditures	1,928,600	-	-	169,000	2,097,600
Total assigned fund balance	\$ 3,718,174	\$ -	\$ -	\$ 169,000	\$ 3,887,174

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 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/2018-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

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

members and 1.85 percent for eligible hazardous duty members. In addition, eligible hazardous duty members receive a monthly benefit supplement if they retire prior to age 65. At retirement, members can elect the Basic Benefit, the Survivor Option, the Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

Members who retire with an unreduced benefit or a reduced benefit with at least 20 years of creditable service are eligible for an annual cost-of-living adjustment (COLA) effective July 1 after one full calendar year from the member's retirement date. Members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA is effective July 1 after one calendar year following the unreduced retirement eligibility date. Other exceptions also apply to the COLA effective date. Under Plan 1, the COLA matches the first three percent increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to four percent) for a maximum COLA of five percent. Under Plan 2 and the defined benefit component of the Hybrid 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, 2017, the following employees were covered by the benefit terms:

	Primary Government	Component Units	
		School Board	HEC
Inactive employees or beneficiaries currently receiving benefits	305	50	25
Inactive employees entitled to but not yet receiving benefits	329	49	26
Active employees	550	91	45
Total inactive and active employees	1,184	190	96

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 2019 was 11.27 percent of covered employee compensation. The School Board non-professional employees' contribution rate for the fiscal year ended 2019 was 3.80 percent of covered employee compensation. These rates were based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. These rates, when combined with employee contributions, were expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the City, the School Board and HEC to the pension plans were \$2,949,114, \$77,160 and \$347,023, respectively, for the year ended June 30, 2019.

Net Pension Liability. The net pension liability is calculated separately for each employer and represents that particular employer's total pension liability less that employer's fiduciary net position. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2017 rolled forward to the measurement date of June 30, 2018.

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, 2017, 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, 2018.

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

Mortality rates:

Largest 10 – Non-Hazardous Duty: 20% of deaths are assumed to be service related.

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-Hazardous Duty: Updated mortality table; lowered retirement rates at older ages and changed final retirement from 70 to 75; lowered disability rates; no change to salary scale; increased rate of line of duty disability from 14% to 20%.

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

Actuarial Assumptions – Hazardous Duty Employee. The total pension liability for hazardous duty employees was based on an actuarial valuation as of June 30, 2017, 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, 2018.

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

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

Mortality rates:

Largest 10 – Hazardous Duty: 70% of deaths are assumed to be service related.

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Hazardous Duty: Updated mortality table; lowered retirement rates at older ages; increased disability rates; no change to salary scale; increased rate of line of duty disability from 60% to 70%.

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

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:

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
		Expected arithmetic nominal return	7.30%

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. Political subdivisions were provided with an opportunity to use an alternate employer contribution rate. For the fiscal year ended June 30, 2018, the alternate rate was the employer contribution rate used in fiscal year 2012 or 90% of the actuarially determined employer contribution rate from the June 30, 2015, actuarial valuation, whichever was greater. From July 1, 2018 on, participating employers are assumed to continue to contribute 100 percent of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability. The following are the changes in net pension liability as of the measurement date of June 30, 2018:

Primary Government

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at June 30, 2017	\$ 122,583,567	\$ 103,366,689	\$ 19,216,878
Changes for the year:			
Service cost	2,614,743	-	2,614,743
Interest	8,387,810	-	8,387,810
Changes in assumptions	-	-	-
Differences between expected and actual experience	356,535	-	356,535
Contributions-employer	-	2,932,652	(2,932,652)
Contributions-employee	-	1,268,961	(1,268,961)
Net investment income	-	7,640,600	(7,640,600)
Benefit payments, including refunds of employee contributions	(5,515,451)	(5,515,451)	-
Administrative expense	-	(65,802)	65,802
Other changes	670,792	565,761	105,031
Net changes	6,514,429	6,826,721	(312,292)
Balances at June 30, 2018	\$ 129,097,996	\$ 110,193,410	\$ 18,904,586

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

Component Unit – School Board

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances at June 30, 2017	\$ 7,116,858	\$ 7,788,535	\$ (671,677)
Changes for the year:			
Service cost	201,048	-	201,048
Interest	486,490	-	486,490
Changes in assumptions	-	-	-
Differences between expected and actual experience	(115,580)	-	(115,580)
Contributions-employer	-	91,985	(91,985)
Contributions-employee	-	101,840	(101,840)
Net investment income	-	573,959	(573,959)
Benefit payments, including refunds of employee contributions	(333,991)	(333,991)	-
Administrative expense	-	(4,976)	4,976
Other changes	-	(510)	510
Net changes	<u>237,967</u>	<u>428,307</u>	<u>(190,340)</u>
Balances at June 30, 2018	<u>\$ 7,354,825</u>	<u>\$ 8,216,842</u>	<u>\$ (862,017)</u>

Component Unit – HEC

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at June 30, 2017	\$ 14,659,660	\$ 12,361,530	\$ 2,298,130
Changes for the year:			
Service cost	312,694	-	312,694
Interest	1,003,090	-	1,003,090
Changes in assumptions	-	-	-
Differences between expected and actual experience	42,638	-	42,638
Contributions-employer	-	350,713	(350,713)
Contributions-employee	-	151,754	(151,754)
Net investment income	-	913,732	(913,732)
Benefit payments, including refunds of employee contributions	(659,588)	(659,588)	-
Administrative expense	-	(7,869)	7,869
Other changes	(167,500)	(143,786)	(23,714)
Net changes	<u>531,334</u>	<u>604,956</u>	<u>(73,622)</u>
Balances at June 30, 2018	<u>\$ 15,190,994</u>	<u>\$ 12,966,486</u>	<u>\$ 2,224,508</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:

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

	<u>1% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Primary Government:			
Net Pension Liability	\$ 36,057,378	\$ 18,904,586	\$ 4,706,847
Component Unit - School Board:			
Net Pension Liability (Asset)	\$ (38,477)	\$ (862,017)	\$ (1,562,507)
Component Unit - HEC:			
Net Pension Liability	\$ 4,242,881	\$ 2,224,508	\$ 553,856

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

For the year ended June 30, 2019, the City, the School Board and HEC recognized pension expense of \$1,334,389, negative \$182,468 and \$119,630, respectively. At June 30, 2019, the City, the School Board and HEC reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Primary Government</u>		<u>Component Units</u>			
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>School Board</u>		<u>HEC</u>	
			<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 797,267	\$ 1,314,776	\$ -	\$ 160,759	\$ 93,815	\$ 154,710
Changes in assumptions	-	473,683	-	11,289	-	55,738
Net difference between projected and actual earnings on pension plan investments	-	923,425	-	63,390	-	108,660
Employer contributions subsequent to the measurement date	<u>2,949,114</u>	<u>-</u>	<u>77,160</u>	<u>-</u>	<u>347,023</u>	<u>-</u>
Total	<u>\$ 3,746,381</u>	<u>\$ 2,711,884</u>	<u>\$ 77,160</u>	<u>\$ 235,438</u>	<u>\$ 440,838</u>	<u>\$ 319,108</u>

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, 2020. 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>Primary Government</u>	<u>Component Units</u>	
		<u>School Board</u>	<u>HEC</u>
2020	\$ (37,997)	\$ (96,879)	\$ (4,471)
2021	(617,660)	(51,456)	(72,680)
2022	(1,173,958)	(80,331)	(138,140)
2023	(85,002)	(6,772)	(10,002)
2024	-	-	-
Thereafter	-	-	-

Payable to the Pension Plan

At June 30, 2019, the City and School Board reported a payable of \$401,630 and \$15,169, respectively, for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2019.

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/2018-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, 2019 was 15.68 percent of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan were \$6,300,654 for the year ended June 30, 2019.

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

At June 30, 2019, the School Board reported a liability of \$57,498,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 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, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the school division's proportion was 0.48893%.

For the year ended June 30, 2019, the School Board recognized pension expense of \$4,472,973. 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, 2019, the School Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 1,219,000
Changes in assumptions	686,000	-
Differences between expected and actual experience	-	4,916,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,868,000	56,000
Employer contributions subsequent to the measurement date	-	-
	<u>6,300,654</u>	<u>-</u>
Total	<u>\$ 10,854,654</u>	<u>\$ 6,191,000</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, 2020. 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>
2020	\$ 352,000
2021	(242,000)
2022	(1,647,000)
2023	(105,000)
2024	5,000
Thereafter	-

Actuarial Assumptions. The total pension liability was based on an actuarial valuation as of June 30, 2017, using the entry age normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

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

Teachers:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions were 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	\$ 87,830,000	\$ 57,498,000	\$ 32,392,000

Pension Plan Fiduciary Net Position. Detailed information about the VRS Teacher Retirement Plan's fiduciary net position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of this report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-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, 2019, the School Board reported a payable of \$692,507 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2019.

Note 19. Other Postemployment Benefits - Group Life Insurance Program

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

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

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

The benefit amounts provided to covered employees are subject to a reduction factor. The benefit amount reduces by 25 percent on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25 percent on each subsequent January 1 until it reaches 25 percent of its original value. For covered employees with at least 30 years of creditable service, there is a minimum benefit payable of \$8,279 that is based on the VRS Plan 2 pension cost-of-living adjustment.

Note 19. Other Postemployment Benefits - Group Life Insurance Program (continued)

Contributions. The contribution requirement for the GLI Program are governed by Sections 51.1-506 and 51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Program was 1.31 percent of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79 percent and the employer component was 0.52 percent. The contractually required employer contribution rate for the year ended June 30, 2019 was 0.52 percent of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the City, the School Board and HEC to the GLI Program were \$141,309, \$228,186 and \$16,595, respectively, for the year ended June 30, 2019.

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

At June 30, 2019, the City, the School Board and HEC reported a liability of \$2,046,397, \$3,347,000 and \$240,326, respectively, for their proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The City, the School Board and HEC's proportion of the net OPEB liability was based on the actuarially determined employer contributions to the GLI Program for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At the June 30, 2018 measurement date, the City, the School Board and HEC's proportion was 0.13389%, 0.22044% and 0.01610%, respectively.

For the year ended June 30, 2019, the City, the School Board and HEC recognized OPEB expense of \$27,740, \$63,876 and negative \$338, respectively. Since there was a change in the proportionate share between measurement dates, a portion of the OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2019, the City, the School Board and HEC reported deferred outflows of resources and deferred inflows of resources related to the GLI Program from the following sources:

	Component Units					
	Primary Government		School Board		HEC	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 100,256	\$ 37,070	\$ 163,000	\$ 60,000	\$ 11,774	\$ 4,353
Changes of assumptions	-	85,091	-	138,000	-	9,993
Net difference between projected and actual earnings on OPEB plan investments	-	66,557	-	110,000	-	7,816
Changes in proportion	8,425	-	204,000	2,000	989	-
Employer contributions subsequent to the measurement date	141,309	-	228,186	-	16,595	-
Total	\$ 249,990	\$ 188,718	\$ 595,186	\$ 310,000	\$ 29,358	\$ 22,162

The deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Note 19. Other Postemployment Benefits - Group Life Insurance Program (continued)

Year Ending June 30,	Primary Government	Component Units	
		School Board	HEC
2020	\$ (28,644)	\$ (9,000)	\$ (3,364)
2021	(28,644)	(9,000)	(3,364)
2022	(28,644)	(8,000)	(3,364)
2023	(10,110)	24,000	(1,187)
2024	6,738	40,000	792
Thereafter	9,267	19,000	1,088

Actuarial Assumptions. The total OPEB liability was based on an actuarial valuation as of June 30, 2017, using the entry age normal actuarial cost method and actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018. The actuarial assumptions used are substantially the same as described in Note 17 and Note 18.

Long-term Expected Rate of Return. The long-term expected rate of return on VRS investments is substantially the same as the VRS pension plans described in Note 17.

Discount Rate. The discount rate used to measure the OPEB liability was 7.00 percent and is substantially the same as described in Note 17.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate. The following presents the proportionate share of the net OPEB liability using the discount rate of 7.00 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (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%)
Primary Government:			
Net OPEB Liability	\$ 2,674,891	\$ 2,046,397	\$ 1,536,694
Component Unit - School Board:			
Net OPEB Liability	\$ 4,374,000	\$ 3,347,000	\$ 2,513,000
Component Unit - HEC:			
Net OPEB Liability	\$ 314,136	\$ 240,326	\$ 180,467

OPEB Plan Fiduciary Net Position. Detailed information about the VRS GLI Program Plan's fiduciary net position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of this report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Payables to the OPEB Plan. At June 30, 2019, the City and the School Board reported a payable of \$33,424 and \$50,073, respectively, for the outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2019.

Note 20. Other Postemployment Benefits - Health Insurance Credit Program

Plan Description. All full-time, salaried permanent (professional) employees of the Harrisonburg City School Board (School Board) are automatically covered by the Teacher Employee Health Insurance Credit Program (HIC Program) upon employment. The HIC Program is a cost-sharing multiple-employer defined benefit plan administered by the Virginia Retirement System (VRS) along with plans for other employer groups in the Commonwealth of

Note 20. Other Postemployment Benefits - Health Insurance Credit Program (continued)

Virginia and is considered other postemployment benefits (OPEB). Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The health insurance credit is a tax-free reimbursement in an amount set by the Virginia General Assembly for each year of service credit to be used towards qualified health insurance premiums that a retiree pays for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premium and ends upon the retiree's death. Title 51.1 of the *Code of Virginia* (1950), as amended, assigns the authority to establish and amend benefit provisions to the Virginia General Assembly.

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

Contributions. The contribution requirement for active employees is governed by Section 51.1-145(E) of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to school divisions by the Virginia General Assembly. The School Board's contractually required contribution rate for the year ended June 30, 2019 was 1.20 percent of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the HIC Program were \$496,347 for the year ended June 30, 2019. Employees are not required to contribute to the HIC Program.

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

At June 30, 2019, the School Board reported a liability of \$6,240,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The School Board's proportion of the net OPEB liability was based on the actuarially determined employer contributions to the HIC Program for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the school division's proportion was 0.49147%.

For the year ended June 30, 2019, the School Board recognized OPEB expense of \$557,598. Since there was a change in the proportionate share between measurement dates, a portion of the OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2019, the School Board reported deferred outflows of resources and deferred inflows of resources related to the HIC Program from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 31,000
Changes in assumptions	-	54,000
Net difference between projected and actual earnings on OPEB plan investments	-	5,000
Changes in proportion	351,000	-
Employer contributions subsequent to the measurement date	496,347	-
Total	<u>\$ 847,347</u>	<u>\$ 90,000</u>

Note 20. Other Postemployment Benefits - Health Insurance Credit Program (continued)

The deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	<u>Deferred Amounts to be Recognized</u>
2020	\$ 42,000
2021	42,000
2022	42,000
2023	45,000
2024	44,000
Thereafter	46,000

Actuarial Assumptions. The total OPEB liability was based on an actuarial valuation as of June 30, 2017, using the entry age normal actuarial cost method and actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018. The actuarial assumptions used are substantially the same as described in Note 18.

Long-term Expected Rate of Return. The long-term expected rate of return on VRS investments is substantially the same as described in Note 17.

Discount Rate. The discount rate used to measure the OPEB liability was 7.00 percent and is substantially the same as described in Note 17.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate. The following presents the School Board’s proportionate share of the net OPEB liability using the discount rate of 7.00 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	<u>1% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Proportionate share of the net OPEB liability	\$ 6,969,000	\$ 6,240,000	\$ 5,619,000

OPEB Plan Fiduciary Net Position. Detailed information about the VRS HIC Program Plan’s fiduciary net position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of this report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Payables to the OPEB Plan. At June 30, 2019, the School Board reported a payable of \$43,563 for the outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2019.

Note 21. Other Postemployment Benefits - Health Insurance Program

Plan Description

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

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

Benefits Provided

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

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

Employees Covered by Benefit Terms. At June 30, 2017, the following employees were covered by the benefit terms:

	<u>Primary Government</u>	<u>School Board</u>
Inactive employees currently receiving benefits	55	100
Active employees	<u>549</u>	<u>861</u>
Total inactive and active employees	<u><u>604</u></u>	<u><u>961</u></u>

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

Note 21. Other Postemployment Benefits - Health Insurance Program (continued)

Total OPEB Liability. The total OPEB liabilities of \$8,691,666 and \$10,702,158 for the City and School Board, respectively, were measured as of June 30, 2018 and were determined by actuarial valuations performed as of June 30, 2017.

Actuarial Assumptions. The total OPEB liabilities were based on an actuarial valuation as of June 30, 2017, using the entry age normal actuarial cost method. The following assumptions were applied to all periods included in the measurement.

Inflation	Not applicable
Salary increases	Not applicable
Investment rate of return	Not applicable
Healthcare cost trend rate	7 percent graded down to 5 percent over 8 years

The withdrawal, retirement, mortality, and disability assumptions are substantially the same as the assumptions used in the June 30, 2016 valuation of the Virginia Retirement System as described in Note 17.

Discount Rate. The discount rate used to measure the OPEB liabilities was 3.13 percent based on the S&P Municipal Bond 20 Year High Grade Rate Index.

Changes in the Total OPEB Liability. The following are the changes in the total OPEB liability as of the measurement date of June 30, 2018:

	Primary Government	School Board
Balances at June 30, 2017	\$ 8,356,890	\$ 10,503,055
Changes for the year:		
Service cost	417,069	640,131
Interest	263,792	324,811
Benefit payments	(346,085)	(765,839)
Net changes	334,776	199,103
Balances at June 30, 2018	\$ 8,691,666	\$ 10,702,158

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following presents the City and the School Board's total OPEB liability using the discount rate of 3.13 percent, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.13 percent) or one percentage point higher (4.13 percent) than the current rate:

	1% Decrease (2.13%)	Current Rate (3.13%)	1% Increase (4.13%)
Primary Government:			
Total OPEB liability	\$ 7,838,262	\$ 8,691,666	\$ 9,727,740
School Board:			
Total OPEB liability	\$ 9,780,175	\$ 10,702,158	\$ 11,811,029

Note 21. Other Postemployment Benefits - Health Insurance Program (continued)

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate. The following presents the City and the School Board’s total OPEB liability using the healthcare cost trend rate of 7 percent decreasing to 5 percent over 8 years, as well as what the total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower (6 percent decreasing to 4 percent over 8 years) or one percentage point higher (8 percent decreasing to 6 percent over 8 years) than the current rate:

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Primary Government:			
Total OPEB liability	\$ 9,594,311	\$ 8,691,666	\$ 7,888,357
School Board:			
Total OPEB liability	\$ 11,693,585	\$ 10,702,158	\$ 9,822,952

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

For the year ended June 30, 2019, the City and the School Board recognized OPEB expense of \$680,861 and \$964,942, respectively. At June 30, 2019, the City and the School Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Primary Government</u>		<u>School Board</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Employer contributions subsequent to the measurement date	\$ 370,311	\$ -	\$ 819,448	\$ -
Total	<u>\$ 370,311</u>	<u>\$ -</u>	<u>\$ 819,448</u>	<u>\$ -</u>

The deferred outflows of resources related to OPEB resulting from the contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020.

Harrisonburg Electric Commission

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

Note 22. 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 2019, the City’s contributions totaled \$6,016,007 of which \$2,561,468 was for operations, \$3,127,824 was for debt service and \$326,715 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.

Note 22. Joint Ventures (continued)

The Authority has \$63.7 million of total debt outstanding at June 30, 2019. The City's share of the required principal and interest payments for the Authority's bond issues is projected as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 2,275,760	\$ 931,688	\$ 3,207,448
2021	2,652,298	847,343	3,499,641
2022	2,750,475	751,710	3,502,185
2023	1,947,914	675,246	2,623,160
2024	2,004,100	619,060	2,623,160
2025-2029	10,926,147	2,189,653	13,115,800
2030-2034	5,897,938	823,981	6,721,919
2035-2039	2,817,781	438,088	3,255,869
2040-2044	2,352,831	176,159	2,528,990
2045	250,085	2,813	252,898
Total	<u>\$ 33,875,329</u>	<u>\$ 7,455,741</u>	<u>\$ 41,331,070</u>

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, 2019</u>	<u>June 30, 2018</u>	<u>Increase (Decrease)</u>
Current assets	\$ 5,032,027	\$ 5,267,007	\$ (234,980)
Restricted assets	3,484,567	3,222,315	262,252
Capital assets	97,476,198	90,789,855	6,686,343
Other assets	820,890	806,462	14,428
Total assets	<u>106,813,682</u>	<u>100,085,639</u>	<u>6,728,043</u>
Deferred outflows of resources	356,274	506,030	(149,756)
Current liabilities	3,407,976	3,461,321	(53,345)
Liabilities payable from restricted assets	3,185,369	2,822,558	362,811
Long-term liabilities	59,979,830	55,450,783	4,529,047
Total liabilities	<u>66,573,175</u>	<u>61,734,662</u>	<u>4,838,513</u>
Deferred inflows of resources	122,178	176,244	(54,066)
Net position	<u>\$ 40,474,603</u>	<u>\$ 38,680,763</u>	<u>\$ 1,793,840</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 2019, the City's contributions totaled \$2,244,118. 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.

Note 22. 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 HRECC.

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	Increase (Decrease)
Current assets	\$ 2,517,550	\$ 3,160,082	\$ (642,532)
Capital assets	<u>7,951,104</u>	<u>5,267,073</u>	<u>2,684,031</u>
Total assets	<u>10,468,654</u>	<u>8,427,155</u>	<u>2,041,499</u>
Deferred outflows of resources	<u>276,171</u>	<u>288,654</u>	<u>(12,483)</u>
Current liabilities	356,761	379,740	(22,979)
Long-term liabilities	<u>2,203,147</u>	<u>2,247,804</u>	<u>(44,657)</u>
Total liabilities	<u>2,559,908</u>	<u>2,627,544</u>	<u>(67,636)</u>
Deferred inflows of resources	<u>194,685</u>	<u>306,706</u>	<u>(112,021)</u>
Net position	<u>\$ 7,990,232</u>	<u>\$ 5,781,559</u>	<u>\$ 2,208,673</u>

Note 23. 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 \$3,522,572 to the District in fiscal year 2019.

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 \$260,336 to the Commission in fiscal year 2019.

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 \$1,030,987 to the Authority in fiscal year 2019 of which \$761,183 was for operations and \$269,804 was for debt service.

Note 24. 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 25. Transactions with Component Units

In fiscal year 2019, the City’s General Fund made contributions to the School Board, a component unit, totaling \$33,804,421. These contributions are made in equal monthly installments for the purpose of funding the School Board’s operating budget.

In fiscal year 2019, the Harrisonburg Electric Commission, a component unit, made contributions to the City’s General Fund totaling \$5,200,000. These contributions are made in equal monthly installments for the purpose of funding the General Fund budget.

Note 26. Commitments

The Harrisonburg City School Board (School Board) entered into an interim agreement pursuant to the Virginia Public-Private Education and Infrastructure Act (PPEA) for the design of a second high school. The interim PPEA agreement totals \$3.2 million, of which \$792,112 had been expended as of June 30, 2019. This contract is a commitment of the School Bond Capital Projects Fund and is being financed through transfers from the General Fund and a contribution from the School Board.

The following is a summary of significant encumbrances at June 30, 2019.

	General Fund	General Capital Projects Fund	Total
Fire truck	\$ 557,949	\$ -	\$ 557,949
Police vehicle replacements	251,199	-	251,199
Sidewalk, curb and gutter replacements	237,559	-	237,559
Purcell Park master plan	119,501	-	119,501
Chicago Avenue/Mount Clinton Pike improvements	-	174,550	174,550
Downtown streetscape improvements	-	126,585	126,585
Other purposes	623,366	95,439	718,805
Total encumbrances	<u>\$ 1,789,574</u>	<u>\$ 396,574</u>	<u>\$ 2,186,148</u>

Note 27. 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, 2019, the City has recorded an intangible asset for the purchased capacity of the jail in the amount of \$9,335,555 (net of depreciation) and a liability of \$5,994,375 in governmental activities on the government-wide statement of net position.

Note 28. Hotel and Conference Center

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

The City has entered into a support agreement with the EDA whereas the City has agreed to a non-binding moral obligation pledge to appropriate all tax and other revenue generated from the hotel and conference center to the EDA to the extent necessary to reimburse the Foundation for its annual debt payments and the EDA has a non-recourse note to pay to the Foundation such appropriated funds received from the City and generated by tax revenue from the hotel and conference center. The pledged tax revenue will be calculated every September 1. The agreement remains in force for a maximum of 21 years from the date of the Certificate of Occupancy. The City's obligation terminates upon the repayment of the Foundation's construction debt or if the hotel and conference center ceases operations for one year. The agreement does not legally obligate the City for any debt incurred by the Foundation. Estimated construction costs of the conference center portion of the project are estimated to be \$11 million. The City's reimbursement obligation to the EDA totaled \$867,002 for fiscal year 2019.

Note 29. 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 30. 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, line of duty, workman's compensation, boiler and machinery. Each VML member jointly and severally agrees to assume, pay and discharge any liability. The City makes contributions and assessments into a designated cash reserve fund. This reserve fund is used to pay claims and awards, as well as, expenses incurred by VML. In the event of a loss deficit and depletion of all available excess reserves, VML may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs. However, since the inception of this insurance association, no additional assessments have been required. There has been no reduction in insurance coverage from coverage in the prior year. Insurance settlements have not exceeded insurance coverage for each of the past three fiscal years. The City insures its transit buses through the Virginia Transit Liability Pool.

Note 30. Risk Management (continued)

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

The City records an estimated liability for indemnity health care claims. Claims liabilities are based on estimates of the ultimate cost of reported claims, related claim adjustment expenses and an estimate for claims incurred but not reported (IBNR) based on historical experience. The following represents the change in approximate aggregate liabilities for the fund from July 1, 2017 to June 30, 2019:

<u>Fiscal Year</u>	<u>Beginning Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Ending Liability</u>
2019	\$ 786,521	\$ 16,112,775	\$ 15,567,598	\$ 1,331,698
2018	1,047,849	14,630,712	14,892,040	786,521

Note 31. Subsequent Event

On July 24, 2019, the City issued a \$4,950,000 general obligation bond to the Virginia Resources Authority on-behalf of the Harrisonburg-Rockingham Community Services Board (CSB) for the construction of a new CSB facility and to renovate existing facilities. The CSB has agreed to reimburse the City for one-third of all future debt service payments.

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 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 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.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. This Statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practices with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The provisions of this Statement are effective for fiscal year 2022.

**REQUIRED
SUPPLEMENTARY INFORMATION**

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

Exhibit 12

	Plan Year				
	2018	2017	2016	2015	2014
Total pension liability					
Service cost	\$ 2,927,437	\$ 3,022,461	\$ 3,026,951	\$ 2,906,016	\$ 2,799,358
Interest	9,390,900	9,266,705	8,791,188	8,375,607	7,980,324
Difference between expected and actual experience	399,173	(2,778,869)	1,637,704	173,707	-
Changes of assumptions	-	(1,001,160)	-	-	-
Benefit payments, including refunds of employee contributions	(6,175,039)	(6,597,062)	(5,552,156)	(5,214,037)	(4,954,890)
Other changes	503,292	(346,983)	(591,727)	(181,986)	44,008
Net change in total pension liability	7,045,763	1,565,092	7,311,960	6,059,307	5,868,800
Total pension liability - beginning	137,243,227	135,678,135	128,366,175	122,306,868	116,438,068
Total pension liability - ending	\$ 144,288,990	\$ 137,243,227	\$ 135,678,135	\$ 128,366,175	\$ 122,306,868
Plan fiduciary net position					
Contributions - employer	\$ 3,283,365	\$ 3,208,670	\$ 3,431,172	\$ 3,421,755	\$ 3,240,732
Contributions - employee	1,420,715	1,443,412	1,366,616	1,346,545	1,327,453
Net investment income	8,554,332	12,766,065	1,833,241	4,629,283	13,820,151
Benefit payments, including refunds of employee contributions	(6,175,039)	(6,597,062)	(5,552,156)	(5,214,037)	(4,954,890)
Administrative expense	(73,671)	(74,175)	(65,026)	(62,898)	(74,068)
Other changes	421,975	(304,054)	(460,018)	(149,841)	33,750
Net change in fiduciary net position	7,431,677	10,442,856	553,829	3,970,807	13,393,128
Plan fiduciary net position - beginning	115,728,219	105,285,363	104,731,534	100,760,727	87,367,599
Plan fiduciary net position - ending	\$ 123,159,896	\$ 115,728,219	\$ 105,285,363	\$ 104,731,534	\$ 100,760,727
Change in net pension liability	\$ (385,914)	\$ (8,877,764)	\$ 6,758,131	\$ 2,088,500	\$ (7,524,328)
Net pension liability - beginning	21,515,008	30,392,772	23,634,641	21,546,141	29,070,469
Net pension liability - ending	\$ 21,129,094	\$ 21,515,008	\$ 30,392,772	\$ 23,634,641	\$ 21,546,141
Plan fiduciary net position as a percentage of the total pension liability	85.36%	84.32%	77.60%	81.59%	82.38%
Covered payroll	\$ 28,492,059	\$ 27,653,817	\$ 27,055,004	\$ 26,909,663	\$ 25,811,638
Net pension liability as a percentage of covered payroll	74.16%	77.80%	112.34%	87.83%	83.47%

The plan years above are reported in the financial statements in the fiscal year following the plan year. For example, plan year 2017 information was presented in the fiscal year 2018 financial statements.

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

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

Exhibit 13

	Fiscal Year				
	2019	2018	2017	2016	2015
Contractually required contribution	\$ 3,296,137	\$ 3,283,363	\$ 3,207,887	\$ 3,431,172	\$ 3,421,755
Contributions in relation to the contractually required contribution	<u>3,296,137</u>	<u>3,283,363</u>	<u>3,207,887</u>	<u>3,431,172</u>	<u>3,421,755</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 30,041,564	\$ 28,492,059	\$ 27,653,817	\$ 27,055,004	\$ 26,909,663
Contributions as a percentage of covered payroll	10.97%	11.52%	11.60%	12.68%	12.72%

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

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

Exhibit 14

	Plan Year				
	2018	2017	2016	2015	2014
Total pension liability					
Service cost	\$ 201,048	\$ 199,527	\$ 204,651	\$ 211,969	\$ 215,283
Interest	486,490	479,180	470,931	452,999	431,841
Difference between expected and actual experience	(115,580)	(180,228)	(161,984)	6,161	-
Changes of assumptions	-	(31,097)	-	-	-
Benefit payments, including refunds of employee contributions	(333,991)	(391,895)	(399,639)	(430,270)	(259,447)
Net change in total pension liability	237,967	75,487	113,959	240,859	387,677
Total pension liability - beginning	7,116,858	7,041,371	6,927,412	6,686,553	6,298,876
Total pension liability - ending	<u>\$ 7,354,825</u>	<u>\$ 7,116,858</u>	<u>\$ 7,041,371</u>	<u>\$ 6,927,412</u>	<u>\$ 6,686,553</u>
Plan fiduciary net position					
Contributions - employer	\$ 91,985	\$ 84,555	\$ 131,249	\$ 132,185	\$ 156,508
Contributions - employee	101,840	92,741	92,983	93,767	97,148
Net investment income	573,959	860,467	121,916	320,003	971,483
Benefit payments, including refunds of employee contributions	(333,991)	(391,895)	(399,639)	(430,270)	(259,447)
Administrative expense	(4,976)	(5,077)	(4,533)	(4,518)	(5,184)
Other changes	(510)	(761)	(52)	(69)	51
Net change in fiduciary net position	428,307	640,030	(58,076)	111,098	960,559
Plan fiduciary net position - beginning	7,788,535	7,148,505	7,206,581	7,095,483	6,134,924
Plan fiduciary net position - ending	<u>\$ 8,216,842</u>	<u>\$ 7,788,535</u>	<u>\$ 7,148,505</u>	<u>\$ 7,206,581</u>	<u>\$ 7,095,483</u>
Change in net pension liability	\$ (190,340)	\$ (564,543)	\$ 172,035	\$ 129,761	\$ (572,882)
Net pension liability (asset) - beginning	(671,677)	(107,134)	(279,169)	(408,930)	163,952
Net pension liability (asset) - ending	<u>\$ (862,017)</u>	<u>\$ (671,677)</u>	<u>\$ (107,134)</u>	<u>\$ (279,169)</u>	<u>\$ (408,930)</u>
Plan fiduciary net position as a percentage of the total pension liability	111.72%	109.44%	101.52%	104.03%	106.12%
Covered payroll	\$ 2,157,068	\$ 1,956,491	\$ 1,927,977	\$ 1,921,153	\$ 1,941,438
Net pension liability as a percentage of covered payroll	-39.96%	-34.33%	-5.56%	-14.53%	-21.06%

The plan years above are reported in the financial statements in the fiscal year following the plan year. For example, plan year 2017 information was presented in the fiscal year 2018 financial statements.

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

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

Exhibit 15

	Fiscal Year				
	2019	2018	2017	2016	2015
Contractually required contribution	\$ 77,160	\$ 91,974	\$ 86,379	\$ 131,459	\$ 132,185
Contributions in relation to the contractually required contribution	<u>77,160</u>	<u>91,974</u>	<u>86,379</u>	<u>131,459</u>	<u>132,185</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 2,328,914	\$ 2,157,068	\$ 1,956,491	\$ 1,927,977	\$ 1,921,153
Contributions as a percentage of covered payroll	3.31%	4.26%	4.41%	6.82%	6.88%

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

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

Exhibit 16

	Plan Year				
	2018	2017	2016	2015	2014
Proportion of the net pension liability	0.48893%	0.47233%	0.45714%	0.44562%	0.44712%
Proportionate share of the net pension liability	\$ 57,498,000	\$ 58,087,000	\$ 64,064,000	\$ 56,088,000	\$ 54,033,000
Covered payroll	\$ 39,699,504	\$ 37,191,094	\$ 34,585,344	\$ 33,237,754	\$ 32,684,093
Proportionate share of the net pension liability as a percentage of its covered payroll	144.83%	156.19%	185.23%	168.75%	165.32%
Plan fiduciary net position as a percentage of the total pension liability	74.81%	72.92%	68.28%	70.68%	70.88%

The plan years above are reported in the financial statements in the fiscal year following the plan year. For example, plan year 2017 information was presented in the fiscal year 2018 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 Five Fiscal Years

Exhibit 17

	Fiscal Year				
	2019	2018	2017	2016	2015
Contractually required contribution	\$ 6,300,654	\$ 6,173,973	\$ 5,307,792	\$ 4,835,653	\$ 4,676,599
Contributions in relation to the contractually required contribution	<u>6,300,654</u>	<u>6,173,973</u>	<u>5,307,792</u>	<u>4,835,653</u>	<u>4,676,599</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 41,189,879	\$ 39,699,504	\$ 37,191,094	\$ 34,585,344	\$ 33,237,754
Contributions as a percentage of covered payroll	15.30%	15.55%	14.27%	13.98%	14.07%

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

SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY

PRIMARY GOVERNMENT AND HARRISONBURG ELECTRIC COMMISSION GROUP LIFE INSURANCE PROGRAM

Last Two Plan Years

	Plan Year	
	2018	2017
Proportion of the net OPEB liability	0.14999%	0.14998%
Proportionate share of the net OPEB liability	\$ 2,286,723	\$ 2,251,536
Covered payroll	\$ 28,492,059	\$ 27,653,817
Proportionate share of the net OPEB liability as a percentage of its covered payroll	8.03%	8.14%
Plan fiduciary net position as a percentage of the total OPEB liability	51.22%	48.86%

The plan years above are reported in the financial statements in the fiscal year following the plan year. For example, plan year 2017 information is presented in the fiscal year 2018 financial statements.

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

**CITY OF HARRISONBURG, VIRGINIA
SCHEDULE OF OPEB CONTRIBUTIONS**

Exhibit 19

**PRIMARY GOVERNMENT AND HARRISONBURG ELECTRIC COMMISSION GROUP LIFE INSURANCE PROGRAM
Last Two Fiscal Years**

	Fiscal Year	
	2019	2018
Contractually required contribution	\$ 157,904	\$ 149,509
Contributions in relation to the contractually required contribution	157,904	149,509
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 30,041,564	\$ 28,492,059
Contributions as a percentage of covered payroll	0.52%	0.52%

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

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

Exhibit 20

	Plan Year	
	2018	2017
Proportion of the net OPEB liability	0.22044%	0.21406%
Proportionate share of the net OPEB liability	\$ 3,347,000	\$ 3,221,000
Covered payroll	\$ 41,856,572	\$ 39,147,585
Proportionate share of the net OPEB liability as a percentage of its covered payroll	8.00%	8.23%
Plan fiduciary net position as a percentage of the total OPEB liability	51.22%	48.86%

The plan years above are reported in the financial statements in the fiscal year following the plan year. For example, plan year 2017 information is presented in the fiscal year 2018 financial statements.

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

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

Exhibit 21

	Fiscal Year	
	2019	2018
Contractually required contribution	\$ 228,186	\$ 217,876
Contributions in relation to the contractually required contribution	228,186	217,876
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 43,518,793	\$ 41,856,572
Contributions as a percentage of covered payroll	0.52%	0.52%

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

CITY OF HARRISONBURG, VIRGINIA
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
SCHOOL BOARD HEALTH INSURANCE CREDIT PROGRAM
Last Two Plan Years

Exhibit 22

	Plan Year	
	2018	2017
Proportion of the net OPEB liability	0.49147%	0.47489%
Proportionate share of the net OPEB liability	\$ 6,240,000	\$ 6,025,000
Covered payroll	\$ 39,699,504	\$ 37,191,094
Proportionate share of the net OPEB liability as a percentage of its covered payroll	15.72%	16.20%
Plan fiduciary net position as a percentage of the total OPEB liability	8.08%	7.04%

The plan years above are reported in the financial statements in the fiscal year following the plan year. For example, plan year 2017 information is presented in the fiscal year 2018 financial statements.

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

**CITY OF HARRISONBURG, VIRGINIA
 SCHEDULE OF OPEB CONTRIBUTIONS
 SCHOOL BOARD HEALTH INSURANCE CREDIT PROGRAM
 Last Two Fiscal Years**

Exhibit 23

	Fiscal Year	
	2019	2018
Contractually required contribution	\$ 496,347	\$ 480,598
Contributions in relation to the contractually required contribution	496,347	480,598
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 41,189,879	\$ 39,699,504
Contributions as a percentage of covered payroll	1.23%	1.23%

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

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

Exhibit 24

	Plan Year	
	2018	2017
Total OPEB liability		
Service cost	\$ 417,069	\$ 397,209
Interest	263,792	253,632
Benefit payments	<u>(346,085)</u>	<u>(323,444)</u>
Net change in total OPEB liability	334,776	327,397
Total OPEB liability - beginning	<u>8,356,890</u>	<u>8,029,493</u>
Total OPEB liability - ending	<u><u>\$ 8,691,666</u></u>	<u><u>\$ 8,356,890</u></u>
Covered payroll	\$ 25,454,327	\$ 24,715,319
Total OPEB liability as a percentage of covered payroll	34.15%	33.81%

The plan years above are reported in the financial statements in the fiscal year following the plan year. For example, plan year 2017 information is presented in the fiscal year 2018 financial statements.

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

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

Exhibit 25

	Plan Year	
	2018	2017
Total OPEB liability		
Service cost	\$ 640,131	\$ 609,649
Interest	324,811	318,768
Benefit payments	<u>(765,839)</u>	<u>(715,737)</u>
Net change in total OPEB liability	199,103	212,680
Total OPEB liability - beginning	<u>10,503,055</u>	<u>10,290,375</u>
Total OPEB liability - ending	<u><u>\$ 10,702,158</u></u>	<u><u>\$ 10,503,055</u></u>
Covered payroll	\$ 41,856,572	\$ 39,147,585
Total OPEB liability as a percentage of covered payroll	25.57%	26.83%

The plan years above are reported in the financial statements in the fiscal year following the plan year. For example, plan year 2017 information is presented in the fiscal year 2018 financial statements.

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

CITY OF HARRISONBURG, VIRGINIA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2019

Note 1. Pension Plans

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

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

Changes of Assumptions. The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Largest – Non-Hazardous Duty:

- Updated mortality table to RP-2014 projected to 2020
- Lowered retirement rates at older ages and changed final retirement from 70 to 75
- Adjusted withdrawal rates at each year age and service through 9 years of service
- Decreased disability rates
- Increased line of duty disability rates from 14% to 20%

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

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

Largest 10 – Hazardous Duty:

- Updated mortality table to RP-2014 projected to 2020
- Lowered retirement rates at older ages
- Adjusted withdrawal rates at each year age and service through 9 years of service
- Increased disability rates
- Increased line of duty disability rates from 60% to 70%

All Others (Non 10 Largest) – Hazardous Duty:

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

Teacher Cost-Sharing Pool:

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

Note 2. VRS Other Postemployment Benefit Plans (OPEB)

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

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

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

**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, 2019

Exhibit A-1

	<u>Special Revenue Funds</u>			<u>Total Nonmajor Governmental Funds</u>
	<u>Community Development Block Grant Fund</u>	<u>School Transportation Fund</u>	<u>Business Loan Program Fund</u>	
Assets				
Cash and cash equivalents	\$ -	\$ 439,483	\$ 150,449	\$ 589,932
Receivables	46,276	6,409	475	53,160
Due from component units	-	60,117	-	60,117
Prepaid expenditures	-	36,341	-	36,341
Loans receivable	-	-	115,589	115,589
Total assets	<u>\$ 46,276</u>	<u>\$ 542,350</u>	<u>\$ 266,513</u>	<u>\$ 855,139</u>
Liabilities				
Accounts payable	\$ 1,038	\$ 7,602	\$ -	\$ 8,640
Accrued payroll	1,114	200,896	-	202,010
Due to other funds	44,124	-	-	44,124
Due to component units	-	2,258	-	2,258
Total liabilities	<u>46,276</u>	<u>210,756</u>	<u>-</u>	<u>257,032</u>
Deferred Inflows of Resources				
Unavailable revenue	-	604	115,589	116,193
Total deferred inflows of resources	<u>-</u>	<u>604</u>	<u>115,589</u>	<u>116,193</u>
Fund Balances				
Nonspendable	-	36,341	-	36,341
Committed	-	229,649	46,924	276,573
Assigned	-	65,000	104,000	169,000
Total fund balances	<u>-</u>	<u>330,990</u>	<u>150,924</u>	<u>481,914</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 46,276</u>	<u>\$ 542,350</u>	<u>\$ 266,513</u>	<u>\$ 855,139</u>

CITY OF HARRISONBURG, VIRGINIA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2019

Exhibit A-2

	<u>Special Revenue Funds</u>			<u>Total Nonmajor Governmental Funds</u>
	<u>Community Development Block Grant Fund</u>	<u>School Transportation Fund</u>	<u>Business Loan Program Fund</u>	
Revenues:				
Use of money and property	\$ -	\$ 3,052	\$ 3,876	\$ 6,928
Charges for services	-	4,028,203	-	4,028,203
Miscellaneous	-	17,850	53,467	71,317
Intergovernmental	806,420	-	-	806,420
Total revenues	<u>806,420</u>	<u>4,049,105</u>	<u>57,343</u>	<u>4,912,868</u>
Expenditures:				
Current:				
Education	-	4,118,307	-	4,118,307
Community development	806,420	-	75,500	881,920
Total expenditures	<u>806,420</u>	<u>4,118,307</u>	<u>75,500</u>	<u>5,000,227</u>
Net change in fund balances	-	(69,202)	(18,157)	(87,359)
Fund balances at beginning of year	-	400,192	169,081	569,273
Fund balances at end of year	<u>\$ -</u>	<u>\$ 330,990</u>	<u>\$ 150,924</u>	<u>\$ 481,914</u>

SCHOOL TRANSPORTATION FUND

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

For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Use of money and property	\$ 2,000	\$ 2,000	\$ 3,052	\$ 1,052
Charges for services	4,094,128	4,094,128	4,028,203	(65,925)
Miscellaneous	30,000	30,000	17,850	(12,150)
Total revenues	<u>4,126,128</u>	<u>4,126,128</u>	<u>4,049,105</u>	<u>(77,023)</u>
Expenditures:				
Current:				
Education	4,177,128	4,177,128	4,118,307	58,821
Total expenditures	<u>4,177,128</u>	<u>4,177,128</u>	<u>4,118,307</u>	<u>58,821</u>
Deficiency of revenues under expenditures	<u>\$ (51,000)</u>	<u>\$ (51,000)</u>	(69,202)	<u>\$ (135,844)</u>
Fund balance at beginning of year			<u>400,192</u>	
Fund balance at end of year			<u>\$ 330,990</u>	

BUSINESS LOAN PROGRAM FUND

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

For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Use of money and property	\$ -	\$ -	\$ 3,876	\$ 3,876
Miscellaneous	34,000	34,000	53,467	19,467
Total revenues	<u>34,000</u>	<u>34,000</u>	<u>57,343</u>	<u>23,343</u>
Expenditures:				
Current:				
Community development	125,000	125,000	75,500	49,500
Total expenditures	<u>125,000</u>	<u>125,000</u>	<u>75,500</u>	<u>49,500</u>
Deficiency of revenues under expenditures	<u>\$ (91,000)</u>	<u>\$ (91,000)</u>	(18,157)	<u>\$ (26,157)</u>
Fund balance at beginning of year			<u>169,081</u>	
Fund balance at end of year			<u>\$ 150,924</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, 2019

Exhibit B-1

	<u>Central Garage Fund</u>	<u>Central Stores Fund</u>	<u>Health Insurance Fund</u>	<u>Total</u>
Assets				
Current assets:				
Cash and cash equivalents	\$ 934,123	\$ -	\$ 9,397,320	\$ 10,331,443
Receivables	5,919	-	210	6,129
Due from component units	8,422	-	-	8,422
Inventory	98,646	1,118,481	-	1,217,127
Prepaid expenses	19,877	-	-	19,877
Total current assets	<u>1,066,987</u>	<u>1,118,481</u>	<u>9,397,530</u>	<u>11,582,998</u>
Noncurrent assets:				
Capital assets (net of accumulated depreciation)	5,673,320	495,616	-	6,168,936
Total noncurrent assets	<u>5,673,320</u>	<u>495,616</u>	<u>-</u>	<u>6,168,936</u>
Total assets	<u>6,740,307</u>	<u>1,614,097</u>	<u>9,397,530</u>	<u>17,751,934</u>
Deferred outflows of resources				
Deferred OPEB outflows	14,072	1,369	-	15,441
Deferred pension outflows	88,524	11,112	-	99,636
Total deferred outflows of resources	<u>102,596</u>	<u>12,481</u>	<u>-</u>	<u>115,077</u>
Liabilities				
Current liabilities:				
Accounts payable	141,782	1,887	1,331,698	1,475,367
Accrued payroll	28,199	3,754	-	31,953
Due to other funds	-	75,834	-	75,834
Due to component units	1,951	365	-	2,316
Compensated absences	43,253	7,518	-	50,771
Total current liabilities	<u>215,185</u>	<u>89,358</u>	<u>1,331,698</u>	<u>1,636,241</u>
Noncurrent liabilities:				
Compensated absences	25,023	7,660	-	32,683
Net OPEB liability	239,150	19,704	-	258,854
Net pension liability	446,699	56,071	-	502,770
Total noncurrent liabilities	<u>710,872</u>	<u>83,435</u>	<u>-</u>	<u>794,307</u>
Total liabilities	<u>926,057</u>	<u>172,793</u>	<u>1,331,698</u>	<u>2,430,548</u>
Deferred inflows of resources				
Deferred OPEB inflows	4,500	615	-	5,115
Deferred pension inflows	64,080	8,044	-	72,124
Total deferred inflows of resources	<u>68,580</u>	<u>8,659</u>	<u>-</u>	<u>77,239</u>
Net position				
Net investment in capital assets	5,673,320	495,616	-	6,168,936
Unrestricted	174,946	949,510	8,065,832	9,190,288
Total net position	<u>\$ 5,848,266</u>	<u>\$ 1,445,126</u>	<u>\$ 8,065,832</u>	<u>\$ 15,359,224</u>

CITY OF HARRISONBURG, VIRGINIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended June 30, 2019

Exhibit B-2

	<u>Central Garage Fund</u>	<u>Central Stores Fund</u>	<u>Health Insurance Fund</u>	<u>Total</u>
Operating revenues:				
Charges for services	\$ 4,475,531	\$ 841,454	\$ 19,595,888	\$ 24,912,873
Total operating revenues	<u>4,475,531</u>	<u>841,454</u>	<u>19,595,888</u>	<u>24,912,873</u>
Operating expenses:				
Personal services	706,854	93,082	-	799,936
Fringe benefits	229,600	34,431	-	264,031
Purchased services	282,442	9,390	119,482	411,314
Internal services	3,825	2,747	-	6,572
Other charges	92,548	13,479	851,326	957,353
Materials and supplies	42,795	4,265	-	47,060
Depreciation	176,439	18,881	-	195,320
Cost of inventory issued	2,811,549	843,224	-	3,654,773
Claims related charges	-	-	16,112,775	16,112,775
Total operating expenses	<u>4,346,052</u>	<u>1,019,499</u>	<u>17,083,583</u>	<u>22,449,134</u>
Operating income (loss)	<u>129,479</u>	<u>(178,045)</u>	<u>2,512,305</u>	<u>2,463,739</u>
Nonoperating revenues:				
Miscellaneous revenue	2,837	1,058	-	3,895
Investment revenue	16,256	-	129,777	146,033
Loss on disposal of capital assets	(3,191)	-	-	(3,191)
Total nonoperating revenues	<u>15,902</u>	<u>1,058</u>	<u>129,777</u>	<u>146,737</u>
Income (loss) before transfers	145,381	(176,987)	2,642,082	2,610,476
Transfers in	-	181,782	-	181,782
Change in net position	145,381	4,795	2,642,082	2,792,258
Net position at beginning of year	<u>5,702,885</u>	<u>1,440,331</u>	<u>5,423,750</u>	<u>12,566,966</u>
Net position at end of year	<u>\$ 5,848,266</u>	<u>\$ 1,445,126</u>	<u>\$ 8,065,832</u>	<u>\$ 15,359,224</u>

CITY OF HARRISONBURG, VIRGINIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2019

	<u>Central Garage Fund</u>	<u>Central Stores Fund</u>	<u>Health Insurance Fund</u>	<u>Total</u>
Cash flows from operating activities:				
Receipts from customers	\$ 4,478,765	\$ 841,454	\$ -	\$ 5,320,219
Receipts from premiums	-	-	19,595,888	19,595,888
Receipts other sources	2,822	1,058	-	3,880
Payments to employees	(708,106)	(90,945)	-	(799,051)
Payments for fringe benefits	(266,392)	(39,029)	-	(305,421)
Payments to vendors	(3,212,703)	(947,645)	(970,808)	(5,131,156)
Payments for internal services	(3,825)	(2,747)	-	(6,572)
Payments for claims related charges	-	-	(15,567,598)	(15,567,598)
	<u>290,561</u>	<u>(237,854)</u>	<u>3,057,482</u>	<u>3,110,189</u>
Net cash provided by (used for) operating activities				
Cash flows from noncapital financing activities:				
Transfers in	-	181,782	-	181,782
Interfund loan	-	56,072	-	56,072
	<u>-</u>	<u>237,854</u>	<u>-</u>	<u>237,854</u>
Net cash provided by noncapital financing activities				
Cash flows from investing activities:				
Interest received	<u>16,226</u>	<u>-</u>	<u>129,567</u>	<u>145,793</u>
	<u>16,226</u>	<u>-</u>	<u>129,567</u>	<u>145,793</u>
Net cash provided by investing activities				
Net increase in cash and cash equivalents	306,787	-	3,187,049	3,493,836
Cash and cash equivalents:				
Beginning	<u>627,336</u>	<u>-</u>	<u>6,210,271</u>	<u>6,837,607</u>
Ending	<u>\$ 934,123</u>	<u>\$ -</u>	<u>\$ 9,397,320</u>	<u>\$ 10,331,443</u>

(continued)

CITY OF HARRISONBURG, VIRGINIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2019

	<u>Central Garage Fund</u>	<u>Central Stores Fund</u>	<u>Health Insurance Fund</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ 129,479	\$ (178,045)	\$ 2,512,305	\$ 2,463,739
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	176,439	18,881	-	195,320
Miscellaneous revenue	2,822	1,058	-	3,880
Change in assets, deferred outflows of resources, liabilities and deferred inflows of resources:				
(Increase) decrease in:				
Accounts receivable	5,186	-	-	5,186
Due from component units	(1,952)	-	-	(1,952)
Inventory	33,891	(55,969)	-	(22,078)
Prepaid expenses	(1,525)	-	-	(1,525)
Deferred outflows of resources	(1,280)	681	-	(599)
Increase (decrease) in:				
Accounts payable	(14,926)	(16,584)	545,177	513,667
Accrued payroll	1,648	153	-	1,801
Due to component units	(791)	(70)	-	(861)
Unearned revenue	-	-	-	-
Compensated absences	(3,004)	2,147	-	(857)
Net OPEB liability	8,214	483	-	8,697
Net pension liability	(10,046)	(5,459)	-	(15,505)
Deferred inflows of resources	(33,594)	(5,130)	-	(38,724)
Net cash provided by (used for) operating activities	<u>\$ 290,561</u>	<u>\$ (237,854)</u>	<u>\$ 3,057,482</u>	<u>\$ 3,110,189</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, 2019

Exhibit C-1

	<u>Economic Development Authority Fund</u>	<u>Emergency Communications Center Fund</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 117,931	\$ 1,967,366	\$ 2,085,297
Receivables	<u>4</u>	<u>300,442</u>	<u>300,446</u>
Total assets	<u>\$ 117,935</u>	<u>\$ 2,267,808</u>	<u>\$ 2,385,743</u>
Liabilities			
Accounts payable	\$ -	\$ 116,877	\$ 116,877
Accrued payroll	-	88,627	88,627
Amounts held for others	<u>117,935</u>	<u>2,062,304</u>	<u>2,180,239</u>
Total liabilities	<u>\$ 117,935</u>	<u>\$ 2,267,808</u>	<u>\$ 2,385,743</u>

CITY OF HARRISONBURG, VIRGINIA
 AGENCY FUNDS
 STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 For the Year Ended June 30, 2019

Exhibit C-2

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
<u>Economic Development Authority Fund</u>				
Assets:				
Cash and cash equivalents	\$ 115,263	\$ 446,216	\$ 443,548	\$ 117,931
Receivables	-	4	-	4
Total assets	\$ 115,263	\$ 446,220	\$ 443,548	\$ 117,935
Liabilities:				
Amounts held for others	\$ 115,263	\$ 446,220	\$ 443,548	\$ 117,935
Total liabilities	\$ 115,263	\$ 446,220	\$ 443,548	\$ 117,935
<u>Emergency Communications Center Fund</u>				
Assets:				
Cash and cash equivalents	\$ 2,781,810	\$ 7,460,432	\$ 8,274,876	\$ 1,967,366
Receivables	379,854	300,442	379,854	300,442
Total assets	\$ 3,161,664	\$ 7,760,874	\$ 8,654,730	\$ 2,267,808
Liabilities:				
Accounts payable	\$ 73,694	\$ 116,877	\$ 73,694	\$ 116,877
Accrued payroll	85,862	88,627	85,862	88,627
Amounts held for others	3,002,108	7,381,020	8,320,824	2,062,304
Total liabilities	\$ 3,161,664	\$ 7,586,524	\$ 8,480,380	\$ 2,267,808
<u>Total - All Agency Funds</u>				
Assets:				
Cash and cash equivalents	\$ 2,897,073	\$ 7,906,648	\$ 8,718,424	\$ 2,085,297
Receivables	379,854	300,446	379,854	300,446
Total assets	\$ 3,276,927	\$ 8,207,094	\$ 9,098,278	\$ 2,385,743
Liabilities:				
Accounts payable	\$ 73,694	\$ 116,877	\$ 73,694	\$ 116,877
Accrued payroll	85,862	88,627	85,862	88,627
Amounts held for others	3,117,371	7,827,240	8,764,372	2,180,239
Total liabilities	\$ 3,276,927	\$ 8,032,744	\$ 8,923,928	\$ 2,385,743

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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, 2019

Exhibit D-1

	<u>School Fund</u>	<u>School Nutrition Fund</u>	<u>School Capital Projects Fund</u>	<u>Totals</u>
Assets				
Cash and cash equivalents	\$ 8,655,130	\$ 1,960,768	\$ 27,093	\$ 10,642,991
Receivables	2,059,246	40,825	-	2,100,071
Inventory	-	170,331	-	170,331
Prepaid expenditures	473,044	15,000	-	488,044
Total assets	\$ 11,187,420	\$ 2,186,924	\$ 27,093	\$ 13,401,437
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 137,134	\$ 19,756	\$ 4,160	\$ 161,050
Accrued payroll	8,207,683	210,997	-	8,418,680
Due to primary government	64,013	261	-	64,274
Due to component units	112,749	-	-	112,749
Other liabilities	1,564,386	-	-	1,564,386
Total liabilities	10,085,965	231,014	4,160	10,321,139
Fund Balances:				
Nonspendable:				
Inventory	-	170,331	-	170,331
Prepaid expenditures	473,044	15,000	-	488,044
Committed to:				
Food services	-	1,770,579	-	1,770,579
Capital projects	-	-	22,933	22,933
Assigned to:				
Instruction	250,005	-	-	250,005
Administration, attendance and health	20,393	-	-	20,393
Pupil transportation	11,810	-	-	11,810
Operations and maintenance	160,041	-	-	160,041
Technology	150,286	-	-	150,286
Unassigned	35,876	-	-	35,876
Total fund balances	1,101,455	1,955,910	22,933	3,080,298
Total liabilities and fund balances	\$ 11,187,420	\$ 2,186,924	\$ 27,093	\$ 13,401,437

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, 2019

Exhibit D-2

Total fund balances of governmental funds (Exhibit D-1)		\$ 3,080,298
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.		46,971,602
Net pension assets are not current financial resources and, therefore, are not reported in the funds.		862,017
Long-term liabilities, and related accounts, are not payable from current financial resources and, therefore, are not reported in the funds.		(79,347,913)
Deferred outflows of resources and deferred inflows of resources related to OPEB and pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred OPEB outflows	\$ 2,261,981	
Deferred pension outflows	10,931,814	
Deferred OPEB inflows	(400,000)	
Deferred pension inflows	<u>(6,426,438)</u>	
Net adjustment	<u>\$ 6,367,357</u>	<u>6,367,357</u>
Net position of governmental activities (Exhibit 1)		\$ <u><u>(22,066,639)</u></u>

CITY OF HARRISONBURG, VIRGINIA
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2019

Exhibit D-3

	<u>School Fund</u>	<u>School Nutrition Fund</u>	<u>School Capital Projects Fund</u>	<u>Totals</u>
Revenues:				
Use of money and property	\$ 41,281	\$ 35,549	\$ -	\$ 76,830
Charges for services	1,520,090	451,342	-	1,971,432
Miscellaneous	296,933	27,609	-	324,542
Payment from primary government	33,804,421	-	-	33,804,421
Intergovernmental	44,643,951	4,073,619	-	48,717,570
Total revenues	<u>80,306,676</u>	<u>4,588,119</u>	<u>-</u>	<u>84,894,795</u>
Expenditures:				
Current:				
Instruction	61,906,736	-	-	61,906,736
Administration, attendance and health	4,526,906	-	-	4,526,906
Pupil transportation	4,072,358	-	-	4,072,358
Operations and maintenance	5,867,408	-	-	5,867,408
Food services	-	4,273,892	-	4,273,892
Technology	3,777,484	27,310	-	3,804,794
Payment to primary government	799,506	-	-	799,506
Capital projects	-	-	22,280	22,280
Total expenditures	<u>80,950,398</u>	<u>4,301,202</u>	<u>22,280</u>	<u>85,273,880</u>
Net change in fund balances	(643,722)	286,917	(22,280)	(379,085)
Fund balances at beginning of year	<u>1,745,177</u>	<u>1,668,993</u>	<u>45,213</u>	<u>3,459,383</u>
Fund balances at end of year	<u>\$ 1,101,455</u>	<u>\$ 1,955,910</u>	<u>\$ 22,933</u>	<u>\$ 3,080,298</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, 2019

Exhibit D-4

Total net change in fund balances of governmental funds (Exhibit D-3) \$ (379,085)

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	\$	191,879	
Depreciation expense		<u>(2,223,735)</u>	
Net adjustment	\$	<u>(2,031,856)</u>	(2,031,856)

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. (665,451)

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

Employer OPEB contributions	\$	1,543,981	
Employer pension contributions		6,377,814	
OPEB expense		(1,586,416)	
Pension expense		<u>(4,290,505)</u>	
Net adjustment	\$	<u>2,044,874</u>	2,044,874

The transfer of capital assets between the primary government and the School Board affects only the statement of activities. These transfers do not have an effect on current financial resources and, therefore, are not reported in governmental funds. 3,699,032

Change in net position of governmental activities (Exhibit 2) \$ 2,667,514

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, 2019

Exhibit D-5

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Use of money and property	\$ 30,000	\$ 30,000	\$ 41,281	\$ 11,281
Charges for services	1,523,633	1,523,633	1,520,090	(3,543)
Miscellaneous	341,042	371,406	296,933	(74,473)
Payment from primary government	34,612,539	34,419,222	33,804,421	(614,801)
Intergovernmental	43,443,389	44,085,151	44,643,951	558,800
Total revenues	<u>79,950,603</u>	<u>80,429,412</u>	<u>80,306,676</u>	<u>(122,736)</u>
Expenditures:				
Current:				
Instruction	61,318,279	61,910,277	61,906,736	3,541
Administration, attendance and health	4,533,159	4,592,002	4,526,906	65,096
Pupil transportation	4,327,727	4,198,923	4,072,358	126,565
Operations and maintenance	6,031,006	6,097,511	5,867,408	230,103
Technology	3,740,432	3,932,631	3,777,484	155,147
Payment to primary government	-	799,506	799,506	-
Total expenditures	<u>79,950,603</u>	<u>81,530,850</u>	<u>80,950,398</u>	<u>580,452</u>
Deficiency of revenues under expenditures	\$ <u>-</u>	\$ <u>(1,101,438)</u>	(643,722)	\$ <u>(703,188)</u>
Fund balance at beginning of year			<u>1,745,177</u>	
Fund balance at end of year			\$ <u>1,101,455</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, 2019

Exhibit D-6

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Use of money and property	\$ 10,000	\$ 10,000	\$ 35,549	\$ 25,549
Charges for services	676,105	676,105	451,342	(224,763)
Miscellaneous	10,000	10,000	27,609	17,609
Intergovernmental	3,732,000	3,732,000	4,073,619	341,619
Total revenues	<u>4,428,105</u>	<u>4,428,105</u>	<u>4,588,119</u>	<u>160,014</u>
Expenditures:				
Current:				
Food services	4,398,105	4,401,924	4,273,892	128,032
Technology	30,000	31,634	27,310	4,324
Total expenditures	<u>4,428,105</u>	<u>4,433,558</u>	<u>4,301,202</u>	<u>132,356</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (5,453)</u>	286,917	<u>\$ 27,658</u>
Fund balance at beginning of year			<u>1,668,993</u>	
Fund balance at end of year			<u>\$ 1,955,910</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, 2019

Fund, Major and Minor Revenue Sources	Final Budget	Actual	Variance Positive (Negative)
Primary Government:			
General Fund:			
General property taxes:			
Real property taxes	\$ 35,448,800	\$ 35,616,728	\$ 167,928
Real and personal public service corporation property taxes	474,700	491,573	16,873
Personal property taxes	9,987,100	10,197,508	210,408
Mobile home taxes	9,600	9,654	54
Machinery and tools taxes	2,274,300	2,341,959	67,659
Penalties and interest	285,000	319,730	34,730
Total general property taxes	<u>48,479,500</u>	<u>48,977,152</u>	<u>497,652</u>
Other local taxes:			
Local sales and use taxes	14,036,000	14,336,901	300,901
Consumer utility taxes	1,823,600	1,999,498	175,898
Business license taxes	6,988,300	7,155,016	166,716
Motor vehicle license taxes	1,306,100	1,283,426	(22,674)
Bank stock taxes	760,000	836,191	76,191
Taxes on recordation and wills	405,300	492,631	87,331
Tobacco taxes	547,800	533,382	(14,418)
Admission and amusement taxes	181,100	171,011	(10,089)
Hotel and motel room taxes	3,018,400	3,136,402	118,002
Restaurant food taxes	14,003,300	14,225,678	222,378
Short-term rental taxes	104,300	104,274	(26)
Public right-of-way use fee	95,000	87,790	(7,210)
Total other local taxes	<u>43,269,200</u>	<u>44,362,200</u>	<u>1,093,000</u>
Permits, privilege fees and regulatory licenses:			
Animal licenses	5,000	3,931	(1,069)
Permits and other licenses	618,100	622,417	4,317
Total permits, privilege fees and regulatory licenses	<u>623,100</u>	<u>626,348</u>	<u>3,248</u>
Fines and forfeitures:			
Court fines	625,000	567,202	(57,798)
Parking fines	45,000	91,290	46,290
Alarm ordinance	20,000	20,117	117
E-summons fee	70,000	49,245	(20,755)
Drug forfeiture	-	22,992	22,992
Total fines and forfeitures	<u>760,000</u>	<u>750,846</u>	<u>(9,154)</u>
Use of money and property:			
Use of money	550,000	1,050,416	500,416
Use of property	12,500	70,767	58,267
Total use of money and property	<u>562,500</u>	<u>1,121,183</u>	<u>558,683</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, 2019

Fund, Major and Minor Revenue Sources	Final Budget	Actual	Variance Positive (Negative)
Primary Government: (continued)			
General Fund: (continued)			
Charges for services:			
Charges for law enforcement and traffic control	\$ 50,000	\$ 68,192	\$ 18,192
Charges for parking	113,500	111,240	(2,260)
Charges for rescue services	100,000	98,301	(1,699)
Charges for parks and recreation	425,500	427,627	2,127
Charges for golf course	739,500	618,298	(121,202)
Total charges for services	<u>1,428,500</u>	<u>1,323,658</u>	<u>(104,842)</u>
Miscellaneous:			
Payments in lieu of taxes:			
Electric plant and equipment	587,200	587,214	14
Service charge on tax exempt property	87,000	96,144	9,144
Debt service reimbursement from HRHA	654,900	654,900	-
Donations - JMU & EMU	145,000	220,243	75,243
Donations	63,000	84,189	21,189
Other miscellaneous	385,173	478,912	93,739
Total miscellaneous	<u>1,922,273</u>	<u>2,121,602</u>	<u>199,329</u>
Payments from component units:			
Payment from Harrisonburg Electric Commission	5,200,000	5,200,000	-
Total payments from component units	<u>5,200,000</u>	<u>5,200,000</u>	<u>-</u>
Intergovernmental:			
Revenue from the Commonwealth:			
Non-categorical aid:			
Railroad rolling stock taxes	17,000	16,423	(577)
Mobile home titling taxes	2,500	4,398	1,898
Tax on deeds (grantor tax)	123,000	136,301	13,301
Personal property tax reimbursement	1,522,583	1,522,583	-
Communication sales and use taxes	1,462,000	1,372,498	(89,502)
Auto rental taxes	241,300	355,760	114,460
Animal friendly license plate	500	534	34
Total non-categorical aid	<u>3,368,883</u>	<u>3,408,497</u>	<u>39,614</u>
Categorical aid:			
Shared expenses:			
Commissioner of the revenue	137,000	146,645	9,645
Treasurer	125,800	126,816	1,016
Registrar	46,000	47,586	1,586
Total shared expenses	<u>308,800</u>	<u>321,047</u>	<u>12,247</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, 2019

Fund, Major and Minor Revenue Sources	Final Budget	Actual	Variance Positive (Negative)
Primary Government: (continued)			
General Fund: (continued)			
Intergovernmental: (continued)			
Revenue from the Commonwealth: (continued)			
Other categorical aid:			
Fire programs fund	\$ 163,526	\$ 169,306	\$ 5,780
Other fire department	41,232	50,953	9,721
Internet crimes against children grant	13,000	12,647	(353)
Litter control grant	9,900	10,988	1,088
State aid to localities, police	1,378,000	1,400,888	22,888
Street and highway maintenance	4,931,800	4,969,230	37,430
Other categorical aid	10,050	10,121	71
Total other categorical aid	<u>6,547,508</u>	<u>6,624,133</u>	<u>76,625</u>
Total categorical aid	<u>6,856,308</u>	<u>6,945,180</u>	<u>88,872</u>
Total revenue from the Commonwealth	<u>10,225,191</u>	<u>10,353,677</u>	<u>128,486</u>
Revenue from the Federal Government:			
Categorical aid:			
Fire grants	267,844	130,195	(137,649)
Police grants	172,756	135,841	(36,915)
Other categorical aid	8,654	19,672	11,018
Total revenue from the Federal Government	<u>449,254</u>	<u>285,708</u>	<u>(163,546)</u>
Total intergovernmental	<u>10,674,445</u>	<u>10,639,385</u>	<u>(35,060)</u>
Total General Fund	<u>\$ 112,919,518</u>	<u>\$ 115,122,374</u>	<u>\$ 2,202,856</u>
Special Revenue Funds:			
Community Development Block Grant Fund:			
Intergovernmental:			
Revenue from the Federal Government:			
Non-categorical aid:			
Community Development Block Grant	\$ 1,131,241	\$ 806,420	\$ (324,821)
Total revenue from the Federal Government	<u>1,131,241</u>	<u>806,420</u>	<u>(324,821)</u>
Total intergovernmental	<u>1,131,241</u>	<u>806,420</u>	<u>(324,821)</u>
Total Community Development Block Grant Fund	<u>\$ 1,131,241</u>	<u>\$ 806,420</u>	<u>\$ (324,821)</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, 2019

Fund, Major and Minor Revenue Sources	Final Budget	Actual	Variance Positive (Negative)
Primary Government: (continued)			
Special Revenue Funds: (continued)			
School Transportation Fund:			
Use of money and property	\$ 2,000	\$ 3,052	\$ 1,052
Charges for services	4,094,128	4,028,203	(65,925)
Miscellaneous	<u>30,000</u>	<u>17,850</u>	<u>(12,150)</u>
Total School Transportation Fund	<u>\$ 4,126,128</u>	<u>\$ 4,049,105</u>	<u>\$ (77,023)</u>
Business Loan Program Fund:			
Use of money and property	\$ -	\$ 3,876	\$ 3,876
Miscellaneous	<u>34,000</u>	<u>53,467</u>	<u>19,467</u>
Total Business Loan Program Fund	<u>\$ 34,000</u>	<u>\$ 57,343</u>	<u>\$ 23,343</u>
Total Special Revenue Funds	<u>\$ 5,291,369</u>	<u>\$ 4,912,868</u>	<u>\$ (378,501)</u>
Capital Projects Fund:			
General Capital Projects Fund:			
Miscellaneous	\$ 23,975	\$ -	\$ (23,975)
Recovered costs	1,747,776	617,164	(1,130,612)
Intergovernmental:			
Revenue from the Commonwealth:			
Categorical aid:			
VDOT smart scale funds	4,223,944	328,915	(3,895,029)
VDOT revenue sharing	5,939,485	1,226,029	(4,713,456)
VDFP - Burn building	<u>480,000</u>	<u>-</u>	<u>(480,000)</u>
Total revenue from the Commonwealth	<u>10,643,429</u>	<u>1,554,944</u>	<u>(9,088,485)</u>
Revenue from the Federal Government:			
Categorical aid:			
Transportation enhancement grant	2,552	-	(2,552)
Transportation alternatives program grant	<u>1,287,056</u>	<u>179,066</u>	<u>(1,107,990)</u>
Total revenue from the Federal Government	<u>1,289,608</u>	<u>179,066</u>	<u>(1,110,542)</u>
Total intergovernmental	<u>11,933,037</u>	<u>1,734,010</u>	<u>(10,199,027)</u>
Total General Capital Projects Fund	<u>\$ 13,704,788</u>	<u>\$ 2,351,174</u>	<u>\$ (11,353,614)</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, 2019

Fund, Major and Minor Revenue Sources	Final Budget	Actual	Variance Positive (Negative)
Primary Government: (continued)			
Capital Projects Fund: (continued)			
School Bond Capital Projects Fund:			
Payment from component units	\$ 799,506	\$ 799,506	\$ -
Total School Bond Capital Projects Fund	\$ 799,506	\$ 799,506	\$ -
Total Capital Projects Fund	\$ 14,504,294	\$ 3,150,680	\$ (11,353,614)
Grand Total Revenues (Primary Government)	\$ 132,715,181	\$ 123,185,922	\$ (9,529,259)
Component Unit - School Board:			
School Fund:			
Use of money and property	\$ 30,000	\$ 41,281	\$ 11,281
Charges for services	1,523,633	1,520,090	(3,543)
Miscellaneous	371,406	296,933	(74,473)
Payment from primary government	34,419,222	33,804,421	(614,801)
Intergovernmental:			
Revenue from the Commonwealth:			
Categorical aid:			
Share of state sales tax	6,183,631	6,279,740	96,109
Basic school aid	18,258,150	18,235,648	(22,502)
State standard of quality funds	3,547,215	3,521,500	(25,715)
Fringe benefits	3,424,074	3,425,244	1,170
At risk	2,351,999	2,547,184	195,185
Primary class size	1,596,753	1,559,279	(37,474)
English as second language	1,540,850	1,450,212	(90,638)
Regional tuition programs (special education)	1,678,492	1,324,255	(354,237)
Supplement	1,249,219	1,388,978	139,759
Other state funds	994,032	1,459,984	465,952
Total categorical aid	<u>40,824,415</u>	<u>41,192,024</u>	<u>367,609</u>
Total revenue from the Commonwealth	<u>40,824,415</u>	<u>41,192,024</u>	<u>367,609</u>
Revenue from the Federal Government:			
Categorical aid:			
Title I	1,396,816	1,422,646	25,830
Special education	1,099,195	1,233,470	134,275
Title III	211,166	238,545	27,379
ESEA - Title II Part A	174,935	230,070	55,135
Other federal funds	<u>378,624</u>	<u>327,196</u>	<u>(51,428)</u>
Total revenue from the Federal Government	<u>3,260,736</u>	<u>3,451,927</u>	<u>191,191</u>
Total intergovernmental	<u>44,085,151</u>	<u>44,643,951</u>	<u>558,800</u>
Total School Fund	\$ <u>80,429,412</u>	\$ <u>80,306,676</u>	\$ <u>(122,736)</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, 2019

Fund, Major and Minor Revenue Sources	Final Budget	Actual	Variance Positive (Negative)
Component Unit - School Board: (continued)			
School Nutrition Fund:			
Use of money and property	\$ 10,000	\$ 35,549	\$ 25,549
Charges for services	676,105	451,342	(224,763)
Miscellaneous	10,000	27,609	17,609
Intergovernmental:			
Revenue from the Commonwealth:			
Categorical aid:			
School food program	132,000	188,748	56,748
Total categorical aid	<u>132,000</u>	<u>188,748</u>	<u>56,748</u>
Total revenue from the Commonwealth	<u>132,000</u>	<u>188,748</u>	<u>56,748</u>
Revenue from the Federal Government:			
Categorical aid:			
School food program	3,600,000	3,610,386	10,386
USDA donated food	-	274,485	274,485
Total revenue from the Federal Government	<u>3,600,000</u>	<u>3,884,871</u>	<u>284,871</u>
Total intergovernmental	<u>3,732,000</u>	<u>4,073,619</u>	<u>341,619</u>
Total School Nutrition Fund	<u>\$ 4,428,105</u>	<u>\$ 4,588,119</u>	<u>\$ 160,014</u>
Grand Total Revenues (Component Unit - School Board)	<u>\$ 84,857,517</u>	<u>\$ 84,894,795</u>	<u>\$ 37,278</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, 2019

Fund, Function, Activity and Elements	Final Budget	Actual	Variance Positive (Negative)
Primary Government:			
General Fund:			
General government administration:			
Legislative:			
City Council	\$ 229,001	\$ 227,116	\$ 1,885
Total legislative	<u>229,001</u>	<u>227,116</u>	<u>1,885</u>
General and financial administration:			
City manager	576,866	568,791	8,075
City attorney	303,134	300,097	3,037
Human resources	481,735	444,562	37,173
Independent auditor	21,800	21,800	-
Commissioner of the revenue	461,585	450,251	11,334
Assessor	306,121	286,872	19,249
Equalization	3,025	2,793	232
Treasurer	688,363	666,762	21,601
Finance	538,290	511,798	26,492
Information technology	1,798,090	1,650,792	147,298
Purchasing agent	173,527	164,942	8,585
Total general and financial administration	<u>5,352,536</u>	<u>5,069,460</u>	<u>283,076</u>
Board of elections:			
Registrar	235,845	203,006	32,839
Total board of elections	<u>235,845</u>	<u>203,006</u>	<u>32,839</u>
Total general government administration	<u>5,817,382</u>	<u>5,499,582</u>	<u>317,800</u>
Jail and judicial administration:			
Joint expenditures with Rockingham County	5,339,826	5,322,296	17,530
Middle River Regional Jail	2,148,823	2,107,286	41,537
Total jail and judicial administration	<u>7,488,649</u>	<u>7,429,582</u>	<u>59,067</u>
Public safety:			
Law enforcement and traffic control:			
Administration	4,105,784	3,778,755	327,029
Operations	4,241,567	4,161,526	80,041
Criminal investigations	1,232,880	1,194,933	37,947
Special operations	2,054,186	1,938,039	116,147
Grants	364,528	330,406	34,122
Total law enforcement and traffic control	<u>11,998,945</u>	<u>11,403,659</u>	<u>595,286</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, 2019

Fund, Function, Activity and Elements	Final Budget	Actual	Variance Positive (Negative)
Primary Government: (continued)			
General Fund: (continued)			
Public safety: (continued)			
Fire and rescue services:			
Administration	\$ 723,776	\$ 720,671	\$ 3,105
Suppression	9,094,037	8,157,736	936,301
Prevention	611,171	588,977	22,194
Training	272,634	271,623	1,011
Total fire and rescue services	<u>10,701,618</u>	<u>9,739,007</u>	<u>962,611</u>
Correction and detention:			
Court appointed attorneys	85,000	63,003	21,997
Total correction and detention	<u>85,000</u>	<u>63,003</u>	<u>21,997</u>
Inspections:			
Building	916,476	832,532	83,944
Total inspections	<u>916,476</u>	<u>832,532</u>	<u>83,944</u>
Other protection:			
Public safety building	343,425	341,296	2,129
Child safety alliance	62,721	55,863	6,858
Animal control	428,189	378,559	49,630
Emergency services	336,001	193,274	142,727
Harrisonburg-Rockingham ECC	2,244,118	2,244,118	-
Total other protection	<u>3,414,454</u>	<u>3,213,110</u>	<u>201,344</u>
Total public safety	<u>27,116,493</u>	<u>25,251,311</u>	<u>1,865,182</u>
Public works:			
Maintenance of highways, streets, bridges and sidewalks:			
General engineering	759,146	707,974	51,172
Highway and street maintenance	6,767,091	6,163,158	603,933
Street lights	566,150	562,091	4,059
Snow and ice removal	459,858	451,072	8,786
Traffic engineering	2,069,604	1,930,906	138,698
Highway and street beautification	342,142	325,765	16,377
Downtown parking maintenance	205,688	146,365	59,323
Total maintenance of highways, streets, bridges and sidewalks	<u>11,169,679</u>	<u>10,287,331</u>	<u>882,348</u>
Sanitation and waste removal:			
Street and road cleaning	405,927	391,743	14,184
Total sanitation and waste removal	<u>405,927</u>	<u>391,743</u>	<u>14,184</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, 2019

Fund, Function, Activity and Elements	Final Budget	Actual	Variance Positive (Negative)
Primary Government: (continued)			
General Fund: (continued)			
Public works: (continued)			
Maintenance of general buildings and grounds:			
General properties	\$ 336,604	\$ 289,847	\$ 46,757
Total maintenance of general buildings and grounds	<u>336,604</u>	<u>289,847</u>	<u>46,757</u>
 Total public works	 <u>11,912,210</u>	 <u>10,968,921</u>	 <u>943,289</u>
 Health and welfare:			
Health:			
Local health department	453,023	446,455	6,568
Total health	<u>453,023</u>	<u>446,455</u>	<u>6,568</u>
 Mental health and mental retardation:			
Community services board	830,773	830,773	-
Total mental health and mental retardation	<u>830,773</u>	<u>830,773</u>	<u>-</u>
 Welfare/social services:			
Tax relief for the elderly and disabled veterans	125,000	107,207	17,793
Joint expenditures with Rockingham County	3,522,572	3,522,572	-
Total welfare/social services	<u>3,647,572</u>	<u>3,629,779</u>	<u>17,793</u>
 Total health and welfare	 <u>4,931,368</u>	 <u>4,907,007</u>	 <u>24,361</u>
 Education:			
Payment to Harrisonburg City School Board	34,419,222	33,804,421	614,801
 Total education	 <u>34,419,222</u>	 <u>33,804,421</u>	 <u>614,801</u>
 Parks, recreation and cultural:			
Parks and recreation:			
Administration	1,146,064	1,035,809	110,255
Parks	1,552,389	1,513,050	39,339
Field maintenance	488,433	429,611	58,822
Recreation centers and playgrounds	664,150	593,848	70,302
Simms continuing education center	352,787	330,548	22,239
Westover pool	468,298	466,784	1,514
Athletics	293,948	275,895	18,053
Golf course grounds management	845,398	695,227	150,171
Golf course clubhouse management	495,566	480,715	14,851
Total parks and recreation	<u>6,307,033</u>	<u>5,821,487</u>	<u>485,546</u>
 Total parks, recreation and cultural	 <u>6,307,033</u>	 <u>5,821,487</u>	 <u>485,546</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, 2019

Fund, Function, Activity and Elements	Final Budget	Actual	Variance Positive (Negative)
Primary Government: (continued)			
General Fund: (continued)			
Community development:			
Planning and community development:			
Planning	\$ 236,863	\$ 233,572	\$ 3,291
Zoning administrator	166,010	155,640	10,370
Board of zoning appeals	5,547	1,888	3,659
Economic development	1,015,654	790,811	224,843
Tourism and visitors services	483,650	455,796	27,854
Blacks run greenway	118,423	104,012	14,411
Shenandoah Valley Conference Center	950,000	867,002	82,998
Total planning and community development	<u>2,976,147</u>	<u>2,608,721</u>	<u>367,426</u>
Contributions:			
Massanutten Regional Library	550,477	550,477	-
Regional Juvenile Detention Commission	282,432	260,336	22,096
Shenandoah Valley Airport	67,923	67,923	-
Blue Ridge Community College	67,672	67,672	-
Other contributions	716,127	708,150	7,977
Total contributions	<u>1,684,631</u>	<u>1,654,558</u>	<u>30,073</u>
Total community development	<u>4,660,778</u>	<u>4,263,279</u>	<u>397,499</u>
Debt service:			
Principal retirement	9,750,840	9,750,840	-
Interest and fiscal charges	5,731,310	5,731,121	189
Total debt service	<u>15,482,150</u>	<u>15,481,961</u>	<u>189</u>
Total General Fund	<u>\$ 118,135,285</u>	<u>\$ 113,427,551</u>	<u>\$ 4,707,734</u>
Special Revenue Funds:			
Community Development Block Grant Fund:			
Community development:			
Planning and community development:			
Community development block grant	\$ 1,131,241	\$ 806,420	\$ 324,821
Total planning and community development	<u>1,131,241</u>	<u>806,420</u>	<u>324,821</u>
Total community development	<u>1,131,241</u>	<u>806,420</u>	<u>324,821</u>
Total Community Development Block Grant Fund	<u>\$ 1,131,241</u>	<u>\$ 806,420</u>	<u>\$ 324,821</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, 2019

Fund, Function, Activity and Elements	Final Budget	Actual	Variance Positive (Negative)
Primary Government: (continued)			
Special Revenue Funds: (continued)			
School Transportation Fund:			
Education:			
School bus services	\$ 3,508,008	\$ 3,471,596	\$ 36,412
Field trips and charters	206,198	189,282	16,916
Administration	<u>462,922</u>	<u>457,429</u>	<u>5,493</u>
Total education	<u>4,177,128</u>	<u>4,118,307</u>	<u>58,821</u>
Total School Transportation Fund	<u>\$ 4,177,128</u>	<u>\$ 4,118,307</u>	<u>\$ 58,821</u>
Business Loan Program Fund:			
Community development:			
Planning and community development:			
Revolving loan program	\$ <u>125,000</u>	\$ <u>75,500</u>	\$ <u>49,500</u>
Total planning and community development	<u>125,000</u>	<u>75,500</u>	<u>49,500</u>
Total community development	<u>125,000</u>	<u>75,500</u>	<u>49,500</u>
Total Business Loan Program Fund	<u>\$ 125,000</u>	<u>\$ 75,500</u>	<u>\$ 49,500</u>
Total Special Revenue Funds	<u>\$ 5,433,369</u>	<u>\$ 5,000,227</u>	<u>\$ 433,142</u>
Capital Projects Fund:			
General Capital Projects Fund:			
Capital projects	\$ <u>25,464,569</u>	\$ <u>5,933,709</u>	\$ <u>19,530,860</u>
Total General Capital Projects Fund	<u>\$ 25,464,569</u>	<u>\$ 5,933,709</u>	<u>\$ 19,530,860</u>
School Bond Capital Projects Fund:			
Capital projects	\$ <u>8,383,840</u>	\$ <u>5,838,547</u>	\$ <u>2,545,293</u>
Total School Bond Capital Projects Fund	<u>\$ 8,383,840</u>	<u>\$ 5,838,547</u>	<u>\$ 2,545,293</u>
Total Capital Projects Fund	<u>\$ 33,848,409</u>	<u>\$ 11,772,256</u>	<u>\$ 22,076,153</u>
Grand Total Expenditures (Primary Government)	<u>\$ 157,417,063</u>	<u>\$ 130,200,034</u>	<u>\$ 27,217,029</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, 2019

Fund, Function, Activity and Elements	Final Budget	Actual	Variance Positive (Negative)
Component Unit - School Board:			
School Fund:			
Education:			
Instruction	\$ 61,910,277	\$ 61,906,736	\$ 3,541
Administration, attendance and health	4,592,002	4,526,906	65,096
Pupil transportation	4,198,923	4,072,358	126,565
Operations and maintenance	6,097,511	5,867,408	230,103
Technology	3,932,631	3,777,484	155,147
Payment to primary government	799,506	799,506	-
Total education	<u>81,530,850</u>	<u>80,950,398</u>	<u>580,452</u>
Total School Fund	<u>\$ 81,530,850</u>	<u>\$ 80,950,398</u>	<u>\$ 580,452</u>
School Nutrition Fund:			
Education:			
Food services	\$ 4,401,924	\$ 4,273,892	\$ 128,032
Technology	31,634	27,310	4,324
Total education	<u>4,433,558</u>	<u>4,301,202</u>	<u>132,356</u>
Total School Nutrition Fund	<u>\$ 4,433,558</u>	<u>\$ 4,301,202</u>	<u>\$ 132,356</u>
School Capital Projects Fund:			
Capital projects	\$ 45,213	\$ 22,280	\$ 22,933
Total School Capital Projects Fund	<u>\$ 45,213</u>	<u>\$ 22,280</u>	<u>\$ 22,933</u>
Grand Total Expenditures (Component Unit - School Board)	<u>\$ 86,009,621</u>	<u>\$ 85,273,880</u>	<u>\$ 735,741</u>

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STATISTICAL SECTION

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

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

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

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

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

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

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

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

Table 1

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Governmental activities										
Net investment in capital assets	\$ 153,994,976	\$ 151,215,449	\$ 150,611,197	\$ 145,194,280	\$ 146,765,571	\$ 143,056,305	\$ 140,255,728	\$ 136,256,502	\$ 132,778,540	\$ 134,630,600
Restricted	529,665	621,577	552,092	461,736	450,639	418,955	253,898	436,546	464,466	459,667
Unrestricted	30,055,992	25,264,435	20,679,052	19,107,622	15,778,923	36,848,497	38,537,607	37,720,341	36,505,429	31,737,220
Total governmental activities net position	\$ 184,580,633	\$ 177,101,461	\$ 171,842,341	\$ 164,763,638	\$ 162,995,133	\$ 180,323,757	\$ 179,047,233	\$ 174,413,389	\$ 169,748,435	\$ 166,827,487
Business-type activities										
Net investment in capital assets	\$ 72,830,573	\$ 74,517,218	\$ 74,997,991	\$ 62,658,600	\$ 61,417,998	\$ 59,661,294	\$ 64,061,195	\$ 61,531,423	\$ 63,773,381	\$ 64,272,566
Unrestricted	13,725,834	7,828,771	3,263,530	10,156,014	9,413,613	16,501,295	18,960,244	20,567,739	24,007,072	23,349,719
Total business-type activities net position	\$ 86,556,407	\$ 82,345,989	\$ 78,261,521	\$ 72,814,614	\$ 70,831,611	\$ 76,162,589	\$ 83,021,439	\$ 82,099,162	\$ 87,780,453	\$ 87,622,285
Primary government										
Net investment in capital assets	\$ 226,825,549	\$ 225,732,667	\$ 225,609,188	\$ 207,852,880	\$ 208,183,569	\$ 202,717,599	\$ 204,316,923	\$ 197,787,925	\$ 196,551,921	\$ 198,903,166
Restricted	529,665	621,577	552,092	461,736	450,639	418,955	253,898	436,546	464,466	459,667
Unrestricted	43,781,826	33,093,206	23,942,582	29,263,636	25,192,536	53,349,792	57,497,851	58,288,080	60,512,501	55,086,939
Total primary government net position	\$ 271,137,040	\$ 259,447,450	\$ 250,103,862	\$ 237,578,252	\$ 233,826,744	\$ 256,486,346	\$ 262,068,672	\$ 256,512,551	\$ 257,528,888	\$ 254,449,772

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

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

Table 2

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Expenses:										
Governmental activities:										
General government administration	\$ 19,001,711	\$ 18,287,937	\$ 18,413,671	\$ 18,543,556	\$ 16,257,293	\$ 17,537,393	\$ 15,200,128	\$ 14,871,365	\$ 12,711,047	\$ 12,693,219
Jail and judicial administration	6,944,879	6,533,114	6,398,698	5,822,848	5,137,399	4,175,900	3,697,318	3,353,068	3,158,825	2,689,276
Public safety	25,693,917	23,660,985	23,238,203	22,625,152	21,236,076	20,803,582	19,435,983	18,759,038	18,414,704	17,934,535
Public works ^a	15,338,219	14,989,905	14,407,248	14,709,122	15,158,769	19,723,564	16,087,945	15,430,666	11,384,626	10,924,418
Health and welfare	4,928,872	4,793,211	4,757,945	4,579,647	4,103,981	3,941,088	3,792,389	3,684,731	3,933,460	3,911,386
Education	43,763,915	42,928,333	38,328,364	36,565,819	37,481,649	34,574,455	32,985,755	30,965,228	27,641,213	28,735,066
Parks, recreation and cultural	6,382,119	5,664,779	5,998,086	6,201,994	5,486,051	5,399,332	5,396,157	5,319,618	5,279,763	5,100,351
Community development	4,644,439	4,080,080	4,035,574	4,579,778	3,555,510	3,612,415	3,628,594	3,844,899	3,618,639	3,867,423
Interest on long-term debt	5,351,030	5,612,005	5,914,313	5,046,788	5,116,339	5,071,941	5,304,302	5,602,256	6,006,543	6,131,512
Business-type activities:										
Water	6,036,280	5,637,611	5,329,601	5,496,737	5,218,201	5,351,441	5,281,491	5,398,401	5,014,952	5,118,820
Sewer	10,232,327	9,534,683	9,850,111	9,702,160	9,526,208	9,536,716	9,501,243	9,217,798	8,165,858	7,391,517
Public transportation	6,469,580	6,252,571	6,365,032	6,348,417	6,327,540	5,218,865	4,915,643	4,817,708	6,916,882	6,767,823
Steam plant/sanitation ^{a,b}	2,285,700	3,110,955	3,319,439	4,208,851	7,185,575	7,397,708	7,751,402	6,670,472	9,999,432	9,878,225
Stormwater	334,676	454,261	414,677	255,371	-	-	-	-	-	-
Total expenses	\$ 157,407,664	\$ 151,540,430	\$ 146,770,962	\$ 144,686,246	\$ 141,790,591	\$ 142,344,400	\$ 132,978,350	\$ 127,935,248	\$ 122,245,944	\$ 121,143,571
Program revenues:										
Governmental activities:										
Charges for services:										
General government administration	\$ 15,308,060	\$ 15,254,826	\$ 14,033,150	\$ 13,413,592	\$ 12,092,994	\$ 11,197,390	\$ 9,808,618	\$ 9,590,439	\$ 9,266,743	\$ 9,478,806
Jail and judicial administration	567,202	691,717	553,894	515,404	549,825	651,517	526,549	417,063	553,923	504,223
Public works ^a	-	-	-	-	5,891,879	4,223,763	5,714,587	4,223,763	-	-
Education ^c	4,028,807	3,751,213	3,361,589	3,099,596	3,018,032	2,712,725	2,402,874	2,163,748	-	-
Parks, recreation and cultural	1,045,925	1,067,881	1,170,361	1,130,856	1,132,452	1,143,398	1,078,285	1,156,262	1,103,317	1,042,513
Other activities	1,087,725	1,117,096	1,377,659	848,873	891,990	1,201,568	988,430	868,216	845,073	686,775
Operating grants and contributions	8,037,308	7,599,076	7,499,993	8,071,894	7,733,498	7,242,059	6,468,579	6,420,728	6,779,026	6,537,125
Capital grants and contributions ^{d,e}	802,583	4,422,820	4,575,920	2,112,546	2,511,563	6,052,309	4,057,173	3,020,379	1,394,887	1,105,400
Business-type activities:										
Charges for services:										
Water	8,594,711	8,049,249	7,621,237	6,866,608	6,566,279	6,204,657	6,033,702	5,803,549	5,793,929	5,414,295
Sewer	11,016,661	10,692,114	10,580,345	10,249,003	10,135,852	9,654,399	9,135,855	8,631,508	8,047,117	6,748,325
Public transportation ^c	1,944,618	1,960,187	1,820,130	1,810,732	1,897,980	1,834,284	1,652,106	1,558,556	3,573,754	3,153,152
Steam plant/sanitation ^a	4,140,571	4,214,492	4,303,069	5,104,242	6,784,257	5,122,980	6,131,803	4,717,861	9,859,085	9,867,232
Stormwater	1,360,716	1,302,218	1,258,959	2,345,292	-	-	-	-	-	-
Operating grants and contributions	3,155,047	2,879,508	2,540,589	2,281,764	2,229,329	2,160,125	1,649,862	1,469,284	1,353,559	1,496,827
Capital grants and contributions ^f	201,124	606,769	4,199,180	606,645	2,689,399	6,506,406	3,277,876	3,226,291	840,082	2,176,754
Total program revenues	\$ 61,291,058	\$ 63,609,166	\$ 64,896,075	\$ 58,457,047	\$ 58,233,450	\$ 67,575,696	\$ 58,926,299	\$ 53,267,647	\$ 49,410,495	\$ 48,211,427
Net (expense) revenue:										
Governmental activities	\$ (101,171,491)	\$ (92,645,720)	\$ (88,919,536)	\$ (89,481,949)	\$ (85,602,713)	\$ (78,746,825)	\$ (74,483,476)	\$ (73,970,271)	\$ (72,205,851)	\$ (72,632,344)
Business-type activities	5,054,885	4,714,456	7,044,649	3,252,750	2,045,572	3,978,121	431,425	(697,330)	(629,598)	(299,800)
Total net (expense) revenue	\$ (96,116,606)	\$ (87,931,264)	\$ (81,874,887)	\$ (86,229,199)	\$ (83,557,141)	\$ (74,768,704)	\$ (74,052,051)	\$ (74,667,601)	\$ (72,835,449)	\$ (72,932,144)

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

Table 2

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
General revenues and other changes in net position:										
Governmental activities:										
General revenues:										
Property taxes	\$ 48,878,038	\$ 47,490,931	\$ 43,640,018	\$ 39,574,723	\$ 37,522,303	\$ 33,682,085	\$ 33,642,817	\$ 31,997,146	\$ 31,465,340	\$ 30,867,419
Sales and use taxes	14,336,901	13,609,547	13,207,791	12,994,784	12,532,757	11,956,912	11,450,969	10,744,198	11,030,783	10,487,699
Restaurant food taxes	14,225,678	13,623,551	12,257,672	11,914,152	11,026,410	10,398,660	9,948,280	8,815,101	8,414,191	8,001,430
Business license taxes	7,155,016	6,894,312	6,689,192	6,653,830	6,275,116	6,246,573	5,892,503	5,932,606	5,587,085	5,571,597
Other local taxes	8,644,605	8,296,309	7,083,413	7,119,400	6,798,376	6,105,467	5,877,472	5,599,612	5,382,633	5,274,469
Unrestricted grants and contributions	3,408,497	3,407,878	3,464,103	3,501,028	3,569,638	3,521,348	3,476,659	3,423,474	3,520,574	3,465,825
Unrestricted payment from component units	5,999,506	5,000,000	5,000,000	5,000,000	4,900,000	4,900,000	4,900,000	4,900,000	4,900,000	4,800,000
Investment revenue	1,203,377	683,838	480,911	206,899	75,041	50,039	84,162	68,365	87,557	151,425
Other revenue ^a	1,847,829	1,725,662	1,588,875	1,681,770	1,742,779	2,698,759	1,973,222	2,265,535	4,254,403	1,570,827
Special item ^h	-	-	-	-	-	-	-	(1,446,706)	-	-
Transfers	2,951,216	1,556,037	2,586,264	2,603,868	2,527,927	1,574,046	1,361,276	6,335,894	484,233	378,256
Business-type activities:										
General revenues:										
Investment revenue	776,589	392,616	131,300	55,180	15,198	19,563	31,340	32,121	52,446	79,908
Other revenue	1,324,397	1,203,620	857,222	1,237,883	1,286,114	1,117,388	1,805,733	1,308,949	1,215,028	1,167,345
Gain on disposal of capital assets	5,763	49,966	-	41,058	2,550	28,554	15,055	10,863	4,525	1,855
Special item ^j	-	-	-	-	(1,916,812)	(10,078,503)	-	-	-	-
Transfers	(2,951,216)	(1,556,037)	(2,586,264)	(2,603,868)	(2,527,927)	(1,574,046)	(1,361,276)	(6,335,894)	(484,233)	(378,256)
Total general revenues and other changes in net position	\$ 107,806,196	\$ 102,378,230	\$ 94,400,497	\$ 89,980,707	\$ 83,829,470	\$ 70,646,845	\$ 79,098,212	\$ 73,651,264	\$ 75,914,565	\$ 71,439,799
Change in net position:										
Governmental activities	\$ 7,479,172	\$ 9,642,345	\$ 7,078,703	\$ 1,768,505	\$ 1,367,634	\$ 2,387,064	\$ 4,123,884	\$ 4,664,954	\$ 2,920,948	\$ (2,063,397)
Business-type activities	4,210,418	4,804,621	5,446,907	1,983,003	(1,095,305)	(6,508,923)	922,277	(5,681,291)	158,168	571,052
Total change in net position	\$ 11,689,590	\$ 14,446,966	\$ 12,525,610	\$ 3,751,508	\$ 272,329	\$ (4,121,859)	\$ 5,046,161	\$ (1,016,337)	\$ 3,079,116	\$ (1,492,345)

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

^aFor 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.

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

^cFor 2012, the changes in education and public transportation activity charges for services reflected the reclassification of school bus activity.

^dFor 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.

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

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

^gFor 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.

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

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

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

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

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
General Fund										
Nonspendable	\$ 811,931	\$ 835,475	\$ 874,897	\$ 745,877	\$ 623,774	\$ 652,688	\$ 613,043	\$ 780,708	\$ 1,055,286	\$ 838,087
Restricted	543,135	624,155	552,091	461,736	450,639	432,852	253,898	436,546	464,466	459,667
Committed ^a	63,402	63,402	63,402	63,402	63,402	2,761,367	3,386,367	3,095,380	860,879	1,297,212
Assigned ^{b,c}	3,718,174	3,707,702	980,493	649,393	1,629,279	1,612,151	3,053,319	1,671,329	4,175,696	1,096,324
Unassigned	30,561,724	31,239,773	30,226,183	28,435,301	24,214,042	26,595,398	23,932,401	25,534,922	18,711,352	16,273,005
Total general fund	\$ 35,698,366	\$ 36,470,507	\$ 32,697,066	\$ 30,355,709	\$ 26,981,136	\$ 32,054,456	\$ 31,239,028	\$ 31,518,885	\$ 25,267,679	\$ 19,964,295
All other governmental funds										
Nonspendable	\$ 36,341	\$ 34,666	\$ 50,508	\$ 16,652	\$ -	\$ 4,705	\$ 4,546	\$ -	\$ 531	\$ -
Restricted ^d	-	93,683	4,712,073	40,156,421	1,464,504	11,210,744	7,215,617	5,758,290	4,128,472	772,478
Committed	11,291,474	9,652,568	8,247,053	9,729,172	11,102,093	12,928,163	13,686,487	10,650,430	8,794,481	8,811,974
Assigned	169,000	142,000	204,500	134,000	38,897	-	-	-	-	-
Unassigned, reported in:										
Special revenue funds	-	-	(184)	-	-	-	(60,493)	(6,955)	(122,388)	(43,201)
Total all other governmental funds	\$ 11,496,815	\$ 9,922,917	\$ 13,213,950	\$ 50,036,245	\$ 12,605,494	\$ 24,143,612	\$ 20,846,157	\$ 16,401,765	\$ 12,801,096	\$ 9,541,251

Notes: Any significant increases or decreases for 2019 are explained in Management's Discussion and Analysis. Certain prior year balances have been reclassified to reflect current financial reporting (2010).

^aFor 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.
^bFor 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.
^cFor 2018, the increase in general fund assigned fund balance was the result of approximately \$1.4 million of fund balance being used to balance the subsequent year's budget.
^dThe 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									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Revenues:										
General property taxes	\$ 48,977,152	\$ 47,667,485	\$ 43,233,944	\$ 39,444,384	\$ 37,481,440	\$ 33,559,753	\$ 33,745,312	\$ 32,180,329	\$ 31,525,525	\$ 31,009,074
Other local taxes	44,362,200	42,423,719	39,238,068	38,722,176	36,644,704	34,740,681	33,134,475	31,114,956	30,439,292	29,295,439
Permits, privilege fees and regulatory licenses	626,348	643,501	916,716	443,489	507,040	455,881	536,965	498,465	561,431	354,076
Fines and forfeitures	750,846	870,541	749,623	623,390	666,029	1,127,606	662,961	526,260	626,169	598,904
Use of money and property	1,128,111	701,781	540,939	262,328	187,061	162,014	194,763	171,599	188,084	197,844
Charges for services ^a	5,351,861	5,117,290	4,797,424	4,556,674	4,427,549	10,020,649	9,496,051	7,775,198	1,377,980	1,193,264
Miscellaneous ^b	2,192,919	2,001,736	2,084,949	1,871,712	1,938,839	2,465,008	2,005,958	2,014,528	4,159,969	1,540,896
Recovered costs	617,164	1,110,065	632,746	59,225	201,177	291,795	165,551	606,506	-	-
Payments from component units	5,999,506	5,000,000	5,000,000	5,000,000	4,900,000	4,900,000	4,900,000	4,900,000	4,900,000	4,800,000
Intergovernmental	13,179,815	15,955,862	15,672,199	13,563,043	13,613,522	16,414,070	14,809,888	15,344,247	16,254,692	13,499,776
Total revenues	\$ 123,185,922	\$ 121,491,980	\$ 112,866,608	\$ 104,546,421	\$ 100,567,361	\$ 104,137,457	\$ 99,651,924	\$ 95,132,088	\$ 90,033,162	\$ 82,489,273
Expenditures:										
Current:										
General government administration	\$ 5,499,582	\$ 5,369,900	\$ 5,211,161	\$ 4,974,666	\$ 4,641,047	\$ 4,583,135	\$ 4,082,373	\$ 4,003,007	\$ 3,612,654	\$ 3,494,629
Jail and judicial administration ^c	7,429,582	6,783,548	6,629,878	6,147,289	5,917,618	3,878,939	3,400,357	3,056,108	2,861,864	2,392,315
Public safety	25,251,311	23,376,742	21,888,510	21,409,396	20,650,517	20,131,261	18,348,671	17,541,823	17,180,648	17,033,685
Public works ^a	10,968,921	9,920,031	9,699,316	10,243,873	11,386,544	13,484,504	11,691,698	10,484,164	7,324,180	7,085,021
Health and welfare	4,907,007	4,771,346	4,736,080	4,557,782	4,082,115	3,919,223	3,770,524	3,662,866	3,911,595	3,889,521
Education	37,922,728	37,054,957	34,216,338	32,379,286	32,119,407	29,912,639	28,497,263	26,201,268	22,992,077	23,993,390
Parks, recreation and cultural	5,821,487	5,204,766	4,992,106	5,058,486	4,825,587	4,747,280	4,666,748	4,946,248	4,685,460	4,590,497
Community development	5,145,199	4,042,265	4,137,221	3,770,863	3,826,246	3,913,783	3,715,326	3,731,690	3,342,151	3,739,296
Debt service:										
Principal retirement	9,750,840	8,961,622	8,337,450	8,101,624	7,917,919	7,159,619	8,016,601	7,054,192	6,568,187	6,144,985
Interest and fiscal charges	5,731,121	6,073,912	5,869,531	5,105,619	4,371,146	5,179,111	5,335,520	5,406,443	5,846,542	5,776,747
Bond issuance costs	-	-	-	-	-	257,393	-	381,755	77,341	-
Capital projects	11,772,256	14,338,170	44,180,894	12,693,604	16,918,207	18,893,701	13,820,417	11,335,007	12,888,316	11,668,260
Total expenditures	\$ 130,200,034	\$ 125,897,259	\$ 149,898,485	\$ 114,442,488	\$ 116,656,353	\$ 116,060,588	\$ 105,345,498	\$ 97,804,571	\$ 91,291,015	\$ 89,808,346
Excess (deficiency) of revenues over (under) expenditures	\$ (7,014,112)	\$ (4,405,279)	\$ (37,031,877)	\$ (9,896,067)	\$ (16,088,992)	\$ (11,923,131)	\$ (5,693,574)	\$ (2,672,483)	\$ (1,257,853)	\$ (7,319,073)

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

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Other financing sources (uses):										
Long-term debt issued or incurred	\$ 4,540,000	\$ 2,350,000	\$ -	\$ 44,305,000	\$ -	\$ 14,150,000	\$ 8,050,000	\$ 5,865,000	\$ 9,515,000	\$ -
Refunding debt issued	-	-	-	-	-	42,675,000	-	21,400,000	5,691,105	-
Premium on long-term debt issued	506,435	-	-	3,995,417	-	5,650,348	-	786,742	362,907	-
Payment to bond refunding escrow agent	-	-	-	-	-	(42,327,820)	-	-	(5,847,247)	-
Payment for current bond refunding	-	-	-	-	-	(5,146,875)	-	(21,649,901)	-	-
Sale of capital assets	-	-	125,215	-	-	-	-	-	-	-
Transfers in	8,349,690	6,310,560	5,251,256	3,828,083	5,836,294	4,445,856	8,250,668	8,279,617	2,890,945	2,780,092
Transfers out	(5,580,256)	(3,772,873)	(2,825,532)	(1,427,109)	(6,358,740)	(3,470,988)	(6,328,528)	(2,326,071)	(2,597,008)	(2,596,988)
Total other financing sources (uses)	\$ 7,815,869	\$ 4,887,687	\$ 2,550,939	\$ 50,701,391	\$ (522,446)	\$ 15,975,521	\$ 9,972,140	\$ 12,355,387	\$ 10,015,702	\$ 183,104
Net change in fund balances	\$ 801,757	\$ 482,408	\$ (34,480,938)	\$ 40,805,324	\$ (16,611,438)	\$ 4,052,390	\$ 4,278,566	\$ 9,682,904	\$ 8,757,849	\$ (7,135,969)
Debt service as a percentage of noncapital expenditures	13.25%	13.46%	13.53%	13.01%	12.79%	12.74%	14.70%	14.15%	14.81%	14.75%

Notes: Any significant increases or decreases for 2019 are explained in Management's Discussion and Analysis. Any significant increases or decreases in general property taxes and other local taxes revenue are provided in Table 5. Any significant increases or decreases in long-term debt issued or incurred are provided in Table 10.

^aFor 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.

^bFor 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.

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

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

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
General property taxes	\$ 48,977,152	\$ 47,667,485	\$ 43,233,944	\$ 39,444,384	\$ 37,481,440	\$ 33,559,753	\$ 33,745,312	\$ 32,180,329	\$ 31,525,525	\$ 31,009,074
Real estate taxes ^a	\$ 35,616,728	\$ 34,459,758	\$ 30,947,602	\$ 28,256,207	\$ 26,712,101	\$ 24,246,195	\$ 24,330,987	\$ 23,164,064	\$ 22,871,691	\$ 22,471,813
Real and personal public service corporation property taxes	491,573	474,656	440,408	393,020	448,017	294,775	344,311	305,419	311,567	315,297
Personal property taxes ^b	10,197,508	10,017,035	9,374,180	8,407,623	8,021,019	6,926,126	6,996,148	6,636,271	6,227,915	6,002,949
Mobile home taxes	9,654	10,013	8,778	8,475	7,033	6,485	8,069	7,613	7,568	6,976
Machinery and tools taxes	2,341,959	2,307,341	2,187,479	2,130,697	2,027,504	1,869,428	1,794,444	1,800,539	1,849,859	1,918,964
Penalties and interest	319,730	398,682	275,497	248,362	265,766	216,744	271,353	266,423	256,925	293,075
Total general property taxes	\$ 48,977,152	\$ 47,667,485	\$ 43,233,944	\$ 39,444,384	\$ 37,481,440	\$ 33,559,753	\$ 33,745,312	\$ 32,180,329	\$ 31,525,525	\$ 31,009,074
Other local taxes	\$ 14,336,901	\$ 13,609,547	\$ 13,207,791	\$ 12,994,784	\$ 12,532,757	\$ 11,956,912	\$ 11,450,969	\$ 10,744,198	\$ 11,030,783	\$ 10,487,699
Local sales and use taxes	1,999,498	1,875,594	1,139,113	1,108,436	1,114,465	1,099,063	1,093,995	1,071,465	1,079,982	1,063,641
Consumer utility taxes ^c	7,155,016	6,894,312	6,689,192	6,653,830	6,275,116	6,246,573	5,892,503	5,932,606	5,587,085	5,571,597
Business license taxes	1,283,426	1,293,518	1,166,441	1,178,948	1,185,099	888,410	861,119	759,588	667,392	698,446
Motor vehicle license taxes ^d	836,191	787,205	761,882	757,086	580,676	562,403	514,445	543,099	577,159	556,236
Bank stock taxes	492,631	444,493	442,184	408,096	603,848	443,901	359,086	273,405	381,220	311,749
Taxes on recordation and wills	533,382	543,750	569,850	680,937	632,433	634,796	703,979	768,267	700,232	759,637
Tobacco taxes	171,011	190,133	175,755	181,678	172,616	144,475	175,395	178,371	182,473	198,641
Admission and amusement taxes	3,136,402	2,950,142	2,625,363	2,577,891	2,276,431	2,110,603	1,963,223	1,838,184	1,634,615	1,505,247
Hotel and motel room taxes ^e	14,225,678	13,623,551	12,257,672	11,937,309	11,050,508	10,436,529	9,913,531	8,833,426	8,403,911	8,001,668
Restaurant food taxes ^f	104,274	100,731	109,110	119,579	115,248	103,840	93,218	61,237	59,244	17,778
Short-term rental taxes	87,790	110,743	93,715	123,602	105,507	113,176	113,012	111,110	135,196	123,100
Public right-of-way use fee										
Total other local taxes	\$ 44,362,200	\$ 42,423,719	\$ 39,238,068	\$ 38,722,176	\$ 36,644,704	\$ 34,740,681	\$ 33,134,475	\$ 31,114,956	\$ 30,439,292	\$ 29,295,439

Notes: Any significant increases or decreases for 2019 are explained in Management's Discussion and Analysis.

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

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

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

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

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

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

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

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

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

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

Table 7

Fiscal Year	Real Estate			Personal Property							Total Direct Tax Rate
	Residential	Commercial/Industrial	Public Service Corporations	Business Equipment	Machinery and Tools	Mobile Homes	Public Service Corporations	Other ¹			
2019	\$ 0.85	\$ 0.85	\$ 0.85	\$ 2.12	\$ 2.12	\$ 0.85	\$ 3.50	3.50	3.50	\$	1.05
2018	0.85	0.85	0.85	2.12	2.12	0.85	3.50	3.50	3.50		1.06
2017	0.78	0.78	0.78	2.12	2.12	0.78	3.50	3.50	3.50		0.99
2016	0.72	0.72	0.72	2.12	2.12	0.72	3.50	3.50	3.50		0.92
2015	0.69	0.69	0.69	2.12	2.12	0.69	3.50	3.50	3.50		0.89
2014	0.63	0.63	0.63	2.00	2.00	0.63	3.00	3.00	3.00		0.81
2013	0.63	0.63	0.63	2.00	2.00	0.63	3.00	3.00	3.00		0.81
2012	0.59	0.59	0.59	2.00	2.00	0.59	3.00	3.00	3.00		0.76
2011	0.59	0.59	0.59	2.00	2.00	0.59	3.00	3.00	3.00		0.76
2010	0.59	0.59	0.59	2.00	2.00	0.59	3.00	3.00	3.00		0.76

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

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

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

Table 8

Property Taxpayer	Fiscal Year 2019			Fiscal Year 2010		
	Property Taxes	Rank	Percent of Total Property Taxes	Property Taxes	Rank	Percent of Total Property Taxes
Tenneco Inc	\$ 757,740	1	1.55%	\$ 402,300	1	1.31%
The Scion Group LLC	650,369	2	1.33%	-	-	-
Anthem Inc	602,255	3	1.23%	-	-	-
Asset Campus Housing, Inc.	514,597	4	1.05%	-	-	-
The Macerich Properties	457,847	5	0.94%	-	-	-
Packaging Corporation of America	452,973	6	0.93%	295,082	5	0.96%
Graham Packaging Company LP	414,476	7	0.85%	341,027	3	1.11%
George's Foods LLC	410,530	8	0.84%	-	-	-
Virginia Mennonite Retirement Community	309,231	9	0.63%	192,904	8	0.63%
Sunchase Harrisonburg, LLC	288,263	10	0.59%	-	-	-
RR Donnelley & Sons Company	-	-	-	362,094	2	1.18%
American Campus Communities Inc	-	-	-	329,252	4	1.07%
Montebello Packaging, Inc.	-	-	-	271,047	6	0.88%
Simon Property Group Inc	-	-	-	248,949	7	0.81%
Walmart Stores Inc	-	-	-	144,514	9	0.47%
The Harrisonburg Crossing LLC	-	-	-	132,380	10	0.43%
Total	\$ 4,858,281		9.94%	\$ 2,719,549		8.84%

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

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

Table 9

Fiscal Year	Taxes Levied for the		Adjustments	Total Adjusted Levy	Collected within the		Collections in Subsequent Years	Total Collections to Date	
	Fiscal Year (Original Levy)	Fiscal Year			Fiscal Year of the Levy	Percentage of Levy		Amount	Percentage of Levy
2019	\$ 48,805,906	\$ -	\$ -	48,805,906	47,934,023	98.21%	-	47,934,023	98.21%
2018	47,285,711	2,155		47,287,866	46,313,920	97.94%	565,787	46,879,707	99.14%
2017	43,406,093	38,640		43,444,733	42,331,311	97.52%	808,439	43,139,750	99.30%
2016	39,427,910	38,988		39,466,898	38,629,078	97.97%	628,199	39,257,277	99.47%
2015	37,288,334	(5,616)		37,282,718	36,588,785	98.12%	527,920	37,116,705	99.55%
2014	33,472,734	18,201		33,490,935	32,671,163	97.61%	666,734	33,337,897	99.54%
2013	33,518,148	(13,364)		33,504,784	32,841,981	97.98%	538,786	33,380,767	99.63%
2012	31,917,343	(14,181)		31,903,162	31,164,825	97.64%	625,751	31,790,576	99.65%
2011	31,326,231	(2,342)		31,323,889	30,500,885	97.37%	693,034	31,193,919	99.59%
2010	30,809,804	(16,764)		30,793,040	29,834,014	96.83%	786,195	30,620,209	99.44%

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

Table 10

Type of debt	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Governmental activities:										
General obligation bonds ^a	\$ 156,533,967	\$ 161,338,577	\$ 168,044,998	\$ 176,312,408	\$ 135,804,398	\$ 143,420,307	\$ 132,292,894	\$ 130,818,002	\$ 130,273,104	\$ 125,946,648
General obligation revenue bonds	-	-	-	-	-	-	-	-	-	-
Capital leases	489,000	960,000	1,414,000	2,032,639	2,723,162	3,391,389	3,321,531	4,827,885	5,751,958	6,635,404
Business-type activities:										
General obligation bonds ^b	27,942,286	30,785,886	26,299,704	28,742,532	27,875,343	30,485,783	33,027,532	34,999,325	36,852,820	26,684,249
General obligation revenue bonds ^b	-	-	-	-	-	-	-	239,994	469,862	9,392,103
Total primary government	\$ 184,965,253	\$ 193,084,463	\$ 195,758,702	\$ 207,087,779	\$ 166,402,903	\$ 177,297,479	\$ 168,641,957	\$ 170,885,206	\$ 173,347,744	\$ 168,658,404
Percentage of personal income ¹	8.93%	9.52%	9.94%	10.63%	8.92%	10.21%	9.88%	10.60%	11.42%	11.70%
Per capita ¹	\$ 3,375	\$ 3,500	\$ 3,579	\$ 3,819	\$ 3,089	\$ 3,370	\$ 3,235	\$ 3,360	\$ 3,463	\$ 3,448

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 (2010-2013). ¹See Table 13 for personal income and population data. Population estimates and personal income were adjusted on Table 13 for 2011-2017.

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

^bFor 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									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
General obligation bonds ^{a,b}	\$ 184,476,253	\$ 192,124,463	\$ 194,344,702	\$ 205,054,940	\$ 163,679,741	\$ 173,906,090	\$ 165,320,426	\$ 165,817,327	\$ 167,125,924	\$ 152,630,897
Total	\$ 184,476,253	\$ 192,124,463	\$ 194,344,702	\$ 205,054,940	\$ 163,679,741	\$ 173,906,090	\$ 165,320,426	\$ 165,817,327	\$ 167,125,924	\$ 152,630,897
Percentage of assessed real property value ¹	4.34%	4.68%	4.80%	5.15%	4.17%	4.45%	4.23%	4.16%	4.26%	3.98%
Per capita ²	\$ 3,366	\$ 3,483	\$ 3,554	\$ 3,782	\$ 3,038	\$ 3,305	\$ 3,171	\$ 3,260	\$ 3,339	\$ 3,120

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 (2010-2013).¹See Table 6 for assessed real property data. ²See Table 13 for population data. Population estimates were adjusted on Table 13 for 2011-2017.

^aFor 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.

^bFor 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										
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	
Debt limit	\$ 424,975,640	\$ 410,593,639	\$ 404,755,515	\$ 398,330,643	\$ 392,350,239	\$ 390,855,490	\$ 391,063,503	\$ 398,121,334	\$ 392,674,854	\$ 383,863,800	
Total debt applicable to limit	175,067,200	182,558,067	184,136,934	194,205,801	156,350,667	166,111,533	163,133,244	163,706,026	165,926,512	162,043,877	
Legal debt margin	\$ 249,908,440	\$ 228,035,572	\$ 220,618,581	\$ 204,124,842	\$ 235,999,572	\$ 224,743,957	\$ 227,930,259	\$ 234,415,308	\$ 226,748,342	\$ 221,819,923	
Total debt applicable to the limit as percentage of debt limit	41.19%	44.46%	45.49%	48.75%	39.85%	42.50%	41.72%	41.12%	42.26%	42.21%	
Legal Debt Margin Calculation for Fiscal Year 2019											
Total assessed value of taxed real property	\$ 4,249,756,402										
Debt limit (10% of total assessed value)	\$ 424,975,640										
Debt applicable to limit:											
General obligation bonds	175,067,200										
Legal debt margin	\$ 249,908,440										

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

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

Table 13

Fiscal Year	Population¹	Personal Income (in thousands)	Per Capita Personal Income²	School Enrollment³	Unemployment Rate Percentage⁴
2019	54,809	\$ 2,071,928	\$ 37,803	6,027	3.4
2018	54,606	2,007,753	36,768	5,910	4.0
2017	54,689	1,969,952	36,021	5,793	4.8
2016	54,224	1,948,485	35,934	5,660	4.9
2015	53,875	1,865,637	34,629	5,423	5.8
2014	52,612	1,736,985	33,015	5,158	6.5
2013	52,127	1,706,794	32,743	4,956	7.0
2012	50,862	1,612,478	31,703	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

Notes: Population estimates have been adjusted for 2011-2018 using estimates from the University of Virginia Weldon Cooper Center for Public Policy. Personal income has been adjusted accordingly.

Sources: ¹ Estimated by the City's Department of Planning and Community Development for 2019. University of Virginia Weldon Cooper Center for Public Service for 2011-2018. United States Census Bureau for 2010. ² Bureau of Economic Analysis, United States Department of Commerce. Amounts for 2010-2018 have been adjusted based upon the latest available data. Data for 2019 has been estimated based on per capita personal income trends for the previous ten years. ³ City of Harrisonburg School Board. ⁴ Virginia Employment Commission. The unemployment rate is an annual average.

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

Table 14

Employers	Fiscal Year 2019			Fiscal Year 2010		
	Approximate Employees	Rank	Percent of Total City Employment	Approximate Employees	Rank	Percent of Total City Employment
James Madison University	> 999	1	> 3.14%	> 999	1	> 3.34%
Harrisonburg City Public Schools	> 999	2	> 3.14%	500 - 999	3	1.67% - 3.34%
Aramark Campus LLC	500 - 999	3	1.58% - 3.14%	-	-	-
City of Harrisonburg	500 - 999	4	1.58% - 3.14%	500 - 999	4	1.67% - 3.34%
Tenneco Inc	500 - 999	5	1.58% - 3.14%	250 - 499	6	0.84% - 1.66%
George's Foods LLC	250 - 499	6	0.79% - 1.57%	250 - 499	8	0.84% - 1.66%
Eastern Mennonite University	250 - 499	7	0.79% - 1.57%	-	-	-
Virginia Mennonite Retirement Community	250 - 499	8	0.79% - 1.57%	250 - 499	9	0.84% - 1.66%
Shenandoah Processing LLC	250 - 499	9	0.79% - 1.57%	-	-	-
Rosetta Stone Inc.	250 - 499	10	0.79% - 1.57%	500 - 999	5	1.67% - 3.34%
Rockingham Memorial Hospital	-	-	-	> 999	2	> 3.34%
Walmart Stores Inc	-	-	-	500 - 999	7	1.67% - 3.34%
Graham Packaging Company LP	-	-	-	250 - 499	10	0.84% - 1.66%
Total City Employment	31,842			29,872		

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									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
General government administration	55.2	53.6	51.0	48.6	48.6	48.6	45.7	45.5	45.4	45.7
Public safety:										
Police ^a	134.6	130.4	125.9	118.4	114.4	114.2	107.6	107.4	108.5	108.8
Fire ^a	84.0	83.7	82.9	81.9	81.8	80.7	80.7	80.7	80.8	80.5
Other	16.0	16.0	15.0	14.0	14.0	14.0	14.0	13.0	13.0	13.0
Public works ^{b,c}	79.9	79.6	77.1	75.2	75.2	99.7	98.0	102.2	72.6	73.1
Education ^{b,e}	53.3	50.0	44.3	38.7	43.0	42.5	40.2	38.8	-	-
Parks, recreation and cultural	84.0	78.1	71.9	71.1	72.4	72.2	73.8	75.9	75.6	70.7
Planning and community development ^d	13.6	16.7	16.7	16.2	17.0	17.0	16.4	17.8	18.8	19.1
Water	37.0	35.5	35.0	34.5	33.9	33.9	32.6	32.6	33.1	33.2
Sewer	28.1	28.7	26.0	24.5	24.6	24.4	24.1	22.2	23.8	23.7
Public transportation ^{b,e}	69.7	60.2	58.3	60.0	58.8	50.9	47.1	49.8	87.8	87.1
Steam plant/sanitation ^{b,c,d}	25.2	25.2	25.2	25.2	58.9	31.0	31.0	31.0	56.9	60.9
Stormwater	3.7	3.7	3.7	3.7	-	-	-	-	-	-
Central garage	15.6	15.7	15.6	15.5	14.8	15.1	15.8	15.8	14.7	14.7
Central stores	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Total	701.9	679.1	650.5	629.5	659.4	646.2	629.0	634.7	633.0	632.5

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

Notes: Full-time equivalent amounts are budgeted positions.

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

^bIn 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.

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

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

^eThe 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									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Police										
Calls answered	42,999	42,900	41,536	42,686	40,099	39,132	34,935	33,021	41,070	43,634
Traffic citations	10,089	9,369	8,280	8,442	7,648	10,683	7,900	6,268	9,359	8,437
Fire										
Calls answered	5,493	5,636	5,310	5,574	5,246	4,708	4,923	4,789	4,514	4,473
Inspections	3,488	3,593	4,041	2,987	1,351	1,568	1,893	2,135	1,868	1,927
Public works										
Streets repaved (total miles)	6.97	7.85	8.88	8.22	11.69	9.98	5.10	5.58	5.47	6.90
Parks and recreation										
Pool admissions	32,155	28,890	38,873	34,651	37,398	37,258	32,605	44,397	36,605	38,163
Rounds of golf played	24,708	27,248	29,819	30,001	29,488	28,995	27,275	27,068	21,906	20,812
Planning and community development										
Building permits issued	573	648	702	664	691	651	1,035	810	739	748
Water										
Daily consumption (millions of gallons)	5.63	5.95	5.88	5.74	5.61	5.38	5.37	5.36	5.44	5.17
New customer connections	97	103	100	44	61	59	67	40	151	110
Sewer										
Daily consumption (millions of gallons)	4.76	4.89	4.74	4.68	4.57	4.40	4.27	4.29	4.33	4.20
New customer connections	17	14	77	13	15	12	14	8	132	8
Public transportation										
Transit bus passengers	2,120,458	2,116,785	2,572,937	2,807,730	2,820,419	2,773,561	2,749,235	2,535,828	2,063,301	1,862,500
Sanitation										
Avg. daily steam plant intake (tons) ^a	-	-	-	-	-	67.8	125.1	111.7	138.5	149.6
Materials recycled (tons)	-	-	-	-	737.0	709.5	754.4	757.8	827.8	722.6
Solid waste collected (tons)	10,506.6	10,680.8	12,362.5	10,113.0	-	-	-	-	-	-

Source: Various City of Harrisonburg departments.

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

^aIn 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									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Police										
Police stations	3	3	3	3	3	3	3	3	3	3
Patrol units (including motorcycles)	69	64	56	48	49	48	48	48	46	47
Fire										
Fire stations	4	4	4	4	4	4	4	4	4	4
Fire trucks	13	12	12	12	12	12	12	13	13	13
Public works:										
Streets (centerline miles)	139.38	139.78	139.78	139.44	140.27	138.99	137.92	137.92	137.92	137.92
Parks, recreation and cultural										
Parks (including athletic facilities)	12	12	12	12	12	12	12	12	12	12
Parks acreage	877	877	877	877	877	877	877	877	877	877
Golf course acreage ^a	205	205	205	205	215	215	215	215	215	215
Water:										
Water lines (linear feet)	1,705,440	1,694,719	1,680,534	1,664,446	1,610,400	1,608,662	1,604,272	1,555,811	1,523,193	1,467,840
Storage capacity (millions of gallons) ^b	25.25	25.25	25.25	25.25	25.25	25.25	25.25	25.25	25.25	25.25
Sewer:										
Sewer lines (linear feet)	1,082,400	1,075,269	1,066,269	1,059,020	1,024,320	1,024,591	1,077,694	1,078,563	1,075,233	1,071,840
Public transportation:										
Transit buses	51	51	50	50	48	44	42	42	36	36
Sanitation:										
Steam plant capacity (tons per day) ^c	-	-	-	-	-	200	200	200	200	200
Refuse collection trucks	7	7	7	7	8	7	7	7	7	7
Recycling collection trucks	3	3	4	4	2	4	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.

^aIn 2016, the City transferred approximately ten acres of golf course property to the Harrisonburg City School Board for the construction of a new elementary school.

^bIn 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.

^cIn 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, 2019, 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 27, 2019.

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 27, 2019



**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, 2019. The City’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

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

Auditor’s Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the City of Harrisonburg, Virginia, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2019.

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 27, 2019

CITY OF HARRISONBURG, VIRGINIA

SUMMARY OF COMPLIANCE MATTERS

June 30, 2019

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
Stormwater Utility Program

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, 2019

A. SUMMARY OF AUDITOR'S RESULTS

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

<u>Name of Program:</u>	<u>CFDA #</u>
Child Nutrition Cluster:	
School Breakfast Program	10.553
School Lunch Program	10.555
Summer Food Service Program	10.559
Community Development Block Grant/Entitlement	14.218

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 – COMMONWEALTH OF VIRGINIA

None.

CITY OF HARRISONBURG, VIRGINIA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended June 30, 2019

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
Department of Agriculture:					
Pass-through payments:					
Child Nutrition Cluster:					
Virginia Department of Education:					
School Breakfast Program	10.553	201817N109941	\$ -	\$ 205,912	
School Breakfast Program	10.553	201918N109941	-	1,073,721	
National School Lunch Program	10.555	201817N109941	-	357,229	
National School Lunch Program	10.555	201918N109941	-	1,829,715	
Summer Food Service Program for Children	10.559	201818N109941	-	93,284	
Virginia Department of Agriculture and Consumer Services:					
National School Lunch Program (donated commodities)	10.555	Not Provided	-	<u>251,817</u>	
Total Child Nutrition Cluster					3,811,678
Virginia Department of Education:					
Child and Adult Care Food Program	10.558	201817N202041	-	-	851
Child and Adult Care Food Program	10.558	201918N202041	-	-	8,717
Child Nutrition Discretionary Grants Limited Availability	10.579	201717N810341	-	-	11,921
Fresh Fruit and Vegetable Program	10.582	201817L190341	-	-	5,813
Fresh Fruit and Vegetable Program	10.582	201917L160341	-	-	23,223
Virginia Department of Forestry:					
Cooperative Forestry Assistance	10.664	Not Provided	-	-	5,000
Cooperative Forestry Assistance	10.664	18VTCW05	-	-	3,103
Department of Housing and Urban Development:					
Direct payments:					
Community Development Block Grants/Entitlement Grants	14.218		239,536	-	806,420
Department of Justice:					
Direct payments:					
Bulletproof Vest Partnership Program	16.607		-	-	8,824
Public Safety Partnership and Community Policing Grants	16.710		-	-	35,324
Edward Byrne Memorial Justice Assistance Grant Program	16.738		-	-	3,699
Pass-through payments:					
Virginia Department of Criminal Justice Services:					
Violence Against Women Formula Grants	16.588	18-C3245VA17	-	-	17,493
Violence Against Women Formula Grants	16.588	19-D3245VA18	-	-	22,938
Edward Byrne Memorial Justice Assistance Grant Program	16.738	18-A4373AD14	-	-	11,792
Department of Transportation:					
Direct payments:					
Federal Transit_Formula Grants	20.507		-	-	1,694,760
Pass-through payments:					
Highway Planning and Construction Cluster:					
Virginia Department of Transportation:					
Highway Planning and Construction	20.205	UPC 107518	-	140,048	
Highway Planning and Construction	20.205	UPC 108809	-	270	
Highway Planning and Construction	20.205	UPC 109025	-	24,317	
Highway Planning and Construction	20.205	UPC 113686	-	288	
Virginia Department of Conservation and Recreation:					
Recreational Trails Program	20.219	VRT-314-D-170	-	<u>11,569</u>	
Total Highway Planning and Construction Cluster					176,492
Harrisonburg-Rockingham Metropolitan Planning Organization:					
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505	46019	-	-	86,842
Virginia Department of Rail and Public Transportation:					
Formula Grants for Rural Areas	20.509	42119	-	-	10,905
Virginia Department of Motor Vehicles:					
State and Community Highway Safety	20.600	FPS-2018-58298-8298	-	-	282
State and Community Highway Safety	20.600	FSC-2018-58302-8302	-	-	2,405
State and Community Highway Safety	20.600	FSC-2019-59325-9325	-	-	6,012
State and Community Highway Safety	20.600	FPS-2019-59362-9362	-	-	1,401
Alcohol Open Container Requirements	20.607	154AL-2018-58008-8008	-	-	8,252
Alcohol Open Container Requirements	20.607	154AL-2019-59323-9323	-	-	9,989

(continued)

CITY OF HARRISONBURG, VIRGINIA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended June 30, 2019

<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>
Department of Education:					
Pass-through payments:					
Virginia Department of Education:					
Title I Grants to Local Educational Agencies	84.010	S010A170046	-	-	435,635
Title I Grants to Local Educational Agencies	84.010	S010A180046	-	-	987,010
Career and Technical Education - Basic Grants to States	84.048	V048A170046	-	-	808
Career and Technical Education - Basic Grants to States	84.048	V048A180046	-	-	86,819
English Language Acquisition State Grants	84.365	S365A170046	-	-	45,641
English Language Acquisition State Grants	84.365	S365A180046	-	-	192,904
Improving Teacher Quality State Grants	84.367	S367A170044	-	-	16,677
Improving Teacher Quality State Grants	84.367	S367A180044	-	-	213,393
Student Support and Academic Enrichment Program	84.424	S424A170048	-	-	77,575
Student Support and Academic Enrichment Program	84.424	S424A180048	-	-	2,921
Special Education Cluster (IDEA):					
Special Education_Grants to States	84.027	H027A160107	-	4,891	
Special Education_Grants to States	84.027	H027A170107	-	200,717	
Special Education_Grants to States	84.027	H027A180107	-	999,573	
Special Education_Preschool Grants	84.173	H173A180112	-	28,289	
Total Special Education Cluster				<u>28,289</u>	1,233,470
State Council of Higher Education for Virginia:					
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	Not Provided	-	-	63,932
Department of Homeland Security:					
Pass-through payments:					
Virginia Department of Emergency Management:					
Homeland Security Grant Program	97.042	7841	-	-	7,500
Homeland Security Grant Program	97.067	7641	900	-	22,660
Homeland Security Grant Program	97.067	7642	7,272	-	50,000
Homeland Security Grant Program	97.067	7643	131,300	-	131,300
Homeland Security Grant Program	97.067	7875	753	-	753
Homeland Security Grant Program	97.067	7917	-	-	46,718
Homeland Security Grant Program	97.067	7918	-	-	5,063
Homeland Security Grant Program	97.067	7919	-	-	222
Department of Defense:					
Direct payments:					
JROTC Funds	12.VA 170853				<u>95,142</u>
Total expenditures of federal awards					<u>\$ 10,490,279</u>

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

CITY OF HARRISONBURG, VIRGINIA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2019

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, 2019, the School Board, a component unit, had food commodities totaling \$95,285 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, 2019.

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Outstanding Loan Amount</u>
Capitalization Grants for Drinking Water State Revolving Funds	66.468	\$ 795,200

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