

# City of Harrisonburg, Virginia Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2018



*Bluestone Elementary School*



# **City of Harrisonburg, Virginia**

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2018



This Report  
Prepared by Department of Finance

**Report Cover: The front cover is the new Bluestone Elementary School located on Garbers Church Road. Opened in August 2017, the \$31.6 million facility is the Harrisonburg City School Board's sixth elementary school.**

**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, Virginia

Office of the City Manager

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

November 27, 2018

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, 2018 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, 2018, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

**The City With The Planned Future**

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

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

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

**Background.** The City was established in 1780 and was named for Thomas Harrison, who donated the land for the Rockingham County Court House, which became the permanent county seat of Rockingham County in 1781. The City was incorporated in 1849 and was proclaimed a city of the first class in April 1990. It now encompasses 17.3 square miles and serves a population of approximately 54,400.

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 \$7 million from the issuance of bonds to begin constructing a waterline to the South Fork of the Shenandoah River.
- Appropriated \$2.35 million from the issuance of bonds to purchase handheld mobile radios associated with the upgrade of the joint City and Rockingham County radio system. This is a joint project with Rockingham County through the Harrisonburg-Rockingham Emergency Communications Center.
- Appropriated \$1.1 million as the City's share of a joint Computer Aided Dispatch and Data Management Software. This is joint project with Rockingham County and James Madison University through the Harrisonburg-Rockingham Emergency Communications Center.
- Appropriated \$1.1 million for the purchase of a new fire truck and self-contained breathing apparatus equipment for the City's Fire Department.
- Appropriated \$900,000 to complete the construction of Bluestone Elementary School and the Elon Rhodes Early Learning Center.
- Appropriated \$525,000 for the Harrisonburg-Rockingham Regional Jail HVAC replacement project.

### **Factors Affecting Financial Condition**

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

**Local economy.** The City is in the center of commerce and travel for the area, while the surrounding area is known for its poultry industry. The area is an educational center served by three institutions of higher learning located within or near the city with a total enrollment of approximately 24,600. James Madison University, a state-supported school, is located near the geographic center of the City and has approximately 20,800 students. Eastern Mennonite University, a private institution with approximately 1,900 students is also located in the City. Bridgewater College, located just south of the City, is also private and has an approximate enrollment of 1,900 students. State-supported Blue Ridge Community College is also located outside the city.

Sentara RMH Medical Center provides hospital and many other related healthcare services. Air, rail, 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 \$36.6 million of which \$13.5 million has already been expended. There is approximately \$8.1 million in available funds. It is anticipated that this project will require a future \$14 million bond issue to complete with the next phases of the project beginning in fiscal year 2019. Currently, the projected completion date has not been determined.

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

The City is in the design stages for the construction of shared use paths in the western portion of the City. This project will connect neighborhoods, two parks and the new Bluestone Elementary School, as well as, Harrisonburg High School. It is estimated that the project will cost \$4.2 million and is funded from the issuance of bonds and state sources. It is anticipated that the project will be completed by the end of 2020.

The City is in the design stages for the construction of the first phase of the Northend Greenway. This will be a shared use path in the northern portion of the City that will ultimately connect to the Bluestone Trail in the southern portion of the city. In conjunction with the construction of the shared use path will be a stream restoration project along Blacks Run which runs adjacent to the shared use path as part of the City's stormwater management program. It is estimated that the project will cost \$3 million and is funded from state sources and currently available funds. It is anticipated that the project will be completed by the end of 2019.

The City is in the planning 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. It is estimated that construction related costs will range between \$75 million and \$85 million and will be funded by a future bond issue. It is anticipated that the new high school will open in August 2023.

## **Certificate of Achievement**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2017. This was the twenty-third 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

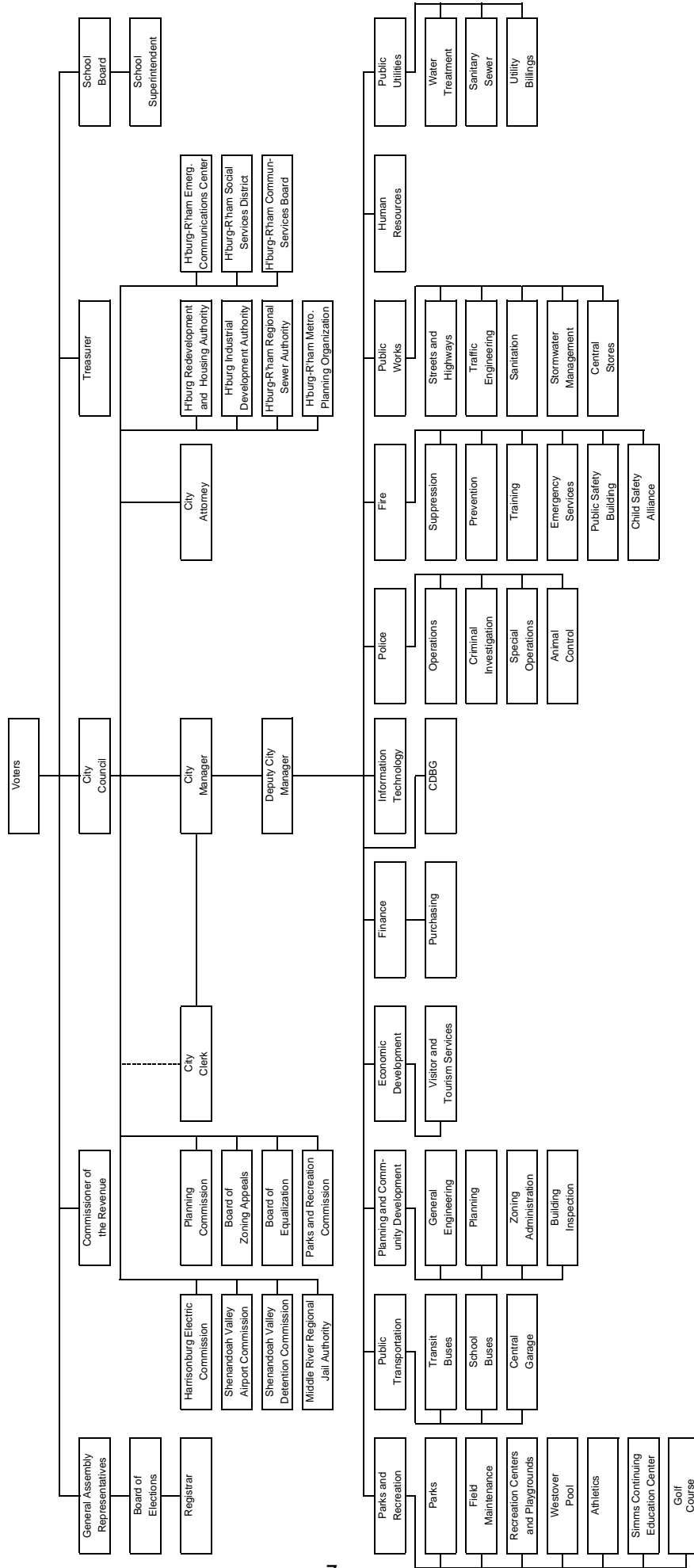
**June 30, 2017**

*Christopher P. Morill*

Executive Director/CEO



# City of Harrisonburg, Virginia Organization Chart



**CITY OF HARRISONBURG, VIRGINIA**  
**DIRECTORY OF PRINCIPAL OFFICIALS**  
**June 30, 2018**

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**CITY COUNCIL**

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

**CITY OFFICIALS**

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Eric D. Campbell	City Manager
Alexander "Ande" Banks, IV	Deputy City Manager
G. Chris Brown	City Attorney
Pamela S. Ulmer	Deputy City Clerk
Jeffrey L. Shafer	City Treasurer
Karen I. Rose	Commissioner of the Revenue
Stephen L. Sellers	Interim Police Chief
Ian J. Bennett	Fire Chief
Reginald S. "Reggie" Smith	Director of Public Transportation
James D. Baker	Director of Public Works
A. Michael Collins	Director of Public Utilities
Jennifer L. Whistleman	Director of Human Resources
Brian B. Shull	Director of Economic Development
Paul A. Malabad	Director of Information Technology
Larry L. Propst	Director of Finance
Adam L. Fletcher	Director of Planning and Community Development
Luciana "Luanne" Santangelo	Director of Parks and Recreation
Deborah "Debbie" Logan	City Registrar

**SCHOOL BOARD**

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

**SCHOOL OFFICIALS**

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Scott R. Kizner, Ph.D.	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, 2018, 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Change in Accounting Principle***

As described in Note 31 to the financial statements, in 2018, the City adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions*. Our opinion is not modified with respect to this matter.

## ***Other Matters***

### ***Required Supplementary Information***

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

### ***Other Information***

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

***Other Matters (Continued)***

*Other Information (Continued)*

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, 2018 on our consideration of the City’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City’s internal control over financial reporting and compliance.

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia  
November 27, 2018

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

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As management of the City of Harrisonburg (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2018. 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 \$259.4 million (net position). Of this amount, \$33.1 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 \$14.4 million.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$46.4 million, an increase of \$482,408 in comparison with the previous year. Approximately 67.3 percent of this total amount, \$31.2 million, is unassigned.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$31.2 million, or 28.3 percent of total General Fund expenditures and other financing uses.
- The City's total long-term debt decreased by \$5.9 million during the current fiscal year. In addition, the City implemented Governmental Accounting Standards Board Statement (GASB) No. 75 and has reported net other postemployment benefit liabilities totaling \$10.4 million.

### **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 76 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 77 through 92 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 93 through 112 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 \$259.4 million at the close of the most recent fiscal year.

The largest portion of the City's net position (87 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 \$33.1 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	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 118,788,156	\$ 121,548,490	\$ 37,340,222	\$ 27,838,825	\$ 156,128,378	\$ 149,387,315
Capital assets	310,447,307	312,667,757	86,844,024	87,080,623	397,291,331	399,748,380
<b>Total assets</b>	<b>429,235,463</b>	<b>434,216,247</b>	<b>124,184,246</b>	<b>114,919,448</b>	<b>553,419,709</b>	<b>549,135,695</b>
<b>Total deferred outflows of resources</b>	<b>6,538,151</b>	<b>8,558,072</b>	<b>2,211,504</b>	<b>2,823,341</b>	<b>8,749,655</b>	<b>11,381,413</b>
Current and other liabilities	9,427,784	17,162,292	2,148,953	2,055,775	11,576,737	19,218,067
Long-term liabilities	197,072,748	206,725,268	41,135,083	37,425,493	238,207,831	244,150,761
<b>Total liabilities</b>	<b>206,500,532</b>	<b>223,887,560</b>	<b>43,284,036</b>	<b>39,481,268</b>	<b>249,784,568</b>	<b>263,368,828</b>
<b>Total deferred inflows of resources</b>	<b>52,171,621</b>	<b>47,044,418</b>	<b>765,725</b>	<b>-</b>	<b>52,937,346</b>	<b>47,044,418</b>
Net position:						
Net investment in capital assets	151,215,449	150,611,197	74,517,218	74,997,991	225,732,667	225,609,188
Restricted	621,577	552,092	-	-	621,577	552,092
Unrestricted	25,264,435	20,679,052	7,828,771	3,263,530	33,093,206	23,942,582
<b>Total net position</b>	<b>\$ 177,101,461</b>	<b>\$ 171,842,341</b>	<b>\$ 82,345,989</b>	<b>\$ 78,261,521</b>	<b>\$ 259,447,450</b>	<b>\$ 250,103,862</b>

The information for the previous year has not been restated for the implementation of GASB Statement No. 75.

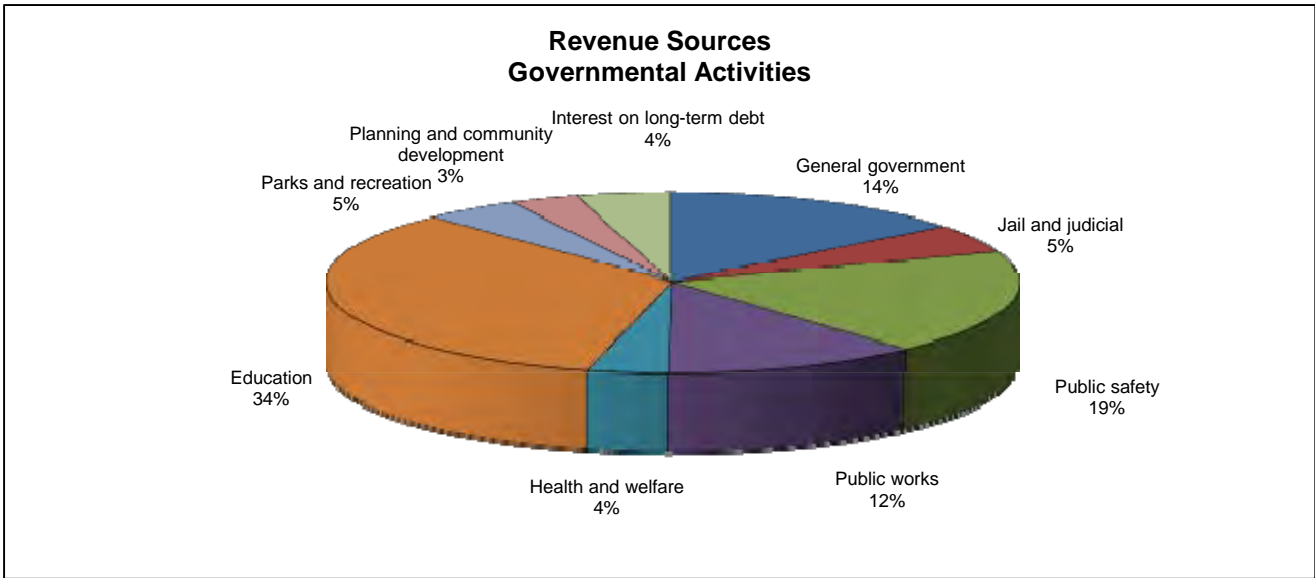
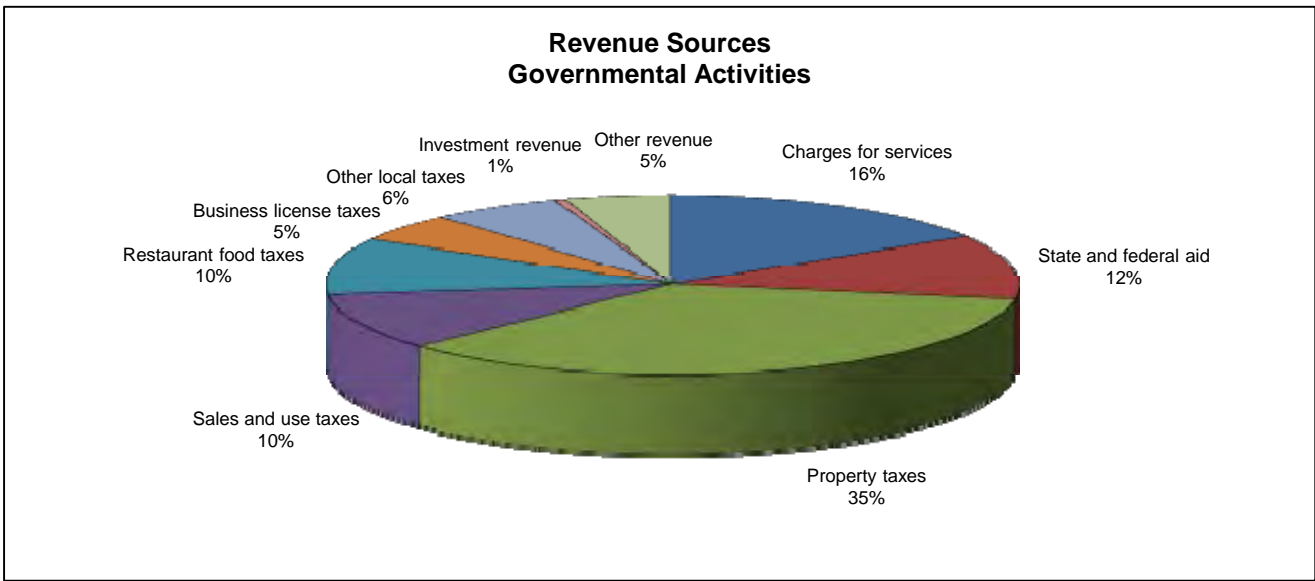
**City of Harrisonburg's Changes in Net Position**

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 21,882,733	\$ 20,496,653	\$ 26,218,260	\$ 25,583,740	\$ 48,100,993	\$ 46,080,393
Operating grants and contributions	7,599,076	7,499,993	2,879,508	2,540,589	10,478,584	10,040,582
Capital grants and contributions	4,422,820	4,575,920	606,769	4,199,180	5,029,589	8,775,100
General revenues:						
Property taxes	47,490,931	43,640,018	-	-	47,490,931	43,640,018
Sales and use taxes	13,609,547	13,207,791	-	-	13,609,547	13,207,791
Restaurant food taxes	13,623,551	12,257,672	-	-	13,623,551	12,257,672
Business license taxes	6,894,312	6,689,192	-	-	6,894,312	6,689,192
Other local taxes	8,296,309	7,083,413	-	-	8,296,309	7,083,413
Grants and contributions not restricted to specific programs	3,407,878	3,464,103	-	-	3,407,878	3,464,103
Payment from component units	5,000,000	5,000,000	-	-	5,000,000	5,000,000
Investment revenue	683,838	480,911	392,616	131,300	1,076,454	612,211
Other revenue	1,725,662	1,588,875	1,203,620	857,222	2,929,282	2,446,097
Gain on disposal of capital assets	-	-	49,966	-	49,966	-
<b>Total revenues</b>	<b>134,636,657</b>	<b>125,984,541</b>	<b>31,350,739</b>	<b>33,312,031</b>	<b>165,987,396</b>	<b>159,296,572</b>
Expenses:						
General government administration	18,287,937	18,413,671	-	-	18,287,937	18,413,671
Jail and judicial administration	6,533,114	6,398,698	-	-	6,533,114	6,398,698
Public safety	23,660,985	23,238,203	-	-	23,660,985	23,238,203
Public works	14,989,905	14,407,248	-	-	14,989,905	14,407,248
Health and welfare	4,793,211	4,757,945	-	-	4,793,211	4,757,945
Education	42,928,333	38,328,364	-	-	42,928,333	38,328,364
Parks, recreation and cultural	5,664,779	5,998,086	-	-	5,664,779	5,998,086
Planning and community development	4,080,080	4,035,574	-	-	4,080,080	4,035,574
Interest on long-term debt	5,612,005	5,914,313	-	-	5,612,005	5,914,313
Water	-	-	5,637,611	5,329,601	5,637,611	5,329,601
Sewer	-	-	9,534,683	9,850,111	9,534,683	9,850,111
Public transportation	-	-	6,252,571	6,365,032	6,252,571	6,365,032
Sanitation	-	-	3,110,955	3,319,439	3,110,955	3,319,439
Stormwater	-	-	454,261	414,677	454,261	414,677
<b>Total expenses</b>	<b>126,550,349</b>	<b>121,492,102</b>	<b>24,990,081</b>	<b>25,278,860</b>	<b>151,540,430</b>	<b>146,770,962</b>
Excess (deficiency) before transfers	8,086,308	4,492,439	6,360,658	8,033,171	14,446,966	12,525,610
Transfers	1,556,037	2,586,264	(1,556,037)	(2,586,264)	-	-
<b>Change in net position</b>	<b>9,642,345</b>	<b>7,078,703</b>	<b>4,804,621</b>	<b>5,446,907</b>	<b>14,446,966</b>	<b>12,525,610</b>
Net position - beginning	167,459,116	164,763,638	77,541,368	72,814,614	245,000,484	237,578,252
Net position - ending	\$ 177,101,461	\$ 171,842,341	\$ 82,345,989	\$ 78,261,521	\$ 259,447,450	\$ 250,103,862

The information for the previous year has not been restated for the implementation of GASB Statement No. 75.

**Governmental activities.** Governmental activities increased the City's net position by \$9.6 million. Key elements affecting governmental activities are as follows:

- Charges for services increased \$1.4 million (6.8 percent) due to an increase in revenue in the City's self-insured health insurance plan that is reported in governmental activities.
- Property tax revenue increased \$3.85 million (8.8 percent) in the current year mainly as the result of a seven-percent increase in the real estate tax rate.
- Sales and use tax revenue increased 401,756 (3 percent) due primarily to improved economic activity.
- Restaurant food tax revenue increased \$1.4 million (11.1 percent) during the current year as the result of an increase in the tax rate from 6.5 percent to 7 percent and from a general improvement in economic activity.
- Other local tax revenue increased \$1.2 million (17.1 percent) in the current year as the result of an increase in the consumer utility and hotel and motel room tax rates.
- Expenses in the education activity increased \$4.6 million (12 percent) primarily due to increased funding to the School Board for operations and increased transportation expenses provided by the city related to the opening of new schools. The City's capital asset transfer for debt funded school facilities also increased \$1.1 million.



**Business-type activities.** Business-type activities increased the City's net position by \$4.8 million. Key elements affecting business-type activities are as follows:

- Charges for services increased \$634,520 (2.5 percent) due primarily to increasing water and sewer charges for services. Water and sewer charges for services increased \$539,781 (3 percent) from an increase in water and sewer rates and a general increase in usage.
- Capital grants and contributions decreased \$3.6 million primarily from intergovernmental revenue associated with the purchase of eight new transit buses in the prior fiscal year.
- Expenses in the water activity increased \$308,010 (5.8 percent) due to the city no longer capitalizing interest on construction in progress projects.
- Expenses in the sewer activity decreased \$315,428 (3.2 percent) as the result of decreased contributions to the regional sewer authority and favorable pension results during the year.
- Expenses in the public transportation and sanitation activities decreased due to favorable pension results during the year.

## Government-wide Financial Analysis (Component Units)

**School Board activities.** The net position of the School Board increased \$3.4 million during the year, as compared to a \$2.3 million increase in the previous year. School Board expenses increased \$3.8 million (4.9 percent) due to the opening of a new elementary school and pre-k facility. The School Board's total funding from the City increased \$2.4 million (7.8 percent) compared to the previous year due to the opening of new schools. State funding increased \$5.6 million due to increased enrollment, while Federal funding remained flat.

**HEC activities.** HEC's net position increased \$6.9 million during the year, as compared to a \$3.5 million increase in the previous year. Charges for services increased \$4.9 million (8 percent) during the current year due to an increase in the fuel adjustment factor, while expenses increased \$1.05 million (1.8 percent). The increase in expenses was mostly a result of higher purchased power costs due to the increase in the fuel adjustment factor and increased electricity purchased.

## Financial Analysis of the Government's Funds

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

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

**General Fund.** The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$31.2 million, while total fund balance was \$36.5 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 28.3 percent (29.1 percent in the prior year) of total General Fund expenditures and other financing uses, while total fund balance represents 33 percent (31.5 percent in the prior year) of that same amount.

Total fund balance in the General Fund increased \$3.8 million mainly from positive operating results and the timing of various capital outlay expenditures that were budgeted but encumbered into the subsequent fiscal year. Total revenues increased \$8 million (7.7 percent). Real property taxes increased \$3.5 million (11.3 percent) as the result of an increased tax rate, while personal property taxes increased \$642,855 (6.9 percent) compared to the previous fiscal year. Restaurant food taxes increased \$1.4 million (11.1 percent), consumer utility taxes increased \$736,481 (64.6 percent) and hotel and motel room taxes increased \$324,779 (12.4 percent) compared to the previous fiscal year, all of which were due to increased tax rates. Total expenditures increased \$5.6 million (5.5 percent). Education expenditures increased \$2.4 million (7.8 percent) as the result of new school openings. Public safety expenditures increased \$1.5 million (6.8 percent) due to additional personnel in the police department and equipment purchases by the fire department. Debt service expenditures increased \$828,553 (5.8 percent) from a full year of debt service payments related to a 2016 bond issue. 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 \$9.35 million, of which the entire amount is either restricted or committed for various projects. Revenue, including other financing sources, totaled \$11.1 million, of which \$4.95 million was intergovernmental revenue, \$2.7 million was transfers from other funds, \$2.35 was long-term debt issued and \$1.1 million from other sources. Intergovernmental revenue included funding from the state for street improvement and bridge replacement projects. Expenditures, including other financing uses, totaled \$12.4 million, of which the most significant were for construction related to the Reservoir Street improvement project and renovations to Fire Station 1.

**School Bond Capital Projects Fund.** The entire fund balance of the School Bond Capital Projects Fund had been expended as of year-end due to the completion of the Bluestone Elementary School, Elon Rhodes Early Learning Center and the HVAC replacement at Thomas Harrison Middle School projects. Revenue, including other financing sources, totaled \$761,299, of which \$753,906 was transfers from other funds and \$7,393 was interest earnings on unexpended bond proceeds. Expenditures totaled \$2.8 million.

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

**Water Fund.** The net position of the Water Fund increased \$2.5 million compared to an increase of \$1.2 million in the previous year. Operating revenues increased \$428,012 (5.8 percent) due to a water rate increase and increased consumption, while total operating expenses decreased \$153,361 (2.9 percent) primarily from positive pension results for the year.

**Sewer Fund.** The net position of the Sewer Fund increased \$1.1 million compared to a decrease of \$52,146 in the previous year. Operating revenues increased \$111,769 (1.1 percent) due to a sewer rate increase and increased usage, while total operating expenses decreased \$303,221 (7.2 percent) due to a decrease in contributions to the regional sewer authority and positive pension results for the year.

**Public Transportation Fund.** The net position of the Public Transportation Fund decreased \$954,466. Operating revenues increased \$140,057 (7.7 percent) due to a contract with a student housing complex in Rockingham County, while total operating expenses remained flat.

**Sanitation Fund.** The net position of the Sanitation Fund increased \$1.2 million. Operating revenues decreased \$84,927 (2 percent) from a decrease in solid waste collection and management revenue, while total operating expenses decreased \$155,392 (5.4 percent) due to a decrease in costs associated with the decommissioned resource recovery facility and positive pension results for the year.

**Stormwater Fund.** The net position of the Stormwater Fund increased \$869,075 compared to an increase of \$856,469 million in the previous fiscal year. Operating revenues increased \$43,259 (3.4 percent), while operating expenses increased \$40,815 (9.8 percent) as the result of increased depreciation expense.

### **General Fund Budgetary Highlights**

Differences between the original and the final amended General Fund budget amounted to \$5.3 million, or 4.7 percent of the original budget, and can be briefly summarized as follows:

- \$2.7 million appropriated for prior year encumbrances.
- \$1.1 million appropriated for the City's share of a joint project with Rockingham County and James Madison University for the replacement of computer-aided dispatch software and various document management systems for law enforcement and the regional jail.
- \$540,000 appropriated for the purchase of firefighter self-contained breathing apparatus (air packs).
- \$544,000 appropriated for various fire department purposes including state and federal grants.
- \$146,000 appropriated for various police department purposes including state and federal grants.
- \$236,000 appropriated for other purposes.

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

- General property tax revenues were over the final amended budget by \$1.2 million. The variance was primarily the result of higher than anticipated personal property tax assessments and collections.

- Public safety expenditures were under the final amended budget by \$2.6 million. The variance was the result of general budgetary savings in the police department. Also, the timing of various fire department capital outlay and fire program expenditures in which the funds were budgeted but encumbered and reappropriated into the subsequent fiscal year.
- Public works expenditures were under the final amended budget by \$2.4 million. The variance was the result of the timing of capital outlay for a traffic light replacement and for the City's paving program 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 \$397.3 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 \$2.5 million.

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

- Construction was completed on three school projects that include Bluestone Elementary School, Elon Rhodes Early Learning Center and the Thomas Harrison Middle School HVAC replacement projects increasing governmental activities' buildings and other capital assets while decreasing construction in progress by \$40.9 million.
- Construction was completed on the Reservoir Street improvement project increasing governmental activities' infrastructure while decreasing construction in progress by \$16.9 million.
- Construction was completed on improvements to South Main Street and MLK, Jr. Way related to the construction of Hotel Madison and the Shenandoah Valley Conference Center increasing governmental activities' infrastructure while decreasing construction in progress by \$3.1 million.
- Construction was completed on the improvements to Fire Station 1 increasing governmental activities' buildings while decreasing construction in progress by \$2.2 million.
- Construction was completed on the replacement of the Pleasant Valley Road bridge increasing governmental activities' infrastructure while decreasing construction in progress by \$2.1 million.
- Construction continued on the Park View water tank project increasing business-type activities' construction in progress by \$365,000.
- Construction was completed on a new solid waste transfer station increasing business-type activities' buildings while decreasing construction in progress by \$2.6 million.

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

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 50,981,356	\$ 50,981,356	\$ 1,235,770	\$ 1,235,770	\$ 52,217,126	\$ 52,217,126
Easements	1,739,765	1,739,765	346,921	342,737	2,086,686	2,082,502
Construction in progress	6,230,654	59,432,512	18,001,074	19,884,208	24,231,728	79,316,720
Buildings	117,564,770	82,228,245	13,533,393	11,302,219	131,098,163	93,530,464
Improvements other than buildings	11,766,360	12,534,014	9,768,155	10,210,852	21,534,515	22,744,866
Machinery and equipment	13,239,996	13,686,375	9,240,728	10,823,067	22,480,724	24,509,442
Intangibles	10,433,847	10,697,098	432,262	573,415	10,866,109	11,270,513
Infrastructure	98,490,559	81,368,392	34,285,721	32,708,355	132,776,280	114,076,747
<b>Total capital assets</b>	<b>\$ 310,447,307</b>	<b>\$ 312,667,757</b>	<b>\$ 86,844,024</b>	<b>\$ 87,080,623</b>	<b>\$ 397,291,331</b>	<b>\$ 399,748,380</b>

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



**Long-term debt.** At the end of the current fiscal year, the City had total long-term debt outstanding of \$238.2 million. Of this amount, \$192.1 million comprises debt backed by the full faith and credit of the City. The City's total long-term debt decreased \$5.9 million during the current fiscal year.

The City adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The overall effect of this new standard is to reflect the City's long-term Virginia Retirement System (VRS) other postemployment benefit (OPEB) program obligations and other local OPEB obligations directly in the financial statements. Under previous financial reporting standards, the VRS OPEB programs were not reported as long as the City was current with its required VRS contributions. Also, the local OPEB program obligations were reported incrementally over time but were not recognized in their entirety. The new standard not only changes certain measurement methodologies, but also requires certain new disclosures and that the City record a net OPEB liability directly on the statement of net position which has had a significant impact on the City's net position.

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

- The issuance of \$2.35 million in general obligation bonds to fund the purchase of mobile radios in governmental activities.
- The issuance of \$7 million in general obligation bonds to fund the construction of a water line project in business-type activities.
- A decrease of \$7.9 in the net pension liability.
- Implemented GASB Statement No. 75 and reported updated net other postemployment benefit (OPEB) liabilities increasing liabilities in governmental activities and business-type activities by \$4.8 million and \$785,000, respectively.

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

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
General obligation bonds	\$ 161,338,577	\$ 168,044,998	\$ 30,785,886	\$ 26,299,704	\$ 192,124,463	\$ 194,344,702
Capital leases	960,000	1,414,000	-	-	960,000	1,414,000
Regional jail agreement	6,920,498	7,826,952	-	-	6,920,498	7,826,952
Compensated absences	3,522,607	3,507,704	733,029	750,025	4,255,636	4,257,729
Net OPEB liability	8,535,403	3,764,753	1,833,310	1,048,317	10,368,713	4,813,070
Net pension liability	15,795,663	22,166,861	3,421,215	4,995,220	19,216,878	27,162,081
City landfill closure costs	-	-	1,663,678	1,634,262	1,663,678	1,634,262
County landfill obligation	-	-	2,697,965	2,697,965	2,697,965	2,697,965
<b>Total long-term debt</b>	<b>\$ 197,072,748</b>	<b>\$ 206,725,268</b>	<b>\$ 41,135,083</b>	<b>\$ 37,425,493</b>	<b>\$ 238,207,831</b>	<b>\$ 244,150,761</b>

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

State statutes limit the amount of general obligation debt a governmental entity may incur to 10 percent of its total assessed real property valuation. The current debt limitation for the City is \$410.6 million of which \$218.5 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 \$116 million fiscal year 2019 General Fund budget did not include the use of unassigned fund balance. The following were factors in the preparation and final approval of the fiscal year 2019 General Fund budget.

- The unemployment rate for the City in December 2017 was 3.6 percent, which was a decrease from a rate of 4.1 percent in December 2017. This rate was higher than the 3.3 percent state rate but still compares favorably to the 3.9 percent national rate in December 2017.

- Approximate 3.1 percent increase in real estate assessments.
- No increase in property tax or other local tax rates.
- An increase of \$1 million in additional funding to the School Board.
- An increase of \$440,000 in debt service expenditures related to the City's 2017 issuance of bonds for the purchase of mobile radios related to a radio system upgrade project.
- The use of \$1.2 million from fund balance to fund improvements to the intersection of South Main Street and Port Republic Road and for the purchase of a new fire truck.
- Capital funding totaling \$873,00 was provided for the Rockingham-Harrisonburg Regional Jail HVAC replacement project, architecture and engineering services for renovations to Fire Station 4 and matching requirements for several street projects.
- Salary increases for both City and School Board employees.

A water rate increase of \$0.29 per one thousand gallons (approximately 11 percent) was approved to provide funding for anticipated debt service on a waterline construction project that will transport raw water from the South Fork of the Shenandoah River in Rockingham County to the City's water treatment plant.

A sewer rate increase of \$0.09 per one thousand gallons (approximately 2.7 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](http://www.harrisonburgva.gov). Questions concerning any of the information in this report or requests for additional financial information should be addressed to the City of Harrisonburg, Director of Finance, 409 South Main Street, Harrisonburg, VA 22801.

**BASIC  
FINANCIAL STATEMENTS**

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CITY OF HARRISONBURG, VIRGINIA  
STATEMENT OF NET POSITION  
At June 30, 2018

Exhibit 1

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	HEC
<b>Assets</b>					
Cash and cash equivalents	\$ 51,836,550	\$ 28,923,431	\$ 80,759,981	\$ 10,254,833	\$ 14,829,951
Investments	-	-	-	-	12,000,000
Receivables (net of allowance for uncollectibles)	55,983,640	3,313,163	59,296,803	2,049,118	8,642,701
Due from primary government	-	-	-	-	119,002
Due from component units	69,290	-	69,290	-	118,219
Internal balances	1,838,736	(1,838,736)	-	-	-
Inventory	1,267,279	-	1,267,279	133,380	1,886,957
Prepaid expenses	520,224	12,498	532,722	740,426	171,989
Loans receivable	7,176,176	-	7,176,176	-	-
Restricted assets	96,261	6,929,866	7,026,127	-	-
Capital assets:					
Capital assets, not being depreciated	58,951,775	19,583,765	78,535,540	6,294,184	8,086,854
Capital assets (net of accumulated depreciation)	251,495,532	67,260,259	318,755,791	39,010,242	53,112,604
Net pension asset	-	-	-	671,677	-
<b>Total assets</b>	<u>429,235,463</u>	<u>124,184,246</u>	<u>553,419,709</u>	<u>59,153,860</u>	<u>98,968,277</u>
<b>Deferred outflows of resources</b>					
Deferred bond refunding charges	3,011,811	1,448,222	4,460,033	-	-
Deferred OPEB outflows	397,442	85,587	483,029	1,799,313	16,318
Deferred pension outflows	3,128,898	677,695	3,806,593	9,834,351	455,227
<b>Total deferred outflows of resources</b>	<u>6,538,151</u>	<u>2,211,504</u>	<u>8,749,655</u>	<u>11,633,664</u>	<u>471,545</u>
<b>Liabilities</b>					
Accounts payable	2,462,466	567,297	3,029,763	72,630	4,092,103
Accrued payroll	1,204,113	252,296	1,456,409	7,960,055	103,257
Accrued interest	2,662,277	458,016	3,120,293	-	-
Due to primary government	-	-	-	69,290	-
Due to component units	103,060	15,942	119,002	118,219	-
Due to other governments	1,160,983	145,520	1,306,503	-	-
Customer deposits	-	344,151	344,151	-	1,102,480
Unearned revenue	121,526	256,600	378,126	-	-
Other liabilities	1,713,359	45,873	1,759,232	1,498,180	231,752
Liabilities payable from restricted assets	-	63,258	63,258	-	-
Long-term liabilities:					
Due within one year	13,219,782	3,301,121	16,520,903	228,574	517,277
Due in more than one year	183,852,966	37,833,962	221,686,928	78,502,785	4,402,719
<b>Total liabilities</b>	<u>206,500,532</u>	<u>43,284,036</u>	<u>249,784,568</u>	<u>88,449,733</u>	<u>10,449,588</u>
<b>Deferred inflows of resources</b>					
Property tax revenue	48,639,002	-	48,639,002	-	-
Deferred OPEB inflows	183,486	40,329	223,815	435,000	70,697
Deferred pension inflows	3,349,133	725,396	4,074,529	6,636,944	487,268
<b>Total deferred inflows of resources</b>	<u>52,171,621</u>	<u>765,725</u>	<u>52,937,346</u>	<u>7,071,944</u>	<u>557,965</u>
<b>Net position</b>					
Net investment in capital assets	151,215,449	74,517,218	225,732,667	45,304,426	61,199,458
Restricted for:					
Public safety	621,577	-	621,577	-	-
Unrestricted	25,264,435	7,828,771	33,093,206	(70,038,579)	27,232,811
<b>Total net position</b>	<u>\$ 177,101,461</u>	<u>\$ 82,345,989</u>	<u>\$ 259,447,450</u>	<u>\$ (24,734,153)</u>	<u>\$ 88,432,269</u>

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

**CITY OF HARRISONBURG, VIRGINIA**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2018**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
Governmental activities:				
General government administration	\$ 18,287,937	\$ 15,254,826	\$ 319,942	\$ -
Jail and judicial administration	6,533,114	691,717	-	-
Public safety	23,660,985	301,743	1,995,729	-
Public works	14,989,905	-	4,844,394	4,422,820
Health and welfare	4,793,211	-	-	-
Education	42,928,333	3,751,213	-	-
Parks, recreation and cultural	5,664,779	1,067,881	-	-
Community development	4,080,080	815,353	439,011	-
Interest on long-term debt	5,612,005	-	-	-
<b>Total governmental activities</b>	<b>126,550,349</b>	<b>21,882,733</b>	<b>7,599,076</b>	<b>4,422,820</b>
Business-type activities:				
Water	5,637,611	8,049,249	-	407,150
Sewer	9,534,683	10,692,114	-	117,520
Public transportation	6,252,571	1,960,187	2,879,508	82,099
Sanitation	3,110,955	4,214,492	-	-
Stormwater	454,261	1,302,218	-	-
<b>Total business-type activities</b>	<b>24,990,081</b>	<b>26,218,260</b>	<b>2,879,508</b>	<b>606,769</b>
<b>Total primary government</b>	<b>\$ 151,540,430</b>	<b>\$ 48,100,993</b>	<b>\$ 10,478,584</b>	<b>\$ 5,029,589</b>
<b>Component units:</b>				
School Board	\$ 81,287,172	\$ 2,133,782	\$ 22,833,666	\$ -
Harrisonburg Electric Commission (HEC)	58,964,936	65,686,067	-	22,586
<b>Total component units</b>	<b>\$ 140,252,108</b>	<b>\$ 67,819,849</b>	<b>\$ 22,833,666</b>	<b>\$ 22,586</b>

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

Total general revenues and transfers

**Change in net position**

Net position at beginning of year, as restated

Net position at end of year

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

Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	School Board	HEC
\$ (2,713,169)	\$ -	\$ (2,713,169)	\$ -	\$ -
(5,841,397)	-	(5,841,397)	-	-
(21,363,513)	-	(21,363,513)	-	-
(5,722,691)	-	(5,722,691)	-	-
(4,793,211)	-	(4,793,211)	-	-
(39,177,120)	-	(39,177,120)	-	-
(4,596,898)	-	(4,596,898)	-	-
(2,825,716)	-	(2,825,716)	-	-
(5,612,005)	-	(5,612,005)	-	-
(92,645,720)	-	(92,645,720)	-	-
-	2,818,788	2,818,788	-	-
-	1,274,951	1,274,951	-	-
-	(1,330,777)	(1,330,777)	-	-
-	1,103,537	1,103,537	-	-
-	847,957	847,957	-	-
-	4,714,456	4,714,456	-	-
(92,645,720)	4,714,456	(87,931,264)	-	-
-	-	-	(56,319,724)	-
-	-	-	-	6,743,717
-	-	-	(56,319,724)	6,743,717
47,490,931	-	47,490,931	-	-
13,609,547	-	13,609,547	-	-
13,623,551	-	13,623,551	-	-
6,894,312	-	6,894,312	-	-
8,296,309	-	8,296,309	-	-
3,407,878	-	3,407,878	25,987,638	-
-	-	-	33,297,251	-
5,000,000	-	5,000,000	-	-
683,838	392,616	1,076,454	18,086	160,860
1,725,662	1,203,620	2,929,282	387,544	-
-	49,966	49,966	-	-
1,556,037	(1,556,037)	-	-	-
102,288,065	90,165	102,378,230	59,690,519	160,860
9,642,345	4,804,621	14,446,966	3,370,795	6,904,577
167,459,116	77,541,368	245,000,484	(28,104,948)	81,527,692
\$ 177,101,461	\$ 82,345,989	\$ 259,447,450	\$ (24,734,153)	\$ 88,432,269

CITY OF HARRISONBURG, VIRGINIA  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
At June 30, 2018

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>
<b>Assets</b>					
Cash and cash equivalents	\$ 35,286,717	\$ 9,050,013	\$ -	\$ 662,213	\$ 44,998,943
Receivables (net of allowance for uncollectibles)	54,895,589	1,017,334	-	59,658	55,972,581
Due from other funds	52,165	-	-	-	52,165
Due from component units	-	-	-	62,820	62,820
Inventory	72,229	-	-	-	72,229
Prepaid expenditures	467,207	-	-	34,666	501,873
Loans receivable	7,086,039	-	-	90,137	7,176,176
Restricted assets	2,578	93,683	-	-	96,261
<b>Total assets</b>	<u>\$ 97,862,524</u>	<u>\$ 10,161,030</u>	<u>\$ -</u>	<u>\$ 909,494</u>	<u>\$ 108,933,048</u>
<b>Liabilities</b>					
Accounts payable	\$ 767,132	\$ 705,769	\$ -	\$ 27,866	\$ 1,500,767
Accrued payroll	985,737	-	-	188,224	1,173,961
Due to other funds	-	-	-	32,403	32,403
Due to component units	97,114	1,178	-	1,591	99,883
Due to other governments	1,081,665	79,318	-	-	1,160,983
Unearned revenue	100,405	21,121	-	-	121,526
Other liabilities	1,713,359	-	-	-	1,713,359
<b>Total liabilities</b>	<u>4,745,412</u>	<u>807,386</u>	<u>-</u>	<u>250,084</u>	<u>5,802,882</u>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue	56,646,605	-	-	90,137	56,736,742
<b>Total deferred inflows of resources</b>	<u>56,646,605</u>	<u>-</u>	<u>-</u>	<u>90,137</u>	<u>56,736,742</u>
<b>Fund Balances</b>					
Nonspendable	835,475	-	-	34,666	870,141
Restricted	624,155	93,683	-	-	717,838
Committed	63,402	9,259,961	-	392,607	9,715,970
Assigned	3,707,702	-	-	142,000	3,849,702
Unassigned	31,239,773	-	-	-	31,239,773
<b>Total fund balances</b>	<u>36,470,507</u>	<u>9,353,644</u>	<u>-</u>	<u>569,273</u>	<u>46,393,424</u>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<u>\$ 97,862,524</u>	<u>\$ 10,161,030</u>	<u>\$ -</u>	<u>\$ 909,494</u>	<u>\$ 108,933,048</u>

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



**CITY OF HARRISONBURG, VIRGINIA**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**At June 30, 2018**

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**Exhibit 4**

Total fund balances of governmental funds (Exhibit 3)	\$ 46,393,424
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:	
Certain revenues are not available to pay for current period expenditures and therefore are deferred in the funds.	8,097,740
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	304,079,860
Certain liabilities, including bonds and related accounts, are not payable from current financial resources and therefore are not reported in the funds.	(195,870,471)
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.	(4,794)
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>14,405,702</u>
Net position of governmental activities (Exhibit 1)	<u>\$ 177,101,461</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, 2018**

Exhibit 5

	<u>General Fund</u>	<u>General Capital Projects Fund</u>	<u>School Bond Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>					
General property taxes	\$ 47,667,485	\$ -	\$ -	\$ -	\$ 47,667,485
Other local taxes	42,423,719	-	-	-	42,423,719
Permits, privilege fees and regulatory licenses	643,501	-	-	-	643,501
Fines and forfeitures	870,541	-	-	-	870,541
Use of money and property	669,870	20,731	7,393	3,787	701,781
Charges for services	1,362,652	-	-	3,754,638	5,117,290
Miscellaneous	1,965,666	-	-	36,070	2,001,736
Recovered costs	-	1,110,065	-	-	1,110,065
Payments from component units	5,000,000	-	-	-	5,000,000
Intergovernmental	10,691,371	4,948,908	-	315,583	15,955,862
Total revenues	<u>111,294,805</u>	<u>6,079,704</u>	<u>7,393</u>	<u>4,110,078</u>	<u>121,491,980</u>
<b>Expenditures:</b>					
Current:					
General government administration	5,369,900	-	-	-	5,369,900
Jail and judicial administration	6,783,548	-	-	-	6,783,548
Public safety	23,376,742	-	-	-	23,376,742
Public works	9,920,031	-	-	-	9,920,031
Health and welfare	4,771,346	-	-	-	4,771,346
Education	33,297,251	-	-	3,757,706	37,054,957
Parks, recreation and cultural	5,204,766	-	-	-	5,204,766
Community development	3,676,682	-	-	365,583	4,042,265
Debt service:					
Principal retirement	8,961,622	-	-	-	8,961,622
Interest and fiscal charges	6,073,912	-	-	-	6,073,912
Capital projects	-	11,578,451	2,759,719	-	14,338,170
Total expenditures	<u>107,435,800</u>	<u>11,578,451</u>	<u>2,759,719</u>	<u>4,123,289</u>	<u>125,897,259</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>3,859,005</u>	<u>(5,498,747)</u>	<u>(2,752,326)</u>	<u>(13,211)</u>	<u>(4,405,279)</u>
<b>Other financing sources (uses):</b>					
Long-term debt issued	-	2,350,000	-	-	2,350,000
Transfers in	2,860,545	2,696,109	753,906	-	6,310,560
Transfers out	(2,946,109)	(826,764)	-	-	(3,772,873)
Total other financing sources (uses)	<u>(85,564)</u>	<u>4,219,345</u>	<u>753,906</u>	<u>-</u>	<u>4,887,687</u>
<b>Net change in fund balances</b>	3,773,441	(1,279,402)	(1,998,420)	(13,211)	482,408
Fund balances at beginning of year	<u>32,697,066</u>	<u>10,633,046</u>	<u>1,998,420</u>	<u>582,484</u>	<u>45,911,016</u>
Fund balances at end of year	<u>\$ 36,470,507</u>	<u>\$ 9,353,644</u>	<u>\$ -</u>	<u>\$ 569,273</u>	<u>\$ 46,393,424</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, 2018**

**Exhibit 6**

Total net change in fund balances of governmental funds (Exhibit 5)	\$ 482,408
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.	(566,732)
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.	2,929,778
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.	(3,680,516)
The transfer of capital assets to other funds 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.	(1,159,555)
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.	(112,283)
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.	7,846,711
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.	87,114
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.	603,521
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>3,211,899</u>
Change in net position of governmental activities (Exhibit 2)	<u>\$ 9,642,345</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, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
<b>Revenues:</b>				
General property taxes	\$ 46,496,100	\$ 46,496,100	\$ 47,667,485	\$ 1,171,385
Other local taxes	42,193,900	42,193,900	42,423,719	229,819
Permits, privilege fees and regulatory licenses	551,100	551,100	643,501	92,401
Fines and forfeitures	670,000	670,000	870,541	200,541
Use of money and property	362,500	362,500	669,870	307,370
Charges for services	1,432,500	1,432,500	1,362,652	(69,848)
Miscellaneous	1,843,267	1,844,767	1,965,666	120,899
Payments from component units	5,000,000	5,000,000	5,000,000	-
Intergovernmental	10,285,641	10,680,051	10,691,371	11,320
Total revenues	<u>108,835,008</u>	<u>109,230,918</u>	<u>111,294,805</u>	<u>2,063,887</u>
<b>Expenditures:</b>				
Current:				
General government administration	5,863,111	5,946,524	5,369,900	576,624
Jail and judicial administration	7,192,854	7,070,170	6,783,548	286,622
Public safety	24,281,589	25,952,941	23,376,742	2,576,199
Public works	10,879,162	12,288,779	9,920,031	2,368,748
Health and welfare	4,845,436	4,835,333	4,771,346	63,987
Education	33,262,539	33,414,280	33,297,251	117,029
Parks, recreation and cultural	5,709,287	5,645,989	5,204,766	441,223
Community development	3,548,168	3,806,926	3,676,682	130,244
Debt service:				
Principal retirement	8,961,622	8,961,622	8,961,622	-
Interest and fiscal charges	6,061,031	6,077,647	6,073,912	3,735
Total expenditures	<u>110,604,799</u>	<u>114,000,211</u>	<u>107,435,800</u>	<u>6,564,411</u>
<b>Excess (deficiency) of revenues over</b>				
<b>(under) expenditures</b>	<u>(1,769,791)</u>	<u>(4,769,293)</u>	<u>3,859,005</u>	<u>8,628,298</u>
<b>Other financing sources (uses):</b>				
Transfers in	2,844,791	2,844,791	2,860,545	15,754
Transfers out	(1,075,000)	(2,946,109)	(2,946,109)	-
Total other financing sources (uses)	<u>1,769,791</u>	<u>(101,318)</u>	<u>(85,564)</u>	<u>15,754</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ (4,870,611)</u>	<u>3,773,441</u>	<u>\$ 8,644,052</u>
Fund balance at beginning of year			<u>32,697,066</u>	
Fund balance at end of year			<u>\$ 36,470,507</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, 2018

Exhibit 8

	Enterprise Funds						Internal Service Funds
	Water Fund	Sewer Fund	Public Transportation Fund	Sanitation Fund	Stormwater Fund	Total	
<b>Assets</b>							
Current assets:							
Cash and cash equivalents	\$ 10,417,711	\$ 8,555,676	\$ 972,377	\$ 6,131,283	\$ 2,846,384	\$ 28,923,431	\$ 6,837,607
Receivables (net of allowance for uncollectibles)	992,097	1,350,475	17,282	285,792	44,019	2,689,665	11,059
Due from component units	-	-	-	-	-	-	6,470
Due from other governments	48,000	-	575,498	-	-	623,498	-
Inventory	-	-	-	-	-	-	1,195,050
Prepaid expenses	12,498	-	-	-	-	12,498	18,351
Restricted assets	6,929,866	-	-	-	-	6,929,866	-
<b>Total current assets</b>	<u>18,400,172</u>	<u>9,906,151</u>	<u>1,565,157</u>	<u>6,417,075</u>	<u>2,890,403</u>	<u>39,178,958</u>	<u>8,068,537</u>
Noncurrent assets:							
Capital assets (net of accumulated depreciation)	49,254,206	19,286,199	13,073,030	4,095,887	1,134,702	86,844,024	6,367,447
<b>Total noncurrent assets</b>	<u>49,254,206</u>	<u>19,286,199</u>	<u>13,073,030</u>	<u>4,095,887</u>	<u>1,134,702</u>	<u>86,844,024</u>	<u>6,367,447</u>
<b>Total assets</b>	<u>67,654,378</u>	<u>29,192,350</u>	<u>14,638,187</u>	<u>10,512,962</u>	<u>4,025,105</u>	<u>126,022,982</u>	<u>14,435,984</u>
<b>Deferred outflows of resources</b>							
Deferred bond refunding charges	655,493	-	-	792,729	-	1,448,222	-
Deferred OPEB outflows	24,236	23,277	16,257	21,021	796	85,587	11,815
Deferred pension outflows	233,835	143,332	170,079	119,387	11,062	677,695	102,663
<b>Total deferred outflows of resources</b>	<u>913,564</u>	<u>166,609</u>	<u>186,336</u>	<u>933,137</u>	<u>11,858</u>	<u>2,211,504</u>	<u>114,478</u>
<b>Liabilities</b>							
Current liabilities:							
Accounts payable	280,560	94,853	43,694	120,148	28,042	567,297	961,699
Accrued payroll	79,642	57,564	78,573	30,998	5,519	252,296	30,152
Accrued interest	285,030	-	-	172,986	-	458,016	-
Due to other funds	-	-	-	-	-	-	19,762
Due to component units	8,046	4,297	2,259	1,119	221	15,942	3,177
Due to other governments	-	-	145,520	-	-	145,520	-
Customer deposits	344,151	-	-	-	-	344,151	-
Unearned revenue	163,700	92,900	-	-	-	256,600	-
Other liabilities	45,873	-	-	-	-	45,873	-
Liabilities payable from restricted assets	63,258	-	-	-	-	63,258	-
Compensated absences	131,251	72,190	86,722	56,410	4,958	351,531	50,987
Landfill closure	-	-	-	105,991	-	105,991	-
Current portion of bonds payable	933,705	-	-	1,909,894	-	2,843,599	-
<b>Total current liabilities</b>	<u>2,335,216</u>	<u>321,804</u>	<u>356,768</u>	<u>2,397,546</u>	<u>38,740</u>	<u>5,450,074</u>	<u>1,065,777</u>
Noncurrent liabilities:							
Compensated absences	136,164	90,695	74,116	80,523	-	381,498	33,324
Net OPEB liability	505,604	513,110	332,749	467,859	13,988	1,833,310	250,157
Net pension liability	1,180,475	723,586	858,611	602,701	55,842	3,421,215	518,275
Landfill closure	-	-	-	4,255,652	-	4,255,652	-
Bonds payable	18,915,202	-	-	9,027,085	-	27,942,287	-
<b>Total noncurrent liabilities</b>	<u>20,737,445</u>	<u>1,327,391</u>	<u>1,265,476</u>	<u>14,433,820</u>	<u>69,830</u>	<u>37,833,962</u>	<u>801,756</u>
<b>Total liabilities</b>	<u>23,072,661</u>	<u>1,649,195</u>	<u>1,622,244</u>	<u>16,831,366</u>	<u>108,570</u>	<u>43,284,036</u>	<u>1,867,533</u>
<b>Deferred inflows of resources</b>							
Deferred OPEB inflows	13,762	8,460	10,336	6,866	905	40,329	6,075
Deferred pension inflows	250,294	153,421	182,050	127,790	11,841	725,396	109,888
<b>Total deferred inflows of resources</b>	<u>264,056</u>	<u>161,881</u>	<u>192,386</u>	<u>134,656</u>	<u>12,746</u>	<u>765,725</u>	<u>115,963</u>
<b>Net position</b>							
Net investment in capital assets	36,927,400	19,286,199	13,073,030	4,095,887	1,134,702	74,517,218	6,367,447
Unrestricted	8,303,825	8,261,684	(63,137)	(9,615,810)	2,780,945	9,667,507	6,199,519
<b>Total net position</b>	<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>84,184,725</u>	<u>\$ 12,566,966</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.						(1,838,736)	
Net position of business-type activities (Exhibit 1)						\$ 82,345,989	

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, 2018

Exhibit 9

	Enterprise Funds					Total	Internal Service Funds
	Water Fund	Sewer Fund	Public Transportation Fund	Sanitation Fund	Stormwater Fund		
<b>Operating revenues:</b>							
Charges for services	\$ 7,996,414	\$ 10,687,686	\$ 1,960,187	\$ 4,210,325	\$ 1,302,218	\$ 26,156,830	\$ 24,379,961
Connection fees	52,835	4,428	-	-	-	57,263	-
Total operating revenues	<u>8,049,249</u>	<u>10,692,114</u>	<u>1,960,187</u>	<u>4,210,325</u>	<u>1,302,218</u>	<u>26,214,093</u>	<u>24,379,961</u>
<b>Operating expenses:</b>							
Personal services	1,768,815	1,104,153	2,299,777	812,587	107,706	6,093,038	763,806
Fringe benefits	543,074	365,264	577,887	339,517	29,659	1,855,401	269,958
Purchased services	438,636	250,311	111,843	1,070,674	162,341	2,033,805	561,216
Internal services	172,010	330,603	1,393,665	141,716	25,791	2,063,785	5,066
Other charges	391,792	151,711	233,488	70,509	19,302	866,802	1,659,524
Materials and supplies	301,543	134,853	41,252	23,012	5,853	506,513	74,597
Depreciation and amortization	1,475,152	1,505,781	1,666,155	249,071	104,702	5,000,861	197,874
Contributions to regional sewer authority	-	5,697,542	-	-	-	5,697,542	-
Cost of inventory issued	-	-	-	-	-	-	3,185,202
Claims related charges	-	-	-	-	-	-	14,630,712
Total operating expenses	<u>5,091,022</u>	<u>9,540,218</u>	<u>6,324,067</u>	<u>2,707,086</u>	<u>455,354</u>	<u>24,117,747</u>	<u>21,347,955</u>
<b>Operating income (loss)</b>	<u>2,958,227</u>	<u>1,151,896</u>	<u>(4,363,880)</u>	<u>1,503,239</u>	<u>846,864</u>	<u>2,096,346</u>	<u>3,032,006</u>
<b>Nonoperating revenues (expenses):</b>							
Intergovernmental revenue	-	-	2,822,262	-	-	2,822,262	-
Connection application fees	266,364	502,872	-	-	-	769,236	-
Miscellaneous revenue	96,656	17,298	215,639	4,516	275	334,384	40,722
Reimbursement of bond payment	-	-	-	104,167	-	104,167	-
Investment revenue	198,717	108,902	9,601	42,210	33,186	392,616	52,014
Interest expense	(532,795)	-	-	(430,287)	-	(963,082)	-
Gain on disposal of capital assets	-	5,053	40,463	4,450	-	49,966	-
Total nonoperating revenues (expenses)	<u>28,942</u>	<u>634,125</u>	<u>3,087,965</u>	<u>(274,944)</u>	<u>33,461</u>	<u>3,509,549</u>	<u>92,736</u>
<b>Income (loss) before contributions and transfers</b>	<u>2,987,169</u>	<u>1,786,021</u>	<u>(1,275,915)</u>	<u>1,228,295</u>	<u>880,325</u>	<u>5,605,895</u>	<u>3,124,742</u>
Capital contributions	1,066,633	617,592	139,345	-	-	1,823,570	-
Transfers in	-	-	322,858	-	-	322,858	177,905
Transfers out	<u>(1,592,469)</u>	<u>(1,293,977)</u>	<u>(140,754)</u>	<u>-</u>	<u>(11,250)</u>	<u>(3,038,450)</u>	<u>-</u>
<b>Change in net position</b>	<u>2,461,333</u>	<u>1,109,636</u>	<u>(954,466)</u>	<u>1,228,295</u>	<u>869,075</u>	<u>4,713,873</u>	<u>3,302,647</u>
Net position at beginning of year, as restated	<u>42,769,892</u>	<u>26,438,247</u>	<u>13,964,359</u>	<u>(6,748,218)</u>	<u>3,046,572</u>		<u>9,264,319</u>
Net position at end 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>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.						90,748	
Change in net position of business-type activities (Exhibit 2)						\$ 4,804,621	

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

	Enterprise Funds						Internal Service Funds
	Water Fund	Sewer Fund	Public Transportation Fund	Sanitation Fund	Stormwater Fund	Total	
<b>Cash flows from operating activities:</b>							
Receipts from customers	\$ 7,986,514	\$ 10,664,809	\$ 1,949,217	\$ 4,224,988	\$ 1,346,995	\$ 26,172,523	\$ 4,807,970
Receipts from premiums	-	-	-	-	-	-	18,169,658
Receipts from other sources	99,141	17,298	215,605	4,516	275	336,835	41,182
Receipts from customer deposits	167,248	-	-	-	-	167,248	-
Payments to employees	(1,769,191)	(1,104,524)	(2,280,793)	(815,035)	(106,651)	(6,076,194)	(789,259)
Payments for fringe benefits	(583,234)	(380,039)	(598,607)	(348,697)	(31,344)	(1,941,921)	(286,167)
Payments to vendors	(1,128,147)	(555,894)	(405,748)	(1,187,350)	(227,663)	(3,504,802)	(5,555,654)
Payments for internal services	(172,010)	(330,603)	(1,393,665)	(141,716)	(25,791)	(2,063,785)	(5,066)
Payments to other governmental units	-	(5,679,474)	-	-	-	(5,679,474)	-
Payments to refund customer deposits	(162,578)	-	-	-	-	(162,578)	-
Payments for claims related charges	-	-	-	-	-	-	(14,892,040)
Net cash provided by (used for) operating activities	4,437,743	2,631,573	(2,513,991)	1,736,706	955,821	7,247,852	1,490,624
<b>Cash flows from noncapital financing activities:</b>							
Operating grants	-	-	2,513,912	-	-	2,513,912	-
Transfers in	-	-	322,858	-	-	322,858	177,905
Transfers out	(1,592,469)	(1,293,977)	(140,754)	-	(11,250)	(3,038,450)	-
Interfund loan	-	-	-	-	-	-	19,762
Net cash provided by (used for) noncapital financing activities	(1,592,469)	(1,293,977)	2,696,016	-	(11,250)	(201,680)	197,667
<b>Cash flows from capital and related financing activities:</b>							
Capital grants and contributions	-	-	116,002	-	-	116,002	-
Connection application fees	301,200	495,300	-	-	-	796,500	-
Payment from JMU for long-term debt	-	-	-	105,475	-	105,475	-
Proceeds from sale of capital assets	-	5,053	185,983	4,450	-	195,486	-
Proceeds from long-term debt	6,927,493	-	-	-	-	6,927,493	-
Principal paid on long-term debt	(661,867)	-	-	(1,759,378)	-	(2,421,245)	-
Interest paid on long-term debt	(395,289)	-	-	(404,935)	-	(800,224)	-
Purchase and construction of capital assets	(865,981)	(189,782)	(203,865)	(1,626,581)	(344,876)	(3,231,085)	-
Net cash provided by (used for) capital and related financing activities	5,305,556	310,571	98,120	(3,680,969)	(344,876)	1,688,402	-
<b>Cash flows from investing activities:</b>							
Interest received	198,717	108,902	9,601	42,210	33,186	392,616	52,014
Net cash provided by investing activities	198,717	108,902	9,601	42,210	33,186	392,616	52,014
<b>Net increase (decrease) in cash and cash equivalents</b>	8,349,547	1,757,069	289,746	(1,902,053)	632,881	9,127,190	1,740,305
<b>Cash and cash equivalents:</b>							
Beginning	8,998,030	6,798,607	682,631	8,033,336	2,213,503	26,726,107	5,097,302
Ending	\$ 17,347,577	\$ 8,555,676	\$ 972,377	\$ 6,131,283	\$ 2,846,384	\$ 35,853,297	\$ 6,837,607
<b>Reconciliation of cash and cash equivalents to the statement of net position:</b>							
Cash and cash equivalents - Current assets	\$ 10,417,711	\$ 8,555,676	\$ 972,377	\$ 6,131,283	\$ 2,846,384	\$ 28,923,431	\$ 6,837,607
Cash and cash equivalents - Restricted assets	6,929,866	-	-	-	-	6,929,866	-
	\$ 17,347,577	\$ 8,555,676	\$ 972,377	\$ 6,131,283	\$ 2,846,384	\$ 35,853,297	\$ 6,837,607

(continued)

	Enterprise Funds					Total	Internal Service Funds
	Water Fund	Sewer Fund	Public Transportation Fund	Sanitation Fund	Stormwater Fund		
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>							
Operating income (loss)	\$ 2,958,227	\$ 1,151,896	\$ (4,363,880)	\$ 1,503,239	\$ 846,864	\$ 2,096,346	\$ 3,032,006
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:							
Depreciation and amortization	1,475,152	1,505,781	1,666,155	249,071	104,702	5,000,861	197,874
Bond issuance costs	72,507	-	-	-	-	72,507	-
Connection fees	(52,835)	(4,428)	-	-	-	(57,263)	-
Miscellaneous revenue	99,141	17,298	215,605	4,516	275	336,835	41,182
Change in assets, deferred outflows of resources, liabilities and deferred inflows of resources:							
(Increase) decrease in:							
Accounts receivable	(4,402)	(22,877)	(10,970)	14,664	44,819	21,234	(8,510)
Due from component units	-	-	-	-	-	-	2,904
Inventory	-	-	-	-	-	-	(56,539)
Prepaid expenses	19,390	14,303	21,792	15,459	798	71,742	10,827
Deferred outflows of resources	193,931	103,788	123,477	90,399	6,220	517,815	78,566
Increase (decrease) in:							
Accounts payable	33,341	10,284	(5,091)	(28,970)	(45,367)	(35,803)	(254,593)
Accrued payroll	8,958	13,759	14,154	(2,312)	687	35,246	(1,425)
Due to component units	520	1,170	(723)	107	(13)	1,061	(2,516)
Customer deposits	4,670	-	-	-	-	4,670	-
Unearned revenue	-	-	-	-	-	-	(1,396,726)
Other liabilities	(5,498)	-	-	-	-	(5,498)	-
Compensated absences	(9,357)	(14,156)	6,380	(311)	449	(16,995)	(25,984)
Landfill closure	-	-	-	29,416	-	29,416	-
Net OPEB liability	(16,259)	3,844	(5,816)	1,949	240	(16,042)	(3,856)
Net pension liability	(603,799)	(310,970)	(367,460)	(275,177)	(16,599)	(1,574,005)	(238,549)
Deferred inflows of resources	264,056	161,881	192,386	134,656	12,746	765,725	115,963
Net cash provided by (used for) operating activities	\$ 4,437,743	\$ 2,631,573	\$ (2,513,991)	\$ 1,736,706	\$ 955,821	\$ 7,247,852	\$ 1,490,624

**Non - cash capital and related financing activities:**

Additions to capital assets:							
Contributed by developers	\$ 359,150	\$ 117,520	\$ -	\$ -	\$ -	\$ 476,670	\$ -
Contributed from other funds	659,483	500,072	-	-	-	1,159,555	-
Purchase and construction on account	255,484	-	-	59,375	27,554	342,413	-
Capital grants due from other governments	-	-	83,522	-	-	83,522	-

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, 2018

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Exhibit 11

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 2,897,073
Receivables	<u>379,854</u>
<b>Total assets</b>	<b>\$ <u><u>3,276,927</u></u></b>
<b>Liabilities</b>	
Accounts payable	\$ 73,694
Accrued payroll	85,862
Amounts held for others	<u>3,117,371</u>
<b>Total liabilities</b>	<b>\$ <u><u>3,276,927</u></u></b>

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

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

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

**A. Reporting Entity**

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

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

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

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

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

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

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

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

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

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

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

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

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

The City reports the following major governmental funds:

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

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

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

The City reports the following major proprietary funds:

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

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

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

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

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

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

Additionally, the City reports the following fund types:

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

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

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

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

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

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

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

### D. Budgets and Budgetary Accounting

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

Prior to May 1, the City Manager submits to the City Council a balanced proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them. Prior to June 30, the City Council holds public hearings to obtain citizen comments, and a final budget is legally enacted through the passage of an Appropriation Ordinance. All budget data presented is the original budget and the final budget as of June 30, 2018.

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 \$5,266,521. 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, 2018. 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, 2018 amounted to \$641,088.

**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 \$3,680,516 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 2019. 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 balance as reported in the governmental fund balance sheet and the net position of governmental activities as reported in the government-wide statement of net position is provided on Exhibit 4. One element of that reconciliation explains that "Certain liabilities, including bonds and related accounts, are not payable from current financial resources and therefore are not reported in the funds." The details of this difference are as follows:

Bonds payable	\$ (152,419,832)
Bond issue premiums/discounts (net)	(8,918,745)
Deferred charge for bond refunding	3,011,811
Capital leases	(960,000)
Compensated absences (not including internal service funds)	(3,438,296)
Net OPEB liability (not including internal service funds)	(8,285,246)
Net pension liability (not including internal service funds)	(15,277,388)
Middle River Regional Jail agreement	(6,920,498)
Accrued interest	<u>(2,662,277)</u>
Net adjustment	\$ <u><u>(195,870,471)</u></u>



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

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

Deferred OPEB outflows (not including internal service funds)	\$ 385,627
Deferred pension outflows (not including internal service funds)	3,026,235
Deferred OPEB inflows (not including internal service funds)	(177,411)
Deferred pension inflows (not including internal service funds)	<u>(3,239,245)</u>
Net adjustment	\$ <u>(4,794)</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	\$ 14,185,642
Depreciation expense (not including internal service funds)	<u>(11,255,864)</u>
Net adjustment	\$ <u>2,929,778</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	\$ (2,350,000)
Principal payments	8,961,622
Payment on Middle River Regional Jail agreement	906,454
Amortization of bond premiums/discounts (net)	548,799
Amortization of deferred bond refunding charges	<u>(220,164)</u>
Net adjustment	\$ <u>7,846,711</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)	\$ (40,888)
Accrued interest	<u>128,002</u>
Net adjustment	\$ <u>87,114</u>

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:

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

Employer OPEB contributions (not including internal service funds)	\$ 382,970
Employer pension contributions (not including internal service funds)	2,331,452
OPEB expense (not including internal service funds)	(554,835)
Pension expense (not including internal service funds)	<u>(1,556,066)</u>
Net adjustment	\$ <u><u>603,521</u></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, 2018, 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, 2018, 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, 2018.

	Primary	Component Units		Total
	Government	School Board	HEC	
Investments:				
Local Government Investment Pool (LGIP)	\$ 79,348,297	\$ 10,085,466	\$ -	\$ 89,433,763
State Non-Arbitrage Pool (SNAP)	6,929,866	-	-	6,929,866
Certificates of Deposit	-	-	8,000,000	8,000,000
Money Market Account	-	-	4,000,000	4,000,000
Deposits	<u>4,390,068</u>	<u>168,667</u>	<u>14,829,951</u>	<u>19,388,686</u>
Total deposits and investments	<u>\$ 90,668,231</u>	<u>\$ 10,254,133</u>	<u>\$ 26,829,951</u>	<u>\$ 127,752,315</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 \$96,261 and \$6,929,866, respectively, represent unspent bond proceeds.

**Note 5. Receivables**

The following is a summary of receivables at June 30, 2018.

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	HEC
Property taxes receivable	\$ 50,751,945	\$ -	\$ 50,751,945	\$ -	\$ -
Other taxes receivable	1,718,684	-	1,718,684	-	-
Accounts receivable	11,059	2,718,945	2,730,004	-	8,642,701
Interest receivable	2,669	-	2,669	-	-
Other receivables	189,188	111,143	300,331	685,548	-
Due from other governments:					
Commonwealth of Virginia	3,740,469	3,814	3,744,283	766,859	-
Federal Government	210,714	619,684	830,398	596,711	-
Allowance for uncollectibles	<u>(641,088)</u>	<u>(140,423)</u>	<u>(781,511)</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<b>\$ 55,983,640</b>	<b>\$ 3,313,163</b>	<b>\$ 59,296,803</b>	<b>\$ 2,049,118</b>	<b>\$ 8,642,701</b>

**Note 6. Loans Receivable**

The following is a summary of loans receivable at June 30, 2018.

Borrowing Entity/Loan Number	Loan Date	Term (in years)	Interest Rate	Balance	Current Portion
HRHA*	June 26, 2014	18	4.12%	\$ 4,370,000	\$ 300,000
HRHA*	December 6, 2011	17.5	3.19%	2,420,000	115,000
Massanutten Regional Library	May 15, 2000	n/a	0.0%	<u>296,039</u>	<u>-</u>
<b>Total General Fund</b>				<u>7,086,039</u>	<u>415,000</u>
2018-02	February 21, 2018	5	4.75%	23,886	4,592
2018-01	November 20, 2017	5	4.75%	22,758	4,646
2016-01	June 29, 2016	3	4.50%	3,767	3,471
2015-04	April 30, 2015	5	4.50%	8,202	4,191
2015-03	April 22, 2015	5	4.50%	10,523	4,730
2015-02	January 23, 2015	5	4.50%	8,532	5,318
2015-01	July 18, 2014	5	4.50%	8,964	5,298
2014-01	July 31, 2013	5	4.50%	464	464
2013-03	January 31, 2013	4	4.50%	<u>3,041</u>	<u>3,041</u>
<b>Total Business Loan Program Fund</b>				<u>90,137</u>	<u>35,751</u>
<b>Total Governmental Activities</b>				<u>\$ 7,176,176</u>	<u>\$ 450,751</u>

\*Harrisonburg Redevelopment and Housing Authority

## Note 7. Capital Assets

### Primary Government

The following is a summary of the changes in capital assets of the governmental activities for fiscal year 2018.

	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018
Capital assets, not being depreciated:				
Land	\$ 50,981,356	\$ -	\$ -	\$ 50,981,356
Easements	1,739,765	-	-	1,739,765
Construction in progress	<u>59,432,512</u>	<u>12,588,464</u>	<u>(65,790,322)</u>	<u>6,230,654</u>
Capital assets, not being depreciated	<u>\$ 112,153,633</u>	<u>\$ 12,588,464</u>	<u>\$ (65,790,322)</u>	<u>\$ 58,951,775</u>
Capital assets, being depreciated:				
Buildings	\$ 116,688,745	\$ 42,825,934	\$ (4,970,965)	\$ 154,543,714
Improvements other than buildings	19,526,578	-	-	19,526,578
Machinery and equipment	35,869,705	1,518,431	(1,354,361)	36,033,775
Intangibles	11,738,036	290,559	-	12,028,595
Infrastructure	<u>164,107,826</u>	<u>21,593,021</u>	<u>-</u>	<u>185,700,847</u>
Capital assets, being depreciated	<u>347,930,890</u>	<u>66,227,945</u>	<u>(6,325,326)</u>	<u>407,833,509</u>
Less accumulated depreciation:				
Buildings	(34,460,500)	(3,696,610)	1,178,166	(36,978,944)
Improvements other than buildings	(6,992,564)	(767,654)	-	(7,760,218)
Machinery and equipment	(22,183,330)	(1,964,810)	1,354,361	(22,793,779)
Intangibles	(1,040,938)	(553,810)	-	(1,594,748)
Infrastructure	<u>(82,739,434)</u>	<u>(4,470,854)</u>	<u>-</u>	<u>(87,210,288)</u>
Accumulated depreciation	<u>(147,416,766)</u>	<u>(11,453,738)</u>	<u>2,532,527</u>	<u>(156,337,977)</u>
Capital assets, being depreciated (net)	<u>\$ 200,514,124</u>	<u>\$ 54,774,207</u>	<u>\$ (3,792,799)</u>	<u>\$ 251,495,532</u>

The primary government has included in the preceding schedule machinery and equipment in the amount of \$5,939,144 (\$2,846,152 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	\$ 215,086
Jail and judicial administration	656,020
Public safety	1,547,907
Public works	5,309,592
Health and welfare	21,865
Education	2,557,654
Parks, recreation and culture	825,405
Planning and community development	122,335
Internal service funds (allocated to various functions)	<u>197,874</u>
Total governmental activities depreciation expense	<u>\$ 11,453,738</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 2018.

	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018
Capital assets, not being depreciated:				
Land	\$ 1,235,770	\$ -	\$ -	\$ 1,235,770
Easements	342,737	4,184	-	346,921
Construction in progress	19,884,208	2,715,026	(4,598,160)	18,001,074
Capital assets, not being depreciated	<u>\$ 21,462,715</u>	<u>\$ 2,719,210</u>	<u>\$ (4,598,160)</u>	<u>\$ 19,583,765</u>
Capital assets, being depreciated:				
Buildings	\$ 15,797,714	\$ 2,627,435	\$ -	\$ 18,425,149
Improvements other than buildings	18,305,400	-	(13,224)	18,292,176
Machinery and equipment	28,753,212	450,765	(2,877,085)	26,326,892
Intangibles	617,379	-	-	617,379
Infrastructure	80,268,903	3,606,950	(877)	83,874,976
Capital assets, being depreciated	<u>143,742,608</u>	<u>6,685,150</u>	<u>(2,891,186)</u>	<u>147,536,572</u>
Less accumulated depreciation:				
Buildings	(4,495,496)	(396,260)	-	(4,891,756)
Improvements other than buildings	(8,094,548)	(442,697)	13,224	(8,524,021)
Machinery and equipment	(17,930,144)	(2,011,785)	2,855,765	(17,086,164)
Intangibles	(43,964)	(141,153)	-	(185,117)
Infrastructure	(47,560,548)	(2,029,584)	877	(49,589,255)
Accumulated depreciation	<u>(78,124,700)</u>	<u>(5,021,479)</u>	<u>2,869,866</u>	<u>(80,276,313)</u>
Capital assets, being depreciated (net)	<u>\$ 65,617,908</u>	<u>\$ 1,663,671</u>	<u>\$ (21,320)</u>	<u>\$ 67,260,259</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 \$20,618. 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	\$ 1,475,152
Sewer	1,505,781
Public transportation	1,666,155
Sanitation	249,071
Stormwater	<u>104,702</u>
Total business-type activities depreciation expense	<u>\$ 5,000,861</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 2018.

**Component Unit – School Board**

	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018
Capital assets, not being depreciated:				
Land	\$ 6,294,184	\$ -	\$ -	\$ 6,294,184
Construction in progress	800,000	1,989,528	(2,789,528)	-
Capital assets, not being depreciated	<u>\$ 7,094,184</u>	<u>\$ 1,989,528</u>	<u>\$ (2,789,528)</u>	<u>\$ 6,294,184</u>
Capital assets, being depreciated:				
Buildings	\$ 59,908,999	\$ 5,389,450	\$ -	\$ 65,298,449
Improvements other than buildings	130,313	193,750	-	324,063
Machinery and equipment	6,190,213	2,005,916	(651,254)	7,544,875
Capital assets, being depreciated	<u>66,229,525</u>	<u>7,589,116</u>	<u>(651,254)</u>	<u>73,167,387</u>
Less accumulated depreciation:				
Buildings	(27,219,637)	(2,534,170)	-	(29,753,807)
Improvements other than buildings	(53,670)	(15,981)	-	(69,651)
Machinery and equipment	(4,524,934)	(460,007)	651,254	(4,333,687)
Accumulated depreciation	<u>(31,798,241)</u>	<u>(3,010,158)</u>	<u>651,254</u>	<u>(34,157,145)</u>
Capital assets, being depreciated (net)	<u>\$ 34,431,284</u>	<u>\$ 4,578,958</u>	<u>\$ -</u>	<u>\$ 39,010,242</u>

**Component Unit – HEC**

	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018
Capital assets, not being depreciated:				
Land	\$ 3,090,187	\$ -	\$ -	\$ 3,090,187
Construction in progress	4,469,739	4,531,579	(4,004,651)	4,996,667
Capital assets, not being depreciated	<u>\$ 7,559,926</u>	<u>\$ 4,531,579</u>	<u>\$ (4,004,651)</u>	<u>\$ 8,086,854</u>
Capital assets, being depreciated:				
Buildings	\$ 3,271,229	\$ 67,389	\$ (5,000)	\$ 3,333,618
Machinery and equipment	7,811,223	393,930	(217,650)	7,987,503
Infrastructure	116,241,465	4,145,253	(2,828,191)	117,558,527
Capital assets, being depreciated	<u>127,323,917</u>	<u>4,606,572</u>	<u>(3,050,841)</u>	<u>128,879,648</u>
Less accumulated depreciation:				
Buildings	(1,999,926)	(84,093)	5,000	(2,079,019)
Machinery and equipment	(6,911,302)	(216,506)	223,399	(6,904,409)
Infrastructure	(66,472,598)	(3,208,075)	2,897,057	(66,783,616)
Accumulated depreciation	<u>(75,383,826)</u>	<u>(3,508,674)</u>	<u>3,125,456</u>	<u>(75,767,044)</u>
Capital assets, being depreciated (net)	<u>\$ 51,940,091</u>	<u>\$ 1,097,898</u>	<u>\$ 74,615</u>	<u>\$ 53,112,604</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, 2018.

Year Ending June 30,	General				Total	
	Obligation Bonds		Capital Leases		Governmental Activities	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 9,279,839	\$ 5,697,564	\$ 471,000	\$ 27,241	\$ 9,750,839	\$ 5,724,805
2020	9,581,236	5,313,587	489,000	9,193	10,070,236	5,322,780
2021	9,885,247	4,912,321	-	-	9,885,247	4,912,321
2022	10,021,660	4,493,213	-	-	10,021,660	4,493,213
2023	10,346,372	4,064,445	-	-	10,346,372	4,064,445
2024-2028	51,242,478	13,735,799	-	-	51,242,478	13,735,799
2029-2033	34,333,000	5,712,691	-	-	34,333,000	5,712,691
2034-2038	11,330,000	1,753,588	-	-	11,330,000	1,753,588
2039-2041	6,400,000	291,750	-	-	6,400,000	291,750
<b>Total</b>	<b>\$ 152,419,832</b>	<b>\$ 45,974,958</b>	<b>\$ 960,000</b>	<b>\$ 36,434</b>	<b>\$ 153,379,832</b>	<b>\$ 46,011,392</b>

The following is a summary of the debt service requirements for the long-term liabilities of the business-type activities as of June 30, 2018.

Year Ending June 30,	General		Total	
	Obligation Bonds		Business-type Activities	
	Principal	Interest	Principal	Interest
2019	\$ 2,751,027	\$ 935,665	\$ 2,751,027	\$ 935,665
2020	2,296,631	814,698	2,296,631	814,698
2021	2,367,620	738,343	2,367,620	738,343
2022	2,452,207	650,172	2,452,207	650,172
2023	2,529,495	568,779	2,529,495	568,779
2024-2028	8,855,857	1,891,201	8,855,857	1,891,201
2029-2033	5,834,332	896,673	5,834,332	896,673
2034-2038	2,975,333	175,097	2,975,333	175,097
2039-2040	75,733	-	75,733	-
<b>Total</b>	<b>\$ 30,138,235</b>	<b>\$ 6,670,628</b>	<b>\$ 30,138,235</b>	<b>\$ 6,670,628</b>

The following is a summary of the changes to the long-term liabilities of the governmental activities for fiscal year 2018.

	Balance			Balance		Due Within One Year
	June 30, 2017	Additions	Reductions	June 30, 2018		
Bonds payable:						
General obligation bonds	\$ 158,577,454	\$ 2,350,000	\$ (8,507,622)	\$ 152,419,832	\$ 9,279,839	
Bond premiums/discounts (net)	9,467,544	-	(548,799)	8,918,745	548,799	
Total bonds payable	168,044,998	2,350,000	(9,056,421)	161,338,577	9,828,638	
Capital leases	1,414,000	-	(454,000)	960,000	471,000	
Middle River Regional Jail agreement	7,826,952	-	(906,454)	6,920,498	926,123	
Compensated absences	3,507,704	2,066,464	(2,051,561)	3,522,607	1,994,021	
Net OPEB liability	8,519,009	16,394	-	8,535,403	-	
Net pension liability	22,166,861	6,271,442	(12,642,640)	15,795,663	-	
Governmental activities long-term debt	<b>\$ 211,479,524</b>	<b>\$ 10,704,300</b>	<b>\$ (25,111,076)</b>	<b>\$ 197,072,748</b>	<b>\$ 13,219,782</b>	

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

Long-term liabilities for governmental activities are generally liquidated by the General Fund. The Internal Service Funds are consolidated into the governmental activities in the government-wide financial statements. Accordingly, long-term liabilities for these funds are included as part of the above totals. At June 30, 2018, \$84,311, \$250,157 and \$518,275 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 2018.

	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018	Due Within One Year
Bonds payable:					
General obligation bonds	\$ 25,559,480	\$ 7,000,000	\$ (2,421,245)	\$ 30,138,235	\$ 2,751,027
Bond premiums/discounts (net)	740,224	-	(92,573)	647,651	92,572
Total bonds payable	26,299,704	7,000,000	(2,513,818)	30,785,886	2,843,599
Compensated absences	750,025	455,310	(472,306)	733,029	351,531
Net OPEB liability	1,849,352	-	(16,042)	1,833,310	-
Net pension liability	4,995,220	1,274,015	(2,848,020)	3,421,215	-
City landfill closure costs	1,634,262	29,416	-	1,663,678	105,991
County landfill contractual obligation	2,697,965	-	-	2,697,965	-
Business-type activities long-term debt	<u>\$ 38,226,528</u>	<u>\$ 8,758,741</u>	<u>\$ (5,850,186)</u>	<u>\$ 41,135,083</u>	<u>\$ 3,301,121</u>

The following is the detail for the long-term liabilities of the governmental and business-type activities as of June 30, 2018.

	Governmental Activities	Business-type Activities
<b>General Obligation Bonds:</b>		
\$2,005,000 School Bonds (Virginia Public School Authority), Series 1999A, issued May 13, 1999, maturing July 15, 2019 at 4.100% - 5.225% interest	\$ 200,000	\$ -
\$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	765,000	-
\$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	21,790,000	-
\$1,000,000 Bond, Series 2008, issued August 21, 2008, maturing August 21, 2018 at 3.65% interest	-	100,000
\$1,125,000 Public Safety Refunding Bonds (VRA), Series 2009A, issued June 17, 2009, maturing October 1, 2021 at 3.125% - 5.125% interest	435,000	-
\$1,136,000 Water Bonds (VRA DWSRF), Series 2009, issued November 20, 2009, maturing February 1, 2040 at 0% interest	-	833,067
\$9,515,000 Public Improvement Bonds, Series 2010A, issued August 11, 2010, maturing July 15, 2030 at 2.0% - 4.0% interest	6,800,000	-
\$33,755,00 Public Improvement Refunding Bonds, Series 2010B, issued August 11, 2010, maturing July 15, 2034 at 2.0% - 5.0% interest	3,821,832	18,108,168



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

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
<b>General Obligation Bonds (continued):</b>		
\$28,590,000 Public Improvement and Refunding Bonds, Series 2011, issued December 6, 2011, maturing August 1, 2031 at 2.0% - 4.0% interest	18,110,000	960,000
\$8,050,000 Bond, Series 2012, issued December 7, 2012, maturing August 1, 2027 at 2.2% interest	5,656,000	-
\$13,610,000 Public Improvement Bonds, Series 2014A, issued June 26, 2014, maturing July 15, 2034 at 2.0% - 5.0% interest	11,950,000	-
\$42,675,000 Public Improvement Refunding Bonds, Series 2014B, issued June 26, 2014, maturing July 15, 2032 at 2.0% - 5.0% interest	37,795,000	-
\$7,622,000 Bond, Series 2015, issued December 22, 2015, maturing August 1, 2030 at 2.32% interest	3,632,000	3,137,000
\$40,215,000 Public Improvement Bonds, Series 2016, issued May 18, 2016, maturing July 15, 2040 at 2.0% - 5.0% interest	39,115,000	-
\$2,350,000 Bond, Series 2017, issued September 8, 2017, maturing August 1, 2022 at 1.78% interest	2,350,000	-
\$7,000,000 Bond, Series 2017B, issued December 15, 2017, maturing August 1, 2037 at 2.94% interest	-	7,000,000
Total General Obligation Bonds	<u>\$ 152,419,832</u>	<u>\$ 30,138,235</u>
<b>Capital Leases:</b>		
\$5,740,000 lease purchase effective December 17, 2004, maturing December 1, 2019 at 3.76% interest	<u>\$ 960,000</u>	<u>\$ -</u>
Total Capital Leases	<u>\$ 960,000</u>	<u>\$ -</u>

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

In June 2004, the City and James Madison University (JMU) entered into a revised and amended agreement concerning the sale and purchase of steam and chilled water from the City owned resource recovery facility that is no longer in operation. This facility produced steam and chilled water to meet the heating and cooling needs of JMU's College of Integrated Science and Technology, as well as other buildings. Although this facility is no longer in operation, JMU agreed to annually reimburse the City for the annual debt service payments on the City's \$1,000,000 Series 2008 General Obligation Bonds. The current fiscal year reimbursement for debt service payments associated with the bonds totaled \$105,475. The total outstanding balance of the bond issue at June 30, 2018 was \$100,000.

In December 2011, the City issued \$28.6 million in general obligation public improvement and refunding bonds, of which \$6 million was issued on behalf of and loaned to the Harrisonburg Redevelopment and Housing Authority (Authority) for the purpose of renovating public housing units owned by the Authority. The Authority has agreed to reimburse the City for its share of the principal and interest payments as the debt service payments come due. The current fiscal year reimbursement for debt service payments associated with the bonds totaled \$438,825. As of June 30, 2018, the outstanding balance of the loan is \$4,370,000.

## **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 \$215,600. As of June 30, 2018, the outstanding balance of the loan is \$2,420,000.

### **Component Unit – School Board**

At June 30, 2018, the School Board had \$78,731,359 in long-term liabilities outstanding. This long-term liability is comprised of \$895,304 in compensated absences, of which \$228,574 is due within one year, \$19,749,055 in net OPEB liabilities and \$58,087,000 in net pension liabilities, of which the entire amounts are due in more than one year.

### **Component Unit – HEC**

At June 30, 2018, HEC had \$4,919,996 in long-term liabilities outstanding. This long-term liability is comprised of \$517,277 in compensated absences, of which the entire amount is due within one year and \$2,104,589 in net OPEB liabilities and \$2,298,130 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, 2018, there was one series of Economic Development Authority Revenue Bonds and six series of Redevelopment and Housing Authority Revenue Bonds outstanding, with an aggregate principal amount of \$9 million and \$31.4 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 2018, 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. \$1,663,678 of the amount reported as landfill closure and postclosure care liability at June 30, 2018 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 \$599,034 for groundwater remediation. These amounts are based on current year costs. Actual costs ultimately may differ due to inflation, changes in technology, or changes in regulations. The City plans to fund its landfill closure and postclosure care costs with available funds from the Sanitation Fund.

**Note 12. Rockingham County Landfill Liability Agreement**

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

**Note 13. Unearned Revenue**

The following is a summary of unearned revenue at June 30, 2018 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	\$ 49,275	\$ -	\$ 49,275
Golf course season passes	51,130	-	51,130
Construction reimbursement	-	21,121	21,121
<b>Total unearned revenue</b>	<b>\$ 100,405</b>	<b>\$ 21,121</b>	<b>\$ 121,526</b>

Unearned revenue for business-type activities in the amount of \$256,600 represents water and sewer connection application fees for which the services had not been provided as of year-end. This amount is comprised of \$163,700 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 \$52,165. This amount is comprised of loans to the Community Development Block Grant Fund and Central Stores Fund in the amounts of \$32,403 and \$19,762, 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.

**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, 2018.

**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	\$ -	\$ -	\$ 1,430,574	\$ 1,277,967	\$ 140,754	\$ 11,250	\$ 2,860,545
General Capital Projects Fund	2,696,109	-	-	-	-	-	2,696,109
School Capital Projects Fund	-	753,906	-	-	-	-	753,906
Public Transportation Fund	250,000	72,858	-	-	-	-	322,858
Internal Service Funds	-	-	161,895	16,010	-	-	177,905
<b>Total</b>	<b>\$ 2,946,109</b>	<b>\$ 826,764</b>	<b>\$ 1,592,469</b>	<b>\$ 1,293,977</b>	<b>\$ 140,754</b>	<b>\$ 11,250</b>	<b>\$ 6,811,323</b>

**Note 16. Fund Balance**

The following is a summary of amounts that are reported on the governmental funds balance sheet identified as nonspendable, restricted, committed or assigned fund balance at June 30, 2018.

	General Fund	General Capital Projects Fund	School Bond Capital Projects Fund	Other Governmental Funds	Total
<b>Nonspendable:</b>					
Inventory	\$ 72,229	\$ -	\$ -	\$ -	\$ 72,229
Prepaid expenditures	467,207	-	-	34,666	501,873
Loans receivable	296,039	-	-	-	296,039
<b>Total nonspendable fund balance</b>	<b>\$ 835,475</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 34,666</b>	<b>\$ 870,141</b>
<b>Restricted for:</b>					
General government administration	\$ 2,578	\$ 93,683	\$ -	\$ -	\$ 96,261
Public safety	621,577	-	-	-	621,577
<b>Total restricted fund balance</b>	<b>\$ 624,155</b>	<b>\$ 93,683</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 717,838</b>
<b>Committed to:</b>					
General government administration	\$ -	\$ 489,422	\$ -	\$ -	\$ 489,422
Jail and judicial administration	-	1,272,277	-	-	1,272,277
Public safety	-	1,453,730	-	-	1,453,730
Public works	-	5,371,812	-	-	5,371,812
Education	-	-	-	314,526	314,526
Parks, recreation and cultural	63,402	672,720	-	-	736,122
Community development	-	-	-	78,081	78,081
<b>Total committed fund balance</b>	<b>\$ 63,402</b>	<b>\$ 9,259,961</b>	<b>\$ -</b>	<b>\$ 392,607</b>	<b>\$ 9,715,970</b>
<b>Assigned to:</b>					
General government administration	\$ 89,761	\$ -	\$ -	\$ -	\$ 89,761
Public safety	1,164,990	-	-	-	1,164,990
Public works	785,191	-	-	-	785,191
Education	-	-	-	51,000	51,000
Parks, recreation and cultural	226,251	-	-	-	226,251
Community development	41,509	-	-	91,000	132,509
Subsequent years' expenditures	1,400,000	-	-	-	1,400,000
<b>Total assigned fund balance</b>	<b>\$ 3,707,702</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 142,000</b>	<b>\$ 3,849,702</b>

## Note 17. Pension Plan - Agent Multiple-Employer

**Plan Description.** All full-time, salaried permanent employees of the City, the non-professional employees of the Harrisonburg City School Board (School Board) and the Harrisonburg Electric Commission (HEC) are automatically covered by the VRS Retirement Plan upon employment. This plan is an agent multiple-employer pension plan administered by the Virginia Retirement System (System) along with plans for other employer groups in the Commonwealth of Virginia. The City and HEC employees participate in the same retirement plan. Members earn one month of service credit for each month they are employed and for which they and their employer are paying 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/2017-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, 2016, the following employees were covered by the benefit terms:

	Primary Government	Component Units	
		School Board	HEC
Inactive employees or beneficiaries currently receiving benefits	284	49	23
Inactive employees entitled to but not yet receiving benefits	319	44	24
Active employees	555	92	44
Total inactive and active employees	1,158	185	91

**Contributions.** The contribution requirement for active employees is governed by Section 51.1-145 the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute five percent of their annual reported compensation toward their retirement. The City and HEC's contractually required contribution rate for the fiscal year ended 2018 was 11.76 percent of covered employee compensation. The School Board non-professional employees' contribution rate for the fiscal year ended 2018 was 4.68 percent of covered employee compensation. These rates were based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. These rates, when combined with employee contributions, were expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the City, the School Board and HEC to the pension plans were \$2,932,650, \$91,974 and \$350,713, respectively, for the year ended June 30, 2018.

**Net Pension Liability.** The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

## 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, 2016, 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, 2017.

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.

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, 2016 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 and All Others (Non 10 Largest): Update mortality table; lowered retirement rates at older ages, 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%.

**Actuarial Assumptions – Hazardous Duty Employee.** The total pension liability for hazardous duty employees was based on an actuarial valuation as of June 30, 2016, 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, 2017.

## 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, 2016 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 and All Others (Non 10 Largest): Update mortality table; lowered retirement rates at older ages, 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%.

**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. Through the fiscal year ending June 30, 2019, the contribution rate will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, participating employers are assumed to contribute 100 percent of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

**Changes in the Net Pension Liability.** The following are the changes in net pension liability as of the measurement date of June 30, 2017:

**Primary Government**

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at June 30, 2016	\$ 121,255,818	\$ 94,093,737	\$ 27,162,081
Changes for the year:			
Service cost	2,701,258	-	2,701,258
Interest	8,281,913	-	8,281,913
Changes in assumptions	(894,765)	-	(894,765)
Differences between expected and actual experience	(2,483,553)	-	(2,483,553)
Contributions-employer	-	2,867,678	(2,867,678)
Contributions-employee	-	1,290,018	(1,290,018)
Net investment income	-	11,409,389	(11,409,389)
Benefit payments, including refunds of employee contributions	(5,895,979)	(5,895,979)	-
Administrative expense	-	(66,292)	66,292
Other changes	(381,125)	(331,862)	(49,263)
Net changes	1,327,749	9,272,952	(7,945,203)
Balances at June 30, 2017	\$ 122,583,567	\$ 103,366,689	\$ 19,216,878

**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, 2016	\$ 7,041,371	\$ 7,148,505	\$ (107,134)
Changes for the year:			
Service cost	199,527	-	199,527
Interest	479,180	-	479,180
Changes in assumptions	(31,097)	-	(31,097)
Differences between expected and actual experience	(180,228)	-	(180,228)
Contributions-employer	-	84,555	(84,555)
Contributions-employee	-	92,741	(92,741)
Net investment income	-	860,467	(860,467)
Benefit payments, including refunds of employee contributions	(391,895)	(391,895)	-
Administrative expense	-	(5,077)	5,077
Other changes	-	(761)	761
Net changes	<u>75,487</u>	<u>640,030</u>	<u>(564,543)</u>
Balances at June 30, 2017	<u>\$ 7,116,858</u>	<u>\$ 7,788,535</u>	<u>\$ (671,677)</u>

**Component Unit – HEC**

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at June 30, 2016	\$ 14,422,317	\$ 11,191,626	\$ 3,230,691
Changes for the year:			
Service cost	321,203	-	321,203
Interest	984,792	-	984,792
Changes in assumptions	(106,395)	-	(106,395)
Differences between expected and actual experience	(295,316)	-	(295,316)
Contributions-employer	-	340,992	(340,992)
Contributions-employee	-	153,394	(153,394)
Net investment income	-	1,356,676	(1,356,676)
Benefit payments, including refunds of employee contributions	(701,083)	(701,083)	-
Administrative expense	-	(7,883)	7,883
Other changes	34,142	27,808	6,334
Net changes	<u>237,343</u>	<u>1,169,904</u>	<u>(932,561)</u>
Balances at June 30, 2017	<u>\$ 14,659,660</u>	<u>\$ 12,361,530</u>	<u>\$ 2,298,130</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>
<b>Primary Government:</b>			
Net Pension Liability	\$ 35,757,910	\$ 19,216,878	\$ 5,531,967
<b>Component Unit - School Board:</b>			
Net Pension Liability (Asset)	\$ 147,774	\$ (671,677)	\$ (1,366,998)
<b>Component Unit - HEC:</b>			
Net Pension Liability	\$ 4,276,257	\$ 2,298,130	\$ 661,563

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

For the year ended June 30, 2018, the City, the School Board and HEC recognized pension expense of \$1,782,478, negative \$84,994 and \$226,440, respectively. At June 30, 2018, 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>Component Units</u>					
	<u>Primary Government</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>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 873,943	\$ 1,891,847	\$ 404	\$ 189,531	\$ 104,514	\$ 226,244
Changes in assumptions	-	681,588	-	21,193	-	81,510
Net difference between projected and actual earnings on pension plan investments	-	1,501,094	-	109,220	-	179,514
Employer contributions subsequent to the measurement date	<u>2,932,650</u>	<u>-</u>	<u>91,974</u>	<u>-</u>	<u>350,713</u>	<u>-</u>
Total	<u>\$ 3,806,593</u>	<u>\$ 4,074,529</u>	<u>\$ 92,378</u>	<u>\$ 319,944</u>	<u>\$ 455,227</u>	<u>\$ 487,268</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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Component Units</u>		
	<u>Primary Government</u>	<u>School Board</u>	<u>HEC</u>
2019	\$ (1,389,748)	\$ (187,457)	\$ (166,199)
2020	(34,710)	(50,794)	(4,151)
2021	(611,360)	(7,730)	(73,111)
2022	(1,164,768)	(73,559)	(139,293)
Thereafter	-	-	-

**Payable to the Pension Plan**

At June 30, 2018, the City and School Board reported a payable of \$387,820 and \$16,355, respectively, for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2018.

## **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/2017-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, 2018 was 16.32 percent of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 that was adjusted for a contribution from the state in June 2015 of \$192.9 million as an accelerated payback of a deferred contribution in the 2010-12 biennium. The 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 \$6,173,973 for the year ended June 30, 2018.

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

At June 30, 2018, the School Board reported a liability of \$58,087,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 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, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the school division's proportion was 0.47233%.

For the year ended June 30, 2018, the School Board recognized pension expense of \$4,854,792. 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, 2018, 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	\$ -	\$ 2,110,000
Changes in assumptions	848,000	-
Differences between expected and actual experience	-	4,113,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,720,000	94,000
Employer contributions subsequent to the measurement date	<u>6,173,973</u>	<u>-</u>
Total	<u>\$ 9,741,973</u>	<u>\$ 6,317,000</u>

The deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Deferred Amounts to be Recognized</u>
2019	\$ (1,645,000)
2020	465,000
2021	(108,000)
2022	(1,471,000)
2023	10,000
Thereafter	-

**Actuarial Assumptions.** The total pension liability was based on an actuarial valuation as of June 30, 2016, using the entry age normal actuarial cost method. The following actuarial assumptions were applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

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, 2016 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	\$ 86,743,000	\$ 58,087,000	\$ 34,382,000

**Pension Plan Fiduciary Net Position.** Detailed information about the VRS Teacher Retirement Plan's fiduciary net position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of this report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-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, 2018, the School Board reported a payable of \$648,148 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2018.

**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 \$8,111 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 (1.31 percent times 60 percent) and the employer component was 0.52 percent (1.31 percent times 40 percent). The contractually required employer contribution rate for the year ended June 30, 2018 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, 2015. 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 \$133,591, \$217,876 and \$15,918, respectively, for the year ended June 30, 2018.

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

At June 30, 2018, the City, the School Board and HEC reported a liability of \$2,011,823, \$3,221,000 and \$239,713, respectively, for their proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017 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, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At the June 30, 2017 measurement date, the City, the School Board and HEC's proportion was 0.13395%, 0.21406% and 0.01603%, respectively.

For the year ended June 30, 2018, the City, the School Board and HEC recognized OPEB expense of \$21,886, \$63,317 and \$1,538, 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, 2018, 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	\$ -	\$ 44,427	\$ -	\$ 72,000	\$ -	\$ 5,294
Changes of assumptions	-	103,944	-	166,000	-	12,385
Net difference between projected and actual earnings on OPEB plan investments	-	75,444	-	121,000	-	8,989
Changes in proportion	3,353	-	139,000	3,000	400	-
Employer contributions subsequent to the measurement date	133,591	-	217,876	-	15,918	-
<b>Total</b>	<b>\$ 136,944</b>	<b>\$ 223,815</b>	<b>\$ 356,876</b>	<b>\$ 362,000</b>	<b>\$ 16,318</b>	<b>\$ 26,668</b>

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, 2019. 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
2019	\$ (45,266)	\$ (50,000)	\$ (5,394)
2020	(45,266)	(50,000)	(5,394)
2021	(45,266)	(50,000)	(5,394)
2022	(45,266)	(49,000)	(5,394)
2023	(26,824)	(18,000)	(3,194)
Thereafter	(12,574)	(6,000)	(1,498)

**Actuarial Assumptions.** The total OPEB liability was based on an actuarial valuation as of June 30, 2016, using the entry age normal actuarial cost method. 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%)
<b>Primary Government:</b>			
Net OPEB Liability	\$ 2,601,959	\$ 2,011,823	\$ 1,533,177
<b>Component Unit - School Board:</b>			
Net OPEB Liability	\$ 4,167,000	\$ 3,221,000	\$ 2,456,000
<b>Component Unit - HEC:</b>			
Net OPEB Liability	\$ 310,028	\$ 239,713	\$ 182,681

**OPEB Plan Fiduciary Net Position.** Detailed information about the VRS GLI Program Plan's fiduciary net position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of this report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-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, 2018, the City and the School Board reported a payable of \$31,112 and \$45,833, respectively, for the outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2018.

**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 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



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

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, 2018 was 1.23 percent of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. 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 \$480,598 for the year ended June 30, 2018. 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, 2018, the School Board reported a liability of \$6,025,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017 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, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the school division's proportion was 0.47489%.

For the year ended June 30, 2018, the School Board recognized OPEB expense of \$520,009. 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, 2018, 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
Changes in assumptions	\$ -	\$ 62,000
Net difference between projected and actual earnings on OPEB plan investments	-	11,000
Changes in proportion	196,000	-
Employer contributions subsequent to the measurement date	480,598	-
Total	<u>\$ 676,598</u>	<u>\$ 11,000</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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Deferred Amounts to be Recognized
2019	\$ 18,000
2020	18,000
2021	18,000
2022	18,000
2023	21,000
Thereafter	30,000

**Actuarial Assumptions.** The total OPEB liability was based on an actuarial valuation as of June 30, 2016, using the entry age normal actuarial cost method. 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:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Proportionate share of the net OPEB liability	\$ 5,430,000	\$ 6,025,000	\$ 6,724,000

**OPEB Plan Fiduciary Net Position.** Detailed information about the VRS HIC Program Plan’s fiduciary net position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of this report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-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, 2018, the School Board reported a payable of \$40,776 for the outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2018.

## 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 \$8,356,890 and \$10,503,055 for the City and School Board, respectively, were measured as of June 30, 2017 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, 2017:

	Primary Government	School Board
Balances at June 30, 2016	\$ 8,029,493	\$ 10,290,375
Changes for the year:		
Service cost	397,209	609,649
Interest	253,632	318,768
Benefit payments	(323,444)	(715,737)
Net changes	<u>327,397</u>	<u>212,680</u>
Balances at June 30, 2017	<u>\$ 8,356,890</u>	<u>\$ 10,503,055</u>

**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%)
<b>Primary Government:</b>			
Total OPEB liability	\$ 7,595,063	\$ 8,356,890	\$ 9,277,610
<b>School Board:</b>			
Total OPEB liability	\$ 9,698,444	\$ 10,503,055	\$ 11,463,444

**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>
<b>Primary Government:</b>			
Total OPEB liability	\$ 9,230,103	\$ 8,356,890	\$ 7,579,901
<b>School Board:</b>			
Total OPEB liability	\$ 11,441,976	\$ 10,503,055	\$ 9,668,520

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

For the year ended June 30, 2018, the City and the School Board recognized OPEB expense of \$650,841 and \$928,417, respectively. At June 30, 2018, 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	\$ 346,085	\$ -	\$ 765,839	\$ -
Total	<u>\$ 346,085</u>	<u>\$ -</u>	<u>\$ 765,839</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, 2019.

**Harrisonburg Electric Commission**

The Harrisonburg Electric Commission (HEC) provides certain health care benefit program for employees who retire from HEC. Further information on the 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 2018, the City's contributions totaled \$5,697,542 of which \$2,454,241 was for operations, \$2,919,844 was for debt service and \$323,457 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 \$59.1 million of total debt outstanding at June 30, 2018. 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>
2019	\$ 2,220,435	\$ 959,774	\$ 3,180,209
2020	2,289,852	882,891	3,172,743
2021	2,605,248	797,985	3,403,233
2022	2,697,554	705,777	3,403,331
2023	1,880,694	631,882	2,512,576
2024-2028	10,258,376	2,304,504	12,562,880
2029-2033	7,135,107	860,502	7,995,609
2034-2038	2,601,113	392,587	2,993,700
2039-2043	1,797,748	178,321	1,976,069
2044-2045	<u>579,728</u>	<u>13,092</u>	<u>592,820</u>
Total	<u>\$ 34,065,855</u>	<u>\$ 7,727,315</u>	<u>\$ 41,793,170</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, 2018</u>	<u>June 30, 2017</u>	<u>Increase (Decrease)</u>
Current assets	\$ 5,267,007	\$ 5,663,059	\$ (396,052)
Restricted assets	3,222,315	3,371,442	(149,127)
Capital assets	90,789,855	90,347,561	442,294
Other assets	<u>806,462</u>	<u>810,194</u>	<u>(3,732)</u>
Total assets	<u>100,085,639</u>	<u>100,192,256</u>	<u>(106,617)</u>
Deferred outflows of resources	<u>506,030</u>	<u>759,781</u>	<u>(253,751)</u>
Current liabilities	3,461,321	3,606,887	(145,566)
Liabilities payable from restricted assets	2,822,558	2,518,125	304,433
Long-term liabilities	<u>55,450,783</u>	<u>57,634,432</u>	<u>(2,183,649)</u>
Total liabilities	<u>61,734,662</u>	<u>63,759,444</u>	<u>(2,024,782)</u>
Deferred inflows of resources	<u>176,244</u>	<u>22,652</u>	<u>153,592</u>
Net position	<u>\$ 38,680,763</u>	<u>\$ 37,169,941</u>	<u>\$ 1,510,822</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 2018, the City's contributions totaled \$2,275,703. 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, 2018</u>	<u>June 30, 2017</u>	Increase (Decrease)
Current assets	\$ 3,160,082	\$ 2,419,219	\$ 740,863
Capital assets	<u>5,267,073</u>	<u>5,113,085</u>	<u>153,988</u>
Total assets	<u>8,427,155</u>	<u>7,532,304</u>	<u>894,851</u>
Deferred outflows of resources	<u>288,654</u>	<u>461,042</u>	<u>(172,388)</u>
Current liabilities	379,740	155,139	224,601
Long-term liabilities	<u>2,247,804</u>	<u>2,671,740</u>	<u>(423,936)</u>
Total liabilities	<u>2,627,544</u>	<u>2,826,879</u>	<u>(199,335)</u>
Deferred inflows of resources	<u>306,706</u>	<u>-</u>	<u>306,706</u>
Net position	<u>\$ 5,781,559</u>	<u>\$ 5,166,467</u>	<u>\$ 1,094,186</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 \$3,432,948 to the District in fiscal year 2018.

**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 \$310,440 to the Commission in fiscal year 2018.

**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 \$921,003 to the Authority in fiscal year 2018 of which \$628,499 was for operations and \$292,504 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 2018, the City's General Fund made contributions to the School Board, a component unit, totaling \$33,297,251. Of the total contributions, \$33,145,510 was made in equal monthly installments for the purpose of funding the School Board's operating budget, while \$151,741 of the total contribution was made for school construction purposes.

In fiscal year 2018, the Harrisonburg Electric Commission, a component unit, made contributions to the City's General Fund totaling \$5,000,000. These contributions are made in equal monthly installments for the purpose of funding the General Fund budget.

**Note 26. Commitments**

The following is a summary of significant encumbrances at June 30, 2018.

	General Fund	General Capital Projects Fund	Total
Fire truck	\$ 552,659	\$ -	\$ 552,659
Self-contained breathing apparatus (air packs)	538,644	-	538,644
South Main Street and Bluestone Drive traffic light	265,233	-	265,233
MLK Jr. Way bridge	242,493	-	242,493
Street repaving	200,175	-	200,175
Chicago Avenue/Mount Clinton Pike improvements	-	174,550	174,550
Reservoir Street improvements	-	124,413	124,413
Other purposes	508,498	253,411	761,909
<b>Total encumbrances</b>	<b>\$ 2,307,702</b>	<b>\$ 552,374</b>	<b>\$ 2,860,076</b>

**Note 27. Contingencies**

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

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

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



**Note 28. 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, 2018, the City has recorded an intangible asset for the purchased capacity of the jail in the amount of \$9,694,615 (net of depreciation) and a liability of \$6,920,498 in governmental activities on the government-wide statement of net position.

**Note 29. Hotel and Conference Center**

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

The City has entered into a support agreement with the EDA whereas the City has agreed to a non-binding moral obligation pledge to appropriate all tax and other revenue generated from the hotel and conference center to the EDA to the extent necessary to reimburse the Foundation for its annual debt payments and the EDA has a non-recourse note to pay to the Foundation such appropriated funds received from the City and generated by tax revenue from the hotel and conference center. The pledged tax revenue will be calculated 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. Construction was completed in May 2018.

**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.

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

**Note 30. Risk Management (continued)**

Board, Harrisonburg-Rockingham Regional Sewer Authority, Harrisonburg-Rockingham Alcohol Safety Action Program, Harrisonburg Redevelopment and Housing Authority and the Massanutten Regional Library. This fund accounts for the health insurance activities of the aforementioned entities but does not constitute a transfer of risk from the City. Significant claims, over \$175,000, are covered by commercial insurance.

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, 2016 to June 30, 2018:

<u>Fiscal Year</u>	<u>Beginning Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Ending Liability</u>
2018	\$ 1,047,849	\$ 14,630,712	\$ 14,892,040	\$ 786,521
2017	1,339,569	14,883,841	15,175,561	1,047,849

**Note 31. Restatement of Beginning Net Position**

The beginning net position of the governmental activities, business-type activities and the component units on the statement of activities and for the Proprietary Funds in the fund financial statements have been restated due to the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The following is a summary of the restatement made to the beginning net position of the government-wide activities.

	<u>Primary Government</u>			<u>Component Units</u>	
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>School Board</u>	<u>HEC</u>
Net position at the beginning of the year, as previously reported	\$ 171,842,341	\$ 78,261,521	\$ 250,103,862	\$ (13,693,097)	\$ 82,908,120
Restatement for:					
Effect of GASB 75 implementation	<u>(4,383,225)</u>	<u>(720,153)</u>	<u>(5,103,378)</u>	<u>(14,411,851)</u>	<u>(1,380,428)</u>
Net position at the beginning of the year, as restated	<u>\$ 167,459,116</u>	<u>\$ 77,541,368</u>	<u>\$ 245,000,484</u>	<u>\$ (28,104,948)</u>	<u>\$ 81,527,692</u>

The following is a summary of the restatement made to the beginning net position of the proprietary funds.

	<u>Enterprise Funds</u>						<u>Internal Service Funds</u>
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Public Transportation Fund</u>	<u>Sanitation Fund</u>	<u>Stormwater Fund</u>	<u>Total</u>	
Net position at the beginning of the year, as previously reported	\$ 43,004,692	\$ 26,696,543	\$ 14,143,247	\$ (6,712,479)	\$ 3,059,002	\$ 80,191,005	\$ 9,378,239
Restatement for:							
Effect of GASB 75 implementation	<u>(234,800)</u>	<u>(258,296)</u>	<u>(178,888)</u>	<u>(35,739)</u>	<u>(12,430)</u>	<u>(720,153)</u>	<u>(113,920)</u>
Net position at the beginning of the year, as restated	<u>\$ 42,769,892</u>	<u>\$ 26,438,247</u>	<u>\$ 13,964,359</u>	<u>\$ (6,748,218)</u>	<u>\$ 3,046,572</u>	<u>\$ 79,470,852</u>	<u>\$ 9,264,319</u>

### **Note 32. Subsequent Events**

On November 6, 2018, the City issued \$4,540,000 in general obligation bonds through the Virginia Public School Authority to finance the purchase of land for a new high school. The land was purchased in August 2018 for \$5,000,000.

### **Note 33. 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 November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. The provisions of this Statement are effective for fiscal year 2019.

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

In 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 March 2018, The GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This Statement improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowing and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. The provisions of this Statement are effective for fiscal year 2019.

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**REQUIRED  
SUPPLEMENTARY INFORMATION**

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

**Exhibit 12**

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

**Exhibit 13**

	<b>Fiscal Year</b>			
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Contractually required contribution	\$ 3,283,363	\$ 3,207,887	\$ 3,431,172	\$ 3,421,755
Contributions in relation to the contractually required contribution	<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>
Covered payroll	\$ 28,492,059	\$ 27,653,817	\$ 27,055,004	\$ 26,909,663
Contributions as a percentage of covered payroll	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 Four Plan Years**

**Exhibit 14**

	Plan Year			
	2017	2016	2015	2014
Total pension liability				
Service cost	\$ 199,527	\$ 204,651	\$ 211,969	\$ 215,283
Interest	479,180	470,931	452,999	431,841
Difference between expected and actual experience	(180,228)	(161,984)	6,161	-
Changes of assumptions	(31,097)	-	-	-
Benefit payments, including refunds of employee contributions	(391,895)	(399,639)	(430,270)	(259,447)
Net change in total pension liability	75,487	113,959	240,859	387,677
Total pension liability - beginning	7,041,371	6,927,412	6,686,553	6,298,876
Total pension liability - ending	<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	\$ 84,555	\$ 131,249	\$ 132,185	\$ 156,508
Contributions - employee	92,741	92,983	93,767	97,148
Net investment income	860,467	121,916	320,003	971,483
Benefit payments, including refunds of employee contributions	(391,895)	(399,639)	(430,270)	(259,447)
Administrative expense	(5,077)	(4,533)	(4,518)	(5,184)
Other changes	(761)	(52)	(69)	51
Net change in fiduciary net position	640,030	(58,076)	111,098	960,559
Plan fiduciary net position - beginning	7,148,505	7,206,581	7,095,483	6,134,924
Plan fiduciary net position - ending	<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	\$ (564,543)	\$ 172,035	\$ 129,761	\$ (572,882)
Net pension liability (asset) - beginning	(107,134)	(279,169)	(408,930)	163,952
Net pension liability (asset) - ending	<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	109.44%	101.52%	104.03%	106.12%
Covered payroll	\$ 1,956,491	\$ 1,927,977	\$ 1,921,153	\$ 1,941,438
Net pension asset as a percentage of covered payroll	-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 2016 information was presented in the fiscal year 2017 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 Four Fiscal Years**

**Exhibit 15**

	<b>Fiscal Year</b>			
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Contractually required contribution	\$ 91,974	\$ 86,379	\$ 131,459	\$ 132,185
Contributions in relation to the contractually required contribution	91,974	86,379	131,459	132,185
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 2,157,068	\$ 1,956,491	\$ 1,927,977	\$ 1,921,153
Contributions as a percentage of covered payroll	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 Four Plan Years**

**Exhibit 16**

	Plan Year			
	2017	2016	2015	2014
Proportion of the net pension liability	0.47233%	0.45714%	0.44562%	0.44712%
Proportionate share of the net pension liability	\$ 58,087,000	\$ 64,064,000	\$ 56,088,000	\$ 54,033,000
Covered payroll	\$ 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	156.19%	185.23%	168.75%	165.32%
Plan fiduciary net position as a percentage of the total pension liability	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 2016 information was presented in the fiscal year 2017 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 Four Fiscal Years**

**Exhibit 17**

	<b>Fiscal Year</b>			
	<u>2017</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 6,173,973	\$ 5,307,792	\$ 4,835,653	\$ 4,676,599
Contributions in relation to the contractually required contribution	<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>
Covered payroll	\$ 39,699,504	\$ 37,191,094	\$ 34,585,344	\$ 33,237,754
Contributions as a percentage of covered payroll	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

Most Recent Plan Year

	<u>Plan Year</u>
	<u>2017</u>
Proportion of the net OPEB liability	0.14998%
Proportionate share of the net OPEB liability	\$ 2,251,536
Covered payroll	\$ 27,653,817
Proportionate share of the net OPEB liability as a percentage of its covered payroll	8.14%
Plan fiduciary net position as a percentage of the total OPEB liability	48.86%

The plan year above is 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  
 Most Recent Fiscal Year**

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	<u>Fiscal Year</u>
	<u>2018</u>
Contractually required contribution	\$ 149,509
Contributions in relation to the contractually required contribution	149,509
Contribution deficiency (excess)	<u>\$ -</u>
Covered payroll	\$ 28,492,059
Contributions as a percentage of covered payroll	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**  
**Most Recent Plan Year**

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**Exhibit 20**

	<u>Plan Year</u>
	<u>2017</u>
Proportion of the net OPEB liability	0.21406%
Proportionate share of the net OPEB liability	\$ 3,221,000
Covered payroll	\$ 39,147,585
Proportionate share of the net OPEB liability as a percentage of its covered payroll	8.23%
Plan fiduciary net position as a percentage of the total OPEB liability	48.86%

The plan year above is 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**  
**Most Recent Fiscal Year**

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**Exhibit 21**

	<u>Fiscal Year</u>
	<u>2018</u>
Contractually required contribution	\$ 217,876
Contributions in relation to the contractually required contribution	<u>217,876</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered payroll	\$ 41,856,572
Contributions as a percentage of covered payroll	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**  
**Most Recent Plan Year**

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**Exhibit 22**

	<u>Plan Year</u>
	<u>2017</u>
Proportion of the net OPEB liability	0.47489%
Proportionate share of the net OPEB liability	\$ 6,025,000
Covered payroll	\$ 37,191,094
Proportionate share of the net OPEB liability as a percentage of its covered payroll	16.20%
Plan fiduciary net position as a percentage of the total OPEB liability	7.04%

The plan year above is 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**  
**Most Recent Fiscal Year**

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**Exhibit 23**

	<u>Fiscal Year</u>
	<u>2018</u>
Contractually required contribution	\$ 480,598
Contributions in relation to the contractually required contribution	480,598
Contribution deficiency (excess)	\$ <u><u>-</u></u>
Covered payroll	\$ 39,699,504
Contributions as a percentage of covered payroll	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**  
**Most Recent Plan Year**

**Exhibit 24**

	<u>Plan Year</u> <u>2017</u>
Total OPEB liability	
Service cost	\$ 397,209
Interest	253,632
Benefit payments	<u>(323,444)</u>
Net change in total OPEB liability	327,397
Total OPEB liability - beginning	<u>8,029,493</u>
Total OPEB liability - ending	<u>\$ 8,356,890</u>
Covered payroll	\$ 24,715,319
Total OPEB liability as a percentage of covered payroll	33.81%

The plan year above is reported in the financial statements in the fiscal year following the plan year. For example, plan 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**  
**Most Recent Plan Year**

**Exhibit 25**

	<u>Plan Year</u>
	<u>2017</u>
Total OPEB liability	
Service cost	\$ 609,649
Interest	318,768
Benefit payments	<u>(715,737)</u>
Net change in total OPEB liability	212,680
Total OPEB liability - beginning	<u>10,290,375</u>
Total OPEB liability - ending	<u>\$ 10,503,055</u>
Covered payroll	\$ 39,147,585
Total OPEB liability as a percentage of covered payroll	26.83%

The plan year above is reported in the financial statements in the fiscal year following the plan year. For example, plan 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.

**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. The 2014 valuation includes hybrid plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is still a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2017 is minimal.

**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, 2018

Exhibit A-1

	<u>Special Revenue Funds</u>			<b>Total Nonmajor Governmental Funds</b>
	<b>Community Development Block Grant Fund</b>	<b>School Transportation Fund</b>	<b>Business Loan Program Fund</b>	
<b>Assets</b>				
Cash and cash equivalents	\$ -	\$ 493,433	\$ 168,780	\$ 662,213
Receivables	56,215	3,142	301	59,658
Due from component units	-	62,820	-	62,820
Prepaid expenditures	-	34,666	-	34,666
Loans receivable	-	-	90,137	90,137
<b>Total assets</b>	<u>\$ 56,215</u>	<u>\$ 594,061</u>	<u>\$ 259,218</u>	<u>\$ 909,494</u>
<b>Liabilities</b>				
Accounts payable	\$ 22,745	\$ 5,121	\$ -	\$ 27,866
Accrued payroll	1,067	187,157	-	188,224
Due to other funds	32,403	-	-	32,403
Due to component units	-	1,591	-	1,591
Total liabilities	<u>56,215</u>	<u>193,869</u>	<u>-</u>	<u>250,084</u>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue	-	-	90,137	90,137
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>90,137</u>	<u>90,137</u>
<b>Fund Balances</b>				
Nonspendable	-	34,666	-	34,666
Committed	-	314,526	78,081	392,607
Assigned	-	51,000	91,000	142,000
Total fund balances	<u>-</u>	<u>400,192</u>	<u>169,081</u>	<u>569,273</u>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<u>\$ 56,215</u>	<u>\$ 594,061</u>	<u>\$ 259,218</u>	<u>\$ 909,494</u>

CITY OF HARRISONBURG, VIRGINIA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
For the Year Ended June 30, 2018

Exhibit A-2

	<u>Special Revenue Funds</u>			<b>Total Nonmajor Governmental Funds</b>
	<b>Community Development Block Grant Fund</b>	<b>School Transportation Fund</b>	<b>Business Loan Program Fund</b>	
<b>Revenues:</b>				
Use of money and property	\$ -	\$ 1,433	\$ 2,354	\$ 3,787
Charges for services	-	3,754,638	-	3,754,638
Miscellaneous	-	70	36,000	36,070
Intergovernmental	315,583	-	-	315,583
Total revenues	<u>315,583</u>	<u>3,756,141</u>	<u>38,354</u>	<u>4,110,078</u>
<b>Expenditures:</b>				
Current:				
Education	-	3,757,706	-	3,757,706
Community development	315,583	-	50,000	365,583
Total expenditures	<u>315,583</u>	<u>3,757,706</u>	<u>50,000</u>	<u>4,123,289</u>
<b>Deficiency of revenues under expenditures</b>	-	(1,565)	(11,646)	(13,211)
Fund balances at beginning of year	<u>-</u>	<u>401,757</u>	<u>180,727</u>	<u>582,484</u>
Fund balances at end of year	<u>\$ -</u>	<u>\$ 400,192</u>	<u>\$ 169,081</u>	<u>\$ 569,273</u>

CITY OF HARRISONBURG, VIRGINIA  
 SCHOOL TRANSPORTATION FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 For the Year Ended June 30, 2018

Exhibit A-3

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Use of money and property	\$ 600	\$ 600	\$ 1,433	\$ 833
Charges for services	3,712,670	3,712,670	3,754,638	41,968
Miscellaneous	-	-	70	70
Total revenues	<u>3,713,270</u>	<u>3,713,270</u>	<u>3,756,141</u>	<u>42,871</u>
<b>Expenditures:</b>				
Current:				
Education	<u>3,828,270</u>	<u>3,831,102</u>	<u>3,757,706</u>	<u>73,396</u>
Total expenditures	<u>3,828,270</u>	<u>3,831,102</u>	<u>3,757,706</u>	<u>73,396</u>
<b>Deficiency of revenues under expenditures</b>	<u>\$ (115,000)</u>	<u>\$ (117,832)</u>	(1,565)	<u>\$ (30,525)</u>
Fund balance at beginning of year			<u>401,757</u>	
Fund balance at end of year			<u>\$ 400,192</u>	

BUSINESS LOAN PROGRAM FUND

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

For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Use of money and property	\$ -	\$ -	\$ 2,354	\$ 2,354
Miscellaneous	35,500	35,500	36,000	500
Total revenues	<u>35,500</u>	<u>35,500</u>	<u>38,354</u>	<u>2,854</u>
<b>Expenditures:</b>				
Current:				
Community development	125,000	125,000	50,000	75,000
Total expenditures	<u>125,000</u>	<u>125,000</u>	<u>50,000</u>	<u>75,000</u>
<b>Deficiency of revenues under expenditures</b>	\$ <u><u>(89,500)</u></u>	\$ <u><u>(89,500)</u></u>	(11,646)	\$ <u><u>(72,146)</u></u>
Fund balance at beginning of year			<u>180,727</u>	
Fund balance at end of year			\$ <u><u>169,081</u></u>	

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## Internal Service Funds

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

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

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

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

CITY OF HARRISONBURG, VIRGINIA  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF NET POSITION  
At June 30, 2018

Exhibit B-1

	<u>Central Garage Fund</u>	<u>Central Stores Fund</u>	<u>Health Insurance Fund</u>	<u>Total</u>
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 627,336	\$ -	\$ 6,210,271	\$ 6,837,607
Receivables	11,059	-	-	11,059
Due from component units	6,470	-	-	6,470
Inventory	132,538	1,062,512	-	1,195,050
Prepaid expenses	18,351	-	-	18,351
Total current assets	<u>795,754</u>	<u>1,062,512</u>	<u>6,210,271</u>	<u>8,068,537</u>
Noncurrent assets:				
Capital assets (net of accumulated depreciation)	5,852,951	514,496	-	6,367,447
Total noncurrent assets	<u>5,852,951</u>	<u>514,496</u>	<u>-</u>	<u>6,367,447</u>
<b>Total assets</b>	<u>6,648,705</u>	<u>1,577,008</u>	<u>6,210,271</u>	<u>14,435,984</u>
<b>Deferred outflows of resources</b>				
Deferred OPEB outflows	10,841	974	-	11,815
Deferred pension outflows	90,475	12,188	-	102,663
<b>Total deferred outflows of resources</b>	<u>101,316</u>	<u>13,162</u>	<u>-</u>	<u>114,478</u>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	156,707	18,471	786,521	961,699
Accrued payroll	26,551	3,601	-	30,152
Due to other funds	-	19,762	-	19,762
Due to component units	2,742	435	-	3,177
Unearned revenue	-	-	-	-
Compensated absences	45,067	5,920	-	50,987
Total current liabilities	<u>231,067</u>	<u>48,189</u>	<u>786,521</u>	<u>1,065,777</u>
Noncurrent liabilities:				
Compensated absences	26,214	7,110	-	33,324
Net OPEB liability	230,936	19,221	-	250,157
Net pension liability	456,745	61,530	-	518,275
Total noncurrent liabilities	<u>713,895</u>	<u>87,861</u>	<u>-</u>	<u>801,756</u>
<b>Total liabilities</b>	<u>944,962</u>	<u>136,050</u>	<u>786,521</u>	<u>1,867,533</u>
<b>Deferred inflows of resources</b>				
Deferred OPEB inflows	5,331	744	-	6,075
Deferred pension inflows	96,843	13,045	-	109,888
<b>Total deferred inflows of resources</b>	<u>102,174</u>	<u>13,789</u>	<u>-</u>	<u>115,963</u>
<b>Net position</b>				
Net investment in capital assets	5,852,951	514,496	-	6,367,447
Unrestricted	<u>(150,066)</u>	<u>925,835</u>	<u>5,423,750</u>	<u>6,199,519</u>
<b>Total net position</b>	<u>\$ 5,702,885</u>	<u>\$ 1,440,331</u>	<u>\$ 5,423,750</u>	<u>\$ 12,566,966</u>



CITY OF HARRISONBURG, VIRGINIA  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
For the Year Ended June 30, 2018

Exhibit B-2

	<u>Central Garage Fund</u>	<u>Central Stores Fund</u>	<u>Health Insurance Fund</u>	<u>Total</u>
<b>Operating revenues:</b>				
Charges for services	\$ 4,075,506	\$ 738,070	\$ 19,566,385	\$ 24,379,961
Total operating revenues	<u>4,075,506</u>	<u>738,070</u>	<u>19,566,385</u>	<u>24,379,961</u>
<b>Operating expenses:</b>				
Personal services	677,209	86,597	-	763,806
Fringe benefits	235,159	34,799	-	269,958
Purchased services	291,599	13,101	256,516	561,216
Internal services	3,329	1,737	-	5,066
Other charges	104,152	16,178	1,539,194	1,659,524
Materials and supplies	62,645	11,952	-	74,597
Depreciation	178,993	18,881	-	197,874
Cost of inventory issued	2,430,293	754,909	-	3,185,202
Claims related charges	-	-	14,630,712	14,630,712
Total operating expenses	<u>3,983,379</u>	<u>938,154</u>	<u>16,426,422</u>	<u>21,347,955</u>
<b>Operating income (loss)</b>	<u>92,127</u>	<u>(200,084)</u>	<u>3,139,963</u>	<u>3,032,006</u>
<b>Nonoperating revenues:</b>				
Miscellaneous revenue	40,722	-	-	40,722
Investment revenue	6,444	-	45,570	52,014
Total nonoperating revenues	<u>47,166</u>	<u>-</u>	<u>45,570</u>	<u>92,736</u>
<b>Income (loss) before transfers</b>	139,293	(200,084)	3,185,533	3,124,742
Transfers in	<u>-</u>	<u>177,905</u>	<u>-</u>	<u>177,905</u>
<b>Change in net position</b>	139,293	(22,179)	3,185,533	3,302,647
Net position at beginning of year	<u>5,563,592</u>	<u>1,462,510</u>	<u>2,238,217</u>	<u>9,264,319</u>
Net position at end of year	<u>\$ 5,702,885</u>	<u>\$ 1,440,331</u>	<u>\$ 5,423,750</u>	<u>\$ 12,566,966</u>

CITY OF HARRISONBURG, VIRGINIA  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
For the Year Ended June 30, 2018

	<u>Central Garage Fund</u>	<u>Central Stores Fund</u>	<u>Health Insurance Fund</u>	<u>Total</u>
<b>Cash flows from operating activities:</b>				
Receipts from customers	\$ 4,069,900	\$ 738,070	\$ -	\$ 4,807,970
Receipts from premiums	-	-	18,169,658	18,169,658
Receipts other sources	41,182	-	-	41,182
Payments to employees	(702,568)	(86,691)	-	(789,259)
Payments for fringe benefits	(249,608)	(36,559)	-	(286,167)
Payments to vendors	(2,906,036)	(853,909)	(1,795,709)	(5,555,654)
Payments for internal services	(3,329)	(1,737)	-	(5,066)
Payments for claims related charges	-	-	(14,892,040)	(14,892,040)
Net cash provided by (used for) operating activities	<u>249,541</u>	<u>(240,826)</u>	<u>1,481,909</u>	<u>1,490,624</u>
<b>Cash flows from noncapital financing activities:</b>				
Transfers in	-	177,905	-	177,905
Interfund loan	-	19,762	-	19,762
Net cash provided by noncapital financing activities	<u>-</u>	<u>197,667</u>	<u>-</u>	<u>197,667</u>
<b>Cash flows from investing activities:</b>				
Interest received	<u>6,444</u>	<u>-</u>	<u>45,570</u>	<u>52,014</u>
Net cash provided by investing activities	<u>6,444</u>	<u>-</u>	<u>45,570</u>	<u>52,014</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	255,985	(43,159)	1,527,479	1,740,305
<b>Cash and cash equivalents:</b>				
Beginning	<u>371,351</u>	<u>43,159</u>	<u>4,682,792</u>	<u>5,097,302</u>
Ending	<u>\$ 627,336</u>	<u>\$ -</u>	<u>\$ 6,210,271</u>	<u>\$ 6,837,607</u>

(continued)

CITY OF HARRISONBURG, VIRGINIA  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
For the Year Ended June 30, 2018

	<u>Central Garage Fund</u>	<u>Central Stores Fund</u>	<u>Health Insurance Fund</u>	<u>Total</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>				
Operating income (loss)	\$ 92,127	\$ (200,084)	\$ 3,139,963	\$ 3,032,006
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	178,993	18,881	-	197,874
Miscellaneous revenue	41,182	-	-	41,182
Change in assets, deferred outflows of resources, liabilities and deferred inflows of resources:				
(Increase) decrease in:				
Accounts receivable	(8,510)	-	-	(8,510)
Due from component units	2,904	-	-	2,904
Inventory	16,688	(73,227)	-	(56,539)
Prepaid expenses	9,198	1,629	-	10,827
Deferred outflows of resources	69,992	8,574	-	78,566
Increase (decrease) in:				
Accounts payable	(8,666)	15,401	(261,328)	(254,593)
Accrued payroll	(1,664)	239	-	(1,425)
Due to component units	(2,549)	33	-	(2,516)
Unearned revenue	-	-	(1,396,726)	(1,396,726)
Compensated absences	(25,644)	(340)	-	(25,984)
Net OPEB liability	(3,277)	(579)	-	(3,856)
Net pension liability	(213,407)	(25,142)	-	(238,549)
Deferred inflows of resources	102,174	13,789	-	115,963
Net cash provided by (used for) operating activities	<u>\$ 249,541</u>	<u>\$ (240,826)</u>	<u>\$ 1,481,909</u>	<u>\$ 1,490,624</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, 2018

Exhibit C-1

	<u>Economic Development Authority Fund</u>	<u>Emergency Communications Center Fund</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 115,263	\$ 2,781,810	\$ 2,897,073
Receivables	<u>-</u>	<u>379,854</u>	<u>379,854</u>
<b>Total assets</b>	<u>\$ 115,263</u>	<u>\$ 3,161,664</u>	<u>\$ 3,276,927</u>
<b>Liabilities</b>			
Accounts payable	\$ -	\$ 73,694	\$ 73,694
Accrued payroll	-	85,862	85,862
Amounts held for others	<u>115,263</u>	<u>3,002,108</u>	<u>3,117,371</u>
<b>Total liabilities</b>	<u>\$ 115,263</u>	<u>\$ 3,161,664</u>	<u>\$ 3,276,927</u>

CITY OF HARRISONBURG, VIRGINIA  
 AGENCY FUNDS  
 STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
 For the Year Ended June 30, 2018

Exhibit C-2

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
<b><u>Economic Development Authority Fund</u></b>				
Assets:				
Cash and cash equivalents	\$ 113,697	\$ 7,698,743	\$ 7,697,177	\$ 115,263
<b>Total assets</b>	<b>\$ 113,697</b>	<b>\$ 7,698,743</b>	<b>\$ 7,697,177</b>	<b>\$ 115,263</b>
Liabilities:				
Amounts held for others	\$ 113,697	\$ 7,698,743	\$ 7,697,177	\$ 115,263
<b>Total liabilities</b>	<b>\$ 113,697</b>	<b>\$ 7,698,743</b>	<b>\$ 7,697,177</b>	<b>\$ 115,263</b>
<b><u>Emergency Communications Center Fund</u></b>				
Assets:				
Cash and cash equivalents	\$ 2,254,566	\$ 11,307,445	\$ 10,780,201	\$ 2,781,810
Receivables	87,653	379,854	87,653	379,854
<b>Total assets</b>	<b>\$ 2,342,219</b>	<b>\$ 11,687,299</b>	<b>\$ 10,867,854</b>	<b>\$ 3,161,664</b>
Liabilities:				
Accounts payable	\$ 71,935	\$ 73,694	\$ 71,935	\$ 73,694
Accrued payroll	83,204	85,862	83,204	85,862
Amounts held for others	2,187,080	11,599,646	10,784,618	3,002,108
<b>Total liabilities</b>	<b>\$ 2,342,219</b>	<b>\$ 11,759,202</b>	<b>\$ 10,939,757</b>	<b>\$ 3,161,664</b>
<b><u>Total - All Agency Funds</u></b>				
Assets:				
Cash and cash equivalents	\$ 2,368,263	\$ 19,006,188	\$ 18,477,378	\$ 2,897,073
Receivables	87,653	379,854	87,653	379,854
<b>Total assets</b>	<b>\$ 2,455,916</b>	<b>\$ 19,386,042</b>	<b>\$ 18,565,031</b>	<b>\$ 3,276,927</b>
Liabilities:				
Accounts payable	\$ 71,935	\$ 73,694	\$ 71,935	\$ 73,694
Accrued payroll	83,204	85,862	83,204	85,862
Amounts held for others	2,300,777	19,298,389	18,481,795	3,117,371
<b>Total liabilities</b>	<b>\$ 2,455,916</b>	<b>\$ 19,457,945</b>	<b>\$ 18,636,934</b>	<b>\$ 3,276,927</b>

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## **Discretely Presented Component Unit – School Board**

### **General Fund**

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

### **Special Revenue Fund**

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

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

### **Capital Projects Fund**

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

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

CITY OF HARRISONBURG, VIRGINIA  
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
At June 30, 2018

Exhibit D-1

	<u>School Fund</u>	<u>School Nutrition Fund</u>	<u>School Capital Projects Fund</u>	<u>Totals</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 8,484,748	\$ 1,722,672	\$ 47,413	\$ 10,254,833
Receivables	2,002,714	46,404	-	2,049,118
Inventory	-	133,380	-	133,380
Prepaid expenditures	<u>725,426</u>	<u>15,000</u>	<u>-</u>	<u>740,426</u>
<b>Total assets</b>	<u>\$ 11,212,888</u>	<u>\$ 1,917,456</u>	<u>\$ 47,413</u>	<u>\$ 13,177,757</u>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 22,778	\$ 47,652	\$ 2,200	\$ 72,630
Accrued payroll	7,759,244	200,811	-	7,960,055
Due to primary government	69,290	-	-	69,290
Due to component units	118,219	-	-	118,219
Other liabilities	<u>1,498,180</u>	<u>-</u>	<u>-</u>	<u>1,498,180</u>
<b>Total liabilities</b>	<u>9,467,711</u>	<u>248,463</u>	<u>2,200</u>	<u>9,718,374</u>
Fund Balances:				
Nonspendable:				
Inventory	-	133,380	-	133,380
Prepaid expenditures	725,426	15,000	-	740,426
Committed to:				
Food services	-	1,515,160	-	1,515,160
Capital projects	-	-	45,213	45,213
Assigned to:				
Instruction	138,018	-	-	138,018
Administration, attendance and health	2,975	-	-	2,975
Operations and maintenance	21,182	-	-	21,182
Food services	58,070	5,453	-	63,523
Unassigned	<u>799,506</u>	<u>-</u>	<u>-</u>	<u>799,506</u>
<b>Total fund balances</b>	<u>1,745,177</u>	<u>1,668,993</u>	<u>45,213</u>	<u>3,459,383</u>
<b>Total liabilities and fund balances</b>	<u>\$ 11,212,888</u>	<u>\$ 1,917,456</u>	<u>\$ 47,413</u>	<u>\$ 13,177,757</u>

**CITY OF HARRISONBURG, VIRGINIA**  
**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**At June 30, 2018**

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**Exhibit D-2**

Total fund balances of governmental funds (Exhibit D-1)		\$ 3,459,383
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.		45,304,426
Net pension assets are not current financial resources and, therefore, are not reported in the funds.		671,677
Long-term liabilities, and related accounts, are not payable from current financial resources and, therefore, are not reported in the funds.		(78,731,359)
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	\$ 1,799,313	
Deferred pension outflows	9,834,351	
Deferred OPEB inflows	(435,000)	
Deferred pension inflows	<u>(6,636,944)</u>	
Net adjustment	<u>\$ 4,561,720</u>	<u>4,561,720</u>
Net position of governmental activities (Exhibit 1)		<u>\$ (24,734,153)</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, 2018

Exhibit D-3

	<u>School Fund</u>	<u>School Nutrition Fund</u>	<u>School Capital Projects Fund</u>	<u>Totals</u>
<b>Revenues:</b>				
Use of money and property	\$ 40,497	\$ 18,086	\$ -	\$ 58,583
Charges for services	1,574,627	559,155	-	2,133,782
Miscellaneous	313,834	33,213	-	347,047
Payment from primary government	33,145,510	-	151,741	33,297,251
Intergovernmental	41,414,975	3,725,813	-	45,140,788
Total revenues	<u>76,489,443</u>	<u>4,336,267</u>	<u>151,741</u>	<u>80,977,451</u>
<b>Expenditures:</b>				
Current:				
Instruction	59,430,520	-	-	59,430,520
Administration, attendance and health	4,424,418	-	-	4,424,418
Pupil transportation	3,797,664	-	-	3,797,664
Operations and maintenance	5,465,831	-	-	5,465,831
Food services	-	4,136,411	-	4,136,411
Technology	3,505,188	15,587	-	3,520,775
Capital projects	-	-	1,989,528	1,989,528
Total expenditures	<u>76,623,621</u>	<u>4,151,998</u>	<u>1,989,528</u>	<u>82,765,147</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(134,178)</u>	<u>184,269</u>	<u>(1,837,787)</u>	<u>(1,787,696)</u>
Fund balances at beginning of year	<u>1,879,355</u>	<u>1,484,724</u>	<u>1,883,000</u>	<u>5,247,079</u>
Fund balances at end of year	<u>\$ 1,745,177</u>	<u>\$ 1,668,993</u>	<u>\$ 45,213</u>	<u>\$ 3,459,383</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, 2018**

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**Exhibit D-4**

Total net change in fund balances of governmental funds (Exhibit D-3) \$ (1,787,696)

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

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

Capital outlay expenditures	\$	2,090,666	
Depreciation expense		<u>(1,992,224)</u>	
Net adjustment	\$	<u>98,442</u>	98,442

Certain expenses reported in the statement of activities that do not require the use of current financial resources are not reported as expenditures in governmental funds. This amount is the net change in these expenses. (69,186)

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 and pension expense.

Employer OPEB contributions	\$	1,464,313	
Employer pension contributions		6,265,947	
OPEB expense		(1,511,743)	
Pension expense		<u>(4,769,798)</u>	
Net adjustment	\$	<u>1,448,719</u>	1,448,719

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. 3,680,516

Change in net position of governmental activities (Exhibit 2) \$ 3,370,795

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, 2018

Exhibit D-5

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Use of money and property	\$ 30,000	\$ 30,000	\$ 40,497	\$ 10,497
Charges for services	1,523,633	1,591,058	1,574,627	(16,431)
Miscellaneous	341,042	406,154	313,834	(92,320)
Payment from primary government	33,262,539	33,262,539	33,145,510	(117,029)
Intergovernmental	40,574,579	40,982,367	41,414,975	432,608
Total revenues	<u>75,731,793</u>	<u>76,272,118</u>	<u>76,489,443</u>	<u>217,325</u>
<b>Expenditures:</b>				
Current:				
Instruction	58,236,099	59,258,832	59,430,520	(171,688)
Administration, attendance and health	4,331,602	4,442,586	4,424,418	18,168
Pupil transportation	3,926,599	3,949,614	3,797,664	151,950
Operations and maintenance	5,553,505	5,561,729	5,465,831	95,898
Technology	3,683,988	3,679,693	3,505,188	174,505
Total expenditures	<u>75,731,793</u>	<u>76,892,454</u>	<u>76,623,621</u>	<u>268,833</u>
<b>Deficiency of revenues under expenditures</b>	\$ <u>-</u>	\$ <u>(620,336)</u>	(134,178)	\$ <u>(51,508)</u>
Fund balance at beginning of year			<u>1,879,355</u>	
Fund balance at end of year			\$ <u>1,745,177</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, 2018

Exhibit D-6

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Use of money and property	\$ 1,500	\$ 1,500	\$ 18,086	\$ 16,586
Charges for services	626,000	626,000	559,155	(66,845)
Miscellaneous	10,000	10,000	33,213	23,213
Intergovernmental	3,553,000	3,553,000	3,725,813	172,813
Total revenues	<u>4,190,500</u>	<u>4,190,500</u>	<u>4,336,267</u>	<u>145,767</u>
<b>Expenditures:</b>				
Current:				
Food services	4,159,700	4,159,700	4,136,411	23,289
Technology	30,800	30,800	15,587	15,213
Total expenditures	<u>4,190,500</u>	<u>4,190,500</u>	<u>4,151,998</u>	<u>38,502</u>
<b>Excess of revenues over expenditures</b>	<u>\$ -</u>	<u>\$ -</u>	184,269	<u>\$ 107,265</u>
Fund balance at beginning of year			<u>1,484,724</u>	
Fund balance at end of year			<u>\$ 1,668,993</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, 2018

Fund, Major and Minor Revenue Sources	Final Budget	Actual	Variance Positive (Negative)
<b>Primary Government:</b>			
<b>General Fund:</b>			
General property taxes:			
Real property taxes	\$ 34,195,000	\$ 34,459,758	\$ 264,758
Real and personal public service corporation property taxes	441,000	474,656	33,656
Personal property taxes	9,438,600	10,017,035	578,435
Mobile home taxes	8,800	10,013	1,213
Machinery and tools taxes	2,172,700	2,307,341	134,641
Penalties and interest	240,000	398,682	158,682
Total general property taxes	<u>46,496,100</u>	<u>47,667,485</u>	<u>1,171,385</u>
Other local taxes:			
Local sales and use taxes	13,452,100	13,609,547	157,447
Consumer utility taxes	2,025,900	1,875,594	(150,306)
Business license taxes	6,800,000	6,894,312	94,312
Motor vehicle license taxes	1,161,800	1,293,518	131,718
Bank stock taxes	753,600	787,205	33,605
Taxes on recordation and wills	474,400	444,493	(29,907)
Tobacco taxes	600,900	543,750	(57,150)
Admission and amusement taxes	170,900	190,133	19,233
Hotel and motel room taxes	3,075,900	2,950,142	(125,758)
Restaurant food taxes	13,460,700	13,623,551	162,851
Short-term rental taxes	117,100	100,731	(16,369)
Public right-of-way use fee	100,600	110,743	10,143
Total other local taxes	<u>42,193,900</u>	<u>42,423,719</u>	<u>229,819</u>
Permits, privilege fees and regulatory licenses:			
Animal licenses	5,000	3,901	(1,099)
Permits and other licenses	546,100	639,600	93,500
Total permits, privilege fees and regulatory licenses	<u>551,100</u>	<u>643,501</u>	<u>92,401</u>
Fines and forfeitures:			
Court fines	550,000	691,717	141,717
Parking fines	40,000	68,295	28,295
Alarm ordinance	20,000	19,387	(613)
E-summons fee	60,000	68,495	8,495
Drug forfeiture	-	22,647	22,647
Total fines and forfeitures	<u>670,000</u>	<u>870,541</u>	<u>200,541</u>
Use of money and property:			
Use of money	350,000	599,913	249,913
Use of property	12,500	69,957	57,457
Total use of money and property	<u>362,500</u>	<u>669,870</u>	<u>307,370</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, 2018

Fund, Major and Minor Revenue Sources	Final Budget	Actual	Variance Positive (Negative)
<b>Primary Government: (continued)</b>			
<b>General Fund: (continued)</b>			
Charges for services:			
Charges for law enforcement and traffic control	\$ 40,000	\$ 75,993	\$ 35,993
Charges for parking	113,500	107,458	(6,042)
Charges for rescue services	110,000	111,320	1,320
Charges for parks and recreation	445,500	425,017	(20,483)
Charges for golf course	723,500	642,864	(80,636)
Total charges for services	<u>1,432,500</u>	<u>1,362,652</u>	<u>(69,848)</u>
Miscellaneous:			
Payments in lieu of taxes:			
Electric plant and equipment	511,498	557,402	45,904
Service charge on tax exempt property	80,000	87,027	7,027
Debt service reimbursement from HRHA	654,425	654,425	-
Donations - JMU & EMU	145,000	140,000	(5,000)
Donations	69,000	47,990	(21,010)
Other miscellaneous	384,844	478,822	93,978
Total miscellaneous	<u>1,844,767</u>	<u>1,965,666</u>	<u>120,899</u>
Payments from component units:			
Payment from Harrisonburg Electric Commission	5,000,000	5,000,000	-
Total payments from component units	<u>5,000,000</u>	<u>5,000,000</u>	<u>-</u>
Intergovernmental:			
Revenue from the Commonwealth:			
Non-categorical aid:			
Railroad rolling stock taxes	18,000	17,144	(856)
Mobile home titling taxes	4,300	3,087	(1,213)
Tax on deeds (grantor tax)	140,000	112,765	(27,235)
Personal property tax reimbursement	1,522,583	1,522,583	-
Communication sales and use taxes	1,512,400	1,479,457	(32,943)
Auto rental taxes	289,900	272,338	(17,562)
Animal friendly license plate	500	504	4
Total non-categorical aid	<u>3,487,683</u>	<u>3,407,878</u>	<u>(79,805)</u>
Categorical aid:			
Shared expenses:			
Commissioner of the revenue	136,000	144,631	8,631
Treasurer	125,000	128,403	3,403
Registrar	46,000	46,908	908
Total shared expenses	<u>307,000</u>	<u>319,942</u>	<u>12,942</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, 2018

Fund, Major and Minor Revenue Sources	Final Budget	Actual	Variance Positive (Negative)
<b>Primary Government: (continued)</b>			
<b>General Fund: (continued)</b>			
Intergovernmental: (continued)			
Revenue from the Commonwealth: (continued)			
Other categorical aid:			
Fire programs fund	\$ 155,000	\$ 163,526	\$ 8,526
Other fire department	38,000	49,946	11,946
Internet crimes against children grant	-	12,308	12,308
Litter control grant	9,900	9,321	(579)
State aid to localities, police	1,350,908	1,350,908	-
Street and highway maintenance	4,723,000	4,835,073	112,073
Other categorical aid	75,050	115,000	39,950
Total other categorical aid	<u>6,351,858</u>	<u>6,536,082</u>	<u>184,224</u>
Total categorical aid	<u>6,658,858</u>	<u>6,856,024</u>	<u>197,166</u>
Total revenue from the Commonwealth	<u>10,146,541</u>	<u>10,263,902</u>	<u>117,361</u>
Revenue from the Federal Government:			
Categorical aid:			
Fire grants	236,899	144,914	(91,985)
Police grants	287,686	274,127	(13,559)
Other categorical aid	8,925	8,428	(497)
Total revenue from the Federal Government	<u>533,510</u>	<u>427,469</u>	<u>(106,041)</u>
Total intergovernmental	<u>10,680,051</u>	<u>10,691,371</u>	<u>11,320</u>
<b>Total General Fund</b>	<u>\$ 109,230,918</u>	<u>\$ 111,294,805</u>	<u>\$ 2,063,887</u>
<b>Special Revenue Funds:</b>			
<b>Community Development Block Grant Fund:</b>			
Intergovernmental:			
Revenue from the Federal Government:			
Non-categorical aid:			
Community Development Block Grant	\$ 931,732	\$ 315,583	\$ (616,149)
Total revenue from the Federal Government	<u>931,732</u>	<u>315,583</u>	<u>(616,149)</u>
Total intergovernmental	<u>931,732</u>	<u>315,583</u>	<u>(616,149)</u>
<b>Total Community Development Block Grant Fund</b>	<u>\$ 931,732</u>	<u>\$ 315,583</u>	<u>\$ (616,149)</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, 2018

Fund, Major and Minor Revenue Sources	Final Budget	Actual	Variance Positive (Negative)
<b>Primary Government: (continued)</b>			
<b>Special Revenue Funds: (continued)</b>			
<b>School Transportation Fund:</b>			
Use of money and property	\$ 600	\$ 1,433	\$ 833
Charges for services	3,712,670	3,754,638	41,968
Miscellaneous	<u>-</u>	<u>70</u>	<u>70</u>
<b>Total School Transportation Fund</b>	<b><u>\$ 3,713,270</u></b>	<b><u>\$ 3,756,141</u></b>	<b><u>\$ 42,871</u></b>
<b>Business Loan Program Fund:</b>			
Use of money and property	\$ -	\$ 2,354	\$ 2,354
Miscellaneous	<u>35,500</u>	<u>36,000</u>	<u>500</u>
<b>Total Business Loan Program Fund</b>	<b><u>\$ 35,500</u></b>	<b><u>\$ 38,354</u></b>	<b><u>\$ 2,854</u></b>
<b>Total Special Revenue Funds</b>	<b><u>\$ 4,680,502</u></b>	<b><u>\$ 4,110,078</u></b>	<b><u>\$ (570,424)</u></b>
<b>Capital Projects Fund:</b>			
<b>General Capital Projects Fund:</b>			
Use of money and property	\$ 14,249	\$ 20,731	\$ 6,482
Recovered costs	869,741	1,110,065	240,324
Intergovernmental:			
Revenue from the Commonwealth:			
Categorical aid:			
VDOT smart scale funds	6,527,137	2,277,375	(4,249,762)
VDOT revenue sharing	6,754,391	2,578,255	(4,176,136)
VDOT state of good repair funds	498,244	81,845	(416,399)
VDFP - Burn building	<u>480,000</u>	<u>-</u>	<u>(480,000)</u>
Total revenue from the Commonwealth	<u>14,259,772</u>	<u>4,937,475</u>	<u>(9,322,297)</u>
Revenue from the Federal Government:			
Categorical aid:			
Transportation alternatives program grant	<u>604,320</u>	<u>11,433</u>	<u>(592,887)</u>
Total revenue from the Federal Government	<u>604,320</u>	<u>11,433</u>	<u>(592,887)</u>
Total intergovernmental	<u>14,864,092</u>	<u>4,948,908</u>	<u>(9,915,184)</u>
<b>Total General Capital Projects Fund</b>	<b><u>\$ 15,748,082</u></b>	<b><u>\$ 6,079,704</u></b>	<b><u>\$ (9,668,378)</u></b>

(continued)

CITY OF HARRISONBURG, VIRGINIA  
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD  
SCHEDULE OF REVENUES - BUDGET AND ACTUAL  
For the Year Ended June 30, 2018

Fund, Major and Minor Revenue Sources	Final Budget	Actual	Variance Positive (Negative)
<b>Primary Government: (continued)</b>			
<b>Capital Projects Fund: (continued)</b>			
<b>School Bond Capital Projects Fund:</b>			
Use of money and property	\$ 14,190	\$ 7,393	\$ (6,797)
<b>Total School Bond Capital Projects Fund</b>	<b>\$ 14,190</b>	<b>\$ 7,393</b>	<b>\$ (6,797)</b>
<b>Total Capital Projects Fund</b>	<b>\$ 15,762,272</b>	<b>\$ 6,087,097</b>	<b>\$ (9,675,175)</b>
<b>Grand Total Revenues (Primary Government)</b>	<b>\$ 129,673,692</b>	<b>\$ 121,491,980</b>	<b>\$ (8,181,712)</b>
<b>Component Unit - School Board:</b>			
<b>School Fund:</b>			
Use of money and property	\$ 30,000	\$ 40,497	\$ 10,497
Charges for services	1,591,058	1,574,627	(16,431)
Miscellaneous	406,154	313,834	(92,320)
Payment from primary government	33,262,539	33,145,510	(117,029)
Intergovernmental:			
Revenue from the Commonwealth:			
Categorical aid:			
Share of state sales tax	5,865,828	5,585,520	(280,308)
Basic school aid	16,637,908	16,721,602	83,694
State standard of quality funds	3,557,817	3,576,845	19,028
Fringe benefits	3,260,507	3,188,270	(72,237)
At risk	2,291,107	2,335,504	44,397
Primary class size	1,522,079	1,521,071	(1,008)
Technology initiative	443,600	465,307	21,707
English as second language	1,347,858	1,404,640	56,782
Regional tuition programs (special education)	1,213,864	1,247,405	33,541
Other state funds	1,555,917	1,988,981	433,064
Total categorical aid	<u>37,696,485</u>	<u>38,035,145</u>	<u>338,660</u>
Total revenue from the Commonwealth	<u>37,696,485</u>	<u>38,035,145</u>	<u>338,660</u>
Revenue from the Federal Government:			
Categorical aid:			
Title I	1,354,230	1,465,794	111,564
Special education	1,183,143	1,178,597	(4,546)
Title III	268,166	241,309	(26,857)
ESEA - Title II Part A	216,841	212,744	(4,097)
Other federal funds	263,502	281,386	17,884
Total revenue from the Federal Government	<u>3,285,882</u>	<u>3,379,830</u>	<u>93,948</u>
Total intergovernmental	<u>40,982,367</u>	<u>41,414,975</u>	<u>432,608</u>
<b>Total School Fund</b>	<b>\$ <u>76,272,118</u></b>	<b>\$ <u>76,489,443</u></b>	<b>\$ <u>217,325</u></b>

(continued)

CITY OF HARRISONBURG, VIRGINIA  
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD  
SCHEDULE OF REVENUES - BUDGET AND ACTUAL  
For the Year Ended June 30, 2018

Fund, Major and Minor Revenue Sources	Final Budget	Actual	Variance Positive (Negative)
<b>Component Unit - School Board: (continued)</b>			
<b>School Nutrition Fund:</b>			
Use of money and property	\$ 1,500	\$ 18,086	\$ 16,586
Charges for services	626,000	559,155	(66,845)
Miscellaneous	10,000	33,213	23,213
Intergovernmental:			
Revenue from the Commonwealth:			
Categorical aid:			
School food program	157,000	154,530	(2,470)
Total categorical aid	<u>157,000</u>	<u>154,530</u>	<u>(2,470)</u>
Total revenue from the Commonwealth	<u>157,000</u>	<u>154,530</u>	<u>(2,470)</u>
Revenue from the Federal Government:			
Categorical aid:			
School food program	3,396,000	3,345,485	(50,515)
USDA donated food	-	225,798	225,798
Total revenue from the Federal Government	<u>3,396,000</u>	<u>3,571,283</u>	<u>175,283</u>
Total intergovernmental	<u>3,553,000</u>	<u>3,725,813</u>	<u>172,813</u>
<b>Total School Nutrition Fund</b>	<b><u>\$ 4,190,500</u></b>	<b><u>\$ 4,336,267</u></b>	<b><u>\$ 145,767</u></b>
<b>School Capital Projects Fund:</b>			
Payment from primary government	\$ 151,741	\$ 151,741	\$ -
<b>Total School Capital Projects Fund</b>	<b><u>\$ 151,741</u></b>	<b><u>\$ 151,741</u></b>	<b><u>\$ -</u></b>
<b>Grand Total Revenues (Component Unit - School Board)</b>	<b><u>\$ 80,614,359</u></b>	<b><u>\$ 80,977,451</u></b>	<b><u>\$ 363,092</u></b>

**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, 2018**

<b>Fund, Function, Activity and Elements</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Primary Government:</b>			
<b>General Fund:</b>			
General government administration:			
Legislative:			
City Council	\$ 306,450	\$ 271,441	\$ 35,009
Total legislative	<u>306,450</u>	<u>271,441</u>	<u>35,009</u>
General and financial administration:			
City manager	541,057	519,615	21,442
City attorney	300,889	298,268	2,621
Human resources	474,612	419,280	55,332
Independent auditor	21,150	21,150	-
Commissioner of the revenue	463,212	450,557	12,655
Assessor	283,703	266,080	17,623
Equalization	3,025	2,790	235
Treasurer	633,911	612,968	20,943
Finance	518,003	506,449	11,554
Information technology	1,998,735	1,631,824	366,911
Purchasing agent	167,380	155,227	12,153
Total general and financial administration	<u>5,405,677</u>	<u>4,884,208</u>	<u>521,469</u>
Board of elections:			
Registrar	234,397	214,251	20,146
Total board of elections	<u>234,397</u>	<u>214,251</u>	<u>20,146</u>
Total general government administration	<u>5,946,524</u>	<u>5,369,900</u>	<u>576,624</u>
Jail and judicial administration:			
Joint expenditures with Rockingham County	5,006,184	4,786,247	219,937
Middle River Regional Jail	2,063,986	1,997,301	66,685
Total jail and judicial administration	<u>7,070,170</u>	<u>6,783,548</u>	<u>286,622</u>
Public safety:			
Law enforcement and traffic control:			
Administration	3,978,482	3,661,758	316,724
Operations	4,497,514	4,352,698	144,816
Criminal investigations	1,283,927	1,103,813	180,114
Special operations	1,673,667	1,461,099	212,568
Grants	388,166	381,883	6,283
Total law enforcement and traffic control	<u>11,821,756</u>	<u>10,961,251</u>	<u>860,505</u>

(continued)



CITY OF HARRISONBURG, VIRGINIA  
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD  
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
For the Year Ended June 30, 2018

Fund, Function, Activity and Elements	Final Budget	Actual	Variance Positive (Negative)
<b>Primary Government: (continued)</b>			
<b>General Fund: (continued)</b>			
Public safety: (continued)			
Fire and rescue services:			
Administration	\$ 677,822	\$ 655,397	\$ 22,425
Suppression	8,169,370	6,776,768	1,392,602
Prevention	575,380	545,420	29,960
Training	276,226	269,462	6,764
Total fire and rescue services	<u>9,698,798</u>	<u>8,247,047</u>	<u>1,451,751</u>
Correction and detention:			
Court appointed attorneys	85,000	66,268	18,732
Total correction and detention	<u>85,000</u>	<u>66,268</u>	<u>18,732</u>
Inspections:			
Building	864,211	796,192	68,019
Total inspections	<u>864,211</u>	<u>796,192</u>	<u>68,019</u>
Other protection:			
Public safety building	338,230	338,089	141
Child safety alliance	60,593	56,736	3,857
Animal control	479,240	397,812	81,428
Emergency services	329,410	237,644	91,766
Harrisonburg-Rockingham ECC	2,275,703	2,275,703	-
Total other protection	<u>3,483,176</u>	<u>3,305,984</u>	<u>177,192</u>
Total public safety	<u>25,952,941</u>	<u>23,376,742</u>	<u>2,576,199</u>
Public works:			
Maintenance of highways, streets, bridges and sidewalks:			
General engineering	745,963	675,202	70,761
Highway and street maintenance	7,804,709	5,970,391	1,834,318
Street lights	558,994	556,022	2,972
Snow and ice removal	292,444	289,787	2,657
Traffic engineering	1,801,308	1,471,917	329,391
Highway and street beautification	331,905	297,201	34,704
Total maintenance of highways, streets, bridges and sidewalks	<u>11,535,323</u>	<u>9,260,520</u>	<u>2,274,803</u>
Sanitation and waste removal:			
Street and road cleaning	424,320	397,061	27,259
Total sanitation and waste removal	<u>424,320</u>	<u>397,061</u>	<u>27,259</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, 2018

Fund, Function, Activity and Elements	Final Budget	Actual	Variance Positive (Negative)
<b>Primary Government: (continued)</b>			
<b>General Fund: (continued)</b>			
Public works: (continued)			
Maintenance of general buildings and grounds:			
General properties	\$ 329,136	\$ 262,450	\$ 66,686
Total maintenance of general buildings and grounds	<u>329,136</u>	<u>262,450</u>	<u>66,686</u>
 Total public works	 <u>12,288,779</u>	 <u>9,920,031</u>	 <u>2,368,748</u>
 Health and welfare:			
Health:			
Local health department	424,712	424,712	-
Total health	<u>424,712</u>	<u>424,712</u>	<u>-</u>
 Mental health and mental retardation:			
Community services board	857,673	795,098	62,575
Total mental health and mental retardation	<u>857,673</u>	<u>795,098</u>	<u>62,575</u>
 Welfare/social services:			
Tax relief for the elderly and disabled veterans	120,000	118,588	1,412
Joint expenditures with Rockingham County	3,432,948	3,432,948	-
Total welfare/social services	<u>3,552,948</u>	<u>3,551,536</u>	<u>1,412</u>
 Total health and welfare	 <u>4,835,333</u>	 <u>4,771,346</u>	 <u>63,987</u>
 Education:			
Payment to Harrisonburg City School Board	33,414,280	33,297,251	117,029
 Total education	 <u>33,414,280</u>	 <u>33,297,251</u>	 <u>117,029</u>
 Parks, recreation and culture:			
Parks and recreation:			
Administration	1,154,612	1,072,127	82,485
Parks	1,137,606	945,528	192,078
Field maintenance	332,631	288,271	44,360
Recreation centers and playgrounds	629,380	588,461	40,919
Simms continuing education center	383,832	370,712	13,120
Westover pool	464,929	459,201	5,728
Athletics	285,999	255,503	30,496
Golf course grounds management	769,617	739,767	29,850
Golf course clubhouse management	487,383	485,196	2,187
Total parks and recreation	<u>5,645,989</u>	<u>5,204,766</u>	<u>441,223</u>
 Total parks, recreation and culture	 <u>5,645,989</u>	 <u>5,204,766</u>	 <u>441,223</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, 2018

Fund, Function, Activity and Elements	Final Budget	Actual	Variance Positive (Negative)
<b>Primary Government: (continued)</b>			
<b>General Fund: (continued)</b>			
Community development:			
Planning and community development:			
Planning	\$ 224,061	\$ 204,366	\$ 19,695
Zoning administrator	162,790	141,768	21,022
Board of zoning appeals	5,547	4,290	1,257
Economic development	1,022,165	977,736	44,429
Tourism and visitors services	484,964	463,661	21,303
Downtown parking services	189,930	178,904	11,026
Blacks run greenway	61,644	53,886	7,758
Total planning and community development	<u>2,151,101</u>	<u>2,024,611</u>	<u>126,490</u>
Contributions:			
Massanutten Regional Library	523,634	523,634	-
Regional Juvenile Detention Commission	310,440	310,440	-
Shenandoah Valley Airport	67,923	67,923	-
Blue Ridge Community College	67,672	67,672	-
Other contributions	686,156	682,402	3,754
Total contributions	<u>1,655,825</u>	<u>1,652,071</u>	<u>3,754</u>
Total community development	<u>3,806,926</u>	<u>3,676,682</u>	<u>130,244</u>
Debt service:			
Principal retirement	8,961,622	8,961,622	-
Interest and fiscal charges	6,077,647	6,073,912	3,735
Total debt service	<u>15,039,269</u>	<u>15,035,534</u>	<u>3,735</u>
<b>Total General Fund</b>	<u>\$ 114,000,211</u>	<u>\$ 107,435,800</u>	<u>\$ 6,564,411</u>
<b>Special Revenue Funds:</b>			
<b>Community Development Block Grant Fund:</b>			
Community development:			
Planning and community development:			
Community development block grant	\$ 931,732	\$ 315,583	\$ 616,149
Total planning and community development	<u>931,732</u>	<u>315,583</u>	<u>616,149</u>
Total community development	<u>931,732</u>	<u>315,583</u>	<u>616,149</u>
<b>Total Community Development Block Grant Fund</b>	<u>\$ 931,732</u>	<u>\$ 315,583</u>	<u>\$ 616,149</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, 2018

Fund, Function, Activity and Elements	Final Budget	Actual	Variance Positive (Negative)
<b>Primary Government: (continued)</b>			
<b>Special Revenue Funds: (continued)</b>			
<b>School Transportation Fund:</b>			
Education:			
School bus services	\$ 3,226,561	\$ 3,167,897	\$ 58,664
Field trips and charters	196,835	190,814	6,021
Administration	<u>407,706</u>	<u>398,995</u>	<u>8,711</u>
Total education	<u>3,831,102</u>	<u>3,757,706</u>	<u>73,396</u>
<b>Total School Transportation Fund</b>	<b><u>\$ 3,831,102</u></b>	<b><u>\$ 3,757,706</u></b>	<b><u>\$ 73,396</u></b>
<b>Business Loan Program Fund:</b>			
Community development:			
Planning and community development:			
Revolving loan program	\$ 125,000	\$ 50,000	\$ 75,000
Total planning and community development	<u>125,000</u>	<u>50,000</u>	<u>75,000</u>
Total community development	<u>125,000</u>	<u>50,000</u>	<u>75,000</u>
<b>Total Business Loan Program Fund</b>	<b><u>\$ 125,000</u></b>	<b><u>\$ 50,000</u></b>	<b><u>\$ 75,000</u></b>
<b>Total Special Revenue Funds</b>	<b><u>\$ 4,887,834</u></b>	<b><u>\$ 4,123,289</u></b>	<b><u>\$ 764,545</u></b>
<b>Capital Projects Fund:</b>			
<b>General Capital Projects Fund:</b>			
Capital projects	\$ 31,802,163	\$ 11,578,451	\$ 20,223,712
<b>Total General Capital Projects Fund</b>	<b><u>\$ 31,802,163</u></b>	<b><u>\$ 11,578,451</u></b>	<b><u>\$ 20,223,712</u></b>
<b>School Bond Capital Projects Fund:</b>			
Capital projects	\$ 6,465,630	\$ 2,759,719	\$ 3,705,911
<b>Total School Bond Capital Projects Fund</b>	<b><u>\$ 6,465,630</u></b>	<b><u>\$ 2,759,719</u></b>	<b><u>\$ 3,705,911</u></b>
<b>Total Capital Projects Fund</b>	<b><u>\$ 38,267,793</u></b>	<b><u>\$ 14,338,170</u></b>	<b><u>\$ 23,929,623</u></b>
<b>Grand Total Expenditures (Primary Government)</b>	<b><u>\$ 157,155,838</u></b>	<b><u>\$ 125,897,259</u></b>	<b><u>\$ 31,258,579</u></b>

(continued)

CITY OF HARRISONBURG, VIRGINIA  
 GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD  
 SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
 For the Year Ended June 30, 2018

Fund, Function, Activity and Elements	Final Budget	Actual	Variance Positive (Negative)
<b>Component Unit - School Board:</b>			
<b>School Fund:</b>			
Education:			
Instruction	\$ 59,258,832	\$ 59,430,520	\$ (171,688)
Administration, attendance and health	4,442,586	4,424,418	18,168
Pupil transportation	3,949,614	3,797,664	151,950
Operations and maintenance	5,561,729	5,465,831	95,898
Technology	<u>3,679,693</u>	<u>3,505,188</u>	<u>174,505</u>
Total education	<u>76,892,454</u>	<u>76,623,621</u>	<u>268,833</u>
<b>Total School Fund</b>	<b><u>\$ 76,892,454</u></b>	<b><u>\$ 76,623,621</u></b>	<b><u>\$ 268,833</u></b>
<b>School Nutrition Fund:</b>			
Education:			
Food services	\$ 4,159,700	\$ 4,136,411	\$ 23,289
Technology	<u>30,800</u>	<u>15,587</u>	<u>15,213</u>
Total education	<u>4,190,500</u>	<u>4,151,998</u>	<u>38,502</u>
<b>Total School Nutrition Fund</b>	<b><u>\$ 4,190,500</u></b>	<b><u>\$ 4,151,998</u></b>	<b><u>\$ 38,502</u></b>
<b>School Capital Projects Fund:</b>			
Capital projects	<u>2,034,741</u>	<u>1,989,528</u>	<u>45,213</u>
<b>Total School Capital Projects Fund</b>	<b><u>\$ 2,034,741</u></b>	<b><u>\$ 1,989,528</u></b>	<b><u>\$ 45,213</u></b>
<b>Grand Total Expenditures (Component Unit - School Board)</b>	<b><u>\$ 83,117,695</u></b>	<b><u>\$ 82,765,147</u></b>	<b><u>\$ 352,548</u></b>

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# STATISTICAL SECTION

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

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

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

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

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

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

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

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

Table 1

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Governmental activities</b>										
Net investment in capital assets	\$ 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	\$ 136,515,744
Restricted	621,577	552,092	461,736	450,639	418,955	253,898	436,546	464,466	459,667	345,524
Unrestricted	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	32,029,616
Total governmental activities net position	\$ 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	\$ 168,890,884
<b>Business-type activities</b>										
Net investment in capital assets	\$ 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	\$ 63,946,619
Unrestricted	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	23,104,614
Total business-type activities net position	\$ 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	\$ 87,051,233
<b>Primary government</b>										
Net investment in capital assets	\$ 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	\$ 200,462,363
Restricted	621,577	552,092	461,736	450,639	418,955	253,898	436,546	464,466	459,667	345,524
Unrestricted	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	55,134,230
Total primary government net position	\$ 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	\$ 255,942,117

**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									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Expenses:</b>										
<b>Governmental activities:</b>										
General government administration	\$ 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	\$ 12,735,815
Jail and judicial administration	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	3,012,532
Public safety	23,660,985	23,238,203	22,625,158	21,236,076	20,803,582	19,435,952	18,759,038	18,414,704	17,934,535	18,518,912
Public works <sup>a</sup>	14,989,905	14,407,248	14,709,122	15,158,769	19,723,562	16,087,945	15,430,666	11,384,626	10,924,418	11,935,693
Health and welfare	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	4,369,125
Education	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	31,253,898
Parks, recreation and cultural	5,664,779	5,998,086	6,201,994	5,486,051	5,399,332	5,319,618	5,319,618	5,279,763	5,100,351	5,379,470
Community development	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	4,032,505
Interest on long-term debt	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	5,860,753
<b>Business-type activities:</b>										
Water	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	5,359,913
Sewer	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	6,772,876
Public transportation	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	6,817,081
Steam plant/sanitation <sup>a,b</sup>	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	10,809,914
Stormwater	454,261	414,677	255,371	-	-	-	-	-	-	-
<b>Total expenses</b>	<b>\$ 151,540,430</b>	<b>\$ 146,770,962</b>	<b>\$ 144,686,246</b>	<b>\$ 141,790,591</b>	<b>\$ 142,344,400</b>	<b>\$ 132,978,350</b>	<b>\$ 127,935,248</b>	<b>\$ 122,245,944</b>	<b>\$ 121,143,571</b>	<b>\$ 126,858,487</b>
<b>Program revenues:</b>										
<b>Governmental activities:</b>										
<b>Charges for services:</b>										
General government administration	\$ 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	\$ 8,620,160
Jail and judicial administration	691,717	553,894	515,404	549,825	651,517	526,549	417,063	553,923	504,223	493,611
Public works <sup>a</sup>	-	-	-	-	5,891,879	5,714,587	4,223,763	-	-	-
Education <sup>c</sup>	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	1,067,881	1,170,361	1,130,856	1,132,452	1,143,398	1,078,285	1,156,262	1,103,317	1,042,513	1,063,064
Other activities	1,117,096	1,377,659	848,873	891,990	1,201,568	988,430	868,216	845,073	686,775	1,055,627
Operating grants and contributions	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	6,931,438
Capital grants and contributions <sup>d,e,f</sup>	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	4,827,882
<b>Business-type activities:</b>										
<b>Charges for services:</b>										
Water	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	5,727,877
Sewer	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	6,377,771
Public transportation <sup>c</sup>	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	3,290,998
Steam plant/sanitation <sup>a</sup>	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	10,158,755
Stormwater	1,302,218	1,258,959	2,345,292	-	-	-	-	-	-	-
Operating grants and contributions	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	1,444,903
Capital grants and contributions <sup>g</sup>	606,769	4,199,180	606,645	2,689,399	6,506,406	3,277,876	3,226,291	840,082	2,176,754	8,458,276
<b>Total program revenues</b>	<b>\$ 63,609,166</b>	<b>\$ 64,896,075</b>	<b>\$ 58,457,047</b>	<b>\$ 58,233,450</b>	<b>\$ 67,575,696</b>	<b>\$ 58,926,299</b>	<b>\$ 53,267,647</b>	<b>\$ 49,410,495</b>	<b>\$ 48,211,427</b>	<b>\$ 58,450,362</b>
<b>Net (expense) revenue:</b>										
Governmental activities	\$ (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)	\$ (74,106,921)
Business-type activities	4,714,456	7,044,649	3,252,750	2,045,572	3,978,121	431,425	(697,330)	(629,598)	(299,800)	5,698,796
<b>Total net (expense) revenue</b>	<b>\$ (87,931,264)</b>	<b>\$ (81,874,887)</b>	<b>\$ (86,229,199)</b>	<b>\$ (83,557,141)</b>	<b>\$ (74,768,704)</b>	<b>\$ (74,052,051)</b>	<b>\$ (74,667,601)</b>	<b>\$ (72,835,449)</b>	<b>\$ (72,932,144)</b>	<b>\$ (68,408,125)</b>

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

Table 2

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General revenues and other changes in net position:										
Governmental activities:										
General revenues:										
Property taxes	\$ 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	\$ 29,049,768
Sales and use taxes	13,609,547	13,207,791	12,994,784	12,532,757	11,956,912	11,450,969	10,744,198	11,030,783	10,487,689	11,053,388
Restaurant food taxes	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	8,095,857
Business license taxes	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	6,072,551
Other local taxes	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	5,275,971
Unrestricted grants and contributions	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	3,488,042
Unrestricted payment from component units	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	4,800,000
Investment revenue	683,838	480,911	206,899	75,041	50,039	84,162	68,365	87,557	151,425	658,303
Other revenue <sup>h</sup>	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	1,202,291
Gain on sale of capital asset	-	-	-	-	-	-	-	-	-	238,903
Special item <sup>i</sup>	-	-	-	-	-	-	(1,446,706)	-	-	-
Transfers	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	(875,910)
Business-type activities:										
General revenues:										
Investment revenue	392,616	131,300	55,180	15,198	19,563	31,340	32,121	52,446	79,908	505,917
Other revenue	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	1,927,746
Gain on disposal of capital assets	49,966	-	41,058	2,550	28,554	15,055	10,863	4,525	1,855	8,100
Special item <sup>h,k</sup>	-	-	-	(1,916,812)	(10,078,503)	-	-	-	-	-
Transfers	(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)	875,910
Total general revenues and other changes in net position	\$ 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	\$ 72,376,837
Change in net position:										
Governmental activities	\$ 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)	\$ (5,047,757)
Business-type activities	4,804,621	5,446,907	1,983,003	(1,095,305)	(6,508,923)	922,277	(5,681,291)	158,168	571,052	9,016,469
Total change in net position	\$ 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)	\$ 3,968,712

**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.

<sup>a</sup>For 2012 and 2015, the changes in public works and steam plant/sanitation activity charges for services and expenses reflected the reclassification of refuse collection, recycling and landfill activities.

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

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

<sup>d</sup>For 2010, the decrease in capital grants and contributions reflected decreasing right-of-way and easement purchases for the Reservoir Street project which were eligible for state funding.

<sup>e</sup>For 2015, the decrease in capital grants and contributions reflected increased state and federal funding for several capital projects including the Reservoir Street project.

<sup>f</sup>For 2017, the increase in capital grants and contributions reflected increased state and federal funding from the purchase of new transit buses and other public transportation projects.

<sup>g</sup>For 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.

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

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

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

<sup>k</sup>For 2015, the City recorded an additional impairment loss on the resource recovery facility for decommissioning costs.

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

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General Fund										
Nonspendable	\$ 835,475	\$ 874,897	\$ 745,877	\$ 623,774	\$ 652,688	\$ 613,043	\$ 780,708	\$ 1,055,286	\$ 838,087	\$ 772,046
Restricted	624,155	552,091	461,736	450,639	432,852	253,898	436,546	464,466	459,667	345,524
Committed <sup>a</sup>	63,402	63,402	63,402	63,402	2,761,367	3,386,367	3,095,380	860,879	1,297,212	1,879,300
Assigned <sup>b</sup>	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	175,380
Unassigned	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	16,363,415
Total general fund	\$ 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	\$ 19,535,665
All other governmental funds										
Nonspendable	\$ 34,666	\$ 50,508	\$ 16,652	\$ -	\$ 4,705	\$ 4,546	\$ -	\$ 531	\$ -	\$ -
Restricted <sup>c</sup>	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	9,365,268
Committed	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	7,704,596
Assigned	142,000	204,500	134,000	38,897	-	-	-	-	-	-
Unassigned, reported in:										
Special revenue funds	-	(184)	-	-	-	(60,493)	(6,955)	(122,388)	(43,201)	(15,513)
Total all other governmental funds	\$ 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	\$ 17,054,351

**Notes:** Any significant increases or decreases for 2018 are explained in Management's Discussion and Analysis. Certain prior year balances have been reclassified to reflect current financial reporting (2009-2010).

<sup>a</sup>For 2012, the increase in general fund committed fund balance was the result of fund balance being committed to fund a landfill contractual obligation to Rockingham County.

<sup>b</sup>For 2011, the increase in general fund assigned fund balance was the result of approximately \$2.9 million of fund balance being used to balance the subsequent year's budget.

<sup>c</sup>The increases and decreases in other governmental funds' restricted fund balance are the result of bond proceeds that are used for various capital project purposes.

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

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Revenues:</b>										
General property taxes	\$ 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	\$ 28,997,708
Other local taxes	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	30,439,109
Permits, privilege fees and regulatory licenses	643,501	916,716	443,489	507,040	455,881	536,965	498,465	561,431	354,076	848,149
Fines and forfeitures	870,541	749,623	623,390	666,029	1,127,606	662,961	526,260	626,169	598,904	570,997
Use of money and property	701,781	540,939	262,328	187,061	162,014	194,763	171,599	188,084	197,844	662,621
Charges for services <sup>a</sup>	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	1,193,156
Miscellaneous <sup>b</sup>	2,001,736	2,084,949	1,871,712	1,938,839	2,465,008	2,005,958	2,014,528	4,159,989	1,540,896	1,700,774
Recovered costs	1,110,065	632,746	59,225	201,177	291,795	165,551	606,506	-	-	-
Payments from component units	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	4,800,000
Intergovernmental	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	13,628,264
<b>Total revenues</b>	<b>\$ 121,491,980</b>	<b>\$ 112,866,608</b>	<b>\$ 104,546,421</b>	<b>\$ 100,567,361</b>	<b>\$ 104,137,457</b>	<b>\$ 99,651,924</b>	<b>\$ 95,132,088</b>	<b>\$ 90,033,162</b>	<b>\$ 82,489,273</b>	<b>\$ 82,840,778</b>
<b>Expenditures:</b>										
<b>Current:</b>										
General government administration	\$ 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	\$ 3,454,035
Jail and judicial administration <sup>c</sup>	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	2,715,571
Public safety	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	18,351,114
Public works <sup>a</sup>	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	8,643,955
Health and welfare	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	4,347,260
Education	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	24,627,567
Parks, recreation and cultural	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	4,819,548
Community development	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	4,112,650
Debt service:										
Principal retirement	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	5,852,898
Interest and fiscal charges	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	5,879,099
Bond issuance costs	-	-	-	-	257,393	-	381,755	77,341	-	58,379
Payment to bond refunding escrow agent	-	-	-	-	-	-	-	-	-	520,040
Capital projects	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	15,865,369
<b>Total expenditures</b>	<b>\$ 125,897,259</b>	<b>\$ 149,898,485</b>	<b>\$ 114,442,488</b>	<b>\$ 116,656,353</b>	<b>\$ 116,060,588</b>	<b>\$ 105,345,498</b>	<b>\$ 97,804,571</b>	<b>\$ 91,291,015</b>	<b>\$ 89,808,346</b>	<b>\$ 99,247,485</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>\$ (4,405,279)</b>	<b>\$ (37,031,877)</b>	<b>\$ (9,896,067)</b>	<b>\$ (16,088,992)</b>	<b>\$ (11,923,131)</b>	<b>\$ (5,693,574)</b>	<b>\$ (2,672,483)</b>	<b>\$ (1,257,853)</b>	<b>\$ (7,319,073)</b>	<b>\$ (16,406,707)</b>

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

Table 4

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Other financing sources (uses):										
Long-term debt issued or incurred	\$ 2,350,000	\$ -	\$ 44,305,000	\$ -	\$ 14,150,000	\$ 8,050,000	\$ 5,865,000	\$ 9,515,000	\$ -	\$ 13,480,500
Refunding debt issued	-	-	-	-	42,675,000	-	21,400,000	5,691,105	-	7,377,000
Premium on long-term debt issued	-	-	3,995,417	-	5,650,348	-	786,742	362,907	-	99,617
Payment to bond refunding escrow agent	-	-	-	-	(42,327,820)	-	-	(5,847,247)	-	(7,412,601)
Payment for current bond refunding	-	-	-	-	(5,146,875)	-	(21,649,901)	-	-	-
Sale of capital assets	-	125,215	-	-	-	-	-	-	-	-
Transfers in	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	4,713,939
Transfers out	(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)	(4,602,315)
Total other financing sources (uses)	\$ 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	\$ 13,656,140
Net change in fund balances	\$ 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)	\$ (2,750,567)
Debt service as a percentage of noncapital expenditures	13.46%	13.53%	13.01%	12.79%	12.74%	14.70%	14.15%	14.81%	14.75%	13.86%

**Notes:** Any significant increases or decreases for 2018 are explained in Management's Discussion and Analysis. Any significant increases or decreases in general property taxes and other local taxes revenue are provided in Table 5. Any significant increases or decreases in long-term debt issued or incurred are provided in Table 10.

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

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

<sup>c</sup>For 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									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General property taxes	\$ 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	\$ 28,997,708
Real estate taxes <sup>a,b</sup>	\$ 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	\$ 20,253,878
Real and personal public service corporation property taxes	474,656	440,408	393,020	448,017	294,775	344,311	305,419	311,567	315,297	290,145
Personal property taxes <sup>c</sup>	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	6,481,657
Mobile home taxes	10,013	8,778	8,475	7,033	6,485	8,069	7,613	7,568	6,976	6,779
Machinery and tools taxes	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	1,769,620
Penalties and interest	398,682	275,497	248,362	265,766	216,744	271,353	266,423	256,925	293,075	195,629
<b>Total general property taxes</b>	<b>\$ 47,667,485</b>	<b>\$ 43,233,944</b>	<b>\$ 39,444,384</b>	<b>\$ 37,481,440</b>	<b>\$ 33,559,753</b>	<b>\$ 33,745,312</b>	<b>\$ 32,180,329</b>	<b>\$ 31,525,525</b>	<b>\$ 31,009,074</b>	<b>\$ 28,997,708</b>
Other local taxes	\$ 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	\$ 11,053,388
Local sales and use taxes	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	1,059,448
Consumer utility taxes	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	6,072,551
Business license taxes	1,293,518	1,166,441	1,178,948	1,185,099	888,410	861,119	759,588	667,392	698,446	708,619
Motor vehicle license taxes <sup>d</sup>	787,205	761,882	757,086	580,676	562,403	514,445	543,099	577,159	556,236	487,649
Bank stock taxes	444,493	442,184	408,096	603,848	443,901	359,086	273,405	381,220	311,749	380,766
Taxes on recordation and wills	543,750	569,850	680,937	632,433	634,796	703,979	768,267	700,232	759,637	794,917
Tobacco taxes	190,133	175,755	181,678	172,616	144,475	175,395	178,371	182,473	198,641	195,222
Admission and amusement taxes	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	1,536,035
Hotel and motel room taxes <sup>e</sup>	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	8,037,199
Restaurant food taxes <sup>f</sup>	100,731	109,110	119,579	115,248	103,840	93,218	61,237	59,244	17,778	-
Short-term rental taxes	110,743	93,715	123,602	105,507	113,176	113,012	111,110	135,196	123,100	113,315
Public right-of-way use fee										
<b>Total other local taxes</b>	<b>\$ 42,423,719</b>	<b>\$ 39,238,068</b>	<b>\$ 38,722,176</b>	<b>\$ 36,644,704</b>	<b>\$ 34,740,681</b>	<b>\$ 33,134,475</b>	<b>\$ 31,114,956</b>	<b>\$ 30,439,292</b>	<b>\$ 29,295,439</b>	<b>\$ 30,439,109</b>

**Notes:** Any significant increases or decreases for 2018 are explained in Management's Discussion and Analysis.

<sup>a</sup>For 2010, the increases in real estate taxes was the result of an increase in real estate assessments.  
<sup>b</sup>For 2013, 2015, 2016, 2017 and 2018, the increases in real estate taxes were the result of an increase in the real estate tax rate.  
<sup>c</sup>For 2015, the increase in personal property taxes was the result of an increase in the personal property tax rate.  
<sup>d</sup>For 2015, the increase in motor vehicle license taxes was the result of an increase in the tax rates.  
<sup>e</sup>For 2013, the increases in hotel and motel room taxes and restaurant food taxes was the result of an increase in the tax rates.



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

Fiscal Year	Real Estate <sup>1</sup>		Personal Property				Total Assessed Values	Total Direct Tax Rate	
	Residential	Commercial/Industrial	Public Service Corporations <sup>4</sup>	Personal Property <sup>2</sup>	Machinery and Tools <sup>3</sup>	Mobile Homes <sup>1</sup>			Public Service Corporations <sup>4</sup>
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
2009	2,275,254,580	1,173,035,128	48,074,787	318,429,100	86,797,005	1,152,400	213,409	3,902,956,409	0.78

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

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

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

Table 7

Fiscal Year	Real Estate			Personal Property							Total Direct Tax Rate
	Residential	Commercial/ Industrial	Public Service Corporations	Business Equipment	Machinery and Tools	Mobile Homes	Public Service Corporations	Other <sup>1</sup>			
2018	\$ 0.85	\$ 0.85	\$ 0.85	\$ 2.12	\$ 2.12	\$ 0.85	\$ 3.50	3.50	\$	1.06	
2017	0.78	0.78	0.78	2.12	2.12	0.78	3.50	3.50		0.99	
2016	0.72	0.72	0.72	2.12	2.12	0.72	3.50	3.50		0.92	
2015	0.69	0.69	0.69	2.12	2.12	0.69	3.50	3.50		0.89	
2014	0.63	0.63	0.63	2.00	2.00	0.63	3.00	3.00		0.81	
2013	0.63	0.63	0.63	2.00	2.00	0.63	3.00	3.00		0.81	
2012	0.59	0.59	0.59	2.00	2.00	0.59	3.00	3.00		0.76	
2011	0.59	0.59	0.59	2.00	2.00	0.59	3.00	3.00		0.76	
2010	0.59	0.59	0.59	2.00	2.00	0.59	3.00	3.00		0.76	
2009	0.59	0.59	0.59	2.00	2.00	0.59	3.00	3.00		0.78	

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

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

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

**Table 8**

Property Taxpayer	Fiscal Year 2018			Fiscal Year 2009		
	Property Taxes	Rank	Percent of Total Property Taxes	Property Taxes	Rank	Percent of Total Property Taxes
Tenneco Inc	\$ 669,718	1	1.42%	\$ 374,564	2	1.29%
The Scion Group LLC	618,440	2	1.31%	-	-	-
Anthem Inc	575,573	3	1.22%	-	-	-
Asset Campus Housing, Inc.	556,096	4	1.18%	-	-	-
Packaging Corporation of America	481,441	5	1.02%	243,019	6	0.84%
George's Foods LLC	438,939	6	0.93%	-	-	-
Graham Packaging Company LP	377,645	7	0.80%	301,883	4	1.04%
The Macerich Properties	359,074	8	0.76%	-	-	-
Virginia Mennonite Retirement Community	300,988	9	0.64%	178,604	8	0.61%
North 38 Student Housing LLC	284,999	10	0.60%	-	-	-
RR Donnelley & Sons Company	-	-	-	398,140	1	1.37%
American Campus Communities Inc	-	-	-	310,988	3	1.07%
IntraPac Corporation	-	-	-	255,416	5	0.88%
Simon Property Group Inc	-	-	-	200,453	7	0.69%
Walmart Stores Inc	-	-	-	151,458	9	0.52%
Ariake USA Inc	-	-	-	127,555	10	0.44%
<b>Total</b>	<b>\$ 4,662,913</b>		<b>9.88%</b>	<b>\$ 2,542,080</b>		<b>8.75%</b>

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

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

Table 9

Fiscal Year	Taxes Levied for the Fiscal Year (Original Levy)		Adjustments	Total Adjusted Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
	Fiscal Year (Original Levy)	Adjustments			Amount	Percentage of Levy		Amount	Percentage of Levy
2018	\$ 47,285,711	\$ -	\$ -	47,285,711	46,313,920	97.94%	-	\$ 46,313,920	97.94%
2017	43,406,093	37,700	37,700	43,443,793	42,331,311	97.52%	718,925	43,050,236	99.09%
2016	39,427,910	44,704	44,704	39,472,614	38,629,078	97.97%	592,163	39,221,241	99.36%
2015	37,288,334	(4,982)	(4,982)	37,283,352	36,588,785	98.12%	502,217	37,091,002	99.48%
2014	33,472,734	18,583	18,583	33,491,317	32,671,163	97.61%	648,009	33,319,172	99.49%
2013	33,518,148	(13,050)	(13,050)	33,505,098	32,841,981	97.98%	535,700	33,377,681	99.62%
2012	31,917,343	(13,801)	(13,801)	31,903,542	31,164,825	97.64%	624,151	31,788,976	99.64%
2011	31,326,231	(2,342)	(2,342)	31,323,889	30,500,885	97.37%	691,304	31,192,189	99.58%
2010	30,809,804	(16,764)	(16,764)	30,793,040	29,834,014	96.83%	785,818	30,619,832	99.44%
2009	29,095,900	1,360	1,360	29,097,260	28,136,769	96.70%	772,246	28,909,015	99.35%

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

Table 10

Type of debt	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Governmental activities:										
General obligation bonds <sup>a</sup>	\$ 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	\$ 131,255,776
General obligation revenue bonds	-	-	-	-	-	-	-	-	-	-
Capital leases	960,000	1,414,000	2,032,839	2,723,162	3,391,389	3,321,531	4,827,885	5,751,958	6,635,404	7,480,465
Business-type activities:										
General obligation bonds <sup>b</sup>	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	27,072,664
General obligation revenue bonds <sup>b</sup>	-	-	-	-	-	-	239,994	469,862	9,392,103	9,598,939
Total primary government	\$ 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	\$ 175,407,844
Percentage of personal income <sup>1</sup>	9.52%	9.84%	10.70%	8.91%	10.20%	9.88%	10.60%	11.42%	11.70%	11.89%
Per capita <sup>1</sup>	\$ 3,500	\$ 3,598	\$ 3,819	\$ 3,089	\$ 3,370	\$ 3,235	\$ 3,360	\$ 3,463	\$ 3,448	\$ 3,644

**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 (2009-2013). <sup>1</sup>See Table 13 for personal income and population data. Population estimates and personal income were adjusted on Table 13 for 2009 and 2011-2017.

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

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

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

Table 11

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General obligation bonds <sup>a,b</sup>	\$ 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	\$ 158,328,440
Total	\$ 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	\$ 158,328,440
Percentage of assessed real property value <sup>1</sup>	4.68%	4.80%	5.15%	4.17%	4.45%	4.23%	4.16%	4.26%	3.98%	4.53%
Per capita <sup>2</sup>	\$ 3,483	\$ 3,554	\$ 3,782	\$ 3,038	\$ 3,305	\$ 3,171	\$ 3,260	\$ 3,339	\$ 3,120	\$ 3,289

**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 (2009-2013).<sup>3</sup> See Table 6 for assessed real property data. <sup>2</sup>See Table 13 for population data. Population estimates were adjusted on Table 13 for 2009 and 2011-2017.

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

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

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

Table 12

	Fiscal Year										
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	
Debt limit	\$ 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	\$ 349,636,450	
Total debt applicable to limit	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	167,937,695	
Legal debt margin	\$ 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	\$ 181,698,755	
Total debt applicable to the limit as percentage of debt limit	44.46%	45.49%	48.75%	39.85%	42.50%	41.72%	41.12%	42.26%	42.21%	48.03%	
<b>Legal Debt Margin Calculation for Fiscal Year 2018</b>											
Total assessed value of taxed real property	\$ 4,105,936,387										
Debt limit (10% of total assessed value)	\$ 410,593,639										
Debt applicable to limit:											
General obligation bonds	182,558,067										
Legal debt margin	\$ 228,035,572										

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

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

Table 13

Fiscal Year	Population <sup>1</sup>	Personal Income (in thousands)	Per Capita Personal Income <sup>2</sup>	School Enrollment <sup>3</sup>	Unemployment Rate Percentage <sup>4</sup>
2018	55,160	\$ 2,028,123	\$ 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
2009	48,134	1,475,452	30,653	4,241	5.5

**Notes:** Population estimates have been adjusted for 2009 and 2011-2017 using estimates from the University of Virginia Weldon Cooper Center for Public Policy. Personal income has been adjusted accordingly.

**Sources:** <sup>1</sup> Estimated by the City's Department of Planning and Community Development for 2018. University of Virginia Weldon Cooper Center for Public Service for 2009 and 2011-2017. United States Census Bureau for 2010.

<sup>2</sup> Bureau of Economic Analysis, United States Department of Commerce. Amounts for 2009-2017 have been adjusted based upon the latest available data. Data for 2018 has been estimated based on per capita personal income trends for the previous ten years. <sup>3</sup> City of Harrisonburg School Board. <sup>4</sup> Virginia Employment Commission. The unemployment rate is an annual average. The rates for 2016-2017 have been adjusted based upon the latest available data.



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

**Table 14**

Employers	Fiscal Year 2018			Fiscal Year 2009		
	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	> 3.29%
Harrisonburg City Public Schools	> 999	2	> 3.14%	500 - 999	3	1.65% - 3.29%
Aramark Campus LLC	500 - 999	3	1.58% - 3.14%	-	-	-
City of Harrisonburg	500 - 999	4	1.58% - 3.14%	500 - 999	4	1.65% - 3.29%
Tenneco Inc	500 - 999	5	1.58% - 3.14%	250 - 499	7	0.82% - 1.64%
George's Foods LLC	500 - 999	6	1.58% - 3.14%	-	-	-
Eastern Mennonite University	250 - 499	7	0.79% - 1.57%	-	-	-
Virginia Mennonite Retirement Community	250 - 499	8	0.79% - 1.57%	250 - 499	8	0.82% - 1.64%
Shenandoah Processing LLC	250 - 499	9	0.79% - 1.57%	-	-	-
Rosetta Stone Inc.	250 - 499	10	0.79% - 1.57%	500 - 999	5	1.65% - 3.29%
Rockingham Memorial Hospital	-	-	-	> 999	2	> 3.29%
Walmart Stores Inc	-	-	-	500 - 999	6	1.65% - 3.29%
Graham Packaging Company LP	-	-	-	250 - 499	9	0.82% - 1.64%
Ntelos Inc	-	-	-	250 - 499	10	0.82% - 1.64%
Total City Employment	31,777			30,336		

**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									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General government administration	53.6	51.0	48.6	48.6	48.6	45.7	45.5	45.4	45.7	46.1
Public safety:										
Police <sup>a</sup>	130.4	125.9	118.4	114.4	114.2	107.6	107.4	108.5	108.8	110.8
Fire <sup>a</sup>	83.7	82.9	81.9	81.8	80.7	80.7	80.7	80.8	80.5	79.8
Other	16.0	15.0	14.0	14.0	14.0	14.0	13.0	13.0	13.0	13.0
Public works <sup>b,c</sup>	79.6	77.1	75.2	75.2	99.7	98.0	102.2	72.6	73.1	76.2
Education <sup>b,e</sup>	50.0	44.3	38.7	43.0	42.5	40.2	38.8	-	-	-
Parks, recreation and cultural	78.1	71.9	71.1	72.4	72.2	73.8	75.9	75.6	70.7	71.2
Planning and community development <sup>d</sup>	16.7	16.7	16.2	17.0	17.0	16.4	17.8	18.8	19.1	19.4
Water	35.5	35.0	34.5	33.9	33.9	32.6	32.6	33.1	33.2	33.2
Sewer	28.7	26.0	24.5	24.6	24.4	24.1	22.2	23.8	23.7	23.7
Public transportation <sup>b,e</sup>	60.2	58.3	60.0	58.8	50.9	47.1	49.8	87.8	87.1	86.4
Steam plant/sanitation <sup>b,c,d</sup>	25.2	25.2	25.2	58.9	31.0	31.0	31.0	56.9	60.9	61.5
Stormwater	3.7	3.7	3.7	-	-	-	-	-	-	-
Central garage	15.7	15.6	15.5	14.8	15.1	15.8	15.8	14.7	14.7	15.4
Central stores	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
<b>Total</b>	<b>679.1</b>	<b>650.5</b>	<b>629.5</b>	<b>659.4</b>	<b>646.2</b>	<b>629.0</b>	<b>634.7</b>	<b>633.0</b>	<b>632.5</b>	<b>638.7</b>

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

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

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

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

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

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

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

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

Table 16

Function	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Police										
Calls answered	42,900	41,536	42,686	40,099	39,132	34,935	33,021	41,070	43,634	40,321
Traffic citations	9,369	8,280	8,442	7,648	10,683	7,900	6,268	9,359	8,437	8,177
Fire										
Calls answered	5,636	5,310	5,574	5,246	4,708	4,923	4,789	4,514	4,473	4,381
Inspections	3,593	4,041	2,987	1,351	1,568	1,893	2,135	1,868	1,927	1,983
Public works										
Streets repaved (total miles)	7.85	8.88	8.22	11.69	9.98	5.10	5.58	5.47	6.90	9.47
Parks and recreation										
Pool admissions	67,268	59,879	51,519	47,548	49,553	50,388	52,489	47,417	48,304	43,872
Rounds of golf played	27,248	29,819	30,001	29,488	28,995	27,275	27,068	21,906	20,812	21,896
Planning and community development										
Building permits issued	648	702	664	691	651	1,035	810	739	748	961
Water										
Daily consumption (millions of gallons)	5.95	5.88	5.74	5.61	5.38	5.37	5.36	5.44	5.17	5.38
New customer connections	103	100	44	61	59	67	40	151	110	528
Sewer										
Daily consumption (millions of gallons)	4.89	4.74	4.68	4.57	4.40	4.27	4.29	4.33	4.20	4.12
New customer connections	14	77	13	15	12	14	8	132	8	13
Public transportation										
Transit bus passengers	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	1,709,558
Sanitation										
Avg. daily steam plant intake (tons) <sup>a</sup>	-	-	-	-	67.8	125.1	111.7	138.5	149.6	148.3
Materials recycled (tons)	-	-	-	737.0	709.5	754.4	757.8	827.8	722.6	1,048.3
Solid waste collected (tons)	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.

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

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

Table 17

Function	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Police										
Police stations	3	3	3	3	3	3	3	3	3	3
Patrol units (including motorcycles)	64	56	48	49	48	48	48	46	47	43
Fire										
Fire stations	4	4	4	4	4	4	4	4	4	4
Fire trucks	12	12	12	12	12	12	13	13	13	13
Public works:										
Streets (centerline miles)	139.78	139.78	139.44	140.27	138.99	137.92	137.92	137.92	137.92	135.34
Parks, recreation and cultural										
Parks (including athletic facilities)	12	12	12	12	12	12	12	12	12	11
Parks acreage	877	877	877	877	877	877	877	877	877	869
Golf course acreage <sup>a</sup>	205	205	205	215	215	215	215	215	215	215
Water:										
Water lines (linear feet)	1,813,301	1,680,534	1,664,446	1,610,400	1,608,662	1,604,272	1,555,811	1,523,193	1,467,840	1,469,084
Storage capacity (millions of gallons) <sup>b</sup>	25.25	25.25	25.25	25.25	25.25	25.25	25.25	25.25	25.25	23.25
Sewer:										
Sewer lines (linear feet)	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	1,063,710
Public transportation:										
Transit buses	51	50	50	48	44	42	42	36	36	36
Sanitation:										
Steam plant capacity (tons per day) <sup>c</sup>	-	-	-	-	200	200	200	200	200	200
Refuse collection trucks	7	7	7	8	7	7	7	7	7	7
Recycling collection trucks	3	4	4	2	4	3	3	3	3	3

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

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

<sup>a</sup>In 2016, the City transferred approximately ten acres of golf course property to the Harrisonburg City School Board for the construction of a new elementary school.

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

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

# COMPLIANCE SECTION

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns* and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Harrisonburg, Virginia (the "City"), as of and for the year ended June 30, 2018, 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, 2018.

**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, 2018



**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, 2018. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

***Opinion on Each Major Federal Program***

In our opinion, the City of Harrisonburg, Virginia, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2018.

## 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, 2018

**CITY OF HARRISONBURG, VIRGINIA**

**SUMMARY OF COMPLIANCE MATTERS**

**June 30, 2018**

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

**STATE COMPLIANCE MATTERS**

*Code of Virginia*

Budget and Appropriation Laws

Cash and Investment Laws

Conflicts of Interest Act

Local Retirement Systems

Debt Provisions

Procurement Laws

Uniform Disposition of Unclaimed Property Act

*State Agency Requirements*

Education

Highway Maintenance Funds

**FEDERAL COMPLIANCE MATTERS**

Compliance Supplement for Single Audits of State and Local Governments

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

CITY OF HARRISONBURG, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2018

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>
Federal Transit – Formula Grants	20.507
Highway Planning and Construction	20.205

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

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None.

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

None.

D. FINDINGS AND QUESTIONED COSTS – COMMONWEALTH OF VIRGINIA

None.

CITY OF HARRISONBURG, VIRGINIA  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Year Ended June 30, 2018

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Pass-through Payments to Subrecipients	Cluster Expenditures	Federal Expenditures
<b>Department of Agriculture:</b>					
Pass-through payments:					
Child Nutrition Cluster:					
Virginia Department of Education:					
School Breakfast Program	10.553	201717N109941	\$ -	\$ 161,915	\$ -
School Breakfast Program	10.553	201818N109941	-	992,847	-
National School Lunch Program	10.555	201717N109941	-	296,076	-
National School Lunch Program	10.555	201818N109941	-	1,785,389	-
Virginia Department of Health:					
Summer Food Service Program for Children	10.559	Not Provided	-	74,365	-
Virginia Department of Agriculture and Consumer Services:					
National School Lunch Program (donated commodities)	10.555	Not Provided	-	197,719	-
Total Child Nutrition Cluster				<u>197,719</u>	3,508,311
Virginia Department of Education:					
Child and Adult Care Feeding Program	10.558	201817N202041	-	-	41
Child and Adult Care Feeding Program	10.558	201818N109941	-	-	569
Fresh Fruit and Vegetable Program	10.582	201717L160341	-	-	3,603
Fresh Fruit and Vegetable Program	10.582	201818L160341	-	-	23,897
Virginia Department of Health:					
Child and Adult Care Feeding Program	10.558	201818N109941	-	-	6,783
Virginia Department of Forestry:					
Cooperative Forestry Assistance	10.664	16VTCW25	-	-	4,649
Cooperative Forestry Assistance	10.664	18VTCW05	-	-	3,779
<b>Department of Housing and Urban Development:</b>					
Direct payments:					
Community Development Block Grants/Entitlement Grants	14.218		212,686	-	315,583
<b>Department of Justice:</b>					
Direct payments:					
Bulletproof Vest Partnership Program	16.607		-	-	7,404
Public Safety Partnership and Community Policing Grants	16.710		-	-	159,434
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742		-	-	42,131
Pass-through payments:					
Virginia Department of Criminal Justice Services:					
Violence Against Women Formula Grants	16.588	17-B3245VA16	-	-	22,024
Violence Against Women Formula Grants	16.588	18-C3245VA17	-	-	22,507
<b>Department of Transportation:</b>					
Direct payments:					
Federal Transit_Formula Grants	20.507		-	-	1,610,658
Pass-through payments:					
Virginia Department of Transportation:					
Highway Planning and Construction	20.205	UPC 107518	-	-	1,066
Highway Planning and Construction	20.205	UPC 108809	-	-	913
Highway Planning and Construction	20.205	UPC 109025	-	-	10,367
Highway Planning and Construction	20.205	UPC 109379	-	-	1,548,438
Virginia Department of Rail and Public Transportation:					
Formula Grants for Rural Areas	20.509	42118	-	-	8,195
Virginia Department of Motor Vehicles:					
State and Community Highway Safety	20.600	FSC-2018-58302-8302	-	-	5,195
State and Community Highway Safety	20.600	FPS-2018-58298-8298	-	-	974
Alcohol Open Container Requirements	20.607	154AL-2017-57227-6876	-	-	4,103
Alcohol Open Container Requirements	20.607	154AL-2018-58008-8008	-	-	8,014
<b>Department of Education:</b>					
Pass-through payments:					
Virginia Department of Education:					
Title I Grants to Local Educational Agencies	84.010	S010A160046	-	-	378,940
Title I Grants to Local Educational Agencies	84.010	S010A170046	-	-	1,086,854
Career and Technical Education - Basic Grants to States	84.048	V048A160046	-	-	4,118
Career and Technical Education - Basic Grants to States	84.048	V048A170046	-	-	105,916

CITY OF HARRISONBURG, VIRGINIA  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Year Ended June 30, 2018

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Pass-through Payments to Subrecipients</u>	<u>Cluster Expenditures</u>	<u>Federal Expenditures</u>
<b>Department of Education: (continued)</b>					
Pass-through payments: (continued)					
Virginia Department of Education: (continued)					
English Language Acquisition State Grants	84.365	S365A160046	-	-	49,551
English Language Acquisition State Grants	84.365	S365A170046	-	-	191,758
Improving Teacher Quality State Grants	84.367	S367A160044	-	-	13,078
Improving Teacher Quality State Grants	84.367	S367A170044	-	-	197,666
Special Education Cluster:					
Special Education_Grants to States	84.027	H027A160107	-	184,785	
Special Education_Grants to States	84.027	H027A170107	-	966,654	
Special Education_Preschool Grants	84.173	H173A170112	-	<u>27,158</u>	
Total Special Education Cluster					1,178,597
State Council of Higher Education for Virginia:					
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	Not Provided	-	-	77,890
<b>Department of Health and Human Services:</b>					
Pass-through payments:					
Virginia Department of Health:					
Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	93.758	702AH732672	-	-	48,000
<b>Department of Homeland Security:</b>					
Pass-through payments:					
Virginia Department of Emergency Management:					
Emergency Management Performance Grants	97.042	7640	-	-	7,500
Homeland Security Grant Program	97.067	7339	12,783	-	26,064
Homeland Security Grant Program	97.067	7344	150,000	-	150,000
Homeland Security Grant Program	97.067	7360	26,667	-	80,000
Homeland Security Grant Program	97.067	7641	-	-	33,048
Homeland Security Grant Program	97.067	7643	3,700	-	3,700
<b>Department of Defense:</b>					
Direct payments:					
JROTC Funds	12.VA 170853				<u>93,462</u>
<b>Total expenditures of federal awards</b>					<b>\$ <u>11,044,780</u></b>

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

**CITY OF HARRISONBURG, VIRGINIA**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**June 30, 2018**

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**Note 1. Basis of Presentation**

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

**Note 2. Indirect Cost Allocation Rate**

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

**Note 3. Food Distribution**

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed as determined by the U.S. Department of Agriculture. At June 30, 2018, the School Board, a component unit, had food commodities totaling \$72,617 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, 2018.

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Outstanding Loan Amount</u>
Capitalization Grants for Drinking Water State Revolving Funds	66.468	\$ 833,067

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