

City of Harrisonburg, Virginia Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2020



Rockingham County Courthouse

City of Harrisonburg, Virginia

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2020



This Report
Prepared by Department of Finance

Report Cover: The front cover is the Rockingham County Courthouse. Completed in 1897, it is the fifth courthouse to stand on this site since Rockingham County was formed from Augusta County in 1778. Although referred to as the Rockingham County Courthouse, the City of Harrisonburg and Rockingham County share court services.

CITY OF HARRISONBURG, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
TABLE OF CONTENTS
Year Ended June 30, 2020

Introductory Section

Letter of Transmittal	1-5
Certificate of Achievement for Excellence in Financial Reporting - 2019	6
Organization Chart	7
Directory of Principal Officials	8

Financial Section

Independent Auditor's Report	9-11
Management's Discussion and Analysis	12-21

Basic Financial Statements

Exhibit 1	Statement of Net Position	22
Exhibit 2	Statement of Activities	23-24
Exhibit 3	Governmental Funds - Balance Sheet	25
Exhibit 4	Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	26
Exhibit 5	Governmental Funds - Statement of Revenues, Expenditures and Changes in Fund Balances	27
Exhibit 6	Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	28
Exhibit 7	General Fund - Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	29
Exhibit 8	Proprietary Funds - Statement of Net Position	30
Exhibit 9	Proprietary Funds - Statement of Revenues, Expenses and Changes in Fund Net Position	31
Exhibit 10	Proprietary Funds - Statement of Cash Flows	32-33
Exhibit 11	Fiduciary Funds - Statement of Fiduciary Assets and Liabilities	34
	Notes to Financial Statements	35-77

Required Supplementary Information

Exhibit 12	Schedule of Changes in the Net Pension Liability and Related Ratios - Primary Government and Harrisonburg Electric Commission	78
Exhibit 13	Schedule of Pension Contributions - Primary Government and Harrisonburg Electric Commission	79
Exhibit 14	Schedule of Changes in the Net Pension Liability and Related Ratios - School Board Nonprofessional Employees	80
Exhibit 15	Schedule of Pension Contributions - School Board Nonprofessional Employees	81
Exhibit 16	Schedule of Proportionate Share of the Net Pension Liability - School Board Teacher Cost-Sharing Pool	82
Exhibit 17	Schedule of Pension Contributions - School Board Teacher Cost-Sharing Pool	83
	VRS Group Life Insurance Program	
Exhibit 18	Schedule of Proportionate Share of the Net OPEB Liability - Primary Government and Harrisonburg Electric Commission	84
Exhibit 19	Schedule of OPEB Contributions - Primary Government and Harrisonburg Electric Commission	85
Exhibit 20	Schedule of Proportionate Share of the Net OPEB Liability - School Board	86
Exhibit 21	Schedule of OPEB Contributions - School Board	87

CITY OF HARRISONBURG, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
TABLE OF CONTENTS
Year Ended June 30, 2020

Financial Section (continued)

VRS Health Insurance Credit Program	
Exhibit 22	Schedule of Proportionate Share of the Net OPEB Liability - School Board 88
Exhibit 23	Schedule of OPEB Contributions - School Board 89
Local Health Insurance Program	
Exhibit 24	Schedule of Changes in the Total OPEB Liability and Related Ratios - Primary Government 90
Exhibit 25	Schedule of Changes in the Total OPEB and Related Ratios - School Board 91
Notes to Required Supplementary Information	92-93
Other Supplementary Information	
Nonmajor Governmental Funds:	94
Exhibit A-1	Combining Balance Sheet 95
Exhibit A-2	Combining Statement of Revenues, Expenditures and Changes in Fund Balances 96
Exhibit A-3	School Transportation Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual 97
Exhibit A-4	Business Loan Program Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual 98
Internal Service Funds:	99
Exhibit B-1	Combining Statement of Net Position 100
Exhibit B-2	Combining Statement of Revenues, Expenses and Changes in Fund Net Position 101
Exhibit B-3	Combining Statement of Cash Flows 102-103
Agency Funds:	104
Exhibit C-1	Combining Statement of Fiduciary Assets and Liabilities 105
Exhibit C-2	Statement of Changes in Fiduciary Assets and Liabilities 106
Discretely Presented Component Unit - School Board:	107
Exhibit D-1	Balance Sheet 108
Exhibit D-2	Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position 109
Exhibit D-3	Statement of Revenues, Expenditures and Changes in Fund Balances 110
Exhibit D-4	Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities 111
Exhibit D-5	School Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual 112
Exhibit D-6	School Nutrition Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual 113
Other Supplementary Schedules:	114
Detail Schedules of Governmental Funds and Discretely Presented Component Unit - School Board:	
Schedule 1	Schedule of Revenues - Budget and Actual 115-120
Schedule 2	Schedule of Expenditures - Budget and Actual 121-126

CITY OF HARRISONBURG, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
TABLE OF CONTENTS
Year Ended June 30, 2020

Statistical Section

Table 1	Net Position by Component - Last Ten Fiscal Years	127
Table 2	Changes in Net Position - Last Ten Fiscal Years	128-129
Table 3	Fund Balances (Governmental Funds) - Last Ten Fiscal Years	130
Table 4	Changes in Fund Balances (Governmental Funds) - Last Ten Fiscal Years	131-132
Table 5	Tax Revenue by Source - Last Ten Fiscal Years	133
Table 6	Assessed Value and Actual Value of Taxable Property - Last Ten Fiscal Years	134
Table 7	Property Tax Rates - Per \$100 of Assessed Value - Last Ten Fiscal Years	135
Table 8	Principal Property Taxpayers - Current Year and Nine Years Ago	136
Table 9	Property Tax Levies and Collections - Last Ten Fiscal Years	137
Table 10	Ratios of Outstanding Debt by Type - Last Ten Fiscal Years	138
Table 11	Ratios of General Bonded Debt Outstanding - Last Ten Fiscal Years	139
Table 12	Legal Debt Margin Information - Last Ten Fiscal Years	140
Table 13	Demographic and Economic Statistics - Last Ten Fiscal Years	141
Table 14	Principal Employers - Current Year and Nine Years Ago	142
Table 15	Full-time Equivalent Employees by Function - Last Ten Fiscal Years	143
Table 16	Operating Indicators by Function - Last Ten Fiscal Years	144
Table 17	Capital Asset Statistics by Function - Last Ten Fiscal Years	145

Compliance Section

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 <i>Government Auditing Standards</i>	146-147
Summary of Compliance Matters	148

THIS PAGE LEFT BLANK INTENTIONALLY

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.

THIS PAGE LEFT BLANK INTENTIONALLY



CITY OF HARRISONBURG
OFFICE OF THE
CITY MANAGER

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

December 1, 2020

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, 2020 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, 2020, 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.

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

Profile of the City of Harrisonburg

Background. The City was established in 1780 and was named for Thomas Harrison, who donated the land for the Rockingham County Court House, which became the permanent county seat of Rockingham County in 1781. The City was incorporated in 1849 and became an independent city in 1916. It now encompasses 17.3 square miles and serves a population of approximately 54,000.

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

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

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

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

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

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

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

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

Budgetary Compliance and Control. The City prepares a budget in accordance with Section 60 of the *City Charter* and Section 15.2-2503 of the *Code of Virginia*, 1950, as amended. The *City Charter* requires the City Manager to submit a balanced budget to the City Council at least sixty days prior to the beginning of each fiscal year (July 1). City Council is required to convene a public hearing regarding the City Manager's proposed budget. The proposed budget, which may be modified by the City Council, is required to be adopted by a majority vote of the City Council members 30 days prior to the beginning of the ensuing fiscal year. City Council appropriates funds for expenditures and establishes tax rates sufficient to produce the revenues needed to pay such expenditures. The

City Charter requires the annual budget to be balanced and prohibits expenditures for which moneys are not available or reasonably expected to be forthcoming in time to meet such expenditures. The *City Charter* also requires the annual budget and the annual appropriation ordinance to make a provision for a reasonable contingency fund.

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

Major Initiatives

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

- Issued \$13.5 million in bonds to reimburse the City for construction costs incurred by the City for the new second high school project.
- In cooperation with Rockingham County and the Harrisonburg-Rockingham Community Services Board (HRCSB), the City issued \$4.95 million in bonds for the City's share of a new HRCSB facility. The HRCSB will reimburse the City annually for one-third of the City's debt service payments on the bonds.
- Appropriated \$1.1 million for renovations to the District Courts.
- Appropriated \$450,000 in additional funding for the rehabilitation of the MLK, Jr. Way bridge.
- Appropriated \$250,000 in additional funding for the Harrisonburg-Rockingham Regional Jail HVAC replacement project.
- Appropriated \$225,000 in funding for replacement of Kids Castle playground at Purcell Park.
- Appropriated a total of \$3.4 million for various capital expenditures in the Water Fund. This includes \$1.3 million in additional funding for a waterline to the South Fork of the Shenandoah River.
- Appropriated a total of \$1.2 million for various capital expenditures in the Sewer Fund.
- Appropriated \$667,500 for the Mountain View Drive stream bank restoration project.

Factors Affecting Financial Condition

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

Local economy. The City is in the center of commerce and travel for the area, while the surrounding area is known for its poultry industry. The area is an educational center served by three institutions of higher learning located within or near the city with a total enrollment of approximately 25,100. James Madison University, a state-supported school, is located near the geographic center of the City and has approximately 22,000 students. Eastern Mennonite University, a private institution with approximately 1,400 students is also located in the City. Bridgewater College, located just south of the City, is also private and has an approximate enrollment of 1,700 students. State-supported Blue Ridge Community College is also located outside the city.

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

Global pandemic. In March 2020, the World Health Organization classified a strain of novel coronavirus (COVID-19) as a global pandemic. As with all local governments, the City has not been immune from the impact of the COVID-19 pandemic, not only from a community perspective, but also to the operations and financial condition of the City. Due to significant interruptions to the local economy, it is estimated that the City lost in excess of \$3 million in tax and other revenue. As a response to the decrease in revenues, the City was able to reduce expenditures below budget enough to negate the impact of these reduced revenues. In June 2020, the City also received a \$4.2 million allocation in federal Coronavirus Aid, Relief, and Economic Security (CARES) Act Coronavirus Relief Funds (CRF) from the Commonwealth of Virginia. The City was able to use the CRF funds to stabilize the City's financial operations for the current fiscal year.

Due to the timing of the pandemic, the City rebalanced its fiscal year 2021 budget prior to the beginning of the fiscal year compared to the proposed budget that had been presented to City Council. General Fund tax and other fee revenue was decreased by approximately \$6 million which was offset by an additional \$1.5 million in contributions from the Harrisonburg Electric Commission for a total reduction of \$4.5 million to the General Fund budget. Flexibility on the expenditure side of the budget allowed the City to close this budget gap by essentially eliminating all planned capital outlay funding, reducing the allocation to the School Board and deferring a 1.5% cost-of-living adjustment salary increase for employees from July 1, 2020 to January 1, 2021. In August 2020, the City received an additional allocation of \$4.2 million in CARES Act CRF funds from the Commonwealth of Virginia. A portion of this funding is being used to provide assistance to local businesses and nonprofits in the community who have been negatively impacted by the COVID-19 pandemic and a portion to assist in the stabilization of the City's financial operations.

The City has been actively monitoring and will continue to actively monitor the impact the COVID-19 pandemic continues to have on the City's community and on the City's financial condition and operations. The City's General Fund is highly dependent on certain economically sensitive revenue sources such as sales, restaurant food and transient occupancy taxes. As such, it is uncertain as to the full magnitude the pandemic may have on the City's financial condition and future operations. Due to the daily evolution of the COVID-19 pandemic, the City is unable to estimate the full effects of the COVID-19 pandemic on its financial condition and operations for fiscal year 2021.

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 \$46.7 million. There is approximately \$6.4 million in available funds and it is anticipated that this project will require a future \$19.7 million bond issue to complete with the next phases of the project which began in fiscal year 2020. Currently, the projected completion date has not been determined.

The City is in the design stages for the construction of shared use paths in the western portion of the City. This project will connect neighborhoods, two parks and the new Bluestone Elementary School, as well as, Harrisonburg High School. It is estimated that the project will cost \$4.2 million and is funded from the issuance of bonds and state sources. Currently, the projected completion date has not been determined.

The City is in the construction stage 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. In December 2019, the Harrisonburg City School Board (School Board) entered into a \$90.3 million comprehensive agreement pursuant to the Virginia Public-Private Education and Infrastructure Act (PPEA) commencing construction of the new school. Due to the COVID-19 pandemic, in April 2020 all construction was suspended on the project effective for one year. Prior to the work suspension, \$8.5 million in construction costs had been incurred which the City reimbursed itself through the issuance of bonds in June 2020. Currently, the projected completion date has not been determined, however, the construction costs will be funded by a future bond issue.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2019. This was the twenty-fifth 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**

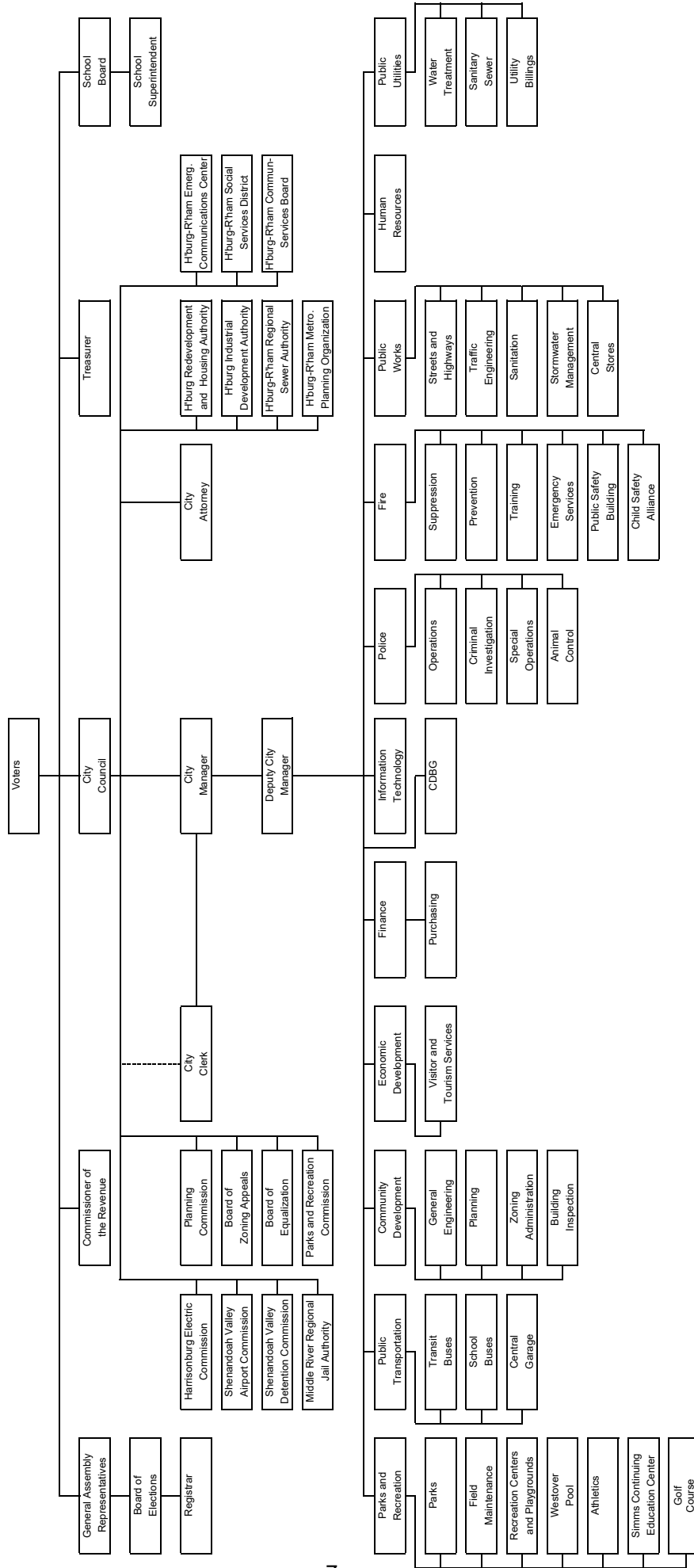
For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2019

Christopher P. Morill

Executive Director/CEO

City of Harrisonburg, Virginia Organization Chart



CITY OF HARRISONBURG, VIRGINIA
DIRECTORY OF PRINCIPAL OFFICIALS
June 30, 2020

CITY COUNCIL

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

CITY OFFICIALS

Eric D. Campbell	City Manager
Alexander "Ande" Banks, IV	Deputy City Manager
Amy E. Snider	Assistant to the City Manager
G. Chris Brown	City Attorney
Pamela S. Ulmer	City Clerk
Jeffrey L. Shafer	City Treasurer
Karen I. Rose	Commissioner of the Revenue
Eric D. English	Police Chief
Stephen E. Morris	Interim Fire Chief
A. Michael Collins	Director of Public Utilities
Jennifer L. Whistleman	Director of Human Resources
Brian B. Shull	Director of Economic Development
Paul A. Malabad	Director of Information Technology
Larry L. Propst	Director of Finance
Adam L. Fletcher	Director of Community Development
Luciana "Luanne" Santangelo	Director of Parks and Recreation
Thomas A. Hartman	Director of Public Works
Gerald M. Gatobu	Director of Public Transportation
Michael E. Parks	Director of Communications
Deborah "Debbie" Logan	City Registrar

SCHOOL BOARD

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

SCHOOL OFFICIALS

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

FINANCIAL SECTION

This part of the City's 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.

THIS PAGE LEFT BLANK INTENTIONALLY



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, 2020, 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, 2020, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, the other supplementary information (consisting of the combining and individual non-major fund financial statements and budgetary comparison schedules, the discretely presented component unit fund financial statements and budgetary comparison schedules, and the schedules of revenues and expenditures – budget to actual), and the statistical section presented in the supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2020 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
December 1, 2020

THIS PAGE LEFT BLANK INTENTIONALLY

CITY OF HARRISONBURG, VIRGINIA MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Harrisonburg (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2020. 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 \$279.7 million (net position). Of this amount, \$48.1 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 \$8.6 million.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$54.3 million, an increase of \$7.1 million in comparison with the previous year. Approximately 67.4 percent of this total amount, \$36.6 million, is unassigned.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$36.6 million, or 30.5 percent of total General Fund expenditures and other financing uses.
- The City's total long-term debt increased by \$12.5 million during the current fiscal year.
- The COVID-19 global pandemic did have a significant impact on General Fund revenue specifically to sales, restaurant food and transient occupancy tax collections as explained later.

Overview of the Financial Statements

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

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

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

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government administration, jail and judicial administration, public safety, public works, health and welfare, education, parks and recreation, and planning and community development. The business-type activities of the City include water, sewer, public transportation, sanitation and stormwater operations.

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

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

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

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

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

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

The City maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, General Capital Projects Fund and School Bond Capital Projects Fund which are considered to be major funds. Data from the other three governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the other supplementary information part of the financial section of this report.

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

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

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

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

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

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

The basic fiduciary fund financial statements can be found on page 34 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 77 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 78 through 93 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 94 through 113 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 \$279.7 million at the close of the most recent fiscal year.

The largest portion of the City's net position (82.6 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 \$48.1 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	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 139,674,787	\$ 128,192,958	\$ 38,219,666	\$ 40,416,230	\$ 177,894,453	\$ 168,609,188
Capital assets	312,086,855	307,749,252	89,452,581	84,780,404	401,539,436	392,529,656
Total assets	451,761,642	435,942,210	127,672,247	125,196,634	579,433,889	561,138,844
Total deferred outflows of resources	10,238,172	6,373,589	2,757,866	2,058,057	12,996,038	8,431,646
Current and other liabilities	12,134,632	13,027,939	2,647,231	2,234,498	14,781,863	15,262,437
Long-term liabilities	204,764,802	191,075,854	36,762,987	37,941,499	241,527,789	229,017,353
Total liabilities	216,899,434	204,103,793	39,410,218	40,175,997	256,309,652	244,279,790
Total deferred inflows of resources	53,947,025	53,631,373	447,603	522,287	54,394,628	54,153,660
Net position:						
Net investment in capital assets	156,353,667	153,994,976	74,718,260	72,830,573	231,071,927	226,825,549
Restricted	574,269	529,665	-	-	574,269	529,665
Unrestricted	32,225,419	30,055,992	15,854,032	13,725,834	48,079,451	43,781,826
Total net position	\$ 189,153,355	\$ 184,580,633	\$ 90,572,292	\$ 86,556,407	\$ 279,725,647	\$ 271,137,040

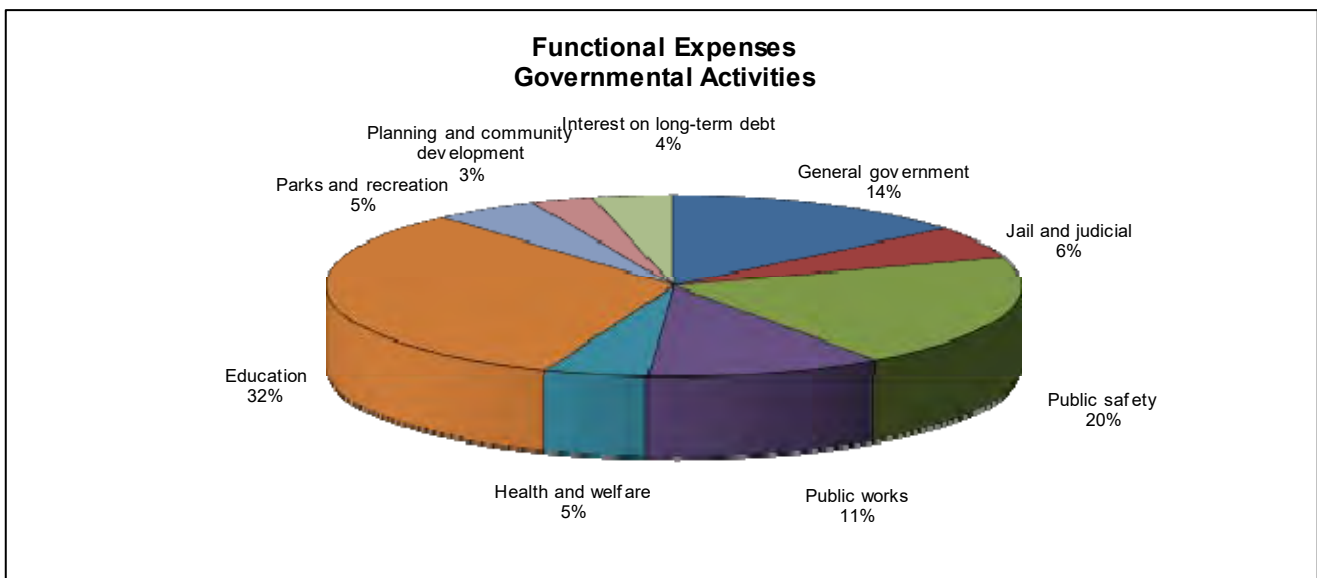
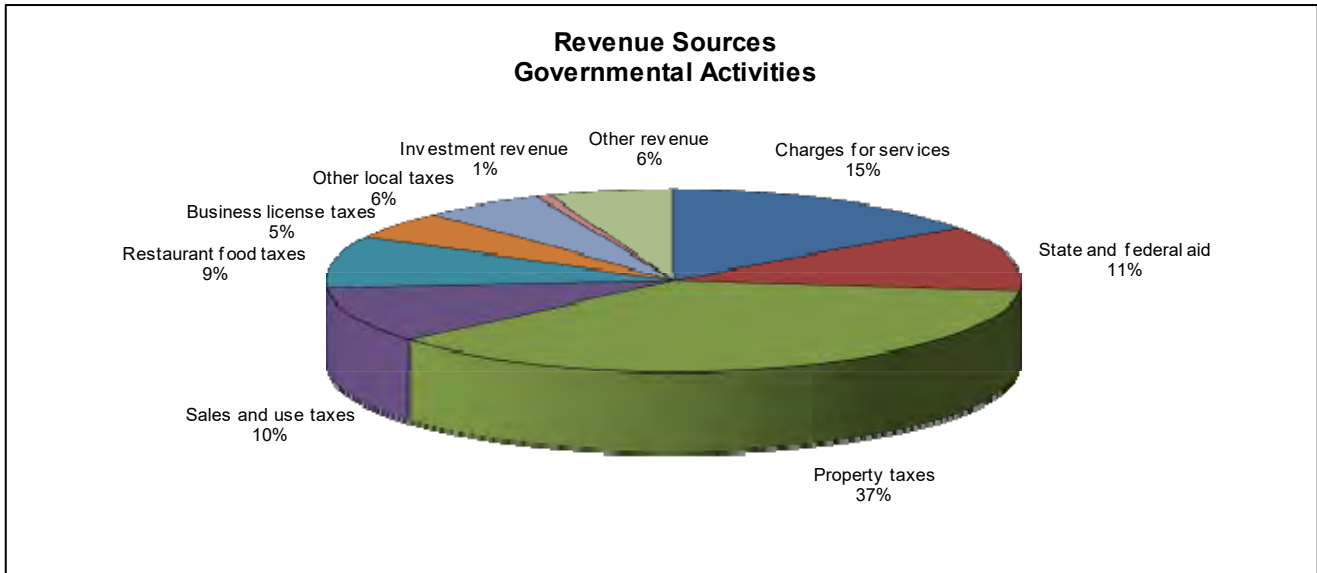
City of Harrisonburg's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 21,579,157	\$ 22,037,719	\$ 28,635,911	\$ 27,057,277	\$ 50,215,068	\$ 49,094,996
Operating grants and contributions	7,639,056	8,037,308	3,474,604	3,155,047	11,113,660	11,192,355
Capital grants and contributions	2,067,233	802,583	630,166	201,124	2,697,399	1,003,707
General revenues:						
Property taxes	51,447,886	48,878,038	-	-	51,447,886	48,878,038
Sales and use taxes	13,971,040	14,336,901	-	-	13,971,040	14,336,901
Restaurant food taxes	12,628,014	14,225,678	-	-	12,628,014	14,225,678
Business license taxes	7,224,775	7,155,016	-	-	7,224,775	7,155,016
Other local taxes	8,020,291	8,644,605	-	-	8,020,291	8,644,605
Grants and contributions not restricted to specific programs	6,932,654	3,408,497	-	-	6,932,654	3,408,497
Payment from component units	5,200,000	5,999,506	-	-	5,200,000	5,999,506
Investment revenue	922,992	1,203,377	552,598	776,589	1,475,590	1,979,966
Other revenue	2,265,355	1,847,829	821,500	1,324,397	3,086,855	3,172,226
Gain on disposal of capital assets	-	-	505	5,763	505	5,763
Total revenues	139,898,453	136,577,057	34,115,284	32,520,197	174,013,737	169,097,254
Expenses:						
General government administration	19,874,767	19,001,711	-	-	19,874,767	19,001,711
Jail and judicial administration	7,862,409	6,944,879	-	-	7,862,409	6,944,879
Public safety	27,899,118	25,693,917	-	-	27,899,118	25,693,917
Public works	15,225,728	15,338,219	-	-	15,225,728	15,338,219
Health and welfare	6,661,856	4,928,872	-	-	6,661,856	4,928,872
Education	44,874,482	43,763,915	-	-	44,874,482	43,763,915
Parks, recreation and cultural	6,799,136	6,382,119	-	-	6,799,136	6,382,119
Planning and community development	4,048,273	4,644,439	-	-	4,048,273	4,644,439
Interest on long-term debt	5,175,505	5,351,030	-	-	5,175,505	5,351,030
Water	-	-	6,564,988	6,036,280	6,564,988	6,036,280
Sewer	-	-	10,561,152	10,232,327	10,561,152	10,232,327
Public transportation	-	-	6,674,720	6,469,580	6,674,720	6,469,580
Sanitation	-	-	2,845,875	2,285,700	2,845,875	2,285,700
Stormwater	-	-	357,121	334,676	357,121	334,676
Total expenses	138,421,274	132,049,101	27,003,856	25,358,563	165,425,130	157,407,664
Excess (deficiency) before transfers	1,477,179	4,527,956	7,111,428	7,161,634	8,588,607	11,689,590
Transfers	3,095,543	2,951,216	(3,095,543)	(2,951,216)	-	-
Change in net position	4,572,722	7,479,172	4,015,885	4,210,418	8,588,607	11,689,590
Net position - beginning	184,580,633	177,101,461	86,556,407	82,345,989	271,137,040	259,447,450
Net position - ending	\$ 189,153,355	\$ 184,580,633	\$ 90,572,292	\$ 86,556,407	\$ 279,725,647	\$ 271,137,040

Governmental activities. Governmental activities increased the City's net position by \$4.6 million. Key elements affecting governmental activities are as follows:

- Capital grants and contributions increased \$1.3 million (157.8 percent) due to several public works infrastructure projects that are being funded largely by state and federal grants.
- Property tax revenue increased \$2.6 million (5.3 percent) in the current year mainly as the result of increasing property tax assessments and an increase in the real estate tax rate.
- As a result of the local economic impact of the COVID-19 pandemic during the fourth quarter of the fiscal year, sales tax revenue decreased \$365,861 (2.6 percent), restaurant food tax revenue decreased \$1.6 million (11.2 percent) and other local tax revenue decreased \$624,314 (7.2 percent).
- Grants and contributions not restricted to specific programs increased \$3.5 million due to the federal Coronavirus Relief Funds allocated to the City by the Commonwealth of Virginia.
- Expenses in the public safety activity increased \$2.2 million (8.6 percent) primarily due to an increase in personnel expenses in the police department and an increase in pension and other postemployment benefit expenses for public safety employees.
- Expenses in the health and welfare activity increased \$1.7 million from contributions that were made to the Harrisonburg-Rockingham Community Services Board (HRCSB) for the City's share of a new HRCSB facility.

- Education activity expenses increased \$1.1 million primarily from a slight increase in operating funding to the School Board and the return of funds that the School Board had provided in the previous fiscal year to assist in funding the initial engineering and design of a new second high school.



Business-type activities. Business-type activities increased the City's net position by \$4 million. Key elements affecting business-type activities are as follows:

- Charges for services increased \$1.6 million (5.8 percent) due to water and sewer charges for services. Water and sewer charges for services increased collectively \$1.6 million (8.1 percent) from increases in customer usage and from increases in water and sewer rates.
- Capital grants and contributions increased \$429,042 primarily from an increase in developer contributions in the water and sewer activities.
- Expenses in the water activity increased \$528,708 (8.8 percent) primarily from pension and other postemployment benefits.
- Expenses in the sewer activity increased \$328,825 (3.2 percent) as the result of increased contributions to the regional sewer authority.
- Expenses in the sanitation activity increased \$560,175 (24.5 percent) due to a reduction in the City's closed landfill closure liability in the previous fiscal year.

Government-wide Financial Analysis (Component Units)

School Board activities. The net position of the School Board increased \$915,083 during the year, as compared to a \$2.7 million increase in the previous year. School Board expenses increased \$5.5 million (6.4 percent) due to a general increase in instructional expenses. The School Board's operational funding from the City increased \$1.4 million (4.2 percent) compared to the previous year. State funding increased \$2.6 million due to increased enrollment, while Federal funding increased \$231,165 mainly from breakfast and lunch food programs.

HEC activities. HEC's net position increased \$1.6 million during the year, as compared to a \$6.4 million increase in the previous year. Charges for services decreased \$6.2 million (9.2 percent) during the current year due to a decrease in the fuel adjustment factor, while expenses decreased \$1.3 million (2.1 percent). The decrease in expenses was mostly a result of lower purchased power costs due to the decrease in the fuel adjustment.

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 \$36.6 million, while total fund balance was \$39.5 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 30.5 percent (25.7 percent in the prior year) of total General Fund expenditures and other financing uses, while total fund balance represents 32.9 percent (30 percent in the prior year) of that same amount.

Total fund balance in the General Fund increased \$3.8 million mainly from federal Coronavirus Relief Funds allocated to the City by the Commonwealth of Virginia. Total revenues increased \$3.4 million (2.9 percent). Real property taxes increased \$1.4 million (4 percent) as the result of an increased tax rate and increasing real property assessments, while personal property taxes increased \$678,828 (6.7 percent) compared to the previous fiscal year. Local sales tax revenue decreased \$365,861 (2.6 percent), restaurant food taxes decreased \$1.6 million (11.2 percent) and transient occupancy taxes decreased \$506,334 (16.1 percent) due to the local economic impact of the COVID-19 pandemic. Federal intergovernmental revenue increased \$3.6 million due to Coronavirus Relief Fund revenue. Total expenditures increased \$2.2 million (1.9 percent). General administration expenditures increased \$1 million (18.7 percent) due to an increase in capital outlay for information technology which included a new city-wide phone system. Public safety expenditures increased \$901,839 (3.6 percent) due to increased capital outlay and personnel costs in the police department. Public works expenditures decreased \$1.6 million due to a decrease in paving and other capital outlay compared to the previous year. 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 \$13.5 million, of which the entire amount is either restricted or committed for various projects. Revenue, including other financing sources, totaled \$17.6 million, of which \$8.6 million was from the issuance of bonds, \$3.9 million was intergovernmental revenue, \$4.1 million was transfers from other funds and \$1 million from other sources. The issuance of bonds included funding for the City's share of a new facility for the Harrisonburg-Rockingham Community Services Board (HRCSB) and property purchased for street improvements related to the new second high school while intergovernmental revenue included funding from the state for various street projects. Expenditures totaled \$12.6 million, of which the most significant were for property purchased for street improvements related to the new second high school project, payments for the City's share of a new facility for the HRCSB, construction related to a street improvement project for James Madison University and the I-81 Exit 245 realignment project

School Bond Capital Projects Fund. The School Bond Capital Projects Fund has a total fund balance of \$527,588, of which the entire amount is committed for various projects. Revenue, including other financing sources, totaled \$11 million, of which \$10.9 million was from the issuance of bonds and \$153,000 was transfers from other funds. Expenditures totaled \$12 million of which the most significant were design and constructions costs for the new second high school.

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

Water Fund. The net position of the Water Fund increased \$2.3 million compared to an increase of \$1.7 million in the previous year. Operating revenues increased \$1.1 million (12.7 percent) primarily due to increased customer usage and a water rate increase, while total operating expenses increased \$475,656 (8.8 percent) primarily from pension and other postemployment benefit costs.

Sewer Fund. The net position of the Sewer Fund increased \$341,342 compared to an increase of \$331,281 in the previous year. Operating revenues increased \$502,811 (4.6 percent) primarily due to increased customer usage and a sewer rate increase, while total operating expenses increased \$329,252 (3.2 percent) due to an increase in contributions to the regional sewer authority.

Public Transportation Fund. The net position of the Public Transportation Fund decreased \$915,332 compared to a decrease of \$1 million in the previous year. Operating revenues were essentially flat compared to the previous year, while total operating expenses increased \$141,431 due to new and expanded bus routes. In addition, nonoperating intergovernmental revenue increased \$319,557 (10.1 percent) primarily due to federal CARES Act revenue received which provides for 100 percent reimbursement of net operating expenses beginning March 1, 2020 compared to the normal 50 percent federal reimbursement of net operating expenses.

Sanitation Fund. The net position of the Sanitation Fund increased \$1.3 million compared to an increase of \$2 million in the previous year. Operating revenues were essentially flat compared to the previous year, while total operating expenses increased \$602,984 (30.6 percent) from a reduction in the City's closed landfill liability in the previous year.

Stormwater Fund. The net position of the Stormwater Fund increased \$1 million compared to an increase of \$1.1 million in the previous fiscal year. Operating revenues decreased \$35,395 (2.6 percent), while operating expenses increased \$21,824 (6.5 percent) due to the implementation of several new stormwater funding program initiatives.

General Fund Budgetary Highlights

Differences between the original and the final amended General Fund budget amounted to \$4.7 million, or 3.8 percent of the original budget, and can be briefly summarized as follows:

- \$2.6 million appropriated for prior year encumbrances.
- \$1.1 million appropriated for the City's share of renovations to the District Courts.
- \$610,000 appropriated for various fire department purposes including state and federal grants.
- \$370,000 appropriated for other purposes.

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

- Other local tax revenues were under the final amended budget by \$3.1 million. The variance was primarily the result of reduced tax collections due to the COVID-19 pandemic.
- Intergovernmental revenues were over the final amended budget by \$2.5 million. The variance was primarily the result of federal Coronavirus Relief Funds allocated to the City by the Commonwealth of Virginia.

- Public safety expenditures were under the final amended budget by \$1.5 million. The variance was the result of general budgetary savings in the police department. Also, the timing of various police and fire department capital outlay, including fire program expenditures in which the funds were budgeted but encumbered and reappropriated into the subsequent fiscal year.
- Public works expenditures were under the final amended budget by \$3.5 million. The variance was the result of the timing of capital outlay for paving, sidewalk replacements and various equipment expenditures. These funds were budgeted but encumbered and reappropriated into the subsequent fiscal year.
- Education expenditures were under the final amended budget by \$1.4 million as school closures due to the COVID-19 pandemic provided expenditure savings to the City.

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 \$401.5 million (net of accumulated depreciation). This investment in capital assets includes land, easements, buildings, improvements other than buildings, machinery and equipment, infrastructure (e.g., streets and bridges), intangible assets and construction in progress. The City's total investment in capital assets for the current fiscal year increased \$9 million.

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

- Property was purchased for street improvements related to a new second high school increasing governmental activities' land by \$2.4 million.
- Construction was completed on the Northend Greenway shared use path project increasing governmental activities' improvements other than buildings while decreasing construction in progress by \$1.2 million.
- Construction began on the new second high school increasing governmental activities' construction in progress by \$10.8 million.
- Construction continued on the replacement of the HVAC system at the local regional jail increasing governmental activities' construction in progress by \$1 million.
- A new fire truck was purchased increasing governmental activities' machinery and equipment by \$554,000.
- Property was purchased for the water line project to the South Fork of the Shenandoah River increasing business-type activities' land by \$1.45 million.
- Construction continued on the water line project to the South Fork of the Shenandoah River increasing business-type activities' construction in progress by \$3.8 million.
- Construction was completed on the Park View water tank project increasing business-type activities' buildings by \$606,000 and improvements other than buildings by \$2.7 million while decreasing construction in progress by \$3.3 million.

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

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 58,441,987	\$ 56,074,448	\$ 2,690,491	\$ 1,235,770	\$ 61,132,478	\$ 57,310,218
Easements	1,759,315	1,739,765	412,863	393,371	2,172,178	2,133,136
Construction in progress	19,772,199	7,181,198	22,132,944	19,643,366	41,905,143	26,824,564
Buildings	103,360,550	110,754,424	13,490,286	13,332,064	116,850,836	124,086,488
Improvements other than buildings	13,008,381	11,964,718	11,777,468	9,562,792	24,785,849	21,527,510
Machinery and equipment	16,083,110	16,057,692	6,595,640	7,600,612	22,678,750	23,658,304
Intangibles	9,448,333	9,838,927	311,101	419,110	9,759,434	10,258,037
Infrastructure	90,212,980	94,138,080	32,041,788	32,593,319	122,254,768	126,731,399
Total capital assets	\$ 312,086,855	\$ 307,749,252	\$ 89,452,581	\$ 84,780,404	\$ 401,539,436	\$ 392,529,656

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 \$241.5 million. Of this amount, \$191.2 million comprises debt backed by the full faith and credit of the City. The City's total long-term debt increased \$12.5 million during the current fiscal year.

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

- The issuance of \$4.95 million in general obligation bonds for the City's share of a new facility for the Harrisonburg-Rockingham Community Services Board (HRCSB). This was a joint project between the City, Rockingham County and HRCSB. The HRCSB will reimburse the City annually for one-third of the debt service payments.
- The issuance of \$13.5 million in general obligation bonds to reimburse the City for outlays incurred to-date for the design and construction of the new second high school.
- An increase of \$7.2 million in pension and OPEB liabilities.

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

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
General obligation bonds	\$ 165,660,849	\$ 156,533,967	\$ 25,553,083	\$ 27,942,286	\$ 191,213,932	\$ 184,476,253
Capital leases	-	489,000	-	-	-	489,000
Regional jail agreement	5,048,154	5,994,375	-	-	5,048,154	5,994,375
Compensated absences	3,732,012	3,719,977	828,103	830,895	4,560,115	4,550,872
Net OPEB liability	11,249,778	8,834,489	2,244,015	1,903,574	13,493,793	10,738,063
Net pension liability	19,074,009	15,504,046	4,253,756	3,400,540	23,327,765	18,904,586
City landfill liability	-	-	1,186,065	1,166,239	1,186,065	1,166,239
County landfill obligation	-	-	2,697,965	2,697,965	2,697,965	2,697,965
Total long-term debt	\$ 204,764,802	\$ 191,075,854	\$ 36,762,987	\$ 37,941,499	\$ 241,527,789	\$ 229,017,353

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 \$437.3 million of which \$250.7 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 \$118.4 million fiscal year 2021 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 2021 General Fund budget.

- The unemployment rate for the City in December 2019 was 2.5 percent, which was a decrease from a rate of 3.2 percent in December 2018. This rate was lower than both the 2.7 percent state rate and the 3.5 percent national rate in December 2018. However, due to the COVID-19 pandemic, the unemployment rate for the City had increased to 11.1 percent in April 2020.
- Due to the COVID-19 pandemic, the approved fiscal year 2021 General Fund budget was \$4.5 million less than the originally proposed budget presented to City Council and \$5.25 million less than the fiscal year 2020 approved budget.
- Approximate 2.7 percent increase in real estate assessments.
- No increase in tax rates.
- A total decrease in other local tax revenue of \$4 million compared to the fiscal year 2020 approved budget. Specifically, these reductions included \$1.3 million in sales tax revenue, \$1.1 million in business license tax revenue, \$1.4 million in restaurant food taxes and \$221,000 in transient occupancy taxes.

- An increase of \$1.5 million in contributions from HEC.
- A decrease of \$2.7 million in capital outlay and capital project funding.
- An increase of only \$205,000 to the School Board.
- No use of General Fund unassigned fund balance to balance the budget.
- 1.5% salary increases for both City and School Board employees effective January 1, 2021 dependent on revenue projections.
- No increases in water or sewer rates.

Requests for Information

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

**BASIC
FINANCIAL STATEMENTS**

THIS PAGE LEFT BLANK INTENTIONALLY

CITY OF HARRISONBURG, VIRGINIA
STATEMENT OF NET POSITION
At June 30, 2020

Exhibit 1

	Primary Government			Component Units	
	Governmental	Business-type	Total	School	HEC
	Activities	Activities		Board	
Assets					
Cash and cash equivalents	\$ 64,488,470	\$ 32,909,253	\$ 97,397,723	\$ 13,134,909	\$ 28,300,903
Investments	-	-	-	-	12,000,000
Receivables (net of allowance for uncollectibles)	56,751,774	3,418,542	60,170,316	92,106	5,446,692
Due from primary government	-	-	-	-	98,675
Due from component units	21,271	-	21,271	-	55,119
Due from other governments	3,525,852	683,452	4,209,304	1,734,220	-
Internal balances	1,777,751	(1,777,751)	-	-	-
Inventory	1,269,362	-	1,269,362	153,776	2,076,240
Prepaid expenses	355,013	-	355,013	539,854	217,276
Loans receivable	7,141,306	-	7,141,306	-	-
Restricted assets	4,343,988	2,986,170	7,330,158	-	-
Capital assets:					
Capital assets, not being depreciated	79,973,501	25,236,298	105,209,799	6,294,184	6,334,546
Capital assets (net of accumulated depreciation)	232,113,354	64,216,283	296,329,637	42,419,677	53,463,597
Net pension asset	-	-	-	631,286	-
Total assets	451,761,642	127,672,247	579,433,889	65,000,012	107,993,048
Deferred outflows of resources					
Deferred bond refunding charges	2,571,483	1,098,414	3,669,897	-	-
Deferred OPEB outflows	2,191,519	438,417	2,629,936	3,277,846	88,015
Deferred pension outflows	5,475,170	1,221,035	6,696,205	16,375,822	779,219
Total deferred outflows of resources	10,238,172	2,757,866	12,996,038	19,653,668	867,234
Liabilities					
Accounts payable	2,574,277	735,212	3,309,489	109,445	5,082,235
Accrued payroll	1,334,524	332,912	1,667,436	8,768,651	139,785
Accrued interest	2,476,245	346,527	2,822,772	-	-
Due to primary government	-	-	-	18,791	2,480
Due to component units	85,916	12,759	98,675	55,119	-
Due to other governments	2,111,200	194,977	2,306,177	-	-
Customer deposits	-	347,861	347,861	-	1,152,861
Unearned revenue	1,326,395	257,350	1,583,745	-	-
Other liabilities	1,610,715	58,533	1,669,248	1,561,779	268,262
Liabilities payable from restricted assets	615,360	361,100	976,460	-	-
Long-term liabilities:					
Due within one year	14,214,858	3,054,088	17,268,946	333,339	577,077
Due in more than one year	190,549,944	33,708,899	224,258,843	88,434,464	4,821,776
Total liabilities	216,899,434	39,410,218	256,309,652	99,281,588	12,044,476
Deferred inflows of resources					
Property tax revenue	53,905,001	-	53,905,001	-	-
Deferred OPEB inflows	404,954	82,515	487,469	815,146	188,444
Deferred pension inflows	1,637,070	365,088	2,002,158	5,708,502	232,985
Total deferred inflows of resources	55,947,025	447,603	56,394,628	6,523,648	421,429
Net position					
Net investment in capital assets	156,353,667	74,718,260	231,071,927	48,713,861	59,798,143
Restricted for:					
Public safety	574,269	-	574,269	-	-
Unrestricted	32,225,419	15,854,032	48,079,451	(69,865,417)	36,596,234
Total net position	\$ 189,153,355	\$ 90,572,292	\$ 279,725,647	\$ (21,151,556)	\$ 96,394,377

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, 2020

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government administration	\$ 19,874,767	\$ 15,197,693	\$ 372,586	\$ 43,868
Jail and judicial administration	7,862,409	504,769	-	-
Public safety	27,899,118	324,993	1,846,016	480,000
Public works	15,225,728	-	5,034,042	1,543,365
Health and welfare	6,661,856	-	-	-
Education	44,874,482	4,076,465	-	-
Parks, recreation and cultural	6,799,136	713,263	-	-
Community development	4,048,273	761,974	386,412	-
Interest on long-term debt	5,175,505	-	-	-
Total governmental activities	138,421,274	21,579,157	7,639,056	2,067,233
Business-type activities:				
Water	6,564,988	9,682,661	-	267,800
Sewer	10,561,152	11,519,472	-	169,840
Public transportation	6,674,720	1,939,257	3,474,604	192,526
Sanitation	2,845,875	4,169,200	-	-
Stormwater	357,121	1,325,321	-	-
Total business-type activities	27,003,856	28,635,911	3,474,604	630,166
Total primary government	\$ 165,425,130	\$ 50,215,068	\$ 11,113,660	\$ 2,697,399
Component units:				
School Board	\$ 91,466,239	\$ 1,538,365	\$ 26,395,130	\$ -
Harrisonburg Electric Commission (HEC)	61,132,954	61,015,454	-	1,439,153
Total component units	\$ 152,599,193	\$ 62,553,819	\$ 26,395,130	\$ 1,439,153

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

Total general revenues and transfers

Change in net position

Net position at beginning of year

Net position at end of year

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

Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	School Board	HEC
\$ (4,260,620)	\$ -	\$ (4,260,620)	\$ -	\$ -
(7,357,640)	-	(7,357,640)	-	-
(25,248,109)	-	(25,248,109)	-	-
(8,648,321)	-	(8,648,321)	-	-
(6,661,856)	-	(6,661,856)	-	-
(40,798,017)	-	(40,798,017)	-	-
(6,085,873)	-	(6,085,873)	-	-
(2,899,887)	-	(2,899,887)	-	-
(5,175,505)	-	(5,175,505)	-	-
<u>(107,135,828)</u>	<u>-</u>	<u>(107,135,828)</u>	<u>-</u>	<u>-</u>
-	3,385,473	3,385,473	-	-
-	1,128,160	1,128,160	-	-
-	(1,068,333)	(1,068,333)	-	-
-	1,323,325	1,323,325	-	-
-	968,200	968,200	-	-
<u>-</u>	<u>5,736,825</u>	<u>5,736,825</u>	<u>-</u>	<u>-</u>
<u>(107,135,828)</u>	<u>5,736,825</u>	<u>(101,399,003)</u>	<u>-</u>	<u>-</u>
-	-	-	(63,532,744)	-
-	-	-	-	1,321,653
<u>-</u>	<u>-</u>	<u>-</u>	<u>(63,532,744)</u>	<u>1,321,653</u>
51,447,886	-	51,447,886	-	-
13,971,040	-	13,971,040	-	-
12,628,014	-	12,628,014	-	-
7,224,775	-	7,224,775	-	-
8,020,291	-	8,020,291	-	-
6,932,654	-	6,932,654	28,947,680	-
-	-	-	35,226,254	-
5,200,000	-	5,200,000	-	-
922,992	552,598	1,475,590	29,381	247,949
2,265,355	821,500	3,086,855	244,512	-
-	505	505	-	-
<u>3,095,543</u>	<u>(3,095,543)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>111,708,550</u>	<u>(1,720,940)</u>	<u>109,987,610</u>	<u>64,447,827</u>	<u>247,949</u>
4,572,722	4,015,885	8,588,607	915,083	1,569,602
<u>184,580,633</u>	<u>86,556,407</u>	<u>271,137,040</u>	<u>(22,066,639)</u>	<u>94,824,775</u>
<u>\$ 189,153,355</u>	<u>\$ 90,572,292</u>	<u>\$ 279,725,647</u>	<u>\$ (21,151,556)</u>	<u>\$ 96,394,377</u>

CITY OF HARRISONBURG, VIRGINIA
GOVERNMENTAL FUNDS
BALANCE SHEET
At June 30, 2020

Exhibit 3

	<u>General Fund</u>	<u>General Capital Projects Fund</u>	<u>School Bond Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Cash and cash equivalents	\$ 40,239,695	\$ 10,698,693	\$ 771,388	\$ 1,011,943	\$ 52,721,719
Receivables (net of allowance for uncollectibles)	56,747,571	-	-	1,135	56,748,706
Due from other funds	45,094	-	-	-	45,094
Due from other governments	2,705,868	788,396	-	31,588	3,525,852
Inventory	50,746	-	-	-	50,746
Prepaid expenditures	334,923	-	-	-	334,923
Loans receivable	7,029,391	-	-	111,915	7,141,306
Restricted assets	-	4,343,988	-	-	4,343,988
Total assets	\$ 107,153,288	\$ 15,831,077	\$ 771,388	\$ 1,156,581	\$ 124,912,334
Liabilities					
Accounts payable	\$ 728,725	\$ 775,425	\$ 243,800	\$ 43,660	\$ 1,791,610
Accrued payroll	1,107,228	-	-	181,461	1,288,689
Due to other funds	-	-	-	291	291
Due to component units	81,664	-	-	1,417	83,081
Due to other governments	1,425,887	685,313	-	-	2,111,200
Unearned revenue	1,087,137	239,258	-	-	1,326,395
Other liabilities	1,610,715	-	-	-	1,610,715
Payable from restricted assets:					
Accounts payable	-	615,360	-	-	615,360
Total liabilities	<u>6,041,356</u>	<u>2,315,356</u>	<u>243,800</u>	<u>226,829</u>	<u>8,827,341</u>
Deferred Inflows of Resources					
Unavailable revenue	61,645,139	-	-	111,915	61,757,054
Total deferred inflows of resources	<u>61,645,139</u>	<u>-</u>	<u>-</u>	<u>111,915</u>	<u>61,757,054</u>
Fund Balances					
Nonspendable	681,708	-	-	-	681,708
Restricted	574,269	3,728,628	-	-	4,302,897
Committed	63,402	9,787,093	527,588	618,527	10,996,610
Assigned	1,515,092	-	-	199,310	1,714,402
Unassigned	36,632,322	-	-	-	36,632,322
Total fund balances	<u>39,466,793</u>	<u>13,515,721</u>	<u>527,588</u>	<u>817,837</u>	<u>54,327,939</u>
Total liabilities, deferred inflows of resources and fund balances	\$ 107,153,288	\$ 15,831,077	\$ 771,388	\$ 1,156,581	\$ 124,912,334

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, 2020

Exhibit 4

Total fund balances of governmental funds (Exhibit 3)	\$ 54,327,939
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:	
Certain revenues are not available to pay for current period expenditures and therefore are deferred in the funds.	7,852,053
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	306,070,857
Certain liabilities, including bonds and related accounts, are not payable from current financial resources and therefore are not reported in the funds.	(203,694,885)
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.	5,458,968
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>19,138,423</u>
Net position of governmental activities (Exhibit 1)	<u>\$ 189,153,355</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, 2020

Exhibit 5

	<u>General Fund</u>	<u>General Capital Projects Fund</u>	<u>School Bond Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
General property taxes	\$ 51,574,257	\$ -	\$ -	\$ -	\$ 51,574,257
Other local taxes	41,844,120	-	-	-	41,844,120
Permits, privilege fees and regulatory licenses	608,529	-	-	-	608,529
Fines and forfeitures	657,077	-	-	-	657,077
Use of money and property	773,668	76,820	-	3,324	853,812
Charges for services	1,039,393	-	-	4,077,069	5,116,462
Miscellaneous	2,552,298	-	-	47,322	2,599,620
Recovered costs	-	913,476	-	-	913,476
Payments from component units	5,200,000	-	-	-	5,200,000
Intergovernmental	14,226,949	3,927,587	-	344,761	18,499,297
Total revenues	<u>118,476,291</u>	<u>4,917,883</u>	<u>-</u>	<u>4,472,476</u>	<u>127,866,650</u>
Expenditures:					
Current:					
General government administration	6,528,256	-	-	-	6,528,256
Jail and judicial administration	8,149,311	-	-	-	8,149,311
Public safety	26,153,150	-	-	-	26,153,150
Public works	9,341,442	-	-	-	9,341,442
Health and welfare	5,063,287	-	-	-	5,063,287
Education	34,426,748	-	799,506	3,766,792	38,993,046
Parks, recreation and cultural	6,350,431	-	-	-	6,350,431
Community development	3,593,250	-	-	369,761	3,963,011
Debt service:					
Principal retirement	10,230,236	-	-	-	10,230,236
Interest and fiscal charges	5,767,384	-	-	-	5,767,384
Capital projects	-	12,565,833	11,193,506	-	23,759,339
Total expenditures	<u>115,603,495</u>	<u>12,565,833</u>	<u>11,993,012</u>	<u>4,136,553</u>	<u>144,298,893</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,872,796</u>	<u>(7,647,950)</u>	<u>(11,993,012)</u>	<u>335,923</u>	<u>(16,432,243)</u>
Other financing sources (uses):					
Long-term debt issued	-	7,575,000	10,875,000	-	18,450,000
Premium on long-term debt issued	-	1,066,864	-	-	1,066,864
Transfers in	5,244,465	4,050,000	153,000	-	9,447,465
Transfers out	(4,348,834)	-	(1,050,494)	-	(5,399,328)
Total other financing sources (uses)	<u>895,631</u>	<u>12,691,864</u>	<u>9,977,506</u>	<u>-</u>	<u>23,565,001</u>
Net change in fund balances	3,768,427	5,043,914	(2,015,506)	335,923	7,132,758
Fund balances at beginning of year	<u>35,698,366</u>	<u>8,471,807</u>	<u>2,543,094</u>	<u>481,914</u>	<u>47,195,181</u>
Fund balances at end of year	<u>\$ 39,466,793</u>	<u>\$ 13,515,721</u>	<u>\$ 527,588</u>	<u>\$ 817,837</u>	<u>\$ 54,327,939</u>

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, 2020

Exhibit 6

Total net change in fund balances of governmental funds (Exhibit 5)	\$ 7,132,758
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.	249,528
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.	7,763,032
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.	(3,772,417)
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.	499,926
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.	(7,911,825)
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.	155,322
Governmental funds report employer OPEB and pension contributions as expenditures. However, in the statement of activities the cost of OPEB and pension benefits earned, net of employee contributions, are reported as OPEB and pension expense. This is the amount by which employer OPEB and pension expense exceeded OPEB and pension contributions.	(1,566,532)
Internal service funds are used by management to charge the costs of certain activities to other funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.	<u>2,022,930</u>
Change in net position of governmental activities (Exhibit 2)	<u>\$ 4,572,722</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, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
General property taxes	\$ 50,282,800	\$ 50,282,800	\$ 51,574,257	\$ 1,291,457
Other local taxes	44,964,100	44,964,100	41,844,120	(3,119,980)
Permits, privilege fees and regulatory licenses	585,600	585,600	608,529	22,929
Fines and forfeitures	725,000	725,000	657,077	(67,923)
Use of money and property	935,000	935,000	773,668	(161,332)
Charges for services	1,416,500	1,416,500	1,039,393	(377,107)
Miscellaneous	2,155,219	2,249,969	2,552,298	302,329
Payments from component units	5,200,000	5,200,000	5,200,000	-
Intergovernmental	11,319,496	11,725,706	14,226,949	2,501,243
Total revenues	<u>117,583,715</u>	<u>118,084,675</u>	<u>118,476,291</u>	<u>391,616</u>
Expenditures:				
Current:				
General government administration	7,012,833	6,985,977	6,528,256	457,721
Jail and judicial administration	7,947,895	8,229,540	8,149,311	80,229
Public safety	26,273,315	27,679,774	26,153,150	1,526,624
Public works	11,808,825	12,882,648	9,341,442	3,541,206
Health and welfare	5,158,702	5,073,148	5,063,287	9,861
Education	35,803,308	35,803,308	34,426,748	1,376,560
Parks, recreation and cultural	6,751,719	7,158,293	6,350,431	807,862
Community development	3,900,469	4,124,964	3,593,250	531,714
Debt service:				
Principal retirement	10,230,236	10,230,236	10,230,236	-
Interest and fiscal charges	5,592,813	5,767,384	5,767,384	-
Total expenditures	<u>120,480,115</u>	<u>123,935,272</u>	<u>115,603,495</u>	<u>8,331,777</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,896,400)</u>	<u>(5,850,597)</u>	<u>2,872,796</u>	<u>8,723,393</u>
Other financing sources (uses):				
Transfers in	4,142,800	5,193,294	5,244,465	51,171
Transfers out	(3,175,000)	(4,453,000)	(4,348,834)	104,166
Total other financing sources (uses)	<u>967,800</u>	<u>740,294</u>	<u>895,631</u>	<u>155,337</u>
Net change in fund balance	<u>\$ (1,928,600)</u>	<u>\$ (5,110,303)</u>	3,768,427	<u>\$ 8,878,730</u>
Fund balance at beginning of year			<u>35,698,366</u>	
Fund balance at end of year			<u>\$ 39,466,793</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, 2020

Exhibit 8

	Enterprise Funds						Internal Service Funds
	Water Fund	Sewer Fund	Public Transportation Fund	Sanitation Fund	Stormwater Fund	Total	
Assets							
Current assets:							
Cash and cash equivalents	\$ 11,402,791	\$ 9,525,999	\$ 1,596,119	\$ 6,250,010	\$ 4,134,334	\$ 32,909,253	\$ 11,766,751
Receivables (net of allowance for uncollectibles)	1,443,052	1,564,339	3,656	331,556	75,939	3,418,542	3,068
Due from component units	-	-	-	-	-	-	21,271
Due from other governments	-	-	683,452	-	-	683,452	-
Interfund loan receivable	-	1,456,000	-	-	-	1,456,000	-
Inventory	-	-	-	-	-	-	1,218,616
Prepaid expenses	-	-	-	-	-	-	20,090
Restricted assets	2,986,170	-	-	-	-	2,986,170	-
Total current assets	15,832,013	12,546,338	2,283,227	6,581,566	4,210,273	41,453,417	13,029,796
Noncurrent assets:							
Capital assets (net of accumulated depreciation)	55,856,839	17,522,669	10,285,631	3,650,826	2,136,616	89,452,581	6,015,998
Total noncurrent assets	55,856,839	17,522,669	10,285,631	3,650,826	2,136,616	89,452,581	6,015,998
Total assets	71,688,852	30,069,007	12,568,858	10,232,392	6,346,889	130,905,998	19,045,794
Deferred outflows of resources							
Deferred bond refunding charges	568,106	-	-	530,308	-	1,098,414	-
Deferred OPEB outflows	142,734	124,926	69,615	97,845	3,297	438,417	58,706
Deferred pension outflows	433,217	278,978	277,190	213,586	18,064	1,221,035	168,493
Total deferred outflows of resources	1,144,057	403,904	346,805	841,739	21,361	2,757,866	227,199
Liabilities							
Current liabilities:							
Accounts payable	251,769	168,703	33,724	6,243	274,773	735,212	782,667
Accrued payroll	124,674	69,524	87,646	45,345	5,723	332,912	45,835
Accrued interest	232,600	-	-	113,927	-	346,527	-
Due to other funds	-	-	-	-	-	-	44,803
Due to component units	6,683	3,081	1,998	997	-	12,759	2,835
Due to other governments	-	-	145,520	49,457	-	194,977	-
Interfund loan payable	1,456,000	-	-	-	-	1,456,000	-
Customer deposits	347,861	-	-	-	-	347,861	-
Unearned revenue	164,450	92,900	-	-	-	257,350	-
Other liabilities	58,533	-	-	-	-	58,533	-
Liabilities payable from restricted assets	361,100	-	-	-	-	361,100	-
Compensated absences	185,208	93,325	100,456	90,691	8,018	477,698	53,608
Landfill closure	-	-	-	116,198	-	116,198	-
Current portion of bonds payable	1,015,705	-	-	1,444,487	-	2,460,192	-
Total current liabilities	4,204,583	427,533	369,344	1,867,345	288,514	7,157,319	929,748
Noncurrent liabilities:							
Compensated absences	117,178	104,475	37,479	91,273	-	350,405	33,906
Net OPEB liability	729,356	642,234	352,427	503,781	16,217	2,244,015	300,177
Net pension liability	1,509,211	971,885	965,653	744,079	62,928	4,253,756	586,988
Landfill closure	-	-	-	3,767,832	-	3,767,832	-
Bonds payable	16,911,792	-	-	6,181,099	-	23,092,891	-
Total noncurrent liabilities	19,267,537	1,718,594	1,355,559	11,288,064	79,145	33,708,899	921,071
Total liabilities	23,472,120	2,146,127	1,724,903	13,155,409	367,659	40,866,218	1,850,819
Deferred inflows of resources							
Deferred OPEB inflows	27,147	22,864	14,003	17,729	772	82,515	11,121
Deferred pension inflows	129,531	83,414	82,879	63,863	5,401	365,088	50,381
Total deferred inflows of resources	156,678	106,278	96,882	81,592	6,173	447,603	61,502
Net position							
Net investment in capital assets	41,122,518	17,522,669	10,285,631	3,650,826	2,136,616	74,718,260	6,015,998
Unrestricted	8,081,593	10,697,837	808,247	(5,813,696)	3,857,802	17,631,783	11,344,674
Total net position	\$ 49,204,111	\$ 28,220,506	\$ 11,093,878	\$ (2,162,870)	\$ 5,994,418	92,350,043	\$ 17,360,672
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.						(1,777,751)	
Net position of business-type activities (Exhibit 1)						\$ 90,572,292	

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, 2020

Exhibit 9

	Enterprise Funds					Total	Internal Service Funds
	Water Fund	Sewer Fund	Public Transportation Fund	Sanitation Fund	Stormwater Fund		
Operating revenues:							
Charges for services	\$ 9,607,672	\$ 11,512,298	\$ 1,939,257	\$ 4,169,200	\$ 1,325,321	\$ 28,553,748	\$ 24,496,576
Connection fees	74,989	7,174	-	-	-	82,163	-
Total operating revenues	<u>9,682,661</u>	<u>11,519,472</u>	<u>1,939,257</u>	<u>4,169,200</u>	<u>1,325,321</u>	<u>28,635,911</u>	<u>24,496,576</u>
Operating expenses:							
Personal services	2,013,000	1,321,416	2,710,808	928,957	110,131	7,084,312	866,664
Fringe benefits	829,811	534,927	663,167	372,374	32,873	2,433,152	332,360
Purchased services	333,134	534,605	72,699	689,712	18,295	1,648,445	547,872
Internal services	275,379	344,267	1,518,522	198,958	30,683	2,367,809	4,871
Other charges	512,964	167,096	185,077	100,147	51,581	1,016,865	966,195
Materials and supplies	270,832	136,127	138,262	29,571	4,025	578,817	52,278
Depreciation and amortization	1,671,527	1,135,837	1,394,955	251,385	110,070	4,563,774	196,274
Contributions to regional sewer authority	-	6,399,668	-	-	-	6,399,668	-
Cost of inventory issued	-	-	-	-	-	-	3,469,975
Claims related charges	-	-	-	-	-	-	15,098,382
Total operating expenses	<u>5,906,647</u>	<u>10,573,943</u>	<u>6,683,490</u>	<u>2,571,104</u>	<u>357,658</u>	<u>26,092,842</u>	<u>21,534,871</u>
Operating income (loss)	<u>3,776,014</u>	<u>945,529</u>	<u>(4,744,233)</u>	<u>1,598,096</u>	<u>967,663</u>	<u>2,543,069</u>	<u>2,961,705</u>
Nonoperating revenues (expenses):							
Intergovernmental revenue	-	-	3,474,604	-	-	3,474,604	-
Connection application fees	130,161	310,826	-	-	-	440,987	-
Miscellaneous revenue	88,523	70,742	210,944	10,304	-	380,513	2,662
Investment revenue	264,712	165,881	21,493	40,341	60,171	552,598	139,703
Interest expense	(584,509)	-	-	(299,694)	-	(884,203)	-
Participant assessment return	-	-	-	-	-	-	(150,028)
Gain (loss) on disposal of capital assets	505	-	(5,329)	-	-	(4,824)	-
Total nonoperating revenues (expenses)	<u>(100,608)</u>	<u>547,449</u>	<u>3,701,712</u>	<u>(249,049)</u>	<u>60,171</u>	<u>3,959,675</u>	<u>(7,663)</u>
Income (loss) before contributions and transfers	<u>3,675,406</u>	<u>1,492,978</u>	<u>(1,042,521)</u>	<u>1,349,047</u>	<u>1,027,834</u>	<u>6,502,744</u>	<u>2,954,042</u>
Capital contributions	267,800	169,840	192,526	-	-	630,166	-
Transfers in	-	-	145,834	-	-	145,834	178,806
Transfers out	<u>(1,683,330)</u>	<u>(1,321,476)</u>	<u>(211,171)</u>	<u>-</u>	<u>(25,400)</u>	<u>(3,241,377)</u>	<u>(1,131,400)</u>
Change in net position	<u>2,259,876</u>	<u>341,342</u>	<u>(915,332)</u>	<u>1,349,047</u>	<u>1,002,434</u>	<u>4,037,367</u>	<u>2,001,448</u>
Net position at beginning of year	<u>46,944,235</u>	<u>27,879,164</u>	<u>12,009,210</u>	<u>(3,511,917)</u>	<u>4,991,984</u>		<u>15,359,224</u>
Net position at end of year	<u>\$ 49,204,111</u>	<u>\$ 28,220,506</u>	<u>\$ 11,093,878</u>	<u>\$ (2,162,870)</u>	<u>\$ 5,994,418</u>		<u>\$ 17,360,672</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.						<u>(21,482)</u>	
Change in net position of business-type activities (Exhibit 2)						<u>\$ 4,015,885</u>	

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

	Enterprise Funds						Internal Service Funds
	Water Fund	Sewer Fund	Public Transportation Fund	Sanitation Fund	Stormwater Fund	Total	
Cash flows from operating activities:							
Receipts from customers	\$ 9,395,745	\$ 11,442,195	\$ 1,939,559	\$ 4,122,175	\$ 1,361,075	\$ 28,260,749	\$ 5,093,429
Receipts from premiums	-	-	-	-	-	-	19,394,251
Receipts from other sources	87,423	70,742	212,373	10,304	-	380,842	3,047
Receipts from customer deposits	154,062	-	-	-	-	154,062	-
Payments to employees	(1,978,710)	(1,303,156)	(2,708,840)	(911,447)	(105,070)	(7,007,223)	(849,914)
Payments for fringe benefits	(677,725)	(488,184)	(645,721)	(394,831)	(31,221)	(2,237,682)	(301,194)
Payments to vendors	(1,072,716)	(808,535)	(451,170)	(765,360)	(69,765)	(3,167,546)	(5,060,091)
Payments for internal services	(275,379)	(344,267)	(1,518,522)	(198,958)	(30,683)	(2,367,809)	(4,840)
Payments to other governmental units	-	(6,399,668)	-	-	-	(6,399,668)	-
Payments to refund customer deposits	(153,310)	-	-	-	-	(153,310)	-
Payments to participants	-	-	-	-	-	-	(150,028)
Payments for claims related charges	-	-	-	-	-	-	(15,800,816)
Net cash provided by (used for) operating activities	<u>5,479,390</u>	<u>2,169,127</u>	<u>(3,172,321)</u>	<u>1,861,883</u>	<u>1,124,336</u>	<u>7,462,415</u>	<u>2,323,844</u>
Cash flows from noncapital financing activities:							
Operating grants	-	-	3,254,982	-	-	3,254,982	-
Transfers in	-	-	145,834	-	-	145,834	178,806
Transfers out	(1,683,330)	(1,321,476)	(211,171)	-	(25,400)	(3,241,377)	(1,131,400)
Interfund loan	-	(1,456,000)	-	-	-	(1,456,000)	(31,032)
Net cash provided by (used for) noncapital financing activities	<u>(1,683,330)</u>	<u>(2,777,476)</u>	<u>3,189,645</u>	<u>-</u>	<u>(25,400)</u>	<u>(1,296,561)</u>	<u>(983,626)</u>
Cash flows from capital and related financing activities:							
Capital grants and contributions	-	-	192,526	-	-	192,526	-
Interfund loan	1,456,000	-	-	-	-	1,456,000	-
Connection application fees	193,900	318,000	-	-	-	511,900	-
Proceeds from sale of capital assets	505	-	550	-	-	1,055	-
Principal paid on long-term debt	(976,867)	-	-	(1,319,764)	-	(2,296,631)	-
Interest paid on long-term debt	(546,333)	-	-	(268,365)	-	(814,698)	-
Purchase and construction of capital assets	(7,202,521)	(447,210)	(202,686)	(28,088)	(597,892)	(8,478,397)	(43,336)
Net cash used for capital and related financing activities	<u>(7,075,316)</u>	<u>(129,210)</u>	<u>(9,610)</u>	<u>(1,616,217)</u>	<u>(597,892)</u>	<u>(9,428,245)</u>	<u>(43,336)</u>
Cash flows from investing activities:							
Interest received	263,195	164,649	21,272	39,864	59,607	548,587	138,426
Net cash provided by investing activities	<u>263,195</u>	<u>164,649</u>	<u>21,272</u>	<u>39,864</u>	<u>59,607</u>	<u>548,587</u>	<u>138,426</u>
Net increase (decrease) in cash and cash equivalents	<u>(3,016,061)</u>	<u>(572,910)</u>	<u>28,986</u>	<u>285,530</u>	<u>560,651</u>	<u>(2,713,804)</u>	<u>1,435,308</u>
Cash and cash equivalents:							
Beginning	<u>17,405,022</u>	<u>10,098,909</u>	<u>1,567,133</u>	<u>5,964,480</u>	<u>3,573,683</u>	<u>38,609,227</u>	<u>10,331,443</u>
Ending	<u>\$ 14,388,961</u>	<u>\$ 9,525,999</u>	<u>\$ 1,596,119</u>	<u>\$ 6,250,010</u>	<u>\$ 4,134,334</u>	<u>\$ 35,895,423</u>	<u>\$ 11,766,751</u>
Reconciliation of cash and cash equivalents to the statement of net position:							
Cash and cash equivalents - Current assets	\$ 11,402,791	\$ 9,525,999	\$ 1,596,119	\$ 6,250,010	\$ 4,134,334	\$ 32,909,253	\$ 11,766,751
Cash and cash equivalents - Restricted assets	<u>2,986,170</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,986,170</u>	<u>-</u>
	<u>\$ 14,388,961</u>	<u>\$ 9,525,999</u>	<u>\$ 1,596,119</u>	<u>\$ 6,250,010</u>	<u>\$ 4,134,334</u>	<u>\$ 35,895,423</u>	<u>\$ 11,766,751</u>

(continued)

	Enterprise Funds					Total	Internal Service Funds
	Water Fund	Sewer Fund	Public Transportation Fund	Sanitation Fund	Stormwater Fund		
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:							
Operating income (loss)	\$ 3,776,014	\$ 945,529	\$ (4,744,233)	\$ 1,598,096	\$ 967,663	\$ 2,543,069	\$ 2,961,705
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:							
Depreciation and amortization	1,671,527	1,135,837	1,394,955	251,385	110,070	4,563,774	196,274
Connection fees	(63,738)	(7,174)	-	-	-	(70,912)	-
Miscellaneous revenue	87,423	70,742	212,373	10,304	-	380,842	3,047
Participant assessment return	-	-	-	-	-	-	(150,028)
Change in assets, deferred outflows of resources, liabilities and deferred inflows of resources:							
(Increase) decrease in:							
Accounts receivable	(235,596)	(70,103)	302	(47,025)	35,754	(316,668)	3,953
Due from component units	-	-	-	-	-	-	(12,849)
Inventory	-	-	-	-	-	-	(1,488)
Prepaid expenses	-	-	-	-	-	-	(214)
Deferred outflows of resources	(306,465)	(221,205)	(164,494)	(171,373)	(11,175)	(874,712)	(112,122)
Increase (decrease) in:							
Accounts payable	15,970	6,080	(12,022)	(2,247)	(2,674)	5,107	(692,700)
Accrued payroll	39,975	10,184	19,920	9,157	3,189	82,425	13,883
Due to component units	(3,898)	(643)	(247)	(56)	-	(4,844)	519
Due to other governments	-	-	(18,613)	5,157	-	(13,456)	-
Customer deposits	752	-	-	-	-	752	-
Other liabilities	12,419	-	-	-	-	12,419	-
Compensated absences	(5,436)	9,411	-	9,597	2,248	15,820	4,060
Landfill closure	-	-	-	19,826	-	19,826	-
Net OPEB liability	202,247	102,629	12,182	20,224	3,159	340,441	41,323
Net pension liability	314,832	200,115	155,294	165,835	17,140	853,216	84,218
Deferred inflows of resources	(26,636)	(12,275)	(27,738)	(6,997)	(1,038)	(74,684)	(15,737)
Net cash provided by (used for) operating activities	\$ 5,479,390	\$ 2,169,127	\$ (3,172,321)	\$ 1,861,883	\$ 1,124,336	\$ 7,462,415	\$ 2,323,844

Non - cash capital and related financing activities:

Additions to capital assets:							
Contributed by developers	\$ 267,800	\$ 169,840	\$ -	\$ -	\$ -	\$ 437,640	\$ -
Purchase and construction on account	539,025	90,605	-	-	266,622	896,252	-

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, 2020

Exhibit 11

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 2,798,629
Receivables	<u>347,648</u>
Total assets	<u>\$ 3,146,277</u>
Liabilities	
Accounts payable	\$ 81,669
Accrued payroll	125,474
Amounts held for others	<u>2,939,134</u>
Total liabilities	<u>\$ 3,146,277</u>

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

Note 1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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

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

B. Government-wide and Fund Financial Statements

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

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

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

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

Note 1. Summary of Significant Accounting Policies (continued)

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary 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, 2020.

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

Note 1. Summary of Significant Accounting Policies (continued)

made during the year in the General Fund totaling \$4,733,157. 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, 2020. 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, 2020 amounted to \$995,917.

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 \$3,772,417 in net capital assets to the School Board during the current fiscal year on the government-wide statement of activities.

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

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

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

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

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

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

Bonds payable	\$ (156,388,756)
Bond issue premiums/discounts (net)	(9,272,093)
Deferred charge for bond refunding	2,571,483
Compensated absences (not including internal service funds)	(3,644,498)
Net OPEB liability (not including internal service funds)	(10,949,601)
Net pension liability (not including internal service funds)	(18,487,021)
Middle River Regional Jail agreement	(5,048,154)
Accrued interest	<u>(2,476,245)</u>
Net adjustment	\$ <u><u>(203,694,885)</u></u>

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

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

Deferred OPEB outflows (not including internal service funds)	\$ 2,132,813
Deferred pension outflows (not including internal service funds)	5,306,677
Deferred OPEB inflows (not including internal service funds)	(393,833)
Deferred pension inflows (not including internal service funds)	<u>(1,586,689)</u>
Net adjustment	\$ <u>5,458,968</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	\$ 20,078,984
Depreciation expense (not including internal service funds)	<u>(12,315,952)</u>
Net adjustment	\$ <u>7,763,032</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	\$ (18,450,000)
Premium on long-term debt issued	(1,066,864)
Principal payments	10,230,236
Payment on Middle River Regional Jail agreement	946,221
Amortization of bond premiums/discounts (net)	648,746
Amortization of deferred bond refunding charges	<u>(220,164)</u>
Net adjustment	\$ <u>(7,911,825)</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)	\$ (7,975)
Accrued interest	<u>163,297</u>
Net adjustment	\$ <u>155,322</u>

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

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

Employer OPEB contributions (not including internal service funds)	\$ 116,020
Employer pension contributions (not including internal service funds)	2,414,859
OPEB expense (not including internal service funds)	(1,085,134)
Pension expense (not including internal service funds)	<u>(3,012,277)</u>
Net adjustment	<u>\$ (1,566,532)</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, 2020, 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, 2020, 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, 2020.

	Primary Government	Component Units		Total
		School Board	HEC	
Investments:				
Local Government Investment Pool (LGIP)	\$ 72,675,312	\$ 9,903,324	\$ 5,000,000	\$ 87,578,636
State Non-Arbitrage Pool (SNAP)	7,330,158	-	-	7,330,158
Certificates of Deposit	-	-	5,500,000	5,500,000
Money Market Account	-	-	1,500,000	1,500,000
Deposits	<u>27,512,520</u>	<u>3,230,885</u>	<u>28,300,903</u>	<u>59,044,308</u>
Total deposits and investments	<u>\$ 107,517,990</u>	<u>\$ 13,134,209</u>	<u>\$ 40,300,903</u>	<u>\$ 160,953,102</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 \$4,343,988 and \$2,986,170, respectively, represent unspent bond proceeds.

Note 5. Receivables/Due from Other Governments

The following is a summary of receivables at June 30, 2020.

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	HEC
Receivables:					
Property taxes receivable	\$ 56,226,124	\$ -	\$ 56,226,124	\$ -	\$ -
Other taxes receivable	1,359,587	-	1,359,587	-	-
Accounts receivable	1,550	3,533,868	3,535,418	-	5,446,692
Interest receivable	15,789	4,964	20,753	374	-
Other receivables	144,641	4,464	149,105	91,732	-
Allowance for uncollectibles	(995,917)	(124,754)	(1,120,671)	-	-
Totals	\$ 56,751,774	\$ 3,418,542	\$ 60,170,316	\$ 92,106	\$ 5,446,692
Due from other governments:					
Commonwealth of Virginia	\$ 3,216,713	\$ -	\$ 3,216,713	\$ 897,574	\$ -
Federal Government	309,139	683,452	992,591	836,646	-
Totals	\$ 3,525,852	\$ 683,452	\$ 4,209,304	\$ 1,734,220	\$ -

Note 6. Loans Receivable

The following is a summary of loans receivable at June 30, 2020.

Borrowing Entity/Loan Number	Loan Date	Term (in years)	Interest Rate	Balance	Current Portion
HRC SB*	August 14, 2019	14	2.30%	\$ 788,352	\$ 83,333
HRHA**	June 26, 2014	18	4.12%	2,185,000	130,000
HRHA**	December 6, 2011	17.5	3.19%	3,760,000	325,000
Massanutten Regional Library	May 15, 2000	n/a	0.0%	296,039	-
Total General Fund				7,029,391	538,333
2020-01	November 27, 2019	4	4.75%	23,093	5,906
2019-04	May 3, 2019	4	4.75%	16,140	4,838
2019-03	May 3, 2019	5	4.75%	17,836	3,965
2019-02	February 13, 2019	4	4.75%	14,578	4,773
2019-01	August 22, 2018	4	4.75%	9,400	3,760
2018-02	February 21, 2018	5	4.75%	11,652	5,185
2018-01	November 20, 2017	5	4.75%	14,068	5,068
2015-01	July 18, 2014	5	4.50%	5,148	3,428
Total Business Loan Program Fund				111,915	36,923
Total Governmental Activities				\$ 7,141,306	\$ 575,256

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

Note 7. Capital Assets

Primary Government

The following is a summary of the changes in capital assets of the governmental activities for fiscal year 2020.

	Balance June 30, 2019	Additions	Reductions	Balance June 30, 2020
Capital assets, not being depreciated:				
Land	\$ 56,074,448	\$ 2,367,539	\$ -	\$ 58,441,987
Easements	1,739,765	19,550	-	1,759,315
Construction in progress	<u>7,181,198</u>	<u>14,930,754</u>	<u>(2,339,753)</u>	<u>19,772,199</u>
Capital assets, not being depreciated	<u>\$ 64,995,411</u>	<u>\$ 17,317,843</u>	<u>\$ (2,339,753)</u>	<u>\$ 79,973,501</u>
Capital assets, being depreciated:				
Buildings	\$ 150,097,023	\$ 56,393	\$ (5,178,858)	\$ 144,974,558
Improvements other than buildings	20,310,035	1,906,609	-	22,216,644
Machinery and equipment	40,289,353	2,681,676	(1,347,149)	41,623,880
Intangibles	12,028,595	210,910	-	12,239,505
Infrastructure	<u>185,971,030</u>	<u>889,742</u>	<u>-</u>	<u>186,860,772</u>
Capital assets, being depreciated	<u>408,696,036</u>	<u>5,745,330</u>	<u>(6,526,007)</u>	<u>407,915,359</u>
Less accumulated depreciation:				
Buildings	(39,342,599)	(3,677,850)	1,406,441	(41,614,008)
Improvements other than buildings	(8,345,317)	(862,946)	-	(9,208,263)
Machinery and equipment	(24,231,661)	(2,656,258)	1,347,149	(25,540,770)
Intangibles	(2,189,668)	(601,504)	-	(2,791,172)
Infrastructure	<u>(91,832,950)</u>	<u>(4,814,842)</u>	<u>-</u>	<u>(96,647,792)</u>
Accumulated depreciation	<u>(165,942,195)</u>	<u>(12,613,400)</u>	<u>2,753,590</u>	<u>(175,802,005)</u>
Capital assets, being depreciated (net)	<u>\$ 242,753,841</u>	<u>\$ (6,868,070)</u>	<u>\$ (3,772,417)</u>	<u>\$ 232,113,354</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 \$101,174. This difference represents accumulated depreciation on capital assets transferred from business-type activities.

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

General government administration	\$ 252,679
Jail and judicial administration	659,319
Public safety	1,985,924
Public works	5,889,753
Health and welfare	21,865
Education	2,519,848
Parks, recreation and culture	905,787
Planning and community development	80,777
Internal service funds (allocated to various functions)	<u>196,274</u>
Total governmental activities depreciation expense	<u>\$ 12,512,226</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 2020.

	Balance June 30, 2019	Additions	Reductions	Balance June 30, 2020
Capital assets, not being depreciated:				
Land	\$ 1,235,770	\$ 1,454,721	\$ -	\$ 2,690,491
Easements	393,371	19,492	-	412,863
Construction in progress	19,643,366	6,647,645	(4,158,067)	22,132,944
Capital assets, not being depreciated	<u>\$ 21,272,507</u>	<u>\$ 8,121,858</u>	<u>\$ (4,158,067)</u>	<u>\$ 25,236,298</u>
Capital assets, being depreciated:				
Buildings	\$ 18,655,807	\$ 605,709	\$ (88,321)	\$ 19,173,195
Improvements other than buildings	18,530,483	2,726,081	-	21,256,564
Machinery and equipment	26,662,819	735,700	(201,837)	27,196,682
Intangibles	745,379	-	-	745,379
Infrastructure	84,268,583	1,210,550	(30,496)	85,448,637
Capital assets, being depreciated	<u>148,863,071</u>	<u>5,278,040</u>	<u>(320,654)</u>	<u>153,820,457</u>
Less accumulated depreciation:				
Buildings	(5,323,742)	(447,488)	88,321	(5,682,909)
Improvements other than buildings	(8,967,690)	(511,406)	-	(9,479,096)
Machinery and equipment	(19,062,208)	(1,734,791)	195,957	(20,601,042)
Intangibles	(326,270)	(108,008)	-	(434,278)
Infrastructure	(51,675,264)	(1,762,081)	30,496	(53,406,849)
Accumulated depreciation	<u>(85,355,174)</u>	<u>(4,563,774)</u>	<u>314,774</u>	<u>(89,604,174)</u>
Capital assets, being depreciated (net)	<u>\$ 63,507,897</u>	<u>\$ 714,266</u>	<u>\$ (5,880)</u>	<u>\$ 64,216,283</u>

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

Water	\$ 1,671,527
Sewer	1,135,837
Public transportation	1,394,955
Sanitation	251,385
Stormwater	<u>110,070</u>
Total business-type activities depreciation expense	<u>\$ 4,563,774</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 2020.

Component Unit – School Board

	Balance June 30, 2019	Additions	Reductions	Balance June 30, 2020
Capital assets, not being depreciated:				
Land	\$ 6,294,184	\$ -	\$ -	\$ 6,294,184
Capital assets, not being depreciated	<u>\$ 6,294,184</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,294,184</u>
Capital assets, being depreciated:				
Buildings	\$ 70,175,849	\$ 5,173,078	\$ -	\$ 75,348,927
Improvements other than buildings	324,063	13,850	-	337,913
Machinery and equipment	6,952,264	204,321	(80,098)	7,076,487
Intangibles	-	34,200	-	34,200
Capital assets, being depreciated	<u>77,452,176</u>	<u>5,425,449</u>	<u>(80,098)</u>	<u>82,797,527</u>
Less accumulated depreciation:				
Buildings	(32,691,766)	(3,239,847)	-	(35,931,613)
Improvements other than buildings	(86,440)	(17,366)	-	(103,806)
Machinery and equipment	(3,996,552)	(420,847)	80,098	(4,337,301)
Intangibles	-	(5,130)	-	(5,130)
Accumulated depreciation	<u>(36,774,758)</u>	<u>(3,683,190)</u>	<u>80,098</u>	<u>(40,377,850)</u>
Capital assets, being depreciated (net)	<u>\$ 40,677,418</u>	<u>\$ 1,742,259</u>	<u>\$ -</u>	<u>\$ 42,419,677</u>

Component Unit – HEC

	Balance June 30, 2019	Additions	Reductions	Balance June 30, 2020
Capital assets, not being depreciated:				
Land	\$ 3,090,187	\$ -	\$ -	\$ 3,090,187
Construction in progress	3,491,926	2,177,655	(2,425,222)	3,244,359
Capital assets, not being depreciated	<u>\$ 6,582,113</u>	<u>\$ 2,177,655</u>	<u>\$ (2,425,222)</u>	<u>\$ 6,334,546</u>
Capital assets, being depreciated:				
Buildings	\$ 3,383,581	\$ 631,427	\$ -	\$ 4,015,008
Machinery and equipment	8,500,837	433,040	(319,660)	8,614,217
Infrastructure	120,423,352	2,049,404	(424,810)	122,047,946
Capital assets, being depreciated	<u>132,307,770</u>	<u>3,113,871</u>	<u>(744,470)</u>	<u>134,677,171</u>
Less accumulated depreciation:				
Buildings	(2,164,558)	(89,512)	-	(2,254,070)
Machinery and equipment	(6,983,082)	(320,258)	171,252	(7,132,088)
Infrastructure	(68,709,421)	(3,563,413)	445,418	(71,827,416)
Accumulated depreciation	<u>(77,857,061)</u>	<u>(3,973,183)</u>	<u>616,670</u>	<u>(81,213,574)</u>
Capital assets, being depreciated (net)	<u>\$ 54,450,709</u>	<u>\$ (859,312)</u>	<u>\$ (127,800)</u>	<u>\$ 53,463,597</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, 2020.

Year Ending June 30,	General Obligation Bonds				Total	
	Public Offerings		Direct Placements		Governmental Activities	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 9,097,246	\$ 5,166,631	\$ 1,258,000	\$ 187,207	\$ 10,355,246	\$ 5,353,838
2022	9,235,660	4,749,134	1,936,000	553,226	11,171,660	5,302,360
2023	9,553,372	4,321,276	2,121,000	368,127	11,674,372	4,689,403
2024	10,020,383	3,873,777	1,668,000	328,052	11,688,383	4,201,829
2025	10,488,095	3,403,752	1,705,000	291,586	12,193,095	3,695,338
2026-2030	46,205,000	11,029,501	7,778,000	938,708	53,983,000	11,968,209
2031-2035	26,840,000	3,847,939	5,206,000	326,687	32,046,000	4,174,626
2036-2040	10,050,000	1,101,300	1,032,000	9,494	11,082,000	1,110,794
2041	2,195,000	32,925	-	-	2,195,000	32,925
Total	\$ 133,684,756	\$ 37,526,235	\$ 22,704,000	\$ 3,003,087	\$ 156,388,756	\$ 40,529,322

The following is a summary of the debt service requirements for the long-term liabilities of the business-type activities as of June 30, 2020.

Year Ending June 30,	General Obligation Bonds				Total	
	Public Offerings		Direct Placements		Business-type Activities	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 1,870,620	\$ 491,082	\$ 497,000	\$ 247,261	\$ 2,367,620	\$ 738,343
2022	1,942,207	416,340	510,000	233,832	2,452,207	650,172
2023	2,004,495	348,754	525,000	220,025	2,529,495	568,779
2024	2,067,484	288,810	538,000	205,840	2,605,484	494,650
2025	2,124,772	225,808	552,000	191,290	2,676,772	417,098
2026-2030	3,139,333	727,325	2,997,000	723,643	6,136,333	1,450,968
2031-2035	2,544,333	192,406	2,254,000	348,211	4,798,333	540,617
2036-2040	189,333	-	1,335,000	59,638	1,524,333	59,638
Total	\$ 15,882,577	\$ 2,690,525	\$ 9,208,000	\$ 2,229,740	\$ 25,090,577	\$ 4,920,265

The following is a summary of the changes to the long-term liabilities of the governmental activities for fiscal year 2020.

	Balance June 30, 2019	Additions	Reductions	Balance June 30, 2020	Due Within One Year
Bonds payable:					
General obligation bonds:					
Public offerings	\$ 137,244,992	\$ 4,950,000	\$ (8,510,236)	\$ 133,684,756	\$ 9,097,246
Direct placements	10,435,000	13,500,000	(1,231,000)	22,704,000	1,258,000
Bond premiums/discounts (net)	8,853,975	1,066,864	(648,746)	9,272,093	657,731
Total bonds payable	156,533,967	19,516,864	(10,389,982)	165,660,849	11,012,977
Capital leases	489,000	-	(489,000)	-	-
Middle River Regional Jail agreement	5,994,375	-	(946,221)	5,048,154	966,753
Compensated absences	3,719,977	2,103,876	(2,091,841)	3,732,012	2,235,128
Net OPEB liability	8,834,489	3,165,862	(750,573)	11,249,778	-
Net pension liability	15,504,046	12,998,027	(9,428,064)	19,074,009	-
Governmental activities long-term debt	\$ 191,075,854	\$ 37,784,629	\$ (24,095,681)	\$ 204,764,802	\$ 14,214,858

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, 2020, \$87,514, \$300,177 and \$586,988 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 2020.

	Balance June 30, 2019	Additions	Reductions	Balance June 30, 2020	Due Within One Year
Bonds payable:					
General obligation bonds:					
Public offerings	\$ 17,695,208	\$ -	\$ (1,812,631)	\$ 15,882,577	\$ 1,870,620
Direct placements	9,692,000	-	(484,000)	9,208,000	497,000
Bond premiums/discounts (net)	555,078	-	(92,572)	462,506	92,572
Total bonds payable	27,942,286	-	(2,389,203)	25,553,083	2,460,192
Compensated absences	830,895	510,692	(513,484)	828,103	477,698
Net OPEB liability	1,903,574	498,094	(157,653)	2,244,015	-
Net pension liability	3,400,540	2,939,584	(2,086,368)	4,253,756	-
City landfill closure costs	1,166,239	81,320	(61,494)	1,186,065	116,198
County landfill contractual obligation	2,697,965	-	-	2,697,965	-
Business-type activities long-term debt	<u>\$ 37,941,499</u>	<u>\$ 4,029,690</u>	<u>\$ (5,208,202)</u>	<u>\$ 36,762,987</u>	<u>\$ 3,054,088</u>

The following is the detail for the long-term liabilities of the governmental and business-type activities as of June 30, 2020.

	Governmental Activities	Business-type Activities
General Obligation Bonds - Public Offerings:		
\$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	\$ 255,000	\$ -
\$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	17,770,000	-
\$1,125,000 Public Safety Refunding Bonds (VRA), Series 2009A, issued June 17, 2009, maturing October 1, 2021 at 3.125% - 5.125% interest	225,000	-
\$1,136,000 Water Bonds (VRA DWSRF), Series 2009, issued November 20, 2009, maturing February 1, 2040 at 0% interest	-	757,334
\$9,515,000 Public Improvement Bonds, Series 2010A, issued August 11, 2010, maturing July 15, 2030 at 2.0% - 4.0% interest	5,925,000	-
\$33,755,00 Public Improvement Refunding Bonds, Series 2010B, issued August 11, 2010, maturing July 15, 2034 at 2.0% - 5.0% interest	3,139,756	14,300,243
\$28,590,000 Public Improvement and Refunding Bonds, Series 2011, issued December 6, 2011, maturing August 1, 2031 at 2.0% - 4.0% interest	15,730,000	825,000
\$13,610,000 Public Improvement Bonds, Series 2014A, issued June 26, 2014, maturing July 15, 2034 at 2.0% - 5.0% interest	10,790,000	-

Note 8. Long-term Liabilities (continued)

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
General Obligation Bonds - Public Offerings (continued):		
\$42,675,000 Public Improvement Refunding Bonds, Series 2014B, issued June 26, 2014, maturing July 15, 2032 at 2.0% - 5.0% interest	33,725,000	-
\$40,215,000 Public Improvement Bonds, Series 2016, issued May 18, 2016, maturing July 15, 2040 at 2.0% - 5.0% interest	36,795,000	-
\$4,540,000 School Bond (Virginia Public School Authority), Series 2018, issued November 6, 2018, maturing July 15, 2033 at 4.05% - 5.05% interest	4,380,000	-
\$4,950,000 Bond (Virginia Resources Authority), Series 2019, issued August 14, 2019, maturing October 1, 2033 at 4.510% - 5.125% interest	<u>4,950,000</u>	<u>-</u>
Total General Obligation Bonds - Public Offerings	<u>\$ 133,684,756</u>	<u>\$ 15,882,577</u>
General Obligation Bonds - Direct Placements:		
\$8,050,000 Bond, Series 2012, issued December 7, 2012, maturing August 1, 2027 at 2.2% interest	4,622,000	-
\$7,622,000 Bond, Series 2015, issued December 22, 2015, maturing August 1, 2030 at 2.32% interest	3,142,000	2,714,000
\$2,350,000 Bond, Series 2017, issued September 8, 2017, maturing August 1, 2022 at 1.78% interest	1,440,000	-
\$7,000,000 Bond, Series 2017B, issued December 15, 2017, maturing August 1, 2037 at 2.94% interest	-	6,494,000
\$10,415,000 Bond, Series 2020A, issued June 24, 2020, maturing July 15, 2035 at 1.84%	10,415,000	-
\$3,085,000 Taxable Bond, Series 2020B, issued June 24, 2020, maturing July 15, 2024 at 2.09%	<u>3,085,000</u>	<u>-</u>
Total General Obligation Bonds - Direct Placements	<u>\$ 22,704,000</u>	<u>\$ 9,208,000</u>
Total General Obligation Bonds	<u>\$ 156,388,756</u>	<u>\$ 25,090,577</u>

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

The City is subject to a legal debt margin requirement based on the Constitution of Virginia. Under the requirement, the City's bonds or other interest-bearing obligations shall not exceed ten percent of its total taxable assessed real property valuation. As of June 30, 2020, the debt limitation for the City is \$437.3 million of which \$250.7 million is available for use.

In December 2011, the City issued \$28.6 million in general obligation public improvement and refunding bonds, of which \$6 million was issued on behalf of and loaned to the Harrisonburg Redevelopment and Housing Authority (Authority) for the purpose of renovating public housing units owned by the Authority. The Authority has agreed to reimburse the City for its share of the principal and interest payments as the debt service payments come due. The current fiscal year reimbursement for debt service payments associated with the bonds totaled \$439,275. As of June 30, 2020, the outstanding balance of the loan is \$3,760,000.

Note 8. Long-term Liabilities (continued)

In June 2014, the City issued \$42.7 million in general obligation refunding bonds, of which \$2.7 million was issued on behalf of and loaned to the Harrisonburg Redevelopment and Housing Authority (Authority) to advance refund a previous bond issue that was originally issued for the purpose of renovating public housing units owned by the Authority. The Authority has agreed to reimburse the City for its share of the principal and interest payments as the debt service payments come due. The current fiscal year reimbursement for debt service payments associated with the bonds totaled \$214,100. As of June 30, 2020, the outstanding balance of the loan is \$2,185,000.

In August 2019, the City issued \$4.95 million in general obligation bonds, of which \$1.65 million was issued on behalf of and loaned to the Harrisonburg-Rockingham Community Services Board (Board) for the purpose of constructing a new facility. The Board has agreed to reimburse the City for its share of the principal and interest payments as the debt service payments come due. The current fiscal year reimbursement for debt service payments associated with the bonds totaled \$58,131. As of June 30, 2020, the City had advanced the Board \$788,352 and is currently holding \$4.3 million to be advanced to the Board as construction reimbursements are requested.

Component Unit – School Board

At June 30, 2020, the School Board had \$88,767,803 in long-term liabilities outstanding. This long-term liability is comprised of \$1,653,692 in compensated absences, of which \$333,339 is due within one year, \$22,318,053 in net OPEB liabilities and \$64,796,058 in net pension liabilities, of which the entire amounts are due in more than one year.

Component Unit – HEC

At June 30, 2020, HEC had \$5,398,853 in long-term liabilities outstanding. This long-term liability is comprised of \$577,077 in compensated absences, of which the entire amount is due within one year and \$2,107,187 in net OPEB liabilities and \$2,714,589 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, 2020, there were four series of Redevelopment and Housing Authority Revenue Bonds outstanding, with an aggregate principal amount of \$21.1 million.

Note 10. Landfill Closure and Postclosure Care Costs

In accordance with state and federal laws and regulations, the City is required to perform certain maintenance and monitoring functions at the City's closed landfill site for 30 years after the date of closure. The City closed its landfill in 1994. \$1,186,065 of the amount reported as landfill closure and postclosure care liability at June 30, 2020 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 \$439,023 for groundwater remediation. These amounts are based on current year costs. Actual costs ultimately may differ due to inflation, changes in technology, or changes in regulations. The City plans to fund its landfill closure and postclosure care costs with available funds from the Sanitation Fund.

Note 11. Rockingham County Landfill Liability Agreement

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

Note 12. Unearned Revenue

The following is a summary of unearned revenue at June 30, 2020 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	\$ 40,757	\$ -	\$ 40,757
Golf course season passes	46,380	-	46,380
CARES Act coronavirus relief funds	1,000,000	-	1,000,000
Construction reimbursement	-	239,258	239,258
Total unearned revenue	\$ 1,087,137	\$ 239,258	\$ 1,326,395

Unearned revenue for business-type activities in the amount of \$257,350 represents water and sewer connection application fees for which the services had not been provided as of year-end. This amount is comprised of \$164,450 in the Water Fund and \$92,900 in the Sewer Fund.

Note 13. Interfund Balances

The General Fund has due from other funds in the amount \$45,094. This amount is comprised of loans to the Community Development Block Grant Fund and Central Stores Fund in the amounts of \$291 and \$44,803, 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. The Sewer Fund has an interfund loan receivable in the amount of \$1,456,000 while the Water Fund has an interfund loan payable in the amount of \$1,456,000 for funds loaned from the Sewer Fund to the Water Fund for the purchase of land by the Water Fund. All other balances are for services provided between funds.

Note 14. Interfund Transfers

Interfund transfers are generally used to subsidize the operations, programs and capital activities of certain funds. The following is a summary of interfund transfers for the year ended June 30, 2020.

Transfer in	Transfer out							Total
	General	School Bond Capital Projects	Water	Sewer	Public Transportation	Stormwater	Internal Service Funds	
General Fund	\$ -	\$ 1,050,494	\$ 1,508,100	\$ 1,317,900	\$ 211,171	\$ 25,400	\$ 1,131,400	\$ 5,244,465
General Capital Projects	4,050,000	-	-	-	-	-	-	4,050,000
School Bond Capital Projects	153,000	-	-	-	-	-	-	153,000
Public Transportation	145,834	-	-	-	-	-	-	145,834
Internal Service Funds	-	-	175,230	3,576	-	-	-	178,806
Total	\$ 4,348,834	\$ 1,050,494	\$ 1,683,330	\$ 1,321,476	\$ 211,171	\$ 25,400	\$ 1,131,400	\$ 9,772,105

Note 15. Fund Balance

The following is a summary of amounts that are reported on the governmental funds balance sheet identified as nonspendable, restricted, committed or assigned fund balance at June 30, 2020.

	General Fund	General Capital Projects Fund	School Bond Capital Projects Fund	Other Governmental Funds	Total
Nonspendable:					
Inventory	\$ 50,746	\$ -	\$ -	\$ -	\$ 50,746
Prepaid expenditures	334,923	-	-	-	334,923
Loans receivable	296,039	-	-	-	296,039
Total nonspendable fund balance	\$ 681,708	\$ -	\$ -	\$ -	\$ 681,708
Restricted for:					
Public safety	\$ 574,269	\$ -	\$ -	\$ -	\$ 574,269
Health and welfare	-	3,728,628	-	-	3,728,628
Total restricted fund balance	\$ 574,269	\$ 3,728,628	\$ -	\$ -	\$ 4,302,897
Committed to:					
General government administration	\$ -	\$ 257,925	\$ -	\$ -	\$ 257,925
Jail and judicial administration	-	654,573	-	-	654,573
Public safety	-	2,527,544	-	-	2,527,544
Public works	-	5,814,562	-	-	5,814,562
Education	-	-	527,588	467,146	994,734
Parks, recreation and cultural	63,402	532,489	-	-	595,891
Community development	-	-	-	151,381	151,381
Total committed fund balance	\$ 63,402	\$ 9,787,093	\$ 527,588	\$ 618,527	\$ 10,996,610
Assigned to:					
General government administration	\$ 286,421	\$ -	\$ -	\$ -	\$ 286,421
Public safety	119,733	-	-	-	119,733
Public works	826,787	-	-	-	826,787
Parks, recreation and cultural	19,184	-	-	-	19,184
Community development	262,967	-	-	-	262,967
Subsequent years' expenditures	-	-	-	199,310	199,310
Total assigned fund balance	\$ 1,515,092	\$ -	\$ -	\$ 199,310	\$ 1,714,402

Note 16. Pension Plan - Agent Multiple-Employer

Plan Description. All full-time, salaried permanent employees of the City, the non-professional employees of the Harrisonburg City School Board (School Board) and the Harrisonburg Electric Commission (HEC) are automatically covered by the VRS Retirement Plan upon employment. This plan is an agent multiple-employer pension plan administered by the Virginia Retirement System (System) along with plans for other employer groups in the Commonwealth of Virginia. The City and HEC employees participate in the same retirement plan. Members earn one month of service credit for each month they are employed and for which they and their employer are paying contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service. The *Code of Virginia*, as amended, assigns the authority to establish and amend benefit provisions to the Virginia General Assembly. 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 varetire.org/Pdf/Publications/2019-annual-report.pdf or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, Virginia 23218-2500.

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

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

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

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

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

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

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

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

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

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

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

Employees Covered by Benefit Terms. At June 30, 2018, the following employees were covered by the benefit terms:

	Primary Government	Component Units	
		School Board	HEC
Inactive employees or beneficiaries currently receiving benefits	316	53	25
Inactive employees entitled to but not yet receiving benefits	354	52	28
Active employees	565	103	44
Total inactive and active employees	1,235	208	97

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 2020 was 11.27 percent of covered employee compensation. The School Board non-professional employees' contribution rate for the fiscal year ended 2020 was 3.80 percent of covered employee compensation. These rates were based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. These rates, when combined with employee contributions, were expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the City, the School Board and HEC to the pension plans were \$3,047,179, \$75,910 and \$354,592, respectively, for the year ended June 30, 2020.

Net Pension Liability. The net pension liability is calculated separately for each employer and represents that particular employer's total pension liability less that employer's fiduciary net position. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2018 and rolled forward to the measurement date of June 30, 2019.

Actuarial Assumptions – General Employees. The total pension liability for general employees was based on an actuarial valuation as of June 30, 2018, 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, 2019.

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

Mortality rates:

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

Pre-Retirement:

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

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective July 1, 2019. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Actuarial Assumptions – Hazardous Duty Employee. The total pension liability for hazardous duty employees was based on an actuarial valuation as of June 30, 2018, 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, 2019.

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective July 1, 2019. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

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

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
Multi-Asset Public Strategies (MAPS)	6.00%	3.52%	0.21%
Private Investment Partnersip (PIP)	3.00%	6.29%	0.19%
Total	100.00%		5.13%
		Inflation	2.50%
		Expected arithmetic nominal return*	7.63%

**The above allocation provides a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median of 7.11%, including expected inflation of 2.5%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.*

Discount Rate. The discount rate used to measure the total pension liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Political subdivisions were provided with an opportunity to use an alternate employer contribution rate. For the fiscal year ended June 30, 2019, the alternate rate was the employer contribution rate used in fiscal year 2012 or 100 percent of the actuarially determined employer contribution rate from the June 30, 2017, actuarial valuation, whichever was greater. From July 1, 2019 on, participating employers are assumed to continue to contribute 100 percent of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

Changes in the Net Pension Liability. The following are the changes in net pension liability as of the measurement date of June 30, 2019:

Primary Government

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at June 30, 2018	\$ 129,097,996	\$ 110,193,410	\$ 18,904,586
Changes for the year:			
Service cost	2,689,937	-	2,689,937
Interest	8,811,832	-	8,811,832
Changes in assumptions	4,108,640	-	4,108,640
Differences between expected and actual experience	275,249	-	275,249
Contributions-employer	-	2,966,998	(2,966,998)
Contributions-employee	-	1,301,024	(1,301,024)
Net investment income	-	7,323,775	(7,323,775)
Benefit payments, including refunds of employee contributions	(6,461,695)	(6,461,695)	-
Administrative expense	-	(72,764)	72,764
Other changes	311,272	254,718	56,554
Net changes	<u>9,735,235</u>	<u>5,312,056</u>	<u>4,423,179</u>
Balances at June 30, 2019	<u>\$ 138,833,231</u>	<u>\$ 115,505,466</u>	<u>\$ 23,327,765</u>

Component Unit – School Board

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances at June 30, 2018	\$ 7,354,825	\$ 8,216,842	\$ (862,017)
Changes for the year:			
Service cost	211,475	-	211,475
Interest	501,885	-	501,885
Changes in assumptions	199,487	-	199,487
Differences between expected and actual experience	39,455	-	39,455
Contributions-employer	-	76,225	(76,225)
Contributions-employee	-	107,536	(107,536)
Net investment income	-	543,586	(543,586)
Benefit payments, including refunds of employee contributions	(370,087)	(370,087)	-
Administrative expense	-	(5,434)	5,434
Other changes	-	(342)	342
Net changes	<u>582,215</u>	<u>351,484</u>	<u>230,731</u>
Balances at June 30, 2019	<u>\$ 7,937,040</u>	<u>\$ 8,568,326</u>	<u>\$ (631,286)</u>

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

Component Unit – HEC

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at June 30, 2018	\$ 15,190,994	\$ 12,966,486	\$ 2,224,508
Changes for the year:			
Service cost	314,618	-	314,618
Interest	1,030,640	-	1,030,640
Changes in assumptions	480,550	-	480,550
Differences between expected and actual experience	32,193	-	32,193
Contributions-employer	-	347,023	(347,023)
Contributions-employee	-	152,169	(152,169)
Net investment income	-	856,596	(856,596)
Benefit payments, including refunds of employee contributions	(755,766)	(755,766)	-
Administrative expense	-	(8,511)	8,511
Other changes	(137,580)	(116,937)	(20,643)
Net changes	<u>964,655</u>	<u>474,574</u>	<u>490,081</u>
Balances at June 30, 2019	<u>\$ 16,155,649</u>	<u>\$ 13,441,060</u>	<u>\$ 2,714,589</u>

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

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Primary Government:			
Net Pension Liability	\$ 42,096,543	\$ 23,327,765	\$ 8,411,320
Component Unit - School Board:			
Net Pension Liability (Asset)	\$ 217,890	\$ (631,286)	\$ (1,319,868)
Component Unit - HEC:			
Net Pension Liability	\$ 4,898,661	\$ 2,714,589	\$ 978,803

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

For the year ended June 30, 2020, the City, the School Board and HEC recognized pension expense of \$3,828,692, \$29,005 and \$420,169, respectively. At June 30, 2020, the City, the School Board and HEC reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

	Primary Government		Component Units			
	Deferred Outflows of Resources	Deferred Inflows of Resources	School Board		HEC	
			Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 576,657	\$ 729,464	\$ 26,769	\$ 44,991	\$ 67,104	\$ 84,886
Changes in assumptions	3,072,369	262,810	135,343	1,385	357,523	30,582
Net difference between projected and actual earnings on pension plan investments	-	1,009,884	-	72,288	-	117,517
Employer contributions subsequent to the measurement date	3,047,179	-	75,910	-	354,592	-
Total	\$ 6,696,205	\$ 2,002,158	\$ 238,022	\$ 118,664	\$ 779,219	\$ 232,985

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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Primary Government	Component Units	
		School Board	HEC
2021	\$ 558,360	\$ 30,348	\$ 64,975
2022	807	1,473	94
2023	1,025,320	6,654	119,314
2024	62,381	4,973	7,259
2025	-	-	-
Thereafter	-	-	-

Payable to the Pension Plan

At June 30, 2020, the City and School Board reported a payable of \$407,360 and \$14,991, respectively, for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2020.

Note 17. Pension Plan - Teacher Cost-Sharing Pool

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

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

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

Contributions. The contribution requirement for active employees is governed by Section 51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to school divisions by the Virginia General Assembly. Members are required to contribute five percent of their annual reported compensation toward their retirement. The School Board's contractually required contribution rate for the year ended June 30, 2020 was 15.68 percent of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan were \$6,567,301 for the year ended June 30, 2020.

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

At June 30, 2020, the School Board reported a liability of \$64,796,058 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2018 and rolled forward to the measurement date of June 30, 2019. 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, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the school division's proportion was 0.49235%.

For the year ended June 30, 2020, the School Board recognized pension expense of \$7,981,051. 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, 2020, the School Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 1,422,768
Changes in assumptions	6,416,329	-
Differences between expected and actual experience	-	4,149,165
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,154,170	17,905
Employer contributions subsequent to the measurement date	<u>6,567,301</u>	<u>-</u>
Total	<u>\$ 16,137,800</u>	<u>\$ 5,589,838</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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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

<u>Year Ending June 30,</u>	<u>Deferred Amounts to be Recognized</u>
2021	\$ 1,110,704
2022	(300,689)
2023	1,249,751
2024	1,368,456
2025	552,439
Thereafter	-

Actuarial Assumptions. The total pension liability was based on an actuarial valuation as of June 30, 2018, using the entry age normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

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, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective July 1, 2019. Changes to the actuarial assumptions were substantially the same as described in Note 16.

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

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

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

	<u>1% Decrease (5.75%)</u>	<u>Current Discount Rate (6.75%)</u>	<u>1% Increase (7.75%)</u>
Proportionate share of the net pension liability	\$ 97,546,216	\$ 64,796,058	\$ 37,717,742

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

Pension Plan Fiduciary Net Position. Detailed information about the VRS Teacher Retirement Plan's fiduciary net position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of this report may be downloaded from the VRS website at varetire.org/Pdf/Publications/2019-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, 2020, the School Board reported a payable of \$723,546 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2020.

Note 18. Other Postemployment Benefits

VRS Group Life Insurance Program

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

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

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

The benefit amounts provided to covered employees are subject to a reduction factor. The benefit amount reduces by 25 percent on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25 percent on each subsequent January 1 until it reaches 25 percent of its original value. For covered employees with at least 30 years of creditable service, there is a minimum benefit payable of \$8,463 that is based on the VRS Plan 2 pension cost-of-living adjustment.

Contributions. The contribution requirement for the GLI Program are governed by Sections 51.1-506 and 51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Program was 1.31 percent of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79 percent and the employer component was 0.52 percent. The contractually required employer contribution rate for the year ended June 30, 2020 was 0.52 percent of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the City, the School Board and HEC to the GLI Program were \$147,202, \$241,320 and \$16,961, respectively, for the year ended June 30, 2020.

Note 18. Other Postemployment Benefits (continued)

VRS Group Life Insurance Program (continued)

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

At June 30, 2020, the City, the School Board and HEC reported a liability of \$2,243,941, \$3,640,357 and \$258,550, respectively, for their proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation performed as of June 30, 2018 and rolled forward to the measurement date of June 30, 2019. 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, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At the June 30, 2019 measurement date, the City, the School Board and HEC's proportion was 0.13737%, 0.22371% and 0.01628%, respectively.

For the year ended June 30, 2020, the City, the School Board and HEC recognized OPEB expense of \$66,481, \$134,645 and \$3,259, 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, 2020, 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:

	Primary Government		Component Units			
			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	\$ 149,235	\$ 29,106	\$ 242,106	\$ 47,219	\$ 17,195	\$ 3,354
Changes of assumptions	141,670	67,665	229,831	109,773	16,323	7,796
Net difference between projected and actual earnings on OPEB plan investments	-	46,092	-	74,776	-	5,311
Changes in proportionate share	44,293	-	205,280	1,551	5,104	-
Employer contributions subsequent to the measurement date	147,202	-	241,320	-	16,961	-
Total	\$ 482,400	\$ 142,863	\$ 918,537	\$ 233,319	\$ 55,583	\$ 16,461

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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Primary Government	Component Units	
		School Board	HEC
2021	\$ 16,746	\$ 63,123	\$ 1,929
2022	16,747	63,126	1,930
2023	36,269	94,797	4,179
2024	53,773	109,855	6,196
2025	53,627	89,448	6,179
Thereafter	15,173	23,549	1,748

Note 18. Other Postemployment Benefits (continued)

VRS Group Life Insurance Program (continued)

Actuarial Assumptions. The total OPEB liability was based on an actuarial valuation as of June 30, 2018, using the entry age normal actuarial cost method and actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019. The actuarial assumptions used are substantially the same as described in Note 16 and Note 17.

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

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

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

	<u>1% Decrease (5.75%)</u>	<u>Current Discount Rate (6.75%)</u>	<u>1% Increase (7.75%)</u>
Primary Government:			
Net OPEB Liability	\$ 2,947,917	\$ 2,243,941	\$ 1,673,036
Component Unit - School Board:			
Net OPEB Liability	\$ 4,782,422	\$ 3,640,357	\$ 2,714,174
Component Unit - HEC:			
Net OPEB Liability	\$ 339,664	\$ 258,550	\$ 192,770

OPEB Plan Fiduciary Net Position. Detailed information about the VRS GLI Program Plan's fiduciary net position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of this report may be downloaded from the VRS website at varetire.org/Pdf/Publications/2019-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, 2020, the City and the School Board reported a payable of \$34,170 and \$50,765, respectively, for the outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2020.

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

Note 18. Other Postemployment Benefits (continued)

VRS Health Insurance Credit Program (continued)

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

Contributions. The contribution requirement for active employees is governed by Section 51.1-145(E) of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to school divisions by the Virginia General Assembly. The School Board's contractually required contribution rate for the year ended June 30, 2020 was 1.20 percent of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the HIC Program were \$523,769 for the year ended June 30, 2020. 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, 2020, the School Board reported a liability of \$6,482,128 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation performed as of June 30, 2018 and rolled forward to the measurement date of June 30, 2019. 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, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the school division's proportion was 0.49516%.

For the year ended June 30, 2020, the School Board recognized OPEB expense of \$595,491. 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, 2020, the School Board reported deferred outflows of resources and deferred inflows of resources related to the HIC Program from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 36,715
Changes in assumptions	150,869	45,042
Net difference between projected and actual earnings on OPEB plan investments	409	-
Changes in proportionate share	334,461	-
Employer contributions subsequent to the measurement date	<u>523,769</u>	<u>-</u>
Total	<u>\$ 1,009,508</u>	<u>\$ 81,757</u>

The deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Note 18. Other Postemployment Benefits (continued)

VRS Health Insurance Credit Program (continued)

<u>Year Ending June 30,</u>	<u>Deferred Amounts to be Recognized</u>
2021	\$ 70,084
2022	70,077
2023	72,918
2024	71,967
2025	63,640
Thereafter	55,296

Actuarial Assumptions. The total OPEB liability was based on an actuarial valuation as of June 30, 2018, using the entry age normal actuarial cost method and actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019. The actuarial assumptions used are substantially the same as described in Note 17.

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

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

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

	<u>1% Decrease (5.75%)</u>	<u>Current Discount Rate (6.75%)</u>	<u>1% Increase (7.75%)</u>
Proportionate share of the net OPEB liability	\$ 7,254,601	\$ 6,482,126	\$ 5,825,909

OPEB Plan Fiduciary Net Position. Detailed information about the VRS HIC Program Plan's fiduciary net position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of this report may be downloaded from the VRS website at varetire.org/Pdf/Publications/2019-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, 2020, the School Board reported a payable of \$44,156 for the outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2020.

Local Health Insurance Program

Plan Description

City of Harrisonburg. The City provides certain healthcare benefits for retired employees through the City of Harrisonburg Postretirement Healthcare Benefit Plan (Plan). The plan is administered through a single-employer defined benefit plan and is considered other postemployment benefits (OPEB). The Plan provides for an option to eligible retirees and their eligible dependents to continue their coverage in the same health insurance program available to all City employees at the active employee rates. Eligible retirees must be 50 years of age and meet the Virginia Retirement System requirements for service or disability retirement. Retirees must have at least 15 years of consecutive eligible service with the City immediately prior to retirement. Also, retirees must have participated in the

Note 18. Other Postemployment Benefits (continued)

Local Health Insurance Program (continued)

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, 2019, the following employees were covered by the benefit terms:

	<u>Primary Government</u>	<u>School Board</u>
Inactive employees currently receiving benefits	50	83
Active employees	<u>585</u>	<u>937</u>
Total inactive and active employees	<u><u>635</u></u>	<u><u>1,020</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.

Total OPEB Liability. The total OPEB liabilities of \$11,249,852 and \$12,195,570 for the City and School Board, respectively, were measured as of June 30, 2020 and were determined by actuarial valuations performed as of June 30, 2019.

Note 18. Other Postemployment Benefits (continued)

Local Health Insurance Program (continued)

Actuarial Assumptions. The total OPEB liabilities were based on an actuarial valuation as of June 30, 2019, using the entry age normal actuarial cost method. The following assumptions were applied to all periods included in the measurement.

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

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

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

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

	<u>Primary Government</u>	<u>School Board</u>
Balances at June 30, 2019	\$ 8,691,666	\$ 10,702,158
Changes for the year:		
Service cost	604,714	905,188
Interest	235,404	288,277
Changes in assumptions	(413,527)	(583,415)
Differences between expected and actual experience	2,577,043	1,574,768
Benefit payments	(445,448)	(691,406)
Net changes	<u>2,558,186</u>	<u>1,493,412</u>
Balances at June 30, 2020	<u>\$ 11,249,852</u>	<u>\$ 12,195,570</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 2.79 percent, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.79 percent) or one percentage point higher (3.79 percent) than the current rate:

	<u>1% Decrease (1.79%)</u>	<u>Current Rate (2.79%)</u>	<u>1% Increase (3.79%)</u>
Primary Government:			
Total OPEB liability	\$ 12,484,124	\$ 11,249,852	\$ 10,153,260
School Board:			
Total OPEB liability	\$ 13,469,263	\$ 12,195,570	\$ 11,062,444

Note 18. Other Postemployment Benefits (continued)

Local 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 7.5 percent decreasing to 6.75 percent over three years, as well as what the total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower (6.5 percent decreasing to 5.75 percent over three years) or one percentage point higher (8.5 percent decreasing to 7.75 percent over three years) than the current rate:

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Primary Government:			
Total OPEB liability	\$ 9,911,784	\$ 11,249,852	\$ 12,875,582
School Board:			
Total OPEB liability	\$ 10,816,324	\$ 12,195,570	\$ 13,873,802

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

For the year ended June 30, 2020, the City and the School Board recognized OPEB expense of \$1,125,567 and \$1,463,129, respectively. At June 30, 2020, the City and the School Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Primary Government</u>		<u>School Board</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 2,147,536	\$ -	\$ 1,349,801	\$ -
Changes in assumptions	-	344,606	-	500,070
Total	\$ 2,147,536	\$ 344,606	\$ 1,349,801	\$ 500,070

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

<u>Year Ending June 30,</u>	<u>Primary Government</u>	<u>School Board</u>
2021	\$ 360,586	\$ 141,622
2022	360,586	141,622
2023	360,586	141,622
2024	360,586	141,622
2025	360,586	141,622
Thereafter	-	141,621

Harrisonburg Electric Commission

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

Note 18. Other Postemployment Benefits (continued)

OPEB Aggregate Totals

The following is a summary of the aggregate totals for deferred outflows of resources, deferred inflows of resources and net/total OPEB liability at June 30, 2020 and OPEB expense for the fiscal year ended June 30, 2020:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Net/Total OPEB Liability</u>	<u>OPEB Expense</u>
Primary Government:				
VRS Group Life Insurance Program	\$ 482,400	\$ 142,863	\$ 2,243,941	\$ 66,481
Local Health Insurance Program	<u>2,147,536</u>	<u>344,606</u>	<u>11,249,852</u>	<u>1,125,567</u>
Totals	<u>\$ 2,629,936</u>	<u>\$ 487,469</u>	<u>\$ 13,493,793</u>	<u>\$ 1,192,048</u>
Component Unit - School Board:				
VRS Group Life Insurance Program	\$ 918,537	\$ 233,319	\$ 3,640,357	\$ 134,645
VRS Health Insurance Credit Program	1,009,508	81,757	6,482,126	595,491
Local Health Insurance Program	<u>1,349,801</u>	<u>500,070</u>	<u>12,195,570</u>	<u>1,463,129</u>
Totals	<u>\$ 3,277,846</u>	<u>\$ 815,146</u>	<u>\$ 22,318,053</u>	<u>\$ 2,193,265</u>
Component Unit - HEC:				
VRS Group Life Insurance Program	\$ 55,583	\$ 16,461	\$ 258,550	\$ 3,259
Local Health Insurance Program	<u>32,432</u>	<u>171,983</u>	<u>1,848,637</u>	<u>91,035</u>
Totals	<u>\$ 88,015</u>	<u>\$ 188,444</u>	<u>\$ 2,107,187</u>	<u>\$ 94,294</u>

Note 19. Transactions with Component Units

In fiscal year 2020, the City's General Fund made contributions to the School Board, a component unit, totaling \$34,426,748. These contributions are made in equal monthly installments for the purpose of funding the School Board's operating budget.

In fiscal year 2020, the Harrisonburg Electric Commission, a component unit, made contributions to the City's General Fund totaling \$5,200,000. These contributions are made in equal monthly installments for the purpose of funding the General Fund budget.

Note 20. Joint Ventures

Harrisonburg-Rockingham Regional Sewer Authority. The City, Rockingham County, and the towns of Bridgewater, Dayton and Mt. Crawford have entered into an agreement with the Harrisonburg-Rockingham Regional Sewer Authority (Authority), whereby the Authority agrees to operate a sewage disposal system for the participating municipalities. The municipalities have an ongoing financial responsibility based on an agreement to make annual contributions to the Authority for operations and maintenance based on their respective usage of the system. The municipalities also agree to make contributions to the Authority for debt service. In fiscal year 2020, the City's contributions totaled \$6,399,668 of which \$2,742,665 was for operations, \$406,702 was for debt service and \$3,250,301 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 20. Joint Ventures (continued)

The Authority has \$60.5 million of total debt outstanding at June 30, 2020. 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>
2021	\$ 2,637,624	\$ 839,233	\$ 3,476,857
2022	2,735,342	744,047	3,479,389
2023	1,936,585	667,938	2,604,523
2024	1,992,515	612,008	2,604,523
2025	2,050,178	554,345	2,604,523
2026-2030	11,180,498	1,842,117	13,022,615
2031-2035	4,132,476	669,647	4,802,123
2035-2040	2,503,079	368,852	2,871,931
2041-2045	<u>2,073,831</u>	<u>118,392</u>	<u>2,192,223</u>
Total	<u>\$ 31,242,128</u>	<u>\$ 6,416,579</u>	<u>\$ 37,658,707</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, 2020</u>	<u>June 30, 2019</u>	<u>Increase (Decrease)</u>
Current assets	\$ 5,328,092	\$ 5,032,027	\$ 296,065
Restricted assets	3,610,447	3,484,567	125,880
Capital assets	97,648,123	97,476,198	171,925
Other assets	<u>843,365</u>	<u>820,890</u>	<u>22,475</u>
Total assets	<u>107,430,027</u>	<u>106,813,682</u>	<u>616,345</u>
Deferred outflows of resources	<u>472,931</u>	<u>356,274</u>	<u>116,657</u>
Current liabilities	3,598,062	3,407,976	190,086
Liabilities payable from restricted assets	3,180,797	3,185,369	(4,572)
Long-term liabilities	<u>56,276,420</u>	<u>59,979,830</u>	<u>(3,703,410)</u>
Total liabilities	<u>63,055,279</u>	<u>66,573,175</u>	<u>(3,517,896)</u>
Deferred inflows of resources	<u>250,808</u>	<u>122,178</u>	<u>128,630</u>
Net position	<u>\$ 44,596,871</u>	<u>\$ 40,474,603</u>	<u>\$ 4,122,268</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 2020, the City's contributions totaled \$2,325,651. 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 20. 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, 2020</u>	<u>June 30, 2019</u>	Increase (Decrease)
Current assets	\$ 3,107,109	\$ 2,517,550	\$ 589,559
Capital assets	<u>7,985,569</u>	<u>7,951,104</u>	<u>34,465</u>
Total assets	<u>11,092,678</u>	<u>10,468,654</u>	<u>624,024</u>
Deferred outflows of resources	<u>496,725</u>	<u>276,171</u>	<u>220,554</u>
Current liabilities	317,080	356,761	(39,681)
Long-term liabilities	<u>2,559,824</u>	<u>2,203,147</u>	<u>356,677</u>
Total liabilities	<u>2,876,904</u>	<u>2,559,908</u>	<u>316,996</u>
Deferred inflows of resources	<u>152,437</u>	<u>194,685</u>	<u>(42,248)</u>
Net position	<u>\$ 8,560,062</u>	<u>\$ 7,990,232</u>	<u>\$ 569,830</u>

Note 21. Jointly Governed Organizations

Harrisonburg-Rockingham Social Services District (District). The District was established by the City and the County of Rockingham (County) to provide social services for the residents of the City and County. Both the City and County appoint one member each to the governing board. The District is a separate legal entity and is a discretely presented component unit of the County. The City contributed \$3,608,487 to the District in fiscal year 2020.

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 \$231,304 to the Commission in fiscal year 2020.

Middle River Regional Jail Authority (Authority). The Authority was established to provide a regional inmate facility for the member jurisdictions. The Authority currently serves the Cities of Harrisonburg, Staunton and Waynesboro, Virginia and the Counties of Augusta and Rockingham, Virginia. The governing body is composed of three members appointed by each participating locality. The Authority is a separate legal entity with no participating locality having a voting majority. The Authority is perpetual, and no participating locality has access to its resources or surpluses, nor is any participant liable for the Authority's debts or deficits. In accordance with a service agreement, the Authority will divide its charges to member jurisdictions into an operating and debt service component which will be allocated annually based on the percentage of prisoners from each member jurisdiction over the previous three calendar years. The City and County's annual contribution percentage will be combined based on the total number of prisoners between the two jurisdictions with the City and County each responsible for 50 percent of the contribution. The City contributed \$1,420,596 to the Authority in fiscal year 2020 of which \$1,154,828 was for operations and \$265,768 was for debt service.

Note 22. Related Organization

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

Note 23. Commitments

The Harrisonburg City School Board (School Board) entered into a comprehensive agreement pursuant to the Virginia Public-Private Education and Infrastructure Act (PPEA) for the construction of a second high school. The comprehensive PPEA agreement totals \$90.3 million, of which \$8.5 million had been expended as of June 30, 2020. Due to the COVID-19 pandemic, in April 2020 all construction was suspended on the project effective for one year. This contract is a commitment of the School Bond Capital Projects Fund and will be financed through the issuance of bonds.

The following is a summary of significant encumbrances at June 30, 2020.

	General Fund	General Capital Projects Fund	Total
Street repaving	\$ 543,661	\$ -	\$ 543,661
Zoning and subdivision ordinance update	142,400	-	142,400
Software renewal	138,600	-	138,600
Replacement dump truck	135,942	-	135,942
Housing assessment and market study	120,567	-	120,567
Mount Clinton Pike shared use path	-	140,197	140,197
South Main Street improvements	-	134,160	134,160
Other purposes	433,922	85,009	518,931
Total encumbrances	<u>\$ 1,515,092</u>	<u>\$ 359,366</u>	<u>\$ 1,874,458</u>

Note 24. Middle River Regional Jail Buy-In Agreement

The City, along with Rockingham County (County), entered into a buy-in agreement with Augusta County, the City of Staunton and the City of Waynesboro in which the City and County have agreed to purchase from the existing member jurisdictions the right to use capacity in the jail and become member jurisdictions of the Authority for \$21,543,588 effective July 1, 2015. The City is responsible for \$10,771,794 or 50 percent of the purchase price. The terms of the agreement required a payment of ten percent of the purchase price prior to June 30, 2015 with the balance of the purchase price payable in ten annual installments of \$1,076,298 commencing December 15, 2015. At June 30, 2020, the City has recorded an intangible asset for the purchased capacity of the jail in the amount of \$8,976,495 (net of depreciation) and a liability of \$5,048,154 in governmental activities on the government-wide statement of net position.

Note 25. Hotel and Conference Center

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

Note 25. Hotel and Conference Center (continued)

The City has entered into a support agreement with the EDA whereas the City has agreed to a non-binding moral obligation pledge to appropriate all tax and other revenue generated from the hotel and conference center to the EDA to the extent necessary to reimburse the Foundation for its annual debt payments and the EDA has a non-recourse note to pay to the Foundation such appropriated funds received from the City and generated by tax revenue from the hotel and conference center. The pledged tax revenue will be calculated every September 1. The agreement remains in force for a maximum of 21 years from the date of the Certificate of Occupancy. The City's obligation terminates upon the repayment of the Foundation's construction debt or if the hotel and conference center ceases operations for one year. The agreement does not legally obligate the City for any debt incurred by the Foundation. The conference center portion of the project cost an estimated \$11 million. The City's reimbursement obligation to the EDA totaled \$972,924 for fiscal year 2020.

Note 26. Contingencies

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

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

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

Note 27. 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 Board, Harrisonburg-Rockingham Regional Sewer Authority, Harrisonburg-Rockingham Alcohol Safety Action Program, Harrisonburg Redevelopment and Housing Authority and the Massanutten Regional Library. This fund accounts for the health insurance activities of the aforementioned entities but does not constitute a transfer of risk from the City. Significant claims, over \$250,000, are covered by commercial insurance.

Note 27. Risk Management (continued)

The City records an estimated liability for indemnity health care claims. Claims liabilities are based on estimates of the ultimate cost of reported claims, related claim adjustment expenses and an estimate for claims incurred but not reported (IBNR) based on historical experience. The following represents the change in approximate aggregate liabilities for the fund from July 1, 2018 to June 30, 2020:

<u>Fiscal Year</u>	<u>Beginning Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Ending Liability</u>
2020	\$ 1,331,698	\$ 15,098,382	\$ 15,800,816	\$ 629,264
2019	786,521	16,112,775	15,567,598	1,331,698

Note 28. Subsequent Event

In August 2020, the City received \$4,625,442 in additional federal CARES Act Coronavirus Relief Funds from the Commonwealth of Virginia. Also, in October 2020, the School Board was awarded \$1,122,135 in federal CARES Act Coronavirus Relief Funds from the Commonwealth of Virginia. These funds must be expended by December 30, 2020.

Note 29. COVID-19 Pandemic

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

Note 30. New Governmental Accounting Standards Board (GASB) Standards

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

In 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 2021.

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

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

Note 30. New Governmental Accounting Standards Board (GASB) Standards

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

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

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

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

**REQUIRED
SUPPLEMENTARY INFORMATION**

THIS PAGE LEFT BLANK INTENTIONALLY

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

Exhibit 12

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

The plan years above are reported in the financial statements in the fiscal year following the plan year. For example, plan year 2018 information was presented in the fiscal year 2019 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 Six Fiscal Years

Exhibit 13

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

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

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

Exhibit 14

	Plan Year					
	2019	2018	2017	2016	2015	2014
Total pension liability						
Service cost	\$ 211,475	\$ 201,048	\$ 199,527	\$ 204,651	\$ 211,969	\$ 215,283
Interest	501,885	486,490	479,180	470,931	452,999	431,841
Difference between expected and actual experience	39,455	(115,580)	(180,228)	(161,984)	6,161	-
Changes of assumptions	199,487	-	(31,097)	-	-	-
Benefit payments, including refunds of employee contributions	(370,087)	(333,991)	(391,895)	(399,639)	(430,270)	(259,447)
Net change in total pension liability	582,215	237,967	75,487	113,959	240,859	387,677
Total pension liability - beginning	7,354,825	7,116,858	7,041,371	6,927,412	6,686,553	6,298,876
Total pension liability - ending	\$ 7,937,040	\$ 7,354,825	\$ 7,116,858	\$ 7,041,371	\$ 6,927,412	\$ 6,686,553
Plan fiduciary net position						
Contributions - employer	\$ 76,225	\$ 91,985	\$ 84,555	\$ 131,249	\$ 132,185	\$ 156,508
Contributions - employee	107,536	101,840	92,741	92,983	93,767	97,148
Net investment income	543,586	573,959	860,467	121,916	320,003	971,483
Benefit payments, including refunds of employee contributions	(370,087)	(333,991)	(391,895)	(399,639)	(430,270)	(259,447)
Administrative expense	(5,434)	(4,976)	(5,077)	(4,533)	(4,518)	(5,184)
Other changes	(342)	(510)	(761)	(52)	(69)	51
Net change in fiduciary net position	351,484	428,307	640,030	(58,076)	111,098	960,559
Plan fiduciary net position - beginning	8,216,842	7,788,535	7,148,505	7,206,581	7,095,483	6,134,924
Plan fiduciary net position - ending	\$ 8,568,326	\$ 8,216,842	\$ 7,788,535	\$ 7,148,505	\$ 7,206,581	\$ 7,095,483
Change in net pension liability	\$ 230,731	\$ (190,340)	\$ (564,543)	\$ 172,035	\$ 129,761	\$ (572,882)
Net pension liability (asset) - beginning	(862,017)	(671,677)	(107,134)	(279,169)	(408,930)	163,952
Net pension liability (asset) - ending	\$ (631,286)	\$ (862,017)	\$ (671,677)	\$ (107,134)	\$ (279,169)	\$ (408,930)
Plan fiduciary net position as a percentage of the total pension liability	107.95%	111.72%	109.44%	101.52%	104.03%	106.12%
Covered payroll	\$ 2,328,914	\$ 2,157,068	\$ 1,956,491	\$ 1,927,977	\$ 1,921,153	\$ 1,941,438
Net pension liability as a percentage of covered payroll	-27.11%	-39.96%	-34.33%	-5.56%	-14.53%	-21.06%

The plan years above are reported in the financial statements in the fiscal year following the plan year. For example, plan year 2018 information was presented in the fiscal year 2019 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 Six Fiscal Years

Exhibit 15

	Fiscal Year					
	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 75,910	\$ 77,160	\$ 91,974	\$ 86,379	\$ 131,459	\$ 132,185
Contributions in relation to the contractually required contribution	75,910	77,160	91,974	86,379	131,459	132,185
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 2,354,932	\$ 2,328,914	\$ 2,157,068	\$ 1,956,491	\$ 1,927,977	\$ 1,921,153
Contributions as a percentage of covered payroll	3.22%	3.31%	4.26%	4.41%	6.82%	6.88%

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

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

Exhibit 16

	Plan Year					
	2019	2018	2017	2016	2015	2014
Proportion of the net pension liability	0.49235%	0.48893%	0.47233%	0.45714%	0.44562%	0.44712%
Proportionate share of the net pension liability	\$ 64,796,058	\$ 57,498,000	\$ 58,087,000	\$ 64,064,000	\$ 56,088,000	\$ 54,033,000
Covered payroll	\$ 41,189,879	\$ 39,699,504	\$ 37,191,094	\$ 34,585,344	\$ 33,237,754	\$ 32,684,093
Proportionate share of the net pension liability as a percentage of its covered payroll	157.31%	144.83%	156.19%	185.23%	168.75%	165.32%
Plan fiduciary net position as a percentage of the total pension liability	73.51%	74.81%	72.92%	68.28%	70.68%	70.88%

The plan years above are reported in the financial statements in the fiscal year following the plan year. For example, plan year 2018 information was presented in the fiscal year 2019 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 Six Fiscal Years

Exhibit 17

	Fiscal Year					
	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 6,567,301	\$ 6,300,654	\$ 6,173,973	\$ 5,307,792	\$ 4,835,653	\$ 4,676,599
Contributions in relation to the contractually required contribution	<u>6,567,301</u>	<u>6,300,654</u>	<u>6,173,973</u>	<u>5,307,792</u>	<u>4,835,653</u>	<u>4,676,599</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Covered payroll	\$ 43,624,701	\$ 41,189,879	\$ 39,699,504	\$ 37,191,094	\$ 34,585,344	\$ 33,237,754
Contributions as a percentage of covered payroll	15.05%	15.30%	15.55%	14.27%	13.98%	14.07%

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

SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY

PRIMARY GOVERNMENT AND HARRISONBURG ELECTRIC COMMISSION VRS GROUP LIFE INSURANCE PROGRAM

Last Three Plan Years

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

The plan years above are reported in the financial statements in the fiscal year following the plan year. For example, plan year 2018 information was presented in the fiscal year 2019 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 VRS GROUP LIFE INSURANCE PROGRAM
 Last Three Fiscal Years

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

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

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

Exhibit 20

	Plan Year		
	2019	2018	2017
Proportion of the net OPEB liability	0.22371%	0.22044%	0.21406%
Proportionate share of the net OPEB liability	\$ 3,640,357	\$ 3,347,000	\$ 3,221,000
Covered payroll	\$ 43,518,793	\$ 41,856,572	\$ 39,147,585
Proportionate share of the net OPEB liability as a percentage of its covered payroll	8.37%	8.00%	8.23%
Plan fiduciary net position as a percentage of the total OPEB liability	52.00%	51.22%	48.86%

The plan years above are reported in the financial statements in the fiscal year following the plan year. For example, plan year 2018 information was presented in the fiscal year 2019 financial statements.

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

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

Exhibit 21

	Fiscal Year		
	2020	2019	2018
Contractually required contribution	\$ 241,320	\$ 228,186	\$ 217,876
Contributions in relation to the contractually required contribution	241,320	228,186	217,876
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 45,979,633	\$ 43,518,793	\$ 41,856,572
Contributions as a percentage of covered payroll	0.52%	0.52%	0.52%

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

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

Exhibit 22

	Plan Year		
	2019	2018	2017
Proportion of the net OPEB liability	0.49516%	0.49147%	0.47489%
Proportionate share of the net OPEB liability	\$ 6,482,126	\$ 6,240,000	\$ 6,025,000
Covered payroll	\$ 41,189,879	\$ 39,699,504	\$ 37,191,094
Proportionate share of the net OPEB liability as a percentage of its covered payroll	15.74%	15.72%	16.20%
Plan fiduciary net position as a percentage of the total OPEB liability	8.97%	8.08%	7.04%

The plan years above are reported in the financial statements in the fiscal year following the plan year. For example, plan year 2018 information was presented in the fiscal year 2019 financial statements.

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

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

Exhibit 23

	Fiscal Year		
	2020	2019	2018
Contractually required contribution	\$ 523,769	\$ 496,347	\$ 480,598
Contributions in relation to the contractually required contribution	523,769	496,347	480,598
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 43,624,701	\$ 41,189,879	\$ 39,699,504
Contributions as a percentage of covered payroll	1.20%	1.20%	1.23%

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

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

Exhibit 24

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

The plan years above are reported in the financial statements in the fiscal year following the plan year. For example, plan year 2018 information was presented in the fiscal year 2019 financial statements.

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

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

Exhibit 25

	Plan Year		
	2019	2018	2017
Total OPEB liability			
Service cost	\$ 905,188	\$ 640,131	\$ 609,649
Interest	288,277	324,811	318,768
Difference between expected and actual experience	1,574,768	-	-
Changes of assumptions	(583,415)	-	-
Benefit payments	<u>(691,406)</u>	<u>(765,839)</u>	<u>(715,737)</u>
Net change in total OPEB liability	1,493,412	199,103	212,680
Total OPEB liability - beginning	<u>10,702,158</u>	<u>10,503,055</u>	<u>10,290,375</u>
Total OPEB liability - ending	<u>\$ 12,195,570</u>	<u>\$ 10,702,158</u>	<u>\$ 10,503,055</u>
Covered payroll	\$ 43,518,793	\$ 41,856,572	\$ 39,147,585
Total OPEB liability as a percentage of covered payroll	28.02%	25.57%	26.83%

The plan years above are reported in the financial statements in the fiscal year following the plan year. For example, plan year 2018 information was presented in the fiscal year 2019 financial statements.

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

Note 1. Pension Plans

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

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

Changes of Assumptions. The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

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

All Others (Non 10 Largest) – Hazardous Duty:

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

Teacher Cost-Sharing Pool:

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

Note 2. Other Postemployment Benefit Plans

VRS Group Life Insurance Program

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

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

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

Note 2. Other Postemployment Benefit Plans (continued)

Local Health Insurance Program

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

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

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

**OTHER
SUPPLEMENTARY INFORMATION**

THIS PAGE LEFT BLANK INTENTIONALLY

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, 2020

Exhibit A-1

	<u>Special Revenue Funds</u>			<u>Total Nonmajor Governmental Funds</u>
	<u>Community Development Block Grant Fund</u>	<u>School Transportation Fund</u>	<u>Business Loan Program Fund</u>	
Assets				
Cash and cash equivalents	\$ -	\$ 851,052	\$ 160,891	\$ 1,011,943
Receivables	-	645	490	1,135
Due from other governments	31,588	-	-	31,588
Loans receivable	-	-	111,915	111,915
Total assets	<u>\$ 31,588</u>	<u>\$ 851,697</u>	<u>\$ 273,296</u>	<u>\$ 1,156,581</u>
Liabilities				
Accounts payable	\$ 29,999	\$ 13,661	\$ -	\$ 43,660
Accrued payroll	1,298	180,163	-	181,461
Due to other funds	291	-	-	291
Due to component units	-	1,417	-	1,417
Total liabilities	<u>31,588</u>	<u>195,241</u>	<u>-</u>	<u>226,829</u>
Deferred Inflows of Resources				
Unavailable revenue	-	-	111,915	111,915
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>111,915</u>	<u>111,915</u>
Fund Balances				
Committed	-	467,146	151,381	618,527
Assigned	-	189,310	10,000	199,310
Total fund balances	<u>-</u>	<u>656,456</u>	<u>161,381</u>	<u>817,837</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 31,588</u>	<u>\$ 851,697</u>	<u>\$ 273,296</u>	<u>\$ 1,156,581</u>

CITY OF HARRISONBURG, VIRGINIA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2020

Exhibit A-2

	<u>Special Revenue Funds</u>			<u>Total Nonmajor Governmental Funds</u>
	<u>Community Development Block Grant Fund</u>	<u>School Transportation Fund</u>	<u>Business Loan Program Fund</u>	
Revenues:				
Use of money and property	\$ -	\$ 1,088	\$ 2,236	\$ 3,324
Charges for services	-	4,077,069	-	4,077,069
Miscellaneous	-	14,101	33,221	47,322
Intergovernmental	344,761	-	-	344,761
Total revenues	<u>344,761</u>	<u>4,092,258</u>	<u>35,457</u>	<u>4,472,476</u>
Expenditures:				
Current:				
Education	-	3,766,792	-	3,766,792
Community development	344,761	-	25,000	369,761
Total expenditures	<u>344,761</u>	<u>3,766,792</u>	<u>25,000</u>	<u>4,136,553</u>
Net change in fund balances	-	325,466	10,457	335,923
Fund balances at beginning of year	<u>-</u>	<u>330,990</u>	<u>150,924</u>	<u>481,914</u>
Fund balances at end of year	<u>\$ -</u>	<u>\$ 656,456</u>	<u>\$ 161,381</u>	<u>\$ 817,837</u>

SCHOOL TRANSPORTATION FUND

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

For the Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Use of money and property	\$ 2,000	\$ 2,000	\$ 1,088	\$ (912)
Charges for services	4,121,405	4,121,405	4,077,069	(44,336)
Miscellaneous	25,000	25,000	14,101	(10,899)
Total revenues	<u>4,148,405</u>	<u>4,148,405</u>	<u>4,092,258</u>	<u>(56,147)</u>
Expenditures:				
Current:				
Education	<u>4,213,405</u>	<u>4,213,405</u>	<u>3,766,792</u>	<u>446,613</u>
Total expenditures	<u>4,213,405</u>	<u>4,213,405</u>	<u>3,766,792</u>	<u>446,613</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (65,000)</u>	<u>\$ (65,000)</u>	325,466	<u>\$ (502,760)</u>
Fund balance at beginning of year			<u>330,990</u>	
Fund balance at end of year			<u>\$ 656,456</u>	

BUSINESS LOAN PROGRAM FUND

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

For the Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Use of money and property	\$ -	\$ -	\$ 2,236	\$ 2,236
Miscellaneous	21,000	26,000	33,221	7,221
Total revenues	<u>21,000</u>	<u>26,000</u>	<u>35,457</u>	<u>9,457</u>
Expenditures:				
Current:				
Community development	125,000	130,000	25,000	105,000
Total expenditures	<u>125,000</u>	<u>130,000</u>	<u>25,000</u>	<u>105,000</u>
Excess (deficiency) of revenues over (under) expenditures	\$ <u>(104,000)</u>	\$ <u>(104,000)</u>	10,457	\$ <u>(95,543)</u>
Fund balance at beginning of year			<u>150,924</u>	
Fund balance at end of year			\$ <u><u>161,381</u></u>	

THIS PAGE LEFT BLANK INTENTIONALLY

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, 2020

Exhibit B-1

	<u>Central Garage Fund</u>	<u>Central Stores Fund</u>	<u>Health Insurance Fund</u>	<u>Total</u>
Assets				
Current assets:				
Cash and cash equivalents	\$ 1,010,837	\$ -	\$ 10,755,914	\$ 11,766,751
Receivables	1,716	-	1,352	3,068
Due from component units	21,271	-	-	21,271
Inventory	103,499	1,115,117	-	1,218,616
Prepaid expenses	20,090	-	-	20,090
Total current assets	<u>1,157,413</u>	<u>1,115,117</u>	<u>10,757,266</u>	<u>13,029,796</u>
Noncurrent assets:				
Capital assets (net of accumulated depreciation)	5,539,263	476,735	-	6,015,998
Total noncurrent assets	<u>5,539,263</u>	<u>476,735</u>	<u>-</u>	<u>6,015,998</u>
Total assets	<u>6,696,676</u>	<u>1,591,852</u>	<u>10,757,266</u>	<u>19,045,794</u>
Deferred outflows of resources				
Deferred OPEB outflows	53,500	5,206	-	58,706
Deferred pension outflows	146,070	22,423	-	168,493
Total deferred outflows of resources	<u>199,570</u>	<u>27,629</u>	<u>-</u>	<u>227,199</u>
Liabilities				
Current liabilities:				
Accounts payable	135,862	17,541	629,264	782,667
Accrued payroll	41,006	4,829	-	45,835
Due to other funds	-	44,803	-	44,803
Due to component units	2,479	356	-	2,835
Compensated absences	45,683	7,925	-	53,608
Total current liabilities	<u>225,030</u>	<u>75,454</u>	<u>629,264</u>	<u>929,748</u>
Noncurrent liabilities:				
Compensated absences	26,179	7,727	-	33,906
Net OPEB liability	273,820	26,357	-	300,177
Net pension liability	508,871	78,117	-	586,988
Total noncurrent liabilities	<u>808,870</u>	<u>112,201</u>	<u>-</u>	<u>921,071</u>
Total liabilities	<u>1,033,900</u>	<u>187,655</u>	<u>629,264</u>	<u>1,850,819</u>
Deferred inflows of resources				
Deferred OPEB inflows	10,074	1,047	-	11,121
Deferred pension inflows	43,676	6,705	-	50,381
Total deferred inflows of resources	<u>53,750</u>	<u>7,752</u>	<u>-</u>	<u>61,502</u>
Net position				
Net investment in capital assets	5,539,263	476,735	-	6,015,998
Unrestricted	<u>269,333</u>	<u>947,339</u>	<u>10,128,002</u>	<u>11,344,674</u>
Total net position	<u>\$ 5,808,596</u>	<u>\$ 1,424,074</u>	<u>\$ 10,128,002</u>	<u>\$ 17,360,672</u>

CITY OF HARRISONBURG, VIRGINIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended June 30, 2020

Exhibit B-2

	<u>Central Garage Fund</u>	<u>Central Stores Fund</u>	<u>Health Insurance Fund</u>	<u>Total</u>
Operating revenues:				
Charges for services	\$ 4,009,117	\$ 1,093,208	\$ 19,394,251	\$ 24,496,576
Total operating revenues	<u>4,009,117</u>	<u>1,093,208</u>	<u>19,394,251</u>	<u>24,496,576</u>
Operating expenses:				
Personal services	772,717	93,947	-	866,664
Fringe benefits	288,100	44,260	-	332,360
Purchased services	347,685	14,755	185,432	547,872
Internal services	3,378	1,493	-	4,871
Other charges	50,861	23,955	891,379	966,195
Materials and supplies	49,711	2,567	-	52,278
Depreciation	177,393	18,881	-	196,274
Cost of inventory issued	2,376,767	1,093,208	-	3,469,975
Claims related charges	-	-	15,098,382	15,098,382
Total operating expenses	<u>4,066,612</u>	<u>1,293,066</u>	<u>16,175,193</u>	<u>21,534,871</u>
Operating income (loss)	<u>(57,495)</u>	<u>(199,858)</u>	<u>3,219,058</u>	<u>2,961,705</u>
Nonoperating revenues:				
Miscellaneous revenue	2,662	-	-	2,662
Investment revenue	15,163	-	124,540	139,703
Participant assessment return	-	-	(150,028)	(150,028)
Total nonoperating revenues	<u>17,825</u>	<u>-</u>	<u>(25,488)</u>	<u>(7,663)</u>
Income (loss) before transfers	(39,670)	(199,858)	3,193,570	2,954,042
Transfers in	-	178,806	-	178,806
Transfer out	-	-	(1,131,400)	(1,131,400)
Change in net position	(39,670)	(21,052)	2,062,170	2,001,448
Net position at beginning of year	<u>5,848,266</u>	<u>1,445,126</u>	<u>8,065,832</u>	<u>15,359,224</u>
Net position at end of year	<u>\$ 5,808,596</u>	<u>\$ 1,424,074</u>	<u>\$ 10,128,002</u>	<u>\$ 17,360,672</u>

CITY OF HARRISONBURG, VIRGINIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2020

	<u>Central Garage Fund</u>	<u>Central Stores Fund</u>	<u>Health Insurance Fund</u>	<u>Total</u>
Cash flows from operating activities:				
Receipts from customers	\$ 4,000,221	\$ 1,093,208	\$ -	\$ 5,093,429
Receipts from premiums		-	19,394,251	19,394,251
Receipts other sources	3,047	-	-	3,047
Payments to employees	(757,414)	(92,500)	-	(849,914)
Payments for fringe benefits	(261,291)	(39,903)	-	(301,194)
Payments to vendors	(2,876,163)	(1,107,117)	(1,076,811)	(5,060,091)
Payments for internal services	(3,378)	(1,462)	-	(4,840)
Payments to participants	-	-	(150,028)	(150,028)
Payments for claims related charges	-	-	(15,800,816)	(15,800,816)
Net cash provided by (used for) operating activities	<u>105,022</u>	<u>(147,774)</u>	<u>2,366,596</u>	<u>2,323,844</u>
Cash flows from noncapital financing activities:				
Transfers in	-	178,806	-	178,806
Transfers out	-	-	(1,131,400)	(1,131,400)
Interfund loan	-	(31,032)	-	(31,032)
Net cash provided by (used for) noncapital financing activities	<u>-</u>	<u>147,774</u>	<u>(1,131,400)</u>	<u>(983,626)</u>
Cash flows from capital and related financing activities:				
Purchase and construction of capital assets	<u>(43,336)</u>	<u>-</u>	<u>-</u>	<u>(43,336)</u>
Net cash used for capital and related financing activities	<u>(43,336)</u>	<u>-</u>	<u>-</u>	<u>(43,336)</u>
Cash flows from investing activities:				
Interest received	<u>15,028</u>	<u>-</u>	<u>123,398</u>	<u>138,426</u>
Net cash provided by investing activities	<u>15,028</u>	<u>-</u>	<u>123,398</u>	<u>138,426</u>
Net increase in cash and cash equivalents	76,714	-	1,358,594	1,435,308
Cash and cash equivalents:				
Beginning	<u>934,123</u>	<u>-</u>	<u>9,397,320</u>	<u>10,331,443</u>
Ending	<u>\$ 1,010,837</u>	<u>\$ -</u>	<u>\$ 10,755,914</u>	<u>\$ 11,766,751</u>

(continued)

CITY OF HARRISONBURG, VIRGINIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2020

	<u>Central Garage Fund</u>	<u>Central Stores Fund</u>	<u>Health Insurance Fund</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ (57,495)	\$ (199,858)	\$ 3,219,058	\$ 2,961,705
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	177,393	18,881	-	196,274
Miscellaneous revenue	3,047	-	-	3,047
Participant assessment return	-	-	(150,028)	(150,028)
Change in assets, deferred outflows of resources, liabilities and deferred inflows of resources:				
(Increase) decrease in:				
Accounts receivable	3,953	-	-	3,953
Due from component units	(12,849)	-	-	(12,849)
Inventory	(4,853)	3,365	-	(1,488)
Prepaid expenses	(214)	-	-	(214)
Deferred outflows of resources	(96,974)	(15,148)	-	(112,122)
Increase (decrease) in:				
Accounts payable	(5,920)	15,654	(702,434)	(692,700)
Accrued payroll	12,808	1,075	-	13,883
Due to component units	528	(9)	-	519
Compensated absences	3,586	474	-	4,060
Net OPEB liability	34,670	6,653	-	41,323
Net pension liability	62,172	22,046	-	84,218
Deferred inflows of resources	(14,830)	(907)	-	(15,737)
Net cash provided by (used for) operating activities	<u>\$ 105,022</u>	<u>\$ (147,774)</u>	<u>\$ 2,366,596</u>	<u>\$ 2,323,844</u>

THIS PAGE LEFT BLANK INTENTIONALLY

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, 2020

Exhibit C-1

	<u>Economic Development Authority Fund</u>	<u>Emergency Communications Center Fund</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 119,821	\$ 2,678,808	\$ 2,798,629
Receivables	<u>20</u>	<u>347,628</u>	<u>347,648</u>
Total assets	<u>\$ 119,841</u>	<u>\$ 3,026,436</u>	<u>\$ 3,146,277</u>
Liabilities			
Accounts payable	\$ -	\$ 81,669	\$ 81,669
Accrued payroll	-	125,474	125,474
Amounts held for others	<u>119,841</u>	<u>2,819,293</u>	<u>2,939,134</u>
Total liabilities	<u>\$ 119,841</u>	<u>\$ 3,026,436</u>	<u>\$ 3,146,277</u>

CITY OF HARRISONBURG, VIRGINIA
 AGENCY FUNDS
 STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 For the Year Ended June 30, 2020

Exhibit C-2

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
<u>Economic Development Authority Fund</u>				
Assets:				
Cash and cash equivalents	\$ 117,931	\$ 1,131,890	\$ 1,130,000	\$ 119,821
Receivables	<u>4</u>	<u>20</u>	<u>4</u>	<u>20</u>
Total assets	<u>\$ 117,935</u>	<u>\$ 1,131,910</u>	<u>\$ 1,130,004</u>	<u>\$ 119,841</u>
Liabilities:				
Amounts held for others	\$ <u>117,935</u>	\$ <u>1,131,906</u>	\$ <u>1,130,000</u>	\$ <u>119,841</u>
Total liabilities	<u>\$ 117,935</u>	<u>\$ 1,131,906</u>	<u>\$ 1,130,000</u>	<u>\$ 119,841</u>
<u>Emergency Communications Center Fund</u>				
Assets:				
Cash and cash equivalents	\$ 1,967,366	\$ 6,060,478	\$ 5,349,036	\$ 2,678,808
Receivables	<u>300,442</u>	<u>347,628</u>	<u>300,442</u>	<u>347,628</u>
Total assets	<u>\$ 2,267,808</u>	<u>\$ 6,408,106</u>	<u>\$ 5,649,478</u>	<u>\$ 3,026,436</u>
Liabilities:				
Accounts payable	\$ 116,877	\$ 81,669	\$ 116,877	\$ 81,669
Accrued payroll	88,627	125,474	88,627	125,474
Amounts held for others	<u>2,062,304</u>	<u>6,107,665</u>	<u>5,350,676</u>	<u>2,819,293</u>
Total liabilities	<u>\$ 2,267,808</u>	<u>\$ 6,314,808</u>	<u>\$ 5,556,180</u>	<u>\$ 3,026,436</u>
<u>Total - All Agency Funds</u>				
Assets:				
Cash and cash equivalents	\$ 2,085,297	\$ 7,192,368	\$ 6,479,036	\$ 2,798,629
Receivables	<u>300,446</u>	<u>347,648</u>	<u>300,446</u>	<u>347,648</u>
Total assets	<u>\$ 2,385,743</u>	<u>\$ 7,540,016</u>	<u>\$ 6,779,482</u>	<u>\$ 3,146,277</u>
Liabilities:				
Accounts payable	\$ 116,877	\$ 81,669	\$ 116,877	\$ 81,669
Accrued payroll	88,627	125,474	88,627	125,474
Amounts held for others	<u>2,180,239</u>	<u>7,239,571</u>	<u>6,480,676</u>	<u>2,939,134</u>
Total liabilities	<u>\$ 2,385,743</u>	<u>\$ 7,446,714</u>	<u>\$ 6,686,180</u>	<u>\$ 3,146,277</u>

THIS PAGE LEFT BLANK INTENTIONALLY

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, 2020

Exhibit D-1

	<u>School Fund</u>	<u>School Nutrition Fund</u>	<u>School Capital Projects Fund</u>	<u>Totals</u>
Assets				
Cash and cash equivalents	\$ 10,869,646	\$ 2,265,263	\$ -	\$ 13,134,909
Receivables	89,828	2,278	-	92,106
Due from other governments	1,441,402	292,818	-	1,734,220
Inventory	-	153,776	-	153,776
Prepaid expenditures	523,559	16,295	-	539,854
Total assets	<u>\$ 12,924,435</u>	<u>\$ 2,730,430</u>	<u>\$ -</u>	<u>\$ 15,654,865</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 17,727	\$ 91,718	\$ -	\$ 109,445
Accrued payroll	8,549,848	218,803	-	8,768,651
Due to primary government	3,654	15,137	-	18,791
Due to component units	55,119	-	-	55,119
Other liabilities	1,561,779	-	-	1,561,779
Total liabilities	<u>10,188,127</u>	<u>325,658</u>	<u>-</u>	<u>10,513,785</u>
Fund Balances:				
Nonspendable:				
Inventory	-	153,776	-	153,776
Prepaid expenditures	523,559	16,295	-	539,854
Committed to:				
Food services	-	2,234,701	-	2,234,701
Assigned to:				
Instruction	591,068	-	-	591,068
Administration, attendance and health	20,861	-	-	20,861
Pupil transportation	84,700	-	-	84,700
Operations and maintenance	419,970	-	-	419,970
Technology	240,434	-	-	240,434
Unassigned	855,716	-	-	855,716
Total fund balances	<u>2,736,308</u>	<u>2,404,772</u>	<u>-</u>	<u>5,141,080</u>
Total liabilities and fund balances	<u>\$ 12,924,435</u>	<u>\$ 2,730,430</u>	<u>\$ -</u>	<u>\$ 15,654,865</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, 2020

Exhibit D-2

Total fund balances of governmental funds (Exhibit D-1)		\$ 5,141,080
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.		48,713,861
Net pension assets are not current financial resources and, therefore, are not reported in the funds.		631,286
Long-term liabilities, and related accounts, are not payable from current financial resources and, therefore, are not reported in the funds.		(88,767,803)
Deferred outflows of resources and deferred inflows of resources related to OPEB and pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred OPEB outflows	\$ 3,277,846	
Deferred pension outflows	16,375,822	
Deferred OPEB inflows	(815,146)	
Deferred pension inflows	<u>(5,708,502)</u>	
Net adjustment	<u>\$ 13,130,020</u>	<u>13,130,020</u>
Net position of governmental activities (Exhibit 1)		\$ <u>(21,151,556)</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, 2020

Exhibit D-3

	<u>School Fund</u>	<u>School Nutrition Fund</u>	<u>School Capital Projects Fund</u>	<u>Totals</u>
Revenues:				
Use of money and property	\$ 33,980	\$ 29,381	\$ -	\$ 63,361
Charges for services	1,178,360	360,005	-	1,538,365
Miscellaneous	191,225	19,307	-	210,532
Payment from primary government	35,226,254	-	-	35,226,254
Intergovernmental	47,335,765	4,234,628	-	51,570,393
Total revenues	<u>83,965,584</u>	<u>4,643,321</u>	<u>-</u>	<u>88,608,905</u>
Expenditures:				
Current:				
Instruction	63,791,719	-	-	63,791,719
Administration, attendance and health	4,810,450	-	-	4,810,450
Pupil transportation	4,158,298	-	-	4,158,298
Operations and maintenance	5,599,242	-	-	5,599,242
Food services	-	4,174,907	-	4,174,907
Technology	3,971,022	19,552	-	3,990,574
Capital projects	-	-	22,933	22,933
Total expenditures	<u>82,330,731</u>	<u>4,194,459</u>	<u>22,933</u>	<u>86,548,123</u>
Net change in fund balances	1,634,853	448,862	(22,933)	2,060,782
Fund balances at beginning of year	<u>1,101,455</u>	<u>1,955,910</u>	<u>22,933</u>	<u>3,080,298</u>
Fund balances at end of year	<u>\$ 2,736,308</u>	<u>\$ 2,404,772</u>	<u>\$ -</u>	<u>\$ 5,141,080</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, 2020

Exhibit D-4

Total net change in fund balances of governmental funds (Exhibit D-3) \$ 2,060,782

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

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

Capital outlay expenditures	\$	239,516		
Depreciation expense		<u>(2,269,674)</u>		
Net adjustment	\$	<u>(2,030,158)</u>		(2,030,158)

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. (92,937)

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

Employer OPEB contributions	\$	765,089		
Employer pension contributions		6,643,211		
OPEB expense		(2,193,265)		
Pension expense		<u>(8,010,056)</u>		
Net adjustment	\$	<u>(2,795,021)</u>		(2,795,021)

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. 3,772,417

Change in net position of governmental activities (Exhibit 2) \$ 915,083

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, 2020

Exhibit D-5

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Use of money and property	\$ 30,000	\$ 30,000	\$ 33,980	\$ 3,980
Charges for services	1,482,352	1,482,352	1,178,360	(303,992)
Miscellaneous	341,042	368,397	191,225	(177,172)
Payment from primary government	35,803,308	36,602,814	35,226,254	(1,376,560)
Intergovernmental	45,881,554	46,426,308	47,335,765	909,457
Total revenues	<u>83,538,256</u>	<u>84,909,871</u>	<u>83,965,584</u>	<u>(944,287)</u>
Expenditures:				
Current:				
Instruction	64,371,046	64,983,720	63,791,719	1,192,001
Administration, attendance and health	4,742,138	4,872,531	4,810,450	62,081
Pupil transportation	4,358,704	4,334,204	4,158,298	175,906
Operations and maintenance	6,184,924	6,169,453	5,599,242	570,211
Technology	3,881,444	4,503,730	3,971,022	532,708
Total expenditures	<u>83,538,256</u>	<u>84,863,638</u>	<u>82,330,731</u>	<u>2,532,907</u>
Excess of revenues over expenditures	\$ <u>-</u>	\$ <u>46,233</u>	1,634,853	\$ <u>(3,477,194)</u>
Fund balance at beginning of year			<u>1,101,455</u>	
Fund balance at end of year			\$ <u>2,736,308</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, 2020

Exhibit D-6

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Use of money and property	\$ 18,000	\$ 18,000	\$ 29,381	\$ 11,381
Charges for services	406,903	406,903	360,005	(46,898)
Miscellaneous	35,000	35,000	19,307	(15,693)
Intergovernmental	3,966,600	3,966,600	4,234,628	268,028
Total revenues	<u>4,426,503</u>	<u>4,426,503</u>	<u>4,643,321</u>	<u>216,818</u>
Expenditures:				
Current:				
Food services	4,401,503	4,411,503	4,174,907	236,596
Technology	25,000	25,000	19,552	5,448
Total expenditures	<u>4,426,503</u>	<u>4,436,503</u>	<u>4,194,459</u>	<u>242,044</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (10,000)</u>	448,862	<u>\$ (25,226)</u>
Fund balance at beginning of year			<u>1,955,910</u>	
Fund balance at end of year			<u>\$ 2,404,772</u>	

THIS PAGE LEFT BLANK INTENTIONALLY

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, 2020

Fund, Major and Minor Revenue Sources	Final Budget	Actual	Variance Positive (Negative)
Primary Government:			
General Fund:			
General property taxes:			
Real property taxes	\$ 36,948,300	\$ 37,052,907	\$ 104,607
Real and personal public service corporation property taxes	491,500	503,888	12,388
Personal property taxes	10,192,600	10,876,336	683,736
Mobile home taxes	9,600	10,251	651
Machinery and tools taxes	2,325,800	2,772,933	447,133
Penalties and interest	315,000	357,942	42,942
Total general property taxes	<u>50,282,800</u>	<u>51,574,257</u>	<u>1,291,457</u>
Other local taxes:			
Local sales and use taxes	14,713,400	13,971,040	(742,360)
Consumer utility taxes	2,016,800	1,998,550	(18,250)
Business license taxes	7,279,500	7,224,775	(54,725)
Motor vehicle license taxes	1,284,400	1,286,175	1,775
Bank stock taxes	785,000	665,686	(119,314)
Taxes on recordation and wills	423,700	489,922	66,222
Tobacco taxes	529,700	548,631	18,931
Admission and amusement taxes	184,100	116,113	(67,987)
Hotel and motel room taxes	3,159,300	2,630,068	(529,232)
Restaurant food taxes	14,389,000	12,628,014	(1,760,986)
Short-term rental taxes	93,300	136,392	43,092
Public right-of-way use fee	105,900	148,754	42,854
Total other local taxes	<u>44,964,100</u>	<u>41,844,120</u>	<u>(3,119,980)</u>
Permits, privilege fees and regulatory licenses:			
Animal licenses	4,000	3,694	(306)
Permits and other licenses	581,600	604,835	23,235
Total permits, privilege fees and regulatory licenses	<u>585,600</u>	<u>608,529</u>	<u>22,929</u>
Fines and forfeitures:			
Court fines	600,000	504,769	(95,231)
Parking fines	60,000	39,735	(20,265)
E-summons fee	50,000	41,683	(8,317)
Asset forfeiture	-	60,472	60,472
Other fines and forfeitures	15,000	10,418	(4,582)
Total fines and forfeitures	<u>725,000</u>	<u>657,077</u>	<u>(67,923)</u>
Use of money and property:			
Use of money	920,000	703,145	(216,855)
Use of property	15,000	70,523	55,523
Total use of money and property	<u>935,000</u>	<u>773,668</u>	<u>(161,332)</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, 2020

Fund, Major and Minor Revenue Sources	Final Budget	Actual	Variance Positive (Negative)
Primary Government: (continued)			
General Fund: (continued)			
Charges for services:			
Charges for law enforcement and traffic control	\$ 50,000	\$ 64,522	\$ 14,522
Charges for fire and rescue	-	10,242	10,242
Charges for parking	113,500	117,404	3,904
Charges for rescue services	100,000	133,962	33,962
Charges for parks and recreation	423,500	247,458	(176,042)
Charges for golf course	729,500	465,805	(263,695)
Total charges for services	<u>1,416,500</u>	<u>1,039,393</u>	<u>(377,107)</u>
Miscellaneous:			
Payments in lieu of taxes:			
Electric plant and equipment	583,500	583,569	69
Service charge on tax exempt property	95,000	101,620	6,620
Debt service reimbursement from HRHA	653,375	653,375	-
Debt service reimbursement from HRCSB	-	58,131	58,131
Donations - JMU	180,000	226,574	46,574
Donations	160,750	156,687	(4,063)
Other miscellaneous	577,344	772,342	194,998
Total miscellaneous	<u>2,249,969</u>	<u>2,552,298</u>	<u>302,329</u>
Payments from component units:			
Payment from Harrisonburg Electric Commission	5,200,000	5,200,000	-
Total payments from component units	<u>5,200,000</u>	<u>5,200,000</u>	<u>-</u>
Intergovernmental:			
Revenue from the Commonwealth:			
Non-categorical aid:			
Railroad rolling stock taxes	17,000	16,031	(969)
Mobile home titling taxes	3,000	2,190	(810)
Tax on deeds (grantor tax)	130,000	87,303	(42,697)
Personal property tax reimbursement	1,522,583	1,522,583	-
Communication sales and use taxes	1,333,600	1,341,203	7,603
Auto rental taxes	350,200	337,220	(12,980)
Animal friendly license plate	500	682	182
Total non-categorical aid	<u>3,356,883</u>	<u>3,307,212</u>	<u>(49,671)</u>
Categorical aid:			
Shared expenses:			
Commissioner of the revenue	144,000	151,718	7,718
Treasurer	129,000	130,923	1,923
Registrar	46,000	51,702	5,702
Total shared expenses	<u>319,000</u>	<u>334,343</u>	<u>15,343</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, 2020

Fund, Major and Minor Revenue Sources	Final Budget	Actual	Variance Positive (Negative)
Primary Government: (continued)			
General Fund: (continued)			
Intergovernmental: (continued)			
Revenue from the Commonwealth: (continued)			
Other categorical aid:			
Fire programs fund	\$ 170,000	\$ 178,152	\$ 8,152
Other fire department	41,000	23,527	(17,473)
Internet crimes against children grant	-	12,407	12,407
Litter control grant	9,900	8,623	(1,277)
State aid to localities, police	1,400,888	1,455,524	54,636
Street and highway maintenance	5,068,500	4,969,254	(99,246)
Other categorical aid	35,050	71,928	36,878
Total other categorical aid	<u>6,725,338</u>	<u>6,719,415</u>	<u>(5,923)</u>
 Total categorical aid	 <u>7,044,338</u>	 <u>7,053,758</u>	 <u>9,420</u>
 Total revenue from the Commonwealth	 <u>10,401,221</u>	 <u>10,360,970</u>	 <u>(40,251)</u>
 Revenue from the Federal Government:			
Categorical aid:			
CARES Act coronavirus relief funds	-	3,625,442	3,625,442
Fire grants	291,015	103,957	(187,058)
Police grants	87,295	72,449	(14,846)
VDOT - HSIP grant	946,175	56,165	(890,010)
Other categorical aid	-	7,966	7,966
Total revenue from the Federal Government	<u>1,324,485</u>	<u>3,865,979</u>	<u>2,541,494</u>
Total intergovernmental	<u>11,725,706</u>	<u>14,226,949</u>	<u>2,501,243</u>
Total General Fund	<u>\$ 118,084,675</u>	<u>\$ 118,476,291</u>	<u>\$ 391,616</u>
 Special Revenue Funds:			
Community Development Block Grant Fund:			
Intergovernmental:			
Revenue from the Federal Government:			
Non-categorical aid:			
Community Development Block Grant	\$ <u>576,573</u>	\$ <u>344,761</u>	\$ <u>(231,812)</u>
Total revenue from the Federal Government	<u>576,573</u>	<u>344,761</u>	<u>(231,812)</u>
Total intergovernmental	<u>576,573</u>	<u>344,761</u>	<u>(231,812)</u>
Total Community Development Block Grant Fund	<u>\$ 576,573</u>	<u>\$ 344,761</u>	<u>\$ (231,812)</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, 2020

Fund, Major and Minor Revenue Sources	Final Budget	Actual	Variance Positive (Negative)
Primary Government: (continued)			
Special Revenue Funds: (continued)			
School Transportation Fund:			
Use of money and property	\$ 2,000	\$ 1,088	\$ (912)
Charges for services	4,121,405	4,077,069	(44,336)
Miscellaneous	<u>25,000</u>	<u>14,101</u>	<u>(10,899)</u>
Total School Transportation Fund	<u>\$ 4,148,405</u>	<u>\$ 4,092,258</u>	<u>\$ (56,147)</u>
Business Loan Program Fund:			
Use of money and property	\$ -	\$ 2,236	\$ 2,236
Miscellaneous	<u>26,000</u>	<u>33,221</u>	<u>7,221</u>
Total Business Loan Program Fund	<u>\$ 26,000</u>	<u>\$ 35,457</u>	<u>\$ 9,457</u>
Total Special Revenue Funds	<u>\$ 4,750,978</u>	<u>\$ 4,472,476</u>	<u>\$ (278,502)</u>
Capital Projects Fund:			
General Capital Projects Fund:			
Use of money and property	\$ -	\$ 76,820	\$ 76,820
Miscellaneous	23,975	-	(23,975)
Recovered costs	45,664	913,476	867,812
Intergovernmental:			
Revenue from the Commonwealth:			
Categorical aid:			
VDOT smart scale funds	3,411,839	1,855,976	(1,555,863)
VDOT revenue sharing	5,008,368	750,704	(4,257,664)
VDFP - Burn building	<u>480,000</u>	<u>480,000</u>	<u>-</u>
Total revenue from the Commonwealth	<u>8,900,207</u>	<u>3,086,680</u>	<u>(5,813,527)</u>
Revenue from the Federal Government:			
Categorical aid:			
Transportation enhancement grant	2,552.00	-	(2,552)
Transportation alternatives program grant	<u>1,202,312.00</u>	<u>840,907</u>	<u>(361,405)</u>
Total revenue from the Federal Government	<u>1,204,864</u>	<u>840,907</u>	<u>(363,957)</u>
Total intergovernmental	<u>10,105,071</u>	<u>3,927,587</u>	<u>(6,177,484)</u>
Total General Capital Projects Fund	<u>\$ 10,174,710</u>	<u>\$ 4,917,883</u>	<u>\$ (5,256,827)</u>
Total Capital Projects Fund	<u>\$ 10,174,710</u>	<u>\$ 4,917,883</u>	<u>\$ (5,256,827)</u>
Grand Total Revenues (Primary Government)	<u>\$ 133,010,363</u>	<u>\$ 127,866,650</u>	<u>\$ (5,143,713)</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, 2020

Fund, Major and Minor Revenue Sources	Final Budget	Actual	Variance Positive (Negative)
Primary Government: (continued)			
Component Unit - School Board:			
School Fund:			
Use of money and property	\$ 30,000	\$ 33,980	\$ 3,980
Charges for services	1,482,352	1,178,360	(303,992)
Miscellaneous	368,397	191,225	(177,172)
Payment from primary government	36,602,814	35,226,254	(1,376,560)
Intergovernmental:			
Revenue from the Commonwealth:			
Categorical aid:			
Share of state sales tax	6,678,218	6,851,856	173,638
Basic school aid	18,348,526	18,323,407	(25,119)
State standard of quality funds	4,731,770	4,769,003	37,233
Fringe benefits	3,488,894	3,502,496	13,602
At risk	2,770,682	2,813,237	42,555
Primary class size	1,600,290	1,625,851	25,561
English as second language	1,498,524	1,590,445	91,921
Regional tuition programs (special education)	1,342,368	1,309,460	(32,908)
Supplement	1,437,499	1,424,387	(13,112)
Other state funds	1,097,480	1,604,885	507,405
Total categorical aid	<u>42,994,251</u>	<u>43,815,027</u>	<u>820,776</u>
 Total revenue from the Commonwealth	 <u>42,994,251</u>	 <u>43,815,027</u>	 <u>820,776</u>
 Revenue from the Federal Government:			
Categorical aid:			
Title I	1,456,316	1,489,254	32,938
Special education	1,095,713	1,245,007	149,294
Title III	217,261	205,996	(11,265)
ESEA - Title II Part A	176,461	140,707	(35,754)
Other federal funds	486,306	439,774	(46,532)
 Total revenue from the Federal Government	 <u>3,432,057</u>	 <u>3,520,738</u>	 <u>88,681</u>
 Total intergovernmental	 <u>46,426,308</u>	 <u>47,335,765</u>	 <u>909,457</u>
 Total School Fund	 \$ <u>84,909,871</u>	 \$ <u>83,965,584</u>	 \$ <u>(944,287)</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, 2020

Fund, Major and Minor Revenue Sources	Final Budget	Actual	Variance Positive (Negative)
Component Unit - School Board: (continued)			
School Nutrition Fund:			
Use of money and property	\$ 18,000	\$ 29,381	\$ 11,381
Charges for services	406,903	360,005	(46,898)
Miscellaneous	35,000	19,307	(15,693)
Intergovernmental:			
Revenue from the Commonwealth:			
Categorical aid:			
School food program	158,000	187,403	29,403
Total categorical aid	<u>158,000</u>	<u>187,403</u>	<u>29,403</u>
Total revenue from the Commonwealth	<u>158,000</u>	<u>187,403</u>	<u>29,403</u>
Revenue from the Federal Government:			
Categorical aid:			
School food program	3,808,600	3,812,907	4,307
USDA donated food	-	234,318	234,318
Total revenue from the Federal Government	<u>3,808,600</u>	<u>4,047,225</u>	<u>238,625</u>
Total intergovernmental	<u>3,966,600</u>	<u>4,234,628</u>	<u>268,028</u>
Total School Nutrition Fund	<u>\$ 4,426,503</u>	<u>\$ 4,643,321</u>	<u>\$ 216,818</u>
Grand Total Revenues (Component Unit - School Board)	<u>\$ 89,336,374</u>	<u>\$ 88,608,905</u>	<u>\$ (727,469)</u>

CITY OF HARRISONBURG, VIRGINIA
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
For the Year Ended June 30, 2020

Fund, Function, Activity and Elements	Final Budget	Actual	Variance Positive (Negative)
Primary Government:			
General Fund:			
General government administration:			
Legislative:			
City Council	\$ 231,613	\$ 223,665	\$ 7,948
Total legislative	<u>231,613</u>	<u>223,665</u>	<u>7,948</u>
General and financial administration:			
City manager	718,264	702,722	15,542
City attorney	329,550	320,382	9,168
Human resources	491,623	447,023	44,600
Independent auditor	23,070	20,560	2,510
Commissioner of the revenue	473,240	462,091	11,149
Assessor	328,356	286,577	41,779
Equalization	3,025	2,954	71
Treasurer	713,716	629,249	84,467
Finance	634,784	627,561	7,223
Information technology	2,638,016	2,407,843	230,173
Purchasing agent	170,444	168,857	1,587
Total general and financial administration	<u>6,524,088</u>	<u>6,075,819</u>	<u>448,269</u>
Board of elections:			
Registrar	230,276	228,772	1,504
Total board of elections	<u>230,276</u>	<u>228,772</u>	<u>1,504</u>
Total general government administration	<u>6,985,977</u>	<u>6,528,256</u>	<u>457,721</u>
Jail and judicial administration:			
Joint expenditures with Rockingham County	5,682,645	5,619,591	63,054
Middle River Regional Jail	2,546,895	2,529,720	17,175
Total jail and judicial administration	<u>8,229,540</u>	<u>8,149,311</u>	<u>80,229</u>
Public safety:			
Law enforcement and traffic control:			
Administration	4,922,633	4,207,323	715,310
Operations	4,920,699	4,903,259	17,440
Criminal investigations	1,599,508	1,557,777	41,731
Special operations	1,338,141	1,161,469	176,672
Grants	218,651	205,545	13,106
Total law enforcement and traffic control	<u>12,999,632</u>	<u>12,035,373</u>	<u>964,259</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, 2020

Fund, Function, Activity and Elements	Final Budget	Actual	Variance Positive (Negative)
Primary Government: (continued)			
General Fund: (continued)			
Public safety: (continued)			
Fire and rescue services:			
Administration	\$ 737,331	\$ 733,655	\$ 3,676
Suppression	8,296,036	7,950,102	345,934
Prevention	595,214	579,431	15,783
Training	357,872	342,449	15,423
Total fire and rescue services	<u>9,986,453</u>	<u>9,605,637</u>	<u>380,816</u>
Correction and detention:			
Court appointed attorneys	85,000	53,182	31,818
Shenandoah Valley Juvenile Center	231,304	231,304	-
Total correction and detention	<u>316,304</u>	<u>284,486</u>	<u>31,818</u>
Inspections:			
Building	966,654	948,797	17,857
Total inspections	<u>966,654</u>	<u>948,797</u>	<u>17,857</u>
Other protection:			
Public safety building	374,808	314,743	60,065
Child safety alliance	62,945	41,225	21,720
Animal control	428,554	420,277	8,277
Emergency services	218,773	176,961	41,812
Harrisonburg-Rockingham ECC	2,325,651	2,325,651	-
Total other protection	<u>3,410,731</u>	<u>3,278,857</u>	<u>131,874</u>
Total public safety	<u>27,679,774</u>	<u>26,153,150</u>	<u>1,526,624</u>
Public works:			
Maintenance of highways, streets, bridges and sidewalks:			
General engineering	676,909	633,372	43,537
Highway and street maintenance	7,158,797	5,396,165	1,762,632
Street lights	559,017	548,177	10,840
Snow and ice removal	374,641	169,863	204,778
Traffic engineering	2,674,714	1,341,610	1,333,104
Highway and street beautification	425,264	388,906	36,358
Downtown parking maintenance	259,189	214,296	44,893
Total maintenance of highways, streets, bridges and sidewalks	<u>12,128,531</u>	<u>8,692,389</u>	<u>3,436,142</u>
Sanitation and waste removal:			
Street and road cleaning	435,682	378,028	57,654
Total sanitation and waste removal	<u>435,682</u>	<u>378,028</u>	<u>57,654</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, 2020

Fund, Function, Activity and Elements	Final Budget	Actual	Variance Positive (Negative)
Primary Government: (continued)			
General Fund: (continued)			
Public works: (continued)			
Maintenance of general buildings and grounds:			
General properties	\$ 318,435	\$ 271,025	\$ 47,410
Total maintenance of general buildings and grounds	<u>318,435</u>	<u>271,025</u>	<u>47,410</u>
 Total public works	 <u>12,882,648</u>	 <u>9,341,442</u>	 <u>3,541,206</u>
 Health and welfare:			
Health:			
Local health department	468,888	468,888	-
Total health	<u>468,888</u>	<u>468,888</u>	<u>-</u>
 Mental health and mental retardation:			
Community services board	870,773	870,773	-
Total mental health and mental retardation	<u>870,773</u>	<u>870,773</u>	<u>-</u>
 Welfare/social services:			
Tax relief for the elderly and disabled veterans	125,000	115,139	9,861
Joint expenditures with Rockingham County	3,608,487	3,608,487	-
Total welfare/social services	<u>3,733,487</u>	<u>3,723,626</u>	<u>9,861</u>
 Total health and welfare	 <u>5,073,148</u>	 <u>5,063,287</u>	 <u>9,861</u>
 Education:			
Payment to Harrisonburg City School Board	35,803,308	34,426,748	1,376,560
 Total education	 <u>35,803,308</u>	 <u>34,426,748</u>	 <u>1,376,560</u>
 Parks, recreation and cultural:			
Parks and recreation:			
Administration	1,186,002	1,031,431	154,571
Parks	1,473,223	1,389,168	84,055
Field maintenance	537,606	442,005	95,601
Recreation centers and playgrounds	694,880	581,424	113,456
Simms continuing education center	385,243	306,535	78,708
Westover pool	492,661	443,338	49,323
Athletics	417,472	397,621	19,851
Golf course grounds management	840,374	744,170	96,204
Golf course clubhouse management	553,512	437,419	116,093
Total parks and recreation	<u>6,580,973</u>	<u>5,773,111</u>	<u>807,862</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, 2020

Fund, Function, Activity and Elements	Final Budget	Actual	Variance Positive (Negative)
Primary Government: (continued)			
General Fund: (continued)			
Parks, recreation and cultural: (continued)			
Cultural:			
Massanutten Regional Library	\$ 577,320	\$ 577,320	\$ -
Total cultural	<u>577,320</u>	<u>577,320</u>	<u>-</u>
 Total parks, recreation and cultural	 <u>7,158,293</u>	 <u>6,350,431</u>	 <u>807,862</u>
Community development:			
Planning and community development:			
Planning	501,793	230,699	271,094
Zoning administrator	167,511	155,106	12,405
Board of zoning appeals	5,597	1,839	3,758
Economic development	928,973	868,875	60,098
Tourism and visitors services	469,253	423,492	45,761
Blacks run greenway	86,071	84,892	1,179
Shenandoah Valley Conference Center	1,100,000	972,924	127,076
Total planning and community development	<u>3,259,198</u>	<u>2,737,827</u>	<u>521,371</u>
Contributions:			
Shenandoah Valley Airport	67,923	67,923	-
Blue Ridge Community College	67,672	67,672	-
Other contributions	730,171	719,828	10,343
Total contributions	<u>865,766</u>	<u>855,423</u>	<u>10,343</u>
 Total community development	 <u>4,124,964</u>	 <u>3,593,250</u>	 <u>531,714</u>
Debt service:			
Principal retirement	10,230,236	10,230,236	-
Interest and fiscal charges	5,767,384	5,767,384	-
 Total debt service	 <u>15,997,620</u>	 <u>15,997,620</u>	 <u>-</u>
 Total General Fund	 \$ <u>123,935,272</u>	 \$ <u>115,603,495</u>	 \$ <u>8,331,777</u>
Special Revenue Funds:			
Community Development Block Grant Fund:			
Community development:			
Planning and community development:			
Community development block grant	\$ 576,573	\$ 344,761	\$ 231,812
Total planning and community development	<u>576,573</u>	<u>344,761</u>	<u>231,812</u>
 Total community development	 <u>576,573</u>	 <u>344,761</u>	 <u>231,812</u>
 Total Community Development Block Grant Fund	 \$ <u>576,573</u>	 \$ <u>344,761</u>	 \$ <u>231,812</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, 2020

Fund, Function, Activity and Elements	Final Budget	Actual	Variance Positive (Negative)
Primary Government: (continued)			
Special Revenue Funds: (continued)			
School Transportation Fund:			
Education:			
School bus services	\$ 3,562,646	\$ 3,250,100	\$ 312,546
Field trips and charters	226,093	155,704	70,389
Administration	<u>424,666</u>	<u>360,988</u>	<u>63,678</u>
Total education	<u>4,213,405</u>	<u>3,766,792</u>	<u>446,613</u>
Total School Transportation Fund	<u>\$ 4,213,405</u>	<u>\$ 3,766,792</u>	<u>\$ 446,613</u>
Business Loan Program Fund:			
Community development:			
Planning and community development:			
Revolving loan program	\$ 130,000	\$ 25,000	\$ 105,000
Total planning and community development	<u>130,000</u>	<u>25,000</u>	<u>105,000</u>
Total community development	<u>130,000</u>	<u>25,000</u>	<u>105,000</u>
Total Business Loan Program Fund	<u>\$ 130,000</u>	<u>\$ 25,000</u>	<u>\$ 105,000</u>
Total Special Revenue Funds	<u>\$ 4,919,978</u>	<u>\$ 4,136,553</u>	<u>\$ 783,425</u>
Capital Projects Fund:			
General Capital Projects Fund:			
Capital projects	\$ 33,361,280	\$ 12,565,833	\$ 20,795,447
Total General Capital Projects Fund	<u>\$ 33,361,280</u>	<u>\$ 12,565,833</u>	<u>\$ 20,795,447</u>
School Bond Capital Projects Fund:			
Education:			
Payment to Component Unit	\$ 799,506	\$ 799,506	\$ -
Total education	<u>799,506</u>	<u>799,506</u>	<u>-</u>
Capital projects	<u>11,721,094</u>	<u>11,193,506</u>	<u>527,588</u>
Total School Bond Capital Projects Fund	<u>\$ 12,520,600</u>	<u>\$ 11,993,012</u>	<u>\$ 527,588</u>
Total Capital Projects Fund	<u>\$ 45,881,880</u>	<u>\$ 24,558,845</u>	<u>\$ 21,323,035</u>
Grand Total Expenditures (Primary Government)	<u>\$ 174,737,130</u>	<u>\$ 144,298,893</u>	<u>\$ 30,438,237</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, 2020

Fund, Function, Activity and Elements	Final Budget	Actual	Variance Positive (Negative)
Component Unit - School Board:			
School Fund:			
Education:			
Instruction	\$ 64,983,720	\$ 63,791,719	\$ 1,192,001
Administration, attendance and health	4,872,531	4,810,450	62,081
Pupil transportation	4,334,204	4,158,298	175,906
Operations and maintenance	6,169,453	5,599,242	570,211
Technology	4,503,730	3,971,022	532,708
Total education	<u>84,863,638</u>	<u>82,330,731</u>	<u>2,532,907</u>
Total School Fund	<u><u>\$ 84,863,638</u></u>	<u><u>\$ 82,330,731</u></u>	<u><u>\$ 2,532,907</u></u>
School Nutrition Fund:			
Education:			
Food services	\$ 4,411,503	\$ 4,174,907	\$ 236,596
Technology	25,000	19,552	5,448
Total education	<u>4,436,503</u>	<u>4,194,459</u>	<u>242,044</u>
Total School Nutrition Fund	<u><u>\$ 4,436,503</u></u>	<u><u>\$ 4,194,459</u></u>	<u><u>\$ 242,044</u></u>
School Capital Projects Fund:			
Capital projects	\$ 27,093	\$ 22,933	\$ 4,160
Total School Capital Projects Fund	<u><u>\$ 27,093</u></u>	<u><u>\$ 22,933</u></u>	<u><u>\$ 4,160</u></u>
Grand Total Expenditures (Component Unit - School Board)	<u><u>\$ 89,327,234</u></u>	<u><u>\$ 86,548,123</u></u>	<u><u>\$ 2,779,111</u></u>

THIS PAGE LEFT BLANK INTENTIONALLY

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.*

THIS PAGE LEFT BLANK INTENTIONALLY

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

Table 1

	Fiscal Year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Governmental activities										
Net investment in capital assets	\$ 156,353,667	\$ 153,994,976	\$ 151,215,449	\$ 150,611,197	\$ 145,194,280	\$ 146,765,571	\$ 143,056,305	\$ 140,255,728	\$ 136,256,502	\$ 132,778,540
Restricted	574,269	529,665	621,577	552,092	461,736	450,639	418,955	253,898	436,546	464,466
Unrestricted	32,225,419	30,055,992	25,264,435	20,679,052	19,107,622	15,778,923	36,848,497	38,537,607	37,720,341	36,505,429
Total governmental activities net position	\$ 189,153,355	\$ 184,580,633	\$ 177,101,461	\$ 171,842,341	\$ 164,763,638	\$ 162,995,133	\$ 180,323,757	\$ 179,047,233	\$ 174,413,389	\$ 169,748,435
Business-type activities										
Net investment in capital assets	\$ 74,718,260	\$ 72,830,573	\$ 74,517,218	\$ 74,997,991	\$ 62,658,600	\$ 61,417,998	\$ 59,661,294	\$ 64,061,195	\$ 61,531,423	\$ 63,773,381
Unrestricted	15,854,032	13,725,834	7,828,771	3,263,530	10,156,014	9,413,613	16,501,295	18,960,244	20,567,739	24,007,072
Total business-type activities net position	\$ 90,572,292	\$ 86,556,407	\$ 82,345,989	\$ 78,261,521	\$ 72,814,614	\$ 70,831,611	\$ 76,162,589	\$ 83,021,439	\$ 82,099,162	\$ 87,780,453
Primary government										
Net investment in capital assets	\$ 231,071,927	\$ 226,825,549	\$ 225,732,667	\$ 225,609,188	\$ 207,852,880	\$ 208,183,569	\$ 202,717,599	\$ 204,316,923	\$ 197,787,925	\$ 196,551,921
Restricted	574,269	529,665	621,577	552,092	461,736	450,639	418,955	253,898	436,546	464,466
Unrestricted	48,079,451	43,781,826	33,093,206	23,942,582	29,263,636	25,192,536	53,349,792	57,497,851	58,288,080	60,512,501
Total primary government net position	\$ 279,725,647	\$ 271,137,040	\$ 259,447,450	\$ 250,103,862	\$ 237,578,252	\$ 233,826,744	\$ 256,486,346	\$ 262,068,672	\$ 256,512,551	\$ 257,528,888

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									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Expenses:										
Governmental activities:										
General government administration	\$ 19,874,767	\$ 19,001,711	\$ 18,287,937	\$ 18,413,671	\$ 18,543,556	\$ 16,257,293	\$ 17,537,393	\$ 15,200,128	\$ 14,871,365	\$ 12,711,047
Jail and judicial administration	7,862,409	6,944,879	6,533,114	6,398,698	5,822,848	5,137,399	4,175,900	3,697,318	3,353,068	3,158,825
Public safety	27,899,118	25,954,253	23,971,425	23,583,838	22,969,794	21,525,960	21,008,014	19,726,959	19,019,283	18,639,732
Public works ^a	15,225,728	15,338,219	14,989,905	14,407,248	14,709,122	15,158,769	19,723,564	16,087,945	15,430,666	11,384,626
Health and welfare	6,661,856	4,928,872	4,793,211	4,757,945	4,579,647	4,103,981	3,941,088	3,792,389	3,684,731	3,933,460
Education	44,874,482	43,763,915	42,928,333	38,328,364	36,565,819	37,481,649	34,574,455	32,985,755	30,965,228	27,641,213
Parks, recreation and cultural	6,799,136	6,932,596	6,188,413	6,494,875	6,671,939	5,952,441	5,850,222	5,840,511	5,751,030	5,711,175
Community development	4,048,273	3,833,626	3,246,006	3,193,150	3,765,197	2,799,236	2,957,093	2,893,264	3,153,242	2,962,199
Interest on long-term debt	5,175,505	5,351,030	5,612,005	5,914,313	5,046,788	5,116,339	5,071,941	5,304,302	5,602,256	6,006,543
Business-type activities:										
Water	6,564,988	6,036,280	5,637,611	5,329,601	5,496,737	5,218,201	5,351,441	5,281,491	5,398,401	5,014,952
Sewer	10,561,152	10,232,327	9,534,683	9,850,111	9,702,160	9,526,208	9,536,716	9,501,243	9,217,798	8,165,858
Public transportation	6,674,720	6,469,580	6,252,571	6,365,032	6,348,417	6,327,540	5,218,865	4,915,643	4,817,708	6,916,882
Steam plant/sanitation ^{a,b}	2,845,875	2,285,700	3,110,955	3,319,439	4,208,851	7,185,575	7,397,708	7,751,402	6,670,472	9,999,432
Stormwater	357,121	334,676	454,261	414,677	255,371	-	-	-	-	-
Total expenses	\$ 165,425,130	\$ 157,407,664	\$ 151,540,430	\$ 146,770,962	\$ 144,686,246	\$ 141,790,591	\$ 142,344,400	\$ 132,978,350	\$ 127,935,248	\$ 122,245,944
Program revenues:										
Governmental activities:										
Charges for services:										
General government administration	\$ 15,197,693	\$ 15,308,060	\$ 15,254,826	\$ 14,033,150	\$ 13,413,592	\$ 12,092,994	\$ 11,197,390	\$ 9,808,618	\$ 9,590,439	\$ 9,266,743
Jail and judicial administration	504,769	567,202	691,717	553,894	515,404	549,825	651,517	526,549	417,063	553,923
Public works ^a	-	-	-	-	-	-	5,891,879	5,714,587	4,223,763	-
Education ^c	4,076,465	4,028,807	3,751,213	3,361,589	3,099,596	3,018,032	2,712,725	2,402,874	2,163,748	-
Parks, recreation and cultural	713,263	1,045,925	1,067,881	1,170,361	1,130,856	1,132,452	1,143,398	1,078,285	1,156,262	1,103,317
Other activities	1,086,967	1,087,725	1,117,096	1,377,659	848,873	891,990	1,201,568	988,430	868,216	845,073
Operating grants and contributions	7,639,056	8,037,308	7,599,076	7,499,993	8,071,894	7,733,498	7,242,059	6,468,579	6,420,728	6,779,026
Capital grants and contributions ^{d,e,f}	2,067,233	802,583	4,422,820	4,575,920	2,112,546	2,511,563	6,052,309	4,057,173	3,020,379	1,394,887
Business-type activities:										
Charges for services:										
Water	9,682,661	8,594,711	8,049,249	7,621,237	6,866,608	6,566,279	6,204,657	6,033,702	5,803,549	5,793,929
Sewer	11,519,472	11,016,661	10,692,114	10,580,345	10,249,003	10,135,852	9,654,399	9,135,855	8,631,508	8,047,117
Public transportation ^c	1,939,257	1,944,618	1,960,187	1,820,130	1,810,732	1,897,980	1,834,284	1,652,106	1,558,556	3,573,754
Steam plant/sanitation ^a	4,169,200	4,140,571	4,214,492	4,303,069	5,104,242	6,784,257	5,122,980	6,131,803	4,717,861	9,859,085
Stormwater	1,325,321	1,360,716	1,302,218	1,258,959	2,345,292	-	-	-	-	-
Operating grants and contributions	3,474,604	3,155,047	2,879,508	2,540,589	2,281,764	2,229,329	2,160,125	1,649,862	1,469,284	1,353,559
Capital grants and contributions ^g	630,166	201,124	606,769	4,199,180	606,645	2,689,399	6,506,406	3,277,876	3,226,291	840,082
Total program revenues	\$ 64,026,127	\$ 61,291,058	\$ 63,609,166	\$ 64,896,075	\$ 58,457,047	\$ 58,233,450	\$ 67,575,696	\$ 58,926,299	\$ 53,267,647	\$ 49,410,495
Net (expense) revenue:										
Governmental activities	\$ (107,135,828)	\$ (101,171,491)	\$ (92,645,720)	\$ (88,919,536)	\$ (89,481,949)	\$ (85,602,713)	\$ (78,746,825)	\$ (74,483,476)	\$ (73,970,271)	\$ (72,205,851)
Business-type activities	5,736,825	5,054,885	4,714,456	7,044,649	3,252,750	2,045,572	3,978,121	431,425	(697,330)	(629,598)
Total net (expense) revenue	\$ (101,399,003)	\$ (96,116,606)	\$ (87,931,264)	\$ (81,874,887)	\$ (86,229,199)	\$ (83,557,141)	\$ (74,768,704)	\$ (74,052,051)	\$ (74,667,601)	\$ (72,835,449)

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

Table 2

	Fiscal Year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
General revenues and other changes in net position:										
Governmental activities:										
General revenues:										
Property taxes	\$ 51,447,886	\$ 48,878,038	\$ 47,490,931	\$ 43,640,018	\$ 39,574,723	\$ 37,522,303	\$ 33,682,085	\$ 33,642,817	\$ 31,997,146	\$ 31,465,340
Sales and use taxes	13,971,040	14,336,901	13,609,547	13,207,791	12,994,784	12,532,757	11,956,912	11,450,969	10,744,198	11,030,783
Restaurant food taxes	12,628,014	14,225,678	13,623,551	12,257,672	11,914,152	11,026,410	10,398,660	9,948,280	8,815,101	8,414,191
Business license taxes	7,224,775	7,155,016	6,894,312	6,689,192	6,653,830	6,275,116	6,246,573	5,892,503	5,932,606	5,587,085
Other local taxes	8,020,291	8,644,605	8,296,309	7,083,413	7,119,400	6,798,376	6,105,467	5,877,472	5,599,612	5,382,633
Unrestricted grants and contributions	6,932,654	3,408,497	3,407,878	3,464,103	3,501,028	3,569,638	3,521,348	3,476,659	3,423,474	3,520,574
Unrestricted payment from component units	5,200,000	5,999,506	5,000,000	5,000,000	5,000,000	4,900,000	4,900,000	4,900,000	4,900,000	4,900,000
Investment revenue	922,992	1,203,377	683,838	480,911	206,899	75,041	50,039	84,162	68,365	87,557
Other revenue ^h	2,265,355	1,847,829	1,725,662	1,588,875	1,681,770	1,742,779	2,698,759	1,973,222	2,265,535	4,254,403
Special item ⁱ	-	-	-	-	-	-	-	-	(1,446,706)	-
Transfers	3,095,543	2,951,216	1,556,037	2,586,264	2,603,868	2,527,927	1,574,046	1,361,276	6,335,894	484,233
Business-type activities:										
General revenues:										
Investment revenue	552,598	776,589	392,616	131,300	55,180	15,198	19,563	31,340	32,121	52,446
Other revenue	821,500	1,324,397	1,203,620	857,222	1,237,893	1,286,114	1,117,388	1,805,733	1,308,949	1,215,028
Gain on disposal of capital assets	505	5,763	49,966	-	41,058	2,550	28,554	15,055	10,863	4,525
Special item ^k	-	-	-	-	-	(1,916,812)	(10,078,503)	-	-	-
Transfers	(3,095,543)	(2,951,216)	(1,556,037)	(2,586,264)	(2,603,868)	(2,527,927)	(1,574,046)	(1,361,276)	(6,335,894)	(484,233)
Total general revenues and other changes in net position	\$ 109,987,610	\$ 107,806,196	\$ 102,378,230	\$ 94,400,497	\$ 89,980,707	\$ 83,829,470	\$ 70,646,845	\$ 79,098,212	\$ 73,651,264	\$ 75,914,565
Change in net position:										
Governmental activities	\$ 4,572,722	\$ 7,479,172	\$ 9,642,345	\$ 7,078,703	\$ 1,768,505	\$ 1,367,634	\$ 2,387,064	\$ 4,123,884	\$ 4,664,954	\$ 2,920,948
Business-type activities	4,015,885	4,210,418	4,804,621	5,446,907	1,983,003	(1,095,305)	(6,508,923)	922,277	(5,681,291)	158,168
Total change in net position	\$ 8,588,607	\$ 11,689,590	\$ 14,446,966	\$ 12,525,610	\$ 3,751,508	\$ 272,329	\$ (4,121,859)	\$ 5,046,161	\$ (1,016,337)	\$ 3,079,116

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

^aFor 2012 and 2015, the changes in public works and steam plant/sanitation activity charges for services and expenses reflected the reclassification of refuse collection, recycling and landfill activities.

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

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

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

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

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

^gFor 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.

^hFor 2012, the decrease in other revenue was the result of a one-time payment of \$2.3 million in 2011 from the Virginia Public School Authority which refinanced its Series 2001C Bonds of which the City was a participant.

ⁱFor 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.

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

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

THIS PAGE LEFT BLANK INTENTIONALLY

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

	Fiscal Year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
General Fund										
Nonspendable	\$ 681,708	\$ 811,931	\$ 835,475	\$ 874,897	\$ 745,877	\$ 623,774	\$ 652,688	\$ 613,043	\$ 780,708	\$ 1,055,286
Restricted	574,269	543,135	624,155	552,091	461,736	450,639	432,852	253,898	436,546	464,466
Committed ^a	63,402	63,402	63,402	63,402	63,402	63,402	2,761,367	3,386,367	3,095,380	860,879
Assigned ^b	1,515,092	3,718,174	3,707,702	980,493	649,393	1,629,279	1,612,151	3,053,319	1,671,329	4,175,696
Unassigned	36,632,322	30,561,724	31,239,773	30,226,183	28,435,301	24,214,042	26,595,398	23,932,401	25,534,922	18,711,352
Total general fund	\$ 39,466,793	\$ 35,698,366	\$ 36,470,507	\$ 32,697,066	\$ 30,355,709	\$ 26,981,136	\$ 32,054,456	\$ 31,239,028	\$ 31,518,885	\$ 25,267,679
All other governmental funds										
Nonspendable	\$ -	\$ 36,341	\$ 34,666	\$ 50,508	\$ 16,652	\$ -	\$ 4,705	\$ 4,546	\$ -	\$ 531
Restricted ^c	3,728,628	-	93,683	4,712,073	40,156,421	1,464,504	11,210,744	7,215,617	5,758,290	4,128,472
Committed	10,933,208	11,291,474	9,652,568	8,247,053	9,729,172	11,102,093	12,928,163	13,686,487	10,650,430	8,794,481
Assigned	199,310	169,000	142,000	204,500	134,000	38,897	-	-	-	-
Unassigned, reported in:										
Special revenue funds	-	-	-	(184)	-	-	-	(60,493)	(6,955)	(122,388)
Total all other governmental funds	\$ 14,861,146	\$ 11,496,815	\$ 9,922,917	\$ 13,213,950	\$ 50,036,245	\$ 12,605,494	\$ 24,143,612	\$ 20,846,157	\$ 16,401,765	\$ 12,801,096

Notes: Any significant increases or decreases for 2020 are explained in Management's Discussion and Analysis. Certain prior year balances have been reclassified to reflect current financial reporting (2010).

^aFor 2012, the increase in general fund committed fund balance was the result of fund balance being committed to fund a landfill contractual obligation to Rockingham County.

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

^cThe 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									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Revenues:										
General property taxes	\$ 51,574,257	\$ 48,977,152	\$ 47,667,485	\$ 43,233,944	\$ 39,444,384	\$ 37,481,440	\$ 33,559,753	\$ 33,745,312	\$ 32,180,329	\$ 31,525,525
Other local taxes	41,844,120	44,362,200	42,423,719	39,238,068	38,722,176	36,644,704	34,740,681	33,134,475	31,114,956	30,439,292
Permits, privilege fees and regulatory licenses	608,529	626,348	643,501	916,716	443,489	507,040	455,881	536,965	498,465	561,431
Fines and forfeitures	657,077	750,846	870,541	749,623	623,390	666,029	1,127,606	662,961	526,260	626,169
Use of money and property	853,812	1,128,111	701,781	540,939	262,328	187,061	162,014	194,763	171,599	188,084
Charges for services ^a	5,116,462	5,351,861	5,117,290	4,797,424	4,556,674	4,427,549	10,020,649	9,496,051	7,775,198	1,377,980
Miscellaneous ^b	2,599,620	2,192,919	2,001,736	2,084,949	1,871,712	1,938,839	2,465,008	2,005,958	2,014,528	4,159,989
Recovered costs	913,476	617,164	1,110,065	632,746	59,225	201,177	291,795	165,551	606,506	-
Payments from component units	5,200,000	5,999,506	5,000,000	5,000,000	5,000,000	4,900,000	4,900,000	4,900,000	4,900,000	4,900,000
Intergovernmental	18,499,297	13,179,815	15,955,862	15,672,199	13,563,043	13,613,522	16,414,070	14,809,888	15,344,247	16,254,692
Total revenues	\$ 127,866,650	\$ 123,185,922	\$ 121,491,980	\$ 112,866,608	\$ 104,546,421	\$ 100,567,361	\$ 104,137,457	\$ 99,651,924	\$ 95,132,088	\$ 90,033,162
Expenditures:										
Current:										
General government administration	\$ 6,528,256	\$ 5,499,582	\$ 5,369,900	\$ 5,211,161	\$ 4,974,666	\$ 4,641,047	\$ 4,583,135	\$ 4,082,373	\$ 4,003,007	\$ 3,612,654
Jail and judicial administration ^c	8,149,311	7,429,582	6,783,548	6,629,878	6,147,289	5,917,618	3,878,939	3,400,357	3,056,108	2,861,864
Public safety	26,153,150	25,511,647	23,687,182	22,234,145	21,754,032	20,940,401	20,335,693	18,639,647	17,802,068	17,405,676
Public works ^a	9,341,442	10,968,921	9,920,031	9,699,316	10,243,873	11,386,544	13,484,504	11,691,698	10,484,164	7,324,180
Health and welfare	5,063,287	4,907,007	4,771,346	4,736,080	4,557,782	4,082,115	3,919,223	3,770,524	3,662,866	3,911,595
Education	38,993,046	37,922,728	37,054,957	34,216,338	32,379,286	32,119,407	29,912,639	28,497,263	26,201,268	22,992,077
Parks, recreation and cultural	6,350,431	6,371,964	5,728,400	5,488,895	5,528,431	5,291,977	5,198,170	5,111,102	5,377,660	5,116,872
Community development	3,963,011	4,334,386	3,208,191	3,294,797	2,956,282	3,069,972	3,258,461	2,979,996	3,040,033	2,685,711
Debt service:										
Principal retirement	10,230,236	9,750,840	8,961,622	8,337,450	8,101,624	7,917,919	7,159,619	8,016,601	7,054,192	6,568,187
Interest and fiscal charges	5,767,384	5,731,121	6,073,912	5,869,531	5,105,619	4,371,146	5,179,111	5,335,520	5,406,443	5,846,542
Bond issuance costs	-	-	-	-	-	-	257,393	-	381,755	77,341
Capital projects	23,759,339	11,772,256	14,338,170	44,180,894	12,693,604	16,918,207	18,893,701	13,820,417	11,335,007	12,888,316
Total expenditures	\$ 144,298,893	\$ 130,200,034	\$ 125,897,259	\$ 149,898,485	\$ 114,442,488	\$ 116,656,353	\$ 116,060,588	\$ 105,345,498	\$ 97,804,571	\$ 91,291,015
Excess (deficiency) of revenues over (under) expenditures	\$ (16,432,243)	\$ (7,014,112)	\$ (4,405,279)	\$ (37,031,877)	\$ (9,896,067)	\$ (16,088,992)	\$ (11,923,131)	\$ (5,693,574)	\$ (2,672,483)	\$ (1,257,853)

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

Table 4

	Fiscal Year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Other financing sources (uses):										
Long-term debt issued or incurred	\$ 18,450,000	\$ 4,540,000	\$ 2,350,000	\$ -	\$ 44,305,000	\$ -	\$ 14,150,000	\$ 8,050,000	\$ 5,865,000	\$ 9,515,000
Refunding debt issued	-	-	-	-	-	-	42,675,000	-	21,400,000	5,691,105
Premium on long-term debt issued	1,066,864	506,435	-	-	3,995,417	-	5,650,348	-	786,742	362,907
Payment to bond refunding escrow agent	-	-	-	-	-	-	(42,327,820)	-	-	(5,847,247)
Payment for current bond refunding	-	-	-	-	-	-	(5,146,875)	-	(21,649,901)	-
Sale of capital assets	-	-	-	125,215	-	-	-	-	-	-
Transfers in	9,447,465	8,349,690	6,310,560	5,251,256	3,828,083	5,836,294	4,445,856	8,250,668	8,279,617	2,890,945
Transfers out	(5,399,328)	(5,580,256)	(3,772,873)	(2,825,532)	(1,427,109)	(6,358,740)	(3,470,988)	(6,328,528)	(2,326,071)	(2,597,008)
Total other financing sources (uses)	\$ 23,565,001	\$ 7,815,869	\$ 4,887,687	\$ 2,550,939	\$ 50,701,391	\$ (522,446)	\$ 15,975,521	\$ 9,972,140	\$ 12,355,387	\$ 10,015,702
Net change in fund balances	\$ 7,132,758	\$ 801,757	\$ 482,408	\$ (34,480,938)	\$ 40,805,324	\$ (16,611,438)	\$ 4,052,390	\$ 4,278,566	\$ 9,682,904	\$ 8,757,849
Debt service as a percentage of noncapital expenditures	12.88%	13.25%	13.46%	13.53%	13.01%	12.79%	12.74%	14.70%	14.15%	14.81%

Notes: Any significant increases or decreases for 2020 are explained in Management's Discussion and Analysis. Any significant increases or decreases in general property taxes and other local taxes revenue are provided in Table 5. Any significant increases or decreases in long-term debt issued or incurred are provided in Table 10.

^aFor 2012 and 2015, the change in charges for services and public works expenditures was the result of the reclassification of refuse collection, recycling and landfill activities.

^bFor 2012, the decrease in miscellaneous revenue was the result of a one-time payment of \$2.3 million in 2011 from the Virginia Public School Authority which refinanced its Series 2001C Bonds of which the City was a participant.

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

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

Table 5

	Fiscal Year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
General property taxes										
Real estate taxes ^a	\$ 37,052,907	\$ 35,616,728	\$ 34,459,758	\$ 30,947,602	\$ 28,256,207	\$ 26,712,101	\$ 24,246,195	\$ 24,330,987	\$ 23,164,064	\$ 22,871,691
Real and personal public service corporation property taxes	503,888	491,573	474,656	440,408	393,020	448,017	294,775	344,311	305,419	311,567
Personal property taxes ^b	10,876,336	10,197,508	10,017,035	9,374,180	8,407,623	8,021,019	6,926,126	6,996,148	6,636,271	6,227,915
Mobile home taxes	10,251	9,654	10,013	8,778	8,475	7,033	6,485	8,069	7,613	7,568
Machinery and tools taxes	2,772,933	2,341,959	2,307,341	2,187,479	2,130,697	2,027,504	1,869,428	1,794,444	1,800,539	1,849,859
Penalties and interest	357,942	319,730	398,682	275,497	248,362	265,766	216,744	271,353	266,423	256,925
Total general property taxes	\$ 51,574,257	\$ 48,977,152	\$ 47,667,485	\$ 43,233,944	\$ 39,444,384	\$ 37,481,440	\$ 33,559,753	\$ 33,745,312	\$ 32,180,329	\$ 31,525,525
Other local taxes										
Local sales and use taxes	\$ 13,971,040	\$ 14,336,901	\$ 13,609,547	\$ 13,207,791	\$ 12,994,784	\$ 12,532,757	\$ 11,956,912	\$ 11,450,969	\$ 10,744,198	\$ 11,030,783
Consumer utility taxes ^c	1,998,550	1,999,498	1,875,594	1,139,113	1,108,436	1,114,465	1,099,063	1,093,995	1,071,465	1,079,982
Business license taxes	7,224,775	7,155,016	6,894,312	6,689,192	6,663,830	6,275,116	6,246,573	5,892,503	5,932,606	5,587,085
Motor vehicle license taxes ^d	1,286,175	1,283,426	1,293,518	1,166,441	1,178,948	1,185,099	888,410	861,119	759,588	667,392
Bank stock taxes	665,686	836,191	787,205	761,882	757,086	580,676	562,403	514,445	543,099	577,159
Taxes on recordation and wills	489,922	492,631	444,493	442,184	408,096	603,848	443,901	359,086	273,405	381,220
Tobacco taxes	548,631	533,382	543,750	569,850	680,937	632,433	634,796	703,979	768,267	700,292
Admission and amusement taxes	116,113	171,011	190,133	175,755	181,678	172,616	144,475	175,395	178,371	182,473
Hotel and motel room taxes ^e	2,630,068	3,136,402	2,950,142	2,625,363	2,577,891	2,276,431	2,110,603	1,963,223	1,838,184	1,634,615
Restaurant food taxes ^f	12,628,014	14,225,678	13,623,551	12,257,672	11,937,309	11,050,508	10,436,529	9,913,531	8,833,426	8,403,911
Short-term rental taxes	136,392	104,274	100,731	109,110	119,579	115,248	103,840	93,218	61,237	59,244
Public right-of-way use fee	148,754	87,790	110,743	93,715	123,602	105,507	113,176	113,012	111,110	135,196
Total other local taxes	\$ 41,844,120	\$ 44,362,200	\$ 42,423,719	\$ 39,238,068	\$ 38,722,176	\$ 36,644,704	\$ 34,740,681	\$ 33,134,475	\$ 31,114,956	\$ 30,439,292

Notes: Any significant increases or decreases for 2020 are explained in Management's Discussion and Analysis.

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

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

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

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

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

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

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

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

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

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

Table 7

Fiscal Year	Real Estate			Personal Property							Total Direct Tax Rate
	Residential	Commercial/ Industrial	Public Service Corporations	Business Equipment	Machinery and Tools	Mobile Homes	Public Service Corporations	Other ¹			
2020	\$ 0.86	\$ 0.86	\$ 0.86	\$ 2.12	\$ 2.12	\$ 0.86	\$ 3.50	3.50	3.50	\$	1.07
2019	0.85	0.85	0.85	2.12	2.12	0.85	3.50	3.50	3.50		1.06
2018	0.85	0.85	0.85	2.12	2.12	0.85	3.50	3.50	3.50		1.06
2017	0.78	0.78	0.78	2.12	2.12	0.78	3.50	3.50	3.50		0.99
2016	0.72	0.72	0.72	2.12	2.12	0.72	3.50	3.50	3.50		0.92
2015	0.69	0.69	0.69	2.12	2.12	0.69	3.50	3.50	3.50		0.89
2014	0.63	0.63	0.63	2.00	2.00	0.63	3.00	3.00	3.00		0.81
2013	0.63	0.63	0.63	2.00	2.00	0.63	3.00	3.00	3.00		0.81
2012	0.59	0.59	0.59	2.00	2.00	0.59	3.00	3.00	3.00		0.76
2011	0.59	0.59	0.59	2.00	2.00	0.59	3.00	3.00	3.00		0.76

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

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

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

Table 8

Property Taxpayer	Fiscal Year 2020			Fiscal Year 2011		
	Property Taxes	Rank	Percent of Total Property Taxes	Property Taxes	Rank	Percent of Total Property Taxes
Packaging Corporation of America	\$ 841,236	1	1.67%	\$ 302,988	5	0.97%
Anthem Inc	731,406	2	1.45%	-	-	-
The Scion Group LLC	646,305	3	1.28%	-	-	-
Tenneco Inc	641,855	4	1.27%	357,038	2	1.14%
Asset Campus Housing, Inc.	510,301	5	1.01%	-	-	-
George's Foods LLC	507,071	6	1.01%	-	-	-
The Macerich Properties	445,050	7	0.88%	-	-	-
Kerry Group plc	396,386	8	0.79%	-	-	-
Graham Packaging Company LP	356,873	9	0.71%	375,683	1	1.20%
Virginia Mennonite Retirement Community	312,588	10	0.62%	193,847	10	0.62%
American Campus Communities Inc	-	-	-	338,269	3	1.08%
RR Donnelley & Sons Company	-	-	-	333,197	4	1.06%
Copper Beech Townhome Communities, LLC	-	-	-	284,102	6	0.91%
Montebello Packaging, Inc.	-	-	-	265,887	7	0.85%
Simon Property Group Inc	-	-	-	248,930	8	0.79%
Walmart Stores Inc	-	-	-	194,692	9	0.62%
Total	\$ 5,389,071		10.69%	\$ 2,894,633		9.24%

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

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

Fiscal Year	Taxes Levied for the		Adjustments	Total Adjusted Levy	Collected within the		Collections in		Total Collections to Date	
	Fiscal Year (Original Levy)	Fiscal Year			Fiscal Year of the Levy	Percentage of Levy	Subsequent Years	Amount	Percentage of Levy	Amount
2020	\$ 51,411,484	\$ 51,411,484	\$ -	\$ 51,411,484	\$ 50,377,781	97.99%	\$ -	\$ 50,377,781	97.99%	
2019	48,793,283	48,784,263	(9,020)	48,784,263	47,934,023	98.24%	512,198	48,446,221	99.31%	
2018	47,285,573	47,278,566	(7,007)	47,278,566	46,313,920	97.95%	654,637	46,968,557	99.34%	
2017	43,406,093	43,453,160	47,067	43,453,160	42,331,311	97.52%	859,507	43,190,818	99.40%	
2016	39,427,910	39,465,987	38,077	39,465,987	38,629,078	97.97%	650,916	39,279,994	99.53%	
2015	37,288,334	37,282,485	(5,849)	37,282,485	36,588,785	98.12%	541,536	37,130,321	99.59%	
2014	33,472,734	33,490,898	18,164	33,490,898	32,671,163	97.61%	674,439	33,345,602	99.57%	
2013	33,518,148	33,504,784	(13,364)	33,504,784	32,841,981	97.98%	545,730	33,387,711	99.65%	
2012	31,917,343	31,903,162	(14,181)	31,903,162	31,164,825	97.64%	629,396	31,794,221	99.66%	
2011	31,326,231	31,323,889	(2,342)	31,323,889	30,500,885	97.37%	695,765	31,196,650	99.59%	

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

Table 10

Type of debt	Fiscal Year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Governmental activities:										
General obligation bonds ^a	\$ 165,660,849	\$ 156,533,967	\$ 161,338,577	\$ 168,044,998	\$ 176,312,408	\$ 135,804,398	\$ 143,420,307	\$ 132,292,894	\$ 130,818,002	\$ 130,273,104
Capital leases	-	489,000	960,000	1,414,000	2,032,839	2,723,162	3,391,389	3,321,531	4,827,885	5,751,958
Middle River Regional Jail agreement	5,048,154	5,994,375	6,920,498	7,826,952	8,714,153	9,694,615	-	-	-	-
Business-type activities:										
General obligation bonds	25,553,083	27,942,286	30,785,886	26,299,704	28,742,532	27,875,343	30,485,783	33,027,532	34,999,325	36,852,820
General obligation revenue bonds	-	-	-	-	-	-	-	-	239,994	469,862
Total primary government	\$ 196,262,086	\$ 190,959,628	\$ 200,004,961	\$ 203,585,654	\$ 215,801,932	\$ 176,097,518	\$ 177,297,479	\$ 168,641,957	\$ 170,885,206	\$ 173,347,744
Percentage of personal income ¹	9.38%	9.22%	9.86%	10.33%	11.08%	9.44%	10.21%	9.88%	10.60%	11.42%
Per capita ¹	\$ 3,644	\$ 3,536	\$ 3,663	\$ 3,723	\$ 3,980	\$ 3,269	\$ 3,370	\$ 3,235	\$ 3,360	\$ 3,463

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 (2011-2013). ¹See Table 13 for personal income and population data. Population estimates and personal income were adjusted on Table 13 for 2011-2019.

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

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

Table 11

	Fiscal Year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
General obligation bonds ^a	\$ 191,213,932	\$ 184,476,253	\$ 192,124,463	\$ 194,344,702	\$ 205,054,940	\$ 163,679,741	\$ 173,906,090	\$ 165,320,426	\$ 165,817,327	\$ 167,125,924
Total	\$ 191,213,932	\$ 184,476,253	\$ 192,124,463	\$ 194,344,702	\$ 205,054,940	\$ 163,679,741	\$ 173,906,090	\$ 165,320,426	\$ 165,817,327	\$ 167,125,924
Percentage of assessed real property value ¹	4.37%	4.34%	4.68%	4.80%	5.15%	4.17%	4.45%	4.23%	4.16%	4.26%
Per capita ²	\$ 3,551	\$ 3,416	\$ 3,483	\$ 3,554	\$ 3,782	\$ 3,038	\$ 3,305	\$ 3,171	\$ 3,260	\$ 3,339

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 (2011-2013).³See Table 6 for assessed real property data. ²See Table 13 for population data. Population estimates were adjusted on Table 13 for 2011-2019.

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

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

Table 12

	Fiscal Year										
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	
Debt limit	\$ 437,268,577	\$ 424,975,640	\$ 410,593,639	\$ 404,755,515	\$ 398,330,643	\$ 392,350,239	\$ 390,855,490	\$ 391,063,503	\$ 398,121,334	\$ 392,674,854	
Total debt applicable to limit	186,527,487	181,550,575	190,438,565	193,377,886	204,952,793	168,768,444	169,502,922	166,454,775	168,533,911	171,678,470	
Legal debt margin	\$ 250,741,090	\$ 243,425,065	\$ 220,155,074	\$ 211,377,629	\$ 193,377,850	\$ 223,581,795	\$ 221,352,568	\$ 224,608,728	\$ 229,587,423	\$ 220,996,384	
Total debt applicable to the limit as percentage of debt limit	42.66%	42.72%	46.38%	47.78%	51.45%	43.01%	43.37%	42.56%	42.33%	43.72%	
Legal Debt Margin Calculation for Fiscal Year 2020											
Total assessed value of taxed real property	\$ 4,372,685,766										
Debt limit (10% of total assessed value)	\$ 437,268,577										
Debt applicable to limit:											
General obligation bonds	181,479,333										
Middle River Regional Jail agreement	5,048,154										
Legal debt margin	\$ 250,741,090										

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

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

Table 13

Fiscal Year	Population¹	Personal Income (in thousands)	Per Capita Personal Income²	School Enrollment³	Unemployment Rate Percentage⁴
2020	53,855	\$ 2,093,128	\$ 38,866	6,130	4.9
2019	53,997	2,071,928	37,803	6,027	3.4
2018	54,606	2,007,753	36,768	5,910	3.9
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

Notes: Population estimates have been adjusted for 2011-2019 using estimates from the University of Virginia Weldon Cooper Center for Public Policy. Personal income has been adjusted accordingly.

Sources: ¹ Estimated by the City's Department of Planning and Community Development for 2020. University of Virginia Weldon Cooper Center for Public Service for 2011-2019. ² Bureau of Economic Analysis, United States Department of Commerce. Amounts for 2011-2019 have been adjusted based upon the latest available data. Data for 2020 has been estimated based on per capita personal income trends for the previous ten years. ³ City of Harrisonburg School Board. ⁴ Virginia Employment Commission. The unemployment rate is an annual average.

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

Table 14

Employers	Fiscal Year 2020			Fiscal Year 2011		
	Approximate Employees	Rank	Percent of Total City Employment	Approximate Employees	Rank	Percent of Total City Employment
James Madison University	> 999	1	> 3.17%	> 999	1	> 3.31%
Harrisonburg City Public Schools	> 999	2	> 3.17%	500 - 999	2	1.65% - 3.30%
Aramark Campus LLC	500 - 999	3	1.59% - 3.16%	-	-	-
City of Harrisonburg	500 - 999	4	1.59% - 3.16%	500 - 999	4	1.65% - 3.30%
Tenneco Inc	500 - 999	5	1.59% - 3.16%	500 - 999	5	1.65% - 3.30%
George's Foods LLC	250 - 499	6	0.79% - 1.58%	250 - 499	6	0.83% - 1.64%
Eastern Mennonite University	250 - 499	7	0.79% - 1.58%	-	-	-
Virginia Mennonite Retirement Community	250 - 499	8	0.79% - 1.58%	250 - 499	8	0.83% - 1.64%
Shenandoah Processing LLC	250 - 499	9	0.79% - 1.58%	-	-	-
Walmart Stores Inc	250 - 499	10	0.79% - 1.58%	250 - 499	7	0.83% - 1.64%
Rosetta Stone Inc.	-	-	-	500 - 999	3	1.65% - 3.30%
Graham Packaging Company LP	-	-	-	250 - 499	9	0.83% - 1.64%
Packaging Corporation of America	-	-	-	100 - 249	10	0.33% - 0.82%
Total City Employment	31,516			30,223		

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									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
General government administration	56.1	55.2	53.6	51.0	48.6	48.6	48.6	45.7	45.5	45.4
Public safety:										
Police ^a	136.6	134.6	130.4	125.9	118.4	114.4	114.2	107.6	107.4	108.5
Fire ^a	85.4	84.0	83.7	82.9	81.9	81.8	80.7	80.7	80.7	80.8
Other	16.0	16.0	16.0	15.0	14.0	14.0	14.0	14.0	13.0	13.0
Public works ^{b,c}	79.9	79.9	79.6	77.1	75.2	75.2	99.7	98.0	102.2	72.6
Education ^{b,e}	55.7	53.3	50.0	44.3	38.7	43.0	42.5	40.2	38.8	-
Parks, recreation and cultural	82.5	84.0	78.1	71.9	71.1	72.4	72.2	73.8	75.9	75.6
Planning and community development ^d	14.4	13.6	16.7	16.7	16.2	17.0	17.0	16.4	17.8	18.8
Water	37.0	37.0	35.5	35.0	34.5	33.9	33.9	32.6	32.6	33.1
Sewer	28.1	28.1	28.7	26.0	24.5	24.6	24.4	24.1	22.2	23.8
Public transportation ^{b,e}	67.1	69.7	60.2	58.3	60.0	58.8	50.9	47.1	49.8	87.8
Steam plant/sanitation ^{b,c,d}	25.7	25.2	25.2	25.2	25.2	58.9	31.0	31.0	31.0	56.9
Stormwater	3.7	3.7	3.7	3.7	3.7	-	-	-	-	-
Central garage	15.5	15.6	15.7	15.6	15.5	14.8	15.1	15.8	15.8	14.7
Central stores	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Total	705.7	701.9	679.1	650.5	629.5	659.4	646.2	629.0	634.7	633.0

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

Notes: Full-time equivalent amounts are budgeted positions.

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

^bIn 2012, the City reclassified school bus employees into a separate activity from public transportation and refuse collection, recycling and landfill employees from sanitation into public works.

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

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

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

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

Table 16

Function	Fiscal Year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Police										
Calls answered	55,086	42,999	42,900	41,536	42,686	40,099	39,132	34,935	33,021	41,070
Traffic citations	8,940	10,089	9,369	8,280	8,442	7,648	10,683	7,900	6,268	9,359
Fire										
Calls answered	5,458	5,493	5,636	5,310	5,574	5,246	4,708	4,923	4,789	4,514
Inspections	2,300	3,488	3,593	4,041	2,987	1,351	1,568	1,893	2,135	1,868
Public works										
Streets repaved (total miles)	10.65	6.97	7.85	8.88	8.22	11.69	9.98	5.10	5.58	5.47
Parks and recreation										
Pool admissions	21,831	32,155	28,890	38,873	34,651	37,398	37,258	32,605	44,397	36,605
Rounds of golf played	19,142	24,708	27,248	29,819	30,001	29,488	28,995	27,275	27,068	21,906
Planning and community development										
Building permits issued	595	573	648	702	664	691	651	1,035	810	739
Water										
Daily consumption (millions of gallons)	5.90	5.63	5.95	5.88	5.74	5.61	5.38	5.37	5.36	5.44
New customer connections	65	97	103	100	44	61	59	67	40	151
Sewer										
Daily consumption (millions of gallons)	4.87	4.76	4.89	4.74	4.68	4.57	4.40	4.27	4.29	4.33
New customer connections	27	17	14	77	13	15	12	14	8	132
Public transportation										
Transit bus passengers	1,872,845	2,120,458	2,116,785	2,572,937	2,807,730	2,820,419	2,773,561	2,749,235	2,535,828	2,063,301
Sanitation										
Avg. daily steam plant intake (tons) ^a	-	-	-	-	-	-	67.8	125.1	111.7	138.5
Materials recycled (tons)	-	-	-	-	-	737.0	709.5	754.4	757.8	827.8
Solid waste collected (tons)	10,101	10,507	10,681	12,363	10,113	-	-	-	-	-

Source: Various City of Harrisonburg departments.

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

^aIn 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									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Police										
Police stations	3	3	3	3	3	3	3	3	3	3
Patrol units (including motorcycles)	70	69	64	56	48	49	48	48	48	46
Fire										
Fire stations	4	4	4	4	4	4	4	4	4	4
Fire trucks	14	13	12	12	12	12	12	12	13	13
Public works:										
Streets (centerline miles)	139.38	139.38	139.78	139.78	139.44	140.27	138.99	137.92	137.92	137.92
Parks, recreation and cultural										
Parks (including athletic facilities)	12	12	12	12	12	12	12	12	12	12
Parks acreage	877	877	877	877	877	877	877	877	877	877
Golf course acreage ^a	193	193	193	193	193	204	204	204	204	204
Water:										
Water lines (linear feet)	1,722,475	1,705,440	1,694,719	1,680,534	1,664,446	1,610,400	1,608,662	1,604,272	1,555,811	1,523,193
Storage capacity (millions of gallons)	25.25	25.25	25.25	25.25	25.25	25.25	25.25	25.25	25.25	25.25
Sewer:										
Sewer lines (linear feet)	1,095,104	1,082,400	1,075,269	1,066,269	1,059,020	1,024,320	1,024,591	1,077,694	1,078,563	1,075,233
Public transportation:										
Transit buses	51	51	51	50	50	48	44	42	42	36
Sanitation:										
Steam plant capacity (tons per day) ^b	-	-	-	-	-	-	200	200	200	200
Refuse collection trucks	7	7	7	7	7	8	7	7	7	7
Recycling collection trucks	3	3	3	4	4	2	4	3	3	3

Source: Various City of Harrisonburg departments.

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

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

THIS PAGE LEFT BLANK INTENTIONALLY



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, 2020, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated December 1, 2020.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies 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
December 1, 2020

CITY OF HARRISONBURG, VIRGINIA

SUMMARY OF COMPLIANCE MATTERS

June 30, 2020

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

STATE COMPLIANCE MATTERS

Code of Virginia

Budget and Appropriation Laws
Cash and Investment Laws
Conflicts of Interest Act
Local Retirement Systems
Debt Provisions
Procurement Laws
Uniform Disposition of Unclaimed Property Act
Stormwater Utility Program
Fire Programs Aid to Localities

State Agency Requirements

Education
Highway Maintenance Funds

THIS PAGE LEFT BLANK INTENTIONALLY

City of Harrisonburg, Virginia

Single Audit Report

For the Fiscal Year Ended June 30, 2020



This Report
Prepared by Department of Finance

CITY OF HARRISONBURG, VIRGINIA
SINGLE AUDIT REPORT
TABLE OF CONTENTS
Year Ended June 30, 2020

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 <i>Government Auditing Standards</i>	1-2
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	3-5
Summary of Compliance Matters	6
Schedule of Findings and Questioned Costs	7
Schedule of Expenditures of Federal Awards	8-9
Notes to Schedule of Expenditures of Federal Awards	10

THIS PAGE LEFT BLANK INTENTIONALLY



**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, 2020, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated December 1, 2020.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. **The results of our tests did not disclose any instances of noncompliance 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, S. L. P.

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
January 27, 2021



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

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

Report on Compliance for Each Major Federal Program

We have audited the City of Harrisonburg, Virginia’s (the “City”) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City’s major federal programs for the year ended June 30, 2020. The City’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

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

Auditor’s Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the City of Harrisonburg, Virginia, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2020.

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.**

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited 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, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 1, 2020, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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
January 27, 2021

THIS PAGE LEFT BLANK INTENTIONALLY

CITY OF HARRISONBURG, VIRGINIA

SUMMARY OF COMPLIANCE MATTERS

June 30, 2020

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

STATE COMPLIANCE MATTERS

Code of Virginia

Budget and Appropriation Laws
Cash and Investment Laws
Conflicts of Interest Act
Local Retirement Systems
Debt Provisions
Procurement Laws
Uniform Disposition of Unclaimed Property Act
Stormwater Utility Program
Fire Programs Aid to Localities

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, 2020

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>
Title I - Grants to Local Education Agencies	84.010
Special Education – Grants to States	84.027
Special Education – Preschool Grants	84.173
Coronavirus Relief Fund (CRF)	21.019

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

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None.

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

None.

D. FINDINGS – COMMONWEALTH OF VIRGINIA

None.

CITY OF HARRISONBURG, VIRGINIA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended June 30, 2020

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Pass-through Payments to Subrecipients	Cluster Expenditures	Federal Expenditures
Department of Agriculture:					
Pass-through payments:					
Child Nutrition Cluster:					
Virginia Department of Education:					
School Breakfast Program	10.553	201919N109941	\$ -	\$ 208,397	
School Breakfast Program	10.553	202020N109941	-	687,731	
COVID-19 - School Breakfast Program	10.553	202020N109941	-	65,244	
National School Lunch Program	10.555	201919N109941	-	379,666	
National School Lunch Program	10.555	202020N109941	-	1,163,200	
COVID-19 - National School Lunch Program	10.555	202020N109941	-	109,327	
Summer Food Service Program for Children	10.559	201919N109941	-	91,902	
COVID-19 - Summer Food Service Program for Children	10.559	202020N109941	-	1,047,915	
Virginia Department of Agriculture and Consumer Services:					
National School Lunch Program (donated commodities)	10.555	Not Provided	-	256,674	
Total Child Nutrition Cluster					4,010,056
Virginia Department of Education:					
Child and Adult Care Food Program	10.558	201919N202041	-	-	1,266
Child and Adult Care Food Program	10.558	202020N202041	-	-	5,267
Fresh Fruit and Vegetable Program	10.582	201918L190341	-	-	9,001
Fresh Fruit and Vegetable Program	10.582	202019L160341	-	-	43,991
Department of Housing and Urban Development:					
Direct payments:					
Community Development Block Grants/Entitlement Grants	14.218		256,737	-	344,761
Department of Justice:					
Direct payments:					
Coronavirus Emergency Supplemental Funding Program	16.034		-	-	3,535
Bulletproof Vest Partnership Program	16.607		-	-	4,240
Edward Byrne Memorial Justice Assistance Grant Program	16.738		-	-	4,725
Pass-through payments:					
Virginia Department of Criminal Justice Services:					
Violence Against Women Formula Grants	16.588	19-D3245VA18	-	-	17,062
Violence Against Women Formula Grants	16.588	20-E3245VA19	-	-	24,602
Department of Transportation:					
Direct payments:					
Federal Transit_Formula Grants	20.507		-	-	1,406,919
COVID-19 - Federal Transit_Formula Grants	20.507		-	-	683,452
Pass-through payments:					
Highway Planning and Construction Cluster:					
Virginia Department of Transportation:					
Highway Planning and Construction	20.205	UPC 107518	-	476,032	
Highway Planning and Construction	20.205	UPC 108809	-	1,443,754	
Highway Planning and Construction	20.205	UPC 109025	-	73,126	
Highway Planning and Construction	20.205	UPC 111084	-	56,165	
Highway Planning and Construction	20.205	UPC 113686	-	264,889	
Virginia Department of Conservation and Recreation:					
Recreational Trails Program	20.219	VRT-314-D-170	-	4,431	
Total Highway Planning and Construction Cluster					2,318,397
Harrisonburg-Rockingham Metropolitan Planning Organization:					
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505	46019	-	-	8,615
Virginia Department of Rail and Public Transportation:					
Formula Grants for Rural Areas	20.509	42120	-	-	3,638
Virginia Department of Motor Vehicles:					
State and Community Highway Safety	20.600	FSC-2019-59325-9325	-	-	1,988
State and Community Highway Safety	20.600	FPS-2019-59362-9362	-	-	1,479
State and Community Highway Safety	20.600	FSC-2020-50371-20371	-	-	2,686
State and Community Highway Safety	20.600	FPS-2020-50369-20369	-	-	2,884
Alcohol Open Container Requirements	20.607	154AL-2019-59323-9323	-	-	2,855
Alcohol Open Container Requirements	20.607	154AL-2020-50365-20365	-	-	4,337

(continued)

CITY OF HARRISONBURG, VIRGINIA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended June 30, 2020

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
U.S. Treasury:					
Pass-through payments:					
Virginia Department of Accounts:					
Coronavirus Relief Fund	21.019	SLT0022	-	-	3,625,442
Department of Education:					
Pass-through payments:					
Virginia Department of Education:					
Title I Grants to Local Educational Agencies	84.010	S010A180046	-	-	1,313,242
Title I Grants to Local Educational Agencies	84.010	S010A190046	-	-	122,694
Title I Grants to Local Educational Agencies	84.010	S377A150047	-	-	53,319
Career and Technical Education - Basic Grants to States	84.048	V048A190046	-	-	108,101
English Language Acquisition State Grants	84.365	S365A180046	-	-	54,392
English Language Acquisition State Grants	84.365	S365A190046	-	-	151,603
Improving Teacher Quality State Grants	84.367	S367A180044	-	-	612
Improving Teacher Quality State Grants	84.367	S367A190044	-	-	140,095
School Improvement Grants	84.377	S377A150047	-	-	57,916
Student Support and Academic Enrichment Program	84.424	S424A180048	-	-	42,528
Student Support and Academic Enrichment Program	84.424	S424A190048	-	-	70,383
Special Education Cluster (IDEA):					
Special Education_Grants to States	84.027	H027A180107	-	93,739	
Special Education_Grants to States	84.027	H027A190107	-	1,122,141	
Special Education_Preschool Grants	84.173	H173A190112	-	29,127	
Total Special Education Cluster				<u>1,245,007</u>	1,245,007
State Council of Higher Education for Virginia:					
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	Not Provided	-	-	62,997
Department of Homeland Security:					
Pass-through payments:					
Virginia Department of Emergency Management:					
Emergency Management Performance Grants	97.042	8241	-	-	7,500
Homeland Security Grant Program	97.067	7875	104,247	-	104,247
Homeland Security Grant Program	97.067	7918	7,779	-	81,401
Homeland Security Grant Program	97.067	7919	-	-	10,464
Homeland Security Grant Program	97.067	8140	1,507	-	1,507
Homeland Security Grant Program	97.067	8253	-	-	6,046
Department of Defense:					
Direct payments:					
JROTC Funds	12.VA 170853				<u>97,849</u>
Total expenditures of federal awards					<u>\$ 16,263,101</u>

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

CITY OF HARRISONBURG, VIRGINIA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2020

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, 2020, the School Board, a component unit, had food commodities totaling \$72,929 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, 2020.

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Outstanding Loan Amount</u>
Capitalization Grants for Drinking Water State Revolving Funds	66.468	\$ 757,334

THIS PAGE LEFT BLANK INTENTIONALLY