

Harrisonburg-Rockingham Emergency Communications Center

Financial Report

For the Fiscal Year Ended June 30, 2013



Harrisonburg-Rockingham Emergency Communications Center

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Harrisonburg-Rockingham Emergency Communications Center

Directory of Principal Officials

June 30, 2013

ADMINISTRATIVE BOARD

Kurt D. Hodgen, Chairman	City of Harrisonburg	City Manager
Joseph S. Paxton	County of Rockingham	County Administrator

ADVISORY BOARD

Stephen P. Monticelli	City of Harrisonburg	Police Chief
Larry W. Shifflett	City of Harrisonburg	Fire Chief
Bryan F. Hutcheson	County of Rockingham	Sheriff
Jeremy Holloway	County of Rockingham	Director of Fire and Rescue
Jonathan Kibler	Rockingham Emergency Services Officers Association	President

HRECC OFFICIALS

James L. Junkins	Director
Deidra D. Sencindiver	Operations Manager

**BASIC
FINANCIAL STATEMENTS**



INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of the Board of Directors
Harrisonburg – Rockingham Emergency Communications Center

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activity and the major fund of the Harrisonburg – Rockingham Emergency Communications Center (the “HRECC”), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the HRECC’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 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 activity and the major fund of the HRECC, as of June 30, 2013, and the respective changes in financial position and the budgetary comparison for the major fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2013 on our consideration of the HRECC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the HRECC's internal control over financial reporting and compliance.

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
November 26, 2013

Harrisonburg-Rockingham Emergency Communications Center
Statement of Net Position
At June 30, 2013

Exhibit 1

Assets

Cash and cash equivalents	\$ 3,241,944
Due from other governments	105,899
Other receivables	48,990
Prepaid expenses	89,468
Capital assets (net of accumulated depreciation)	<u>2,406,249</u>
Total assets	<u>5,892,550</u>

Liabilities

Accounts payable	37,861
Accrued payroll	31,965
Long-term liabilities:	
Due within one year	119,009
Due in more than one year	<u>288,538</u>
Total liabilities	<u>477,373</u>

Net position

Net investment in capital assets	2,406,249
Unrestricted	<u>3,008,928</u>
Total net position	<u>\$ 5,415,177</u>

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

Expenses:

Personal services	\$ 1,613,894
Fringe benefits	517,337
Purchased services	812,676
Other charges	413,136
Materials and supplies	61,902
Depreciation and amortization	254,561
Total program expenses	<u>3,673,506</u>

Program Revenues:

Operating grants and contributions	203,481
Total program revenues	<u>203,481</u>

Net (expense) revenues (3,470,025)

General Revenues:

Wireless E-911 phone taxes	157,160
Unrestricted operating contributions from participating governments	2,923,608
Investment revenue	5,533
Other revenue	177,599
Total general revenues	<u>3,263,900</u>

Change in net position (206,125)

Net position at beginning of year 5,621,302

Net position at end of year \$ 5,415,177

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

Harrisonburg-Rockingham Emergency Communications Center
Governmental Fund
Balance Sheet
At June 30, 2013

Exhibit 3

Assets

Cash and cash equivalents	\$ 3,241,944
Due from other governments	105,899
Other receivables	48,990
Prepaid expenditures	<u>89,468</u>
Total assets	\$ <u><u>3,486,301</u></u>

Liabilities and Fund Balance

Liabilities:

Accounts payable	\$ 37,861
Accrued payroll	31,965
Deferred revenue	<u>28,773</u>
Total liabilities	<u>98,599</u>

Fund Balance:

Nonspendable:

Prepaid expenditures	89,468
Unassigned	<u>3,298,234</u>
Total fund balance	<u>3,387,702</u>

Total liabilities and fund balance	\$ <u><u>3,486,301</u></u>
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The accompanying notes to financial statements are an integral part of this statement.

Harrisonburg-Rockingham Emergency Communications Center
*Reconciliation of the Governmental Fund Balance Sheet
to the Statement of Net Position
At June 30, 2013*

Exhibit 4

Total fund balance of the governmental fund (Exhibit 3)	\$ 3,387,702
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.	28,773
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	2,406,249
Certain long-term liabilities are not payable from current financial resources and therefore are not reported in the funds.	<u>(407,547)</u>
Net position of governmental activities (Exhibit 1)	\$ <u><u>5,415,177</u></u>

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

Harrisonburg-Rockingham Emergency Communications Center
 Governmental Fund
 Statement of Revenues, Expenditures and Changes in Fund Balance
 For the Year Ended June 30, 2013

Exhibit 5

Revenues:

Use of money and property	\$ 141,315
Miscellaneous	22,500
Contributions from participating governments:	
City of Harrisonburg	1,461,804
County of Rockingham	1,461,804
Other intergovernmental:	
Wireless E-911 phone taxes	157,160
State Compensation Board	154,228
State Wireless E-911 Services Board grants	520
Federal Government	43,123
Total revenues	<u>3,442,454</u>

Expenditures:

Personal services	1,600,916
Fringe benefits	467,448
Purchased services	812,676
Other charges	413,136
Materials and supplies	61,902
Capital outlay	29,878
Total expenditures	<u>3,385,956</u>

Excess of revenues over expenditures 56,498

Net change in fund balance 56,498

Fund balance at beginning of year 3,331,204

Fund balance at end of year \$ 3,387,702

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

Harrisonburg-Rockingham Emergency Communications Center
*Reconciliation of the Governmental Fund Statement of Revenues,
 Expenditures and Changes in Fund Balance to the Statement of Activities
 For the Year Ended June 30, 2013*

Exhibit 6

Total net change in fund balance of the governmental fund (Exhibit 5) \$ 56,498

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	\$ 29,878	
Depreciation and amortization expense	<u>(254,561)</u>	
Net adjustment	<u>\$ (224,683)</u>	(224,683)

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. 24,927

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. (62,867)

Change in net position of governmental activities (Exhibit 2) \$ (206,125)

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

Harrisonburg-Rockingham Emergency Communications Center

Exhibit 7

Governmental Fund

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

For the Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Use of money and property	\$ 131,220	\$ 131,220	\$ 141,315	\$ 10,095
Miscellaneous	-	-	22,500	22,500
Contributions from participating governments:				
City of Harrisonburg	1,461,804	1,461,804	1,461,804	-
County of Rockingham	1,461,804	1,461,804	1,461,804	-
Other intergovernmental:				
Wireless E-911 phone taxes	250,000	250,000	157,160	(92,840)
State Compensation Board	156,000	156,000	154,228	(1,772)
State Wireless E-911 Services Board grants	2,000	2,000	520	(1,480)
Federal Government	100,000	240,000	43,123	(196,877)
Total revenues	<u>3,562,828</u>	<u>3,702,828</u>	<u>3,442,454</u>	<u>(260,374)</u>
Expenditures:				
Personal services	1,627,665	1,706,165	1,600,916	105,249
Fringe benefits	492,098	495,273	467,448	27,825
Purchased services	922,788	914,788	812,676	102,112
Other charges	468,274	494,874	413,136	81,738
Materials and supplies	56,652	66,652	61,902	4,750
Capital outlay	39,040	113,440	29,878	83,562
Total expenditures	<u>3,606,517</u>	<u>3,791,192</u>	<u>3,385,956</u>	<u>405,236</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(43,689)</u>	<u>(88,364)</u>	<u>56,498</u>	<u>144,862</u>
Net change in fund balance	<u>\$ (43,689)</u>	<u>\$ (88,364)</u>	<u>56,498</u>	<u>\$ 144,862</u>
Fund balance at beginning of year			<u>3,331,204</u>	
Fund balance at end of year			<u>\$ 3,387,702</u>	

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

Harrisonburg-Rockingham Emergency Communications Center

Notes to Financial Statements

June 30, 2013

Note 1. The Reporting Entity

The Harrisonburg-Rockingham Emergency Communications Center (HRECC) was formed by joint exercise of powers ordinances by the participating governing bodies under the provisions of Section 15.2-1300 of the *Code of Virginia*, 1950, as amended. The HRECC was formed to equip and operate a joint emergency operations center and a joint two-way radio communications system. The HRECC currently operates using certain capital assets of the City and County; however, the HRECC is responsible for the maintenance of these assets.

The participating governments are the City of Harrisonburg (City) and the County of Rockingham (County). The agreement that established the HRECC shall continue in full force and effect unless it is terminated by either the City or County by written notice at least five years prior to the effective termination date. The participating governments have an ongoing financial responsibility in that the City and County have agreed to equally provide any necessary funding for the HRECC to operate. The City serves as the fiscal agent.

The Administrative Board is responsible for the operations of the HRECC and is comprised of the City Manager and the County Administrator for their respective localities. The duties and responsibilities of the Administrative Board include the (1) establishment of policies, (2) review and approval of budgets, (3) employment and oversight of the HRECC Director and (4) authorization of other personnel and salary ranges.

The Communications Advisory Board (Advisory Board) is responsible for advising the Administrative Board on policy issues. The Advisory Board is comprised of the Harrisonburg City Police Chief, Harrisonburg City Fire Chief, Rockingham County Sheriff, Rockingham County Director of Fire and Rescue and the President of the Harrisonburg-Rockingham Emergency Service Officers Association. The duties and responsibilities of the Advisory Board include the (1) review and recommendation of policies to the Administrative Board, (2) approval of procedures to implement policies and (3) review and recommendation of budgets to the Administrative Board.

Based upon the above information, the HRECC has been determined to be a joint venture of the participating localities. The HRECC is not a component unit of either the City or County.

Note 2. Summary of Significant Accounting Policies

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

A. Measurement focus, basis of accounting, and financial statement presentation

The statement of net position and statement of activities are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financials are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both 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 HRECC considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Note 2. Summary of Significant Accounting Policies (continued)

Intergovernmental revenues, consisting primarily of state and federal grants for the purpose of funding specific expenditures, are recognized when earned or at the time of specific expenditure. Revenues from general-purpose grants are recognized in the period to which the grant applies.

The HRECC reports the following major governmental fund:

The *general fund* accounts for all revenues and expenditures applicable to the general operations of the HRECC.

When both restricted and unrestricted resources are available for use, it is the HRECC’s policy to use restricted resources first, and then unrestricted resources as they are needed.

B. Stewardship, Compliance, and Accountability

Budgets and budgetary accounting. An annual budget is adopted on a basis consistent with GAAP. The Administrative Board, upon recommendation of the Advisory Board, shall agree upon an annual budget. The budget is then submitted to the Harrisonburg City Council and the Rockingham County Board of Supervisors for final approval. All budget data presented in the accompanying financial statements is the original budget and the revised budget as of June 30, 2013.

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 control. When applicable, encumbrances outstanding at the end of the fiscal year may be reported as assignments of fund balance since they do not constitute expenditures or liabilities but rather HRECC’s intent to expend funds.

C. Assets, liabilities and net position or fund equity

1. Cash and cash equivalents. 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. Investments are reported at fair value, which is obtained by using readily determinable quoted market valuations.

3. Capital assets. In general, capital assets are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. All purchased capital assets are valued at historical cost or estimated historical cost. Donated capital assets are valued at their estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset’s life are not capitalized.

Capital assets are depreciated over the following useful lives using the straight-line method.

Machinery and equipment	5-15 years
Internally generated software	15 years

Note 2. Summary of Significant Accounting Policies (continued)

4. Unearned revenue/deferred revenue. Under the accrual basis of accounting, unearned revenue is recorded when asset recognition criteria have been met, but revenue recognition criteria have not been met. Under the modified accrual basis of accounting, deferred revenue is recorded when asset recognition criteria (measurable) have been met, but the revenue is not available to pay for the liabilities of the current period.

5. Compensated absences. It is the HRECC's policy to permit employees to accumulate earned but not used vacation and sick pay benefits. The HRECC pays a benefit for accumulated sick leave upon an employee's separation from service to the extent the employee meets certain criteria. Vacation and sick pay are accrued when incurred in the statement of net position and statement of activities. A liability is reported in the fund financial statement only if they have matured as a result of employee resignations and retirements.

6. Fund Balance. In the fund financial statements, the HRECC may report certain fund balance amounts as nonspendable, 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 the Harrisonburg City Council and Rockingham County Board of Supervisors as the highest level of decision making authority for a specific purpose and may only be modified and rescinded by formal action of the same the two bodies. *Assigned fund balance* is a constraint imposed at a lower level of decision making authority for a specific purpose and only reflects the HRECC's intent to expend funds for a specific purpose. There has been no formal policy established for any governing body or official to assign fund balance for specific purposes. *Unassigned fund balance* consists of a residual amount that has not been restricted, committed or assigned for specific purposes.

The HRECC 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 HRECC will first use committed, then assigned and finally unassigned fund balance when an expenditure is incurred.

The HRECC does not have a formally adopted minimum fund balance policy.

7. Use of Estimates. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 3. Deposits and Investments

Deposits. The City serves as fiscal agent for the HRECC's 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.* Through the use of the City of Harrisonburg's investment policies, exposure to declines in fair values is managed by investing only in securities maturing in three years or less from the time of purchase. There were no securities applicable to the HRECC subject to interest rate risk.

Note 3. Deposits and Investments (continued)

Credit risk. State statutes authorize local governments 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 State Treasurer's Local Government Investment Pool (LGIP) and the Virginia State Non-Arbitrage Program (SNAP). The City of Harrisonburg's investment policy does not further limit these investment choices.

Note 4. Receivables

The following is a summary of due from other governments on the statement of net position at June 30, 2013.

Commonwealth of Virginia:

Wireless E-911 Services Board:

VA Compensation Board	\$	39,065
VA wireless E-911 tax		19,078
VA Information Technologies Agency		1,480

Federal Government:

Interoperable Emergency Communications Grant		37,252
Federal Emergency Management Agency (storm damage)		7,081
State Homeland Security Program		1,943

Total \$ 105,899

Other receivables on the statement of net position in the amount of \$48,990 include \$44,781 for equipment resale and \$4,209 for tower space rentals.

Note 5. Capital Assets

The following is a summary of the changes in capital assets for the year ended June 30, 2013.

	<u>Balance</u> <u>June 30, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2013</u>
Machinery and equipment	\$ 2,655,221	\$ 29,878	\$ -	\$ 2,685,099
Internally generated software	706,111	-	-	706,111
Capital assets, being depreciated	<u>3,361,332</u>	<u>29,878</u>	<u>-</u>	<u>3,391,210</u>
Less accumulated depreciation:				
Machinery and equipment	(655,088)	(207,487)	-	(862,575)
Internally generated software	<u>(75,312)</u>	<u>(47,074)</u>	<u>-</u>	<u>(122,386)</u>
Accumulated depreciation	<u>(730,400)</u>	<u>(254,561)</u>	<u>-</u>	<u>(984,961)</u>
Capital assets, being depreciated (net)	<u>\$ 2,630,932</u>	<u>\$ (224,683)</u>	<u>\$ -</u>	<u>\$ 2,406,249</u>

Note 6. Deferred Revenue

Deferred revenue of \$28,773 on the fund balance sheet is comprised of \$19,317 for equipment resale and \$9,456 in intergovernmental revenue.

Note 7. Long-term Liabilities

The following is the summary of the changes in long-term liabilities for the year ended June 30, 2013.

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013	Due Within One Year
Compensated absences	\$ 181,007	\$ 141,456	\$ (127,485)	\$ 194,978	\$ 119,009
Postretirement healthcare benefits	163,673	60,378	(11,482)	212,569	-
Total long-term liabilities	<u>\$ 344,680</u>	<u>\$ 201,834</u>	<u>\$ (138,967)</u>	<u>\$ 407,547</u>	<u>\$ 119,009</u>

Note 8. Defined Benefit Pension Plan

Plan Description. HRECC contributes to the Virginia Retirement System (VRS), an agent and cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System (System) through the City of Harrisonburg’s plan. All full-time, salaried permanent employees of participating employers are automatically covered by VRS upon employment. Benefits vest after five years of service credit. Members earn one month of service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as service credit in their plan. VRS administers two defined benefit plans for local government employees.

Plan 1. Members hired before July 1, 2010 and who were vested as of January 1, 2013 are covered under Plan 1. 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. Members hired or rehired after July 1, 2010 and Plan 1 members who were not vested on January 1, 2013 are covered under Plan 2. 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.

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, AFC is the average of the member’s 60 consecutive months of highest compensation. The retirement multiplier is 1.7 percent for Plan 1 members and 1.65 percent for Plan 2 members. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for employees electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed five percent. Under Plan 2, the COLA cannot exceed six percent. During years of no inflation or deflation, the COLA is zero percent. The VRS also provides death and disability benefits. Title 51.1 of the *Code of Virginia* (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

Note 8. Defined Benefit Pension Plan (continued)

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2012-annual-report.pdf> or obtained by writing to the VRS at P.O. Box 2500, Richmond, VA 23218-2500.

Funding Policy. Employees are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute five percent of their annual reported compensation to the VRS. In previous years, the HRECC had assumed this five percent for the member. Beginning July 1, 2012, members began contributing this five percent and the HRECC was required to provide a salary increase to offset this member contribution. In addition, the HRECC is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by statute and approved by the VRS Board of Trustees. The HRECC's contribution rate for the fiscal year ended 2012 was 12.56 percent of annual covered payroll.

Annual Pension Cost. For the fiscal years ending June 30, 2013, 2012, and 2011, the HRECC's annual pension costs of \$171,701, \$128,816 and \$129,889, respectively, were equal to the required and actual contributions. The required contribution for fiscal year 2013 was determined as part of the June 30, 2011 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) 7 percent investment rate of return (net of administrative expenses), (b) projected salary increases ranging from 3.75 percent to 5.60 percent per year, (c) a COLA adjustment of 2.5 percent per year for Plan 1 members and 2.25 percent for Plan 2 members. Both (a) and (b) included an inflation component of 2.5 percent. The actuarial value of the HRECC's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The HRECC's unfunded actuarial accrued liability is being amortized as a level percentage of payroll on an open basis within a period of 30 years.

Funded Status and Funding Progress. Since the HRECC makes contributions to VRS through the City of Harrisonburg's plan, a separate three-year schedule of funding progress is not available for the HRECC. This schedule gives an indication of the progress being made in accumulating assets to pay future benefits of retirees. This schedule may be found in the City of Harrisonburg's Comprehensive Annual Financial Report.

Note 9. Postretirement Healthcare Benefits

Plan Description. The HRECC 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 HRECC employees at the active employee rates. Eligible retirees must be at least 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 HRECC immediately prior to retirement. Also, retirees must have participated in the City of Harrisonburg's (City) 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.

Funding Policy. The contribution requirements of the retirees and the HRECC are established and may be amended by the Harrisonburg City Council through the City's Human Resources Policy Manual. The HRECC currently pays for these benefits on a pay-as-you-go basis. Under the current plan, the HRECC 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.

Note 9. Postretirement Healthcare Benefits (continued)

Annual OPEB Cost and Net OPEB Obligation. The following are the components of the annual OPEB cost (expense) for the current year, the amount actually contributed to the plan and changes in the net OPEB obligation.

Annual required contribution	\$	60,646
Interest on the net OPEB obligation		6,547
Adjustment to the annual required contribution		<u>(6,815)</u>
Annual OPEB cost (expense)		60,378
Contributions made		<u>(11,482)</u>
Increase in the net OPEB obligation		48,896
Net OPEB obligation at beginning of year		<u>163,673</u>
Net OPEB obligation at end of year	\$	<u><u>212,569</u></u>

The following is the annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for fiscal year 2013 and the preceding two fiscal years.

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2013	\$ 60,378	19.0%	\$ 212,569
2012	57,007	18.6%	163,673
2011	47,198	1.4%	117,249

Funded Status and Funding Progress. As of July 1, 2012, the most recent actuarial valuation date, the plan had not been funded. The actuarial accrued liability for benefits was \$510,157. There were no plan assets resulting in an unfunded actuarial accrued liability (UAAL) of \$510,157. The covered payroll (annual payroll of active employees covered by the plan) was \$1,315,791 and the ratio of the UAAL to the covered payroll was 38.8 percent.

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

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

In the July 1, 2012 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4 percent investment rate of return and an annual healthcare cost trend rate of 8 percent initially, reduced by decrements to an ultimate rate of 5 percent after 7 years. The unfunded actuarial accrued liability is being amortized using the level percentage of payroll method on an open basis over an initial 30 year period. The projected payroll growth rate is assumed to be 2.5 percent per year.

Note 10. Ground Space Lease Agreements

The HRECC has several leasing agreements in effect for the two-way radio system tower sites. Pursuant to the various terms of these leases, the HRECC is currently making rental payments on five of the eleven tower sites. Total payments on the agreements for fiscal year 2013 amounted to \$96,275.

Note 11. Tower Space Lease Agreements

The HRECC has leasing agreements in effect with several telecommunication providers to rent space on the two-way radio system towers. Total revenue from the agreements for fiscal year 2013 amounted to \$135,782.

Note 12. Contingent Liabilities

The HRECC is the recipient of Federal and State grants which are subject to audit to determine compliance with their requirements. In the opinion of management, any future required refunds will be immaterial.

Note 13. Risk Management

The HRECC participates in the Virginia Municipal League Group Self Insurance Association (VML) for vehicles, property, inland marine, EDP, flood, general liability, workman's compensation, boiler and machinery. Each VML member jointly and severally agrees to assume, pay and discharge any liability. The HRECC 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.

Note 14. New Governmental Accounting Standards Board (GASB) Standards

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of the statement are effective for fiscal year 2014 and will have an effect on certain reporting presentations in the HRECC's financial statements.

In March 2012, the GASB issued Statement No. 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62*. This statement improves accounting and financial reporting for governmental financial reporting entities by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The provisions of the statement are effective for fiscal year 2014 and management has not yet determined the effect, if any, it will have on the HRECC's financial statements.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27*. This statement establishes accounting and financial reporting standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures of pension plans. This statement identifies the methods and assumptions that should be used for the various calculations of a pension plan. This statement also establishes note disclosure and required supplementary information requirements for employer reporting of pension plans. The provisions of the statement are effective for fiscal year 2015 and will have a material effect on the HRECC's financial statements.

Note 14. New Governmental Accounting Standards Board (GASB) Standards (continued)

In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. This statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. This Statement requires certain disclosures concerning government combinations and disposals that would enable a financial statement user to evaluate the nature and financial effects of those types of transactions. The provisions of the statement are effective for fiscal year 2015 and management has not yet determined the effect, if any, it will have on the HRECC's financial statements.

In April 2013, the GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. This Statement also requires certain disclosures by governments that extend nonexchange financial guarantees. The provisions of the statement are effective for fiscal year 2014 and management has not yet determined the effect, if any, it will have on the HRECC's financial statements.

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**REQUIRED
SUPPLEMENTARY INFORMATION**

Harrisonburg-Rockingham Emergency Communications Center
 Required Supplementary Information
 Schedule of Funding Progress
 Postretirement Healthcare Benefit Plan

Exhibit 8

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Li- ability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2012	\$ -	\$ 510,157	\$ 510,157	0.00%	\$ 1,315,791	38.77%
July 1, 2011	-	463,759	463,759	0.00%	1,326,749	34.95%
July 1, 2010	-	344,267	344,267	0.00%	1,328,694	25.91%

STATISTICAL SECTION

Harrisonburg-Rockingham Emergency Communications Center

Table 1

Net Position by Component

Last Six Fiscal Years

(accrual basis of accounting)

	Fiscal Year					
	2013	2012	2011	2010	2009	2008
Net investment in capital assets	\$ 2,406,249	\$ 2,630,932	\$ 2,839,740	\$ 2,355,618	\$ 2,072,145	\$ 1,229,638
Unrestricted	<u>3,008,928</u>	<u>2,990,370</u>	<u>2,886,600</u>	<u>2,248,838</u>	<u>1,197,399</u>	<u>(157,132)</u>
Total net position	<u>\$ 5,415,177</u>	<u>\$ 5,621,302</u>	<u>\$ 5,726,340</u>	<u>\$ 4,604,456</u>	<u>\$ 3,269,544</u>	<u>\$ 1,072,506</u>

Harrisonburg-Rockingham Emergency Communications Center
Changes in Net Position
Last Six Fiscal Years
(accrual basis of accounting)

Table 2

	Fiscal Year					
	2013	2012	2011	2010	2009	2008
Expenses:						
Personal services	\$ 1,613,894	\$ 1,503,403	\$ 1,484,225	\$ 1,462,215	\$ 1,461,440	\$ 1,401,930
Fringe benefits	517,337	512,813	518,035	523,474	476,046	449,970
Purchased services	812,676	240,080	250,480	234,744	217,213	194,563
Other charges	413,136	382,726	353,736	339,348	339,245	45,243
Materials and supplies	61,902	49,827	56,311	50,774	58,963	467,188
Contributions to participating governments	-	706,507	-	-	-	-
Depreciation and amortization	254,561	236,886	252,514	134,567	68,168	10,692
Total expenses	<u>3,673,506</u>	<u>3,632,242</u>	<u>2,915,301</u>	<u>2,745,122</u>	<u>2,621,075</u>	<u>2,569,586</u>
Program revenues:						
Operating grants and contributions	203,481	235,178	231,711	227,886	156,749	153,746
Total program revenues	<u>203,481</u>	<u>235,178</u>	<u>231,711</u>	<u>227,886</u>	<u>156,749</u>	<u>153,746</u>
Net (expense) revenue	<u>(3,470,025)</u>	<u>(3,397,064)</u>	<u>(2,683,590)</u>	<u>(2,517,236)</u>	<u>(2,464,326)</u>	<u>(2,415,840)</u>
General revenues and other changes in net position:						
Wireless E-911 phone taxes	157,160	254,085	260,788	247,576	240,086	217,619
Contributions from participating governments	2,923,608	2,888,508	2,833,430	3,081,610	3,413,288	2,104,004
Capital grants from other governments	-	17,283	610,599	418,040	900,263	1,229,854
Investment revenue	5,533	4,207	5,074	4,751	12,823	-
Other revenue	177,599	127,943	95,583	100,171	94,904	77,067
Total general revenues and other changes in net position	<u>3,263,900</u>	<u>3,292,026</u>	<u>3,805,474</u>	<u>3,852,148</u>	<u>4,661,364</u>	<u>3,628,544</u>
Change in net position	<u>\$ (206,125)</u>	<u>\$ (105,038)</u>	<u>\$ 1,121,884</u>	<u>\$ 1,334,912</u>	<u>\$ 2,197,038</u>	<u>\$ 1,212,704</u>

Harrisonburg-Rockingham Emergency Communications Center

Table 3

Fund Balance

Last Six Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year					
	2013	2012	2011	2010	2009	2008
Nonspendable	\$ 89,468	\$ 47,368	\$ 61,046	\$ 44,486	\$ 64,082	\$ -
Assigned	-	-	5,000	-	-	-
Unassigned	3,298,234	3,283,836	2,821,007	2,327,442	618,242	(204,422)
Total fund balance	<u>\$ 3,387,702</u>	<u>\$ 3,331,204</u>	<u>\$ 2,887,053</u>	<u>\$ 2,371,928</u>	<u>\$ 682,324</u>	<u>\$ (204,422)</u>

Harrisonburg-Rockingham Emergency Communications Center
Changes in Fund Balance
Last Six Fiscal Years
(modified accrual basis of accounting)

Table 4

	Fiscal Year					
	2013	2012	2011	2010	2009	2008
Revenues:						
Use of money and property	\$ 141,315	\$ 120,557	\$ 97,369	\$ 97,820	\$ 95,513	\$ 77,067
Miscellaneous	22,500	11,592	3,288	7,102	12,214	-
Contributions from participating governments:						
City of Harrisonburg	1,461,804	1,444,254	1,416,715	1,540,805	1,706,644	1,052,002
County of Rockingham	1,461,804	1,444,254	1,416,715	1,540,805	1,706,644	1,052,002
Other intergovernmental:						
Wireless E-911 phone taxes	157,160	254,085	260,788	247,576	240,086	217,619
State Compensation Board	154,228	150,628	164,653	163,116	110,214	153,746
State Wireless E-911 Services Board grants	520	146,822	210,025	71,740	210,644	-
Federal Government	43,123	229,311	312,746	1,007,284	221,103	1,025,432
Total revenues	<u>3,442,454</u>	<u>3,801,503</u>	<u>3,882,299</u>	<u>4,676,248</u>	<u>4,303,062</u>	<u>3,577,868</u>
Expenditures:						
Personal services	1,600,916	1,485,142	1,497,504	1,464,002	1,442,457	1,395,931
Fringe benefits	467,448	464,992	472,507	479,736	447,763	449,511
Purchased services	812,676	240,080	250,480	234,744	217,213	194,563
Other charges	413,136	382,726	353,736	339,348	339,245	45,243
Materials and supplies	61,902	49,827	48,480	50,774	69,375	467,188
Contributions to participating governments	-	706,507	-	-	-	-
Capital outlay	29,878	28,078	744,467	418,040	900,263	1,229,854
Total expenditures	<u>3,385,956</u>	<u>3,357,352</u>	<u>3,367,174</u>	<u>2,986,644</u>	<u>3,416,316</u>	<u>3,782,290</u>
Excess (deficiency) of revenues over (under) expenditures	<u>56,498</u>	<u>444,151</u>	<u>515,125</u>	<u>1,689,604</u>	<u>886,746</u>	<u>(204,422)</u>
Net change in fund balance	<u>\$ 56,498</u>	<u>\$ 444,151</u>	<u>\$ 515,125</u>	<u>\$ 1,689,604</u>	<u>\$ 886,746</u>	<u>\$ (204,422)</u>

Harrisonburg-Rockingham Emergency Communications Center
 Nonfinancial Operating Information
 Last Six Fiscal Years

Table 5

	Fiscal Year					
	2013	2012	2011	2010	2009	2008
Full-time Equivalent Employees ¹	40.0	41.0	41.0	40.6	41.5	40.4
Calls Answered ²	201,628	201,155	188,277	192,262	n/a	n/a

Source: ¹ Harrisonburg-Rockingham Emergency Communications Center Proposed Budget for the relevant year.

² Harrisonburg-Rockingham Emergency Communications Center Director.

Note: The Harrisonburg-Rockingham Emergency Communications Center transitioned to a new E911 system during fiscal year 2011 at which time the manner in which calls are received and data captured has changed.

COMPLIANCE

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

Honorable Members of the Board of Directors
Harrisonburg – Rockingham Emergency Communications Center

We have audited, 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 Authorities, Boards, and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activity and the major fund of the Harrisonburg – Rockingham Emergency Communications Center (the “HRECC”), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the HRECC’s basic financial statements, and have issued our report thereon dated November 26, 2013.

Internal Control Over Financial Reporting

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

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.**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the HRECC's financial statements are free of 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 disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 8-01.**

HRECC's Response to Findings

The HRECC's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The HRECC's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
November 26, 2013

HARRISONBURG – ROCKINGHAM EMERGENCY COMMUNICATIONS CENTER

SUMMARY OF COMPLIANCE MATTERS

June 30, 2013

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 HRECC’s compliance with certain provisions of the laws, regulations, contracts, and grants shown below.

STATE COMPLIANCE MATTERS

Code of Virginia

Procurement Laws

Budget and Appropriation Laws

Cash and Investment Laws

HARRISONBURG – ROCKINGHAM EMERGENCY COMMUNICATIONS CENTER

**SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2013**

A. FINDINGS AND QUESTIONED COSTS – COMMONWEALTH OF VIRGINIA

08-1: Submission of financial report to the Auditor of Public Accounts within 90 days of fiscal year end.

Condition:

Section 30-140 of the *Code of Virginia* requires HRECC to submit an audited financial report to the Auditor of Public Accounts by September 30 each year. The 2013 audited financial report will be submitted after this date.

Recommendation:

Management should consider feasibility of earlier submission.

Management's Response:

The HRECC is part of the City of Harrisonburg's operations and completing the audit by September 30 may not be feasible. We will look at this closer for fiscal year 2014 to determine if it can be accomplished.