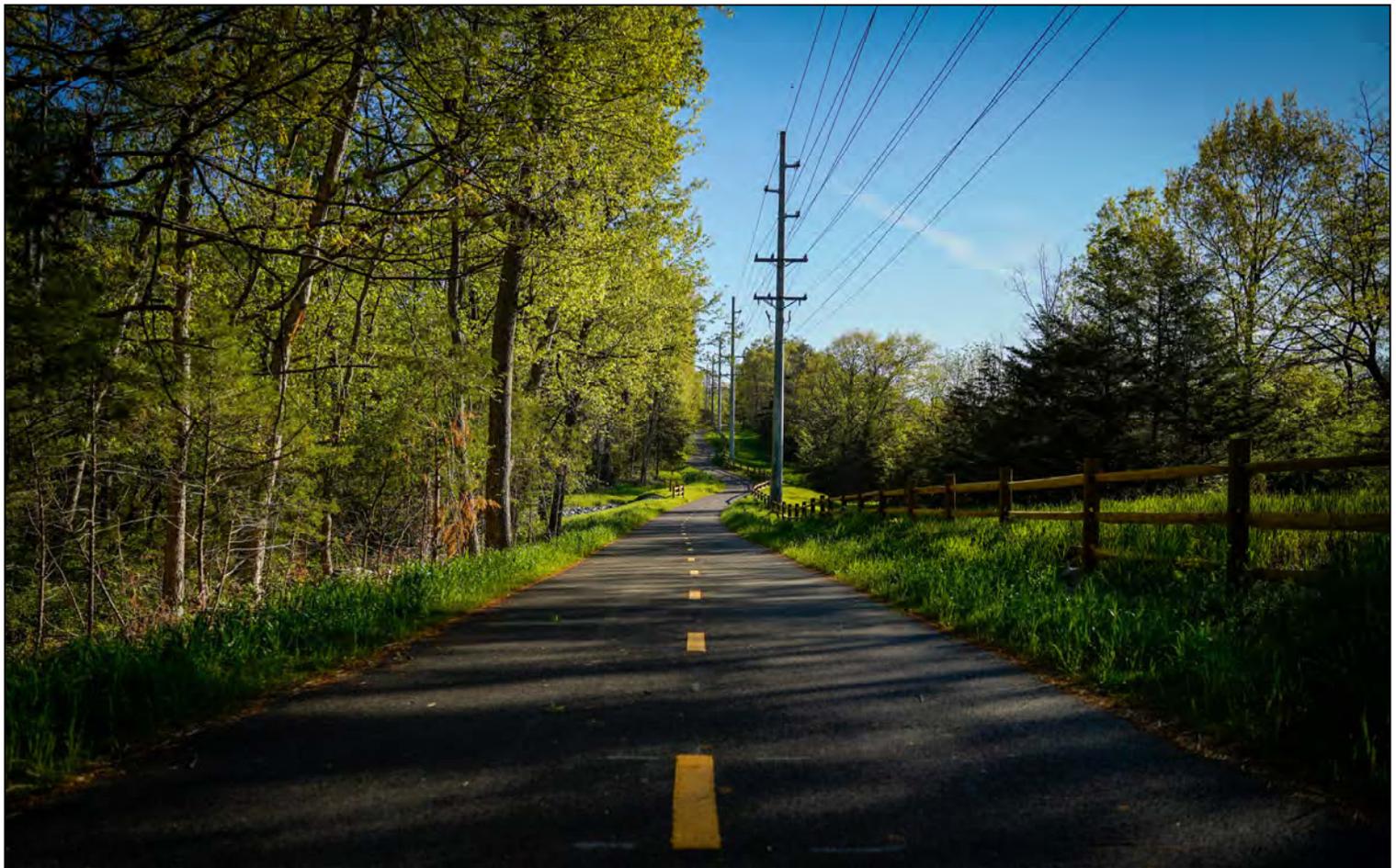


City of Harrisonburg, Virginia Annual Comprehensive Financial Report

Fiscal Year Ended June 30, 2022



Friendly City Trail

City of Harrisonburg, Virginia

Annual Comprehensive Financial Report

For the Fiscal Year Ended June 30, 2022



This Report
Prepared by Department of Finance

Report Cover: The front cover is a portion of the new Friendly City Trail. The Friendly City Trail is a two mile shared-use path on the west side of the City that connects three schools (Harrisonburg High School, Bluestone Elementary School and Thomas Harrison Middle School), two parks (Hillandale Park and Westover Park) and several residential neighborhoods. Completed in May 2022, the shared-use path is a 10-foot wide hard surfaced trail that is anticipated to be used by walkers, joggers and bicyclists for transportation and recreation. In addition to funding from the City, financing for this \$3.3 million project was provided by the Virginia Department of Transportation and Virginia Department of Conservation and Recreation.

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INTRODUCTORY SECTION

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

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CITY OF HARRISONBURG
OFFICE OF THE
CITY MANAGER

ALEXANDER "ANDE" BANKS, VI, CITY MANAGER
409 SOUTH MAIN STREET, HARRISONBURG, VA 22801
OFFICE (540) 432-7701 • FAX (540) 432-7778

December 6, 2022

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

The Annual Comprehensive Financial Report of the City of Harrisonburg, Virginia (City), for the fiscal year ended June 30, 2022 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, 2022, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements was also designed to meet the U. S. Office of Management and Budget's Uniform Guidance to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements set forth in the General Accounting Office's Government Auditing Standards require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements. Special emphasis is placed on internal controls and compliance with legal requirements involving the administration of federal awards. These reports are available in the compliance section of this report.

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

Profile of the City of Harrisonburg

Background. The City was established in 1780 and was named for Thomas Harrison, who donated the land for the Rockingham County Court House, which became the permanent county seat of Rockingham County in 1781. The City was incorporated in 1849 and became an independent city in 1916. It now encompasses 17.3 square miles and serves a population of approximately 52,000.

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

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

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

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

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

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

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

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

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

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

Major Initiatives

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

- Appropriated a total of \$8.7 million for the realignment of University Boulevard.
- Appropriated \$4 million in the Public Transportation Fund for the purchase of eight replacement transit buses with 96 percent of the funding provided by state and federal sources.
- Appropriated \$1.5 million in the Public Transportation Fund for the replacement of the Intelligent Transportation System for the City's transit bus fleet with 96 percent of the funding provided by state and federal sources.
- Appropriated a total of \$2 million for various capital expenditures in the Water Fund. This includes \$800,000 in funding for a waterline to the South Fork of the Shenandoah River and \$1.2 million for waterline asset replacements.
- Appropriated \$1.3 million in the Stormwater Fund for the Mountain View Drive stream bank restoration projects and the VMRC extended detention pond project with approximately \$1 million provided by state sources.

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 25,600. 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 2,000 students is also located in the City. Bridgewater College, located just south of the City, is also private and has an approximate enrollment of 1,600 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. Contour Airlines 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 and current economic condition. In March 2020, the World Health Organization classified a strain of novel coronavirus (COVID-19) as a global pandemic. Subsequently in January 2021, the WHO announced an additional global emergency due to a new variant of COVID-19. Due to the significant disruptions to the local economy, it is estimated that the City lost in excess of \$6 million in tax and other revenue in total from the beginning of the pandemic. As of the date of this report, the City's revenues have recovered and most all of its major revenue sources have exceeded pre-pandemic levels.

The City was allocated a total of \$23.8 million in federal American Rescue Plan Act (ARPA) Coronavirus State and Local Fiscal Recovery Funds. The City received \$11.9 million of this funding in June 2021 and \$11.9 million in June 2022. As of June 30, 2022, the City had expended approximately \$2 million of its ARPA funds.

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 currently in the planning and design stage for the construction of a new administration facility for the Public Works Department and included \$6.3 million in cash funding for the project in its fiscal year 2023 budget. It is estimated that this project will cost approximately \$7.8 million and be funded with currently available resources. Construction is projected to be completed in July 2024.

The City is currently in the planning stage for the realignment of University Boulevard. It is estimated that this project will cost approximately \$9.5 million and is primarily being funded through the Virginia Department of Transportation and James Madison University. Currently, the projected completion date has not been determined.

The City is currently in the planning and design stages for a number of infrastructure improvement projects. These projects include South Main Street improvements, improvements to South Main Street I-81 Exit 245 intersection, Port Republic Road improvements, North Main Street sidewalks and University Boulevard improvements. Collectively, it is estimated that these projects will cost approximately \$20.2 million and are being funded through the Virginia Department of Transportation. Currently, the projected completion dates have not been determined.

The City is currently in the planning stages for the construction of a fifth fire station to be located in the northwest section of the City. Currently, the projected cost and completion date has not been determined and will be financed by federal ARPA funds.

The City is currently in the design stages for renovations to a building purchased by the City to be converted to a low-barrier, year round homelessness center. Currently, the projected cost and completion date has not been determined and will be financed by federal ARPA funds.

The City currently is implementing a long-term planning model for the replacement of its aging water and sewer infrastructure. Over the next five years, the City plans to cash fund approximately \$19.2 million in the Water Fund and \$5.3 million in the Sewer Fund for these infrastructure projects. The City currently has \$3.9 million and \$3 million in available funds in the Water and Sewer Funds, respectively. Future funding will be provided by phased in rate increases.

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 Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2021. This was the twenty-seventh 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 ACFR. 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 ACFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments

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

Respectfully submitted,

/s/

Ande Banks
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**

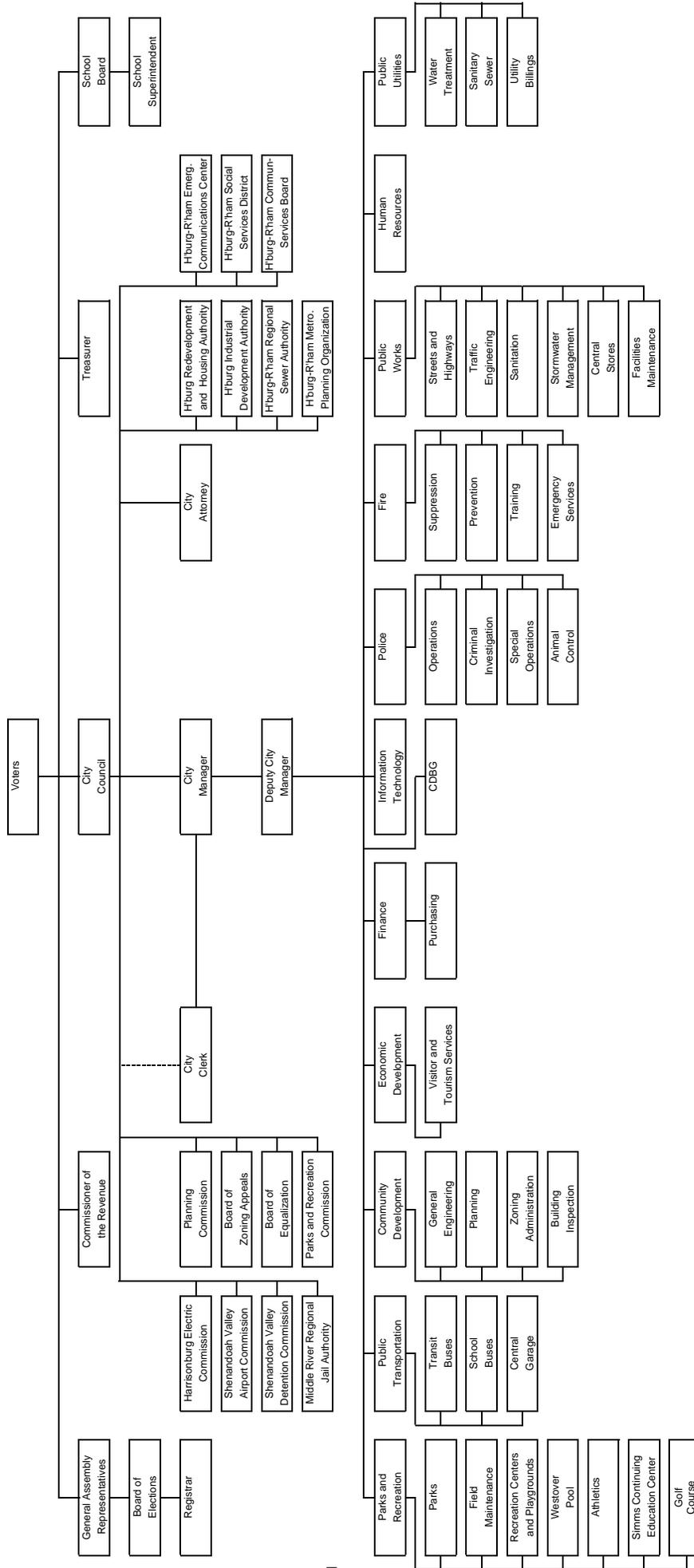
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2021

Christopher P. Morill

Executive Director/CEO

City of Harrisonburg, Virginia Organization Chart



CITY OF HARRISONBURG, VIRGINIA
DIRECTORY OF PRINCIPAL OFFICIALS
June 30, 2022

CITY COUNCIL

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

CITY OFFICIALS

Alexander "Ande" Banks, IV	Interim 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
A. Michael Collins	Director of Public Utilities
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
Thomas A. Hartman	Director of Public Works
Michael E. Parks	Director of Communications
Gerald M. Gatobu	Director of Public Transportation
Matthew J. Tobia	Fire Chief
Angela K. Clem	Director of Human Resources
Kelley D. Warner	Police Chief
Brian B. Mancini	Director of Parks and Recreation
Mark D. Finks	City Registrar

SCHOOL BOARD

Dominic D. "Nick" Swayne	Chairperson
Deb Fitzgerald	Vice Chairperson
Obie Hill	Board Member
Andrew Kohen	Board Member
Kristen Loflin	Board Member
Kaylene Seigle	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 annual comprehensive financial report contains the financial statements which include the basic financial statements, notes to financial statements and other supplementary information. This part also provides management's analysis of the City's current financial position and the outcome of its operations, as well as, the independent auditor's report.

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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 aggregate remaining fund information of the City of Harrisonburg, Virginia, as of June 30, 2022, 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.

Basis for Opinions

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 *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Harrisonburg, Virginia and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As described in Note 7 and 8 to the financial statements, in 2022, the City adopted new accounting guidance, *GASB Statement No. 87, Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Harrisonburg's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Harrisonburg's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Harrisonburg's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 be presented to supplement the basic financial statements. Such information is the responsibility of management, and, 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.

Supplementary 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 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 schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are 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 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2022 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, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
December 6, 2022

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, 2022. 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 \$307.1 million (net position). Of this amount, \$73.9 million (unrestricted net position) may be used to meet the City's obligations to citizens and creditors.
- The City's total net position increased by \$18.6 million.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$119.9 million, an increase of \$57.3 million in comparison with the previous year. Approximately 44.3 percent of this total amount, \$53.1 million, is unassigned.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$53.1 million, or 43.2 percent of total General Fund expenditures and other financing uses (less debt refunding transactions).
- The City's total long-term debt increased by \$83.1 million during the current fiscal year. In addition, the City implemented Governmental Accounting Standards Board Statement (GASB) No. 87, *Leases*, and has reported lease liabilities totaling \$2.2 million.

Overview of the Financial Statements

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

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

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

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

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

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

issued audited financial statements for HEC, contact the Harrisonburg Electric Commission, 89 West Bruce Street, Harrisonburg, Virginia 22801. The School Board does not issue separate financial statements. The government-wide financial statements can be found on pages 23 through 25 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 26 through 30 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 31 through 34 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 35 through 36 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 37 through 81 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 82 through 99 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, custodial 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 100 through 119 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 \$307.1 million at the close of the most recent fiscal year.

The largest portion of the City's net position (75.7 percent) reflects its investment in capital assets (e.g., land, buildings and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, which amounts to \$73.9 million, may be used to meet the City's ongoing obligations to citizens and creditors.

City of Harrisonburg's Net Position

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 240,149,761	\$ 161,496,101	\$ 61,679,863	\$ 33,290,476	\$ 301,829,624	\$ 194,786,577
Capital assets	336,129,390	297,945,661	100,923,473	98,161,702	437,052,863	396,107,363
Total assets	576,279,151	459,441,762	162,603,336	131,452,178	738,882,487	590,893,940
Total deferred outflows of resources	11,623,041	13,359,726	2,742,652	3,375,318	14,365,693	16,735,044
Current and other liabilities	39,028,721	23,016,109	2,800,885	2,264,575	41,829,606	25,280,684
Long-term liabilities	264,938,831	199,990,253	56,371,236	35,933,937	321,310,067	235,924,190
Total liabilities	303,967,552	223,006,362	59,172,121	38,198,512	363,139,673	261,204,874
Total deferred inflows of resources	79,611,816	57,814,335	3,413,346	95,634	83,025,162	57,909,969
Net position:						
Net investment in capital assets	152,848,662	152,753,329	79,676,659	81,774,322	232,525,321	234,527,651
Restricted	633,166	715,006	-	-	633,166	715,006
Unrestricted	50,840,996	38,512,456	23,083,862	14,759,028	73,924,858	53,271,484
Total net position	\$ 204,322,824	\$ 191,980,791	\$ 102,760,521	\$ 96,533,350	\$ 307,083,345	\$ 288,514,141

The information for the previous year has not been restated for the implementation of GASB Statement No. 87.

City of Harrisonburg's Changes in Net Position

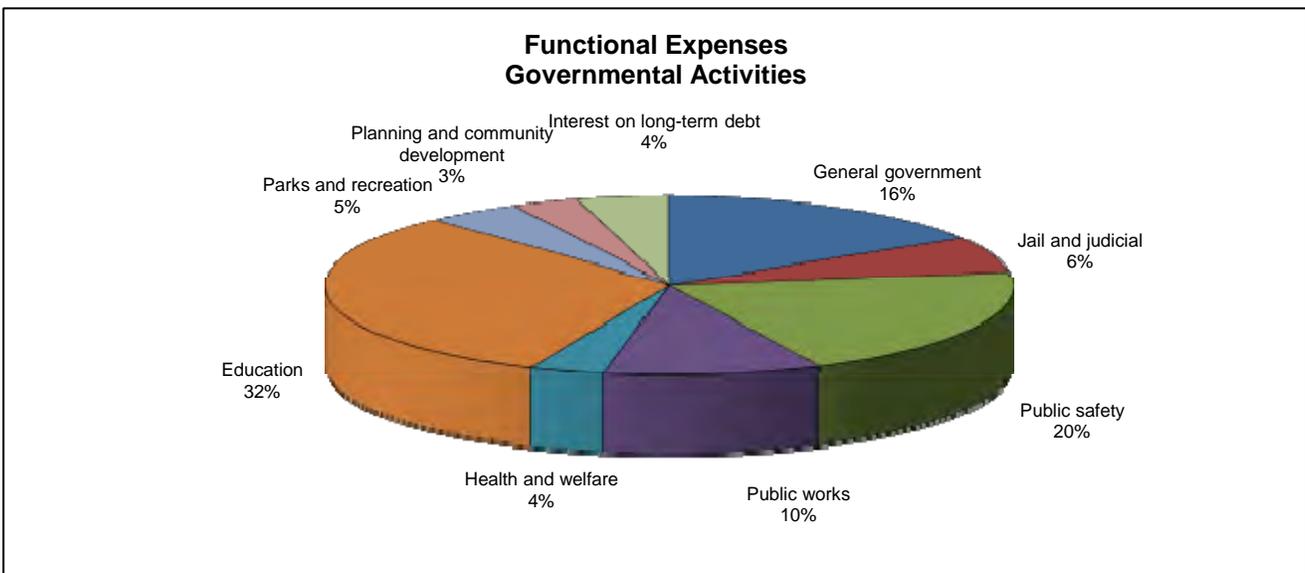
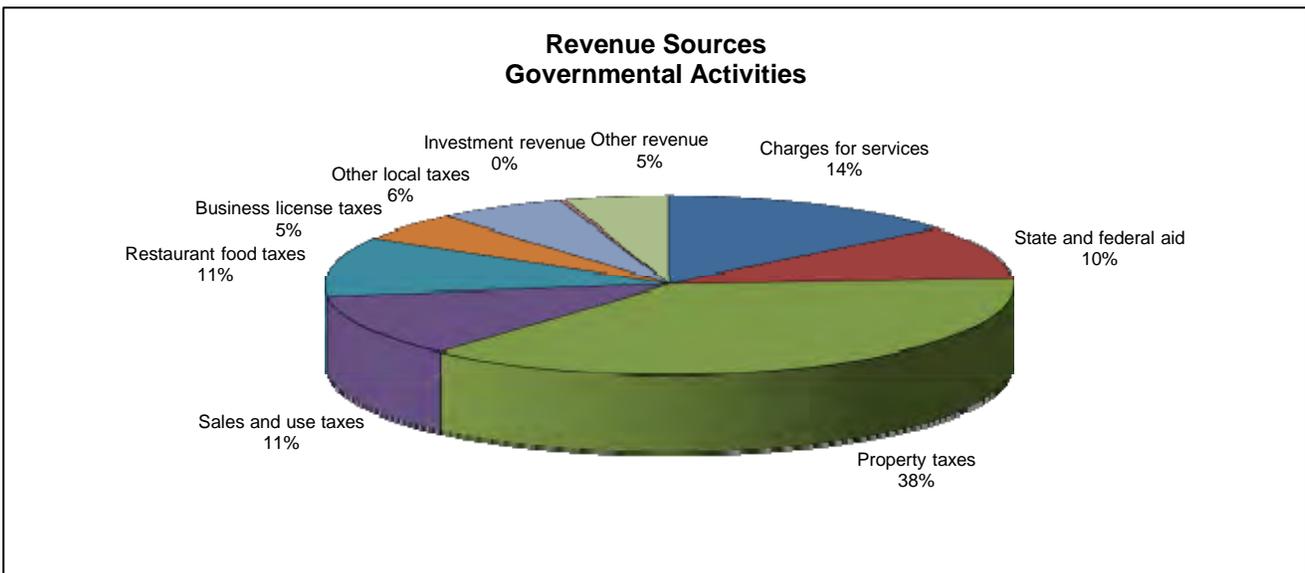
	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program revenues:						
Charges for services	\$ 21,951,942	\$ 19,430,070	\$ 29,664,119	\$ 28,431,405	\$ 51,616,061	\$ 47,861,475
Operating grants and contributions	8,841,196	8,750,337	4,697,900	3,735,359	13,539,096	12,485,696
Capital grants and contributions	1,515,563	1,817,321	3,356,072	4,401,654	4,871,635	6,218,975
General revenues:						
Property taxes	57,858,874	54,171,307	-	-	57,858,874	54,171,307
Sales and use taxes	17,692,891	15,756,075	-	-	17,692,891	15,756,075
Restaurant food taxes	16,439,222	13,266,178	-	-	16,439,222	13,266,178
Business license taxes	8,026,003	7,148,413	-	-	8,026,003	7,148,413
Other local taxes	9,365,736	8,034,724	-	-	9,365,736	8,034,724
Grants and contributions not restricted to specific programs	5,025,679	8,977,259	-	-	5,025,679	8,977,259
Payment from component units	5,200,000	6,700,000	-	-	5,200,000	6,700,000
Investment revenue	413,954	239,283	130,339	90,899	544,293	330,182
Other revenue	2,086,414	2,149,401	505,628	719,084	2,592,042	2,868,485
Gain on disposal of capital assets	-	-	85,811	5,325	85,811	5,325
Total revenues	154,417,474	146,440,368	38,439,869	37,383,726	192,857,343	183,824,094
Expenses:						
General government administration	23,750,636	21,661,494	-	-	23,750,636	21,661,494
Jail and judicial administration	9,215,291	8,901,359	-	-	9,215,291	8,901,359
Public safety	29,463,781	29,906,040	-	-	29,463,781	29,906,040
Public works	14,876,514	18,224,718	-	-	14,876,514	18,224,718
Health and welfare	5,053,655	8,097,217	-	-	5,053,655	8,097,217
Education	45,893,475	41,403,674	-	-	45,893,475	41,403,674
Parks, recreation and cultural	6,579,662	6,823,509	-	-	6,579,662	6,823,509
Planning and community development	4,590,359	7,196,267	-	-	4,590,359	7,196,267
Interest on long-term debt	6,262,132	4,946,081	-	-	6,262,132	4,946,081
Water	-	-	7,242,152	6,389,098	7,242,152	6,389,098
Sewer	-	-	10,307,390	10,797,106	10,307,390	10,797,106
Public transportation	-	-	7,318,114	7,135,184	7,318,114	7,135,184
Sanitation	-	-	3,247,807	2,982,866	3,247,807	2,982,866
Stormwater	-	-	487,171	570,987	487,171	570,987
Total expenses	145,685,505	147,160,359	28,602,634	27,875,241	174,288,139	175,035,600
Excess (deficiency) before transfers	8,731,969	(719,991)	9,837,235	9,508,485	18,569,204	8,788,494
Transfers	3,610,064	3,547,427	(3,610,064)	(3,547,427)	-	-
Change in net position	12,342,033	2,827,436	6,227,171	5,961,058	18,569,204	8,788,494
Net position - beginning	191,980,791	189,153,355	96,533,350	90,572,292	288,514,141	279,725,647
Net position - ending	\$ 204,322,824	\$ 191,980,791	\$ 102,760,521	\$ 96,533,350	\$ 307,083,345	\$ 288,514,141

The information for the previous year has not been restated for the implementation of GASB Statement No. 87.

Governmental activities. Governmental activities increased the City's net position by \$12.3 million. Key elements affecting governmental activities are as follows:

- Charges for services increased \$2.5 million (13 percent) primarily due to a one-month premium holiday provided to participants in the City's self-insured health insurance plan in the previous year.
- Property tax revenue increased \$3.7 million (6.8 percent) in the current year mainly as the result of increasing real estate assessments and an increase in the real estate tax rate.
- Local sales tax and restaurant food tax revenue increased \$1.9 million (12.3 percent) and \$3.2 million (23.9 percent), respectively, as a result of improved economic activity.
- Grants and contributions not restricted to specific programs decreased \$3.95 million due to the use of federal Coronavirus Relief Funds in the previous year.
- The payment from HEC decreased \$1.5 million.
- Expenses in the general government administration activity increased \$2.1 million (9.6 percent) primarily due to an increase in claim payments in the City's self-insured health insurance plan and bond issuance costs incurred from the Series 2021A and 2021B bond issuance.

- Expenses in the public works activity decreased \$3.3 million (18.4 percent) primarily due to the impairment of construction in progress in the previous year, combined with a decrease in street paving and pension and OPEB expenses in the current year.
- Expenses in the health and welfare activity decreased \$3 million from construction contributions that were made in the previous year to the Harrisonburg-Rockingham Community Services Board (HRCSB).
- Education activity expenses increased \$4.5 million (10.8 percent) from a \$2.3 million contribution for the Rocktown High School construction project and a general increase in operational costs, including school transportation provided by the City, as schools returned to a full year of in-person learning.
- Expenses in the community development activity decreased \$2.6 million (36.2 percent) primarily from community and business assistance payments provided by the City from its federal CARES Act funding in the previous year.
- Expenses for interest on long-term debt increased \$1.3 million (26.6 percent) from the issuance of the City's Series 2021A and 2021B bonds for the construction of Rocktown High School.



Business-type activities. Business-type activities increased the City's net position by \$6.2 million. Key elements affecting business-type activities are as follows:

- Charges for services increased \$1.2 million (4.3 percent) due to water and sewer charges for services from an increase in customer usage as revenue recovered from the impact of the COVID-19 pandemic.

- Operating grants and contributions increased \$962,541 (25.8 percent) primarily from additional federal and state revenue in the public transportation activity and the use of ARPA funds for retention payments to employees in all business-type activities.
- Capital grants and contributions decreased \$1 million primarily from intergovernmental revenue associated with the purchase of seven new transit buses in the prior year.
- Expenses in the water activity increased \$853,054 (13.4 percent) primarily from an increase in interest expense from \$24.7 million in bonds issued during the current year for the water line project to the South Fork of the Shenandoah River.

Government-wide Financial Analysis (Component Units)

School Board activities. The net position of the School Board increased \$15.3 million during the year, as compared to a \$74,298 increase in the previous year. School Board expenses decreased \$2.8 million (2.8 percent) due to a decrease in pension and OPEB expenses. The School Board's funding from the City increased \$3.7 million (11.6 percent) compared to the previous year, which included a \$2.3 million contribution for school construction purposes. State funding increased \$3.6 million while federal funding increased \$3.7 million from various CARES Act and ARPA revenue sources.

HEC activities. HEC's net position increased \$3.9 million during the year, as compared to a \$463,901 million increase in the previous year. Charges for services increased \$10.7 million (18.6 percent) during the current year due to the removal of a 2.5 percent rate decrease provided in the previous year to assist customers during the COVID-19 pandemic and two separate increases during the current year in the fuel adjustment factor, while expenses also increased \$6.9 million (11.9 percent). The increase in expenses was mostly a result of higher purchased power costs and an increase in the fuel adjustment factor.

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 \$53.1 million, while total fund balance was \$65.1 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 43.2 percent (38.4 percent in the prior year) of total General Fund expenditures and other financing uses (less debt refunding transactions), while total fund balance represents 53 percent (44.1 percent in the prior year) of that same amount.

Total fund balance in the General Fund increased \$12.9 million primarily from a better than anticipated increase in local tax revenue compared to budgeted projections as the City continues to recover from the COVID-19 pandemic. Local sales tax, business license tax, hotel room tax and restaurant food tax revenues collectively exceeded budget projections by \$9.5 million. The City also retained \$2.2 million in budgeted School Board operating contributions as the School Board's state and federal revenue exceed budget projections.

Total revenues increased \$4.7 million (3.7 percent). Real estate tax revenue increased \$2.5 million (6.3 percent) as the result of increasing real estate assessments and an increase in the real estate tax rate. Local sales tax revenue increased \$1.9 million (12.3 percent) exceeding budget projections by \$1.9 million while restaurant food taxes increased \$3.2 million (23.9 percent) exceeding budget projections by \$3.95 million. The operating contribution from HEC decreased \$1.5 million after a one-time COVID-19 pandemic contribution in the previous year. Federal revenue decreased \$4.8 million primarily from Coronavirus Relief Fund revenue in the previous year.

Total expenditures increased \$4.05 million (3.4 percent). Public safety expenditures increased \$1.5 million primarily due to an increase in personnel costs from retention payments made to all employees during the current year and increased capital outlay expenditures. Education expenditures increased \$3.7 million (11.6 percent) primarily from a \$2.3 million contribution for the Rocktown High School construction project. Community Development expenditures decreased \$2.4 million (38.1 percent) primarily due to community and business assistance provided by the City using CARES Act funding in the previous year. Debt service expenditures increased \$1.9 million primarily from the first half year payment on the bonds issued for the Rocktown High School construction project. 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 \$12.9 million, of which the entire amount is either restricted or committed for various projects. Revenue, including other financing sources, totaled \$8.3 million, of which \$6.1 million was from the issuance bonds and \$1.3 million was from intergovernmental revenue. Expenditures totaled \$3.8 million, of which the most significant were for continued construction of the Friendly City Trail shared use path and design costs for street improvements related to the construction of Rocktown High School.

School Bond Capital Projects Fund. The School Bond Capital Projects Fund has a total fund balance of \$39.5 million, of which the entire amount is committed for the construction of Rocktown High School. Expenditures totaled \$47.1 for constructions costs of Rocktown 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 \$2.1 million compared to an increase of \$2 million in the previous year. Operating revenues increased \$501,952 (5.3 percent) primarily due to increased customer usage after a decrease in usage from the COVID-19 pandemic in the previous year, while total operating expenses increased \$425,572 (7.3 percent) primarily from an increase in personnel costs, bond issuance costs and depreciation expense combined with a decrease in pension and OPEB expenses.

Sewer Fund. The net position of the Sewer Fund remained increased \$1.1 million compared to being essentially unchanged in the previous year. Operating revenues increased \$749,484 (6.6 percent) primarily due to increased customer usage after a decrease in usage from the COVID-19 pandemic in the previous year, while total operating expenses decreased \$443,216 (4.1 percent) primarily due to a decrease in infrastructure maintenance costs and a decrease in pension and OPEB expenses.

Public Transportation Fund. The net position of the Public Transportation Fund increased \$316,112 compared to an increase of \$1.5 million in the previous year. Operating revenues decreased \$102,718 (5.3%) compared to the previous year, while total operating expenses increased \$340,559 (4.8 percent) from a combination of increased maintenance and fuel operating costs with a decrease in pension and OPEB expenses. In addition, nonoperating intergovernmental revenue increased \$692,877 (18.5 percent) primarily due to the increased operating costs that are reimbursed from state and federal funds.

Sanitation Fund. The net position of the Sanitation Fund increased \$1.1 million compared to an increase of \$1.2 million in the previous year. Operating revenues increased \$85,001 (2 percent) compared to the previous year, while total operating expenses increased \$380,045 (14 percent) due to a general increase in operating costs.

Stormwater Fund. The net position of the Stormwater Fund increased \$1.65 million compared to an increase of \$1.6 million in the previous year. Operating revenues remaining essentially unchanged compared to the previous year, while operating expenses decreased \$79,482 (14 percent) due to an impairment loss of construction in progress in the previous year.

General Fund Budgetary Highlights

Differences between the original and the final amended General Fund budget amounted to \$49.5 million, or 39.5 percent of the original budget, and can be briefly summarized as follows:

- \$40 million appropriated for the current refunding of previously issued bonds.
- \$3.5 million appropriated for prior year encumbrances.
- \$2.3 million appropriated for construction of Rocktown High School.
- \$1.6 million appropriated from ARPA funds for various purposes.
- \$750,000 appropriated from state and federal grants for various fire department purposes.
- \$450,000 appropriated from state and federal grants for public works purposes.
- \$870,000 appropriated for other purposes.

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

- Other local tax revenues were over the final amended budget by \$9.9 million. The variance was primarily the result of higher than projected local sales, business license, restaurant food and hotel room tax revenue.
- Public safety expenditures were under the final amended budget by \$3.4 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 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 year.
- Education expenditures were under the final amended budget by \$2.2 million as the School Board's state and federal revenue exceeded budgeted estimates.

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 \$437.1 million (net of accumulated depreciation/amortization). This investment in capital assets includes land, easements, buildings, improvements other than buildings, equipment, infrastructure (e.g., streets and bridges), intangible assets, right-to-use leased assets and construction in progress. The City's total investment in capital assets for the current fiscal year increased \$38.7 million.

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

- Construction began on Rocktown High School increasing governmental activities' construction in progress by \$47.6 million.
- Construction was completed on the Friendly City Trail shared use path increasing governmental activities' improvements other than buildings while decreasing construction in progress by \$3.6 million.
- Construction was completed on renovations to the courthouse increasing governmental activities' buildings while decreasing construction in progress by \$1.5 million.
- Construction continued on the water line project to the South Fork of the Shenandoah River increasing business-type activities' construction in progress by \$1.9 million.
- Construction was completed on the Northend Greenway Trail stream restoration project increasing business-type activities' improvements other than buildings while decreasing construction in progress by \$1.4 million.
- Construction continued on two stream restoration projects increasing business-type activities' construction in progress by \$692,000.
- Three transit buses and a transit bus camera system were purchased increasing business-type activities' equipment by \$1.8 million.
- Implemented GASB Statement No. 87, *Leases* and reported \$2.2 million in lease assets in governmental activities.

City of Harrisonburg's Capital Assets

(net of depreciation/amortization)

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 58,435,764	\$ 58,435,764	\$ 2,690,491	\$ 2,690,491	\$ 61,126,255	\$ 61,126,255
Easements	1,777,196	1,777,196	483,945	462,693	2,261,141	2,239,889
Construction in progress	60,775,564	16,272,611	30,820,551	29,637,335	91,596,115	45,909,946
Buildings	93,374,125	98,904,320	12,595,126	13,039,476	105,969,251	111,943,796
Improvements other than buildings	15,088,569	12,186,815	12,658,547	11,294,839	27,747,116	23,481,654
Equipment	13,433,368	14,651,603	9,148,345	9,202,730	22,581,713	23,854,333
Equipment - Leased	2,245,292	-	-	-	2,245,292	-
Intangibles	8,390,095	8,833,699	1,050,979	514,234	9,441,074	9,347,933
Infrastructure	82,609,417	86,883,653	31,475,489	31,319,904	114,084,906	118,203,557
Total capital assets	\$ 336,129,390	\$ 297,945,661	\$ 100,923,473	\$ 98,161,702	\$ 437,052,863	\$ 396,107,363

Additional information on the City's capital assets can be found in Note 7 on pages 47 through 49 of this report.

Long-term debt. At the end of the current fiscal year, the City had total long-term debt outstanding of \$321.3 million. Of this amount, \$281.3 million comprises debt backed by the full faith and credit of the City. The City's total long-term debt increased \$83.1 million during the current fiscal year.

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

- The issuance of \$84.6 million in general obligation bonds to fund the construction of Rocktown High School in governmental activities.
- The issuance of \$24.7 million in general obligation bonds to fund the construction of a water line to the South Fork of the Shenandoah River in business-type activities.
- The issuance of \$50.2 million in general obligation bonds to current refund outstanding bond issues for governmental and business-type activities. The City was able to reduce its total debt service payments over the next 14 years on the old bonds by \$5 million.
- A decrease of \$19.4 million in pension and OPEB liabilities.
- Implemented GASB Statement No. 87, *Leases* and reported \$2.3 million in lease liabilities in governmental activities.

City of Harrisonburg's Long-term Debt Outstanding

(net of premiums/discounts)

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
General obligation bonds	\$ 234,265,954	\$ 154,647,871	\$ 47,059,698	\$ 23,092,891	\$ 281,325,652	\$ 177,740,762
Leases	2,269,322	-	-	-	2,269,322	-
Regional jail agreement	3,093,669	4,081,401	-	-	3,093,669	4,081,401
Compensated absences	3,730,025	3,865,506	891,883	842,707	4,621,908	4,708,213
Net OPEB liability	10,541,074	11,627,389	1,952,216	2,321,473	12,493,290	13,948,862
Net pension liability	11,038,787	25,768,086	2,585,117	5,846,628	13,623,904	31,614,714
City landfill liability	-	-	1,184,357	1,132,273	1,184,357	1,132,273
County landfill obligation	-	-	2,697,965	2,697,965	2,697,965	2,697,965
Total long-term debt	\$ 264,938,831	\$ 199,990,253	\$ 56,371,236	\$ 35,933,937	\$ 321,310,067	\$ 235,924,190

The City's maintained it 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 \$460.5 million of which \$202.1 million is available for use.

Additional information on the City's long-term debt can be found in Note 8 on pages 50 through 53 of this report.

Economic Factors and Next Year's Budgets and Rates

The approved \$145.1 million fiscal year 2023 General Fund budget included the use of \$6.3 million of unassigned fund balance. The following were factors in the preparation and final approval of the fiscal year 2023 General Fund budget.

- The unemployment rate for the City in December 2021 was 2.8 percent, which was a decrease from a rate of 4.4 percent in December 2020. This rate was higher than the 2.7 percent state rate but lower than the 3.7 percent national rate in December 2021.
- Appropriated \$6.3 million from unassigned fund balance for the construction of a new Public Works administration facility.
- Approximate 7.8 percent increase in real estate assessments anticipated to provide an additional \$2.95 million in revenue compared to fiscal year 2022.
- Increased the real estate tax rate from \$0.90 to \$0.93. This tax rate increase is anticipated to provide an additional \$1.45 million in revenue. The real estate tax rate was increased as the result increased debt service payments for the construction of Rocktown High School.
- A projected increase of \$2.3 million in personal property tax revenue primarily due to significant increases in assessed values of motor vehicles. In response to these anticipated increases in assessed values, the City decreased the tax rate on vehicles from \$3.50 to \$3.15 and also eliminated the motor vehicle license fee.
- A total increase in other local tax revenue of \$6.5 million compared to the fiscal year 2022 approved budget. Specifically, this included projected increases in local sales tax revenue of \$2.3 million, business license tax revenue of \$662,800, hotel room tax revenue of \$1.1 million and restaurant food tax revenue of \$3.5 million. These increases were offset by a decrease of \$1.3 million in the aforementioned elimination of the motor vehicle license fee.
- A \$1.4 million increase in the City's annual operating contribution to the School Board.
- The first full year debt service payment on bonds issued for the construction of Rocktown High School totaling \$5.4 million. The City had budgeted a half year debt service payment in fiscal year 2022 resulting in a General Fund increase of \$2.5 million in total debt service.
- Salary increases for both City and School Board employees.

A water rate increase of \$0.20 per one thousand gallons (approximately 5 percent) was approved to provide continued funding for the rehabilitation and replacement of aging water infrastructure.

A sewer rate increase of \$0.12 per one thousand gallons (approximately 2 percent) was approved to provide continued funding for the rehabilitation and replacement of aging sewer infrastructure.

Requests for Information

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

**BASIC
FINANCIAL STATEMENTS**

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CITY OF HARRISONBURG, VIRGINIA
STATEMENT OF NET POSITION
At June 30, 2022

Exhibit 1

	Primary Government			Component Units	
	Governmental	Business-type	Total	School	HEC
	Activities	Activities		Board	
Assets					
Cash and cash equivalents	\$ 107,046,167	\$ 35,668,533	\$ 142,714,700	\$ 22,197,737	\$ 28,359,190
Investments	-	-	-	-	10,500,000
Receivables (net of allowance for uncollectibles)	68,605,329	3,542,877	72,148,206	22,257	8,282,603
Due from primary government	-	-	-	-	118,849
Due from component units	82,365	-	82,365	-	134,105
Due from other governments	3,763,519	2,741,594	6,505,113	3,537,045	-
Internal balances	2,127,474	(2,127,474)	-	-	-
Inventory	1,408,987	-	1,408,987	94,353	3,496,216
Prepaid expenses	526,038	31,232	557,270	372,635	380,321
Loans receivable	6,372,063	-	6,372,063	-	-
Restricted assets	50,217,819	21,823,101	72,040,920	-	-
Capital assets:					
Capital assets, not being depreciated	120,988,524	33,994,987	154,983,511	6,519,144	8,277,708
Capital assets (net of accumulated depreciation)	215,140,866	66,928,486	282,069,352	48,903,054	52,881,450
Net pension asset	-	-	-	1,608,217	-
Total assets	<u>576,279,151</u>	<u>162,603,336</u>	<u>738,882,487</u>	<u>83,254,442</u>	<u>112,430,442</u>
Deferred outflows of resources					
Deferred bond refunding charges	1,600,367	471,177	2,071,544	-	-
Deferred OPEB outflows	1,728,052	329,001	2,057,053	3,222,349	284,098
Deferred pension outflows	8,294,622	1,942,474	10,237,096	16,905,686	1,212,085
Total deferred outflows of resources	<u>11,623,041</u>	<u>2,742,652</u>	<u>14,365,693</u>	<u>20,128,035</u>	<u>1,496,183</u>
Liabilities					
Accounts payable	2,315,220	961,105	3,276,325	111,867	4,921,933
Accrued payroll	1,776,216	400,779	2,176,995	9,796,594	123,543
Accrued interest	3,615,536	706,060	4,321,596	-	-
Due to primary government	-	-	-	73,969	8,396
Due to component units	103,461	15,388	118,849	134,105	-
Due to other governments	1,694,282	55,301	1,749,583	-	-
Customer deposits	-	286,890	286,890	-	1,184,117
Unearned revenue	22,157,483	205,600	22,363,083	-	-
Other liabilities	1,617,889	71,049	1,688,938	1,704,728	253,470
Liabilities payable from restricted assets	5,748,634	98,713	5,847,347	-	-
Long-term liabilities:					
Due within one year	18,084,404	3,750,846	21,835,250	569,689	602,370
Due in more than one year	246,854,427	52,620,390	299,474,817	63,435,156	3,805,297
Total liabilities	<u>303,967,552</u>	<u>59,172,121</u>	<u>363,139,673</u>	<u>75,826,108</u>	<u>10,899,126</u>
Deferred inflows of resources					
Deferred property tax inflows	64,721,992	-	64,721,992	-	-
Deferred OPEB inflows	1,843,057	357,990	2,201,047	3,484,451	337,984
Deferred pension inflows	13,046,767	3,055,356	16,102,123	29,089,167	1,906,512
Total deferred inflows of resources	<u>79,611,816</u>	<u>3,413,346</u>	<u>83,025,162</u>	<u>32,573,618</u>	<u>2,244,496</u>
Net position					
Net investment in capital assets	152,848,662	79,676,659	232,525,321	53,112,772	61,159,158
Restricted for:					
Public safety	633,166	-	633,166	-	-
Unrestricted	50,840,996	23,083,862	73,924,858	(58,130,021)	39,623,845
Total net position	<u>\$ 204,322,824</u>	<u>\$ 102,760,521</u>	<u>\$ 307,083,345</u>	<u>\$ (5,017,249)</u>	<u>\$ 100,783,003</u>

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

CITY OF HARRISONBURG, VIRGINIA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government administration	\$ 23,750,636	\$ 15,160,696	\$ 379,081	\$ -
Jail and judicial administration	9,215,291	306,673	-	-
Public safety	29,463,781	231,436	2,077,557	-
Public works	14,876,514	-	5,431,879	1,515,563
Health and welfare	5,053,655	-	-	-
Education	45,893,475	4,447,667	-	-
Parks, recreation and cultural	6,579,662	1,131,322	-	-
Community development	4,590,359	674,148	952,679	-
Interest on long-term debt	6,262,132	-	-	-
Total governmental activities	145,685,505	21,951,942	8,841,196	1,515,563
Business-type activities:				
Water	7,242,152	10,015,029	116,262	621,800
Sewer	10,307,390	12,146,229	72,664	313,630
Public transportation	7,318,114	1,839,157	4,428,236	1,590,323
Sanitation	3,247,807	4,350,340	72,664	-
Stormwater	487,171	1,313,364	8,074	830,319
Total business-type activities	28,602,634	29,664,119	4,697,900	3,356,072
Total primary government	\$ 174,288,139	\$ 51,616,061	\$ 13,539,096	\$ 4,871,635
Component units:				
School Board	\$ 95,007,284	\$ 74,906	\$ 39,517,621	\$ -
Harrisonburg Electric Commission (HEC)	64,597,548	68,363,974	-	95,674
Total component units	\$ 159,604,832	\$ 68,438,880	\$ 39,517,621	\$ 95,674

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

Total general revenues and transfers

Change in net position

Net position at beginning of year, as restated

Net position at end of year

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

Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	School Board	HEC
\$ (8,210,859)	\$ -	\$ (8,210,859)	\$ -	\$ -
(8,908,618)	-	(8,908,618)	-	-
(27,154,788)	-	(27,154,788)	-	-
(7,929,072)	-	(7,929,072)	-	-
(5,053,655)	-	(5,053,655)	-	-
(41,445,808)	-	(41,445,808)	-	-
(5,448,340)	-	(5,448,340)	-	-
(2,963,532)	-	(2,963,532)	-	-
(6,262,132)	-	(6,262,132)	-	-
<u>(113,376,804)</u>	<u>-</u>	<u>(113,376,804)</u>	<u>-</u>	<u>-</u>
-	3,510,939	3,510,939	-	-
-	2,225,133	2,225,133	-	-
-	539,602	539,602	-	-
-	1,175,197	1,175,197	-	-
-	1,664,586	1,664,586	-	-
<u>-</u>	<u>9,115,457</u>	<u>9,115,457</u>	<u>-</u>	<u>-</u>
<u>(113,376,804)</u>	<u>9,115,457</u>	<u>(104,261,347)</u>	<u>-</u>	<u>-</u>
-	-	-	(55,414,757)	-
-	-	-	-	3,862,100
<u>-</u>	<u>-</u>	<u>-</u>	<u>(55,414,757)</u>	<u>3,862,100</u>
57,858,874	-	57,858,874	-	-
17,692,891	-	17,692,891	-	-
16,439,222	-	16,439,222	-	-
8,026,003	-	8,026,003	-	-
9,365,736	-	9,365,736	-	-
5,025,679	-	5,025,679	32,605,530	-
-	-	-	36,077,547	-
5,200,000	-	5,200,000	-	-
413,954	130,339	544,293	9,004	62,625
2,086,414	505,628	2,592,042	2,066,389	-
-	85,811	85,811	-	-
<u>3,610,064</u>	<u>(3,610,064)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>125,718,837</u>	<u>(2,888,286)</u>	<u>122,830,551</u>	<u>70,758,470</u>	<u>62,625</u>
12,342,033	6,227,171	18,569,204	15,343,713	3,924,725
<u>191,980,791</u>	<u>96,533,350</u>	<u>288,514,141</u>	<u>(20,360,962)</u>	<u>96,858,278</u>
<u>\$ 204,322,824</u>	<u>\$ 102,760,521</u>	<u>\$ 307,083,345</u>	<u>\$ (5,017,249)</u>	<u>\$ 100,783,003</u>

CITY OF HARRISONBURG, VIRGINIA
GOVERNMENTAL FUNDS
BALANCE SHEET
At June 30, 2022

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	\$ 85,827,552	\$ 7,604,870	\$ 358,850	\$ 2,551,854	\$ 96,343,126
Receivables (net of allowance for uncollectibles)	68,594,971	-	-	1,381	68,596,352
Due from other funds	236,831	-	-	-	236,831
Due from component units	-	-	-	60,293	60,293
Due from other governments	3,384,874	190,362	-	188,283	3,763,519
Prepaid expenditures	480,959	-	-	24,013	504,972
Loans receivable	6,304,372	-	-	67,691	6,372,063
Restricted assets	-	5,318,646	44,899,173	-	50,217,819
Total assets	\$ 164,829,559	\$ 13,113,878	\$ 45,258,023	\$ 2,893,515	\$ 226,094,975
Liabilities					
Accounts payable	\$ 829,178	\$ 10,021	\$ -	\$ 144,870	\$ 984,069
Accrued payroll	1,489,976	-	-	230,666	1,720,642
Due to other funds	-	-	-	43,753	43,753
Due to component units	98,913	-	-	1,276	100,189
Due to other governments	1,694,282	-	-	-	1,694,282
Unearned revenue	21,954,105	203,378	-	-	22,157,483
Other liabilities	1,617,889	-	-	-	1,617,889
Payable from restricted assets:					
Accounts payable	-	11,868	5,736,766	-	5,748,634
Total liabilities	<u>27,684,343</u>	<u>225,267</u>	<u>5,736,766</u>	<u>420,565</u>	<u>34,066,941</u>
Deferred Inflows of Resources					
Unavailable revenue	<u>72,058,357</u>	<u>-</u>	<u>-</u>	<u>67,691</u>	<u>72,126,048</u>
Total deferred inflows of resources	<u>72,058,357</u>	<u>-</u>	<u>-</u>	<u>67,691</u>	<u>72,126,048</u>
Fund Balances					
Nonspendable	776,998	-	-	24,013	801,011
Restricted	633,166	5,306,778	39,162,407	-	45,102,351
Committed	63,402	7,581,833	358,850	1,427,847	9,431,932
Assigned	10,504,545	-	-	953,399	11,457,944
Unassigned	<u>53,108,748</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>53,108,748</u>
Total fund balances	<u>65,086,859</u>	<u>12,888,611</u>	<u>39,521,257</u>	<u>2,405,259</u>	<u>119,901,986</u>
Total liabilities, deferred inflows of resources and fund balances	\$ 164,829,559	\$ 13,113,878	\$ 45,258,023	\$ 2,893,515	\$ 226,094,975

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, 2022

Exhibit 4

Total fund balances of governmental funds (Exhibit 3)	\$ 119,901,986
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.	7,404,056
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	330,496,736
Certain liabilities, including bonds and related accounts, are not payable from current financial resources and therefore are not reported in the funds.	(266,259,863)
Deferred outflows of resources and deferred inflows of resources related to OPEB and pensions are applicable to future periods and therefore are not reported in the funds.	(4,702,425)
Internal service funds are used by management to charge the costs of certain activities to other funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net position.	<u>17,482,334</u>
Net position of governmental activities (Exhibit 1)	<u>\$ 204,322,824</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, 2022

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	\$ 57,570,297	\$ -	\$ -	\$ -	\$ 57,570,297
Other local taxes	51,523,852	-	-	-	51,523,852
Permits, privilege fees and regulatory licenses	491,060	-	-	-	491,060
Fines and forfeitures	403,910	-	-	-	403,910
Use of money and property	289,678	15,516	148,816	4,493	458,503
Charges for services	1,448,609	-	-	4,447,667	5,896,276
Miscellaneous	2,527,057	4,553	-	43,679	2,575,289
Recovered costs	-	184,789	-	-	184,789
Payments from component units	5,200,000	-	-	-	5,200,000
Intergovernmental	12,826,864	1,330,774	-	983,979	15,141,617
Total revenues	<u>132,281,327</u>	<u>1,535,632</u>	<u>148,816</u>	<u>5,479,818</u>	<u>139,445,593</u>
Expenditures:					
Current:					
General government administration	6,919,980	-	-	-	6,919,980
Jail and judicial administration	9,398,928	-	-	-	9,398,928
Public safety	27,884,292	-	-	-	27,884,292
Public works	9,320,915	-	-	-	9,320,915
Health and welfare	5,031,654	-	-	-	5,031,654
Education	36,077,547	-	-	3,971,753	40,049,300
Parks, recreation and cultural	6,191,871	-	-	-	6,191,871
Community development	3,957,061	-	-	800,955	4,758,016
Debt service:					
Principal retirement	11,311,379	-	-	-	11,311,379
Interest and fiscal charges	6,102,042	-	-	-	6,102,042
Bond issuance costs	167,708	-	-	-	167,708
Capital projects	-	3,827,807	47,105,190	-	50,932,997
Total expenditures	<u>122,363,377</u>	<u>3,827,807</u>	<u>47,105,190</u>	<u>4,772,708</u>	<u>178,069,082</u>
Excess (deficiency) of revenues over (under) expenditures	<u>9,917,950</u>	<u>(2,292,175)</u>	<u>(46,956,374)</u>	<u>707,110</u>	<u>(38,623,489)</u>
Other financing sources (uses):					
Long-term debt issued or incurred	164,547	5,635,000	78,970,000	-	84,769,547
Refunding debt issued	33,440,000	-	-	-	33,440,000
Premium on long-term debt issued	6,608,740	511,932	7,174,731	-	14,295,403
Payment for current bond refunding	(39,865,944)	-	-	-	(39,865,944)
Transfers in	3,419,637	625,000	-	-	4,044,637
Transfers out	(721,581)	-	-	-	(721,581)
Total other financing sources (uses)	<u>3,045,399</u>	<u>6,771,932</u>	<u>86,144,731</u>	<u>-</u>	<u>95,962,062</u>
Net change in fund balances	12,963,349	4,479,757	39,188,357	707,110	57,338,573
Fund balances at beginning of year	<u>52,123,510</u>	<u>8,408,854</u>	<u>332,900</u>	<u>1,698,149</u>	<u>62,563,413</u>
Fund balances at end of year	<u>\$ 65,086,859</u>	<u>\$ 12,888,611</u>	<u>\$ 39,521,257</u>	<u>\$ 2,405,259</u>	<u>\$ 119,901,986</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, 2022

Exhibit 6

Total net change in fund balances of governmental funds (Exhibit 5)	\$ 57,338,573
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.	(766,348)
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.	39,875,311
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.	(3,600,547)
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.	(153,148)
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.	(79,406,131)
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.	(958,162)
Governmental funds report employer OPEB and pension contributions as expenditures. However, in the statement of activities the cost of OPEB and pension benefits earned, net of employee contributions, are reported as OPEB and pension expense. This is the amount by which employer OPEB and pension contributions exceeded OPEB and pension expense.	346,029
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>(333,544)</u>
Change in net position of governmental activities (Exhibit 2)	<u>\$ 12,342,033</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, 2022

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
General property taxes	\$ 56,903,600	\$ 56,903,600	\$ 57,570,297	\$ 666,697
Other local taxes	41,592,800	41,592,800	51,523,852	9,931,052
Permits, privilege fees and regulatory licenses	577,950	577,950	491,060	(86,890)
Fines and forfeitures	580,000	580,000	403,910	(176,090)
Use of money and property	65,000	65,000	289,678	224,678
Charges for services	1,303,400	1,303,400	1,448,609	145,209
Miscellaneous	2,396,250	2,406,493	2,527,057	120,564
Payments from component units	5,200,000	5,200,000	5,200,000	-
Intergovernmental	10,242,549	13,337,048	12,826,864	(510,184)
Total revenues	<u>118,861,549</u>	<u>121,966,291</u>	<u>132,281,327</u>	<u>10,315,036</u>
Expenditures:				
Current:				
General government administration	7,806,913	7,598,987	6,919,980	679,007
Jail and judicial administration	9,186,418	9,427,618	9,398,928	28,690
Public safety	27,707,995	31,253,422	27,884,292	3,369,130
Public works	10,694,113	12,806,637	9,320,915	3,485,722
Health and welfare	5,019,792	5,325,806	5,031,654	294,152
Education	36,008,259	38,308,259	36,077,547	2,230,712
Parks, recreation and cultural	6,410,691	7,053,061	6,191,871	861,190
Community development	3,735,360	4,510,727	3,957,061	553,666
Debt service:				
Principal retirement	11,171,660	11,311,379	11,311,379	-
Interest and fiscal charges	7,061,993	6,321,006	6,102,042	218,964
Bond issuance costs	-	182,796	167,708	15,088
Total expenditures	<u>124,803,194</u>	<u>134,099,698</u>	<u>122,363,377</u>	<u>11,736,321</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,941,645)</u>	<u>(12,133,407)</u>	<u>9,917,950</u>	<u>22,051,357</u>
Other financing sources (uses):				
Long-term debt issued or incurred	-	164,547	164,547	-
Refunding debt issued	-	33,440,000	33,440,000	-
Premium on long-term debt issued	-	6,608,740	6,608,740	-
Payment for current bond refunding	-	(39,865,944)	(39,865,944)	-
Transfers in	3,317,500	3,317,500	3,419,637	102,137
Transfers out	(400,000)	(721,581)	(721,581)	-
Total other financing sources (uses)	<u>2,917,500</u>	<u>2,943,262</u>	<u>3,045,399</u>	<u>102,137</u>
Net change in fund balance	<u>\$ (3,024,145)</u>	<u>\$ (9,190,145)</u>	<u>12,963,349</u>	<u>\$ 22,153,494</u>
Fund balance at beginning of year			<u>52,123,510</u>	
Fund balance at end of year			<u>\$ 65,086,859</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, 2022

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	\$ 14,556,431	\$ 10,225,879	\$ 1,104,675	\$ 5,796,467	\$ 3,985,081	\$ 35,668,533	\$ 10,703,041
Receivables (net of allowance for uncollectibles)	1,387,549	1,692,663	4,420	343,725	114,520	3,542,877	8,977
Due from component units	-	-	-	-	-	-	22,072
Due from other governments	-	-	1,033,720	-	1,707,874	2,741,594	-
Interfund loan receivable	-	1,456,000	-	-	-	1,456,000	-
Inventory	-	-	-	-	-	-	1,408,987
Prepaid expenses	-	-	6,038	25,194	-	31,232	21,066
Restricted assets	21,823,101	-	-	-	-	21,823,101	-
Total current assets	37,767,081	13,374,542	2,148,853	6,165,386	5,807,475	65,263,337	12,164,143
Noncurrent assets:							
Capital assets (net of accumulated depreciation)	63,064,474	17,939,897	12,288,839	3,887,850	3,742,413	100,923,473	5,632,654
Total noncurrent assets	63,064,474	17,939,897	12,288,839	3,887,850	3,742,413	100,923,473	5,632,654
Total assets	100,831,555	31,314,439	14,437,692	10,053,236	9,549,888	166,186,810	17,796,797
Deferred outflows of resources							
Deferred bond refunding charges	370,163	-	-	101,014	-	471,177	-
Deferred OPEB outflows	104,934	96,674	45,983	79,965	1,445	329,001	38,139
Deferred pension outflows	684,920	422,028	454,182	357,484	23,860	1,942,474	279,483
Total deferred outflows of resources	1,160,017	518,702	500,165	538,463	25,305	2,742,652	317,622
Liabilities							
Current liabilities:							
Accounts payable	279,897	241,962	184,938	32,507	221,801	961,105	1,331,151
Accrued payroll	128,439	80,722	117,253	64,703	9,662	400,779	55,574
Accrued interest	609,810	-	-	96,250	-	706,060	-
Due to other funds	-	-	-	-	-	-	193,078
Due to component units	8,836	3,970	1,807	775	-	15,388	3,272
Due to other governments	-	-	-	55,301	-	55,301	-
Interfund loan payable	1,456,000	-	-	-	-	1,456,000	-
Customer deposits	286,890	-	-	-	-	286,890	-
Unearned revenue	129,200	76,400	-	-	-	205,600	-
Other liabilities	71,049	-	-	-	-	71,049	-
Liabilities payable from restricted assets	98,713	-	-	-	-	98,713	-
Compensated absences	169,353	114,952	119,608	89,303	6,635	499,851	78,973
Landfill closure	-	-	-	111,160	-	111,160	-
Current portion of bonds payable	1,674,749	-	-	1,465,086	-	3,139,835	-
Total current liabilities	4,912,936	518,006	423,606	1,915,085	238,098	8,007,731	1,662,048
Noncurrent liabilities:							
Compensated absences	152,637	101,441	30,799	107,155	-	392,032	26,525
Net OPEB liability	614,112	593,992	245,342	493,160	5,610	1,952,216	216,690
Net pension liability	911,517	561,650	604,442	475,754	31,754	2,585,117	371,949
Landfill closure	-	-	-	3,771,162	-	3,771,162	-
Bonds payable	40,909,149	-	-	3,010,714	-	43,919,863	-
Total noncurrent liabilities	42,587,415	1,257,083	880,583	7,857,945	37,364	52,620,390	615,164
Total liabilities	47,500,351	1,775,089	1,304,189	9,773,030	275,462	60,628,121	2,277,212
Deferred inflows of resources							
Deferred OPEB inflows	115,287	102,552	53,601	84,593	1,957	357,990	42,740
Deferred pension inflows	1,077,324	663,815	714,392	562,295	37,530	3,055,356	439,607
Total deferred inflows of resources	1,192,611	766,367	767,993	646,888	39,487	3,413,346	482,347
Net position							
Net investment in capital assets	42,353,620	17,733,808	12,138,614	3,887,850	3,562,767	79,676,659	5,632,654
Unrestricted	10,944,990	11,557,877	727,061	(3,716,069)	5,697,477	25,211,336	9,722,206
Total net position	\$ 53,298,610	\$ 29,291,685	\$ 12,865,675	\$ 171,781	\$ 9,260,244	104,887,995	\$ 15,354,860
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.						(2,127,474)	
Net position of business-type activities (Exhibit 1)						\$ 102,760,521	

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

CITY OF HARRISONBURG, VIRGINIA
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended June 30, 2022

Exhibit 9

	Enterprise Funds					Total	Internal Service Funds
	Water Fund	Sewer Fund	Public Transportation Fund	Sanitation Fund	Stormwater Fund		
Operating revenues:							
Charges for services	\$ 9,941,826	\$ 12,140,869	\$ 1,839,157	\$ 4,350,340	\$ 1,313,364	\$ 29,585,556	\$ 25,497,145
Connection fees	73,203	5,360	-	-	-	78,563	-
Total operating revenues	<u>10,015,029</u>	<u>12,146,229</u>	<u>1,839,157</u>	<u>4,350,340</u>	<u>1,313,364</u>	<u>29,664,119</u>	<u>25,497,145</u>
Operating expenses:							
Personal services	2,186,370	1,371,943	2,809,653	1,105,873	110,994	7,584,833	949,695
Fringe benefits	609,482	471,867	552,170	432,965	21,043	2,087,527	273,493
Purchased services	385,196	126,697	220,459	835,337	63,435	1,631,124	1,015,932
Internal services	226,182	307,582	1,875,115	242,404	58,977	2,710,260	4,670
Other charges	618,226	151,811	247,013	159,328	17,957	1,194,335	835,008
Materials and supplies	327,699	132,287	66,785	34,933	6,620	568,324	49,133
Depreciation and amortization	1,863,041	1,100,412	1,605,455	279,762	209,669	5,058,339	200,389
Contributions to regional sewer authority	-	6,628,533	-	-	-	6,628,533	-
Cost of inventory issued	-	-	-	-	-	-	4,284,099
Claims related charges	-	-	-	-	-	-	18,633,601
Total operating expenses	<u>6,216,196</u>	<u>10,291,132</u>	<u>7,376,650</u>	<u>3,090,602</u>	<u>488,695</u>	<u>27,463,275</u>	<u>26,246,020</u>
Operating income (loss)	<u>3,798,833</u>	<u>1,855,097</u>	<u>(5,537,493)</u>	<u>1,259,738</u>	<u>824,669</u>	<u>2,200,844</u>	<u>(748,875)</u>
Nonoperating revenues (expenses):							
Intergovernmental revenue	116,262	72,664	4,428,236	72,664	8,074	4,697,900	56,032
Connection application fees	48,247	167,140	-	-	-	215,387	-
Miscellaneous revenue	43,035	6,067	215,139	26,000	-	290,241	2,130
Investment revenue	93,131	20,302	2,769	5,795	8,342	130,339	22,596
Interest expense	(940,657)	-	-	(157,912)	-	(1,098,569)	-
Gain on disposal of capital assets	-	22,780	55,275	7,756	-	85,811	6,775
Total nonoperating revenues (expenses)	<u>(639,982)</u>	<u>288,953</u>	<u>4,701,419</u>	<u>(45,697)</u>	<u>16,416</u>	<u>4,321,109</u>	<u>87,533</u>
Income (loss) before contributions and transfers	<u>3,158,851</u>	<u>2,144,050</u>	<u>(836,074)</u>	<u>1,214,041</u>	<u>841,085</u>	<u>6,521,953</u>	<u>(661,342)</u>
Capital contributions	621,800	313,630	1,590,323	-	830,319	3,356,072	-
Transfers in	-	-	-	-	-	-	287,008
Transfers out	<u>(1,698,710)</u>	<u>(1,345,617)</u>	<u>(438,137)</u>	<u>(107,200)</u>	<u>(20,400)</u>	<u>(3,610,064)</u>	<u>-</u>
Change in net position	<u>2,081,941</u>	<u>1,112,063</u>	<u>316,112</u>	<u>1,106,841</u>	<u>1,651,004</u>	<u>6,267,961</u>	<u>(374,334)</u>
Net position at beginning of year	<u>51,216,669</u>	<u>28,179,622</u>	<u>12,549,563</u>	<u>(935,060)</u>	<u>7,609,240</u>		<u>15,729,194</u>
Net position at end of year	<u>\$ 53,298,610</u>	<u>\$ 29,291,685</u>	<u>\$ 12,865,675</u>	<u>\$ 171,781</u>	<u>\$ 9,260,244</u>		<u>\$ 15,354,860</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.						<u>(40,790)</u>	
Change in net position of business-type activities (Exhibit 2)						<u>\$ 6,227,171</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	\$ 10,414,948	\$ 12,488,189	\$ 1,839,157	\$ 4,364,517	\$ 1,285,808	\$ 30,392,619	\$ 6,288,437
Receipts from premiums	-	-	-	-	-	-	19,198,309
Receipts from other sources	51,635	6,067	215,960	26,000	-	299,662	2,130
Receipts from customer deposits	157,916	-	-	-	-	157,916	-
Payments to employees	(2,155,921)	(1,347,378)	(2,797,101)	(1,084,993)	(109,322)	(7,494,715)	(935,403)
Payments for fringe benefits	(725,440)	(494,946)	(667,723)	(437,768)	(28,978)	(2,354,855)	(360,128)
Payments to vendors	(1,125,569)	(461,930)	(546,969)	(864,473)	(59,642)	(3,058,583)	(6,303,726)
Payments for internal services	(226,182)	(307,582)	(1,875,115)	(242,404)	(58,977)	(2,710,260)	(4,670)
Payments to other governmental units	-	(6,628,533)	-	-	-	(6,628,533)	-
Payments to refund customer deposits	(151,059)	-	-	-	-	(151,059)	-
Payments for claims related charges	-	-	-	-	-	-	(18,203,800)
Net cash provided by (used for) operating activities	<u>6,240,328</u>	<u>3,253,887</u>	<u>(3,831,791)</u>	<u>1,760,879</u>	<u>1,028,889</u>	<u>8,452,192</u>	<u>(318,851)</u>
Cash flows from noncapital financing activities:							
Operating grants	116,262	72,664	4,233,489	72,664	8,074	4,503,153	56,032
Transfers in	-	-	-	-	-	-	287,008
Transfers out	(1,698,710)	(1,345,617)	(438,137)	(107,200)	(20,400)	(3,610,064)	-
Interfund loan	-	-	-	-	-	-	159,291
Net cash provided by (used for) noncapital financing activities	<u>(1,582,448)</u>	<u>(1,272,953)</u>	<u>3,795,352</u>	<u>(34,536)</u>	<u>(12,326)</u>	<u>893,089</u>	<u>502,331</u>
Cash flows from capital and related financing activities:							
Capital grants and contributions	-	-	1,228,803	-	-	1,228,803	-
Connection application fees	123,950	172,500	-	-	-	296,450	-
Proceeds from sale of capital assets	-	22,780	55,275	7,756	-	85,811	6,775
Proceeds from long-term debt	42,048,128	-	-	4,565,090	-	46,613,218	-
Bond issuance costs paid	(83,325)	-	-	(11,437)	-	(94,762)	-
Principal paid on long-term debt	(1,037,867)	-	-	(1,414,340)	-	(2,452,207)	-
Interest paid on long-term debt	(630,799)	-	-	(163,529)	-	(794,328)	-
Payment for current bond refunding	(15,154,894)	-	-	(4,554,813)	-	(19,709,707)	-
Purchase and construction of capital assets	<u>(2,773,453)</u>	<u>(781,566)</u>	<u>(1,770,254)</u>	<u>-</u>	<u>(1,298,791)</u>	<u>(6,624,064)</u>	<u>(18,008)</u>
Net cash provided by (used for) capital and related financing activities	<u>22,491,740</u>	<u>(586,286)</u>	<u>(486,176)</u>	<u>(1,571,273)</u>	<u>(1,298,791)</u>	<u>18,549,214</u>	<u>(11,233)</u>
Cash flows from investing activities:							
Interest received	93,130	20,302	2,769	5,795	8,342	130,338	22,596
Net cash provided by investing activities	<u>93,130</u>	<u>20,302</u>	<u>2,769</u>	<u>5,795</u>	<u>8,342</u>	<u>130,338</u>	<u>22,596</u>
Net increase (decrease) in cash and cash equivalents	27,242,750	1,414,950	(519,846)	160,865	(273,886)	28,024,833	194,843
Cash and cash equivalents:							
Beginning	9,136,782	8,810,929	1,624,521	5,635,602	4,258,967	29,466,801	10,508,198
Ending	<u>\$ 36,379,532</u>	<u>\$ 10,225,879</u>	<u>\$ 1,104,675</u>	<u>\$ 5,796,467</u>	<u>\$ 3,985,081</u>	<u>\$ 57,491,634</u>	<u>\$ 10,703,041</u>
Reconciliation of cash and cash equivalents to the statement of net position:							
Cash and cash equivalents - Current assets	\$ 14,556,431	\$ 10,225,879	\$ 1,104,675	\$ 5,796,467	\$ 3,985,081	\$ 35,668,533	\$ 10,703,041
Cash and cash equivalents - Restricted assets	<u>21,823,101</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,823,101</u>	<u>-</u>
	<u>\$ 36,379,532</u>	<u>\$ 10,225,879</u>	<u>\$ 1,104,675</u>	<u>\$ 5,796,467</u>	<u>\$ 3,985,081</u>	<u>\$ 57,491,634</u>	<u>\$ 10,703,041</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)	\$ 3,798,833	\$ 1,855,097	\$ (5,537,493)	\$ 1,259,738	\$ 824,669	\$ 2,200,844	\$ (748,875)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:							
Depreciation and amortization	1,863,041	1,100,412	1,605,455	279,762	209,669	5,058,339	200,389
Bond issuance costs	169,876	-	-	21,210	-	191,086	-
Connection fees	(76,953)	(5,360)	-	-	-	(82,313)	-
Miscellaneous revenue	51,635	6,067	215,960	26,000	-	299,662	2,130
Change in assets, deferred outflows of resources, liabilities and deferred inflows of resources:							
(Increase) decrease in:							
Accounts receivable	464,976	347,287	-	14,131	(27,556)	798,838	(4,462)
Due from component units	-	-	-	-	-	-	(5,937)
Inventory	-	-	-	-	-	-	(250,995)
Prepaid expenses	-	1,832	(3,262)	28,892	-	27,462	(137)
Deferred outflows of resources	44,014	47,825	65,577	13,093	9,824	180,333	23,224
Increase (decrease) in:							
Accounts payable	(54,061)	(62,077)	(5,615)	(2,765)	41,089	(83,429)	520,727
Accrued payroll	19,235	7,830	11,132	9,343	1,630	49,170	11,558
Due to component units	(968)	628	358	(380)	-	(362)	576
Due to other governments	-	-	-	9,139	-	9,139	-
Customer deposits	6,857	-	-	-	-	6,857	-
Other liabilities	8,362	-	-	-	-	8,362	-
Compensated absences	13,924	18,904	2,777	13,400	171	49,176	4,127
Landfill closure	-	-	-	52,084	-	52,084	-
Net OPEB liability	(136,129)	(68,333)	(124,425)	(30,160)	(10,210)	(369,257)	(95,980)
Net pension liability	(1,093,231)	(737,872)	(811,588)	(559,959)	(58,861)	(3,261,511)	(444,427)
Deferred inflows of resources	1,160,917	741,647	749,333	627,351	38,464	3,317,712	469,231
Net cash provided by (used for) operating activities	\$ 6,240,328	\$ 3,253,887	\$ (3,831,791)	\$ 1,760,879	\$ 1,028,889	\$ 8,452,192	\$ (318,851)
Non - cash capital and related financing activities:							
Additions to capital assets:							
Contributed by developers	\$ 621,800	\$ 313,630	\$ -	\$ -	\$ -	\$ 935,430	\$ -
Purchase and construction on account	320,220	206,089	150,225	-	179,646	856,180	-
Capital grants due from other governments	-	-	216,000	-	1,707,874	1,923,874	-

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

CITY OF HARRISONBURG, VIRGINIA
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
At June 30, 2022

Exhibit 11

	<u>Custodial Funds</u>
Assets	
Cash and cash equivalents	\$ 4,592,834
Receivables	1,116,539
Prepaid expenses	344,726
Total assets	<u>6,054,099</u>
Liabilities	
Accounts payable	736,594
Accrued payroll	161,183
Total liabilities	<u>897,777</u>
Net Position	
Restricted for other organizations	<u>5,156,322</u>
Total net position	<u>\$ 5,156,322</u>

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

CITY OF HARRISONBURG, VIRGINIA
 FIDUCIARY FUNDS
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 For the Year Ended June 30, 2022

Exhibit 12

	<u>Custodial Funds</u>
Additions:	
Funds received for benefit of other organizations	\$ 9,695,183
Total additions	<u>9,695,183</u>
Deductions:	
Funds disbursed for benefit of other organizations	<u>8,826,549</u>
Total deductions	<u>8,826,549</u>
Net increase in fiduciary net position	868,634
Net position at beginning of year	<u>4,287,688</u>
Net position at end of year	<u>\$ 5,156,322</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 and fiduciary 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.

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.

Custodial 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 fiduciary 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, 2022.

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 \$49,484,029. 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, 2021. 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, 2022 amounted to \$960,971.

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 and amortization 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
Equipment	2-30 years
Intangibles	3-30 years
Infrastructure	20-40 years
Leased right-to-use assets	Shorter of the lease term or useful life of the underlying asset

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 \$3,600,547 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. The City uses the stated interest rate in lease agreements or its estimated incremental borrowing rate if not stated in the agreement as the discount rate for leases.

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 assets that applies to future periods and will not be recognized as an outflow of resources (expense) 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 assets that applies to future periods and will not be recognized as an inflow of resources (revenue) 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	\$ (213,260,000)
Bond issue premiums/discounts (net)	(21,005,954)
Deferred charge for bond refunding	1,600,367
Leases	(2,269,322)
Middle River Regional Jail agreement	(3,093,669)
Compensated absences (not including internal service funds)	(3,624,527)
Net OPEB liability (not including internal service funds)	(10,324,384)
Net pension liability (not including internal service funds)	(10,666,838)
Accrued interest	<u>(3,615,536)</u>
Net adjustment	\$ <u>(266,259,863)</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)	\$ 1,689,913
Deferred pension outflows (not including internal service funds)	8,015,139
Deferred OPEB inflows (not including internal service funds)	(1,800,317)
Deferred pension inflows (not including internal service funds)	<u>(12,607,160)</u>
Net adjustment	\$ <u>(4,702,425)</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	\$ 52,227,585
Depreciation expense (not including internal service funds)	<u>(12,352,274)</u>
Net adjustment	\$ <u>39,875,311</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 or incurred	\$ (118,209,547)
Premium on long-term debt issued	(14,295,403)
Payment for current bond refunding	39,865,944
Principal payments	11,311,379
Payment on Middle River Regional Jail agreement	987,732
Amortization of bond premiums/discounts (net)	1,327,398
Amortization of deferred bond refunding charges	(174,539)
Interest expense included in bond refunding	<u>(219,095)</u>
Net adjustment	\$ <u>(79,406,131)</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)	\$ 139,607
Accrued interest	<u>(1,097,769)</u>
Net adjustment	\$ <u>(958,162)</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)	\$ 559,997
Employer pension contributions (not including internal service funds)	2,736,022
OPEB expense (not including internal service funds)	(1,188,366)
Pension expense (not including internal service funds)	<u>(1,761,624)</u>
Net adjustment	<u>\$ 346,029</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, 2022, 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, 2022, 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, 2022.

	Primary Government	Component Units		Total
		School Board	HEC	
Investments:				
Local Government Investment Pool (LGIP)	\$ 123,945,597	\$ 18,046,177	\$ 500,000	\$ 142,491,774
State Non-Arbitrage Pool (SNAP)	72,040,920	-	-	72,040,920
Certificates of Deposit	-	-	5,500,000	5,500,000
Money Market Account	-	-	4,500,000	4,500,000
Deposits	<u>23,348,765</u>	<u>4,150,860</u>	<u>28,359,190</u>	<u>55,858,815</u>
Total deposits and investments	<u>\$ 219,335,282</u>	<u>\$ 22,197,037</u>	<u>\$ 38,859,190</u>	<u>\$ 280,391,509</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 \$50,217,819 and \$21,823,101, respectively, represent unspent bond proceeds.

Note 5. Receivables/Due from Other Governments

The following is a summary of receivables at June 30, 2022.

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	HEC
Receivables:					
Property taxes receivable	\$ 67,347,461	\$ 3,673,965	\$ 71,021,426	\$ -	\$ -
Other taxes receivable	2,056,915	-	2,056,915	-	-
Accounts receivable	8,977	-	8,977	-	8,282,603
Interest receivable	2,765	-	2,765	-	-
Other receivables	150,182	4,420	154,602	22,257	-
Allowance for uncollectibles	(960,971)	(135,508)	(1,096,479)	-	-
Totals	\$ 68,605,329	\$ 3,542,877	\$ 72,148,206	\$ 22,257	\$ 8,282,603
Due from other governments:					
Commonwealth of Virginia	\$ 3,574,660	\$ 1,931,324	\$ 5,505,984	\$ 1,424,098	\$ -
Federal Government	188,859	810,270	999,129	2,112,947	-
Totals	\$ 3,763,519	\$ 2,741,594	\$ 6,505,113	\$ 3,537,045	\$ -

Note 6. Loans Receivable

The following is a summary of loans receivable at June 30, 2022.

Borrowing Entity/Loan Number	Loan Date	Term (in years)	Interest Rate	Balance	Current Portion
HRHA**	September 21, 2021	7.75	5.00%	\$ 2,610,000	\$ 270,000
HRC SB*	August 14, 2019	14	2.30%	1,478,333	91,667
HRHA**	June 26, 2014	18	4.12%	1,920,000	140,000
Massanutten Regional Library	May 15, 2000	n/a	0.0%	296,039	-
Total General Fund				6,304,372	501,667
2022-01	March 21, 2022	5	4.75%	20,862	3,933
2021-01	March 26, 2021	4	4.75%	18,191	6,143
2020-01	November 27, 2019	4	4.75%	10,995	6,493
2019-04	May 3, 2019	4	4.75%	6,230	5,319
2019-03	May 3, 2019	5	4.75%	9,714	4,359
2019-01	August 22, 2018	4	4.75%	1,699	1,699
Total Business Loan Program Fund				67,691	27,946
Total Governmental Activities				\$ 6,372,063	\$ 529,613

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

Note 7. Capital Assets

The City implemented GASB Statement No. 87, *Leases*, and restated beginning balances as applicable.

Primary Government

The following is a summary of the changes in capital assets of the governmental activities for fiscal year 2022.

	Balance June 30, 2021	Additions	Reductions	Balance June 30, 2022
Capital assets, not being depreciated:				
Land	\$ 58,435,764	\$ -	\$ -	\$ 58,435,764
Easements	1,777,196	-	-	1,777,196
Construction in progress	<u>16,272,611</u>	<u>50,527,050</u>	<u>(6,024,097)</u>	<u>60,775,564</u>
Capital assets, not being depreciated	<u>\$ 76,485,571</u>	<u>\$ 50,527,050</u>	<u>\$ (6,024,097)</u>	<u>\$ 120,988,524</u>
Capital assets, being depreciated:				
Buildings	\$ 142,226,937	\$ 1,639,778	\$ (5,190,000)	\$ 138,676,715
Improvements other than buildings	22,291,644	3,845,431	-	26,137,075
Equipment	41,910,579	1,317,386	(852,700)	42,375,265
Equipment - Leased	2,244,494	164,547	-	2,409,041
Intangibles	12,239,505	-	(6,897)	12,232,608
Infrastructure	<u>188,387,641</u>	<u>622,350</u>	<u>-</u>	<u>189,009,991</u>
Capital assets, being depreciated	<u>409,300,800</u>	<u>7,589,492</u>	<u>(6,049,597)</u>	<u>410,840,695</u>
Less accumulated depreciation:				
Buildings	(43,322,617)	(3,569,426)	1,589,453	(45,302,590)
Improvements other than buildings	(10,104,829)	(943,677)	-	(11,048,506)
Equipment	(27,258,976)	(2,535,621)	852,700	(28,941,897)
Equipment - Leased	-	(163,749)	-	(163,749)
Intangibles	(3,405,806)	(443,604)	6,897	(3,842,513)
Infrastructure	<u>(101,503,988)</u>	<u>(4,896,586)</u>	<u>-</u>	<u>(106,400,574)</u>
Accumulated depreciation	<u>(185,596,216)</u>	<u>(12,552,663)</u>	<u>2,449,050</u>	<u>(195,699,829)</u>
Capital assets, being depreciated (net)	<u>\$ 223,704,584</u>	<u>\$ (4,963,171)</u>	<u>\$ (3,600,547)</u>	<u>\$ 215,140,866</u>

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

General government administration	\$ 236,025
Jail and judicial administration	804,095
Public safety	2,017,237
Public works	5,998,039
Health and welfare	21,865
Education	2,224,843
Parks, recreation and culture	962,371
Planning and community development	87,799
Internal service funds (allocated to various functions)	<u>200,389</u>
Total governmental activities depreciation and amortization expense	<u>\$ 12,552,663</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 2022.

	Balance June 30, 2021	Additions	Reductions	Balance June 30, 2022
Capital assets, not being depreciated:				
Land	\$ 2,690,491	\$ -	\$ -	\$ 2,690,491
Easements	462,693	21,252	-	483,945
Construction in progress	29,637,335	4,386,675	(3,203,459)	30,820,551
Capital assets, not being depreciated	<u>\$ 32,790,519</u>	<u>\$ 4,407,927</u>	<u>\$ (3,203,459)</u>	<u>\$ 33,994,987</u>
Capital assets, being depreciated:				
Buildings	\$ 19,173,195	\$ -	\$ -	\$ 19,173,195
Improvements other than buildings	21,297,405	1,958,416	(92,473)	23,163,348
Equipment	30,485,798	2,018,107	(2,982,378)	29,521,527
Intangibles	1,072,990	655,221	-	1,728,211
Infrastructure	86,442,066	1,932,425	-	88,374,491
Capital assets, being depreciated	<u>158,471,454</u>	<u>6,564,169</u>	<u>(3,074,851)</u>	<u>161,960,772</u>
Less accumulated depreciation:				
Buildings	(6,133,719)	(444,350)	-	(6,578,069)
Improvements other than buildings	(10,002,566)	(594,708)	92,473	(10,504,801)
Equipment	(21,283,068)	(2,072,492)	2,982,378	(20,373,182)
Intangibles	(558,756)	(118,476)	-	(677,232)
Infrastructure	(55,122,162)	(1,895,329)	118,489	(56,899,002)
Accumulated depreciation	<u>(93,100,271)</u>	<u>(5,125,355)</u>	<u>3,193,340</u>	<u>(95,032,286)</u>
Capital assets, being depreciated (net)	<u>\$ 65,371,183</u>	<u>\$ 1,438,814</u>	<u>\$ 118,489</u>	<u>\$ 66,928,486</u>

The above total for additions to accumulated depreciation does not agree with the total depreciation by function/programs of business-type activities shown below by \$67,016. This difference represents accumulated depreciation on capital assets transferred from governmental activities.

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

Water	\$ 1,863,041
Sewer	1,100,412
Public transportation	1,605,455
Sanitation	279,762
Stormwater	<u>209,669</u>
Total business-type activities depreciation expense	<u>\$ 5,058,339</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 2022.

Component Unit – School Board

	Balance June 30, 2021	Additions	Reductions	Balance June 30, 2022
Capital assets, not being depreciated:				
Land	\$ 6,294,184	\$ -	\$ -	\$ 6,294,184
Construction in progress	-	224,960	-	224,960
Capital assets, not being depreciated	<u>\$ 6,294,184</u>	<u>\$ 224,960</u>	<u>\$ -</u>	<u>\$ 6,519,144</u>
Capital assets, being depreciated:				
Buildings	\$ 80,803,996	\$ 5,190,000	\$ -	\$ 85,993,996
Buildings - Leased	-	1,045,358	-	1,045,358
Improvements other than buildings	337,913	390,687	-	728,600
Equipment	7,407,906	740,486	(42,293)	8,106,099
Equipment - Leased	1,254,259	166,023	-	1,420,282
Intangibles	34,200	-	-	34,200
Capital assets, being depreciated	<u>89,838,274</u>	<u>7,532,554</u>	<u>(42,293)</u>	<u>97,328,535</u>
Less accumulated depreciation:				
Buildings	(39,527,530)	(3,693,275)	-	(43,220,805)
Buildings - Leased	-	(49,779)	-	(49,779)
Improvements other than buildings	(121,288)	(28,049)	-	(149,337)
Equipment	(4,366,539)	(552,862)	42,293	(4,877,108)
Equipment - Leased	-	(109,642)	-	(109,642)
Intangibles	(11,970)	(6,840)	-	(18,810)
Accumulated depreciation	<u>(44,027,327)</u>	<u>(4,440,447)</u>	<u>42,293</u>	<u>(48,425,481)</u>
Capital assets, being depreciated (net)	<u>\$ 45,810,947</u>	<u>\$ 3,092,107</u>	<u>\$ -</u>	<u>\$ 48,903,054</u>

Component Unit – HEC

	Balance June 30, 2021	Additions	Reductions	Balance June 30, 2022
Capital assets, not being depreciated:				
Land	\$ 3,644,042	\$ -	\$ -	\$ 3,644,042
Construction in progress	2,218,953	4,117,890	(1,703,177)	4,633,666
Capital assets, not being depreciated	<u>\$ 5,862,995</u>	<u>\$ 4,117,890</u>	<u>\$ (1,703,177)</u>	<u>\$ 8,277,708</u>
Capital assets, being depreciated:				
Buildings	\$ 4,040,249	\$ 229,306	\$ -	\$ 4,269,555
Equipment	9,325,306	372,118	(242,948)	9,454,476
Infrastructure	123,984,701	1,944,496	(479,477)	125,449,720
Capital assets, being depreciated	<u>137,350,256</u>	<u>2,545,920</u>	<u>(722,425)</u>	<u>139,173,751</u>
Less accumulated depreciation:				
Buildings	(2,354,491)	(95,762)	-	(2,450,253)
Equipment	(7,447,282)	(515,985)	242,948	(7,720,319)
Infrastructure	(73,343,341)	(3,363,061)	584,673	(76,121,729)
Accumulated depreciation	<u>(83,145,114)</u>	<u>(3,974,808)</u>	<u>827,621</u>	<u>(86,292,301)</u>
Capital assets, being depreciated (net)	<u>\$ 54,205,142</u>	<u>\$ (1,428,888)</u>	<u>\$ 105,196</u>	<u>\$ 52,881,450</u>

Note 8. Long-term Liabilities

The City implemented GASB Statement No. 87, *Leases*, and restated beginning balances as applicable.

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, 2022.

Year Ending June 30,	General Obligation Bonds						Total	
	Public Offerings		Direct Placements		Leases		Governmental Activities	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 12,570,000	\$ 7,683,879	\$ 490,000	\$ 4,361	\$ 145,491	\$ 43,278	\$ 13,205,491	\$ 7,731,518
2024	13,210,000	7,076,038	-	-	147,573	41,196	13,357,573	7,117,234
2025	13,830,000	6,434,984	-	-	124,758	39,076	13,954,758	6,474,060
2026	14,005,000	5,789,453	-	-	101,898	37,002	14,106,898	5,826,455
2027	14,180,000	5,144,124	-	-	104,007	34,893	14,284,007	5,179,017
2028-2032	57,135,000	17,682,053	-	-	553,223	141,277	57,688,223	17,823,330
2033-2037	37,935,000	7,580,542	-	-	612,883	81,617	38,547,883	7,662,159
2038-2042	28,140,000	3,652,528	-	-	479,489	18,236	28,619,489	3,670,764
2043-2047	21,765,000	1,105,750	-	-	-	-	21,765,000	1,105,750
Total	\$ 212,770,000	\$ 62,149,351	\$ 490,000	\$ 4,361	\$ 2,269,322	\$ 436,575	\$ 215,529,322	\$ 62,590,287

The following is a summary of the debt service requirements for the long-term liabilities of the business-type activities as of June 30, 2022.

Year Ending June 30,	General Obligation Bonds		Total	
	Public Offerings		Business-type Activities	
	Principal	Interest	Principal	Interest
2023	\$ 2,687,867	\$ 1,474,244	\$ 2,687,867	\$ 1,474,244
2024	2,832,867	1,338,119	2,832,867	1,338,119
2025	2,967,866	1,194,994	2,967,866	1,194,994
2026	1,577,867	1,083,244	1,577,867	1,083,244
2027	1,652,867	1,004,369	1,652,867	1,004,369
2028-2032	9,254,333	3,694,844	9,254,333	3,694,844
2033-2037	8,439,333	1,706,356	8,439,333	1,706,356
2038-2042	6,313,600	919,596	6,313,600	919,596
2043-2047	6,350,000	322,500	6,350,000	322,500
Total	\$ 42,076,600	\$ 12,738,266	\$ 42,076,600	\$ 12,738,266

The following is a summary of the changes to the long-term liabilities of the governmental activities for fiscal year 2022.

	Balance June 30, 2021	Additions	Reductions	Balance June 30, 2022	Due Within One Year
Bonds payable:					
General obligation bonds:					
Public offerings	\$ 124,587,509	\$ 118,045,000	\$ (29,862,509)	\$ 212,770,000	\$ 12,570,000
Direct placements	21,446,000	-	(20,956,000)	490,000	490,000
Bond premiums/discounts (net)	8,614,362	14,295,403	(1,903,811)	21,005,954	1,573,529
Total bonds payable	154,647,871	132,340,403	(52,722,320)	234,265,954	14,633,529
Leases	2,244,494	164,547	(139,719)	2,269,322	145,491
Middle River Regional Jail agreement	4,081,401	-	(987,732)	3,093,669	1,009,166
Compensated absences	3,865,506	2,451,728	(2,587,209)	3,730,025	2,296,218
Net OPEB liability	11,627,389	1,632,809	(2,719,124)	10,541,074	-
Net pension liability	25,768,086	14,227,266	(28,956,565)	11,038,787	-
Governmental activities long-term debt	\$ 202,234,747	\$ 150,816,753	\$ (88,112,669)	\$ 264,938,831	\$ 18,084,404

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, 2022, \$105,498, \$216,690 and \$371,949 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 2022.

	Balance June 30, 2021	Additions	Reductions	Balance June 30, 2022	Due Within One Year
Bonds payable:					
General obligation bonds:					
Public offerings	\$ 14,011,958	\$ 41,395,000	\$ (13,330,358)	\$ 42,076,600	\$ 2,687,867
Direct placements	8,711,000	-	(8,711,000)	-	-
Bond premiums/discounts (net)	369,933	5,314,542	(701,377)	4,983,098	451,968
Total bonds payable	23,092,891	46,709,542	(22,742,735)	47,059,698	3,139,835
Compensated absences	842,707	562,086	(512,910)	891,883	499,851
Net OPEB liability	2,321,473	294,380	(663,637)	1,952,216	-
Net pension liability	5,846,628	3,321,469	(6,582,980)	2,585,117	-
City landfill closure costs	1,132,273	52,084	-	1,184,357	111,160
County landfill contractual obligation	2,697,965	-	-	2,697,965	-
Business-type activities long-term debt	\$ 35,933,937	\$ 50,939,561	\$ (30,502,262)	\$ 56,371,236	\$ 3,750,846

The following is the detail for the long-term liabilities of the governmental and business-type activities as of June 30, 2022.

	Governmental Activities	Business-type Activities
General Obligation Bonds - Public Offerings:		
\$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	\$ 13,325,000	\$ -
\$1,136,000 Water Bonds (VRA DWSRF), Series 2009, issued November 20, 2009, maturing February 1, 2040 at 0% interest	-	681,600
\$13,610,000 Public Improvement Bonds, Series 2014A, issued June 26, 2014, maturing July 15, 2034 at 2.0% - 5.0% interest	9,585,000	-
\$42,675,000 Public Improvement Refunding Bonds, Series 2014B, issued June 26, 2014, maturing July 15, 2032 at 2.0% - 5.0% interest	29,220,000	-
\$40,215,000 Public Improvement Bonds, Series 2016, issued May 18, 2016, maturing July 15, 2040 at 2.0% - 5.0% interest	34,235,000	-
\$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	3,925,000	-
\$4,950,000 Bond (Virginia Resources Authority), Series 2019, issued August 14, 2019, maturing October 1, 2033 at 4.510% - 5.125% interest	4,435,000	-
\$156,970,000 Public Improvement and Refunding Bonds, Series 2021A, issued September 21, 2021, maturing July 15, 2046 at 1.75% - 5.00% interest	115,575,000	41,395,000

Note 8. Long-term Liabilities (continued)

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
General Obligation Bonds - Public Offerings (continued):		
\$2,470,000 Public Improvement Refunding Taxable Bonds, Series 2021B, issued September 21, 2021, maturing July 15, 2024 at 0.15% - 0.50% interest	2,470,000	-
Total General Obligation Bonds - Public Offerings	\$ 212,770,000	\$ 42,076,600
General Obligation Bonds - Direct Placements:		
\$2,350,000 Bond, Series 2017, issued September 8, 2017, maturing August 1, 2022 at 1.78% interest	\$ 490,000	-
Total General Obligation Bonds - Direct Placements	\$ 490,000	-
Total General Obligation Bonds	\$ 213,260,000	\$ 42,076,600

Leases

The City, as a lessee, has entered into lease agreements involving the use of a fiber network and golf carts. As of June 30, 2022, the City's lease liability in governmental activities for these payments totals \$2,269,322. The City has included in its governmental activities' capital assets leased equipment in the amount of \$2,409,041 (\$163,749 in accumulated amortization).

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, 2022, the debt limitation for the City is \$460.5 million of which \$202.1 million is available for use.

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 \$216,225. As of June 30, 2022, the outstanding balance of the loan is \$1,920,000.

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 \$163,228. As of June 30, 2022, the outstanding balance of the loan is \$1,478,333.

In September 2021, the City issued \$157 million in general obligation public improvement and refunding bonds, of which \$2.6 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 \$41,325. As of June 30, 2022, the outstanding balance of the loan is \$2,610,000.

Note 8. Long-term Liabilities (continued)

Component Unit – School Board

The following is a summary of the debt service requirements for the long-term liabilities of the School Board as of June 30, 2022.

Year Ending June 30,	Leases		Total School Board	
	Principal	Interest	Principal	Interest
2023	\$ 227,205	\$ 39,097	\$ 227,205	\$ 39,097
2024	197,946	36,733	197,946	36,733
2025	162,420	34,440	162,420	34,440
2026	115,582	32,224	115,582	32,224
2027	118,808	29,998	118,808	29,998
2028-2032	655,169	114,008	655,169	114,008
2033-2037	600,319	49,020	600,319	49,020
2038-2041	231,977	8,822	231,977	8,822
Total	<u>\$ 2,309,426</u>	<u>\$ 344,342</u>	<u>\$ 2,309,426</u>	<u>\$ 344,342</u>

The following is a summary of the changes to the long-term liabilities of the School Board for fiscal year 2022.

	Balance June 30, 2021	Additions	Reductions	Balance June 30, 2022	Due Within One Year
Leases	\$ 1,254,259	\$ 1,211,381	\$ (156,214)	\$ 2,309,426	\$ 227,205
Compensated absences	1,723,608	396,291	(365,392)	1,754,507	342,484
Net OPEB liability	23,191,830	711,503	(3,023,221)	20,880,112	-
Net pension liability	72,598,687	25,011,598	(58,549,485)	39,060,800	-
School Board long-term debt	<u>\$ 98,768,384</u>	<u>\$ 27,330,773</u>	<u>\$ (62,094,312)</u>	<u>\$ 64,004,845</u>	<u>\$ 569,689</u>

Leases

The School Board, as a lessee, has entered into lease agreements involving the use of a fiber network, an office building, a mobile trailer unit and various office equipment. As of June 30, 2022, the School Board's lease liability for these payments totals \$2,309,426. The School Board has included in capital assets leased buildings in the amount of \$1,045,358 (\$49,779 in accumulated depreciation) and leased equipment in the amount of \$1,420,282 (\$109,642 in accumulated amortization).

Component Unit – HEC

At June 30, 2022, HEC had \$4,407,667 in long-term liabilities outstanding. This long-term liability is comprised of \$602,370 in compensated absences, of which the entire amount is due within one year and \$2,192,209 in net OPEB liabilities and \$1,613,088 in net pension liabilities, of which the entire amounts are due in more than one year.

Note 9. 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. \$1,184,357 of the amount reported as landfill closure and postclosure care liability at June 30, 2022 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 \$393,574 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 10. 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 11. Unearned Revenue

The following is a summary of unearned revenue at June 30, 2022 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	\$ 58,470	\$ -	\$ 58,470
Golf course season passes	64,965	-	64,965
ARPA funds	21,830,670	-	21,830,670
Construction reimbursement	-	203,378	203,378
Total unearned revenue	\$ 21,954,105	\$ 203,378	\$ 22,157,483

Unearned revenue for business-type activities in the amount of \$205,600 represents water and sewer connection application fees for which the services had not been provided as of year-end. This amount is comprised of \$129,200 in the Water Fund and \$76,400 in the Sewer Fund.

Note 12. Interfund Balances

The General Fund has due from other funds in the amount \$236,831. This amount is comprised of loans to the Community Development Block Grant Fund and Central Stores Fund in the amounts of \$43,753 and \$193,078, respectively. The purpose of the loans are 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.

Note 13. 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, 2022.

Transfer in	Transfer out						Total
	General Fund	Water Fund	Sewer Funds	Public Transportation Fund	Sanitation Fund	Stormwater Fund	
General Fund	\$ -	\$ 1,527,300	\$ 1,326,600	\$ 438,137	\$ 107,200	\$ 20,400	\$ 3,419,637
General Capital Projects Fund	625,000	-	-	-	-	-	625,000
Internal Service Funds	96,581	171,410	19,017	-	-	-	287,008
Total	\$ 721,581	\$ 1,698,710	\$ 1,345,617	\$ 438,137	\$ 107,200	\$ 20,400	\$ 4,331,645

Note 14. 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, 2022.

	General Fund	General Capital Projects Fund	School Bond Capital Projects Fund	Other Governmental Funds	Total
Nonspendable:					
Prepaid expenditures	\$ 480,959	\$ -	\$ -	\$ 24,013	\$ 504,972
Loans receivable	296,039	-	-	-	296,039
Total nonspendable fund balance	<u>\$ 776,998</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,013</u>	<u>\$ 801,011</u>
Restricted for:					
Public safety	\$ 633,166	\$ -	\$ -	\$ -	\$ 633,166
Public works	-	5,306,778	-	-	5,306,778
Education	-	-	39,162,407	-	39,162,407
Total restricted fund balance	<u>\$ 633,166</u>	<u>\$ 5,306,778</u>	<u>\$ 39,162,407</u>	<u>\$ -</u>	<u>\$ 45,102,351</u>
Committed to:					
General government administration	\$ -	\$ 482,925	\$ -	\$ -	\$ 482,925
Jail and judicial administration	-	41,730	-	-	41,730
Public safety	-	2,184,171	-	-	2,184,171
Public works	-	4,180,527	-	-	4,180,527
Education	-	-	358,850	1,288,505	1,647,355
Parks, recreation and cultural	63,402	692,480	-	-	755,882
Community development	-	-	-	139,342	139,342
Total committed fund balance	<u>\$ 63,402</u>	<u>\$ 7,581,833</u>	<u>\$ 358,850</u>	<u>\$ 1,427,847</u>	<u>\$ 9,431,932</u>
Assigned to:					
General government administration	\$ 381,569	\$ -	\$ -	\$ -	\$ 381,569
Public safety	1,351,323	-	-	-	1,351,323
Public works	1,991,205	-	-	-	1,991,205
Education	-	-	-	406,919	406,919
Parks, recreation and cultural	395,784	-	-	-	395,784
Community development	84,664	-	-	-	84,664
Subsequent years' expenditures	6,300,000	-	-	546,480	6,846,480
Total assigned fund balance	<u>\$ 10,504,545</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 953,399</u>	<u>\$ 11,457,944</u>

Note 15. 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.

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

Note 15. Pension Plan - Agent Multiple-Employer (continued)

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 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.

Note 15. Pension Plan - Agent Multiple-Employer (continued)

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, 2020, the following employees were covered by the benefit terms:

	Primary Government	Component Units	
		School Board	HEC
Inactive employees or beneficiaries currently receiving benefits	350	60	27
Inactive employees entitled to but not yet receiving benefits	408	68	31
Active employees	573	102	44
Total inactive and active employees	1,331	230	102

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 2022 was 12.85 percent of covered employee compensation. The School Board non-professional employees’ contribution rate for the fiscal year ended 2022 was 4.01 percent of covered employee compensation. These rates were based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. 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 \$3,501,465, \$78,311 and \$414,578, respectively, for the year ended June 30, 2022.

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, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2020 and rolled forward to the measurement date of June 30, 2021.

Actuarial Assumptions – General Employees. The total pension liability for general employees was based on an actuarial valuation as of June 30, 2020, 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, 2021.

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:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward two years.

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward three years.

Note 15. Pension Plan - Agent Multiple-Employer (continued)

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back three years; 90% of rates for females set back three years.

Beneficiary and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward two years.

Mortality Improvement:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study are as follows:

All Others (Non 10 Largest): Updated mortality rates to Pub-2010 public sector mortality tables and replaced mortality rates with a modified Mortality Improvement Scale MP-2020; adjusted retirement rates to better fit experience for Plan 1, set separate rates based on experience for Plan 2/Hybrid and changed the final retirement age; adjusted withdrawal rates to better fit experience at each year age and service through nine years of service.

Actuarial Assumptions – Hazardous Duty Employee. The total pension liability for hazardous duty employees was based on an actuarial valuation as of June 30, 2020, 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, 2021.

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:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally with a Modified MP-2020 Improvement Scale; 95% of rates for males; 105% of rates for females set forward two years.

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males; 105% of rates for females set forward three years.

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally with a Modified MP-2020 Improvement Scale; 95% of rates for males set back three years; 90% of rates for females set back three years.

Beneficiary and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males and females set forward two years.

Mortality Improvement:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study are as follows:

All Others (Non 10 Largest) – Hazardous Duty: Updated mortality rates to Pub-2010 public sector mortality tables, increased disability life expectancy and replaced mortality rates with a modified Mortality Improvement Scale MP-2020; adjusted retirement rates to better fit experience and changed the final retirement age from 65 to 70; adjusted withdrawal rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with the 10 Largest – Hazardous Duty employers.

Note 15. 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%	5.00%	1.70%
Fixed Income	15.00%	0.57%	0.09%
Credit Strategies	14.00%	4.49%	0.63%
Real Assets	14.00%	4.76%	0.67%
Private Equity	14.00%	9.94%	1.39%
Multi-Asset Public Strategies (MAPS)	6.00%	3.29%	0.20%
Private Investment Partnersip (PIP)	3.00%	6.84%	0.21%
Total	100.00%		4.89%
		Inflation	2.50%
		Expected arithmetic nominal return*	7.39%

**The above allocation provides a one-year return of 7.39%. 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 return of 6.94%, including expected inflation of 2.5%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75%, which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.5%.*

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, 2021, 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, 2021 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 15. Pension Plan - Agent Multiple-Employer (continued)

Changes in the Net Pension Liability (Asset). The following are the changes in net pension liability (asset) as of the measurement date of June 30, 2021:

Primary Government

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at June 30, 2020	\$ 145,157,025	\$ 113,542,311	\$ 31,614,714
Changes for the year:			
Service cost	3,030,934	-	3,030,934
Interest	9,550,228	-	9,550,228
Differences between expected and actual experience	(892,821)	-	(892,821)
Changes in assumptions	5,787,713	-	5,787,713
Contributions-employer	-	3,406,009	(3,406,009)
Contributions-employee	-	1,326,685	(1,326,685)
Net investment income	-	30,881,233	(30,881,233)
Benefit payments, including refunds of employee contributions	(7,267,134)	(7,267,134)	-
Administrative expense	-	(77,150)	77,150
Other changes	891,419	821,506	69,913
Net changes	<u>11,100,339</u>	<u>29,091,149</u>	<u>(17,990,810)</u>
Balances at June 30, 2021	<u>\$ 156,257,364</u>	<u>\$ 142,633,460</u>	<u>\$ 13,623,904</u>

Component Unit – School Board

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances at June 30, 2020	\$ 8,342,581	\$ 8,536,800	\$ (194,219)
Changes for the year:			
Service cost	210,686	-	210,686
Interest	547,983	-	547,983
Differences between expected and actual experience	33,696	-	33,696
Changes in assumptions	290,157	-	290,157
Contributions-employer	-	79,026	(79,026)
Contributions-employee	-	111,349	(111,349)
Net investment income	-	2,311,772	(2,311,772)
Benefit payments, including refunds of employee contributions	(448,629)	(448,629)	-
Administrative expense	-	(5,844)	5,844
Other changes	-	217	(217)
Net changes	<u>633,893</u>	<u>2,047,891</u>	<u>(1,413,998)</u>
Balances at June 30, 2021	<u>\$ 8,976,474</u>	<u>\$ 10,584,691</u>	<u>\$ (1,608,217)</u>

Note 15. 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, 2020	\$ 17,732,128	\$ 13,870,130	\$ 3,861,998
Changes for the year:			
Service cost	370,846	-	370,846
Interest	1,168,507	-	1,168,507
Differences between expected and actual experience	(109,240)	-	(109,240)
Changes in assumptions	708,148	-	708,148
Contributions-employer	-	416,738	(416,738)
Contributions-employee	-	162,325	(162,325)
Net investment income	-	3,778,435	(3,778,435)
Benefit payments, including refunds of employee contributions	(889,161)	(889,161)	-
Administrative expense	-	(9,440)	9,440
Other changes	(480,153)	(441,040)	(39,113)
Net changes	<u>768,947</u>	<u>3,017,857</u>	<u>(2,248,910)</u>
Balances at June 30, 2021	<u>\$ 18,501,075</u>	<u>\$ 16,887,987</u>	<u>\$ 1,613,088</u>

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate. The following presents the net pension liability (asset) using the discount rate of 6.75 percent, as well as what the net pension liability (asset) 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 (Asset)	\$ 35,181,208	\$ 13,623,904	\$ (4,043,578)
Component Unit - School Board:			
Net Pension Liability (Asset)	\$ (646,166)	\$ (1,608,217)	\$ (2,423,647)
Component Unit - HEC:			
Net Pension Liability (Asset)	\$ 4,165,501	\$ 1,613,088	\$ (478,765)

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

For the year ended June 30, 2022, the City, the School Board and HEC recognized pension expense of \$2,416,824, \$(52,417) and \$209,528, respectively. At June 30, 2022, 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 15. Pension Plan - Agent Multiple-Employer (continued)

	Component Units					
	Primary Government		School Board		HEC	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,513,193	\$ 655,419	\$ 34,257	\$ -	\$ 179,164	\$ 77,602
Changes in assumptions	5,222,438	-	195,403	-	618,343	-
Net difference between projected and actual earnings on pension plan investments	-	15,446,704	-	1,147,133	-	1,828,910
Employer contributions subsequent to the measurement date	3,501,465	-	78,311	-	414,578	-
Total	\$ 10,237,096	\$ 16,102,123	\$ 307,971	\$ 1,147,133	\$ 1,212,085	\$ 1,906,512

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 subsequent fiscal year. 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
2023	\$ (461,758)	\$ (135,867)	\$ (54,673)
2024	(1,550,170)	(165,578)	(183,542)
2025	(2,665,211)	(267,140)	(315,564)
2026	(4,689,353)	(348,888)	(555,226)
2027	-	-	-
Thereafter	-	-	-

Pension Plan Data. Detailed information about the VRS Retirement Plan is available in the separately issued VRS 2021 Annual Comprehensive Financial Report. A copy of this report may be downloaded from the VRS website at varetire.org/Pdf/Publications/2021-annual-report.pdf or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Payable to the Pension Plan

At June 30, 2022, the City and School Board reported a payable of \$459,593 and \$15,366, respectively, for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2022.

Note 16. 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 (Commonwealth). 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 16. 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 15.

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, 2022 was 16.62 percent of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. 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 \$7,738,631 for the year ended June 30, 2022. In June 2021, the Commonwealth made a special contribution of approximately \$61.3 million to the VRS Teacher Employee Plan. The School Board's proportionate share of this special contribution totaled \$308,660.

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

At June 30, 2022, the School Board reported a liability of \$39,060,800 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2020 and rolled forward to the measurement date of June 30, 2021. 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, 2021 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the school division's proportion was 0.50316%.

For the year ended June 30, 2022, the School Board recognized pension expense of \$1,891,079. 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, 2022, 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>
Differences between expected and actual experience	\$ -	\$ 3,326,963
Changes in assumptions	6,843,350	-
Net difference between projected and actual earnings on pension plan investments	-	24,615,071
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,015,734	-
Employer contributions subsequent to the measurement date	<u>7,738,631</u>	<u>-</u>
Total	<u>\$ 16,597,715</u>	<u>\$ 27,942,034</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 subsequent fiscal year. 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 16. Pension Plan - Teacher Cost-Sharing Pool (continued)

<u>Year Ending June 30,</u>	<u>Deferred Amounts to be Recognized</u>
2023	\$ (3,919,393)
2024	(3,789,204)
2025	(4,617,371)
2026	(6,764,818)
2027	7,836
Thereafter	-

Actuarial Assumptions. The total pension liability was based on an actuarial valuation as of June 30, 2020, 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, 2021.

Inflation	2.50 percent
Salary increases, including inflation	3.50 percent – 5.95 percent
Investment rate of return, including inflation	6.75 percent (net of plan investment expense)

Mortality rates (teachers):

Pre-Retirement:

Pub-2010 Amount Weighted Teachers Employee Rates projected generationally; 110% of rates for males.

Post-Retirement:

Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward one year; 105% of rates for females.

Post-Disablement:

Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally; 110% of rates for males and females.

Beneficiary and Survivors:

Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally.

Mortality Improvement:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions were substantially the same as described in Note 15.

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 15.

Discount Rate. The discount rate used to measure the total pension liability is substantially the same as described in Note 15.

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	\$ 75,385,230	\$ 39,060,800	\$ 9,179,105

Note 16. 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 2021 Annual Comprehensive Financial Report. A copy of this report may be downloaded from the VRS website at varetire.org/Pdf/Publications/2021-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, 2022, the School Board reported a payable of \$839,561 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2022.

Note 17. 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 \$8,722 that is based on the VRS Plan 2 pension cost-of-living adjustment.

Contributions. The contribution requirement for the GLI Program is 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 1.34 percent of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80 percent and the employer component was 0.54 percent. The contractually required employer contribution rate for the year ended June 30, 2022 was 0.54 percent of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. 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 \$153,499, \$278,387 and \$18,073, respectively, for the year ended June 30, 2022.

Note 17. 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, 2022, the City, the School Board and HEC reported a liability of \$1,564,519, \$2,664,900 and \$184,205, respectively, for their proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation performed as of June 30, 2020 and rolled forward to the measurement date of June 30, 2021. 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, 2021 relative to the total of the actuarially determined employer contributions for all participating employers. At the June 30, 2021 measurement date, the City, the School Board and HEC's proportion was 0.13382%, 0.22889% and 0.01611%, respectively.

For the year ended June 30, 2022, the City, the School Board and HEC recognized OPEB expense of \$75,413, \$169,951 and \$2,183, 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, 2022, the City, the School Board and HEC reported deferred outflows of resources and deferred inflows of resources related to the GLI Program from the following sources:

	Component Units					
	Primary Government		School Board		HEC	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 178,439	\$ 11,920	\$ 303,941	\$ 20,305	\$ 21,009	\$ 1,404
Changes of assumptions	86,252	214,060	146,915	364,616	10,155	25,203
Net difference between projected and actual earnings on OPEB plan investments	-	373,417	-	636,054	-	43,966
Changes in proportionate share Employer contributions subsequent to the measurement date	26,616	23,899	167,432	2,717	3,134	2,814
	<u>153,499</u>	<u>-</u>	<u>278,387</u>	<u>-</u>	<u>18,073</u>	<u>-</u>
Total	<u>\$ 444,806</u>	<u>\$ 623,296</u>	<u>\$ 896,675</u>	<u>\$ 1,023,692</u>	<u>\$ 52,371</u>	<u>\$ 73,387</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 subsequent fiscal year. 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
2023	\$ (74,549)	\$ (69,806)	\$ (8,778)
2024	(57,498)	(54,077)	(6,770)
2025	(57,655)	(74,454)	(6,788)
2026	(117,949)	(180,340)	(13,887)
2027	(24,338)	(26,727)	(2,866)
Thereafter	-	-	-

Note 17. 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, 2020, 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, 2021. The actuarial assumptions used and changes to the assumptions are substantially the same as described in Note 15 and Note 16.

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 15.

Discount Rate. The discount rate used to measure the total OPEB liability was 6.75 percent and is substantially the same as described in Note 15.

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	\$ 2,285,819	\$ 1,564,519	\$ 982,037
Component Unit - School Board:			
Net OPEB Liability	\$ 3,893,516	\$ 2,664,900	\$ 1,672,738
Component Unit - HEC:			
Net OPEB Liability	\$ 269,130	\$ 184,205	\$ 115,624

OPEB Plan Fiduciary Net Position. Detailed information about the VRS GLI Program Plan's fiduciary net position is available in the separately issued VRS 2021 Annual Comprehensive Financial Report. A copy of this report may be downloaded from the VRS website at varetire.org/Pdf/Publications/2021-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, 2022, the City and the School Board reported a payable of \$36,370 and \$58,049, respectively, for the outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2022.

VRS Health Insurance Credit Program – 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 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 17. Other Postemployment Benefits (continued)

VRS Health Insurance Credit Program – Teacher Cost-Sharing Pool (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, 2022 was 1.21 percent of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. 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 \$593,004 for the year ended June 30, 2022. 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, 2022, the School Board reported a liability of \$6,503,460 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation performed as of June 30, 2020 and rolled forward to the measurement date of June 30, 2021. 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, 2021 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the school division's proportion was 0.50667%.

For the year ended June 30, 2022, the School Board recognized OPEB expense of \$605,714. 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, 2022, 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	\$ -	\$ 113,485
Changes in assumptions	175,800	26,137
Net difference between projected and actual earnings on OPEB plan investments	-	85,670
Changes in proportionate share	325,272	-
Employer contributions subsequent to the measurement date	<u>593,004</u>	<u>-</u>
Total	<u>\$ 1,094,076</u>	<u>\$ 225,292</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 subsequent fiscal year. 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 17. Other Postemployment Benefits (continued)

VRS Health Insurance Credit Program – Teacher Cost-Sharing Pool (continued)

<u>Year Ending June 30,</u>	<u>Deferred Amounts to be Recognized</u>
2023	\$ 68,915
2024	67,942
2025	59,684
2026	30,345
2027	30,631
Thereafter	18,263

Actuarial Assumptions. The total OPEB liability was based on an actuarial valuation as of June 30, 2020, 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, 2021. The actuarial assumptions used and changes to the assumptions are substantially the same as described in and Note 16.

Long-term Expected Rate of Return. The long-term expected rate of return on VRS investments is substantially the same as described in Note 15.

Discount Rate. The discount rate used to measure the total OPEB liability was 6.75 percent and is substantially the same as described in Note 15.

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	\$ 7,321,093	\$ 6,503,460	\$ 5,811,547

OPEB Plan Fiduciary Net Position. Detailed information about the VRS HIC Program Plan's fiduciary net position is available in the separately issued VRS 2021 Annual Comprehensive Financial Report. A copy of this report may be downloaded from the VRS website at varetire.org/Pdf/Publications/2021-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, 2022, the School Board reported a payable of \$49,906 for the outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2022.

VRS Health Insurance Credit Program – Nonprofessional Employees

Plan Description. All full-time, salaried permanent (nonprofessional) employees of the Harrisonburg City School Board (School Board) are automatically covered by the Health Insurance Credit Program (HIC Program) upon employment. The HIC Program is an agent 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

Note 17. Other Postemployment Benefits (continued)

VRS Health Insurance Credit Program – Nonprofessional Employees (continued)

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

Benefits Provided. Eligible employees who have 15 or more years of creditable VRS service and are enrolled in a qualified health insurance plan may participate in the program. For employees who retire, the monthly benefit is \$1.50 per year of creditable service per month with a maximum benefit of \$45 per month. For employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is \$45 per month. The benefit cannot exceed the amount of the premium and ends upon the retiree's death.

Employees Covered by Benefit Terms. At June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	30
Inactive employees entitled to but not yet receiving benefits	1
Active employees	<u>102</u>
Total inactive and active employees	<u><u>133</u></u>

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, 2022 was 0.70 percent of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2020. 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 \$17,811 for the year ended June 30, 2022. Employees are not required to contribute to the HIC Program.

Net OPEB Liability. The net OPEB liability is calculated separately for each employer and represents that particular employer's total OPEB liability less that employer's fiduciary net position. The net OPEB liability was measured as of June 30, 2021. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation performed as of June 30, 2020 and rolled forward to the measurement date of June 30, 2021.

Actuarial Assumptions. The total OPEB liability was based on an actuarial valuation as of June 30, 2020, 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, 2021. The actuarial assumptions used and changes to the assumptions are substantially the same as described in and Note 15.

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 15.

Discount Rate. The discount rate used to measure the total OPEB liability was 6.75 percent and is substantially the same as described in Note 15.

Note 17. Other Postemployment Benefits (continued)

VRS Health Insurance Credit Program – Nonprofessional Employees (continued)

Changes in the Net OPEB Liability. The following are the changes in net OPEB liability as of the measurement date of June 30, 2021:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balances at June 30, 2020	\$ 183,944	\$ -	\$ 183,944
Changes for the year:			
Service cost	3,463	-	3,463
Interest	12,416	-	12,416
Changes in assumptions	6,417	-	6,417
Contributions-employer	-	17,137	(17,137)
Net investment income	-	2,337	(2,337)
Administrative expense	-	(76)	76
Net changes	<u>22,296</u>	<u>19,398</u>	<u>2,898</u>
Balances at June 30, 2021	<u>\$ 206,240</u>	<u>\$ 19,398</u>	<u>\$ 186,842</u>

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate. The following presents the School Board's 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:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net OPEB Liability	\$ 207,049	\$ 186,842	\$ 169,469

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

For the year ended June 30, 2022, the School Board recognized pension expense of \$16,322. At June 30, 2022, the School Board reported deferred outflows of resources and deferred inflows of resources related to the HIC from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 5,123	\$ -
Net difference between projected and actual earnings on pension plan investments	-	1,409
Employer contributions subsequent to the measurement date	<u>17,811</u>	<u> </u>
Total	<u>\$ 22,934</u>	<u>\$ 1,409</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 subsequent fiscal year. 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 17. Other Postemployment Benefits (continued)

VRS Health Insurance Credit Program – Nonprofessional Employees (continued)

<u>Year Ending June 30,</u>	<u>Deferred Amounts to be Recognized</u>
2023	\$ 942
2024	942
2025	942
2026	888
2027	-
Thereafter	-

HIC Program Data. Detailed information about the VRS HIC Program is available in the separately issued VRS 2021 Annual Comprehensive Financial Report. A copy of this report may be downloaded from the VRS website at varetire.org/Pdf/Publications/2021-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, 2022, the School Board reported a payable of \$1,453 for the outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2022.

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 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.

Note 17. Other Postemployment Benefits (continued)

Local Health Insurance Program (continued)

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, 2021, the following employees were covered by the benefit terms:

	<u>Primary Government</u>	<u>School Board</u>
Inactive employees or beneficiaries currently receiving benefits	57	69
Active employees	<u>561</u>	<u>973</u>
Total inactive and active employees	<u><u>618</u></u>	<u><u>1,042</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 \$10,928,771 and \$11,524,910 for the City and School Board, respectively, were measured as of June 30, 2022 and were determined by actuarial valuations performed as of June 30, 2022.

Actuarial Assumptions. The total OPEB liabilities were based on an actuarial valuation as of June 30, 2021, 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	6.25 percent graded uniformly to 5.75 percent over three years and following the Getzen model thereafter to an ultimate rate of 4.04 percent in the year 2075.

The mortality, retirement, withdrawal, and disability assumptions are substantially the same as the assumptions used in the June 30, 2020 valuation of the Virginia Retirement System as described in Note 15.

Changes to the actuarial assumptions used for the June 30, 2021 actuarial valuation include an adjustment to the healthcare cost trend rate and changes to the withdrawal, retirement, mortality, and disability assumptions to be consistent with VRS’s actuarial assumptions.

Discount Rate. The discount rate used to measure the OPEB liabilities was 2.18 percent based on the S&P Municipal Bond 20 Year High Grade Rate Index as of June 30, 2021.

Note 17. Other Postemployment Benefits (continued)

Local Health Insurance Program (continued)

Changes in the Total OPEB Liability. The following are the changes in the total OPEB liability as of the measurement date of June 30, 2022:

	<u>Primary Government</u>	<u>School Board</u>
Balances at June 30, 2021	\$ 11,706,047	\$ 12,720,660
Changes for the year:		
Service cost	666,698	997,969
Interest	341,291	371,777
Differences between expected and actual experience	(1,645,184)	(2,172,203)
Changes in assumptions	388,470	352,911
Benefit payments	<u>(528,551)</u>	<u>(746,204)</u>
Net changes	<u>(777,276)</u>	<u>(1,195,750)</u>
Balances at June 30, 2022	<u>\$ 10,928,771</u>	<u>\$ 11,524,910</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 2.18 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 (1.18 percent) or one percentage point higher (3.18 percent) than the current rate:

	<u>1% Decrease (1.18%)</u>	<u>Current Rate (2.18%)</u>	<u>1% Increase (3.18%)</u>
Primary Government:			
Total OPEB liability	\$ 12,007,399	\$ 10,928,771	\$ 9,956,315
School Board:			
Total OPEB liability	\$ 12,605,513	\$ 11,524,910	\$ 10,547,034

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 6.25 percent decreasing to 5.75 percent over two 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 (5.25 percent decreasing to 3.04 percent over two years) or one percentage point higher (7.25 percent decreasing to 5.04 percent over two years) than the current rate:

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Primary Government:			
Total OPEB liability	\$ 9,810,117	\$ 10,928,771	\$ 12,261,098
School Board:			
Total OPEB liability	\$ 10,301,224	\$ 11,524,910	\$ 13,268,056

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

For the year ended June 30, 2022, the City and the School Board recognized OPEB expense of \$1,159,123 and \$1,283,957, respectively. At June 30, 2022, the City and the School Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Note 17. Other Postemployment Benefits (continued)

Local Health Insurance Program (continued)

	Primary Government		School Board	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,288,522	\$ 1,370,987	\$ 899,867	\$ 1,900,678
Changes in assumptions	323,725	206,764	308,797	333,380
Total	<u>\$ 1,612,247</u>	<u>\$ 1,577,751</u>	<u>\$ 1,208,664</u>	<u>\$ 2,234,058</u>

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>
2023	\$ 151,134	\$ (85,789)
2024	151,134	(85,789)
2025	151,134	(85,789)
2026	(209,452)	(85,790)
2027	(209,454)	(227,411)
Thereafter	-	(454,826)

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, 2022 and OPEB expense for the fiscal year ended June 30, 2022:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net/Total OPEB Liability	OPEB Expense
Primary Government:				
VRS Group Life Insurance Program	\$ 444,806	\$ 623,296	\$ 1,564,519	\$ 75,413
Local Health Insurance Program	1,612,247	1,577,751	10,928,771	1,159,123
Totals	<u>\$ 2,057,053</u>	<u>\$ 2,201,047</u>	<u>\$ 12,493,290</u>	<u>\$ 1,234,536</u>
Component Unit - School Board:				
VRS Group Life Insurance Program	\$ 896,675	\$ 1,023,692	\$ 2,664,900	\$ 169,951
VRS Health Insurance Credit Program	1,094,076	225,292	6,503,460	605,714
VRS Health Insurance Credit Program	22,934	1,409	186,842	16,322
Local Health Insurance Program	1,208,664	2,234,058	11,524,910	1,283,957
Totals	<u>\$ 3,222,349</u>	<u>\$ 3,484,451</u>	<u>\$ 20,880,112</u>	<u>\$ 2,075,944</u>
Component Unit - HEC:				
VRS Group Life Insurance Program	\$ 52,371	\$ 73,387	\$ 184,205	\$ 2,183
Local Health Insurance Program	231,727	264,597	2,008,004	90,371
Totals	<u>\$ 284,098</u>	<u>\$ 337,984</u>	<u>\$ 2,192,209</u>	<u>\$ 92,554</u>

Note 18. 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 2022, the City's contributions totaled \$6,628,533 of which \$2,945,226 was for operations, \$2,737,579 was for debt service and \$945,728 was for capital purposes. These contributions are made from the Sewer Fund. The City does not have an ongoing financial interest in the Authority since it does not have access to the Authority's resources or surpluses, nor is it liable for the Authority's debts or deficits. To obtain a copy of the audited financial statements, contact the Authority at P.O. Box 8, 856 North River Road, Mt. Crawford, Virginia 22841.

The Authority has \$56.9 million of total debt outstanding at June 30, 2022. 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>
2023	\$ 1,984,397	\$ 702,646	\$ 2,687,043
2024	2,040,989	646,054	2,687,043
2025	2,099,322	587,721	2,687,043
2026	2,159,451	527,592	2,687,043
2027	2,221,433	465,610	2,687,043
2028-2032	9,319,970	1,374,586	10,694,556
2033-2037	3,488,842	667,945	4,156,787
2038-2042	2,467,326	381,079	2,848,405
2043-2047	1,733,314	127,056	1,860,370
2048-2051	588,654	21,981	610,635
Total	<u>\$ 28,103,698</u>	<u>\$ 5,502,270</u>	<u>\$ 33,605,968</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, 2022</u>	<u>June 30, 2021</u>	<u>Increase (Decrease)</u>
Current assets	\$ 8,880,453	\$ 8,192,549	\$ 687,904
Restricted assets	3,015,564	3,773,689	(758,125)
Capital assets	96,208,199	99,031,344	(2,823,145)
Other assets	1,078,342	852,377	225,965
Total assets	<u>109,182,558</u>	<u>111,849,959</u>	<u>(2,667,401)</u>
Deferred outflows of resources	472,282	611,865	(139,583)
Current liabilities	2,968,005	3,923,062	(955,057)
Liabilities payable from restricted assets	2,433,485	3,324,407	(890,922)
Long-term liabilities	52,782,432	56,436,262	(3,653,830)
Total liabilities	<u>58,183,922</u>	<u>63,683,731</u>	<u>(5,499,809)</u>
Deferred inflows of resources	1,072,668	122,959	949,709
Net position	<u>\$ 50,398,250</u>	<u>\$ 48,655,134</u>	<u>\$ 1,743,116</u>

Note 18. Joint Ventures (continued)

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 2022, the City's contributions totaled \$3,237,100. These contributions are made from the General Fund. The City and County have equal undivided interests in any property purchased or used by the HRECC. The HRECC currently operates using certain capital assets of the City and County; however, the HRECC is responsible for the maintenance of these assets. To obtain a copy of the audited financial statements, contact the City of Harrisonburg Department of Finance, 409 South Main Street, Harrisonburg, Virginia 22801.

The following information is a condensed statement of net position as of the end of the two most recent fiscal years for the HRECC.

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>Increase (Decrease)</u>
Current assets	\$ 8,013,212	\$ 4,513,603	\$ 3,499,609
Capital assets	<u>8,542,947</u>	<u>7,316,487</u>	<u>1,226,460</u>
Total assets	<u>16,556,159</u>	<u>11,830,090</u>	<u>4,726,069</u>
Deferred outflows of resources	<u>925,803</u>	<u>927,701</u>	<u>(1,898)</u>
Current liabilities	266,446	346,146	(79,700)
Long-term liabilities	<u>3,916,301</u>	<u>3,586,122</u>	<u>330,179</u>
Total liabilities	<u>4,182,747</u>	<u>3,932,268</u>	<u>250,479</u>
Deferred inflows of resources	<u>3,959,657</u>	<u>30,859</u>	<u>3,928,798</u>
Net position	<u>\$ 9,339,558</u>	<u>\$ 8,794,664</u>	<u>\$ 544,894</u>

Note 19. 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 \$3,654,890 to the District in fiscal year 2022.

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 \$228,304 to the Commission in fiscal year 2022.

Note 19. Jointly Governed Organizations (continued)

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 \$2,074,219 to the Authority in fiscal year 2022 of which \$1,784,901 was for operations and \$289,318 was for debt service.

Note 20. 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 21. Commitments

The Harrisonburg City School Board (School Board) entered into an agreement pursuant to the Virginia Public-Private Education and Infrastructure Act (PPEA) for the construction of a second high school. The PPEA agreement totals \$101.6 million, of which \$56 million had been expended as of June 30, 2022. This contract is a commitment of the General Capital Projects Fund and School Bond Capital Projects Fund and was financed through the issuance of bonds and currently available funds.

The City has a construction contract outstanding for the construction of a portion of the eastern source waterline project. The contract totals \$2.8 million and no funds had been expended as of June 30, 2022. The contract is a commitment of the Water Fund and is being financed through the issuance of bonds.

The following is a summary of significant encumbrances at June 30, 2022.

	General Fund	General Capital Projects Fund	Other Governmental Funds	Total
Street repaving	\$ 1,305,858	\$ -	\$ -	\$ 1,305,858
Fire truck	784,494	-	-	784,494
Replacement vehicles	428,713	-	-	428,713
Sidewalks, curbs and guttering replacements	413,835	-	-	413,835
Software renewal	139,733	-	-	139,733
Smithland athletic fields parking lot paving	109,715	-	-	109,715
Compensation and benefits study	107,700	-	-	107,700
MLK, Jr. Way bridge	-	1,137,349	-	1,137,349
Replacement school buses	-	-	406,919	406,919
Other purposes	914,497	261,785	-	1,176,282
Total encumbrances	\$ 4,204,545	\$ 1,399,134	\$ 406,919	\$ 6,010,598

Note 22. Transactions with Component Units

In fiscal year 2022, the City's General Fund made contributions to the School Board, a component unit, totaling \$36,077,547. Of this total, \$33,777,547 was made for the purpose of funding the School Board's operating budget while \$2,300,000 was made for capital construction purposes.

In fiscal year 2022, the Harrisonburg Electric Commission, a component unit, made contributions to the City's General Fund totaling \$5,200,000 for the purpose of funding the General Fund budget.

Note 23. 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, 2022, there were four series of Redevelopment and Housing Authority Revenue Bonds outstanding, with an aggregate principal amount of \$21 million.

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, 2022, the City has recorded an intangible asset for the purchased capacity of the jail in the amount of \$8,617,435 (net of accumulated amortization) and a liability of \$3,093,669 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.

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. For the year ended 2022, the City's reimbursement obligation to the EDA totaled \$1,046,414.

Note 26. Risk Management

The City is a member of the Virginia Risk Sharing Association (VRSA) for vehicles, property, inland marine, EDP, flood, general liability, line of duty, workman’s compensation, cybersecurity and boiler and machinery. Each VRSA 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 VRSA. In the event of a loss deficit and depletion of all available excess reserves, VRSA 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 \$300,000, are covered by commercial insurance.

The City records an estimated liability for indemnity health care claims. Claims liabilities are based on estimates of the ultimate cost of reported claims, related claim adjustment expenses and an estimate for claims incurred but not reported (IBNR) based on historical experience. The following represents the change in approximate aggregate liabilities for the fund from July 1, 2020 to June 30, 2022:

<u>Fiscal Year</u>	<u>Beginning Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Ending Liability</u>
2022	\$ 635,879	\$ 18,633,601	\$ 18,203,800	\$ 1,065,680
2021	629,264	17,633,090	17,626,475	635,879

Note 27. Contingencies

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

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

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

Note 28. Bonds Current Refunded and Defeased

In September 2021, as part of a \$159.4 million bond issue, the City issued \$50,160,000 in Series 2021A General Obligation Public Improvement and Refunding Bonds and Series 2021B Taxable General Obligation Public Improvement Refunding Bonds with a collective average interest rate of 0.98 percent to current refund certain outstanding debt. The net proceeds of \$59,575,651 (after payment of \$240,834 in issuance costs) were used to current refund the following bond issues:

Old Refunded Bonds	Average Interest Rate	Amount Refunded
Series 2010A Public Improvement General Obligation Bonds	3.48%	\$ 4,995,000
Series 2010B Public Improvement Refunding General Obligation Bonds	3.61%	13,190,000
Series 2011 Public Improvement and Refunding General Obligation Bonds	3.29%	13,830,000
Series 2012 General Obligation Bond	1.079%	3,542,000
Series 2015 General Obligation Bond	2.32%	4,899,000
Series 2017B General Obligation Bond	1.62%	5,930,000
Series 2020A General Obligation Bond	1.84%	10,415,000
Series 2020B Taxable General Obligation Bond	2.09%	2,435,000

The new bonds were issued to current refund the old bonds, and as a result, the old bonds were removed from the City's outstanding debt. The current refundings resulted in the reacquisition price exceeding the net carrying amount of the old bonds by \$643,644. This difference, reported in the accompanying financial statements as deferred outflows of resources, is being amortized through fiscal year 2035. The City current refunded the old bonds to reduce its total debt service payments over the next 14 years by \$5,262,560 and to obtain an economic gain (difference between the present value of the old and new debt service payments) of \$4,964,118.

Note 29. 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 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.

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 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections*. This Statement enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent and comparable information. The provisions of this Statement are effective for fiscal year 2024.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This Statement updates the recognition and measurement guidance for compensated absences and amends certain previously required disclosures. The provisions of this Statement are effective for fiscal year 2025.

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SUPPLEMENTARY INFORMATION**

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

	Plan Year							
	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability								
Service cost	\$ 3,401,780	\$ 3,453,675	\$ 3,004,555	\$ 2,927,437	\$ 3,022,461	\$ 3,026,951	\$ 2,906,016	\$ 2,799,358
Interest	10,718,735	10,204,291	9,842,472	9,390,900	9,266,705	8,791,188	8,375,607	7,980,324
Difference between expected and actual experience	(1,002,061)	3,398,610	307,442	399,173	(2,778,869)	1,637,704	173,707	-
Changes of assumptions	6,495,861	-	4,589,190	-	(1,001,160)	-	-	-
Benefit payments, including refunds of employee contributions	(8,156,295)	(7,624,250)	(7,217,461)	(6,175,039)	(6,597,062)	(5,552,156)	(5,214,037)	(4,954,890)
Other changes	411,266	(1,532,053)	173,692	503,292	(346,983)	(591,727)	(181,986)	44,008
Net change in total pension liability	11,869,286	7,900,273	10,699,890	7,045,763	1,565,092	7,311,960	6,059,307	5,868,800
Total pension liability - beginning	162,889,153	154,988,880	144,288,990	137,243,227	135,678,135	128,366,175	122,306,868	116,438,068
Total pension liability - ending	\$ 174,758,439	\$ 162,889,153	\$ 154,988,880	\$ 144,288,990	\$ 137,243,227	\$ 135,678,135	\$ 128,366,175	\$ 122,306,868
Plan fiduciary net position								
Contributions - employer	\$ 3,822,747	\$ 3,400,953	\$ 3,314,021	\$ 3,283,365	\$ 3,208,670	\$ 3,431,172	\$ 3,421,755	\$ 3,240,732
Contributions - employee	1,489,010	1,517,735	1,453,193	1,420,715	1,443,412	1,366,616	1,346,545	1,327,453
Net investment income	34,659,668	2,457,142	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	(8,156,295)	(7,624,250)	(7,217,461)	(6,175,039)	(6,597,062)	(5,552,156)	(5,214,037)	(4,954,890)
Administrative expense	(86,590)	(84,285)	(81,275)	(73,671)	(74,175)	(65,026)	(62,898)	(74,068)
Other changes	380,466	(1,201,380)	137,781	421,975	(304,054)	(460,018)	(149,841)	33,750
Net change in fiduciary net position	32,109,006	(1,534,085)	5,786,630	7,431,677	10,442,856	553,829	3,970,807	13,393,128
Plan fiduciary net position - beginning	127,412,441	128,946,526	123,159,896	115,728,219	105,285,363	104,731,534	100,760,727	87,367,599
Plan fiduciary net position - ending	\$ 159,521,447	\$ 127,412,441	\$ 128,946,526	\$ 123,159,896	\$ 115,728,219	\$ 105,285,363	\$ 104,731,534	\$ 100,760,727
Change in net pension liability	\$ (20,239,720)	\$ 9,434,358	\$ 4,913,260	\$ (385,914)	\$ (8,877,764)	\$ 6,758,131	\$ 2,088,500	\$ (7,524,328)
Net pension liability - beginning	35,476,712	26,042,354	21,129,094	21,515,008	30,392,772	23,634,641	21,546,141	29,070,469
Net pension liability - ending	\$ 15,236,992	\$ 35,476,712	\$ 26,042,354	\$ 21,129,094	\$ 21,515,008	\$ 30,392,772	\$ 23,634,641	\$ 21,546,141
Plan fiduciary net position as a percentage of the total pension liability	91.28%	78.22%	83.20%	85.36%	84.32%	77.60%	81.59%	82.38%
Covered payroll	\$ 30,883,351	\$ 31,292,489	\$ 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	49.34%	113.37%	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 2020 information was presented in the fiscal year 2021 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 Eight Fiscal Years

	Fiscal Year							
	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 3,916,043	\$ 3,828,198	\$ 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	3,916,043	3,828,198	3,401,771	3,296,137	3,283,363	3,207,887	3,431,172	3,421,755
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 31,774,027	\$ 30,883,351	\$ 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	12.32%	12.40%	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 Eight Plan Years

	Plan Year							
	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability	\$ 210,686	\$ 220,684	\$ 211,475	\$ 201,048	\$ 199,527	\$ 204,651	\$ 211,969	\$ 215,283
Service cost	547,983	523,147	501,885	486,490	479,180	470,931	452,999	431,841
Interest	33,696	35,135	39,455	(115,580)	(180,228)	(161,984)	6,161	-
Difference between expected and actual experience	290,157	-	199,487	-	(31,097)	-	-	-
Changes of assumptions	(448,629)	(373,425)	(370,087)	(333,991)	(391,895)	(399,639)	(430,270)	(259,447)
Benefit payments, including refunds of employee contributions	633,893	405,541	582,215	237,967	75,487	113,959	240,859	387,677
Net change in total pension liability	8,342,581	7,937,040	7,354,825	7,116,858	7,041,371	6,927,412	6,686,553	6,298,876
Total pension liability - beginning	8,976,474	8,342,581	7,937,040	7,354,825	7,116,858	7,041,371	6,927,412	6,686,553
Total pension liability - ending								
Plan fiduciary net position	\$ 79,026	\$ 74,576	\$ 76,225	\$ 91,985	\$ 84,555	\$ 131,249	\$ 132,185	\$ 156,508
Contributions - employer	111,349	110,067	107,536	101,840	92,741	92,983	93,767	97,148
Contributions - employee	2,311,772	163,050	543,586	573,959	860,467	121,916	320,003	971,483
Net investment income	(448,629)	(373,425)	(370,087)	(333,991)	(391,895)	(399,639)	(430,270)	(259,447)
Benefit payments, including refunds of employee contributions	(5,844)	(5,602)	(5,434)	(4,976)	(5,077)	(4,533)	(4,518)	(5,184)
Administrative expense	217	(192)	(342)	(510)	(761)	(52)	(69)	51
Other changes	2,047,891	(31,526)	351,484	428,307	640,030	(58,076)	111,098	960,559
Net change in fiduciary net position	8,536,800	8,568,326	8,216,842	7,788,535	7,148,505	7,206,581	7,095,483	6,134,924
Plan fiduciary net position - beginning	10,584,691	8,536,800	8,568,326	8,216,842	7,788,535	7,148,505	7,206,581	7,095,483
Plan fiduciary net position - ending								
Change in net pension liability	\$ (1,413,998)	\$ 437,067	\$ 230,731	\$ (190,340)	\$ (564,543)	\$ 172,035	\$ 129,761	\$ (572,882)
Net pension liability (asset) - beginning	(194,219)	(631,286)	(862,017)	(671,677)	(107,134)	(279,169)	(408,930)	163,952
Net pension liability (asset) - ending	(1,608,217)	(194,219)	(631,286)	(862,017)	(671,677)	(107,134)	(279,169)	(408,930)
Plan fiduciary net position as a percentage of the total pension liability	117.92%	102.33%	107.95%	111.72%	109.44%	101.52%	104.03%	106.12%
Covered payroll	\$ 2,448,251	\$ 2,396,448	\$ 2,319,940	\$ 2,157,068	\$ 1,956,491	\$ 1,927,977	\$ 1,921,153	\$ 1,941,438
Net pension liability as a percentage of covered payroll	-65.69%	-8.10%	-27.21%	-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 2020 information was presented in the fiscal year 2021 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 Eight Fiscal Years

	Fiscal Year							
	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 78,311	\$ 80,951	\$ 77,314	\$ 76,755	\$ 91,974	\$ 86,379	\$ 131,459	\$ 132,185
Contributions in relation to the contractually required contribution	78,311	80,951	77,314	76,755	91,974	86,379	131,459	132,185
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 2,544,433	\$ 2,448,251	\$ 2,396,448	\$ 2,319,940	\$ 2,157,068	\$ 1,956,491	\$ 1,927,977	\$ 1,921,153
Contributions as a percentage of covered payroll	3.08%	3.31%	3.23%	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 Eight Plan Years

	Plan Year							
	2021	2020	2019	2018	2017	2016	2015	2014
Proportion of the net pension liability	0.50316%	0.49887%	0.49235%	0.48893%	0.47233%	0.45714%	0.44562%	0.44712%
Proportionate share of the net pension liability	\$ 39,060,800	\$ 72,598,687	\$ 64,796,058	\$ 57,498,000	\$ 58,087,000	\$ 64,064,000	\$ 56,088,000	\$ 54,033,000
Covered payroll	\$ 44,809,249	\$ 43,896,061	\$ 41,532,512	\$ 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	87.17%	165.39%	156.01%	144.83%	156.19%	185.23%	168.75%	165.32%
Plan fiduciary net position as a percentage of the total pension liability	85.46%	71.47%	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 2020 information was presented in the fiscal year 2021 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 Eight Fiscal Years

	Fiscal Year							
	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 7,738,631	\$ 7,118,376	\$ 6,629,088	\$ 6,309,660	\$ 6,173,973	\$ 5,307,792	\$ 4,835,653	\$ 4,676,599
Contributions in relation to the contractually required contribution	7,738,631	7,118,376	6,629,088	6,309,660	6,173,973	5,307,792	4,835,653	4,676,599
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 49,008,627	\$ 44,809,249	\$ 43,896,061	\$ 41,532,512	\$ 39,699,504	\$ 37,191,094	\$ 34,585,344	\$ 33,237,754
Contributions as a percentage of covered payroll	15.79%	15.89%	15.10%	15.19%	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.

CITY OF HARRISONBURG, VIRGINIA
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
PRIMARY GOVERNMENT AND HARRISONBURG ELECTRIC COMMISSION VRS GROUP LIFE INSURANCE PROGRAM
Last Five Plan Years

Exhibit 19

	Plan Year				
	2021	2020	2019	2018	2017
Proportion of the net OPEB liability	0.14993%	0.15215%	0.15365%	0.14999%	0.14998%
Proportionate share of the net OPEB liability	\$ 1,748,724	\$ 2,515,130	\$ 2,502,491	\$ 2,286,723	\$ 2,251,536
Covered payroll	\$ 30,883,351	\$ 31,292,489	\$ 30,041,564	\$ 28,492,059	\$ 27,653,817
Proportionate share of the net OPEB liability as a percentage of its covered payroll	5.66%	8.04%	8.33%	8.03%	8.14%
Plan fiduciary net position as a percentage of the total OPEB liability	67.45%	52.64%	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 2020 information was presented in the fiscal year 2021 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
PRIMARY GOVERNMENT AND HARRISONBURG ELECTRIC COMMISSION VRS GROUP LIFE INSURANCE PROGRAM
Last Five Fiscal Years

Exhibit 20

	Fiscal Year				
	2022	2021	2020	2019	2018
Contractually required contribution	\$ 171,572	\$ 165,828	\$ 164,163	\$ 157,904	\$ 149,509
Contributions in relation to the contractually required contribution	<u>171,572</u>	<u>165,828</u>	<u>164,163</u>	<u>157,904</u>	<u>149,509</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 31,774,027	\$ 30,883,351	\$ 31,292,489	\$ 30,041,564	\$ 28,492,059
Contributions as a percentage of covered payroll	0.54%	0.54%	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 Five Plan Years

Exhibit 21

	Plan Year				
	2021	2020	2019	2018	2017
Proportion of the net OPEB liability	0.22889%	0.22503%	0.22371%	0.22044%	0.21406%
Proportionate share of the net OPEB liability	\$ 2,664,900	\$ 3,755,382	\$ 3,640,357	\$ 3,347,000	\$ 3,221,000
Covered payroll	\$ 47,257,500	\$ 46,312,246	\$ 43,852,452	\$ 41,916,791	\$ 39,484,045
Proportionate share of the net OPEB liability as a percentage of its covered payroll	5.64%	8.11%	8.30%	7.98%	8.16%
Plan fiduciary net position as a percentage of the total OPEB liability	67.45%	52.64%	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 2020 information was presented in the fiscal year 2021 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 Five Fiscal Years

Exhibit 22

	Fiscal Year				
	2022	2021	2020	2019	2018
Contractually required contribution	\$ 278,387	\$ 255,191	\$ 240,824	\$ 228,033	\$ 217,967
Contributions in relation to the contractually required contribution	<u>278,387</u>	<u>255,191</u>	<u>240,824</u>	<u>228,033</u>	<u>217,967</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 51,553,060	\$ 47,257,500	\$ 46,312,246	\$ 43,852,452	\$ 41,916,791
Contributions as a percentage of covered payroll	0.54%	0.54%	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 TEACHER COST-SHARING VRS HEALTH INSURANCE CREDIT PROGRAM
Last Five Plan Years

Exhibit 23

	Plan Year				
	2021	2020	2019	2018	2017
Proportion of the net OPEB liability	0.50667%	0.50071%	0.49516%	0.49147%	0.47489%
Proportionate share of the net OPEB liability	\$ 6,503,460	\$ 6,531,844	\$ 6,482,126	\$ 6,240,000	\$ 6,025,000
Covered payroll	\$ 44,809,249	\$ 43,896,061	\$ 41,532,512	\$ 39,747,031	\$ 37,191,094
Proportionate share of the net OPEB liability as a percentage of its covered payroll	14.51%	14.88%	15.61%	15.70%	16.20%
Plan fiduciary net position as a percentage of the total OPEB liability	13.15%	9.95%	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 2020 information was presented in the fiscal year 2021 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 TEACHER COST-SHARING VRS HEALTH INSURANCE CREDIT PROGRAM
Last Five Fiscal Years

Exhibit 24

	Fiscal Year				
	2022	2021	2020	2019	2018
Contractually required contribution	\$ 593,004	\$ 542,192	\$ 526,753	\$ 498,390	\$ 488,888
Contributions in relation to the contractually required contribution	<u>593,004</u>	<u>542,192</u>	<u>526,753</u>	<u>498,390</u>	<u>488,888</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Covered payroll	\$ 49,008,627	\$ 44,809,249	\$ 43,896,061	\$ 41,532,512	\$ 39,747,031
Contributions as a percentage of covered payroll	1.21%	1.21%	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.

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS

SCHOOL BOARD NON-PROFESSIONAL EMPLOYEES VRS HEALTH INSURANCE CREDIT PROGRAM

Last Two Plan Years

	Plan Year	
	2021	2020
Total OPEB liability		
Service cost	\$ 3,463	\$ -
Interest	12,416	-
Changes of benefit terms	-	183,944
Changes of assumptions	6,417	-
Net change in total OPEB liability	22,296	183,944
Total OPEB liability - beginning	183,944	-
Total OPEB liability - ending	\$ 206,240	\$ 183,944
Plan fiduciary net position		
Contributions - employer	\$ 17,137	\$ -
Net investment income	2,337	-
Administrative expense	(76)	-
Net change in fiduciary net position	19,398	-
Plan fiduciary net position - beginning	-	-
Plan fiduciary net position - ending	\$ 19,398	\$ -
Change in net OPEB liability	\$ 2,898	\$ 183,944
Net OPEB liability (asset) - beginning	183,944	-
Net OPEB liability (asset) - ending	\$ 186,842	\$ 183,944
Plan fiduciary net position as a percentage of the total OPEB liability	9.41%	0.00%
Covered payroll	\$ 2,448,251	\$ 2,396,448
Net OPEB liability as a percentage of covered payroll	7.63%	7.68%

The plan years above are reported in the financial statements in the fiscal year following the plan year. For example, plan year 2021 information was presented in the fiscal year 2022 financial statements.

Current financial reporting standards require ten years of required supplementary information. However, fiscal year 2021 (plan year 2020) was the first year that this plan was available. Additional years will be included as they become available.

CITY OF HARRISONBURG, VIRGINIA
SCHEDULE OF OPEB CONTRIBUTIONS
SCHOOL BOARD NON-PROFESSIONAL EMPLOYEES VRS HEALTH INSURANCE CREDIT PROGRAM
Last Two Fiscal Years

Exhibit 26

	Fiscal Year	
	2022	2021
Actuarially determined contribution	\$ 17,811	\$ 17,137
Contributions in relation to the actuarially determined contribution	17,811	17,137
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 2,544,433	\$ 2,448,251
Contributions as a percentage of covered payroll	0.70%	0.70%

Current financial reporting standards require ten years of required supplementary information. However, fiscal year 2021 was the first year that this plan 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 Five Plan Years

Exhibit 27

	Plan Year				
	2021	2020	2019	2018	2017
Total OPEB liability					
Service cost	\$ 666,698	\$ 634,950	\$ 604,714	\$ 417,069	\$ 397,209
Interest	341,291	317,734	235,404	263,792	253,632
Difference between expected and actual experience	(1,645,184)	-	2,577,043	-	-
Changes of assumptions	388,470	-	(413,527)	-	-
Benefit payments	<u>(528,551)</u>	<u>(496,489)</u>	<u>(445,448)</u>	<u>(346,085)</u>	<u>(323,444)</u>
Net change in total OPEB liability	<u>(777,276)</u>	456,195	2,558,186	334,776	327,397
Total OPEB liability - beginning	<u>11,706,047</u>	<u>11,249,852</u>	<u>8,691,666</u>	<u>8,356,890</u>	<u>8,029,493</u>
Total OPEB liability - ending	<u>\$ 10,928,771</u>	<u>\$ 11,706,047</u>	<u>\$ 11,249,852</u>	<u>\$ 8,691,666</u>	<u>\$ 8,356,890</u>
Covered-employee payroll	\$ 27,533,665	\$ 28,056,808	\$ 26,874,560	\$ 25,454,327	\$ 24,715,319
Total OPEB liability as a percentage of covered-employee payroll	39.69%	41.72%	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 2020 information was presented in the fiscal year 2021 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 Five Plan Years

Exhibit 28

	Plan Year				
	2021	2020	2019	2018	2017
Total OPEB liability					
Service cost	\$ 997,969	\$ 950,447	\$ 905,188	\$ 640,131	\$ 609,649
Interest	371,777	345,273	288,277	324,811	318,768
Difference between expected and actual experience	(2,172,203)	-	1,574,768	-	-
Changes of assumptions	352,911	-	(583,415)	-	-
Benefit payments	(746,204)	(770,630)	(691,406)	(765,839)	(715,737)
Net change in total OPEB liability	(1,195,750)	525,090	1,493,412	199,103	212,680
Total OPEB liability - beginning	12,720,660	12,195,570	10,702,158	10,503,055	10,290,375
Total OPEB liability - ending	<u>\$ 11,524,910</u>	<u>\$ 12,720,660</u>	<u>\$ 12,195,570</u>	<u>\$ 10,702,158</u>	<u>\$ 10,503,055</u>
Covered-employee payroll	\$ 47,257,500	\$ 46,292,509	\$ 43,852,452	\$ 41,856,572	\$ 39,147,585
Total OPEB liability as a percentage of covered-employee payroll	24.39%	27.48%	27.81%	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 2020 information was presented in the fiscal year 2021 financial statements.

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

CITY OF HARRISONBURG, VIRGINIA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2022

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, 2019 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)

VRS Health Insurance Credit Program – Teacher Cost-Sharing Pool

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.

VRS Health Insurance Credit Program – Nonprofessional Employees

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.

Local Health Insurance Program

There are no assets accumulated in a trust to pay the related benefits of this 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, 2021 actuarial valuation for the City and School Board:

- Decreased the discount rate from 2.79% to 2.18% based on the S&P Municipal Bond 20 Year High Grade Rate Index.
- The assumed healthcare cost trend rate was changed from 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 to 6.25% grading uniformly to 5.75% over two years and following the Getzen model thereafter until reaching an ultimate rate of 4.04% 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 2020.

**OTHER
SUPPLEMENTARY INFORMATION**

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Nonmajor Governmental Funds

Special Revenue Funds

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

Community Development Block Grant Fund - This fund accounts for the administration of the community development block grant funds received from the Federal Government.

School Transportation Fund - This fund accounts for the operations of the City's school bus system. Financing is provided by payments for services from the Harrisonburg City School Board. Funding is a committed revenue source and is used only for the operations of the school bus system.

Business Loan Program Fund - This fund accounts for the administration of the Harrisonburg Business Loan Program which is a revolving loan program. This program provides microloans to qualifying local businesses. Financing originally has been provided by the Federal Government along with additional funding from the City.

CITY OF HARRISONBURG, VIRGINIA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
At June 30, 2022

Exhibit A-1

	<u>Special Revenue Funds</u>			Total Nonmajor Governmental Funds
	Community Development Block Grant Fund	School Transportation Fund	Business Loan Program Fund	
Assets				
Cash and cash equivalents	\$ -	\$ 2,343,283	\$ 208,571	\$ 2,551,854
Receivables	-	1,110	271	1,381
Due from component units	-	60,293	-	60,293
Due from other governments	188,283	-	-	188,283
Prepaid expenditures	-	24,013	-	24,013
Loans receivable	-	-	67,691	67,691
Total assets	\$ 188,283	\$ 2,428,699	\$ 276,533	\$ 2,893,515
Liabilities				
Accounts payable	\$ 142,185	\$ 2,685	\$ -	\$ 144,870
Accrued payroll	2,345	228,321	-	230,666
Due to other funds	43,753	-	-	43,753
Due to component units	-	1,276	-	1,276
Total liabilities	188,283	232,282	-	420,565
Deferred Inflows of Resources				
Unavailable revenue	-	-	67,691	67,691
Total deferred inflows of resources	-	-	67,691	67,691
Fund Balances				
Nonspendable	-	24,013	-	24,013
Committed	-	1,288,505	139,342	1,427,847
Assigned	-	883,899	69,500	953,399
Total fund balances	-	2,196,417	208,842	2,405,259
Total liabilities, deferred inflows of resources and fund balances	\$ 188,283	\$ 2,428,699	\$ 276,533	\$ 2,893,515

CITY OF HARRISONBURG, VIRGINIA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2022

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	\$ -	\$ 4,063	\$ 430	\$ 4,493
Charges for services	-	4,447,667	-	4,447,667
Miscellaneous	-	3,079	40,600	43,679
Intergovernmental	779,455	204,524	-	983,979
Total revenues	<u>779,455</u>	<u>4,659,333</u>	<u>41,030</u>	<u>5,479,818</u>
Expenditures:				
Current:				
Education	-	3,971,753	-	3,971,753
Community development	779,455	-	21,500	800,955
Total expenditures	<u>779,455</u>	<u>3,971,753</u>	<u>21,500</u>	<u>4,772,708</u>
Net change in fund balances	-	687,580	19,530	707,110
Fund balances at beginning of year	<u>-</u>	<u>1,508,837</u>	<u>189,312</u>	<u>1,698,149</u>
Fund balances at end of year	<u>\$ -</u>	<u>\$ 2,196,417</u>	<u>\$ 208,842</u>	<u>\$ 2,405,259</u>

CITY OF HARRISONBURG, VIRGINIA
 SCHOOL TRANSPORTATION FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 For the Year Ended June 30, 2022

Exhibit A-3

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Use of money and property	\$ 400	\$ 400	\$ 4,063	\$ 3,663
Charges for services	4,318,822	4,318,822	4,447,667	128,845
Miscellaneous	15,000	15,000	3,079	(11,921)
Intergovernmental	-	204,524	204,524	-
Total revenues	<u>4,334,222</u>	<u>4,538,746</u>	<u>4,659,333</u>	<u>120,587</u>
Expenditures:				
Current:				
Education	<u>4,784,222</u>	<u>5,017,547</u>	<u>3,971,753</u>	<u>1,045,794</u>
Total expenditures	<u>4,784,222</u>	<u>5,017,547</u>	<u>3,971,753</u>	<u>1,045,794</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (450,000)</u>	<u>\$ (478,801)</u>	687,580	<u>\$ (925,207)</u>
Fund balance at beginning of year			<u>1,508,837</u>	
Fund balance at end of year			<u>\$ 2,196,417</u>	

BUSINESS LOAN PROGRAM FUND

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

For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Use of money and property	\$ -	\$ -	\$ 430	\$ 430
Miscellaneous	40,600	40,600	40,600	-
Total revenues	<u>40,600</u>	<u>40,600</u>	<u>41,030</u>	<u>430</u>
Expenditures:				
Current:				
Community development	100,000	100,000	21,500	78,500
Total expenditures	<u>100,000</u>	<u>100,000</u>	<u>21,500</u>	<u>78,500</u>
Excess (deficiency) of revenues over (under) expenditures	\$ <u>(59,400)</u>	\$ <u>(59,400)</u>	19,530	\$ <u>(78,070)</u>
Fund balance at beginning of year			<u>189,312</u>	
Fund balance at end of year			\$ <u><u>208,842</u></u>	

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Internal Service Funds

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

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

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

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

CITY OF HARRISONBURG, VIRGINIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
At June 30, 2022

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	\$ 1,676,753	\$ -	\$ 9,026,288	\$ 10,703,041
Receivables	8,977	-	-	8,977
Due from component units	22,072	-	-	22,072
Inventory	85,452	1,323,535	-	1,408,987
Prepaid expenses	21,066	-	-	21,066
Total current assets	<u>1,814,320</u>	<u>1,323,535</u>	<u>9,026,288</u>	<u>12,164,143</u>
Noncurrent assets:				
Capital assets (net of accumulated depreciation)	5,193,680	438,974	-	5,632,654
Total noncurrent assets	<u>5,193,680</u>	<u>438,974</u>	<u>-</u>	<u>5,632,654</u>
Total assets	<u>7,008,000</u>	<u>1,762,509</u>	<u>9,026,288</u>	<u>17,796,797</u>
Deferred outflows of resources				
Deferred OPEB outflows	34,219	3,920	-	38,139
Deferred pension outflows	247,420	32,063	-	279,483
Total deferred outflows of resources	<u>281,639</u>	<u>35,983</u>	<u>-</u>	<u>317,622</u>
Liabilities				
Current liabilities:				
Accounts payable	259,732	5,739	1,065,680	1,331,151
Accrued payroll	48,904	6,670	-	55,574
Due to other funds	-	193,078	-	193,078
Due to component units	2,918	354	-	3,272
Compensated absences	60,213	18,760	-	78,973
Total current liabilities	<u>371,767</u>	<u>224,601</u>	<u>1,065,680</u>	<u>1,662,048</u>
Noncurrent liabilities:				
Compensated absences	26,525	-	-	26,525
Net OPEB liability	195,021	21,669	-	216,690
Net pension liability	329,277	42,672	-	371,949
Total noncurrent liabilities	<u>550,823</u>	<u>64,341</u>	<u>-</u>	<u>615,164</u>
Total liabilities	<u>922,590</u>	<u>288,942</u>	<u>1,065,680</u>	<u>2,277,212</u>
Deferred inflows of resources				
Deferred OPEB inflows	38,272	4,468	-	42,740
Deferred pension inflows	389,173	50,434	-	439,607
Total deferred inflows of resources	<u>427,445</u>	<u>54,902</u>	<u>-</u>	<u>482,347</u>
Net position				
Net investment in capital assets	5,193,680	438,974	-	5,632,654
Unrestricted	745,924	1,015,674	7,960,608	9,722,206
Total net position	<u>\$ 5,939,604</u>	<u>\$ 1,454,648</u>	<u>\$ 7,960,608</u>	<u>\$ 15,354,860</u>

CITY OF HARRISONBURG, VIRGINIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended June 30, 2022

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	\$ 5,082,163	\$ 1,216,673	\$ 19,198,309	\$ 25,497,145
Total operating revenues	<u>5,082,163</u>	<u>1,216,673</u>	<u>19,198,309</u>	<u>25,497,145</u>
Operating expenses:				
Personal services	840,728	108,967	-	949,695
Fringe benefits	230,144	43,349	-	273,493
Purchased services	346,840	14,404	654,688	1,015,932
Internal services	2,931	1,739	-	4,670
Other charges	134,784	17,730	682,494	835,008
Materials and supplies	43,426	5,707	-	49,133
Depreciation	181,508	18,881	-	200,389
Cost of inventory issued	3,119,063	1,165,036	-	4,284,099
Claims related charges	-	-	18,633,601	18,633,601
Total operating expenses	<u>4,899,424</u>	<u>1,375,813</u>	<u>19,970,783</u>	<u>26,246,020</u>
Operating income (loss)	<u>182,739</u>	<u>(159,140)</u>	<u>(772,474)</u>	<u>(748,875)</u>
Nonoperating revenues:				
Intergovernmental revenue	49,573	6,459	-	56,032
Miscellaneous revenue	2,130	-	-	2,130
Investment revenue	3,041	-	19,555	22,596
Gain on disposal of capital assets	6,775	-	-	6,775
Total nonoperating revenues	<u>61,519</u>	<u>6,459</u>	<u>19,555</u>	<u>87,533</u>
Income (loss) before transfers	244,258	(152,681)	(752,919)	(661,342)
Transfers in	<u>96,581</u>	<u>190,427</u>	<u>-</u>	<u>287,008</u>
Change in net position	340,839	37,746	(752,919)	(374,334)
Net position at beginning of year	<u>5,598,765</u>	<u>1,416,902</u>	<u>8,713,527</u>	<u>15,729,194</u>
Net position at end of year	<u>\$ 5,939,604</u>	<u>\$ 1,454,648</u>	<u>\$ 7,960,608</u>	<u>\$ 15,354,860</u>

CITY OF HARRISONBURG, VIRGINIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2022

	<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	\$ 5,071,764	\$ 1,216,673	\$ -	\$ 6,288,437
Receipts from premiums	-	-	19,198,309	19,198,309
Receipts other sources	2,130	-	-	2,130
Payments to employees	(831,226)	(104,177)	-	(935,403)
Payments for fringe benefits	(311,855)	(48,273)	-	(360,128)
Payments to vendors	(3,547,883)	(1,418,661)	(1,337,182)	(6,303,726)
Payments for internal services	(2,931)	(1,739)	-	(4,670)
Payments for claims related charges	-	-	(18,203,800)	(18,203,800)
Net cash provided by (used for) operating activities	<u>379,999</u>	<u>(356,177)</u>	<u>(342,673)</u>	<u>(318,851)</u>
Cash flows from noncapital financing activities:				
Operating grants	49,573	6,459	-	56,032
Transfers in	96,581	190,427	-	287,008
Interfund loan	-	159,291	-	159,291
Net cash provided by noncapital financing activities	<u>146,154</u>	<u>356,177</u>	<u>-</u>	<u>502,331</u>
Cash flows from capital and related financing activities:				
Proceeds from sale of capital assets	6,775	-	-	6,775
Purchase and construction of capital assets	(18,008)	-	-	(18,008)
Net cash used for noncapital financing activities	<u>(11,233)</u>	<u>-</u>	<u>-</u>	<u>(11,233)</u>
Cash flows from investing activities:				
Interest received	<u>3,041</u>	<u>-</u>	<u>19,555</u>	<u>22,596</u>
Net cash provided by investing activities	<u>3,041</u>	<u>-</u>	<u>19,555</u>	<u>22,596</u>
Net increase (decrease) in cash and cash equivalents	517,961	-	(323,118)	194,843
Cash and cash equivalents:				
Beginning	<u>1,158,792</u>	<u>-</u>	<u>9,349,406</u>	<u>10,508,198</u>
Ending	<u>\$ 1,676,753</u>	<u>\$ -</u>	<u>\$ 9,026,288</u>	<u>\$ 10,703,041</u>

(continued)

CITY OF HARRISONBURG, VIRGINIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2022

	<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)	\$ 182,739	\$ (159,140)	\$ (772,474)	\$ (748,875)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	181,508	18,881	-	200,389
Miscellaneous revenue	2,130	-	-	2,130
Change in assets, deferred outflows of resources, liabilities and deferred inflows of resources:				
(Increase) decrease in:				
Accounts receivable	(4,462)	-	-	(4,462)
Due from component units	(5,937)	-	-	(5,937)
Inventory	(27,720)	(223,275)	-	(250,995)
Prepaid expenses	(137)	-	-	(137)
Deferred outflows of resources	20,259	2,965	-	23,224
Increase (decrease) in:				
Accounts payable	85,755	5,171	429,801	520,727
Accrued payroll	9,921	1,637	-	11,558
Due to component units	495	81	-	576
Compensated absences	563	3,564	-	4,127
Net OPEB liability	(90,329)	(5,651)	-	(95,980)
Net pension liability	(390,442)	(53,985)	-	(444,427)
Deferred inflows of resources	415,656	53,575	-	469,231
Net cash provided by (used for) operating activities	<u>\$ 379,999</u>	<u>\$ (356,177)</u>	<u>\$ (342,673)</u>	<u>\$ (318,851)</u>

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Custodial Funds

Custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds or private-purpose trust funds.

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
 CUSTODIAL FUNDS
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 At June 30, 2022

Exhibit C-1

	<u>Economic Development Authority Fund</u>	<u>Emergency Communications Center Fund</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 120,482	\$ 4,472,352	\$ 4,592,834
Receivables	631,631	484,908	1,116,539
Prepaid expenses	-	344,726	344,726
Total assets	<u>752,113</u>	<u>5,301,986</u>	<u>6,054,099</u>
Liabilities			
Accounts payable	631,631	104,963	736,594
Accrued payroll	-	161,183	161,183
Total liabilities	<u>631,631</u>	<u>266,146</u>	<u>897,777</u>
Net Position			
Restricted for other organizations	<u>120,482</u>	<u>5,035,840</u>	<u>5,156,322</u>
Total net position	<u>\$ 120,482</u>	<u>\$ 5,035,840</u>	<u>\$ 5,156,322</u>

CITY OF HARRISONBURG, VIRGINIA
 CUSTODIAL FUNDS
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 For the Year Ended June 30, 2022

Exhibit C-2

	<u>Economic Development Authority Fund</u>	<u>Emergency Communications Center Fund</u>	<u>Total</u>
Additions:			
Funds received for benefit of other organizations	\$ 1,731,882	\$ 7,963,301	\$ 9,695,183
Total additions	<u>1,731,882</u>	<u>7,963,301</u>	<u>9,695,183</u>
Deductions:			
Funds disbursed for benefit of other organizations	<u>1,731,631</u>	<u>7,094,918</u>	<u>8,826,549</u>
Total deductions	<u>1,731,631</u>	<u>7,094,918</u>	<u>8,826,549</u>
Net increase in fiduciary net position	251	868,383	868,634
Net position at beginning of year, as restated	<u>120,231</u>	<u>4,167,457</u>	<u>4,287,688</u>
Net position at end of year	<u>\$ 120,482</u>	<u>\$ 5,035,840</u>	<u>\$ 5,156,322</u>

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Discretely Presented Component Unit – School Board

General Fund

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

Special Revenue Fund

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

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

School Activity Fund - This fund accounts for the financial resources received from extracurricular school activities, such as from entertainment, athletic contests, club dues and from all school sponsored activities that involve school personnel, students or property.

CITY OF HARRISONBURG, VIRGINIA
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
GOVERNMENTAL FUNDS
BALANCE SHEET
At June 30, 2022

Exhibit D-1

	School Fund	School Nutrition Fund	School Activity Fund	School Capital Projects Fund	Totals
Assets					
Cash and cash equivalents	\$ 11,180,096	\$ 4,959,699	\$ 757,942	\$ 5,300,000	\$ 22,197,737
Receivables	22,257	-	-	-	22,257
Due from other governments	3,497,698	39,347	-	-	3,537,045
Inventory	-	94,353	-	-	94,353
Prepaid expenditures	356,340	16,295	-	-	372,635
Total assets	\$ 15,056,391	\$ 5,109,694	\$ 757,942	\$ 5,300,000	\$ 26,224,027
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 63,162	\$ 48,705	\$ -	\$ -	\$ 111,867
Accrued payroll	9,555,537	241,057	-	-	9,796,594
Due to primary government	73,969	-	-	-	73,969
Due to component units	134,105	-	-	-	134,105
Other liabilities	1,704,728	-	-	-	1,704,728
Total liabilities	11,531,501	289,762	-	-	11,821,263
Fund Balances:					
Nonspendable:					
Inventory	-	94,353	-	-	94,353
Prepaid expenditures	356,340	16,295	-	-	372,635
Committed to:					
Food services	-	4,709,284	-	-	4,709,284
Capital projects	-	-	-	5,300,000	5,300,000
Assigned to:					
Instruction	679,937	-	-	-	679,937
Administration, attendance and health	31,800	-	757,942	-	789,742
Pupil transportation	65,316	-	-	-	65,316
Operations and maintenance	810,972	-	-	-	810,972
Technology	514,553	-	-	-	514,553
Unassigned	1,065,972	-	-	-	1,065,972
Total fund balances	3,524,890	4,819,932	757,942	5,300,000	14,402,764
Total liabilities and fund balances	\$ 15,056,391	\$ 5,109,694	\$ 757,942	\$ 5,300,000	\$ 26,224,027

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, 2022

Exhibit D-2

Total fund balances of governmental funds (Exhibit D-1)		\$ 14,402,764
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.		55,422,198
Net pension assets are not current financial resources and, therefore, are not reported in the funds.		1,608,217
Long-term liabilities, and related accounts, are not payable from current financial resources and, therefore, are not reported in the funds.		(64,004,845)
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	\$ 3,222,349	
Deferred pension outflows	16,905,686	
Deferred OPEB inflows	(3,484,451)	
Deferred pension inflows	<u>(29,089,167)</u>	
Net adjustment	<u>\$ (12,445,583)</u>	<u>(12,445,583)</u>
Net position of governmental activities (Exhibit 1)		<u>\$ (5,017,249)</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, 2022

Exhibit D-3

	<u>School Fund</u>	<u>School Nutrition Fund</u>	<u>School Activity Fund</u>	<u>School Capital Projects Fund</u>	<u>Totals</u>
Revenues:					
Use of money and property	\$ 70	\$ 9,004	\$ -	\$ -	\$ 9,074
Charges for services	23,191	51,715	-	-	74,906
Miscellaneous	1,274,349	24,073	767,897	-	2,066,319
Payment from primary government	33,777,547	-	-	2,300,000	36,077,547
Intergovernmental	61,798,936	6,415,008	-	-	68,213,944
Total revenues	<u>96,874,093</u>	<u>6,499,800</u>	<u>767,897</u>	<u>2,300,000</u>	<u>106,441,790</u>
Expenditures:					
Current:					
Instruction	70,993,175	-	-	-	70,993,175
Administration, attendance and health	5,104,575	-	738,645	-	5,843,220
Pupil transportation	4,600,012	-	-	-	4,600,012
Operations and maintenance	8,660,797	-	-	-	8,660,797
Food services	-	4,856,570	-	-	4,856,570
Technology	5,243,012	995	-	-	5,244,007
Debt service:					
Principal retirement	156,214	-	-	-	156,214
Interest and fiscal charges	32,866	-	-	-	32,866
Total expenditures	<u>94,790,651</u>	<u>4,857,565</u>	<u>738,645</u>	<u>-</u>	<u>100,386,861</u>
Excess of revenues over expenditures	<u>2,083,442</u>	<u>1,642,235</u>	<u>29,252</u>	<u>2,300,000</u>	<u>6,054,929</u>
Other financing sources (uses):					
Long-term debt incurred	1,211,381	-	-	-	1,211,381
Transfers in	-	-	-	3,000,000	3,000,000
Transfers out	<u>(3,000,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,000,000)</u>
Total other financing sources (uses)	<u>(1,788,619)</u>	<u>-</u>	<u>-</u>	<u>3,000,000</u>	<u>1,211,381</u>
Net change in fund balances	294,823	1,642,235	29,252	5,300,000	7,266,310
Fund balances at beginning of year	<u>3,230,067</u>	<u>3,177,697</u>	<u>728,690</u>	<u>-</u>	<u>7,136,454</u>
Fund balances at end of year	<u>\$ 3,524,890</u>	<u>\$ 4,819,932</u>	<u>\$ 757,942</u>	<u>\$ 5,300,000</u>	<u>\$ 14,402,764</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, 2022

Exhibit D-4

Total net change in fund balances of governmental funds (Exhibit D-3) \$ 7,266,310

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	\$	2,567,514	
Depreciation expense		<u>(2,850,994)</u>	
Net adjustment	\$	<u>(283,480)</u>	(283,480)

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. 3,600,547

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. This amount is the net effect of these differences in the treatment of long-term debt.

Long-term debt incurred	\$	(1,211,381)	
Principal payments		<u>156,214</u>	
Net adjustment	\$	<u>(1,055,167)</u>	(1,055,167)

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. (30,899)

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 and nonemployer OPEB and pension contributions exceeded OPEB and pension expense.

Employer OPEB contributions	\$	1,635,406	
Employer pension contributions		7,816,942	
Nonemployer pension contributions		308,660	
OPEB expense		(2,075,944)	
Pension expense		<u>(1,838,662)</u>	
Net adjustment	\$	<u>5,846,402</u>	<u>5,846,402</u>

Change in net position of governmental activities (Exhibit 2) \$ 15,343,713

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, 2022

Exhibit D-5

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Use of money and property	\$ 30,000	\$ 30,000	\$ 70	\$ (29,930)
Charges for services	7,500	7,500	23,191	15,691
Miscellaneous	341,042	989,042	1,274,349	285,307
Payment from primary government	36,008,259	36,008,259	33,777,547	(2,230,712)
Intergovernmental	56,870,468	60,211,410	61,798,936	1,587,526
Total revenues	<u>93,257,269</u>	<u>97,246,211</u>	<u>96,874,093</u>	<u>(372,118)</u>
Expenditures:				
Current:				
Instruction	71,876,264	72,067,962	70,993,175	1,074,787
Administration, attendance and health	5,205,400	5,220,751	5,104,575	116,176
Pupil transportation	4,409,051	4,880,580	4,600,012	280,568
Operations and maintenance	6,800,457	9,582,547	8,660,797	921,750
Technology	4,966,097	6,016,693	5,243,012	773,681
Debt service:				
Principal retirement	-	-	156,214	(156,214)
Interest and fiscal charges	-	-	32,866	(32,866)
Total expenditures	<u>93,257,269</u>	<u>97,768,533</u>	<u>94,790,651</u>	<u>2,977,882</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(522,322)</u>	<u>2,083,442</u>	<u>(3,350,000)</u>
Other financing sources (uses):				
Long-term debt incurred	-	1,211,381	1,211,381	-
Transfers out	-	(3,000,000)	(3,000,000)	-
Total other financing sources (uses)	<u>-</u>	<u>(1,788,619)</u>	<u>(1,788,619)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (2,310,941)</u>	294,823	<u>\$ (3,350,000)</u>
Fund balance at beginning of year			<u>3,230,067</u>	
Fund balance at end of year			<u>\$ 3,524,890</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, 2022

Exhibit D-6

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Use of money and property	\$ 35,000	\$ 35,000	\$ 9,004	\$ (25,996)
Charges for services	10,000	10,000	51,715	41,715
Miscellaneous	30,000	30,000	24,073	(5,927)
Intergovernmental	4,566,600	4,566,600	6,415,008	1,848,408
Total revenues	<u>4,641,600</u>	<u>4,641,600</u>	<u>6,499,800</u>	<u>1,858,200</u>
Expenditures:				
Current:				
Food services	4,698,200	4,734,339	4,856,570	(122,231)
Technology	30,000	30,000	995	29,005
Total expenditures	<u>4,728,200</u>	<u>4,764,339</u>	<u>4,857,565</u>	<u>(93,226)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (86,600)</u>	<u>\$ (122,739)</u>	1,642,235	<u>\$ 1,951,426</u>
Fund balance at beginning of year			<u>3,177,697</u>	
Fund balance at end of year			<u>\$ 4,819,932</u>	

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Other Supplementary Schedules

Schedule of Revenues – Budget to Actual - This schedule provides additional detailed final budget and actual revenue information for the City's governmental funds and discretely presented component unit – School Board.

Schedule of Expenditures – Budget to Actual - This schedule provides additional detailed final budget and actual expenditure information for the City's governmental funds and discretely presented component unit – School Board.

CITY OF HARRISONBURG, VIRGINIA
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
For the Year Ended June 30, 2022

Fund, Major and Minor Revenue Sources	Final Budget	Actual	Variance Positive (Negative)
Primary Government:			
General Fund:			
General property taxes:			
Real property taxes	\$ 40,863,500	\$ 40,799,049	\$ (64,451)
Real and personal public service corporation property taxes	507,900	561,967	54,067
Personal property taxes	12,340,900	12,793,064	452,164
Mobile home taxes	9,800	11,008	1,208
Machinery and tools taxes	2,846,500	3,013,026	166,526
Penalties and interest	335,000	392,183	57,183
Total general property taxes	<u>56,903,600</u>	<u>57,570,297</u>	<u>666,697</u>
Other local taxes:			
Local sales and use taxes	14,677,400	17,692,891	3,015,491
Consumer utility taxes	1,949,200	1,979,451	30,251
Business license taxes	6,971,700	8,026,003	1,054,303
Motor vehicle license taxes	1,294,900	1,279,704	(15,196)
Bank stock taxes	750,000	917,972	167,972
Taxes on recordation and wills	476,800	707,464	230,664
Tobacco taxes	508,600	474,150	(34,450)
Admission and amusement taxes	30,000	129,922	99,922
Hotel and motel room taxes	2,162,100	3,597,607	1,435,507
Restaurant food taxes	12,483,800	16,439,222	3,955,422
Short-term rental taxes	138,300	105,554	(32,746)
Public right-of-way use fee	150,000	173,912	23,912
Total other local taxes	<u>41,592,800</u>	<u>51,523,852</u>	<u>9,931,052</u>
Permits, privilege fees and regulatory licenses:			
Animal licenses	4,000	5,324	1,324
Permits and other licenses	573,950	485,736	(88,214)
Total permits, privilege fees and regulatory licenses	<u>577,950</u>	<u>491,060</u>	<u>(86,890)</u>
Fines and forfeitures:			
Court fines	500,000	306,673	(193,327)
Parking fines	45,000	48,834	3,834
E-summons fee	25,000	23,068	(1,932)
Asset forfeiture	-	21,753	21,753
Other fines and forfeitures	10,000	3,582	(6,418)
Total fines and forfeitures	<u>580,000</u>	<u>403,910</u>	<u>(176,090)</u>
Use of money and property:			
Use of money	50,000	222,533	172,533
Use of property	15,000	67,145	52,145
Total use of money and property	<u>65,000</u>	<u>289,678</u>	<u>224,678</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, 2022

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	\$ 65,000	\$ 57,802	\$ (7,198)
Charges for fire and rescue	9,500	3,355	(6,145)
Charges for parking	106,500	139,578	33,078
Charges for rescue services	100,000	116,552	16,552
Charges for parks and recreation	409,900	302,767	(107,133)
Charges for golf course	612,500	828,555	216,055
Total charges for services	<u>1,303,400</u>	<u>1,448,609</u>	<u>145,209</u>
Miscellaneous:			
Payments in lieu of taxes:			
Electric plant and equipment	596,800	625,020	28,220
Service charge on tax exempt property	101,600	114,639	13,039
Debt service reimbursement from HRHA	656,150	648,363	(7,787)
Debt service reimbursement from HRCBS	163,200	163,228	28
Donations - JMU	220,000	267,953	47,953
Donations	69,500	61,659	(7,841)
Other miscellaneous	599,243	646,195	46,952
Total miscellaneous	<u>2,406,493</u>	<u>2,527,057</u>	<u>120,564</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	16,000	16,006	6
Mobile home titling taxes	3,000	6,261	3,261
Personal property tax reimbursement	1,522,583	1,522,583	-
Communication sales and use taxes	1,185,200	1,156,277	(28,923)
Auto rental taxes	290,100	422,292	132,192
Animal friendly license plate	500	640	140
Games of skill taxes	-	11,520	11,520
Total non-categorical aid	<u>3,017,383</u>	<u>3,135,579</u>	<u>118,196</u>
Categorical aid:			
Shared expenses:			
Commissioner of the revenue	150,000	159,559	9,559
Treasurer	130,000	138,197	8,197
Registrar	91,916	80,280	(11,636)
Total shared expenses	<u>371,916</u>	<u>378,036</u>	<u>6,120</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, 2022

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	\$ 186,400	\$ 197,979	\$ 11,579
Other fire department	61,362	65,032	3,670
Internet crimes against children grant	-	11,276	11,276
Litter control grant	9,000	13,689	4,689
State aid to localities, police	1,455,500	1,455,665	165
Street and highway maintenance	5,327,948	5,327,948	-
Other categorical aid	<u>265,902</u>	<u>266,287</u>	<u>385</u>
Total other categorical aid	<u>7,306,112</u>	<u>7,337,876</u>	<u>31,764</u>
Total categorical aid	<u>7,678,028</u>	<u>7,715,912</u>	<u>37,884</u>
Total revenue from the Commonwealth	<u>10,695,411</u>	<u>10,851,491</u>	<u>156,080</u>
Revenue from the Federal Government:			
Categorical aid:			
CARES Act coronavirus relief funds	48,203	41,817	(6,386)
ARPA coronavirus state and local fiscal recovery funds	1,598,932	1,585,951	(12,981)
Fire grants	389,064	282,377	(106,687)
Police grants	86,697	65,228	(21,469)
VDOT - HSIP grant	<u>518,741</u>	<u>-</u>	<u>(518,741)</u>
Total revenue from the Federal Government	<u>2,641,637</u>	<u>1,975,373</u>	<u>(666,264)</u>
Total intergovernmental	<u>13,337,048</u>	<u>12,826,864</u>	<u>(510,184)</u>
Total General Fund	<u>\$ 121,966,291</u>	<u>\$ 132,281,327</u>	<u>\$ 10,315,036</u>
Special Revenue Funds:			
Community Development Block Grant Fund:			
Intergovernmental:			
Revenue from the Federal Government:			
Community Development Block Grant	\$ 1,661,627	\$ 777,679	\$ (883,948)
ARPA coronavirus state and local fiscal recovery funds	<u>1,776</u>	<u>1,776</u>	<u>-</u>
Total revenue from the Federal Government	<u>1,663,403</u>	<u>779,455</u>	<u>(883,948)</u>
Total intergovernmental	<u>1,663,403</u>	<u>779,455</u>	<u>(883,948)</u>
Total Community Development Block Grant Fund	<u>\$ 1,663,403</u>	<u>\$ 779,455</u>	<u>\$ (883,948)</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, 2022

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	\$ 400	\$ 4,063	\$ 3,663
Charges for services	4,318,822	4,447,667	128,845
Miscellaneous	15,000	3,079	(11,921)
Intergovernmental:			
Revenue from the Federal Government:			
ARPA coronavirus state and local fiscal recovery funds	<u>204,524</u>	<u>204,524</u>	<u>-</u>
Total revenue from the Federal Government	<u>204,524</u>	<u>204,524</u>	<u>-</u>
Total intergovernmental	<u>204,524</u>	<u>204,524</u>	<u>-</u>
Total School Transportation Fund	<u>\$ 4,538,746</u>	<u>\$ 4,659,333</u>	<u>\$ 120,587</u>
Business Loan Program Fund:			
Use of money and property	\$ -	\$ 430	\$ 430
Miscellaneous	<u>40,600</u>	<u>40,600</u>	<u>-</u>
Total Business Loan Program Fund	<u>\$ 40,600</u>	<u>\$ 41,030</u>	<u>\$ 430</u>
Total Special Revenue Funds	<u>\$ 6,242,749</u>	<u>\$ 5,479,818</u>	<u>\$ (762,931)</u>
Capital Projects Fund:			
General Capital Projects Fund:			
Use of money and property	\$ 211	\$ 15,516	\$ 15,305
Miscellaneous	114,228	4,553	(109,675)
Recovered costs	4,784,717	184,789	(4,599,928)
Intergovernmental:			
Revenue from the Commonwealth:			
VDOT revenue sharing	<u>6,983,966</u>	<u>1,041,037</u>	<u>(5,942,929)</u>
Total revenue from the Commonwealth	<u>6,983,966</u>	<u>1,041,037</u>	<u>(5,942,929)</u>
Revenue from the Federal Government:			
VDOT transportation alternatives program grant	513,433	34,778	(478,655)
DCR recreational trail program grant	354,090	250,348	(103,742)
VDOT smart scale grant	<u>20,192,865</u>	<u>4,611</u>	<u>(20,188,254)</u>
Total revenue from the Federal Government	<u>21,060,388</u>	<u>289,737</u>	<u>(20,770,651)</u>
Total intergovernmental	<u>28,044,354</u>	<u>1,330,774</u>	<u>(26,713,580)</u>
Total General Capital Projects Fund	<u>\$ 32,943,510</u>	<u>\$ 1,535,632</u>	<u>\$ (31,407,878)</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, 2022

Fund, Major and Minor Revenue Sources	Final Budget	Actual	Variance Positive (Negative)
Primary Government: (continued)			
Capital Projects Fund: (continued)			
School Bond Capital Projects Fund:			
Use of money and property	\$ -	\$ 148,816	\$ 148,816
Total School Bond Capital Projects Fund	\$ -	\$ 148,816	\$ 148,816
Total Capital Projects Fund	\$ 32,943,510	\$ 1,684,448	\$ (31,259,062)
Grand Total Revenues (Primary Government)	\$ 161,152,550	\$ 139,445,593	\$ (21,706,957)
Component Unit - School Board:			
School Fund:			
Use of money and property	\$ 30,000	\$ 70	\$ (29,930)
Charges for services	7,500	23,191	15,691
Miscellaneous	989,042	1,274,349	285,307
Payment from primary government	36,008,259	33,777,547	(2,230,712)
Intergovernmental:			
Revenue from the Commonwealth:			
Categorical aid:			
Share of state sales tax	6,998,293	8,712,982	1,714,689
Basic school aid	23,296,359	20,292,001	(3,004,358)
Other state funds	20,687,831	23,412,324	2,724,493
Total categorical aid	<u>50,982,483</u>	<u>52,417,307</u>	<u>1,434,824</u>
Total revenue from the Commonwealth	<u>50,982,483</u>	<u>52,417,307</u>	<u>1,434,824</u>
Revenue from the Federal Government:			
Categorical aid:			
Title I	1,629,633	1,726,552	96,919
Special education	1,095,713	1,280,393	184,680
ESSER funds	3,000,000	5,436,160	2,436,160
Other federal funds	3,503,581	938,524	(2,565,057)
Total revenue from the Federal Government	<u>9,228,927</u>	<u>9,381,629</u>	<u>152,702</u>
Total intergovernmental	<u>60,211,410</u>	<u>61,798,936</u>	<u>1,587,526</u>
Total School Fund	\$ <u>97,246,211</u>	\$ <u>96,874,093</u>	\$ <u>(372,118)</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, 2022

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	\$ 35,000	\$ 9,004	\$ (25,996)
Charges for services	10,000	51,715	41,715
Miscellaneous	30,000	24,073	(5,927)
Intergovernmental:			
Revenue from the Commonwealth:			
Categorical aid:			
School food program	194,000	168,986	(25,014)
Total categorical aid	<u>194,000</u>	<u>168,986</u>	<u>(25,014)</u>
Total revenue from the Commonwealth	<u>194,000</u>	<u>168,986</u>	<u>(25,014)</u>
Revenue from the Federal Government:			
Categorical aid:			
School food program	4,372,600	6,010,973	1,638,373
USDA donated food	-	235,049	235,049
Total revenue from the Federal Government	<u>4,372,600</u>	<u>6,246,022</u>	<u>1,873,422</u>
Total intergovernmental	<u>4,566,600</u>	<u>6,415,008</u>	<u>1,848,408</u>
Total School Nutrition Fund	<u>\$ 4,641,600</u>	<u>\$ 6,499,800</u>	<u>\$ 1,858,200</u>
School Activity Fund:			
Miscellaneous	\$ -	\$ 767,897	\$ 767,897
Total School Activity Fund	<u>\$ -</u>	<u>\$ 767,897</u>	<u>\$ 767,897</u>
School Capital Projects Fund:			
Payment from primary government	\$ 2,300,000	\$ 2,300,000	\$ -
Total School Capital Projects Fund	<u>\$ 2,300,000</u>	<u>\$ 2,300,000</u>	<u>\$ -</u>
Grand Total Revenues (Component Unit - School Board)	<u>\$ 104,187,811</u>	<u>\$ 106,441,790</u>	<u>\$ 2,253,979</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, 2022

Fund, Function, Activity and Elements	Final Budget	Actual	Variance Positive (Negative)
Primary Government:			
General Fund:			
General government administration:			
Legislative:			
City Council	\$ 315,374	\$ 295,296	\$ 20,078
Total legislative	<u>315,374</u>	<u>295,296</u>	<u>20,078</u>
General and financial administration:			
City manager	897,186	797,920	99,266
City attorney	375,009	361,121	13,888
Human resources	700,533	566,994	133,539
Independent auditor	22,280	22,280	-
Commissioner of the revenue	514,210	497,540	16,670
Assessor	341,953	322,000	19,953
Equalization	3,300	2,951	349
Treasurer	750,772	728,857	21,915
Finance	657,172	597,942	59,230
Information technology	2,463,877	2,207,661	256,216
Purchasing agent	202,256	164,438	37,818
Total general and financial administration	<u>6,928,548</u>	<u>6,269,704</u>	<u>658,844</u>
Board of elections:			
Registrar	355,065	354,980	85
Total board of elections	<u>355,065</u>	<u>354,980</u>	<u>85</u>
Total general government administration	<u>7,598,987</u>	<u>6,919,980</u>	<u>679,007</u>
Jail and judicial administration:			
Joint expenditures with Rockingham County	6,277,100	6,248,410	28,690
Middle River Regional Jail	3,150,518	3,150,518	-
Total jail and judicial administration	<u>9,427,618</u>	<u>9,398,928</u>	<u>28,690</u>
Public safety:			
Law enforcement and traffic control:			
Administration	4,838,030	3,999,389	838,641
Operations	5,144,112	4,635,154	508,958
Criminal investigations	1,842,525	1,687,452	155,073
Special operations	2,122,180	1,840,859	281,321
Grants	195,351	172,891	22,460
Total law enforcement and traffic control	<u>14,142,198</u>	<u>12,335,745</u>	<u>1,806,453</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, 2022

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	\$ 1,047,920	\$ 1,018,226	\$ 29,694
Suppression	9,120,092	7,917,081	1,203,011
Prevention	708,323	649,625	58,698
Training	275,986	266,137	9,849
Total fire and rescue services	<u>11,152,321</u>	<u>9,851,069</u>	<u>1,301,252</u>
Correction and detention:			
Court appointed attorneys	60,000	41,134	18,866
Shenandoah Valley Juvenile Center	228,304	228,304	-
Total correction and detention	<u>288,304</u>	<u>269,438</u>	<u>18,866</u>
Inspections:			
Building	1,058,748	956,702	102,046
Total inspections	<u>1,058,748</u>	<u>956,702</u>	<u>102,046</u>
Other protection:			
Animal control	484,070	477,819	6,251
Emergency services	510,895	382,651	128,244
Public safety building	379,786	373,768	6,018
Harrisonburg-Rockingham ECC	3,237,100	3,237,100	-
Total other protection	<u>4,611,851</u>	<u>4,471,338</u>	<u>140,513</u>
Total public safety	<u>31,253,422</u>	<u>27,884,292</u>	<u>3,369,130</u>
Public works:			
Maintenance of highways, streets, bridges and sidewalks:			
General engineering	911,808	665,624	246,184
Highway and street maintenance	6,825,274	4,640,933	2,184,341
Street lights	565,613	565,345	268
Snow and ice removal	452,456	423,172	29,284
Traffic engineering	2,274,391	1,543,042	731,349
Highway and street beautification	763,652	632,724	130,928
Downtown parking maintenance	178,807	169,543	9,264
Total maintenance of highways, streets, bridges and sidewalks	<u>11,972,001</u>	<u>8,640,383</u>	<u>3,331,618</u>
Sanitation and waste removal:			
Street and road cleaning	421,507	343,312	78,195
Total sanitation and waste removal	<u>421,507</u>	<u>343,312</u>	<u>78,195</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, 2022

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	\$ 413,129	\$ 337,220	\$ 75,909
Total maintenance of general buildings and grounds	<u>413,129</u>	<u>337,220</u>	<u>75,909</u>
 Total public works	 <u>12,806,637</u>	 <u>9,320,915</u>	 <u>3,485,722</u>
 Health and welfare:			
Health:			
Local health department	366,060	366,060	-
Total health	<u>366,060</u>	<u>366,060</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	140,000	139,931	69
Joint expenditures with Rockingham County	3,948,973	3,654,890	294,083
Total welfare/social services	<u>4,088,973</u>	<u>3,794,821</u>	<u>294,152</u>
 Total health and welfare	 <u>5,325,806</u>	 <u>5,031,654</u>	 <u>294,152</u>
 Education:			
Payment to Harrisonburg City School Board	38,308,259	36,077,547	2,230,712
 Total education	 <u>38,308,259</u>	 <u>36,077,547</u>	 <u>2,230,712</u>
 Parks, recreation and cultural:			
Parks and recreation:			
Administration	581,949	527,529	54,420
Parks	1,981,460	1,615,345	366,115
Field maintenance	487,131	377,730	109,401
Recreation centers and playgrounds	1,117,362	994,358	123,004
Simms continuing education center	400,788	374,918	25,870
Westover pool	625,263	586,905	38,358
Athletics	453,786	400,825	52,961
Golf course grounds management	490,020	403,940	86,080
Golf course clubhouse management	326,436	321,455	4,981
Total parks and recreation	<u>6,464,195</u>	<u>5,603,005</u>	<u>861,190</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, 2022

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	\$ 588,866	\$ 588,866	\$ -
Total cultural	<u>588,866</u>	<u>588,866</u>	<u>-</u>
 Total parks, recreation and cultural	 <u>7,053,061</u>	 <u>6,191,871</u>	 <u>861,190</u>
Community development:			
Planning and community development:			
Planning	380,873	272,657	108,216
Zoning administrator	217,891	109,473	108,418
Board of zoning appeals	5,878	2,172	3,706
Economic development	885,782	765,844	119,938
Tourism and visitors services	669,578	611,463	58,115
Blacks run greenway	105,171	27,593	77,578
Shenandoah Valley Conference Center	1,100,000	1,046,414	53,586
Total planning and community development	<u>3,365,173</u>	<u>2,835,616</u>	<u>529,557</u>
Contributions:			
Harrisonburg Downtown Renaissance	143,151	143,151	-
Shenandoah Valley Airport	67,923	67,923	-
Blue Ridge Community College	67,672	67,672	-
CARES Act community assistance	239,587	233,202	6,385
Other contributions	627,221	609,497	17,724
Total contributions	<u>1,145,554</u>	<u>1,121,445</u>	<u>24,109</u>
 Total community development	 <u>4,510,727</u>	 <u>3,957,061</u>	 <u>553,666</u>
Debt service:			
Principal retirement	11,311,379	11,311,379	-
Interest and fiscal charges	6,321,006	6,102,042	218,964
Bond issue costs	182,796	167,708	15,088
 Total debt service	 <u>17,815,181</u>	 <u>17,581,129</u>	 <u>234,052</u>
 Total General Fund	 <u><u>\$ 134,099,698</u></u>	 <u><u>\$ 122,363,377</u></u>	 <u><u>\$ 11,736,321</u></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, 2022

Fund, Function, Activity and Elements	Final Budget	Actual	Variance Positive (Negative)
Primary Government: (continued)			
Special Revenue Funds:			
Community Development Block Grant Fund:			
Community development:			
Planning and community development:			
Community development block grant	\$ 1,663,403	\$ 779,455	\$ 883,948
Total planning and community development	<u>1,663,403</u>	<u>779,455</u>	<u>883,948</u>
Total community development	<u>1,663,403</u>	<u>779,455</u>	<u>883,948</u>
Total Community Development Block Grant Fund	<u>\$ 1,663,403</u>	<u>\$ 779,455</u>	<u>\$ 883,948</u>
School Transportation Fund:			
Education:			
School bus services	\$ 4,263,374	\$ 3,381,622	\$ 881,752
Field trips and charters	212,637	140,137	72,500
Administration	<u>541,536</u>	<u>449,994</u>	<u>91,542</u>
Total education	<u>5,017,547</u>	<u>3,971,753</u>	<u>1,045,794</u>
Total School Transportation Fund	<u>\$ 5,017,547</u>	<u>\$ 3,971,753</u>	<u>\$ 1,045,794</u>
Business Loan Program Fund:			
Community development:			
Planning and community development:			
Revolving loan program	\$ 100,000	\$ 21,500	\$ 78,500
Total planning and community development	<u>100,000</u>	<u>21,500</u>	<u>78,500</u>
Total community development	<u>100,000</u>	<u>21,500</u>	<u>78,500</u>
Total Business Loan Program Fund	<u>\$ 100,000</u>	<u>\$ 21,500</u>	<u>\$ 78,500</u>
Total Special Revenue Funds	<u>\$ 6,780,950</u>	<u>\$ 4,772,708</u>	<u>\$ 2,008,242</u>
Capital Projects Fund:			
General Capital Projects Fund:			
Capital projects	\$ 49,422,942	\$ 3,827,807	\$ 45,595,135
Total General Capital Projects Fund	<u>\$ 49,422,942</u>	<u>\$ 3,827,807</u>	<u>\$ 45,595,135</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, 2022

Fund, Function, Activity and Elements	Final Budget	Actual	Variance Positive (Negative)
Primary Government: (continued)			
Capital Projects Fund: (continued)			
School Bond Capital Projects Fund:			
Capital projects	\$ 86,510,079	\$ 47,105,190	\$ 39,404,889
Total School Bond Capital Projects Fund	<u>\$ 86,510,079</u>	<u>\$ 47,105,190</u>	<u>\$ 39,404,889</u>
Total Capital Projects Fund	<u>\$ 135,933,021</u>	<u>\$ 50,932,997</u>	<u>\$ 85,000,024</u>
Grand Total Expenditures (Primary Government)	<u>\$ 276,813,669</u>	<u>\$ 178,069,082</u>	<u>\$ 98,744,587</u>
Component Unit - School Board:			
School Fund:			
Education:			
Instruction	\$ 72,067,962	\$ 70,993,175	\$ 1,074,787
Administration, attendance and health	5,220,751	5,104,575	116,176
Pupil transportation	4,880,580	4,600,012	280,568
Operations and maintenance	9,582,547	8,660,797	921,750
Technology	6,016,693	5,243,012	773,681
Debt service:			
Principal retirement	-	156,214	(156,214)
Interest and fiscal charges	-	32,866	(32,866)
Total education	<u>97,768,533</u>	<u>94,790,651</u>	<u>2,977,882</u>
Total School Fund	<u>\$ 97,768,533</u>	<u>\$ 94,790,651</u>	<u>\$ 2,977,882</u>
School Nutrition Fund:			
Education:			
Food services	\$ 4,734,339	\$ 4,856,570	\$ (122,231)
Technology	30,000	995	29,005
Total education	<u>4,764,339</u>	<u>4,857,565</u>	<u>(93,226)</u>
Total School Nutrition Fund	<u>\$ 4,764,339</u>	<u>\$ 4,857,565</u>	<u>\$ (93,226)</u>
School Activity Fund:			
Education:			
Administration, attendance and health	\$ -	\$ 738,645	\$ (738,645)
Total School Activity Fund	<u>\$ -</u>	<u>\$ 738,645</u>	<u>\$ (738,645)</u>
Grand Total Expenditures (Component Unit - School Board)	<u>\$ 102,532,872</u>	<u>\$ 100,386,861</u>	<u>\$ 2,146,011</u>

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STATISTICAL SECTION

This part of the City's annual comprehensive 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 annual comprehensive financial reports for the relevant year.*

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

Table 1

	Fiscal Year									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Governmental activities										
Net investment in capital assets	\$ 152,848,662	\$ 152,753,329	\$ 156,353,667	\$ 153,994,976	\$ 151,215,449	\$ 150,611,197	\$ 145,194,280	\$ 146,765,571	\$ 143,056,305	\$ 140,255,728
Restricted	633,166	715,006	574,269	529,665	621,577	552,092	461,736	450,639	418,955	253,898
Unrestricted	50,840,996	38,512,456	32,225,419	30,055,992	25,264,435	20,679,052	19,107,622	15,778,923	36,848,497	38,537,607
Total governmental activities net position	\$ 204,322,824	\$ 191,980,791	\$ 189,153,355	\$ 184,580,633	\$ 177,101,461	\$ 171,842,341	\$ 164,763,638	\$ 162,995,133	\$ 180,323,757	\$ 179,047,233
Business-type activities										
Net investment in capital assets	\$ 79,676,659	\$ 81,774,322	\$ 74,718,260	\$ 72,830,573	\$ 74,517,218	\$ 74,997,991	\$ 62,658,600	\$ 61,417,998	\$ 59,661,294	\$ 64,061,195
Unrestricted	23,083,862	14,759,028	15,854,032	13,725,834	7,828,771	3,263,530	10,156,014	9,413,613	16,501,295	18,960,244
Total business-type activities net position	\$ 102,760,521	\$ 96,533,350	\$ 90,572,292	\$ 86,556,407	\$ 82,345,989	\$ 78,261,521	\$ 72,814,614	\$ 70,831,611	\$ 76,162,589	\$ 83,021,439
Primary government										
Net investment in capital assets	\$ 232,525,321	\$ 234,527,651	\$ 231,071,927	\$ 226,825,549	\$ 225,732,667	\$ 225,609,188	\$ 207,852,880	\$ 208,183,569	\$ 202,717,599	\$ 204,316,923
Restricted	633,166	715,006	574,269	529,665	621,577	552,092	461,736	450,639	418,955	253,898
Unrestricted	73,924,858	53,271,484	48,079,451	43,781,826	33,093,206	23,942,582	29,263,636	25,192,536	53,349,792	57,497,851
Total primary government net position	\$ 307,083,345	\$ 288,514,141	\$ 279,725,647	\$ 271,137,040	\$ 259,447,450	\$ 250,103,862	\$ 237,578,252	\$ 233,826,744	\$ 256,486,346	\$ 262,068,672

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. The City implemented GASB Statement No. 87, *Leases* in fiscal year 2022. 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									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Expenses:										
Governmental activities:										
General government administration	\$ 23,750,636	\$ 21,661,494	\$ 19,874,767	\$ 19,001,711	\$ 18,287,937	\$ 18,413,671	\$ 18,543,556	\$ 16,257,293	\$ 17,537,393	\$ 15,200,128
Jail and judicial administration	9,215,291	8,901,359	7,862,409	6,944,879	6,533,114	6,398,698	5,822,848	5,137,399	4,175,900	3,697,318
Public safety	29,463,781	29,906,040	27,899,118	25,954,253	23,971,425	23,583,838	22,969,794	21,525,960	21,008,014	19,726,959
Public works ^a	14,876,514	18,224,718	15,225,728	15,338,219	14,989,905	14,407,248	14,709,122	15,158,769	19,723,564	16,087,945
Health and welfare	5,053,655	8,097,217	6,661,856	4,928,872	4,793,211	4,757,945	4,579,647	4,103,981	3,941,088	3,792,389
Education	45,893,475	41,403,674	44,874,482	43,763,915	42,928,333	38,328,364	36,565,819	37,481,649	34,574,455	32,985,755
Parks, recreation and cultural	6,579,662	6,823,509	6,799,136	6,932,596	6,188,413	6,494,875	6,671,939	5,952,441	5,850,222	5,840,511
Community development ^b	4,590,359	7,196,267	4,048,273	3,833,626	3,246,006	3,193,150	3,765,197	2,799,236	2,957,093	2,893,264
Interest on long-term debt	6,262,132	4,946,081	5,175,505	5,351,030	5,612,005	5,914,313	5,046,788	5,116,339	5,071,941	5,304,302
Business-type activities:										
Water	7,242,152	6,389,098	6,564,988	6,036,280	5,637,611	5,329,601	5,496,737	5,218,201	5,351,441	5,281,491
Sewer	10,307,390	10,797,106	10,561,152	10,232,327	9,534,683	9,850,111	9,702,160	9,526,208	9,536,716	9,501,243
Public transportation	7,318,114	7,135,184	6,674,720	6,469,580	6,252,571	6,365,032	6,348,417	6,327,540	5,218,865	4,915,643
Steam plant/sanitation ^{a,c}	3,247,807	2,982,866	2,845,875	2,285,700	3,110,955	3,319,439	4,208,851	7,185,575	7,397,708	7,751,402
Stormwater	487,171	570,987	357,121	334,676	454,261	414,677	255,371	-	-	-
Total expenses	\$ 174,288,139	\$ 175,035,600	\$ 165,425,130	\$ 157,407,664	\$ 151,540,430	\$ 146,770,962	\$ 144,686,246	\$ 141,790,591	\$ 142,344,400	\$ 132,976,350
Program revenues:										
Governmental activities:										
Charges for services:										
General government administration	\$ 15,160,696	\$ 13,647,248	\$ 15,197,693	\$ 15,308,060	\$ 15,254,826	\$ 14,033,150	\$ 13,413,592	\$ 12,092,994	\$ 11,197,390	\$ 9,808,618
Jail and judicial administration	306,673	312,002	504,769	567,202	691,717	553,894	515,404	549,825	651,517	526,549
Public works ^a	-	-	-	-	-	-	-	-	5,891,879	5,714,587
Education	4,447,667	3,853,040	4,076,465	4,028,807	3,751,213	3,361,589	3,099,596	3,018,032	2,712,725	2,402,874
Parks, recreation and cultural	1,131,322	809,418	713,263	1,045,925	1,067,881	1,170,361	1,130,856	1,132,452	1,143,298	1,078,285
Other activities	905,584	808,362	1,086,967	1,087,725	1,117,096	1,377,659	848,873	891,990	1,201,568	988,430
Operating grants and contributions	8,841,196	8,750,337	7,639,056	8,037,308	7,599,076	7,499,993	8,071,894	7,733,498	7,242,059	6,468,579
Capital grants and contributions ^{d,e,f}	1,515,563	1,817,321	2,067,233	802,583	4,422,820	4,575,920	2,112,546	2,511,563	6,052,309	4,057,173
Business-type activities:										
Charges for services:										
Water	10,015,029	9,513,077	9,682,661	8,594,711	8,049,249	7,621,237	6,866,608	6,566,279	6,204,657	6,033,702
Sewer	12,146,229	11,396,745	11,519,472	11,016,661	10,692,114	10,580,345	10,249,003	10,135,852	9,654,399	9,135,855
Public transportation	1,839,157	1,941,875	1,939,257	1,944,618	1,960,187	1,820,130	1,810,732	1,897,980	1,834,284	1,652,106
Steam plant/sanitation ^a	4,350,340	4,265,339	4,169,200	4,140,571	4,214,492	4,303,069	5,104,242	6,784,257	5,122,980	6,131,803
Stormwater	1,313,364	1,314,369	1,325,321	1,360,716	1,302,218	1,258,959	2,345,292	-	-	-
Operating grants and contributions	4,697,900	3,735,359	3,474,604	3,155,047	2,879,508	2,540,589	2,281,764	2,229,329	2,160,125	1,649,862
Capital grants and contributions ^g	3,356,072	4,401,654	630,166	201,124	606,769	4,199,180	606,645	2,689,399	6,506,406	3,277,876
Total program revenues	\$ 70,026,792	\$ 66,566,146	\$ 64,026,127	\$ 61,291,058	\$ 63,609,166	\$ 64,896,075	\$ 58,457,047	\$ 58,233,450	\$ 67,575,696	\$ 58,926,299
Net (expense) revenue:										
Governmental activities	\$ (113,376,804)	\$ (117,162,631)	\$ (107,135,828)	\$ (101,171,491)	\$ (92,645,720)	\$ (88,919,536)	\$ (89,481,949)	\$ (85,602,713)	\$ (78,746,825)	\$ (74,483,476)
Business-type activities	9,115,457	8,693,177	5,736,825	5,054,885	4,714,456	7,044,649	3,252,750	2,045,572	3,978,121	431,425
Total net (expense) revenue	\$ (104,261,347)	\$ (108,469,454)	\$ (101,399,003)	\$ (96,116,606)	\$ (87,931,264)	\$ (81,874,887)	\$ (86,229,199)	\$ (83,557,141)	\$ (74,768,704)	\$ (74,052,051)

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

Table 2

	Fiscal Year									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
General revenues and other changes in net position:										
Governmental activities:										
General revenues:										
Property taxes	\$ 57,858,874	\$ 54,171,307	\$ 51,447,886	\$ 48,878,038	\$ 47,490,931	\$ 43,640,018	\$ 39,574,723	\$ 37,522,303	\$ 33,682,085	\$ 33,642,817
Sales and use taxes	17,692,891	15,756,075	13,971,040	14,336,901	13,609,547	13,207,791	12,994,784	12,532,757	11,956,912	11,450,969
Restaurant food taxes	16,439,222	13,266,178	12,628,014	14,225,678	13,623,551	12,257,672	11,914,152	11,026,410	10,398,660	9,948,280
Business license taxes	8,026,003	7,148,413	7,224,775	7,155,016	6,894,312	6,689,192	6,653,830	6,275,116	6,246,573	5,892,503
Other local taxes	9,365,736	8,034,724	8,020,291	8,644,605	8,296,309	7,083,413	7,119,400	6,798,376	6,105,467	5,877,472
Unrestricted grants and contributions ^a	5,025,679	8,977,259	6,932,654	3,408,497	3,407,878	3,464,103	3,501,028	3,569,638	3,521,348	3,476,659
Unrestricted payment from component units	5,200,000	6,700,000	5,200,000	5,999,506	5,000,000	5,000,000	5,000,000	4,900,000	4,900,000	4,900,000
Investment revenue	413,954	239,283	922,992	1,203,377	683,838	480,911	206,899	75,041	50,039	84,162
Other revenue	2,086,414	2,149,401	2,265,355	1,847,829	1,725,662	1,588,875	1,681,770	1,742,779	2,698,759	1,973,222
Transfers	3,610,064	3,547,427	3,095,543	2,951,216	1,556,037	2,586,264	2,603,868	2,527,927	1,574,046	1,361,276
Business-type activities:										
General revenues:										
Investment revenue	130,339	90,899	552,598	776,589	392,616	131,300	55,180	15,198	19,563	31,340
Other revenue	505,628	719,084	821,500	1,324,397	1,203,620	857,222	1,237,883	1,286,114	1,117,388	1,805,733
Gain on disposal of capital assets	85,811	5,325	505	5,763	49,966	-	41,058	2,550	28,554	15,055
Special item ^h	-	-	-	-	-	-	-	(1,916,812)	(10,078,503)	-
Transfers	(3,610,064)	(3,547,427)	(3,095,543)	(2,951,216)	(1,556,037)	(2,586,264)	(2,603,868)	(2,527,927)	(1,574,046)	(1,361,276)
Total general revenues and other changes in net position	\$ 122,830,551	\$ 117,257,948	\$ 109,987,610	\$ 107,806,196	\$ 102,378,230	\$ 94,400,497	\$ 89,980,707	\$ 83,829,470	\$ 70,646,845	\$ 79,098,212
Change in net position:										
Governmental activities	\$ 12,342,033	\$ 2,827,436	\$ 4,572,722	\$ 7,479,172	\$ 9,642,345	\$ 7,076,703	\$ 1,768,505	\$ 1,367,634	\$ 2,387,064	\$ 4,123,884
Business-type activities	6,227,171	5,961,058	4,015,885	4,210,418	4,804,621	5,446,907	1,983,003	(1,095,305)	(6,508,923)	922,277
Total change in net position	\$ 18,569,204	\$ 8,788,494	\$ 8,588,607	\$ 11,689,590	\$ 14,446,966	\$ 12,523,610	\$ 3,751,508	\$ 272,329	\$ (4,121,859)	\$ 5,046,161

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. The City implemented GASB Statement No. 87, *Leases* in fiscal year 2022. Prior year information has not been restated.

^aFor 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 2021, the increase in the community development activity reflected community and business assistance payments provided by the City from its federal CARES Act funding.

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

^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, 2017 and 2021, 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 2020, the increase in unrestricted grants and contributions reflected funding provided to the City through the federal CARES Act.

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

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

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

	Fiscal Year									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
General Fund										
Nonspendable	\$ 776,998	\$ 701,622	\$ 681,708	\$ 811,931	\$ 835,475	\$ 874,897	\$ 745,877	\$ 623,774	\$ 652,688	\$ 613,043
Restricted	633,166	715,006	574,269	543,135	624,155	552,091	461,736	450,639	432,852	253,898
Committed	63,402	63,402	63,402	63,402	63,402	63,402	63,402	63,402	2,761,367	3,386,367
Assigned ^a	10,504,545	5,183,948	1,515,092	3,718,174	3,707,702	980,493	649,393	1,629,279	1,612,151	3,053,319
Unassigned	53,108,748	45,459,532	36,632,322	30,561,724	31,239,773	30,226,183	28,435,301	24,214,042	26,595,398	23,932,401
Total general fund	\$ 65,086,859	\$ 52,123,510	\$ 39,466,793	\$ 35,698,366	\$ 36,470,507	\$ 32,697,066	\$ 30,355,709	\$ 26,981,136	\$ 32,054,456	\$ 31,239,028
All other governmental funds										
Nonspendable	\$ 24,013	\$ 42,826	\$ -	\$ 36,341	\$ 34,666	\$ 50,508	\$ 16,652	\$ -	\$ 4,705	\$ 4,546
Restricted ^b	44,469,185	-	3,728,628	-	93,683	4,712,073	40,156,421	1,464,504	11,210,744	7,215,617
Committed	9,368,530	9,861,916	10,933,208	11,291,474	9,652,568	8,247,053	9,729,172	11,102,093	12,928,163	13,686,487
Assigned	953,399	535,161	199,310	169,000	142,000	204,500	134,000	38,897	-	-
Unassigned, reported in:										
Special revenue funds	-	-	-	-	-	(184)	-	-	-	(60,493)
Total all other governmental funds	\$ 54,815,127	\$ 10,439,903	\$ 14,861,146	\$ 11,496,815	\$ 9,922,917	\$ 13,213,950	\$ 50,036,245	\$ 12,605,494	\$ 24,143,612	\$ 20,846,157

Notes: Any significant increases or decreases for 2022 are explained in Management's Discussion and Analysis.

^aFor 2018 and 2021, the increase in general fund assigned fund balance was the result of approximately \$1.4 million and \$3 million, respectively, of fund balance used to balance the subsequent year's budget.

^bThe 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									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Revenues:										
General property taxes	\$ 57,570,297	\$ 54,138,251	\$ 51,574,257	\$ 48,977,152	\$ 47,667,485	\$ 43,233,944	\$ 39,444,384	\$ 37,481,440	\$ 33,559,753	\$ 33,745,312
Other local taxes	51,523,852	44,205,390	41,844,120	44,362,200	42,423,719	39,238,068	38,722,176	36,644,704	34,740,681	33,134,475
Permits, privilege fees and regulatory licenses	491,060	563,800	608,529	626,348	643,501	916,716	443,489	507,040	455,881	536,965
Fines and forfeitures	403,910	378,174	657,077	750,846	870,541	749,623	623,390	666,029	1,127,606	662,961
Use of money and property	458,503	266,542	853,812	1,128,111	701,781	540,939	262,328	187,061	162,014	194,763
Charges for services ^a	5,896,276	4,840,848	5,116,462	5,351,861	5,117,290	4,797,424	4,556,674	4,427,549	10,020,649	9,496,051
Miscellaneous	2,575,289	2,667,488	2,599,620	2,192,919	2,001,736	2,084,949	1,871,712	1,938,839	2,465,008	2,005,958
Recovered costs	184,789	-	913,476	617,164	1,110,065	632,746	59,225	201,177	291,795	165,551
Payments from component units	5,200,000	6,700,000	5,200,000	5,999,506	5,000,000	5,000,000	5,000,000	4,900,000	4,900,000	4,900,000
Intergovernmental ^b	15,141,617	20,054,840	18,499,297	13,179,815	15,955,862	15,672,199	13,563,043	13,613,522	16,414,070	14,809,888
Total revenues	\$ 139,445,593	\$ 133,815,333	\$ 127,866,650	\$ 123,185,922	\$ 121,491,980	\$ 112,866,608	\$ 104,546,421	\$ 100,567,361	\$ 104,137,457	\$ 99,651,924
Expenditures:										
Current:										
General government administration	\$ 6,919,980	\$ 6,376,268	\$ 6,528,256	\$ 5,499,582	\$ 5,369,900	\$ 5,211,161	\$ 4,974,666	\$ 4,641,047	\$ 4,583,135	\$ 4,082,373
Jail and judicial administration ^c	9,398,928	9,145,721	8,149,311	7,429,582	6,783,548	6,629,878	6,147,289	5,917,618	3,878,939	3,400,357
Public safety	27,884,292	26,367,798	26,153,150	25,511,647	23,687,182	22,234,145	21,754,032	20,940,401	20,335,693	18,639,647
Public works ^a	9,320,915	10,754,405	9,341,442	10,968,921	9,920,031	9,699,316	10,243,873	11,386,544	13,484,504	11,691,898
Health and welfare	5,031,654	5,202,298	5,063,287	4,907,007	4,771,346	4,736,080	4,557,782	4,082,115	3,919,223	3,770,524
Education	40,049,300	35,342,970	38,993,046	37,922,728	37,054,957	34,216,338	32,379,286	32,119,407	29,912,639	28,497,263
Parks, recreation and cultural	6,191,871	6,031,396	6,350,431	6,371,964	5,728,400	5,488,895	5,528,431	5,291,977	5,198,170	5,111,102
Community development ^d	4,758,016	7,068,715	3,963,011	4,334,386	3,208,191	3,294,797	2,956,282	3,069,972	3,258,461	2,979,996
Debt service:										
Principal retirement	11,311,379	10,355,247	10,230,236	9,750,840	8,961,622	8,337,450	8,101,624	7,917,919	7,159,619	8,016,601
Interest and fiscal charges	6,102,042	5,347,806	5,767,384	5,731,121	6,073,912	5,869,531	5,105,619	4,371,146	5,179,111	5,335,520
Bond issuance costs	167,708	-	-	-	-	-	-	-	257,393	-
Capital projects	50,932,997	6,942,402	23,759,339	11,772,256	14,338,170	44,180,894	12,693,604	16,918,207	18,893,701	13,820,417
Total expenditures	\$ 178,069,082	\$ 128,935,026	\$ 144,298,893	\$ 130,200,034	\$ 125,897,259	\$ 149,898,485	\$ 114,442,488	\$ 116,656,353	\$ 116,060,588	\$ 105,345,498
Excess (deficiency) of revenues over (under) expenditures	\$ (38,623,489)	\$ 4,880,307	\$ (16,432,243)	\$ (7,014,112)	\$ (4,405,279)	\$ (37,031,877)	\$ (9,896,067)	\$ (16,088,992)	\$ (11,923,131)	\$ (5,693,574)

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

Table 4

	Fiscal Year									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Other financing sources (uses):										
Long-term debt issued or incurred	\$ 84,769,547	\$ -	\$ 18,450,000	\$ 4,540,000	\$ 2,350,000	\$ -	\$ 44,305,000	\$ -	\$ 14,150,000	\$ 8,050,000
Refunding debt issued	33,440,000	-	-	-	-	-	-	-	42,675,000	-
Premium on long-term debt issued	14,295,403	-	1,066,864	506,435	-	-	3,995,417	-	5,650,348	-
Payment to bond refunding escrow agent	-	-	-	-	-	-	-	-	(42,327,820)	-
Payment for current bond refunding	(39,865,944)	-	-	-	-	-	-	-	(5,146,875)	-
Sale of capital assets	-	-	-	-	-	125,215	-	-	-	-
Transfers in	4,044,637	3,355,167	9,447,465	8,349,690	6,310,560	5,251,256	3,828,083	5,836,294	4,445,856	8,250,668
Transfers out	(721,581)	-	(5,399,328)	(5,580,256)	(3,772,873)	(2,825,532)	(1,427,109)	(6,358,740)	(3,470,988)	(6,328,528)
Total other financing sources (uses)	\$ 95,962,062	\$ 3,355,167	\$ 23,565,001	\$ 7,815,869	\$ 4,887,687	\$ 2,550,939	\$ 50,701,391	\$ (522,446)	\$ 15,975,521	\$ 9,972,140
Net change in fund balances	\$ 57,338,573	\$ 8,235,474	\$ 7,132,758	\$ 801,757	\$ 482,408	\$ (34,480,938)	\$ 40,805,324	\$ (16,611,438)	\$ 4,052,390	\$ 4,278,566
Debt service as a percentage of noncapital expenditures	13.84%	12.55%	12.88%	13.25%	13.46%	13.53%	13.01%	12.79%	12.74%	14.70%

Notes: The City implemented GASB Statement No. 87, Leases in fiscal year 2022. Prior year information has not been restated. Any significant increases or decreases for 2022 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 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 2020, the increase in intergovernmental revenues reflected funding provided to the City through the federal CARES Act.

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

^dFor 2021, the increase in community development expenditures reflected community and business assistance payments provided by the City from its federal CARES Act funding.

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

	Fiscal Year									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
General property taxes	\$ 40,799,049	\$ 38,261,010	\$ 37,052,907	\$ 35,616,728	\$ 34,459,758	\$ 30,947,602	\$ 28,256,207	\$ 26,712,101	\$ 24,246,195	\$ 24,330,987
Real estate taxes ^a	561,967	507,809	503,888	491,573	474,656	440,408	393,020	448,017	294,775	344,311
Real and personal public service corporation property taxes	12,793,064	12,278,821	10,876,336	10,197,508	10,017,035	9,374,180	8,407,623	8,021,019	6,926,126	6,996,148
Personal property taxes ^b	11,008	10,271	10,251	9,654	10,013	8,778	8,475	7,033	6,485	8,069
Mobile home taxes	3,013,026	2,782,109	2,772,933	2,341,959	2,307,341	2,187,479	2,130,697	2,027,504	1,869,428	1,794,444
Machinery and tools taxes	392,183	298,231	357,942	319,730	398,682	275,497	248,362	265,766	216,744	271,353
Penalties and interest										
Total general property taxes	\$ 57,570,297	\$ 54,138,251	\$ 51,574,257	\$ 48,977,152	\$ 47,667,485	\$ 43,233,944	\$ 39,444,384	\$ 37,481,440	\$ 33,559,753	\$ 33,745,312
Other local taxes										
Local sales and use taxes ^c	\$ 17,692,891	\$ 15,756,075	\$ 13,971,040	\$ 14,336,901	\$ 13,609,547	\$ 13,207,791	\$ 12,994,784	\$ 12,532,757	\$ 11,956,912	\$ 11,450,969
Consumer utility taxes ^d	1,979,451	1,974,312	1,998,550	1,999,498	1,875,594	1,139,113	1,108,436	1,114,465	1,099,063	1,093,995
Business license taxes	8,026,003	7,148,413	7,224,775	7,155,016	6,894,312	6,689,192	6,653,830	6,275,116	6,246,573	5,892,503
Motor vehicle license taxes ^e	1,279,704	1,305,606	1,286,175	1,283,426	1,293,518	1,166,441	1,178,948	1,185,099	888,410	861,119
Bank stock taxes	917,972	836,616	665,686	836,191	787,205	761,882	757,086	580,676	562,403	514,445
Taxes on recordation and wills	707,464	578,628	489,922	492,631	444,493	442,184	408,096	603,848	443,901	359,086
Tobacco taxes	474,150	504,600	548,631	533,382	543,750	569,850	680,937	632,433	634,796	703,979
Admission and amusement taxes	129,922	21,481	116,113	171,011	190,133	175,755	181,678	172,616	144,475	175,395
Hotel and motel room taxes ^{f1}	3,597,607	2,553,827	2,630,068	3,136,402	2,950,142	2,625,363	2,577,891	2,276,431	2,110,603	1,963,223
Restaurant food taxes ^{f1}	16,439,222	13,266,178	12,628,014	14,225,678	13,623,551	12,257,672	11,937,309	11,050,508	10,436,529	9,913,531
Short-term rental taxes	105,554	113,074	136,392	104,274	100,731	109,110	119,579	115,248	103,840	93,218
Public right-of-way use fee	173,912	146,580	148,754	87,790	110,743	93,715	123,602	105,507	113,176	113,012
Total other local taxes	\$ 51,523,852	\$ 44,205,390	\$ 41,844,120	\$ 44,362,200	\$ 42,423,719	\$ 39,238,068	\$ 38,722,176	\$ 36,644,704	\$ 34,740,681	\$ 33,134,475

Notes: Any significant increases or decreases for 2022 are explained in Management's Discussion and Analysis.

^aFor 2015, 2016, 2017, 2018 and 2020, 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 2020, the decrease in tax revenue was the result of negative economic effects of the COVID-19 pandemic.

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

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

^fFor 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

Table 6

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
2022	\$ 2,879,333,087	\$ 1,663,457,156	\$ 62,360,852	\$ 508,935,104	\$ 139,703,211	\$ 1,264,300	\$ 20,558	\$ 5,255,074,268	1.12
2021	2,782,886,650	1,649,108,907	58,944,000	500,829,435	135,804,213	1,223,000	25,440	5,128,821,645	1.08
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	4,616,187,953	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	4,539,870,242	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	4,430,664,309	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	4,352,461,251	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	4,334,808,802	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	4,339,323,834	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	4,388,533,563	0.81

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

Notes: 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). Business equipment assessed values are based upon depreciation schedule, year of purchase and cost. ³ Assessed values are based upon depreciation schedule, year of purchase and cost. ⁴ 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		
2022	\$ 0.90	\$ 0.90	\$ 0.90	\$ 2.12	\$ 2.12	\$ 0.90	\$ 3.50	3.50	3.50	\$ 1.12
2021	0.86	0.86	0.86	2.12	2.12	0.86	3.50	3.50	3.50	1.08
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

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 2022			Fiscal Year 2013		
	Property Taxes	Rank	Percent of Total Property Taxes	Property Taxes	Rank	Percent of Total Property Taxes
Anthem Inc	\$ 1,172,552	1	2.04%	\$ -	-	-
Packaging Corporation of America	869,300	2	1.51%	316,746	4	0.94%
Tenneco Inc	782,223	3	1.36%	585,495	1	1.75%
George's Foods LLC	623,215	4	1.08%	236,394	7	0.71%
Asset Campus Housing, Inc.	562,143	5	0.98%	-	-	-
The Macerich Properties	405,984	6	0.71%	255,634	6	0.76%
The Scion Group LLC	387,788	7	0.67%	-	-	-
Hotel Madison LLC	385,809	8	0.67%	-	-	-
Shenandoah Valley Organic LLC	382,097	9	0.66%	-	-	-
Kerry Group plc	353,928	10	0.62%	196,544	10	0.59%
American Campus Communities Inc	-	-	-	408,798	2	1.22%
RR Donnelley & Sons Company	-	-	-	201,923	9	0.60%
Copper Beech Townhome Communities, LLC	-	-	-	352,139	3	1.05%
Graham Packaging Company LP	-	-	-	311,625	5	0.93%
Virginia Mennonite Retirement Community	-	-	-	213,127	8	0.64%
Total	\$ 5,925,039		10.30%	\$ 3,078,425		9.19%

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

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

Table 9

Fiscal Year	Taxes Levied for the		Adjustments	Total Adjusted Levy	Collected within the		Collections in		Total Collections to Date	
	Fiscal Year (Original Levy)	Fiscal Year			Fiscal Year of the Levy	Percentage of Levy	Subsequent Years	Amount	Percentage of Levy	Amount
2022	\$ 57,484,253	\$ -	\$ -	57,484,253	56,312,485	97.96%	\$ -	-	56,312,485	97.96%
2021	54,116,941	58,332	58,332	54,175,273	53,013,472	97.96%	643,279	643,279	53,656,751	99.04%
2020	51,411,484	31,177	31,177	51,442,661	50,377,781	97.99%	816,039	816,039	51,193,820	99.52%
2019	48,793,283	4,887	4,887	48,798,170	47,934,023	98.24%	635,859	635,859	48,569,882	99.53%
2018	47,285,573	(47,260)	(47,260)	47,238,313	46,313,920	97.95%	678,335	678,335	46,992,255	99.48%
2017	43,406,093	16,726	16,726	43,422,819	42,331,311	97.52%	861,001	861,001	43,192,312	99.47%
2016	39,427,910	38,993	38,993	39,466,903	38,629,078	97.97%	666,608	666,608	39,295,686	99.57%
2015	37,288,334	(5,849)	(5,849)	37,282,485	36,588,785	98.12%	558,095	558,095	37,146,880	99.64%
2014	33,472,734	18,164	18,164	33,490,898	32,671,163	97.61%	680,945	680,945	33,352,108	99.59%
2013	33,518,148	(13,364)	(13,364)	33,504,784	32,841,981	97.98%	550,797	550,797	33,392,778	99.67%

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

Table 10

Type of debt	Fiscal Year									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Governmental activities:										
General obligation bonds ^{a,b}	\$ 234,265,954	\$ 154,647,871	\$ 165,660,849	\$ 156,533,967	\$ 161,338,577	\$ 168,044,998	\$ 176,312,408	\$ 135,804,398	\$ 143,420,307	\$ 132,292,894
Leases	2,269,322	-	-	-	-	-	-	-	-	-
Bank loans (previously capital leases)	-	-	-	489,000	960,000	1,414,000	2,032,839	2,723,162	3,391,389	3,321,531
Middle River Regional Jail agreement	3,093,669	4,081,401	5,048,154	5,994,375	6,920,498	7,826,952	8,714,153	9,694,615	-	-
Business-type activities:										
General obligation bonds ^c	47,059,698	23,092,891	25,553,083	27,942,286	30,785,886	26,299,704	28,742,532	27,875,343	30,485,783	33,027,532
Total primary government	\$ 286,688,643	\$ 181,822,163	\$ 196,262,086	\$ 190,959,628	\$ 200,004,961	\$ 203,585,654	\$ 215,801,932	\$ 176,097,518	\$ 177,297,479	\$ 168,641,957
Percentage of personal income ¹	12.08%	7.62%	9.37%	9.36%	9.96%	10.33%	11.08%	9.44%	10.21%	9.88%
Per capita ¹	\$ 5,403	\$ 3,293	\$ 3,788	\$ 3,536	\$ 3,663	\$ 3,723	\$ 3,980	\$ 3,269	\$ 3,370	\$ 3,235

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. The City implemented GASB Statement No. 87, Leases in fiscal year 2022. Prior year information has not been restated.¹ See Table 13 for personal income and population data. Population estimates and personal income were adjusted on Table 13 for 2013-2021.

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

^bFor 2021, the City issued \$84.6 million in general obligation bonds for a school construction project.

^cFor 2021, the City issued \$24.7 million in general obligation bonds for the construction of a water line (and related infrastructure) to the South Fork of the Shenandoah River.

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

Table 11

	Fiscal Year									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
General obligation bonds ^{a,b}	\$ 281,325,652	\$ 177,740,762	\$ 191,213,932	\$ 184,476,253	\$ 192,124,463	\$ 194,344,702	\$ 205,054,940	\$ 163,679,741	\$ 173,906,090	\$ 165,320,426
Total	\$ 281,325,652	\$ 177,740,762	\$ 191,213,932	\$ 184,476,253	\$ 192,124,463	\$ 194,344,702	\$ 205,054,940	\$ 163,679,741	\$ 173,906,090	\$ 165,320,426
Percentage of assessed real property value ¹	6.11%	3.96%	4.37%	4.34%	4.68%	4.80%	5.15%	4.17%	4.45%	4.23%
Per capita ²	\$ 5,302	\$ 3,219	\$ 3,690	\$ 3,416	\$ 3,483	\$ 3,554	\$ 3,782	\$ 3,038	\$ 3,305	\$ 3,171

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. The City implemented GASB Statement No. 87, Leases in fiscal year 2022. Prior year information has not been restated.
¹See Table 6 for assessed real property data. ²See Table 13 for population data. Population estimates were adjusted on Table 13 for 2013-2021.

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

^bFor 2021, the City issued \$109.3 million in general obligation bonds for a school construction project and for the construction of a water line (and related infrastructure) to the South Fork of the Shenandoah River.

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

Table 12

	Fiscal Year										
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	
Debt limit	\$ 460,515,110	\$ 449,093,956	\$ 437,268,577	\$ 424,975,640	\$ 410,593,639	\$ 404,755,515	\$ 398,330,643	\$ 392,350,239	\$ 390,855,490	\$ 391,063,503	
Total debt applicable to limit	258,430,269	172,837,868	186,527,487	181,550,575	190,438,565	193,377,886	204,952,793	168,768,444	169,502,922	166,454,775	
Legal debt margin	\$ 202,084,841	\$ 276,256,088	\$ 250,741,090	\$ 243,425,065	\$ 220,155,074	\$ 211,377,629	\$ 193,377,850	\$ 223,581,795	\$ 221,352,568	\$ 224,608,728	
Total debt applicable to the limit as percentage of debt limit	56.12%	38.49%	42.66%	42.72%	46.38%	47.78%	51.45%	43.01%	43.37%	42.56%	
Legal Debt Margin Calculation for Fiscal Year 2022											
Total assessed value of taxed real property	\$ 4,605,151,095										
Debt limit (10% of total assessed value)	\$ 460,515,110										
Debt applicable to limit:											
General obligation bonds	255,336,600										
Middle River Regional Jail agreement	3,093,669										
Legal debt margin	\$ 202,084,841										

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

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

Table 13

Fiscal Year	Population ¹	Personal Income (in thousands)	Per Capita Personal Income ²	School Enrollment ³	Unemployment Rate Percentage ⁴
2022	53,058	\$ 2,373,762	\$ 44,739	6,270	3.4
2021	55,220	2,387,271	43,232	6,141	5.5
2020	51,814	2,093,959	40,413	5,910	3.3
2019	53,997	2,131,316	39,471	5,793	3.9
2018	54,606	2,081,253	38,114	5,660	4.7
2017	54,689	1,992,539	36,434	5,423	4.7
2016	54,224	1,982,809	36,567	5,158	5.7
2015	53,875	1,888,265	35,049	4,956	6.4
2014	52,612	1,766,290	33,572	4,709	6.4
2013	52,127	1,715,864	32,917	4,513	6.4

Notes: Population estimates have been adjusted for 2013-2019 and 2021 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 Community Development for 2022. University of Virginia Weldon Cooper Center for Public Service for 2013-2019 and 2021. United States Census Bureau for 2020. ² Bureau of Economic Analysis, United States Department of Commerce. Amounts for 2013-2021 have been adjusted based upon the latest available data. Data for 2022 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 2022			Fiscal Year 2013		
	Approximate Employees	Rank	Percent of Total City Employment	Approximate Employees	Rank	Percent of Total City Employment
James Madison University	> 999	1	> 3.20%	>999	1	> 3.35%
Harrisonburg City Public Schools	> 999	2	> 3.20%	500 - 999	2	1.68% - 3.35%
Aramark Campus LLC	500 - 999	3	1.60% - 3.20%	500 - 999	3	1.68% - 3.35%
City of Harrisonburg	500 - 999	4	1.60% - 3.20%	500 - 999	4	1.68% - 3.35%
Eastern Mennonite University	500 - 999	5	1.60% - 3.20%	500 - 999	8	1.68% - 3.35%
Tenneco Inc	500 - 999	6	1.60% - 3.20%	500 - 999	6	1.68% - 3.35%
George's Foods LLC	500 - 999	7	1.60% - 3.20%	500 - 999	7	1.68% - 3.35%
Shenandoah Valley Organic LLC	250 - 499	8	0.80% - 1.61%	-	-	-
Virginia Mennonite Retirement Community	250 - 499	9	0.80% - 1.61%	250 - 499	9	0.84% - 1.67%
Walmart Stores Inc	250 - 499	10	0.80% - 1.61%	250 - 499	10	0.84% - 1.67%
Rosetta Stone Inc.	-	-	-	500 - 999	5	1.68% - 3.35%
Total City Employment	31,267			29,822		

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									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
General government administration	60.0	58.6	56.1	55.2	53.6	51.0	48.6	48.6	48.6	45.7
Public safety:										
Police ^a	136.6	136.6	136.6	134.6	130.4	125.9	118.4	114.4	114.2	107.6
Fire ^a	87.2	86.4	85.4	84.0	83.7	82.9	81.9	81.8	80.7	80.7
Other	16.0	16.0	16.0	16.0	16.0	15.0	14.0	14.0	14.0	14.0
Public works ^b	85.7	84.4	79.9	79.9	79.6	77.1	75.2	75.2	99.7	98.0
Education ^d	57.7	57.2	55.7	53.3	50.0	44.3	38.7	43.0	42.5	40.2
Parks, recreation and cultural	80.0	79.1	82.5	84.0	78.1	71.9	71.1	72.4	72.2	73.8
Planning and community development	13.5	13.7	14.4	13.6	16.7	16.7	16.2	17.0	17.0	16.4
Water	37.9	37.2	37.0	37.0	35.5	35.0	34.5	33.9	33.9	32.6
Sewer	28.3	28.1	28.1	28.1	28.7	26.0	24.5	24.6	24.4	24.1
Public transportation ^d	72.9	71.2	67.1	69.7	60.2	58.3	60.0	58.8	50.9	47.1
Steam plant/sanitation ^{b,c}	25.4	25.0	25.7	25.2	25.2	25.2	25.2	58.9	31.0	31.0
Stormwater	3.7	3.7	3.7	3.7	3.7	3.7	3.7	-	-	-
Central garage	19.0	16.2	15.5	15.6	15.7	15.6	15.5	14.8	15.1	15.8
Central stores	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Total	725.9	715.4	705.7	701.9	679.1	650.5	629.5	659.4	646.2	629.0

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

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

^dThe 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									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Police										
Calls answered ^a	96,863	110,466	55,086	42,999	42,900	41,536	42,686	40,099	39,132	34,935
Traffic citations	11,135	10,000	8,940	10,089	9,369	8,280	8,442	7,648	10,683	7,900
Fire										
Calls answered	6,065	5,135	5,458	5,493	5,636	5,310	5,574	5,246	4,708	4,923
Inspections	2,250	2,038	2,300	3,488	3,593	4,041	2,987	1,351	1,568	1,893
Public works										
Streets repaved (total miles)	6.12	12.00	10.65	6.97	7.85	8.88	8.22	11.69	9.98	5.10
Parks and recreation										
Pool admissions	32,586	18,247	21,831	32,155	28,890	38,873	34,651	37,398	37,258	32,605
Rounds of golf played	24,326	21,168	19,142	24,708	27,248	29,819	30,001	29,488	28,995	27,275
Planning and community development										
Building permits issued	475	566	595	573	648	702	664	691	651	1,035
Water										
Daily consumption (millions of gallons)	6.42	5.89	5.90	5.63	5.95	5.88	5.74	5.61	5.38	5.37
New customer connections	36	54	65	97	103	100	44	61	59	67
Sewer										
Daily consumption (millions of gallons)	5.24	4.86	4.87	4.76	4.89	4.74	4.68	4.57	4.40	4.27
New customer connections	22	46	27	17	14	77	13	15	12	14
Public transportation										
Transit bus passengers ^b	1,360,066	503,759	1,872,845	2,120,458	2,116,785	2,572,937	2,807,730	2,820,419	2,773,561	2,749,235
Sanitation										
Avg. daily steam plant intake (tons) ^c	-	-	-	-	-	-	-	-	67.8	125.1
Materials recycled (tons)	-	-	-	-	-	-	-	737.0	709.5	754.4
Solid waste collected (tons)	9,523	9,823	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 2020, the Police Department transitioned to a new reporting system and the manner in which calls are received and data captured has changed.

^bIn 2020, the City significant decrease in transit bus passengers was due to the COVID-19 pandemic.

^cIn 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									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Police										
Police stations	3	3	3	3	3	3	3	3	3	3
Patrol units (including motorcycles)	76	72	70	69	64	56	48	49	48	48
Fire										
Fire stations	4	4	4	4	4	4	4	4	4	4
Fire trucks	12	13	14	13	12	12	12	12	12	12
Public works:										
Streets (centerline miles)	142.82	140.85	139.38	139.38	139.78	139.78	139.44	140.27	138.99	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	193	193	204	204	204
Water:										
Water lines (linear feet)	1,735,522	1,733,878	1,722,475	1,705,440	1,694,719	1,680,534	1,664,446	1,610,400	1,608,662	1,604,272
Storage capacity (millions of gallons)	28.50	28.50	28.50	28.50	25.25	25.25	25.25	25.25	25.25	25.25
Sewer:										
Sewer lines (linear feet)	1,098,602	1,098,405	1,095,104	1,082,400	1,075,269	1,066,269	1,059,020	1,024,320	1,024,591	1,077,694
Public transportation:										
Transit buses	51	51	51	51	51	50	50	48	44	42
Sanitation:										
Steam plant capacity (tons per day) ^b	-	-	-	-	-	-	-	-	200	200
Refuse collection trucks	7	7	7	7	7	7	7	8	7	7
Recycling collection trucks	3	3	3	3	3	4	4	2	4	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 annual comprehensive financial report is intended to demonstrate the City's compliance with various state and federal legal matters, as well as, compliance with federal grant funding requirements. It is prepared in conformity with the provisions of the U.S. Office of Management and Budget's Uniform Guidance.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns* and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Harrisonburg, Virginia (the “City”), as of and for the year ended June 30, 2022, 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 6, 2022.

Report on 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. **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.**

Report on 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 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 City'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
December 6, 2022



**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

Opinion on Each Major Federal Program

We have audited City of Harrisonburg, Virginia's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of City of Harrisonburg, Virginia's major federal programs for the year ended June 30, 2022. City of Harrisonburg, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, 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 each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of City of Harrisonburg, Virginia and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of City of Harrisonburg, Virginia's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to City of Harrisonburg, Virginia's federal programs.

Auditor's Responsibility for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City of Harrisonburg, Virginia's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City of Harrisonburg, Virginia's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding City of Harrisonburg, Virginia's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City of Harrisonburg, Virginia's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 City of Harrisonburg, Virginia's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. **Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.**

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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
December 6, 2022

CITY OF HARRISONBURG, VIRGINIA

SUMMARY OF COMPLIANCE MATTERS

June 30, 2022

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

Governor's Opportunity Funds

Uniform Disposition of Unclaimed Property Act

Stormwater Utility Program

State Agency Requirements

Education

Highway Maintenance Funds

Fire Programs Aid to Localities

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, 2022

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>Assistance Listing #</u>
Child Nutrition Cluster	10.553, 10.555, 10.559
CDBG Entitlement Grants Cluster - Community Development Block Grant - Entitlement	14.218
Federal Transit Cluster – Federal Transit – Formula Grants	20.507
COVID-19 – Coronavirus State and Local Fiscal Recovery Funds	21.027
COVID-19 – Governor's Emergency Education Relief Fund	84.425C
COVID-19 – Elementary and Secondary School Emergency Relief	84.425D
COVID-19 – American Rescue Plan – Elementary and Secondary School Emergency Relief	84.425U

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, 2022

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Assistance Listing 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	202221N119941	\$ -	\$ 1,892,869	\$
COVID-19 - National School Lunch Program	10.555	202121H170341	-	89,918	
National School Lunch Program	10.555	202222N119941	-	3,571,920	
COVID-19 - Summer Food Service Program for Children	10.559	202020N109941	-	115	
COVID-19 - Summer Food Service Program for Children	10.559	202121N119941	-	33,535	
COVID-19 - Summer Food Service Program for Children	10.559	202020N109941	-	1,102	
COVID-19 - Summer Food Service Program for Children	10.559	202121N119941	-	132,310	
Virginia Department of Agriculture and Consumer Services:					
National School Lunch Program (donated commodities)	10.555	Not Provided	-	256,360	
Total Child Nutrition Cluster				<u>256,360</u>	5,978,129
Virginia Department of Education:					
COVID-19 - Child and Adult Care Food Program	10.558	202121H170641	-	-	1,932
Child and Adult Care Food Program	10.558	202121N119941	-	-	11,028
Child and Adult Care Food Program	10.558	202221N119941	-	-	85,915
Child and Adult Care Food Program	10.558	202121N202041	-	-	783
Child and Adult Care Food Program	10.558	202221N202041	-	-	6,103
Fresh Fruit and Vegetable Program	10.582	202221L160341	-	-	177,629
COVID-19 - Pandemic EBT Administrative Costs	10.649	202121S900941	-	-	5,814
Department of Housing and Urban Development:					
Direct payments:					
CDBG - Entitlement Grants Cluster					
Community Development Block Grants/Entitlement Grants	14.218		220,807	615,247	
COVID-19 - Community Development Block Grants/Entitlement Gr	14.218		162,432	162,432	
Total CDBG - Entitlement Grants Cluster				<u>162,432</u>	777,679
Department of Justice:					
Pass-through payments:					
Virginia Department of Criminal Justice Services:					
Violence Against Women Formula Grants	16.588	21-F3245VA20	-	-	15,242
Violence Against Women Formula Grants	16.588	22-G3245VA21	-	-	25,838
Department of Transportation:					
Direct payments:					
Federal Transit Cluster:					
Federal Transit-Formula Grants	20.507		-	1,194,949	
COVID-19 - Federal Transit-Formula Grants	20.507		-	2,445,550	
Total Federal Transit Cluster				<u>2,445,550</u>	3,640,499
Pass-through payments:					
Highway Planning and Construction Cluster:					
Virginia Department of Transportation:					
Highway Planning and Construction	20.205	UPC 113685	-	729	
Highway Planning and Construction	20.205	UPC 116860	-	29,441	
Highway Planning and Construction	20.205	UPC 119661	-	4,611	
Virginia Department of Conservation and Recreation:					
Recreational Trails Program	20.219	VRT-314-D-170	-	250,348	
Total Highway Planning and Construction Cluster				<u>250,348</u>	285,129
Harrisonburg-Rockingham Metropolitan Planning Organization:					
Metropolitan Transportation Planning and State and					
Non-Metropolitan Planning and Research	20.505	46021-12	-	-	40,087
Virginia Department of Motor Vehicles:					
Highway Safety Cluster:					
State and Community Highway Safety	20.600	FSC-2021-51388-21388	-	1,180	
State and Community Highway Safety	20.600	FSC-2022-52312-22312	-	5,937	
State and Community Highway Safety	20.600	FPS-2022-52315-22315	-	2,606	
National Priority Safety Programs	20.616	FHLE-2021-51389-21389	-	672	
Total Highway Safety Cluster				<u>672</u>	10,395
Alcohol Open Container Requirements	20.607	154AL-2021-51301-21301	-	-	2,149
Alcohol Open Container Requirements	20.607	154AL-2022-52310-22310	-	-	4,229

(continued)

CITY OF HARRISONBURG, VIRGINIA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended June 30, 2022

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Assistance Listing Number	Pass-through Entity Identifying Number	Pass-through Payments to Subrecipients	Cluster Expenditures	Federal Expenditures
Department of the Treasury:					
Direct payments:					
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027		-	-	2,045,459
Pass-through payments:					
Virginia Department of Housing and Community Development:					
COVID-19 - Coronavirus Relief Fund	21.019	SLT0022	-	-	41,817
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	Not Provided	-	-	191,384
Virginia Tourism Corporation:					
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	Not Provided	-	-	54,915
Department of Education:					
Pass-through payments:					
Virginia Department of Education:					
Title I Grants to Local Educational Agencies	84.010	S010A200046	-	-	365,209
Title I Grants to Local Educational Agencies	84.010	S010A210046	-	-	1,361,343
Career and Technical Education - Basic Grants to States	84.048	V048A210046	-	-	128,756
English Language Acquisition State Grants	84.365	S365A200046	-	-	59,508
English Language Acquisition State Grants	84.365	S365A210046	-	-	245,437
Improving Teacher Quality State Grants	84.367	S367A200044	-	-	64,117
Improving Teacher Quality State Grants	84.367	S367A210044	-	-	153,165
School Improvement Grants	84.377	S377A150047	-	-	93,072
Student Support and Academic Enrichment Program	84.424	S424A200048	-	-	22,610
Student Support and Academic Enrichment Program	84.424	S424A210048	-	-	110,537
COVID-19 - Governor's Emergency Education Relief Fund	84.425C	S425C200042	-	-	90,702
COVID-19 - Elementary and Secondary School Emergency Relief	84.425D	S425D200008	-	-	104,907
COVID-19 - Elementary and Secondary School Emergency Relief	84.425D	S425D210008	-	-	4,442,639
COVID-19 - American Rescue Plan-Elementary and Secondary School Emergency Relief	84.425U	S425U210008	-	-	797,912
Special Education Cluster (IDEA):					
Special Education-Grants to States	84.027	H027A200107	-	117,991	
Special Education-Grants to States	84.027	H027A210107	-	1,120,266	
Special Education-Grants to States	84.027	H027X210107	-	12,528	
Special Education-Preschool Grants	84.173	H173A210112	-	29,609	
Total Special Education Cluster					1,280,394
State Council of Higher Education for Virginia:					
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	Not Provided	-	-	19,204
Department of Homeland Security:					
Pass-through payments:					
Virginia Department of Emergency Management:					
Emergency Management Performance Grants	97.042	0041	-	-	7,500
Homeland Security Grant Program	97.067	8251	-	-	24,290
Homeland Security Grant Program	97.067	8252	-	-	9,812
Homeland Security Grant Program	97.067	8253	-	-	63,317
Homeland Security Grant Program	97.067	8254	-	-	42,819
Homeland Security Grant Program	97.067	8547	12,000	-	12,000
Homeland Security Grant Program	97.067	8670	-	-	57,000
Homeland Security Grant Program	97.067	8671	-	-	54,250
Homeland Security Grant Program	97.067	0062	-	-	23,389
Homeland Security Grant Program	97.067	0078	92,000	-	92,000
Department of Defense:					
Direct payments:					
JROTC Funds	12.VA 170853				42,116
Total expenditures of federal awards					\$ 23,170,160

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, 2022

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, 2022, the School Board, a component unit, had food commodities totaling \$20,304 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, 2022.

<u>Program Title</u>	<u>Assistance Listing Number</u>	<u>Outstanding Loan Amount</u>
Capitalization Grants for Drinking Water State Revolving Funds	66.468	\$ 681,600